February 21, 2025

P R I S M

BIZNOMICS

CONTENTS

03 The Prism (Biznomics) Overview: Global & Domestic

05 The CBN's interest rate decision: Holding steady or holding back?

09 Beyond data engineering: What do Nigeria's new inflation figures mean for markets?

14 Global Perspective – How AI will divide the best from the rest - Culled from the Economist

20 Corporate Focus -Guinness Nigeria

22 The Prism Outlook

01

THE PRISM (BIZNOMICS) OVERVIEW: GLOBAL & DOMESTIC

Easing the pain or reversing the gains?

The global and domestic economic landscape is shifting, and Nigeria's policymakers are navigating treacherous waters. Balancing risks remains delicate - tighten too much, and suffocate growth; ease too soon, and inflation spirals.

In its first meeting in 2025, held on February 19-20, the Monetary Policy Committee (MPC) finally hit the pause button on interest rate hikes after 12 months of an aggressive tightening campaign. The restrictive stance saw the policy rate peak at 27.5% p.a., pushing maximum lending rates above 30% p.a. Markets perceive this move as the beginning of a more accommodative stance as the yield curve inverted, especially at the short end following the rate decision.

But will this shift unlock productivity and growth, or will it rekindle inflationary pressures and distort market dynamics? History has shown that policy transitions are never smooth, and the US, the UK, and Ghana are eloquent examples—inflation trajectory reversed upward after rate cuts.

Inflation data revamp: Numbers, narratives, and market reactions

After a long wait, the NBS released the new inflation data for January 2025 based on the revised methodology. The data overhaul involves changing the price reference year from 2009 to 2024, and reconstituting and reweighting the CPI basket.

Nigeria's inflation is no longer 35%! It is now 24.5%; all thanks to the data revamp. But is this merely an exercise in statistical recalibration, or does it mark a fundamental shift in Nigeria's economic trajectory?

After all, as Prof. Ronald Coase, Nobel Prize winner in Economic Sciences, said, "Torture the data, and it will confess to anything."

Data revisions are nothing new—GDP rebasing in 2014 made Nigeria Africa's largest economy overnight. Yet, such adjustments have real consequences.

A lower inflation figure changes interest rate expectations, fiscal projections, and investor sentiment. How will markets react? Will bond yields decline? Will policymakers shift their approach?

In this edition of FDC Prism, we cut through the noise, providing a deep dive into Nigeria's evolving policy environment and its broader market implications—giving you the insights you need to stay ahead.

Fidelity

Start now. **Dial *770#**

Buy Data

Pay bills

Transfer

Check Balance

FastLoan

Open Account

Cardless Withdrawal

Buy airtime

Contact Us: trueserve@fidelitybank.ng

Branch ATM Online Banking Instant Banking POS True Serve

Fidelity Bank Plc
RC 103022

FOLLOW US:

www.fidelitybank.ng

FDC

02

THE CBN'S INTEREST RATE DECISION: HOLDING STEADY OR HOLDING BACK?

In February 2025, the Central Bank of Nigeria's (CBN) Monetary Policy Committee (MPC) made a pivotal decision to maintain its benchmark interest rate at 27.5%, alongside other parameters such as the 50% Cash Reserve Ratio (CRR) and 30% Liquidity Ratio (LR). The decision came against notable economic shifts between December 2024 and January 2025—marked by a stronger naira and cooling inflation.

While the CBN's orthodox approach has stabilized some macroeconomic indicators including exchange rate (at N1,505/$) and money supply growth (17.3% in January 2025). However the CBN's tight monetary policy risks stifling growth and exacerbating structural imbalances in the medium term. This article unpacks the implications of a pause on policy rates hike on Nigeria's economy.

CBN halts its 12-month aggressive rate hikes

In line with market expectations, the Monetary Policy Committee (MPC)) paused its 12-month aggressive tightening that saw the policy rate rose 875 basis points (bps) to 27.50%p.a. The renewed rate hike cycle, which began in February 2024 after a seven-month monetary policy hiatus, is the fastest and most aggressive interest rates hike since the 2001 tightening cycle.

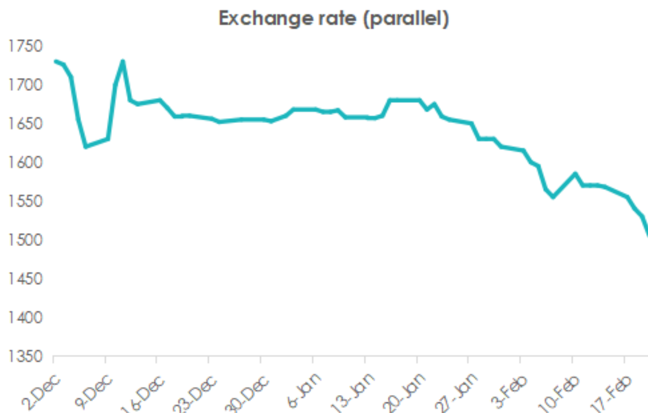
In January 2001, MPC began a rate hike cycle that lasted for 9 months before it paused in October and maintained status quo for another 9 months. At the end of the 2001 cycle, the monetary policy rate rose by a cumulative 650bps to 20.5%p.a. Similarly, the MPR increased by 575bps during the 2011 tightening cycle that spanned from January 2011 to October 2011, with only 10 months of effective rate hikes and 47 months of maintaining status quo thereafter.

