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Stability in Motion, Guided by Cautious Optimism

Nigeria H1 2025 Investor Report

JULY 2025

TABLE OF CONTENT

Executive Summary

In the first half of 2025, Nigeria's economy continued to navigate a challenging global environment characterised by slowing world growth, tight monetary policy in advanced economies, and persistent inflationary pressures. Despite these headwinds, Nigeria recorded modest economic gains with Inflation easing gradually from 34.8% in December 2024 to 22.97% in May after the rebasing done in January, while the Central Bank of Nigeria maintained its Monetary Policy Rate at 27.50% to anchor price stability.

On the external front, average daily crude oil production averaged 1.65 mbpd below the budgeted 2.06 mbpd due to infrastructure disruptions and security challenges. Oil prices averaged US$68.2 per barrel, lower than the US$75 budget assumption, weighing on fiscal revenues. Nigeria's foreign exchange reserves dropped 9.06% Ytd 2025 to settle at $37.18bn. This is after the reserve soared to $40.8 billion at the start of the year. The Naira appreciated by 0.98% ytd, trading at about N1,528.56/USD on 4th July 2025. The Naira also appreciated in the street market, roughly around N1,535.15/USD by early June

Financial markets saw the NGX All Share Index rise 16.34% in H1, with the consumer goods sector leading gains. Yields on 10-year FGN bonds fell to 17.95% by June from 22.60% in January, reflecting a more stable macroeconomic condition. Foreign portfolio investors delivered modest net inflows of US$3.4 trillion into the capital markets, representing 29% of total inflows.

Key sector highlights include a manufacturing PMI reading below the 50-point threshold, indicating contraction; a continued services-led growth story; and agricultural output gains driven by improved crop harvests. Looking ahead to H2 2025, we expect to see a higher GDP growth rate compared to last year's H1, supported by policy measures, rising oil output from marginal fields, and improving consumer sentiment. Major risks remain: oil price volatility, fiscal financing constraints, global monetary tightening spillovers, and potential food security shocks.

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Global Economic Overview

Global Growth and Trade Outlook

The global economy slowed significantly in the first half of 2025. According to the IMF's April 2025 World Economic Outlook, global growth is projected at 2.8% for the full year, compared to 3.2% in 2024. This deceleration reflects the lagged effects of tight monetary policies across major economies, weakening consumer demand, and persistent supply-side constraints, particularly in developing markets.

Advanced economies—particularly the U.S., Eurozone, and the UK—witnessed subdued growth, with real GDP expansion averaging 1.5%. In contrast, emerging markets grew at a collective rate of 4.0%, led by India and ASEAN economies. However, China's recovery remained slower than expected, undermined by real estate fragility and trade tensions with Western economies.

Global trade volumes contracted by approximately 1.1% in Q1 2025 (WTO, June 2025), due to disruptions in global shipping routes (notably the Red Sea and Suez Canal), and weaker industrial output in Europe and East Asia.

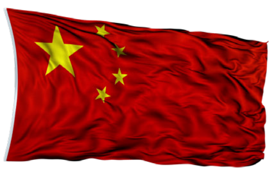
Source: Trading Economics, FCSL Research

Monetary Policy Trends in Major Economies

Monetary authorities in advanced economies sustained tight policy postures.

The ECB cut all three key rates by 25 bp, bringing the Main Refinancing Operations (MRO) rate to 2.15% the Deposit Facility rate to 2.00%, and the Marginal Lending Facility rate to 2.40%, effective from June 11. This marked the first cut since 2019, as core inflation showed signs of deceleration (Euro Area HICP at 5.3% in May) and growth momentum softened.

The BoE's Monetary Policy Committee held Bank Rate at 4.25 %, matching the U.S. pause and marking the third straight hold after five hikes since March 2024. Governor Bailey highlighted persistent services-sector inflation and global energy-price uncertainty, particularly Middle East tensions as key upside risks. Although CPI inflation fell from 10.1% in mid-2024 to 3.4% in May, it remains well above the 2% target, justifying a “patient” approach.



