KRESTON PEDABO

Newsletter

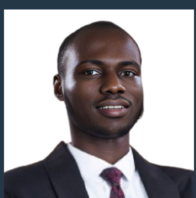
January 2025

Welcome to the inaugural edition of the Kreston Pedabo Newsletter for 2025!

This issue features the 2025 Economic Outlook "Navigating Nigeria's Economic Horizons." We will examine Nigeria's economic landscape, addressing anticipated challenges such as structural inefficiencies, rising inflation, and a growing debt burden while also highlighting opportunities for growth.

Additionally, our featured article, "10 Practical Tips to Develop Your 2025 Sustainability Strategy and Boost Your Bottom Line," offers actionable insights to help you effectively achieve your sustainability goals.

Let's dive in and make 2025 a year of progress and impact!



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2025 Economic Outlook

Navigating Nigeria’s Economic Horizons in 2025

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Executive Summary

Executive Summary

Nigeria's economic landscape in 2025 presents a mix of challenges and opportunities as the country navigates structural inefficiencies, rising inflation, and a growing debt burden. Despite global economic headwinds, including the lingering effects of tightened monetary policies, Nigeria must address domestic constraints to unlock growth potential.

Economic Overview

Nigeria's GDP is projected to grow modestly in 2025, supported by a gradual recovery in oil production, financial services, and the telecoms sector. Local refinery operations and improved security measures for oil infrastructure are expected to boost the oil sector. However, persistent weaknesses in manufacturing and agriculture remain bottlenecks.

Inflation is anticipated to stay elevated during the first quarter of 2025 before beginning to decrease, following a record high of 34.6% in late 2024. While the Central Bank of Nigeria (CBN) may sustain a tightening stance in early 2025, inflation could ease later due to base effects and exchange rate stabilisation. Structural reforms in agriculture and energy will be key to long-term price stability.

Nigeria's rising debt, reaching ₦134 trillion in 2024, highlights the need for fiscal reforms. Declining oil revenues and reliance on borrowing necessitate measures such as monetising idle public assets and boosting non-oil exports. Similarly, exchange rate stability remains a priority, with foreign reserves requiring bolstering to mitigate inflationary pressures.

Sectoral Highlights and Policy Recommendations

Oil production is expected to improve with enhanced security and infrastructure repairs, while non-oil sectors, including financial services and telecoms, will drive growth. Manufacturing, however, continues to struggle with high costs and forex dependency. Infrastructure investment will be critical, requiring effective execution to close development gaps.

To sustain growth and foster stability, Nigeria must diversify its economy, strengthen fiscal discipline, and enhance productivity in key sectors. Public-private partnerships (PPPs) and export diversification will also be essential for resilience.

Sectoral Highlights and Policy Recommendations

Nigeria's economic trajectory hinges on the effective implementation of reforms, improved governance, and diversification. Strengthening institutions, mobilising domestic revenue, and fostering private sector participation are vital for sustainable growth. While risks such as global economic uncertainties and domestic insecurities persist, strategic interventions position Nigeria for enhanced economic performance and long-term development.

Executive Summary

2025 Projections

Variables	Outlook
GDP	↑
Inflation Rate	↑
Unemployment Rate	↓
Exchange Rate	↔
Capital Importation	↑
Oil Production	↑
MPR	↔
External Reserves	↑

Rating Key	Outlook
Positive	↑
Stable	↔
Negative	↓

2.0

Global Landscape

Global Landscape

Global Economic Activity

In the second quarter of 2024, global economic activity sustained its upward trajectory, fueled by robust growth in the services and manufacturing sectors. Both Advanced Economies (AEs) and Emerging Markets and Developing Economies (EMDEs) witnessed notable expansions, reflecting a broad-based recovery. Inflationary pressures eased in many regions during Q2 2024, largely driven by declining costs in food, energy, and transportation. Financial markets displayed mixed trends across regions and asset classes. The global bond market continued its upward momentum, supported by the sustained tight monetary policy stance, as most central banks, maintained interest rates at prevailing levels.

