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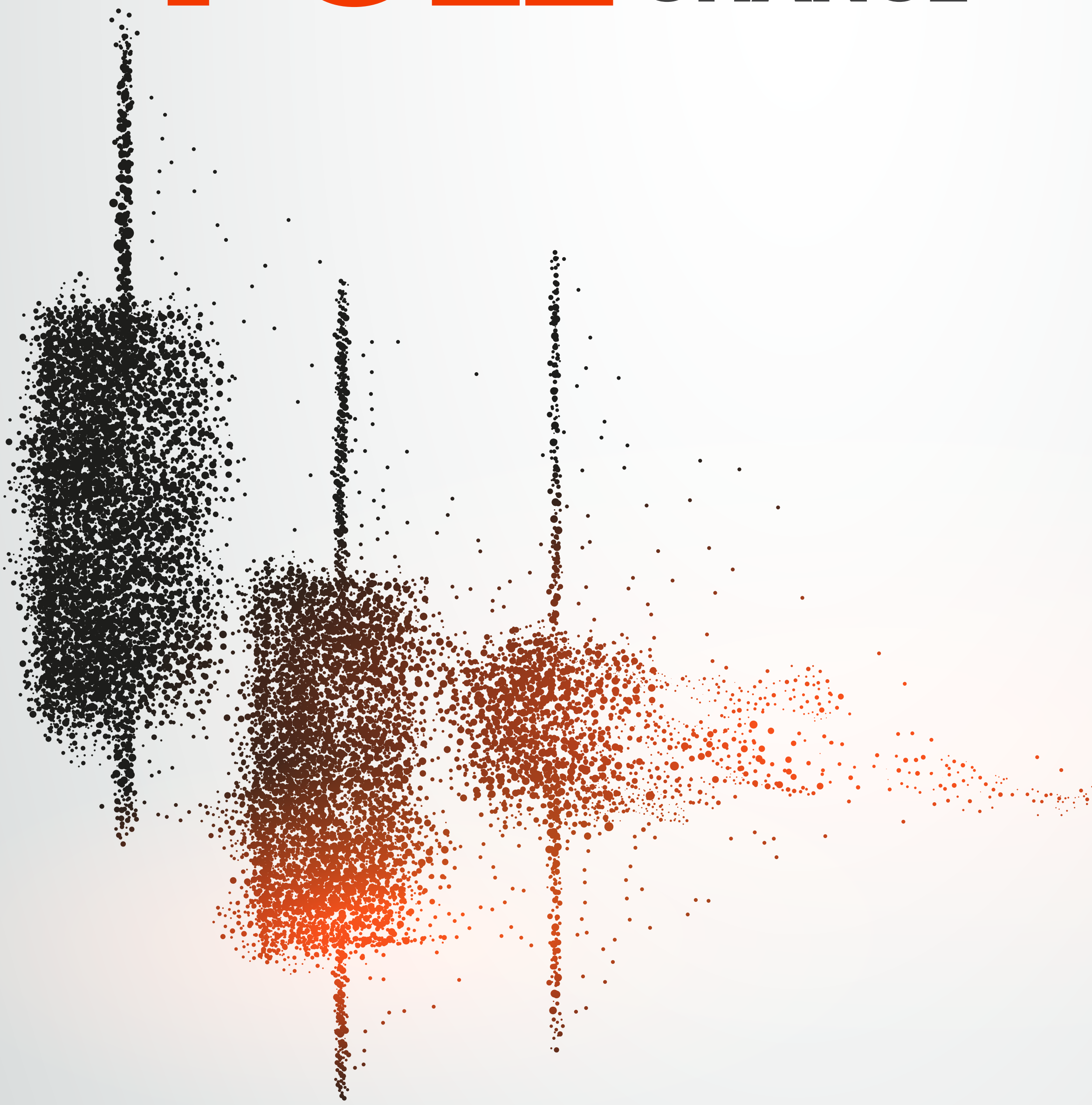
THE PUSH & PULL OF CHANGE



2025 NORRENBERGER ECONOMIC OUTLOOK (NEO)

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CONTENT

GLOSSARY

- **ASI (All Share Index):** A stock market index that tracks the performance of all listed companies on the Nigerian Exchange, reflecting the overall market movement.
- **BDC (Bureau De Change):** Financial institutions licensed to buy and sell foreign currencies in Nigeria, serving as intermediaries in the foreign exchange market.
- **CBN (Central Bank of Nigeria):** The national banking institution responsible for regulating the Nigerian banking industry, managing monetary policy, and ensuring financial stability.
- **FGN (Federal Government of Nigeria):** The central government of Nigeria, responsible for national administration, policy-making, and governance.
- **GDP (Gross Domestic Product):** The total value of goods and services produced within a country over a specific period, used as a measure of economic performance and growth.
- **Hawkish Monetary Policy:** A stance taken by a central bank to control inflation and stabilize the economy, typically characterized by higher interest rates and reduced money supply to curb excessive spending and borrowing.
- **PMI (Purchasing Managers' Index):** An economic indicator derived from monthly surveys of private sector companies, providing information about current business conditions and economic trends.
- **NAFEM (Nigerian Autonomous Foreign Exchange Market):** A market system in Nigeria where the exchange rate is determined by supply and demand dynamics, allowing for more flexibility and transparency in foreign exchange transactions.
- **NBS (National Bureau of Statistics):** The government agency responsible for collecting, analyzing, and disseminating statistical data in Nigeria, covering various aspects of the economy and society.
- **Net Open Position (NOP):** The net difference between the overall foreign assets and foreign liabilities of a bank, which includes on-and-off-balance sheet items such as spot and forward transactions.
- **NOP (Long):** A bank is considered to have a NOP in the Long Position when total foreign assets exceed total foreign liabilities.
- **NOP (Short):** NOP is in the Short Position when total foreign liabilities exceed total foreign assets.
- **NGX (Nigerian Exchange Group):** The principal stock exchange in Nigeria, facilitating the buying and selling of securities such as stocks and bonds.
- **PTA/BTA (Personal Travel Allowance/ Business Travel Allowance):** Foreign exchange allowances provided to individuals for personal or business travel, aimed at facilitating international transactions and travel-related expenses.

Executive Summary

The Nigerian economy in 2025 stands at the crossroads of significant transformation, shaped by a dynamic interplay of internal and external forces.

The push — structural reforms, policy shifts, and global economic conditions, meets the pull — market expectations, investor sentiment, and consumer behaviour, creating a complex environment for businesses and policymakers.

Last year was marked by high inflationary pressure, currency volatility, and fiscal policy recalibration, which tested economic resilience. However, the push for reforms, including the removal of subsidies, exchange rate unification, and banking sector recapitalization, set the stage for a more sustainable macroeconomic trajectory. Despite these measures, the pull of persisting challenges, including rising cost of living, elevated interest rates, and regulatory uncertainties, continue to weigh on economic momentum.

Globally, economic growth remained uneven. While the U.S. maintained steady expansion, China faced sluggish recovery, and the Eurozone battled weak demand. The re-election of Donald Trump introduced policy uncertainties that could affect trade and financial markets worldwide. In Nigeria, fiscal and monetary policy alignment remains crucial as the government navigates a challenging economic landscape.

The financial markets witnessed the contrary outcome of high fixed-income yields and sustained equity market bullishness. Investor confidence in equities remained strong despite aggressive interest rate policies.

The fiscal outlook remains cautiously optimistic, supported by expectations of stable oil production, expanded tax revenue, and improved infrastructure spending.

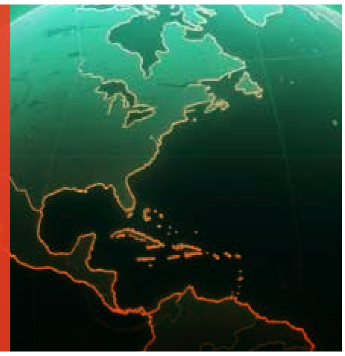
Key themes that will shape Nigeria's economic landscape in 2025 include:

- **Inflation moderation:** Expected to ease gradually but remain elevated in the first half of the year.
- **Exchange rate stability:** Policy measures aimed at narrowing the gap between the official and parallel markets.
- **Financial sector transformation:** Bank recapitalization, digital finance expansion, and ESG-driven investments.
- **Investment outlook:** Equities remain attractive, while fixed-income yields may soften in H2 2025.
- **Global linkages:** Trade policies and geopolitical tensions could influence capital flows and currency performance.

The year is expected to be defined by the interplay between reform-driven economic growth and persistent structural weaknesses. The ability of policymakers and businesses to navigate this "push and pull" will determine whether Nigeria achieves sustainable growth, macroeconomic stability, and financial market resilience.

GLOBAL ECONOMY

Uneven Growth Across Region, But Disinflation to Continue

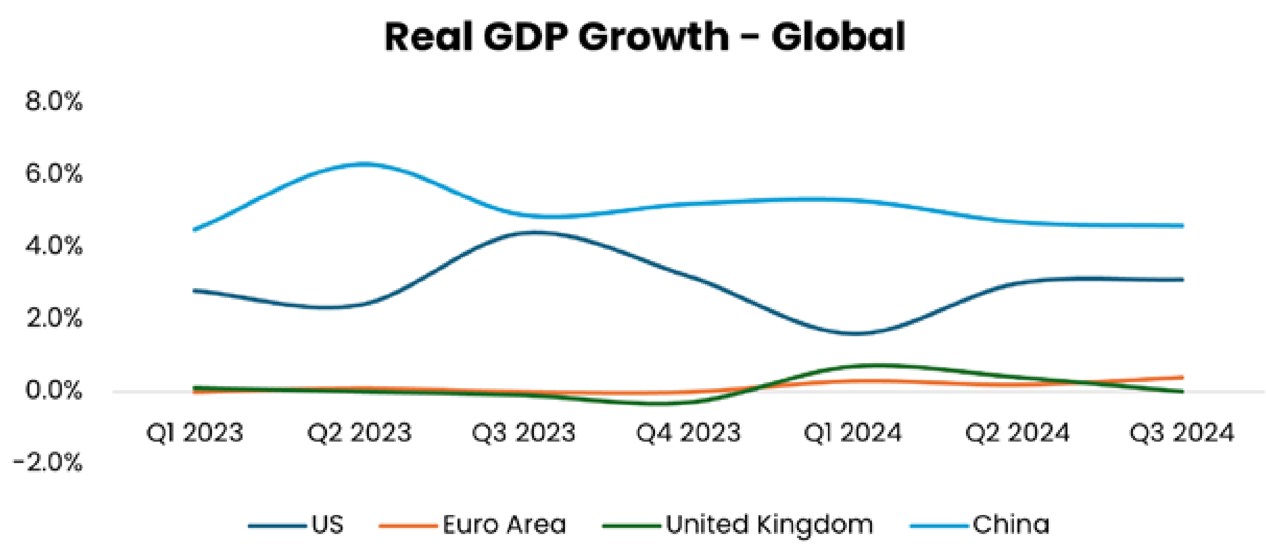


The global economy remained resilient in 2024, though growth varied significantly across countries and regions. The United States recorded impressive growth, as the economy expanded by an average of 2.6% over the first nine months of the year, fuelled by strong consumer spending, increased business investment, and relatively lower interest rates, which collectively bolstered economic optimism.

China's growth, at 4.7% year-over-year, lagged projections as delayed stability in the property market and persistently low consumer confidence dampened consumption. While faster-than-expected net export growth provided some support, it was insufficient to counter the broader slowdown. Similarly, India experienced a sharper-than-expected deceleration in industrial activity, contributing to slower overall growth.

The Euro Area continued to struggle with subdued growth, particularly in Germany, as high uncertainty weigh on consumption and investment following a decline in global demand for industrial goods. Japan saw a mild contraction in output, attributed to temporary supply chain disruptions.

The global economy is projected to grow by 2.7% annually in both 2025 and 2026, maintaining the same pace as in 2024. This outlook is supported by expected declines in inflation and interest rates, which are anticipated to stabilize economic conditions. Growth in developing economies is also forecasted to remain steady at around 4% over the next two years, reflecting resilience in these markets.



[Source: Trading Economics, Norrenberger Research]

However, the return of Donald Trump as U.S. president adds a layer of uncertainty to the global economic outlook for 2025. Potential policy changes, such as the reintroduction of higher tariffs, could disrupt international trade dynamics. While such measures might initially trigger inflationary pressures, past trends suggest these shocks may be temporary as consumers and businesses adapt to new conditions. Central banks worldwide are likely to play a critical role in navigating these challenges, carefully adjusting interest rates to sustain economic activity and mitigate risks.

Looking further ahead, intensifying regional competition in artificial intelligence, green technology, and security among the U.S., Asia, and Europe is poised to reshape the global economic landscape. These emerging sectors are expected to drive diversification in growth drivers, potentially diminishing U.S. dominance in critical markets and fostering a more multipolar global economy.

2025
2026
ECONOMY GROWTH PROJECTION

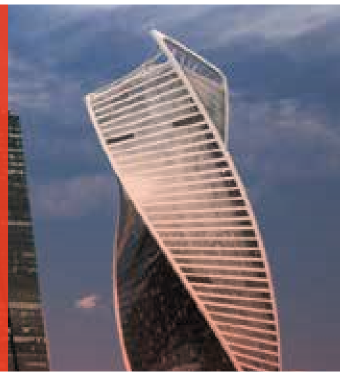
Global Economy

2.7% Annually

Developing Economies

4% Annually

Interest Rate Cut May Stall on Slow Disinflation

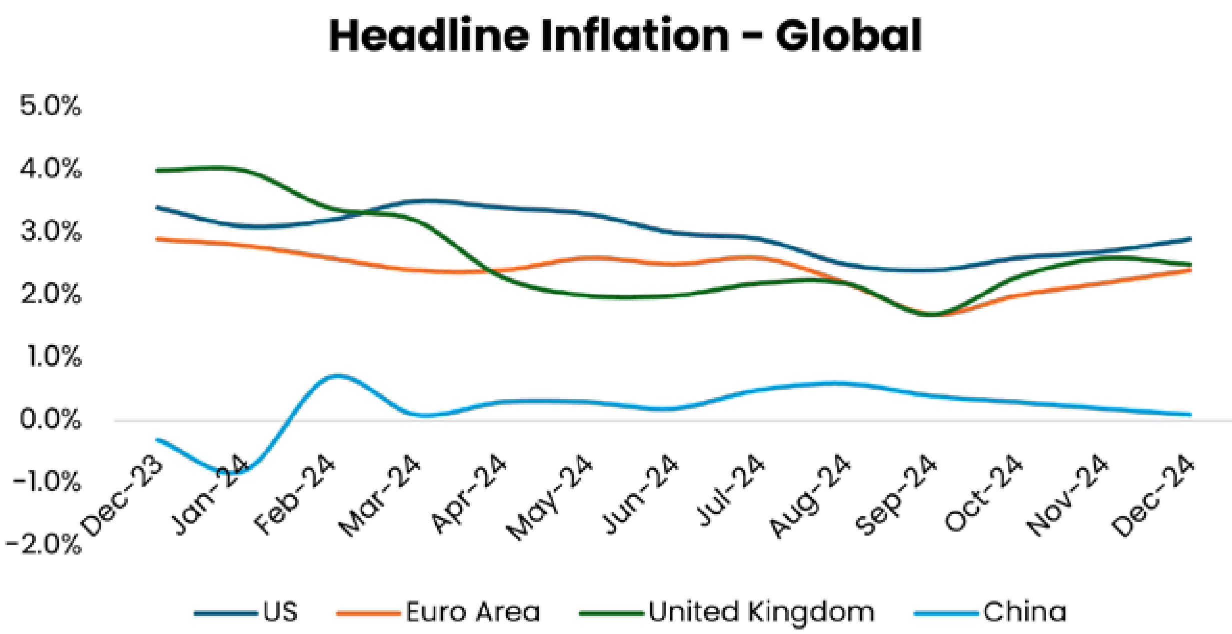


In terms of inflation, the global economy experienced further disinflation in 2024, although progress appeared stalled in some regions, with elevated inflation persisting in specific cases. In emerging markets and developing economies, inflation hotspots persisted, driven by diverse factors. Varying factors contributed to elevated price levels in parts of Europe and Latin America, underscoring the uneven progress in achieving price stability worldwide.

Nominal wage growth showed signs of moderation alongside continued labour market normalization. While core goods price inflation receded to or below pre-pandemic trends, services price inflation remained elevated in several advanced economies, notably the United States and the Euro Area.

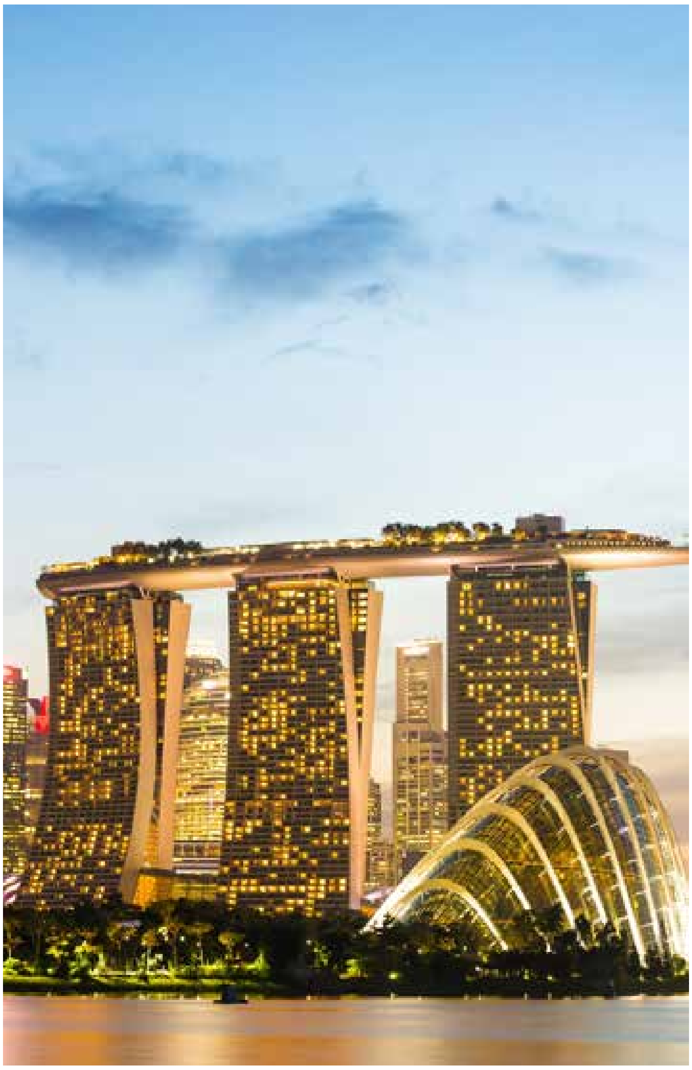
Although inflation has cooled from its 2022 peak of 9.1% in the US, it remains above the Federal Reserve's 2% target. Through December 2024, annual inflation stood at 2.9%. Persistent pressures suggest a slower trajectory toward achieving the Fed's goal. For 2025, we anticipate the Consumer Price Index (CPI) to close at 2.4%.

Consumer activity remains robust, with Q3 2024 spending growth at 3.7%. The Consumer Confidence Index rose to 111.7 in November,



[Source: Trading Economics, Norrenberger Research]

reflecting optimistic sentiment. The Expectations Index climbed to 92.3, well above the recession-warning threshold of 80. However, we expect spending growth to moderate to 2.0% in 2025 as economic conditions normalize.



Global headline inflation is projected to ease to 4.2% in 2025, according to the IMF, primarily due to declining price pressures in advanced economies, while emerging markets are anticipated to experience more gradual reductions. However, the trajectory of disinflation faces potential obstacles, particularly from policy-induced disruptions that could stall or reverse progress. Such disruptions may delay the transition toward looser monetary policies, raising concerns about fiscal sustainability and financial market stability. Effectively addressing these challenges will demand a careful policy approach that navigates the delicate balance between controlling inflation and supporting real economic activity.

2025
ECONOMIC PROJECTION

Spending Growth
2.0%

Consumer Price Index (CPI)
2.4%

Global Headline Inflation
4.2%

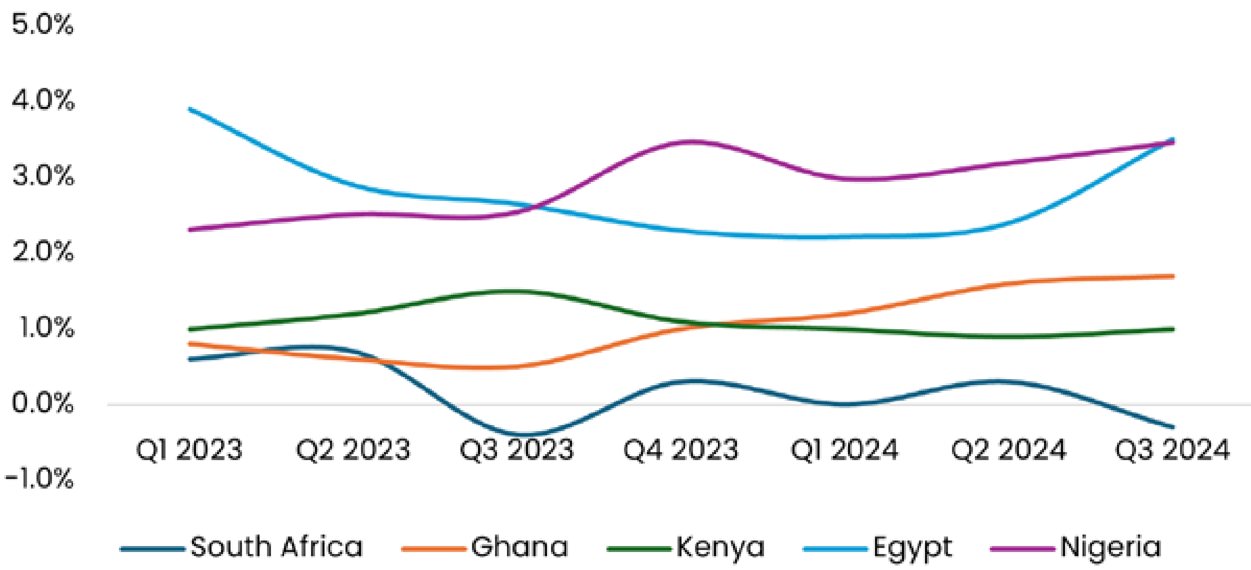
African Economy Grows on Improved Investments

The African region is estimated to have grown by 3% in 2024, an improvement from the 2.4% growth recorded in 2023. This growth was primarily supported by a combination of private consumption and investments. Modest expansions in major economies like Egypt and Nigeria contributed significantly to the region's performance, while contractions in South Africa hindered overall growth momentum.

Notably, Egypt recorded an average growth rate of 2.7% between Q1 and Q3 2024, slightly below the 2.9% average growth recorded in the previous year. In contrast, South Africa faced a 0.3% contraction in Q3 2024, following a 0.3% gain in Q2 and flat growth in Q1, underscoring persistent economic challenges.

