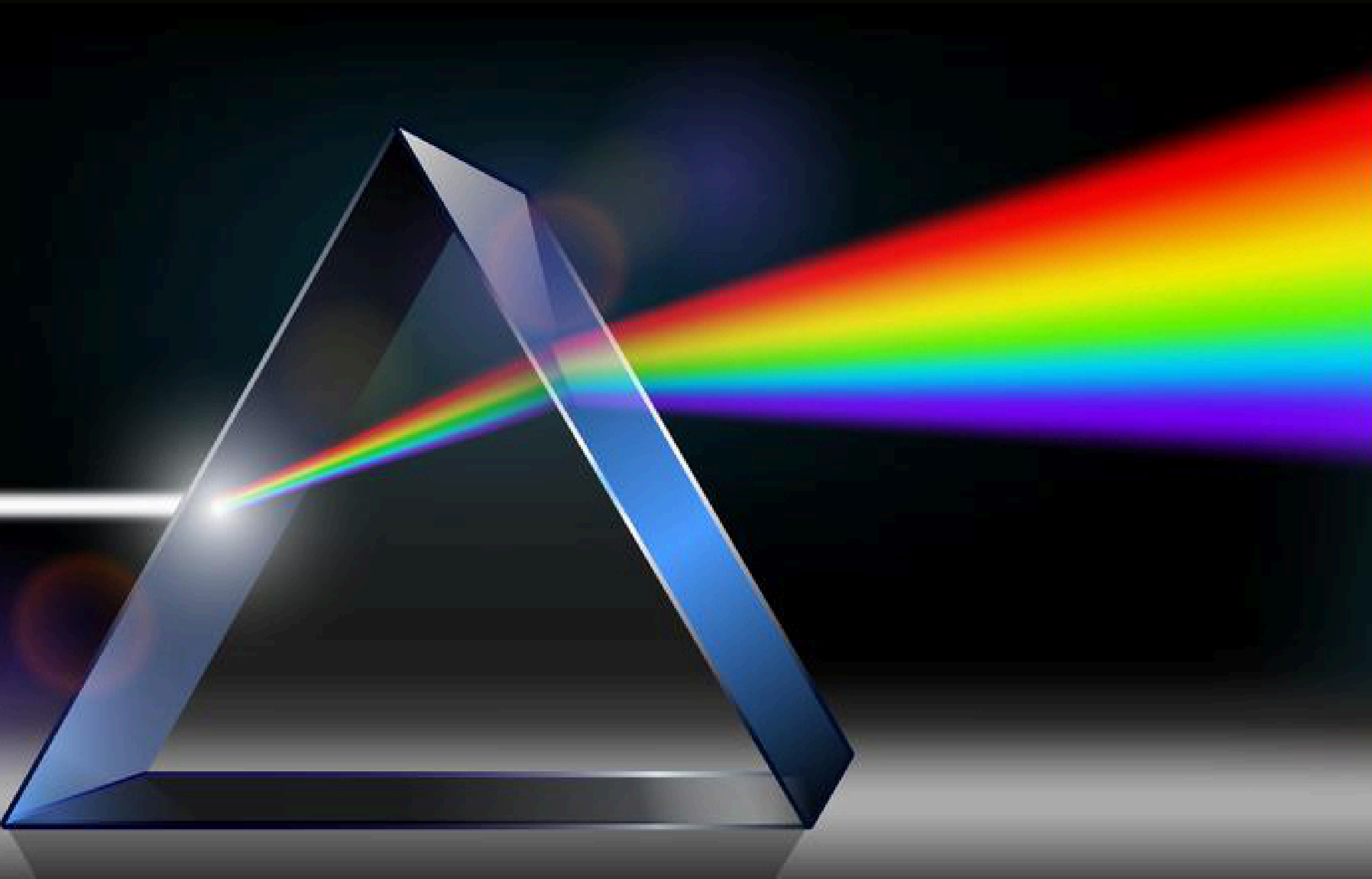
January 07, 2025

PRISM



BIZNOMICS

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01

The Prism (Biznomics) Overview

First steps of 2025

2025 has begun on strong footing, with projected GDP growth of 3.6%, a stable naira at N1,660/$, and a current account surplus of 5.2% of GDP driven by trade gains. However, beneath these figures lies a stark reality. Inflation wiped out 35% of household income in 2024, pushing 10 million Nigerians into extreme poverty. With a survival threshold of N103,000 monthly ($2.15/day), the yet-to-be-implemented N70,000 minimum wage offers little relief, while corps members earned just N33,000 as of December 2024.

Inflation may ease, but the pressure remains. Resilience, however, is emerging from Nigeria's informal sector and tech-driven innovation. Fintech, e-commerce, and digital platforms are filling economic gaps and driving growth. To sustain this, Nigeria must prioritize digital infrastructure and policy reforms to unlock the full potential of its most dynamic sector. The digital economy is no longer optional—it's essential.

Are Imports a Drag on the Economy?

In the past three decades, Nigeria has clung on to the notion of the three in one silver bullet which is reducing imports will increase domestic production, accelerate exports, and strengthen the naira—a magic wand of some sort! This mercantilist view (imports are harmful while exports are beneficial) which has led to extensive use of import restrictions seems to have done more harm than good to the economy.

Admittedly, the structure of Nigeria's imports is worrisome. For example, in FY2023, fuels and food imports accounted for 52% of Nigeria's imports while telecommunications equipment and industrial chemicals amounted to 1.8% and 9.5% of merchandize imports, respectively. The big question is, "why?"

