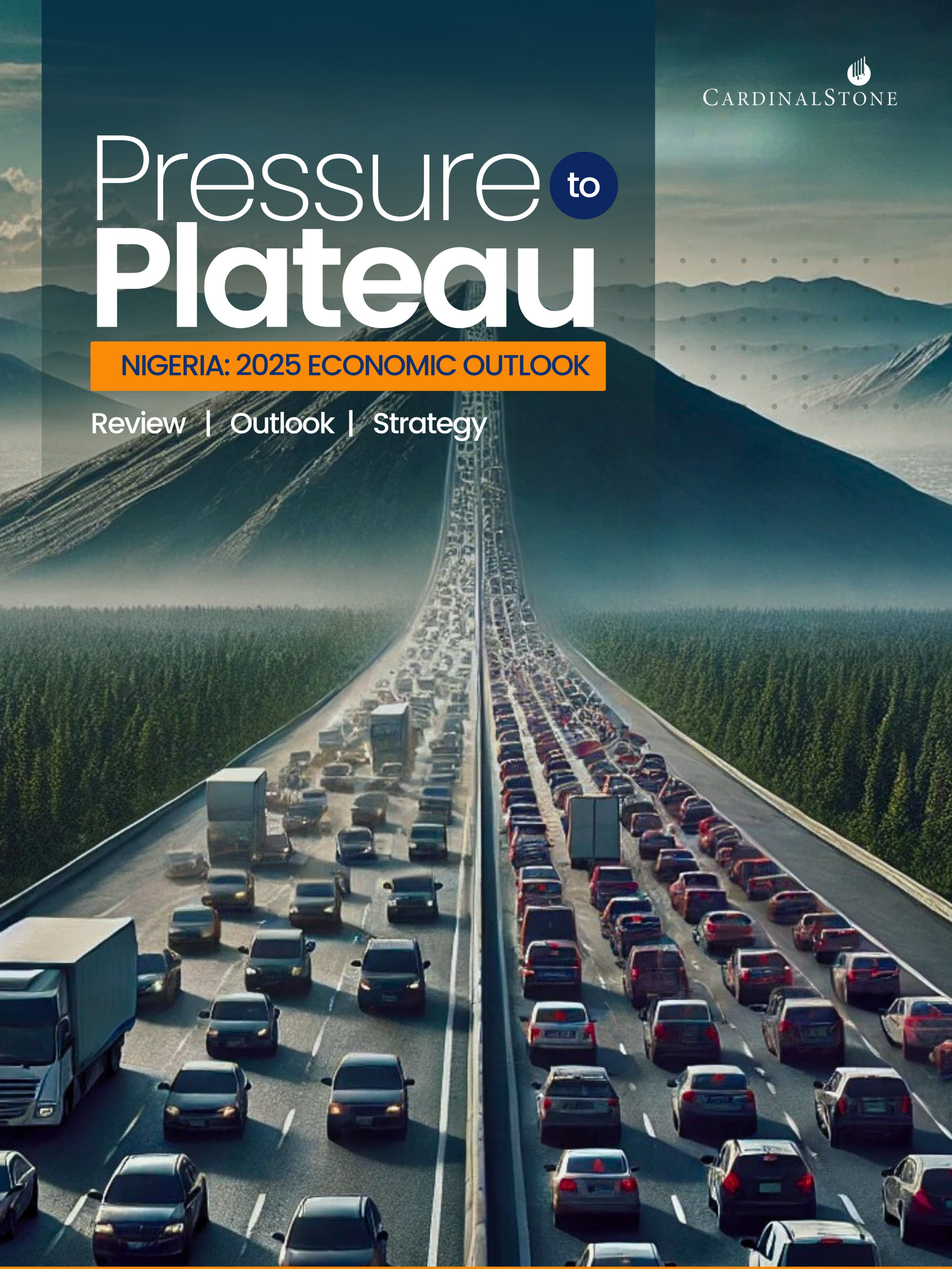
CARDINALSTONE

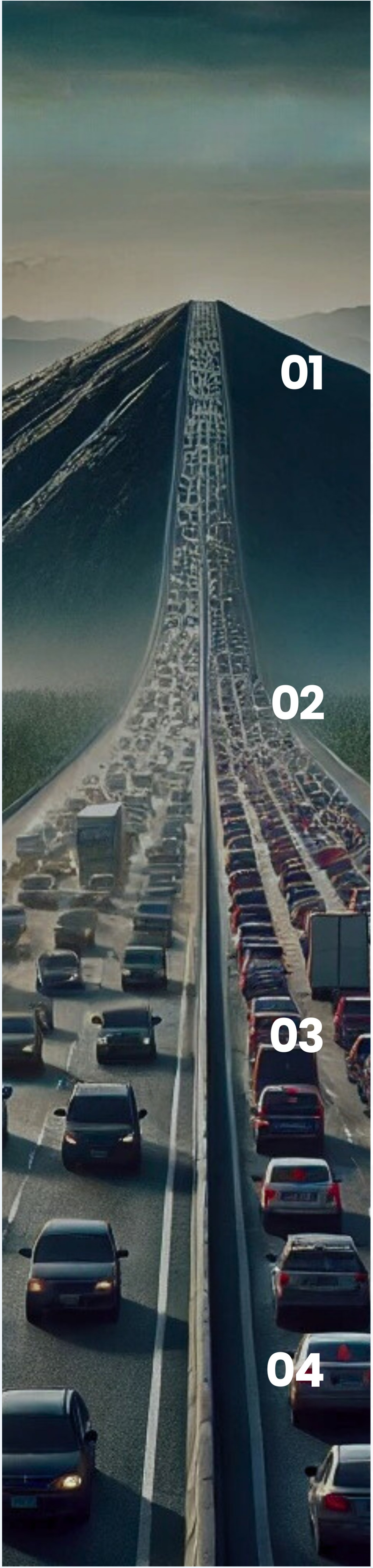
Pressure to Plateau

NIGERIA: 2025 ECONOMIC OUTLOOK

Review | Outlook | Strategy



December 2024



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Executive Summary

Happy New Year, Investors!

As we welcome 2025, it is expected that the year will offer a mix of challenges and opportunities. Nigeria's economy is poised to grow at its fastest pace since 2014, with GDP growth expected to reach 3.7% on the back of healthy performances in oil & gas and manufacturing. Inflation is projected to moderate, and the Central Bank of Nigeria (CBN) is likely to lower interest rates in the second half of the year, creating an optimistic outlook for both fixed income and equities.

In the domestic fixed income market, the focus should be on long-term government bonds, which currently offer coupon yields of about 19.0%. With rates expected to decline by around 100 to 250 basis points across the Naira curve and the contractions likely to be more pronounced in the short end, locking in these yields now can provide stable income, potential capital gains, and protection against re-investment risks. Meanwhile, Nigerian equities should stand out as a high-return opportunity, with a forecasted c.40.0% return driven by expectations of improved fundamentals, Naira stability, and recovery in corporate performances.

Globally, geopolitical shifts and fiscal stimulus policies, particularly from the US, make diversification essential. High-yield Eurobonds in emerging and frontier markets present attractive opportunities, while defensive equities in developed markets and select growth sectors in emerging markets can provide stability and other potential portfolio benefits.

For 2025, the strategy is clear: lean into Nigeria's high-growth potential with a strong allocation to equities and long-term bonds, while diversifying globally to mitigate risks and tap into high-yield opportunities abroad.

Here is to a prosperous and well-balanced investment year ahead. Happy New Year!

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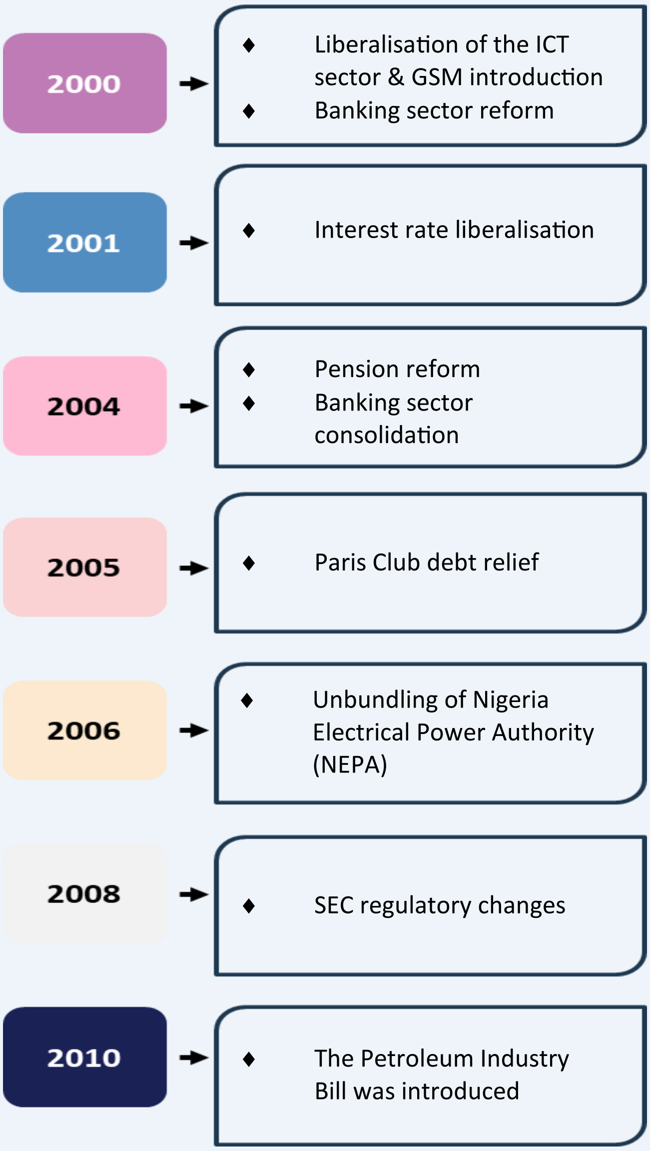
Domestic Economy

Stay the course to win the race

The past year and a half have been challenging for the Nigerian economy. The limited social safety net provisions following government reforms, coupled with multi-decade high inflation and a volatile exchange rate, have intensified the cost-of-living crisis, dampened business profitability, and hampered productivity. Consequently, Nigeria slipped from being Africa's second-largest economy in 2023 to fourth place in 2024. Despite these economic headwinds, we maintain our view, which was recently corroborated by a World Bank report, that the reform agenda should be sustained and that most of the pressures facing the country are temporary. More still, the worst impacts may have already been felt, with major economic markers already turning green and the benefits of reforms looking set to materialize in the medium term.

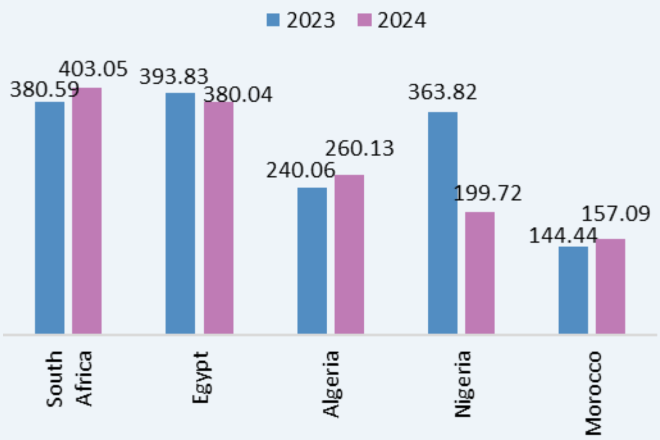
In terms of results, we expect to see some parallels with the first decade of the current century, wherein Nigeria initiated over 10 economic reforms, which delivered an average GDP growth rate of 8.3% (compared to 1.7% in the pre-reform period) and average FDI inflows of $4.1 billion (up from $811.07 million in the pre-reform era). To complement and expedite the reform efforts, we expect the government to focus on 3 things – 1) addressing the long-standing structural constraints to inflation to complement the CBN's monetary efforts, 2) promoting export-driven initiatives, especially non-oil, to boost FX earnings, and 3) resolving insecurity challenges to create a conducive environment for economic growth. The most critical recommendation is, however, outside of these three, and it is staying the course despite short-term pressures.

