



AN OUTLOOK ON THE PRESENT AND THE FUTURE

INTRODUCTION

The Fast-Moving Consumer Goods (FMCG) industry is one of the most vibrant and competitive sectors in Nigeria. The sector is characterized by high consumer demand and rapid turnover of products, and significant number of companies involved in the production and sale of essential goods such as food and beverages, personal care products, and general retail items. These companies play a crucial role in the Nigerian economy.

Notably, according to NielsenIQ Retail measurement data for 2023^[1], inflationary pressure was the main driver of FMCG markets in Nigeria. Thus, while the total FMCG value for home care, personal care, skin care, and ambient food grew, household consumption spending of FMCG products drastically reduced due to the cash crunch effect which bedeviled the country in the third and last quarters of 2023.

In light of the foregoing, we have examined several factors and trends which have and will continue to influence the trajectory of the FMCG industry in Nigeria. This forecast therefore analyses these key trends, market dynamics, and potential challenges and opportunities that shape the FMCG industry presently and in the future.

[1] [State of the Nation 2023 of the FMCG Industry in Kenya and Nigeria - NIO \(nielseniq.com\)](#)

01. GDP GROWTH AND CONSUMER SPENDING

In the first quarter of 2024, Nigeria's economy was projected to experience a sustained growth rate of 3.46%^[2]. It was expected that this growth would be driven by a combination of factors including increased oil production, diversification efforts, and improvements in the non-oil sectors such as agriculture and manufacturing.

However, a review of the National Bureau of Statistics' Consumer Price Index of June 2024^[3] reveals that the expected improvement of the Nigerian economy is still yet to be seen as food inflation rate is at 40.87% while all items inflation rate was as high as 43.95% in select states on Nigeria. While it is expected that economic conditions will improve before the end of the year to increase consumer spending, inflationary pressures and potential currency fluctuations could pose serious challenges to purchasing power.



[2] [Reports | National Bureau of Statistics \(nigerianstat.gov.ng\)](https://nigerianstat.gov.ng/reports).
[3] [Reports | National Bureau of Statistics \(nigerianstat.gov.ng\)](https://nigerianstat.gov.ng/reports).

02. | INFLATION AND CURRENCY FLUCTUATIONS

Inflation remains a critical concern in Nigeria, with rates hovering around 34.19% as at June 2024, based on reports obtained from the National Bureau of statistics. The continuous increase of the monetary policy rate by the Central Bank of Nigeria and the concomitant persistent inflation affects the cost of raw materials, transportation, and overall production expenses for FMCG companies.

Additionally, the Nigerian Naira's instability against major currencies plays a significant role in determining the cost of imported goods and raw materials. Companies may need to adopt strategic pricing (based on demand, brand prestige or consumer needs) and cost management practices to mitigate the impact of these economic variables.

03. | HEALTH AND WELLNESS TRENDS

Nigerian consumers are increasingly prioritizing health and wellness, influencing their purchasing decisions. There is a growing demand for organic, natural, and healthier food and beverage options. There is also the need to build consumer confidence to mitigate the impact caused by the influx of counterfeits within the market.

Consequently, FMCG companies that can innovate and offer products that cater to these health-conscious consumers are likely to gain a competitive edge. For instance, brands introducing low-sugar, and organic products may see increased market share.



04. | E-COMMERCE ADOPTION AND SUPPLY-CHAIN AUTOMATION

The digital transformation in Nigeria continues to reshape consumer behavior. The adoption of e-commerce and digital payment systems is on the rise, driven by improved internet penetration and smartphone usage. This poses a task for FMCG companies to strengthen their online presence and optimize their supply chains for e-commerce to capitalize on this trend now and in the long run. Partnerships with e-commerce platforms and the development of direct-to-consumer channels will be crucial for reaching a broader audience.

Further, it is expected that in the future, companies would utilize advanced technologies such as artificial intelligence (AI), machine learning, and blockchain to streamline operations, drive new product development to meet changing consumer preferences, enhance inventory management, and reduce costs. These technologies can improve efficiency, reduce waste, and enable better demand forecasting.

05. | GOVERNMENT INITIATIVES, POLICIES AND SUSTAINABLE REGULATIONS

The Nigerian government and the CBN have deployed several fiscal and monetary policy tools and instruments to achieve price stability. Initiatives such as support for small and medium-sized enterprises (SMEs) and temporal suspension of import duties on selected food items into the country to ease the demand pressure off local companies^[4].

Additionally, sustainability is becoming a key focus for governments. Hence, it is expected that FMCG companies will face increased pressure to adopt environmentally friendly practices. For instance, in Lagos State, the government has banned the use and distribution of single-use plastics such as Styrofoam, in the state^[5].

FMCG companies are therefore expected to stay informed about recent regulatory changes and leverage government support to enhance their competitiveness and sustainability.

[4] [FC suspends food imports duty, partners states on farming \(punchng.com\)](#)

[5] [LAGOS ANNOUNCES BAN ON USAGE OF STYROFOAMS, SINGLE-USE PLASTICS – Lagos State Government](#)

06. | MARKET CONSOLIDATION AND MERGERS

According to a Q1 2024 report by DealMakers Africa, the value of Nigerian mergers and acquisitions (M&A) in the first quarter of 2024 was estimated to be \$2.6 billion.^[6]

In the course of the year, we witnessed major mergers and consolidations including the award of \$1.5 million trade finance loan to an agro-allied company, Acier Nigeria Limited in February, the acquisition of a 60% stake in Presco Plc by Oak and Saffron and the 58.02% acquisition of Diageo's shareholding in Guinness Nigeria by Tolaram Group in June.^[7] These mergers undoubtedly herald benefits ranging from economies of scale, improved distribution networks, and enhanced competitive positioning. However, companies must navigate regulatory approvals and integration challenges during these consolidations.

07. | ENTRY OF NEW PLAYERS

Despite the exit of foreign companies like Procter & Gamble, GSK Plc and Bayer AG from Nigeria, the attractiveness of the Nigerian FMCG market continues to draw new entrants, both local and international.

In 2024, we see the entry of thriving players like Bokku Mart that went on to open 28 stores in Lagos alone, surpassing the Shoprite (25), Market Square (24) and Justrite (17) to become the largest store chain in Nigeria;^[8] Omniretail Inc., etc. These new entrants would introduce fresh competition and drive innovation. Thus, established companies will need to differentiate themselves through strong branding, superior product quality, and effective marketing strategies to maintain their market share



[6] [DMA Q1 2024 | DealMakersAFRICA](#)

[7] [Nigerian mergers and acquisitions reach \\$2.6 billion in the first quarter of 2024 - Nairametrics](#)

[8] [Nigeria: The new market leader is a discounter \(discountretailconsulting.com\)](#)

CONCLUSION



A holistic look at the growth of the FMCG industry in Nigeria portends a positioning for growth and transformation in 2024 and beyond. Economic recovery, shifting consumer preferences, regulatory changes, and technological advancements will shape the industry's landscape.

However, there will be significant challenges resulting from inadequate infrastructure, logistical bottlenecks, and geopolitical tensions. There will also be the seemingly never-ending need to take advantage of the opportunities in the rural areas occupied by over 50% of the Nigerian population, with a growing demand for affordable and accessible consumer goods.

Companies that can navigate these challenges, embrace digital transformation, and innovate in product development and resilient supply chain strategies will be well-positioned to thrive. By understanding these trends and adapting their strategies accordingly, FMCG companies can capitalize on the opportunities and overcome the challenges in the dynamic Nigerian market.

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