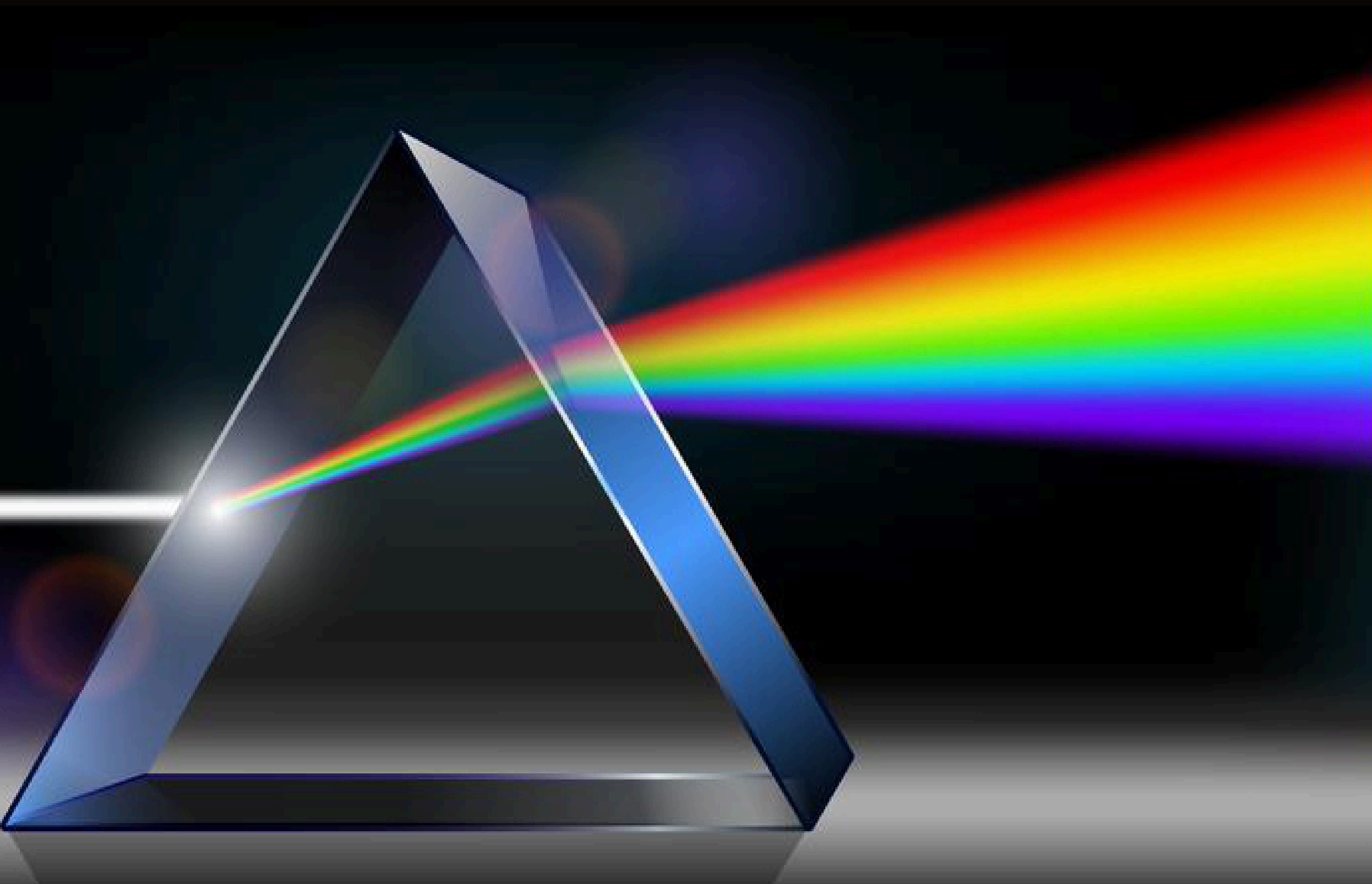
January 21, 2025

PRISM



BIZNOMICS

CONTENTS

01 *The Prism (Biznomics) Overview*

Is Nigeria ready for a right wing America (Trump 2.0)

America's 47th president, Donald Trump, in his inaugural speech on January 20, 2025, confidently declared the beginning of a "golden age" for America. However, for Nigerians, the idea of not being classified as a shi--- country should be uppermost in our mind. As Trump seeks to deport more aliens, Nigeria must be determined to be more economically resilient.

Trump swiftly acted on his campaign promises. Among the executive orders to be enacted immediately are stricter border control, increased oil and gas production, and an upward review of tariffs. While deportations could potentially affect some Nigerians in diaspora, the likely decline in oil prices following increased U.S. oil production is a key concern for Nigeria, particularly as over 80% of the country's export earnings come from oil and gas.

Although lower global crude prices could reduce PMS prices in Nigeria, the potential drop in export earnings and government revenue could undermine macroeconomic stability. There has never been a more critical time for Nigeria to accelerate its economic diversification.

A stronger dollar & a flat naira is more likely in 2025

Donald Trump is expected to prioritize strengthening the U.S. dollar, ensuring its continued dominance on the global stage. Typically, such a shift would exert downward pressure on emerging market currencies, including the naira. However, according to the Economist Intelligence Unit (EIU), the naira is projected to strengthen through 2025, with only modest volatility despite the dollar's global resilience.