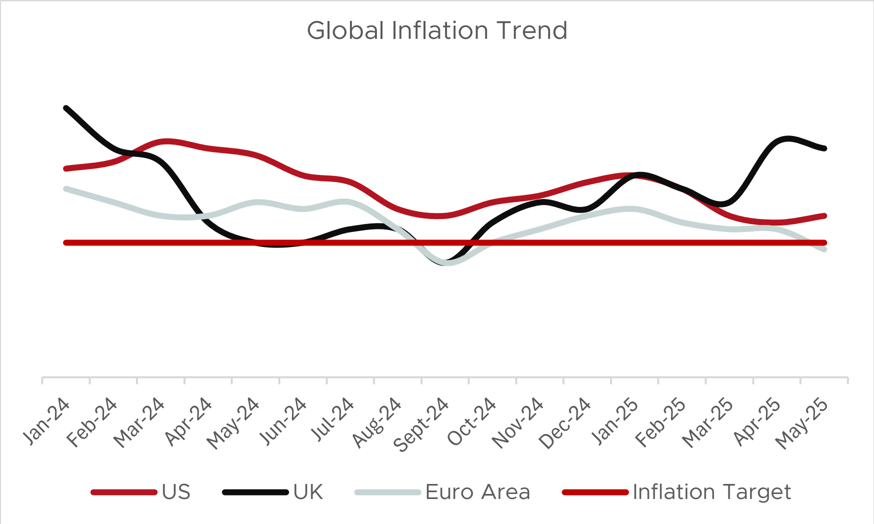
The PBoC left its one-year Loan Prime Rate (LPR) unchanged at 3.00%, and the five-year LPR at 3.50%, for the second consecutive month. Policymakers noted stable—but sub-par—growth in credit and demand, coupled with elevated external uncertainties. The decision followed a modest 10 bp cut in May and signals a preference for targeted liquidity measures over further benchmark rate adjustments, as China navigates uneven post-pandemic recovery and trade-war spillovers.

At its June 17–18 FOMC meeting, the Federal Reserve unanimously maintained the federal-funds target range at 4.25% – 4.50% Officials cited “ongoing progress toward price-stability goals” but noted that “the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks” before adjusting rates further.

Global Inflation Trends

Global inflation eased to 5.7% in 2024 and continued a downward path in the first half of 2025, supported by tight monetary policy, lower commodity prices, and improved supply chain dynamics. Despite this progress, advanced economies have struggled to meet the 2.0% inflation target due to persistent structural challenges such as geopolitical instability and energy shocks, which are less responsive to interest rate policy. As a result, central banks may adopt a cautious stance, including delaying rate cuts to avoid exacerbating risks.

Looking ahead, if no new major shocks emerge, inflation is expected to decline further to 4.3% in 2025 and 3.6% by 2026, nearing pre-pandemic levels. However, the disinflation process is likely to be uneven across regions, with developing economies expected to experience a slower pace of improvement compared to advanced markets.

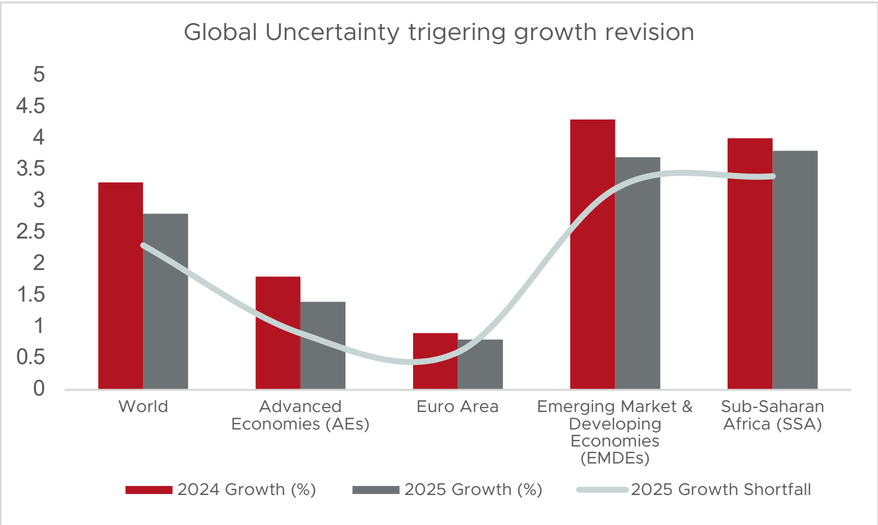


Source: Trading Economics, FCSL Research

Geopolitical Risks

The US trade dispute with other global economies reduced the IMF's 2025 global growth forecast to 2.8 %, the weakest since 2019. However, recession fears in the US have eased due to potential trade agreements. In the first half of 2025, manufacturing activity remained strong in the US and China but was weak in the UK and Euro Area.

Although the US and Eurozone showed signs of improvement driven by investment and trade optimism, while China saw a decline due to weaker demand and exports. Despite easing trade tensions, global uncertainty may continue to weigh on growth in the second half. Still, supply chain adjustments and trade realignments should help sustain US economic stability.



