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2025 Nigeria Budget and Economic Outlook

Accelerating momentum at an inflection point

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What's inside

Economic Outlook

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2024: a year of reforms and resilience

Macroeconomic dashboard for 2024

GDP Growth Rate		
3.46%		
Period	YoY%	Q3 2023
Q3 2024*	**16.1%** ▲	2.54%

Exchange Rate- Official		
₦1,553.7/$		
Period	YoY% ▼	Dec 2023
Dec	**-42.1%**	898.9/$

Exchange rate- Parallel		
₦1,630/$		
Period	YoY% ▼	Dec 2023
Dec	**-26.5%**	₦1,197/$

Market Capitalisation		
₦61.9tn		
Period	YoY% ▲	Dec 2023
Dec	**51.3%**	₦40.9tn

Oil Production		
1.48 mbpd		
Period	YoY% ▲	Dec 2023
Dec	**11.2%**	1.33mbpd

Foreign Exchange Reserves		
$40.9bn		
Period	YoY% ▲	Dec 2023
Dec	**24.3%**	$32.9bn

Monetary Policy Rate		
27.5%		
Period	YoY% ▲	Dec 2023
Dec	**47.2%**	18.75%

Inflation Rate		
34.8%		
Period	YoY% ▲	Dec 2023
Dec	**20.3%**	31.0%

Increase ▲ Decrease ▼

Source: NBS, NUPRC, OPEC, CBN, FMDQ, NGX, Rate Cap, PwC Analysis

***Q4 2024 GDP numbers yet to be released**

Setting the context: 2024, highlights of economic resilience to multiple shocks (1/3)

Output dynamics

Broadly, **GDP remained resilient despite the triple shocks of high inflation, exchange rate depreciation and high interest rate.** Though sectoral performance varied, the services sector remained the primary driver of growth.

- GDP grew by 3.46% in Q3 2024, up from 2.54% in Q3 2023, **driven by the Financial and Insurance, Information & Communication, and Mining and Quarrying sectors which grew by 30.83%, 5.92%, and 3.27% respectively in Q3 2024.** Growth in the Financial and Insurance sector was due to the performance of the Banking subsector which grew by 31.92% **due to increased interest income, digital transactions, and forex revaluation gains.**
- Growth in the Information & Communication sector was driven by the performance of the **Telecommunications subsector which grew by 6.78% due to significant FDI flows for broadband expansion and 5G deployment**. The growth in the Mining and Quarrying sector was also due to the performance of the **Petroleum and Natural Gas subsector which grew by 5.17% due to increased crude oil production and higher average prices.**

Fiscal dynamics

Despite persistent fiscal challenges, tax revenues increased, due to growth in key sectors such as mining, finance, and telecommunications. However, the rise in public debt, worsened by exchange rate depreciation and new borrowings, highlights underlying fiscal vulnerabilities that need to be addressed.

- Company Income Tax (CIT) collections rose by 1.7% y-o-y to ₦1.77 trillion in Q3 2024**, driven by The increase was driven by Mining and Quarrying, Information & Communications and Manufacturing, which grew by 200%, 94% and 48%, respectively.**
- Value-Added Tax (VAT) collections also increased by 88%% y-o-y to ₦1.78 trillion in Q3 2024. **The increase was driven by Manufacturing, Mining and Quarrying and Information & Communications sectors, which grew by 25.47%, 18.37% and 15.1%, respectively.**
- Federation Account Allocation Committee (FAAC) disbursements rose by 53.1% from ₦1.13 trillion in December 2023 to ₦1.73 trillion in December 2024, driven by increases in distributable VAT by 57.2% and exchange rate gains by 99.7%.
- Public debt increased by 34.9% y-o-y to ₦134.3 trillion in Q2 2024, **driven by exchange rate depreciation and new borrowings**.

Source: NUPRC, NBS, CBN, Fitch, NGX, PwC Analysis

Setting the context: 2024, highlights of economic resilience to multiple shocks (2/3)

Monetary Dynamics

The Central Bank of Nigeria (CBN) implemented orthodox monetary policies to stabilise the economy amid high inflation and exchange rate depreciation. These measures resulted in tighter liquidity and higher borrowing costs.

- **CBN maintained monetary policy tightening**. **It raised MPR by total of 875bps in 2024, from 18.75%in November 2023 to 27.5% in Novemeber 2024.** Similarly**,** commercial bank CRR was raised from 32.5% in November 2024 to 50% in November 2024. **CBN may continue to raise interest rates in the near term if inflationary pressures persist.**
- **CBN introduced** new operational mechanisms for **BDCs and IMTOs,** adjusted the remunerable **Standing Deposit Facility cap,** cleared all Foreign Exchange backlogs**,** reintroduced the **Retail Dutch Auction System** to address unmet Foreign Exchange demand**,** and directed **banks to submit a detailed list of outstanding Foreign Exchange requests** and **automation of foreign currency trades,** among others.

Market Dynamics

The Nigerian Stock Exchange (NGX) recorded significant growth in market capitalisation, driven by strong performances in oil and gas, insurance, banking, and consumer goods. The bond market saw a rise in 10-Year Government Bond Yields due to attractive OMO and treasury bill rates, while the $9.1 billion oversubscribed Eurobond issuance reflected improved investor confidence. However, capital inflows remained constrained, underscoring persistent infrastructure and institutional challenges.

- The Nigerian Stock Exchange market **capitalisation grew by 51.3% to ₦61.9 trillion in December 2024 from ₦40.9 trillion recorded in December 2023. The increase was driven by robust sectoral performances in Oil and Gas, Insurance, Consumer goods, and Banking indices respectively.**
- **Nigeria's dual-tranche Eurobond offer in 2024 with yields over 10% was oversubscribed at $9.1 billion, aimed at funding the 2024 fiscal deficit.**
- Total capital importation into Nigeria stood at **$1.25 billion in Q3 2024, which is a significant increase of 91.35%, compared to $654.65 million in Q3 2023. However, compared to the preceding quarter (Q2 2024), capital importation declined by 51.90% from $2.6 billion.**

Source: NUPRC, NBS, CBN, Fitch, NGX, PwC Analysis

Setting the context: 2024, highlights of economic resilience to multiple shocks (3/3)

Price Dynamics

Households and businesses in Nigeria face mounting economic headwinds as high inflation drove up the cost of goods and services, particularly in food, transport, and utilities, with severe impact on consumer's purchasing power and running cost for businesses. In addition, depreciation of the naira created additional strain, raising the cost of imports and consequently the price of final goods and services.

- **Inflation increased from 31% in December 2023 to 37.3% in December 2024 driven by food, transport, and utilities inflation** which grew Y-o-Y by 43.1%, 30.8% and 31.6% respectively.
- The CBN inflation perception survey for households and businesses showed **that inflation is expected to remain elevated but decelerate marginally over the next 3 to 6 months**.
- Meanwhile, 26% anticipated lower inflation by May, up from 20% in February 2025. **The high inflation perception is driven by high energy prices, increase in transportation cost, exchange rate pressures and high interest rate among others.**
- Official exchange rate depreciated by 42.1% from ₦898/$ in December 2023 to ₦1,553/$ in December 2024 due to demand and supply imbalance.

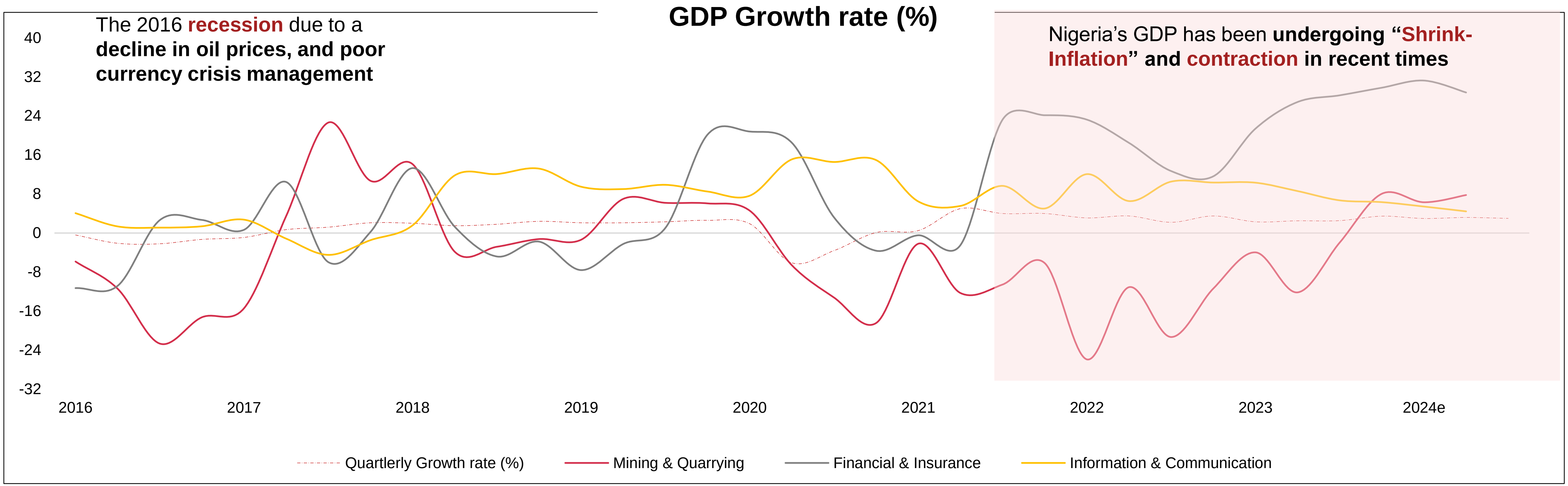
Real sector dynamics

Contraction in economic activities as reflected by the CBN Composite Purchasing Managers Index (PMI) underscores weakening activity and the sustained impact of rising energy costs, inflationary pressures, and a depreciating exchange rate on private businesses. With the persistent macroeconomic challenges, PMI may remain suboptimal, contributing to a slowdown in economic activities in 2024.

- The CBN **Composite PMI increased to 48.9 points in November 2024, up from 46.3 points in November 2023,** signaling contraction in economic activities. Agriculture showed expansion at 51 points while Services at 47.4 points and Industry at 49.3 points remained in contraction.
- Trade balance rose to ₦5.81 trillion in Q3 2024 from ₦1.31 trillion in Q3 2023 **due to the significant increase in export earnings, particularly from the oil and gas sector**

Source: NBS, CBN, PwC Analysis

GDP grew by 3.46% in Q3 2024, driven by Financial and Insurance, ICT and Mining and Quarrying sectors



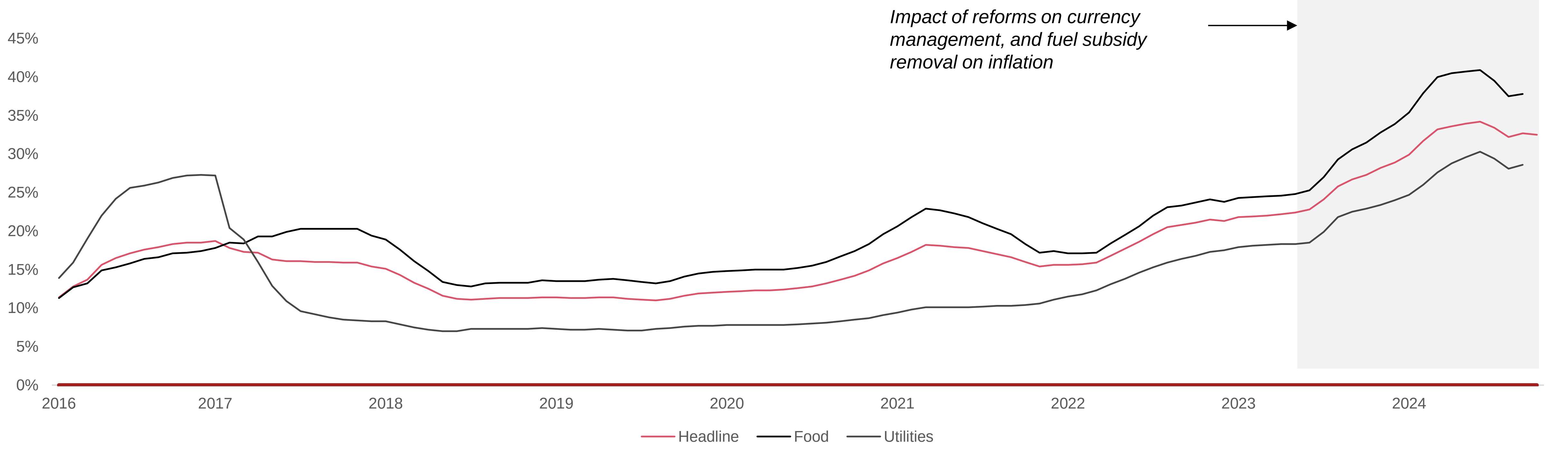
Key Insights

- **GDP grew by 3.46% in Q3 2024, up from 2.98% in Q1 2024, driven by the Financial and Insurance sector (30.83%), Information & Communication sector (5.92%), and Mining and Quarrying sector (3.27%).**
- The key contributors included increased banking activities, FDI inflows for broadband expansion and 5G deployment, and higher crude oil production (1.49 mbpd) with a 13% rise in average oil prices.

Source: NBS, Fitch, PwC Analysis

Inflation rose to 34.8% in December 2024 driven by food, hospitalities and transport inflation

Nigeria's inflation dynamics (%)



Key Insights

- **Inflation increased from 31% in December 2023 to 34.8% in December 2024, primarily driven by rising costs in food (43.1%), transport (35.3), and utilities (31.6%).**
- **Food inflation was driven by rising transport costs, insecurity in food-producing regions, and dependency on imports. Transport inflation was due to high petroleum product prices, while hospitality inflation was impacted by seasonal factors, increased energy and electricity costs.**

Source: NBS, PwC Analysis

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Critical issues for consideration at an inflection point

Key issues for consideration in 2025

Global political economy + Megatrends in transition

- Global political transitions
- Global trade
- AI + ESG

Security and social stability

- Security bottlenecks
- Social protection
- Shocks mitigation

Stimulating productivity to drive real sector growth: needs for stabilisation and protection of domestic economies

- Priority sectors
- Addressing the multiple shocks
- Funding

Consumers' uncertain pathway to spending recovery, pressured by economic shocks

- Inflationary pressures
- High poverty rate
- Enhanced conditional transfer

Broader fiscal policy focus: going beyond revenue generation

- Debt sustainability
- Monetary policy alignment
- Achieving macro stability

Disciplined monetary policy: sustaining the momentum

- Foreign Exchange stability
- Price stability
- Interest rate

Attracting investments (foreign and local)

- Driving capital inflows
- Creating enabling environment
- Capital deepening

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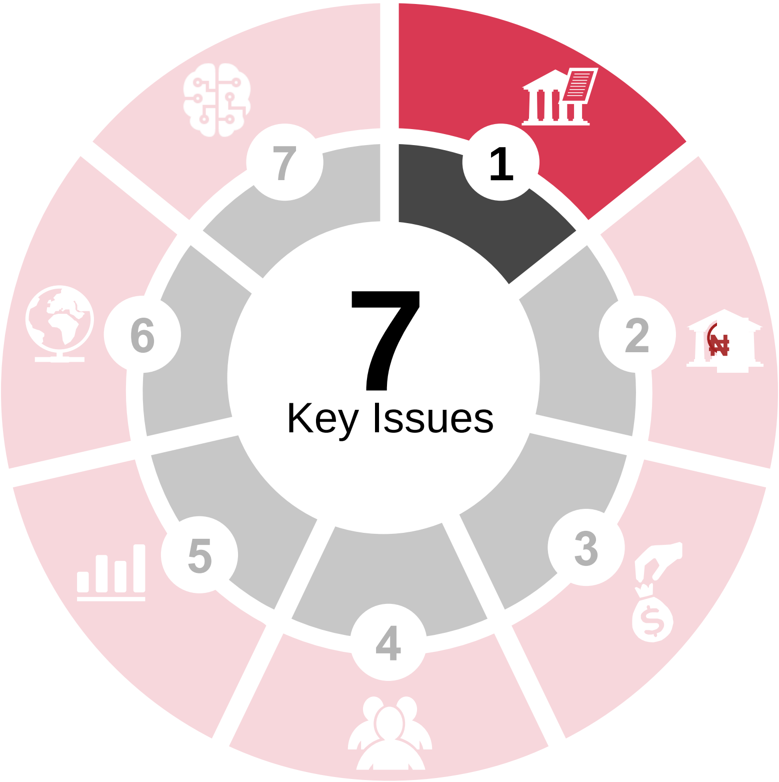

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Six (6) critical fiscal issues will influence the Nigerian economy in 2025 (1/3)

1 Revenue generation gaining momentum

Government revenue is expected to grow in 2025 on the back of government reforms, however, achieving the ambitious target of ₦36.35 trillion will require significant effort.

2 Debt sustainability

The 2025 budget adds ₦7.4 trillion in debt, with oversubscribed Eurobond issuance reflecting investor confidence. However, rising debt risks may reduce access to credit for private investment.

3 Fiscal strategy and budgets

Privatisation and asset sales are central to reducing deficits and boosting non-debt revenue in 2025. The strategy aims to address fiscal imbalances but hinges on effective implementation to sustain economic stability.

4 Broad policy interventions

The establishment of regional development commissions and amendments to fiscal laws aim to reduce inequalities and attract international funds. However, raising the minimum wage to ₦70,000 risks inflationary pressures.

5 Monetary policy alignment

Rising government spending has strained liquidity and complicated inflation control. Coordinated monetary and fiscal policies are critical for a stable investment environment in 2025.

6 Unlocking issues to macro stability

Agricultural reforms, increased food production, and security spending rising to 16% of the budget aims to reduce food inflation and enhance macroeconomic stability.

Six (6) critical fiscal issues will influence the Nigerian economy in 2025 (2/3)

Revenue generation gaining momentum

- Revenue generation has significantly improved**, driven by higher tax revenues and enhanced oil production. As of August 2024, 73.8% of the pro rata budget had been achieved.**
- **Sustained growth is anticipated in 2025**, however, the **revenue target of ₦36.35 trillion is unlikely to be met** due to **oil revenue constraints and a low tax base.**
- Crucially**, effective tax reforms may help achieve the non-oil revenue targets.**

Debt sustainability

- Debt to GDP of **50.7% recorded in October 2024** remains above the 40% debt to GDP threshold.
- The proposed fiscal deficit of ₦13.8 trillion (3.87% of GDP) in 2025, exceeds the 3% limit set by the 2007 Fiscal Responsibility Act.
- Rising bilateral and multilateral debt in Nigeria indicates potential future financial pressure if not matched by economic growth and revenue generation, highlighting significant debt sustainability issues.

Fiscal strategy alignment

- **Fiscal consolidation, along with privatisation and sell-downs of underperforming assets,** is expected to evolve as key strategies in Nigeria's revenue generation plan in 2025.
- This could **reduce fiscal deficits and increase non-debt revenue,** thereby enhancing economic stability and growth in 2025.

Six (6) critical fiscal issues will influence the Nigerian economy in 2025 (3/3)

Broad policy interventions

- The establishment of **four regional development commissions** is expected to reduce regional inequalities and aid growth.
- Introduction of the **ESB to amend laws, empower the Central Bank to attract international funds, and revise the Fiscal Responsibility Act** might boost Nigeria's economic stability in 2025.
- **Raising the minimum wage to ₦70,000** may boost workers' purchasing power but might further strain inflation.

Monetary policy alignment

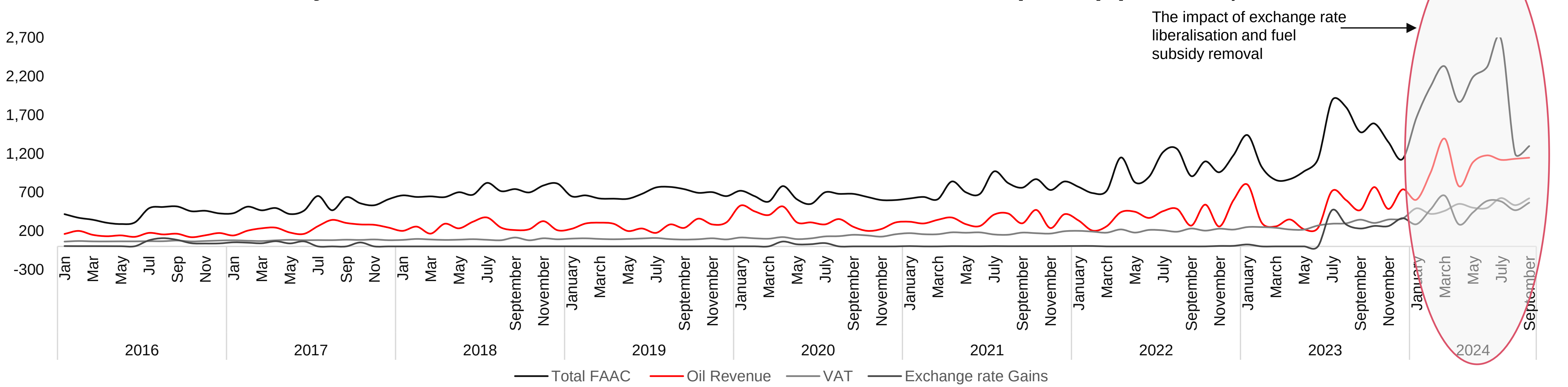
- In 2024, **increased government spending significantly impacted liquidity and inflation, complicating efforts to control inflation.**
- Fiscal and monetary authorities should ensure their **policies complement each other to create a stable and conducive environment for investment and development in 2025.**

Unlocking issues to macro stability

- The **provision of fertilisers and grains, optimisation of water resources, and financial support for farmers** were introduced to boost agricultural productivity and ensure a stable food supply despite inflation and external shocks in 2024.
- With **increased security spending rising to 16% of the budget from 12% in 2024**, and the implementation of agricultural reforms, **food inflation might reduce in 2025.**

The FAAC allocation in 2025 will be driven by the outcome of the implemented fiscal reforms, exchange rate fluctuations, oil production levels, and global oil price

Dynamics of Federation Account Allocation Committee (FAAC) (₦'billion)