It was Phaedrus that said, "Things are not always what they seem; the first appearance deceives many." Import dependency is only symptomatic of production deficiency. Thus, what Nigeria needs is not import restrictions but a boost in productivity and export diversification. To achieve this, Nigeria needs to address supply-side constraints, improve trade infrastructure, and enhance competitiveness through deep reforms. In addition, the structure of Nigeria's imports will need to shift from consumer goods to producer goods.

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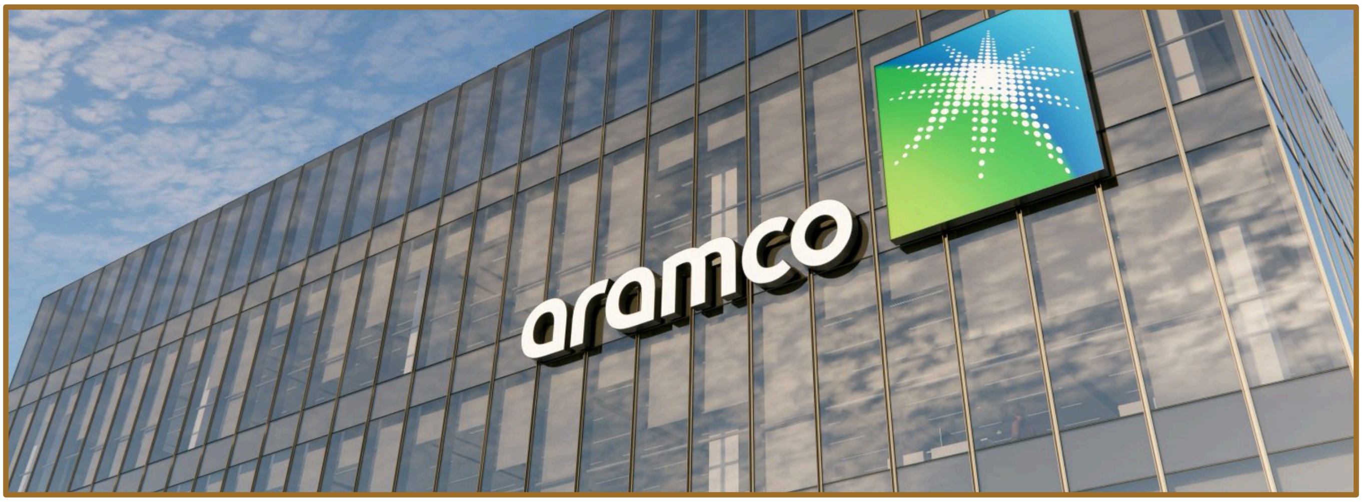
02

The Economic Gains of Oil Sector Deregulation in Nigeria: Evidence from Saudi ARAMCO



The Nigerian oil and gas sector has long been a cornerstone of the nation’s economy, with petroleum exports accounting for 65% of government revenue and over 80% of total exports (foreign exchange earnings).[1] However, challenges such as inefficiencies, corruption, underinvestment, and an uncertain regulatory environment have often plagued the sector, limiting its growth potential. These have led to a decline in capital inflows in the oil and gas sector; according to the NBS, capital importation into the sector dropped by 98.9% to $3.64mn in 2023 from $331.36mn in 2017. One solution that has gained traction is deregulation, specifically through the restructuring and partial privatization of the Nigerian National Petroleum Company Limited (NNPCL), which was set into motion by the Petroleum Industry Act of 2021. In 2022 the NNPC was transformed into the NNPCL to operate as a commercialized corporation. It is now regulated under the Companies and Allied Matters Act (2020). The firm is expected to achieve trading status on global stock exchanges like its counterparts, including Saudi Arabia's Arabian American Oil Company (ARAMCO) and Brazil's Petróleo Brasileiro (Petrobras).[2]

Saudi ARAMCO’s transformation

The case of Saudi ARAMCO, the national oil company of Saudi Arabia, provides valuable insights into the potential economic benefits of deregulation and privatization for oil-rich

[1] Extractive Industry Transparency Initiatives (EITI). 2024. “Nigeria: overview and role of EITI.” https://eiti.org/countrries/nigeria

[2] Grey, T. 2022. “The birth of NNPC Limited and what it means for Nigeria's oil and gas industry.” https://www.mondaq.com/nigeria/government-contracts-procurement-ppp/1226590/the-birth-of-nnpc-limited-and-what-it-means-for-nigerias-oil-and-gas-industry

economies. Saudi ARAMCO's transformation from a state-run monopoly to a partially privatized, profit-oriented enterprise demonstrates how regulatory and structural reforms can catalyze growth, attract investment, and enhance efficiency.

The company's success can be attributed to strategic reforms, a disciplined management structure, and a clear vision that aligns with Saudi Arabia's economic goals.[3]

In 2019, ARAMCO conducted an Initial Public Offering (IPO) and sold a small portion of its shares (3.45 billion ordinary shares – 1.73% of the company's share capital) on the Tadawul (the Saudi stock exchange). This IPO, which raised $25.6 billion, was not only the largest in history but also signaled a commitment to transparency and investor accountability.[4] The listing compelled Aramco to align its operations with global standards of corporate governance, environmental sustainability, and financial transparency.

Further, ARAMCO has always been disciplined in managing its costs, making it one of the most profitable oil companies globally, even amid fluctuating oil prices. Through technological advancements, effective project management, and stringent cost-control measures, ARAMCO consistently achieves high profit margins.[5] In recent years, ARAMCO expanded beyond crude oil production to include refining, chemicals, and energy solutions, ensuring diversification across the energy value chain. It also invested heavily in technology, innovation, and sustainability initiatives to maintain competitiveness amid global energy transitions.