Monetary tightening cycles in Nigeria since 2000

Cycle period	Cumulative rate hike (%)	Peak inflation	Inflation at the end of the cycle period
Jan'2001 – Sept'2001	6.5	23.2	12.2
Jul'2006 – Nov'2006	1.0	7.8	7.8
Oct'2007 – Aug'2008	2.25	14.0	12.4
Jan'2011 – Oct'2011	5.75	12.9	9.37
May'2022 – Jul'2023	7.25	21.47	21.34
Feb'2024 - Feb'2025	8.75	34.80	24.48

Source: FDC Think Tank

Although the effectiveness of the tightening campaign remains an object of debate, the CBN made some visible gains. Between February 2024 and February 2025, the naira appreciated by 26% to N1505 from N1,910/$ at the parallel market, a bright spot in Nigeria's foreign exchange (FX) market. The CBN's high interest rates were pivotal, attracting short-term foreign portfolio investments (FPIs) seeking lucrative yields. Foreign portfolio investment (FPI) through the Nigerian stock market rose by 125% to N396.41bn in December 2024 from N174.82bn in December 2023.



Source: FDC Think Tank

Nigeria's inflation rate dropped precipitously from 34.80% in December 2024 to 24.48% in January 2025, the sharpest decline in over a decade. Although this was largely due to the data rejig by National Bureau of Statistics, there is consensus among economists that January inflation would have moderated even under the previous methodology.

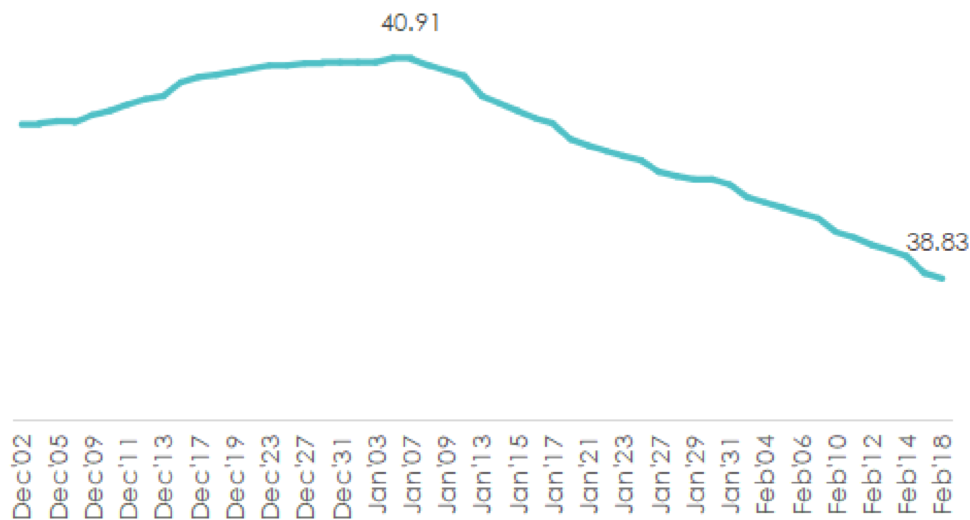
The decline in inflation could also be attributed to tighter liquidity conditions – money supply growth plunged from 79% in February 2024 to 17.30% in January 2025. Lower petrol prices—down from ₦1,030/litre to ₦925/litre—also eased transport and production costs.

The trade-offs of a tightening cycle

A prolonged monetary tightening regime presents a fundamental tradeoff between inflation control and economic growth. While sustained interest rate hikes curb inflationary pressures by dampening aggregate demand, they also elevate borrowing costs, suppress investment, and slow output expansion. Additionally, persistent tightening risks destabilizing financial markets, constraining credit access, and exacerbating recessionary tendencies.

Manufacturers and SMEs face crippling borrowing costs, with maximum lending rates of about 30%. The CBN's CRR policy—forcing banks to hold half of the deposits as reserves—has further constrained credit flow. This dichotomy highlights a critical flaw in the MPC's approach – rewarding speculative capital while starving productive sectors of funding.

Also, when an economy depends on portfolio inflows for foreign exchange liquidity, it often encounters a policy dilemma: maintaining high interest rates to attract investors or lowering them at the risk of capital outflows. This trade-off becomes even more pronounced when external reserves are suboptimal or steadily declining. For example, external reserves—critical for defending the currency—declined by 5.3% to $38.83bn in February 2025 from $41bn in January 2025.



Source: FDC Think Tank

The $2.17 billion decline in external reserves underscores the fragility of Nigeria's external buffers. While the CBN's high rates attract FPIs, these "hot money" flows are volatile and likely to reverse if global rates rise or risk appetite wanes. With limited FX inflows from oil and exports, the CBN's strategy risks depleting reserves further, potentially triggering another round of currency volatility.

The CBN, no doubt, must navigate this delicate balance, weighing the long-term benefits of disinflation against the short-term costs of weaker growth and potential financial vulnerabilities.

What next?