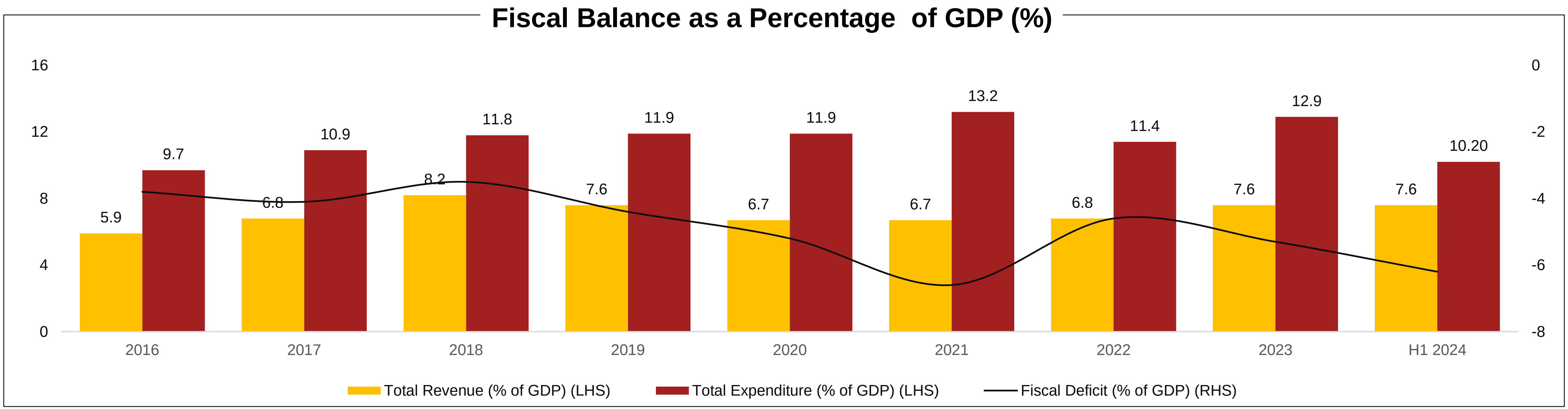


Key Insights

- **FAAC disbursements declined by 12.3%**, from ₦1.48 trillion in September 2023 to ₦1.29 trillion in September 2024 on the back of an **82.5% reduction in statutory allocation**. However, total FAAC allocations reached ₦17.62 trillion as of October 2024, surpassing the 2023 total of ₦15.54 trillion, by 13.4%.
- **The FAAC allocation in 2025 will be driven by the outcome of the implemented fiscal reforms, exchange rate fluctuations, oil production levels, and global oil price.**

Sources: NBS, PwC Analysis

Fiscal pressures may persist in 2025, driven by rising debt service costs, increased government expenditure, and insufficient revenue mobilisation



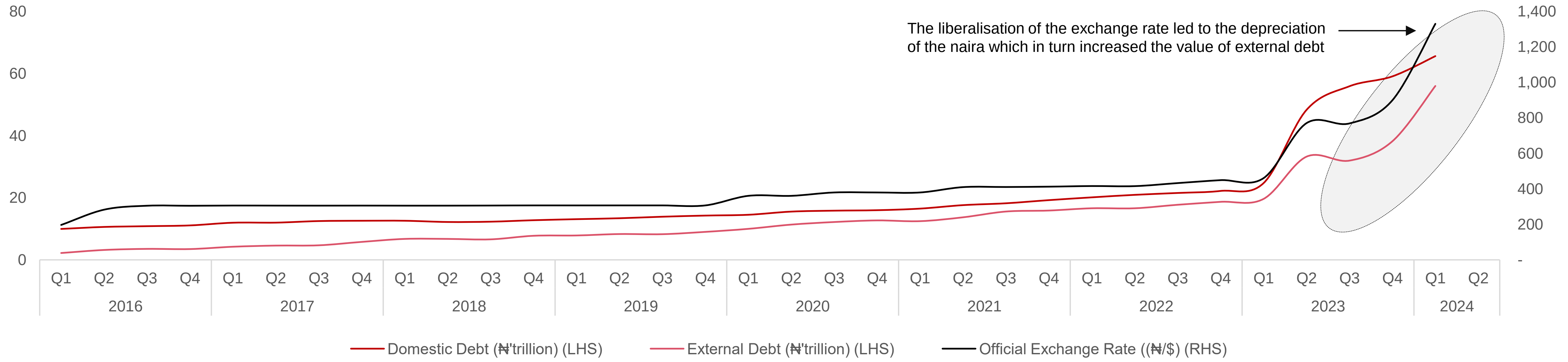
Key Insights

- **Nigeria's fiscal deficit declined from 6.2% of GDP in H1 2023 to 4.4% in H1 2024,** driven by higher non-oil revenues following the removal of foreign exchange subsidies and reforms to enhance transparency in Government-Owned Enterprises and MDAs.
- **Fiscal pressures may persist in 2025 due to rising debt service obligations**, increased government spending, and limited revenue mobilisation. Addressing these challenges will require urgent efforts to enhance revenue generation and implement fiscal consolidation measures.

Sources: FMoF, PwC Analysis

Nigeria’s total debt in 2025 will be shaped by its exchange rate dynamics and planned fiscal deficit

Nigeria’s Debt Obligations (₦’trillion)



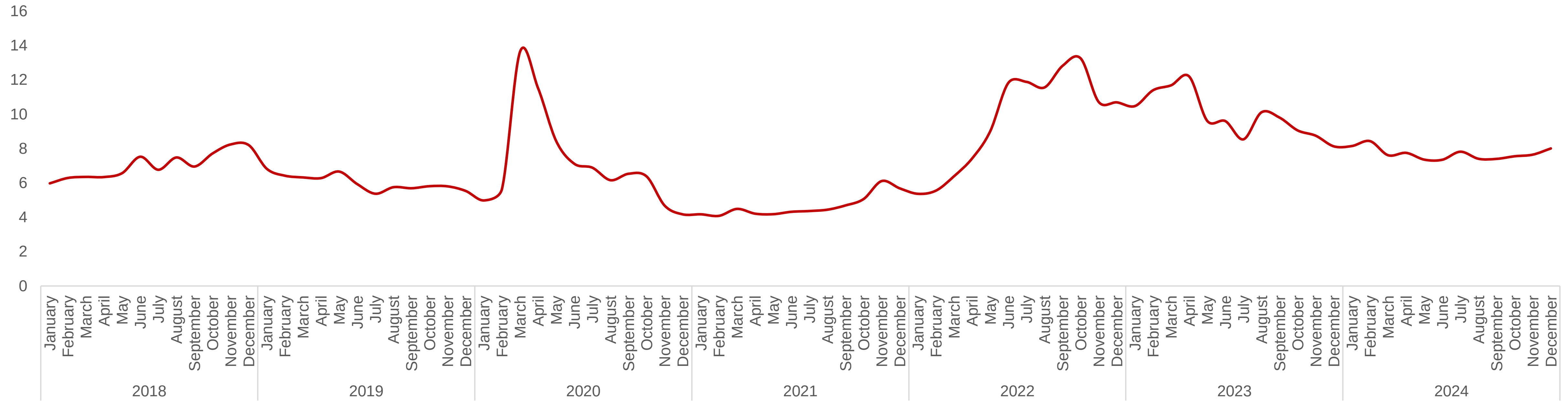
Key Insights

- External debt rose by **89.7% to ₦63.1 trillion in dollar terms and by 31.6% to ₦71.2 trillion in Q2 2024, up from ₦54.31 trillion in Q2 2023,** due to **increased FGN bond subscriptions and a 47% naira depreciation from ₦770.38/$ to ₦1,470.19/$.**
- **In 2025, exchange rate dynamics will influence total debt, with further naira devaluation increasing external debt burdens.** The oversubscription of Nigeria's $2.2 billion Eurobond, with a peak order book of over $9 billion, highlights investor confidence but adds to the debt load. Reliance on debt instruments without matching revenue-generating investments risks crowding out private sector investment and worsening debt sustainability in the long term.

Sources: DMO, PwC Analysis

Expected lower global interest rates and implementation of local reforms may positively affect yield on our external private borrowings in 2025

The Dynamics of NGN Eurobonds Yield (%)



Key Insights

- **NGN Eurobond yields have shown a notable stabilisation in 2024, with an average yield around 7.5%** compared to the double-digit highs of 2022 and 2023**. This implies a recovery in investor confidence, reflecting improving economic and fiscal conditions in Nigeria**
- **Lower yields signal reduced risk premiums, likely attributed to government reforms, global market conditions, and improved credit outlooks.** However, the increasing debt sustainability concerns may reverse the current trend in 2025.

Sources: DMO, PwC Analysis

Key issues for consideration in 2025

Global political economy + Megatrends in transition

- Global political transitions
- Global trade
- AI + ESG

Security and social stability

- Security bottlenecks
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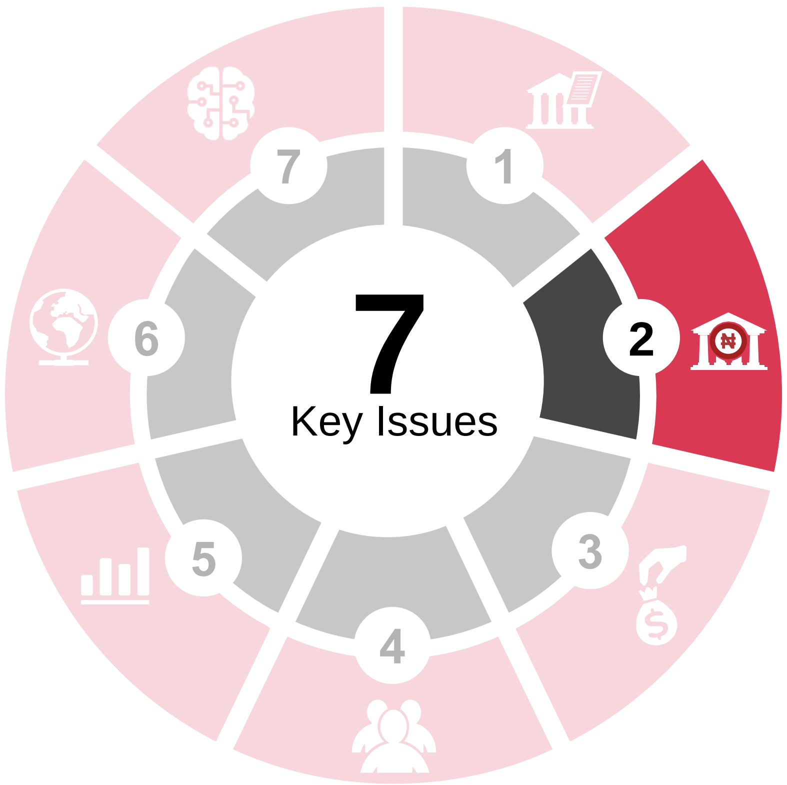

Consumers' uncertain pathway to spending recovery, pressured by economic shocks

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Broader fiscal policy focus: going beyond revenue generation

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Foreign exchange stability, price stability and interest rate are essential monetary issues of focus in 2025

1 Foreign exchange stability

- Foreign exchange (FX) stability is a pivotal issue in Nigeria, as the naira depreciated by average of 42% in the official market in 2024 despite external reserves growing to $40.9 billion.
- **The ease of the volatility in 2025 will be centered around five critical factors, which include price discovery, transparency and market friction, liquidity, supply-demand backlogs and Market and investor confidence.**

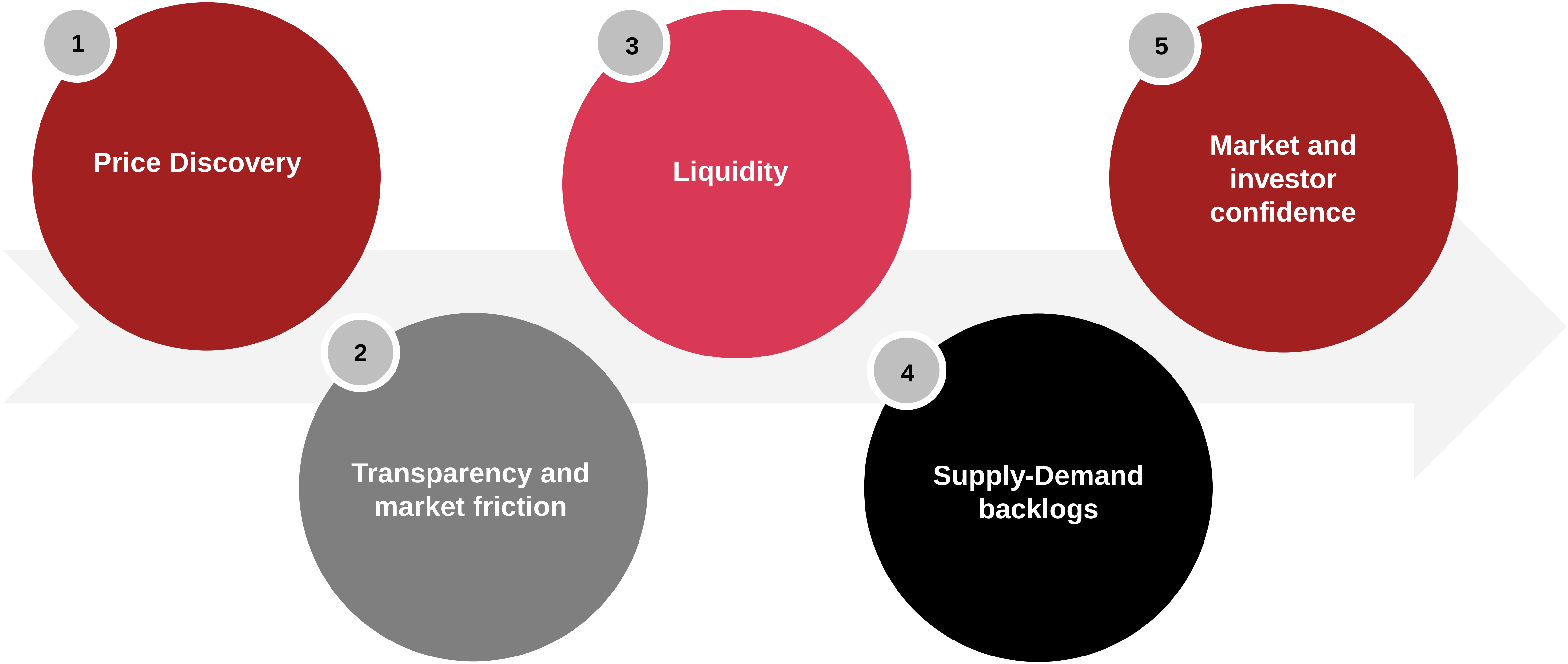
2 Price stability

- Price stability in Nigeria remains a significant challenge, with inflation at 37.3% in December 2024 driven by factors such as food, transport and utilities amongst others.
- **In 2025, inflation will likely be influenced by several factors, including monetary phenomenon, supply-side dynamics, cyclical elements, sector-specific inflation, and the effects of inflation rebasing.**

3 Monetary policy rate

- The elevated MPC rates at 27.5% is making borrowing more expensive for businesses and consumers, potentially slowing down the access to credit to accelerate economic growth
- **However, the CBN may sustain its monetary policy tightening stance to control inflation and stabilise the economy. Balancing these effects is crucial for maintaining economic stability and fostering sustainable growth.**

Foreign Exchange stability in 2025 will be largely underpinned by five key factors amongst others (1/3)



Foreign Exchange stability in 2025 will be largely underpinned by five key factors amongst others (2/3)

	Pre-May 2023	Now…	2025 Outlook
Price Discovery	• **Multiple exchange rates in the market**, which created opportunities for arbitrage and market distortions.	• **Direction towards to unifying multiple exchange rates into a single rate.**	
Transparency and market friction	• **Limited clarity and transparency in Foreign Exchange transactions.** • Bureaucratic bottlenecks in assessing forex.	• **Clearer guidelines and more accessible information for businesses and investors.** • **Introduction of the Enhanced Foreign Exchange Market System (EFEMS).**	
Liquidity	• Average daily production **was approximately 1.2 million barrels per day (mbpd).** • Oil prices ranged from **$60 to $80 per barrel, impacting revenue generation.** • Nigeria attracted **a sum of US$1.06 billion as capital importation in Q4 2022, indicating a decrease of 51.51%.** • Remittances were a **significant source of foreign exchange totalling US$25 billion, but the inflows were inconsistent.**	• In December 2024, **Nigeria's average daily oil production was 1.49 mbpd.** • In Q3 2024, **capital importation totaled $1.25 billion, a 91.35% increase from Q3 2023.** • From January to October 2024, **diaspora remittances through IMTOs reached $4.22 billion, nearly doubling the $2.62 billion from the same period in 2023.**	

Outlook rating: Trending Positive / Trending Moderate / Trending Negative

Sources: CBN,NBS, NUPRC, PwC Analysis

Foreign Exchange stability in 2025 will be largely underpinned by five key factors amongst others (3/3)

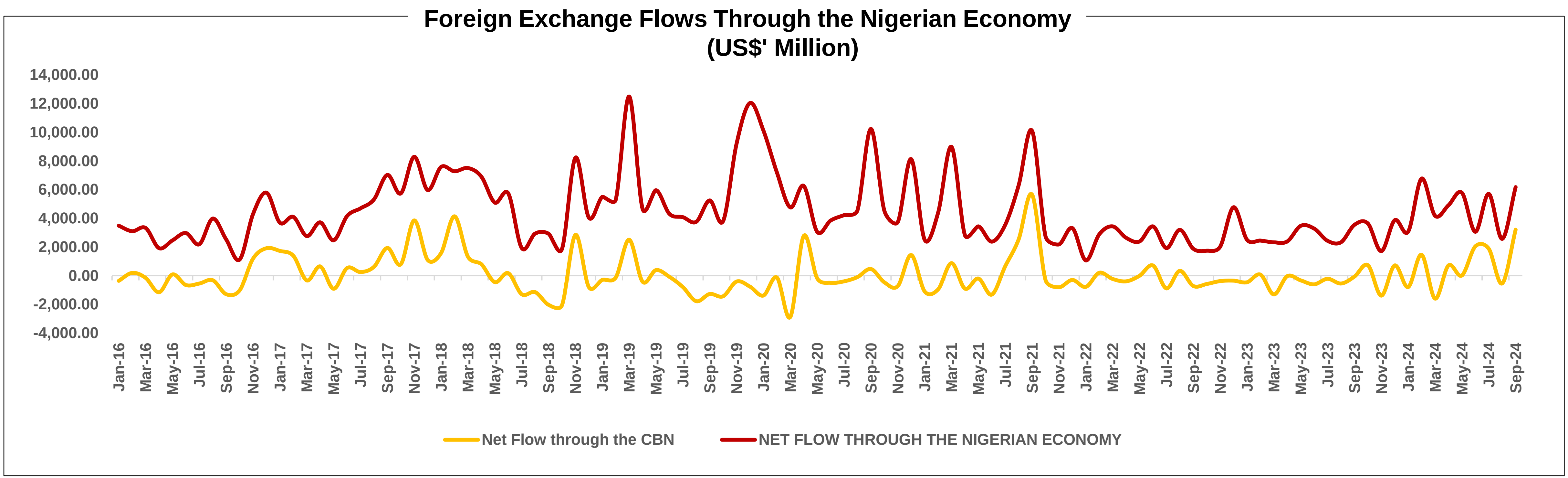
	Pre-May 2023	Now…	2025 Outlook
Supply-Demand backlogs	• **Nigeria faced a substantial backlog of unmet foreign exchange (Foreign Exchange) orders, estimated at around $7 billion.** • Exits from Nigerian market.	• **Made significant strides in addressing the Foreign Exchange backlog by clearing the $7 billion backlog.**	
Market and investor confidence	• Both foreign and local investors were cautious due to the lack of a unified exchange rate and regulatory challenges.	• IMF noted that **Nigerian capital market is undergoing significant restoration of investor confidence.** • **Global portfolio investors have been showing renewed interest in investing in Nigeria.**	

Outlook rating

- **Trending Positive**
- **Trending Moderate**
- **Trending Negative**

Sources: CBN,NBS, IMF, PwC Analysis

In 2024, liquidity inflows show signs of recovery, with net flows through the Nigerian economy reaching $6.2 billion in September 2024



Key Insights

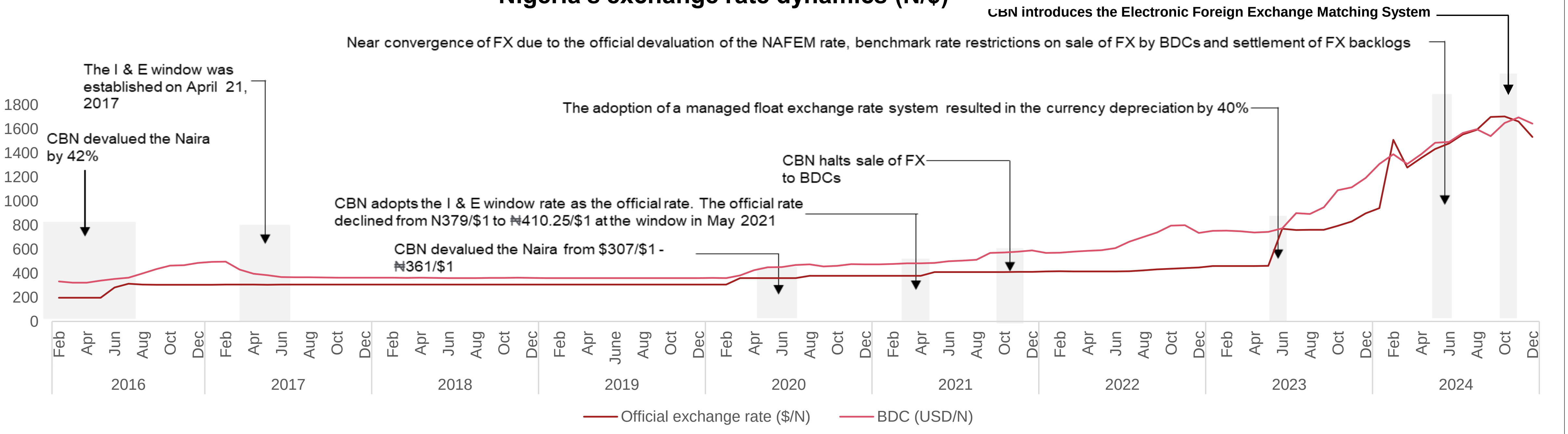
- In September 2024, net liquidity flow to the **economy stood at $6.18 billion**, highlighting robust injections into the economy that continue to **support economic activities despite inflationary headwinds.**

Inflation may ease riding on abating supply inflation drivers and sustained tightening of monetary policy

Monetary Phenomenon	• **The Nigerian government's planned expenditure increase to ₦49.7 trillion in 2025**, **along with the new minimum wage, is expected to fuel inflation**. Consequently, the CBN may sustain a tight monetary policy to manage these inflationary pressures.
Supply	• **Structural issues in food production and supply chains, such as inefficiencies, disruptions, or lack of infrastructure, can significantly drive up food prices.** This increase in food prices can contribute to overall inflation, affecting the cost of living and economic stability.
Cyclical Factors	• **Seasonal factors such as planting and harvest seasons, along with festive periods, can indeed lead to temporary price fluctuations**. During planting seasons, prices may rise due to lower supply, while harvest seasons often see a drop in prices due to increased availability. Festive periods can also drive up demand, causing short-term price spikes.
Sectorial Price Increases	• **The planned increase in telecom tariffs, along with rising electricity prices, is expected to contribute to sector-specific inflation**. While improved price stability in petroleum products (PMS) may help mitigate some inflationary pressures, the overall impact on sectors like telecommunications and energy could still lead to higher costs for consumers
Inflation Effect - Rebasing	• **Rebasing inflation to 2024 wi**ll broadly affect the computation and inflation values.