The Global Purchasing Managers' Index (PMI) climbed to 52.90 points in Q2 2024, up from 52.30 points in Q1, signaling strengthened economic activity. This improvement was underpinned by rising output, increased new business, and accelerated job creation. Five out of the six surveyed sub-sectors recorded growth, led by financial services. Other expanding sectors included business services, consumer goods, intermediate goods, and consumer services. However, investment goods producers saw a marginal contraction in output, highlighting uneven recovery patterns across industries.

Global Purchasing Managers' Index (PMI)	Q1 2023	Q2 2024	Q3 2024
Composite (Output)	51.00	52.30	52.90
Employment Level	50.50	50.90	51.30
New Business Orders	50.90	52.10	52.00
New Export Business Orders	48.40	49.80	49.60
Future Output	62.60	63.80	62.10
Input Prices	56.10	56.60	56.30
Output Prices	53.50	53.80	52.80
Manufacturing	49.00	50.60	50.90
Services (Business Activity)	51.60	52.40	53.10
New Business	51.80	52.50	52.40
New Export Business	49.30	50.60	50.60
Future Activity	63.40	64.30	63.10
Employment	51.10	51.20	51.50
Outstanding Business	48.40	49.20	50.00
Input Prices	57.50	58.10	56.70
Prices Charged	54.20	54.70	53.00

Trump's Policy

Trump's proposed economic policies focus on cutting government spending, boosting innovation, expanding energy production, and protecting US industries through trade barriers. Key measures include a $2 trillion budget cut, lowering corporate taxes to 15%, deregulating emerging technologies, and relaxing environmental policies to increase fossil fuel production. While these policies aim to strengthen the U.S. economy, they could increase income inequality, strain global trade, and undermine climate goals.

For Nigeria, lower global oil prices from U.S. energy expansion could hurt national revenue, while U.S. trade barriers and tech advancements may challenge Nigeria's industrial sectors. Reduced remittances from deported immigrants could also impact household incomes, highlighting the need for Nigeria to diversify its economy and adapt to global changes.

3.0

The Africa Landscape

The Africa Landscape

Sub-Saharan Africa: A Region of Contrasts and Opportunities

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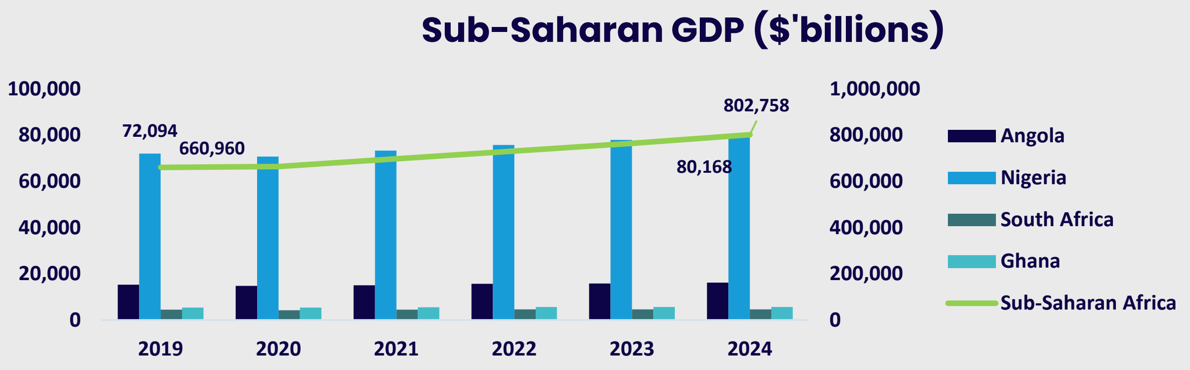

