



CARDINALSTONE

Nigeria: Mid-Year Outlook

# CHARTING THE SUSTAINABILITY PATH

Review | Outlook | Strategy



July 2025

# Table Of Contents

01

## **INTRODUCTION**

- ◆ Table of contents
- ◆ Executive summary

02

## **DOMESTIC ECONOMY**

- ◆ Strong macro pulse
- ◆ Click into the modern taxation era
- ◆ Tapering inflation to cascade to rate cuts
- ◆ Naira stability: the new norm?

03

## **ASSET ALLOCATION GUIDE**

- ◆ Global strategy: Outwit uncertainties with diversification
- ◆ Domestic equities: More gains to come in H2'25
- ◆ Domestic fixed income: Clock ticks on duration buildup opportunities
- ◆ Beyond traditional assets: Portfolio diversification through infrastructure investing

04

## **DISCLOSURES**

# EXECUTIVE SUMMARY

The double whammy of unpredictable trade relations and geopolitical tensions, particularly in the Middle East, is likely to catapult portfolio contingencies such as inflation and growth to the front burner in H2'25. This view is validated by the World Bank's recent revision of its global inflation forecast to 2.9% (up from 2.7%) and its adjustment of the related growth projection to 2.3% —the slowest non-recessionary pace in 17 years. The former increases the likelihood of higher-for-longer yields that may keep valuations in sensitive sectors suppressed, while the latter reinforces the potential trade-off impact on growth.

Amidst this sensitive global macro environment, an appropriate asset allocation strategy should balance resilience to global volatilities with the ability to capitalise on Nigeria's domestic growth drivers, internal yield dynamics, and equity re-rating potential. Notably, while the World Bank downgraded growth forecasts for over 60.0% of its coverage countries, it raised its outlook for Nigeria, highlighting a relatively strong macro pulse supported by improved oil production, reform

momentum, and an easing inflation trend. Consequently, we have revised our portfolio split to a 70:30 allocation in favour of local assets versus global assets, up from 65:35 previously.

Within the global sleeve, we retain our low exposure to equities to account for lingering uncertainties and relative overvaluation across some major indices. We have also increased our allocation to global real assets and alternatives to 7.0% (from 5.0% previously), financed by reducing cash holdings from 5.0% to 3.0%. This positioning reflects our preference for inflation-resilient exposures, tangible assets, and uncorrelated return streams during periods of volatility and policy divergence.

In the local bucket, we have raised our exposure to fixed-income instruments to 30.0% (from 25.0% previously), financed by the 5ppts reduction in global allocation. This decision was supported by moderating yields and expected rate cuts principally driven by falling inflation and stable exchange rates.

## Analysts

**Kehinde Amodu**  
kehinde.amodu@cardinalstone.com



**Samuel Gbadebo, ACA**  
samuel.gbadebo@cardinalstone.com

**Precious Jegede**  
precious.jegede@cardinalstone.com



**Oluwakemi Abiodun**  
oluwakemi.abiodun@cardinalstone.com

**Osagie Okhuegbe**  
osagie.okhuegbe@cardinalstone.com



**Adebayo Adebajo, ACA**  
adebayo.adebanjo@cardinalstone.com

**Stephen Chima**  
stephen.chima@cardinalstone.com



**Kayode Eseyin**  
kayode.eseyin@cardinalstone.com

**Ifeanyi Osele**  
ifeanyi.osele@cardinalstone.com



**Ngozi Odum**  
ngozi.odum@cardinalstone.com

**Tomiwa Adeniji**  
tomiwa.adeniji@cardinalstone.com



**Olaolu Boboye, ACA**  
olaolu.boboye@cardinalstone.com

**Abeebblahi Rufai**  
abeeblahi.rufai@cardinalstone.com



**Philip Anegebe, CFA**  
philip.anegebe@cardinalstone.com



# Domestic Economy

## Strong macro pulse

Two years into President Bola Ahmed Tinubu's administration, the political scorecard has been mixed. On the positive front, the macro-level reforms have reinstated confidence in the market, evinced by the resurgence of foreign inflows, improved dollar liquidity, and an upgrade of the country's credit ratings.

The positive macro story has birthed talks around the potential re-inclusion of the country in the JPMorgan Emerging Market Bond Index for the first time in a decade, an expectation that has generated excitement from both local and international market watchers.

Meanwhile, the government is not backing down on reforms, with the President recently approving the tax bills. Other efforts, which include measures to ease cost-of-living crisis and attract investment, are still in progress.

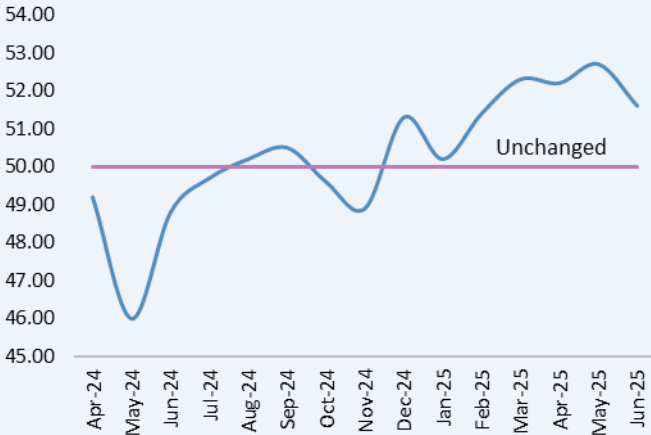
Businesses are also beginning to enjoy the gains from stable economic narratives. After several quarters of margin pressure, corporate profitability is making a strong recovery and is now at its highest level in two years.

Currency-related losses—which were a major drag on company earnings amid FX volatility—have also declined significantly, supporting bottom lines. For instance, non-bank companies in the NGX 30 index reported a cumulative FX loss of N111.42 billion in Q1'25, a sharp drop from the two-year average of N669.81 billion.

Based on the CBN's recent business confidence survey, the improving macro narrative has already begun translating into improved sentiments as business owners are now more optimistic about the future.

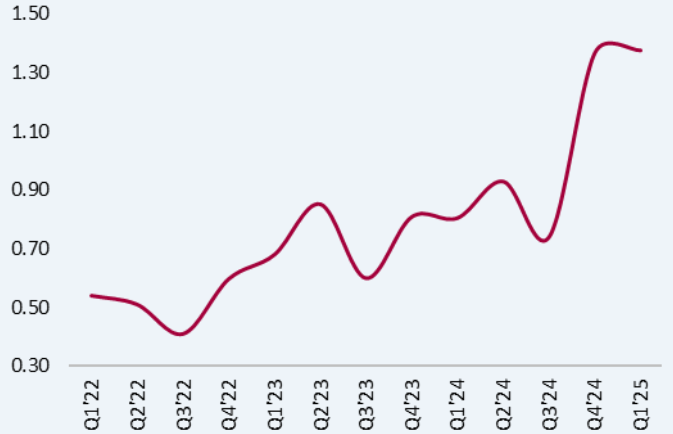


Figure 1: The PMI data shows that the Nigerian economy remains in positive territory



Sources: CBN, CardinalStone Research

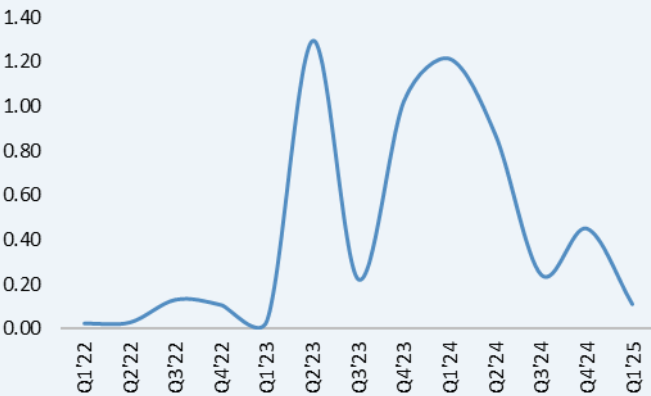
Figure 2: Improving macroeconomic conditions have supported the recovery in business profitability (N'trillion)\*



Sources: Bloomberg, CardinalStone Research

\*Pre-rebalancing data on NGX 30 non-bank companies was used

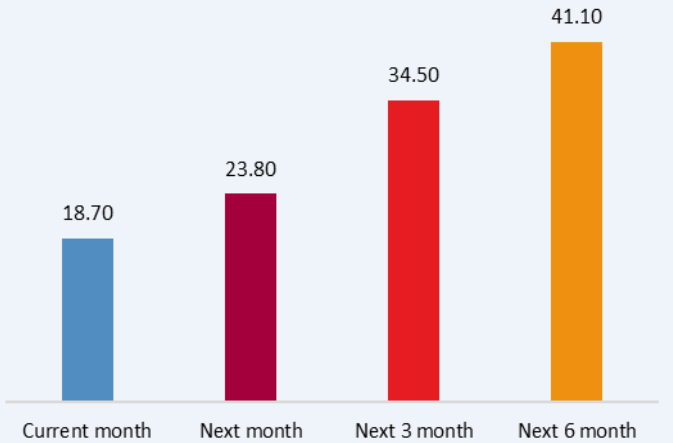
Figure 3: FX losses (N'trillion)\* have dropped close to the pre-2023 level, a testament to the stabilizing FX situation



Sources: Bloomberg, CardinalStone Research

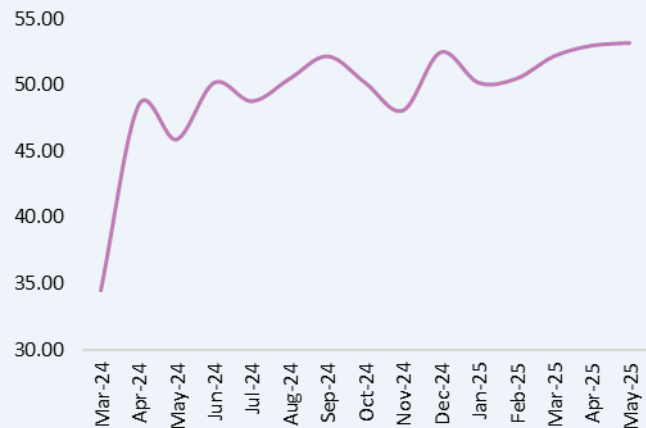
\*Data on non-bank companies on the NGX 30 was used

Figure 4: CBN's business confidence survey index suggests that businesses are optimistic about the future








Sources: CBN, CardinalStone Research

Figure 5: New orders, a leading indicator of economic activity, continue to strengthen as demand conditions improve



Sources: CBN, CardinalStone Research

Figure 6: Notable constraints and risks to businesses

-  Insecurity
-  High interest rate
-  High taxes
-  Insufficient power supply
-  Unfavourable political climate

Sources: CBN, CardinalStone Research



## New tax policies to ease pressure on businesses

The implementation of the new tax reform could lower production costs due to the VAT exemption on raw materials like sorghum, millet, barley, etc. Also, distribution costs could taper due to the VAT exemption on transportation.

In addition, the reduction of CIT from 30.0% to 25.0% and the introduction of various incentives for priority sectors, including tax credits for income earned abroad, bode well for future business profitability and dividend payments.

Elsewhere, the CBN may orchestrate interest rate cuts in H2'25, which could complement the positive impact of the tax reform in the medium term.

## Reform gains yet to fully filter down to everyday Nigerians

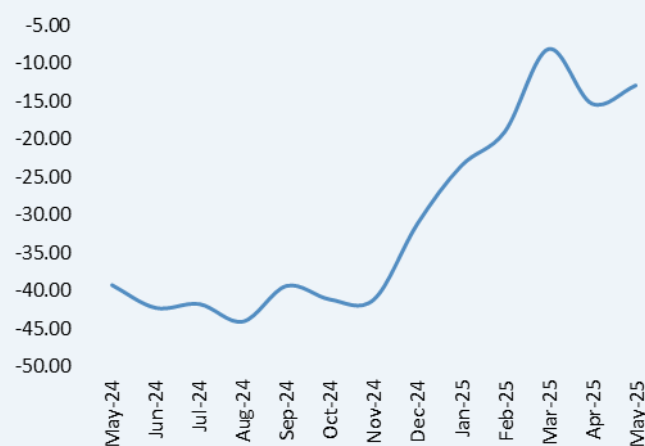
Despite emerging signs of macroeconomic stability, findings from the CBN's Household Expectations Survey suggest that recent reforms have yet to improve the everyday lives of Nigerians significantly, with confidence levels in negative territory over the last 12 months. While this pessimism may have been driven in part by the absence of adequate safety nets during the peak of the reform adjustments, we believe the following factors may have contributed:

- It is well-established that economic reforms typically have a lagged impact, with broad-based benefits often becoming evident after 3 to 5 years. This pattern was observed in Vietnam following the 1986 price liberalisation, and in Poland after the 1990 reforms that focused on privatisation and liberalisation of prices and trade. However, in cases of deep economic distress, reform benefits can take a considerably longer time to materialise. For example, Chile's reform program between 1986 and 1993 took over a decade to yield meaningful results, as the country, as of that time, was grappling with hyperinflation of 341.9%, a GDP per capita contraction of -14.0%, and sovereign debt default, among other structural challenges.
- The weak transmission is also a reflection of the delayed passthrough of reforms to jobs and wages. About 90.0% of Nigerians are employed in the informal sector, where

low productivity—as we have previously highlighted—continues to constrain output, job creation, and wage growth. For context, despite the recent upward adjustments of the minimum wage, Nigeria's statutory wage floor still lags those of selected African peers. As a result, without a significant uplift in real wages, the transmission of reform gains to household consumption is likely to remain limited.

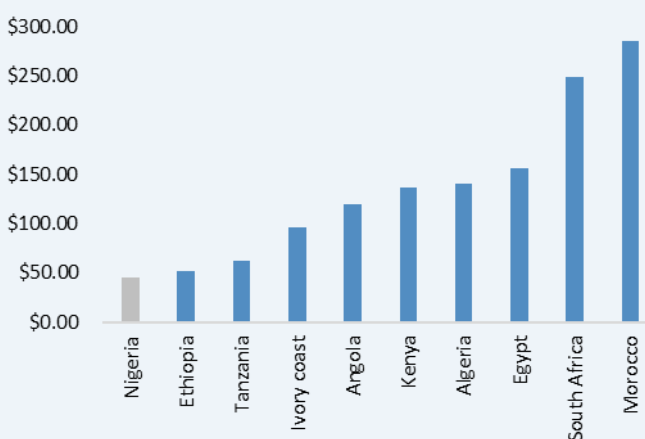
- Finally, while headline inflation has moderated in recent months, this improvement has been largely influenced by a statistical rebasing of the CPI, resulting in a pace of disinflation that appears faster than what consumers experience in the market. Given that food accounts for over 50.0% of household spending, ongoing insecurity in key agricultural regions—which continues to keep food prices elevated—has likely added another layer to consumer pessimism.

Figure 7: CBN survey reveals weak but improving consumer confidence



Sources: CBN, CardinalStone Research

Figure 8: Nigeria's minimum wage lags those of select African peers



Sources: BusinessDay, CardinalStone Research



## Presidential promises: so far, so good

With growing signs of a re-election bid in 2027, President Bola Tinubu’s administration is increasingly focused on consolidating its early gains and presenting a compelling case for continuity. Over the past two years, the government has made visible progress in expanding infrastructure, enhancing non-oil revenue generation, improving FX liquidity, and attracting capital into key sectors such as housing, energy, and digital services.

These efforts signal a shift from broad policy resets to more targeted execution. However, the road to lasting transformation remains long. Inflation is still elevated, infrastructure financing gaps persist, and reform dividends are yet to be fully felt across the population. Securing a second term could offer the administration the runway it needs to entrench institutional reforms, deliver on large-scale projects, and move Nigeria closer to its \$1.00 trillion economy target by 2030.