The company's strategic focus on partnerships and joint ventures, both domestically and internationally, facilitated access to key markets, including Asia and the West. These diversification efforts have yielded tremendous results. The table below reflects ARAMCO's financial performance over five years (2019–2023) and nine months of 2024. It is observed that dividend payouts remained stable between 2019 and 2022 at approximately $75bn annually, showing a commitment to shareholder returns even during challenging years. Taxes and zakat payments (mandatory charitable contributions) increased to $115.6bn in 2023. ARAMCO's tax payments to the government dropped significantly in 2020 to $50.31bn from $89.61 in 2019 due to COVID-19-related impacts but sharply recovered by 2022 to $146.4bn. The cumulative growth rate shows 28.9% in taxes, 37.5% in profit after tax, 65.9% in total assets, and 33.6% in dividends. Today, Saudi Aramco's combination of resource wealth, operational expertise, and strategic vision continues to define its success on the world stage.

ARAMCO's financial performance (2019-2024)

Variable	2019	2020	2021	2022	2023	9 months 2024
Taxes & zakat ($ bn)	89.61	50.31	95.23	146.39	115.55	78.69
PAT ($ bn)	88.19	49	109.97	161.07	121.27	83.91
Total assets ($ bn)	398.43	510.47	576.72	664.78	660.78	652.32
Dividends paid ($ bn)	73.17	69.65	75.02	75.02	97.78	93.19

[6]

[3] Haddad, N. 2023. "The transformation of Aramco's commercial operations." OliverWyman. https://www.oliverwyman.com/our-expertise/insights/2023/sep/transforming-commercial-operations-for-aramco.html

[4] Gross, S. 2019. "The Saudi Aramco IPO breaks records, but falls short of expectations." Brookings. https://www.brookings.edu/articles/the-saudi-aramco-ipo-breaks-records-but-falls-short-of-expectations/#:~:text=The%20reduced%20valuation%20of%20Aramco,investors%20was%20a%20reasonable%20fallback.

[5] Rahman, F. R. 2024. "Inside Yanbu Refinery's digital transformation journey." Saudi Arabian Oil Co. https://www.aramco.com/en/news-media/elements-magazine/2024/inside-yanbu-refinerys-digital-transformation-journey

[6] Aramco's annual audited reports, various years and FDC Think Tank

Furthermore, a major part of Saudi ARAMCO's strategy has been to diversify its revenue sources. By investing heavily in the downstream sector—refining, petrochemicals, and retail—ARAMCO has reduced its reliance on crude oil sales, enabling it to capture greater value across the oil value chain. Also, through initiatives – such as investment in technology, decarbonization, and smart cities for innovation and sustainable living – aligned with Saudi Arabia's economic diversification strategy, Vision 2030, ARAMCO has ventured into renewable energy and other non-oil sectors. The company has partnered with ACWA Power to develop the 1.5 GW Sudair solar project and the 2.7 GW Shuaibah solar field with a financial commitment of $50bn.[7,8]

Saudi ARAMCO places significant emphasis on research and development and has invested in advanced technologies for exploration, drilling, and refining. In 2024, the company injected $100 million in the King Abdullah University of Science and Technology over a decade.[9] It has also prioritized human capital development by training a highly skilled workforce and fostering innovation through partnerships with global technology firms. Also, in 2024 57,000 candidates graduated from over 60 different trades including aviation, construction, hospitality and IT.[10]

A path forward for Nigeria's oil and gas sector

Nigeria stands to gain significantly from the oil sector deregulation if the reforms are well-structured, transparent, and aligned with broader economic goals. Saudi ARAMCO's transformation provides a clear roadmap, demonstrating the potential economic gains from strategic privatization, efficiency improvements, and diversification.

While the Nigerian oil industry has unique challenges, ARAMCO's privatization, accountability, and diversification approach offers invaluable lessons.By adopting a similar model, Nigeria can create a more competitive, efficient, and profitable oil and gas sector. The NNPCL should evolve into a public liability company and be listed on the Nigerian stock exchange, where it will be more efficient and effective. Ultimately, the gains from such reforms will not only benefit NNPCL but also support Nigeria's broader economic goals, contributing to job creation, technological advancement, and revenue diversification. As Nigeria embarks on this path, careful planning, adherence to international best practices, and a focus on long-term sustainability will be critical to realizing the economic potential of its oil sector.

[7] Saudi Aramco. 2022. "Saudi Oil Major Aramco Aims to Generate 12 GW of Renewable Energy by 2030." Available at: https://www.meed.com/saudi-aramco-plans-12gw-renewables-investment

[8] How Saudi Aramco Balances Oil Production with Green Energy Investments. 2024. World Eco Magazine. Available at: https://worldecomag.com/how-saudi-aramco-balances-oil-production-with-green-energy-investments/

[9] Derrick, M. 2024. "Aramco Drives Energy Innovation and Injects US$100m into R&D. Energy Digital." https://energydigital.com/articles/aramco-drives-energy-innovation-and-injects-us-100m-into-r-d

[10] Al-Jama', N. 2024. "Human Capability Initiative." Saudi Arabian Oil Co. https://www.aramco.com/en/news-media/speeches/2024/human-capability-initiative---remarks-by-nabeel-al-jama#:~:text=The%20concept%20of%20human%20capability,any%20organization%2C%20large%20or%20small.

