FINANCIAL DERIVATIVES COMPANY

WHISPERS

MARCH 3, 2025 | VOLUME 15 ISSUE 06

WHEN WE SPEAK, THE WORLD UNDERSTANDS

FDC LIMITED

CONTENTS

01 The Whispers Overview

Nigeria's GDP surges to 3.84% in Q4 2024, but investors remain skeptical

Nigeria's economy defied expectations, growing by 3.84% in Q4'24—the fastest quarterly expansion in three years. This strong performance pushed full-year growth to 3.4%, up from 2.74% in 2023 and surpassing the IMF's projected 2.9% real GDP growth, signaling stronger-than-expected economic activity.

Among the fastest-growing sectors were rail transport (43.16%), metal ores (36.15%), and financial institutions (28.47%). Conversely, coal mining (-121.33%), electricity & gas (-5.04%), and air transport (-2.34%) recorded the steepest declines. Notably, the oil refining sector returned to growth in Q4 2024 after five years of consistent quarterly declines likely driven by increased activity at the Dangote Refinery and other modular refineries.

It is also noteworthy that the GDP data was based on the old base year of 2010. Therefore, the increased growth was not as a result of cosmetics.

Naira's rally sparks cautious optimism

Another major surprise has been the recent rally of the naira in the foreign exchange market, making it one of Africa's best-performing currencies so far this year. The naira has appreciated by 9.5% since the start of 2025, strengthening to ₦1,508/$ from its 2024 close of ₦1,653/$, largely due to the CBN's B-Match platform and other policy measures. While investors welcome the stability and appreciation of the naira, they remain skeptical, recalling what happened in 2024 when the naira appreciated by 45% from ₦1,910/$ to ₦1,320/$ before depreciating sharply to ₦1,750/$. However, we anticipate only marginal depreciation this time, with the naira trading between ₦1,530/$ and ₦1,560/$ between now and Easter.

Nigeria's talent pool is a source of dollar inflows

Despite a balance of trade surplus, Nigeria's services account remains negative, with a $13 billion service deficit in 2023. Notwithstanding, Nigeria's creative and talent-driven exports hold untapped significant potential. Global superstars like Tems who recently won a Grammy Award in 2025, along with Wizkid and Burna Boy, are based in Nigeria but earn in U.S. dollars, effectively contributing to service exports.

Lookman vs Burna boy – The more, the merrier

It is important to distinguish between service exports and earnings by Nigerians residing abroad. While the latter does not count toward GDP, the wealth generated by Nigerian athletes and professionals overseas, such as footballer Ademola Lookman of Atlanta and Ola Aina of Nottingham Forest, can indirectly boost foreign exchange supply through remittances and reinvestments.

With better organization, and the involvement of professional asset managers, alongside increased efficiency in the forex market, we expect higher forex inflows from these sources, further strengthening the naira and increasing external reserves.

In this latest edition of Whispers, the FDC Think Tank takes a deep dive into recent economic developments and their impact on your business and corporate strategy.

Dangote Sugar has a NEW LOOK

Same Great Quality!

DANGOTE SUGAR

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

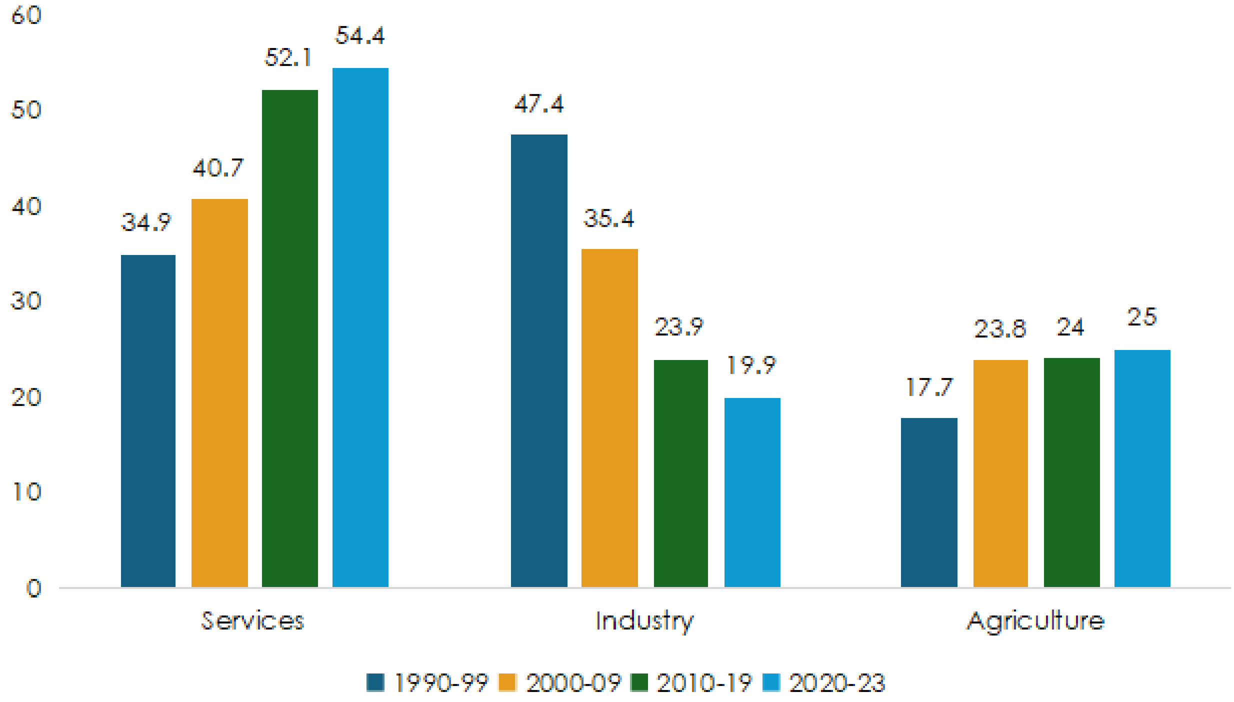
@dangote_sugar dangotesugar Dangote Sugar Refinery Plc +DangotesugarNG

02 Nigeria's Service Sector - Heavyweight At Home, Featherweight Abroad

The reconfiguration of global value chains—driven by industrial automation, the resurgence of trade protectionism, and geoeconomic fragmentation—raises concerns about the viability of export-led manufacturing growth in less industrialized economies like Nigeria. In this context, the services trade presents a viable alternative for export diversification, reducing reliance on commodity exports and mitigating exposure to price volatility.