This optimistic outlook for the naira is largely underpinned by recent economic reforms that have improved external financing conditions and boosted foreign exchange liquidity. These reforms, together with prudent monetary policies aimed at curbing inflation, are expected to support a more stable and stronger currency. Furthermore, the anticipated rise in Nigeria's current account surplus is expected to enhance investor confidence, stabilize the foreign exchange market, and create a favorable environment for capital flow. In turn, this will likely foster macroeconomic stability and sustainable growth.

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02 What America's Golden Age Means for Nigeria

"We will drill, baby, drill." – Donald Trump, 2025

On January 20th, 2025, Donald Trump delivered his inaugural speech as the 47th President of the United States, outlining his vision for America's economic dominance. His speech emphasized swift implementation of key campaign promises, with several executive orders expected to shape the U.S.'s domestic and foreign policies. Given Nigeria's deep integration with the global economy, particularly with the U.S., several of these policies will have direct and indirect implications for the Nigerian economy. Key areas where Trump's policies could impact Nigeria include:

Immigration & Border Control

"All illegal entry will immediately be halted, and we will begin the process of returning millions of criminal aliens to the places from which they came."

As Nigeria looks to leverage its large diaspora for remittance-driven growth, one of its most important migration destinations—the U.S.—is tightening its immigration policies. While Nigerians are not the primary target of Trump's border restrictions, his proposed mass deportation of undocumented immigrants could affect Nigerians living in the U.S. depending on how "criminal" is defined. The potential impact on Nigeria's foreign currency inflows from remittances is notable. In 2023, remittances to Nigeria amounted to $19.5 billion, accounting for 23.3% of the nation's GDP.[1] A reduction in the number of Nigerians in the U.S. due to deportations could constrain Nigeria's current account balance and diminish the income of families' dependent on remittances. Though the direct effects might be limited, this shift warrants attention for Nigeria's economic planning.

Energy Policies

"The inflation crisis was caused by massive overspending and escalating energy prices, and that is why today I will declare a national energy emergency. We will drill, baby, drill."

Trump's energy policy could have profound effects on Nigeria, given its heavy reliance on oil and gas. Under Trump, the U.S. is expected to significantly increase its oil production, which will likely reduce global oil prices. According to the Economist Intelligence Unit (EIU), global crude prices are projected to decline by 6.3% in 2025, dropping from $80.6pb in 2024 to $75.6pb and then $72.8pb in 2026. This price reduction could decrease Nigeria's oil export earnings and government revenue, negatively impacting debt

1. World Bank, 2024. Remittances Slowed in 2023, Expected to Grow Faster in 2024: Migration and Development Brief 40. [online] Available at: https://remitscope.org/world-bank-migration-and-development-brief-40/ [Accessed 21 Jan. 2025].

servicing, fiscal health, and public spending, exacerbating inflation and poverty. While lower global oil prices could reduce domestic fuel costs, Nigeria's vulnerability to oil price volatility underscores the need for accelerated economic diversification. Relying less on oil would shield Nigeria from external shocks, providing a more stable foundation for sustainable growth and improved living standards.

Trade and Tariffs

Trump has repeatedly emphasized using tariffs as a tool to influence global trade. On January 14, 2025, he announced the creation of an "external revenue service" to collect tariffs and duties from foreign sources. Although his focus has primarily been on China, Mexico, and Canada, this policy could extend to other regions, including sub-Saharan Africa. If tariffs are imposed on Nigerian exports, particularly oil, agricultural products, and resources, it could disrupt trade relations and negatively impact Nigeria's economy.

Trump's vision of a "Golden Age" for America promises a resurgence of U.S. economic power, but given America's dominant position in the global system, its policies will inevitably affect global markets, including Nigeria. As the world grows increasingly interconnected, Nigeria's resilience to external shocks—such as fluctuating oil prices, global trade policies, and immigration restrictions—will be critical.

For Nigeria to thrive amid these external pressures, it must prioritize policies that strengthen its internal economic foundations. This includes fostering an environment conducive to productivity growth, such as affordable and reliable energy, as well as institutional reforms. By diversifying its economy and reducing dependency on oil, Nigeria can better withstand external economic shocks and secure a sustainable path toward growth and development.

03

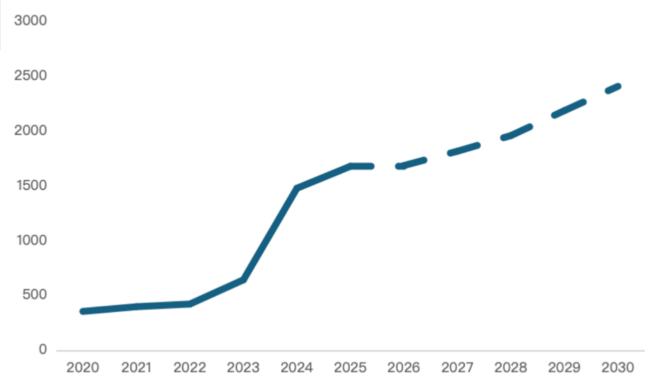
Trump 2.0: Blessing or Curse For the Naira?