Figure 1: Major economic reforms between 2000 to 2010



Source: CardinalStone Research

Figure 2: Nigeria has slipped from being Africa's second-largest economy by GDP ($' billion) in 2023 to fourth place in 2024

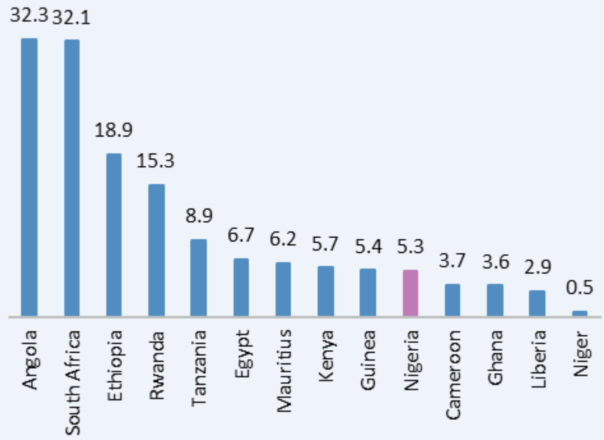


Source: IMF, CardinalStone Research

Nigeria's economic paradox—Low unemployment, high poverty

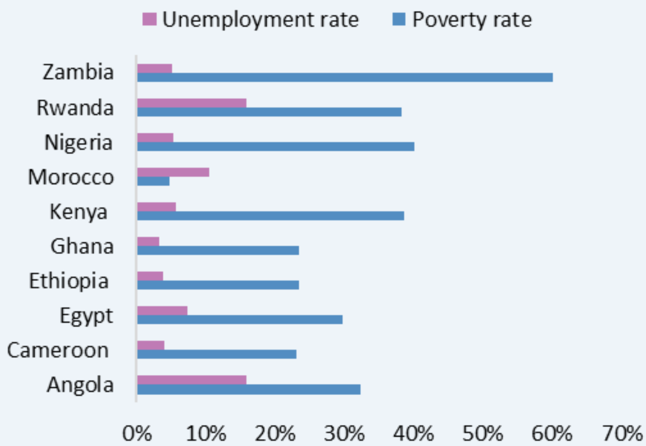
About 73.2% of Nigeria's working-age population is employed, and the unemployment rate stands at just 5.3%, one of the lowest in Sub-Saharan Africa. However, this low unemployment has not reduced poverty or improved living standards. Many Nigerians are stuck in low-paying or informal jobs, and GDP per capita remains one of the lowest in Africa at $877.07, still below pre-2016/17 recession levels. Low productivity, high population growth, income inequality, and inflationary pressures continue to hinder progress. We believe that ongoing reforms coupled with faster provision of safety nets for the most vulnerable and keen attention to our recommended focus areas offer the best hope for sustainable standard of living improvement.

Figure 3: Unemployment rate across selected SSA countries



Source: World Bank, CardinalStone Research

Figure 4: Rising poverty despite low unemployment



Source: IMF, CardinalStone Research

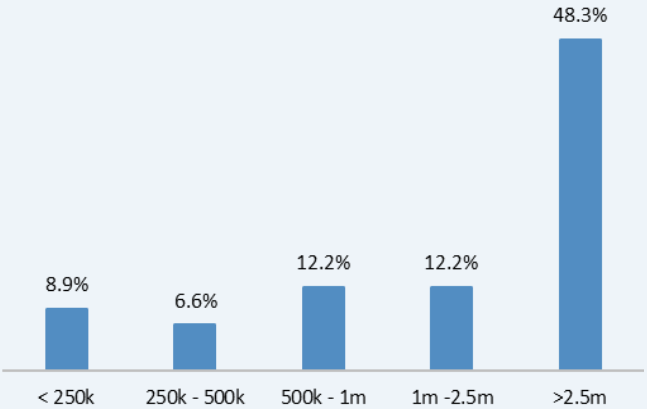
To our minds, low productivity of jobs appears to be the biggest driver of Nigeria's economic paradox, and we narrow the possible causes to 2 factors as shown below:

- **Large informal sector jobs -** Labour distribution in Nigeria is heavily dominated by self-employment, comprising 84.0% of the workforce, with the informal sector accounting for c.92.7% of total employment. Even though it provides a lot of jobs, the informal sector is mostly characterised by challenges such as the lack of income security, employment benefits, and social protection for workers, which negatively impact productivity. Nigeria's labour statistics also reveal that c.72.3% of informal sector workers have no higher education, suggesting lower skill levels and compensations compared to their formal sector counterparts.

  A World Bank report on informality in Sub-Saharan Africa highlights that informal firms, including those in Nigeria, often suffer from limited managerial capacity and typically produce low-quality, inexpensive goods with minimal demand from the formal sector. Similarly, the value added per worker in informal firms in Sub-Saharan Africa is only 14.0% of that in formal firms—well below the median for other Emerging Market and Developing Economies (EMDEs)[1].

  Elsewhere, business earnings disparities are large between the informal and formal sectors, with the former struggling to generate adequate profitability to expand and grow productive jobs. For context, a recent market survey by Moniepoint reveals that while 72.3% of businesses in the informal sector report N1.0 million monthly revenues, most of them end up with a profit of less than N250k.

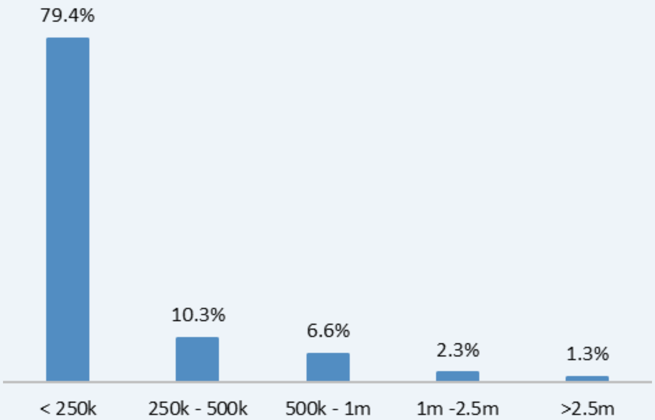
Figure 5: Monthly revenue generation of the informal sector



Sources: Moniepoint, CardinalStone Research

[1] La Porta and Shleifer (2014) on informality and development

Figure 6: Net profit breakdown of the informal sector



Sources: Moniepoint, CardinalStone Research

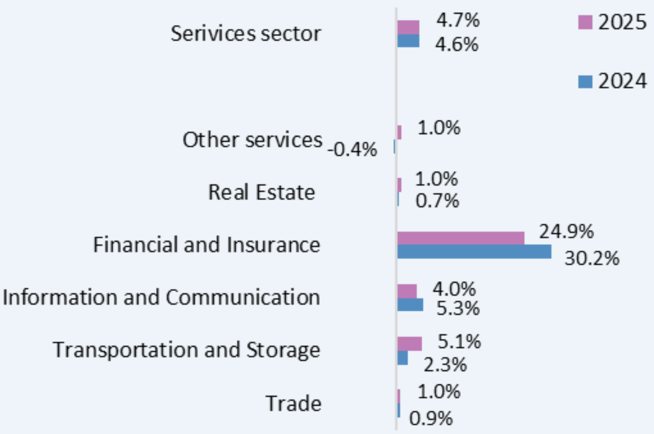
- **Weak efficiency of the public sector –** Most studies on the Nigerian public sector appear to agree that productivity is relatively low when compared to the private sector, a consequence of reported cases of lack of clearly defined KPIs and low motivation, among other factors. Many times, employment is not necessarily a function of merit but a federal character or zoning system, none of which helps to improve job productivity.

Economy to strengthen in 2025

Despite the current tough macroeconomic conditions, Nigeria's growth outlook appears biased to the upside in the near to medium term. Corroborating this view, the most recent business confidence survey, a leading indicator by the CBN, suggests that the confidence level is likely to jump to 21.7 index points in 6 months from current levels of 3.1 points. The survey is instructive for us and shares similar expectations with our 2025 views. Notably, the services sector will improve modestly, with support stemming from real estate, trade and transport.

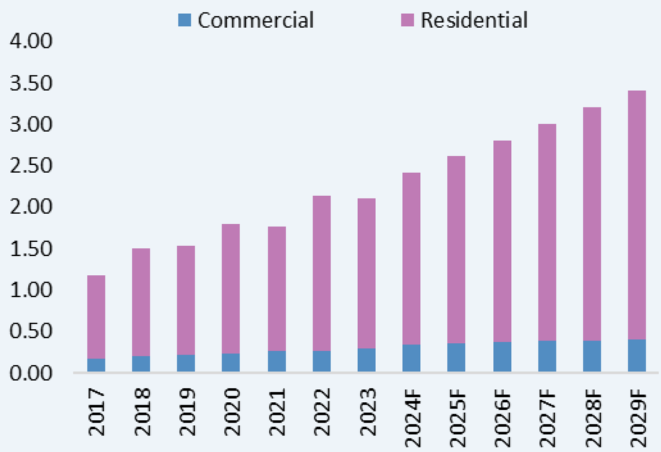
On real estate, Statista projects real estate value to reach $2.6 trillion in 2025 (vs $2.1 trillion in 2024) on growing population, increasing urbanisation, and real estate's store of value feature amidst high inflation. This view is consistent with the observed traction in the retail segment of real estate, which is experiencing the spring-up of major mall projects in Lagos and a deceleration in mall vacancies in both Abuja and Lagos. The commencement of interest rate normalisation in H2'25 and the government's continued tilt to infrastructure should provide further support to the sector.

Figure 7: Services sector to remain stable in 2025



Sources: NBS, CardinalStone Research

Figure 8: Growing real estate market volume ($'trillion) on increasing population and urbanisation



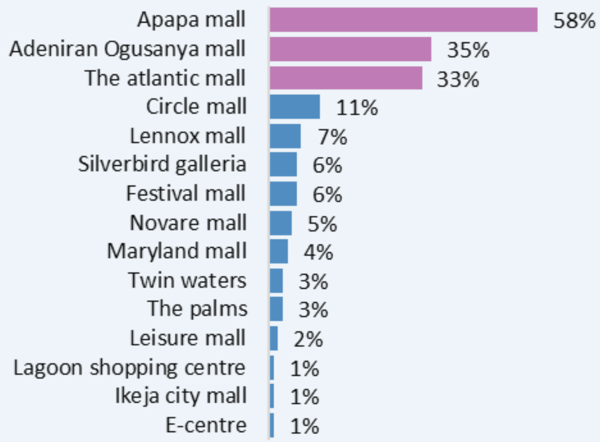
Sources: Statista, CardinalStone Research

Figure 9: Some ongoing/recently completed retail/mall projects in Lagos state

Name	Location	Size (m 2)	Status
Lekki Town Square	Lekki	Unspecified	Ongoing
Oasis Centre	Ikeja	30,000	Ongoing
Resurgence Plaza	Lekki	Unspecified	Ongoing
Falomo Shopping Centre	Lekki	10,000	Ongoing
Purple Lekki	Lekki	12,000	Recently completed
Ojoja Mall	Ajah	8,000	Ongoing
Alade shopping complex	Ikeja	4,175	Ongoing

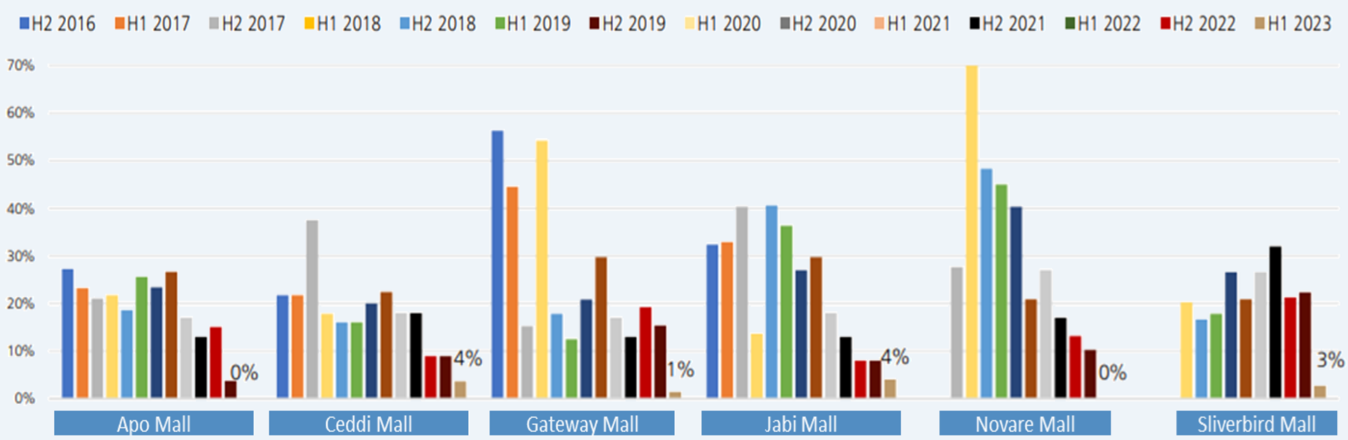
Sources: Northcourt, CardinalStone Research

Figure 10: Lagos retail vacancy rates



Sources: Northcourt, CardinalStone Research

Figure 11: Abuja retail mall vacancy rates



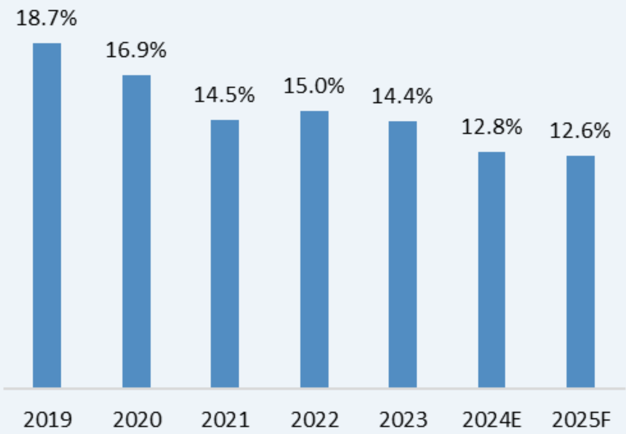
Sources: Northcourt, CardinalStone Research

Elsewhere, our sanguine view on trade and transport sectors is primarily premised on expected improvement in the capturing of the informal sector consequent on GDP rebasing (a significant chunk of Nigeria's trade and transportation occurs in the informal space). Technological advancements supporting e-commerce, mobile payments and e-marketing, as well as improving road infrastructure, and low base effect are also critical fulcrums for our outlook for the sectors.