Source: Trading Economics, FCSL Research

Macroeconomic Overview

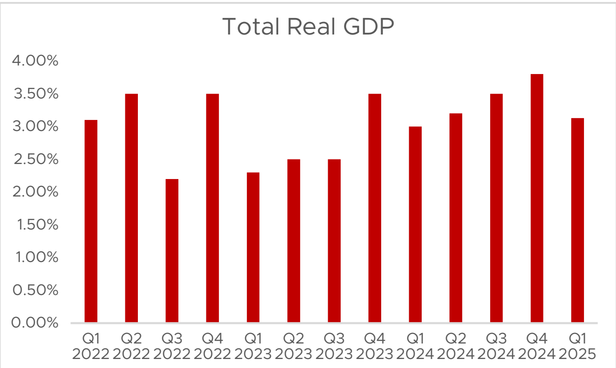
GDP Growth

Nigeria's economy expanded by 3.13% year-on-year in real terms in Q1 2025, up from 2.31% in Q1 2024 and slightly below the 3.76% recorded in Q4 2024 (revised) after GDP was rebased from 2010 to 2019. Real GDP reached approximately N98.8 trillion, compared to N80.9 trillion a year earlier, reflecting both methodological updates and genuine output growth. The rebasing brought emerging sectors, such as the digital economy, creative industries, e-commerce, maritime & logistics, into the national accounts, reducing Nigeria's debt-to-GDP ratio to about 40% and improving investor sentiment.

The non-oil sector continued to dominate, contributing 96.03% of GDP, up 0.97 percentage point (pp) from Q1 2024 as services (+4.33%) and industry (+3.42%) led growth, while agriculture was almost flat (+0.07%). Top contributors were real estate (17.09%), trade (12.26%), and telecommunications & information services (15.19%), underscoring robust digital and financial activity. By contrast, the oil sector recorded only 3.97% growth, held back by production constraints and security challenges. Of the 52 tracked sectors, 26 recorded quarter-on-quarter expansion (notably electricity & gas supply, up 26.62%), while 26 contracted (led by wood & wood products, down 39.93%)

Outlook

With non-oil activities expected to sustain momentum, supported by infrastructure investments and digital adoption. A rebound in oil output and prices is essential to bolster aggregate growth, but structural reforms in the petroleum industry, continued improvements in FX liquidity, and targeted support for emerging sectors will determine whether Nigeria can translate its Q1 performance into a stronger H2 2025 showing.

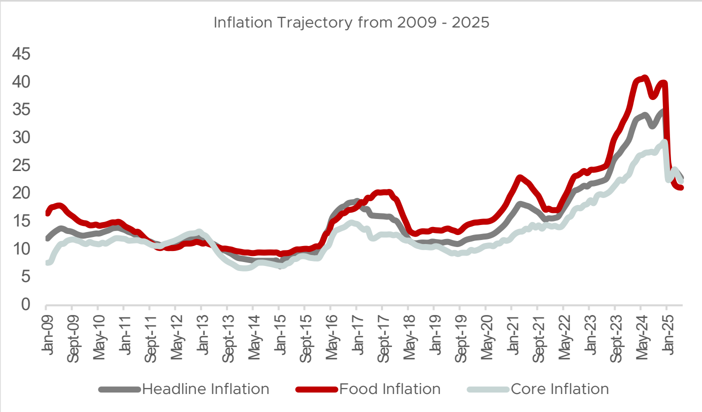


Source: Trading Economics, FCSL Research

Inflation

Nigeria's headline inflation since 2023 has been on an upward trajectory on the back of major macroeconomic shifts like the unification of the naira, higher energy prices and supply chain disruption. The rate eased to 22.97% year-on-year in May 2025, down from 34.80% in December 2024, driven by the rebasing of the CPI basket, lower energy prices and a relatively stable Naira. On a month-on-month basis, headline inflation stood at 1.53% in May, down from January's 10.7%.

Food inflation moderated to 21.14% in May, marginally down from 26.1% in January 2025. Month-on-month food inflation also dropped to 2.19%, down from January's 10.3%. Core inflation, excluding volatile food and energy, stood at 22.28% in May, compared to January's 22.6%.