The CBN's orthodox policies have delivered short-term stability but at the expense of long-term growth. While inflation could be decelerating and the naira is firmer, these gains are precarious without structural reforms. Nigeria's economy stands at a crossroads: continue holding policy rates high or pivot toward policies that stimulate inclusive growth. The MPC's next move on May 19-20, 2025, will determine whether 2025 becomes a year of recovery—or relapse.

Don't Let High Data Costs Hold You Back

Choose IMDT and Save Big. With InfoWARE Market Data Terminal (IMDT), you get all the data you need for a fraction of the cost:

Full Data Access

Pay As You Go

Over 10 Years of Historical Data

Research Reports & Analytics

Start saving 99% today with IMDT

Sign up at www.infowarelimited.com/imdt

or email bizdevteam@infowarelimited.com to get started!

BEYOND DATA ENGINEERING: WHAT DO NIGERIA'S NEW INFLATION FIGURES MEAN FOR MARKETS?

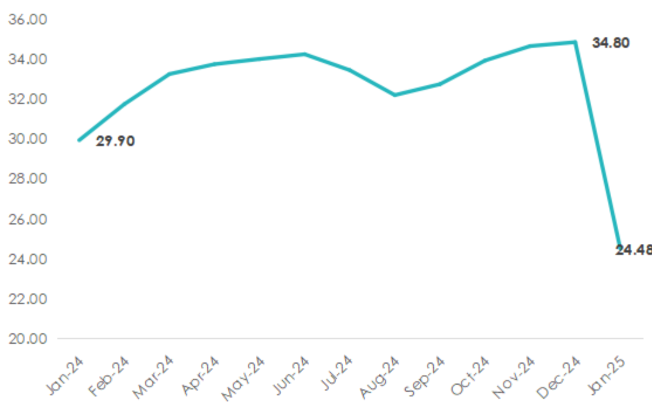
03

"Torture the data, and it will confess to anything."

Prof. Ronald Coase, Nobel Prize in Economic Sciences

Nigeria's latest inflation data has sent ripples through financial markets, with consumer price inflation sharply revised downward following a methodological overhaul. Headline inflation for January 2025 printed at 24.5% based on the new methodology, compared to 34.8% in December 2024 using the old methodology. Beyond the numbers, what do these new figures mean for investment flows, exchange rates, interest rates, and real GDP growth? More importantly, what steps must be taken to bring about a genuine reduction in inflationary pressures?

Figure 1.A headline inflation presumably fell sharply 24.5%



Source: NBS, FDC Think Tank

The Methodology Shift - perception versus reality

NBS overhauled the CPI methodology for the first time in 16 years, adjusting the price reference year to 2024 from 2009. The agency also expanded the basket of goods and services from 740 to 934 items. The revision also reweighted expenditure categories, aligning them with recent consumer spending patterns. For example, the weight of food items in the basket was revised to 40% from 51%, and communications was also revised to 3.3% from 0.7%. However, this exercise has raised several questions and further highlighted the disparity between perception and reality. Let's make a few clarifications.

First, given that there was no backcasting of the old CPI indices, it is difficult to compare the inflation rates of, say, 2024 with those of 2025. In other words, it would technically be wrong to interpret the inflation rate of 24.5% (for January 2025) as a deceleration from 34.8% in December 2024. Second, while the new inflation rate appears significantly lower, it does not necessarily imply a reduction in price levels. If the new inflation rate holds true, it only suggests that the rate of price increases has

moderated.

Interestingly, most analysts predicted that inflation would start tapering in January 2025. However, the size of the decline (ten percentage point) could have been influenced by the new methodology. Nonetheless, there is always a divergence between official (objective) inflation assessment and subjective (or personal) inflation assessment. This discrepancy arises due to differences in measurement approaches and lived experiences.

Official inflation figures aggregate price movements across diverse categories, smoothing out volatile items and reflecting broader economic conditions. In contrast, subjective inflation is influenced by frequent, high-impact purchases like food, fuel, and rent— items prone to sharper price fluctuations.

For consumers and businesses, the key issues are whether this revision translates to a moderation in the cost of living, a decline in the cost of borrowing, stability in the exchange rate, and an increase in productivity.

Table 1.A High prices of selected food items could give a wrong impression of the actual inflation rate

	Prices		YoY% Change
	Jan'24 (N)	Jan'25 (N)	
Garri	20,000.00	38,000.00	90.0
Rice	70,000.00	100,000.00	42.9
Beans	50,000.00	100,000.00	100.0
Tomatoes	20,000.00	25,000.00	25.0
Pepper	30,000.00	42,000.00	40.0
Onions	85,000.00	130,000.00	52.9
Palm oil	5,300.00	9,500.00	79.3
Yam	2,500.00	3,500.00	40.0
Semovita	9,800.00	16,500.00	68.4
Eggs	3,800.00	6,500.00	71.1
Simple average			**61.0**

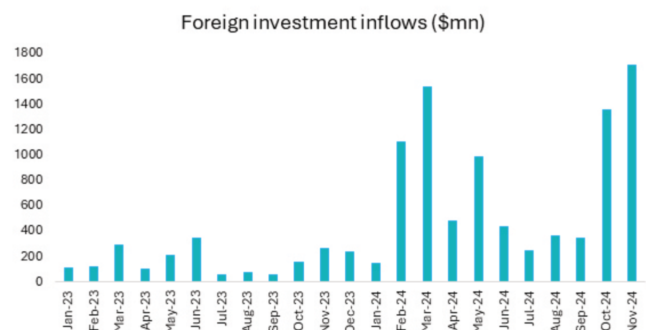
Source: NBS, FDC Think Tank

Will the new inflation report boost investment flows?