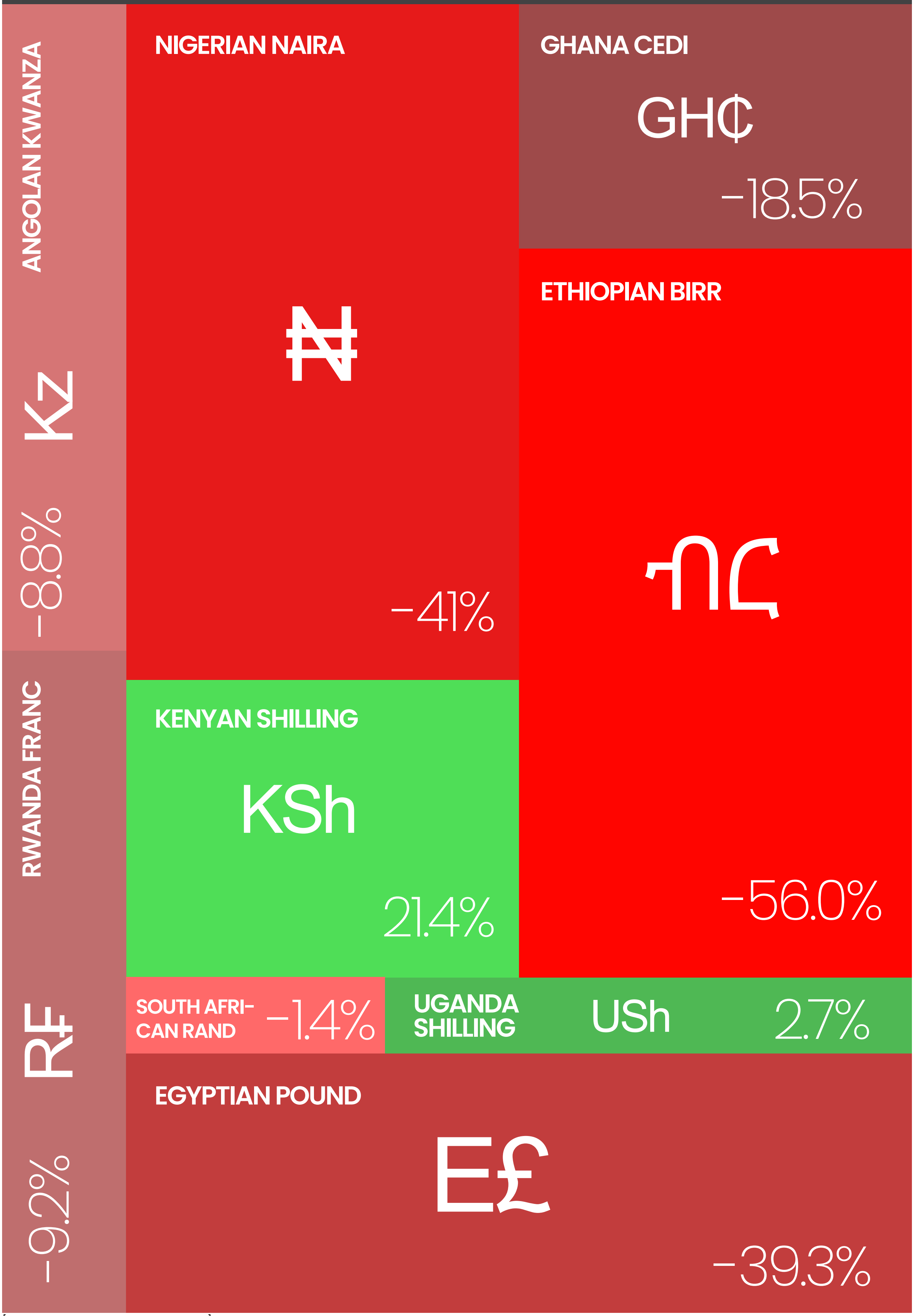
Some of the economies in the region also witnessed significant depreciation in their currencies. Currencies like Nigeria's naira, Ghana's cedi, Ethiopia's birr, and Egypt's pound all recorded double-digit depreciation in their currency against the US dollar for the review year, hereby impacting economic growth and fuelling inflationary pressures.

GDP Growth of Major African Economies



[Source: Trading Economics, Norrenberger Research]

PERFORMANCE OF MAJOR AFRICAN CURRENCIES IN 2024

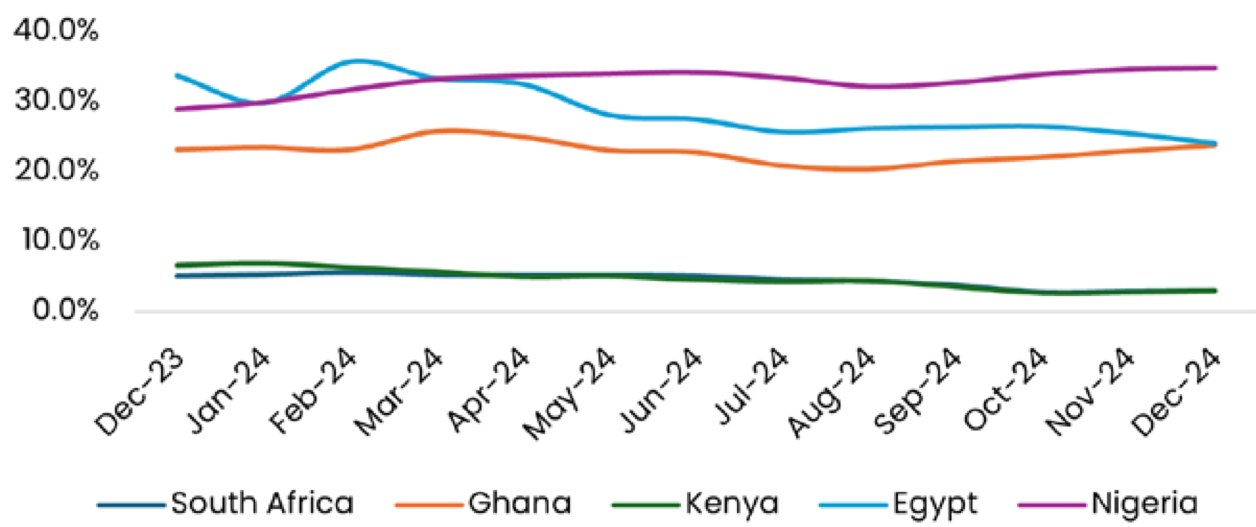


[Source: Norrenberger Research]

Inflation trend across the region generally moved downward in 2024. However, exceptions such as Nigeria and Ghana recorded a resurgence in inflation during the second half of the year, largely driven by escalating food prices.

Looking ahead, economic growth in the African region is projected to increase to 4% in 2025, according to the World Bank. Inflation is expected to moderate further in the coming year, although global factors like a stronger US dollar and rising energy prices could pose upward risks to inflationary pressures.

Headline Inflation of Major African Economies



[Source: Trading Economics, Norrenberger Research]

Global Bond Market Turbulence

The global fixed-income market recorded substantial inflows in 2024, driven by record-high yields across the bond market.

Approximately $600 billion flowed into global bonds during the year, as investors capitalized on the attractive yields, bolstered by expectations of declining interest rates in 2025.

Long-term UK government bond yields surged to its highest levels in decades, intensifying pressure on government finances. At the same time, the pound has struggled against major currencies, while domestic equities have lagged, reflecting broader market vulnerabilities and investor unease.

$600 Billion
Global bond issuance in 2024

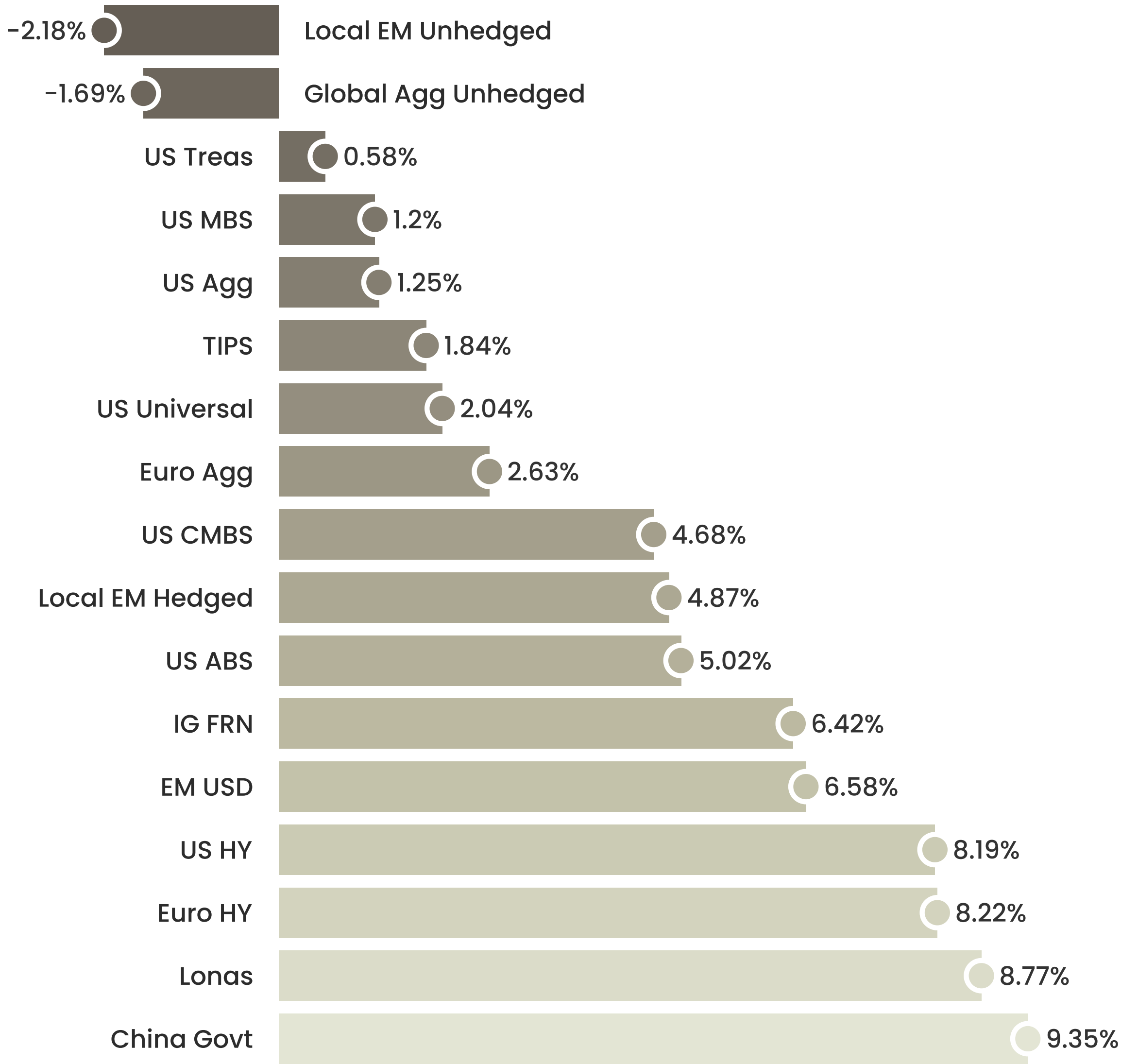
$9 Trillion
Global bonds in 2024

The turbulence in the bond market was a defining feature of 2024, as yields rose sharply while volatility remained elevated. Central banks' efforts to combat inflation through tight monetary policies have driven government bond yields to multi-year highs. In the U.S., the 10-year Treasury yield peaked at 4.772%, while 30-year Treasury yields reached 4.962%. Similarly, UK gilt yields rose to their highest levels in 27 years, underscoring the widespread strain across advanced economies. These rising yields have amplified borrowing costs, affecting both sovereign and corporate debt markets.

Adding to this challenging landscape, global bond issuance surged by 17% in 2024, reaching approximately $9 trillion. This increase reflects a paradox: issuers sought to capitalize on robust investor demand for fixed-income assets despite elevated interest rates.

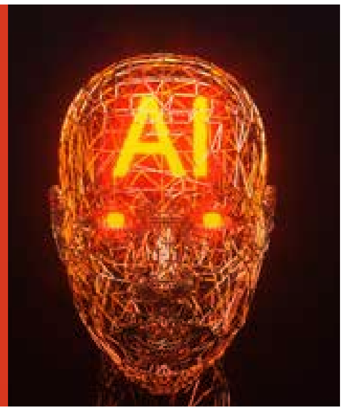
Persistent inflationary pressures and divergent economic trajectories among major economies have further complicated the picture. While some regions have made progress in reining in inflation, others continue to grapple with its effects, creating uneven growth patterns. This divergence, combined with elevated borrowing costs, has fueled uncertainty in the bond market, posing significant challenges for policymakers and investors alike.

Fixed Income Performance - 2024



[Source: Source: Bloomberg, Norrenberger Research]

Equities to Maintain Growth Buoyed by Robust Earnings and AI Innovations



Global equities delivered impressive performance in 2024, achieving nearly 20% growth and recording positive returns in all four quarters.

The MSCI AC World Index posted a total return of 19.6%, outperforming other major asset classes, including government bonds, corporate bonds, cash, and commodities. This robust performance was primarily driven by gains in the U.S. and China, with the S&P 500 surging 26.7% and the MSCI China Index climbing 21.6%.

The year began with measured optimism, as equity markets built on the momentum of 2023. In the U.S., the S&P 500 and Nasdaq led the charge, bolstered by exceptional gains in the technology sector, particularly among companies at the forefront of artificial intelligence (AI) innovation. Investor sentiment was buoyed by speculation that the Federal Reserve might begin cutting interest rates by the end of the year, further fueling market momentum.

In the second quarter, the rally broadened slightly, but the bulk of the gains remained concentrated in AI-driven and technology-focused companies. Meanwhile, economic data in the U.S. began to reflect some slowing, with GDP growth softening more than anticipated early in the year. Despite this, the Federal Reserve maintained its restrictive monetary stance, leaving investors cautiously optimistic about the path of interest rates.

The final quarter of 2024 brought a mix of headwinds and opportunities. The U.S. presidential election injected some volatility into the markets, while a stronger dollar and persistently high inflation created pockets of uncertainty. Nevertheless, equities proved resilient, supported by a broadening rally beyond technology and AI sectors.

Looking ahead, the outlook for global equities remains favorable, particularly as major central banks are expected to pivot toward interest rate cuts in 2025. This anticipated easing of monetary policy is likely to provide a supportive backdrop for equity markets, encouraging further investment and broadening gains across sectors. As inflationary pressures continue to moderate and economic conditions stabilize, global equities are well-positioned to extend their positive momentum, offering investors opportunities for growth in the coming year.

MSCI AC World Index	S&P 500	MSCI China Index
19.6%	26.7%	21.6%

NIGERIA ECONOMY

Nigeria's Economic Scoreboard for 2024

INFLATION ▲	34.8%	Dec'24	28.92%	Dec'23
EXCHANGE RATE (NAFEM) ▲	₦1,535/$	Dec'24	₦907.11/$	Dec'23
EXCHANGE RATE (PARALLEL MARKET) ▲	₦1,655/$	Dec'24	₦1,215/$	Dec'23
GDP GROWTH (REAL) ▲	3.21%	9M 2024	2.74%	FY 2023
PMI ▲	51.0	Dec'24	49.1	Dec'23
CRUDE OIL PRICE (BRENT/PB) ▼	$73.98	Dec'24	$77.63	Dec'23
EXTERNAL RESERVES ▲	$40.88bn	Dec'24	$32.91bn	Dec'23
UNEMPLOYMENT RATE ▼	4.3%	Q2'24	5.0%	Q3'23
MPR ▲	27.5%	Dec'24	18.75%	Dec'23
DEBT STOCK ▲	₦134.3Trn	Q3'24	₦97.34Trn	Q4'23
CAPITAL IMPORTATION ▲	$7.23Bn	9M 2024	$3.91Bn	FY 2023
OIL PRODUCTION (MBPD) ▲	1.34	FY 2024	1.26	FY 2023
NGX MARKET CAP ▲	₦62.76Trn	Dec' 24	₦40.92Trn	Dec' 23
PENSION ASSET VALUE ▲	₦22.51Trn	Dec' 24	₦18.36Trn	Dec' 23
MONEY SUPPLY (M3) ▲	₦108.97Trn	Nov'24	₦79.25Trn	Dec'23
MUTUAL FUND AUM ▲	₦3.89Trn	Dec'24	₦2.23Trn	Dec'23

GDP: Economy Shows Strength Despite Doldrums

Digital Services, Industry to Drive Economic Expansion

Nigeria's GDP grew by an average of 3.21% between January and September 2024, with a full-year growth estimate of 3.3%, compared to 2.74% in the previous year. This highlights a modest but sustained economic expansion despite the challenges posed by contractionary policies and economic headwinds.

Key factors influencing this growth include high interest rates, inflationary pressures, exchange rate volatility, and the exit of some multinational corporations.

While the non-oil sector, particularly the services industry, served as the primary driver of growth, the agricultural sector experienced sluggish growth. Notably, an expansion in the oil sector also contributed to the overall economic performance during the review period.

KEY FACTORS INFLUENCING GDP GROWTH

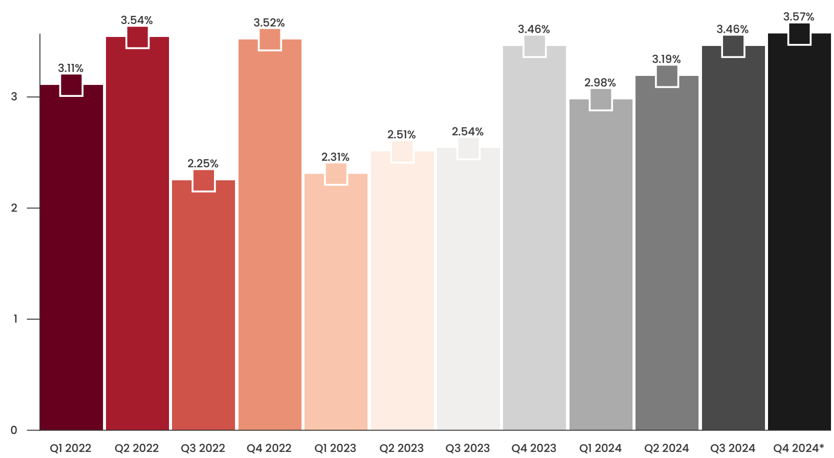
- High Interest Rates
- Exchange Rate Volatility
- Inflationary Pressures
- Exit Of Multinationals

NIGERIA'S GDP GROWTH

ESTIMATED FY 2024 — 3.3%

FY 2023 — 2.74%

Nigeria's Real GDP Growth



[Source: NBS, Norrenberger Research]

Oil Sector Growth vs Oil Output

The oil sector grew by an average of 7.01% during the first nine months of 2024, marking a significant recovery from the 2.22% contraction recorded in the previous year. This positive performance was underpinned by improved crude oil output, which bolstered the sector's contributions to the broader economy.

Crude oil production averaged 1.48 million barrels per day (mbpd) over the nine-month period, reflecting a 3.4% increase compared to the previous year's average of 1.44 mbpd. This modest uptick in output, coupled with favorable international crude oil prices, provided critical support for the sector's growth. Additionally, efforts to address operational inefficiencies, improve security in oil-producing regions, and ensure compliance with OPEC production quotas likely contributed to the sector's rebound.

Despite the overall improvement in the oil sector, the oil refining subsector experienced a contraction of 33.7% during the review period, a marginal improvement compared to the 35.81% decline recorded in 2023. This persistent underperformance reflects the ongoing challenges in the subsector, including limited domestic refining capacity and heavy reliance on imported refined petroleum products.

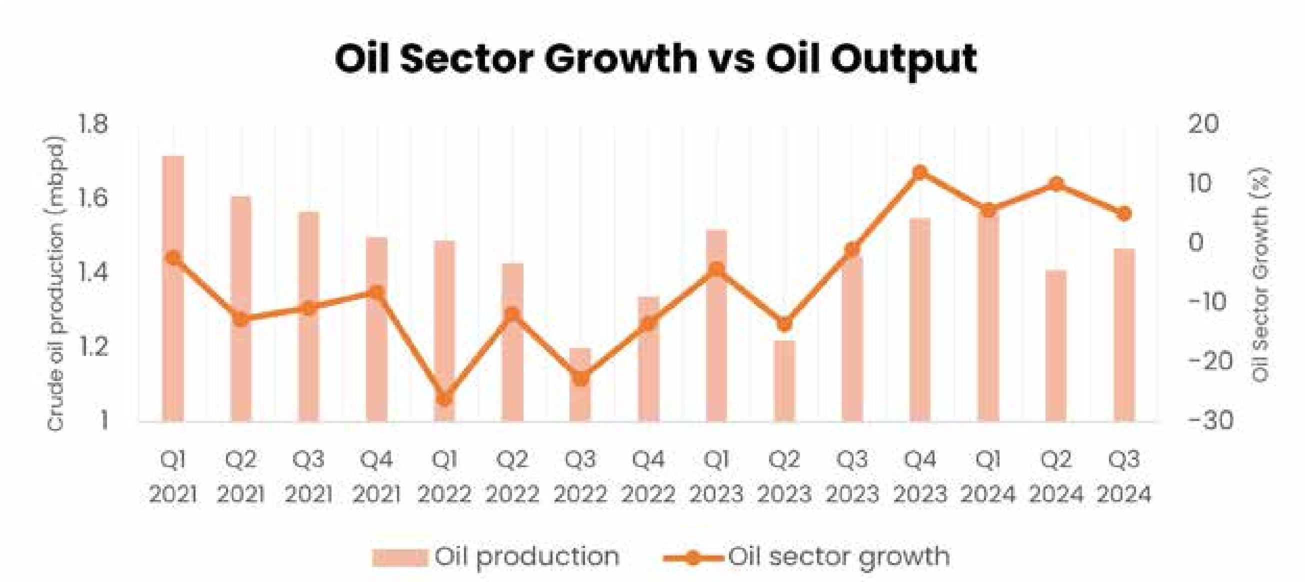
NIGERIA OIL SECTOR
Q1-Q3 2024

1.48 Million
Barrels Per Day (mbpd)

7.01%
Growth

5.9%
Contribution to Nigeria's Real GDP

–33.7%
Oil Refining Sub-sector Growth



[Source: NBS, Norrenberger Research]

The much-anticipated operational kick-off of the Dangote Refinery, projected to revolutionize Nigeria's refining capabilities, remains in its early stages and has yet to significantly impact the subsector's output. Once fully operational, the Dangote Refinery, along with the anticipated commencement of operations at the Port Harcourt and Warri refineries, is expected to significantly boost domestic refining capacity. This development is projected to reduce Nigeria's dependency on imported refined petroleum products, enhance energy security, and contribute to overall sectoral growth. Additionally, these refineries are likely to create employment opportunities, improve foreign exchange reserves by curbing import spend, and position Nigeria as a potential exporter of refined petroleum products within the region.

The oil sector's contribution to Nigeria's real GDP increased to 5.9% in the review period, up from 5.4% in the previous year. This underscores the sector's gradual recovery even as structural challenges in refining persist.

Services, Oil Sector Drives Economic Expansion

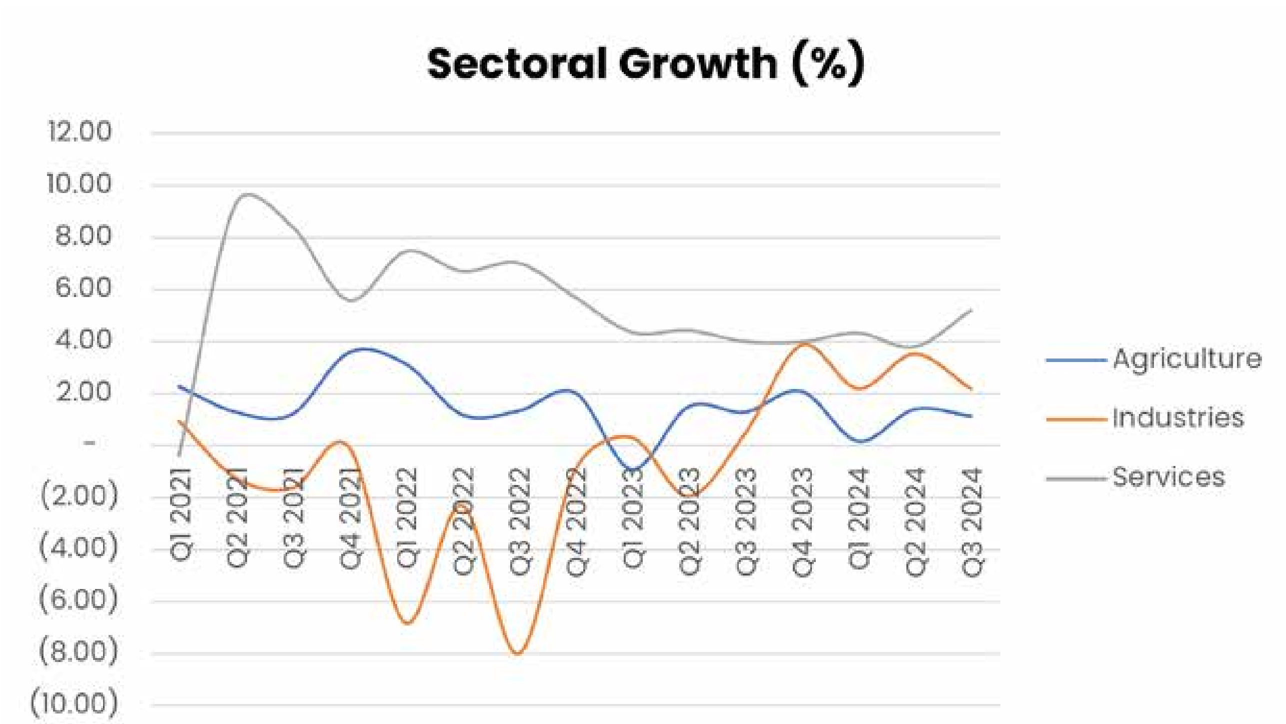
The non-oil sector recorded a growth of 3.37% in the first nine months of 2024, surpassing the 3.04% growth achieved in the previous year. This performance was driven by notable expansions in the services sector, particularly financial services and telecommunications, as well as the industrial sector, with contributions from metal ores and the chemical and pharmaceutical industries.

