

Nigeria Third-Party Logistics (3PL) Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 150 pages | Mordor Intelligence

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Report description:

The Nigeria third-party logistics (3PL) market is anticipated to register a CAGR of more than 8.6% during the forecast period.

Key Highlights

COVID-19 severely impacted the Nigeria 3PL Market as the supply chains were disrupted worldwide. The growth of the Nigeria 3PL The growth of intra-continental trade through the African Continental Free Trade Agreement (AfCFTA) is what fuels the growth of the Nigerian 3PL market. Moreover, the growth in the manufacturing sector and the change in consumption patterns contribute to market growth, which has increased demand for logistics services.

The main economic constraints are infrastructure gaps and disjointed supply chains among the nations. African countries have to strategically and heavily invest in their infrastructure.

Along with the infra development, the synchronization of regulations related to different sectors (such as pharmaceutical products) and sub-regional blocks is necessary to support trade and a favorable business climate.

Nigeria's logistics sector is expanding due to infrastructure development in railways and airways, improved ties with other countries, growth in the manufacturing and export sectors, and e-commerce.

According to a survey conducted by the Lagos Chamber of Commerce and Industry, the Nigerian economy lost an estimated annual revenue of 3.46 trillion naira (USD 8.4 billion) due to poor infrastructure, poor implementation, and corruption at ports, of which 2.5 trillion naira (USD 6 billion) are corporate earnings losses across the economy.

According to the report, profit margins of corporate entities that use some of the country's key infrastructure, such as the Apapa port, have gradually shrunk as logistics costs have risen significantly.

In the first quarter of 2021, Apapa port handled the majority of export transactions, with goods worth 2.58 trillion nairas (USD 6 billion), accounting for 88.91% of total exports. Port Harcourt came in second with 167.29 billion nairas (USD 406 million), or 5.75%. Revenue at Mohammed Murtala International Airport increased by 2.5% to 75.4 billion naira (USD 183 million).

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In terms of imports, Apapa Port had the most transactions, valued at 2.92 trillion nairas (USD 7.1 billion), accounting for 42.73% of total imports. Tin Can Island came in second with 1.2 trillion nairas (USD 2.9 billion) or 17.95%, Port Harcourt came in third with 691.7 billion nairas (USD 1.6 billion) or 10.10%, and Muhammed Murtala International Airport came in third with 625.7 billion nairas (USD 1.52 billion) or 9.13%.

Nigeria Third-Party Logistics (3PL) Market Trends

AfCFTA to Increase Intra Regional Trade

The intra-Africa trade was currently limited to 15% of Africa's total trade, indicating a fragile intra-regional value chain compared to Asia, which is at 80%. With the introduction of the African Continental Free Trade Agreement (AfCFTA), the world's largest free trade zone signed by 54 countries and expected to revolutionize trade across the continent, the trade volume and hence the economy of the continent is expected to grow significantly.

The agreement will focus on increasing production capabilities in an exceedingly competitive global landscape. With the agreement implemented, the manufacturing and production of essentials and value-added products will increase, improving economic diversification and accelerating structural transformation, increasing investments, and decreasing the dependence on labor forces. Thus, shaping the competitiveness of the African economy through productivity gains.

According to the World Bank, if fully implemented to harmonize investment and competition rules, the trade pact could increase regional income by up to 9%, to USD 571 billion. It has the potential to generate nearly 18 million new jobs, many of which will be higher-paying and higher quality, with women benefiting the most. The resulting job and income growth could help up to 50 million people escape extreme poverty by 2035.

According to the report, Making the Most of the African Continental Free Trade Area, increased FDI could boost Africa's exports by up to 32% by 2035, with intra-African exports increasing by 109%, particularly in the manufactured goods sector. Tunisia (165%), Cameroon (144%), Ghana (132%), Tanzania (126%), and South Africa (61%) will all see an increase in intra-African exports.

Increased manufacturing output and exports in Nigeria

The project Make in Nigeria for Export (MINE) is a presidential initiative to develop the "world-class" Special Economic Zones (SEZs) across Nigeria and boost the manufacturing of "Made in Nigeria" goods for export, regionally and globally.

The project aims to increase the manufacturing sector's contribution to GDP to about 20%, create 1.5 million new direct jobs and generate over USD 30 billion yearly by 2025. The Federal Executive Council (FEC), the Economic Management Team (EMT), and Project MINE's Steering Committee of the country will be working under the sustainable Public-Private Partnership (PPP) model to develop SEZs across Nigeria.

According to the National Bureau of Statistics (NBS), Nigeria's manufacturing sector grew by 5.89% (year on year) in real terms in Q1 2022, an increase of 3.61% from the previous quarter's growth rate of 2.28%. The sector's nominal GDP growth rate was 11.72% year on year in Q1 2022, a decrease of 20.38% points from the same quarter in 2021 (32.10%). The sector contributed 10.20% to overall GDP in real terms in Q1 2022, up from 9.93% in the first quarter of 2021 but down from 8.46% in the fourth quarter of 2021.

Manufacturing encompasses the production of cement, food, drinks, and tobacco products; textiles, clothes, and footwear; wood and wood products; pulp paper and paper goods; chemicals; and pharmaceuticals. The manufacturing sector also includes the manufacturing of non-metallic products, plastic and rubber goods, electrical and electronic goods, basic metals and iron and steel, motor vehicles and their assembly, and other goods.

According to the Q1 2022 GDP report, the manufacturing sector grew by 5.89% year-on-year, an increase of 2.49% over the same

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period in 2021 and 3.61% points over the previous quarter in Q4 2021. In nominal terms, the sector's growth rate was -2.96% quarter on quarter. However, the sector's growth rate in real terms was 2.85% quarter-on-quarter.

Nigeria Third-Party Logistics (3PL) Market Competitor Analysis

The Nigeria Third-Party Logistics (3PL) Market is highly fragmented with a large number of local and international players such as FedEx, UPS, GMT Logistics, Maersk, DHL International GmbH, Creseada International Limited, Bollore Transport and Logistics, MSC (Mediterranean Shipping Company and many more as its key players. Given the vast population and regulatory changes in the economy, the country expects speedy growth in the coming years. Companies globally are investing in developing their business in the country to grasp the opportunity.

Additional Benefits:

The market estimate (ME) sheet in Excel format

3 months of analyst support

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