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ANALYTICAL REPORT ON NIGERIA'S ECONOMY: PERFORMANCE & WAY FORWARD (2015–2024)

tools: Python Notebooks, Latex

author: Joshua Edun



Executive Summary

0.1 The “K-Shaped” Economic Divergence

According to Investopedia.com, a K-shaped recovery “occurs when, following a recession, different parts of the economy recover at different rates, times, or magnitudes” ([Investopedia, 2024](#)). The data tells a similar story in the Nigerian economy: while the financial and digital economies are booming, the real sector—manufacturing, telecommunications, and consumer goods—is contracting. This is driven by aggressive currency devaluation, the removal of the petrol subsidy, and persistent security challenges in the agricultural belt, which have displaced over 3.3 million people as of 2024 ([Internal Displacement Monitoring Centre \(IDMC\), 2024](#)).

0.2 Key Highlights

1. **Financial Sector Boom:** The Financial & Insurance sector has decoupled from the broader economy, recording a **29.6% YoY growth in 2024**. This is largely a result of high-interest-rate environments and foreign exchange (FX) revaluation gains.
2. **Cost of Living Crisis:** Inflation has become a chronic issue. In 2024, **Imported Food inflation reached 41.3%**. The average Nigerian's diet is being affected by exchange rate volatility.
3. **Corporate Profitability Shift:** While **Zenith Bank** saw profits jump by **153% in 2023** ([Zenith Bank PLC, 2024](#)), industrial giants like **MTN Nigeria** and **Nestlé Nigeria** recorded losses, with MTN's losses widening by **192% in 2024** due to massive FX-related liabilities ([MTN Nigeria Communications PLC, 2024](#); [Nestlé Nigeria PLC, 2024](#)).

0.3 Core Insight

Policy intervention must shift from targeting mere GDP growth to **sector-specific stabilization**, particularly focusing on the FX-exposed manufacturing and telecommunications sectors which are the country's primary non-oil employers.

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GDP Analysis: The Shift from Oil to Services

1.1 Overview

For decades, Oil & Gas was the heartbeat of the nation, but between 2015 and 2024, the sector has struggled with a **compound annual growth rate (CAGR) of -4.4%**. This decline is attributed to chronic underinvestment and crude oil theft, which cost the nation an estimated 400,000 barrels per day in 2023 ([Nigeria, 2024](#)).

In contrast, the Services sector—led by Finance and Information & Communication Technology (ICT)—has stepped in to fill the vacuum, though it does not yet provide the same level of foreign exchange liquidity as the oil sector once did.

1.2 Top Five Sectors by Growth (2024)

1. **Financial & Insurance (29.61%)**: Driven by high policy rates and dollar-denominated asset revaluation.
2. **Water Supply & Waste Management (8.40%)**: Reflects increased urbanization and ongoing utility privatization.
3. **Transportation & Storage (6.54%)**: Recovering from the 2020–2022 downturns despite persistently high fuel costs.
4. **Information & Communication (5.42%)**: Sustained by the “necessity” nature of digital activity in modern economic life.
5. **Manufacturing – Oil & Gas (4.85%)**: Supported by a mild recovery in domestic refining activities.

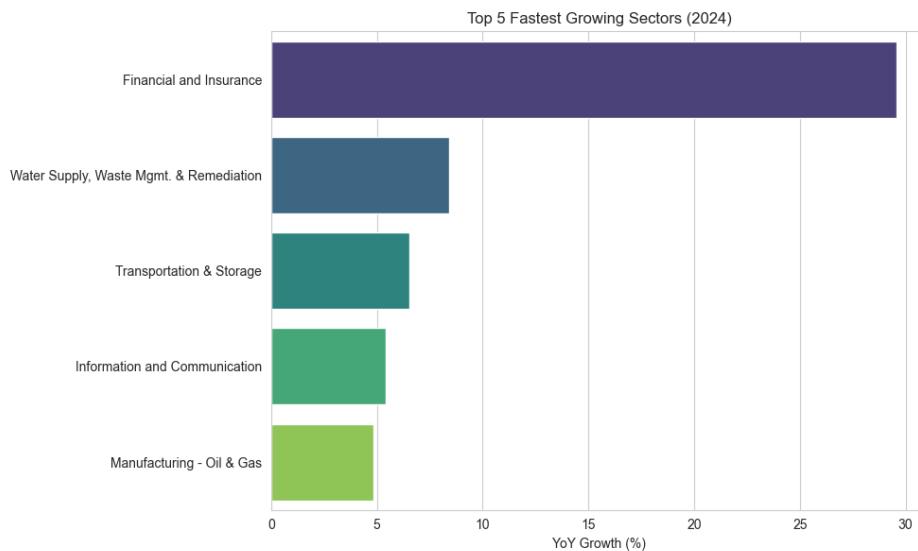


Figure 1.1: Top five fastest growing sectors in 2024.