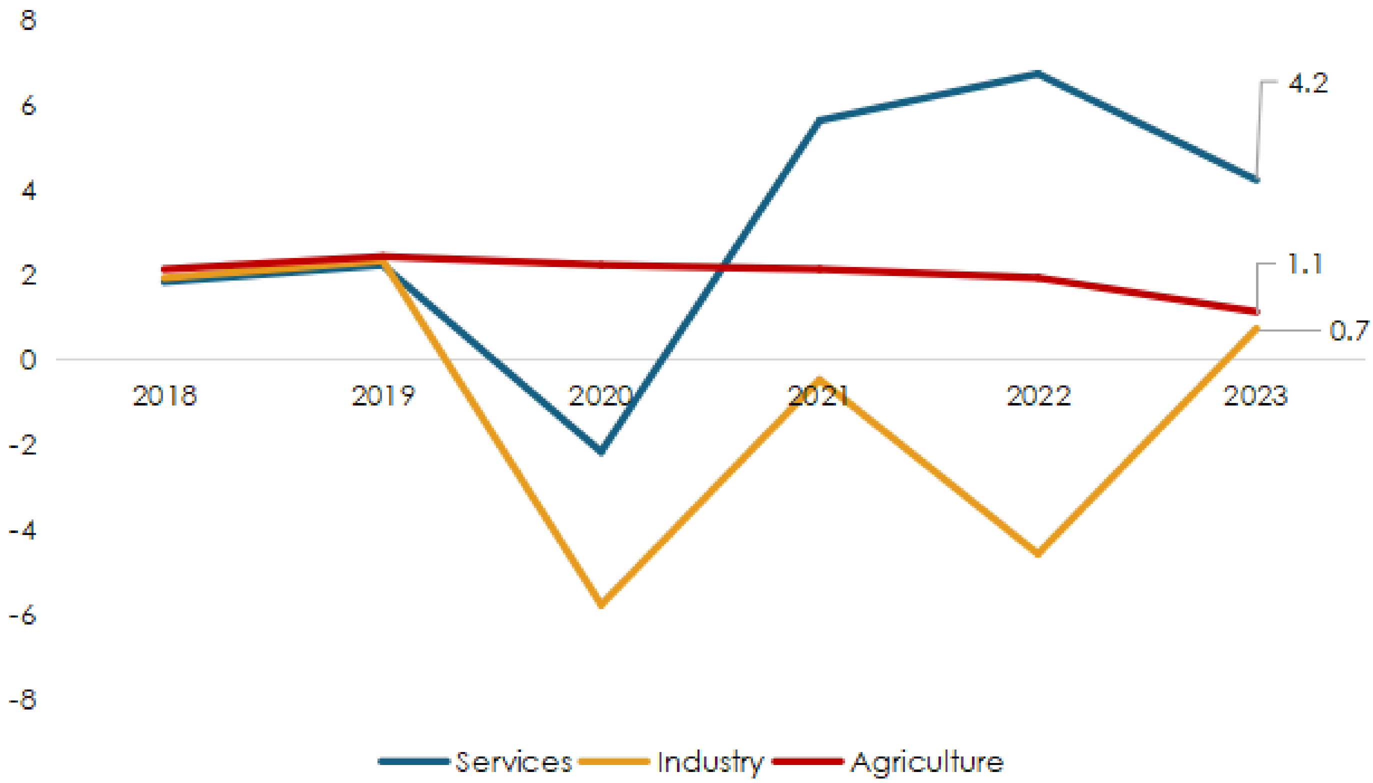
Over the past two decades, the service sector has been the golden goose of the Nigerian economy, consistently driving growth and prosperity. Since overtaking industry as the leading contributor to GDP in 2004, when it accounted for 38%, the service sector has steadily expanded to contribute over 54% to GDP in the 5 years. It is also the primary driver of economic growth, posting a growth rate of 4.2% in 2023 compared to industry (0.7%), agriculture (1.1%) and the overall economy (2.7%). This expansion was supported by telecommunications alongside banking, retail, e-commerce, and professional services, which flourished on the back of a growing middle class and a digitally adept population.

Figure 2.A Contribution of services, industry and agriculture to GDP (1990-2023)



Source: CBN, FDC Think Tank

Figure 2.B Sectoral growth (%)



Source: CBN, FDC Think Tank

Despite this domestic dominance, Nigeria's service exports remain low, accounting for just 7% of total exports. This paradox—where a robust service sector fails to translate into significant global trade—raises the question: why does this imbalance persist, and what can be done to turn the tide?

Nigeria's Service exports buck the global trends

Globally, the structure of economic production is continuously evolving, with trade in services playing an ever greater role.[1] Services exports are now a vital part of a nation's export basket. The global share of services exports in total goods and services export has more than doubled to 25% in 2023 from 12% in 1970.[2] Interestingly, services exports from developing countries have increased thirteenfold since 1990, growing at twice the rate of those from advanced economies. Consequently, developing countries' share has risen from 3% in 1970 to nearly 15% in 2023.[3]

Table 2.A Nigeria's service exports (2018-2023)

	2017	2018	2019	2020	2021	2022	2023
service exports	5030	4818	4949	3993	3996	4864	4441
% of total exports of goods and services	7.8	7.4	7.3	10.1	7.9	7.2	7.4
annual growth rate (%)	34.3	-4.2	2.7	-19.3	0.1	21.7	-8.7

Source: WTO, FDC Think Tank

1 Loungani, P. et al. (2017). World Trade in Services: Evidence from A New Dataset. IMF Working paper, WP/17/77

2 UNCTAD (2024). https://unctad.org/statistics

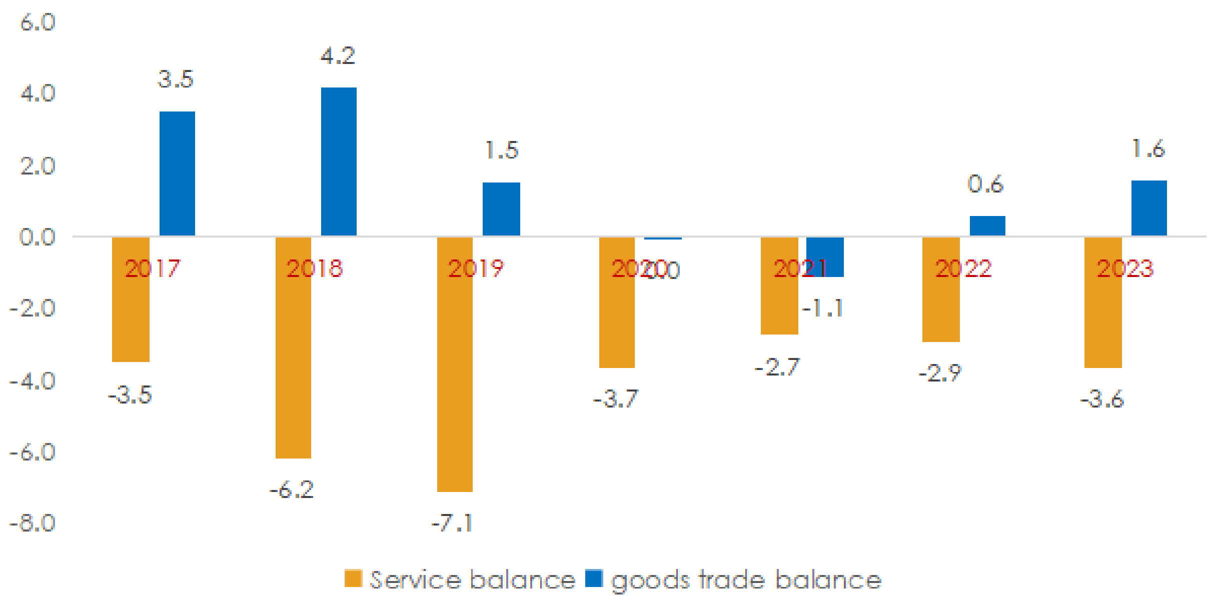
3 WTO (1996). Participation of developing countries in World Trade: Overview of major trends and underlying factors. https://www.wto.org/english/tratop_e/devel_e/w15.htm?utm_source=chatgpt.com

