WHISPERS

APRIL 17, 2025 | VOLUME 15 ISSUE 10

WHEN WE SPEAK, THE WORLD UNDERSTANDS

FDC LIMITED

CONTENTS

The Whispers Overview

01

Throwing grenades into your own trench

The Tariff war and reciprocity has become mutually destructive. The much-anticipated détente with China has curdled into a cold, rigid standoff. China will not blink, and the U.S. is doubling down, hiking tariffs on Chinese goods to a staggering 245%. But it does appear that the US could be the biggest loser! US inflation expectations are rising, consumer confidence has slumped to a four-year low, and recession fears are building.

The return of global uncertainty

The October 1987 stock market crash, the Southeast Asia financial crisis of 1998 and the 2008 economic meltdown taught the world a lesson. It showed that uncertainty reduces investor confidence and could lead to a recession. Therefore, with the emergence of the tariff wars and the reciprocal actions we are back to a world of heightened uncertainty. Luckily, there are guardrails and checks and balances.

Institutional checks and balances are the protection against financial crises.

In spite of the current global uncertainties triggered by the US tariff blitz, there are checks and balances, and separation of powers that could help to guard against executive excesses. The independence of the Federal Reserve System (Fed) coupled with the tenacity of the World Trade Organization (WTO) is easing fears of a global recession.

The Fed has refused to bow to executive pressure to cut rates, warning of inflationary spillovers. The WTO has cautioned that a full decoupling between the U.S. and China could shrink global GDP by as much as 7% in the long term. Even the IMF has begun revising global growth forecasts.

Nigeria's new data points may be masking fragility

The recently released March inflation figures surprised to the upside, printing at 24.2%, up from 23.2% in February—a sharp reversal of the deflationary trend triggered by the January CPI rebasing. More troubling is that core inflation has remained stubbornly high, showing no signs of moderation since January. The resurgence of headline inflation, coupled with sticky core prices, suggests underlying structural price pressures.

The trade balance more than doubled to $13bn in 2024, up from nearly $5bn in 2023. However, the surplus was driven more by falling imports than by rising exports. Additionally, 89% of the $10bn in investment inflows recorded in 2024 were short-term portfolio investments—traditionally volatile and easily reversed. In March 2025 alone, capital inflows plunged by 65% following a brief pause in CBN tightening. The lesson is simple: cosmetic calm is not the same as structural strength. Nigeria remains acutely vulnerable to both domestic and external shocks.

In this edition of FDC Whispers, The FDC Think Tank and Bismarck Rewane dissect the Nigerian macroeconomy and the danger of a fragile calm. It argues that Nigeria must pivot—urgently—from tactical firefighting to long-term structural reinforcement.

Nigerian Macroeconomy and the Danger of a Fragile Calm

02

A false sense of stability may be the biggest risk of all

After years of macroeconomic turbulence, Nigeria finally seems to be catching its breath. But in the stillness, a question lingers: is this calm a sign of true recovery, or merely the eye of a brewing storm?

Between 2015 and 2022, Nigeria's GDP growth sputtered to an average of just 1.7%—a sharp fall from the near 7% annual growth rates seen in the pre-2015 years. By 2022, the cracks had become unmistakable: capital importation had plunged from nearly \$20bn in 2019 to just \$4bn, and debt service costs ballooned to consume 90% of current government revenues. The fiscal crisis deepened as debt stock nearly doubled, raising fears of a potential sovereign distress.

Then came the exchange rate reset of 2023. The naira depreciated by over 70% in 2023/24, sparking a wave of inflation that peaked at 35% in December 2024. Money supply surged past 70% as the CBN battled with credibility and control after nearly a decade of debt monetisation,during which it printed close to ₦30trn in direct financing.

But just when it seemed the center could no longer hold, reforms,though painful,brought temporary relief. Foreign portfolio inflows rebounded to \$10bn in 2024, inflation dropped to 24% (aided, conveniently, by CPI rebasing), and money growth cooled to 15% in February 2025. The naira stabilized, FX liquidity improved, and GDP growth picked up to 3.4% in 2024. Government revenue doubled, debt service fell to nearly 50-60% of revenue, and fiscal deficit narrowed to about 4.8% of GDP from 5.5% of GDP. On paper, the economy had re-entered a zone of relative calm.

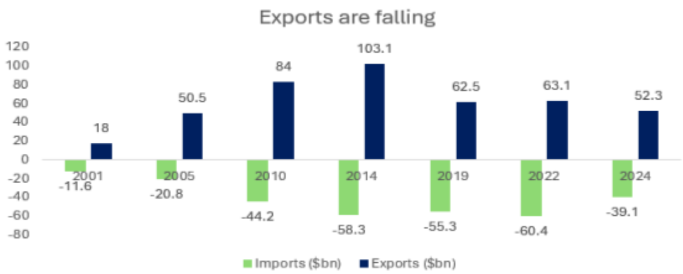
But a closer look reveals that this calm is anything but secure.