Key drivers of this growth included robust performances in the services sector (+4.43%) and the industrial sector (+2.63%), which collectively supported the non-oil sector's expansion. In real terms, the non-oil sector contributed 94.12% to the nation's GDP, slightly lower than the 94.6% recorded in 2023.

NIGERIA NON-OIL SECTOR
Q1-Q3 2024

3.37% Growth

94.12% Contribution to Nigeria's Real GDP



[Source: NBS, Norrenberger Research]

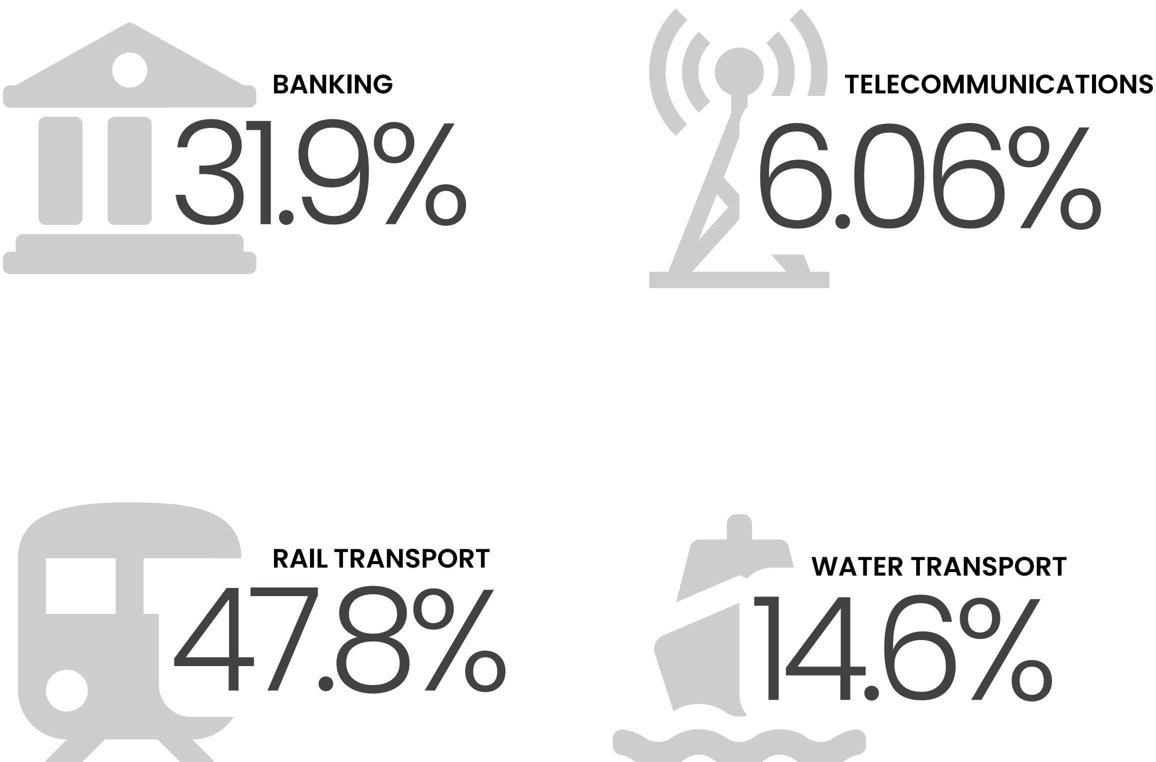
The broader economy also benefited from a 7.01% average growth in the oil sector, reflecting a complementary boost to overall economic performance. Within the non-oil sector, major sub-sectors such as banking, telecommunications, and transportation played pivotal roles in driving economic activities.

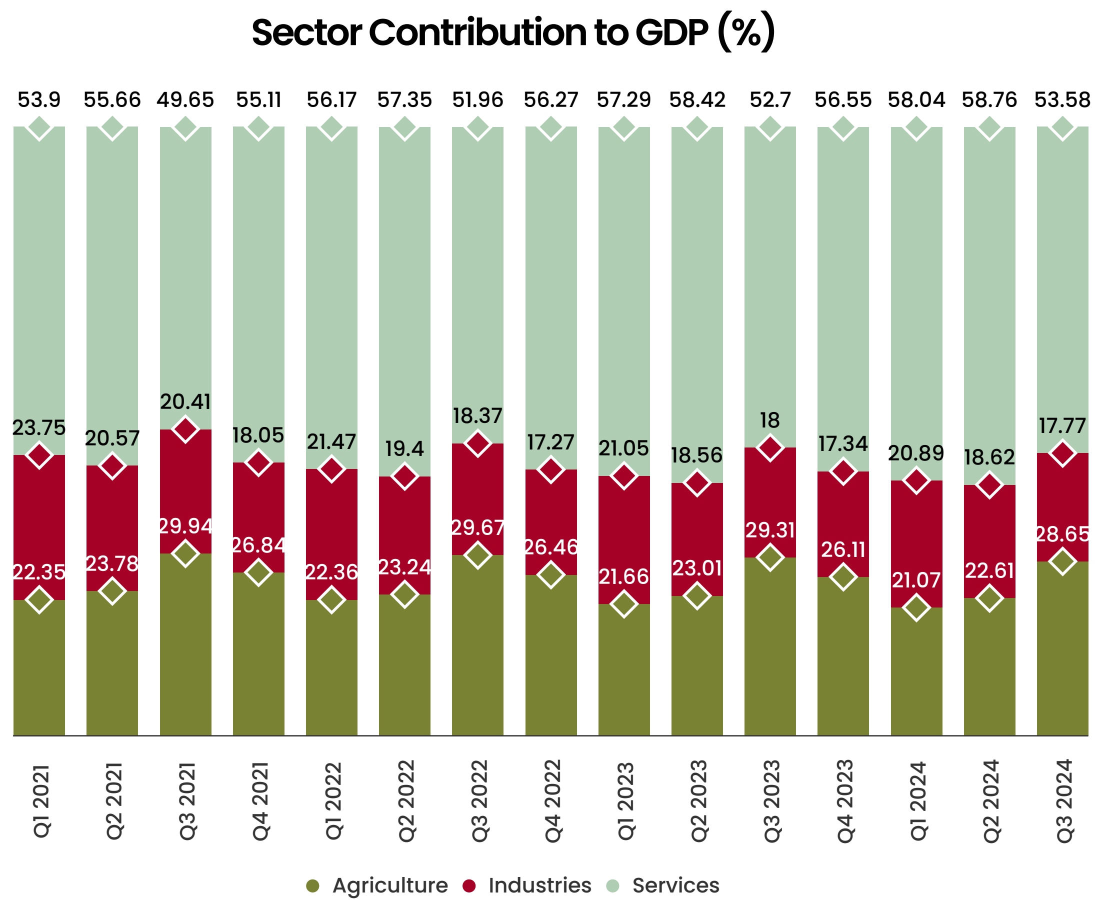
The banking sector stood out with an impressive average growth of 31.9%, fuelled by increased profitability, the adoption of advanced technology, and progress in financial inclusion initiatives. Similarly, the telecommunications sector grew by 6.06%, supported by rising digital connectivity and expanding consumer demand.

Meanwhile, the transportation sector witnessed remarkable growth, with rail transport expanding by 47.8% and water transport by 14.6%, reflecting the government's efforts to improve infrastructure and enhance mobility across the country through alternative means of transportation.

GROWTH IN NIGERIA NON- OIL SECTOR

Q1-Q3 2024





[Source: NBS, Norrenberger Research]

We expect the Nigerian economy to remain on a growth trajectory, with an estimated real growth of 4.5% in 2025, supported by a combination of key factors across multiple sectors. Improved crude oil production, alongside the full operationalization of the Dangote Refinery and government-owned refineries in Warri and Port Harcourt, is anticipated to bolster growth in the oil sector significantly. These developments are likely to enhance Nigeria's refining capacity, reduce reliance on imported petroleum products, and strengthen foreign exchange earnings.

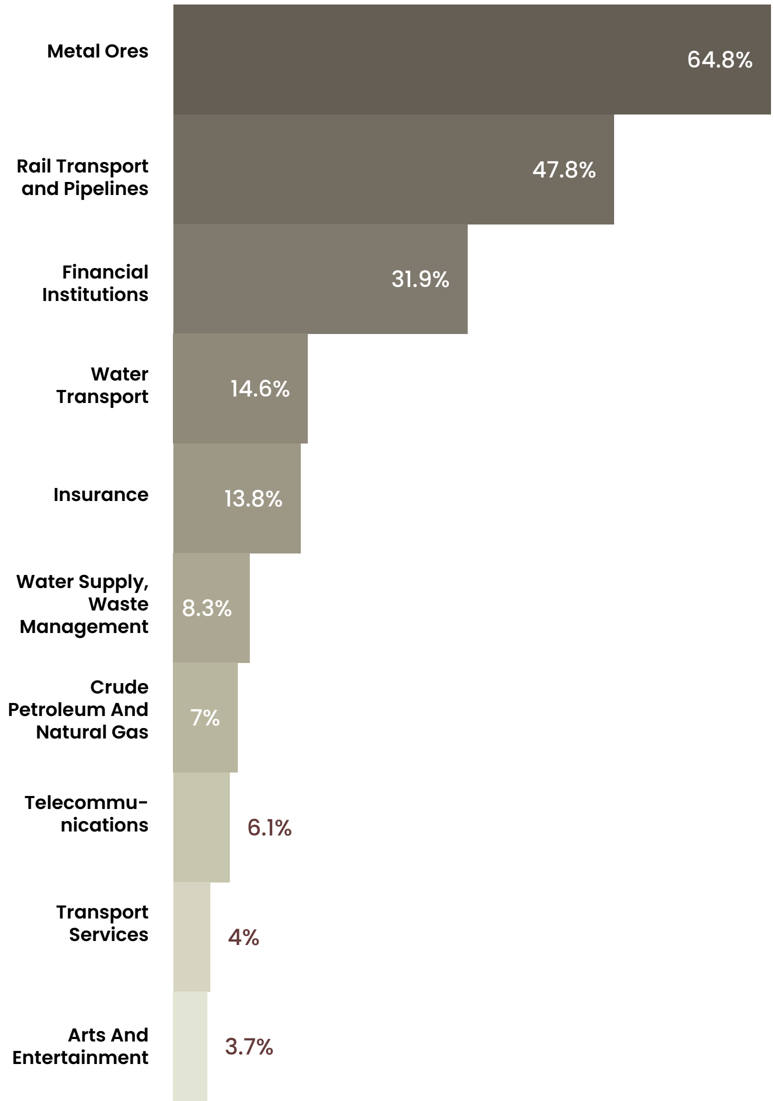
Similarly, the ongoing recapitalization of banks and insurance companies is expected to drive increased activity in the capital market, fostering growth in the financial sector. This initiative will likely enhance the liquidity, stability, and resilience of financial institutions, further solidifying their role in economic development.

The industrial sector is also poised for improvement, supported by the liberalization of the power sector, which is expected to enhance electricity supply for industrial use. Additionally, the push toward adopting Compressed Natural Gas (CNG)-enabled vehicles is projected to stimulate growth in the manufacturing and energy subsectors, reducing dependence on traditional fossil fuels while promoting sustainability.

Other critical growth drivers include an uptick in both local and international trade, driven by improved trade facilitation and export diversification efforts. The agriculture sector, particularly crop production, is expected to benefit from government initiatives aimed at boosting food security and enhancing productivity. The construction industry will likely expand further, underpinned by increased infrastructure development and urbanization, while the telecommunications sector is set to maintain its growth momentum, driven by rising digital connectivity and technology adoption.

The forthcoming GDP rebasing by the National Bureau of Statistics (NBS) is anticipated to provide a more comprehensive and accurate reflection of Nigeria's evolving economic landscape. This exercise will likely highlight the significant contributions of fast-growing sectors such as technology, arts, entertainment, and various informal industries that have previously been underrepresented in official economic data. By incorporating these dynamic sectors, the rebasing is expected to offer deeper insights into economic diversification and reveal emerging areas driving growth and innovation in the country.

Fastest Growing Sectors in Nigeria - 2024

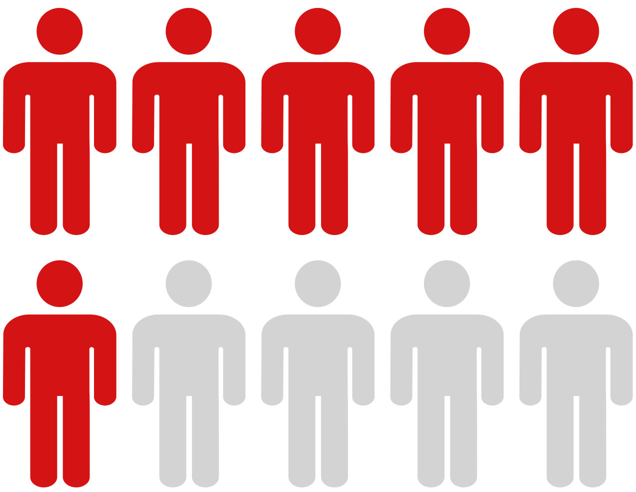


[Source: NBS, Norrenberger Research]

Inflation to Plateau in H2 2025, Albeit Sticky

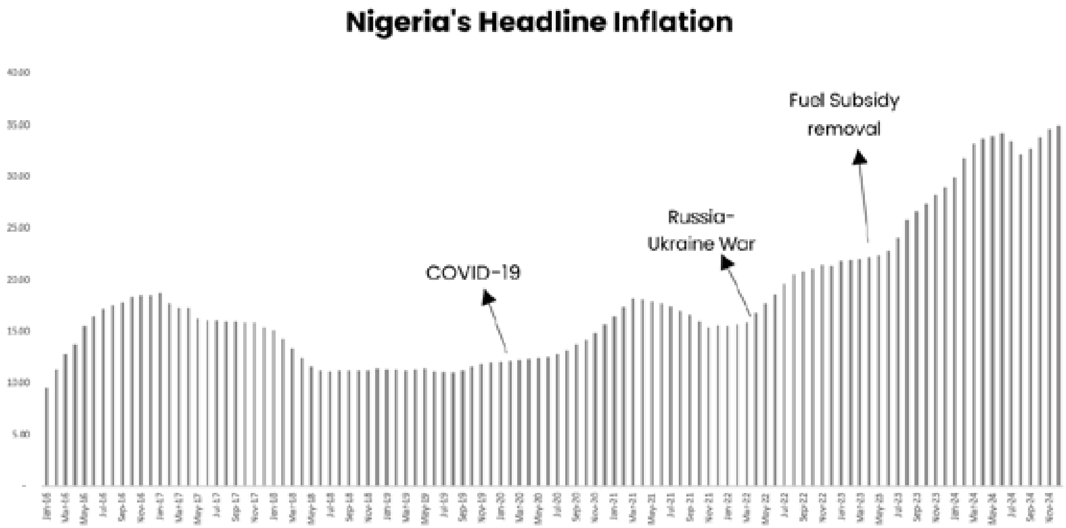
Nigeria's inflationary pressures continued to intensify in 2024, defying the contractionary monetary policies implemented by the Central Bank of Nigeria (CBN). The persistent upward trend in inflation was driven by a confluence of factors, including elevated transportation costs following the removal of the petrol subsidy in 2023, foreign exchange (FX) volatility, imported inflation, seasonal fluctuations in food prices, and rising energy costs. These pressures have significantly increased the overall cost of living, exacerbating poverty levels, with 129 million Nigerians—nearly 60% of the population—now living on less than $1.9 per day, according to the World Bank.

PROPORTION OF NIGERIANS LIVING ON
LESS THAN $1.9 PER DAY



Headline inflation reached 34.8% in December 2024, up from 28.92% in December 2023, marking a 5.87%-point increase. At this level, inflation surpasses a 28-year high, last seen in March 1996. While inflation showed signs of moderation mid-year, with consecutive declines in July and August, renewed spikes in food and energy prices reversed this trend, pushing inflation above 34% by the end of the year.

Key components of Nigeria's inflation basket experienced unprecedented increases in 2024, driven by a combination of local and global factors. These include lingering effects of the COVID-19 pandemic, disruptions from the Russia-Ukraine war, climate change-induced challenges, and significant domestic policy reforms such as the removal of the petrol subsidy, the review of electricity tariffs for Band A customers, and the unification of the exchange rate.



[Source: NBS, Norrenberger Research]

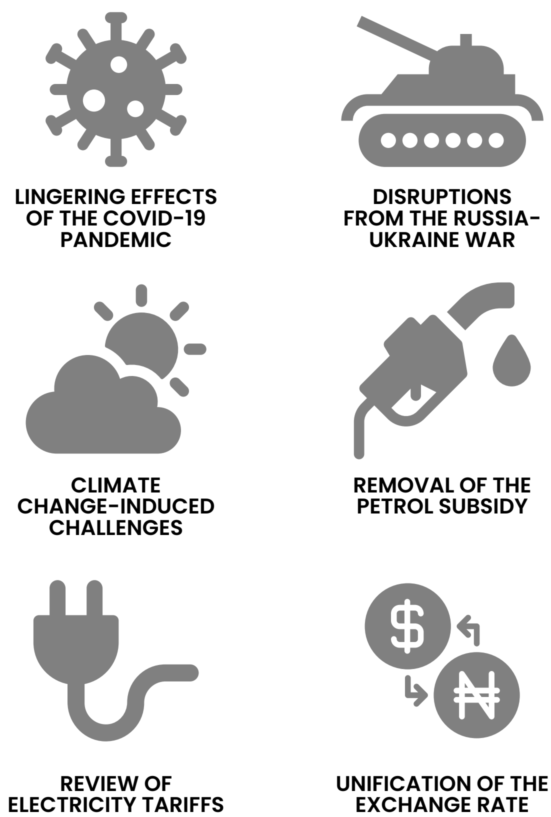
The devaluation of the naira has played a critical role in driving up costs, particularly for imported goods. Transportation costs have also escalated sharply due to the removal of the petrol subsidy and persistently high diesel prices. These factors have propelled imported food inflation to a record high of 42.3% in November before cooling to 41.3% in December, highlighting the vulnerability of Nigeria's food supply chain to external shocks. Meanwhile, transport inflation surged to 31.73%, reflecting the cascading effects of fuel price hikes on logistics and mobility.

The food and energy sectors played a pivotal role in this inflation resurgence. Food inflation soared due to seasonal agricultural constraints, climate-related disruptions, and increased transportation costs, while higher global energy prices and exchange rate depreciation further compounded the problem.

Food inflation soared to 39.84% in December 2024, reflecting the combined pressures of local production constraints, rising transportation costs, and imported inflation. Core inflation—excluding volatile items like food and energy—also surged to 29.28%, underscoring the widespread nature of price increases across various sectors.

To combat soaring inflation, the CBN pursued an aggressive monetary tightening strategy, raising the Monetary Policy Rate (MPR) from 18.75% in December 2023 to 27.5% by the end of 2024. This unprecedented hike, aimed at curbing inflationary pressures, also sought to stabilize the naira and rein in demand-side inflationary pressures. However, the effectiveness of these measures has been limited, given the structural drivers of inflation in Nigeria, such as supply chain inefficiencies, inadequate infrastructure, and import dependence.

FACTORS AFFECTING NIGERIA'S INFLATION BASKET



The sharp rise in inflation has not only strained household incomes but also amplified socioeconomic challenges, with many Nigerians grappling with declining purchasing power and increased poverty. Addressing this requires a holistic approach that goes beyond monetary policy to include fiscal reforms, investment in domestic production, and measures to stabilize the FX market.

NIGERIA'S INFLATION

DECEMBER 2024

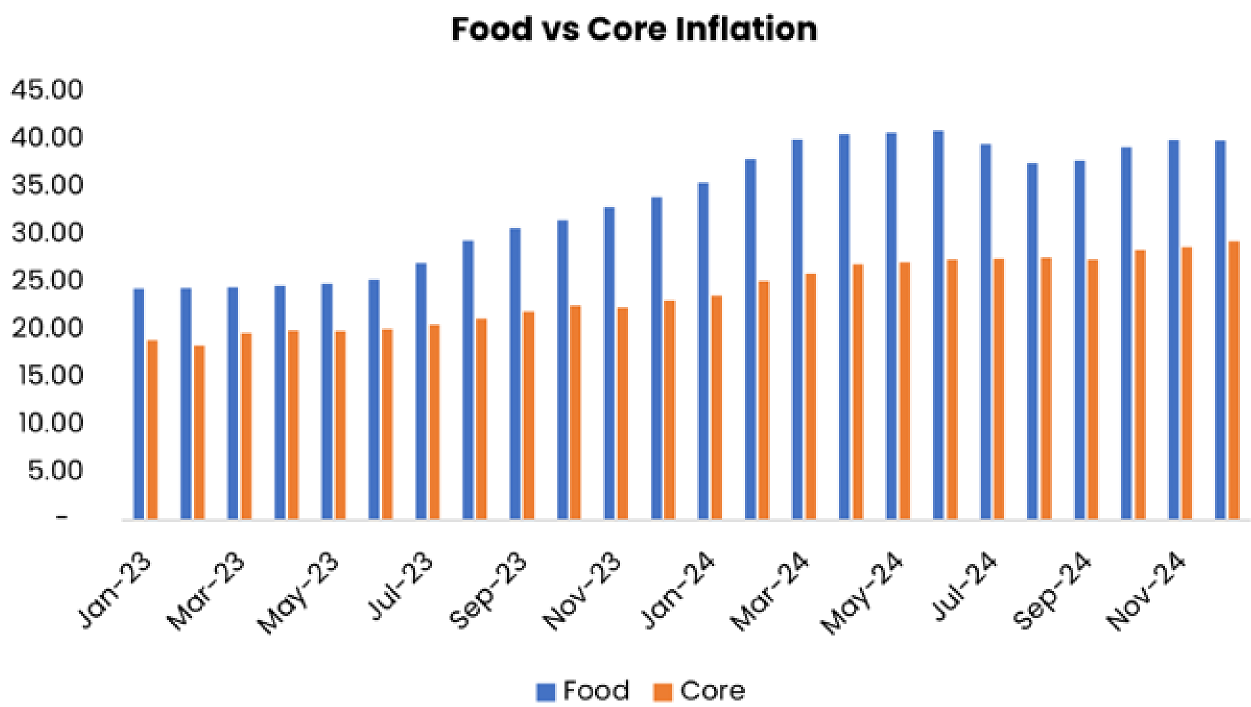
27.5% Monetary Policy Rate (MPR)

39.84% Food Inflation

34.8% Headline

29.28% Core Inflation

31.73% Transport Inflation



[Source: NBS, Norrenberger Research]

Inflation is expected to remain elevated and sticky during the first half of 2025, with a gradual easing anticipated in the second half of the year, expected to close December 2025 at 28%. This projected moderation is underpinned by several factors, including expected stability in the exchange rate, which is projected to hover between ₦1,550 and ₦1,650, the base-year effect, and the diminishing impact of the petrol subsidy removal on transportation costs as markets adjust to the new pricing regime.

Despite these factors, certain developments could influence the inflation outlook, particularly the impending rebasing of Nigeria's Gross Domestic Product (GDP) and Consumer Price Index (CPI). The National Bureau of Statistics (NBS) is planning to adopt 2023 as the weight reference period and 2024 as the price reference period for the CPI. This rebasing process will incorporate updated consumption patterns and price data, which could introduce shifts in the inflation metrics. If the new weights and methodologies reflect significant changes in consumer behavior or price trends, the projected inflation figures may require adjustments.