Figure 9: Presidential economic roadmap and progress update

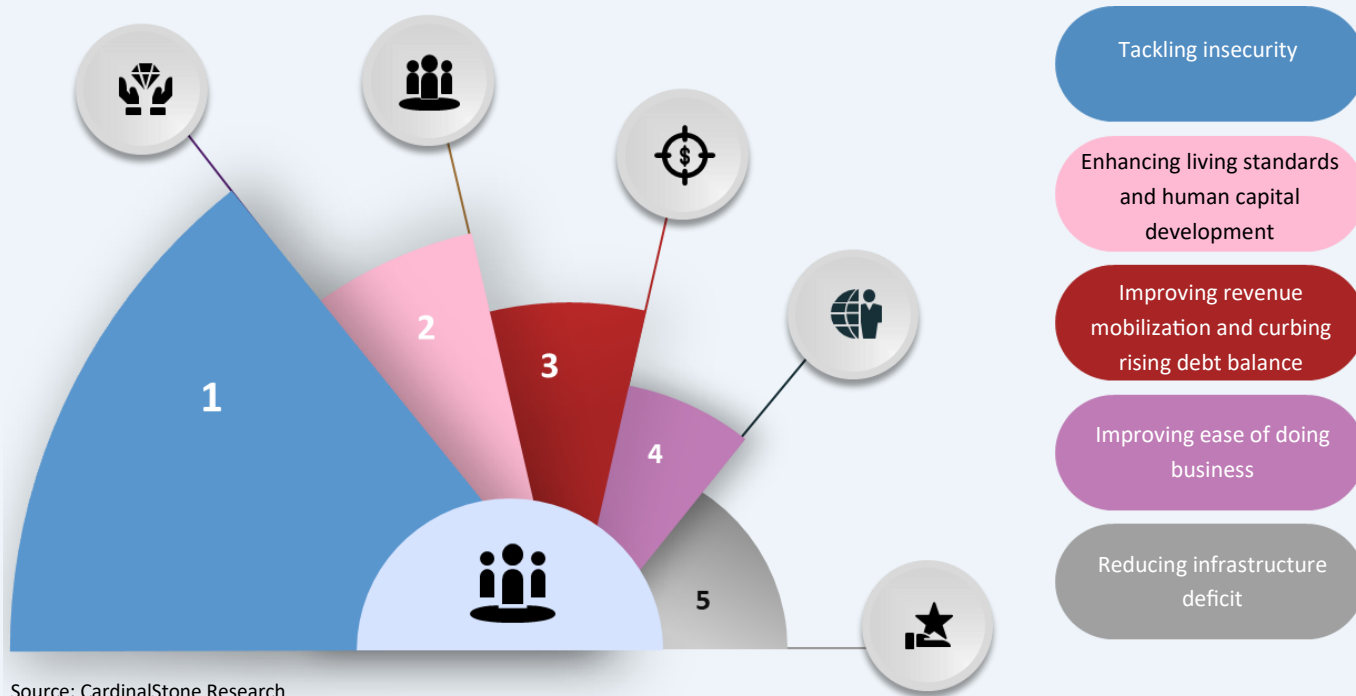
Policies	Timeline	Status
Elimination of PMS subsidy	(100 Days)	Completed
Transition to a transparent and unified foreign exchange rate system	(100 Days)	Completed
Rationalise select government assets	(1 –4 Years)	Ongoing
Deepen tax collection by restructuring and automating revenue generating agencies	(1 –4 Years)	Ongoing
Optimize operating expenditure to reduce cost and leakages	12 –18 Months	Ongoing
Reform the regulatory environment to enable business and investment	(1 –4 Years)	Ongoing
Grow non-oil export contribution to GDP	(1 –4 Years)	Ongoing
Address oil theft and vandalism and substantially grow oil and gas production	12 –18 Months	Ongoing
Transform Nigeria to become Africa’s most efficient trading nation	(1 –4 Years)	Infant stage
Grow manufacturing contribution to GDP	(1 –4 Years)	Infant stage
Accelerate implementation of Nigerian capital market master plan	(1 –4 Years)	Infant stage
Be the leading investment destination of choice among the MINT* economies (FDI)	(1 –4 Years)	Infant stage
Unlock the potential of the solid minerals sector	(3 –4 Years)	Infant stage

Sources: Policy Advisory Council Report, CardinalStone Research

\*Mexico, Indonesia, Nigeria, and Turkey



Figure 10: Unresolved socioeconomic needs the President may have to address



Source: CardinalStone Research

Figure 11: Developments ahead of the 2027 elections

- 1 Political defections appear to be intensifying, with most movements in favour of the ruling party (APC)
- 2 Early indications suggest that three major candidates may emerge: the incumbent President, Atiku Abubakar, and Peter Obi
- 3 There is a coalition among some opposition parties (African Democratic Congress). However, economic ideologies are similar across parties
- 4 Rising youth engagement and growing influence on social platforms

Sources: Media Outlets, CardinalStone Research

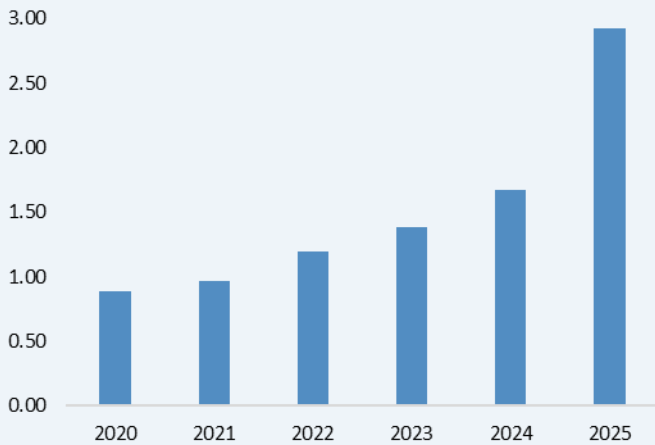
## Highlighting insecurity concerns

Recent research suggests that the country's current security challenges are more heavily driven by banditry and farmer-herder conflicts. These incidents, which are historically concentrated in the North Central region, are now spreading to other states, including Ondo, Edo, Delta, Imo, and Bayelsa. Consequently, both the number of displaced persons and the Internally Displaced Persons (IDP) camps have increased.

This heightened insecurity, particularly in food-producing areas, raises concerns about threats to the country's food supply. Deep-rooted problems in the agricultural sector—including poor crop yields, low mechanisation, lack of proper storage infrastructure, and frequent disruption caused by flooding—further exacerbate these challenges.

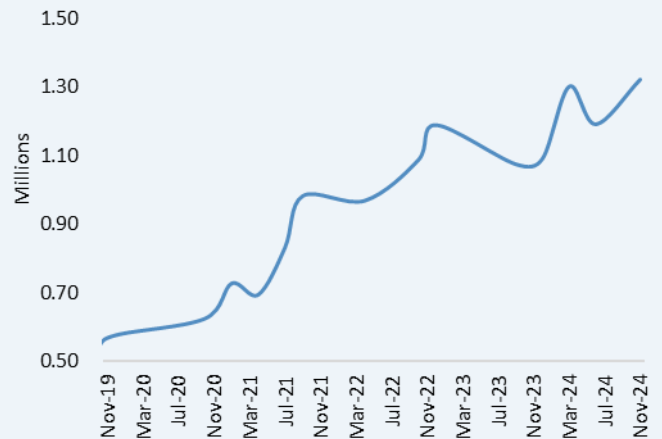


Figure 12: Nigeria's defence budget (N' trillion)



Sources: Budget office, CardinalStone Research

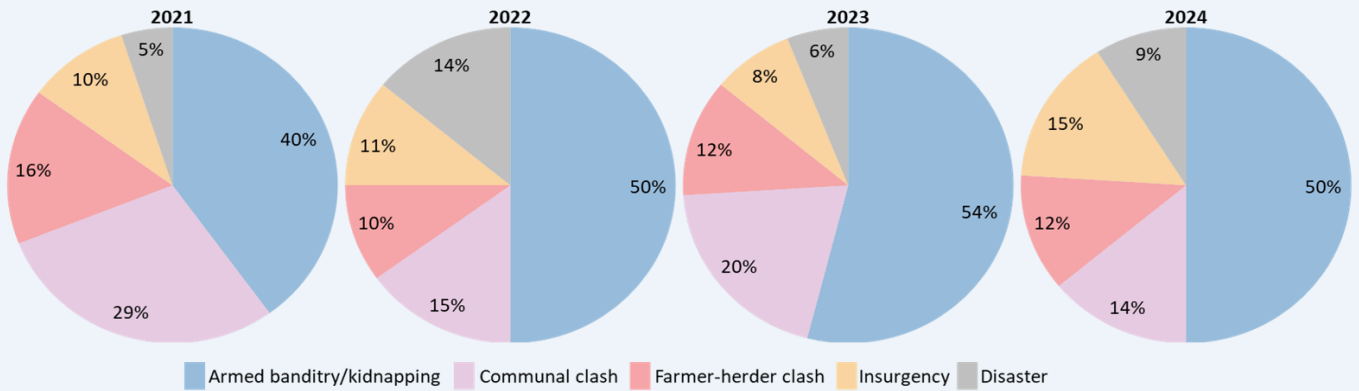
Figure 13: Number of IDPs



Sources: UN, CardinalStone Research

Dataset captures only North-central and North-west Nigeria

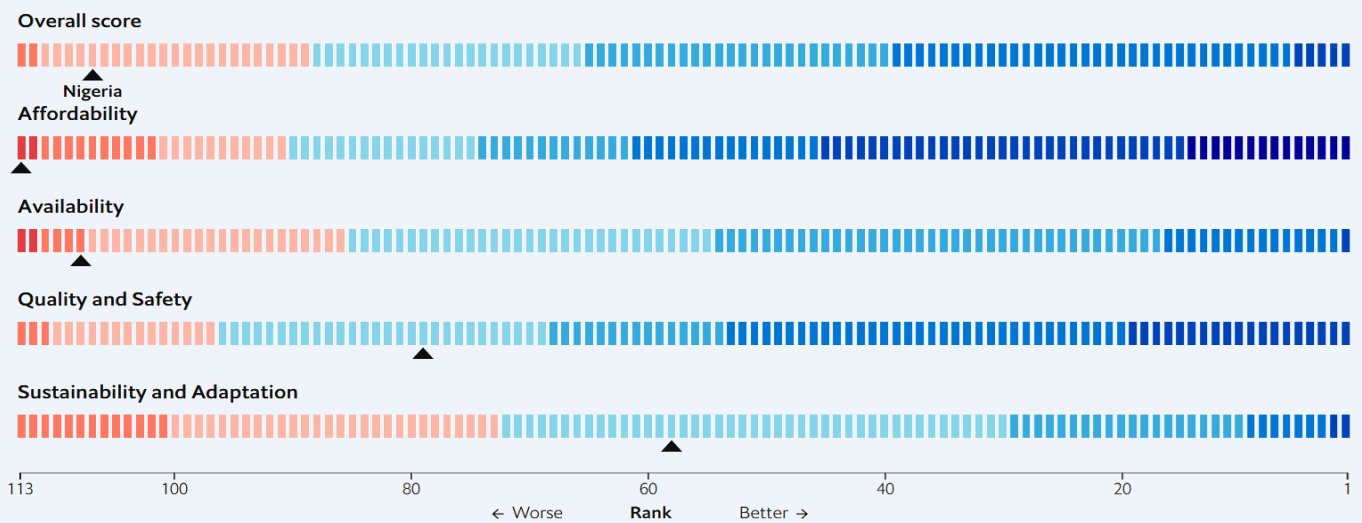
Figure 14: Reasons for displacement per year



Sources: UN, CardinalStone Research

Dataset captures only North-central and North-west Nigeria

Figure 15: Rising insecurity, especially in the North-central, may threaten food output



Sources: Economist Impact, CardinalStone Research

Dataset is as of 2022



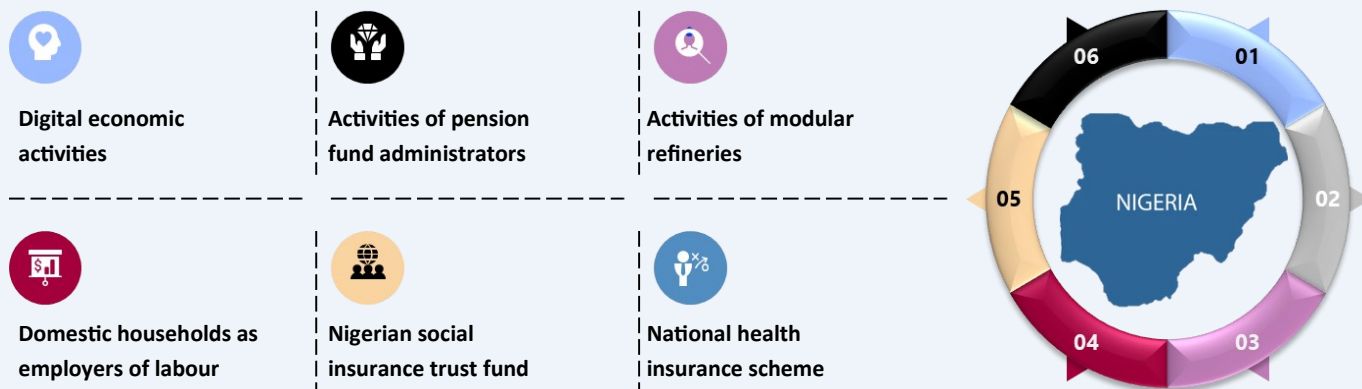
## Nigeria in the post-GDP rebasing era

Nigeria’s GDP rebasing plans have gathered more pace in recent months, with the process likely to be completed before the end of the third quarter of the year. The country currently uses 2010 as the base year, and 2019 has been

selected as the new base, as more recent years (2020 – 2024) were avoided due to the COVID implications.

We expect the rebasing exercise to result in the reshuffle of the GDP weights, with the services sector likely to expand the most.

Figure 16: Some of the new sectors to be included in the GDP post rebasing exercise



Sources: NBS, CardinalStone Research

## Analysis of the some of the new sectors to be included in the GDP

### 1. Digital economic activities

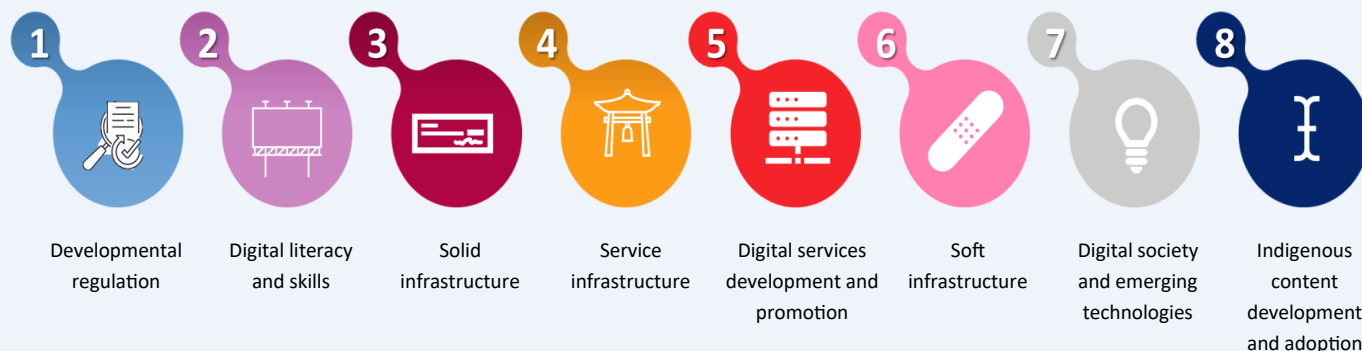
Nigeria’s digital economy has been one of the strongest drivers of growth in recent years. We see even more room for expansion in the sector, especially given the momentum provided by the eight strategic pillars outlined in the national digital policy (see the chart below).

While the digital space is vast, our focus narrows to the entertainment and media segment, which has gained significant traction lately. This growth has been fuelled by the rise of content creators, skit makers, social media influencers, and other related activities. According to

Dataleum, skit makers alone generated over N1.00 billion in revenue in 2023. The broader segment was also valued at \$31.20 million in 2022, supported by the increasing number of social media users across the country.

We see legroom for sustained digital traction in Nigeria, supported by the significant youthful population, expanding fintech ecosystem, and government-led efforts to boost digital literacy and infrastructure. This sector is likely to support GDP accretion in the coming years.