If deemed credible, lower inflation figures could bolster investor sentiment, particularly among fixed-income and equity market participants. With headline inflation ostensibly declining, Nigerian sovereign bonds could become more attractive, as real yields would appear more favourable. However, sophisticated investors will likely remain cautious, scrutinizing underlying price trends and whether the methodological adjustments mask structural inflationary pressures.

Foreign direct investment (FDI), which hinges on broader macroeconomic stability rather than statistical adjustments, is unlikely to see an immediate boost without fundamental improvements in supply chains, infrastructure, and policy coherence supporting the inflation trajectory.

Figure 1.B foreign investment inflows ($mn) have improved



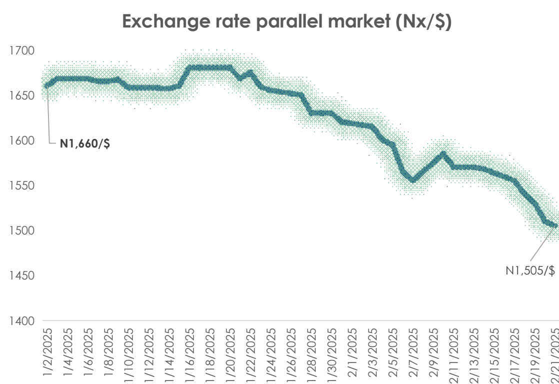
Source: NBS, FDC Think Tank

How will the naira respond?

In theory, a lower official inflation rate should reduce the pressure on the naira. However, the FX market is driven by expectations and real purchasing power rather than statistical revisions. Nigeria's exchange rate trajectory will depend more on external reserves, capital

flows, and the central bank's ability to maintain policy credibility than on the new CPI methodology alone. Without tangible improvement in export earnings and other sustainable foreign inflows, the naira may be vulnerable to sudden swings.

Figure 1.C The naira gained 10% so far in 2025, ranked Africa's best-performing currency in 2025



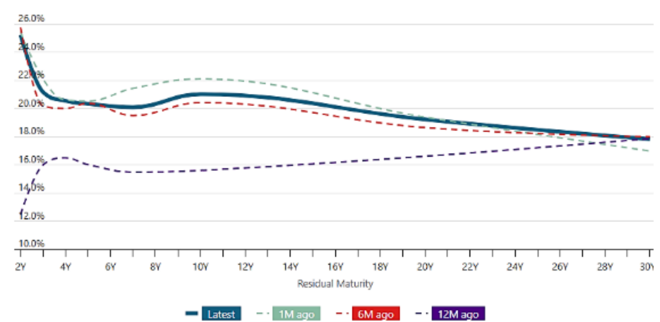
Source: FDC Think Tank

Will interest rates begin to taper?

Interest rates are strongly correlated with inflation. When an economy is in a high-interest rate environment, a sustained deceleration in inflation, theoretically, leads to a dovish monetary policy stance. Expectedly, the Monetary Policy Committee (MPC) has paused its 12-month aggressive tightening campaign, partly due to moderation in inflation rates.

Before the MPC meeting rate setting announcement on February 20, the yield curve inverted at the short end (on February 19), indicating that the market was already expecting a shift in monetary policy towards a more accommodating stance. Treasury Bill (TB) rates are also trending downwards, with the stop rate of a one-year TB falling 189 basis points to 18.4% on February 19. Although the CBN is expected to be cautious in its shift to an accommodative stance, a sustained moderation in official inflation rates will depress the interest rates along different maturities.

Figure 1.D Nigeria's yield curve on February 20, 2025



Source: FDC Think Tank

Does lower inflation mean higher growth?

Conventional economic wisdom suggests that lower inflation should, over time, support economic growth by reducing uncertainty and improving investment confidence. If the revised inflation data tapers policy rates and lower borrowing costs, consumer and business spending could improve, theoretically supporting GDP growth.

Technically, inflation rates positively correlate with the GDP deflator. Thus, a lower GDP deflator may lead to higher real GDP growth.

However, real-sector performance remains constrained by weak productivity, infrastructure deficits, weak consumer purchasing power, and structural inefficiencies.

What next?

Nigeria's revised inflation figures may offer a temporary reprieve in official statistics, but the ultimate test lies in whether the data aligns with

price realities experienced by households and businesses.

Markets thrive on credibility, and unless substantive economic improvements back the new inflation figures, skepticism will remain the dominant sentiment.

This is not the time for celebration; it's the time for policymakers to roll up their sleeves and get to work.

So, what can policymakers do to tame inflation?

1. **Supply-side interventions** - In the past 10 years, Nigeria's economy has grown 1.7% annually. Policymakers must refocus on addressing the structural drivers of inflation—such as food and energy prices—by investing in agriculture, transport logistics, and power generation to reduce production and distribution costs.

2. **FX market stability** - Year to date, the naira has been rated as the best-performing currency in Africa, appreciating 10% to N1,505/$ in the parallel market. This momentum must be sustained. Enhancing foreign exchange liquidity through export diversification, reducing reliance on volatile oil revenues, and ensuring that monetary policy aligns with exchange rate fundamentals is crucial.

