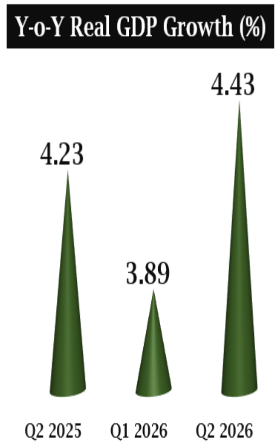
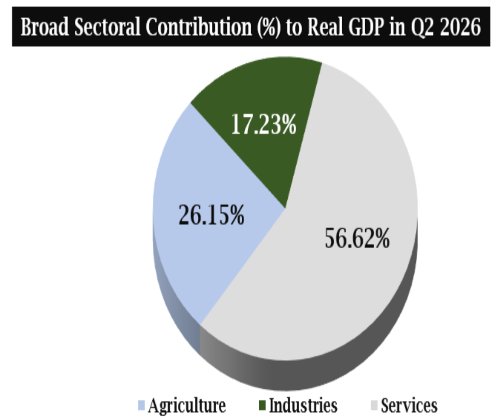
POSITION OF THE MANUFACTURERS ASSOCIATION OF NIGERIA ON SECOND QUARTER 2026 GDP REPORT

1.0 Introduction

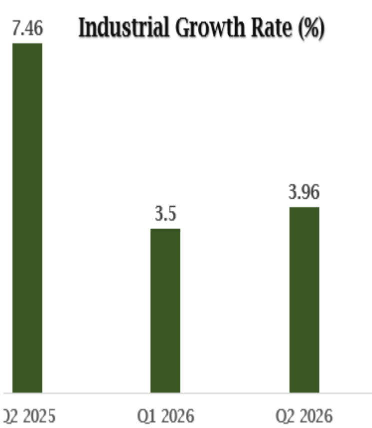
The Manufacturers Association of Nigeria (MAN) notes the National Bureau of Statistics (NBS) Q2 2026 Gross Domestic Product (GDP) report, which indicates an overall year-on-year real GDP growth rate of 4.43%, up from 3.89% in Q1 2026 and 4.23% in Q2 2025. While headline growth suggests economic resilience, a critical analysis reveals a widening disconnect between macroeconomic figures and real-sector vitality.

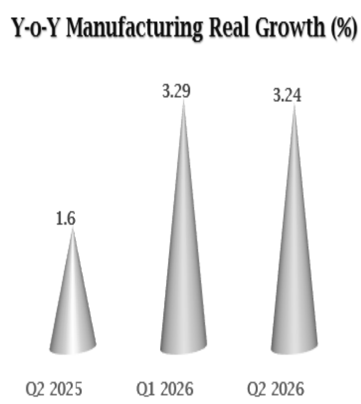


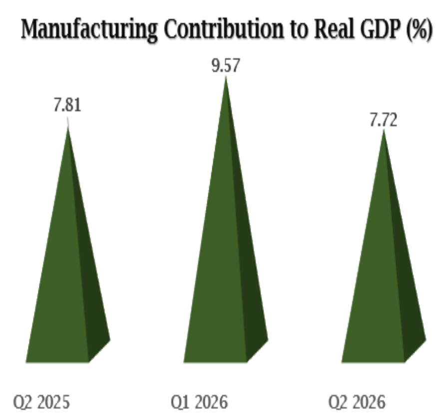


Data: *NBS* Infographics: *MAN*

The growth trajectory remains disproportionately service-driven (56.62% of GDP), while the broader industrial sector (17.23% of GDP) is visibly suffocating under severe structural headwinds. We must raise a critical alarm about the precipitous plunge in overall industrial growth, which has nearly halved, from a robust 7.46% in Q2 2025 to a troubling 3.96% in Q2 2026.







Data: *NBS* Infographics: *MAN*

This rapid industrial erosion was driven mainly by Electricity, Gas, Steam & Air Conditioning Supply, which recorded the sharpest contraction of -10.63% in Q2 2026. This was further compounded by a drastic drop in manufacturing's share of real GDP, which fell from 9.57% in Q1 2026 to 7.72% in Q2 2026, alongside a marginal decline in real manufacturing growth from 3.29% to 3.24%.

Ultimately, headline GDP growth driven by non-tradable service activities will fail to strengthen foreign exchange reserves, reduce structural inflation, or create sustainable mass industrial jobs. Therefore, Nigeria cannot sustain its growth momentum on services and extraction alone. A nation that trades and consumes what it does not produce builds prosperity on quicksand.