Strong external position masks structural fragilities

Recent official data releases

show that Nigeria's external position has improved markedly. The trade surplus more than doubled to $13bn in 2024 from $5bn in 2023. The balance of payments swung into a $6bn surplus in 2024, reversing a $3bn deficit a year earlier. Capital importation also climbed to $10bn in 2024 from $4bn in 2023. Yet, these headline numbers obscure underlying structural fragilities. The trade surplus was not driven by stronger exports—exports in fact declined to $52bn in 2024 from $55bn in 2023. Instead, the surplus stemmed from a sharp contraction in imports, which fell to $39bn from $49bn, bookended by currency depreciation, weakening household income, and reduced refined fuel imports as the Dangote refinery came on stream. This is a surplus born of demand compression, not export competitiveness.

More worryingly, capital inflows remain heavily skewed toward short-term portfolio investments, which accounted for 89% of total inflows in 2024. Foreign direct investment remains stagnant , underscoring persistent concerns around policy coherence, macroeconomic volatility, and institutional predictability. The composition of inflows leaves Nigeria exposed to external shocks. In March 2025, foreign portfolio inflows plunged 65%—from $2bn in February to $700mn—after the CBN paused its rate hikes, a move widely interpreted as a shift toward monetary loosening. Investors reacted swiftly. With thin FX buffers and an unsteady reform path, Nigeria's apparent external strength may prove fleeting should global financial conditions tighten or investor sentiment sour.

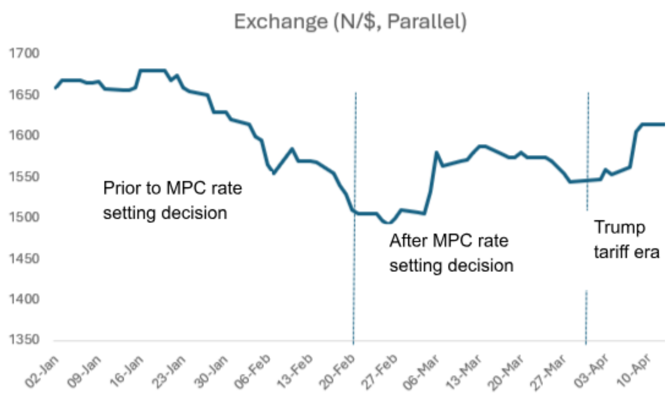


Note: Imports are shown as negatives in line with entry in the BoP accounts.

Is the naira's stability calm before the storm?

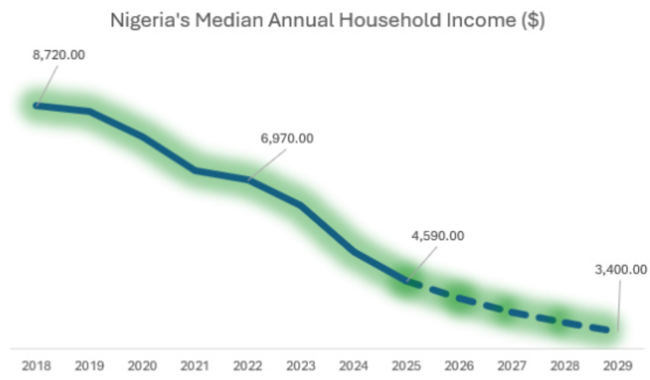
The naira rallied in early 2025, gaining 5% and briefly appreciating to N1,450/$, buoyed by tighter monetary policy, improved FX liquidity, and more credible CBN management. Investor sentiment improved, and foreign portfolio inflows surged. However, this stability seems to be brittle. In March, a pause in monetary tightening triggered a 65% drop in foreign inflows, forcing the CBN to ramp up its market intervention to $1bn, up from $400m in February.

External conditions are deteriorating. Trump's return to tariff brinkmanship has disrupted oil markets, pushing Brent crude toward $60–65pb. A sustained decline below $60 would strain Nigeria's oil revenue and erode the reserve buffer—net external reserves stand at just $23bn. Meanwhile, risk sentiment toward emerging markets is faltering. Nigeria remains dependent on footloose capital and lacks resilient non-oil FX sources. Without a structural boost to exports or a credible fiscal consolidation, the naira's current calm may prove short-lived. Currency stability built on fragile inflows and policy theatrics cannot withstand more profound global shocks. The real test is yet to come.