3. **Fiscal discipline** - Nigeria's fiscal deficit has remained above the prudential limit of 3% for eight consecutive years, reaching a peak of -5.3% in 2023. Reducing fiscal deficits and implementing credible expenditure controls to prevent excessive monetary financing exacerbating inflationary pressures, is critical.

Dangote Sugar has a
NEW LOOK

50kg Fortified

DANGOTE SUGAR
REFINED GRANULATED WHITE SUGAR
VITAMIN A FORTIFIED
50KG NET WEIGHT

50kg Non-Fortified

DANGOTE SUGAR
REFINED GRANULATED WHITE SUGAR
FOR INDUSTRIAL USE ONLY
NON FORTIFIED
50KG NET WEIGHT

Same Great Quality!

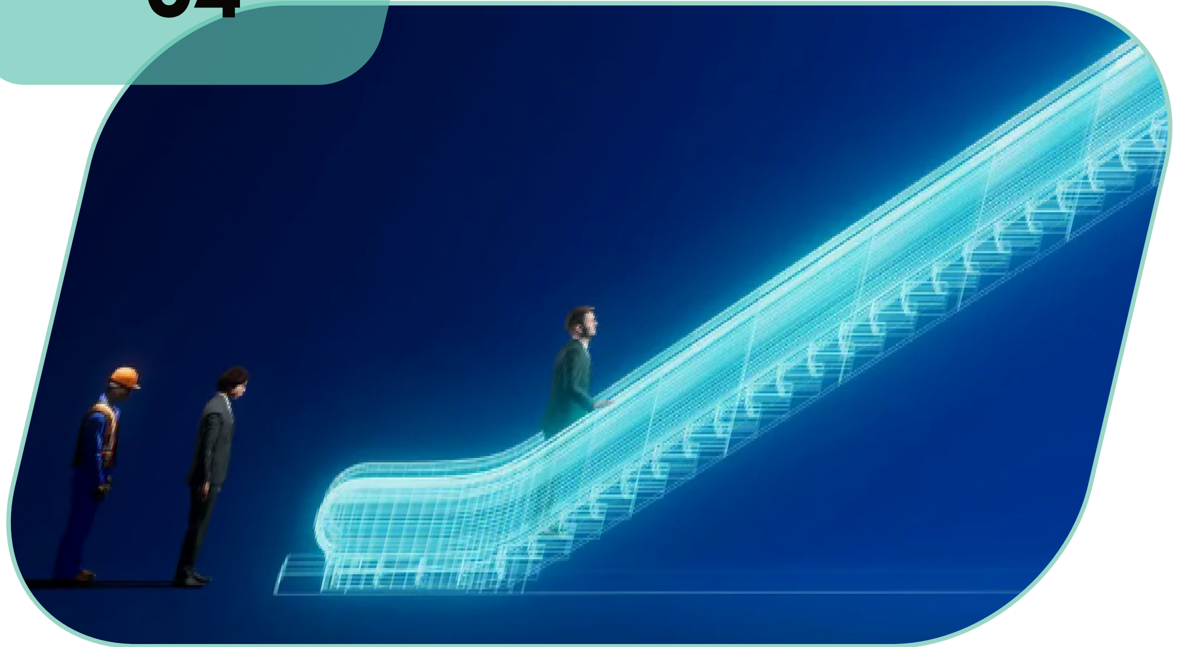
www.dangotesugar.com.ng facebook.com/dangotesugarrefinery

@dangote_sugar dangotesugar Dangote Sugar Refinery Plc +DangotesugarNG

GLOBAL PERSPECTIVE: HOW AI WILL DIVIDE THE BEST FROM THE REST

- CULLED FROM THE ECONOMIST

04



Optimists hope the technology will be a great equaliser. Instead, it looks likely to widen social divides

At a summit in Paris on February 10th and 11th, tech bosses vied to issue the most grandiose claim about artificial intelligence. "AI will be the most profound shift of our lifetimes," is how Sundar Pichai, Alphabet's boss, put it. Dario Amodei, chief executive of Anthropic, said it would lead to the "largest change to the global labour market in human history". In a blog post, Sam Altman of Openai wrote "In a decade, perhaps everyone on earth will be capable of accomplishing more than the most impactful person can today."

Mr Altman's prediction taps into an established school of thought. As large language models first gained popularity in the early 2020s, economists and bosses were hopeful that they, and other AI tools, would level the playing field, with lower-skilled workers benefiting most. Software capable of handling tasks such as protein-folding and poetry-writing would surely democratise opportunity. Jensen Huang, chief executive of Nvidia, a chip designer, envisioned a future in which workers "are all going to be CEOs of AI agents".

More recent findings have cast doubt on this vision, however. They instead suggest a future

in which high-flyers fly still higher—and the rest are left behind. In complex tasks such as research and management, new evidence indicates that high performers are best positioned to work with AI (see table). Evaluating the output of models requires expertise and good judgment. Rather than narrowing disparities, AI is likely to widen workforce divides, much like past technological revolutions.