ICT sector worries—a front burner issue

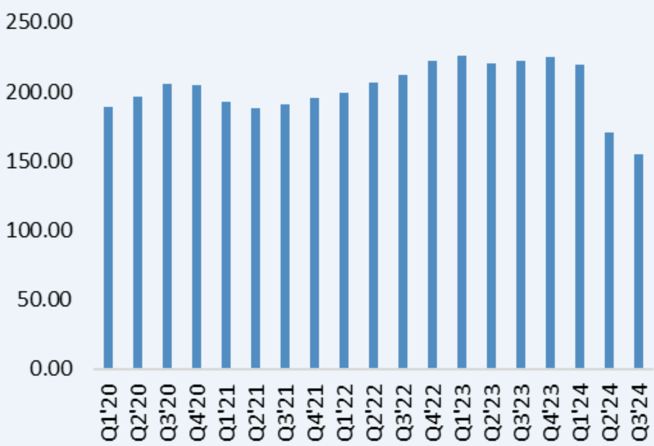
We are conservative on ICT - a sector constrained by FX losses, NIN-SIM link issue, and lack of cost-reflective prices. With the drags, MNOs and other players may reduce investments in network infrastructure in 2025 as profitability appears to have waned. Tariff adjustment is a key upside risk to the sector.

Figure 12: Average capex intensity for major players on a decline



Sources: MTNN, AIRTELAFRI, CardinalStone Research

Figure 13: Active telco subscribers have been on the decline on NIN-SIM link concerns



Sources: NCC, CardinalStone Research

Manufacturing to be powered by refining

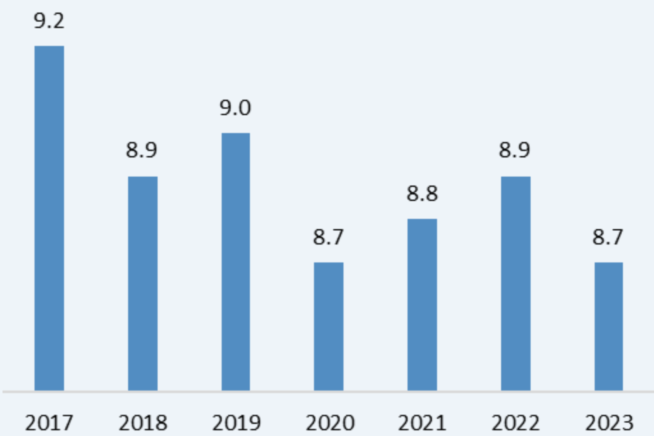
The manufacturing sector in Nigeria remains easily susceptible to macroeconomic headwinds, as was laid bare by recent reform-induced FX and interest rate pressures. About 65.0% of the listed manufacturing companies on the NGX reported FX losses in H1'24, with the country's richest man also warning that no business can sustainably create jobs with an interest rate of over 30.0%. In 2025, we expect the sector to experience material growth, aided by the operation of the Dangote Refinery (which boosted effective refining capacity from near zero to c.650,000 barrels of crude oil per day before the rejig of the old Port Harcourt Refinery in November 2024), relative stability of the FX market, and a possible rate cut by the CBN.

Agric could remain susceptible to headwinds in 2025

The agricultural sector has faced significant challenges in recent years, marked by persistent insecurity, low crop yields, and limited mechanization. In 2024, these issues were exacerbated by widespread flooding, which became a recurring concern. The collapse of the Alau Dam led to devastating floods in states such as Borno, Benue, and Niger, displacing over 740,000 people and destroying more than 700,000 hectares of cropland.

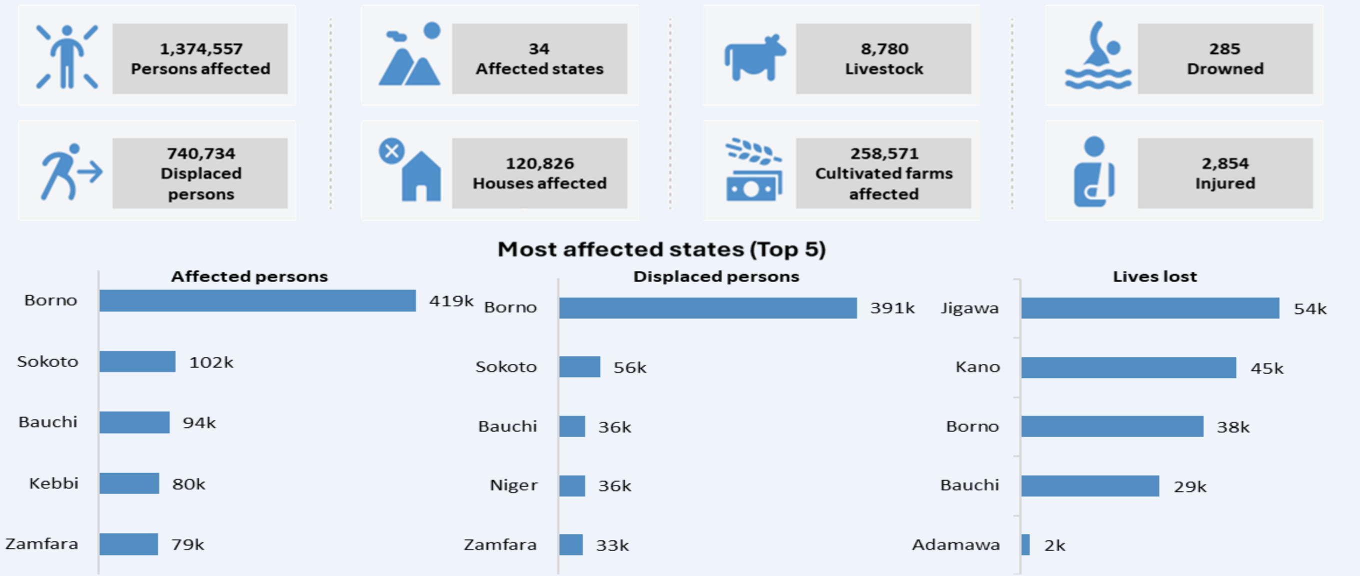
Although the President, in his first media chat, emphasized some progress in addressing security issues, we maintain a conservative outlook on the sector's growth trajectory for 2025. This is due to persistent non-security challenges that will likely require sustained interventions over the medium term to resolve. However, the planned deployment of 3,000 tractors, as announced by the President to enhance mechanization, presents a potential upside risk to this outlook.

Figure 14: Security threats index, 0 (low) - 10 (high)



Sources: GlobalEconomy.com, CardinalStone Research

Figure 15: Nigeria's flooding dashboard in 2024



Sources: NEMA, CardinalStone Research

Oil production to average 1.70mb/d

Historically, the oil sector has faced persistent challenges, including declining production caused by crude oil theft, pipeline vandalism, and reduced investments. However, recent efforts have yielded notable improvements in output. The authorities' initiatives (such as the contracting of Tantita Security Services Limited for onshore pipeline security and NNPC's centralised monitoring and real-time tracking of hydrocarbon production and transport) have contributed to a 4.2% increase in average crude oil production to 1.49 mb/d in 2024.

In 2025, the sector is expected to maintain its positive trajectory, with production likely to average 1.70mb/d and closing the year at 1.78mb/d. This optimistic outlook is underpinned by the aforementioned drivers and other measures to address oil theft, including the implementation of the Advance Cargo Declaration regime by the Nigerian Upstream Petroleum Regulatory Commission (NUPRC). This initiative ensures that all exported crude oil and gas cargoes are uniquely identified, verifying the legitimacy of export documentation and reducing the theft of resources. Additionally, the NNPC plans to replace ageing crude oil pipelines, some of which have been in use for over four decades, to support output and operational efficiency further.

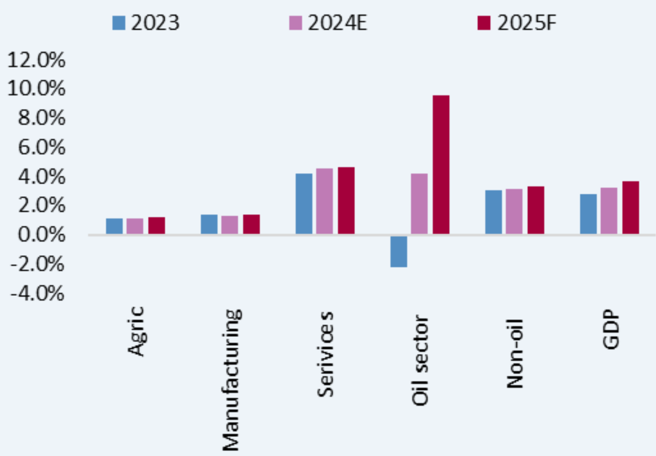
Tying all our views together, we expect GDP growth to reach 3.7% in 2025, with oil and non-oil outturns printing at 10.7% and 3.3%, respectively.

Figure 16: Oil sector growth to reach 10.7% in 2025

	2020	2021	2022	2023	2024E	2025F
Production (Mb/d)	1.78	1.60	1.37	1.43	1.49	1.70
Oil GDP growth	-8.9%	-8.3%	-20.1%	-2.2%	4.2%	10.7%

Sources: NBS, NUPRC, CardinalStone Research

Figure 17: Both oil and non-oil to support growth in 2025



Sources: NBS, CardinalStone Research

Nigeria’s Fiscal Position: Compare apples with apples

Nigeria's debt has surged significantly in recent quarters, climbing from N49.85 trillion before the 2023 general elections to N134.30 trillion by the end of H1'24. This sharp increase primarily reflects the impact of policy-induced Naira depreciation, aggressive government borrowing, and rising borrowing costs. Projections indicate that the country's debt will reach N153.04 trillion by year-end 2024, fueled by the issuance of a dollar-denominated domestic bond ($900.00 million), regular borrowings through NTBs and bonds, and Nigeria's recent return to the Eurobond market to raise $2.20 billion.

We estimate government debt to reach N187.79 trillion in 2025. The sharp rise in government debt has heightened concerns about its sustainability. In the past, the IMF has assessed Nigeria as having a moderate risk of sovereign debt distress due to factors such as the high proportion of medium and long-term maturities (approximately 85.0% of total debt), low debt-to-GDP ratio, and modest external debt-to-GDP ratio. However, there is growing apprehension that the country may be inching toward unsustainable debt levels, particularly in light of the government's aggressive short-term borrowings, which amounted to N13.0 trillion in 2024. Watchers fear that sustained heavy short-term borrowings could change the favourable narrative of a high share of medium and long-term maturities. These concerns may have also been heightened by recent data releases, which show that external debt now accounts for 47.0% of total debt, surpassing the DMO's benchmark of 40.0%.

We believe the concerns are exaggerated since a lot of the relevant ratios will not compare "apples with apples" until the GDP rebasing is concluded. Precisely, while the numerator of most of the ratios utilises a debt level that has been improved to ensure proper capturing (e.g. by including ways and means), Nigeria's GDP, which so often is the denominator of the ratios, remains unrepresentative of the scale of the economy. Hence, users should to be cautious in the interpretation of GDP-linked debt ratios until rebasing and note that Nigeria’s debt ratios are even still mostly favourably within IMF thresholds despite the concerns.