Figure 17: Strategic pillars of national digital policy



Sources: National Information Technology Development Agency, CardinalStone Research

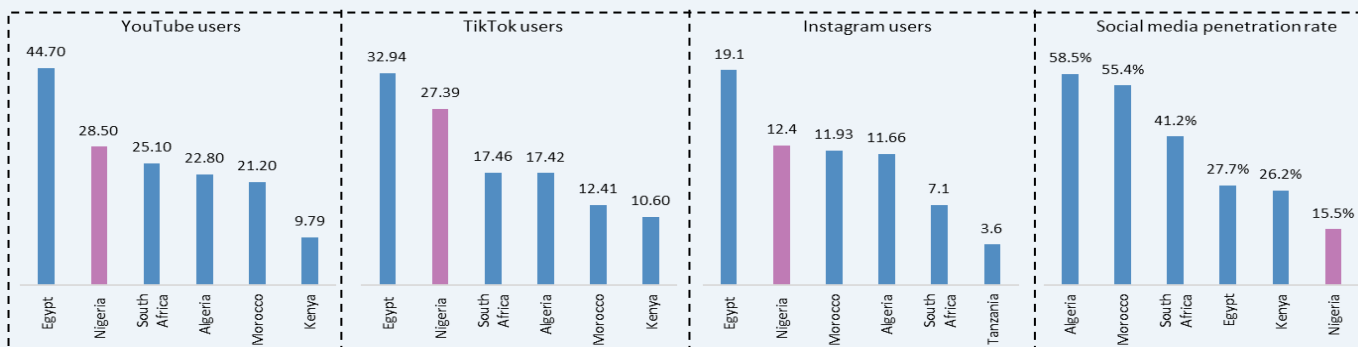


Figure 18: Entertainment and media revenue (\$' billion)

	2019	2020	2021	2022	2023
Kenya	2.82	2.90	3.28	3.55	3.75
Nigeria	5.50	6.19	7.03	7.83	9.00
South Africa	15.79	15.06	14.75	15.52	16.09

Sources: PWC, CardinalStone Research

Figures 19, 20, 21 & 22: Nigeria has one of the highest social media users (Million) in Africa, which bodes well for the digital economy



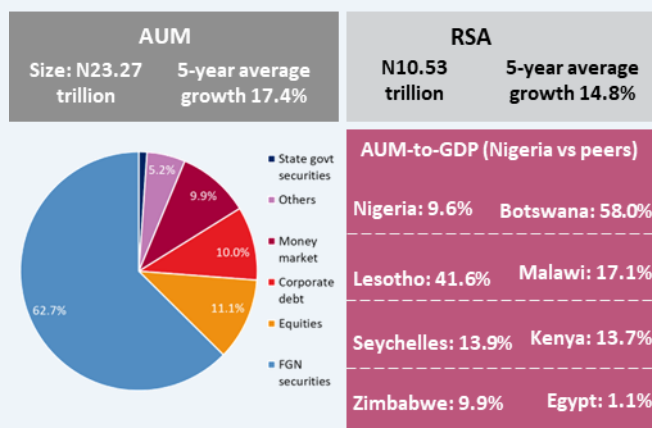
Sources: DataReportal, NapoleonCat, CardinalStone Research

## 2. Activities of Pension Fund Administrators

The Nigerian pension industry has recorded significant growth over the years, with assets under management (AUM) expanding at an average rate of 17.4% over the past five years. Following the planned GDP rebasing, the sector's addition to the economy is expected to be positive, given its current AUM of N23.27 trillion (9.6% of GDP). While this ratio reflects a solid foundation, it still trails behind some African peers, highlighting ample room for long-term expansion.

The industry has also seen over 15 mergers and acquisitions in the last decade, helping to keep it stable and competitive—both of which are good signs for future economic contribution.

Figure 23: Nigerian pension industry



Sources: OEDC, National Pension Commission, CardinalStone Research

## 3. Activities of modular refineries

Nigeria currently has 25 licensed modular refineries, but only 5 are operational, with a combined installed refining capacity of around 30,000 barrels per day. These refineries primarily produce diesel, kerosene, black oil, and naphtha. However, many of them are struggling due to limited access to crude oil from NNPC and their exclusion from the “Naira for Crude” arrangement.

Following the upcoming GDP rebasing, we expect the activities of these modular refineries to contribute more visibly to oil refining GDP and, by extension, the broader manufacturing sector—especially once they begin to receive adequate crude allocations from NNPC, which could incentivise the inactive ones to begin operation. It is estimated that at full operationalisation, all the modular refineries can process up to 200,000 barrels of oil per day.

Additionally, full deregulation creates an incentive to venture into PMS and other segments where forces of demand and supply dictate pricing.

Figure 24: Operational modular refineries in Nigeria

S/N	Modular refineries	Location	Capacity *
1	OPAC Refineries	Delta State	10,000.00
2	Waltersmith Refinery and Petrochemical Company Limited	Imo State	5,000.00
3	Duport Midstream Company Limited	Edo State	2,500.00
4	Edo Refinery and Petrochemical Company Limited	Edo State	1,000.00
5	Aradel Refinery	Rivers State	11,000.00

Sources: NUPRC, CardinalStone Research; \* measured in barrels



## GDP to reach a new high in 2025

Nigeria’s growth story is not a hard sell, especially with current indicators pointing toward stronger momentum as the year progresses. We now expect 2025 growth (without rebasing) to come in at 4.1%, a notch above our initial 4.0% forecast and well ahead of the 3.4% recorded in 2024. The

oil sector is projected to expand by 9.8%, up from 5.5% last year, while non-oil growth is expected to reach 3.7%, compared to 3.3% in 2024.

Adjustments to our model assumptions are captured in the table below

### Services GDP — Stable FX and hike in telecom tariffs support upward revision



At the start of the year, our estimate for services GDP did not factor in the new telecom tariff hike, largely due to uncertainties and a lack of clear guidance from the authorities. However, with the recent 50.0% increase in tariffs and reduced FX losses, thanks to a more stable currency, MNOs now seem more willing to ramp up CAPEX, which is a positive signal for the sector’s outlook.

We have also revised our assumptions to reflect stronger credit to the private sector, as softer fixed-income yields and the potential for a rate cut could encourage more borrowing. This dynamics should support financial services. In addition, we expect FX stability and relatively steady energy prices to provide some tailwinds for trade and transport. We retain our forecast for other service sub-sectors.

### Manufacturing GDP — Outlook unchanged



Our view on the manufacturing sector remains unchanged—we believe that a more stable FX outlook will continue to offer some relief to the sector. In addition, we are beginning to see early signs of impact from the Dangote Refinery, and as output scales up over the year, we expect a stronger pass-through effect on manufacturing GDP.

### Agric GDP — Outlook revised downwards on growing insecurity



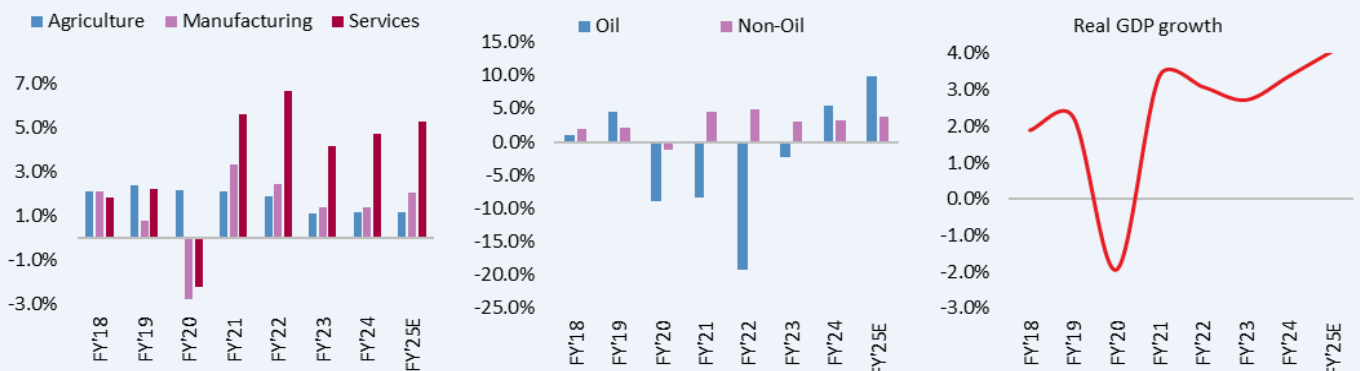
Our view on the sector was already conservative at the start of the year, a consequence of persistent insecurity, low crop yields, and limited mechanisation. However, with the recent spike in insecurity, we have now revised our agric growth estimate downward to 1.16% from 1.23% previously.

### Oil GDP — Stagnant production necessitates a revision



We had expected oil production to average 1.70mb/d and close the year at 1.78mb/d. However, though higher YoY, actual oil production has been below our projection at the 1.60mb/d level, reflecting continued oil theft and attacks on assets. As such, we have revised our oil production estimate to an average of 1.68mb/d with a year-end target of 1.70mb/d.

Figures 25, 26, & 27: Nigeria’s growth outlook remains biased to the upside



Sources: NBS, CardinalStone Research



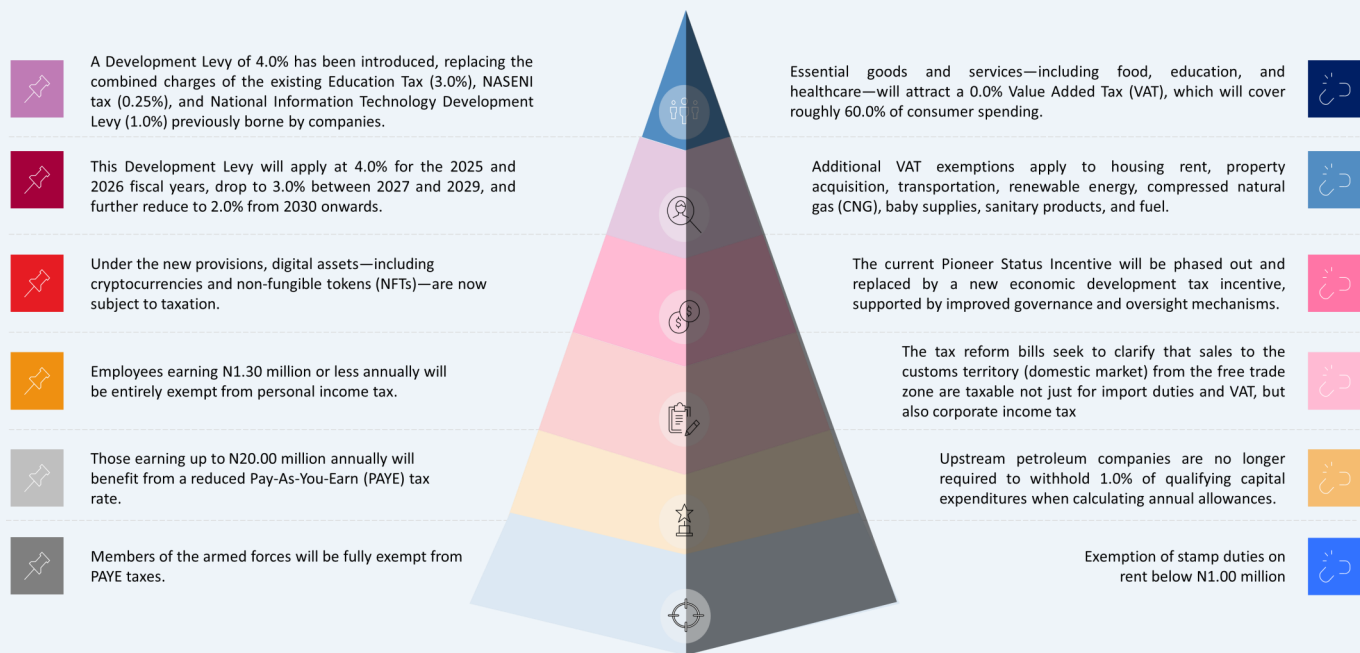
# Fiscal position: Click into the modern taxation era

The new tax reforms in the country have modernised Nigeria’s fiscal and revenue frameworks. The reforms, through the signed Nigeria Tax Bill, have consolidated and harmonised the country’s tax laws into a single, coherent legislation. It also established a robust legal foundation for the consistent, fair, and effective enforcement of tax regulations nationwide through the Nigeria Tax Administration Bill. The Tax Administration Bill also broadened the tax net by making it mandatory for all taxable individuals to use a Tax Identification Card when opening bank accounts, registering with stockbroking firms, or engaging with other financial institutions.

The reforms also introduced the Nigeria Revenue Service Act, which repealed the Federal Inland Revenue Service Establishment Act and created a new Nigeria Revenue Service. This new body would be responsible for assessing, collecting, and remitting revenues on behalf of the Federal Government.

Lastly, the approved Joint Revenue Board of Nigeria Bill introduced the formation of key oversight institutions such as the Joint Revenue Board, the Tax Appeal Tribunal, and the Office of the Tax Ombud. These bodies are intended to promote inter-agency coordination and provide a formal mechanism for resolving tax-related disputes.

Figure 28: Some key highlights of the new tax bill



Sources: Presidential Fiscal Policy and Tax Reforms Committee, CardinalStone Research



## The bill clarifies the taxation of the Free Trade Zone

Free Zones in Nigeria, such as the Nigeria Export Processing Zones and the Oil & Gas Export Free Trade Zones (FTZ), were established primarily to promote exports and stimulate international economic activity. Under the current legal framework, approved enterprises operating within these zones are exempt from all Federal, State, and Local Government taxes relating to their approved activities. These activities, as defined in the enabling legislation and the Nigeria Export Processing Zones Third Schedule Amendment, mainly involve the manufacturing of goods for export, international services, and trans-shipment.

While the legal exemption clearly applies to zone-based activities and exports, it does not extend to sales in the customs territory—sales that inherently compete with local businesses operating under the standard tax regime.

To provide more clarity, the tax reforms have specified that:

- Sales to the customs territory are taxable, not only for import duties and VAT but also for corporate income tax (CIT).
- Approved zone-based activities and exports will continue to be fully tax-exempt, thereby preserving the core incentives for establishing FTZs.
- VAT applies to supplies made to individuals in the customs territory, while supplies from the customs territory into the zones are treated as exports and are thus VAT-exempt.
- Personal Income Tax (PIT) obligations for individuals working in the zones remain unaffected, as the tax exemption applies to enterprises, not employees or contractors.

Figure 29: Some near term benefits of the tax bill

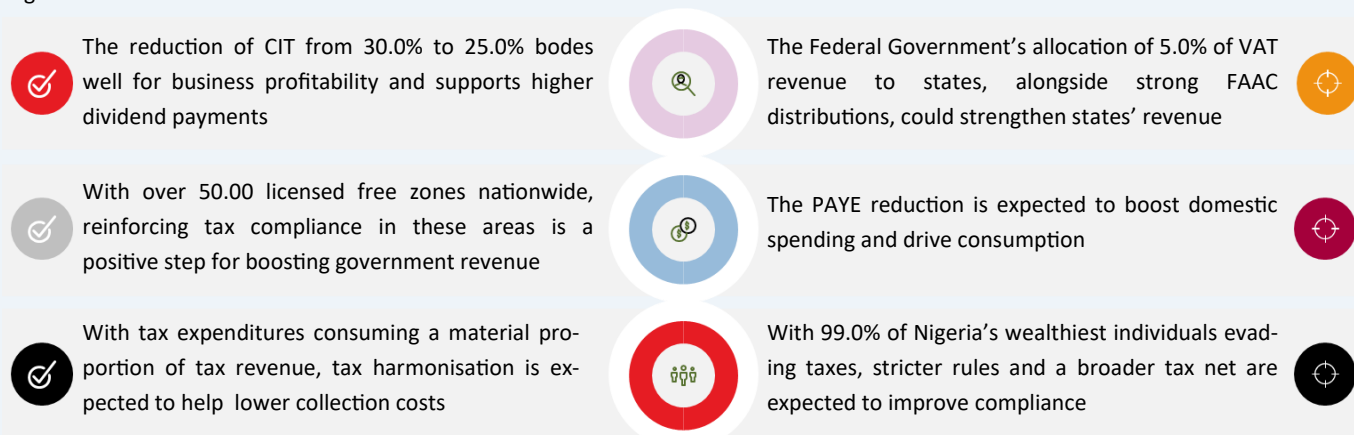
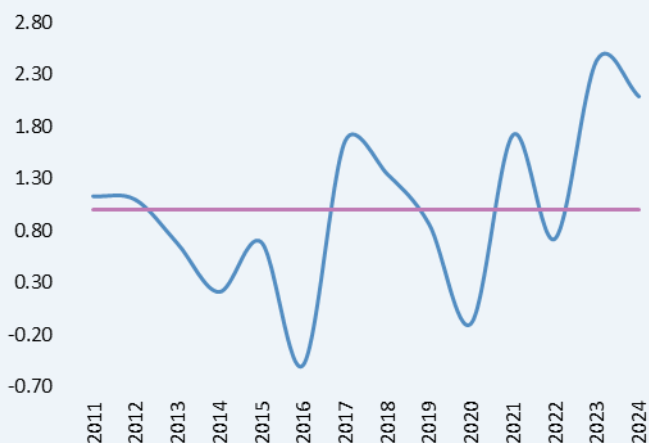


Figure 30: Tax buoyancy\* has been in the positive zone in the last few years



**Despite expectation for higher tax accretion, tax-to-GDP is likely be lower once the GDP rebasing is complete**

\*Tax buoyancy > 1 is positive, < 1 is negative

Sources: Budget Office, DMO, World Bank, CardinalStone Research



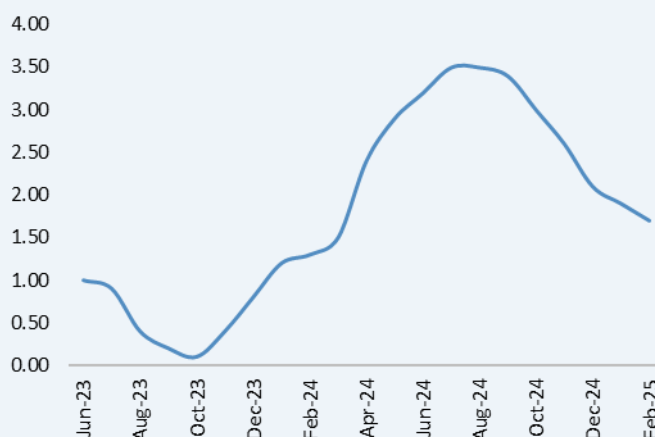
## External borrowings to increase in H2'25

Despite the recent geopolitical tensions, which provided some upside to crude oil prices, we still retain our oil price estimate at \$65.00/bbl, reflecting the increase supply from OPEC. Our oil price estimate, together with our revised oil production of 1.68mb/d, translates to a fiscal deficit of N17.75 trillion. Over H1'25, the government net issued c.N3.00 trillion through NTB and Bonds, suggesting that a further net issuance of N10.08 trillion may be required to cover the government's estimated deficit for 2025.