Contrarily, Nigeria's service exports have staggered in the past decade. It peaked at $5bn (7.8% of total exports) in 2017 before falling to $4.8bn in 2018 and to $4.4bn in 2023. This weak performance does not reflect the sector's boom in the domestic economy. Over the past two decades, Nigeria's service sector has expanded significantly due to urbanization, technological advancements, and economic diversification. The telecom industry, with over 220 million active mobile subscriptions in 2023, and the banking sector have grown remarkably. Retail, e-commerce, and professional services have also thrived, driven by a burgeoning middle class and a tech-savvy population. However, the economy has yet to convert these domestic booms into external earnings.

Service trade deficit more than offsets goods trade surplus

Over the past decade, Nigeria has consistently run a services trade deficit, peaking at $34bn in 2019 and hitting a low of $13bn in 2017. In 2023, the deficit stood at $13bn—nearly three times the country's services exports ($4.4bn). In contrast, Nigeria's merchandise trade balance has improved, with goods trade deficits recorded in only three of the past ten years. The surplus surged 111% to nearly $6bn in 2023 and doubled to an estimated $12bn in 2024. Yet, at 3.6% of GDP, the services trade deficit remains more than twice the merchandise trade surplus of 1.6% of GDP.

Figure 2.C Trade balance of services and goods (% of GDP)



Source: WTO, FDC Think Tank

Two key factors drive this perpetual services trade deficit. First, the country relies heavily on imported services, particularly in education, healthcare, business services, and travel. The financial and technology sectors also depend on foreign expertise, increasing outflows for professional services.

Second, Nigeria's service exports face structural challenges, including limited international credibility and visibility. Most local service providers have limited global integration—catering mostly to local demand, lacking the scale, networks, and branding for global competitiveness. In addition, weak specialization in high-value services, barriers to business travel and difficulties in cross-border transactions further constrain Nigeria's ability to translate its service sector expansion into export earnings.

Services exports, a new pathway for growth

Cross-country evidence suggests that developing countries can sustain services-led growth, leveraging globalization to specialize in competitive service sectors. This shift offers new pathways for economic development beyond traditional manufacturing and agriculture.

India is a quintessential example of leveraging service-led growth, consistently maintaining a services trade surplus for decades. In 2023, India's services exports surpassed $300bn, equivalent to 78% of merchandize exports, with IT and business process outsourcing (BPO) accounting for more than of its services exports. India's rise as a global IT and BPO hub was no accident—it resulted from deliberate investments in skills, infrastructure, and market positioning. For instance, India's National Association of Software and Service Companies (NASSCOM) was crucial in promoting IT firms globally, ensuring compliance with international standards, and securing outsourcing contracts. Nigeria can replicate this by strengthening its burgeoning IT sector and fostering industry associations to boost global credibility and recognition. India also negotiated trade agreements and visa relaxations to enable business mobility. Nigeria can expand service exports by securing mutual recognition agreements for professionals and improving digital infrastructure to enhance global competitiveness.[4]

Table 2.B India's service exports

	Services exports ($bn)	Services imports ($bn)	Services balance ($bn)	Service exports (% of goods exports)
2018	204.3	174.9	29.4	62.9
2019	214.1	178.3	35.8	66.0
2020	202.5	152.7	49.8	73.3
2021	239.7	195.0	44.8	60.6
2022	308.7	248.4	60.3	68.1
2023	336.9	245.4	91.5	78.1

Source: WTO, FDC Think Tank

As traditional export-led growth models face increasing challenges, service exports present a viable and sustainable alternative for economic transformation. By leveraging digitalization, skilled labour, and policy reforms, Nigeria can integrate into global trade networks, enhance productivity, and drive long-term economic resilience. The shift toward service-led growth is not just an opportunity—it is a necessity for the future of economic development.

4 Deloitte (2017). India Services Sector: A Multi-trillion Dollar Opportunity for Global Symbiotic Growth. https://www2.deloitte.com/in/en/pages/industries/articles/india-services-sector.html