Source: NBS, FCSL Research

Outlook

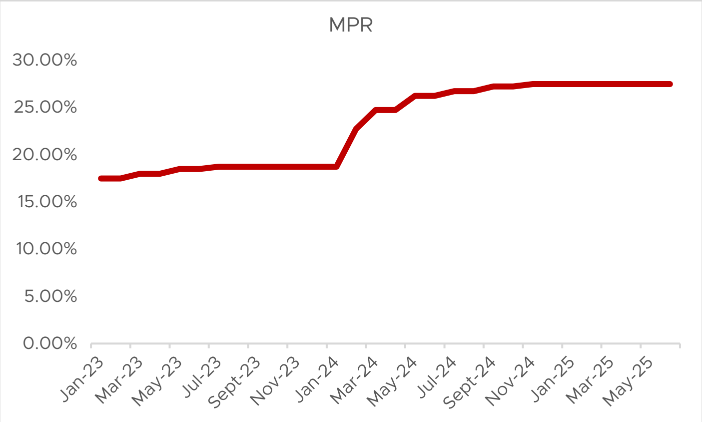
Inflation is expected to continue its gradual downward trend in H1 2025, supported by improving food supply, tighter monetary policy, and relative stability in the naira. Nonetheless, inflationary pressures are likely to persist due to fuel price adjustments, tariff reforms, and global commodity volatility. The recent base year rebasing introduced in early 2025 continues to affect year-on-year comparisons, bolstering the appearance of moderation in inflation.

Interest Rates and Monetary Policy

In H1 2025, the Central Bank of Nigeria (CBN) maintained a deliberately tight stance to anchor inflation expectations. At its May 20 MPC meeting, the CBN held the Monetary Policy Rate (MPR) at 27.50%, citing ongoing disinflationary trends and the need to consolidate gains in price stability. The asymmetric corridor around the MPR remained at +500/–100bps, while the Cash Reserve Ratio was unchanged at 50% for Deposit Money Banks (and 16% for merchant banks), and the Liquidity Ratio stayed at 30%.

Despite this firm policy rate, interbank liquidity pressures kept the average interbank call rate elevated at 26.50% as of June 10, 2025. Open Market Operations were used sparingly for short-term liquidity management, with the 182-day OMO rate averaging 18.5%.

The IMF's Article IV staff report applauded the CBN's "appropriately tight monetary-policy stance," noting that it should remain in place until "disinflation becomes entrenched" and commending the curtailment of deficit monetisation.

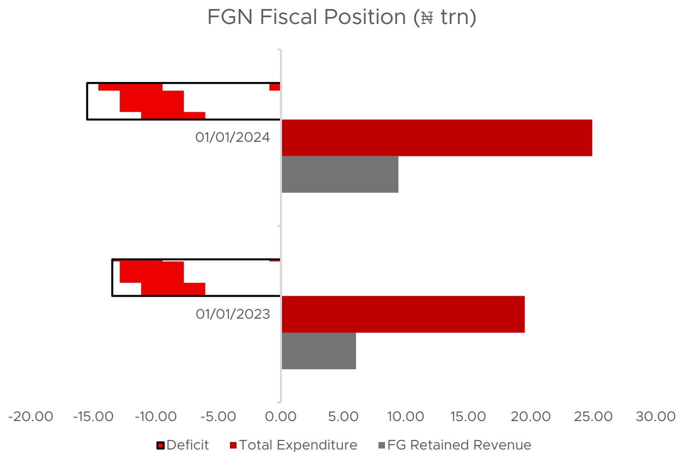


Source: CBN, FCSL Research

Fiscal Policy and Budget Execution

In H1 2025, fiscal operations were characterised by persistent revenue shortfalls and front-loaded spending. These are highlighted in details below:

- **Revenue performance:** Retained FGN revenues in January amounted to N483 billion, against total expenditure of N1.6 trillion, resulting in a N1.117 trillion deficit for the month. February saw a modest narrowing, with a deficit of N1.07 trillion versus a budgeted N764.9 billion.
- **Cumulative deficit:** The IMF warns that, without corrective measures, Nigeria could record a fiscal deficit of 4.7% of GDP for the full year 2025, which is above the 3.87% target set in the budget.
- **Public debt:** As of March 31, total public debt stood at N149.39 trillion (US$97 billion), up 22.8% y/y, driven by domestic and foreign borrowings to plug recurrent-expenditure gaps.
- **Budget execution:** Capital expenditure disbursements reached 32% of the N4.75 trillion budgeted allocation by end June, lagging the 50% "front-loaded" target, raising concerns over project implementation risks.