Nigeria mostly relied on the domestic market for deficit financing in H1'25, but we expect a notable increase in external sourcing in H2'25. Precisely, the government has set its sights on raising \$1.20 billion through the DMO and a further \$2.00 billion at concessionary rates through multilateral sources. These numbers suggest that a cumulative of N4.90 trillion (using the official exchange rate of \$1,530.00/\$ as at June 1, 2025) may be sourced from abroad, with the balance of N5.19 trillion likely to be raised from the domestic market after catering to rollovers. We are of the view that a part of the external borrowings may be used to finance the \$1.12 billion Eurobond maturity due in November and cumulative coupons of c.\$1.38 billion.

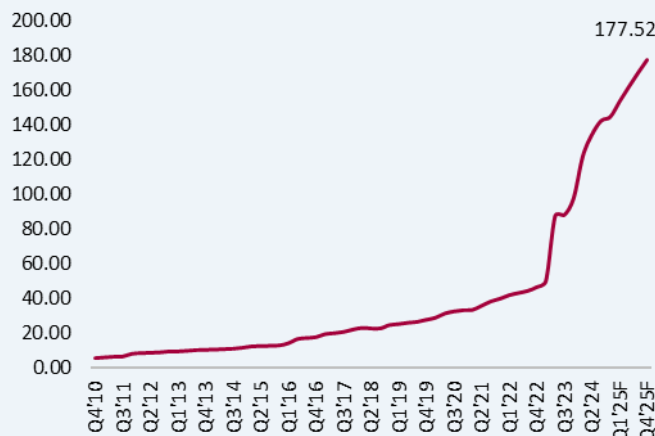
An upside risk to our fiscal outlook is increased NNPC remittances to the Federation Account, particularly if the government accelerates the settlement of its N1.70 trillion outstanding obligation to the company. Currently, remittances are estimated at just 50.0%, reflecting unresolved subsidy-related claims. We note that the government is also seeking National Assembly approval for \$21.00 billion, €2.20 billion, and ¥15.00 billion for project financing in relation to the MTEF in the medium term. This development suggests that foreign borrowings will remain critical to Nigeria's deficit financing in the medium term.

Figure 32: Government's arrears to the NNPC (N' trillion)



Sources: NNPC, NGF, CardinalStone Research

Figure 33: Nigeria's debt to reach N177.52 trillion



Sources: Budget Office, DMO, World Bank, CardinalStone Research

Figure 31: Scenario analysis on impact of oil price and production changes on fiscal estimate for 2025

	Budgeted	Base case	Scenarios					
Oil Production (mb/d)	2.06	1.68	1.68	1.68	1.68	1.68	1.68	1.68
Oil price (bbl)	75.00	65.00	70.00	75.00	80.00	85.00	90.00	100.00
Fiscal deficit (N' trillion)	-13.08	-17.75	-16.50	-15.25	-14.00	-12.75	-11.50	-9.00

Sources: Budget Office, CardinalStone Research



# Monetary policy: Tapering inflation to cascade to rate cuts

The CBN's monetary policy is beginning to transmit more effectively, as reflected in the decelerating growth of money supply, a development that supported inflation moderation during the period. In addition, relative stability in the FX and energy markets further contributed to the easing of inflationary pressures. FX stability was underpinned by the CBN's sustained interventions, increased foreign inflows, and a stronger external account position.

Also, energy prices provided support for lower inflation in the period, particularly following a series of PMS price reductions by the Dangote Refinery. The reduction in PMS prices, which occurred in February, April, and May 2025, where the consequences of contractions in global oil prices, improvement in domestic refining capacity, and the renewal of the Naira-for-crude initiative. The price moderation was also despite the effect of limited crude availability, driven by increased demand from domestic refineries and the need to maintain adequate export inventories.

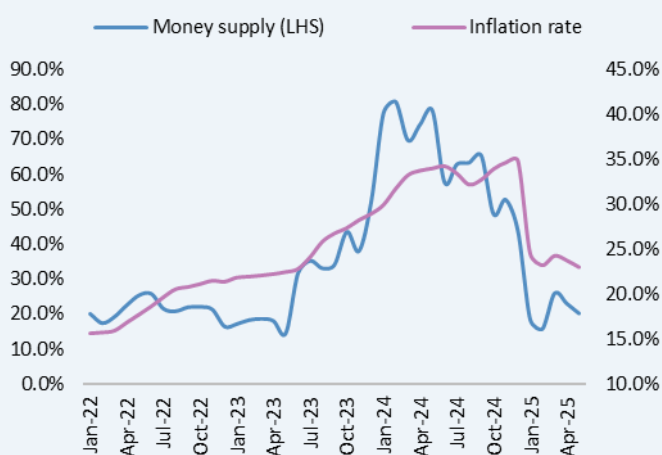
In the second half of the year, we expect headline inflation to moderate further, supported by continued FX stability. Additionally, Dangote Refinery's planned scale-up in direct PMS and AGO distribution, targeting large-scale users such as marketers, petrol stations, manufacturers, telecom operators, and aviation firms, alongside free logistics services and the deployment of 4,000 CNG-powered tankers, should ease distribution bottlenecks. The refinery's initiative should place downward pressure on energy costs and reinforce the disinflationary momentum.

The knock-on effect of our inflation expectation and the reality of relatively stable FX market should translate to a cumulative 50-100bps reduction in policy rate in H2'25.

However, two key risks are notable:

- **Food inflation:** Persistent conflict in key food-producing regions may disrupt agricultural activities, potentially worsening food inflation. Poor crop yields and the low level of mechanisation in the sector can exacerbate the pressures.
- **Global oil prices:** Renewed geopolitical tensions could drive oil prices higher, which may translate into upward adjustments in domestic PMS prices, reversing some of the recent disinflationary gains.

Figure 34: Growth in money supply is tapering on impact of CBN's tightening stance



Sources: NBS, CBN, CardinalStone Research



# Foreign exchange: Naira stability: the new norm?

## Naira survived global risk-off sentiments, maintaining stability

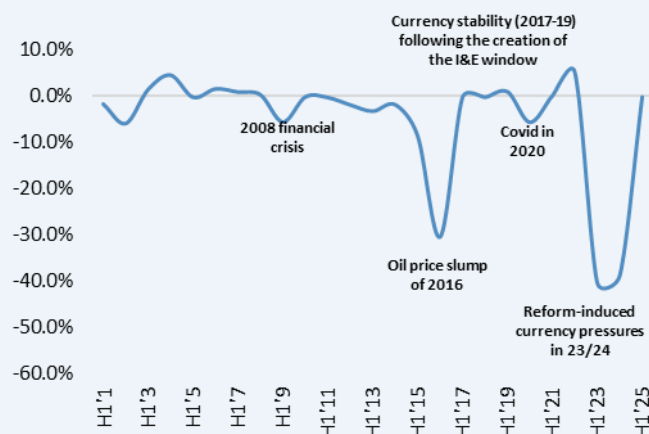
Naira stability was threatened in the first half of the year due to elevated global risk-off sentiments triggered by U.S. trade policies and heightened geopolitical tensions. These external shocks led to FX outflows of \$22.83 billion, as some investors shifted capital to U.S. Treasuries and Gold.

In response, the CBN was active in the FX market, selling \$4.72 billion in the period. Contrary to concerns, we do not believe these interventions signalled a return to a fixed exchange rate regime or reflect an attempt to target a specific level for the Naira. Rather, the current FX framework allows for discretionary interventions in the presence of perceived market distortions.

Moreover, it is clear that the distortions witnessed in H1'25 largely stemmed from global factors and not idiosyncratic factors, as the CBN has taken steps to improve transparency. The Bank's average monthly FX intervention came in at \$786.58 million, materially lower than the \$2.30 billion pre-COVID and \$1.38 billion post-COVID levels previously used to defend the Naira at unsustainable levels, despite underlying macro weaknesses. Encouragingly, both local and international observers now generally agree that the Naira is trading close to its fair value.

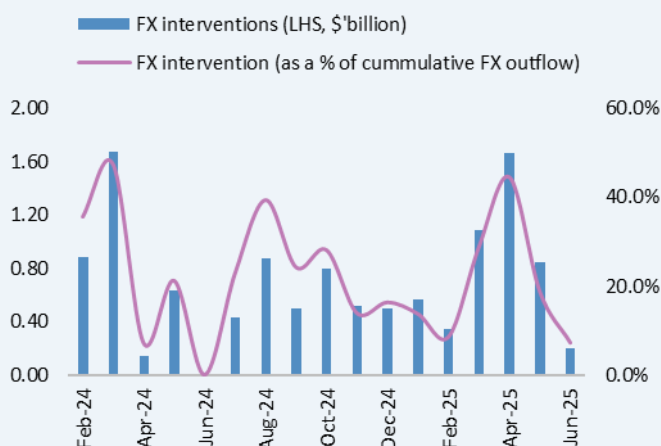
In addition to capital outflows, the CBN also had to meet external debt service obligations, estimated at \$2.00 billion in the first four months of the year—the most recent data available. At the current pace, these obligations are on track to surpass last year's levels and could potentially reach new highs. This mounting pressure compelled the CBN to increase FX supply in order to support FX liquidity.

Figure 35: Naira was largely stable in the H1'25



Sources: CBN, CardinalStone Research

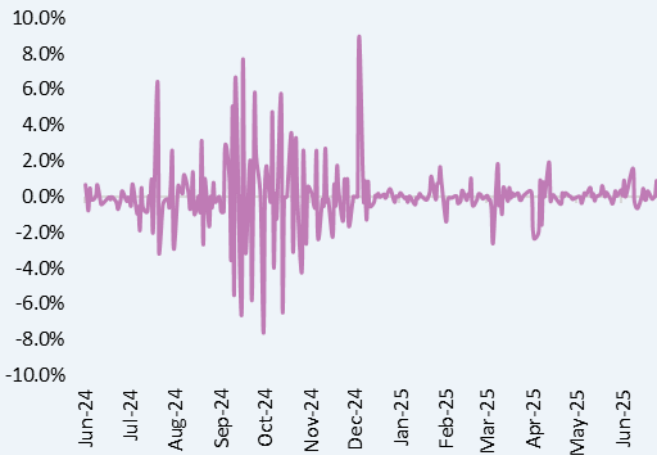
Figure 36: CBN intensified FX interventions (\$'billion)



Sources: CBN, CardinalStone Research



Figure 37: Daily volatility of the Naira



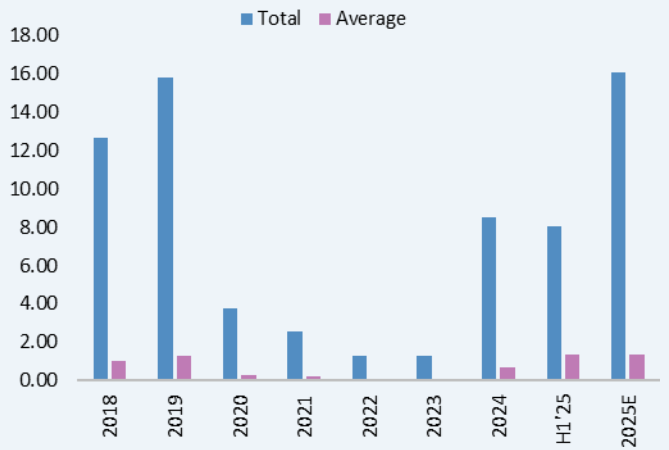
Sources: CBN, CardinalStone Research

Figure 38: External debt service obligations (\$ billion)



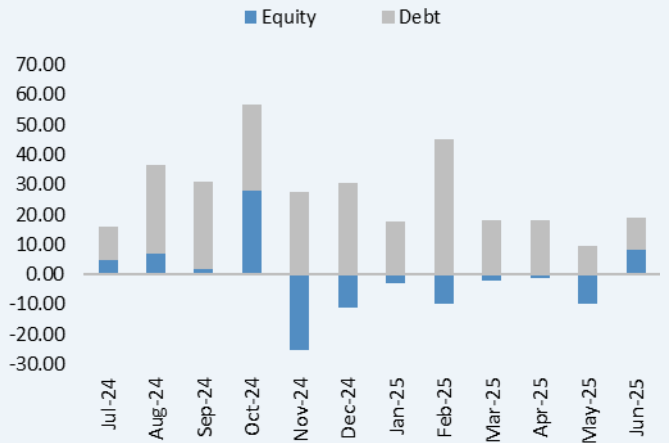
Sources: CBN, CardinalStone Research

Figure 39: FPI inflows (\$'billion) could reach record high this year



Sources: CBN, CardinalStone Research

Figure 40: Portfolio flows to Emerging Markets (\$'billion)



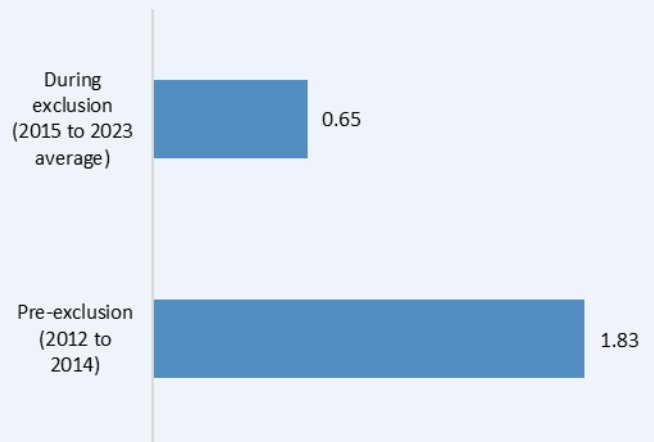
Sources: IIF, CardinalStone Research

## Despite global risk, FPIs still like Nigeria

Foreign interest in Nigeria continues to gain momentum, with FPI inflows reaching \$8.05 billion in H1'25—almost matching the total inflow of \$8.53 billion recorded in 2024. At the current run rate, inflows could reach \$16.08 billion by year-end, marking the highest on record. This surge appears to be driven by attractive carry-trade opportunities, as the CBN has maintained a stable policy rate even as several emerging market central banks have begun cutting rates.

Consistent with our earlier view, the CBN was reluctant to ease too quickly in an effort to keep rates attractive to foreign investors. We see room for sustained FPI inflows, particularly as Nigeria prepares for a potential re-entry into the JP Morgan Bond Index, having been excluded for the past decade.