Exchange rate is projected to stabilise in 2025, on the back of CBN foreign eexchange reforms

Nigeria's exchange rate dynamics (₦/$)



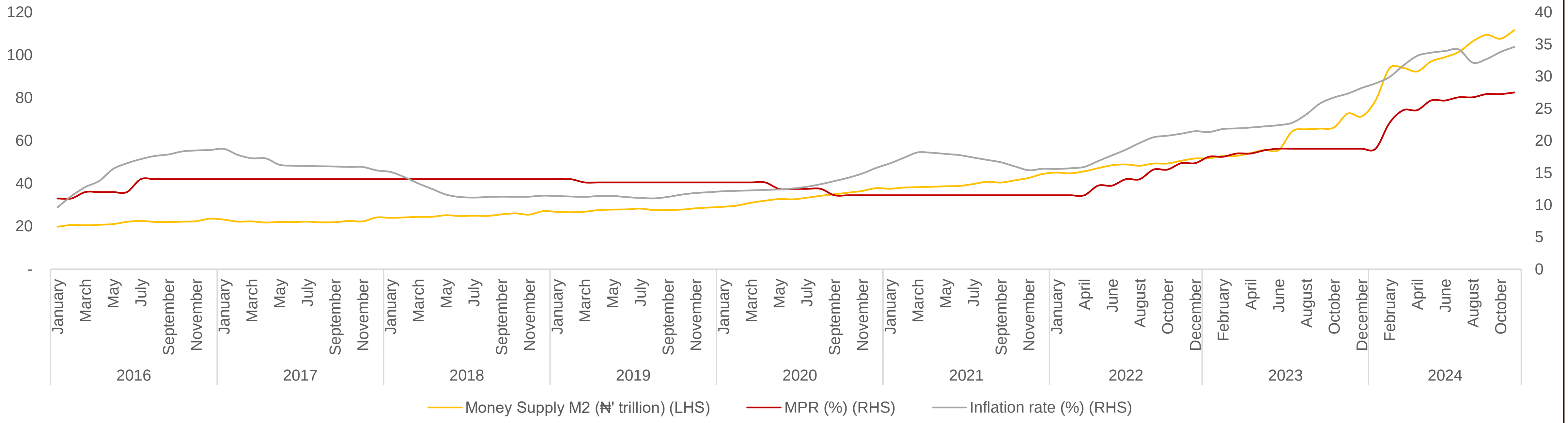
Key Insights

- **The official exchange rate depreciated by 42.1%, from ₦899.3/$ in December 2023 to ₦1,553.7/$ in December 2024,** driven by foreign exchange shortages and increased demand for foreign currency. **However, the gap between the parallel and official market rates narrowed, supported by the CBN's foreign exchange reforms. Foreign exchange reserves grew by 24.3%, reaching $40.9 billion in December 2024, up from $32.9 billion in 2023.**
- **The exchange rate is expected stabilise in 2025 supported by CBN foreign exchange reforms, which are expected to drive FX inflows.**

Source: CBN, Fitch, PwC Analysis

Persistent imbalances between money supply growth and productivity in 2025 may undermine the effectiveness of the CBN's monetary policy

Money Supply, MPR and Inflation rate

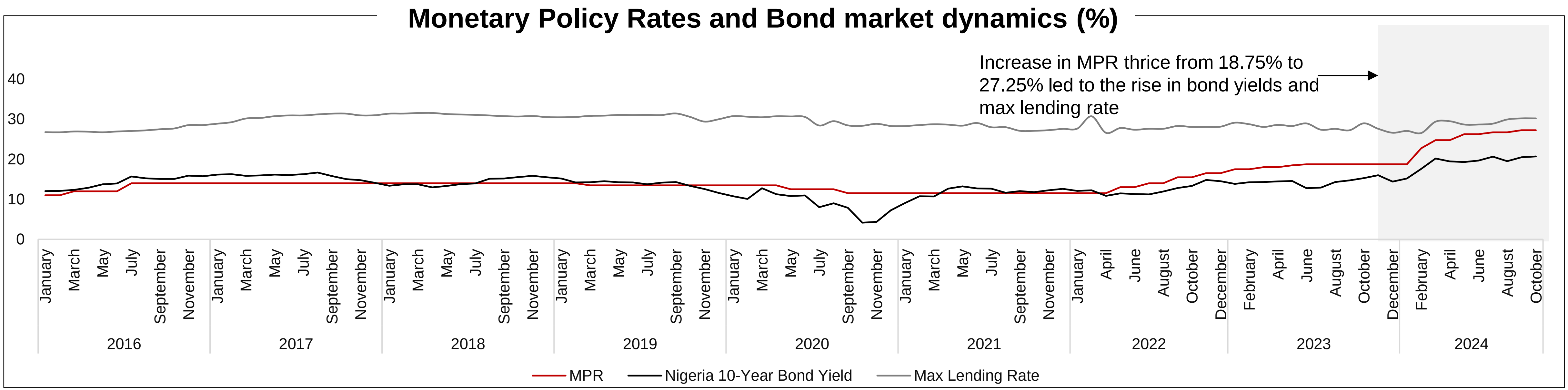


Key Insights

- Money supply (M2) grew by 48.2% (YoY), reaching ₦107.7 trillion in October 2024, while inflation surged to 34.6% in November 2024, despite the Monetary Policy Rate (MPR) being increased to 27.5% during the same period. **This underscores the increasing challenges in managing liquidity while striving to maintain price stability.**
- **Persistent imbalances between money supply growth and productivity in 2025 may further undermine the CBN's ability to manage inflation effectively**. To ensure long-term price stability and economic stability, disciplined monetary policy is essential to address naira liquidity challenges and curb inflationary pressures.

Source: CBN, PwC Analysis

CBN may maintain monetary tightening cycle in 2025 with focus on fostering long-run price stability and creating an attractive foreign portfolio investment



Key Insights

- **The Central Bank of Nigeria (CBN) raised the Monetary Policy Rate (MPR) by 875 basis points, from 18.75% in September 2023 to 27.50% in November 2024, to curb rising inflation. This aggressive monetary tightening drove the Nigeria 10-Year Government Bond Yield to 20.7% in October 2024, up from 15.3% a year earlier.**
- **The maximum lending rate increased to 30.2% in October 2024 from 28.9% in October 2023**, reflecting the higher MPR. This rise in borrowing costs, particularly for informal sector businesses, may hinder economic growth by restraining investment and business expansion. The CBN is likely to maintain its monetary tightening stance in 2025, focusing on achieving long-term price stability.

Source: CBN, PwC Analysis

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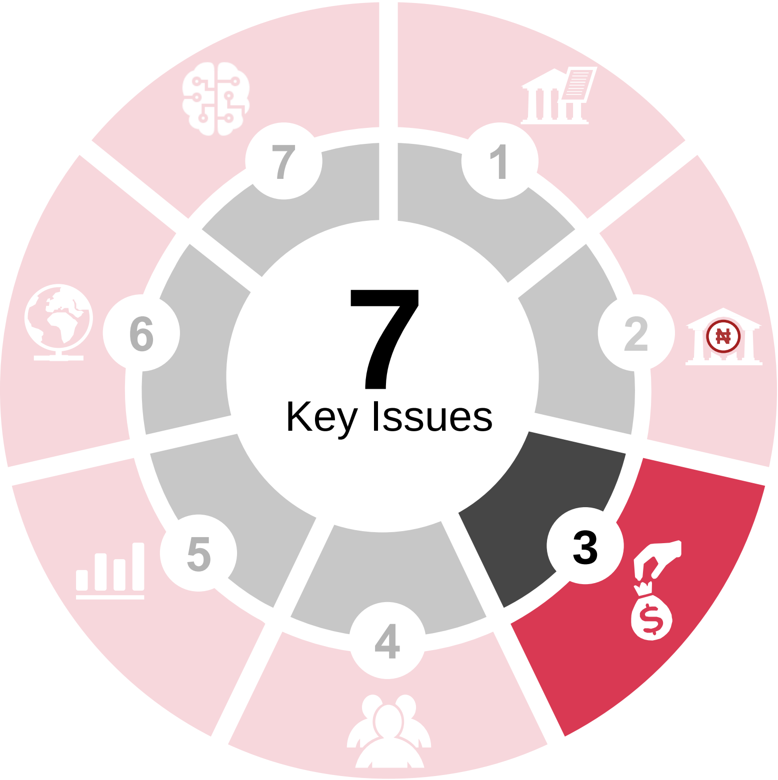
- Addressing the multiple shocks
- Funding



Consumers' uncertain pathway to spending recovery, pressured by economic shocks
- Inflationary pressures
- High poverty rate
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Broader fiscal policy focus: going beyond revenue generation
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- Foreign Exchange stability
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- Interest rate

Attracting investments (foreign and local)
- Driving capital inflows
- Creating enabling environment
- Capital deepening

Moderate increase in remittance inflows, moderate capital inflows, and negative real returns are critical issues on attracting investment in 2025

1 Moderate increase in remittance inflows

- Diaspora remittances through IMTOs reached **$4.22 billion between January and October 2024, nearly doubling the $2.62 billion from the same period in 2023**. The increase was on the back of central bank reforms such as **eliminating the cap on exchange rates and access to official forex trading window for IMTOs.**
- This increase is **projected to continue into 2025, driven by improved economic conditions in advanced economies and supportive measures from the Central Bank of Nigeria (CBN).**

2 Moderate capital inflows

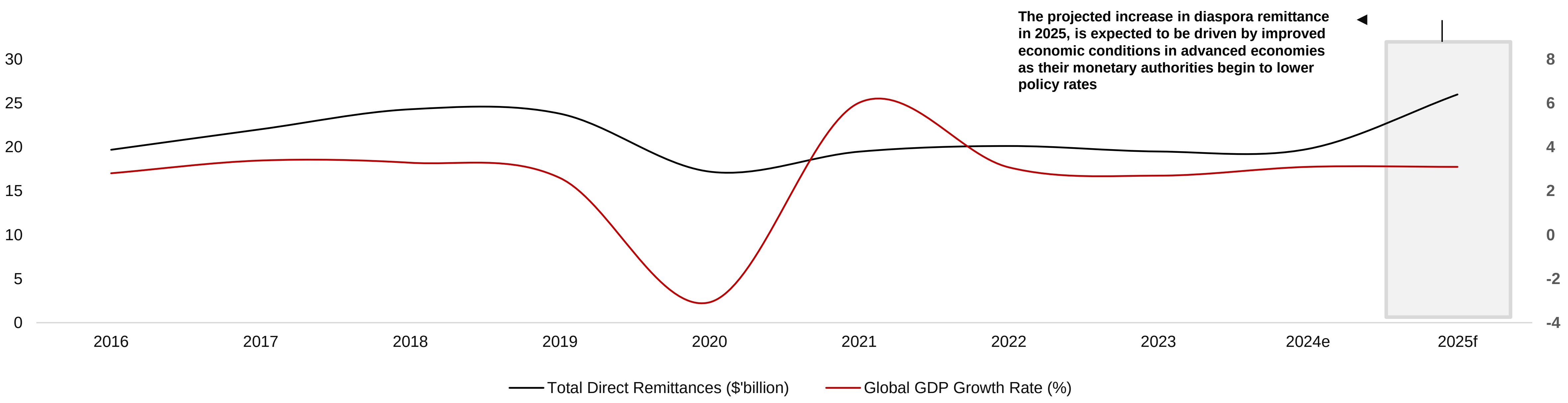
- There was an increase in total capital importation, rising by 152% to $2.6 billion, in 2024. This increase was driven by **a significant rise in FPIs and other investments despite a 65% drop in FDI**.
- The growth in FPIs was supported by the **Central Bank of Nigeria's MPR hike**, while FDI declined due to **structural challenges**.
- The outlook for 2025 is **cautiously optimistic for FDI**, while **FPIs are expected to continue growing, supported by favorable market conditions and ongoing economic reforms**.

3 Negative real returns

- Despite the Central Bank of Nigeria's efforts to raise interest rates and combat inflation, the **return on investments like Treasury bills is still lower than the inflation rate, leading to negative real returns.**
- This **diminishes the appeal of local assets to international investors and may lower capital outflows from Nigeria in 2025.**

A projected steady global economic growth in 2025 may result in a moderate increase in remittance flows to the country

Nigeria's Total Direct Remittances vs Global GDP Growth Rate

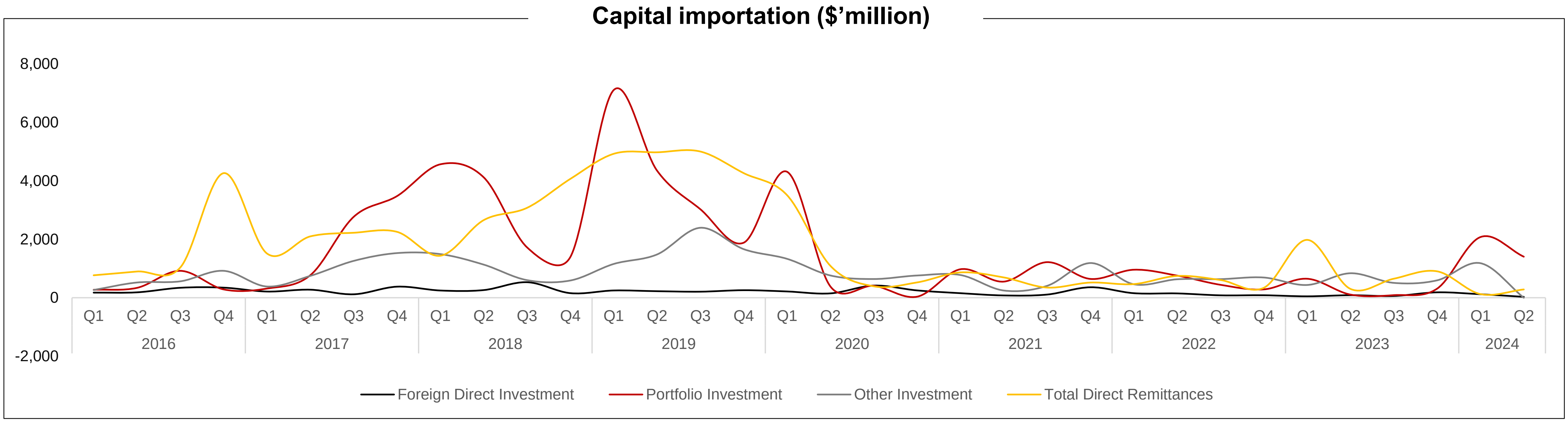


Key Insights

- Nigeria has consistently recorded **strong diaspora remittance inflows, averaging $20 billion over the last decade**, but recorded a **slight recent decline in 2023 to $19.5 billion, primarily due to slow economic growth in advanced economies like the United States and United Kingdom which are major sources of remittance to Nigeria**.
- Nigeria's total direct remittances is **projected to increase in 2025, driven by improved economic conditions in advanced economies as their monetary authorities continue to lower policy rates, supportive measures by the CBN to boost remittances (such as granting licenses to new IMTOs, implementing a willing-buyer willing-seller model, and ensuring timely access to naira liquidity for IMTOs), and increased engagement with Nigerians abroad by the Nigerians in Diaspora Commission**.

Source: World Bank, PwC

Capital flows are projected to remain moderate in 2025 as investors remain cautious, despite Central Bank of Nigeria (CBN) policy actions aimed at rebuilding investor confidence

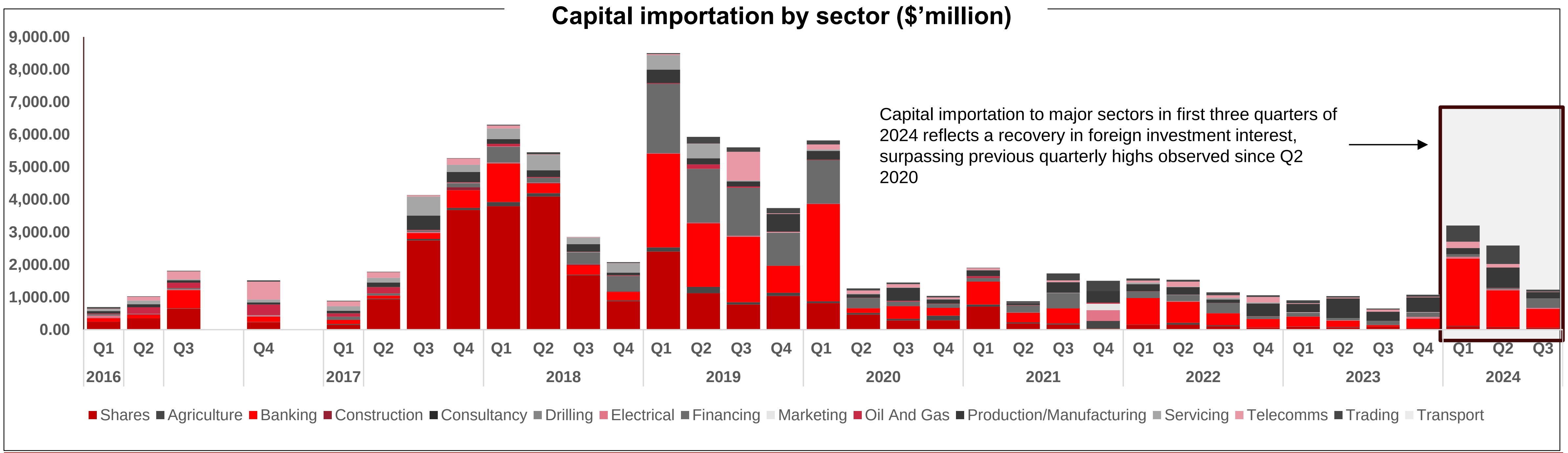


Key Insights

- **Total capital importation grew by 152% to $2.6 billion in Q2 2024, up from $1 billion in Q2 2023, driven by a rise in FPIs (from $106.8 million to $1.2 billion) and other investments (from $837 million to $1.12 billion), despite a 65% drop in FDI to $29.8 million**. The growth in FPIs was supported by the CBN's MPR hike, boosting demand for Nigerian money market instruments, while foreign loans and other claims drove the rise in other investments. FDI declined due to divestments in oil and gas and manufacturing.
- **Total direct remittances grew by 27.5% to $829.3 million in Q2 2024, driven by CBN reforms such as the removal of exchange rate caps on licensed IMTOs and revised operational guidelines. Capital flows are projected to increase in 2025, supported by CBN policy measures aimed at restoring investor confidence.**

Source: NBS, NESG, PwC Analysis

Banking, manufacturing, and trading sectors showed a strong performance in capital inflows in Q3 2024 while Agriculture and Oil & Gas shrunk



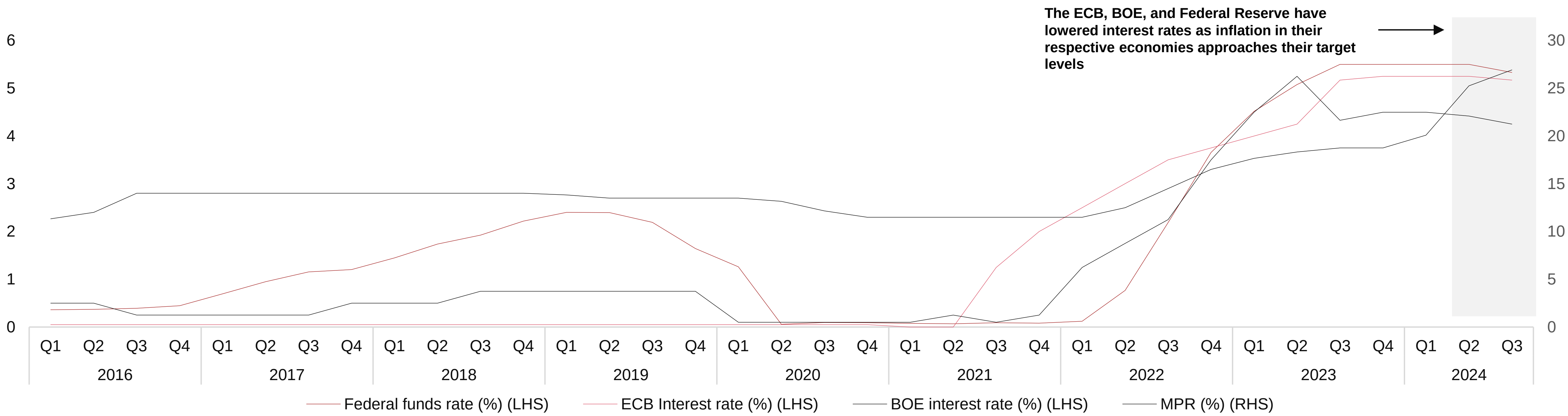
Key Insights

- The banking sector recorded the highest capital inflow of $579.48 billion in Q3 2024, marking a robust recovery from Q3 2023, **due to strong economic fundamentals and revaluation gains**. The manufacturing sector, with $624.71 billion was **driven by improved industrialisation and policy reforms**.

Source: NBS, NESG, PwC Analysis

Nigeria may unlikely attract significant foreign funds in 2025 if negative real returns persist

Federal Funds Rate vs ECB Interest Rate vs BOE Interest Rate vs MPR



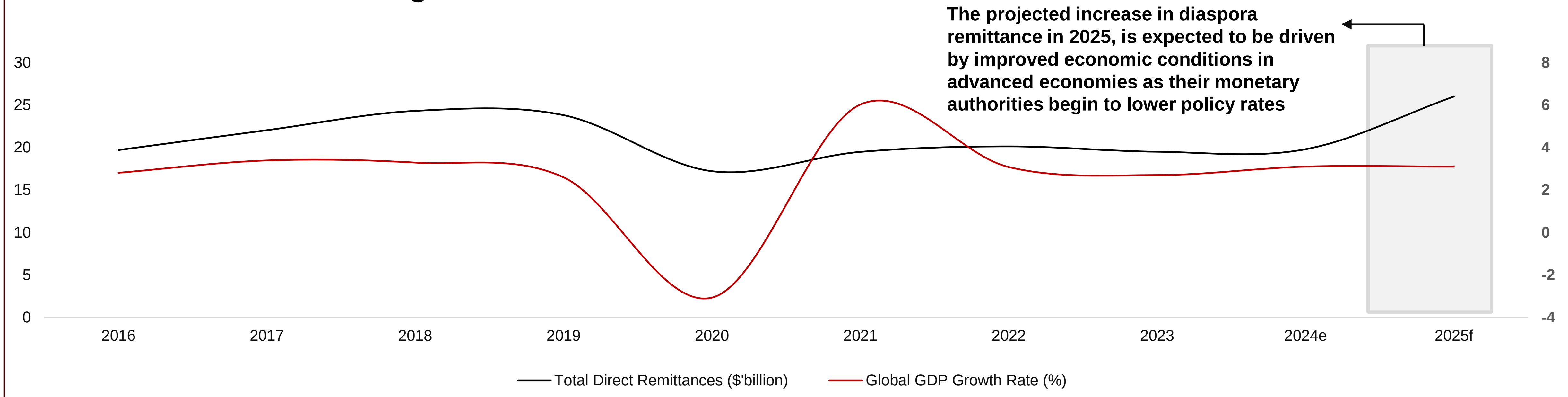
Key Insights

- **While advanced economies have reduced policy rates as inflation nears target levels, the CBN raised its policy rate five times in 2024 to combat inflation, which reached 34.6% in November 2024**. Declining interest rates in advanced economies are likely to lead a reallocation of funds to more competitive markets offering higher real returns. However, Nigeria may not benefit significantly from this because its negative real interest rates, resulting from inflation surpassing interest rates, may discourage investors.
- If inflation rises in advanced economies in 2025, their central banks may increase policy rates, leading to a shift of funds towards these markets offering positive real returns. This may exacerbate capital outflows from economies like Nigeria, where negative real interest rates diminish the appeal of local assets to international investors.