Transform Your Planning with IMDT

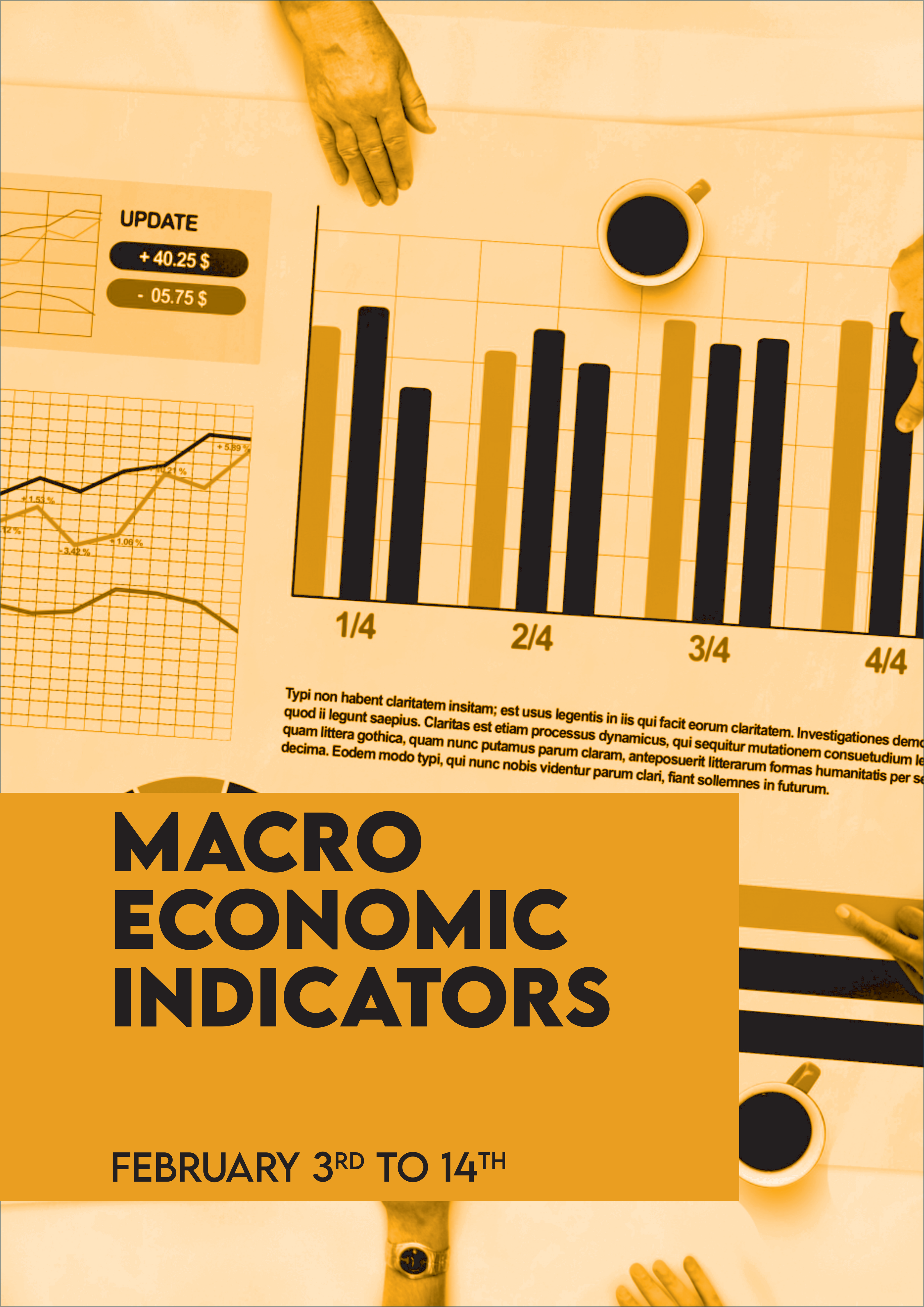
All-in-One Platform for Smarter Investment Planning

As we gear up for 2025, the financial landscape demands precise and informed planning. With InfoWARE Market Data Terminal (IMDT), you gain exclusive access to tools and insights that make planning seamless and effective, like:

- **2024 12-Month Inflation Chart**
- **Top 10 Best Performing Stocks in 2024**
- **Mutual Fund Performance Insights**
- **Market Forecasting Tools**

Sign up at
www.infowarelimited.com/imdt
or email bizdevteam@infowarelimited.com to get started!

SEE WHAT IMDT CAN DO



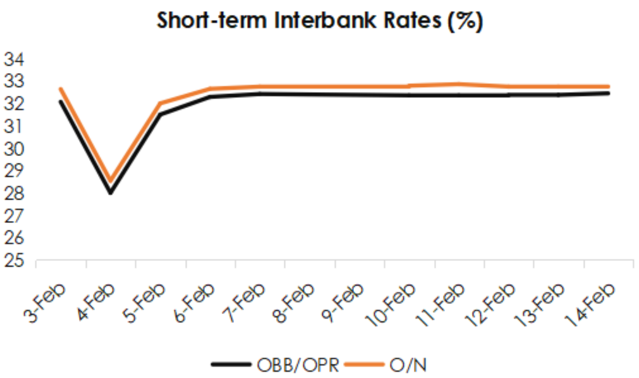
MACRO ECONOMIC INDICATORS

FEBRUARY 3RD TO 14TH

MONEY MARKET

The bank's average opening position was short in the first half of February at N544.82bn, compared to N265.76bn long in the first half of January. There was one OMO sale of N1.4trn and no OMO repayments during the period. Short-term interbank rates (OPR, O/N) averaged 32.04%p.a. in the first half of February, up 764 bps from 29.09%p.a. in the first half of January.

One primary market auction was conducted in the first half of February, amounting to N670bn. This is 13.38% lower than N756.02bn in the previous primary market auction on January 22. On the other hand, six primary market repayments were made in the first half of February, which amounted to N1.14trn. Primary market rates stayed flat at the 91-day and 182-day tenor, while they increased at the 364-day tenor. At the secondary market, yields decreased at all tenors in the first half of February.



Source: FDC Think Tank

Tenor	Primary market (Feb 08, 2025) (%)	Primary market (Feb 14, 2025) (%)	Secondary market (Feb 08, 2025) (%)	Secondary market (Feb 14, 2025) (%)
91-day	18.00	18.00 ⟷	20.70	19.17 ▼
182-day	18.50	18.50 ⟷	19.87	19.55 ▼
364-day	20.32	21.80 ▲	20.84	19.15 ▼

Source: FMDQ, FDC Think Tank

Outlook and Implication

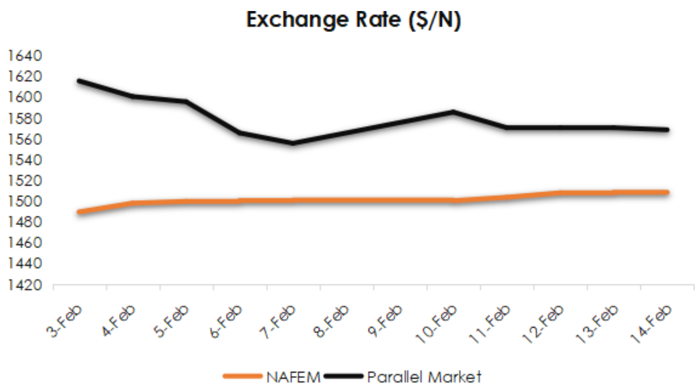
With the MPC maintaining the rate at 27.50%, liquidity is expected to remain tight in the short term, making credit access and business expansion challenging for investors. However, yields on bonds, treasury bills, and other fixed-income instruments may decline amid expectations of future rate cuts. This could lead to lower short-term interest rates and a gradual improvement in liquidity conditions.

FOREX MARKET

The forex market is undergoing reforms with the adoption of a "willing-buyer-willing-seller" model by the CBN, allowing the exchange rate to be influenced by demand and supply dynamics. Key factors affecting the exchange rate include balance of payments, capital inflows, and trade balance.

EXCHANGE RATE

At the Nigerian foreign exchange market (NFEM) window, the naira closed at N1,508.66/$ on February 14, marking a depreciation of 1.30% against the US dollar from N1,488.99/$ on February 3. Conversely, the naira gained 2.87% in the parallel market to close at N1,570/$ from 1615/$ on February 14. This appreciation is driven by increased forex supply boosted by the CBN's extension of FX sales until May 2025 and the introduction of CBN's foreign exchange code further stabilized the market.