03

Is Nigeria an import-loving or production-deficient economy? (2)

"Not everything that counts can be counted, and not everything that can be counted counts"…. attributed to **Albert Einstein**

The mercantilist view, which long influenced trade policies, deems imports harmful as they deplete foreign reserves and deflate the gross domestic output. On the other hand, exports are seen as beneficial, enriching the country by increasing foreign reserves and strengthening its economic and strategic position.[11] In recent years, several countries have jettisoned these ancient views on the back of new empirical findings - ***imports are not necessarily bad!***

However, in the past thirty years, Nigeria has remained stuck with the idea that reducing imports will increase domestic production, accelerate exports, and strengthen the naira—a magic wand of some sort! Justifiably (at least, in the mind of policy makers), import restrictions or bans have been deployed as a miracle drug that addresses exchange rate crises and guarantees macroeconomic stability. Needless to say, this cure has become worse than the disease.

Nigeria's imports are symptomatic of production deficiency syndrome.

It was Phaedrus that said, "Things are not always what they seem; the first appearance deceives many." The structure of Nigeria's imports underscores structural inefficiencies in domestic production. For example, in FY2023, fuels accounted for 40% of imports ($20bn). Similarly, food imports totaled $6.1bn (12%) while another $327mn (0.27%) and $135mn (0.26%) were spent on textiles and clothing, respectively.

Table A.1: Structure of Nigeria's imports (2023)

Products	$mn	% of total imports
Fuels	19,758.00	39.97
Food	6,100.00	12.34
Chemicals	4,687.00	9.48
Transport equipment	4,290.00	8.68
Automotive products	3,462.00	7.00
Office equipment	1,287.00	2.60
Telecommunications equipment	909.00	1.84
Iron and steel	582.00	1.18
Textiles	327.00	0.66
Clothing	135.00	0.27
Integrated circuits and electronic components	128.00	0.26
Others	7,763.00	15.71

Source: WTO, FDC

[11] World Bank (2009). Should we be thinking more about imports? https://blogs.worldbank.org/en/developmenttalk/should-we-be-thinking-more-about-imports

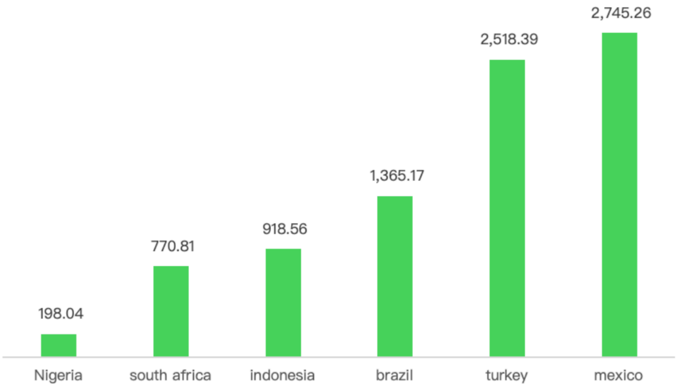
In other words, about 52% of the $49bn Nigeria paid for imports in 2023 were spent on importing fuel and food.

Interestingly, only $909mn (1.8%) was spent on the importation of telecommunications equipment. Chemicals used in the manufacture of industrial goods, including pharmaceuticals, accounted for only 9.5% ($4.7bn) of the total merchandise imports.

But why will Nigeria import instead of produce consumer goods? Normally, an economy thrives on a variety of commodities or goods. When domestic production cannot meet demand, imports fill the void. In other words, imports are natural solutions to the inability to produce the variety of goods required to sustain the consumers.

In the same vein, the dearth of high-tech manufacturing capacity reduces the demand for industrial machines. Table A.1 shows that imports of industrial machines in 2023 were negligible. Nigeria's manufacturing output per capita in 2023 was $198, compared to South Africa's $771, Brazil's $1,365 and Turkey's $2,518. Suggestively, the problem isn't that Nigerians love imports; the problem is that Nigeria do not produce the requisite consumer goods.

Figure A.1: Nigeria has low manufacturing output per capita relative to peers ($)

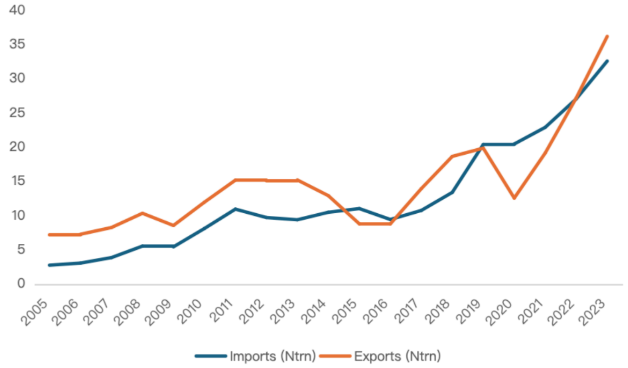


Are Imports a Drag on the Economy?

One erroneously held view is that imports are a drag on economic growth. This misconception among economists, financial experts, and policymakers is anchored on the expenditure approach to computing the gross domestic product (GDP), where imports (M) are subtracted (C + I + G + (X-M). However, this deduction merely offsets imports already included in consumption (C), investment (I), or government spending (G). Without this adjustment, gross **domestic** products would include foreign products, which will be tantamount to overstating the GDP.

Similarly, there is abundant empirical evidence, suggesting that imports exert a positive impact on exports.[12] Imports facilitate access to advanced technologies, intermediate inputs, and capital goods critical for efficient domestic production. These inputs bolster industrial capacity, enabling firms to produce higher-quality goods for export markets. Empirical evidence shows that a decline in imports is followed by a decline in exports in 8 out of 10 cases.[13] The strong correlation coefficients of 0.90 between exports and imports reflect their interdependence in global value chains. Far from undermining growth, imports drive export-led development by integrating domestic industries into global trade networks, fostering innovation, and enabling specialization, which collectively support sustained economic growth and higher GDP.