2.0 Strategic Insights from the Q2 2026 Figures

2.1 A Shrinking Manufacturing Contribution

The drop in manufacturing's contribution to GDP from 9.57% to 7.72% in a single quarter highlights severe cost pressure, a high exchange rate, outrageous interest rates and exorbitant electricity tariffs facing domestic manufacturers. Although manufacturing expanded year-on-year by 3.24%, its declining relative share indicates that industrial expansion is lagging behind broader economic activity.

2.2 Underperformance of Labour-Intensive Manufacturing Sub-sectors

A disaggregated view of the manufacturing sub-sectors reveals a clear structural divergence. Growth was concentrated in capital-intensive and heavy industrial segments, notably Oil Refining (+43.94%) and Cement (+12.75%). The surge in oil refining reflects the onboarding of domestic refining capacity, illustrating the transformative impact of domestic value addition.

However, high-employment sub-sectors are either stalling or contracting. Textile, Apparel & Footwear, which accounts for 22.95% of manufacturing real GDP, contracted by -1.23%. Motor Vehicles & Assembly also contracted by -1.02%. Meanwhile, the largest manufacturing group, Food, Beverage & Tobacco (36.58% share), grew modestly by 2.79%, weighed down by weak consumer purchasing power and food inflation.

2.3 Over-Reliance on Low-Value-Addition Services

While Services (56.62%) and Trade (17.93%) lead national growth, they do not inherently generate the sustainable productivity, export diversification, or high-density employment required to absorb Nigeria's growing labour force.

3.0 Major Implications for the Manufacturing Sector & the Economy

- **Employment Fragility:** Contraction in labour-intensive sectors like textiles and vehicle assembly directly threatens wage employment and risks triggering job losses across lower- and middle-income demographics.

- **Inflationary Spiral:** Slow growth in basic consumer goods manufacturing (such as Food & Beverages) signals supply-side constraints, which could perpetuate food inflation, undermine household real incomes and worsen the level of poverty.
- **FX Vulnerability:** Without an expanding export-oriented manufacturing base, foreign exchange inflows will remain bound to volatile primary commodity exports, perpetuating pressure on the Naira.
- **Erosion of Industrial Capacity and Technological Obsolescence:** Suffocating under exorbitant energy tariffs and prohibitive borrowing costs, manufacturers, particularly small and medium industries, are operating far below installed capacity. Instead of expanding production lines or acquiring modern technology, most factories are fighting to keep the lights on, leaving Nigerian industries less competitive globally.

4.0 Conclusion and Strategic Recommendations

The Q2 2026 GDP performance serves as a reminder that sustainable national prosperity must be anchored in active domestic manufacturing, not just service consumption and extraction. MAN remains fully committed to partnering with the government to engineer this vital industrial renaissance.

To halt the industrial erosion, pivot the economy away from import dependency and unlock sustainable real-sector expansion, we recommend the following strategic interventions:

4.1 Industrial Energy Security & Grid Optimization

- Direct NERC to immediately approve Eligible Customer status for contiguous industrial clusters, allowing direct bulk Power Purchase Agreements (PPAs) with GenCos to bypass DisCo inefficiencies and eliminate arbitrary charges.
- Establish a matching-grant facility via the Bank of Industry to de-risk upfront capital expenditure for manufacturers deploying captive solar PV and battery storage systems.

4.2 Targeted Monetary & FX Interventions

- Deploy a dedicated credit guarantee scheme through MOFI and DBN to de-risk commercial bank lending, forcing down interest rates for the manufacturing sector.
- Create a prioritised, transparent FX clearance window within the official market specifically for raw material and capital machinery import backed by Letters of Credit (LCs).

4.3 Industrial Policy and Public Procurement Mandate

- Pass the Nigeria Industrial Policy 2025 as an Act of Parliament to make targets and incentives legally binding, preventing arbitrary changes or abandonment by future administrations
- Integrate the Bureau of Public Procurement portal with a local content registry, automatically blocking budget releases to MDAs that fail to meet a 60% local procurement target.
- Enact a Local Patronage Compliance Act requiring all MDAs to grant Nigerian manufacturers the right of first refusal in procurement, mandating a temporary "Certificate of Non-Availability" from MAN (through FMITI) before any foreign purchase.

4.4 Targeted Sub-Sector Recovery & Backward Integration

- Enforce the 10-year tax relief for local vehicle assembly under the NAIDP while applying punitive import surcharges on fully built imported vehicles to protect local plants.
- Apply zero-rated VAT and early-stage tax exemptions directly to traceable domestic farm-to-factory supply chains to immediately lower raw material sourcing costs.
- Set and enforce an annual threshold for the value of imported goods with limited domestic capacity, allowing a 3-year window for local assembly and an additional 2 years to transition to full-scale manufacturing.