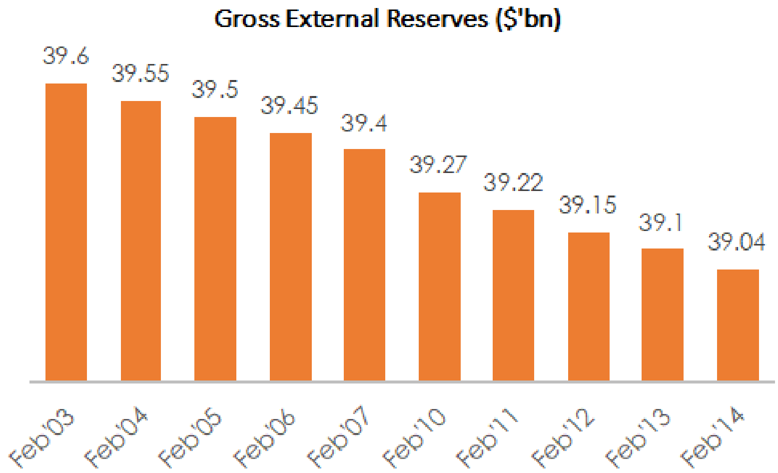
Source: FDC Think Tank

Outlook and Impact

The Naira is expected to remain stable within the N1,500/$ -N1,550/$ range, supported by the CBN's continued forex sales to BDCs until May 2025. Additionally, lower forex demand will contribute to its stability.

EXTERNAL RESERVES

The country's external reserves declined by 1.41%, reaching $39.04 billion on February 14, down from $39.6 billion on February 3. The reduction was driven by annual debt servicing costs including Eurobond maturities and coupon payments.



Source: CBN, FDC Think Tank

Outlook and Impact

We anticipate a further decline in external reserves, driven by rising debt obligations, including Eurobond maturities. Additionally, annual debt servicing costs, such as coupon payments and the CBN's forex interventions, will exert additional pressure on the reserves.

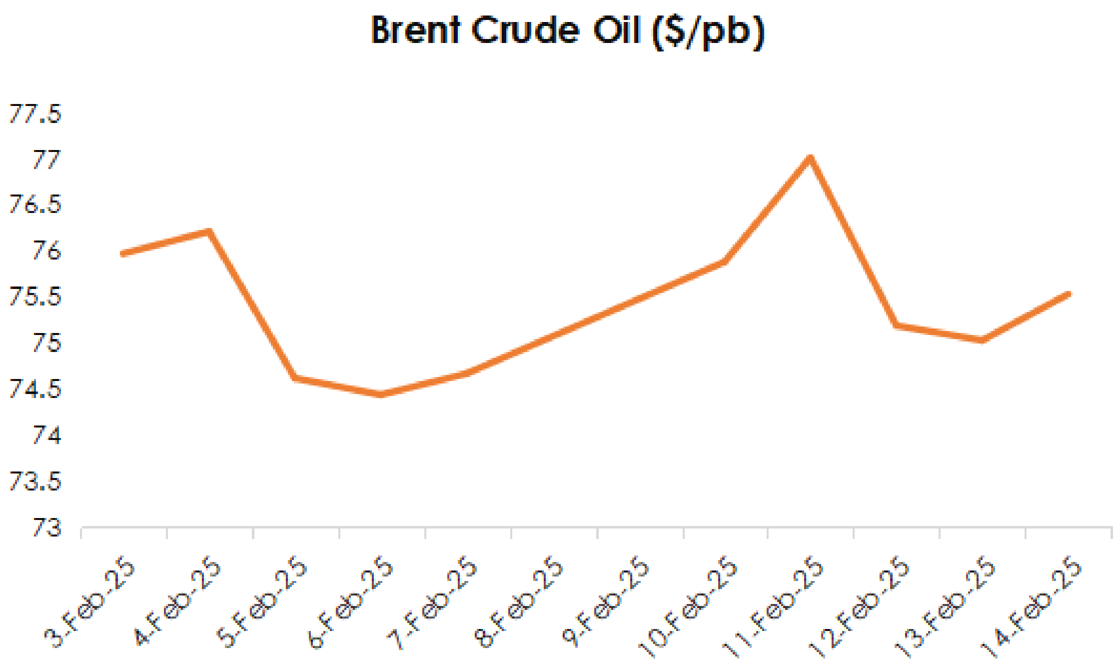
Sustained depletion of the external reserves may weaken CBN's ability to defend the Naira, potentially leading to currency depreciation and inflation. It also reduces investor confidence and increases borrowing costs.

COMMODITY EXPORTS

Nigeria is an export-dependent economy. It derives over 80%-90% of its export revenue from crude petroleum and LNG.

OIL PRICES

During the first half of February, Brent crude prices dipped slightly by 0.58%, from $75.96pb on February 3 to $75.52pb on February 14. The decline was partly attributed to expectations of easing geopolitical risks amid speculation about a potential Russia-Ukraine peace deal. However, ongoing U.S.-China trade tensions, which could weaken global oil demand, created additional downward pressure on prices.



Source: Bloomberg, FDC Think Tank

Outlook

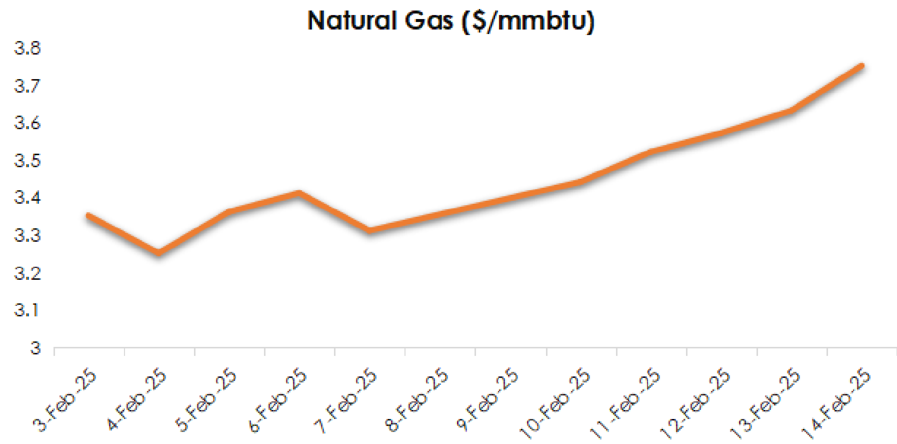
Oil prices will likely decline in the near term due to a potential Russia-Ukraine peace deal and an increase in U.S. crude inventories.

Implication

Declining crude oil prices will reduce Nigeria's oil revenue, potentially widening the fiscal deficit and putting further pressure on external reserves.

NATURAL GAS

During the first half of February, natural gas prices surged 11.94% to \$3.75/MMBtu on February 14 from \$3.35/MMBtu on February 3. The increase was mainly driven by colder weather in the U.S. and Europe, and fears of supply disruption in Australia.