Growth without depth

The economy grew by 3.4% in 2024, following years of declining total factor productivity and stagnant real incomes. However, this growth story is fragile, driven mainly by base effects and public spending. Structural productivity remains low, and the private sector lacks strong incentives to invest. While fiscal authorities have slowed debt accumulation, there have been no significant reforms in spending or revenue collection that could generate sustainable economic multipliers. Corporate profitability is under pressure, and household consumption,a key GDP driver, remains constrained. Household income has fallen from around $8,700 in 2018 to nearly $4,500 in 2025, and could dip further to $3,400, according to the EIU.



Source: EIU, FDC

What Nigeria is experiencing is not robust growth, but a rebound from a low base. Without substantial investment, innovation, or inclusivity, this growth will remain shallow and short-lived. If a currency crisis resurfaces or inflation reaccelerates, what now appears to be strong growth could quickly turn to tepid expansion or even contraction.

From a fragile calm to economic resilience

Nigeria must move swiftly—from reaction to anticipation, from stabilization to transformation, and from rhetoric to execution. The country needs a clear industrial and development strategy to build a competitive, resilient economy. This requires a decisive pivot from dependence on primary commodity exports to high-value, technology-driven manufacturing. Sustained growth will depend on dismantling structural bottlenecks and removing the institutional frictions that erode efficiency and deter foreign direct investments.

Policymakers need to accelerate fiscal reforms that broaden the revenue base beyond oil, invest in productivity-enhancing infrastructure, and create a regulatory environment that attracts long-term, stable capital. The financial sector must be recalibrated to channel credit to the real economy, —especially to micro, small, and medium enterprises that drive employment and innovation. More fundamentally, the state must adopt a posture of economic agility: building buffers, reinforcing institutions, and enhancing shock absorbers.

In an increasingly turbulent global economy, Nigeria cannot afford to confuse silence with safety. Fragile quiet may resemble equilibrium—but without structural reinforcement, it it is only a pause before the next quake.

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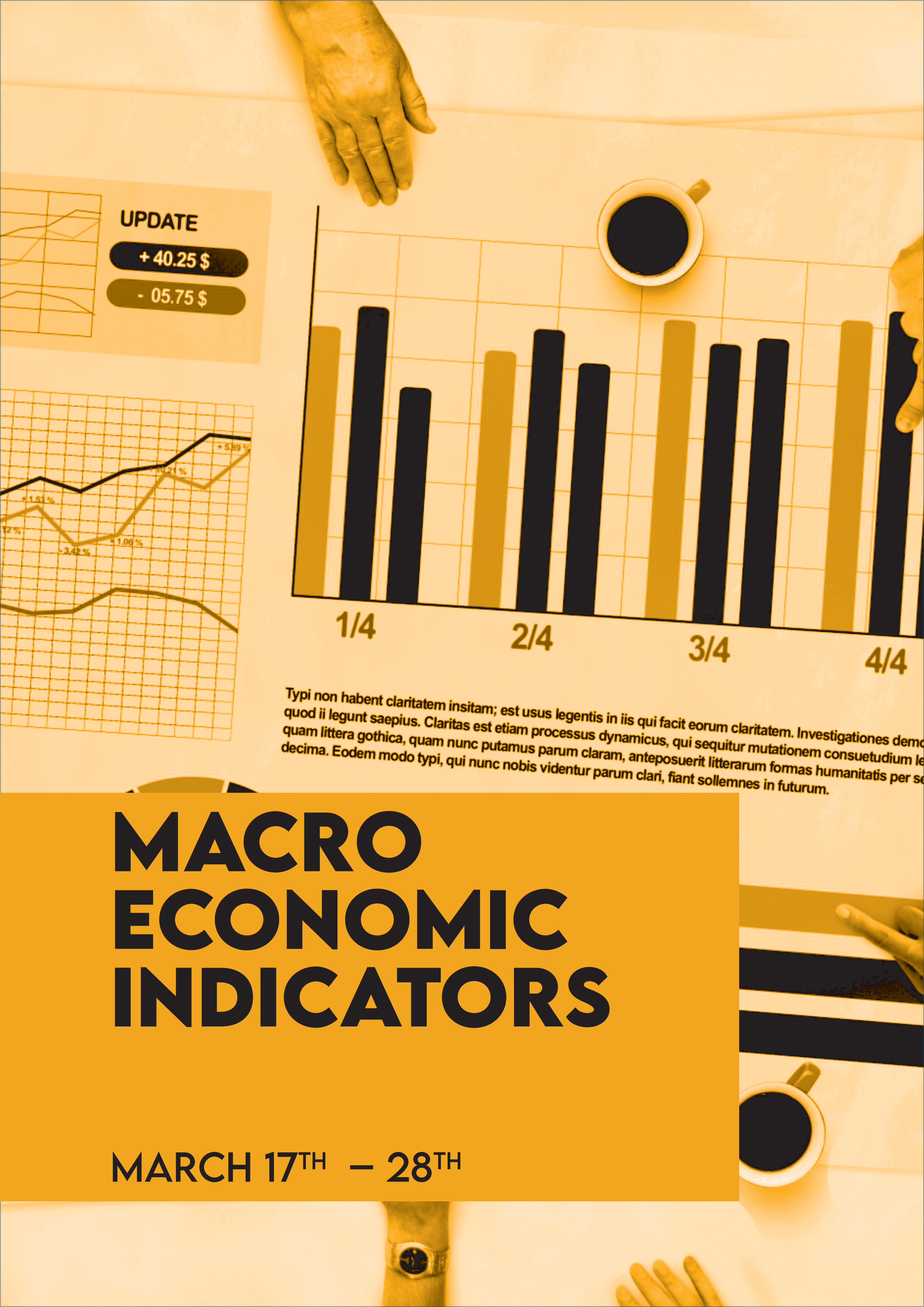