Source: ECB, US Federal Reserve, CBN, PwC

A projected steady global economic growth in 2025 may result in a moderate increase in remittance flows to the country

Nigeria's Total Direct Remittances vs Global GDP Growth Rate



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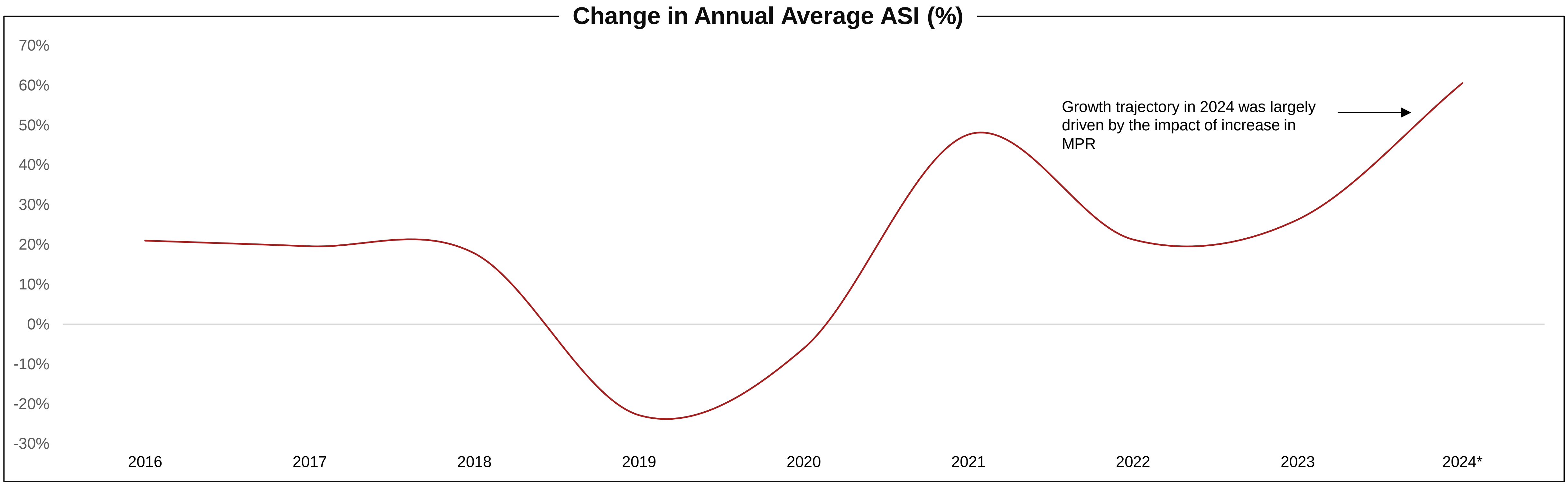
Source: World Bank, PwC

Market performance is projected to continue on an upward trend in 2025 driven disproportionately by domestic investment



Key Insights

- ASI grew by 61% to 98,400 in 2024 from 61,313 in 2023. **Market capitalisation also increased by 55.6% from ₦38 trillion in October 2023 to ₦59.2 trillion in October 2024.** The increase was driven by the positive sectoral index performance of oil and gas (147%), insurance (60.6%), banking (38.1%), and consumer goods (35%) sectors.
- **Market performance is projected to continue on an upward trend in 2025.**

Sources: World Bank, NBS, PwC Analysis
** Data is as of October 2024*

Key issues for consideration in 2025

Global political economy + Megatrends in transition
- Global political transitions
- Global trade
- AI + ESG

Security and social stability
- Security bottlenecks
- Social protection
- Shocks mitigation

Stimulating productivity to drive real sector growth: needs for stabilisation and protection of domestic economies
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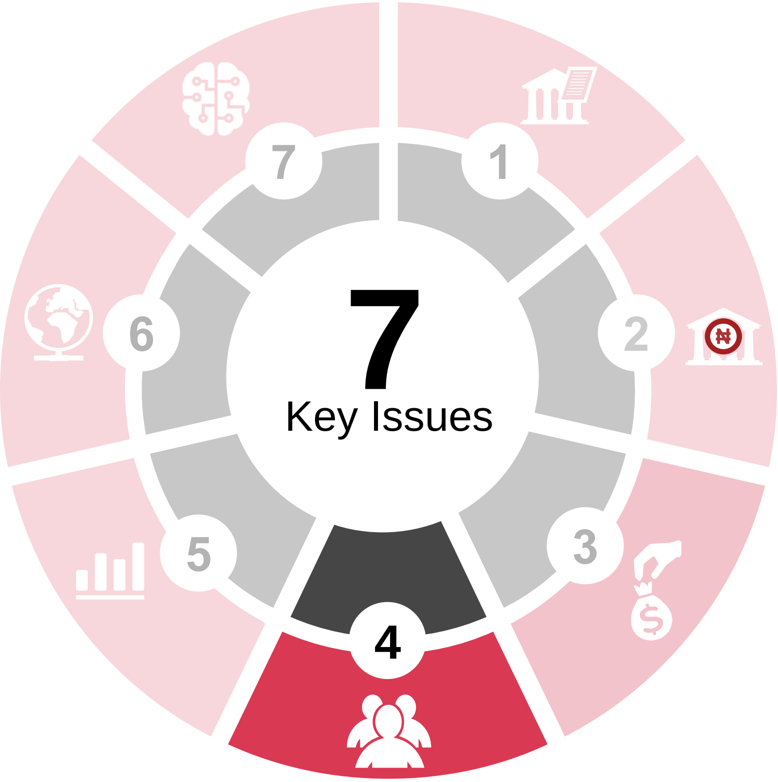

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Consumers may contend with real income erosion, poverty and limited access to safety nets in 2025

1 Real Income Erosion

- The inflation rate surged to 34.8% in December 2024, **significantly reducing the purchasing power of consumers** by making their money less valuable.
- Inflationary pressure in 2025 means that **consumers may struggle to afford essential goods and services**, such as food, housing, and healthcare, severely impacting the overall quality of life.

2 High Poverty Rates

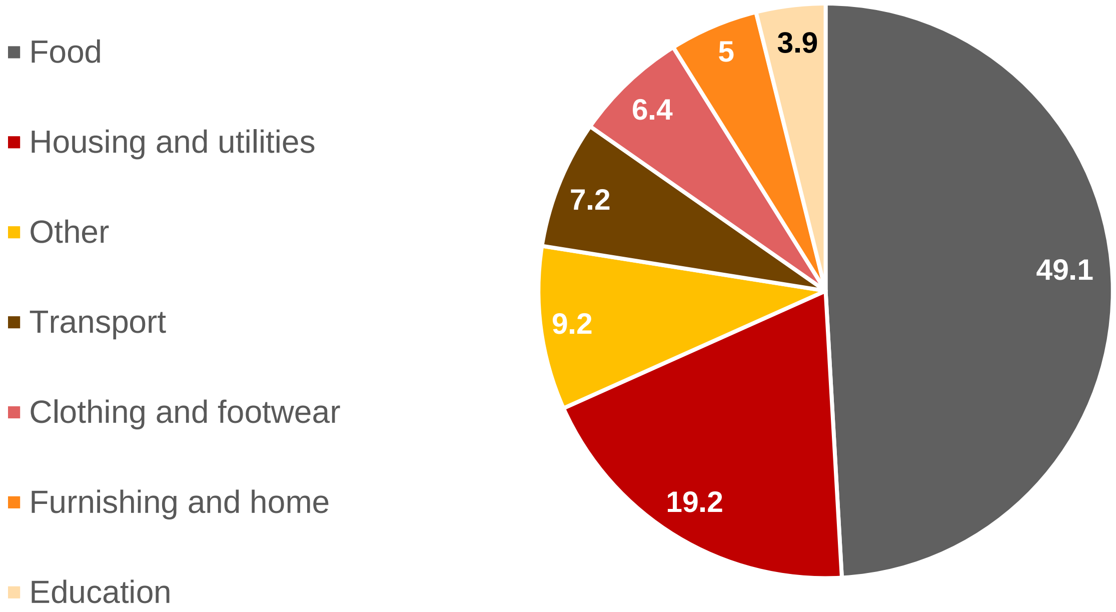
- The poverty rate in Nigeria is projected to rise significantly, with an additional 13 million people expected to fall below the national poverty line by 2025.
- **The projected increase in poverty rate highlights a critical issue that demands critical measures**, as it underscores the growing economic challenges and the need for effective poverty alleviation measures.

3 Limited Impact of the Policy Measures

- **Existing social safety net programs such as the conditional transfer in Nigeria are often inadequate** and may not reach the most vulnerable populations, leaving many without necessary support.
- Additionally, **the recent increase in minimum wage only covers 4.1% of the population**, highlighting the limited impact of this measure on alleviating poverty and providing financial relief to the majority of Nigerians.

Consumers may continue to prioritise essential items with food as the major driver of inflation in 2024

Average Consumer Expenditure Weight % (2022 estimate)



Cumulative M-o-M Change in Inflation Key Elements Jan-Dec 2024

Food – 34%

Furnishings & Household Equipment Maintenance – 20%

Transport – 28%

Clothing and footwear – 19%

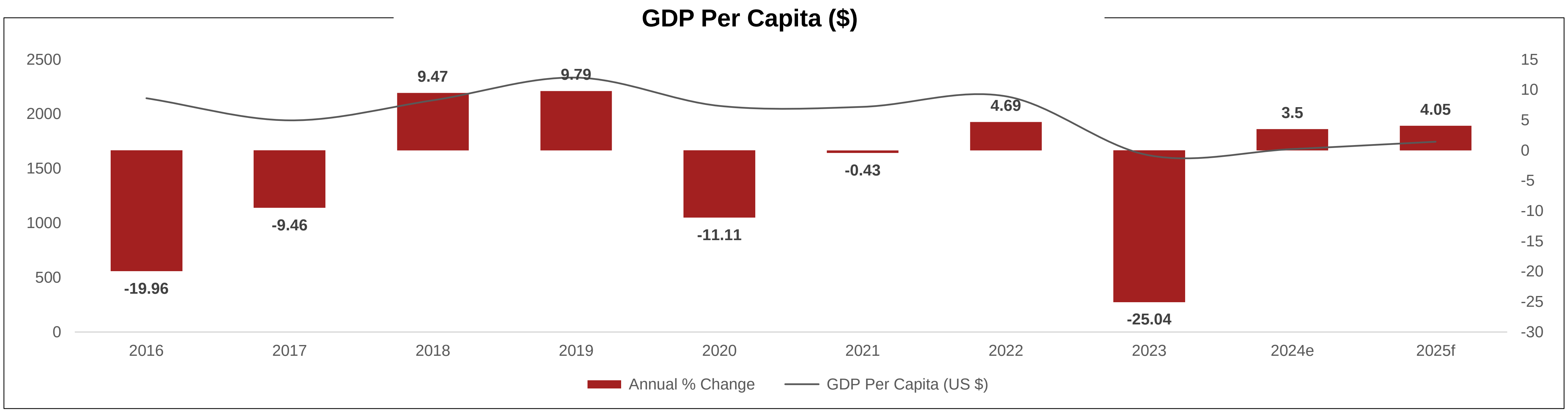
Education – 20%

Key Insights

- **Food (34%) and transport (28%) inflation recorded the highest cumulative M-o-M change in inflation between January and September 2024. The rise in transport inflation was due to the increase in petroleum product prices.**
- **The increase in the minimum wage covers only 4.1% of the working population**, implying that consumers might still struggle to maintain improved standard of living due to the impact of the inflationary pressure.

Source: NBS, PwC Analysis

Economic pressure points continue to weigh on the purchasing power of average consumer in Nigeria



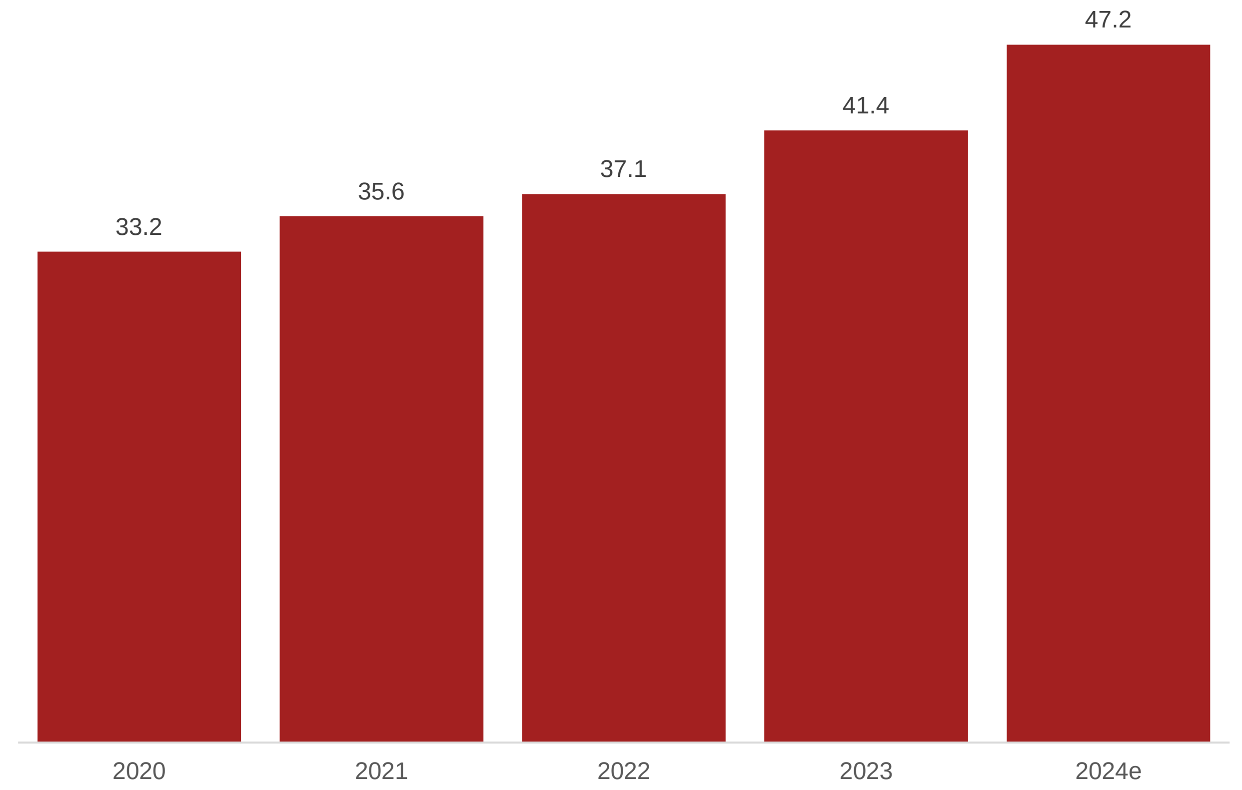
Key Insights

- **The significant drop in GDP per capita by 25.04% from $2162.6 in 2022 to $1621.1 in 2023 highlights severe economic pressure on consumers**, indicating declining purchasing power and a strained standard of living.
- With projected GDP growth of 3.0% in 2024 and expected stronger growth in 2025, **a modest recovery is expected, but the pace may be insufficient to fully offset the economic pressures of recent years.**

Source: World Bank, PwC Analysis

Macroeconomic pressure points such as rising inflation, interest rate and naira depreciation may drive additional 13 million people below the national poverty line in 2025

Poverty Rate (%)



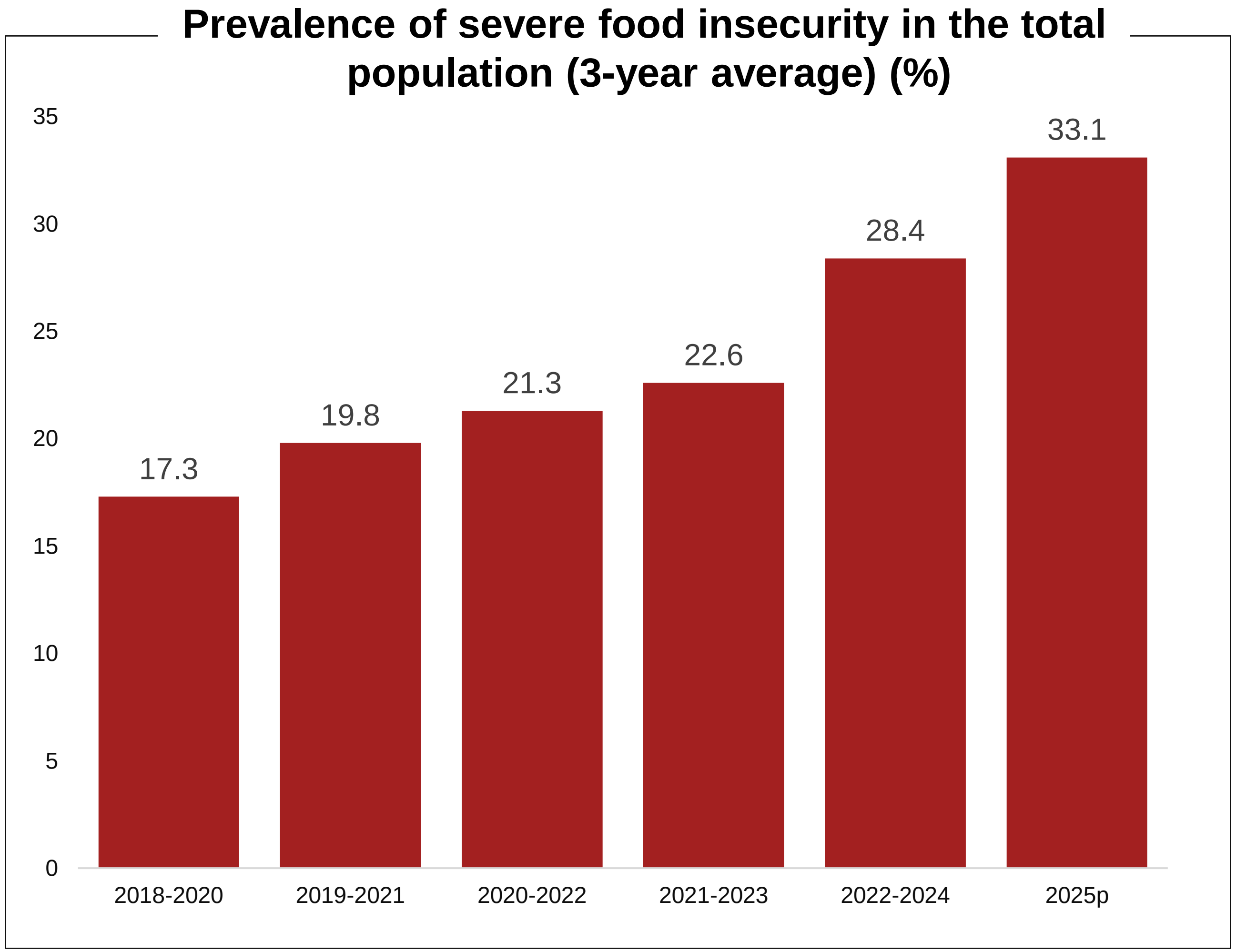
Note: International poverty rate ($2.15 in 2017 PPP)

Source: World Bank, PwC Analysis

Key Insights

- Poverty rate in Nigeria is estimated to rise from **41.4% of the population in 2023 to 47.2% in 2024**.
- The number of people living below the national poverty line is projected to increase by about 13 million by 2025.

33.1 million Nigerians may become food insecure in 2025 due to economic hardship, high inflation and violence in Northern food producing regions



Key Insights

- Rising food prices have intensified severe food insecurity in Nigeria, leaving **an estimated 25.1 million people acutely affected in 2024**.
- **Approximately, 33.1 million Nigerians may become food insecure in 2025** due to economic hardship, high inflation and violence in Northern food producing regions.

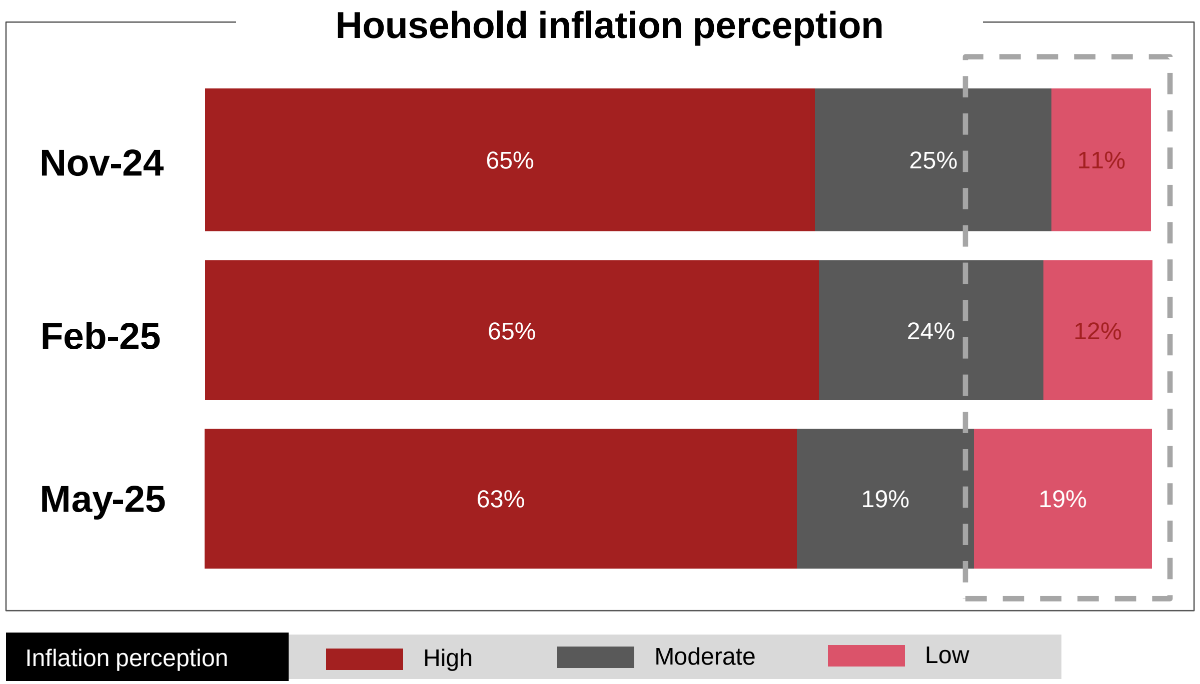
Source: Cadre Harmonisé, FAO, UN, PwC Analysis

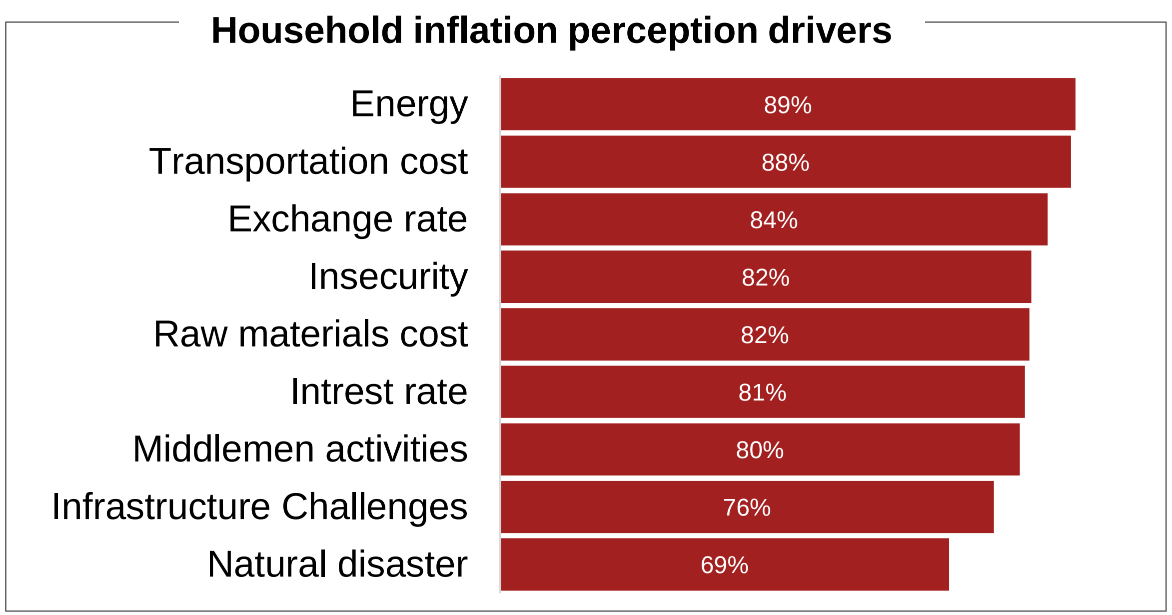
The governments conditional cash transfer program and minimum wage will positively impact households, however, this impact may be limited

Measure	Impact	Limitation
Conditional cash transfer to the most vulnerable households authenticated through the National Identification Number (NIN) or the Bank Verification Number (BVN).	• Direct benefit transfers of **₦25,000 has been rolled out to 5.2 million households** as of October 2024. • It is estimated **that at least 60 million Nigerians are direct beneficiaries** of the program.	• **Low coverage of NIN/BVN among the poor and economically insecure population** has slowed the pace of the rollout of the direct benefit transfers.
Increase in minimum wage to ₦70,000 from ₦30,000 to help individuals and households cope with inflationary pressures.	• **4.1% of working age Nigerians - 3.2% in the private sector and 0.9% in the public sector -** benefited from the increase in minimum wage.	• **Only a small share of the population (4.1% of working age Nigerians) are impacted** by the increase in minimum wage which limits the broad impact on households.