Nonetheless, several risks could disrupt this outlook and exert upward pressure on inflation. Potential increases in energy prices, particularly diesel and electricity tariffs, as well as telco tariff hike could significantly impact production and transportation costs. Persistent foreign exchange volatility remains a key concern. Food insecurity, driven by climate change, insecurity in farming regions, and supply chain disruptions, could also exacerbate price pressures, particularly in the food inflation category. Additionally, ongoing global tensions and geopolitical instability may affect global commodity prices, further complicating Nigeria's inflation dynamics.

While the anticipated moderation in inflation is a positive signal for economic stability, achieving this will require proactive measures. Policies aimed at improving domestic production, enhancing food security, stabilizing the naira, and mitigating external shocks will be critical in ensuring inflationary pressures ease sustainably.

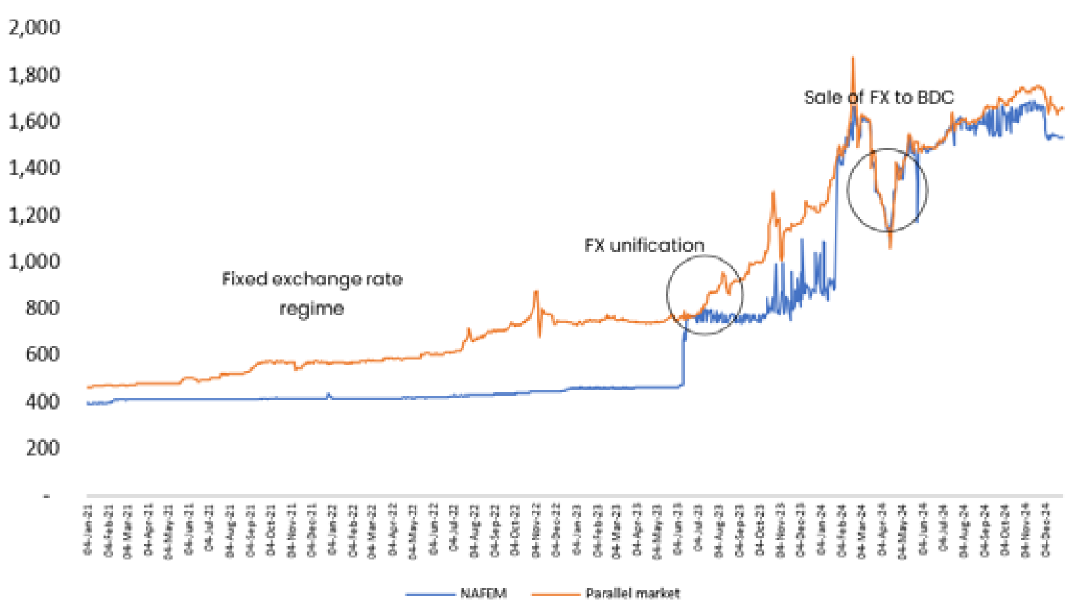
Foreign Exchange

Naira Stability in Sight

The naira experienced significant depreciation against the US dollar and other major currencies in 2024, following the Central Bank of Nigeria's (CBN) adoption of a floating exchange rate system and the Financial Markets Dealers Quotations (FMDQ) revision of the foreign exchange (FX) market pricing methodology. At the official Nigerian Autonomous Foreign Exchange Market (NAFEM), the naira depreciated by 41% during the year, closing at ₦1,535/$ compared to ₦907.1/$ at the end of December 2023.

A similar trend was observed in the parallel market, where the naira weakened by 27%, ending the year at ₦1,655/$. Notably, the price differential between the official and parallel markets narrowed significantly, dropping from ₦308 in 2023 to ₦120 in 2024. This development reflects improved market efficiency and progress toward a more unified exchange rate system, aided by the new pricing framework.

NAFEM vs Parallel Market Rates

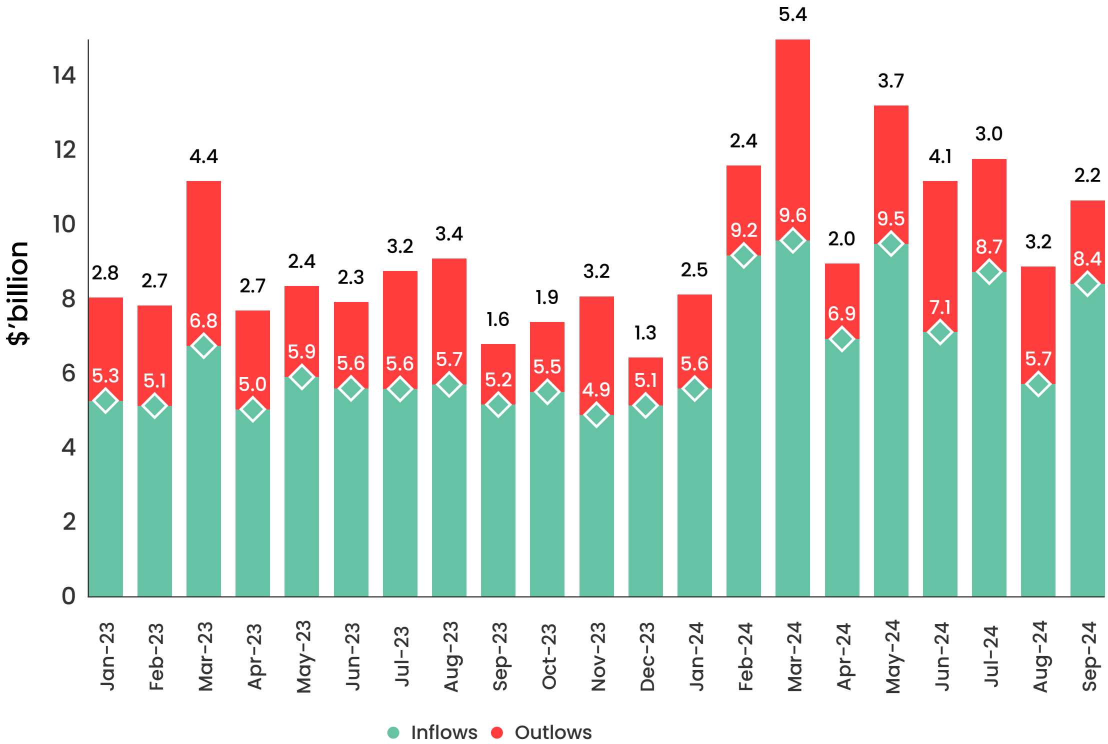


[Source: FMDQ, CBN, Nairalytics, Norrenberger Research]

It is worth highlighting that the FX market appears to have reached a level of price discovery for the naira, with rates stabilizing within the ₦1,500/$ to ₦1,550/$ range, based on the performance in the month of December. This range has acted as a resistance level, indicating potential market equilibrium within this bound.

The significant devaluation of the naira can largely be attributed to FX illiquidity in the Nigerian economy, driven by a persistent decline in foreign inflows and a heightened demand for the US dollar. This demand stems from the need to fund imports of goods and services, as well as a hedging strategy by citizens against rising inflation.

FX Flows in Nigeria - Inflow vs Outflow

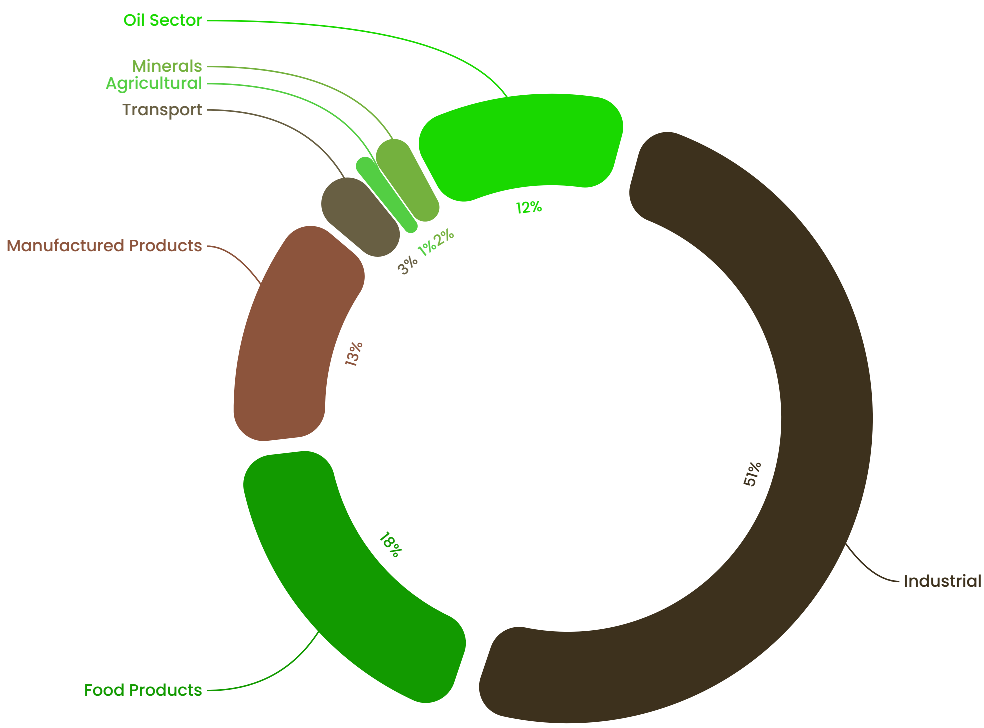


[Source: CBN, Norrenberger Research]

Despite these challenges, there has been a notable improvement in FX liquidity at the official market, which increased to $47.1 billion. Additionally, total forex inflows into the Nigerian economy between January and September 2024 amounted to $70.8 billion, representing a 7.7% increase compared to the $65.8 billion recorded throughout 2023.

This improvement is partly attributable to a series of policies implemented by the Central

FX Utilization for Imports by Sector

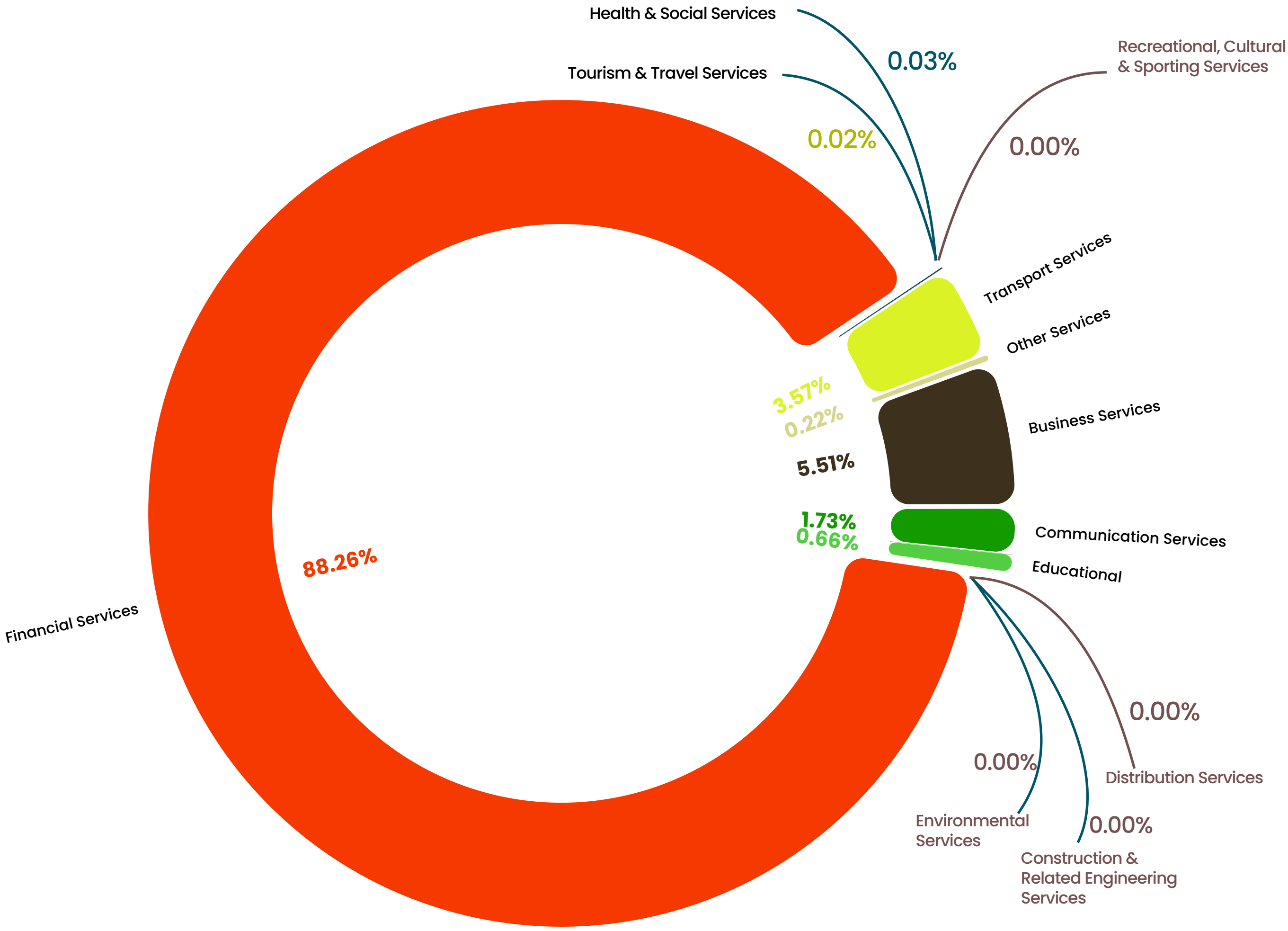


[Source: CBN, Norrenberger Research]

Bank of Nigeria (CBN) aimed at streamlining and stabilizing the FX market as well as attracting foreign investors.

While these efforts have provided some relief, sustained improvements in FX liquidity will require a broader strategy, including attracting more foreign direct investment, boosting non-oil exports, and ensuring consistent policy alignment to build investor confidence.

FX Utilization by Services Sector



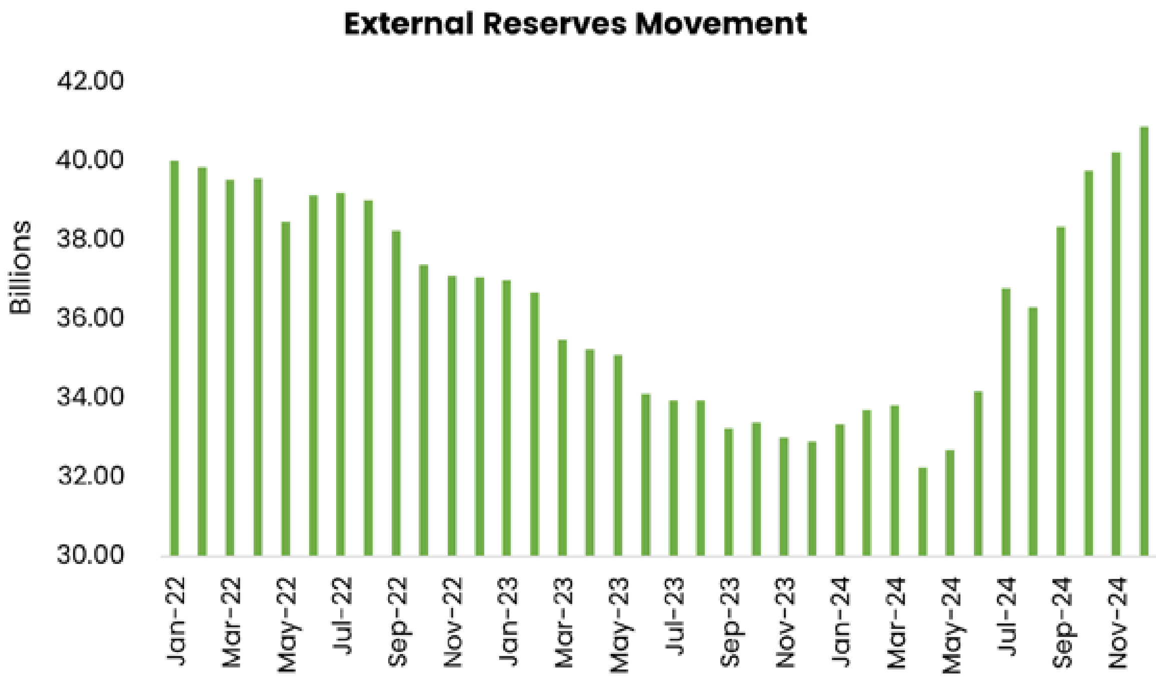
[Source: CBN, Norrenberger Research]

External Reserves Hits 3-Year High

Nigeria's external reserves saw a remarkable increase of $7.9 billion in 2024, closing the year at $40.9 billion, up from $32.9 billion at the start of the year. This marks the highest level since December 2021, representing a three-year peak.

The growth in external reserves was primarily driven by higher FX inflows from crude oil sales, a rebound in diaspora remittances, and increased foreign portfolio investments (FPIs). Additionally, the adoption of a floating exchange rate system at the official market significantly reduced the CBN reliance on the reserves for frequent interventions, further supporting the accumulation of external reserves.

This improvement reflects progress in bolstering Nigeria's external liquidity position, providing a buffer against external shocks and enhancing the country's ability to meet international obligations. Sustained efforts to boost export revenues and attract foreign investment will be critical for maintaining this momentum.



[Source: CBN, Norrenberger Research]

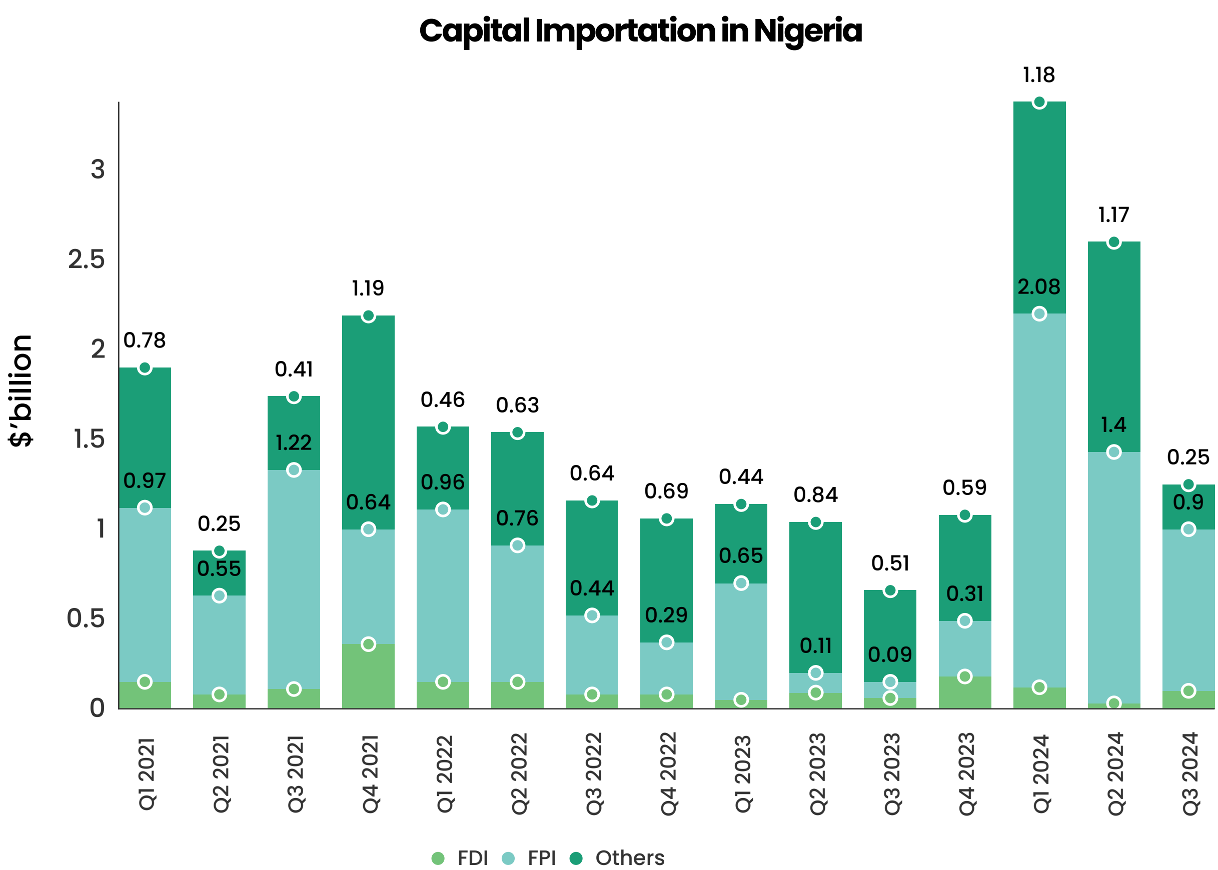
FPIs Drive Massive Capital Inflows

Nigeria witnessed a substantial 85% increase in capital importation during the first nine months of 2024, driven primarily by a significant surge in foreign portfolio investments (FPI). Total capital importation rose from $3.9 billion in 2023 to $7.2 billion in 9M 2024, with FPIs recording a remarkable 279% growth.

A detailed breakdown of the data reveals that $252 million was received as foreign direct investment (FDI), $4.4 billion as FPI, and $2.6 billion categorized as "others," including loans and claims. The sharp increase in FPIs can be attributed to the attractive high-interest rate environment in the fixed income market, following an 875 basis points hike in the Monetary Policy Rate (MPR).

However, despite the notable improvement in capital importation, the composition of inflows highlights a concerning trend. Debt-related inflows accounted for a staggering 97% of the total, distributed across bonds, money market instruments, loans, and other claims. This underscores the growing financial burden on the government and raises sustainability concerns.

To address this imbalance, it is imperative for policymakers to implement strategies that attract more foreign direct investments (FDIs), which are essential for fostering long-term economic growth, creating jobs, and driving industrial development. Diversifying inflows beyond debt instruments will also help reduce the pressure on government finances and build a more resilient economy.



[Source: NBS, Norrenberger Research]

Improved Trade Balance, Non-Crude Export Improves

Nigeria sustained a favorable international trade balance in 2024, supported by a significant rise in export earnings. During the first nine months of the year, total exports amounted to ₦57.2 trillion, a substantial increase from ₦35.9 trillion in 2023. In comparison, imports totalled ₦42.1 trillion, up from ₦30.9 trillion in the previous year. This resulted in a net trade balance of N15.1 trillion, the highest on record.

The sharp growth in export earnings was largely driven by a combination of increased crude oil exports and the devaluation of the naira, which made Nigerian goods more competitive in global markets. Crude oil exports, in particular, surged by 43% to ₦41.5 trillion, compared to ₦29 trillion in the previous year.

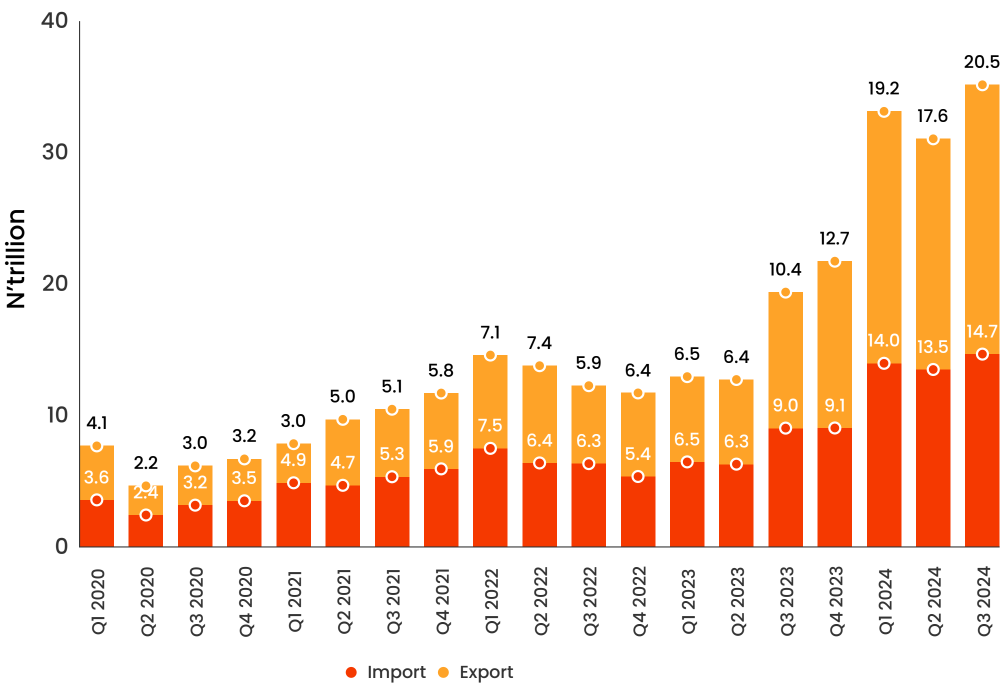
This robust trade performance highlights the importance of leveraging Nigeria's export potential, particularly in crude oil, while also expanding non-oil exports to further enhance trade balance resilience. Sustainable trade policies and efforts to improve export diversification remain critical to mitigating external vulnerabilities and fostering economic stability.