Figure 41: Foreign inflows (\$'billion) fell materially after Nigeria was excluded from the JP Morgan EM bond index



Source: CBN, CardinalStone Research



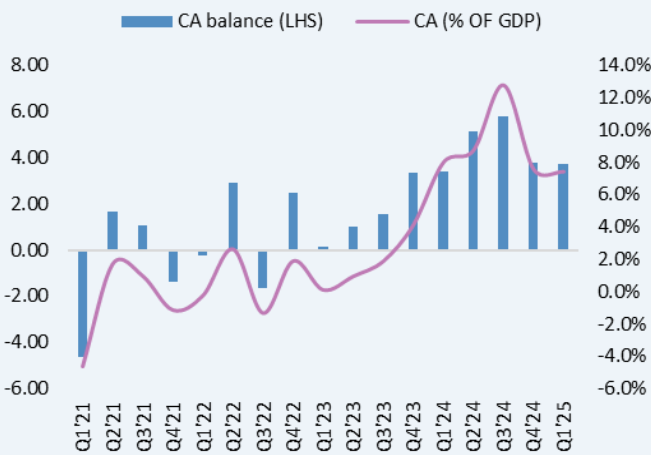
## External buffer to remain strengthened

In the first quarter of the current fiscal year, Nigeria's current account (CA) stayed in a surplus position (7.5% of GDP) for the tenth consecutive quarter, thanks to positive trade balance and stronger remittances.

We expect the current account position to remain in surplus, and our view is supported by the following:

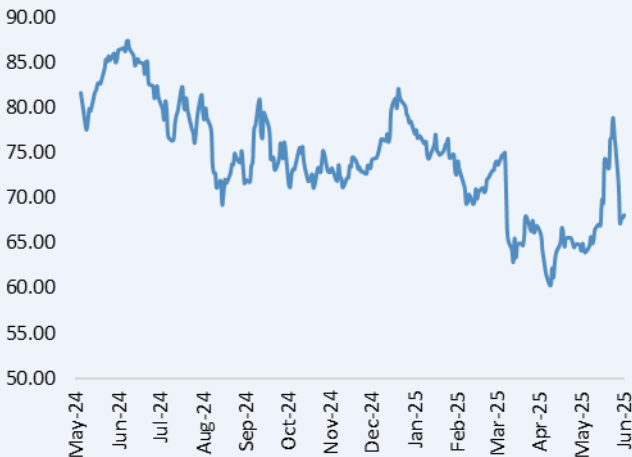
- Export is expected to be modestly weaker than last year on lower oil prices (we project average of \$65.00/bbl vs last year's average of \$82.25bbl), which will likely mask the slight improvement in oil production to 1.68mb/d (vs 1.49mb/d in 2024). However, in the medium term, exports are expected to improve significantly once

Figure 42: CA (\$'billion) remains in the positive territory



Sources: CBN, CardinalStone Research

Figure 43: Crude oil price trend (bbl/\$)

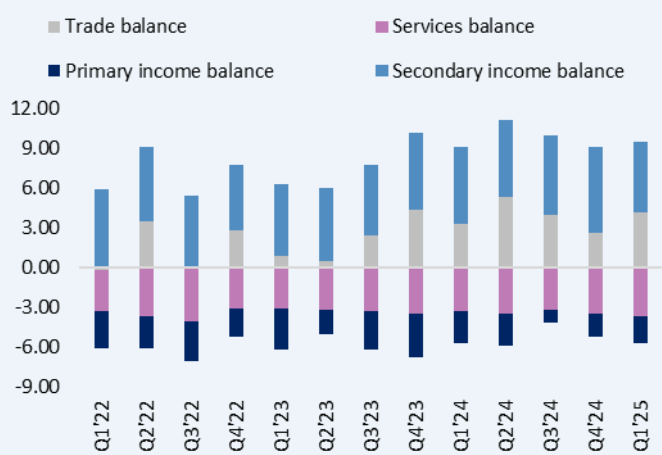


Sources: Bloomberg, CardinalStone Research

Dangote Refinery begins to get adequate crude from the government and aggressively ramps up the export of refined products.

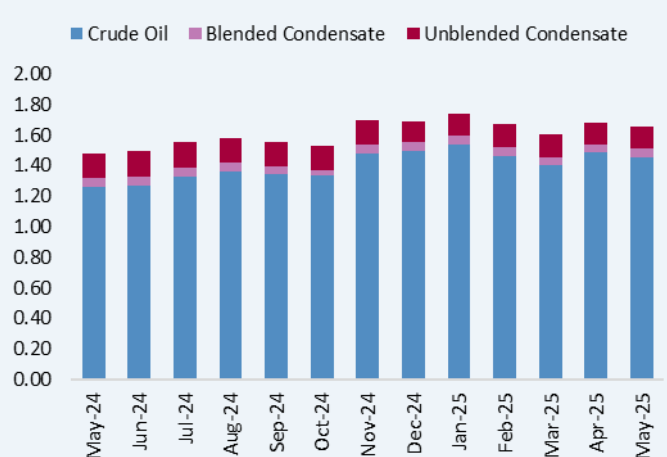
- Import could be lower, as Nigerian companies are increasingly substituting imported raw materials with locally sourced alternatives in response to previous pressures from foreign currency exposures. Also, imports of refined products are currently lower than the historical average due to the gradual improvement of oil refining.
- Remittance inflows, which have averaged about \$20.00 billion annually in the last decade, are expected to sustain their momentum in 2025.
- Overall, we expect CA to settle at 8.0% of GDP in 2025, slightly lower than last year's level of 9.2%.

Figure 44: Trade and remittances (\$'billion) supported the CA



Sources: CBN, CardinalStone Research

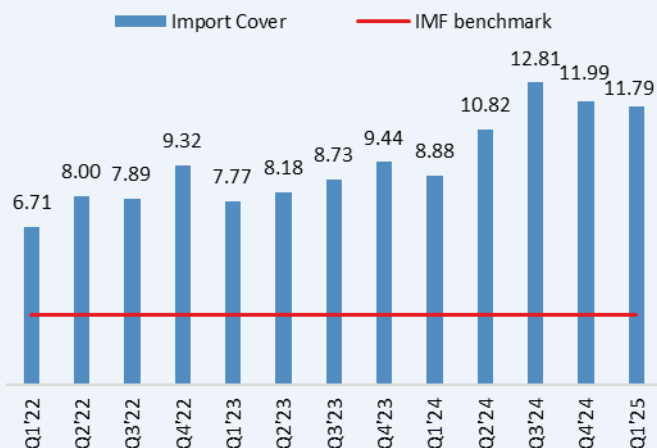
Figure 45: Oil production movement (mb/d)



Sources: NUPRC, CardinalStone Research

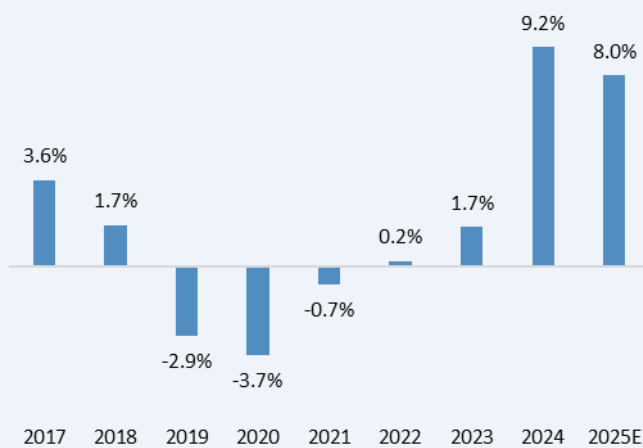


Figure 46: Nigeria’s import cover continues to outpace IMF benchmark and we expect a sustained trend in 2025



Sources: CBN, CardinalStone Research

Figure 47: We project CA (% of GDP) to remain in surplus position, but slightly lower than last year due to weaker oil prices



Sources: CBN, CardinalStone Research

Figure 48: Scenario analysis on the impact of changes in oil price and production on current account balance

	2024	2025 Scenarios					
Average crude oil price (\$)	82.54	80.00	75.00	70.00	<b>65.00</b>	60.00	50.00
Average crude oil production (mbpd)	1.49	1.68	1.68	1.68	<b>1.68</b>	1.68	1.68
Current account balance (\$'billion)	17.22	18.41	17.26	16.11	<b>14.96</b>	12.20	10.50
Current account balance (% of GDP)	9.2%	9.82%	9.21%	8.60%	<b>8.0%</b>	6.51%	5.60%

Source: CardinalStone Research

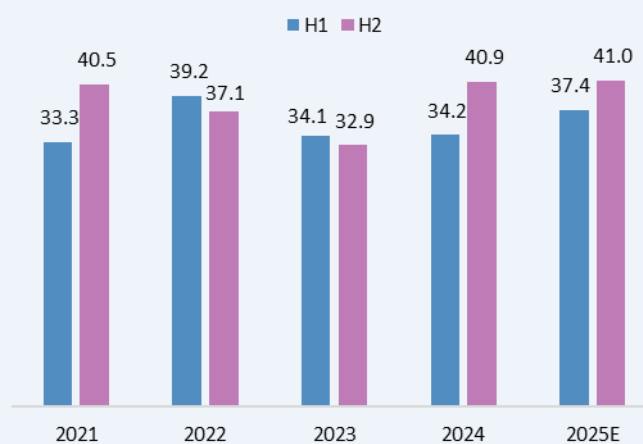
## Higher dollar debt in H2'25 to support the FX reserves accretion and liquidity

As noted earlier in the fiscal section of this report, the Federal Government is seeking to raise \$1.2 billion through the DMO and a further \$2.0 billion at concessionary rates through multilateral sources in 2025. Elsewhere, despite our base case expectation for a 50-100bps reduction in policy rate, Nigeria's carry trade is likely to remain attractive enough for providers of foreign capital, especially considering the positive macro traction and improved credit ratings.

These proposed external borrowings, alongside other anticipated inflows, will likely boost the FX reserves to c.\$41.00 billion by year-end, compared to \$37.27 billion as of H1'25.

**Overall, we project the Naira to remain largely range-bound in H2'25 at N1,550.00 — N1,635.00/\$.**

Figure 49: Higher dollar debt to support FX reserves (\$' billion)



Sources: NBS, CBN, CardinalStone Research



## Asset Allocation Guide

### Outwit uncertainties with diversification

The double whammy of unpredictable trade relations and geopolitical tensions, particularly in the Middle East, is likely to catapult portfolio contingencies such as inflation and growth to the front burner in H2'25. This view is validated by the World Bank's recent revision of its global inflation forecast to 2.9% (up from 2.7%) and its adjustment of the related growth projection to 2.3%—the slowest non-recessionary pace in 17 years. The former increases the likelihood of higher-for-longer yields that may compress valuations in sensitive sectors, while the latter reinforces the potential trade-off impact on growth.

Amidst the sensitive macro environment, an appropriate asset allocation strategy should balance resilience to global volatilities with the ability to capitalise on Nigeria's domestic growth drivers, internal yield dynamics, and equity re-rating potential. Notably, while the World Bank

downgraded growth forecasts for over 60.0% of its coverage countries, it raised its outlook for Nigeria, highlighting a relatively strong macro pulse supported by higher growth, reform momentum, stable FX and an easing inflation trend.

Consequently, we have revised our portfolio split to a 70:30 allocation in favour of local assets, up from 65:35 previously. Within the global sleeve, we retain our low exposure to equities to account for lingering uncertainties and relative overvaluation across some major indices. We have also increased our allocation to global real assets and alternatives to 7.0% (from 5.0% previously), financed by reducing cash holdings from 5.0% to 3.0%. This positioning reflects a gravitation to inflation-resilient exposures and uncorrelated return streams given heightened uncertainty.



In the local bucket, we have raised our exposure to fixed-income instruments to 30.0% (from 25.0% previously), financed by the 5ppts reduction in global allocation. This decision was supported by moderating yields and expected rate cuts, principally driven by falling inflation and a stable exchange rate.

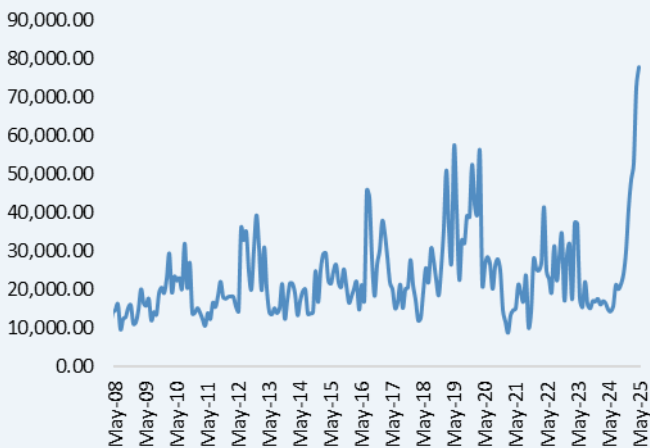
From a global security selection perspective, cautiousness towards cyclical or high beta stocks is likely to increase. Yet, we see investible opportunities in high-quality companies with strong balance sheets, low debt, and consistent cash flows that could support dividends. Defensive sectors such as communications, utilities, and consumer staples are also likely to outperform, with MSCI ACWI Communication Services Index (+14.2% YTD), MSCI ACWI Utilities Index (+15.9% YTD), and MSCI ACWI Consumer Staples Index

(+10.8% YTD) already outclassing other sector indices on a YTD basis.

The above equity security selection criteria could be supported by a deliberate meandering away from sensitive geographies to boost near-term portfolio resilience. We also note the potential upsides that may abound in markets way ahead in rate cuts and slightly more insulated from inflation shocks.

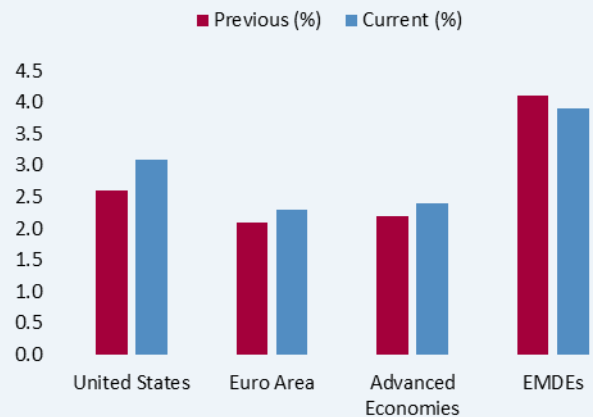
Meanwhile, commodity-linked equities and safe-haven precious metals stand to benefit from both inflation-hedging demand and geopolitical uncertainty. Fixed-income investors are also likely to be concentrated in the short to medium range of the bond curve in the US in view of sustained inflationary risks while flirting with duration in markets characterised by moderating inflation and rate cuts.

Figure 50: World Uncertainty Index



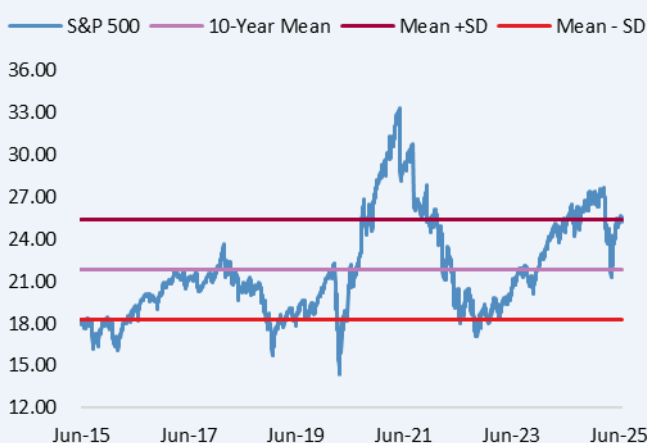
Sources: WUI, CardinalStone Research

Figure 51: inflation expectations for 2025



Sources: World Bank, CardinalStone Research

Figure 52: S&P 500 is trading at a premium to its 10-year mean P/E



Sources: Bloomberg, CardinalStone Research

Figure 53: DJI Index is trading at a premium to its 10-year mean P/E



Sources: Bloomberg, CardinalStone Research



Figure 54: Broad asset allocation summary

Asset Class	Nigeria	Global	Total	Rationale
Fixed Income	30.0%	10.0%	40.0%	Nigeria’s declining inflation and policy easing prospects support increased duration exposure, suggesting capital gains potential. Conversely, global duration is riskier amid sticky inflation and possibly higher for longer yields in the US.
Equities	35.0%	10.0%	45.0%	Nigerian equities remain favoured amid improving GDP forecasts, relative FX stability, and valuation upside. Due to geopolitical and valuation concerns, global exposure is concentrated in defensives.
Real Assets & Alternatives	3.0%	7.0%	10.0%	Domestic allocation remains modest but opportunistic, supported by the increased appetite for infrastructure funds, whose combined NAV has grown by a CAGR of 9.7% over the last 18 quarters. Their inflation-hedging potential and diversification advantage also inform global allocation to real assets and alternatives.
Cash & Liquidity	2.0%	3.0%	5.0%	Maintained some liquidity for tactical repositioning, volatility buffering, and opportunistic deployment.
Summary	70.0%	30.0%	100.0%	Strategic tilt favours Nigeria, creating room to harness local yield premium, FX-adjusted equity gains, and macro stability while preserving global exposure for diversification and inflation resilience.