Source: Fitch, PwC Analysis

Households expect inflation to remain elevated but decelerate marginally over the next 3 to 6 months





Key Insights

- The CBN inflation perception survey showed **that inflation is expected to remain elevated but decelerate marginally over the next 3 to 6 months driven by high energy prices, increase in transportation cost, and exchange rate pressures, among others.**
- While 65% of households surveyed expect high inflation by February 2025, this figure decreased to 63% by May 2025. **Meanwhile, the proportion of respondents anticipating lower inflation rose from 12% in February to 19% by May 2025. The observed increase in inflation by households from the beginning of the year may continue to shape their perception of inflation in 2025.**

Source: CBN.. PwC Analysis

Key issues for consideration in 2025

Global political economy + Megatrends in transition
- Global political transitions
- Global trade
- AI + ESG

Security and social stability
- Security bottlenecks
- Social protection
- Shocks mitigation

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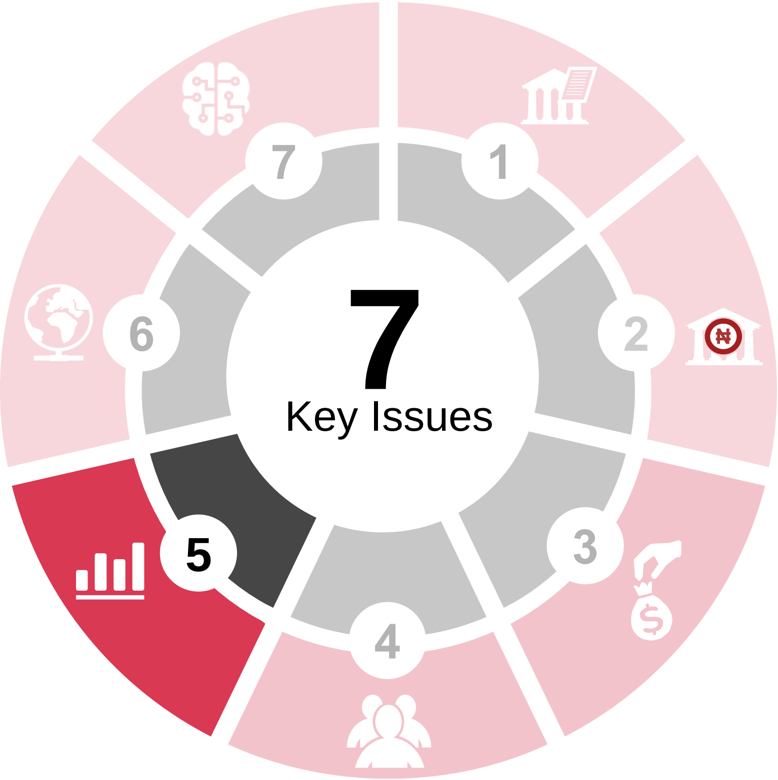

Consumers' uncertain pathway to spending recovery, pressured by economic shocks
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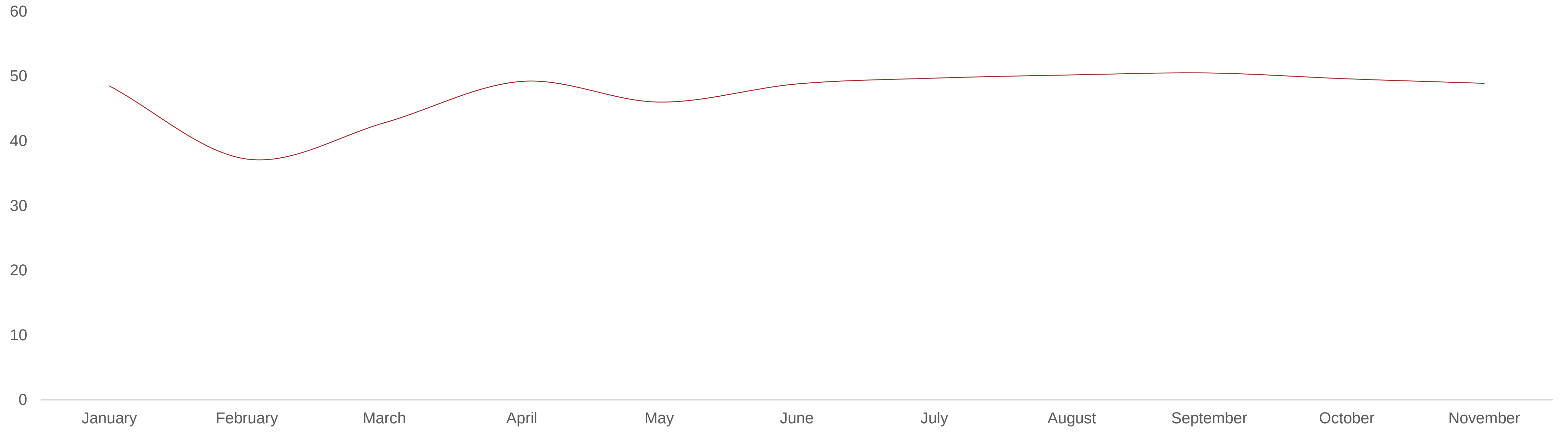
Key challenges the real sector will contend with in 2025

1 High interest rate and access to funding	• Significant funding gap persists. **Private sector funding remains a key challenge** for businesses in Nigeria especially MSMEs due to high interest rate (currently at 27.25%). • Nigerian MSMEs require **an estimated $32.2 billion (₦13 trillion) in financing to close the funding gap**.
2 Consumer demand recovery	• Inflationary pressures continue to significantly impact consumer purchasing power with implications for demand of non-essential goods from businesses in the real sector. • Businesses must create **innovative products to deliver value to consumers while keeping cost low and operating efficiently** as the CBN attempts to curb the rise in inflation.
3 Cost of inputs	• **Foreign Exchange pressures, high energy costs and elevated interest rate** continue to negatively impact operational and production cost of businesses in Nigeria especially the manufacturing sector. • High cost of input and the pass through to prices may remain a challenge in 2025 if Foreign Exchange and energy infrastructure challenges are not addressed.
4 Regulatory changes	• The regulatory landscape in Nigeria has seen significant developments such as the **extension of duty waivers, bank recapitalization, naira stabilization**, among others. • **Expected implementation of reforms especially the tax reforms**, is expected to stimulate growth, foster ease of doing business and alleviate the increase in cost of living.
5 Structural productivity constraints	• Nigeria's road and energy infrastructure remain inadequate, **increasing logistics and production cost** for businesses. • About 135,000km of roads in Nigeria remain untarred due to fiscal constraints and leakages. A structured approach is required to address these challenges

Source: NBS, PwC Analysis

PMI is expected to improve signaling expansion in 2025 driven by the impact of policy measures

Composite PMI 2024

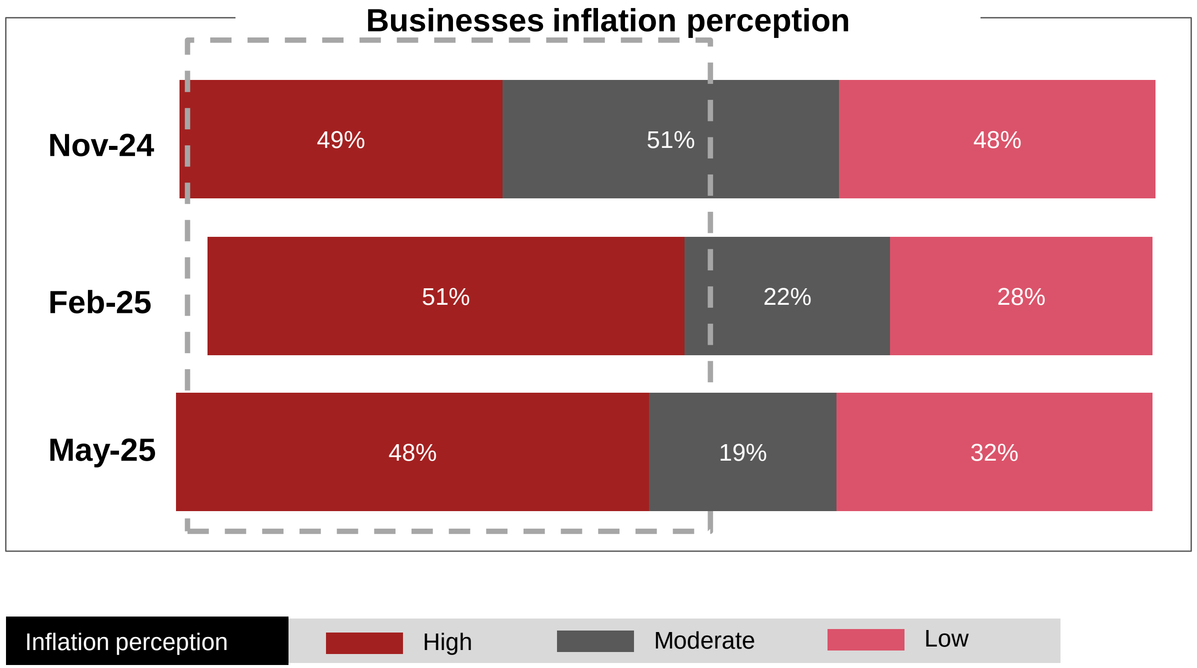


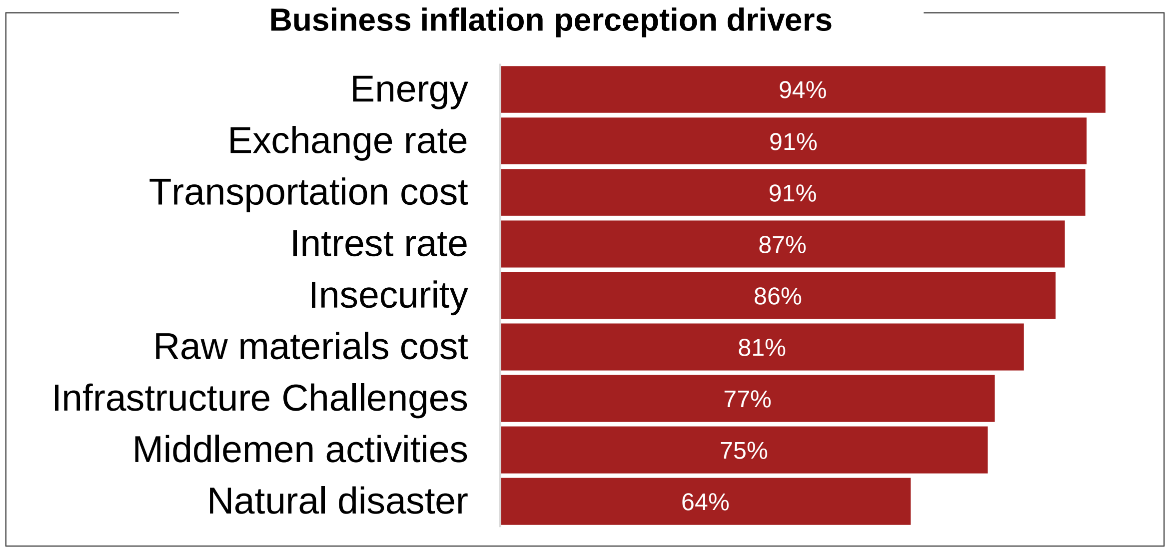
Key Insights

- The CBN **Composite PMI increased to 48.9 points in November 2024, up from 48.5 points in January 2024,** signaling contraction in economic activities. Agriculture showed expansion at 51.0 points while Services at 47.4 points and Industry at 49.3 points remained in contraction.
- **PMI is expected to improve signaling expansion in 2025 driven by the impact of policy measures and likely improvement in business confidence.**

Sources: World Bank, NBS, PwC Analysis

Businesses expect inflation to taper over the next 5 months indicating confidence in policy actions of the CBN





Key Insights

- The CBN inflation perception survey of firms showed **that inflation is expected to taper over the next 5 months driven by high energy prices, exchange rate pressures, high transportation cost, and interest rate among others.**
- While 51% of businesses surveyed expect high inflation by February 2025, this figure decreased to 48% in May 2025. **Meanwhile, the proportion of respondents anticipating lower inflation increased from 28% in February to 32% in May 2025**. **The observed increase in low inflation expectation by businesses indicates confidence in policy actions of the CBN.**

Source: CBN.. PwC Analysis

Agriculture, Information & Communication, Trade, Mining & Quarrying, Manufacturing, and Financial & Insurance sectors remain the largest contributors to GDP

Dominant sectors

Fast growing

01

- Mining & Quarrying – 3.27%
- Financial & Insurance – 28.7%
- Information & Communication – 5.92%

Slow growing and contracting

02

- Trade – 0.7%
- Manufacturing – 0.92%
- Agriculture – 1.14%

Small sectors

03

- Transportation & Storage – 12.15%
- Accommodation & Food services – 4.44%

Fast growing

04

- Real estate – 0.7%
- Construction – 2.91%

Slow growing and contracting

Key Insights

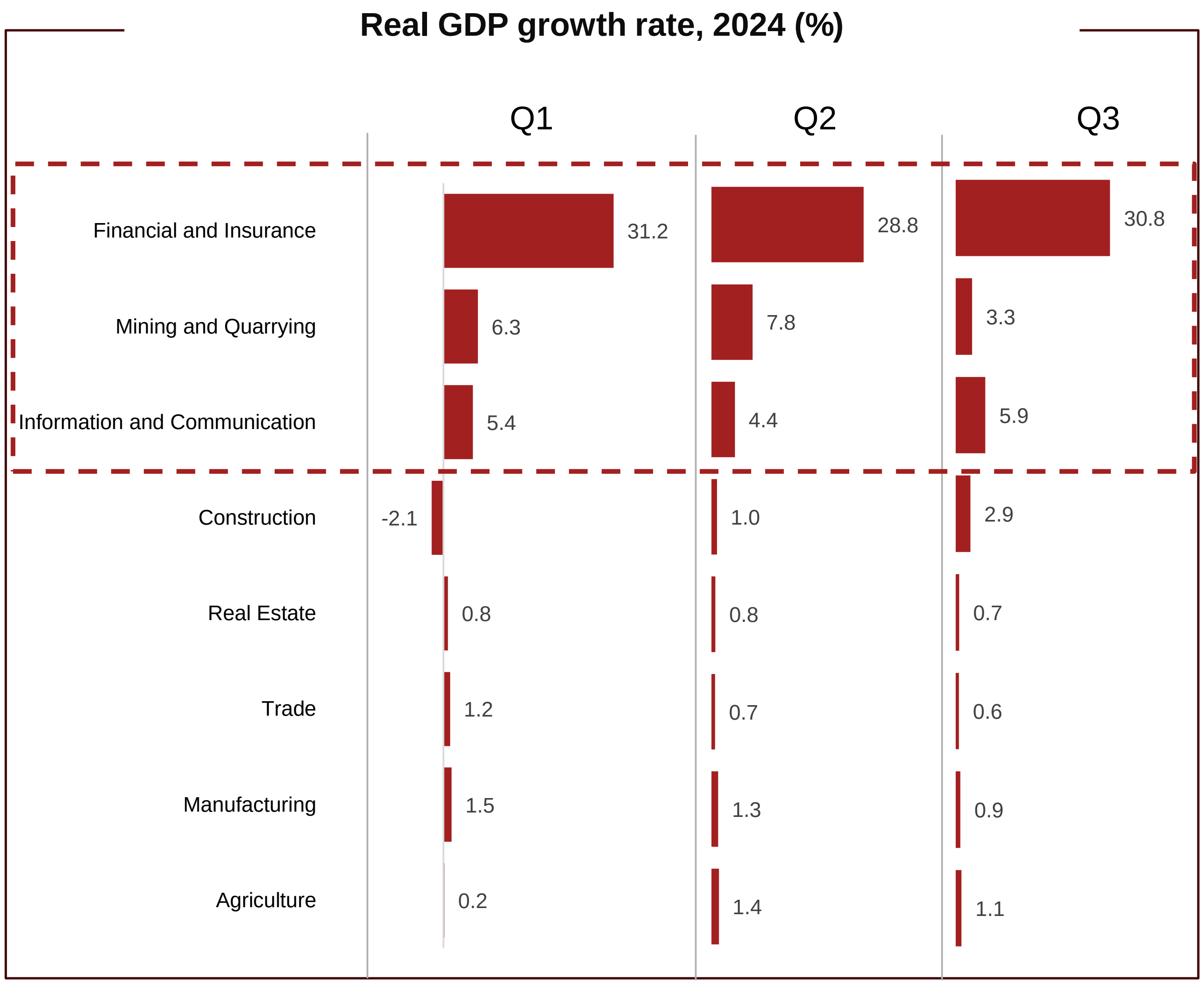
- **Agriculture, Information & Communication, Trade, Mining & Quarrying, Manufacturing, and Financial & Insurance sectors accounted for 79% of total GDP** contribution (at constant market price) as of Q3 2024.
- Encouraging investment in these sectors **may significantly drive productivity and stimulate economic growth.**

*Assumptions

1. Sectors with more than or equal to N1trillion activity are classified as dominant economy while sectors below N1trillion are small sectors
2. Fast growing sectors are sectors with growth rate more than 3% while slow growth rate are below 3%

Source: NBS, PwC Analysis

Finance & Insurance, Information & Telecommunications, and Mining and Quarrying remain the dominant sectors that grew the fastest in Q3 2024

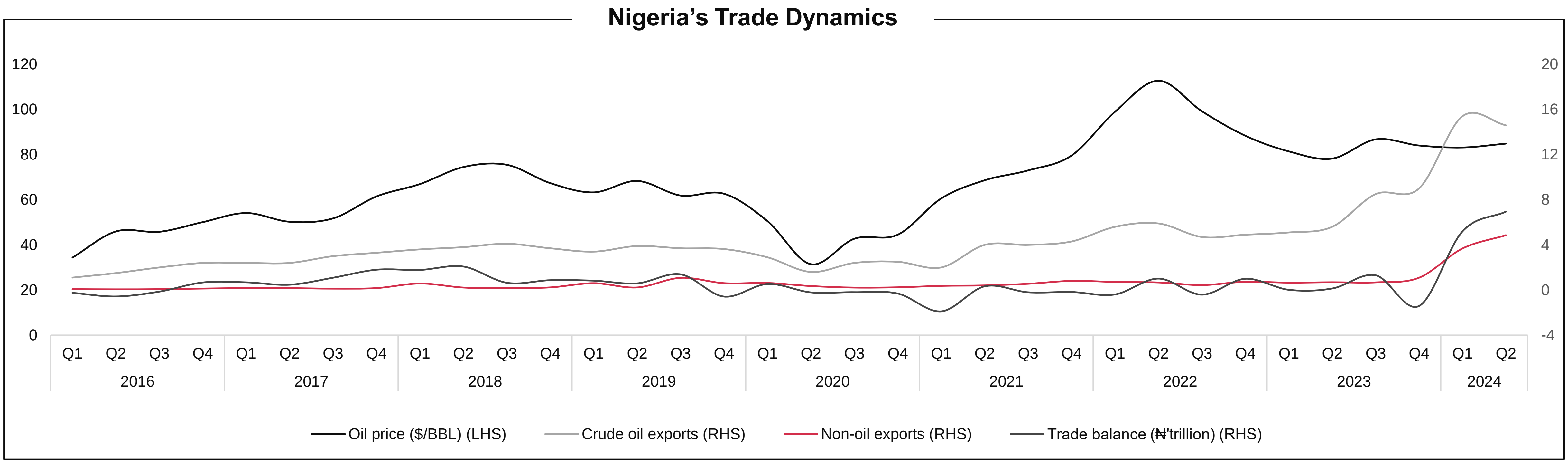


Source: NBS, PwC Analysis

Key Insights

- Although Agriculture sector remains the largest contributor to GDP, **the fastest growing sectors were Financial Services, and Information and Communication.**
- The Nigerian Financial & Insurance sector grew by 30.8% in Q3 2024, up from 28.8% recorded in Q2 2024. Both subsectors within the sector experienced growth compared to the previous year. The Banking subsector expanded by 31.9% in Q3 2024, **driven by increased interest income**.
- Similarly, the Insurance subsector grew by 19.8% in Q3 2024 **due to improvements in the reinsurance market and increased demand for cyber insurance.**
- The ICT sector grew by 5.92% in Q3 2024, up from 4.4% in Q2 2024, with the telecommunications subsector also growing to 6.8% in Q3 2024 from 5.2% in Q2 2024. The **growth in telecommunications is due to significant FDI flows for broadband expansion and 5G deployment.**
- Conversely, Mining and Quarrying growth declined due to the contraction in the Crude Petroleum and Gas subsector from 10.15% in Q2 2024 to 5.17% in Q3 2024.

