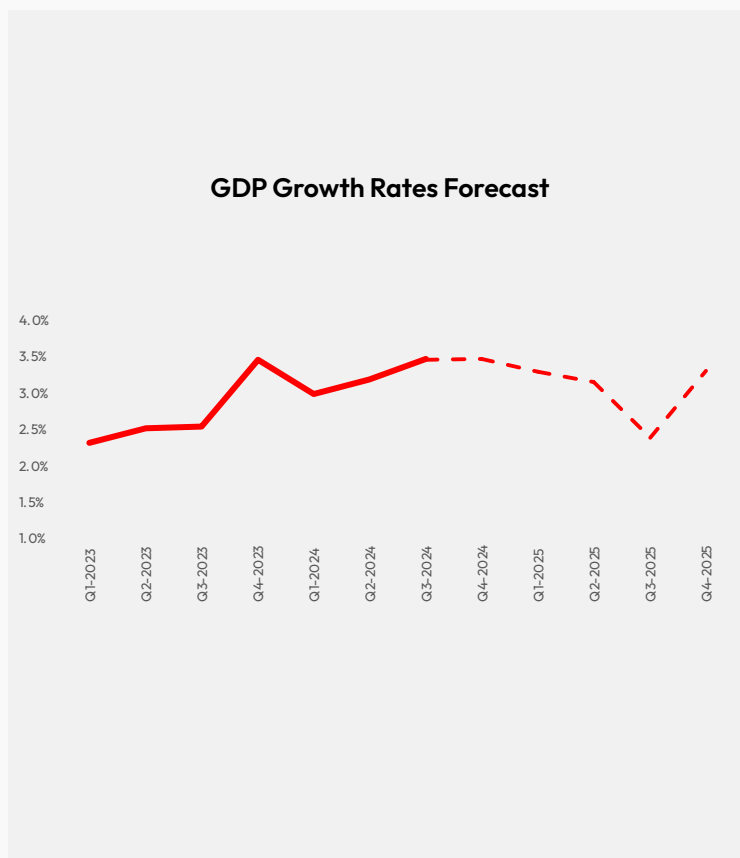
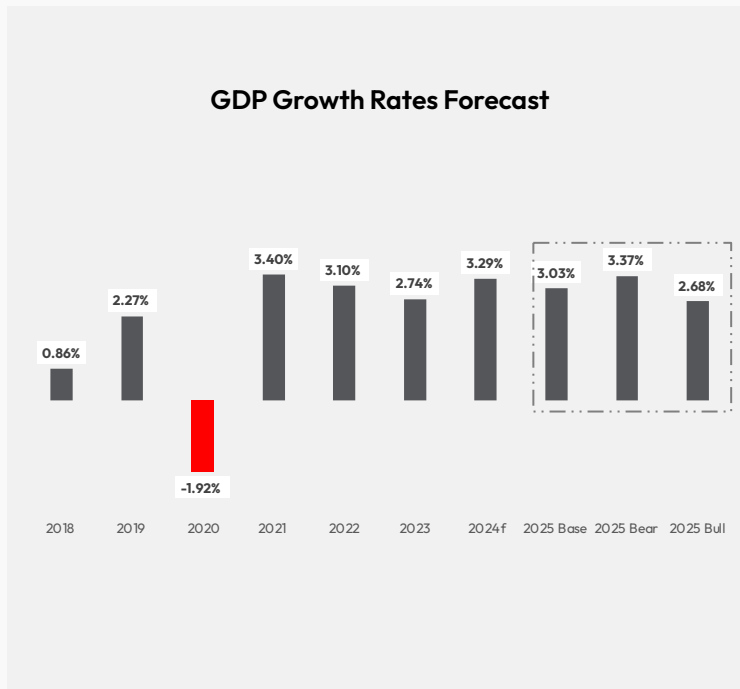