As President Trump steps into office today, the world waits, anxious and uncertain of the storm that may be on the horizon. In the Middle East, a tentative calm blankets the region as the Israel-Hamas conflict appears to wind down. Meanwhile, Ukraine watches with bated breath, unsure if it faces abandonment or an unexpected turn in its war. Across the globe, China, Canada, and the BRICS countries gird themselves for trade tariffs that could choke growth and stall prosperity.

In Nigeria, the worry is palpable—will the envisaged strengthening of the dollar cause the naira to plummet further?

The Economic Intelligence Unit (EIU) seems to have an answer. The EIU sees the naira stronger and more stable in 2025 than in 2024. In its latest report, the EIU states that "the depth of the real-terms correction will put a floor under the naira in 2025, and severe volatility is expected to abate."

Figure B.1 Exchange rate (N/US$, av)

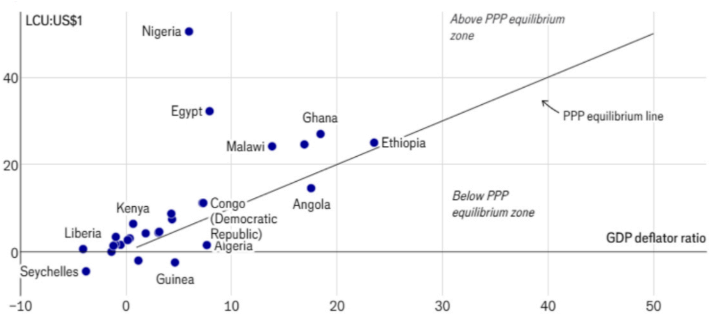


Source: EIU, FDC

From a worst-performing currency to Africa's poster currency

2023/24 was a turbulent period for the naira. The naira lost a cumulative 70% of its value against the US dollar, sliding into the junk currency status and ranking as Africa's worst performing currency. This was exacerbated by the transition from a de facto peg to a floating exchange rate and the erosion of confidence due to high inflation. However, Nigeria's currency crisis was not unique. Some other African currencies also faced significant pressures. According to the EIU, the median African currency has underperformed its emerging-market counterparts since 2022, largely due to limited access to foreign financing and the impact of the Federal Reserve's interest rate hikes. As seen in Figure B.2, the naira was the most undervalued African currency in 2024. Our estimates suggest that the naira was 33% undervalued in 2024.

Figure B.2 Annual average % change in nominal exchange rate compared with ratio of domestic and US GDP deflators over 2021-24



Source: EIU

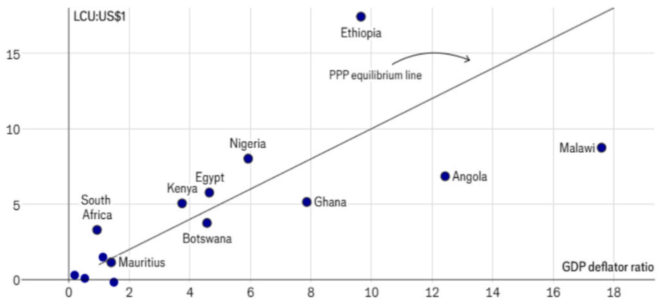
Note: Currencies above the 45-degree (PPP equilibrium) line depreciated more against the US dollar than price levels changed, and vice versa below the line. Euro-pegged currencies are excluded. Nigeria's naira, Africa's most undervalued and volatile currency, leads. Egypt's pound follows, then Ghana, Malawi, Sierra Leone, and Ethiopia, all facing major corrections.

Dollar up, naira up: the paradox of shift

Intuitively, a stronger dollar implies a weaker naira. However, the EIU is forecasting that the naira will become less undervalued by 2025, even if the dollar continues to strengthen. Policy shifts and macroeconomic adjustments will bolster the naira in 2025. With a sound monetary policy framework and a relatively hawkish stance in 2025-26, money supply growth will moderate, helping to curb inflation and support the naira. A stronger naira will also be supported by a widening current account surplus (projected to increase to 5.2% of GDP in 2025 from 1.7% of GDP in 2023) and improved external financing conditions.

The successful launch of a $900 million domestic US dollar bond in 2024 paves the way for more issuances under a $2 billion program in 2025. This program will be bolstered by the newly launched nonresident Nigerian accounts (ordinary and investment accounts) and other reforms aimed at streamlining cross-border flows. Additionally, the successful return to the Eurobond market in late 2024, raising $2.2 billion, suggests further external borrowing opportunities in 2025-26, especially if US interest rates continue to decline. As these factors converge, the naira is expected to strengthen, becoming less undervalued."

Figure B.3 Annual average % change in nominal exchange rate compared with ratio of domestic and US GDP deflator over 2025-26.



Source: EIU

The real work starts now!

Nigeria's recent FX market reforms, including the adoption of a more flexible exchange rate, the adoption of BMATCH trading system, and the introduction of nonresident Nigerian accounts, have yielded positive results, with the Naira appreciating in December through January. However, it's not uhuru yet, there's work to be done.

First, Nigeria must avoid ideological backsliding. There is a need to consolidate FX reforms undertaken so far by maintaining a market-based exchange rate, ensuring efficient pricing, and improving liquidity through increased supply of forex. Enhancing transparency, curbing speculation, and fostering investor confidence are also vital.