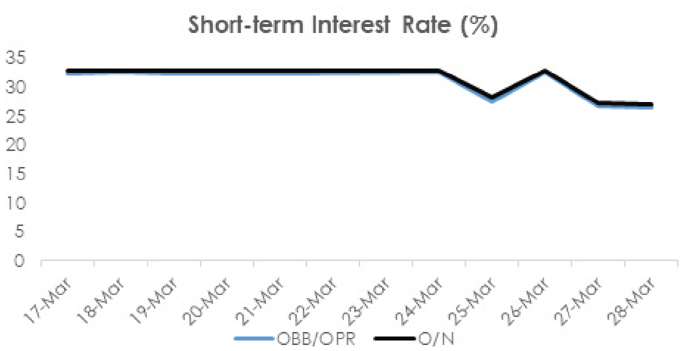
MACRO ECONOMIC INDICATORS

MARCH 17TH – 28TH

MONEY MARKET

The bank's average opening position was negative in the second half of March at N82.24bn short, up 0.17% from N82.10bn short in the second half of February. There were no OMO sales or repayments during the period. Short-term interbank rates (OPR, O/N) averaged 31%p.a. in the second half of March, down 227bps from 31.72%p.a. in the second half of February.

Two primary market auctions were conducted in the second half of March, amounting to N1.31trn. This is 22.08% lower than N1.68trn in the previous primary market auction in March. On the other hand, five primary market repayments were made in the second half of March, which amounted to N2.34trn. Primary market rates increased at all tenors. At the secondary market, yields decreased at the 91-day tenor and 182-day tenor, while they remained unchanged at the 364-day tenor.



Source: FDC Think Tank

Tenor	Primary market (Feb 19th 2025) (%)	Primary market (Mar 26th 2025) (%)	Secondary market (Mar 17th 2025) (%)	Secondary market (Mar 14th 2023) (%)
91-day	17.00	18.00 ▲	16.77	16.77 ⟷
182-day	18.00	18.50 ▲	17.06	17.06 ⟷
364-day	18.43	19.63 ▲	18.18	18.20 ▲

Source: FMDQ, FDC Think Tank

Outlook and Implication

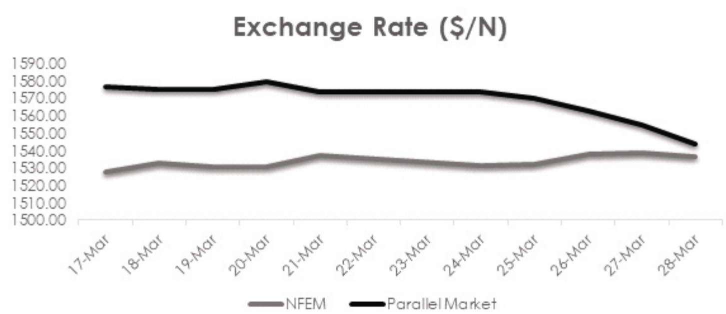
Interbank rates are expected to increase, as the CBN tightens liquidity, making it expensive for banks to access funds, which in turn raises borrowing costs for businesses and consumers.

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 N1536.82/$ on March 28, marking a depreciation of 0.57% against the US dollar from N1,528.03/$ on March 17. However, in the parallel market, the naira strengthened against the dollar by 2.14%, closing at N1,544/$ from 1,577/$ on March 17. This appreciation is attributed to lower demand for the dollar in the primary market as demand for dollars moved to the Nigerian Foreign Exchange Market (NFEM), resulting in its depreciation.