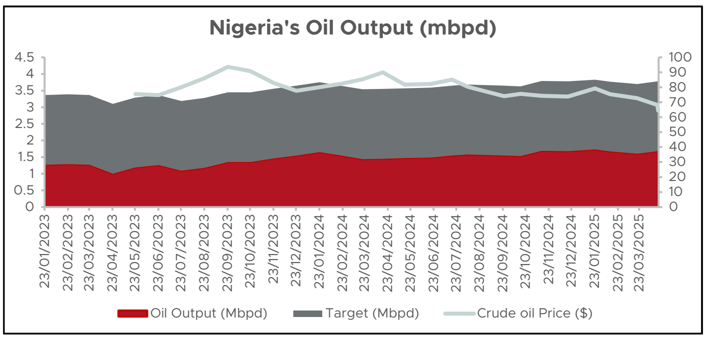
Expenditure Type	2023 (Inner Circle)	2024 (Outer Circle)
Capital Expenditure	₦4.5tn (23%)	₦5.0tn (20%)
Non-Debt Recurrent Expenditure	₦6.5tn (33%)	₦8.9tn (36%)
Debt Servicing	₦8.6tn (44%)	₦11.0tn (44%)

Crude Oil Production & International Oil Prices

The EIA (Energy Information Administration) forecasts global oil prices to average $69 per barrel for Brent crude this year, with a projected decrease to $58 per barrel in 2026. These projections are influenced by factors such as geopolitical risk premiums related to the Israel-Iran conflict and expected inventory builds.

In H1 2025, Nigeria's Crude oil output has gradually recovered from late 2024 disruptions driven by new Financial Investment Decisions, improved security and pipeline availability. With a target of 2.1 mbpd, it's evident that there's still a lot of work to be done. In Q1 2025, production averaged 1.468 million barrels per day (mbpd), up from 1.43 mbpd in Q4 2024. By April, output climbed further to 1.486 mbpd, reflecting continued operational stabilisation.

Meanwhile, Brent crude prices averaged US$70.08 per barrel in H1 2025—a decline from US$78.16 in January to US$62.75 in May before a partial rebound to US$69.15 in June. The price drop reflects OPEC+'s output increases and tepid global demand growth, with inventories remaining elevated despite Middle East tensions.



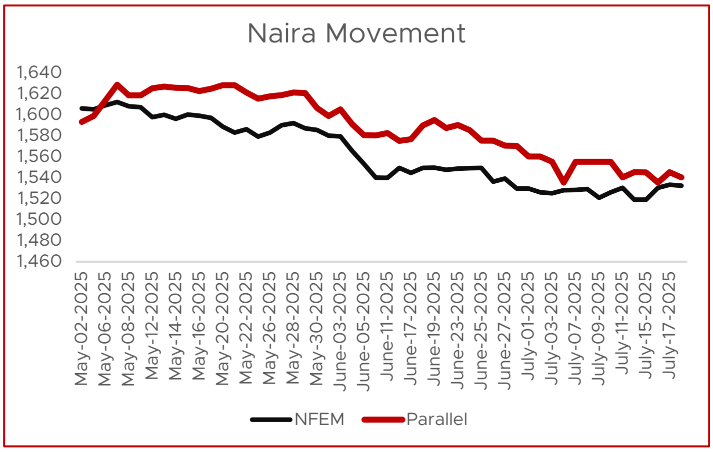
Source: CBN, FCSL Research

Exchange Rate Developments

Official Window: The CBN maintained a largely stable official naira–USD rate around N1,528.33 / US$1 throughout H1, using a narrow trading band to support orderly FX-market operations.

Parallel Market: In contrast, the black-market naira exhibited greater volatility. Dealers quoted rates peaking at N1,595 / US$1 in mid-June, before the gap to the official window narrowed to around N1,540 / US$1 by early July. This convergence owes to tighter CBN oversight, improved FX flows from exporters, and growing portfolio-investment inflows.

On average, the parallel rate traded at a N1,580 premium to the official rate in H1, down from N172 in H2 2024, signalling enhanced FX-market confidence and reduced arbitrage opportunities.