Source: Bloomberg, FDC Think Tank

Outlook

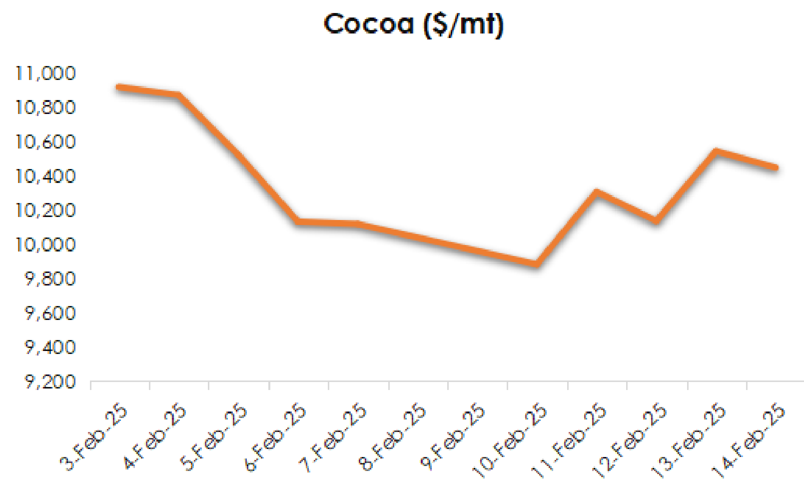
Natural gas prices are expected to decline in the near term, driven by forecasts of warmer weather in the U.S. and Europe. This is likely to reduce heating demand, putting downward pressure on prices.

Implication

A decline in LNG prices will reduce Nigeria's export earnings, impacting government revenue and foreign reserves.

COCOA

Cocoa prices dipped 4.31% in the first half of February from $10,912.00/mt on February 3 to $10,442.00/mt on February 14. The fall in cocoa prices is buoyed by weak cocoa demand from chocolate makers and increased cocoa shipments from Ivory Coast.



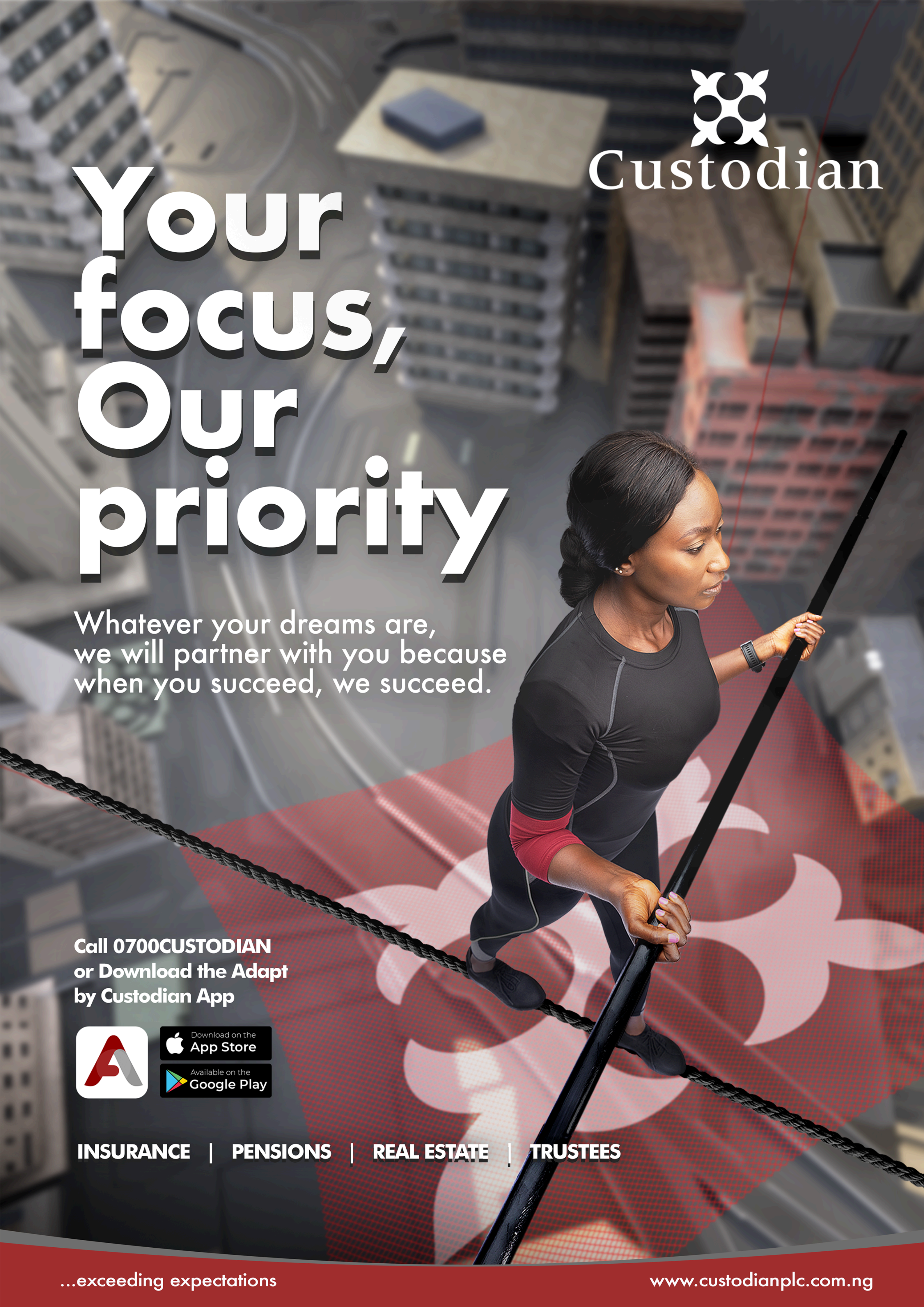
Source: Bloomberg, FDC Think Tank

Outlook

Cocoa prices are expected to rise due to unfavorable weather conditions in West Africa's cocoa-growing countries, which could affect cocoa supply.

Implication

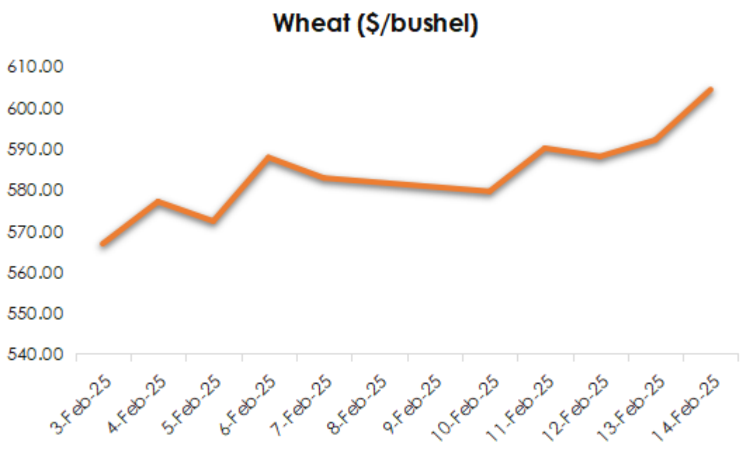
Higher cocoa prices will increase export earnings, boost revenue for cocoa farmers and support the agricultural sector.