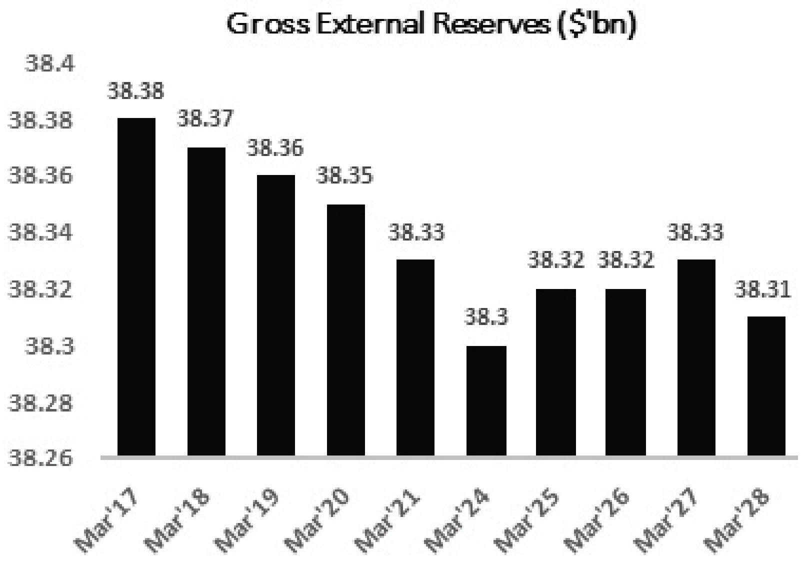
Source: FDC Think Tank

Outlook & Implication

The Naira will likely trade at its current levels in the near term as the CBN continues to intervene in the forex market.

EXTERNAL RESERVES

The country's external reserves declined by 0.18%, to $38.31bn on March 28, from $38.38bn on March 14 on CBN drawdowns and lower crude oil receipts.



Source: CBN, FDC Think Tank

Outlook & Implication

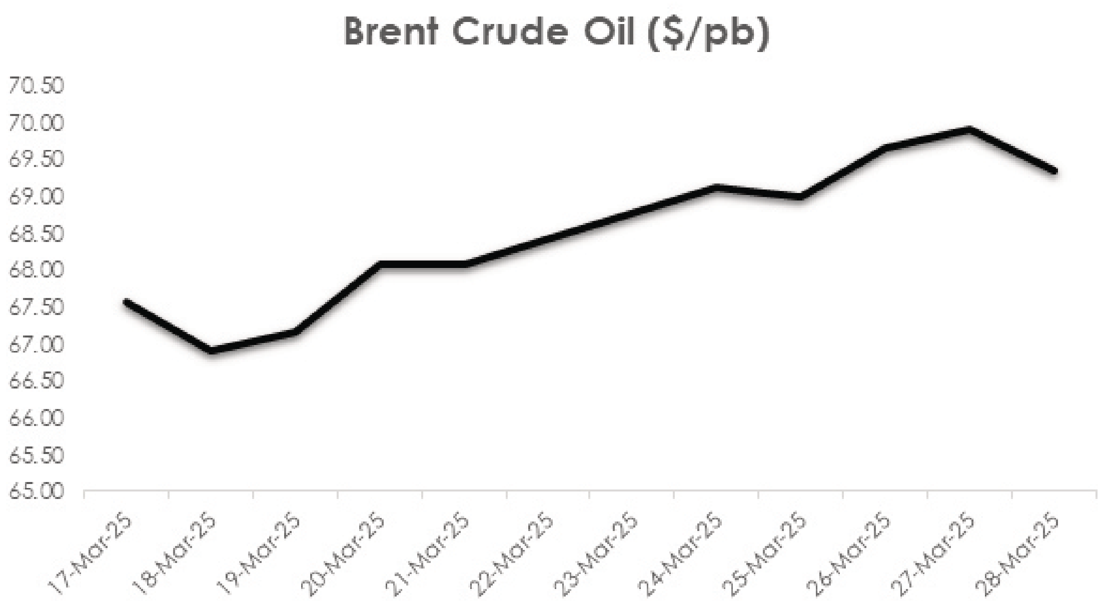
We expect external reserves to decline further, influenced by falling global oil prices due to OPEC+ plans to increase output by 411,000 barrels per day in May. However, If the US-China tariff war continues, it may push oil prices lower, which could lower Nigeria's export earnings. A further depletion of external reserves may weaken the CBN's ability to support the naira, potentially leading to currency depreciation and rising inflation.

COMMODITY EXPORTS

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

OIL PRICES

In the second half of March, Brent crude prices rose by 5.16%, climbing from $71.07 per barrel on March 17 to $74.74 per barrel by March 28. This increase was driven by renewed tensions in the Middle East, following US airstrikes against Yemen's Houthi rebels and Washington's reinforcement of sanctions on countries purchasing Venezuelan oil.