Figure 18: Debt level could reach N187.79 trillion in 2025

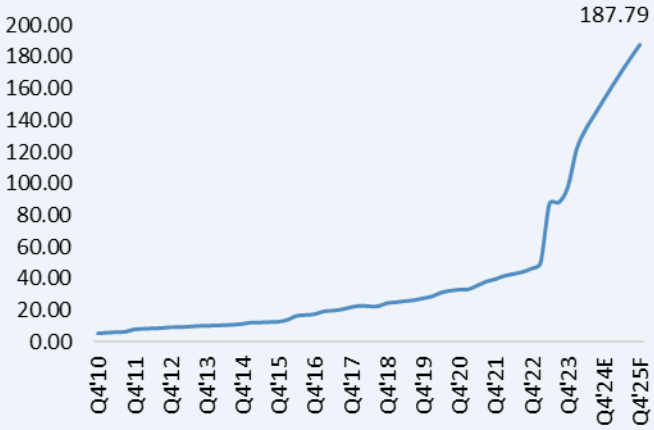
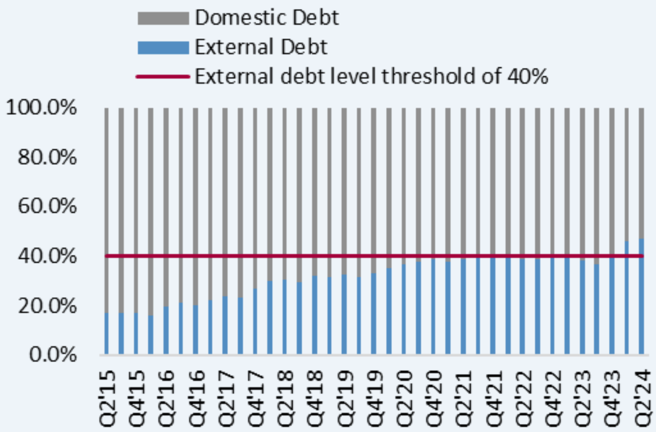
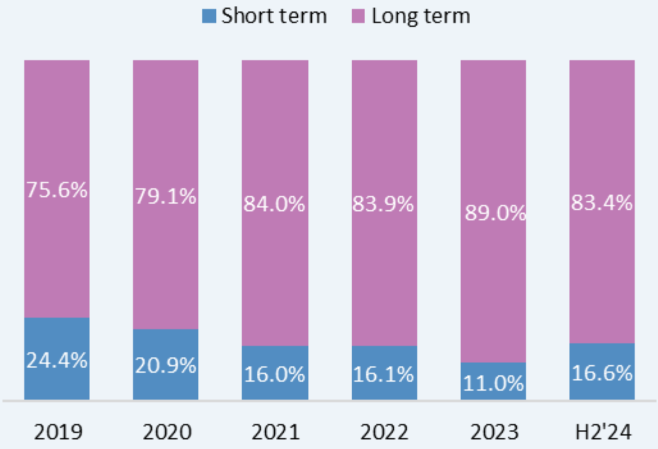


Figure 19: External debt now accounts for 47.0% of total debt



Sources: DMO, CardinalStone Research

Figure 20: Share of short term debt may reach 20.0% by 2024



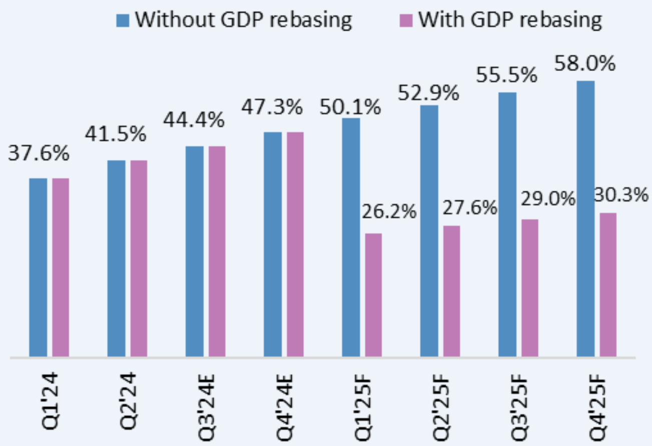
Source: DMO, CardinalStone Research

Figure 21: Nigeria's debt sustainability metrics vs benchmark

	Fiscal metrics	IMF benchmark
Debt-to-GDP	41.5%	55.0%
External Debt to GDP	21.5%	40.0%
Debt servicing to revenue*	58.2%	25.0%
Debt service-to-exports ratio*	9.6%	12.0%
External debt Service (% of exports)	2.0%	15.0%
External Debt to Exports	76.2%	180.0%
Total debt-to-exports ratio	162.3%	

Source: DMO, CardinalStone Research , *Data as of 9M'24;

Figure 22: Nigeria's debt-to-GDP could moderate in 2025



Source: DMO, CardinalStone Research

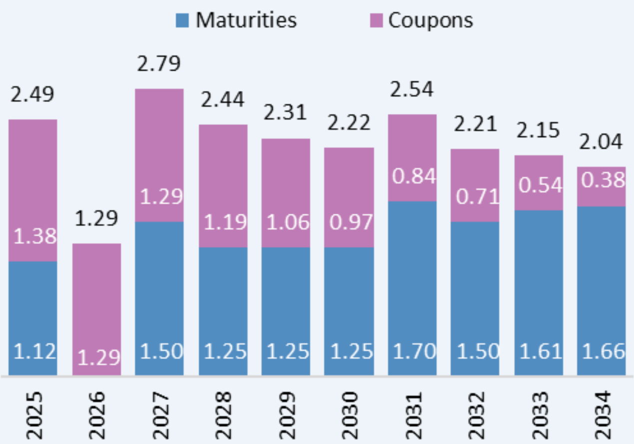
Nigeria secures Eurobond funding

After a hiatus of over two years, Nigeria successfully returned to the international debt market, issuing $2.20 billion in Eurobonds. The issuance was split into two tranches: $700.00 million maturing in 2031 and $1.50 billion maturing in 2034. The bonds were met with strong investor demand, generating an order book exceeding $9.00 billion, as the yields on the Nigerian instruments appeared more attractive compared to those of recent issuances from SSA.

However, some observers argued that Nigeria might have been better off waiting until 2025, when moderating U.S. inflation could lead to lower interest rates from the Fed. While this perspective has merit, the re-election of Donald Trump could present a counter-risk. Trump's proposed trade policies, including tariffs of 10.0% – 20.0% on all imports and 60.0% on Chinese goods, as well as his pro-growth drive, may fan renewed inflationary pressures that may force the Fed to be cautious in stepping down rates. Thus, the market expectation is now for a cumulative 100bps interest cut in the U.S. in 2025. The gains of Nigeria's wait until 2025, though likely present, now appear capped by this expectation.

Looking ahead, Nigeria faces some notable debt obligations. Aside from 2026, the country has Eurobond maturities averaging $1.33 billion annually over the next decade. Including coupon payments, total annual debt servicing costs could average $2.24 billion. These maturities suggest that debt repayment and servicing costs are likely to remain high in the near to medium term, but we re-iterate that the country's external debt-linked ratios (such as external debt service as % of exports, external debt to exports, and debt service to exports) are still favourably within IMF's prescribed thresholds.

Figure 23: Nigeria's Eurobond obligations ($' billion)



Source: DMO, FMDQ, CardinalStone Research

Nigeria proposes N47.9 trillion spending for 2025

Numerous reports, both academic and non-academic, have consistently argued that Nigeria, like other developing nations, must increase its spending to achieve economic growth. It is often emphasized that, at the current pace of expenditure allocation, it could take the country nearly 300 years to bridge its infrastructure deficit. While this is true, there are 2 major concerns:

1. **Rising numbers of abandoned projects —** Since gaining independence, Nigeria has witnessed the abandonment of numerous ambitious projects across sectors such as transportation, hospitality, and industry at both federal and state levels. A 2011 report by a federal committee established under former President Goodluck Jonathan revealed that 11,866 projects had been abandoned since 1960, accounting for 63.0% of all federally initiated projects. The report further indicated that 40.0% of these projects had exceeded their initial budgets. In early 2024, the Nigerian Senate set up a committee to investigate the issue of abandoned projects. Many of these projects, which were funded through borrowed capital, have failed to generate sufficient economic value to justify the debt incurred, leaving the country with underutilized infrastructure and an increasing financial burden.
2. **Overly optimistic revenue mobilisation plans —** Nigeria has historically been hindered by overly optimistic revenue mobilization strategies, often resulting in low project implementation rates.

Figure 24: Some of the major abandoned projects

Major abandoned projects	Amount spent so far ($'billion)
Mambila Hydropower Plant	5.8
Brass LNG	10.0
Abuja CCTV Project	0.5
Rivers State Monorails	0.4
Katsina Windmills	4.4
Tinapa Free Trade Zone	0.5

Source: Media sources, CardinalStone Research

Other contributing factors include economic challenges such as inflation and foreign exchange volatility, as well as political uncertainties.

While increased spending is essential, the emphasis should be on productive investments capable of generating sustainable future cash flows.

In 2025, we project the FGN's revenue to come in at N30.80 trillion (9.5% of GDP), lower than the government's estimate of N34.82 trillion (10.8% of GDP). This revenue shortfall will likely stem from underperformance in the oil segment, exacerbated by the impact of Trump's election, which poses downside risks to oil prices. Additionally, the government's oil production target of 2.06mb/d appears overly optimistic, as we anticipate an average production level of 1.70mb/d during the year.

Rather than significantly expanding the fiscal deficit, we expect a scale-back on CAPEX implementation. Consequently, we forecast the fiscal deficit to settle at N14.08 trillion (-4.4% of GDP), slightly higher than the government's target of N13.08 trillion (-3.9% of GDP).

Figure 25: 2025 budget (N'Trillion)

	Proposed	Our estimate	% of GDP
Total revenue	**34.82**	**30.80**	9.5%
Oil	19.60	16.12	5.0%
Non-oil revenue	5.71	5.71	1.8%
Other Sources of financing	9.51	8.97	2.7%
Total Expenditure	**-47.90**	**-44.88**	-13.9%
Recurrent non-debt	-14.21	-14.21	-4.4%
Debt service	-15.38	-16.00	-4.9%
Capital Expenditure	-16.48	-12.84	-4.0%
Others	-1.83	-1.83	-0.6%
Fiscal deficit	-13.08	-14.08	-4.4%
Financing			
Domestic (including dollar-denominated domestic bond	-7.37	-9.16	-2.8%
Foreign	-1.84	-1.84	-0.6%
Project tied loans	-3.55	-3.08	-1.0%
Privatisation Proceeds	-0.32	0.00	0.0%

Source: Budget Office, CardinalStone Research

The impact of proposed tax reforms

We view the proposed tax reform bill as materially pro-growth, particularly given the exemptions and concessions for low-income earners and small businesses, both of which constitute the bulk of the country's earnings population and companies. The reform could lead to notable improvements in the consumption and investment components of Nigeria's GDP by expenditure approach (58.2% and 14.4% of total GDP, respectively) and act as an upside risk to our GDP growth projection of 3.7%. With most of the VAT exemptions related to food items and other essentials like medical services, pharmaceutical products, transport, and fuel, we see scope for the reforms to provide a positive tailwind for Nigeria's inflation reading despite broad-based concerns over its potential impact on the cost of living.

The reform is also expected to provide clarity in a hitherto opaque system via its provisions, such as unilateral tax credits for income earned abroad by businesses and investors, which should prevent double counting. The provision to make tax refunds within 90 days (30 days for VAT), amid the option of setting off the refunds against taxpayers' tax liabilities, could also boost transparency.

While the proposition to cede 5.0% of VAT revenue to states appears negative for federal government revenue, the inherent drives to systematically increase VAT rate, expand the tax net, and improve tax yield are expected to cascade to a net positive impact on the federal government's tax-related earnings. This VAT ceding provision, in conjunction with the reform-induced surge in FAAC vs pre-2023 levels, may improve the capacity of states to meet recurrent and capital expenditures within their jurisdictions.

Figure 26: VAT reforms may moderate inflation

Goods and service consumed by household	CPI weight	Impact of VAT reforms
Food	51.1%	VAT reduced
House, water, electricity, gas and other fuel	17.0%	VAT reduced
Transportation	7.0%	VAT reduced
Education	4.0%	VAT reduced
Health	3.0%	VAT reduced
Other consumptions	18.0%	VAT Increased
Overall impact	**100.0%**	**VAT reduced**

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

Figure 27: The impact of proposed tax reforms on personal income tax

Current personal income tax table			Proposed personal income tax table		
	Taxable	Tax rate		Taxable	Tax rate
First	300,000	7.0%	First	800,000	0.0%
Next	300,000	11.0%	Next	2,200,000	15.0%
Next	500,000	15.0%	Next	9,000,000	18.0%
Next	500,000	19.0%	Next	13,000,000	21.0%
Next	1,600,000	21.0%	Next	25,000,000	23.0%
Above	3,200,000	24.0%	Above	50,000,000	25.0%

Monthly gross pay	Current PAYE tax	Effective tax rate	Proposed PAYE tax	Effective tax rate	Impact
80,000	4,207	5.3%	0	0.0%	No tax
100,000	6,500	6.5%	2,500	2.5%	Lower tax
250,000	29,167	11.7%	25,000	10.0%	Lower tax
500,000	74,667	14.9%	69,500	13.9%	Lower tax
1,000,000	170,667	17.1%	159,500	16.0%	Lower tax
1,500,000	266,667	17.8%	264,000	17.6%	Lower tax
5,000,000	930,667	18.6%	1,073,333	21.5%	Higher tax

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

Monetary Policy: Tapering inflation to cascade to rate cuts

Nigerians are likely to weether inflation at 30.0% again in 2025 after the 33.0% average of 2024, as most inflationary drivers are likely to be stable rather than improve. However, on the more comforting front, year end inflation is likely to print at 26.2% vs 35.1% projected this year.