₦57.2 Trillion
Nigeria's Total Exports

₦42.1 Trillion
Nigeria's Total Imports

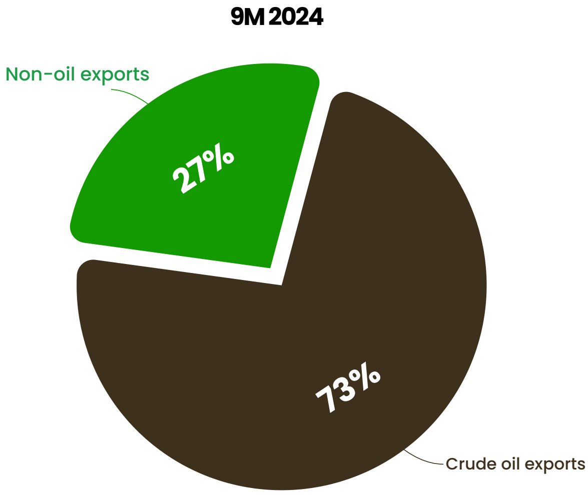
₦15.1 Trillion
Net Trade Balance

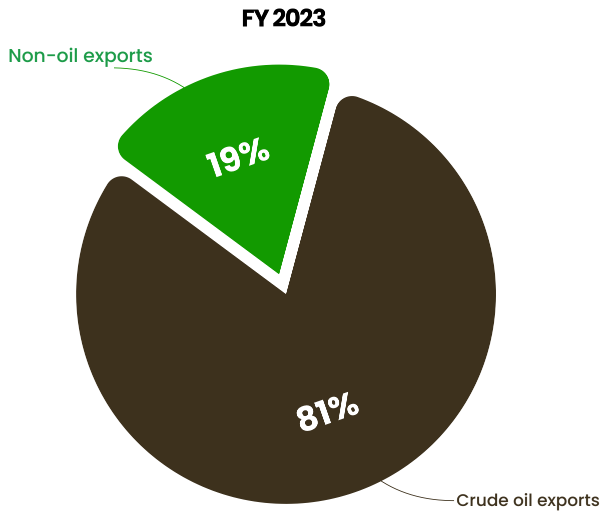
Nigeria's Foreign Trade Statistics



[Source: NBS, Norrenberger Research]

Nigeria's Export Component





[Source: NBS, Norrenberger Research]

It is noteworthy that the share of crude oil in Nigeria's total exports has declined, despite its increase in nominal value, signalling progress in diversifying the country's export base. This shift reflects concerted efforts to promote the exportation of non-crude oil commodities, aligning with Nigeria's broader economic diversification agenda.

Specifically, the contribution of non-crude oil exports to total exports rose significantly, increasing from 19% in 2023 to 27% in the first nine months of 2024. This growth underscores the impact of policies aimed at encouraging the production and export of agricultural products, manufactured goods, and solid minerals.

The increasing role of non-crude oil exports highlights the potential to reduce Nigeria's dependence on oil revenues and improve resilience against external shocks such as fluctuations in global oil prices. However, sustaining this momentum will require continuous investment in infrastructure, favorable trade policies, and incentives for export-oriented industries to strengthen Nigeria's position in the global market

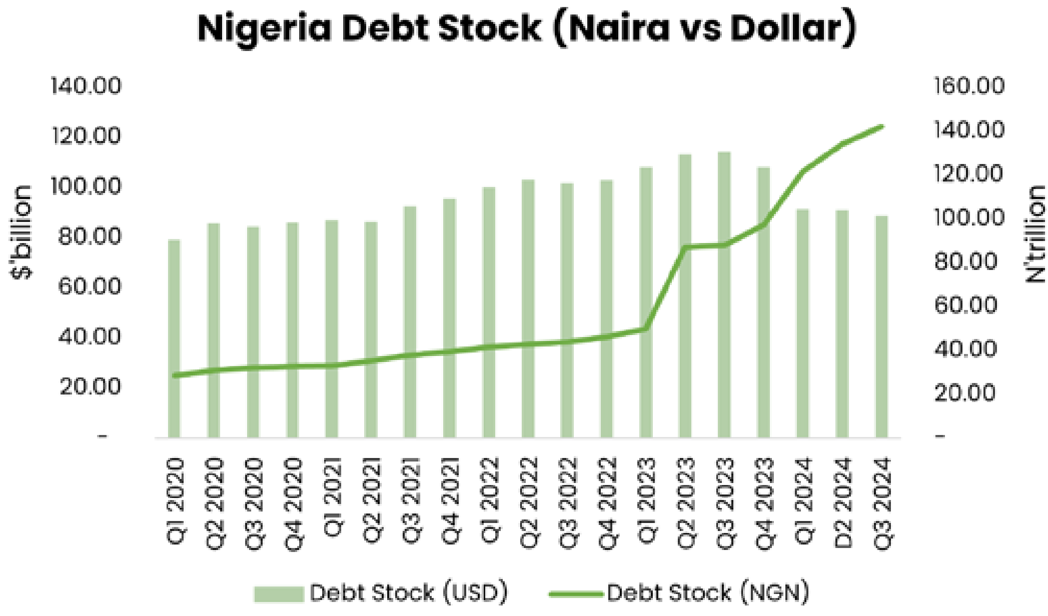
Widening Fiscal Deficit; Cost Reduction or Revenue Improvements

Over the past decade, Nigeria has faced a persistently widening fiscal deficit, further compounding its economic challenges. This issue stems from suboptimal revenue generation alongside escalating expenditure, particularly in debt servicing and recurrent costs. These fiscal pressures have strained the nation's budgetary framework and raised concerns about long-term economic sustainability.

The 2024 national budget estimated a deficit of ₦10.38 trillion, with an overall fiscal allocation of ₦28.7 trillion. However, by the end of September 2024, the fiscal deficit had ballooned to approximately ₦12.9 trillion, only slightly below the ₦13.5 trillion deficit recorded in 2023. The growing deficit has necessitated increased borrowings, pushing Nigeria's total debt stock to a record high of ₦142.32 trillion ($88.89 billion) as of September 2024. This surge reflects the impact of significant new domestic borrowings and the depreciation of the naira.

Government Fiscal Performance

[Source: NBS, Norrenberger Research]



In 2024, the Federal Government borrowed ₦18.8 trillion through Bond and Treasury bill issuances, a sharp rise compared to ₦5.76 trillion during the same period in 2023. These borrowings have been used to address multiple objectives, including mopping up excess naira liquidity and supporting foreign exchange inflows to stabilize the economy.

The need for a strategic approach to fiscal management has never been more pressing. While borrowing is often necessary to bridge revenue shortfalls, the government must prioritize improving revenue generation through robust tax reforms, enhanced compliance, and diversification of income streams. Simultaneously, it is critical to adopt a more prudent expenditure framework, reallocating resources toward capital projects that drive economic growth while curtailing wasteful recurrent spending.

By addressing these twin issues of revenue optimization and efficient expense allocation, Nigeria can work toward narrowing its fiscal deficit, reducing its dependence on debt, and achieving a more sustainable economic trajectory.

FEDERAL GOVERNMENT OF NIGERIA BORROWINGS

THROUGH BOND AND TREASURY BILL ISSUANCES

₦18.8 Trillion IN 2024

₦5.76 Trillion IN 2023

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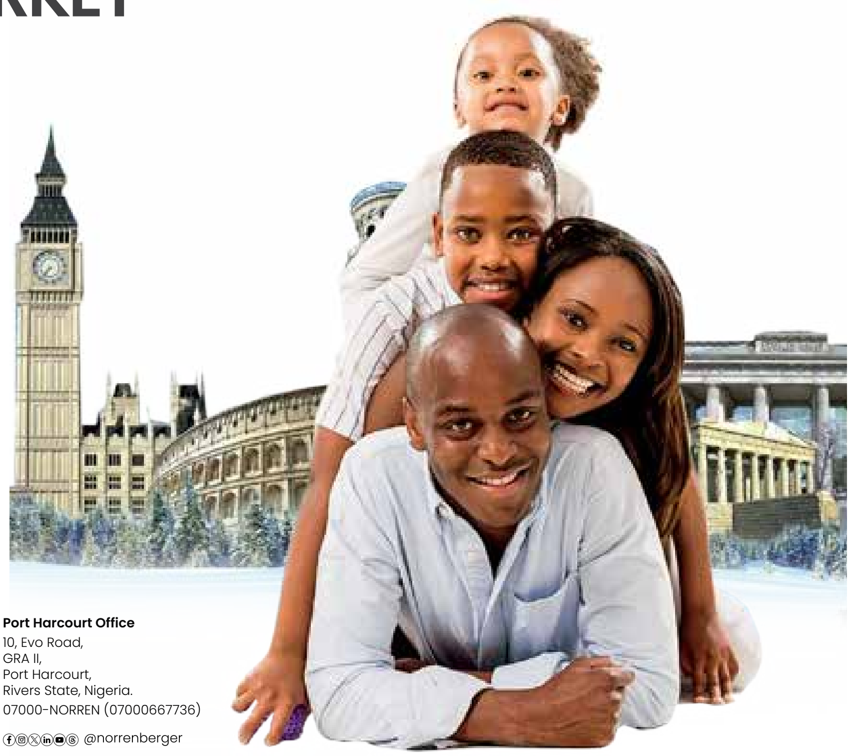

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Government's Bold Plan to Ramp Up Revenue

The Federal Government, in an effort to improve its fiscal position, has initiated several bold reforms aimed at enhancing revenue generation while redirecting expenditures toward more productive sectors of the economy. Key cost-focused measures include the removal of the petrol subsidy, the devaluation and unification of the exchange rate, and the removal of electricity subsidies. These reforms, though challenging in the short term, are expected to address fiscal imbalances and foster long-term economic stability.

On the revenue side, the government has introduced several legislative initiatives designed to simplify the tax system, reduce compliance burdens for small businesses, and streamline revenue collection. These include the Nigeria Tax Administration Bill 2024, the Nigeria Tax Bill 2024, the Nigeria Revenue Service Establishment Bill, and the Joint Revenue Board Establishment Bill. Collectively, these bills are set to overhaul Nigeria's tax landscape by addressing inefficiencies, fostering compliance, and improving revenue collection mechanisms across federal, state, and local government levels.

The Nigeria Tax Administration Bill 2024, in particular, proposes transformative changes aimed at streamlining tax administration, increasing compliance rates, and boosting overall revenue generation. These reforms are expected to have significant implications for financial and business stakeholders by creating a more transparent and efficient tax system, reducing administrative bottlenecks, and ensuring equitable taxation.

Below is a summary of the key proposals in the Nigeria Tax Administration Bill 2024 and their potential impacts on businesses, financial institutions, and the broader economy.

Key Tax Reform Proposals

01. Unified Tax Administration Framework

- Establishes uniform procedures for tax assessment, collection, and accounting across federal, state, and local governments.
- Empowers the Nigeria Revenue Service with exclusive authority for certain tax categories, while states manage individual income taxation.

02. Mandatory Tax Registration and Compliance

- Requires all taxable persons, including non-residents earning income in Nigeria, to register and obtain a Taxpayer Identification Number (Tax ID).
- Incorporates provisions for suspension, reactivation, and deregistration of Tax IDs.

03. Enhanced Filing and Reporting Requirements

- Introduces annual, monthly, and specialized returns for businesses, including upstream petroleum and mining operations.
- Emphasizes electronic filing systems for tax returns, VAT, and excise duties.

04. Focus on Transparency and Anti-Evasion Measures

- Implements detailed guidelines for tracking income, deductions, and transactions.
- Requires financial institutions to report high-value transactions and cooperate with tax authorities.

05. Digital Economy and Cross-Border Transactions

- Imposes VAT and withholding taxes on digital services and non-resident companies.
- Introduces a simplified income tax filing option for low-income earners and informal sector operators.

06. Tax Incentives and Priority Sectors

- Strengthens compliance monitoring for companies benefiting from tax holidays and incentives.
- Focuses incentives on sectors such as renewable energy, technology, and agriculture.

07. Tax Refunds and Set-Off Mechanisms

- Provides timely refunds for overpaid taxes, with clear timelines and dedicated accounts for refund processing.

08. Stringent Penalties and Appeals Processes

- Enhances penalties for tax evasion and introduces clear procedures for appealing tax assessments.

Implications for Stakeholders

01. For Businesses

- Increased Compliance Requirements: More detailed filing obligations will require robust internal accounting systems.
- Cost Implications: Higher VAT rates and stricter withholding tax rules may increase operational costs for certain sectors.
- Opportunities for SMEs: Lower corporate tax rates and targeted incentives could spur growth.

03. For Foreign Investors

- Non-resident companies must comply with stricter reporting and tax payment obligations.
- Enhanced alignment with global tax norms may improve investor confidence.

02. For Government Revenue

- Requires all taxable persons, including non-residents earning income in Nigeria, to register and obtain a Taxpayer Identification Number (Tax ID).
- Incorporates provisions for suspension, reactivation, and deregistration of Tax IDs.

04. For Consumers

- Potential price increases due to higher VAT on goods and services.
- Indirect benefits through better infrastructure and services funded by increased tax revenues.

Norrenberger Projections

INFLATION (DEC'25)

Best case (CL – 10%)
25.0%

Base case (CL - 95%)
28.0%

Worst case (CL – 25%)
37.5%

GDP GROWTH (2025)

Best case (CL – 10%)
5.0%

Base case (CL - 95%)
4.5%

Worst case (CL – 25%)
2.7%

EXCHANGE RATE (DEC'25)

Best case (CL – 10%)
₦1,350/$ -₦1,420

Base case (CL - 95%)
₦1,500/$ -₦1,650

Worst case (CL – 25%)
₦1,800/$ -₦2,000

EXTERNAL RESERVES (DEC'25)

Best case (CL – 10%)
$45.7 Billion

Base case (CL - 95%)
$43.3 Billion

Worst case (CL – 25%)
$33.1 Billion

UNEMPLOYMENT RATE (Q4'25)

Best case (CL – 10%)
3.7%

Base case (CL - 95%)
4.5%

Worst case (CL – 25%)
5.7%

OIL PRICE (DEC'25)

Best case (CL – 10%)
$100/pb

Base case (CL - 95%)
$75/pb

Worst case (CL – 25%)
$55/pb

CURRENT ACCOUNT (2025)

Best case (CL – 10%)
$20 Billion

Base case (CL - 95%)
$17 Billion

Worst case (CL – 25%)
$9.2 Billion

MPR (DEC'25)

Best case (CL – 10%)
22.5%

Base case (CL - 95%)
25.0%

Worst case (CL – 25%)
30.0%

Drivers of Assumptions

BEST CASE

- Oil production surpasses 1.5mbpd target
- Other refineries come to full operation
- Crude oil price hits $100 per barrel

BASE CASE

- Crude oil price remain elevated
- Interest rate plateaus in second half
- Dangote Refinery becomes fully operational
- Crude oil production hovers around 1.4mbpd – 1.5mbpd

WORST CASE

- Global tension intensifies
- Further increase in electricity tariff
- Crude oil production falls below 1.2mbpd
- International oil price falls below $50pb

In conclusion, addressing Nigeria's economic challenges requires a synergy between fiscal and monetary authorities. The current economic realities underscore the importance of harmonizing policies to achieve sustainable growth, reduce inflationary pressures, stabilize the exchange rate, and enhance overall macroeconomic stability. While fiscal reforms focus on improving revenue generation, rationalizing expenditures, and implementing structural adjustments, these efforts must align with monetary policies aimed at controlling inflation, fostering investment, and ensuring financial stability.

Effective policy harmonization must be complemented by robust implementation processes, with active participation from all stakeholders, including government agencies, financial institutions, private sector actors, and civil society. Transparent communication, accountability, and periodic policy reviews are essential to ensure that these measures deliver the intended outcomes.

Ultimately, a unified and well-coordinated policy framework, supported by a commitment to execution at all levels, will provide a strong foundation for restoring investor confidence, promoting economic resilience, and creating a more inclusive and prosperous future for Nigeria.

Major Policies in 2024

FGN

- Electricity Act Amendment Bill
- Removal of tariffs, VAT on pharmaceutical imports
- Suspension of taxes on importation of food commodities
- Introduction of windfall tax on bank FX gains
- Introduction of CNG vehicles
- Increment of minimum wage
- Partially joins BRICS
- Launched diaspora fund
- Propose VAT raise on luxury items
- New withholding tax exempts for small businesses

CBN

- Revision of guidelines for BDC operations
- Reduction of bank LDR to 50%
- Discontinuation of cash payments of PTA/BT
- Removal of spread on FX transactions
- Recapitalization of Banks
- Revocation of operational licenses of 4,173 BDCs
- Revocation of license of Heritage Bank
- Prohibition of FX denominated collaterals for Naira loans
- Harmonization of reporting requirements on FX exposures by banks
- Increased of MPR to 27.5%
- Adoption of Basel 3 capital framework
- Introduction of inflation targeting
- Removal of allowable limit on FX quote by IMTOs
- Reduction of Banks' NOP

SEC

- Announces regulatory sandbox for crypto firms
- Support drive for crypto through its ARIP
- Creation of new office for SMEs to raise capital
- Partners with AfDB to boost green finance in Nigeria
- Approves 5 Infrastructure Fund Shelf Programmes totalling ₦1.5trn
- Released guidelines on the Issuance of Commercial Papers

THE MARKETS

Higher for Longer, Liquidity Squeeze to Continue

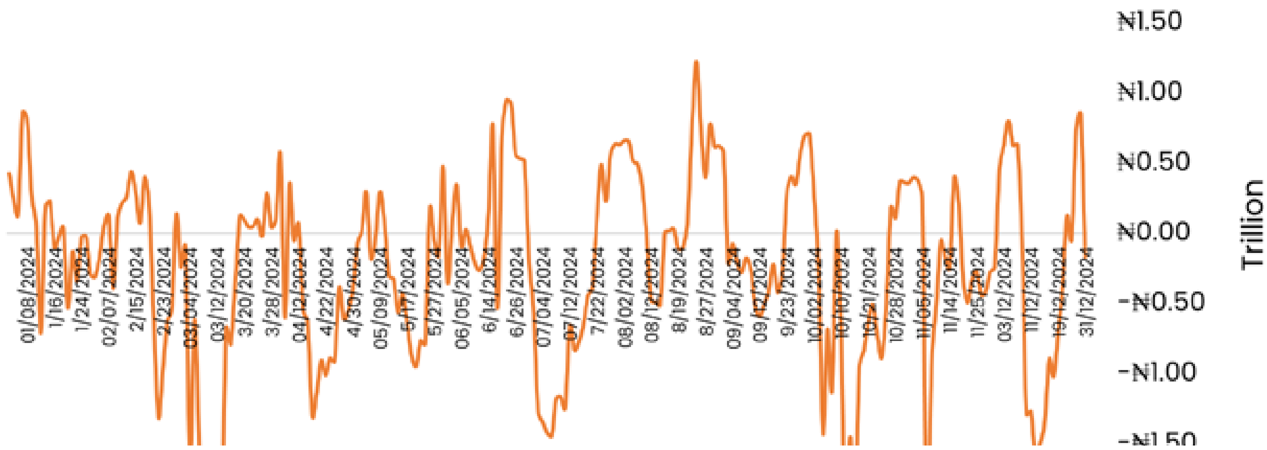
The Nigerian financial system grappled with negative liquidity in most part of 2024 driven by the CBN contractionary monetary policies aimed at curbing the rising rate of inflation in the country.

One of the major monetary tools employed by the CBN to mop-up liquidity was the frequent issuance of Open Market Operation (OMO) bills. The total issuance for the year amounted to a staggering ₦13.31 trillion, a significant increase from ₦728 billion in 2023 and ₦860 billion in 2022.

Additionally, higher Cash Reserve Ratio (CRR) requirements further constrained liquidity in the banking system. The CRR for Deposit Money Banks (DMBs) was increased from 32.5% to 50%, while the CRR for Merchant Banks increased from 10% to 16% during the review period.

In the vein, the Monetary Policy Committee (MPC) of the CBN adopted an aggressively hawkish stance, raising the Monetary Policy Rate (MPR) by a collective 875 basis points, from 18.75% to 27.5%. This policy tightening not only impacted short-term interest rates but also reduced the negative real rate of return (2024: -7.3%; 2023: -10.2%)

Financial System Liquidity Trend



[Source: CBN, Norrenberger Research]

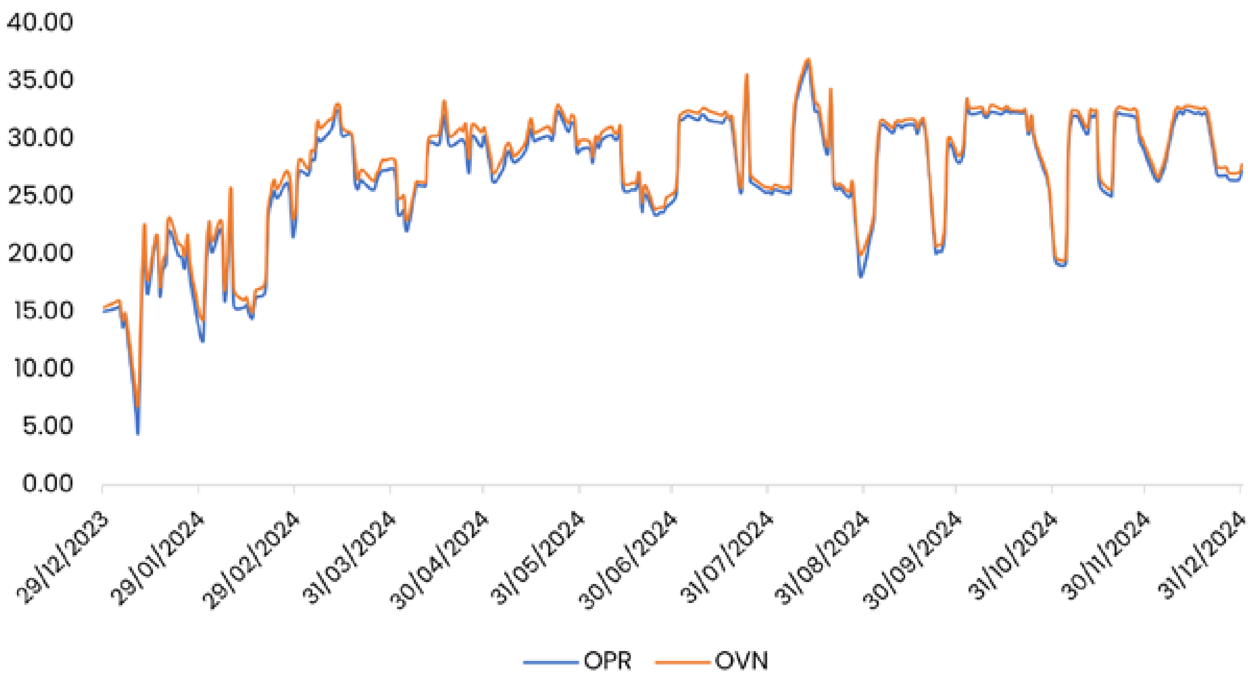
Rates Hit Unprecedented Levels

In 2024, interbank rates reached multi-year highs on the back of the aggressive interest rate hikes by the CBN. The Open Buy Back (OBB) rate and the Overnight (OVN) rate averaged the year at 27.06% and 27.78%, respectively, significantly higher than the 2023 averages of 12.07% and 13.10%.