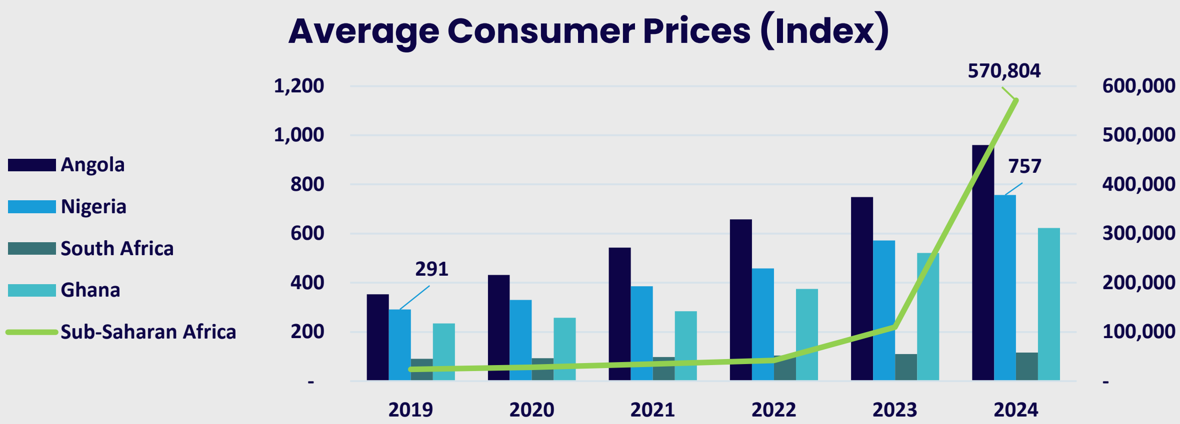

Source: IMF, Kreston Pedabo Analysis

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The Domestic Landscape

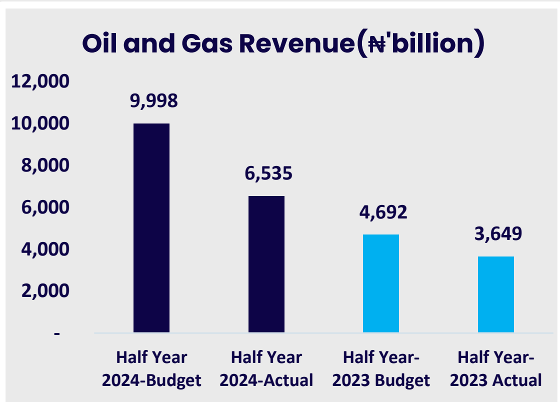
The Domestic Landscape

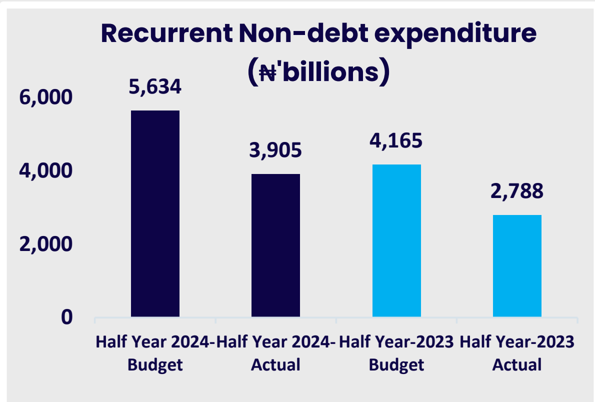
Review of Nigeria's 2024 Budget Execution Revenue Performance

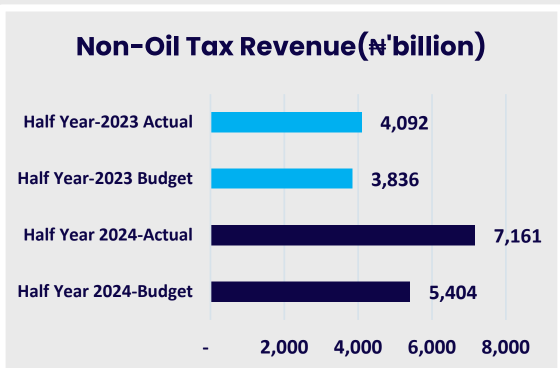
In the first half of 2024, Nigeria's oil revenue amounted to ₦6.5 trillion, about 34% of the ₦19 trillion annual target. This shortfall highlights ongoing challenges in the oil sector, such as production constraints, crude theft, and fluctuating global oil prices. In contrast, non-oil tax revenue performed better, with ₦7.16 trillion collected, reaching 71% of the ₦10.8 trillion target. This indicates progress in diversifying revenue sources, driven by improved compliance and reforms. Overall, the government's total revenue of ₦13.56 trillion met 44% of the ₦30.8 trillion target, emphasising the growing reliance on non-oil revenue. However, continued efforts are needed to address inefficiencies in the oil sector and reduce revenue leakages.