Second, Nigeria will need to curb escalating fiscal deficits. Government fiscal balance deteriorated to -5.6% of GDP in 2024 from -5.4% of GDP in 2023. Rising fiscal deficits weaken the naira by increasing inflation and external borrowing, eroding investor confidence. Reversing this trend through fiscal retrenchment and optimal revenue mobilization is critical for moderating inflation, improving the current balances, attracting foreign investments, and bolstering the naira.

Third, maintaining sound monetary policy frameworks is essential for naira stability. Strengthening the central bank's independence and aligning fiscal and monetary policies and containing excessive money growth will enhance confidence and support a stable naira.

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04 Global Perspective

Africa is undergoing social change without economic transformation

Culled from the Economist

Neither farms nor workers are getting more productive

It is hard to decide which looks more forlorn, Webster Malupande or the wilted maize stalks around him. A smallholder in southern Zambia, Mr Malupande is one of many farmers devastated by a recent drought that halved production, leading the government to declare a state of emergency. Even before then, he struggled to get more yield from his fields. "We do what we can," he says, "but it is never enough."

The next day, Hakainde Hichilema stands in another field, tipping his cowboy hat to the crowd. Zambia's president—who has an MBA and a cattle farm—is inspecting crops grown from drought-resistant seeds. "Climate change is here to stay…We don't need to debate that any more," he says. Using new technology can prevent shocks in future, he continues. More productive farms mean more food and higher rural incomes, which in turn will boost industry. "This is a Godsend," the president says of the new seeds.

Mr Hichilema wants Zambia, whose GDP per person of $1,226 is below the average for sub-Saharan Africa, to be a "prosperous middle-income country" by 2030. He has talked of the need for "structural transformation." That means people swapping farming and rural life for urban industrial jobs. He wants Zambia—and Africa as a whole—to undergo the sort of green revolution seen in Asia and Latin America last century.

It is not the only revolution Africa has done without. Robert Osei, an economist, has written that Ghana developed "without a green revolution, an industrial revolution, or a service revolution of the types seen …in Asia"; the observation applies beyond his homeland. In 2024, the African Centre for Economic Transformation (ACET), a Ghana-based think-tank, likened African economies to "early transformers" in Asia and Latin America. Its "African Transformation Index", which scores countries based on their adoption of technology, labour productivity and diversity of exports, was sobering. "Most African countries are not transforming their economies at a consistent or steady rate," noted K.Y. Amoako, ACET's founder.

Superstructuralism

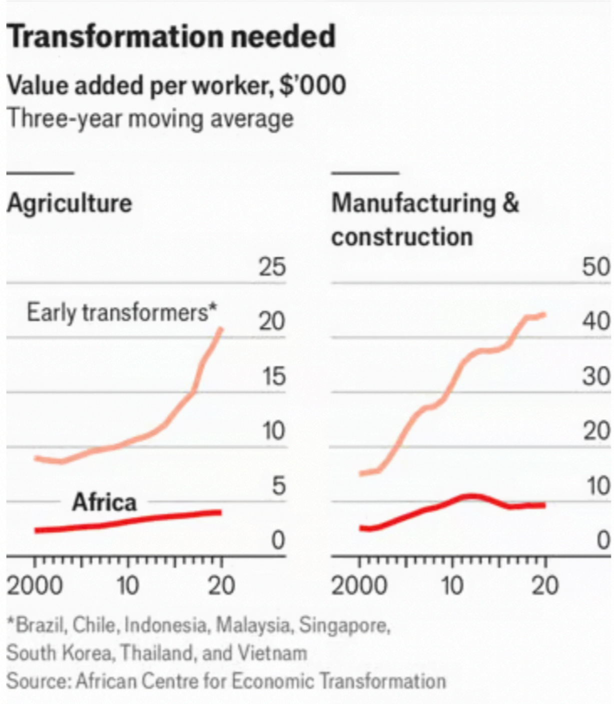
Underpinning much of this is a lack of productivity growth. If the Africa gap is defined in terms of GDP per person, then closing it could happen via two channels. The first is by having a rising share of workers relative to non-workers. In many African countries, that ratio will become more favourable over the 21st century as women have fewer children. But a large "demographic dividend"—like that seen in late-20th-century Asia, where fertility plummeted much faster—is unlikely.

The second channel—increasing how productive each worker is—remains the crucial one. Research by the World Bank has found that growth in total-factor productivity (TFP)—how efficiently labour and capital are combined and a proxy for the use of technology in production—has been "negligible" on the continent for the past 60 years. This suggests that African economies have grown from increased labour, capital and natural resources but not from technology.

It is not that African countries are standing still. Far from it. But social change is happening without economic change alongside. Understanding what is happening is crucial to closing the Africa gap.

In 1960, 15% of sub-Saharan Africa's population lived in cities. Now, 43% of people are classed by the UN as urban. The region is urbanising faster than any other. The Economist Intelligence Unit (EIU), our sister organisation, reckons more than half of Africans will live in cities by 2035. Africa will have six cities of over 10m and a further 17 of over 5m.