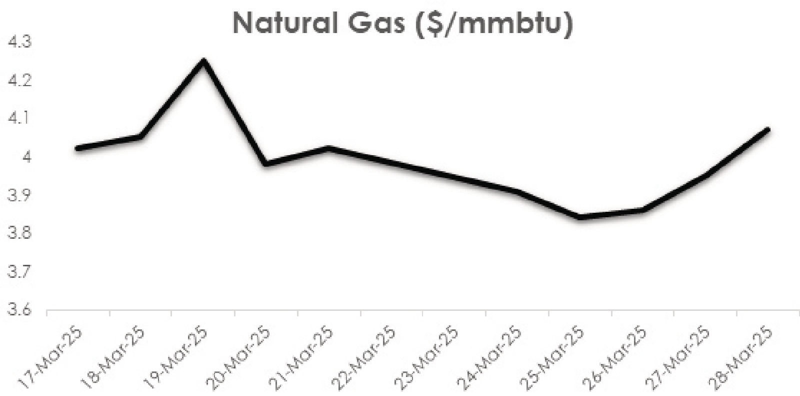
Source: Bloomberg, FDC Think Tank

Outlook &Impact

Oil prices are expected to decline in the near term, driven by the U.S.-China tariff dispute and increased production by OPEC+. This price downturn will likely reduce Nigeria's oil revenue and widen its fiscal deficit. However, it could lead to a drop in petrol pump prices within the country.

NATURAL GAS

Natural gas prices increased by 2.49%, rising from $4.02/MMBtu on March 17 to $4.12/MMBtu on March 28. The uptick was mainly driven by strong demand, fueled by record flows to liquefied natural gas (LNG) export facilities in Europe, amid concerns over tight summer supply.



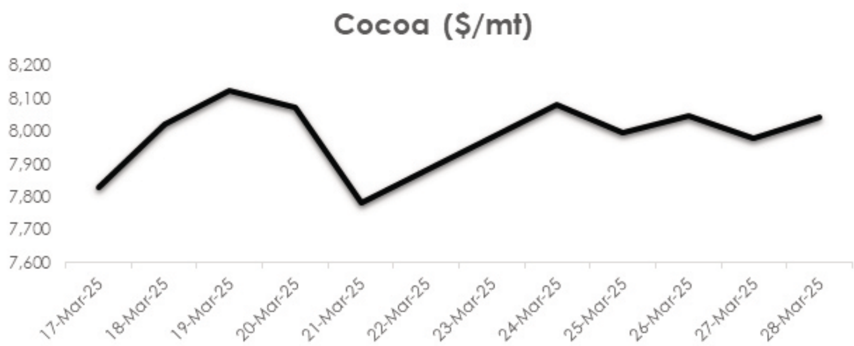
Source: Bloomberg, FDC Think Tank

Outlook & Impact

Natural gas prices are expected to trend downward in the near term, driven by reduced demand as temperatures rise in the US. A decline in gas prices could reduce Nigeria's export earnings and put pressure on external reserves.

COCOA

Cocoa prices rose by 2.75% from $7,827.00/mt on March 17 to $8,042.00/mt on March 28. The increase was driven by concerns over a potential 40% drop in Ivory Coast's mid-season crop due to dry weather and irregular rainfall.



Source: Bloomberg, FDC Think Tank

Outlook & Impact

Cocoa prices may increase amid global trade tensions, particularly as Ivory Coast threatens to raise prices in response to a proposed 21% US. tariff and warns of potential supply shortages. A rise in cocoa prices could boost Nigeria's non-oil export revenue and enhance the earnings of cocoa farmers.

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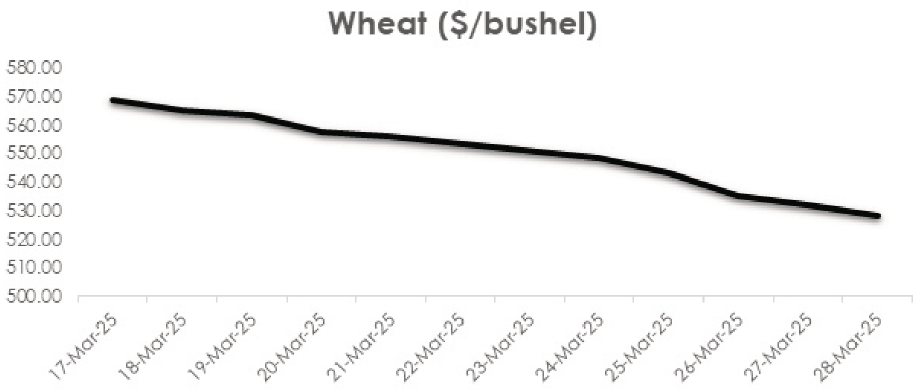
COMMODITY IMPORTS

WHEAT

Wheat prices plunged by 5.54% in the second half of March from $568.50/bushel on March 17 to $537.00/bushel on March 28. The decline was attributed to improved weather conditions, with improved rainfall in the U.S., Ukraine and Russia. Additional pressure came from record-high Russian exports and easing tensions in the Black Sea region.