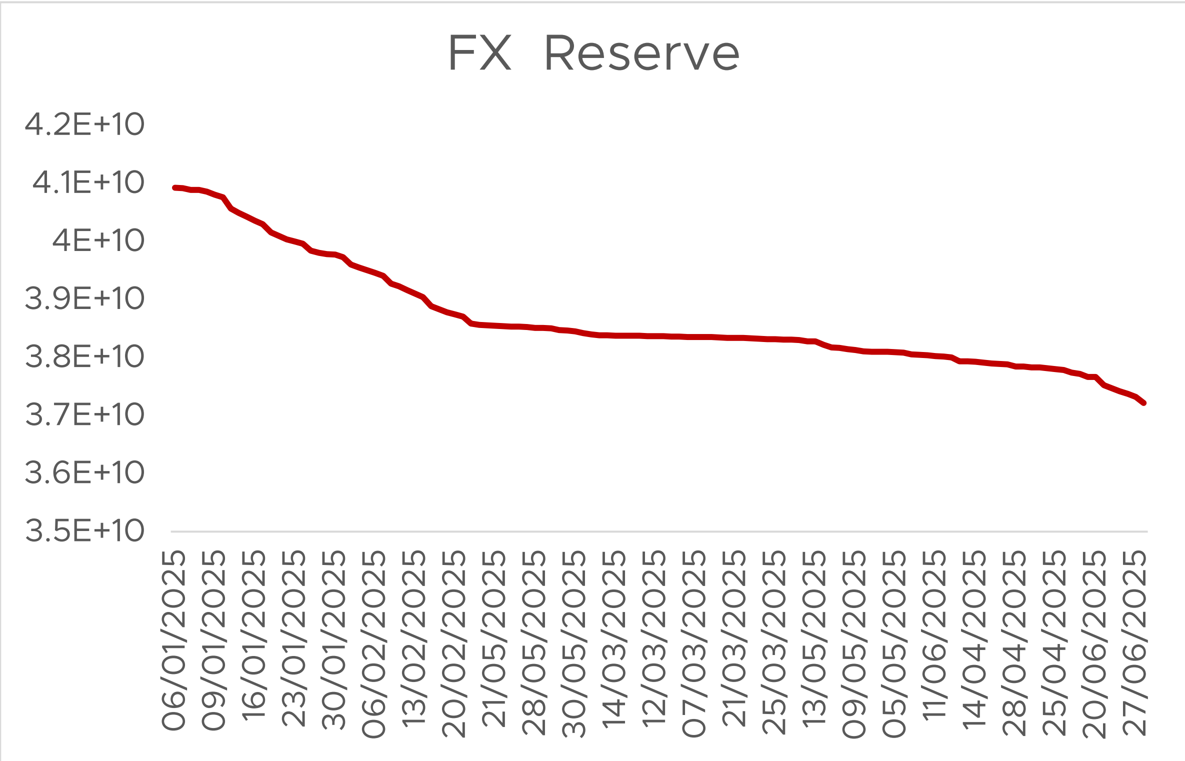


Source: FMDQ, FCSL Research

Foreign Reserves and External Financing

In H1 2025, Nigeria's foreign reserves experienced a measured decline, falling from US$40.88 billion at end-2024 to approximately US$37.37 billion by June 26, 2025. This 8.6% drop was primarily driven by sustained FX interventions by the Central Bank of Nigeria (CBN) to stabilize the naira amid lingering foreign exchange market pressures. The naira averaged around N1,528/USD during this period. Reserve drawdowns were also influenced by external debt service obligations—particularly following the government's early-year Eurobond issuance—and reduced portfolio inflows. Despite these outflows, reserves briefly increased in May, peaking at US$38.9 billion, supported by remittance inflows and a temporary boost from external financing sources.

By end-H1, Nigeria's reserves still provided approximately sufficient import cover, comfortably above the IMF's 3-month adequacy threshold. Notably, net FX reserves (excluding forward liabilities) stood at US$23.1 billion, the highest in over three years, reflecting improved reserve quality. While the overall reserve position remains stable, further declines may occur if global oil prices stay subdued and FX market pressures persist. Going into H2 2025, the CBN will need to balance FX interventions with reserve preservation, while fiscal authorities focus on boosting non-oil export revenues and formal remittance channels to sustain external buffers.



Source: CBN, FCSL Research

Trade Balance and Current Account

Goods Account: In Q1 2025, the goods-trade account posted a surplus of US$4.16 billion, underpinned by robust crude exports and moderating imports amid weaker domestic demand.

Current Account: The overall current account recorded a US$3.73 billion surplus in Q1, driven by rising non-oil exports (up 30.4% y/y) and strong remittance inflows.

Balance of Payments: Nevertheless, sharp reversals in portfolio investment led to an overall balance of payments deficit of US$2.77 billion in Q1 2025, compared with a surplus in Q4 2024, highlighting the volatility of capital-account flows.