On the face of it, this is a repeat of the global shifts from rural to city life. But African urbanisation is happening in countries poorer than has been the norm elsewhere. And elsewhere, more productive farms encouraged urban migration, with less need for farm hands to till fields. Again, Africa is different. Its urbanisation looks more like an alternative to rural development than a consequence of it.



Source: The Economist

Today a little more than half of workers in sub-Saharan Africa still labour on farms, about the share in western Europe two centuries ago. They typically work unproductive plots of less than two hectares (five acres) using methods more suited to the 19th century. The "value-added" per worker in sub-Saharan Africa, a measure of productivity, is less than half the global average and less than one-fiftieth of the places with the most productive farms. Africa's cereal yields, another measure of productivity, are less than half the average in the rest of the world. And though production has increased since 1980, this has largely been because Africans are farming more land, not farming it more productively. Between 1980 and 2018 South Asia more than doubled cereal yields without using any more land. In sub-Saharan Africa, yields tripled, but the land used more than doubled.

Though there are hi-tech commercial farms in parts of Africa, most small farms are low-to-no tech. Fertiliser use is a tenth of that in Asia. Only 3.5% of agricultural land in sub-Saharan Africa is irrigated. A lack of cold storage means much food is wasted; in Nigeria 45% of produce rots. Christopher Udry, an economist based at Northwestern University in Illinois, notes how, in America's Midwest, farmers just 80km apart may use different seed varieties. But in Africa, "We don't have seeds optimised for every 50 miles, we have seeds optimised for the continent."

Less than 5% of agricultural land is irrigated

African policymakers and donors have tried to encourage smallholders to adopt better technology. But it has proved difficult. In a review of the evidence on technological adoption published in 2024, Mr Udry and Tavneet Suri of MIT found that "there is no single binding constraint". Mr Malupande, the Zambian farmer, has barely any savings to invest, no access to finance and little option but to buy the generic seeds on offer from state-subsidised schemes.

Small surprise that some farmers, or at least their children, are upping sticks. In a lecture in 2024, Mr Udry showed that, in a sample of 200,000 plots in six African countries, yields fell by 4-5% per year between 2008 and 2018. After mulling many explanations—such as changing weather, land degradation, and nearby conflict—he concluded that it was because the farms were being worked less. Farmers and their children are opting to try their luck elsewhere. Yields declined most in farms closest to cities, suggesting that there is a flow of erstwhile farmhands from the fields to the hustle on the margins of the urban economy.

The share of Africans working in the service economy has risen from 26% to 37% over the past three decades, more or less mirroring the decline of the share in agriculture from 64% to 52%. However, these jobs are not in corporate back offices. They are casual work in shops, markets and building sites. McKinsey, a consultancy, notes that service-sector productivity in Africa is less than half that in Latin America and lower than in India.

Trouble at mill

So far, manufacturing has not offered the plethora of jobs seen in other parts of the world. Only 11.5% of sub-Saharan African workers are employed in industry, marginally higher than the 9.9% share in 1991. Why manufacturing has struggled to take off is hotly debated. For centuries, Africa has had lots of land and labour scarcity, the opposite of Asia. At independence, economies were geared to resource extraction. And perhaps because unproductive farms mean more expensive food, it seems to cost more to employ Africans than it does to employ Asians. Research by the Centre for Global Development (CGD), a think-tank based in Washington, has found that in Africa, labour costs were on average, roughly twice as much as a country's GDP per person, whereas in Bangladesh, for instance, they were roughly the same.

In 2021, Xinshen Diao and co-authors at the Washington-based International Food Policy Research Institute analysed what they call "Africa's manufacturing puzzle". Using data from factories in Ethiopia and Tanzania, they find a dichotomy: highly productive plants use lots of hi-tech equipment, but few workers, and many less productive plants use lots of people and little kit. This is not what happened in Vietnam and Taiwan, they note, where labour was absorbed into productive factories—creating a flywheel that helped boost GDP per person over many years.

The authors suggest that this is primarily because, to be globally competitive and plug into international supply chains, factories need to adhere to high technological standards. "The choice that African manufacturers seem to face is either to increase productivity or to increase employment."

The implication is that Africa was late to the party; cheap labour may not be the advantage it once was. "The escalator is slowing, although it will not stop altogether," says Alan Gelb of CGD.

For some, manufacturing is special because it has historically employed lots of people globally and had positive spillover effects. In an article about Mauritius, which successfully transitioned from a poor, sugar-dependent economy in the 1960s to one based on textile manufacturing, Joe Studwell, author of "How Asia Works", writes, "The lesson about the special role of manufacturing in developing countries ought to be clear to every African state. And yet the continent has almost no other examples of governments developing and deploying coherent manufacturing strategies."

It may be the case that Africa's development will look more like South Asia's than East Asia's. A paper by Tianyu Fan of Yale University and co-authors, entitled "Growing like India", noted that Indian development has come in part from improving productivity in non-traded service sectors, such as retail, hospitality and property, rather than export-oriented manufacturing. This suggests that Africa could follow the same path, given its large services sector. The authors imply, however, that the cost could be high levels of inequality and joblessness, as seen in India.

A different route

"The general process of African transformation—which seems to be bypassing an industrialisation stage—is probably not just a temporary phenomenon," argues Douglas Gollin of Tufts University. "What's much less clear to me is that this alternative path is suboptimal." He believes that development economists can be too focused on what is happening in parts of the economy, such as farms or factories, and not enough on general market frictions that hinder productivity. He would like more attention to removing barriers to trade, specialisation, and the allocation of capital wherever it is most productive.