Pulling up the ladder

Impact of generative AI on the gap between high- and low-performing workers

Study	Topic	Inequality
Peng et al. (2023)	Coding efficiency	↓
Brynjolfsson, Li and Raymond (2023)	Customer chat	↓
Noy and Zhang (2023)	Writing quality	↓
Dell'Acqua et al. (2023)	Product design	↓
Chen and Chan (2023)	Ad effectiveness	↓
Choi, Monahan and Schwarcz (2023)	Legal analysis	↓
Otis et al. (2023)	Profits and revenue	↑
Roldan-Mones (2024)	Debating points	↑
Toner-Rodgers (2024)	Material discovery	↑
Kim et al. (2024)	Investment decisions	↑

Source: *The Economist*

The case for AI as an equaliser was supported by research showing that the tech enhances output most for less experienced workers. A study in 2023 by Erik Brynjolfsson of Stanford University and Danielle Li and Lindsey Raymond of the Massachusetts Institute of Technology (MIT) found that generative AI tools boosted productivity by 34% for novice customer-support workers, helping them resolve queries faster and more effectively. Experienced workers, by contrast, saw little benefit, as the AI-reinforced approaches they were already using. This suggested the tech could narrow gaps by transferring best practices from talented to less talented employees.

A similar trend was observed in other knowledge-intensive tasks. Research by Shakked Noy and Whitney Zhang, both of MIT, found that weaker writers experienced the greatest improvements in the quality of their work when using Openai's Chatgpt to draft materials such as press releases and reports. Many saw better quality simply by using the AI's unedited output, underscoring its ability to elevate baseline performance. Similarly, Jonathan Choi of the University of Southern California and co-authors found a general-purpose AI tool improved the quality of legal work, such as drafting contracts, most notably for the least talented law students.

The problem is that this is swamped by another effect. A job can be considered as a bundle of tasks, which tech may either commoditise or assist with. For air-traffic controllers, tech is an augmentation: it processes flight data while leaving decisions to humans, keeping wages high. By contrast, self-check-out systems simplify cashiers' roles, automating tasks such as calculating change. This lowers the skill requirement, causing wages to stagnate.

Thus, despite the early optimism, customer-service agents and other low-skilled workers may face a future akin to cashiers. Their repetitive tasks are susceptible to automation. Amit Zavery of ServiceNow, a business-

software company, estimates that more than 85% of customer-service cases for some clients no longer require human involvement. As AI advances, this figure will probably rise, leaving fewer agents to handle only the most complex cases. Although AI may at first boost productivity, its long-term impact will be to commoditise skills and automate tasks.

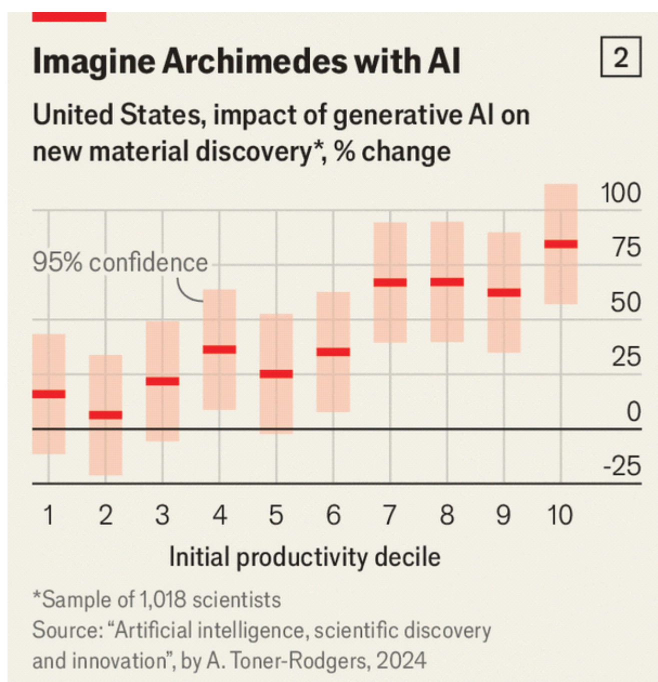
Unlike earlier automation, which replaced routine jobs such as assembly-line work and book-keeping, AI may extend its reach to non-routine and creative work. It can learn tacitly, recognise patterns and make predictions without explicit instruction; perhaps, in time, it will be able to write entertaining scripts and design useful products. For the moment it seems as though, in high-wage industries, it is junior staff who are the most vulnerable to automation. At A&O Shearman, a law firm, AI tools now handle much of the routine work once done by associates or paralegals. The company's software can analyse contracts, compare them with past deals and suggest revisions in under 30 seconds. Top performers have been best at using the tech to make strategic decisions, says David Wakeling, the firm's head of AI.

The shift in recent economic research supports his observation. Although early studies suggested that lower performers could benefit simply by copying AI outputs, newer studies look at more complex tasks, such as scientific research, running a business and investing money. In these contexts, high performers benefit far more than their lower-performing peers. In some cases, less productive workers see no improvement or even lose ground.