Source: CardinalStone Research



## Domestic equities: More gains to come in H2'25

Improved macroeconomic sentiment, driven by faster-than-expected GDP growth, a downward trend in inflation, and early signs of currency stability, has set the stage for renewed investor confidence. Foreign Portfolio Investors (FPI) participation is also picking up, buoyed by greater FX clarity and improved capital repatriation mechanisms. Meanwhile, recent M&A activities in the oil and gas sector signal stronger corporate earnings ahead, particularly in the upstream and services segments. These drivers reinforce our constructive stance on Nigerian equities going into the second half of the year, as shown below.

**Macro improvements are positive for equities:** We expect Nigeria's GDP to grow at the fastest rate since 2014 (excluding the post-pandemic rebound) in the current year. This growth momentum should be anchored on a revitalisation of the oil & gas sector, supported by the full-scale commencement of Africa's largest refinery and renewed government efforts to raise crude output. Real growth is also expected to reflect sustained moderation in inflation to 20.0% (from average of 33.0% in 2024), aided by a more stable exchange rate environment that should ameliorate pressures on consumer spending and corporate costs. Additionally, the potential for monetary policy easing in late 2025, following an extended tightening cycle, presents further upside for real GDP, particularly through lower borrowing costs and better investment sentiment.

Our H2'25 sectoral allocation under equity is largely in favour of upstream oil and gas. Hence, for our related coverage companies (SEPLAT and ARADEL), we maintain an optimistic outlook and retain BUY recommendations.

The consolidation of SEPNU suggests material earnings upside as it expands SEPLAT's reserves profile and production capacity significantly. For ARADEL, we are optimistic about the earnings upside from the Renaissance Africa Energy Company (RAEC) consortium, which should support ARADEL's earnings via "share of profit of an associate". Furthermore, ongoing geopolitical tensions in the Middle East point to a potential floor for global oil price.

**Banking sector:** Amid the ongoing recapitalisation exercise, the Central Bank of Nigeria (CBN) has intensified its supervisory oversight, recently mandating that banks fully exit forbearance loans as a condition for future dividend payments. This directive underscores the regulator's commitment to enhancing asset quality and enforcing capital discipline. While the policy increases the risk to near-term dividend distributions for some banks, it ultimately supports the evolution of a more resilient and transparent financial system. Coupled with rising capital buffers, this regulatory shift strengthens banks' capacity to take on quality risk and sustain long-term return on equity.

In addition, after the policy-induced surge in impairments expected in FY'25, we see legroom for drastic reductions in loan provisioning and surge in writebacks that are capable of taking banking sector earnings to multi-year highs in FY'26. The medium to long-term case for Nigerian banks remains solid in our view, and even near-term tactical opportunities can open up if coverage names surprise market watchers by maintaining their dividends in line with guidance.



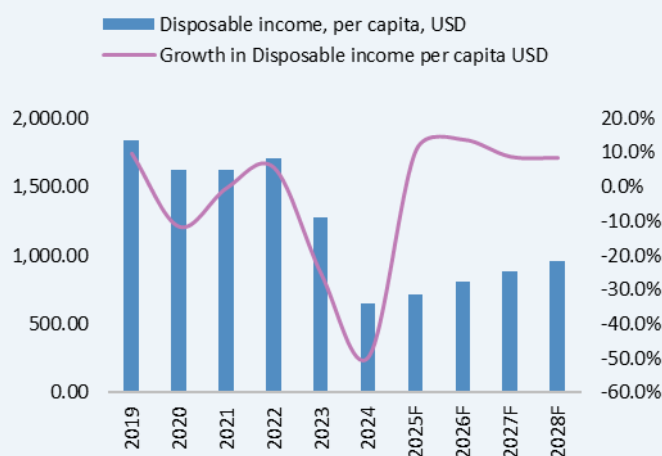
We remain constructive on fundamentally sound banks with clean balance sheets and scalable earnings models. Our top picks for 2025 include GTCO, ZENITHBANK, and UBA. GTCO stands out with zero exposure to forbearance loans and a relatively low proportion of Stage 2 loans, highlighting its prudent risk management. Meanwhile, both UBA and ZENITHBANK boast robust capital buffers, which remain resilient even under a 100.0% provisioning scenario. UBA's diversified earnings base, particularly from its non-Nigerian operations, is also likely to provide additional cushion, reinforcing our view that it is well-positioned to sustain dividend payments even in FY'25.

**FMCG sector:** After two years of sustained cost pressures—driven by elevated import costs, FX volatility, and margin erosion, the consumer goods sector appears poised for recovery. The prospect of a more stable currency in H2'25 provides welcome relief for FMCG players with significant imported input exposure. Companies that have proactively strengthened their distribution networks, preserved pricing power, and innovated around affordability and product relevance are now well-positioned to benefit from an improving macro backdrop.

In particular, NESTLE, UACN, NB, and UNILEVER have made substantial investments in nationwide distribution networks, giving them a strong footprint across all geopolitical zones in Nigeria. This reach enables these companies to maintain consistent product availability across traditional and modern retail outlets, minimising stockouts, enhancing market penetration, and serving a wide range of consumer demographics. Notably, the recent acquisition of Guinness Nigeria by the Tolaram Group is expected to unlock further topline growth due to the acquirer's proven distribution and marketing infrastructure across Nigeria and other African markets.

Beyond distribution, innovation around affordable formats and product diversification has been central to volume recovery. Between Q4'23 and FY'24, several FMCG names rolled out lower-priced SKUs and sachet offerings that have seen strong market adoption. UACN, for instance, delivered volume-driven growth in its packaged food segment through new product launches such as Kingsway Pastry Roll, Kingsway Loaf, and Gala Chin Chin. Similarly, NESTLE recorded solid volume and revenue gains through products like Maggi Signature Jollof, Milo 3-in-1, Nido Soya, and Cerelac Rice, all targeted at affordability without compromising quality.

Figure 55: USD Disposable income per capita set to grow in 2025



Sources: BMI, CardinalStone Research

Our top pick in the sector is NESTLE as we believe it is well positioned to sustain growth in a gradually normalising cost environment while leveraging scale, innovation, and brand strength.

**Telcos:** The telecommunications sector stands to benefit from the recently approved industry-wide tariff adjustments, which are expected to drive topline growth across voice and data segments. These long-awaited price increases come at a time when operators have faced persistent margin compression due to FX volatility and energy cost inflation. In addition to the tariff repricing, the renegotiation of tower lease contracts, which should help reduce FX-linked opex and energy passthrough costs, should provide further margin support.

Given these developments, we remain constructive on the sector and retain a positive 12-month outlook on both MTNN and AIRTELAFRI. Both players are well-positioned to benefit from improved pricing dynamics, leverage expanding data usage, and scale advantages in network infrastructure and mobile financial services.

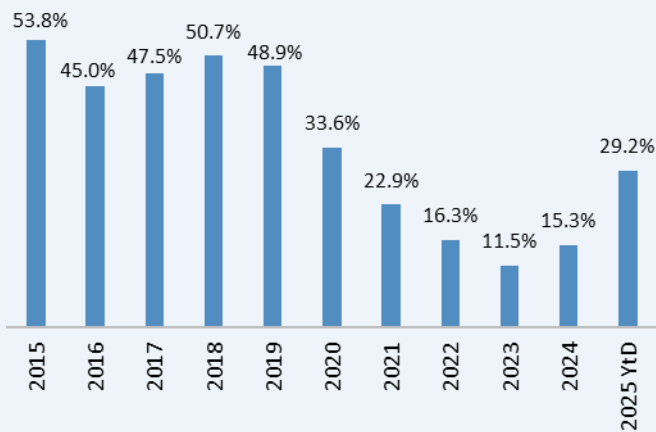
On corporate actions, MTN Group (through its President, Ralph Mupita) has announced plans to reduce its stake in MTNN through a public offer when the latter returns to a positive equity position and dividend payments. The proposed offer is consistent with the group's commitment to deepen local ownership in MTNN and could provide an attractive entry point for investors seeking exposure to a structurally resilient and cash-generative business.



**Improving FPI participation could provide support:** The CBN’s concerted efforts to restore confidence in the FX market—through increased transparency, liberalised pricing mechanisms, and enhanced investor engagement—are beginning to yield tangible results. In H1’25, foreign portfolio inflows into equities market significantly improved, reflecting a clear turnaround in sentiment. On a YtD basis, foreign transactions now account for 29.2% of total market activity, up from 20.4% in the same period of 2024.

We expect this renewed momentum in FPI activities to continue, supported by Nigeria’s relatively strong macro narrative and favourable positioning in the current global environment. Notably, Nigeria remains largely insulated from the recent global tariff crises, as its exports to the U.S. are heavily concentrated in crude oil—a commodity that remains exempt from the new trade restrictions. Additionally, in a world grappling with geopolitical volatility, particularly in energy-producing regions, Nigeria’s status as a net oil exporter could prove advantageous, especially if higher crude prices persist. These dynamics, improving FX liquidity, and declining inflation strengthen the case for continued foreign participation in Nigeria’s equity and fixed-income markets.

Figure 56: FPI participation in equities



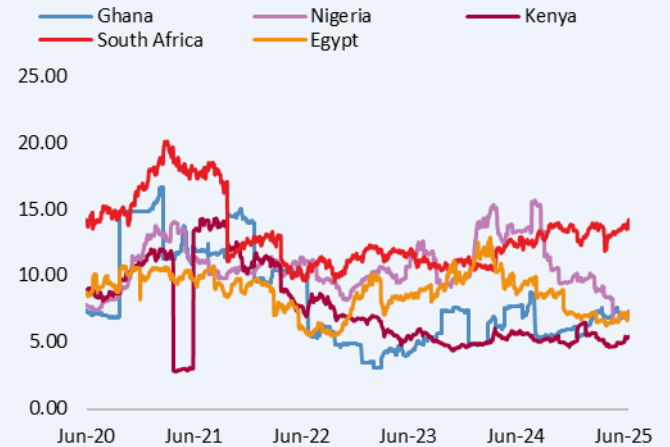
Sources: NGX, CardinalStone Research

Figure 57: The NGX ASI appears undervalued, relative to its 10-year mean P/E ratio



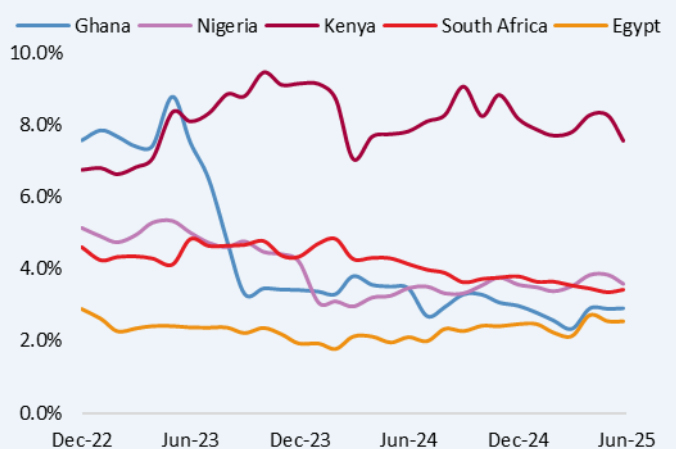
Sources: Bloomberg, CardinalStone Research

Figure 58: Market P/E ratios across select African countries



Sources: Bloomberg, CardinalStone Research

Figure 59: Historical dividend yields across select countries



Sources: Bloomberg, CardinalStone Research



## Forecasting 2025 equity market returns

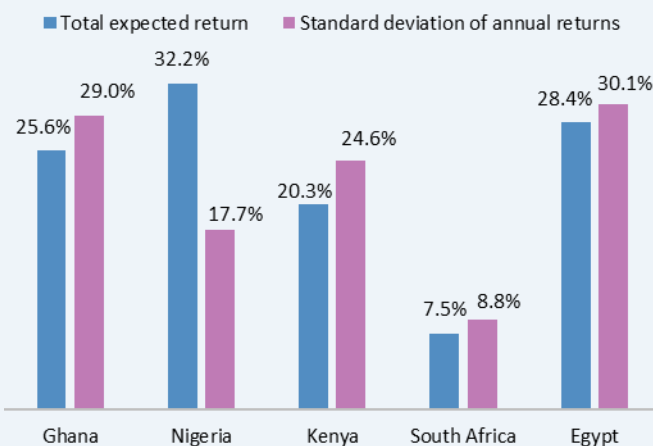
We maintain our reliance on the Grinold-Kroner model to estimate the equity returns for 2025. The model states that the expected return of a stock is its dividend yield, plus the inflation rate, plus the real earnings growth rate, minus the change in stock outstanding, plus changes in the P/E ratio. Below are the key assumptions for our analysis:

- Current dividend yield as provided by Bloomberg
- Expected inflation and real earnings growth rate as provided by the IMF
- For Nigeria, expected inflation and real earnings growth are based on in-house forecasts
- We assume no changes in shares outstanding
- For changes in PE, we assume reversion to the historical level (5-year average) will occur over the next 5 years at the rate of 20.0% per annum.

Following adjustments to the model, we have updated our expectation for the 2025 equities return of the Nigerian market to 32.2% (vs 40.4%, previously).

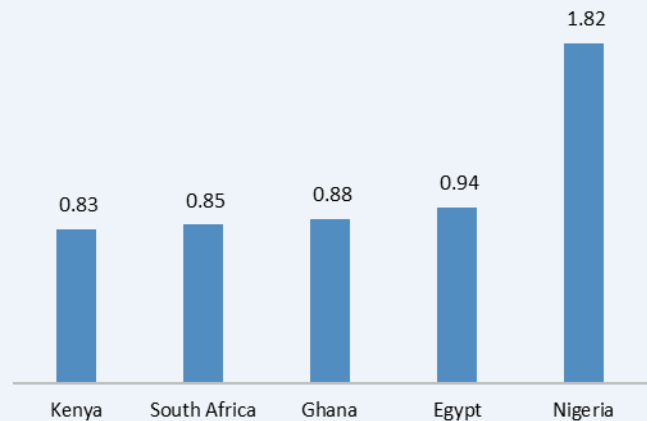
On a risk-adjusted basis, the market should return 14.5% or an expected return per risk of 1.82x in 2025.

Figure 60: Forecasting equity market returns for 2025 using Grinold Kroner model



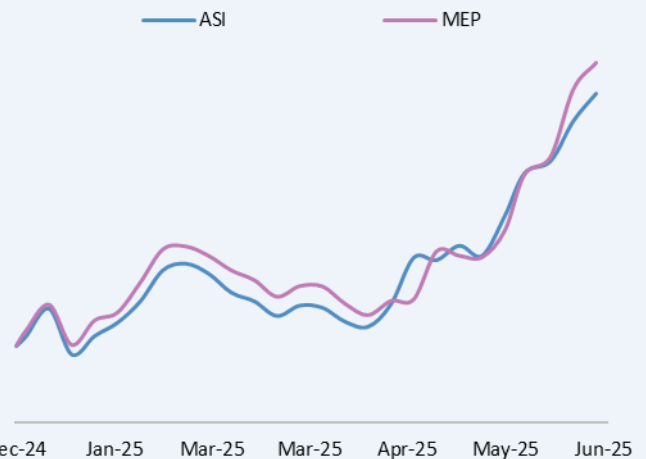
Sources: Bloomberg, IMF, CardinalStone Research

Figure 61: Expected return per risk (%) is higher in Nigeria than other select African countries



Sources: Bloomberg, IMF, CardinalStone Research

Figure 62: The CardinalStone MEP outperformed the benchmark index in H1'25, gaining 17.8% (vs 16.6% for the NGXASI)



Sources: NGX, CardinalStone Research



## Domestic fixed income: Clock ticks on duration buildup opportunities

In line with our year-start expectations, fixed-income yields moderated in H1'25, particularly in the second quarter, driven by elevated system liquidity. This liquidity kept banks as net depositors at the CBN discount window. Most of the liquidity stemmed from elevated maturities on short-dated instruments, coupon payments, and improved FAAC inflows. For the rest of the year, we see legroom for sustained moderation in yields on elevated liquidity, moderating inflation, a likely rate cut by the CBN, and a possible step-up in external borrowings.