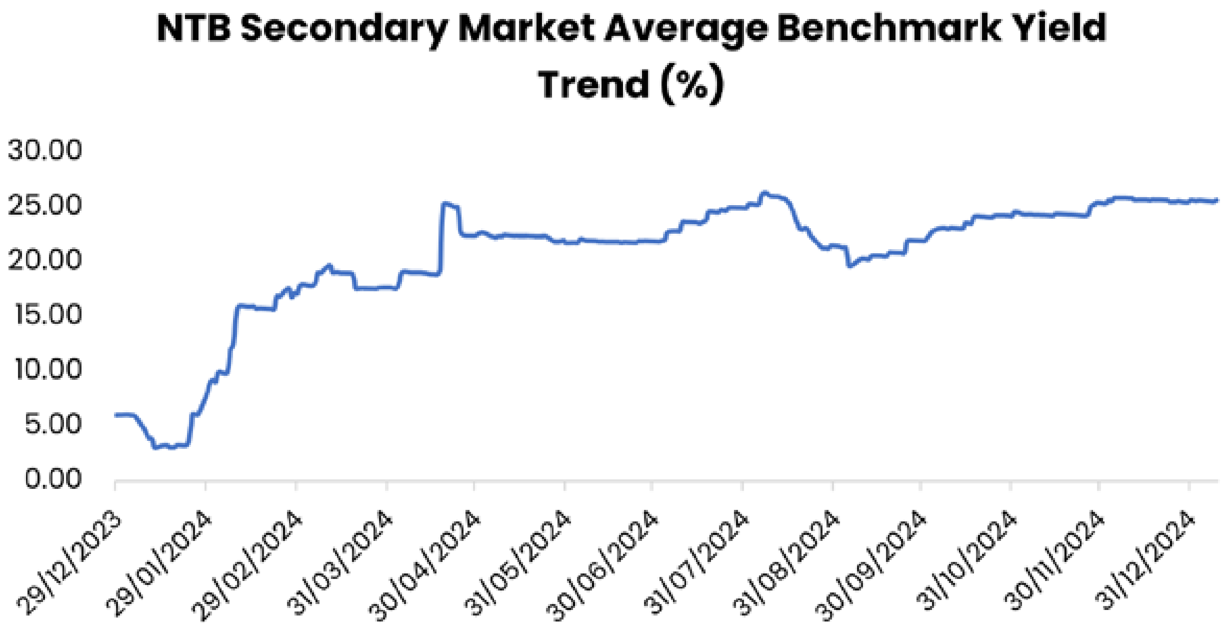
The CBN recorded a total issuance of Nigerian Treasury Bills (NTBs) worth ₦13.4 trillion across 28 auctions in 2024, more than double the ₦6.7 trillion issued in 2023. Subscription levels soared to N30.1 trillion across standard tenors as investors sought to take advantage of the high yields.

Rates generally trended higher during the year, driven by CBN's hawkish stance and the government increased funding needs to address its fiscal deficit. At the primary T-bill market, stop rate peaked at 23.5% at the November 20 auction, while benchmark yield at the secondary market averaged at 25.56% in 2024 compared to 6.01% recorded in the previous year.

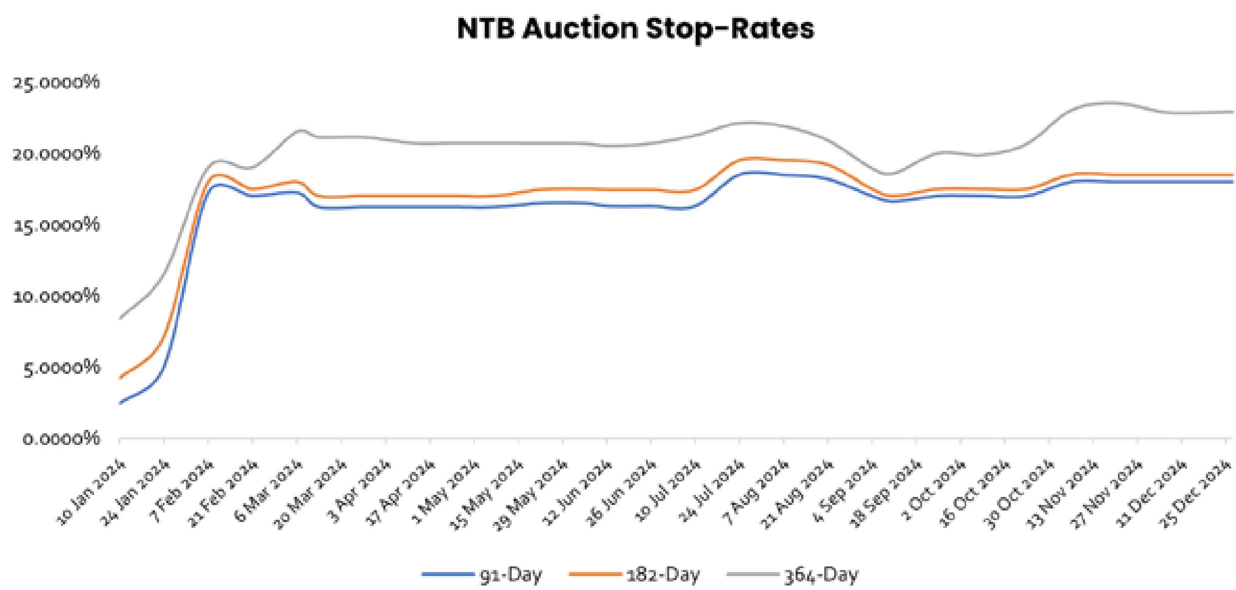
Money Market Rate Trend



[Source: CBN, Norrenberger Research]



[Source: FMDQ, Norrenberger Research]



[Source: CBN, Norrenberger Research]

Increased Activities in Local Bond Market

The Debt Management Office (DMO) raised a total of ₦5.4 trillion across twelve bond auctions in 2024. Notable issuances included new bonds such as the 2031s and 2034s, with the largest single allocation of approximately ₦1.5 trillion. During the year, new 3-year bond maturing in 2027, 5-year maturing in April 2029, and 8-year May 2033 bonds were introduced.

Among the nine bond maturities offered in 2024, the FGN 18.50 2031 received the highest allotment, totalling ₦1.9 trillion. Meanwhile, the secondary bond market exhibited a bearish trend, with the average benchmark yield rising by 467 basis points, from 14.5% in 2023 to 19.16% in 2024, in line with the general movement in the fixed income space.

The elevated interest rates have affected the yield curve, resulting in an inverted bond yield curve, with short-term tenor yields rising faster than long-term yields.

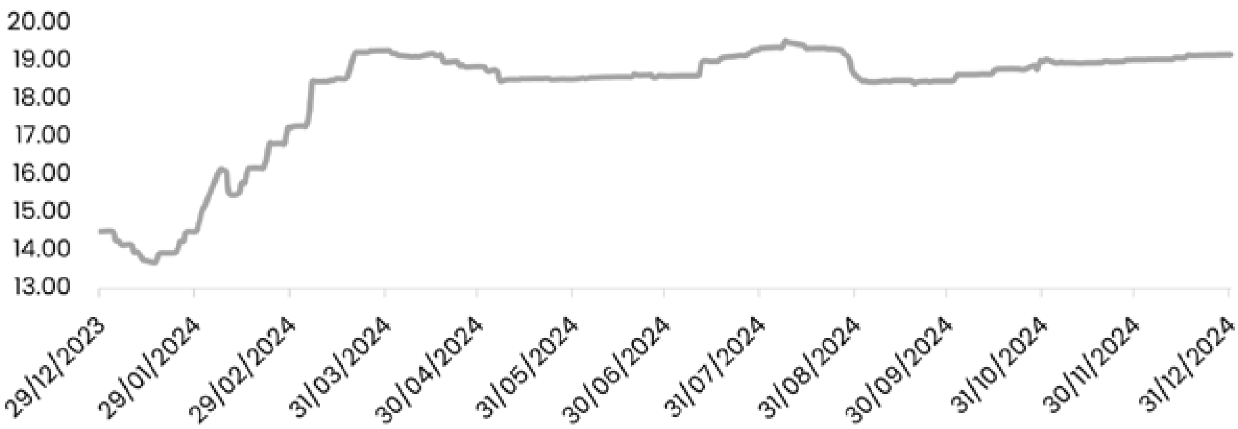
DMO in 2024

₦1.9 Trillion highest allotment

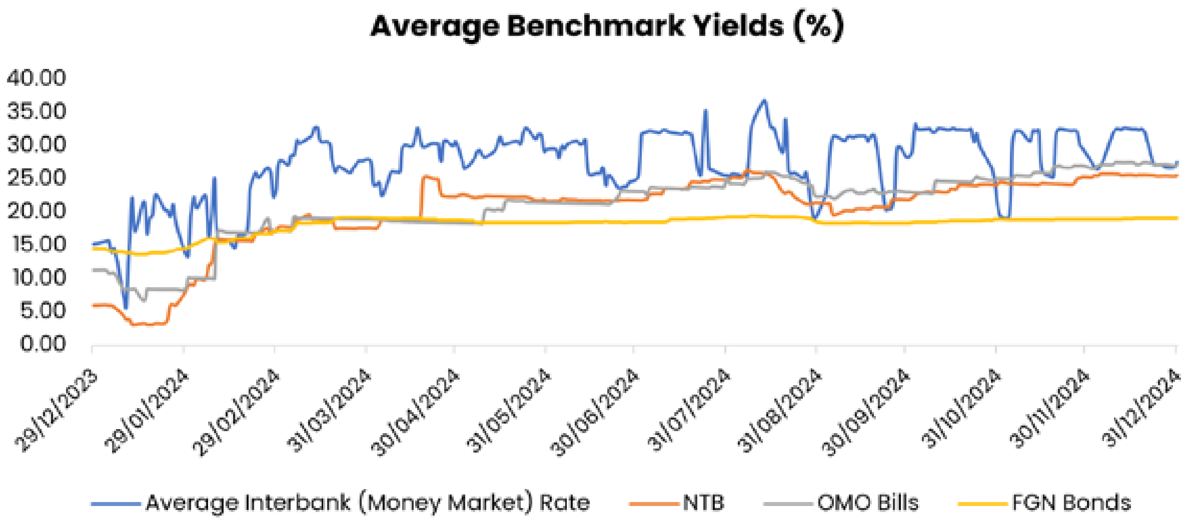
₦5.4 Trillion raised across 12 bond auctions

₦1.5 Trillion highest single allocation

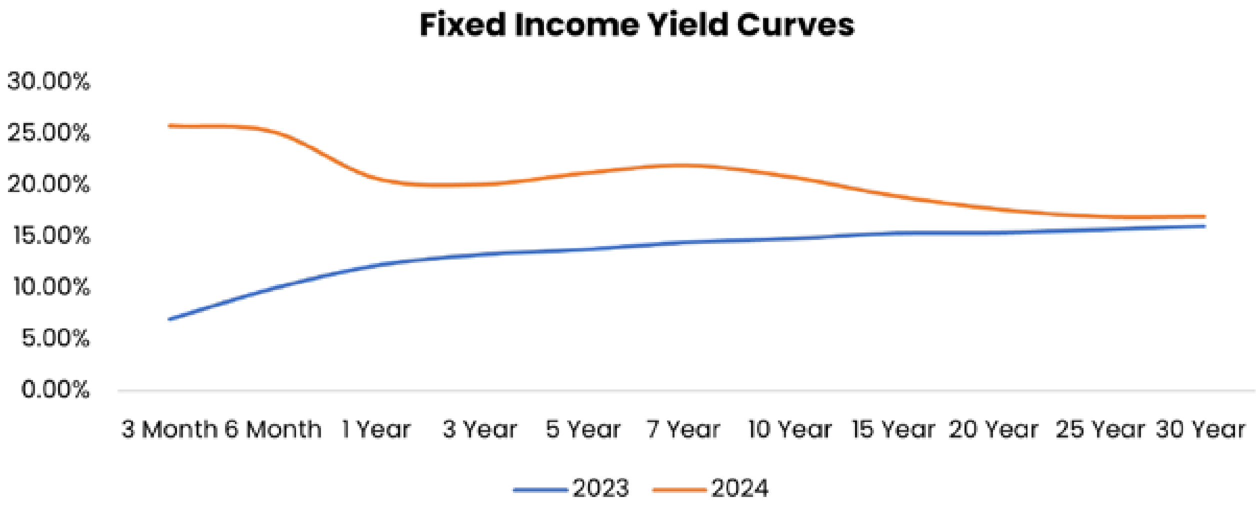
FGN Bonds Average Benchmark Yield Trend



[Source: FMDQ, Norrenberger Research]



[Source: FMDQ, CBN, Norrenberger Research]



[Source: FMDQ, Norrenberger Research]

Eurobond Market: New Issuances, Marginal Yield Increase

Global fixed income markets were influenced by global economic cycles, particularly the U.S. Federal Reserve's policy trajectory. The Fed maintained a "higher for longer" stance, holding its benchmark rate at 5.25%–5.50% for most of the year before adopting a more dovish approach. In September, the Fed cut rates by 50 basis points, followed by two additional 25 basis point cuts in the latter part of the year. This policy shift, alongside conflicting economic indicators, shaped the global yield curve.

On the domestic front, the Nigerian government issued $2.2 billion in Eurobonds to finance fiscal deficits. Key issuances included $700 million in 2031 Eurobonds at a 9.625% coupon and $1.5 billion in 2034 Eurobonds at a 10.375% coupon. The average benchmark yield on Nigerian sovereign Eurobonds closed at 9.53%, marginally higher than the 9.38% recorded in 2023.

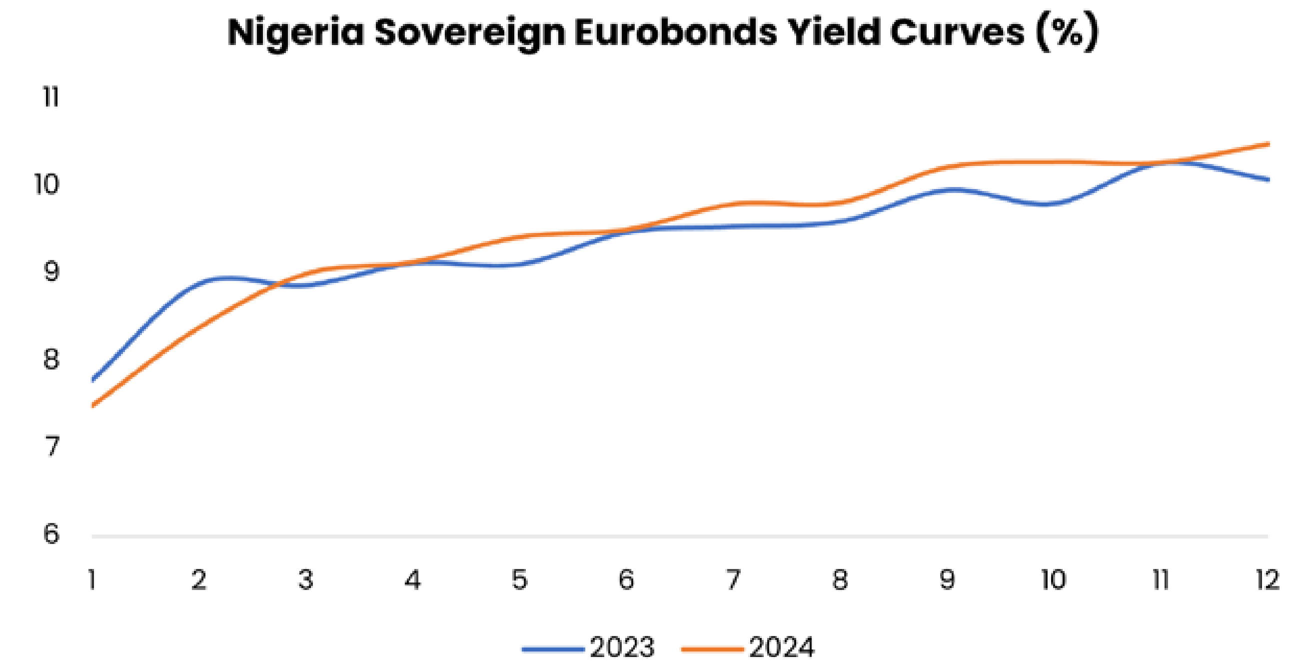
Meanwhile, the Federal Government launched its inaugural Domestic US Dollar Bond program in August, offering a coupon rate of 9.75%. This Dollar Bond was aimed at Nigerians and non-Nigerians living in Nigeria, Nigerians in the Diaspora, as well as institutional investors. A total of $900 million was raised through this issuance program.

$2.2 Billion
TO FINANCE FISCAL DEFICITS

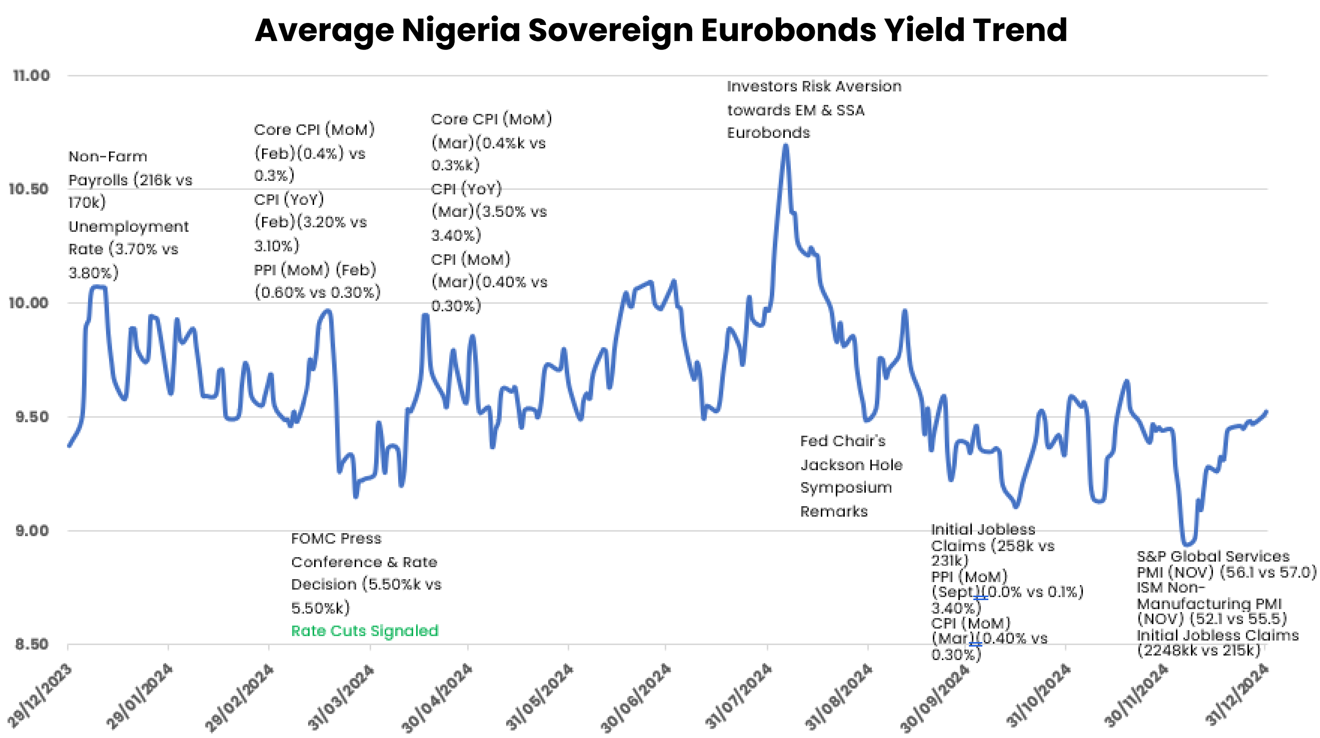
$1.5 Billion
IN 2034 EUROBONDS

$700 Million
IN 2031 EUROBONDS

$900 Billion
DOMESTIC US DOLLAR BOND



[Source: DMO, Norrenberger Research]



[Source: DMO, Norrenberger Research]

Balancing Exposure, Key to Optimizing Returns in 2025

The fixed income market in 2025 is expected to present a dynamic investment landscape shaped by both domestic and international factors. With expectations of slowing inflation in the second half of the year, there is a strong likelihood that the CBN will introduce interest rate cuts towards the latter part of 2025. However, the fixed income market is likely to operate under a "higher for longer" interest rate environment for most of the year. This is primarily driven by the federal government's significant fiscal needs, including a substantial budget deficit, the maturity of N5.2 trillion worth of NTBills in Q1 2025, which will require refinancing and the expected bond issuance of at least N1.35 trillion in the same period. Consequently, yields on government securities may remain elevated for an extended period, creating opportunities for investors seeking attractive returns in the fixed income space.

On the international front, the re-election of Donald Trump as the 47th President of the United States is anticipated to reinforce the strength of the US dollar, underpinned by potential economic policy shifts aimed at boosting the US economy. This stronger dollar could exert pressure on emerging market currencies, including the naira, impacting foreign capital flows into Nigeria's fixed income market.

Meanwhile, Eurobond yields are expected to exhibit a gradual easing trend as we progress through the year, supported by improving global economic stability and potential monetary easing by major central banks in response to slowing global inflation. This provides a favorable outlook for Nigerian Eurobond investors seeking capital appreciation and steady returns. The evolving dynamics in 2025 will necessitate a strategic approach to fixed income investments. Local investors may find opportunities in high-yield instruments, particularly during the first half of the year, while global fixed income investors could benefit from the gradual recovery in Eurobond performance. Balancing exposure between local and international fixed income securities could help optimize returns in a market shaped by both domestic fiscal policies and global economic shifts.

Equities to Remain Bullish on Expected Robust Earnings

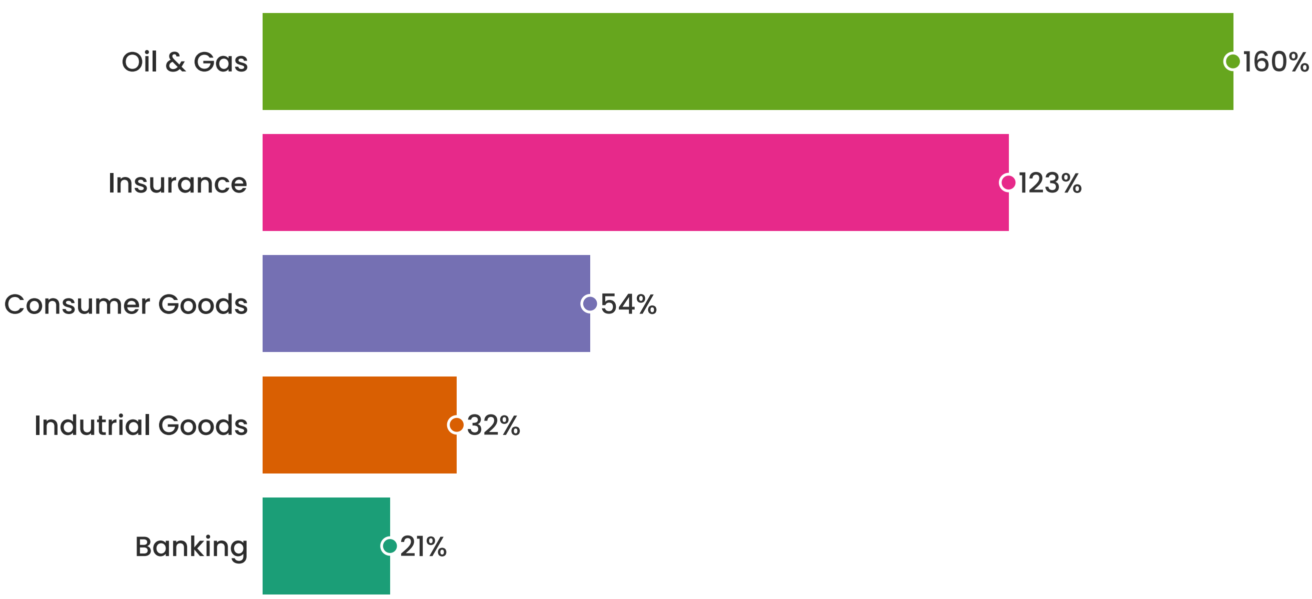
The Nigerian stock market sustained its positive trajectory in 2024, recording an impressive 38% annual gain, marking five consecutive years of positive returns. Despite high-interest rates in the fixed income market, equities continued to attract significant investor interest, challenging the typical inverse relationship between fixed income yields and equity performance

The All-Share Index (ASI) closed the year at 102,926.4 points, fueled by intensified buying pressure across defensive, growth, and penny stocks. The market's resilience was underpinned by robust corporate earnings, strategic sectoral rotations, and investor confidence in select companies despite macroeconomic headwinds.