Fixed Income Market Review

H1 2025 was marked by persistently high benchmark yields across Treasury bills and FGN bonds as investors recalibrated to a hawkish policy environment and robust sovereign-debt supply.

- **Treasury bills:** Yields on short-dated T bills peaked in Q1, with the 91-day instrument averaging 19.78% post auction, before declining modestly through H1 to 20.54% as of June 16, 2025. The moderation reflected stronger primary-market demand and slightly easier funding conditions following successive CBN OMO injections.
- **FGN bonds:** In the secondary market, the 10-year FGN benchmark yield drifted between 21.0% and 22.0%, closing June at roughly 21.5%—about 150bps above end 2024 levels. Shorter-tenor yields were buoyed by renewed investor appetite at the April and June auctions, where the CBN raised over N1.008 trillion at OMO rates averaging 18.9%.

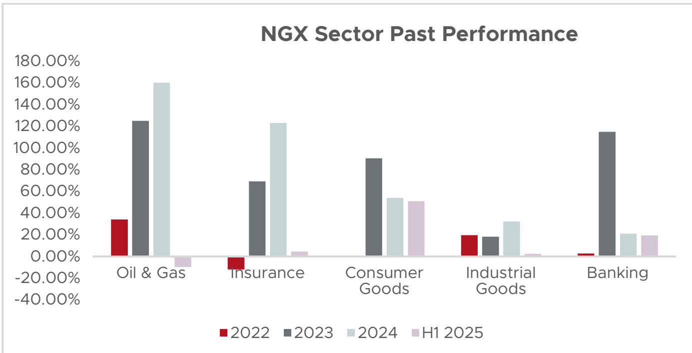
Investor implications: High real yields continue to attract local institutional investors even as duration risk remains elevated. With new FGN bond supply expected in H2, investors should consider laddered durations to mitigate reinvestment risk.

Equity Market Performance and Sector Returns

In H1 2025, the Nigerian equities market recorded a strong performance, with the NGX All-Share Index appreciating by 16.57%, rising from 102,926.40 at the end of 2024 to 119,978.57 by June 30. This rally translated to a N13.2 trillion increase in market capitalisation, largely driven by investor optimism around stable macroeconomic conditions, moderated inflation, and policy consistency. . Sectorally, Consumer Goods (+52.2%), Agriculture (+126.5%), and Healthcare (+71.6%) outperformed, supported by strong corporate earnings and renewed investor appetite for mid-cap growth stocks.

Standout performers included Beta Glass (+414.6%), Honeywell Flour (+241.3%), and Vitafoam (+221.7%), as investors rotated into defensives and high-growth plays.

Despite the broad market rally, the Oil & Gas sector lagged, posting a negative return of -10.1%, weighed down by weak global oil sentiment and declining share prices of major players like Conoil and MRS. Foreign and domestic investor participation remained healthy, aided by improved FX liquidity and monetary stability, while equity fundraising activities—especially in banking and fintech—gained momentum. The outlook for H2 2025 remains cautiously optimistic, with further upside potential hinging on continued earnings growth, macroeconomic reforms, and investor confidence in the Federal Government's policy direction.



Source: NGX, FCSL Research

Money Market and Liquidity Flows

In H1 2025, Nigeria's money market remained tightly calibrated around the Central Bank's hawkish stance, with the average interbank call rate hovering at 26.50% as of June 10 after peaking at 28.58% in January amid aggressive liquidity tightening. Banks' excess reserves parked at the CBN surged to N68.9 trillion (a 907% y/y jump), reflecting persistent system-wide surpluses even as the CBN deployed Open Market Operations to mop up naira liquidity.

On the short end, Treasury bill yields moderated over the half. The 91-day T-bill stop rate averaged 17.8% by mid-June, down from auction peaks above 20% earlier in the year. Meanwhile, the 364-day T-bill yield eased to 19.4% in the June auction, and the overall average T-bill rate dipped to 20.54% as of June 16, signalling improved demand in primary sales as inflation expectations showed early disinflationary signs. For investors, the prevailing money market environment offers high real returns, though active liquidity management and careful auction participation remain crucial given the CBN's continued use of OMO to fine-tune naira availability.