2025 OUTLOOK: DOMESTIC ECONOMY

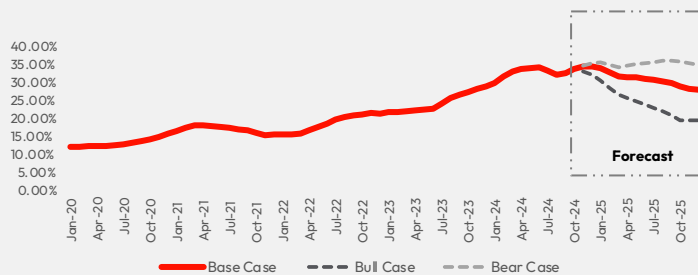
GDP FORECAST: THE NIGERIAN ECONOMY TO MAINTAIN A STEADY GROWTH PERFORMANCE



- The Nigeria's GDP will maintain its steady growth in 2025, driven by a sustained rebound in the oil sector and slow but steady growth in the non-oil sector. We project that Nigeria's real GDP will increase modestly to 3.03% in 2025.
- In the oil sector, the Nigerian economy is set to benefit from favourable developments, as evidenced by 2024 performance. Net exports are expected to be the primary growth driver, with rising oil export volumes due to improved security in the Niger Delta, commencement of production at Port Harcourt Refinery and increased production from Dangote refinery displacing most of the fuel and chemical imports in 2025.
- In the non-oil sector, we expect sustained growth in the services sector and industrial sub-sectors. We foresee that the financial services and Information & Communication Technology (ICT) sectors will continue to benefit from sustained digital adoption and transformation. The agricultural sector is forecasted to grow but at a slow pace, hindered by ongoing security issues and unfavourable weather conditions. Meanwhile, the industrial sector's growth will be bolstered by higher crude oil production and a modest base effect improvement in manufacturing.
- However, we note that rising inflationary pressures and further rate hikes, which will lead to weakened consumer demand, serve as downside risks to our projection. In addition, volatility in the FX market will weaken manufacturing output as input costs from imported raw materials will skyrocket.

INFLATION FORECAST: INFLATIONARY PRESSURE TO EASE

Inflationary pressure is expected to moderate in 2025 owing to the high base effect from the prior year



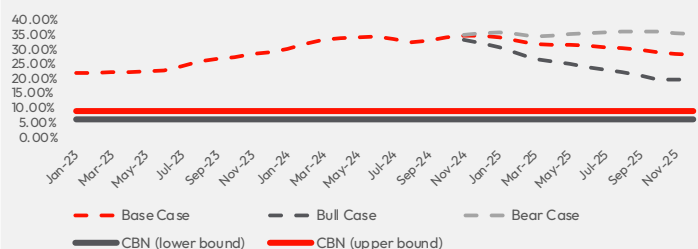
- We anticipate that food inflation will remain the primary driver of the general price increase. Without a doubt, legacy insecurity issues in the food-producing states will continue to exert significant strain on the overall food supply.

- In addition, elevated farm input costs, supply-chain bottlenecks, and poor transport & storage facilities will remain headwinds. Meanwhile, we expect food demand to sustain its upward momentum, thus adding more pressure on the already-low food supply.

- For core inflation, we expect that high global energy prices and FX pressures will remain the most significant concerns. This will trickle down into another aspect of the economy, such as transport. However, we expect petrol prices to taper slightly, supported by the sustained supply of fuel by the Port Harcourt and Dangote Refineries. This will help ease inflationary pressures.

Heading into 2025, our inflation projections remains well-above the CBN's target

Inflation Rate vs CBN's Tolerance Corridor



- Another focus point is the impact of imported inflation. Given Nigeria's dependence on the importation of consumables and raw materials, we anticipate increased imported inflation as global inflationary pressures and FX pressures persist. A confluence of these issues will remain a pain point.

- Nevertheless, we expect the high-base effect from 2024 to kick in to stem the rising headline inflation print. We also expect harvest periods and fiscal interventions to continue to douse as much pressure as possible, helping the prices of food attain some relative stability at intervals. As such, we project that inflation will average 30.72% in 2025, down 621bps from 2024's average of 33.13%.

■ FORECAST: EXCHANGE RATE AND OTHER KEY VARIABLES

NAFEM Forecast

Baseline Scenario	Bull Case Scenario	Bear Case Scenario
N1,575.16 / \$	N1,407.76 / \$	N1,742.55 / \$

Parallel Market Forecast

Baseline Scenario	Bull Case Scenario	Bear Case Scenario
N1,643.77 / \$	N1,584.20 / \$	N1,822.45 / \$

Crude Oil Production Forecast

Baseline Scenario	Bull Case Scenario	Bear Case Scenario
1.46mbpd	1.83mbpd	N1.20mbpd

- **Oil Production and Refining:** Oil production is estimated at 1,83mbpd in 2025, coupled with enhancements in domestic refining capacity. This could reduce fuel import costs and strengthen the Naira, contributing to economic stability.
- **Crude Oil Prices:** Crude oil prices may taper as the US floods the market with excess oil. The relative peace in the middle east would also drive crude oil prices southwards.
- **GDP Rebalancing:** GDP will jump higher due to rebalancing. Nigeria will become the largest economy in Africa after rebalancing. This will motivate the government to borrow more as debt-to-GDP will drop due to rebalancing.
- **Inflation:** We project that inflation will taper at 30.72% in 2025, though IMF was more optimistic projecting 28.23%. Inflation will ease as exchange rate stabilize, and the impact of recent policy changes subsides.
- **Interest Rates:** The MPC may gradually ease monetary policy to stimulate economic growth. This could involve a HOLD decision or adopting a more accommodative stance. However, if inflation remains stubborn, the MPC may maintain a hawkish stance.
- **Exchange Rate:** The Naira may potentially stabilize. In the official market the Naira would hover around N1,407.76/\$ to N1,742.55/\$. In the parallel market the Naira would range at N1,584.20/\$ to N1,822.45/\$. The Naira will mirror broader macroeconomic dynamics like oil revenues, FX market liquidity and government policies.
- **Debt Profile:** Debt levels will remain high in 2025, reflecting ongoing borrowings and rising debt servicing costs.