Trade surplus is projected to be sustained in 2025 on the back of increased crude oil production and price

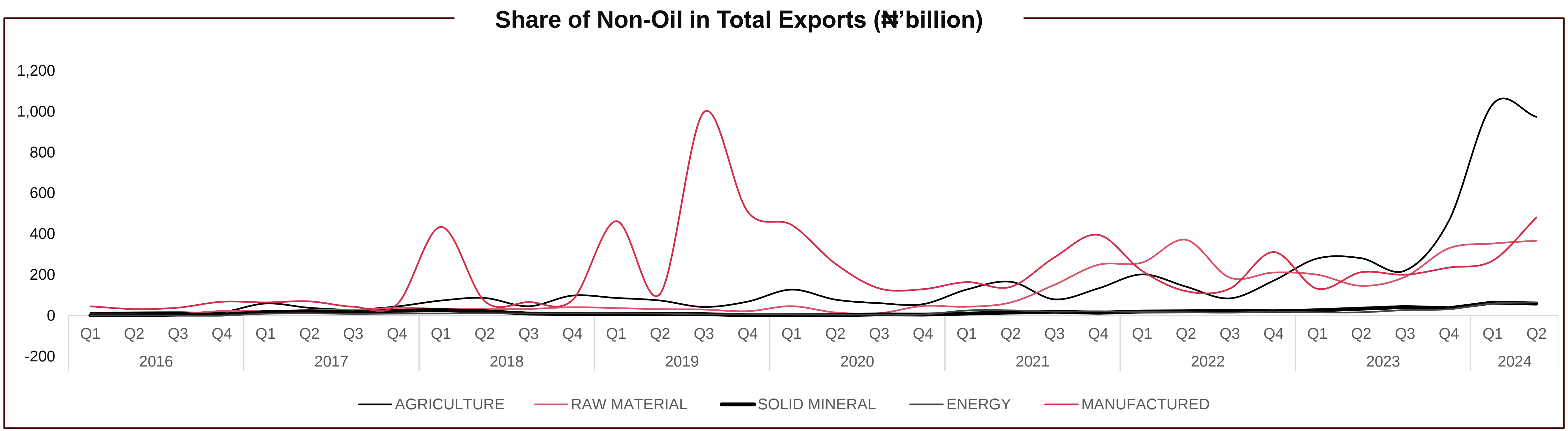


Key Insights

- **Nigeria's trade surplus grew by 511%, reaching ₦6.95 trillion in Q2 2024, up from ₦133.2 billion in Q2 2023, driven by a 190.9% increase in crude oil exports (₦14.6 trillion) and a 177% rise in non-oil exports (₦4.86 trillion)**. Oil export growth was supported by higher global oil prices and increased domestic crude production, while non-oil exports grew due to stronger agricultural and manufactured product sales.
- **The trade surplus is expected to continue in 2025, supported by higher crude oil production and prices. However, the trade balance remains susceptible to fluctuations in global oil prices, as crude oil exports account for the largest share of Nigeria's total exports.**

Sources: World Bank, NBS, PwC Analysis

In H1 2024, oil exports rose to ₦34.87 trillion, significantly outpacing non-oil exports by nearly 14 times



Key Insights

- In H1 2024, oil exports (crude oil and other oil products) **rose to ₦34.87 trillion, nearly 14 times higher than non-oil exports**, totaling ₦2.42 trillion. While oil exports grew significantly by **97% from ₦17.81 trillion in H1 2023**, **non-oil exports increased by only 37.3%, highlighting Nigeria's continued heavy reliance on oil for foreign exchange earnings.**
- With a cheaper naira under the floating exchange rate, 2025 presents a critical opportunity to diversify export earnings by boosting non-oil exports. Investments in value-added production, export incentives, and improved logistics could help reduce dependency on oil and mitigate external vulnerabilities.

Source: NBS, PwC Analysis

Drivers that will shape the dynamics of the key sectors in short to medium term (1/3)

Sector	Demand dynamics	Investment	Government Reforms	Trade dynamics
Agriculture	• Sustained price increase for staple foods in Nigeria in 2025, driven by **production deficits, insecurity, and elevated prices.** • Food insecurity **may linger in the mid-term if security challenges in food producing regions are left unaddressed.**	• Capital flows to the sector declined by **41% from $10.1 million in Q2 2023 to $5.9 million in Q2 2024,** driven by security challenges in the central and northern food producing regions. • Addressing insecurity challenges in the central and northern region of the country will significantly drive investment to the sector.	• Government plans to boost production via initiatives to mechanise agriculture through the Greener Hope Programme, stabilise food prices through 150-Day Duty-Free Import Window and develop crop production through the Dry Season Farming Initiative.	• Nigeria may remain net importer of agricultural goods, especially sugar, wheat and rice in the short to medium term due to structural issues which inhibit agriculture growth. • **As of Q2 2024, export of agricultural produce stood at ₦973.7 billion while imports stood at ₦1.03 trillion.**
Information and Communication	• **Internet penetration rate improved marginally to 41.56% in October 2024 from 41.01% in October 2023**. Nigeria's large consumer market is driving demand for ICT products and services. • Nigeria's population is predominantly young, with 70% under the age of 30.	• **Capital flows to the ICT sector grew by 339% to $191.5 million in Q2 2024 from $25.81% in Q2 2023** • The government announced plans to spend N150 billion (USD 357 million) on the ICT sector by 2025, including priority projects and ministry budget allocations.	• The National Information Technology Development Agency (NITDA) developed a National ICT Policy to provide a framework for the sector's development. • **Launch of Strategic Roadmap and Action Plan (SRAP) 2.0 to create jobs, foster capacity development and generate revenue for government between 2023 and 2027.**	• Nigeria, accounting for 82% of Africa's telecoms subscribers and 29% of internet usage, is set to enhance its regional leadership in ICT through the African Continental Free Trade Area (AfCFTA), boosting digital trade and economic integration.

Source: NBS, Fitch, PwC Analysis

Drivers that will shape the dynamics of the key sectors in short to medium term (2/3)

Sector	Demand dynamics	Investment	Government Reforms	Trade dynamics
Trade	• Due to limited industrialisation, **demand for imported products remain high, narrowing the surplus balance with implications for Foreign Exchange**. • The value of total imports stood at ₦42.1 trillion in Q3 2024, representing an increase of 9% compared with ₦13.5 trillion recorded in Q2 2024.	• **Proposed $600 million investment by A.P Moller-Maersk** in Nigeria's existing port infrastructure to improve trade and boost efficiency.	• The **launch of Trade Policy of Nigeria (TPN)** to promote trade as an effective tools to enhance growth.	• Mineral products accounted for around 90% of total product exports. Most service-related industries such as financial services rely on the success of the hydrocarbons sector. • Nigeria's trade balance recorded a surplus of ₦5.8 trillion in Q3 2024 ,compared to ₦4 trillion in Q2 2024. • **Imports may remain weak in 2025 due to sustained inflationary pressures.**
Mining & Quarrying	• Dangote Refineries commenced refining in January 2023 with the production of diesel and aviation fuel. Domestic delivery of PMS began in September 2024 to alleviate fuel shortages, albeit at higher pump price. • **There may be a slow demand in the short to medium term as prices may remain elevated**.	• Additional Investment in the Oil & Gas sector due to new licenses and need to raise funds by government. • Deep offshore and marginal oil licensing bid rounds may unlock additional investment in the Oil & Gas sector. • JV between NNPCL and Chevron Nigeria and to boost crude output by 165,000 bpd by December 2024. • Signed MoU with a Russian consortium to rehabilitate the Ajaokuta Steel Company and the National Iron Ore Mining Company (NIOMCO) in Kogi State, Nigeria.	• Petroleum Industry Act in Nigeria to comprehensively reform and modernise the oil and gas sector. • Decade of Gas policy expected to deliver 10 projects, attract $14 billion in FDIs, raise $12 billion in revenue through royalties and taxes, and create 2 million jobs by 2030. • Developments in the Mining sector such as the launch of the 10-Year Steel Sector Roadmap, issuance of new licensure among others to support mining activities	• **Risk in the global oil market and rising geopolitical tensions may continue to leave Nigeria exposed to shocks**. • Global geopolitical factors will play an important role in the price of crude.

Source: NBS, ITC Trade Map, Fitch, PwC Analysis

Drivers that will shape the dynamics of the key sectors in short to medium term (3/3)

Sector	Demand dynamics	Investment	Government Reforms	Trade dynamics
Manufacturing	• **Rising inflation, lower consumer purchasing power, global supply-chain bottlenecks, forex shortages** may continue to impact manufactured output in the medium term. • High prices of manufacturing output may pressure demand in the medium term.	• Manufacturing accounted for 23.9% of total capital flows to Nigeria and grew marginally by 3% from $605 million in Q2 2023 to $624 million in Q2 2024 • **Risks such as electricity and fuel shortages, foreign currency distortions, inflation, poor infrastructure and growing insecurity may negatively impact investment in the medium term if not addressed**	• Government proposed new tax regulations which exempts manufacturers to reduce the tax burden on businesses	• Government continues to **implement restrictive tariffs to incentivise domestic production** through various backward integration policies and self-sufficiency targets • This trend may continue to drive up input cost for the sector in the medium term
Financial & Insurance	• Higher net Interest income is expected to drive the financial services (Banking) sector activities in the medium term as MPR remains high. • The sector may continue to benefit from **rising interest income and revaluation gains in the short term**.	• **Capital flows to Banking reached $3.19 billion as of Q2 2024 representing a 176% increase** compared to the same period in 2023 due to increase in MPR. • Further increase in MPR may drive more flows to the subsector.	• CBN announced a significant **increase in the minimum capital requirements for banks**, aiming to bolster the resilience and capacity of the financial system. • The **Finance (Amendment) Bill also introduced a 70% windfall tax on the realised foreign exchange (Foreign Exchange) gains of banks**, which is set to be levied on profits retrospectively from June 2023, and on gains up to December 2025.	

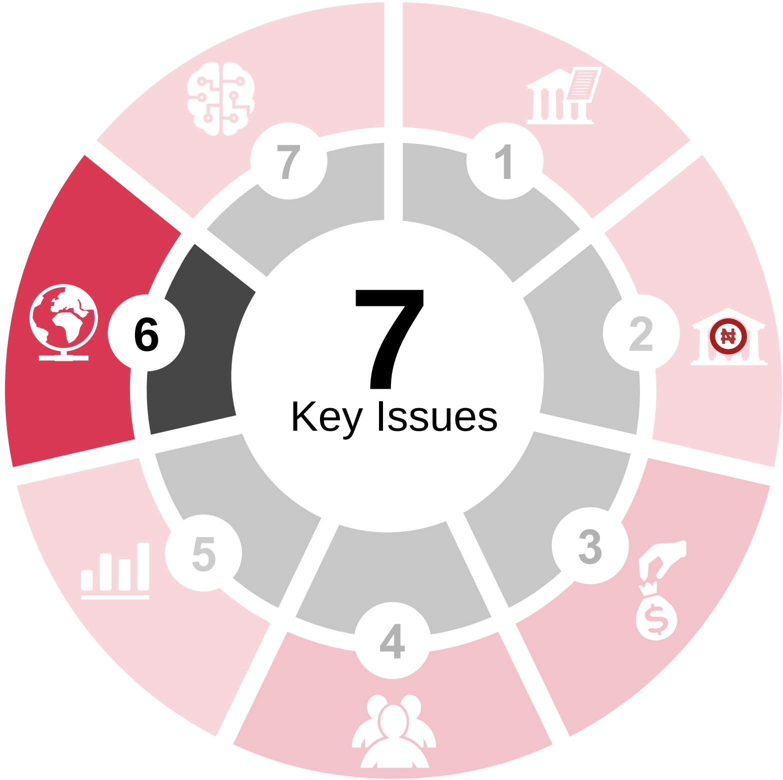
Source: NBS, Fitch, PwC Analysis

Key issues for consideration in 2025

Global political economy + Megatrends in transition
- Global political transitions
- Global trade
- AI + ESG

Security and social stability
- Security bottlenecks
- Social protection
- Shocks mitigation

Stimulating productivity to drive real sector growth: needs for stabilisation and protection of domestic economies
- Priority sectors
- Addressing the multiple shocks
- Funding



Consumers' uncertain pathway to spending recovery, pressured by economic shocks
- Inflationary pressures
- High poverty rate
- Enhanced conditional transferW

Broader fiscal policy focus: going beyond revenue generation
- Debt sustainability
- Monetary policy alignment
- Achieving macro stability

Disciplined monetary policy: sustaining the momentum
- Foreign Exchange stability
- Price stability
- Interest rate

Attracting investments (foreign and local)
- Driving capital inflows
- Creating enabling environment
- Capital deepening

Education, healthcare and insecurity are critical social issues to consider in 2025

1 Education Funding

- **Despite increased spending, Nigeria's education expenditure remains far below global benchmarks.**
- **With over 18 million out-of-school children, significant investment is urgently needed to improve access and quality in education**.

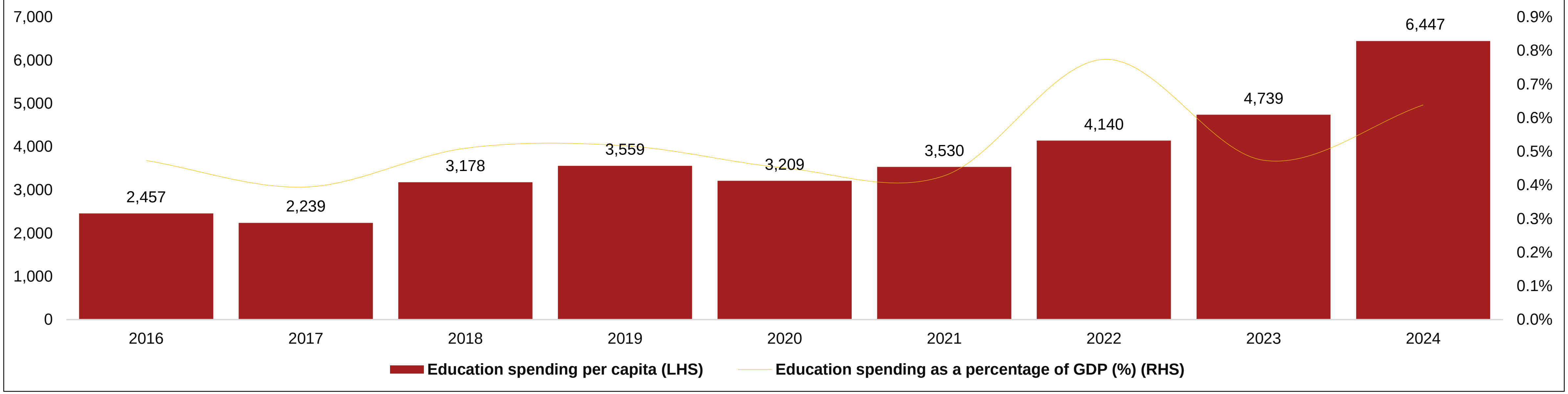
2 Healthcare Challenges

- Healthcare spending per capita increased to **₦6,361 in 2024, but it still accounts for just 0.6% of GDP, well below the WHO-recommended 6%. Out-of-pocket payments make up over 70% of total health spending, placing a heavy burden on low-income households.**
- **Increased funding, efficient resource allocation, and improved access to affordable healthcare are essential to enhance public health and support economic development.**

3 Insecurity and Economic Impact

- Insecurity has severely impacted agricultural productivity, investor confidence, and business operations, leading to higher food prices, increased food importation, and heightened unemployment and poverty levels.
- **Despite increased defense spending, more efforts are needed to enhance security and restore investor confidence**.

Nigeria's public expenditure on education remains inadequate to effectively reduce the growing number of out-of-school children



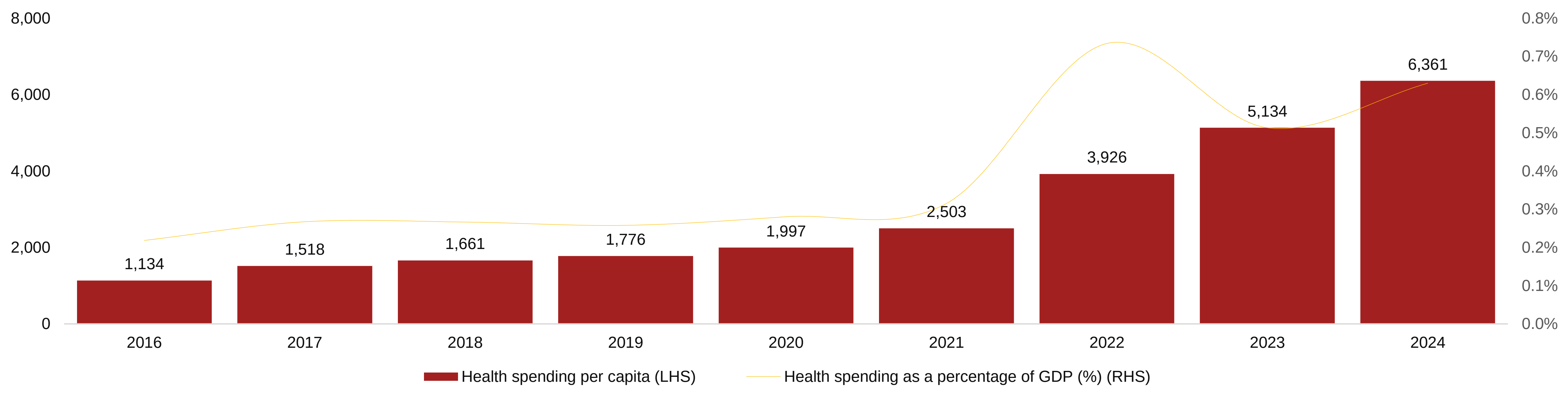
Key Insights

- Nigeria's education spending per capita reached **₦6,447 in 2024**, an increase from **₦4,739** in the previous year. Despite this improvement, **education expenditure accounted for only 0.6 percent of GDP, which is far below the globally recommended benchmark of 4 to 6 percent**.
- With over 18 million out-of-school children, the highest number globally, Nigeria continues to face a significant education crisis. This highlights that current spending levels remain grossly inadequate to address the challenges of access and quality in education. **To make meaningful progress in reducing the out-of-school population and improving educational outcomes, significant and sustained investment in the sector is urgently required**.

Source: NBS, BudgIT, PwC Analysis

Healthcare spending per capita, and as a percentage of GDP remains significantly below the global average

Healthcare spending per capita vs Healthcare spending as a percentage of GDP

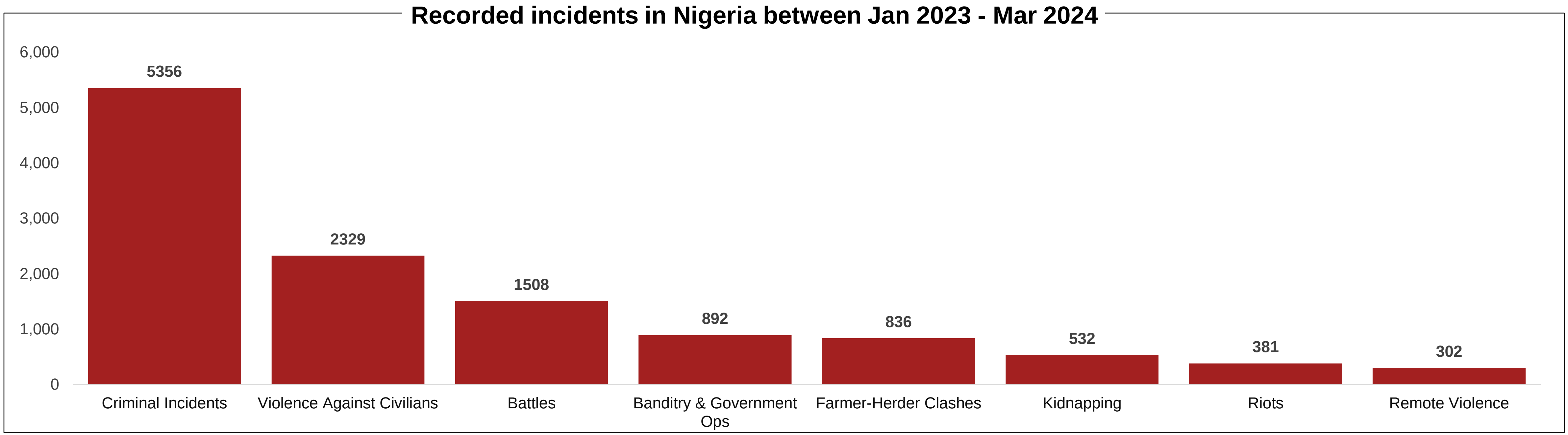


Key Insights

- Nigeria's healthcare spending per **capita increased to ₦6,361 in 2024, up from ₦5,134 in 2023**. However, **healthcare expenditure remains at just 0.6% of GDP, significantly below the WHO-recommended 6%. Out-of-pocket payments still account for over 70% of total health spending**, creating a heavy burden for low-income households. The country faces **high maternal mortality at 512 deaths per 100,000 live births and productivity losses amounting to 1% of GDP annually** due to poor health outcomes.
- To address these challenges**, increased funding, efficient resource allocation, and improved access to affordable healthcare** are essential to enhance public health and support economic development.

Source: NBA, PwC Analysis

Security bottlenecks continue to undermine Nigeria's socio-economic development

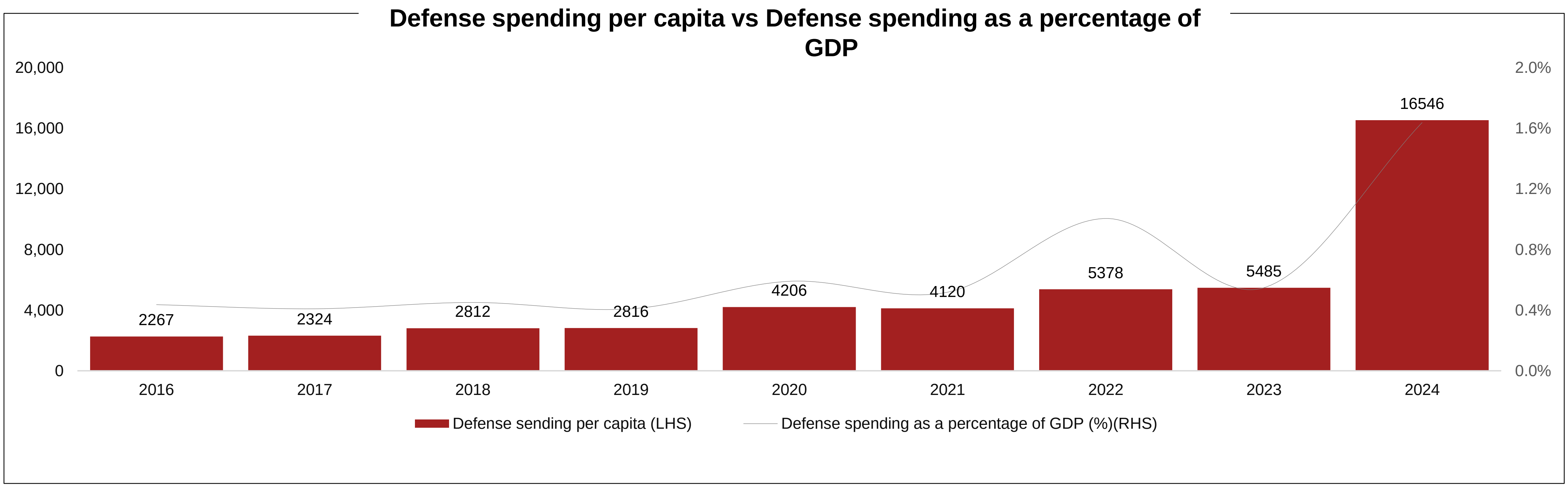


Key Insights

- Nigeria is facing security challenges, with **4,520 violent incidents between January 2023 and March 2024, including 2,329 attacks on civilians and 532 fatalities from kidnappings. The 5,356 criminal incidents and 836 farmer-herder clashes have severely disrupted agriculture and local economies, particularly in rural North-Central and North-West regions.**
- **These security challenges are eroding investor confidence and diverting government resources from crucial development projects, further hindering economic progress.**

Source:, ACLED Data EUAA, PwC Analysis

Defense spending per capita, and as a percentage of GDP is very low



Key Insights

- **Nigeria's defense spending as a percentage of GDP stood at 1.6% in 2024, a 1.1 percentage-point increase from 2023** while **defense spending per capita stood at ₦16,546** compared to **₦5,485 in 2023**. This shows increased effort to manage insecurity, however these figures are still far from 2023 global averages of **2.18% for defense spending as a percentage of GDP.**
- The low spending as a percentage of GDP **may be due to limited revenue generation and competing priorities in critical sectors such as education, healthcare and infrastructure.**

Source: Stockholm International Peace Research Institute, PwC Analysis

Key issues for consideration in 2025

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Geopolitical shifts, modest global growth and megatrends in transition are critical global factors that could influence the Nigerian economy in 2025

1 Geopolitical Shift

- Positives in the geopolitical landscape, **including the ceasefire in the Israel-Hamas war, and the potential ceasefire between Russia and Ukraine are expected to drive favourable outcomes in global economics.**
- However, **the "America First" trade philosophy of the Trump era as evidence in the executive orders and tariffs imposed on Canada and Mexico, may lead to a shifts in global trade.**
- Nigeria may face naira depreciation with stronger dollar, reduced U.S. aid, and trade risks, though lower U.S. rates could attract investments if domestic yields remain competitive while the positives in geopolitical landscape present opportunities for the country.