To start with, CBN monetary policy transmission now appears more effective, evinced by the moderating pace of money supply. This effective transmission, coupled with the expectation for relative stability in the FX market and benign energy prices, is likely to support further disinflationary pressures in the second half of the year. As such, the CBN may be inclined to cut the policy rate by 50-100bps. It will, however, need to monitor the N16.74 trillion coming into the system to avoid stoking demand-side inflation. While a rate cut could compress OMO yields, this is unlikely to significantly dampen foreign investor appetite, especially as improving macro fundamentals continue to lower the perceived risk of Naira-denominated assets.

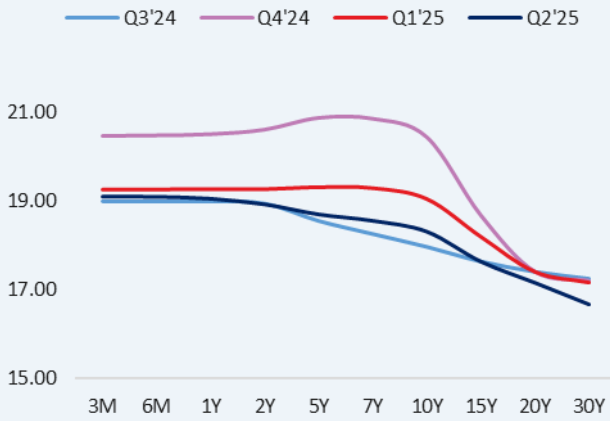
Elsewhere, the OMO yield (28.9%) continues to trade at a premium to NTBs (23.2%) despite their comparable risk and tenor profiles. This divergence stemmed from the 2019 policy move that saw the CBN restrict OMO participation to banks and foreign investors, triggering a reallocation of liquidity and a sharp decline in yields across the fixed income market in 2020.

On the fiscal side, the government mostly relied on the domestic market for deficit financing in H1'25, but we expect a notable increase in external sourcing in H2'25. Precisely, the government has set its sights on raising \$1.2 billion through the DMO and a further \$2.0 billion at concessionary rates through multilateral sources. These numbers suggest that a cumulative N4.90 trillion (using the official exchange rate of \$1,530/\$ as at June 1, 2025) may be sourced from abroad in H2'25, with the balance of N5.19 trillion likely to be raised from the domestic market after catering to rollovers.

Overall, we expect improved system liquidity to play a more significant role in driving yields lower, particularly at the short end of the curve. While long-end yields are also likely to decline, the moderation will be more tempered, given the backdrop of sustained government borrowing. We advise increased allocations to the long end, where duration strategies can better capitalise on easing yields while also maintaining some tactical exposure to short-dated instruments for liquidity management.



Figure 63: Fixed income yields have been flat-to moderating



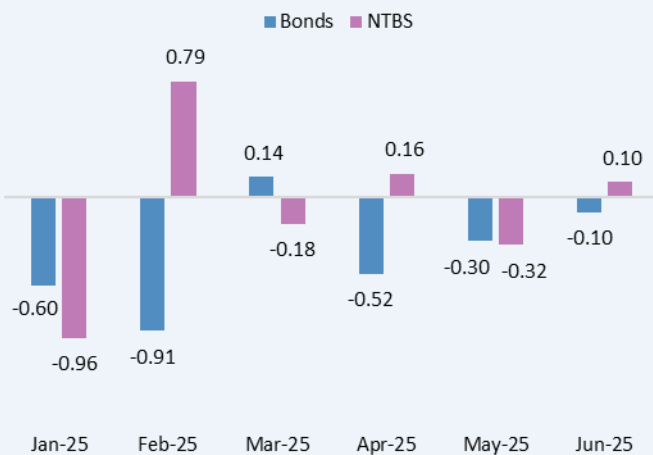
Sources: FMDQ, CardinalStone Research

Figure 64: FMDQ S&P bond index



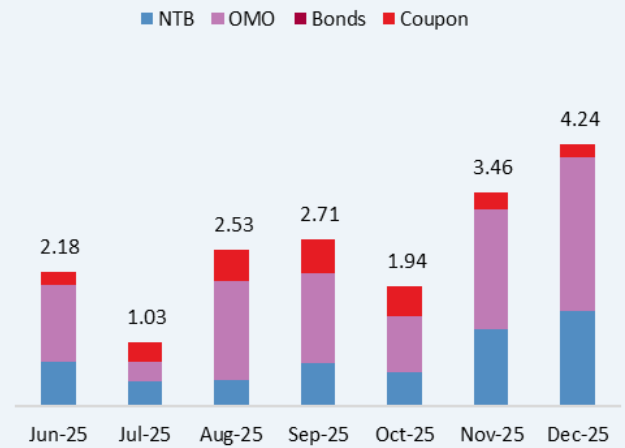
Sources: Bloomberg, CardinalStone Research

Figure 65: Net (borrowings)/repayment (N'trillion)



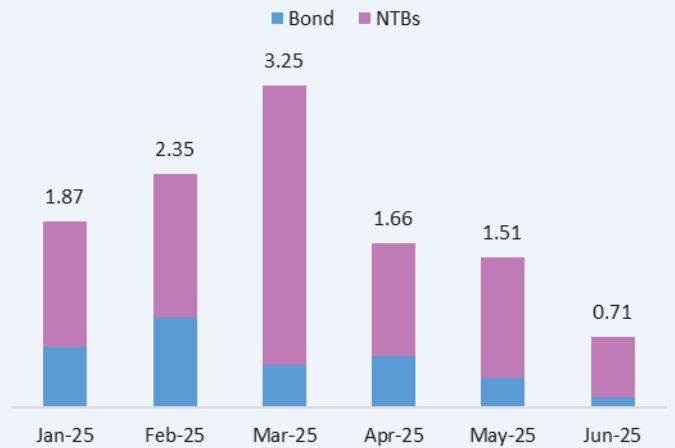
Sources: CBN, CardinalStone Research

Figure 66: Maturities (N' trillion) expected in H2'25



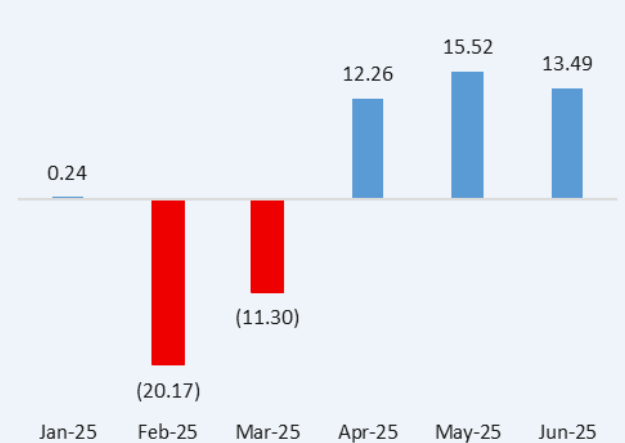
Sources: CBN, CardinalStone Research

Figure 67: Government borrowings (N'trillion)



Sources: DMO, CBN, CardinalStone Research

Figure 68: Banks were mostly net depositors (N'trillion) in H1'25



Sources: CBN, CardinalStone Research



Figure 69: Analysis of some selected African Eurobonds

	Rating			Yield	Yield per duration	Spread vs UST (Bps)	Upsides	Downsides
	Moody's	S&P	Fitch					
Nigeria (Mar-2029)	B3	B-	B	8.1%	2.5%	370.20	<ul style="list-style-type: none"> <li>• Growth to reach 4.0%, supported by both oil and non-oil sectors.</li> <li>• Inflation is expected to end the year at 20.0%, driven by stable FX and energy outlooks and moderating growth in money supply.</li> <li>• CBN is likely to reduce the policy rate, and this bodes well for rate-sensitive sectors.</li> <li>• The Naira is expected to remain stable, supported by a positive current account, CBN interventions, and a gradual recovery in FPI inflows.</li> <li>• The recent tax reform law is pro-growth and is likely to support individuals and businesses.</li> </ul>	<ul style="list-style-type: none"> <li>• Lower oil prices pose a threat to oil revenue in 2025.</li> <li>• External debt is set to rise in the medium term, as the government seeks approval for its 2025/26 debt rollover plan. The proposal includes external funding of \$21.00 billion, €2.20 billion, and ¥15.00 billion earmarked for various projects.</li> <li>• Intensifying insecurity in food-producing regions is negative for food supply.</li> <li>• The build-up of risk ahead of the 2027 general elections may gradually increase concerns.</li> </ul>
Angola (Nov-2029)	B3	B-	B-	10.7%	2.4%	630.20	<ul style="list-style-type: none"> <li>• The current account surplus is expected to shrink to 1.3% of GDP in 2025, down from 5.4% in 2024.</li> <li>• Angola's inflation is projected to ease to 22.0% in 2025 (vs 28.2% in 2024), driven by fading cost-push pressures and government efforts to boost production.</li> </ul>	<ul style="list-style-type: none"> <li>• Angola's debt-to-GDP ratio is forecasted to increase to 64.5% by 2025 (62.5% in 2024) on weaker oil prices.</li> <li>• Lower oil revenue in 2025 could widen the fiscal deficit to 3.3% of GDP, up from 2.3% in 2024.</li> <li>• Angola's economic growth is expected to slow to 2.8% in 2025 from 4.5% in 2024 due to lower oil production.</li> <li>• The current account surplus to shrink to 1.3% of GDP in 2025, down from 5.4% in 2024.</li> <li>• Reserves are projected to decline to \$14.5 billion in 2025 from \$15.8 billion due to high external debt servicing.</li> <li>• External debt is expected to stay elevated, with the interest-to-revenue ratio hovering around 30.0%.</li> </ul>
Egypt (Mar-2029)	Caa1	B-	B	7.4%	2.9%	305.20	<ul style="list-style-type: none"> <li>• Real GDP growth is expected to rise to 3.8% by the end of 2025, up from 2.4% in 2024.</li> <li>• Debt-to-GDP may fall to 86.6% in FY'25 (vs 90.9% in FY'24).</li> <li>• Tourism revenue to grow to 7.5% of GDP in FY'25 (vs 5.0% in FY'24).</li> <li>• The government remains committed to the IMF programme, which is focused on restoring macro-fiscal stability.</li> </ul>	<ul style="list-style-type: none"> <li>• The current account deficit is likely to widen to 5.8% in 2025 (vs 5.4% in 2024) on rising imports, reduced hydrocarbon output, and Suez Canal disruptions.</li> <li>• The fiscal deficit is projected to widen to 7.4% of GDP in FY'25, up from 3.3% in FY'24, due to the absence of Ras El-Hekma revenue and high debt costs.</li> <li>• Egypt's proximity to the Middle East is a significant risk given geopolitical tensions.</li> </ul>

Source: Bloomberg, Fitch, S&amp;P, Fitch, CardinalStone Research



	Rating			Yield	Yield per duration	Spread vs UST (Bps)	Upsides	Downsides
	Moody's	S&P	Fitch					
Cote d'Ivoire (Dec-2032)	Ba2	BB	BB-	7.3%	0.98%	298.20	<ul style="list-style-type: none"> <li>GDP is projected to improve to an average of 6.4% in the medium term (vs 6.0% in 2024), driven by higher extractive output, rising export crops, strong cocoa prices, and increased capital spending.</li> <li>The fiscal deficit is expected to improve to 0.2% of GDP in 2025 (vs -1.3% in 2024), supported by stronger revenue performance.</li> <li>Debt-to-GDP is projected to fall to 58.1% in 2025 from 59.3%, driven by strong nominal GDP growth and a narrowing fiscal deficit.</li> <li>The interest-to-revenue ratio is projected to fall to 15.5% over the next 2 years from 16.2% in 2024, supported by rising revenue and proactive debt management.</li> </ul>	<ul style="list-style-type: none"> <li>The presidential election scheduled for October 25, 2025, raises political risk due to the country's history of election-related violence.</li> <li>Debt/revenue ratio is expected to remain high at 313.0%, in line with historical trend.</li> </ul>
Senegal (Jun-2031)	B3	B	B	16.2%	2.7%	1180.20	<ul style="list-style-type: none"> <li>Real GDP growth is projected to hit 5.8% in 2025 (from 4.3% in 2024), driven by hydrocarbon production.</li> <li>The country recently got \$115.00 million in concessional financing from the World Bank to help implement the government's flagship reform program.</li> <li>The current account deficit is projected to ease to 3.6% in 2025 (vs 4.2% in 2024) as oil and gas-related imports are likely to fall.</li> <li>Bank assets are projected to grow in FY'25, driven by an improving economy and increased lending to the central government.</li> </ul>	<ul style="list-style-type: none"> <li>Inflation is expected to scale higher to 2.0% in 2025 (vs 0.8% in 2024).</li> <li>Debt-to-GDP level to remain elevated, averaging 109.6% over the next 3 years (vs 113.7% in 2024).</li> </ul>
Kenya (Feb-2031)	Caa1	B-	B-	9.2%	1.6%	482.20	<ul style="list-style-type: none"> <li>Gross external financing is expected to fall to 6.3% of GDP in 2025 from 7.5% in 2024, driven by a lower fiscal deficit, reduced debt amortisation, and better external liquidity.</li> <li>Real GDP growth is projected at 5.1% in 2025, up from 4.6% in 2024, supported by a rebound in private sector activity despite government spending cuts.</li> <li>Inflation is expected to stay near the CBK's target midpoint, opening room for rate cuts.</li> <li>Debt-to-GDP to decline marginally to 66.0% by FY'26 (vs 67.0% in FY'24) due to stronger nominal GDP growth.</li> </ul>	<ul style="list-style-type: none"> <li>Government interest payments/revenue to exceed 32.0% in 2025 from 31.0% in 2024.</li> <li>Current account deficit to widen to 4.1% of GDP from 3.9% of GDP in 2024 due to higher imports and a narrow export base.</li> <li>FX reserves are expected to decline, covering 3.6 months of imports, due to current account deficits and high external debt pressures.</li> <li>Geopolitical tensions may weaken the tea market, with falling factory prices and high production costs driving farmer losses.</li> </ul>

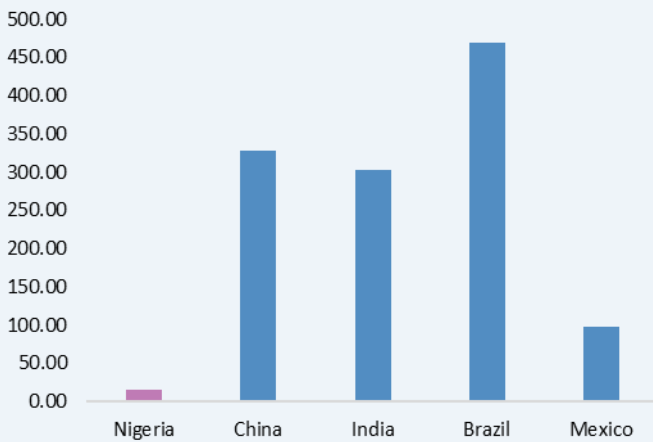
Source: Bloomberg, Fitch, S&P, Fitch, CardinalStone Research



# Beyond traditional assets: Portfolio diversification through infrastructure investing

Africa’s most populous nation and one of its largest economies — Nigeria, faces a huge infrastructural deficit across transportation, energy, telecommunications, and critical social services like healthcare and education. The deteriorating condition of Nigeria’s roads has become a significant strain on the economy, costing billions of naira annually in lost productivity and resources. In terms of power, an estimated 39.5% of the country’s population lacks access to electricity despite having an installed capacity of 13,625 MW, a direct consequence of the inadequate transmission and gas infrastructures.

Figure 70: Nigeria’s PPI\* numbers (\$’billion) reflect the extent of infrastructural deficit compared to other developing countries



Sources: World Bank, CardinalStone Research.