Custodian
Your focus, Our priority
Whatever your dreams are, we will partner with you because when you succeed, we succeed.
Call 0700CUSTODIAN or Download the Adapt by Custodian App
Download on the App Store
Available on the Google Play
INSURANCE | PENSIONS | REAL ESTATE | TRUSTEES
...exceeding expectations
www.custodianplc.com.ng

COMMODITY IMPORTS

WHEAT

The price of wheat rose by 6.62% in the first half of February from $566.75/bushel on February 3 to $604.25/bushel on February 14. The price increase was driven by Trump's trade policy, which sparked concerns that a broader trade war could also affect agricultural products. Additionally, due to a spell of cold weather, U.S. production concerns further supported prices.



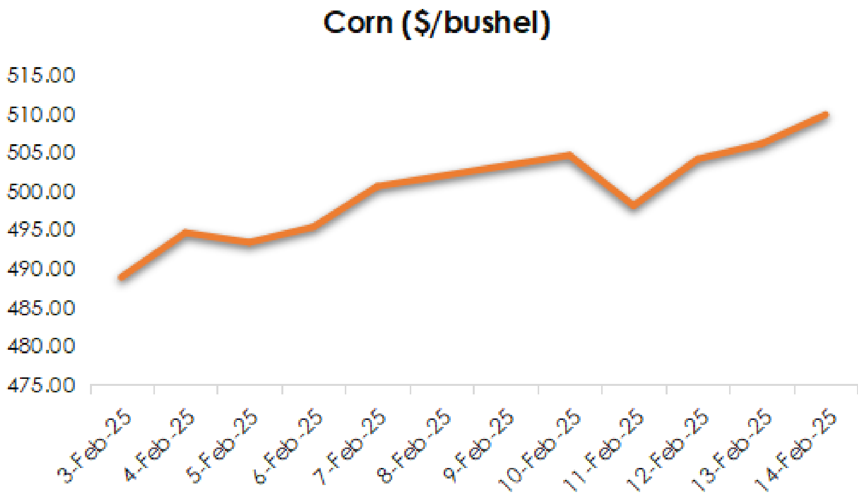
Source: Bloomberg, FDC Think Tank

Grains- Outlook

Grain prices are expected to stay elevated, driven by robust export demand and record-high ethanol production. Additionally, the increasing demand for U.S. corn will further support price growth.

CORN

In the first half of February, corn prices jumped 4.30% from $488.76/bushel on February 3 to $509.75/bushel on February 14. The price increase was fueled by unfavourable weather conditions in South America (Brazil and Argentina) and strong demand from Asia and Europe.



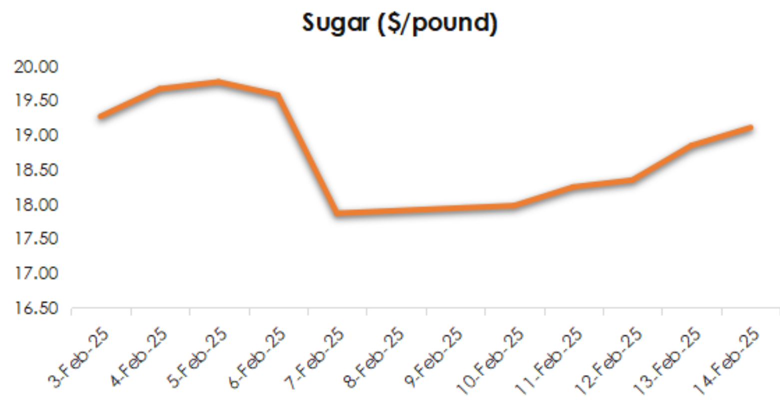
Source: Bloomberg, FDC Think Tank

Grains-Impact

Higher grain prices can increase farmers' incomes but raise costs for food producers and consumers, driving inflation.

SUGAR

The price of sugar declined slightly by 0.83%, from $19.26/pound on February 3 to $19.10/pound on February 14. The decrease was driven by weaker global demand and improved supply expectations, despite a drop in Brazilian production and disruptions in Indian cane supplies due to adverse weather.



Source: Bloomberg, FDC Think Tank

Outlook

Sugar prices will likely increase in the near term due to reduced production in India, Thailand, and Brazil. Additionally, strong ethanol demand and shipping bottlenecks in Brazil, which slow sugar exports, could further drive prices higher.

Implication

Higher sugar prices in Nigeria can raise production costs, drive inflation, and reduce affordability for consumers

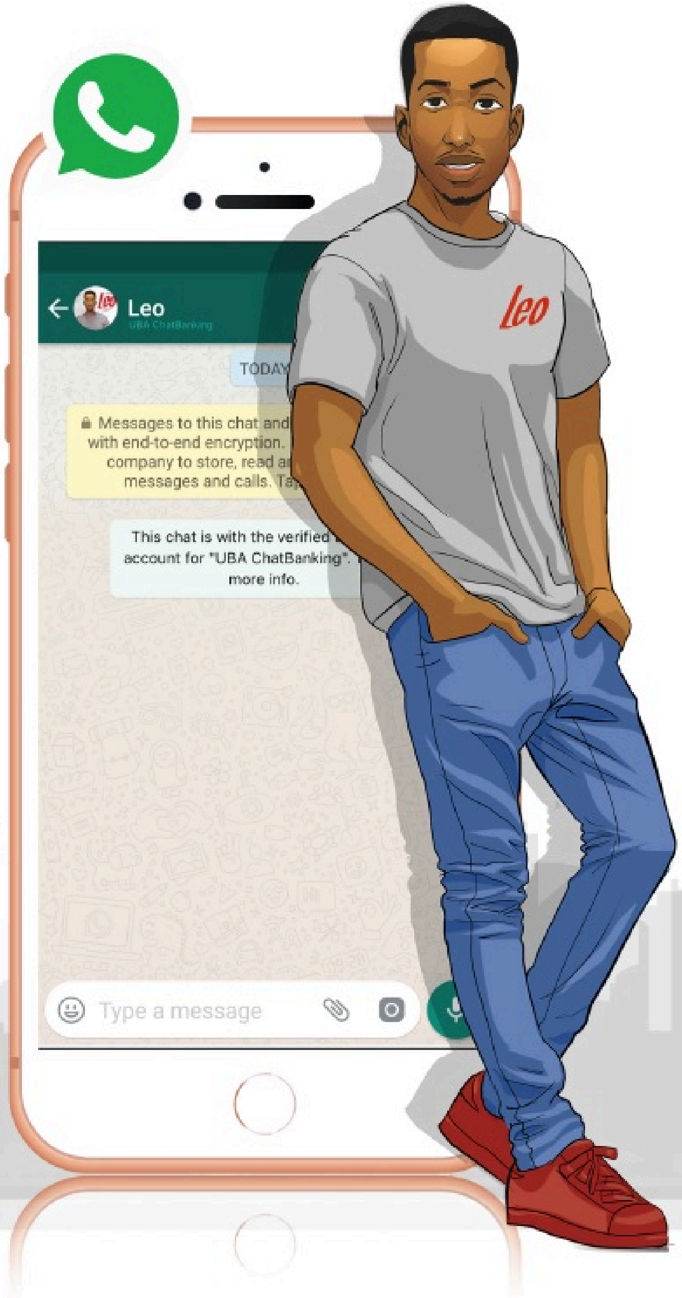
Terms of Trade

In Q3'24, the country's terms of trade increased by 13.26% and are expected to be positive in the near term. In the review period, the country's import increased by 8.71% compared to its export value of 16.76%. Nigeria's oil production remained unchanged in December at 1.49mbpd, which is still below OPEC's quota of 1.5mbpd. Similarly, cocoa prices are trading above $11,000/mt, likely improving the trade balance.