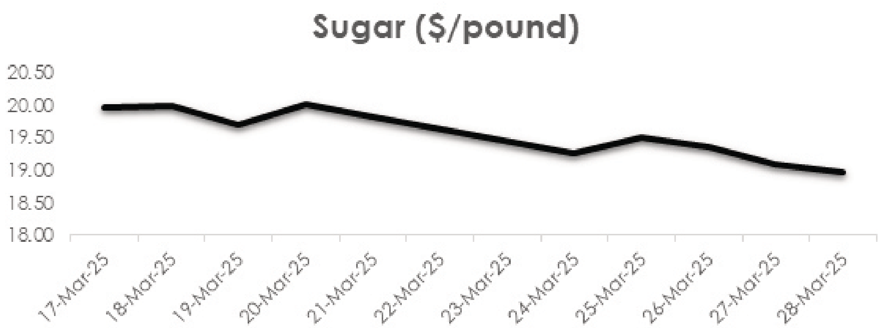
Source: Bloomberg, FDC Think Tank

Outlook & Impact-Grains

Grain prices are expected to decline in the near term, driven by forecasts of record production in both the US and Russia. The drop in grain prices could help lower import costs and make food more affordable.

SUGAR

The price of sugar dipped by 5.56% from $19.97/pound on March 17 to $18.86/pound on March 28. This fall was fueled by reduced demand from China, amid fears of a potential escalation in the trade war, alongside expectations of increased sugar exports from India and an improved production outlook in Brazil.



Source: Bloomberg, FDC Think Tank

Outlook

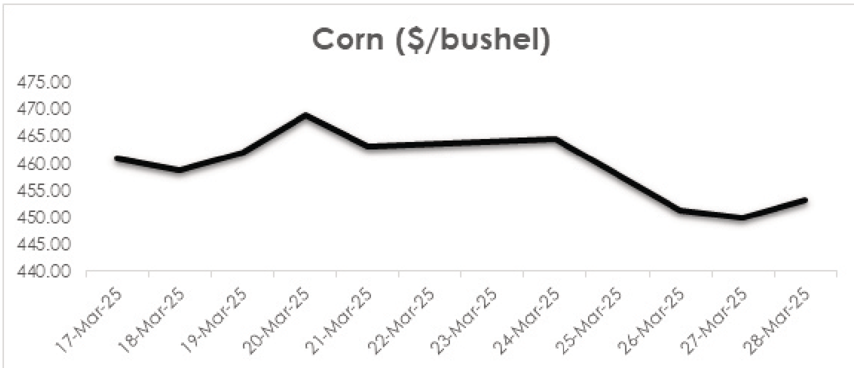
Sugar prices are expected to remain bearish, driven by the potential rise in India's sugar exports and an improved production outlook in Brazil.

Implication

Lower sugar prices could help reduce production costs for beverages and confectionery items, potentially easing food inflation.

CORN

Corn prices lost 0.81% from $461.00/bushel on March 17 to $457.25/bushel on March 28. The drop was due to reduced ethanol production, improved crop conditions in the U.S., and a more positive outlook for output in Russia and Ukraine.



Source: Bloomberg, FDC Think Tank

Terms of Trade

In Q1'25, Nigeria's term of trade is projected to improve, building on the positive trajectory observed in 2024. In Q4'24, the country's terms of trade increased by 20.6% and are expected to be positive in the near term. In Q4'24, the country's imports decreased by 8.57% to N16.59trn, while exports increased by 2.55% to N20.01trn, resulting in a trade surplus of N3.4 trn. Nigeria's oil production declined further by 4.76% in March to 1.4mbpd, below OPEC's quota of 1.5mbpd. Similarly, cocoa prices are trading below $9,000/mt, and oil prices trading below $70pb, which will likely worsen the trade balance.