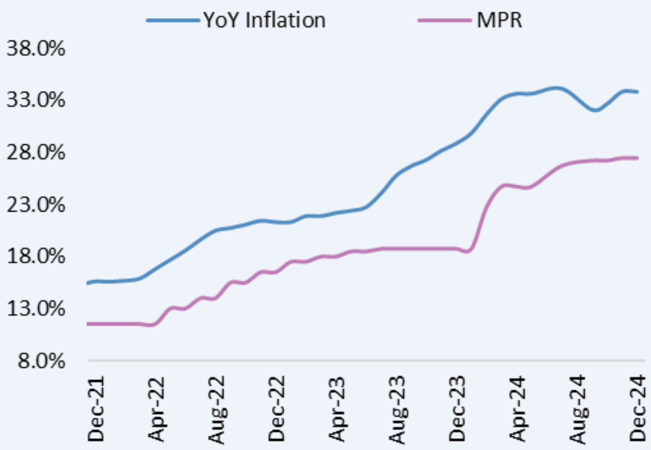
Notably, currency movement, which has contributed about 20.0% - 30.0% to inflation in the last few years, is likely to be relatively stable in 2025. As detailed in the FX section of this report, we expect the introduction of the EFEMS platform, increasing foreign portfolio inflows, greater access to dollar-denominated debt, rising FX reserves, and a positive current account balance to support the naira in 2025. Our weighted blended currency valuation places the naira's fair value at approximately N1,720.88/$ for 2025.

Elsewhere, despite the commencement of oil refining through Dangote and Port Harcourt refineries, PMS price is likely to be stable at around the current level rather than appreciate. While the expectation for lower oil prices due to Trump's return bodes well for domestic PMS pricing, we are worried that crude supply may be limited due to increased demand from domestic refineries and the need to maintain adequate crude inventories for export. Hence, private refineries like Dangote may result in crude oil importation, which has FX implications.

Lastly, agro output is likely to remain constrained, hampered by perennial non-insecurity drags such as low crop yield and low mechanisation. However, if the recent moderation in the security threat index is sustained, this could support moderation in food prices. Overall, we expect headline inflation to average 32.4% in H1'25 before reducing to a mean of 28.3% in H2'25.

On the monetary front, the CBN hiked the policy rate by 875bps in 2024 in a bid to rein in inflation, and the country may have come to the end of the hiking cycle, in our view. We expect CBN to stand pat on rates for most of 2025 before commencing rate cuts/normalisation towards the end of the year. Our view is partly shaped by the CBN Governor's position that the current tight monetary policy stance has altered the previous rate trajectory and that a downward trend is expected in 2025. According to him, inflation remains very high, but the signs are encouraging, particularly given that the full effects of monetary policy typically take 6-9 months to impact the consumer sector.

Figure 28: Moderating pace of YoY inflation



Source: NBS, CBN, CardinalStone Research

Foreign Exchange: Naira stability; Facade or possibility?

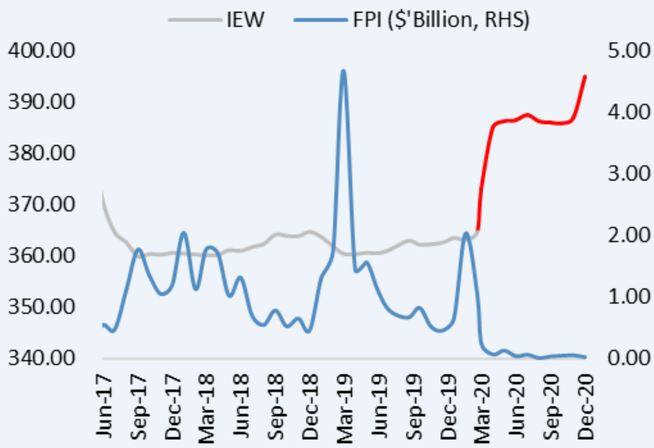
Looking like 2017 all over again but will the gains similarly extend?

Since the beginning of 2024, the CBN has implemented various measures to restore confidence in the FX market, attract foreign investors, and ensure effective price discovery for the Naira. The most notable recent initiative is the introduction of the Electronic Foreign Exchange Matching System (EFEMS), designed to enhance market transparency and integrity.

This development draws parallels to 2017 when the CBN launched the Investors' and Exporters' Window (IEW). Back then, after a 35.6% depreciation of the Naira in the preceding year, the introduction of the IEW helped stabilize the currency, which traded around N360.0/$ from April 2017 until the COVID-19 pandemic in 2020 dried up FPI inflows and put pressure on the Naira. If history is anything to go by, EFEMS could similarly foster relative stability for the Naira.

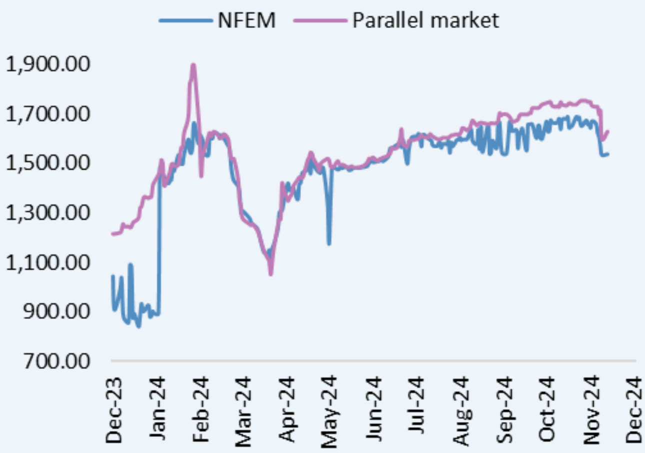
Early positive signs also greeted the introduction, with reports that FX supply from market participants outstripped demand at a point after introduction. Nevertheless, the capacity to sustain the early positive signs will largely depend on how effectively the system manages FX demand pressures, particularly during peak periods.

Figure 29: Introduction of I&E window led to currency stability and surge in foreign inflows



Source: FMDQ, CardinalStone Research

Figure 30: Early gains following the creation of the NFEM



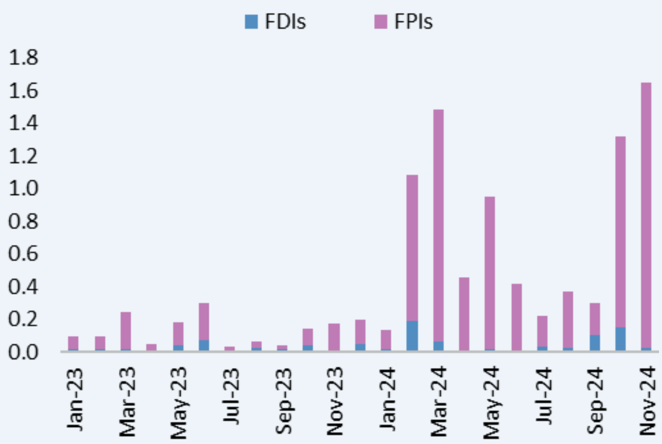
Source: CBN, Aboki Forex, CardinalStone Research

The case for currency stability in 2025 appears stronger than ever

Our view on relative currency stability is supported by the introduction of the EFEMS platform, increasing foreign portfolio inflows, greater access to dollar-denominated debt, rising FX reserves, and a positive current account balance.

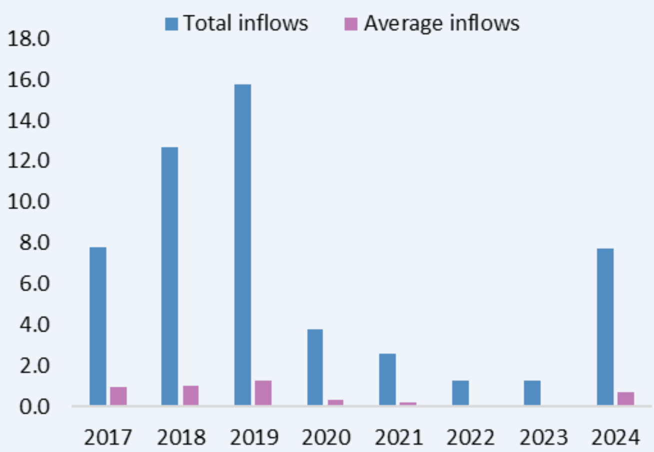
Having highlighted the early benefits of the EFEMS, we now turn to the renewed interest from foreign investors, which has resulted in a surge in FPIs to the highest level in four years. This increase in inflows is unsurprising, as it reflects investors' positive response to elevated yields (1-year OMO at 31.5%), attractive carry trade (one of the most competitive in Africa), and growing confidence in the FX market.

Figure 31: Foreign interest ($'billion) in Nigeria gathers pace



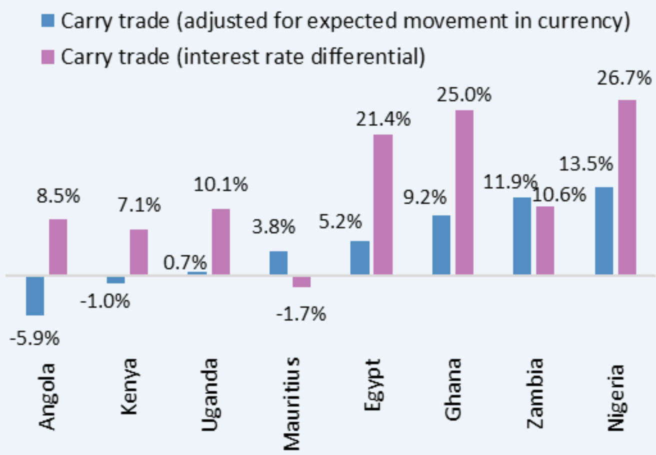
Source: FMDQ, CardinalStone Research

Figure 32: Foreign inflows ($' billion) have surged to a 4-year high



Source: FMDQ, CardinalStone Research

Figure 33: Nigeria's carry trade remains attractive vs peers



Source: CBN, Bloomberg, CardinalStone Research

Any level below N1,300.00/$ may trigger material FPI outflows

Naira-denominated assets, including equities and debt instruments, remain attractively priced, a factor likely to sustain foreign inflows into Nigeria in 2025. However, inordinate Naira appreciation could inadvertently prompt profit-taking by FPIs and exert downward pressure on the local currency. A case in point is the Naira appreciation from approximately N1,600.00/$ to around N1,000.00/$ in April 2024, which triggered a significant increase in portfolio outflows as foreigners booked profits on currency rather than holding out for the returns on the initial instruments invested in, the bulk of which had lower annualised return vs the gains from currency.

To assess the minimum exchange rate level that would keep FPIs, we analysed the comparative returns from FX gains due to currency appreciation against the 1-year OMO yield and carry trade returns. Our estimates indicate that if the Naira appreciates to N1,300.00/$, FPIs who entered the market at an exchange rate near N1,700.00/$ could achieve a 30.0% return from FX gains alone. This level of profitability reduces the appeal to wait a year to earn the 31.5% return on OMO or the 27.3% carry trade return.

Figure 34: Any level below N1300.00/$ may trigger material FPI outflow

	Inflow ($)	FX rate	Inflow (N)	Computed return	OMO return	Carry trade (exc FX)	Carry trade (inc FX)
Hypothetical Inflow	1,000,000.00	1,700.00	1,700,000,000.00				
Exit level 1	1,062,500.00	1,600.00	1,700,000,000.00	6.3%	31.5%	27.3%	14.1%
Exit level 2	1,133,333.33	1,500.00	1,700,000,000.00	13.3%	31.5%	27.3%	14.1%
Exit level 3	1,214,285.71	1,400.00	1,700,000,000.00	21.4%	31.5%	27.3%	14.1%
Exit level 3	1,307,692.31	1,300.00	1,700,000,000.00	30.8%	31.5%	27.3%	14.1%
Exit level 4	1,416,666.67	1,200.00	1,700,000,000.00	33.3%	31.5%	27.3%	14.1%

Source: CardinalStone Research

Furthermore, maintaining elevated interest rates will be essential to sustain foreign investments in the country in 2025. We favour adjusting rates only to the extent that it allows the annualised yields on the one-year OMO/NTB instruments to be at least equal to expected inflation to avoid concerns over negative real returns.