UBA
United Bank for Africa

Leo
on WhatsApp

Chat on +234-903-000-2455



Check Account Balance?

Top up your airtime?

Bank Transfers?

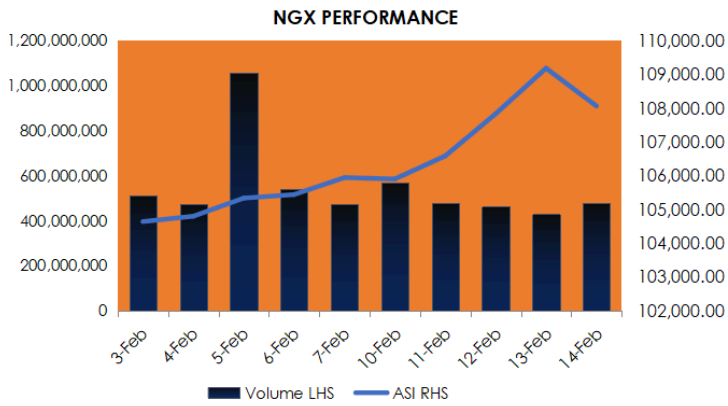
Bills Payment?

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

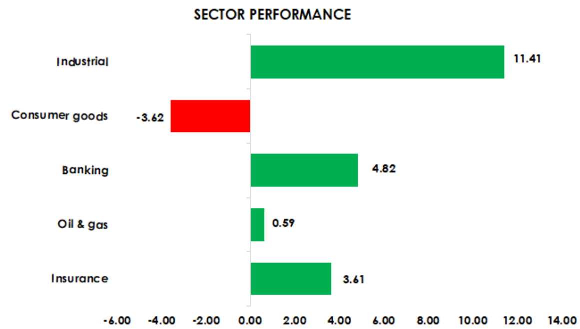
STOCK MARKET REVIEW

FEBRUARY 3RD TO 14TH

The Nigerian Stock Exchange closed positively in the first half of February. It gained 3.27% to close at 108,053.52 points on February 14, up from 104,630.30 points on February 3. Similarly, the market capitalization rose by 4.06% to N67.42 trillion on February 14, relative to its close of N64.79 trillion on February 3. The market YTD return was 4.98% in the first half of February. The market breadth was positive at 2.07x, as 60 stocks gained, 64 remained unchanged, and 29 lost. The NGX's strong performance was largely driven by strong investor sentiment and strategic buying in key sectors like the industrial and banking sector.



Source: NGX, FDC Think Tank



The market activity level was mixed in the review period. The average volume traded decreased by 25.58% to 546.46mn units from 734.27mn units. However, the average value of trades increased by 23.52% to N15.39bn from N12.46bn in the first half of February.

The performance of the sectors was positive in the review period as four sectors gained while one lost. The Industrial sector gained 11.41%. This was followed by the Banking sector (4.82%), the Insurance sector (3.61%), and the Oil & gas sector (0.59%). Meanwhile, the Consumer goods sector lost 3.62%.

SECTOR PERFORMANCE

Industrial	Banking	Insurance	Oil &Gas	FMCG
11.41%	4.82%	3.61%	0.59%	3.62%

TOP 5 GAINERS

Union Dicon Salt Plc, which engages in the wholesale and distribution of refined and iodized edible salt, led the gainers' list with a 33.33% increase in its share price. This was followed by Wema Bank Plc (27.68%), Ikeja Hotel Plc (27.27%), UPDC Nigeria Plc (21.94%) and Academy Press Plc (19.78%).

TOP 5 LOSERS

The laggards were led by Abbey Mortgage Bank Plc, which led the top losers with -13.89%. This was followed by Smurfit Press Nigeria Plc (-13.33%), Dangote Sugar Nigeria Plc (-13.04%), Zenith Bank Nigeria Plc (-12.03%) and BUA Foods Nigeria Plc (-10.65%).

TOP 5 GAINERS				
Company	Feb-03 (N)	Feb-14 (N)	Absolute Change	Change (%)
UNIONDICON [DWL]	6.00	8.00	2.00	33.33%
WEMABANK	5.60	7.15	1.55	27.68%
IKEJAHOTEL	11.00	14.00	3.00	27.27%
UPDC [BLS]	3.10	3.78	0.68	21.94%
ACADEMY	2.78	3.33	0.55	19.78%

TOP 5 LOSERS				
Company	Feb-03 (N)	Feb-14 (N)	Absolute Change	Change (%)
ABBEYBDS	3.60	3.10	-0.50	-13.89%
SMURFIT [MRF]	0.30	0.26	-0.04	-13.33%
DANGSUGAR	41.40	36.00	-5.40	-13.04%
ZENITHBANK	38.65	34.00	-4.65	-12.03%
BUAFOODS	418.00	373.50	-44.50	-10.65%

Outlook

Fixed-income yields are expected to remain elevated and stable, while the equities market may see a positive bias as investors factor in a more stable macroeconomic environment. This adjustment is evident in the recent decline in Treasury bill yields.

WHISPERS OUTLOOK

- Oil prices are projected to decline to $71 per barrel due to a potential Ukraine peace deal, easing global and domestic inflationary pressure by reducing energy and logistics costs.
- However, lower oil prices may reduce Nigeria's export earnings and government revenue. This impact could be offset by rising domestic oil production, according to OPEC, Nigeria's oil output increased by 3.56% to 1.54 mbpd in January 2025.
- The naira is expected to trade between N1,530/$ - N1,560/$ in the near term, supported by sustained high forex supply and CBN intervention. However, the continued decline in external reserves (down 6.1% in 2025 to $38.46 billion) and reduced export earnings pose risks to naira stability.
- Headline inflation is expected to slow in the coming months, driven by base effects, lower logistics costs, and naira stability, easing the cost-of-living crisis. However, the start of the planting season in Q2'25 could drive food prices higher, straining disposable income.

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"