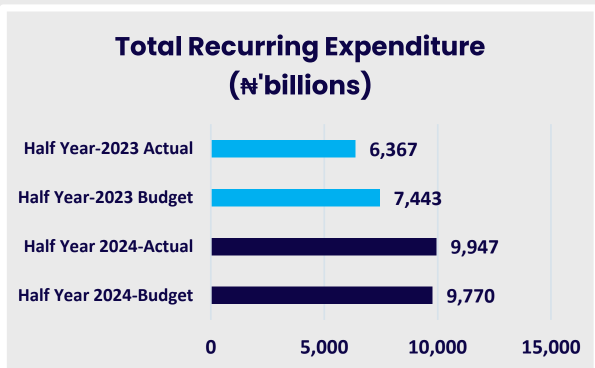
Expenditure Analysis

In the first half of 2024, Nigeria's recurrent non-debt expenditure reached ₦3.9 trillion (34.6% of the annual target). Debt servicing consumed ₦6 trillion (circa 75% of the annual budget), split between domestic (₦2.85 trillion) and foreign (₦3.19 trillion) obligations, highlighting the strain of rising public debt. Personnel costs totaled ₦2.6 trillion, raising efficiency concerns in public sector management. Capital expenditure amounted to ₦2.4 trillion (17.4% of the yearly allocation), reflecting progress in infrastructure development but delays in project execution and fund disbursement that could limit long-term growth.









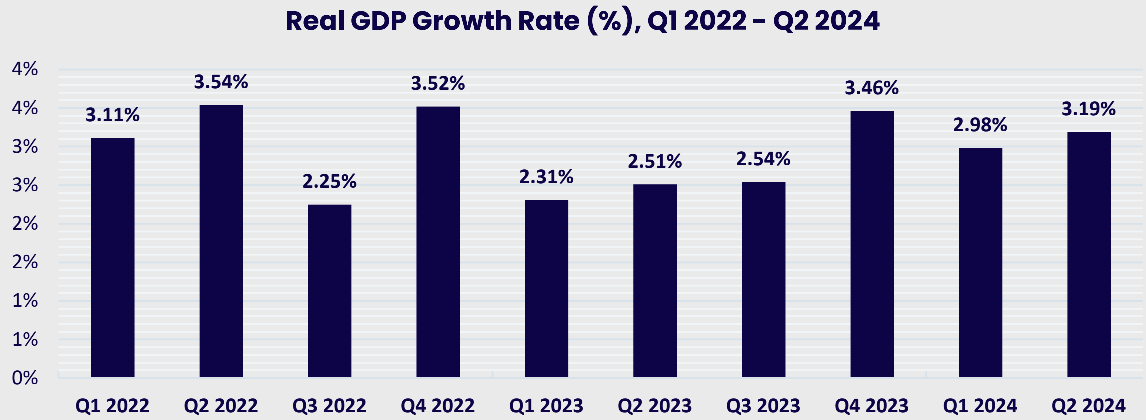
Source: OAGF, Budget Office of the Federation, Kreston Pedabo Analysis