The market witnessed a remarkable surge in market capitalization, rising by 53.39% from ₦40.9 trillion in 2023 to close at ₦62.8 trillion in 2024. It is worth noting that the impressive growth was not solely driven by bullish investor sentiment but also supported by significant corporate actions that strengthened market dynamics.

Notable contributors included the listings of energy giants, Transcorp Power and Aradel Holdings, which expanded market offerings and enhanced investor engagement. Additionally, capital-raising activities by major financial institutions further bolstered market confidence and liquidity.

Sectoral Performance in 2024



[Source: NGX, Norrenberger Research]

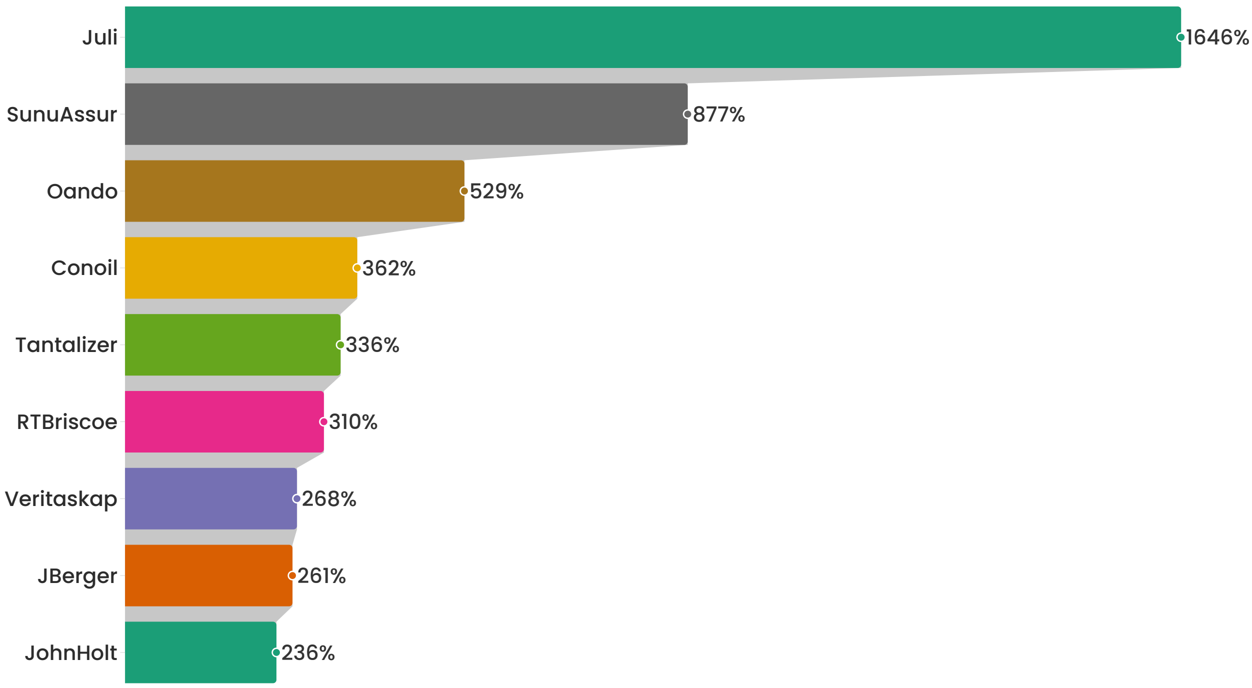
Nigerian equities began the year on a strong note, leveraging the momentum from the previous year. Gains soared by approximately 40% in the first quarter, fueled by investor optimism and favorable market conditions. However, momentum slowed during the second and third quarters due to macroeconomic pressures and market corrections. A late year rebound, supported by strategic investments and an anticipated reversal in fixed income yield propelled the market to an impressive 38% annual gain.

Sectoral performance revealed that oil and gas led the charge, delivering a staggering 160% increase. This surge was largely attributed to significant industry milestones, including the long-anticipated approval of Seplat's $1.28 billion acquisition of ExxonMobil's assets and Oando's purchase of Nigerian Agip Oil Company (NAOC) from Italian energy giant Eni. These developments drove substantial gains in stocks such as Seplat and Oando, solidifying the sector's dominance.

Conversely, the banking index lagged, posting a modest 21% gain, weighed down by regulatory challenges, including the CBN's announcement of a new recapitalization target for financial institutions.

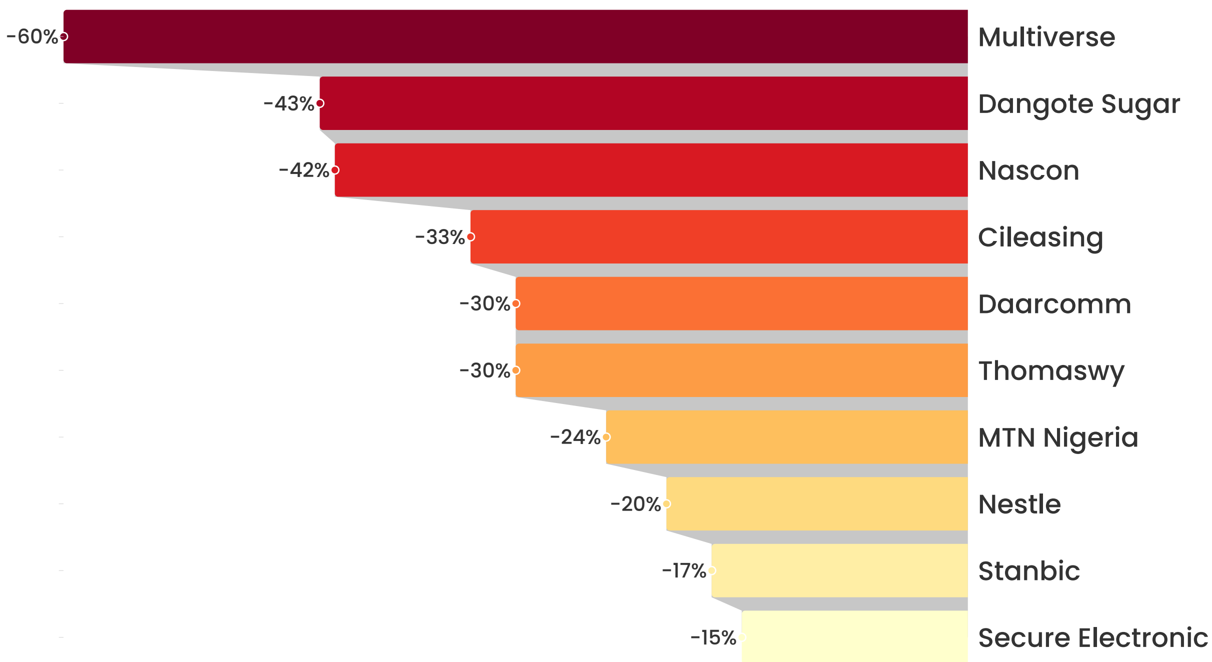
Market Movers

Top Gainers in 2024 (%)



[Source: NGX, Norrenberger Research]

Top Decliners in 2024 (%)



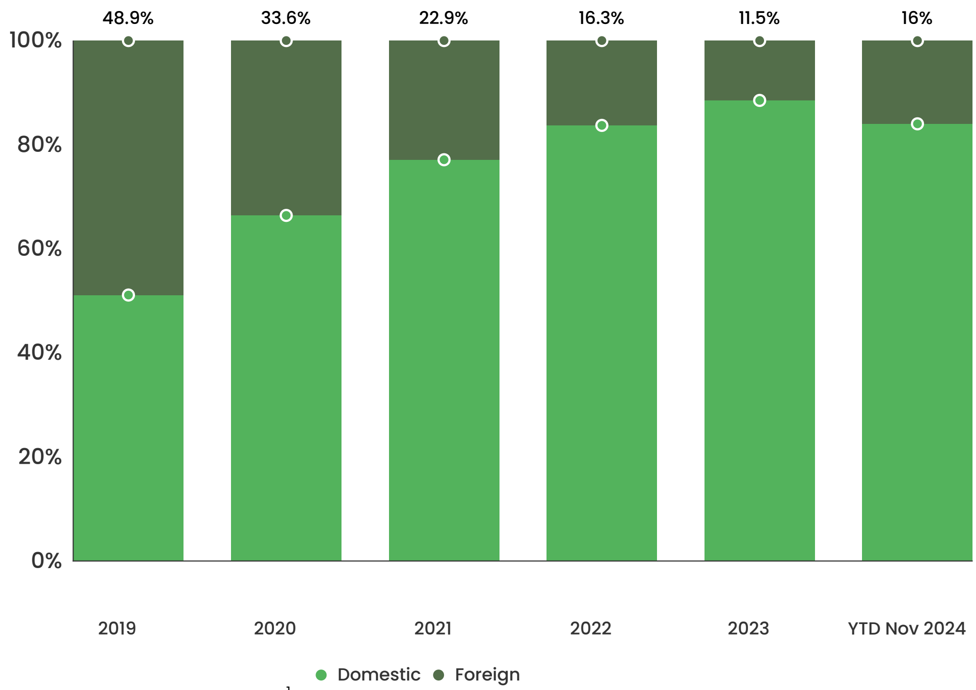
[Source: NGX, Norrenberger Research]

FX liberalization attract FPIs to Nigerian equities

In 2024, domestic investors maintained their dominance in the Nigerian equity market, contributing 84% of total transactions. Investor activity by local participants surged by 30% year-over-year, reaching an impressive ₦4.1 trillion between January and November. This growth was largely driven by retail investors, whose growing confidence and market participation reinforced the resilience of the local investment landscape despite macroeconomic challenges.

Foreign portfolio investment also showed a marked improvement, contributing 16% of total market transactions compared to 11% in the previous year. This uptick was fueled by the CBN's introduction of policies aimed at liberalizing the exchange rate and enhancing FX liquidity. These measures restored some investor confidence and attracted foreign capital inflows back into the equities.

Domestic vs Foreign Participation in Nigerian Equities



[Source: NGX, Norrenberger Research]

While foreign investor participation in Nigerian equities rose substantially in 2024, increasing by 91% from the previous year, the market experienced a higher level of capital outflows compared to inflows. Outflows constituted 53% of total foreign investments during the review period, signaling a shift in investor preference toward high-yielding fixed income instruments.

This trend highlights the cautious stance of foreign investors amid lingering concerns over global interest rate environments and Nigeria's evolving economic policies. Despite increased participation, the sustained outflows suggest that while equities remained attractive for short-term market gains, many foreign investors sought safer, more predictable returns available in fixed income securities.

Other Corporate Actions

DELISTED COMPANIES

NEW LISTINGS

EXPECTED LISTINGS

POTENTIAL DELISTING

Norrenberger Equities Model Delivers 48% Return, Beats Market

The Norrenberger Equity Portfolio Model (EPM) delivered an impressive 48.1% return in 2024, significantly outperforming the Nigerian stock market's overall 38% gain. This achievement underscores the effectiveness of Norrenberger's strategic investment approach, which focused on capitalizing on high-performing sectors and market trends.

The portfolio comprises a carefully curated selection of 10 stocks spanning key sectors, including banking, telecommunications, industrials, consumer goods, agriculture, and conglomerates. This diversified composition mitigated risk while maximizing growth opportunities across multiple economic segments.

Designed to outperform the All-Share Index (ASI), the model exceeded expectations by over 10 prcentage points, demonstrating its capacity to deliver superior returns amid market volatility.

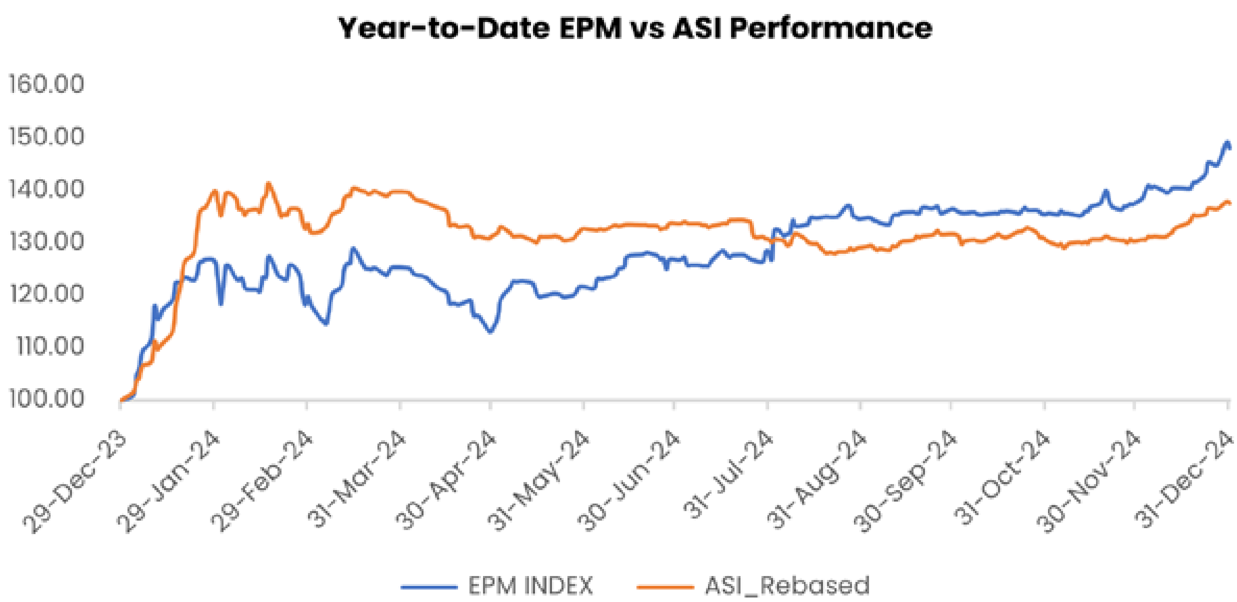
Looking ahead to 2025, we foresee a market that continues to experience volatility but holds potential for growth. In the near term, we anticipate strong positioning in anticipation of 2024 corporate earnings results and dividend announcements, particularly within the

Company	Sector	Security Weight (%)	29-Dec-23 (₦)	31-Dec-24 (₦)	Annual Return
UBA	Banking	10.00%	897.20	897.20	32.55%
access		14.00%	1,121.29	1,121.29	3.02%
ZENITH		10.00%	1,043.06	1,043.06	17.72%
GTCO		7.00%	321.66	321.66	40.74%
MTN	Telecommunications	10.00%	3,241.03	3,241.03	-24.24%
LAFARGE	Cement Manufacturing	15.00%	1,121.29	1,121.29	122.06%
DANGOTE SUGAR	Consumer Goods	10.00%	1,043.06	1,043.06	-42.98%
BUA FOODS		10.00%	321.66	321.66	114.58%
	Agriculture	6.00%	1,043.06	1,043.06	146.11%
Transcorp	Conglomerate	8.00%	321.66	321.66	25.58%
Weighted Index			**80.94**	**3,241.03**	**48.12%**
All-Share Index			**74,773.77**	**102,926.40**	**37.65%**

banking sector. We expect a reversal in market sentiment, with capital flowing back into equities as interest rates stabilize and growth prospects improve in the second half of the year.

Fixed income yields, while elevated in 2024, are expected to moderate as monetary tightening comes to a close. However, liquidity constraints may continue to support high yields in the short term, which could limit the upside in equities as institutional investors continue to favor safer, higher-yielding assets. Nonetheless, a decline in interest rates by mid-2025 could provide a significant tailwind for the equity market in H2, particularly in sectors that are capital-intensive and poised for growth.

However, key macroeconomic variables, such as GDP growth prospects, monetary policy direction, and corporate earnings performance, will remain critical in shaping the market trajectory. While sectors such as telecoms, financial services and insurance on the back of recapitalization program are expected to post solid revenue growth, the broader economy faces significant hurdles, especially related to currency volatility and inflationary pressures, which will continue to affect margins and consumer purchasing power.



[Source: Norrenberger Research, Investment Management]

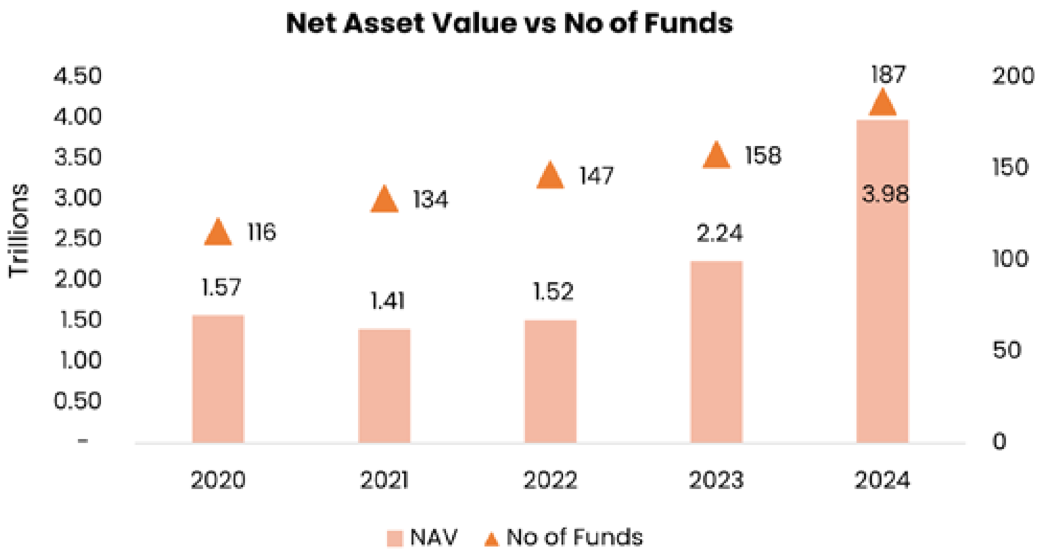
Nigeria's Collective Investment Scheme

Dollar, Money Market to Maintain Mutual Fund Dominance

Nigeria's collective investment space demonstrated remarkable growth in 2024, with the Net Asset Value (NAV) increasing by ₦1.74 trillion to reach ₦3.98 trillion—a significant 78% year-on-year growth. This impressive performance was fuelled by a combination of foreign exchange (FX) revaluation impact on dollar-denominated mutual funds and renewed investor appetite for short-term investments. Dollar funds saw exceptional growth, with NAV rising by 128% year-on-year to ₦1.71 trillion, while money market funds grew by 91%, ending the year at ₦1.68 trillion.

The CBN's aggressive monetary tightening, which resulted in high-interest rates, created a favourable environment for short-term instruments. This dynamic allowed money market mutual funds to deliver yields as high as 24% per annum. Concurrently, the naira's devaluation and the growing need for currency hedging made dollar-denominated mutual funds increasingly attractive to investors.

In addition to asset growth, the number of listed funds increased by 18% during the year, with 29 new funds registered with the Securities and Exchange Commission (SEC). These new listings were predominantly in the money market and dollar fund categories but also included fixed income, balanced, and Shari'ah-compliant funds. Notably, 2024 also witnessed the introduction of a new segment, "specialized funds," which featured innovations such as a green fund, underscoring the evolving diversity and sophistication of Nigeria's collective investment landscape.



[Source: SEC, Norrenberger Research]

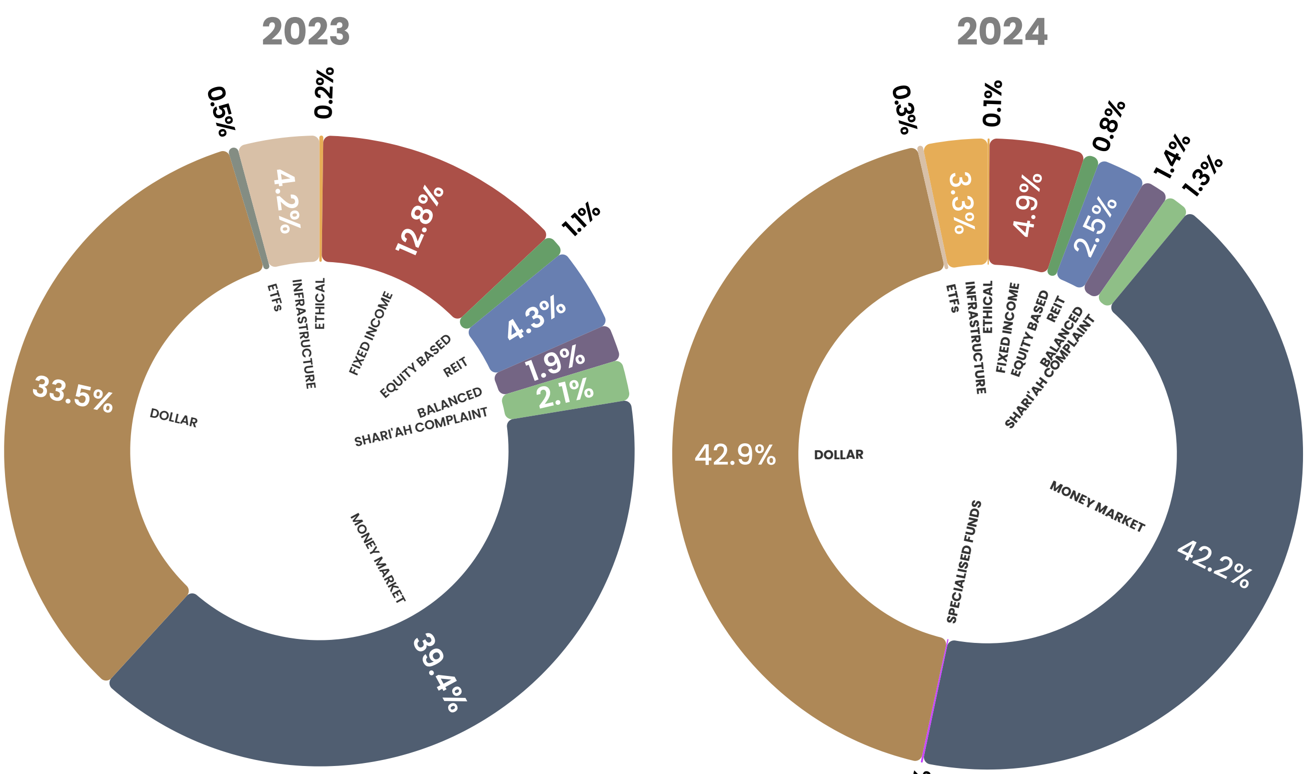
Dollar funds surpassed money market funds to become the largest fund category registered with the SEC in 2024. The Net Asset Value (NAV) of dollar funds stood at ₦1.71 trillion, reflecting an impressive 128% increase from N750 billion at the end of 2023. Meanwhile, money market funds recorded a 91% growth, closing the year at ₦1.68 trillion.

In terms of market share, dollar funds accounted for 43% of the collective investment market, closely followed by money market funds at 42%. Together, these two categories dominated the space, making up approximately 85% of the total market NAV.

On the other hand, the newly introduced "specialized funds" category, which debuted in 2024 and offers green fund, made a modest entry, attracting ₦3.72 billion in its first year, representing just 0.09% of the overall market. While still a nascent segment, specialized funds hold potential for growth as investor interest in niche and impact-driven investments continues to rise.

In addition to high yields and the need for currency hedging, the adoption of technology to democratize access to bespoke financial services was a key driver of growth in the

Collective Investment Scheme by Class



[Source: SEC, Norrenberger Research]

mutual funds market during the review year. Digital platforms and fintech solutions made it easier for investors to access and manage investments, increasing participation across a broader demographic.

Looking ahead to 2025, these trends are expected to sustain market momentum. Investors are likely to continue capitalizing on the high yields offered by money market instruments, especially with the Monetary Policy Rate (MPR) remaining at record levels, at least through the first half of the year.