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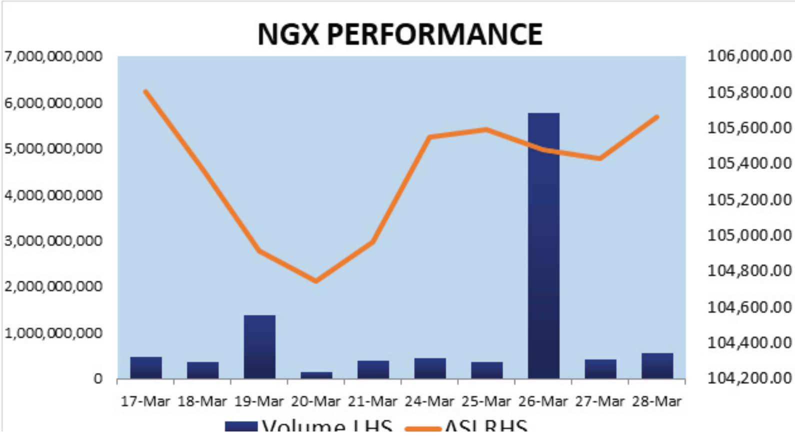
STOCK MARKET REVIEW

MARCH 17TH – 28TH

The Nigerian Stock Exchange closed negatively in the second half of March, losing 0.28% to close at 105,660.64 points on March 28 from 105,955.13 points on March 17. Similarly, the market capitalization fell by 0.14% to N66.26 trillion on March 28, relative to its close of N66.35 trillion on March 17. The market YTD return was 2.66% and the market breadth was positive at 0.81x, as 40 stocks gained, 55 remained unchanged, and 48 lost. The NGX's performance was primarily driven by profit-taking and sell-offs in key sectors.



Source: NGX, FDC Think Tank

The market activity level was positive in the review period. The average volume traded increased by 166.12% to 1.02bn from 384.85mn units. Similarly, the average value of trades rose by 12.57% to N11.37bn from N10.10bn in the second half of March.

The performance of the sectors was mixed in the review period, as three sectors gained while two lost. The Banking sector gained 3.12%, followed by the insurance and consumer goods sectors, which both gained 0.77%. Meanwhile, the industrial sector lost (-3.38%) followed by the Oil & gas sector (-2.53%).

SECTOR PERFORMANCE

Industrial	FMCG	Banking	Oil &Gas	Insurance
-3.38%	0.77%	3.12%	-2.53%	0.77%

TOP 5 GAINERS

McNichols Consolidated Plc, a manufacturer of packages and markets a range of fortified sugar products, led the gainers' list with a 72.13% increase in its share price. This was followed by Tantalizers Plc (43.63%), Abbey Buildings Plc (31.39%), RT Briscoe Nigeria Plc (26.51%) and Notore Chemicals Plc (20.95%).

TOP 5 LOSERS

The laggards were led by Africa Prudential Plc with -62.82%. This was followed by Caverton Offshore Support Group Plc (-14.04%), Trans Nationwide Express Plc (-12.94%), Oando Plc (-11.29%) and Daar Communication Plc (-10.45%).

TOP 5 GAINERS

Company	Mar-17 (N)	Mar-28 (N)	Absolute Change	Change (%)
MCNICHOLS	0.61	1.05	0.44	72.13%
TANTALIZER	4.63	6.65	2.02	43.63%
ABBEYBDS	3.6	4.73	1.13	31.39%
RTBRISCOE	0.83	1.05	0.22	26.51%
NOTORE [BLS]	72.55	87.75	15.20	20.95%

TOP 5 LOSERS

Company	Mar-17 (N)	Mar-28 (N)	Absolute Change	Change (%)
AFRIPRUD	35.1	13.05	-22.05	-62.82%
CAVERTON	2.85	2.45	-0.40	-14.04%
TRANSEXPR	51	44.40	-6.60	-12.94%
OANDO	0.62	0.55	-0.07	-11.29%
DAARCOMM	0.67	0.60	-0.07	-10.45%

Outlook

Market sentiment will likely remain bearish in the near term as investors respond to macroeconomic uncertainties. The suspension of petroleum product sales in naira by Dangote Refinery, coupled with the ongoing crisis in Rivers State, is expected to exert additional pressure on market performance.

WHISPERS OUTLOOK

- Brent is projected to trade between $60–$68pb in April/May, as global uncertainty intensifies and non-OPEC supply continues to rise, dampening market sentiment.

- The naira will remain under pressure, trading within the N1,600–N1,700/$ range. Declining oil prices and waning investor confidence are expected to constrain FX inflows, keeping the currency on the back foot.

- Inflation climbed to 24.23% in March, driven by elevated energy costs and persistently high core inflation. With energy prices easing, month-on-month inflation is likely to moderate to 2.8 – 3.7% in April, while headline inflation is expected to steady between 24.2% and 24.7%. However, exchange rate volatility remains a key upside risk for inflation in April and May.

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