1.3 Top Contributors to GDP (2024)

- Agriculture (24.64%):** The nation's largest employer and economic safety net.
- Services – Trade (17.69%):** Characterized by high transaction volumes but structurally low margins.
- Information & Communication (17.68%):** Often described as the “new oil” of the Nigerian economy.
- Manufacturing (8.64%):** Operating under severe pressure from elevated input and energy costs.
- Financial & Insurance (6.22%):** High value-added output despite a relatively small employment footprint.

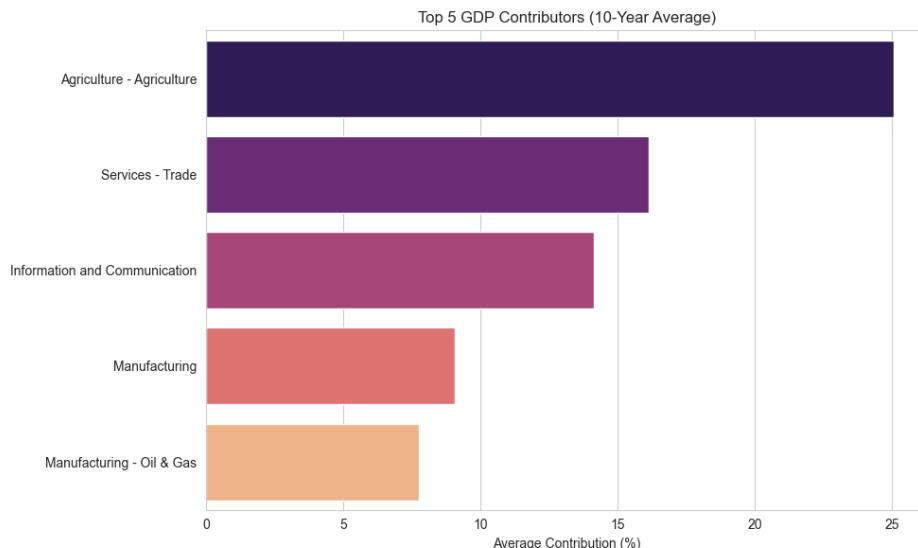


Figure 1.2: Top five GDP contributors by average share (2015–2024).

1.4 Best and Least Performers: Ten-Year Overview

- **Best (Growth): Financial and Insurance**, with the strongest average growth rate over the 2015–2024 period.
- **Best (Contribution): Agriculture**, maintaining the highest average share of total GDP.
- **Least (Growth): Manufacturing – Oil & Gas**, which experienced persistent contraction over the decade.
- **Least (Contribution): Administrative & Support Services**, contributing the smallest average share of GDP.

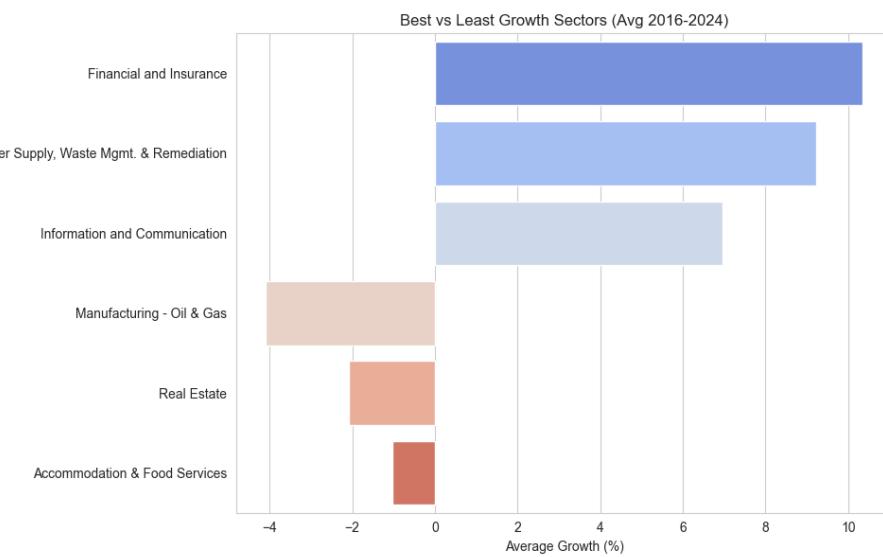


Figure 1.3: Comparison of the most and least successful sectors by average growth, 2016–2024.