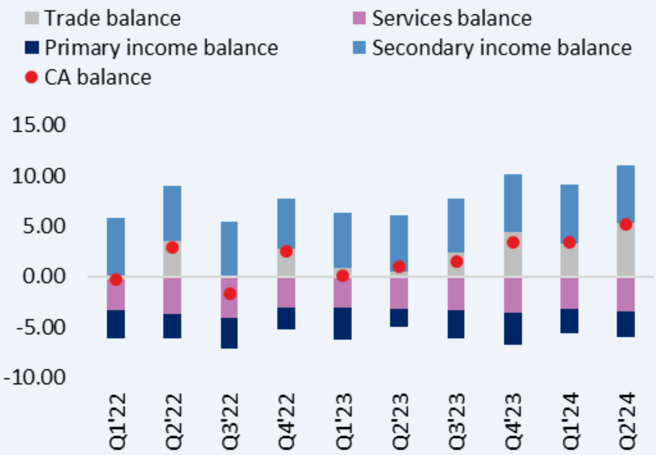
Strengthening external position

Nigeria's current account (CA) has remained in surplus since Q1'23, reaching $8.5 billion in H1'24, the highest mid -year balance since 2014. The CA, estimated at 19.0% of GDP, was partly bolstered by a 24.7% YoY decline in imports in H1'24, which was driven by currency pressures and weaker domestic consumption. The CA was also supported by a 3.5% YoY increase in exports as higher oil prices masked the impact of weaker oil production. The CA is expected to close 2024 in a surplus of position of $14.5 billion.

Despite the positive current and financial account positions, there has been limited passthrough to FX reserves. This limited contribution to reserves is likely due to the large "errors and omissions" reported in the balance of payments (BoP). According to several reports, including those from the IMF, errors and omissions primarily arise as cross-border transactions increase. Adjusting the CA for these discrepancies would reduce the surplus from $8.5 billion to $2.0 billion.

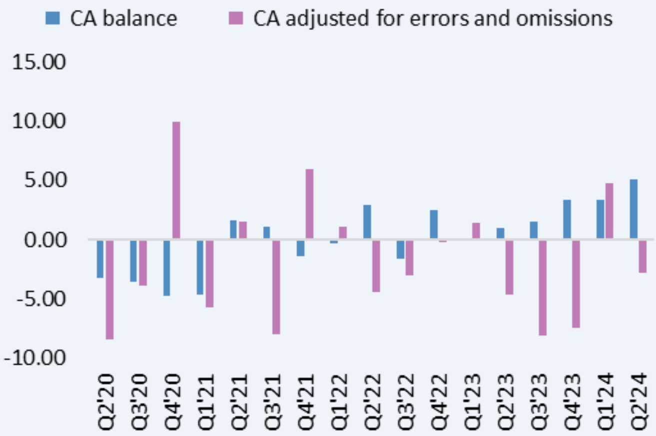
In 2025, we expect CA to remain in surplus, driven by continued remittance inflows and a positive trade balance. However, the surplus as a % of GDP is likely to be lower than in 2024, as we expect currency stability to support a recovery in imports. Also, exports will likely remain unchanged from current levels, as lower oil prices will likely mask the improvement in oil production.

Figure 35: Current account ($'billion) has been in surplus since Q1'23



Source: CBN, CardinalStone Research

Figure 36: Current account balance ($' billion) is lower after adjusting for errors and omissions



Source: CBN, CardinalStone Research

Currency valuation dynamics

As previously noted, the case for Naira stability is now stronger than ever. Our blended currency valuation places the naira's fair value at approximately N1,720.88/$.

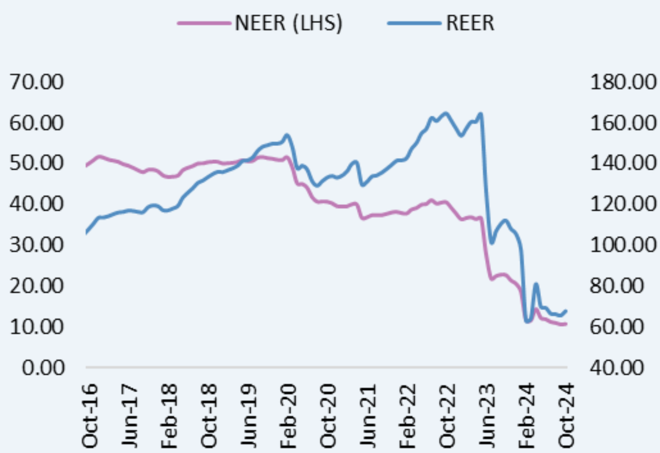
Our fair value is derived from a combination of Purchasing Power Parity (PPP), Real Effective Exchange Rate (REER), Nominal Effective Exchange Rate (NEER), and Interest Rate Parity (IRP). Given that the PPP and REER are less suited for short-term currency forecasts, both of them were assigned the lowest weights (15.0% apiece). We assigned 30.0% and 40.0%, respectively, to NEER and IRP, supported by their appropriateness for short-term FX forecasting.

Figure 37: Currency valuation estimates across various methods

Valuation methods	Weights	Estimated FX rates
PPP	**15%**	**1,921.60**
REER	**15%**	**1,602.67**
NEER	**30%**	**1,545.64**
IRP	**40%**	**1,821.36**
Weighted average	**100%**	**1,720.88**

Source: CardinalStone Research

Figure 38: Fair value estimate for NEER and REER



Source: CardinalStone Research

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24 Moments of Pride:
Our 2024 Accolades

Euromoney: Market Leader in Investment Banking	NGX: Best Performing Stockbroker on the NGX by value in H1 2024	Global Banking and Finance Awards: Best Securities Trading Firm Nigeria	Global Banking and Finance Awards: Best Investment Bank Nigeria	Global Banking and Finance Awards: Fastest Growing Asset Management Company Nigeria
ACCA Approved Employer: Trainee Development, Gold	World Economic Magazine Awards: Best Investment Management Firm, Nigeria	World Economic Magazine Awards: Best Securities Trading Firm, Nigeria	International Business Magazine Awards: Best Investment Management Firm, Nigeria	GCR Ratings: Management Quality Rating of MQ2(NG) and a Nigerian Management Quality Rating of A(NG)(mq)
Data Pro: Long-Term Rating of A-(IM)	Agusto & Co: 'A' rating	Euromoney: Best for Equities, Nigeria	Global Private Banker MEA Awards: Outstanding Estate Planning Advisory	Global Private Banker MEA Awards: Best Investment Research Services
Global Private Banker MEA Awards: Asset Management Company of the Year	BAFI Awards: Securities House of the Year	BAFI Awards: Investment Research Firm of the Year	BAFI Awards: Asset Management Firm of the Year	BAFI Awards: Mid-Market Investment Bank of the Year
BAFI Awards: Shareowner Services & Solutions Company of the Year	Great Place to Work: Best in Promoting Corporate Social Responsibility Initiatives	Great Place to Work: Best in Promoting a Culture of Diversity, Equality and Inclusion	Great Place to Work: Ranked 5th among Nigeria's Best Workplaces (Medium Category)	

We couldn't have achieved these milestones without your unwavering support and trust. These wins are dedicated to you, our esteemed clients.

Thank you for always choosing CardinalStone as your partner.

Asset Allocation Guide: Risk on or risk off?

Our asset allocation guide is premised on the following pillars:

1.) The new Trump administration in the USA will prioritize growth, but tariff and immigration curbs increase the risk of renewed US inflation and weaker real growth. The policies could also spur China and Europe to provide more economic support for their country/regions; 2). US Fed will implement only a cumulative rate cut of 100bps in 2025 in line with consensus expectations and concerns over Trump-induced inflation resurgence; 3). In Nigeria, GDP growth will race to the highest level since 2014 in 2025 on material improvements in manufacturing, oil & gas, and services; 4). The argument for Naira stability is stronger than ever in 2025, pointing to the first sparks of possible recovery for FX-loss-battered listed manufacturing and services companies and an avenue to strategically key in patient capital into choice names in the sectors; 5). Inflation and policy rates are both expected to moderate, with the latter projected to shave off at least 150bps to ensure that it is at least equal to the tapered year-end inflation reading; 6). Yield will moderate faster at the short end (i.e. c.200—250bps) vs 100—150bps for the long end; 7). The Nigerian 2025 budget prioritizes defence & security, education, health, and infrastructure.

We believe an appropriate asset allocation strategy should effectively ensure resilience against global uncertainties while capitalizing on Nigeria's expected growth drivers, internal yield dynamics, and equities return.

Based on the pillars of this exercise, our broad asset allocation strategy suggests a 65.0%:35.0% portfolio split for local assets and global assets in a bid to effectively ensure resilience against global uncertainties while capitalizing on Nigeria's recovery. In addition to pillars 3 to 7 from the previous page, our within Nigeria allocations are also informed by a projected equity market return of c.40.0% (arrived at using the Grinold Kroner model as detailed on page 25), which, in our view, is compelling amidst expected moderation in inflation from current levels.

The Nigerian allocations also accommodate the expected outperformance of bonds over 1-year FI instruments, giving the edge from price appreciation and greater protection against re-investment risks.

On the global front, we cautiously place more weight on bonds vs equities to control for the heightened uncertainties. Ordinarily, Trump's favourable disposition towards more fiscal stimulus and the consensus rate cut expectation appear to favour a more pro-risk stance in 2025, but investors need to be wary of the risk of a graver-than-expected second-order effect of some of the policies on inflation, especially given the likelihood of higher costs provoked by stringent immigration and tariff regime.

Given the level of yields, long bond positions are likely to protect against the risk of a deep growth crisis—a point that is worth noting given sustained concerns about geopolitical tensions and Trump-induced non-US economic concerns.

Figure 39: Broad asset allocation summary

Asset Class	Nigeria	Global	Total	Rationale
Fixed Income	25.0%	15.0%	40.0%	Domestically, allocate more to long-duration bonds but maintain a smaller share in short-term instruments for liquidity. Globally, invest in non-developed market Eurobonds with high yields and in countries where fears of fiscal risks are unlikely to limit the scope for bond yields to fall.
Equities	35.0%	10.0%	45.0%	Increase allocation to Nigerian equities given expectation of strong performance (c.40.0%); reduce allocation to developed market equities given expected Naira stability, geopolitical concerns, and overheated developed market indices.
Real Assets & Alternatives	3.0%	5.0%	8.0%	Locally, invest in Nigerian funds likely to benefit from government's infrastructure focus and urban growth. Globally, allocations can be made to infrastructure funds, particularly in countries where long-term urbanisation trends support growth. Safe haven precious metals like gold are also options given expected global uncertainties.
Cash & Liquidity	2.0%	5.0%	7.0%	Maintain some liquidity for tactical opportunities
Summary	**65.0%**	**35.0%**	**100.0%**	Split tilted more to Nigeria to benefit from ongoing recovery and projected stable currency while reducing exposure to global uncertainties.

Source: CardinalStone Research

Domestic Equities: Stars appear aligned for solid performance

Domestic equities strategy

Our outlook is constructive for Nigerian equities, shaped by the following:

- Improving macro dynamics
- Emerging gains from ongoing corporate actions
- Growing interest from foreign investors
- Possible re-inclusion of Nigeria in the MSCI FM index
- Strategic balance sheet restructuring and de-leveraging exercises
- Cheap valuation

Improving macro backdrop: We adopt a top-down approach to delineate potential options for equity investors in 2025. Under our base case, we see growth settling at 3.7%, with the oil & gas and manufacturing sectors likely to be pivotal.

Our 2025 sectoral allocation is pro-growth, with emphasis on upstream oil and gas, driven by recent developments under the Petroleum Industry Act (PIA). The government's inaugural oil bidding round under the PIA saw 25 companies emerge as winners, with the NUPRC committing to making this an annual event to counter declining production. Within the sector, We have BUY recommendations on SEPLAT and ARADEL, bolstered by robust fundamentals and the anticipated benefits from the acquisitions of Mobil Producing Nigeria Unlimited (MPNU) and choice Shell assets via a consortium, respectively.

This acquisition significantly enhances SEPLAT's portfolio, adding four shallow-water offshore blocks (OML 67, 68, 70, and 104) and 31 producing fields. These assets are expected to improve SEPLAT's production capacity in the short to medium term.

Additionally, although MPNU's current tax rate is about 85.0%, SEPLAT is transitioning to the PIA regime, which offers a more favourable tax structure. The company has already executed a PIA conversion contract and anticipates regulatory approval by 2025.

Elsewhere, ARADEL continues to show promising growth potential, underpinned by increased volumes from both new and existing assets. The Omerelu oil field, which achieved its first oil in May 2024, and the recent acquisition of the Olo Main and Olo West fields from TotalEnergies are expected to enhance reserves and drive production growth in the medium to long term. Additionally, The recent $2.4 billion asset sale by Shell to Renaissance is expected to impact ARADEL's associate investments and overall business positively. Furthermore, ARADEL plans to expand its refining capacity from 11.00k b/d to 20.00k b/d over the next five years, with PMS rollout targeted for Q4'25.