Intelligent design

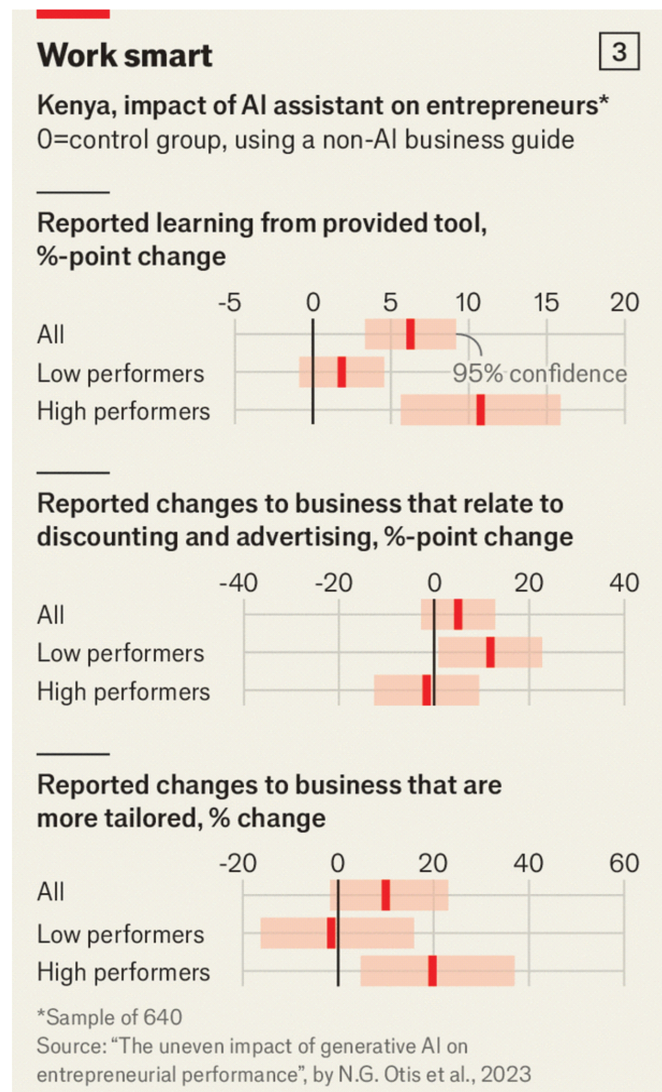
Aidan Toner-Rodgers of MIT, for instance, found that using an AI tool to assist with materials discovery nearly doubled the productivity of top researchers while having no measurable impact on the bottom third. The software allowed researchers to specify desired features, then generate candidate materials predicted to possess these properties. Elite scientists, armed with plenty of subject expertise, could identify promising suggestions and discard poor ones. Less effective researchers, by contrast, struggled to filter useful outputs from irrelevant ones (see chart 2).

Similar results have emerged in other areas. Nicholas Otis of the University of California, Berkeley, and co-authors found that stronger Kenyan entrepreneurs raised their profits by over 15% with an AI assistant, and strugglers saw profits fall. The difference lay in how they applied AI recommendations. Low achievers followed generic advice, such as doing more advertising; high achievers used AI to find tailored solutions, such as securing new power sources during blackouts (see chart 3).



In financial decision-making, Alex Kim of the University of Chicago and co-authors conducted an experiment where participants used AI to analyse earnings-call transcripts before allocating $1,000 in a simulated portfolio. Sophisticated investors achieved nearly 10% higher returns with AI; less sophisticated investors saw gains of 2%. Seasoned investors made better use of insights from earnings calls, such as those concerning R&D spending, share repurchases and operating profit before depreciation and amortisation.

As AI reshapes work, new tasks emerge. Rajeev Rajan of Atlassian, an office-software firm, says that AI tools free up a couple of hours a week for engineers, allowing them to focus on creative work. Junior lawyers spend less time on chores and more with clients. "Really smart people who may be bored with analysing routine earnings releases will benefit the most," says a boss at a large investment firm. "The skill that is going to be rewarded most in the short run is imagination in finding creative ways to use AI." The grunt work of these industries is being automated, allowing junior employees to take on advanced tasks earlier in their careers.



Labour markets have always been defined by the destruction of old roles and the creation of new ones. David Autor of MIT has estimated that 60% or so of work in America in 2018 did not exist in 1940. The job of "airplane designer" was added to the census in the 1950s; "conference planner" arrived in the 1990s. But who will take AI's new jobs when they emerge? History suggests that technological upheavals favour the skilled. In the Industrial Revolution, engineers who mastered new machinery saw their wages soar as routine labourers lost out. The computer age rewarded software engineers and rendered typists obsolete. AI appears poised to follow a similar path, benefiting those with the judgment, agility and expertise to navigate complex, information-rich environments.

Moreover, today's AI tools are just the beginning. As the technology grows more sophisticated, semi-autonomous agents capable of acting independently—of the sort envisioned by Mr Huang—may transform workplaces. That might make every worker a CEO of sorts, just as the Nvidia chief executive has predicted. But there will be no levelling-out: the most talented will still make the best CEOs.

UBA
United Bank for Africa

Leo on WhatsApp

Chat on +234-903-000-2455

Check Account Balance?

Top up your airtime?

Bank Transfers?