2

CPI & Inflation

2.1 Inflation Dynamics

The removal of the fuel subsidy in 2023 and the unification of the Naira exchange rate regime served as simultaneous macroeconomic shocks. As a result, the “All Items” Consumer Price Index (CPI) increased cumulatively by **381.7%** between 2015 and 2024.

This inflationary surge reflects both cost-push pressures—primarily from energy and transportation—and imported inflation driven by exchange rate depreciation in a highly import-dependent economy.

2.2 Highest Cost Drivers (2024)

The most severe price increases over the decade were concentrated in essential consumption categories, intensifying food insecurity and eroding household purchasing power:

- **Imported Food (+41.3%)**: Nigeria’s dependence on imported wheat, sugar, and specialty fats has amplified the transmission of currency depreciation into domestic food prices, significantly increasing food insecurity risks.
- **General Food (+39.8%)**: Rising domestic logistics costs—particularly diesel—combined with the displacement of farmers in the North-Central “food belt” due to conflict have constrained supply ([Famine Early Warning Systems Network \(FEWS NET\), 2024](#)).
- **Transport (+31.7%)**: Elevated fuel prices have increased the “last-mile” cost of virtually every good and service sold across the country.

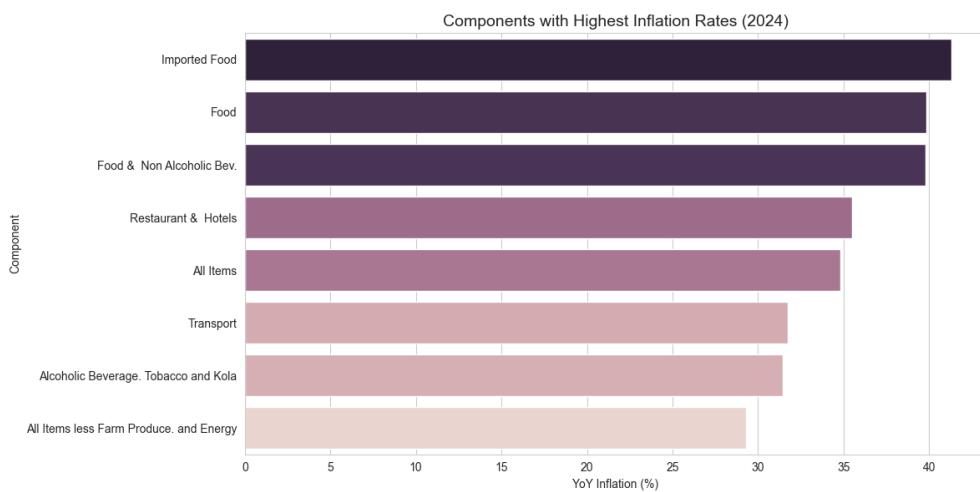


Figure 2.1: CPI components experiencing the highest cost-of-living increases over the last ten years.

2.3 GDP versus CPI: Sectoral Insights

- **Resilience:** The **Information & Communication Technology (ICT)** sector remains resilient. Digital services are largely inelastic; consumers continue to prioritize data and connectivity even as real incomes decline.
- **The Squeeze:** **Manufacturing and Trade** sectors are under significant stress. While headline GDP figures may show marginal volume growth, rising input, energy, and logistics costs are compressing margins beyond levels that consumers can absorb.
- **The Beneficiary:** **Financial Services** often act as a partial hedge against inflation, as rising price levels translate into higher interest rates and foreign exchange revaluation gains for Tier-1 banks.

3

Company--Sector Analysis: A Tale of Two Economies

While a sector may exhibit “growth” in GDP terms—which primarily measures output volume—firms operating within that sector may simultaneously experience financial distress due to value erosion.

Some divergence can be observed between sectoral GDP performance and company-level Profit After Tax (PAT), indicating a disconnect between macroeconomic output and microeconomic profitability.