Figure A.2 Correlation between imports and exports is 0.90

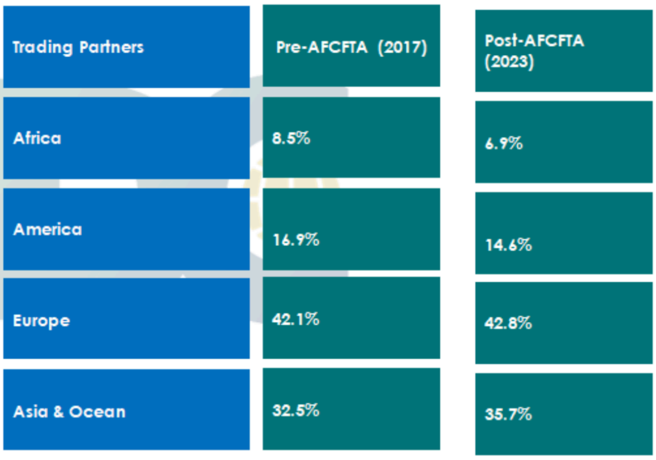


Benefitting from trade and global value chains: the case of AFCTA

Trade plays a pivotal role in economic development by fostering market expansion, bolstering production efficiency, and enhancing productivity gains. By integrating into global value chains, Nigeria can specialize in comparative advantages, thus facilitating job creation and maximizing inclusive economic growth.

One of the continental trade arrangements that offers immense benefits to participating countries is the African Continental Free Trade Agreement (AfCFTA). However, since signing this agreement, Nigeria has yet to take advantage of the opportunities that it offers. With a market of 1.3 billion people across 55 countries and a combined GDP of $3.4 trillion, AfCFTA offers Nigeria a platform to boost non-oil exports, attract investments, and drive industrialization. In FY2023, Nigeria's trade with Africa was a paltry 7%, while its trade with Europe and Asia was 43% and 36%, respectively.

Table A.2 Nigeria's trade with its trade partners



Trading Partners	Pre-AFCFTA (2017)	Post-AFCFTA (2023)
Africa	8.5%	6.9%
America	16.9%	14.6%
Europe	42.1%	42.8%
Asia & Ocean	32.5%	35.7%

Source: NBS, FDC think tank

To capitalize on the AfCFTA opportunities, Nigeria needs to address supply-side constraints, improve trade infrastructure, and enhance competitiveness through deep

[12] Tokarick, S. (2006). Does Import Protection Discourage Exports? https://www.elibrary.imf.org/view/journals/001/2006/020/article-A001-en.xml

[13] IBID

reforms. Investing in high-tech manufacturing and participating in global value chain production will enable Nigeria to leverage AfCFTA's potential for economic diversification, regional integration, and inclusive growth, aligning with broader development objectives.

As Confucius said, "The beginning of wisdom is to call things by their proper name." Thus, what Nigeria needs is not import restrictions but productivity boosts and export diversification. To achieve this, the structure of Nigeria's imports will need to shift from consumer goods to producer goods. This will ensure that Nigeria's imports exert multiplier effects on exports and aggregate output of the economy.

A good example of how domestic production can change the structure of Nigeria's exports is the Dangote Refinery (DR). The commencement of Dangote Refinery is reshaping Nigeria's import dynamics by significantly reducing fuel imports. In Q3'24, fuel's share of total imports dropped to 23%, and it is expected to reduce further to less than 15% in Q4'24 and less than 5% by the end of 2025. Thus, DR's imports of crude oil and industrial equipment facilitate production and exports of fuels and petrochemicals. In other words, ***imports are not a necessary evil; they are a necessary ingredient!***[14]

[14] Perry, M. J. (October 17, 2017). Imports and Exports Are Inextricably Linked – Imports Aren't Evil, They're a Necessary Ingredient to Greater Exports. https://www.aei.org/carpe-diem/imports-and-exports-are-inextricably-linked-imports-arent-evil-theyre-a-necessary-ingredient-to-greater-exports/

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04

Global Perspective –Five big finance questions for 2025

Culled From Financial Times

1. What happens if private equity doesn't get unstuck?

For the third year in a row, private equity distributions were about half of what investors expected.

Heading into 2024, many dealmakers were optimistic about a significant drop in interest rates that would support a boom in deals. Spoiler alert: it didn't happen.

Now the pressure's really on. If 2025 doesn't come with the long-awaited reopening of public listings and M&A, returns for recent vintages could worsen.

The industry has leaned on short-term fixes, such as continuation funds, which represented 14 per cent of private equity exits last year, or so-called net asset value loans. But the power of short-term solutions could wane.

The clock is also ticking on private equity deals from 2020 and 2021; DD assumes many sponsors and limited partners aren't having fun as these deals' debt maturities approach in the coming years.

Many deals in that era were done at overly optimistic valuations and are behind schedule on deleveraging. These deals will need to get on track. Otherwise, creditors might want to brace for painful restructurings.

2. Will the dealmaking revival materialise?

Dealmakers have met Donald Trump's impending arrival in the White House with optimism. But when aren't bankers optimistic?

Since the election, big corporations have sparked a number of headlines. Mondelez's short-lived play for Hershey and Honeywell's move to potentially hive off its aerospace unit are signs the market is back.