Bills Payment?

https://m.me/ubachatbanking ***Leo@ubagroup.com*** ***CFC (+234-1-2807400)***

CORPORATE FOCUS

Guinness Nigeria

Market Capitalization	₦169trn
Current Price	₦77.00
Industry	Consumer Goods

Analyst's note

Guinness Nigeria Plc is a prominent player in the Nigerian beverage market, renowned for its diverse portfolio that includes alcoholic and non-alcoholic beverages such as Guinness Foreign Extra Stout, Malta Guinness, and Smirnoff. The company is committed to sustainability and responsible drinking, aiming to be one of the best-performing consumer products companies in Nigeria.

In FY'24, Guinness Nigeria Plc reported strong revenue growth but achieved an inventory turnover ratio of 2.48 from 3.05, highlighting inefficiencies in converting stock into revenue. Additionally, profitability and liquidity pressures persist. A return on assets (ROA) of -0.11% signals poor asset utilization, likely exacerbated by rising production costs, forex-related challenges, and inflationary pressures. Liquidity concerns are also evident, with a current ratio of 0.55 and a quick ratio of 0.40, suggesting potential difficulties in meeting short-term obligations.

Looking ahead, Guinness Nigeria Plc is poised to leverage its strong brand equity and market presence to navigate ongoing challenges effectively. The company plans to implement targeted cost optimization strategies while enhancing its product innovation pipeline to meet evolving consumer preferences. Additionally, strengthening its distribution channels and improving working capital management will be vital for addressing liquidity concerns. By focusing on these strategic initiatives, Guinness Nigeria aims to achieve sustainable profitability and solidify its position as a market leader in the competitive beverage sector.

Financial Analysis

Domestic sale boost top-line performance

The long-standing player in the Nigerian beverage and alcohol industry, recorded a stellar top-line performance in FY'24. Revenue grew by 82.06% to N259.60bn, up from N142.60bn in FY'23, driven primarily by robust domestic sales, which contributed over 98% to total revenue. Domestic sales grew by 81% to N255.67bn, while export sales jumped 193.9% to N3.94bn.

This performance highlights the company's effective portfolio expansion, geographic diversification, and strong execution of key strategic initiatives.

Increased cost of sales and operating expenses weigh on operating profit

The foremost brewery's faced significant cost pressures in FY'24, with cost of sales surging by 107.54% to N200.60bn, up from N96.66bn in FY'23, driven by heightened inflationary pressures.

However, gross profit grew by 28.45% to N59.01bn, supported by strong revenue growth.

On the expense front, administrative costs rose by 96.82% to N16.27bn, while marketing and distribution expenses rose by 33% to N31.64bn. These rising costs weighed on operating margins, leading to a 31.35% decline in operating profit, which fell to N11.26bn, compared to N16.40bn in FY'23.

Weak bottom line performance despite exchange gain

Guinness Nigeria Plc recorded a profit before tax (PBT) of N4.11bn in FY'24, a significant turnaround from a loss of N4.43bn in FY'23. This recovery was primarily driven by a swing in net finance cost, which shifted from a major source of losses in prior years to a net gain in FY'24. The key driver behind this improvement was gains from the remeasurement of foreign currency balances, which contributed 99.51% of total finance income.

However, despite the PBT rebound, the company reported a loss after tax (LAT) of N302.76mn in FY'24, an improvement from the N5.23bn loss in FY'23. This suggests that while the company benefited from currency revaluation gains, underlying operational challenges persist.

Risk and Outlook

Guinness Nigeria Plc faces a challenging macroeconomic environment marked by persistent inflation, currency depreciation, and high operational costs. To navigate these hurdles, the company is focused on cost optimization strategies, including increased local sourcing of raw materials and operational efficiency improvements. Additionally, with the recent acquisition of Diageo's majority stake by Tolaram Group, Guinness Nigeria stands to benefit from synergies that could enhance distribution, supply chain management, and overall profitability.

A PRISM OUTLOOK

- We expect the naira to continue trading within the range of N1,550/$ to N1,600/$ due to increased forex supply. The CBN has also postponed terminating its $25,000 weekly FX sales to BDCs until May 2025, further supporting forex supply and exchange rate stability.

- Following the CPI rebasing, headline inflation declined to 24.48% in January 2025, from 34.80% (using old methodology) in December 2024. Inflationary pressures are abating due to exchange rate stability and appreciation and lower logistic costs. Hence, we expect headline inflation to trend downward in the coming months.

- After six consecutive rate hikes in 2024, the MPC kept the policy rate unchanged in its first meeting of 2025 to assess the impact of its previous rate hikes. This pause, influenced by expectations of moderating inflationary pressures, signals a potential shift toward monetary easing in the near term.

FDC FINANCIAL DERIVATIVES COMPANY

Let's Get Social

@fdcsocial

@fdc_ltd

@fdc_ltd

@financialderivatives company

Follow Us Now!

WWW.FDCNG.COM

"WHEN WE SPEAK, THE WORLD UNDERSTANDS"

Important Notice

This document is issued by Financial Derivatives Company. It is for information purposes only. It does not constitute any offer, recommendation or solicitation to any person to enter into any transaction or adopt any hedging, trading or investment strategy, nor does it constitute any prediction of likely future movements in rates or prices or any representation that any such future movements will not exceed those shown in any illustration. All rates and figures appearing are for illustrative purposes. You are advised to make your own independent judgment with respect to any matter contained herein.

© 2025. "This publication is for private circulation only. Any other use or publication without the prior express consent of Financial Derivatives Company Limited is prohibited."