\*Private Participation in Infrastructure

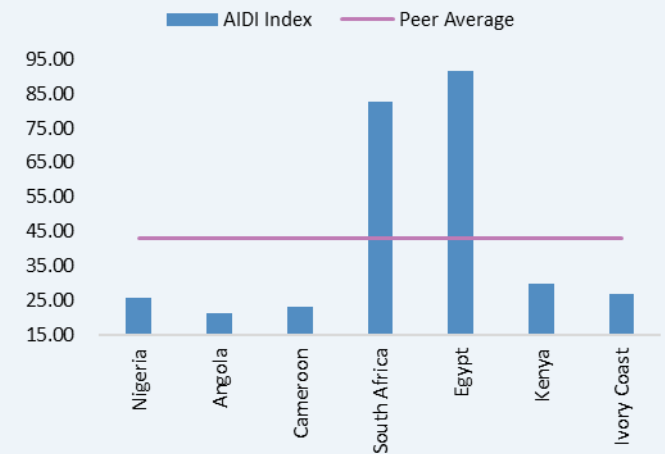
Also, Nigeria’s healthcare and digital infrastructure remain severely underdeveloped. With just 0.5 hospital beds per 1,000 people and a doctor-to-patient ratio of 1:5,500—far below the WHO’s 1:1,000 benchmark—the country accounts for c.28.0% of global maternal deaths despite making up only 2.8% of the world’s population. Meanwhile, limited internet

AIDI: Africa Infrastructure Development Index

access (only 43.8% of the Nigerian population has access to internet vs. 78.9% for South Africa), hinder the potential of the country’s largely youthful population.

The Federal Government of Nigeria remains committed to leveraging public-private partnerships (PPPs) as a central strategy to bridge the country’s vast infrastructure gap, estimated at over \$2.0 trillion. The National Integrated Infrastructure Masterplan (NIIMP) 2020-2043 continues to be Nigeria’s major blueprint and a compass to boost the level of infrastructure in Nigeria.

Figure 71: Nigeria’s infrastructure development rate ranks lower than its African peer average



Sources: African Development Bank, CardinalStone Research

The plan highlights that the government intends to raise infrastructure stock from the current 35.0% of GDP to 70.0% by the end of 2043. The NIIMP, originally developed in 2012, was revised in 2022 to refocus on several sectors by:

- Enlarging power generation via renewables and limiting the use of fossil fuels in the energy sector.

- Revitalizing all transportation networks over land, sea and air and other supporting infrastructure.
- Constructing affordable housing units via PPPs and other related financing initiatives.
- Giving precedence to upgrading the mobile networking infrastructure and other related digital services.
- Developing water irrigation and water management systems for use in agribusinesses across the country.
- Enhancing health facilities in the country.

The Federal Government has established other infrastructural development initiatives over the last two administrations.

1. **The Infrastructure Corporation of Nigeria (InfraCorp):** Established by the CBN, AFC, and NSIA with an initial seed fund of N1.00 trillion, InfraCorp seeks investments in Infrastructure development via public/private partnerships. It has a \$37.00 billion target in infrastructure investments by 2030. InfraCorp also signed a Memorandum of Understanding (MoU) with Solarge BV and The African Green Infrastructure Development Bank to establish a Gigawatt Solar PV manufacturing plant in the country. It has also been appointed as the lead arranger and developer of Evergreen City, Nigeria’s planned eco-friendly industrial zone.
2. **The Presidential Infrastructural Development Fund (PIDF):** This fund was established by Muhammadu Buhari’s administration in partnership with the NSIA, Federal Ministry of Works and Housing, and the Federal Ministry of Finance, Budget, and National Planning in 2018. Five projects were allocated under the PIDF at inception, with varying degrees of completion:
  - Lagos-Ibadan Expressway (“LIE”) – Close to completion
  - Abuja-Kano Road (“AKR”) – Under construction (estimated completion date is 2026)
  - Second Niger Bridge Project (“2NB”) – Completed, 2023
  - Mambilla Hydro-Power Project – Yet to be developed.

3. **The Renewed Hope Infrastructural Development Fund (RHIDF):** This fund aims to raise an initial seed of N20.00 trillion through direct project financing (via budgetary allocations and special purpose vehicles), co-financing through public-private partnerships, and equity investments to fund critical national projects across the transportation, agriculture, energy, health, and education sectors. The RHIDF has also co-opted initiatives and projects under the PIDF (Presidential Infrastructural Development Fund), which was established under the previous administration. Notable Projects under development by the fund include the Sokoto Badagry Coastal Highway, which is expected to cover 1,068 km.
4. **The Road Infrastructure Development and Refurbishment Investment Tax Credit Scheme (RITC):** This scheme enables the FGN to leverage the capital and efficiency available in the private sector to construct, repair, and maintain vital road infrastructure in Nigeria by granting an income tax credit to companies/HNIs that provide varying levels of funding for 44 road infrastructure projects with a total cost of N1.96 trillion. Notable projects that have been executed under this scheme include the Ilorin-Jebba-Mokwa/Bokani Junction Road Dualisation, Lagos-Badagry Expressway Upgrade, Apapa-Oworonshoki-Ojota Expressway Reconstruction, Obajana-Kabba Road Revitalisation, etc. Institutions that have taken part in the scheme include the FIRS, NNPC, NLNG, BUA Group, Access Bank, and Dangote Group.
5. **Highway Development and Management Initiative (HDMI):** This is an initiative created to enhance Nigeria’s extensive 35,000 km federal highway network, introducing order, efficiency, accountability, and profitable entrepreneurship.

Figure 72: Projects under the HDMI umbrella

Route no.	Highway corridor	Length (km)	Concession period (years)	Concessionaire	Expected revenue (N'trillion)	Status
1	Benin-Asaba	125.0	25	Africa Plus Consortium	1.6	Awarded
2	Abuja-Lokoja	195.0	25	Avia Infrastructure Service Limited (AISL)	1.8	Awarded
3	Onitsha-Owerri- Aba	161.2	25	Eyimba Economic City Consortium	0.7	Awarded
4	Shagamu-Benin	258.0	25	AFC/Mota Engil Consortium	2.0	Awarded
5	Abuja-Keffi-Akwanga	175.9	25	China Harbour Engineering Company Ltd (CHEC)	0.5	Awarded
6	Kano-Shuari	100.0	27	Dafac Consortium	0.8	Awarded
7	Enugu-Port Harcourt	200.0	25	Eyimba Economic City Consortium	1.2	Awarded
8	Lagos-Ota-Abeokuta	80.0	25	Africa Plus Consortium	1.6	Awarded
9	Lagos-Badagry-Seme	79.0	25	AFC/Mota Engil Consortium	1.4	Awarded

Sources: Infrastructure Concession Regulatory Commission (ICRC), CardinalStone Research

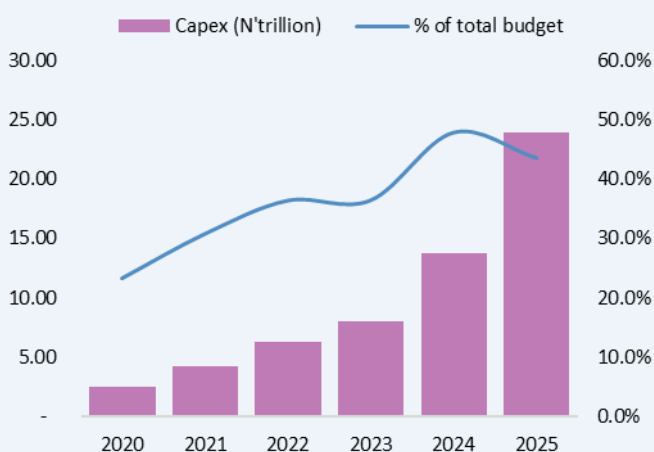
**Budgetary allocation and capex**

Historically, Nigeria’s budgetary allocations have leaned heavily toward recurrent spending, leaving limited room for capital investments. This imbalance, alongside high governance costs, revenue inefficiencies, and rising debt, has deepened the country’s infrastructure deficit over time.

In a notable shift, the current administration has prioritised capital investments, with the approved 2025 budget allocating N23.96 trillion to capital expenditure—43.6% of total planned spending. This allocation reflects a renewed commitment to infrastructure-driven growth, with potential

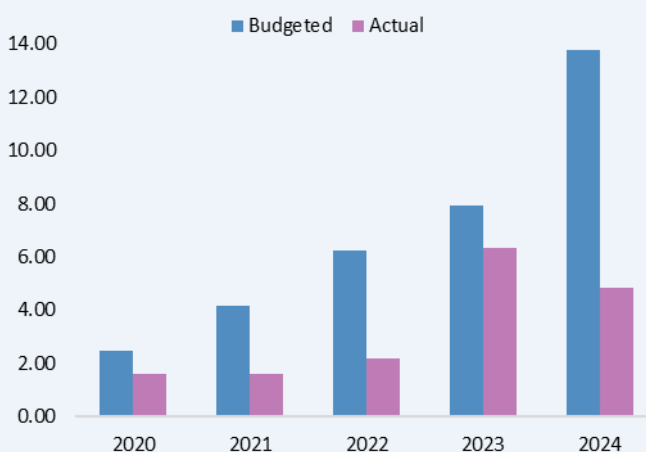
long-term benefits including job creation, improved social services, and broader economic impact. While the pace of execution may take time to build momentum, the increased allocation marks a positive step toward addressing Nigeria’s infrastructure gap.

Figure 73: Increased capex allocation in 2025



Sources: Budget Office, CardinalStone Research

Figure 74: Government capital expenditure (N'trillion) trend in the last 5 years



Sources: Budget Office, CardinalStone Research

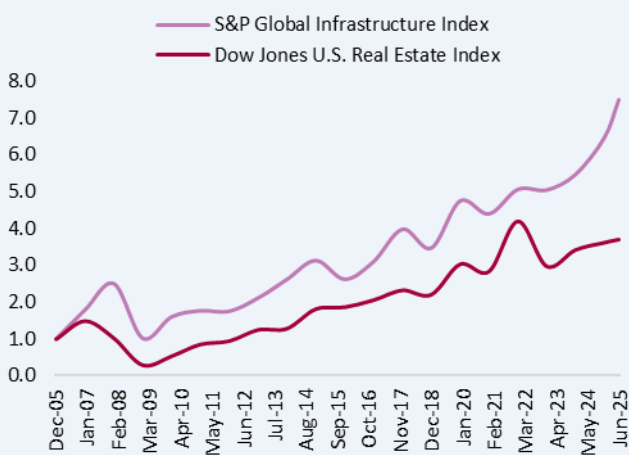
**Investment consideration**

While the global macro environment remains clouded by geopolitical tensions and the looming expiration of the 90-day U.S.–China trade agreement in H2’25, inflation is now expected to scale higher in line with the World Bank’s recent revision of global inflation estimate, which is well above the pre-pandemic average. Against this backdrop of uncertainty, investors continue to seek assets that enhance portfolio resilience and stability.

Infrastructure has consistently proven to be a valuable strategic hedge in such conditions. Its ability to deliver

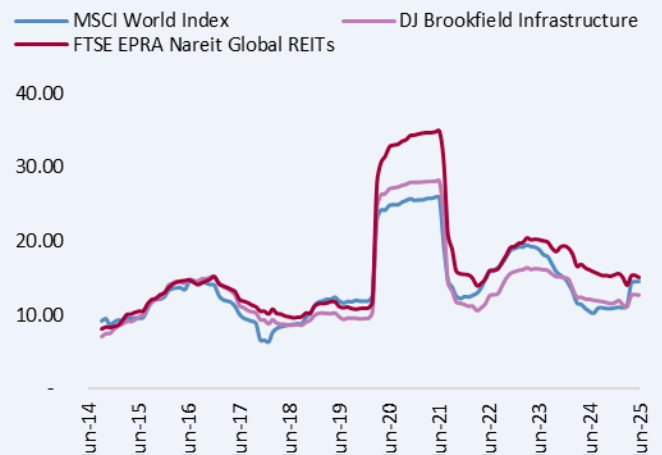
stable, long-term cash flows—often backed by contractual revenue streams—offers a cushion against volatility in traditional markets. Moreover, infrastructure assets tend to exhibit low correlation with equities and fixed income, providing meaningful diversification benefits. Their inherent inflation-linked characteristics and essential-service nature make them particularly well-suited to navigate turbulent market cycles, reinforcing their role as a defensive anchor in multi-asset portfolios.

Figure 75: S&P Global Infrastructure Index has consistently outperformed the Dow Jones US Real Estate Index (rebased)



Sources: Bloomberg, CardinalStone Research

Figure 77: Infrastructure funds (proxied by DJ Brookfield Infrastructure Index) have demonstrated more stability vs global equities and REITs funds



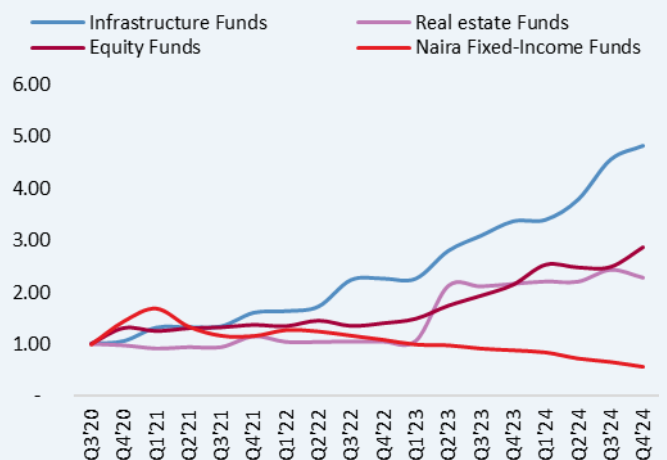
Sources: Bloomberg, CardinalStone Research

Figure 76: Fast paced urbanization in Nigeria reinforces the need for intensified infrastructure deployment



Sources: Statista, CardinalStone Research

Figure 78: Naira AUM growth of infrastructure funds is well ahead of those of traditional assets funds (rebased)



Sources: SEC, CardinalStone Research



### **Analyst Certification**

The research analyst(s) denoted by an “\*” on the cover of this report certifies (or, where multiple research analysts are primarily responsible for this report, the research analysts denoted by an “\*” on the cover or within the document individually certifies, with respect to each security or issuer that the research analyst(s) cover in this research) that: (1) all of the views expressed in this report accurately articulate the research analyst(s) independent views/opinions, based on public information regarding the companies, securities, industries or markets discussed in this report. (2) The research analyst(s) compensation or remuneration is in no way connected (either directly or indirectly) to the specific recommendations, estimates or opinions expressed in this report.

**Frequency of Next Update:** An update of our view on the company (ies) would be provided when next there are substantial developments/financial news on the company.

**Conflict of Interest:** It is the policy of CardinalStone Partners Limited and its subsidiaries and affiliates (individually and collectively referred to as “CardinalStone”) that research analysts may not be involved in activities that suggest that they are representing the interests of Cardinal Stone in a way likely to appear to be inconsistent with providing independent investment research. In addition, research analysts’ reporting lines are structured to avoid any conflict of interests. For example, research analysts are not subject to the supervision or control of anyone in CardinalStone’s Investment Banking or Sales and Trading departments.

However, such sales and trading departments may trade, as principal, based on the research analyst’s published research. Therefore, the proprietary interests of those Sales and Trading departments may conflict with your interests.

### **Important Regional Disclosures**

The analyst(s) involved in the preparation of this report may not have visited the material operations of the subject Company (ies) within the past 12 months. To the extent this is a report authored in whole or in part by a Non-U.S. analyst and is made available in the U.S., the following are important disclosures regarding any Non-U.S. analyst contributors: The Non-U.S. research analysts (denoted by an \* in the report) are not registered/qualified as research analysts with FINRA; and therefore, may not be subject to the NASD Rule 2711 and NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account. Each analyst (denoted by an \*) is a Non-U.S. Analyst and is currently employed by Cardinal Stone.

**Legal Entities:** Legal entity disclosures: CardinalStone Partners is authorized and regulated by the Securities and Exchange Commission (SEC) to conduct investment business in Nigeria.



CARDINALSTONE

# Think Investment, Think CardinalStone

We provide leading financial solutions and expert advisory to help you every step of the way.

## Our Offerings

- Investment Banking
- Asset Management
- Securities Trading
- Trust Services
- Registrar Services
- Financing



Scan the QR code  
to start your  
journey today



[www.cardinalstone.com](http://www.cardinalstone.com)



[Info@cardinalstone.com](mailto:Info@cardinalstone.com)



+234 201 631 2225