3.1 Sectoral Growth versus Company Profitability

Table 3.1: Divergence between sectoral GDP trends and company Profit After Tax (PAT), 2024

Company	Respective Sector	Sector Trend (2024)	Company PAT Growth	Relationship Insight
Zenith Bank	Financial & Insurance	+29.6% (Boom)	+57%	Aligned: High interest rates and foreign exchange revaluation gains boosted both sector performance and PAT (Zenith Bank PLC, 2024).
Seplat Energy	Manufacturing – Oil & Gas	+4.8% (Recovery)	+16.9%	Resilient: Dollar-denominated revenues provide a natural hedge against exchange rate depreciation.
MTN Nigeria	Information & Communication Technology (ICT)	+5.4% (Growth)	-192% (Loss)	Diverged: Service usage increased, but USD-denominated debt severely eroded profitability (MTN Nigeria Communications PLC, 2024).
Nestlé Nigeria	Manufacturing	+8.6% (Growth)	-₦164.6bn (Loss)	Distressed: High input costs could not be passed on to consumers amid weakening purchasing power (Nestlé Nigeria PLC, 2024).
Okomo Oil	Agriculture	+2.1% (Steady)	Growth	Resilient: Export-linked commodity pricing insulated margins from domestic inflation.
Dangote Cement	Manufacturing	+8.6% (Growth)	Downward Pressure	Mixed: Strong domestic demand supported volumes, but energy costs and FX exposure on spare parts compressed margins.
Conoil	Manufacturing – Oil & Gas	+4.8% (Recovery)	Growth	Resilient: Benefited from fuel subsidy removal and downstream price deregulation.

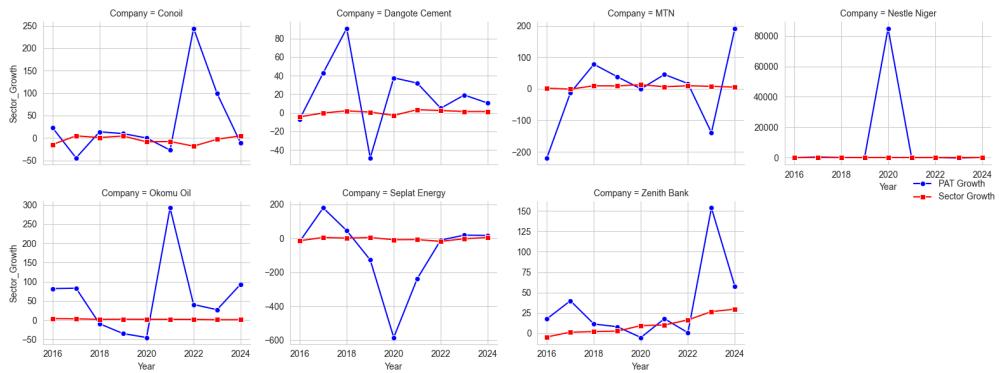


Figure 3.1: Divergence between sectoral GDP growth (red) and company Profit After Tax (blue).

3.2 Key Insight

Sectoral growth does not necessarily translate into improved company-level profitability. Consumers continue to use more data services (MTN Nigeria) and purchase fast-moving consumer goods such as seasoning products (Nestlé Nigeria), yet firms struggle to convert this demand into profit.

This disconnect arises because the cost of capital and critical production inputs—largely denominated in U.S. dollars—has grown faster than domestic purchasing power, resulting in accounting losses despite stable or growing output volumes.

4

Recommendations

4.1 For the Nigerian Economic Advisory Team

1. **Foreign Exchange Intervention for Essential Industries:** Implement a “**Managed Floating Window**”—a dedicated and prioritized foreign exchange channel for essential industrial inputs. This approach would mitigate the value erosion experienced by FX-exposed firms such as Nestlé Nigeria and MTN Nigeria by reducing exchange rate volatility on critical imports.
2. **Agricultural Productivity and Value Addition:** Shift policy focus from subsistence farming toward **agro-processing and value-chain development**. Strategic investment in secure transportation corridors and solar-powered cold storage infrastructure would reduce post-harvest losses, stabilize food supply, and moderate food inflation.
3. **Temporary Windfall Tax on Revaluation Gains:** Introduce a temporary “**Windfall Tax**” on extraordinary banking-sector profits arising from foreign exchange revaluation gains. Proceeds should be earmarked for infrastructure and credit support in struggling real-sector industries.

4.2 For Investors

- **Overweight: Financial Services (Tier-1 Banks).** Tier-1 banks—particularly **Zenith Bank**—offer the most effective hedge against Naira volatility and sustained high-interest-rate environments due to strong capital buffers and revaluation gains.
- **Overweight: Upstream Energy.** **Seplat Energy** provides exposure to the Nigerian economy with implicit **hard-currency protection**, as revenues are largely dollar-denominated, insulating earnings from domestic currency depreciation.
- **Avoid: Highly Leveraged Consumer Goods Firms.** Until exchange rate stability improves, highly leveraged consumer goods companies are likely to continue recording **accounting losses** driven by foreign exchange liabilities, limiting dividend capacity and equity returns.

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Appendices