The fact that Africa is following an idiosyncratic path does not mean it is headed for a dead end. But whatever route it is on, it needs more productive firms. Even if the continent is not having a green or an industrial revolution, it will still need a commercial one.

05 Corporate Focus

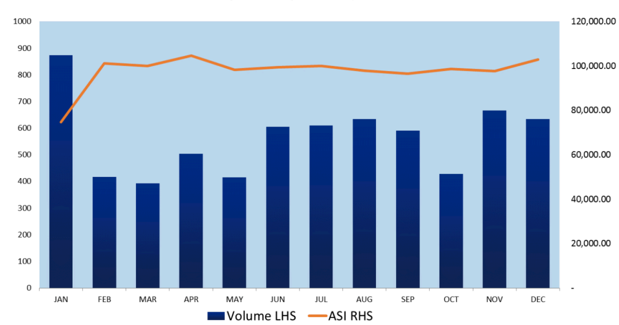
Equities Review (2024) & Outlook (2025)

Domestic stock market in 2024

The Nigerian stock market closed 2024 with a 37.65% gain, outperforming inflation at 34.80% and delivering a real return of 2.85%. The All-Share Index (ASI) rose to 102,926.40 points, compared to 74,773.77 points in 2023. Market capitalization increased by 50.94%, reaching N62.76 trillion from N41.58 trillion in 2023. Positive investor sentiment in the bellwether stock Dangote Cement (DANGCEM), which accounts for 13% of the total market capitalization, significantly boosted market performance early in the year. New listings like Aradel Plc, Transcorp Power Plc and Haldane McCall also contributed to the market's strong performance.

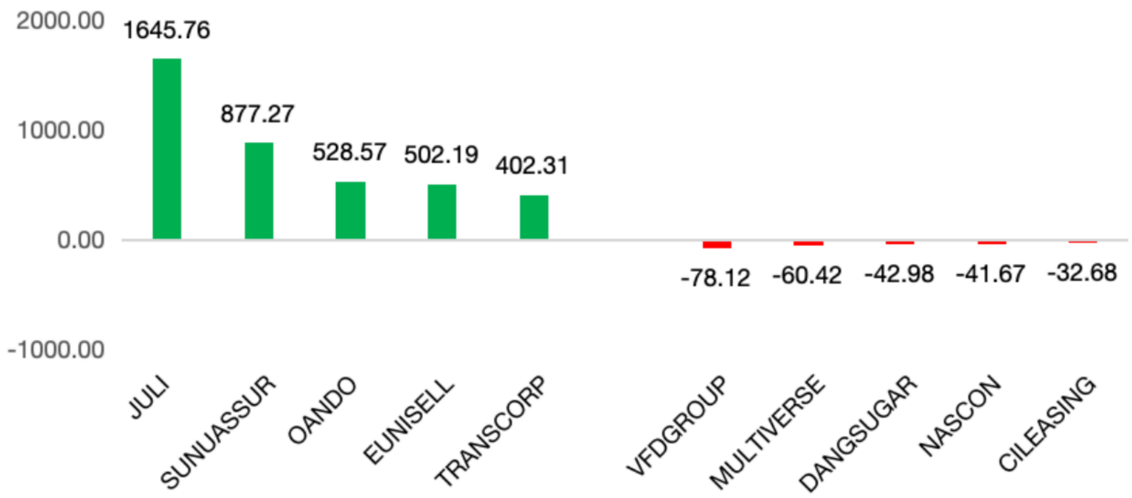
The Central Bank of Nigeria's (CBN) Monetary Policy Committee raised interest rates by 875 basis points in 2024 to combat inflation. This shift heightened investor interest in fixed-income assets, marginally tempering equity inflows. However, improved forex market transparency and a more stable naira bolstered foreign investor confidence. Domestic investors, seeking inflation-beating returns, also drove demand in equities, particularly in financial stocks such as banking and insurance. Total transactions on the NGX rose to ₦4.9trn in the first 11 months of 2024, reflecting a 52% YoY increase compared to ₦3.23trn in the same period of 2023. Domestic investors dominated the market, contributing ₦4.13trn, up 43.77% from ₦2.87trn in 2023. Domestic investors accounted for 84.02% of the market, while FPIs accounted for 15.98%. Total FPI transactions rose to ₦785.28bn ($519mn) in the first 11 months of 2024, compared to ₦362.75bn ($400mn) in 2023, representing a 116.5% increase.

In total, 97 stocks posted positive returns in 2024, while 21 traded flat and 30 recorded losses. Bargain-hunting activities, particularly in financial stocks, were key in driving market activity amidst inflationary pressures.