Furthermore, we anticipate a continued expansion in the diversity of listed funds on the exchange. New offerings are likely to be tailored to meet a variety of investment objectives and cater to varying risk appetites, reflecting the evolving needs of the market.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COMMODITIES MARKET

Supply Dynamics and Geopolitical Risks Drive Crude Oil Outlook

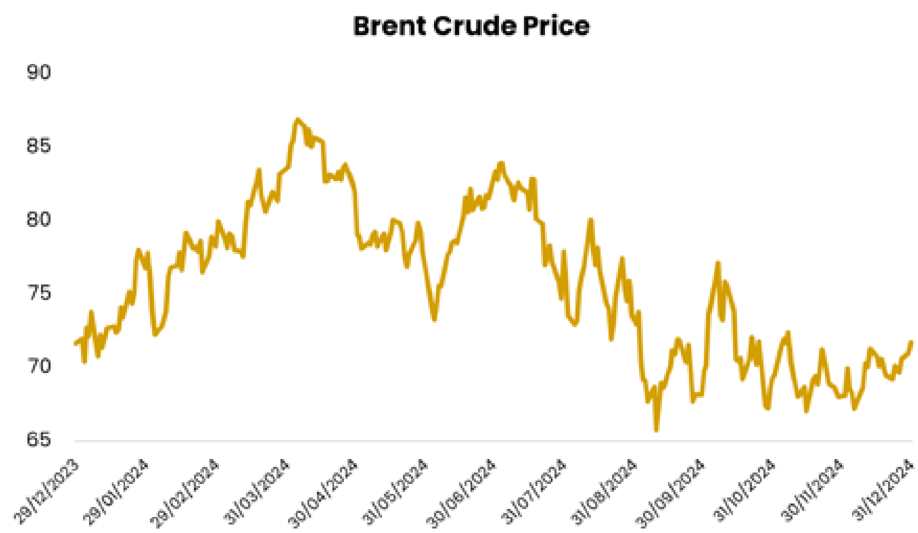
The global crude oil market in 2024 was marked by significant volatility, influenced by a combination of geopolitical tensions, shifting economic conditions, and regional supply disruptions. Price fluctuations were notable, driven by both supply constraints and demand dynamics across major economies.

During the first half of the year, geopolitical instability—particularly the prolonged Russia-Ukraine conflict and unrest in the Middle East—stoked fears of supply disruptions. This uncertainty, coupled with strategic production cuts by OPEC+, pushed crude prices to a peak of $97 per barrel in Q2.

However, the market shifted mid-year as easing geopolitical tensions, especially in Europe and the Middle East, and rising U.S. crude inventories tempered supply fears. These developments, along with signs of slowing economic growth in key markets like China, prompted a sharp price correction, with crude prices falling to $76.6 per barrel by early June.

Despite the mid-year dip, oil prices rebounded to $90 per barrel in July amid concerns over potential North American supply disruptions following discussions on Canadian oil import tariffs. Market sentiment remained sensitive to geopolitical risks, such as the escalation of the Israel-Iran conflict, which triggered temporary price spikes.

As the year progressed, expectations of a global supply surplus weighed heavily on market sentiment, leading to a general downward price trajectory despite intermittent rebounds. By year-end, crude oil prices closed at $75.5 per barrel, representing only a marginal 3.1% dip compared to the beginning of the year.



[Source: Investing.com, Norrenberger Research]

Gold Stays Golden

In 2024, gold reaffirmed its status as a premier safe-haven, delivering a remarkable annual return of 27%, surpassing the S&P 500's 23% gain. The strong performance was fueled by a confluence of factors including geopolitical instability, persistent inflationary pressures, and heightened uncertainty in global financial markets.

Starting the year at $2,048 per ounce, gold prices climbed steadily, peaking in October at $2,786.19 per ounce, before settling at $2,623 by December. The surge was driven by robust demand amid escalating geopolitical tensions and increased purchases by central banks, particularly in Asia, where reserve diversification strategies further buoyed prices.

The metal's role as a hedge against market volatility and economic uncertainty became even more pronounced, as investors sought protection from fluctuating markets and persistent high global interest rates. Despite intermittent price fluctuations, gold demonstrated consistent strength throughout the year.

[Source: Investing.com, Norrenberger Research]

Meanwhile, the outlook for gold in 2025 remains optimistic. Expectations of moderating interest rates and continued economic uncertainties are likely to sustain demand. Central banks, particularly in Asia, are projected to maintain their gold acquisition strategies, supporting market stability and growth.

Additionally, ongoing geopolitical risks are expected to keep gold at the forefront as a key financial safeguard. As market conditions evolve, gold is positioned to remain a cornerstone for portfolio diversification and risk management strategies in 2025.

Is Cocoa the New Gold?

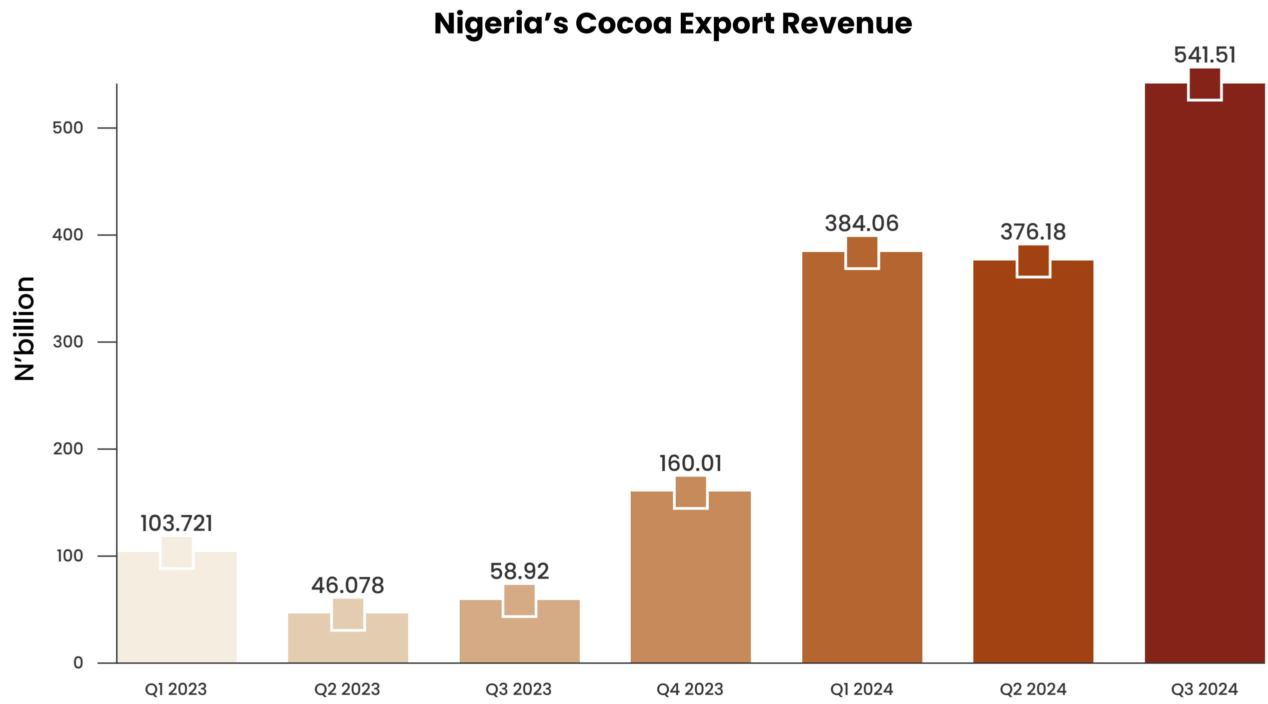
The global cocoa market was marked by extreme price volatility in 2024, largely attributed to global supply chain disruptions, adverse weather conditions impacting key producing regions, and rising production costs due to inflation. The price of cocoa surged by 154% from $4,289 per tonne recorded in 2023 to $10,888 per tonne by the end of 2024.

This surge was driven by a combination of reduced output from major suppliers like Ghana and the Ivory Coast, which account for over 60% of global cocoa production. These countries faced both political instability and adverse weather conditions, which severely impacted their cocoa harvests, tightening global supply and driving prices higher.

[Source: Investing.com, Norrenberger Research]

Meanwhile, the upward movement in cocoa price significantly boosted Nigeria's agricultural export revenues, having capitalized on the favorable price dynamics, generating substantial revenue. Cocoa led the list of top Nigerian agricultural exports in 2024, generating about ₦1.3 trillion in revenue compared to ₦368.7 billion recorded in the entire 2023.

Looking ahead to 2025, the outlook for cocoa remains cautiously optimistic, although there are still significant risks that could impact production. Global supply is expected to improve as cocoa farmers in key regions adapt to the challenges posed by climate change and inflationary pressures. However, production in major cocoa-producing countries like Ghana and the Ivory Coast remains vulnerable to



[Source: NBS, Norrenberger Research]

climatic fluctuations, which could result in another year of tight supply.

Demand for premium cocoa, especially ethically sourced and sustainable varieties, is expected to remain strong, driven by an expanding middle class in emerging markets like China and India.

As consumer preferences continue to shift towards high-quality, sustainable products, cocoa producers, including those in Nigeria, will need to adapt to these trends to capture a larger share of the market.

ISLAMIC FINANCE

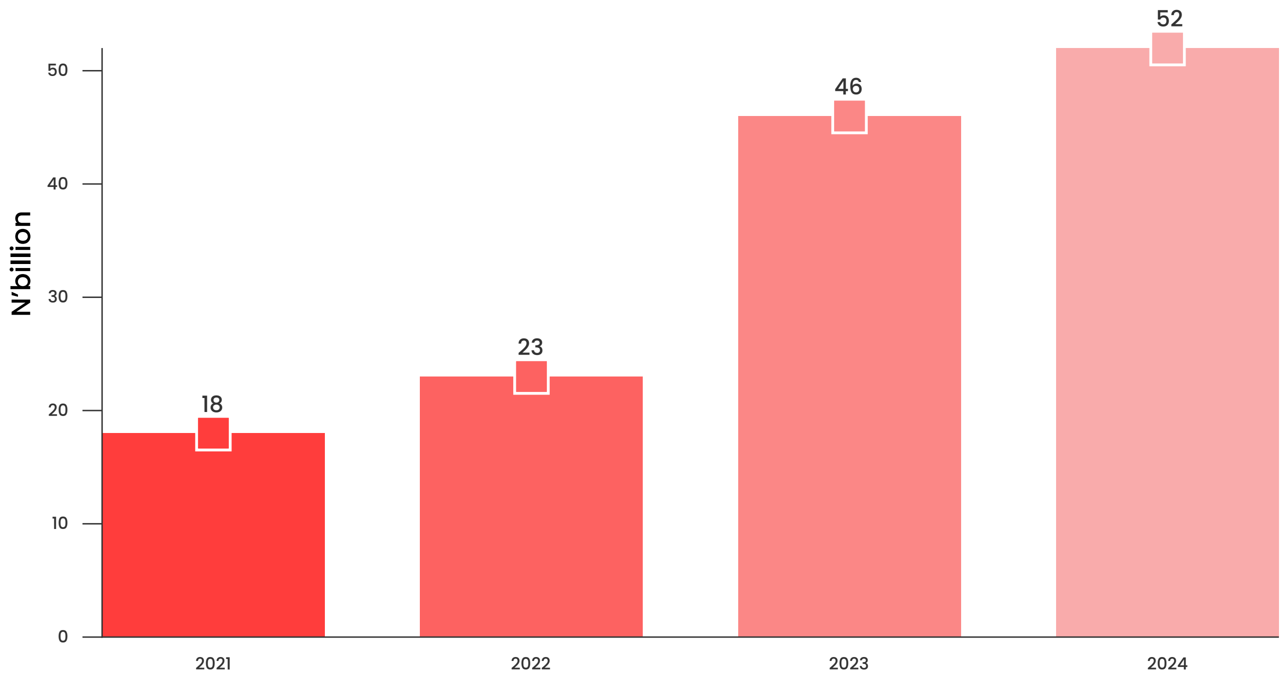
Modest Growth, Room For Opportunities

The Islamic finance sector in Nigeria had notable progress throughout 2024, driven by key developments in sukuk maturity, corporate sukuk issuance, and expanding Shari'ah-compliant banking activities. The number of Shari'ah-compliant funds registered with the Securities and Exchange Commission (SEC) increased from 13 to 15, reflecting increased interest and diversification within the investment segment.

The sector also recorded a 14% rise in net asset value (NAV), reaching ₦52.2 billion as fund managers increasingly launched specialized products tailored to meet the growing demand for ethical investment options. This implies a broader market shift towards offering a variety of funds that align with Shari'ah principles.

On the equities front, the NGX Lotus Islamic Index demonstrated remarkable growth, surging by 51% to close at 6,955.89 points, highlighting

NAV Movement of Shari'ah Compliant Mutual Funds

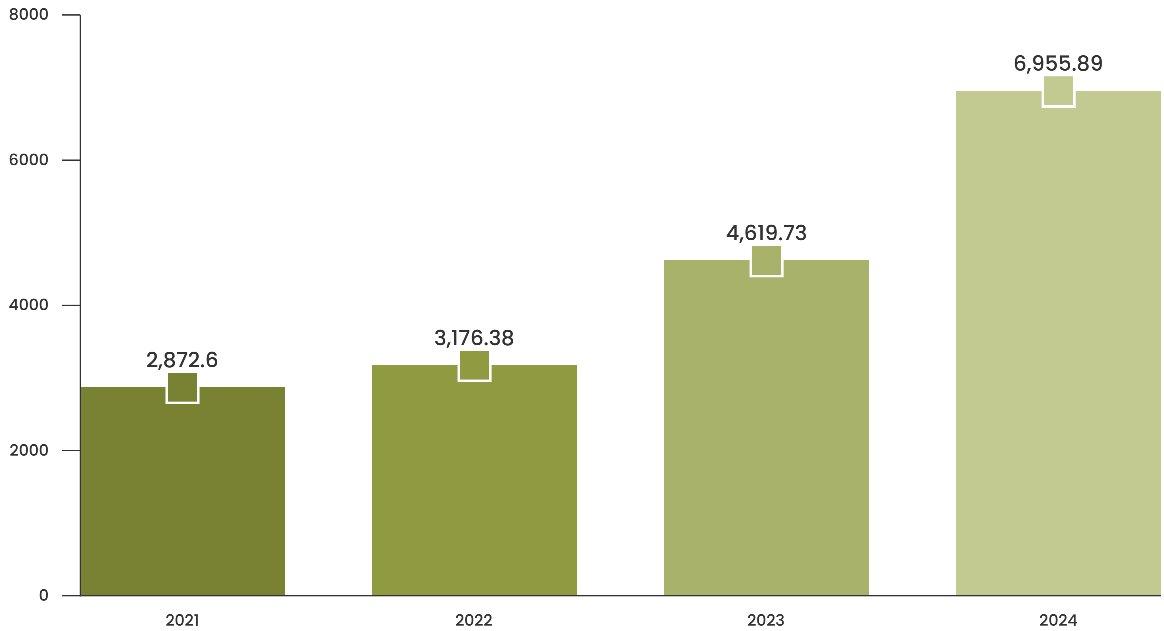


[Source: SEC, Norrenber Research]

investor confidence in Shari'ah-compliant equities and the resilience of ethical investing strategies in a rapidly evolving market environment. Despite these improvements, challenges such as liquidity management, limited Shariah-compliant instruments, and public misconceptions about Islamic finance persisted.

A highlight of the year was the maturity of the 7-year FGN Sukuk issued in 2017, which funded

NGX Lotus Islamic Index

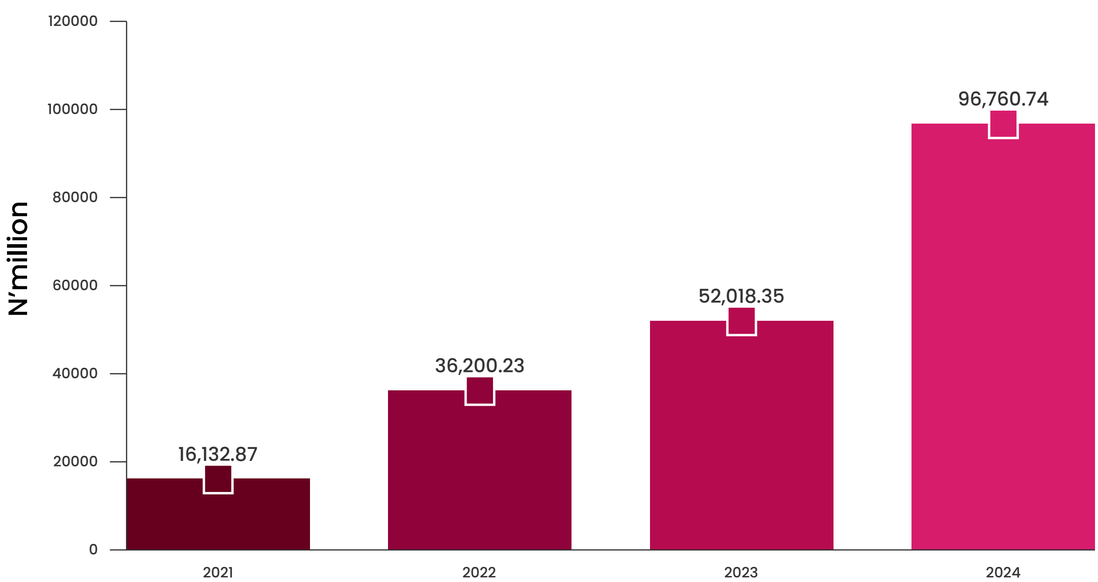


[Source: NGX, Norrenberger Research]

critical road infrastructure projects. Additionally, the InfraCredit-guaranteed corporate sukuk demonstrated the potential for private-sector participation in the Islamic finance market. However, no new FGN sukuk was issued during the year, creating a gap in sovereign sukuk issuances.

The insurance sector has seen significant growth in ethical products, particularly Takaful. This year, the National Insurance Commission authorized Crown Takaful Insurance to commence operations, enhancing the availability of Sharia-compliant underwriting services. Other players like Hilal Takaful, Jaiz Takaful, and Noor Takaful continue to expand their market presence, contributing to the rising demand for Sharia-compliant insurance solutions.

Non-Interest Assets of Nigerian PFAs



[Source: PenCom, Norrenberger Research]

In the pension industry, non-interest investments under Pension Fund Administrators' (PFAs) Fund VI experienced significant growth in 2024, increasing by 86% to ₦96.9 billion, contributing 0.43% of the total pension industry assets. Recognizing the limited availability of approved non-interest instruments, the National Pension Commission (PenCom) permits Fund VI assets to be temporarily invested in conventional assets. However, there are plans to phase out such investments as more approved non-interest instruments become available, ensuring greater alignment with the principles of non-interest finance. This is expected to drive increased activities in the non-interest assets of PFAs in 2025.

Nigeria currently has four non-interest banks and two conventional banks offering Islamic windows. Although these institutions account for only a small fraction of the banking sector's total assets (1.1% as of year-end 2023), deposits (1.3%), and financing (1.0%) according to Fitch, the prospects for expansion are considerable. With Nigeria hosting Africa's largest Muslim population at 53% and a significant portion of its citizens still unbanked, the Islamic banking sector holds substantial growth potential.

On the regulatory front, the Central Bank of Nigeria (CBN) raised paid-in capital thresholds for Islamic banks to strengthen the sector's financial stability. The Securities and Exchange Commission (SEC) provided enhanced oversight, while the FMDQ platform introduced non-interest commercial papers, offering a new tool for liquidity management.

What to Expect in 2025

The Islamic finance sector in Nigeria is poised for a transformative year in 2025, driven by anticipated product launches, regulatory milestones, and market activities. Expectations are high for increased sukuk issuances, innovative financial products, and enhanced regulatory support.

The Federal Government is expected to issue both naira-denominated and dollar-denominated sukuk in 2025, targeting infrastructure development and financial inclusion. We also expect some state governments and corporations to issue sub-sovereign and corporate sukuks in a bid to raise capital towards their respective operations and infrastructural development.

Product innovation will also take centre stage with the expansion of Islamic money market instruments, particularly the adoption of non-interest commercial paper on the FMDQ platform. This development is expected to enhance liquidity management and broaden investment opportunities for Islamic financial institutions. With the introduction of the FMDQ Non-Interest Commercial Paper Program, there is room for more Islamic money market products, such as a treasury sukuk.

While the Central Bank of Nigeria has not announced any plans to launch a treasury sukuk, its introduction would be a natural progression to further deepen the Islamic finance market and provide an alternative liquidity management tool for Islamic banks.

2025 is also the final year of the SEC's Islamic Finance Master Plan (2021-2025), which aims to introduce 50 Shariah-compliant products. To meet this ambitious target, the year will require a concerted effort in product rollouts and market engagement. This presents a unique opportunity to solidify Nigeria's position as a hub for Islamic finance in Africa.

While the sector holds immense promise, challenges such as limited Shariah-compliant instruments, liquidity management, and public misconceptions must be addressed. Regulatory reforms, capacity building, and increased public awareness will be critical in overcoming these hurdles.

GREEN FINANCE

A Case for Green Financing

The global transition toward a green economy is gaining momentum as nations increasingly recognize the need for sustainable development. From renewable energy investments to carbon-neutral policies, financial markets worldwide are aligning with environmental, social, and governance (ESG) principles to ensure long-term economic stability.

Globally, the green economy is expanding, estimated at over $7.2 trillion as of Q1 2024, according to the London Stock Exchange Group (LSEG). The rise of green bonds, sustainability-linked loans, and carbon credit markets indicates a paradigm shift in how capital is deployed. As advanced economies take measures and enforce stringent climate regulations and green investment incentives, African nations are aligning with these trends to attract capital and stimulate eco-friendly industries.

Africa, home to some of the world's richest natural resources and biodiversity, has a significant role to play in this transition. However, while the continent contributes minimally to global carbon emissions, it remains highly vulnerable to climate change. Investments in renewable energy, climate-resilient infrastructure, and sustainable agriculture are becoming essential for economic stability.

Nigeria, as Africa's most populous nation and one of the largest economies in the region, is uniquely positioned to lead the charge in green finance. Notably, the shift toward green

financing in Nigeria is not just an economic necessity but an opportunity to drive inclusive and sustainable growth. Nigeria faces pressing environmental challenges, including deforestation, desertification, and carbon emissions from fossil fuel dependency. The financial market must play a critical role in addressing these challenges by mobilizing capital toward green projects.

Sustainable investments not only mitigate environmental risks but also create economic opportunities, including job creation in renewable energy, waste management, and sustainable urban planning. The outlook for green financing in Nigeria is promising. By 2025, the sector is expected to witness substantial growth, driven by both policy support and increased investor demand for sustainable assets. Key trends shaping the future include digital innovations in sustainable finance, strong ESG regulations, expansion of green bonds, climate risk mitigation strategies, etc.

Norrenberger Financial Group is at the forefront of this movement, leveraging investment and financing opportunities to support Nigeria's green economy transformation. Recognizing the economic and environmental imperatives of sustainability, Norrenberger is introducing a range of investment and financing solutions aimed at accelerating green projects across key sectors through its various entities. These financing and investment solutions cuts across infrastructural development, renewable energy, insurance, asset management, asset financing amongst others.

Beyond green financial solutions, Norrenberger has embarked on a comprehensive transformation of its internal processes and procurement procedures, aligning them with global ESG standards while significantly reducing energy and water usage. Recognizing that sustainability must be woven into every fabric of business operations, the Group has a laser focus on sustainable and responsible supply chain. By prioritizing partnerships with suppliers and vendors who demonstrate robust environmental, social, and governance credentials, Norrenberger ensures that its procurement practices not only support eco-friendly initiatives but also reduce the overall environmental footprint of its operations.

Internally, the company has invested in advanced monitoring systems that track energy and water consumption in real time. This data-driven approach allows Norrenberger to pinpoint inefficiencies and implement targeted measures to optimize resource use. The integration of these practices and technology-enabled approaches into everyday operations has enabled the Group to reduce waste, lower operational costs, and contribute to broader environmental conservation efforts.

Moreover, ESG considerations have been embedded into the Group's decision-making processes, ensuring that every operational step is evaluated through the lens of sustainability. This integration not only improves overall risk management but also reinforces Norrenberger's commitment to transparency and accountability. Enhanced reporting mechanisms now provide stakeholders with clear, detailed insights into the company's progress, underscoring a proactive approach to meeting and exceeding international ESG standards.

Through these strategic initiatives, Norrenberger is not only advancing its green financial solutions but is also setting a robust example of how comprehensive internal reforms can drive sustainability and operational excellence in today's dynamic business environment.

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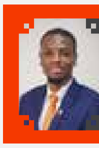
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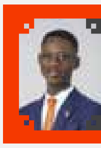
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