Trump has promised lighter regulation and appointed Andrew Ferguson as the new head of the Federal Trade Commission, who pledged to dismantle aspects of outgoing antitrust watchdog Lina Khan's agenda. That has bolstered the spirits of investment bankers and lawyers.

But it might not be all smooth sailing. In a Truth Social post, Trump said Big Tech has "run wild for years", hinting that regulators would continue to police mergers between the biggest software companies.

Then there are interest rates — a key variable in larger transactions — which remain murky. The Federal Reserve cut rates by a quarter point but signalled a slower pace of easing in the coming year.

"I don't think the environment was as nearly as bad as people made it out to be," one M&A lawyer told DD. "And I don't think it's going to be nearly as good a year as people are suggesting, either."

Still, the Joe Biden-era blockade on US bank M&A "has been removed", so watch out for a wave of takeovers among US banks and mid-cap software companies. We also think energy, natural resources and industrial dealmaking are primed to take off.

But a multibillion-dollar takeover by Google parent Alphabet? Less likely.

3. How will Europe respond to American muscularity under Trump?

Trump is returning to DC this month all but chanting "America First" from Mar-a-Lago to the White House. That's a problem for Europe, which was already flat-footed compared to the US's financial might.

Even before Trump won, Mario Draghi, the former president of the European Central Bank, issued a call to arms in September with a 393-page report laying out how and why the continent needed to boost its competitiveness.

The region doesn't just need national stars, but supranational champions: oil majors, banks and industrial powerhouses big enough to compete with American behemoths. As Draghi argued, fragmentation was the region's greatest enemy.

Domestic banks have already begun lunging to consolidate the sector. But it's unclear whether the energy to build colossal lenders will translate to other industries, such as auto, defence or aerospace.

The continent's still licking its wounds from the failure of battery maker Northvolt in Sweden. But to compete with America's economic strength, investors will have to quickly bounce back and plough their billions into the next promising start-up.

Watch this space. We think Europe is one step away from hitting the panic button, and big deals will follow. Is the continent braced for what that could mean for workers?

4. Will Japan become a hunting ground for foreign takeovers?

Japan's starting to look like Wall Street in the 1980s: private equity firms are revving up, activist investors are causing a ruckus and corporate chieftains are scared.

Over the past 18 months, the corporate landscape in the country has been turned inside-out. Activists have snuck into national treasures and agitated for management overhauls, while private equity dealmakers have taken the market by storm.

Bankers are advising chief executives to draw up their most radical back-up plan and to keep it under lock and key for an emergency (ie, a potential hostile takeover).

One thing we've learned this year is that no company's off limits. Case in point: Canada's Alimentation Couche-Tard making a $47bn takeover approach for 7-Eleven's parent company.

While iconic national brands looked on with horror, advisers took it as a sign of the wave of deals — or at least attempts — that might be lurking just around the corner.

For years, the C-suite simply ignored foreign approaches. But new government M&A guidelines have forced executives to be more transparent about them.

And the prospect of foreign takeovers is also sparking M&A at home. Look no further than Honda and Nissan's merger talks.

So this year, Japanese companies will have to ramp up profitability, or risk being susceptible to a takeover offer. Or worse: a belligerent bidding war.

5. Will private credit blow-ups hit the asset class?

A series of restructurings this year left a mark on private credit's otherwise pristine record, as the word Pluralsight became part of Wall Street's vernacular.

But it wasn't a total anomaly: a handful of other companies that private credit funds bankrolled have also run into trouble.

As these asset managers deal with an uptick in defaults, it may finally start to become clear if the returns on offer in these high-fee funds are really that much better than traditional high-yield bond and loan markets.

Many private credit funds were hopeful that lower interest rates would alleviate the debt costs of the companies they had lent money to.

But if the Fed pivots hawkishly in the face of Trump largesse, what does that do to those loans originated in 2021 and 2022?

Investors are already scrutinising public filings from private credit funds, looking for writedowns as a sign of lax underwriting standards. We're not sure there will be a complete blow-up, but risk is certainly lurking.

This year's predictions:

- Will Donald Trump and Elon Musk have a falling out?

We think there's a decent chance. Better to ask when, not if.

- Will Larry Fink or Jamie Dimon name a successor?

BlackRock went on a $30bn deal spree this year that has crowded its executive ranks. Perfect for Fink to rule the roost. Dimon's more likely. We think he becomes executive chair sooner than you'd expect and a new CEO is named.

- Will Andrea Orcel bag a mega-deal?

Yes, he's nothing if not determined. Look at that stake-building.

- Will Musk get his $56bn pay package?

Expect the Delaware Supreme Court to find some way to compromise. Perhaps affirming the corporate governance shortcomings at Tesla but awarding no damages. Godspeed.

- Will Thames Water crash into special administration?

Elliott Management and other heavyweight funds are putting up billions to keep the UK's largest water supplier from being temporarily re-nationalised. But as Thames is essentially a money pit with a £19bn debt stack built on top, it's still quite possible the edifice comes crashing down.

- Will Rupert Murdoch dismantle his media empire?

Yes. This will be a big story this year. Our favourite parlour game: Who's going to buy The Wall Street Journal?

- Will a major private equity firm get acquired?

Yes. Consolidation will remain a theme. Private capital multiples have soared, but not for the likes of the Carlyle Group and others. It could prove alluring to the right buyer.

- Will David Solomon return to his DJ sets?

Ask the Goldman Sachs communications department. They love when you do. See you at the piano bar in Davos, D-Sol.

- Which market will surprise us for big deals?

Vive la France.