Source: NGX, FDC Think Tank, Bloomberg & MSCI

Top gainers and top losers

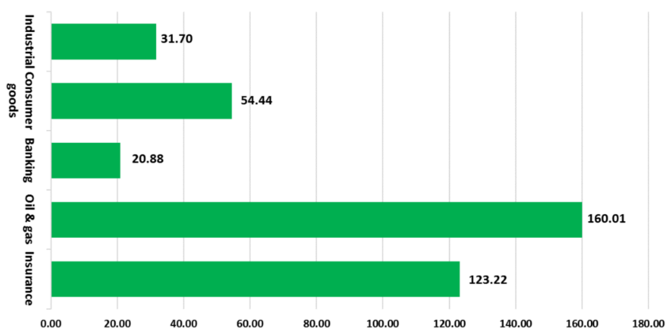


Source: NSE, FDC Think Tank, Bloomberg & MSCI

Juli Plc (1645.76%), Sunu Assurances Nigeria Plc (877.27%), Oando Plc (528.57%), Eunisell Plc (502.19%), Transcorp Plc (402.31%) recorded the highest yearly returns.

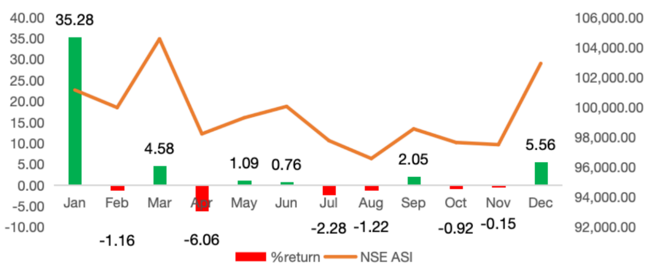
In contrast, VFD Group Plc (–78.12%), Multiverse Mining and Exploration Plc (–60.42%), Dangote Sugar Refinery Plc (–42.98%), Nascon Allied Industries Plc (–41.67%), and Capital Express Leasing Plc (–32.68%) were the main underperformers.

Sector performance 2024



In 2024, the performance of the sub sectors was positive as all five sectors tracked gained. The oil & gas sector recorded the highest gain of 160.01%, followed by the insurance sector (123.22%), the consumer goods sector (53.44%), the industrial sector (31.70%) and the banking sector (20.88%).

Monthly performance



Source: NSE, FDC Think Tank, Bloomberg & MSCI

The NGX was mostly volatile in the full trading year after its strong gains to start the year in January (35.28%). Higher yields in fixed-income assets due to the MPC's aggressive interest rate hikes, diverted demand away from the equities market. However, opportunities for inflation-beating returns buoyed interest in equities. In December, the NGX had its second-highest monthly gain (5.56%) due to bargain-hunting activities in the financial stocks.

Stock Market Outlook 2025

The Nigerian stock market enters 2025 with cautious optimism, underpinned by ongoing macroeconomic stabilization efforts and the prospect of transformational listings, such as NNPC Limited and Dangote Refinery. If realized, these listings could significantly deepen market liquidity and enhance the breadth of investable opportunities, attracting both domestic and foreign capital.

With inflation projected to moderate further and the naira maintaining relative stability, 2025 presents a favorable backdrop for corporate earnings recovery. However, liquidity constraints and limited market depth remain challenges to improving investor sentiment. To sustain the momentum from 2024's strong 37.65% return, the Nigerian Exchange (NGX) must leverage the anticipated reforms to unlock further growth opportunities.

Investors will likely focus on sectors positioned to benefit from improved macroeconomic conditions, government reforms, and industry-specific initiatives.

Key Market Drivers for 2025

Macroeconomic Stability: Slowing inflation, targeted to drop below 30% by mid-2025, and sustained naira stability are expected to enhance investor confidence.

Monetary Policy: While the CBN maintained a tight monetary stance in 2024, interest rates are projected to stabilize, potentially improving the appeal of equities over fixed-income instruments.

Foreign Participation: Improved FX transparency and a rebound in oil prices may attract higher foreign portfolio inflows. The NGX recorded a steady increase in foreign participation in 2024, which will likely persist.

Corporate Earnings Growth: Tariff hikes in the telecommunications sector and increased infrastructure spending are expected to drive revenue growth in key industries.

Government Reforms: Structural reforms in energy, agriculture, and manufacturing, alongside privatization and deregulation efforts, will create sector-specific opportunities.

Sectors to Watch

Telecommunications – Bullish

The telecommunications sector is poised for growth in 2025. The anticipated tariff increases for key players like MTN and Airtel are expected to substantially boost profitability, especially given the ongoing push for financial inclusion and digital services. Investments in 5G technology will facilitate further market expansion, enhancing operational efficiency and service offerings. Regulatory actions supporting digital penetration in underserved areas and the potential for strong subscriber growth will help drive continued positive sentiment in the sector.

Banking – Bullish

The banking sector is poised for positive momentum in 2025, particularly with the continued push for recapitalization efforts in the industry. Banks' ability to withstand financial shocks improves as they adapt to regulatory changes and boost their capital buffers. Increased digitization and strong partnerships with fintech firms are expected to position major banks for sustained growth. With macroeconomic stability on the horizon, the improved business environment should drive loan book expansion and profitability despite the potential risks posed by rising competition and regulatory pressure.

Oil & Gas – Neutral

Despite anticipated declines in global oil prices in 2025, the Nigerian oil and gas sector is expected to remain resilient. The listing of NNPC Limited and the operations of Dangote Refinery are likely to inject fresh capital into the market and enhance liquidity, fostering new investments in the sector. Local refining capacity is expected to reduce the country's reliance on imports and improve supply chains. However, challenges such as lower oil prices and limited foreign investment could temper the sector's overall performance.

