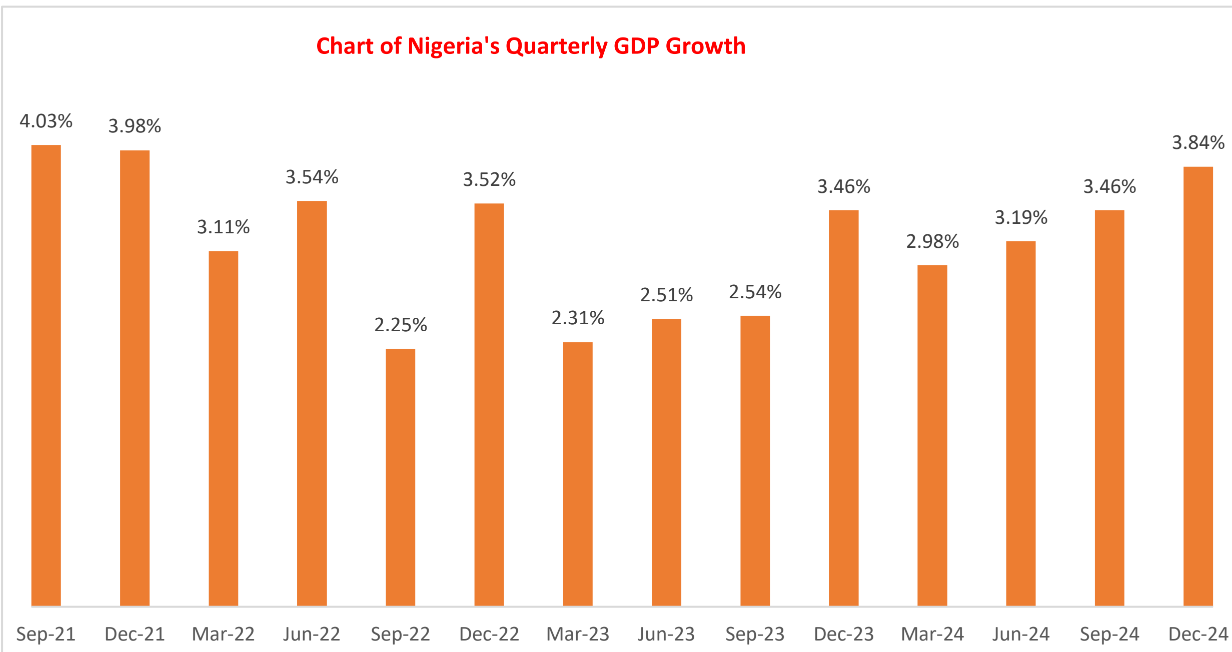
Analyst's Note on: Nigeria's Gross Domestic Products Report

Nigeria Sees Solid 3.40% Growth in 2024; Services Sector Leads Amid Oil Industry Struggles……

Nigeria's Gross Domestic Product (GDP) expanded by 3.4% in 2024, marking the fastest growth rate in three years and an improvement from 2.74% in 2023. This expansion was primarily driven by the services sector, which grew by 5.37% year-on-year, reinforcing its role as the dominant force in the country's economic output. However, despite this positive trajectory, the economy fell short of the Federal Government's ambitious 6% growth target for the year.

Economic growth was consistent throughout the year, with quarterly GDP figures reflecting a steady recovery. The first quarter posted a 2.98% growth rate, which accelerated to 3.19% in Q2, 3.46% in Q3, and peaked at 3.84% in Q4. This trend underscored the resilience of the economy, particularly as the non-oil sector remained the primary driver of expansion.



The non-oil sector contributed 94.49% to real GDP in 2024, slightly lower than its 94.60% share in 2023. However, its real growth rate improved to 3.96% from 3.07% in the previous year. Key contributors to this growth included financial services, telecommunications, agriculture (crop production), road transport, trade, and manufacturing. The increased adoption of digital financial services and continued expansion in telecommunications played a pivotal role in the sector's strength.

In contrast, the oil sector continued to struggle, reflecting persistent challenges in crude oil production and structural inefficiencies. The sector contributed 5.51% to GDP in 2024, a slight increase from 5.40% in 2023. However, crude oil output remained weak, averaging 1.54 million barrels per day (mbpd) for the year—marginally lower than the 1.56 mbpd recorded in 2023. The sector's limited output hindered its overall contribution to economic growth, despite modest improvements in the latter half of the year.

A closer look at sectoral performance highlights the increasing diversification of Nigeria's economy. The services sector continued to outpace other segments, contributing 57.38% to aggregate GDP in Q4 2024. Telecommunications and financial services were the standout performers, driven by increased internet penetration, digital banking expansion, and fintech adoption. Meanwhile, the agriculture sector recorded 1.76% growth in Q4, slightly below the 2.10% growth reported in the same period of 2023. The industrial sector, however, saw a slowdown, declining to 2% growth from 3.86% in Q4 2023.

For the oil sector, real growth declined to 1.48% in Q4 2024, down significantly from 12.11% in Q4 2023 and lower than the 5.17% recorded in Q3 2024. On a quarter-on-quarter basis, the sector contracted by 7.19%, underscoring the persistent challenges in crude oil production and investment. In contrast, the non-oil sector grew by 3.96% in Q4, higher than the 3.07% recorded in Q4 2023 and the 3.37% growth in Q3 2024. This growth was primarily driven by Financial and Insurance (Financial Institutions), Information and Communication (Telecommunications), Agriculture (Crop production), Transportation and Storage (Road Transport), Trade, and Manufacturing.

Despite the positive trajectory, Nigeria's economic landscape in 2024 remained complex, shaped by inflationary pressures, foreign exchange volatility, and structural challenges in the oil sector. While the services and non-oil sectors continued to drive growth, the lack of significant improvement in crude oil production highlighted vulnerabilities in export earnings and fiscal stability.

Looking ahead, economic growth is expected to remain anchored by the non-oil sector, which has accounted for 90% of overall output growth since 2021. The financial services and ICT sub-sectors are poised to maintain their strong momentum, while agriculture and trade could experience moderate expansion. However, sustained growth will depend on government efforts to address structural bottlenecks, improve business conditions, and enhance productivity across key sectors.

For the oil sector, a gradual recovery in upstream activities, alongside increased contributions from midstream and downstream operations, is anticipated. The Dangote Refinery's operations could significantly boost domestic refining capacity, potentially elevating Nigeria's crude processing capacity to 2.1 mbpd (excluding condensates). If successfully implemented, this could reduce Nigeria's dependence on fuel imports and help stabilise the foreign exchange market. However, the success of this initiative will largely hinge on the government's ability to allocate at least 0.65 mbpd of crude to local refining, ensuring a steady supply for domestic processing.