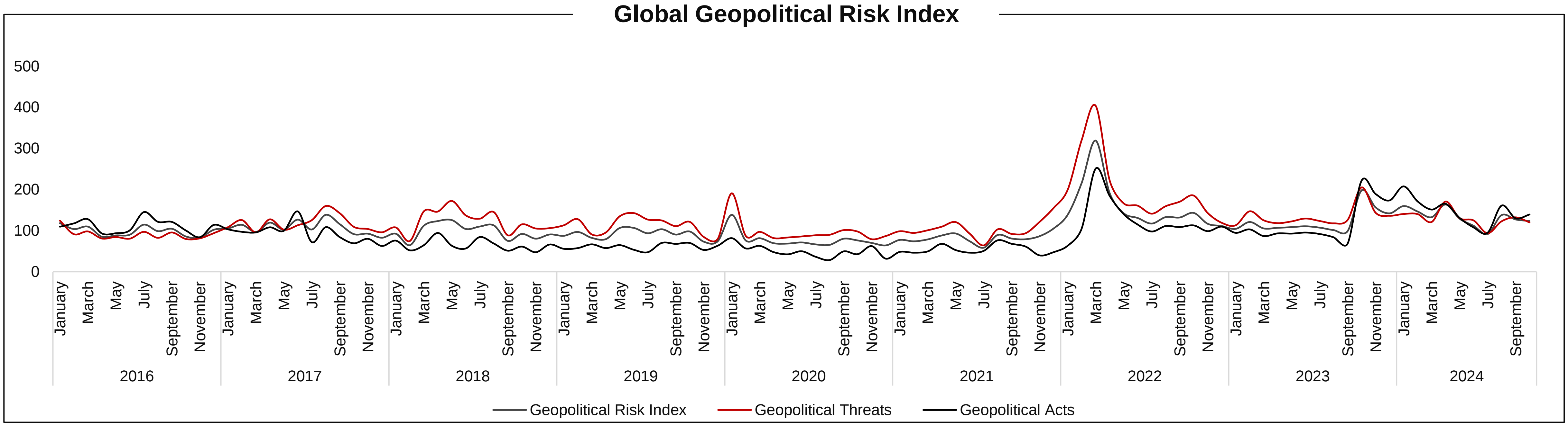
2 Modest Global Growth

- The global economy is expected to record a **3.3% GDP growth, 4.5% inflation rate, and continued interest rate reductions, as central banks balance growth and inflation in 2025.**

3 Megatrends in Transition

- In 2024, AI evolved rapidly, driven by **technological advancements, and is projected to boost global GDP by up to 14% by 2030.**
- Sustainability efforts in 2024 was driven by **initiatives in regenerative agriculture and ambitious climate goals.**
- Key drivers of sustainability in 2025 may be **climate adaptation, energy efficiency, and a transition to a low-carbon economy. However, push for sustainability may be negatively impacted by actions and posture of United States such as the executive orders to pull out of the Paris agreement**

Easing geopolitical tensions in 2025 may stabilise imported inflationary pressures in Nigeria



**Geopolitical Threats* - *War Threats, Peace Threats, Military Buildups, Nuclear Threats, Terror Threats*

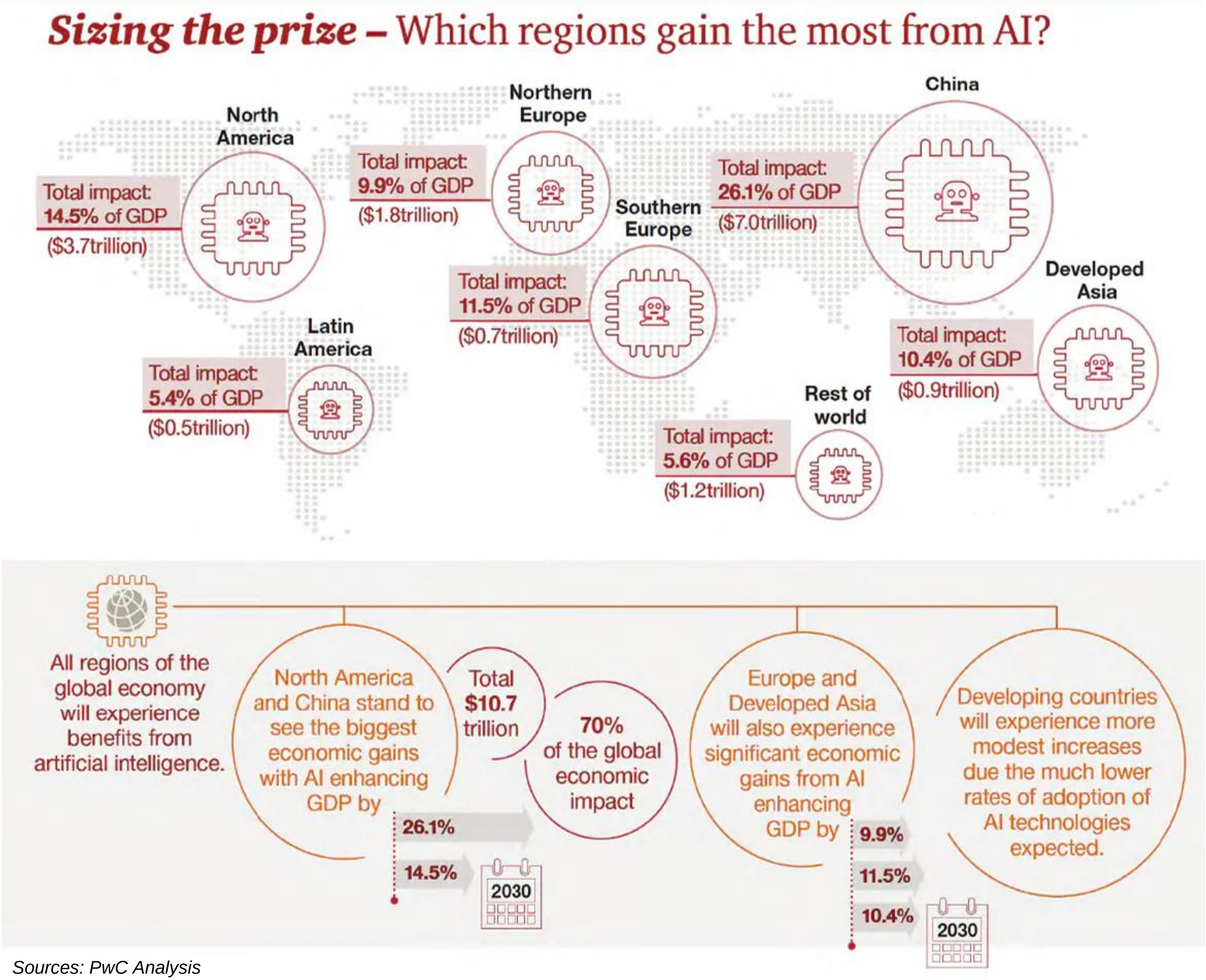
**Geopolitical Acts - Beginning of War, Escalation of War, Terror Acts*

Key Insights

- The ceasefire in the Israel-Hamas war and the potential ceasefire between Russia and Ukraine are expected to drive favourable outcomes in global trade, enhancing economic stability and growth. Additionally, easing tensions in the South China Sea and improved US-China relations could strengthen global supply chains, reducing inflationary pressures and improving food security globally.
- Stabilised conditions in the Middle East could ensure steady oil supplies, potentially keeping global oil prices stable and mitigating inflationary pressures. **As a globally integrated economy, Nigeria stands to benefit from these positive geopolitical developments, which could help manage imported inflation risks and support overall economic growth.**

Sources: Mateo and Lacoviellio, PwC Analysis

Artificial Intelligence (AI) holds the biggest commercial opportunity in today's fast changing economy

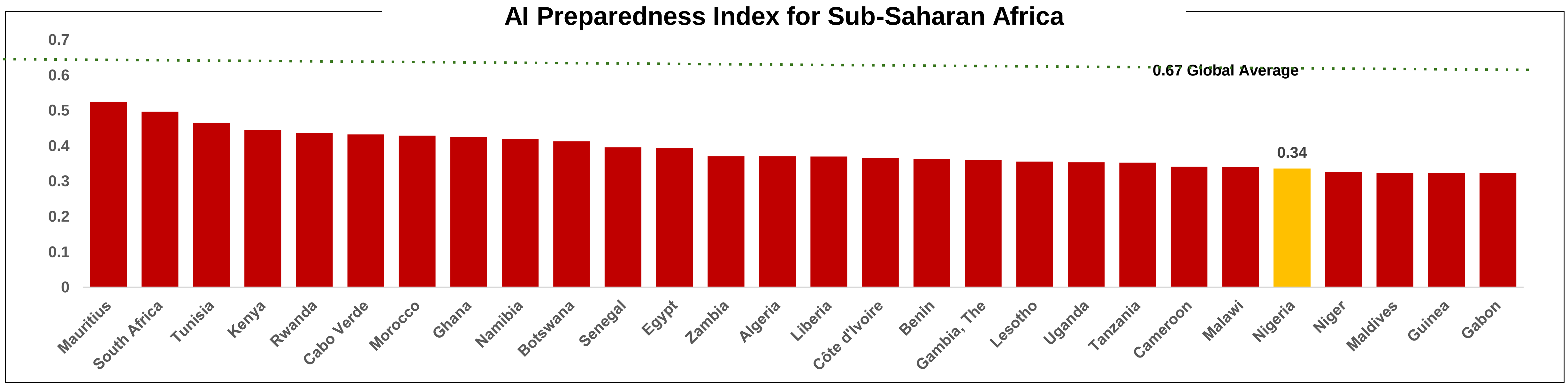


Sources: PwC Analysis

Key Insights

- **AI holds immense commercial potential for both developed and developing markets, with its impact varying, depending on regional readiness to capitalise on these opportunities.**
- **AI is projected to boost global GDP by up to 14% by 2030, adding an estimated $15.7 trillion to the economy.**

Nigeria ranks 25th among Sub-Saharan African nations in the AI Preparedness Index in 2023



Key Insights

- **Nigeria ranks 25th among Sub-Saharan African nations in the AI Preparedness Index for 2023.** Despite being one of the Africa’s largest economy, this low score underscores the nation’s lagging readiness to harness AI's transformative potential compared to regional leaders like Mauritius and South Africa
- **Globally ranked 150th,** Nigeria's position highlights the pressing need for strategic investments in AI infrastructure, skills development, and policy frameworks. Bridging this gap is crucial for Nigeria to leverage AI-driven innovation, enhance competitiveness, and drive sustainable economic growth in the rapidly evolving digital economy.

Source: IMF, PwC Analysis

Technical capacity for reporting and sustainable finance, foreign exchange rate fluctuations, and ESG taxonomy, are some sustainability challenges to overcome in Nigeria

Technical Capacity for Reporting and Sustainable Finance

- **Capacity Building Needs**: Many organisation struggle with integrating sustainability into business strategy due to the absence of training and knowledge-sharing mechanisms.
- **Fragmented Ecosystem**: Collaboration between regulatory bodies, investors, and businesses to establish clear sustainability pathways remain weak.

Foreign Exchange Fluctuations

- **Impact on Green: Financing**: Exchange rate instability makes foreign investment in sustainability projects less attractive and increases borrowing costs.
- **Hurdles for Local Businesses**: Companies reliant on imported materials or technologies face increased costs, stalling sustainability-driven initiatives.

ESG Taxonomy

- **Lack of Standardisation**: The absence of an African-specific ESG taxonomy creates challenges for comparability and alignment with global standards.
- **Adaptability Issues**: Global taxonomies often fail to reflect Africa's unique socio-economic and environmental context, making them difficult to implement.

Unpredictability of Consumer Demands

- **Limited Awareness**: Consumers in many regions of Africa are still unfamiliar with sustainability as a key purchasing criterion.
- **Shifting Priorities**: Economic constraints in Africa often lead consumers to prioritise cost over sustainability, slowing the adoption of sustainable products and services.

Source: PwC Analysis

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Outlook, Implications and Opportunities

2024 Economic outlook in retrospect

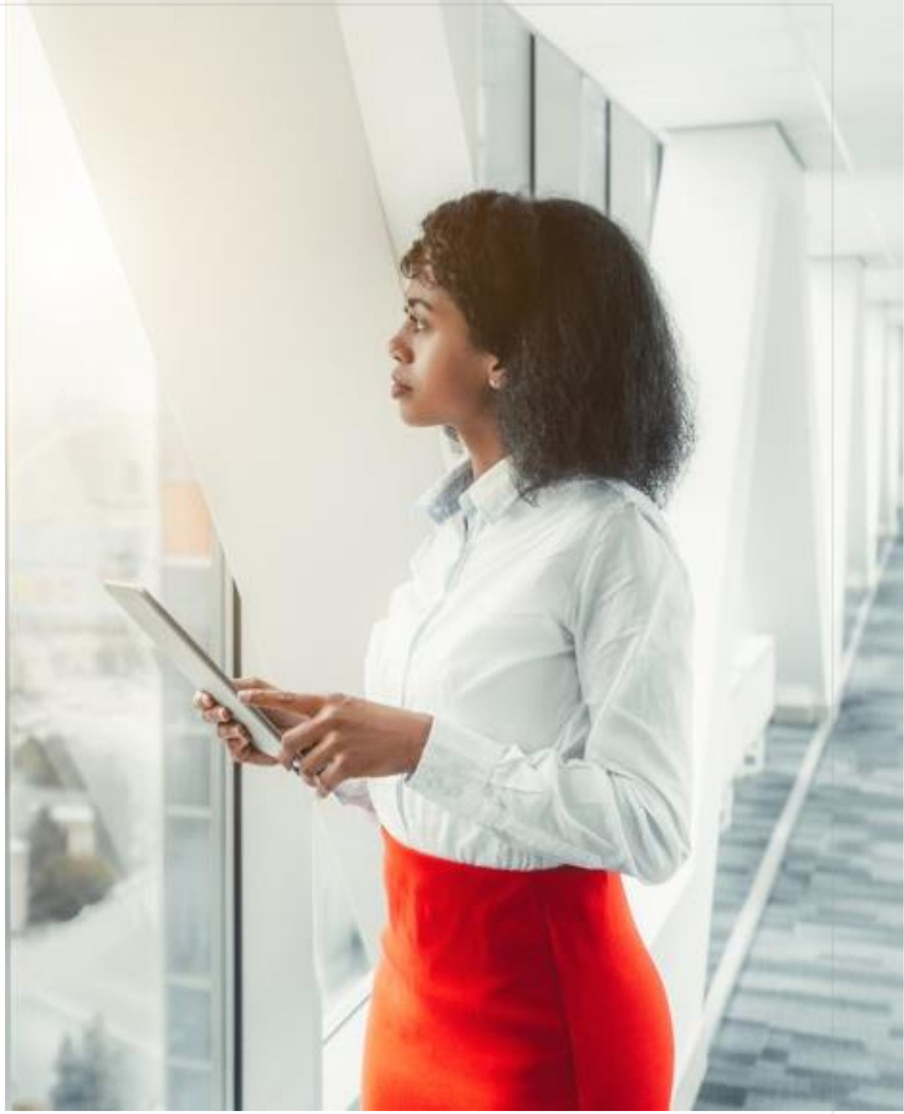
	PwC Outlook for 2024	Outcome (Jan – Dec 2024)	
GDP	GDP may grow marginally by 3.1% in 2024 on the back of sustained policy reforms albeit growth prospect limitations by elevated economic pressures.	GDP grew by 3.46% in Q3 2024 from 2.54% in Q3 2023. The growth drivers were Financial and Insurance sector (30.83%), Information and Communication (5.92%) and Mining and Quarrying (3.27%) sectors.	Conditional
Inflation	Double digit inflation will persist in 2024 but will be lower than the peak experienced in 2023.	The average inflation rate in 2023 was 24.52%. As of December 2024, the average inflation rate had risen to 34.8%. The inflation rate for 2024 is likely to surpass that of 2023 due to the further devaluation of the naira and increased PMS prices, both of which are driving up transport and food inflation.	Conditional
Capital importation	Cautious investment outlook in 2024 due to ongoing reforms.	Total capital importation increased by 152% to $2.6 billion in Q2 2024, from $1 billion in Q2 2023. This growth was driven by a surge in FPIs (from $106.8 million to $1.2 billion) and other investments (from $837 million to $1.12 billion).	On track
Debt	Debt stock may remain elevated in 2024 as government seeks to fund deficit via additional borrowings.	Total public debt increased by 53.3% to ₦134.3 trillion in June 2024 from ₦87.4 trillion in June 2023 driven by exchange rate depreciation, new borrowings to fund the 2024 budget and the securitisation of part of the Ways and Means advances at the CBN.	On track
Trade balance	Trade surplus may be sustained but remain vulnerable to volatility of the international oil markets.	Trade surplus increased by 511% to ₦5.81 trillion Q3 2024 from ₦133.2 billion in Q2 2023 due to growth in crude oil (increased by ₦13.41 trillion, a 57.06% increase from ₦8.54 trillion in Q3 2023) and Agriculture (increase of 301.87%, reaching ₦884.07 billion compared to ₦219.99 billion in Q3 2023) exports.	On track

Sources: PwC Analysis

PwC forecast → **On track** / **Conditional** / **Deviated**

Economic outlook for 2025

	Outlook
Broad economic growth outlook	• **GDP may grow marginally by 3.3% in 2025 on the back of sustained policy reforms, albeit growth prospect may be limited by elevated economic pressures.**
Fiscal outlook	• **Fiscal sustainability concerns may remain slightly elevated, given debt servicing costs and high fiscal deficit** (fiscal deficit as a percentage of GDP was 7.6% as of August 2024 exceeding the 2024 approved budget limit of 3.8%)**.**
Inflation rate outlook	• **Inflation is expected to decline to 26% in 2025** on the back of monetary policy tightening and improving dynamics in Nigeria's foreign exchange market.
Exchange rate outlook	• **The exchange rate is expected to remain stable in 2025** supported by CBN Foreign Exchange reforms, which are expected to drive Foreign Exchange inflows.
Interest rate outlook	• **The CBN may likely maintain its monetary tightening stance in 2025 with elevated interest rate,** focusing on achieving long-term price stability.



Source: PwC Global, PwC Analysis

The proposed GDP and CPI rebasing may influence the economic outcome in 2025

Current State Assessment

- Nigeria's GDP, based on the 2010 base year, does not capture the growth of emerging sectors like e-commerce and fintech, underrepresents informal activities, and does not reflect the economy's structural changes over the past decade.

- The current CPI is based on a nonoperational consumption basket and does not capture current spending habits, excluding new goods and services like online shopping and fintech transactions, and does not track changes in household consumption patterns due to economic shifts.

Expected Changes

- The proposed new base year, 2019, is chosen for its economic stability, avoiding pandemic distortions, and includes comprehensive data from various surveys, covering all sectors and adding emerging industries like e-commerce and fintech, to better reflect informal economic activities and new business models.

- The consumption basket will be revised to include new goods and services from the digital economy such as subscriptions, fintech apps, and online marketplaces, reflecting updated household consumption patterns and incorporating broader coverage of rural and urban habits for a more accurate inflation measurement.

Implications for 2025

- The rebased GDP will increase in size, lowering key ratios like debt-to-GDP and tax-to-GDP. **However, a reduced debt-to-GDP ratio might mask fiscal challenges, such as revenue deficits or rising debt servicing costs.**

- With a modernised consumption basket, inflation figures will b**etter reflect actual cost-of-living changes, helping monetary authorities set appropriate interest rates and interventions.**

The outlook has implications for businesses in 2025

	Revenue Growth Rate to moderate	**Cost of Production/Operation** to increase	**Finance Cost** to increase	**Consumer Demand** to moderate
Drivers: (Non-exhaustive)	• Expected GDP growth of 3.3% reflects an anticipated increase in economic activity, which could boost revenue for businesses, particularly in sectors linked to policy reforms. • Foreign Exchange reforms are expected to encourage exports and improve the competitiveness of businesses targeting international markets.	• Elevated inflation, although declining, will still drive-up costs for raw materials and labour. • Cost of doing business will remain relatively high due to market reflective prices especially for energy and persisting infrastructural challenges.	• CBN's monetary tightening and elevated interest rates may lead to higher lending rates, making borrowing more expensive for businesses.	• The projected decline in inflation coupled with the implementation of the minimum wage could ease the erosion of real incomes, allowing for a slight recovery in consumer spending. • Marginal GDP growth suggests limited expansion in disposable incomes. • The rising cost of credit may suppress demand for big-ticket items or create discretionary spending.

The header row's first cell reads: **Impact area:**

Source: PwC Analysis

The outlook for 2025 presents ten broad opportunities to be explored (1/2)

Opportunities

Export to African and Global Markets	Targeted Value Chain Enhancement	Value Addition	Population and Demographic Change	Megatrends and Innovation focus
Industry Shift and Consolidation	Culture and Entertainment	Demand and Supply Gap	Service Delivery Enhancement	Government Policy Focus

The outlook for 2025 presents ten broad opportunities to be explored (2/2)

Opportunities

Export to African and Global Markets
- Exploring the AfCTA and other regional growth initiatives.
- Increased prospect for export of Nigerian gas as Europe continues to seek alternatives to Russian gas.

Targeted Value Chain Enhancement
- Growing interest in value addition for processed agricultural products.
- Opportunities to reduce import dependency through backward integration in the manufacturing sector.

Value Addition
- Enhanced crude oil refining capacity to reduce fuel imports and create by-products for industries.
- Develop local processing facilities for raw minerals to boost export value.