Auction	91-Days (%)	182-Days (%)	364-Days (%)
18/06/2025	17.8	18.35	18.84
06/04/2025	17.98	18.5	19.35
21/05/2025	18.0	18.50	19.56
07/05/2025	18.0	18.50	19.63
23/04/2025	18.0	18.50	19.60
09/04/2025	18.50	19.50	19.63
26/03/2025	18.00	18.50	19.63

Source: DMO, FCSL Research

Capital Market Issuances

In H1 2025, Nigeria's debt capital market was anchored by sizeable sovereign issuances and robust primary-market demand under a high-yield environment. In February, the Federal Government tapped international markets with a US$2.2 billion dual-tranche Eurobond (6.5 year at 9.625%; 10 year at 10.375%), met with over US$9billion in orders, underscoring strong external appetite for Nigerian credit. Domestically, the CBN continued to manage liquidity via Open Market Operations.

Across the curve, secondary-market yields remained high but stable: the 91-day T bill averaged 19.8%, the 364-day T bill stood at 19.4%, and the 10-year FGN benchmark bond yielded 21.5% by end June, about 150bps above end 2024 levels. Trading volumes also reflected growing depth, with NGX-listed fixed-income instruments maintaining a market capitalisation of N50.56 trillion, and monthly trading turnover averaging N400 billion, signalling healthy liquidity among domestic institutional and retail investors.

Macroeconomic Projections

Nigeria is projected to close 2025 with real GDP growth at 3.4%, according to the International Monetary Fund (IMF). This assumes a slight moderation in the second half of the year, following a stronger-than-expected 3.7% growth in H1, driven largely by improved oil production (1.50 mbpd), rising services activity, and modest gains in manufacturing and construction. Despite this headline recovery, per capita GDP remains nearly flat due to high population growth, meaning most Nigerians are not yet feeling material improvements in welfare.

Inflation is expected to trend downward but remain elevated, averaging between 24% and 28% by year-end. Headline inflation had moderated from a peak of 33.2% in January to around 25% by June, due to base effects, improved food supply, and the Central Bank of Nigeria's (CBN) tight monetary policy stance. However, structural factors—such as high transport costs, FX pass-through, and insecurity—could keep inflation sticky on the downside. On the FX front, the naira is projected to hover between N1,500 and N1,600/US$, supported by resilient remittance inflows, higher oil export receipts, and active FX market interventions. The CBN's decision to clear some FX backlogs and reduce forward liabilities has improved market confidence, though pressures remain from persistent demand and portfolio outflows.

Fiscal and Monetary Policy

On the fiscal side, the federal government is under pressure to recalibrate its 2025 budget. The budget had assumed an average oil price of US$75/barrel, but actual H1 oil prices averaged around US$68, which creates a revenue shortfall. The IMF has urged Nigeria to reprioritise spending, with an emphasis on reducing non-essential recurrent expenditures while scaling up targeted social interventions such as conditional cash transfers and health subsidies to cushion the impact of subsidy removal.

The government's high interest burden—projected at over 45% of revenue—also underscores the need to boost non-oil tax revenues, especially from VAT, digital taxes, and efficiency in collection. Capital expenditure implementation remains weak (only 32% of the plan executed in H1), and delays could continue in H2 if borrowing is constrained.

From a monetary policy standpoint, the CBN is expected to maintain a tight stance into Q3, keeping the Monetary Policy Rate (MPR) at 27.50%, at least until there's clear evidence of disinflation. However, should inflation decline toward 21–22% by October or November, we may see a gradual easing cycle begin in Q4 2025, especially to stimulate credit to the private sector. Liquidity management through Open Market Operations (OMO) will remain aggressive, and the naira liquidity position will continue to be a critical variable in interest rate dynamics.

Global and Domestic Risk Landscape

Global Risks:

- **Oil Price Volatility:** Brent crude is projected to remain range-bound between US$65–72/barrel, creating fiscal uncertainty for Nigeria. Geopolitical tensions in the Middle East and global supply dynamics will be key watchpoints.
- **Global Growth Slowdown:** The IMF forecasts global GDP growth at 2.9%, down from 3.1% in 2024. This slowdown could weigh on Nigeria's exports, remittances, and FDI inflows.
- **Fed Policy:** If the U.S. Federal Reserve maintains high interest rates (currently 4.25–4.50%) longer than expected, Nigeria may experience continued pressure on portfolio flows and currency volatility.

Domestic Risks:

- **Security Challenges:** Continued violence in the North West and food-belt regions poses risks to agricultural output, rural livelihoods, and food inflation.
- **Reform Fatigue:** Stalling of critical reforms—such as power sector cost-reflectivity, and fiscal federalism—could undermine macroeconomic stability and investor sentiment.
- **Inflation Inertia:** Core inflation remains stubbornly high, and unless structural bottlenecks are addressed (logistics, energy, taxation), the transmission of monetary policy will remain muted.

Disclaimer

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