FDC FINANCIAL DERIVATIVES COMPANY

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CORPORATE FOCUS

Market Capitalization	₦4.2trn
Current Price	₦200.00
Industry	Telecommunication

Nigerian Telecommunication Players Set to Overcome Current Hurdles

The Nigerian telecommunications industry has remained a cornerstone of economic growth and digital transformation, evolving rapidly to meet the demands of a dynamic and tech-savvy population of 103 million. From contributing 7.6% to the nation's GDP in 2014, the sector's share has surged to 16.36% as of Q2 2024, solidifying its status as a critical pillar of the economy.

As Africa's largest and most populous nation, Nigeria relies on its telecom industry to bridge connectivity gaps, foster innovation, and enhance inclusivity across interconnected sectors of the economy. This growth is driven by a strategic pivot from traditional voice services to data-driven offerings, which has seen demand grow by 48% in the last seven years.

The increasing demand for digital services, fueled by competitive pricing, innovative solutions, and widespread smartphone adoption, has positioned data services as the primary revenue driver in the sector. Over 50 million of the Nigerian population now have a smartphone.

Despite these advancements, 2024 brought significant hurdles. The naira's volatility and restricted access to foreign currency strained operators' ability to procure essential equipment, software licenses, and resources for network expansion. These challenges escalated operational costs, outpacing revenue growth, and caused delays in key projects, including 5G deployment and rural connectivity initiatives.

To counter these pressures, telecom operators adopted local sourcing strategies and innovative financing models to sustain their operations. However, the industry's long-term viability hinges on addressing structural challenges, including tariff adjustments, to balance operational sustainability with continued innovation and infrastructure development. Key stakeholders—including the Nigerian Communications Commission (NCC), Mobile Network Operators (MNOs), the Association of Licensed Telecommunications Operators of Nigeria (ALTON), and the Ministry of Communications are in negotiations concerning upward tariff reviews to ensure the sector's sustainability.

The Nigerian telecommunications sector's resilience underlines its importance to the country's economic trajectory. While challenges persist, the sector remains a beacon of potential, charting the course for a digitally inclusive and connected future.

MTN Nigeria Shines Without FX Loss Impact

The telecom giant achieved remarkable revenue growth of 33.8%, in the first nine months of 2024 (N2.37 trillion), increasing from N1.77 trn in the same period of 2023. This growth was driven by a 9.8% rise in voice traffic and an impressive 42.1% increase in data traffic. Data consumption per user also rose significantly by 31.2% to 11.3GB, reflecting the rising demand for digital services and connectivity.

Despite this robust topline performance, the company's profitability faced significant challenges. Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) declined by 5.3%, dropping from N907 billion in 9M'23 to N860 billion in 9M'24. This contraction was primarily attributed to the depreciation of the naira, escalating energy costs, inflation, and the introduction of VAT on leases in September 2023, which further weighed on the company's YoY EBITDA performance.

Additionally, the continued depreciation of the naira significantly impacted the company's financial health. A revaluation of foreign currency-denominated obligations resulted in a loss after tax of N514.9 billion for the nine-month period in 2024, a stark contrast to the N14.9 billion loss recorded in 2023. These FX losses also contributed to negative retained earnings of N723 billion and shareholders' equity of N573.6 billion, exerting downward pressure on dividend payouts and share price growth.

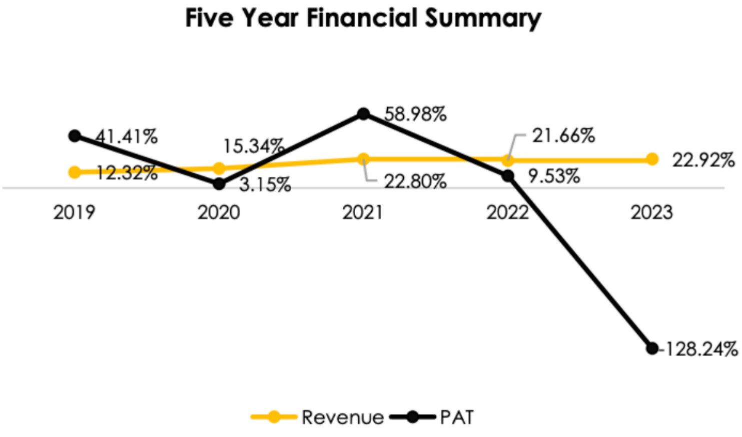
Excluding the foreign exchange loss of N904.9 billion, the company would have recorded a positive profit after tax (PAT) of N191 billion, underscoring its underlying operational strength amidst challenging macroeconomic conditions. The company's ability to sustain growth in a volatile environment highlights its resilience, though managing economic pressures remains critical for future stability.

A Progressive Return to Profitability in 2025

MTN Nigeria has established itself as a trailblazer in both the telecommunications industry and the broader Nigerian economy. In 2022, it became the first public company in the country to surpass N2trn in revenue. This milestone was achieved despite regulatory hurdles like NIN-SIM restrictions, which MTN successfully navigated, increasing its mobile subscribers by 10.5% to 75.6 million in the same year. Data users rose by 15.3% to 39.5 million, while fintech subscribers grew to 14.9 million, driven by the introduction of MoMo, its mobile money service through its Payment Service Bank operations.

This surge in revenue reflects the increasing adoption of modern telecommunications services, bolstered by the rollout of 5G technology and expanded network capacity. MTN has leveraged its extensive subscriber base (representing 51% of market share) and robust infrastructure to achieve a five-year cumulative average revenue growth rate of 20.68%, climbing from N1.16 trillion in 2019 to N2.46trn in 2023. Bottom-line growth has been equally impressive, rising by 71% from N203bn in 2019 to N348 bn in 2022.