Agriculture – Neutral

The agricultural sector in Nigeria is projected to remain neutral in 2025. While the sector continues to benefit from government policies to reduce import dependency, including promoting local production and agro-processing, persistent challenges such as insecurity in farming areas and limited access to funding for small-scale farmers remain barriers to growth. Despite efforts to enhance food security and investment in key crops like palm oil, the sector's performance will largely depend on resolving these ongoing issues.

Consumer Goods – Neutral

Moderating inflation and improved consumer purchasing power will create opportunities for revenue growth in the consumer goods sector. Export-oriented companies stand to benefit from stable FX conditions and increased regional demand, while investments in alternative energy solutions are helping to mitigate production costs. However, persistent challenges such as high energy costs, limited access to foreign exchange for raw material imports, and weak consumer demand in lower-income segments may cap the sector's growth potential.

Industrial Sector– Bullish

In 2025, the industrial goods sector is expected to benefit from greater accessibility to foreign exchange and the anticipated influx of new investments. As the FX environment stabilizes, companies in manufacturing and construction-related industries should see cost reductions and improved access to critical raw materials. In addition, infrastructure development projects by both the public and private sectors are likely to spur demand for cement, steel, and other industrial products. This, combined with potential investments in technology and automation, will support overall growth within the sector.

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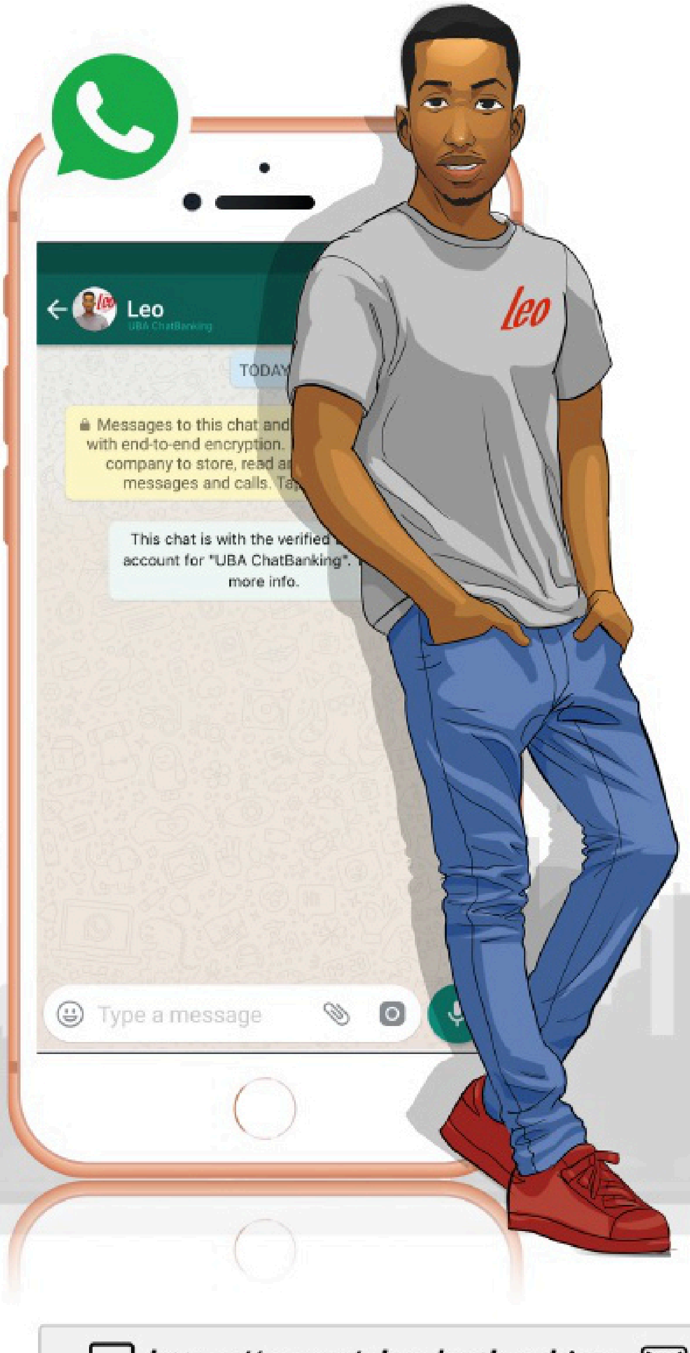

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A PRISM OUTLOOK

- We anticipate upward pressure on the value of the naira at the parallel market in the coming weeks after its relative stability within N1,660/$—N1670/$ in January so far. This will be due to the CBN's plans to terminate its $25,000 weekly sales to BDCs at the end of the month amid increased demand for forex for travel, school fee payments and business transactions.
- Headline inflation rose marginally in December to 34.80% from 34.60%, implying that inflation could have reached its inflection point. We expect headline inflation to fall in January. The Consumer Price Index rebasing would also result in a lower headline inflation figure for January 2025.
- In its next meeting in February, the MPC is likely to maintain the status quo due to easing inflation, naira stability, and concerns about the impact of higher borrowing costs on the economy. Interest rates could begin to come down in H2'25 as inflation maintains a downward trend, which will bolster the country's growth prospects.

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