In the downstream sector, while petroleum price increases may not match 2024 levels, operational efficiency will be critical for margin improvement. The Dangote Refinery's reduction of PMS ex-factory prices below ₦900.00 and NNPC reduction from N1,020.00 to N899.00 creates an opportunity for downstream players to optimise costs and support margins. We perceive that

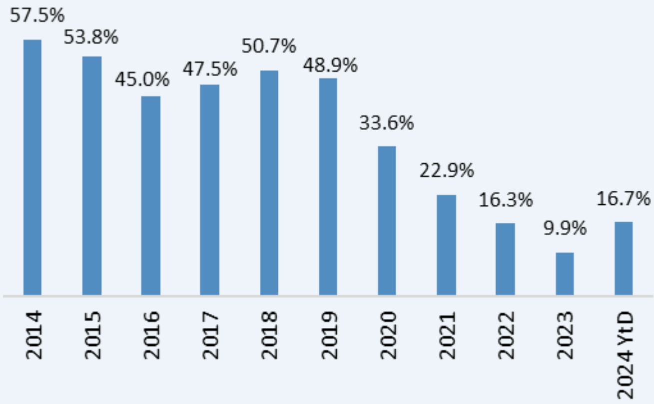
PMS price may reduce further in 2025 on increased competition from refineries, stable FX and a likely lower crude oil price. Additionally, we also anticipate increased investments in Compressed Natural Gas (CNG) infrastructure and distribution as the government pivots toward CNG adoption. TOTAL is a BUY as it is well-positioned to capitalise on these opportunities.

Emerging gains from ongoing corporate actions: The year 2025 is likely to benefit from the impact of ongoing or completed corporate actions. Besides the SEPLAT and ARADEL acquisitions already highlighted, PRESCO acquired a 100.0% stake in Ghana Oil Palm Development Company (GOPDC), OANDO is looking to make a special shares distribution in relation to a debt-for-equity swap involving a related entity, and there is legroom for more oil & gas listings in 2025. We expect the consolidation of gains from the transactions to generate market excitement in 2025.

Elsewhere, we view the banking sector recapitalisation as a net positive in the near to medium despite concerns over short-term dilution effects. For one, banks now have enough resources to enlarge interest-earning assets and scale up digital & technology platforms, with the former set to compensate for lower market yields in H2'25 and the latter capable of combining with the positive macro backdrop to support fee and commission income. Nonetheless, the expected relative stability of the exchange rate suggests that banks may record lower fair value gains on derivatives, potentially reducing the growth of non-interest earnings.

Growing interest from foreign investors: Foreign participation slumped from an average of 50.0% between 2014 to 2018 to less than 10.0% in 2023. Nevertheless, in line with our expectation, 2024 witnessed a material recovery in foreign participation in equities, possibly linked to the efforts of the CBN to unify the FX rates, eliminate distortions, and restore transparency. To our minds, 2025 could see foreign participation rise to over 30.0% as confidence remains on the rise, stemming from easy repatriation and the creation of the electronic FX system.

Figure 40: Foreign participation in the equities market



Source: NGX, CardinalStone Research

Possible re-inclusion of Nigeria in the MSCI FM index: Recall that in 2023, Nigeria's equity market was reclassified from Frontier Markets (FM) to Standalone Markets status largely on the back of illiquidity of the FX market. However, we assess that the FX dynamics of the country have notably improved in the past year and may be enough to convince MSCI to consider re-including Nigeria in the FM index. For context, after the CBN cleared all genuine backlogs, an additional $9.0 billion in capital and dividends were repatriated by foreign investors easily without undue delays. In addition, daily FX turnover now averages over $300.00 million vs $120.00 million about 2 years ago. If our expectation plays out, the table below shows the top 10 stocks in the MSCI Nigeria index, which investors need to watch closely.

Figure 41: MSCI Nigeria top 10 constituents

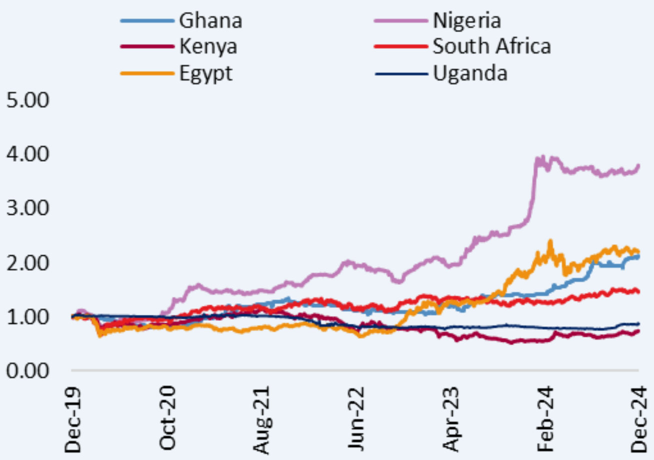
Company Name	Float Adj Mkt Cap ($'Billions)	Index Weight (%)	Sector
SEPLAT	1.02	14.2	Energy
GTCO	0.93	12.9	Financials
ZENITH BANK	0.71	9.8	Financials
FBNH	0.52	7.3	Financials
UBA	0.5	7	Financials
DANGCEM	0.48	6.8	Materials
ACCESSCO	0.44	6.2	Financials
MTNN	0.3	4.1	Telecoms
FIDELITY BANK	0.29	4.1	Financials
NB	0.24	3.3	Consumers
Total	5.43	75.7	

Source: MSCI, CardinalStone Research

Balance sheet restructuring and de-leveraging exercises: A few companies in the consumer goods, cement, and telecom sectors embarked on balance sheet restructuring and de-leveraging exercises in 2024, with the benefit expected to crystalize in 2025. For context, WAPCO has repaid N26.7 billion in loans and borrowings, leveraging its strong cash position to reduce its liabilities and significantly cut its FX exposure. This restructuring will likely support the company's dividend per share to N5.35 vs N3.47 in 2024.

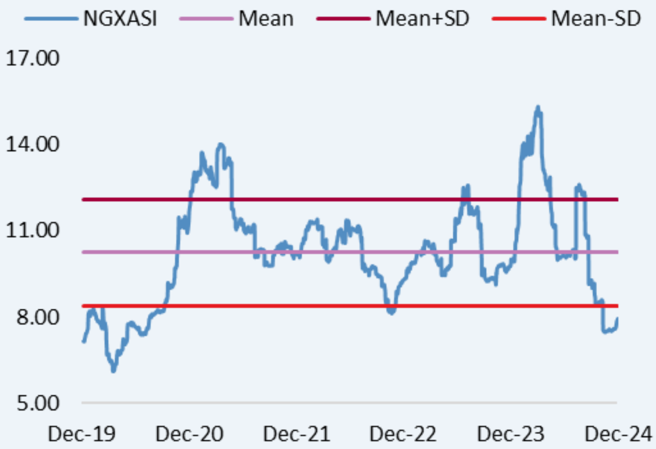
In addition, NB recently raised N590.99 billion through a rights issue, which the company plans to use to pay off all external debt and part of its local debt. This effort is likely to push the company back to profitability in 2025 after 2 years of consecutive losses and also support dividend payments from 2026. AIRTELAFRI has also embarked on de-leveraging after paying all their HoldCo debt earlier in 2024 and gradually reducing OpCo debt. De-leveraging exercises are expected to continue in 2025, especially with companies in the consumer goods space looking to recover from reform-induced pressures and strategically derisk their businesses from future FX and interest rate

Figure 42: Nigeria's equity index has outfoxed peers since 2020 – hint at strong capital appreciation potential



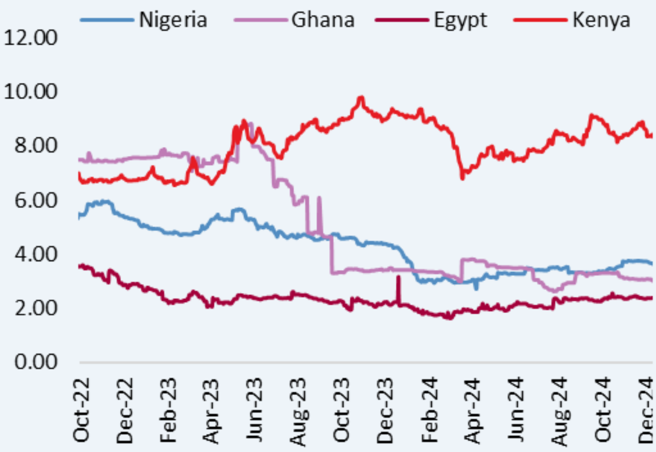
Source: Bloomberg, CardinalStone Research

Figure 43: The PE of the NGX is trading below the 5-year mean



Source: Bloomberg, CardinalStone Research

Figure 44: Historical dividend yields across select markets



Source: Bloomberg, CardinalStone Research

Forecasting equity market returns for 2025 using the Grinold-Kroner model

The Grinold-Kroner model states that the expected return of equity 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.

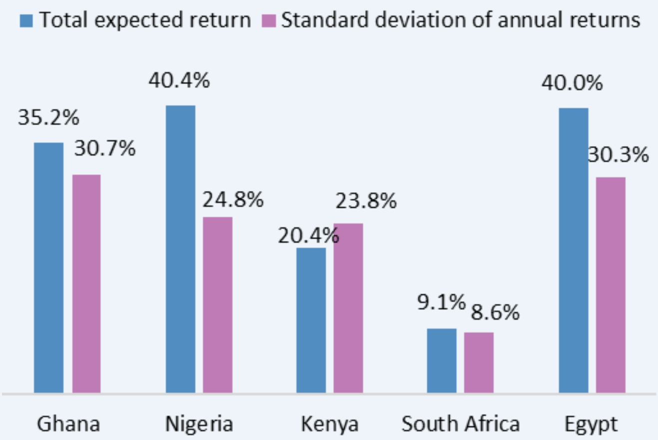
In our analysis, we assumed the following:

- Current dividend yield as provided by Bloomberg.
- Expected inflation based on our forecast
- For the real earnings growth rate, we adopted the long-run mean GDP growth rate (10 years).
- We assume zero % change in share outstanding.
- For % changes in PE, we assumed reversion to the historical level (5-year average) will occur over the next 5 years at the rate of 20.0% per annum.

From our analysis, we expect the Nigerian equities market to return 40.4% in 2025, marking the 6th consecutive positive annual gain.

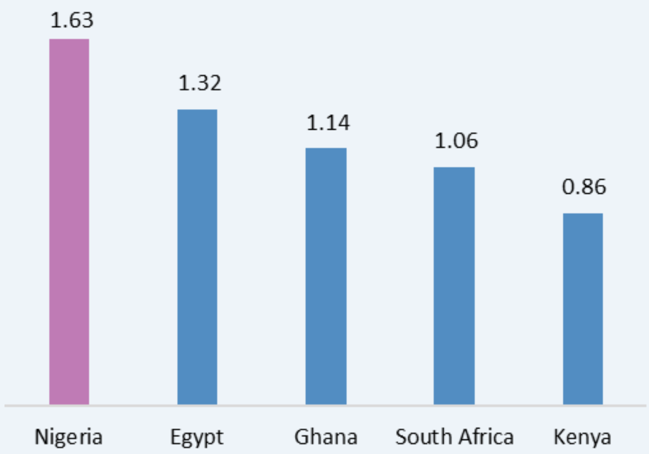
On a risk-adjusted basis, the market should return 15.6% or an expected return per risk of 1.63x in 2025.

Figure 45: Forecasting equity market returns for 2025 using Grinold Kroner model



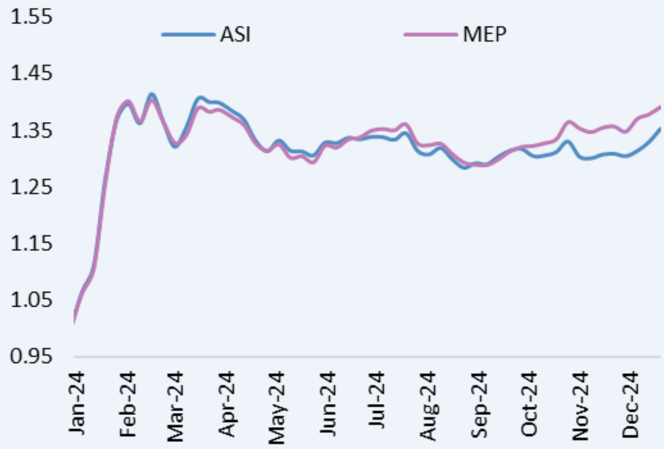
Source: Bloomberg, IMF, CardinalStone Research

Figure 46: Expected return per risk (%) is higher in Nigeria than other selected African countries



Source: Bloomberg, IMF, CardinalStone Research

Figure 47: The CardinalStone MEP outperformed the benchmark index in 2024, gaining 39.5% (vs 36.6 for the NGXASI)



Source: NGX CardinalStone Research

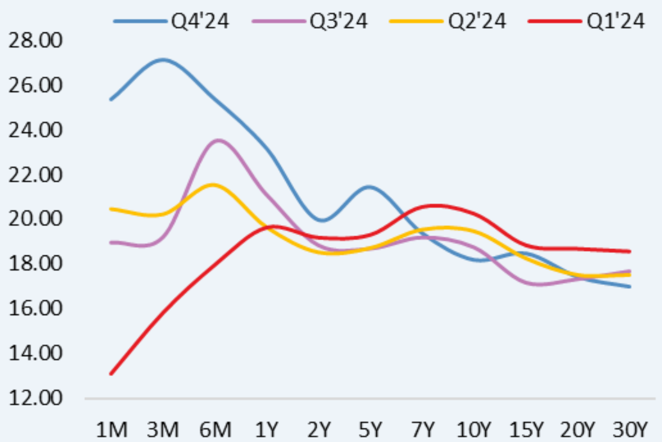
Domestic Fixed Income: Go long to lock down

In framing our outlook for 2025, we focused our attention on 3 factors– CBN's monetary action, liquidity conditions, and government borrowings.
To start with, in a speech recently delivered by the CBN governor, he stated, "Our tight monetary policy stance has altered the previous dire trajectory, and we expect a downward trend in 2025. Inflation remains unacceptably high, but the signs are encouraging, particularly given that the full effects of monetary policy typically take 6-9 months to impact the consumer sector. Our commitment is unwavering: we will prioritize price stability until its benefits are felt by every Nigeria".