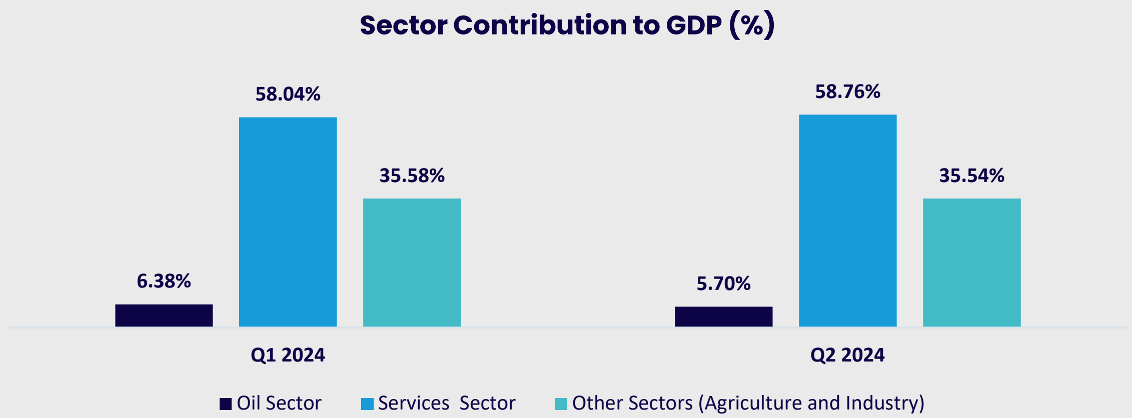
The Domestic Landscape

Real Gross Domestic Product (GDP) Growth

Nigeria recorded an average GDP growth rate of 3.09% in 2024. In Q2, GDP expanded by 3.19%, largely fueled by a robust 3.79% growth in the services sector. However, the growth rates for the first and second quarters of 2024 fell short of the performance in the fourth quarter of 2023, a decline attributed to rising production costs and weaker demand.

The service sector remains the leading contributor to GDP, achieving an average growth rate of 4.05%. In comparison, the agricultural and industrial sectors recorded average growth rates of 0.795% and 2.86%, respectively. In terms of GDP contribution during the first and second quarters of 2024, the service sector accounted for approximately 59%, with the remaining share coming from oil, agriculture, and industry.