Five-Year Financial Growth Rate



MTN Nigeria has consistently rewarded shareholders, with its share price appreciating by 122% from its N90 listing price to N200. The company has also taken strategic measures to mitigate financial pressures, such as paying down foreign exchange liabilities and opening trade lines for Letters of Credit (LCs) to stabilize its balance sheet amidst naira volatility.

Looking ahead, MTN Nigeria is poised for continued growth as the naira stabilizes, reducing the impact of FX volatility on foreign debt obligations. The implementation of higher tariffs is expected to further boost revenue, ensuring it outpaces operational costs, supports profitability and dividend payouts.

The regularization of SIM card restrictions has also strengthened subscriber management, with all active SIMs now linked to valid identification. This milestone reinforces trust and security within the telecoms ecosystem, enabling a smoother customer experience.

MTN is further positioning itself as a leader in fiber connectivity through strategic advertising and outreach efforts. Its strong subscriber base, established infrastructure, and expansive agent network bolster the argument for a Telco-led mobile money framework, with mobile and fixed data services continuing to drive growth.

Voice revenue, particularly in rural areas, still presents significant expansion opportunities. The deployment of 5G networks across urban and semi-urban areas has unlocked transformative potential in sectors such as healthcare, education, and financial services, enhancing connectivity with high-speed, low-latency networks.

MTN Nigeria also plans to prioritize the growth of digital wallets, focusing on advanced services and the MoMo PSB app to enhance user engagement and satisfaction.

With a more stable economic environment, higher tariffs, and ongoing top-line growth, MTN Nigeria is well-positioned to maintain its upward trajectory. As Nigeria progresses toward its digital economy goals, MTN remains at the forefront of this transformation, connecting millions and driving innovation across society.

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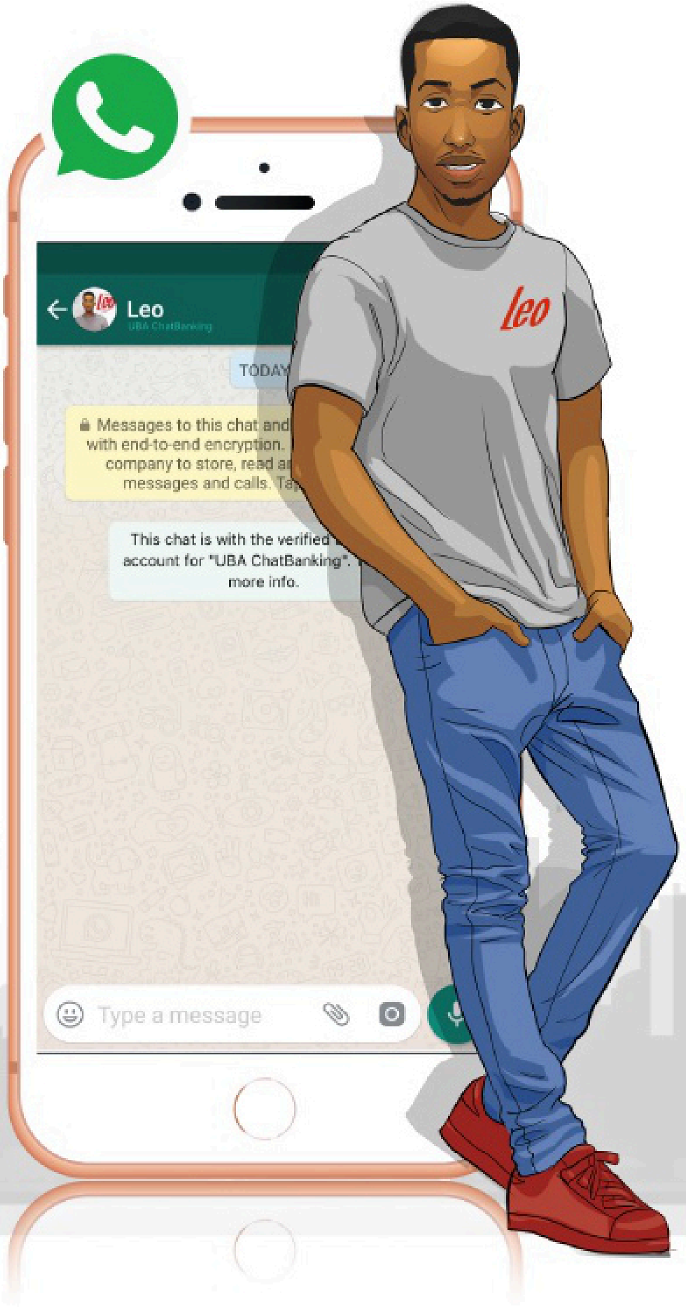
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A PRISM OUTLOOK

- Brent price is expected to maintain its upward trend in the near term due to fears of tighter Russian and Iranian supply amid escalating Western sanctions.

- Cocoa prices are expected to increase in the near term due to ongoing supply shortages, as West African-producing countries face dry weather conditions impacting production. This will likely increase Nigeria's non-oil export earnings, and boost foreign exchange reserves. However, low production poses risk to substantial export earnings.

- The naira in the parallel market is expected to remain stable in the near term following CBN's increased intervention in the FX market. Additionally, the World Bank's disbursement of $1.5bn will likely support the naira.

- While the naira's stability may ease price pressures, December's inflation is expected to rise marginally due to seasonal demand driven by Christmas and New Year celebrations.

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