Interpreting the above statement, we perceive that CBN is close to activating a rate cut and see legroom for a cumulative downward rate adjustment of between 100bps—200bps (base case expectation is 150bps) in H2'25. That said, the CBN is likely to closely monitor the c.N31.26 trillion liquidity expected from OMO, NTB, and bond maturities and coupons in 2025. Not to risk demand-side inflation, the apex bank may retain some low liquidity tolerance from the context of ensuring rollovers, albeit likely to be at lower stop rates given expected inflation moderation and other macro undertone. The only time liquidity may not be much of a concern is in July, when about N693.05 billion is expected in the system.

On the debt front, the government will likely borrow about N9.16 trillion from the domestic market. If we assume the issuance of N2.0 trillion in dollar-denominated bonds, the balance of N7.16 trillion, which is likely be met by a split of NTB and bonds, is lower than the domestic Naira-denominated issuances of 2024. Overall, we expect yields to be mostly stable in H1’25 before moderating in H2’25 and therefore favour stronger allocations to duration, giving its edge from price appreciation and greater protection against re-investment risks

Figure 48: Fixed income yield increased in 2024



Source: Bloomberg, FMDQ, CardinalStone Research

Figure 49: Maturities expected in 2025 (N’ trillion)

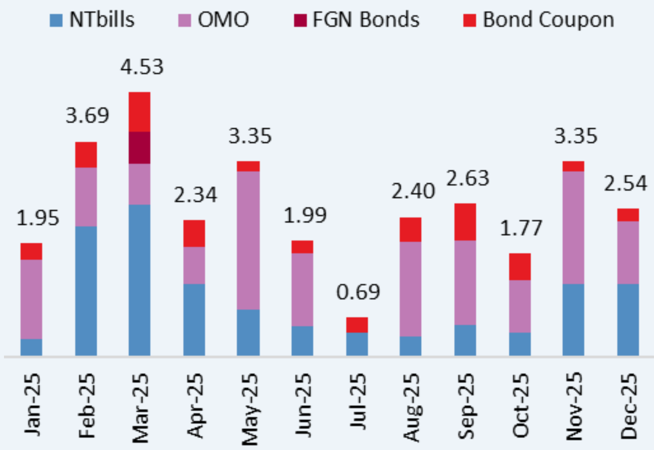


Figure 50: Analysis of some selected African Eurobonds

	Rating			Yield	Yield per duration	Spread vs UST (Bps)	Upsides	Downsides
	Moody's	S&P	Fitch					
Nigeria (Mar-2029)	Caa1	B-	B-	8.9%	2.1%	430.50	• FX reserves above $40.00 billion provides buffer against external shocks. • Oil production is projected to rise to 1.70mb/d in 2025 (from 1.49mb/d in 2024) due to onshore asset divestment, pipeline upgrades, and tighter cargo monitoring. • The Electronic Foreign Exchange Matching System (EFEMS) should improve market transparency. • The banking sector remains robust due to recapitalisation exercises and regulatory oversight. • GDP rebasing in 2025 is expected to reduce the debt-to-GDP ratio. • Nigeria's oil refining capacity will grow in 2025 as Dangote Refinery ramps up and Port Harcourt Refinery begins operations. • Increased FPI inflows should support FX stability. • Tax reforms to enhance revenue generation.	• Debt may rise to N187.79 trillion in 2025 from expected N153.04 trillion in 2024. • External debt servicing could increase to $5.00 billion in 2025, up from $4.50 billion in 2024. • Lower oil prices in 2025 may pressure government revenues.
Angola (Nov-2029)	B3	B-	B-	10.6%	2.2%	598.50	• Angola's debt-to-GDP ratio is projected to decline to 52.1% in 2025 (from 59.3% in 2024) due to GDP rebasing. • GDP growth is forecasted at 2.8% in 2025, up from 2.4% in 2024 and a 5-year average of 1.1%. • Inflation is expected to ease to 21.34% in 2025 (from 28.39% in 2024) amid improved food supply and FX stability. • FX reserves of $14.50 billion will cover 5.7 months of external payments, surpassing the peer average of 5.5 months.	• Angola's external debt amortisation is expected to rise to $6.20 billion in 2025 from $5.40 billion in 2024. • FX supply may tighten due to lower oil prices and high government external debt repayments. • FX backlog persists in the banking system. • Reduced oil revenue in 2025 could widen the government deficit to 3.3% of GDP, up from 2.3% in 2024. • The current account surplus to shrink to 1.3% of GDP in 2025, down from 6.0% in 2024.
Egypt (Mar-2029)	Caa1	B-	B	8.3%	2.0%	371.50	• Public finance risks are expected to ease in 2025 due to measures to curb off-budget investments. • VAT hikes and fuel subsidy cuts are likely to reduce the fiscal deficit. • Interbank FX volumes are growing, with no backlogs reported. • Economic growth is projected to accelerate to 4.0% in 2025, up from 2.4% in 2024. • Gross government debt is expected to decline to 84.5% of GDP in 2025 from 90.9% in 2024. • The current account deficit may narrow slightly to 6.4% of GDP in 2025 from 6.6% in 2024.	• Geopolitical risks could impact the Suez Canal and tourism revenues. • Removing fuel subsidies poses an inflationary risk.

Source: Bloomberg, Fitch, S&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-	7.2%	0.9%	262.50	• GDP growth is forecasted at 6.4% in 2025, aligning with the 3-year historical average of 6.3%. • Inflation is expected to ease to 3.0% in 2025 from 3.8% in 2024. • The current account deficit may improve to 1.3% of GDP in 2025 (from 5.4% in 2024) due to a stronger trade surplus. • The fiscal deficit may narrow to 3.5% in 2025 from 4.5% in 2024, driven by tax mobilization and higher cocoa revenues. • Debt-to-GDP is set to decline to 55.9% in 2025 from 59.3% in 2024. • FX reserves are expected to rise, supported by a narrower current account deficit and robust FDI inflows.	• External amortisation is projected to increase to $2.4 billion (2.6% of GDP) in 2025 up from $2.1 billion (2.5% of GDP) in 2024.
Cameroon (Jul-2031)	Caa1	B-	B	10.8%	1.7%	621.50	• Growth is forecasted at 4.2% in 2025 (up from 3.9% in 2024), driven by the major infrastructure & electricity projects, construction, and agriculture. • Inflation is projected to drop to 3.5% in 2025 from 4.4% in 2024. • Debt is expected to decline to 38.3% of GDP in 2025 (from 40.3% in 2024), reflecting stronger economic activity. • Non-oil revenue may improve through tax reforms and reduced tax exemptions • The phase-out of fuel subsidies is likely to support fiscal balance stability at 0.1% of GDP in 2025-2026.	• Oil revenues may decline due to lower oil prices and production. • The current account deficit may increase to 3.5% of GDP from 2.8% of GDP in 2024. • Political risks may intensify due to the October 2025 presidential elections.
Kenya (Feb-2031)	Caa1	B-	B-	9.8%	1.6%	523.50	• Inflation to moderate to 5.2% in 2025 vs a 3-year average of 6.8%. • The IMF's October review of the ECF/EFF and RSF enabled a $606.00 million disbursement, bringing total funding to $3.10 billion. • GDP growth to remain stable in 2025 at 5.0% • Improved external inflows to support the Shilling and a buildup of external buffers • The government's external debt service may moderate in FY'25 to $4.40 billion from $5.40 billion in FY'24. • The banking sector remains well-capitalised and profitable.	• Current account (-4.1% of GDP in 2025 vs -4.1% in 2024) to remain in deficit on account of high external debt obligations and import recovery. • The country's debt-to-GDP is expected to increase in 2025 to 72.4% from 69.9% in 2024. • Debt-to-revenue to increase sightly to 31.7% in 2025 vs 31.5% in 2024.
Morocco (Dec-2032)	Ba1	BB	BB-	5.8%	0.7%	118.10	• GDP growth is projected at 3.6% in 2025 (up from 2.8% in 2024), driven by improved agro output and strong non-agricultural performance. • Foreign reserves may strengthen, supported by FDI recovery. • Debt-to-GDP is expected to drop to 67.7% in 2025 (from 69.5% in 2024 and a 5-year average of 70.3%). • Subsidy spending on butane gas may decline as the government scales back price support.	• The current account deficit is forecasted to widen to 2.3% of GDP in 2025 (from 2.0% in 2024). • Inflation is set to rise to 2.4% in 2025 (up from 1.7% in 2024).

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

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Financial Adviser AMCON Divestment of its majority equity stake in Consolidated Discounts Limited and PAN Nigeria Limited	***Arranger*** creditdirect ~₦7 billion debut Commercial Paper Issue	***Financial Adviser*** CREST Agro Products Farms US$6 Million Capital Raise via an Equity Investment by Sahel Capital	***Arranger*** CTIL ₦69.9 billion Commercial Paper Issue (Various Series)	***Arranger*** DANGOTE CEMENT ₦159.6 billion Commercial Paper Issues (Various Series)
Arranger daraju ~₦19 billion Commercial Paper Issue (Various Series)	***Financial Adviser*** DrugStoc US$4.4 Million Equity Capital Raise (Series A)	***Financial Adviser*** FCMB Divestment of its majority equity stake in four (4) non bank subsidiaries	***Issuing House & Arranger*** FIDSON ~₦25 billion across equity and debt capital raises (debut Bond & Commercial Paper Issues)	***Financial Adviser*** FirstBank Since 1894 Divestment of its majority equity stake in Insourcing Nigeria Limited and First Registrars Limited
Issuing House FMN ₦46 billion & ₦29.9 billion Bond Issue; ~₦60 billion Commercial Paper Issue	***Issuing House*** GEREGU POWER PLC ₦40 billion Bond Issue	***Arranger*** GZI ₦20 billion debut Commercial Paper Issue	***Financial Adviser*** i-Fitness Divestment of its majority equity stake to Verod Capital Management	***Financial Adviser*** INDORAMA Acquisition of 100% equity stake in Bevpak (Nigeria) Limited
Financial Adviser KAKAWA Divestment of its equity stake valued at US$100m (Enterprise Value)	***Financial Adviser*** iwosan LAGOON HOSPITALS Acquisition of a majority equity stake in Lagoon Group of Hospitals	***Issuing House*** Lagos Free Zone ₦17.5 billion 20-year Corporate Infrastructure Bond Issue	***Issuing House*** LAGOS STATE ₦137.3 billion Bond Issue and ₦19.9 billion debut Sukuk Issue	***Financial Adviser*** Law Union & Rock INSURANCE PLC Divestment of its 100% equity shareholding to Verod Capital Management
Arranger MECURE INDUSTRIES PLC ~₦29 billion Commercial Paper Issues (Various Series)	***Financial Adviser*** NEM INSURANCE PLC Divestment of 29.9% equity stake to AFIG Funds LLP	***Issuing House*** ₦6.3 billion Green Bond Issue	***Issuing House*** PRESCO PLC ₦34.5 billion Bond Issue	***Financial Adviser*** SANGO Divestment of its 34.4% equity stake in Sundry Markets Limited to Tana Africa Capital
Financial Adviser SIEMENS Acquisition of Dresser-Rand Nigeria Limited by Siemens Nigeria Limited	***Issuing House & Financial Adviser*** Sterling ₦32.9billion Bond Issue; ₦19.7billion Private Placement & Divestment of its majority equity stake in four (4) non-bank subsidiaries	***Issuing House & Arranger*** Sundry FOODS ₦8.0 billion Bond Issue (various series) & ₦3.0 billion Commercial Paper Issue	***Issuing House*** VFD GROUP ₦12.5 billion Rights Issue	***Arranger*** zedcrest ₦5 billion debut Commercial Paper Issue

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