Population and Demographic Change
- Targeting Gen Alpha and Gen Z offers opportunities in digital innovation, youth-focused markets, creative industries, and future-ready skill development.

Megatrends and Innovation focus
- Build energy-efficient data centers, expand broadband and 5G networks.
- Focus on renewable energy, e-waste recycling, sustainable supply chains, and ESG.
- Leverage AI, blockchain, and cloud computing scalable digital services.

Industry Shift and Consolidation
- The regulatory capital requirements may drive mergers in banking and insurance sectors to enhance stability and efficiency.
- The Petroleum Industry Act is restructuring the sector for investment, efficiency, and energy transition.

Culture and Entertainment
- Leverage Nigeria's rich cultural heritage and creative arts to boost global recognition and foster economic growth.
- Expand digital platforms and enhance intellectual property rights to capitalise on Nigeria's fast-growing creative industry.

Demand and Supply Gap
- Focus on innovative financing models, low-cost construction technology, and urban planning to meet the growing demand for residential and commercial properties.

Service Delivery Enhancement
- By focusing on service delivery enhancement, new opportunities can be created for growth and customer satisfaction.

Government Policy Focus
- Government policies present opportunities for businesses to engage in infrastructure development, local content supply, and sustainability initiatives, capitalising on investments and mandates for domestic production.

Fiscal and Budget Outlook

2

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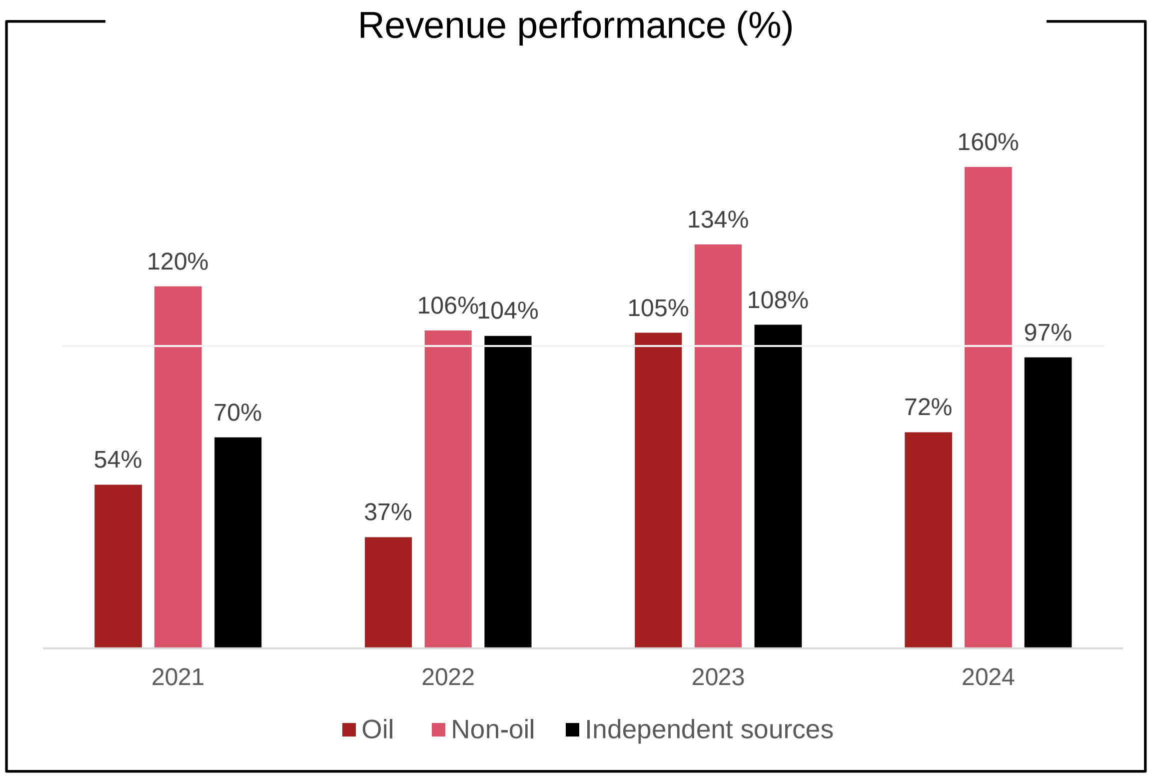
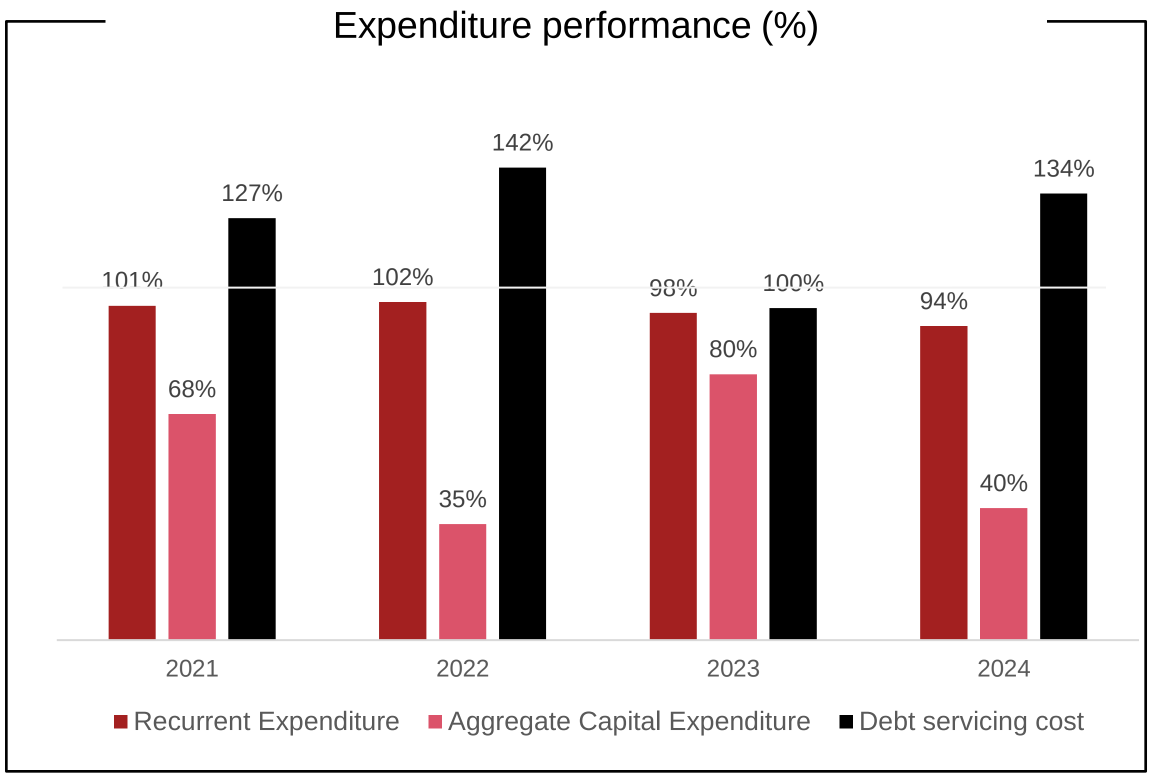
2024 Budget Performance

Despite non-oil revenue consistently outperforming other revenue sources in budget performance, the high cost of debt servicing continued to erode revenue growth





- The government achieved a revenue collection of NGN12.7 trillion (97%). This does not factor in the expected revenue of ₦6.2 trillion from windfall tax levied on banks.
- Aggregate actual expenditure as at August 24 was NGN16 trillion. Out of the ₦16.9 trillion expenditure, debt service represented ₦7.4 trillion (43%). Capital expenditure performance was 40%. The Senate President stated that the 2024 Budget will continue to run till June 2025.

Source: BoF, PwC Analysis

While the country has met its oil price benchmark assumptions in the past, it has struggled to achieve other target assumptions

Year	2020			2021			2022			2023			2024		
Indicator	Assump	Actual	Rat	Assump	Actual	Rat	Assump	Actual	Rat	Assump	Actual	Rat	Assump	Actual	Rat
Oil Price Benchmark (US$/b)	57	41.9		40	68.17		73	105.88		75	82.99		78	75.83	
Oil Production (mbpd)	2.18	1.49		1.86	1.56		1.6	1.24		1.69	1.39		1.78	1.48	
Exchange Rate (₦/$)	305	379		379	403.12		410.2	402.28		435.6	672.85		800	1,553	
Inflation (%)	14.13	14.89		15	16.95		16.11	18.77		17.2	24.54		21.4	33.18	
GDP Growth Rate (%)	2.9	-1.79		3	3.65		3.55	3.25		3.75	2.86		3.55	N/A	

- Excluding 2021, more than 60% of budget assumptions underperformed, relative to expectations.
- Oil price benchmark, outside 2024, was the only assumption that performed better than what was budgeted. It is important to note that oil price is outside the control of government with several determining factors.
- Analysing past performance helps identify patterns for making assumptions. Full year 2024 is not available

Source: BoF, PwC Analysis

Assump – Assumption
Rat - Rating

Actual performance was better than assumption by <10%

Actual performance below assumption by >10%

Actual performance below assumption by more than 10%

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Fiscal Strategy – Insights from Medium Term Expenditure Framework

To address these challenges and enhance economic and governance outcomes in the medium term, the MTEF was developed around key pillars with clear objectives and strategies.

Pillars	Objective	Strategies
Stability	• Macroeconomic Stability • Improve business climate • Enhance security	• Protect businesses from exploitative informal taxes by non-state actors. • Simplify tax compliance • Simplify and automate Customs processes
Efficiency	• Fiscal discipline – revenue and expenditure • Sustainable debt management	• Adoption of tax technology i.e. automation of VAT • Expand VAT agents • Enhance tax officials' capacity to deliver value • Enforce 2022- 2026 ECOWAS Common External Tariff
Sustainable Economic Growth	• Inclusive growth • Human development and welfare • Job creation and health	• Leverage tax policy reforms/windfall tax • Reduce revenues forgone through tax expenditures • Introduce revenue generation incentives

Assumptions

Indicators	2025	2026	2027
Oil Price Benchmark (US$/b)	75.0	76.2	75.3
Oil Production (mbpd)	2.06	2.10	2.35
Exchange Rate (₦/$)	1,400	1,400	1,400
Inflation (%)	15.75	14.21	10.04
GDP Growth Rate (%)	4.60	4.40	5.50

Source: BoF, PwC Analysis

The government took some initiatives and legislative actions in the prior year aimed at influencing the fiscal environment. Some were proposed and yet to be implemented.

Tax Policies

- VAT Modification Order 2024
- Deduction at Source (Withholding) Regulations 2024
- Finance (Amendment) Act, 2024
- Four Tax Reform Bills
    - Nigeria Tax Bill 2024
    - Nigeria Tax Administration Bill 2024
    - Nigeria Revenue Service Bill 2024
    - Joint Revenue Board Bill 2024

Non-tax policies

- Accelerated Stabilisation Advancement Plan
- Import Duty Waiver on Food (150 days)
- New Minimum Wage
- Subsidy removal in electricity sector
- President signs three Executive Orders on Oil and Gas Reforms
- Presidential Directive on Local Content Compliance Requirements, 2024
- Presidential Directive on Reduction of Petroleum Sector Contracting Costs and Timelines, 2024
- Oil and Gas Companies (Tax Incentives, Exemption, Remission, etc.) Order, 2024

- The current administration seeks to reform the tax laws which are believed to be old and unfit for current times.
- The VMO 2024 and WHT Regulations 2024 were introduced in 2024 while the four tax reform bills are expected to take effect when signed into law in 2025.
- The reforms were designed to stabilise and advance the economy, ease tax compliance, and optimise revenue generation in 2024 and beyond.
- A timely implementation will restore confidence in governance and the economy, and build trust in the government's ability to attract and retain investors.

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Budget Assumptions and Insights

Feasibility assessment of 2025 budget assumptions reveal a mixed outcome

S/N	Assumption	Feasibility Outcome	Rationale
1.	$75 per barrel benchmark oil price		• Global average oil price in 2024 was $78.05 per barrel. • High price is dependent on increased China demand, OPEC supply restriction, US shaling e.t.c
2.	2.06 mbpd crude oil production		• Target requires a 37% increase over 2024 average production of 1.5 mbpd. • Achievable through Improvements in security, investment, and regulatory frameworks. • Investments by Shell and TotalEnergies in the Bonga deepwater field and the Ubeta upstream.
3.	N1500/US$ exchange rate		• Positive balance of payments indicating a net trade surplus. • Significant increase in diaspora remittances from Jan-Oct 2024 by 61%. • Significant increase in foreign portfolio investment in 2024 relative to the prior year. • The CBN has recently stabilised exchange rate through measures aimed to ensure transparency and curb speculation. E.g. Efficient Foreign Exchange Matching System (EFEMS).
4.	15% inflation rate		• Adjusting monetary policy rates to manage liquidity in the economy. • Addressing security challenges to allow smallholder farmers resume to their farms. • Efficient logistics and transport system in mobilising food items from farm gate to markets. • Mass transit using cheaper energy costs like CNG. • Stronger Naira from positive balance of trade statistics.
5.	4.6 GDP growth rate		• Security, infrastructure, and a conducive business environment are critical to promote growth. • ICT and Financial services sector, critical growth drivers, are likely to receive a boost due to the recently approved tariff increase and new capitalisation policy. • GDP rebasing likely to positively impact on target.

Outcomes rating	
	Most Likely
	Likely
	Unlikely

The proposed 2025 budget is set at ₦49.7 trillion, with ₦13.39 trillion to finance the deficit

Revenue projection — ₦36.3 trillion

- ₦20.3 trillion — Oil
- ₦6.10 trillion — Non-Oil
- ₦9.94 trillion — Other sources

Planned expenditure — ₦49.7 trillion

- ₦14.1 trillion — Recurrent Non-Debt
- ₦15.8 trillion — Debt service
- ₦14.8 trillion — Capital expenditure
- ₦4.4 trillion — Statutory transfer
- 0.4 trillion — Sinking fund

Key assumptions

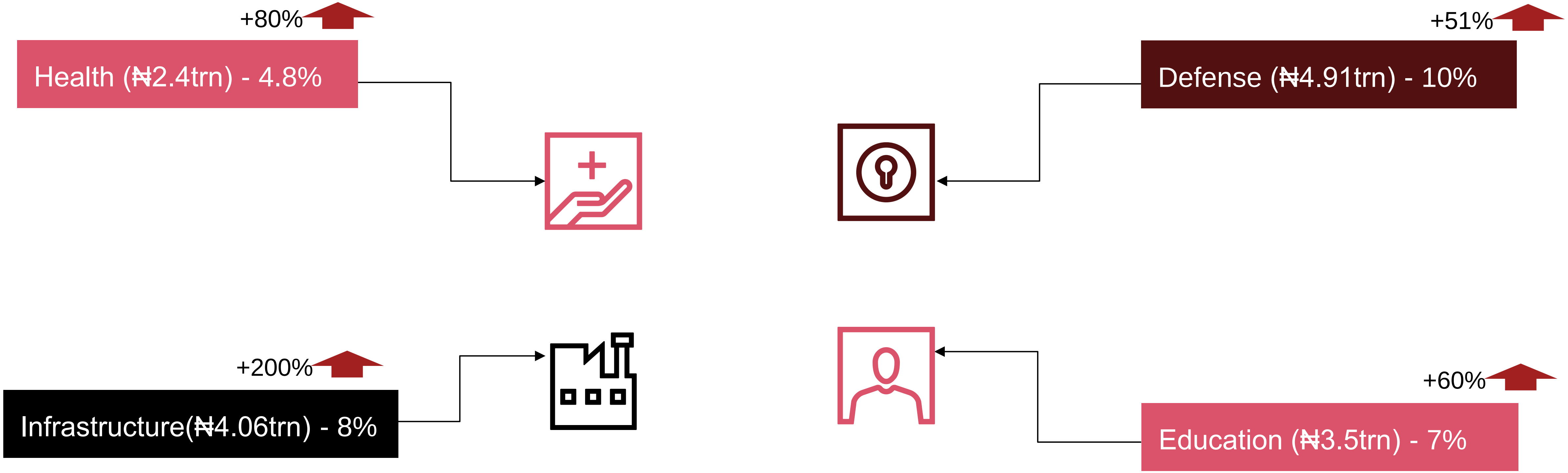
- ₦1,500/$ — Exchange rate
- $75 per barrel — Oil price
- 2.06 mbpd — Oil production
- 15% — Target inflation
- 4.6% — GDP growth rate

Key Insights

- Revenue projection sources – oil(61%), GOE surplus(10%), CIT(8.6%), customs(4.8%), TET(3%), VAT(3%), dividends(2%), levies(1%), royalty(1%), others(5.6%)
- Expenditure projection include – debt service(33%), capital expenditure (30%), recurrent expenditure (28%), statutory transfers (9%)
- Deficit of **₦13.8 trillion (36.8% of total FGN revenues & 3.87% of estimated GDP)** is to be financed by borrowing (69%), asset sale (2%) & multilateral loans (28%)

Source: BoF, PwC Analysis

Critical sector spending



Key Insights

The budget allocates **32% of total expenditure to debt service**, which is nearly **triple the amount of combined expenditure for education and health** (both indicators of human development). provision for ₦826.90 billion for infrastructure development in the educational sector. allocated ₦402 billion for infrastructure investments in the health sector in the 2025 Budget and another ₦282.65 billion for the Basic Health Care Fund.

Defense and Security are considered critical to stem the spate of insecurity which has severely impacted on farmers accessibility to their farmlands, consequently leading to elevated food prices.

Source: BoF, PwC Analysis

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Opportunities and Risks

Drivers that will shape the dynamics of the key sectors in short to medium term

Industrial Development

- Policy reform (agricultural laws, taxation, special agro industrial processing zones)
- Incentivisation (CNG, SMEs, tourism)
- Ease of doing business initiatives

Infrastructure Development

- Construction of roads, hospitals, security institutions, schools
- Expansion of national fiber optic cable by 90,000km

Mining & Quarrying

- Development and branding of gemstones for exports
- Investment in surveillance equipments to counter illegal mining

Trade Enhancement

- Trade facilitation - One-stop export window program
- Strategy - Export of non-oil commodity
- Establishment of trade office - AfCFTA secretariat in Nigeria, foreign trade office (South Africa)

7 Strategic Imperatives

3

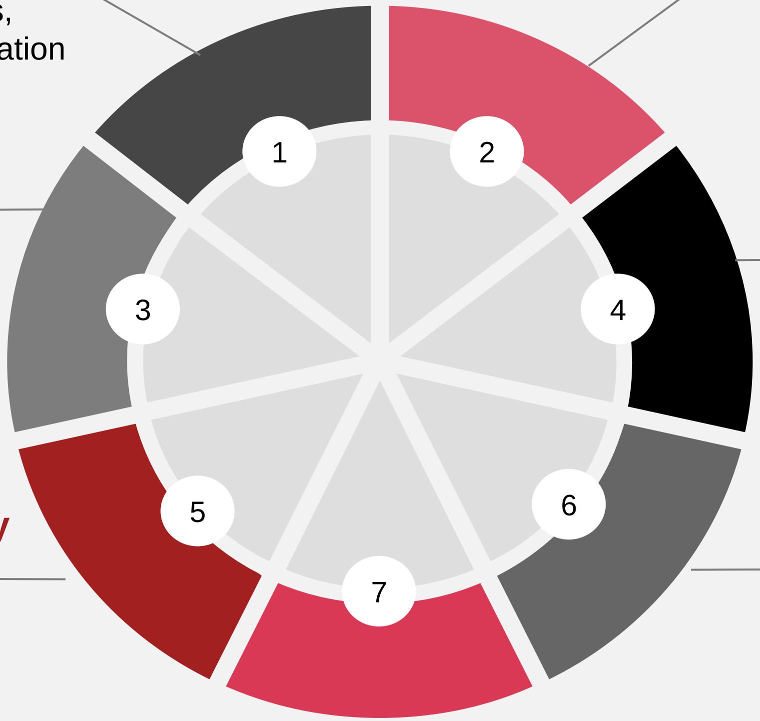
There are seven strategic imperatives for businesses leaders to thrive in 2025

1. Reinvent your business model

Adapt your business model to new economic realities, focusing on agility, customer-centricity, and value creation in evolving markets.

2. Reignite your market play

Revitalise your go-to-market strategies by leveraging customer insights, enhancing competitive differentiation, and exploring untapped opportunities for growth.



3. Rethink Costs Through Core Capabilities

Optimise costs strategically by aligning spending with core capabilities, investing in areas that drive competitive advantage, and eliminating non-value-adding expenses.

4. Reimagine your tech, digital and AI play

Harness emerging technologies, advanced digital platforms, and AI-driven solutions to innovate processes, enhance customer experiences, and drive efficiency.

5. Redefine your funding and capital strategy

Reevaluate your funding approach to ensure resilience, explore innovative financing options, and optimize capital allocation for sustainable growth.

6. Re-evaluate your talent strategy

Align your workforce with future needs by building critical skills, fostering a culture of innovation, and retaining top talent through targeted development and engagement strategies

7. Reassess your stakeholder relationships

Strengthen engagement with regulators, customers, social media audiences, and strategic partners by fostering trust, transparency, and collaborative value creation.

In reinventing their business models, leaders may consider adopting any or a blend from six business model options to create, capture and deliver value

Anything as a Service (XaaS)

Reinvent businesses by moving from one-time transactions to recurring revenue models like subscription or consumption-based services.

Physical and Connected Products

Use connected physical products (e.g., IoT) to enhance customer experience, gather data, and personalize offerings.

Digital Products

Develop software-enabled assets to improve customer experience, build loyalty, and expand operating markets.

Ecosystem Orchestrator and Platform Play

Build platforms that connect multiple stakeholders, enabling interactions and unlocking new revenue streams.

Channel Disintermediation

Eliminate intermediaries by going directly to customers, improving profitability and market control.

Value Chain Shifts

Move beyond core offerings to integrate new parts of the value chain and expand customer solutions.

Leaders also need to rethink the activities across their value chain to determine the value of activities and rationalise investments accordingly

Assess all activities for value contribution

Review across the value chain…

… to challenge what work really creates value and fund accordingly

- **Product development**
- **Sourcing & manufacturing**
- **Logistics**
- **Marketing, sales & distribution**
- **Customer service**
- **Customer retention**

Focused investment to drive growth strategies

Determine value of activities and invest / cut accordingly

Differentiating • Strategic • Critical to growth • Unique / cannot be easily duplicated by competition	• Ensure resources are deployed appropriately to highest margin activities
Table Stakes • Required to operate in the industry / market	• Consolidate in centres of expertise at region or cluster level as much as possible • Consolidate in shared services • Rationalise processes • Right-size footprint, Automate
Lights-On • Minimum needed to keep the business running	• Reduce service levels to bare minimum
"Nice to Have" - Eliminate	

Caveat

The information contained in this publication by PwC is provided for discussion purposes only and is intended to provide the reader or his/her entity with general information of interest. The information is supplied on an “as is” basis and has not been compiled to meet the reader’s or his/her entity’s individual requirements. The information should not be regarded as professional or legal advice or the official opinion of PwC. No action should be taken on the strength of the information without obtaining professional advice.

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The outlook in this publication does not consider the possible effect of the proposed GDP and inflation rebasing

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