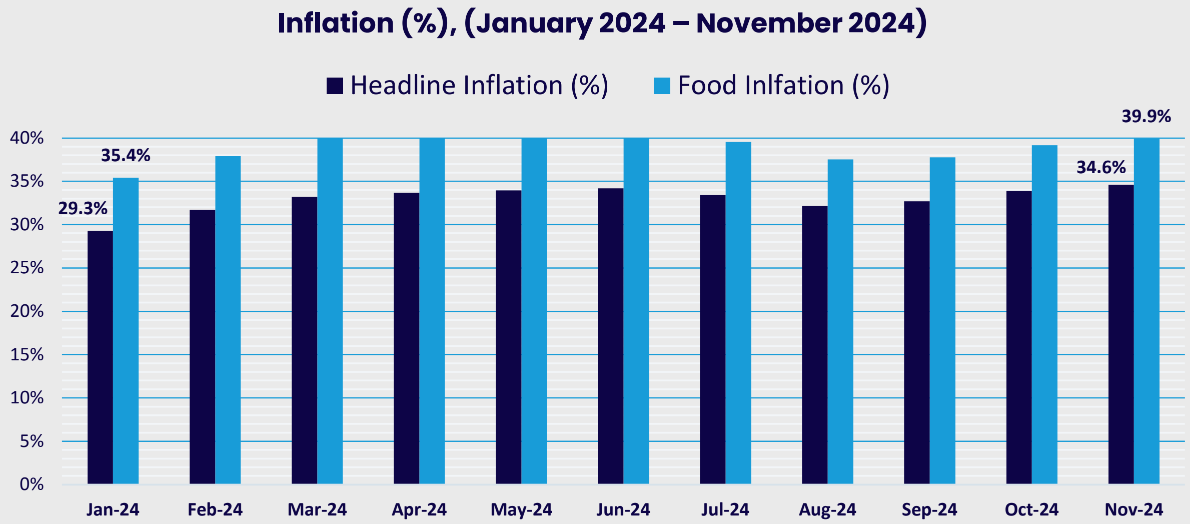


Source: CBN, NBS, Kreston Pedabo Analysis

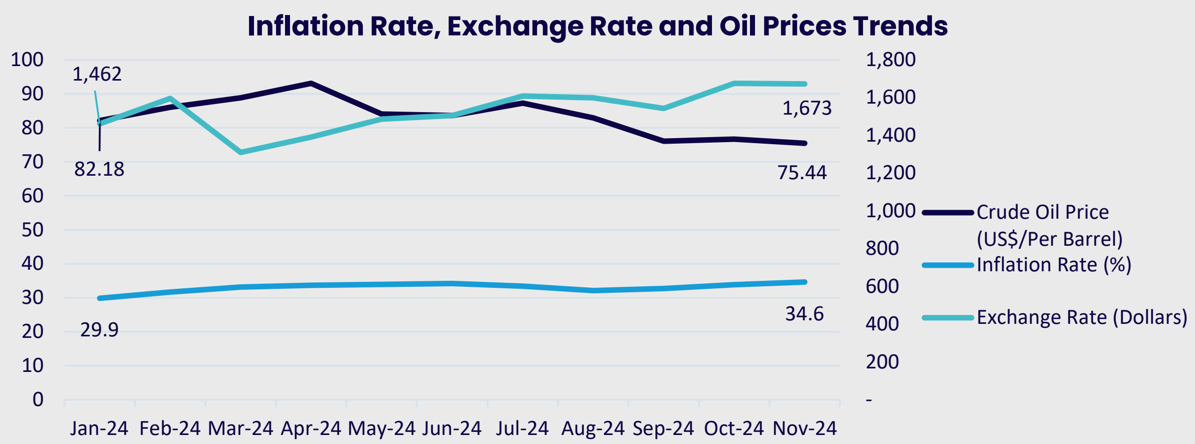
The Domestic Landscape

Inflation rate

In 2024, Nigeria faced a historic inflation crisis, with rates peaking at 34.6% in November—the steepest climb in nearly 30 years. This surge was triggered by the domestic policy changes such as the removal of fuel subsidies in 2023 and the devaluation of the naira as well as global oil shocks, which sent transportation and production costs soaring. Food prices also spiked, driven by shortages and disrupted supply chains, while the weakening naira inflated the cost of imports. The ripple effects were far-reaching: reduced consumer purchasing power, sluggish economic growth, and an alarming increase in poverty levels. This crisis underscored the urgent need for economic stabilisation policies and structural reforms to prevent future shocks.



Source: CBN, NBS, Kreston Pedabo Analysis



Source: CBN, NBS, Kreston Pedabo Analysis

The Domestic Landscape

Unemployment rate

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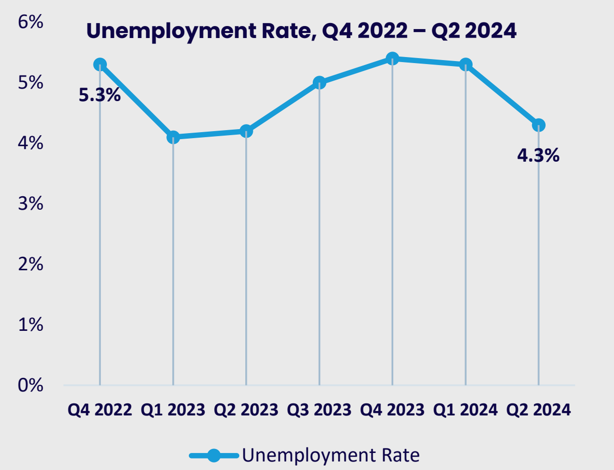


Source: NBS, Trading Economics, Kreston Pedabo Analysis

Oil Dynamics

Nigeria’s oil-dependent economy is deeply influenced by global factors shaping oil price trends. The rise of fracking technology in the

United States has transformed it into the world’s leading crude oil producer, with output expected to reach around 15.1 million barrels per day by 2030. Meanwhile, the ongoing war in Ukraine, coupled with Western sanctions on Russia, has created significant supply constraints, adding volatility to global oil markets. Ukraine’s government continues to tackle these challenges while seeking global support. Additionally, tensions in the Middle East, particularly involving key OPEC players like Iran, often disrupt oil supplies, further complicating global pricing strategies. These dynamics collectively underscore the complexities of Nigeria’s economic reliance on oil revenues.

Dangote Refinery in the Oil Space

Nigeria’s public debt surged by 38% in 2024, climbing from ₦97 trillion in 2023 to ₦134 trillion by mid-year.

oil sector, promising substantial economic gains. Now operational, it is expected to stabilise and lower the cost of Premium Motor Spirit (PMS), ensuring more affordable fuel prices for Nigerians.

The refinery, with a daily processing capacity of 650,000 barrels, is designed to fully meet Nigeria's refined product demand, which stood at an estimated 593,000 barrels per day as of April 2022. This will significantly cut down reliance on imports while boosting the country's energy independence. Furthermore, the refinery is expected to generate approximately $4 billion annually in foreign exchange through the export of refined petroleum products.

Beyond its direct economic contributions, the refinery is poised to create over 135,000 jobs, both directly and indirectly, boosting employment across various sectors.

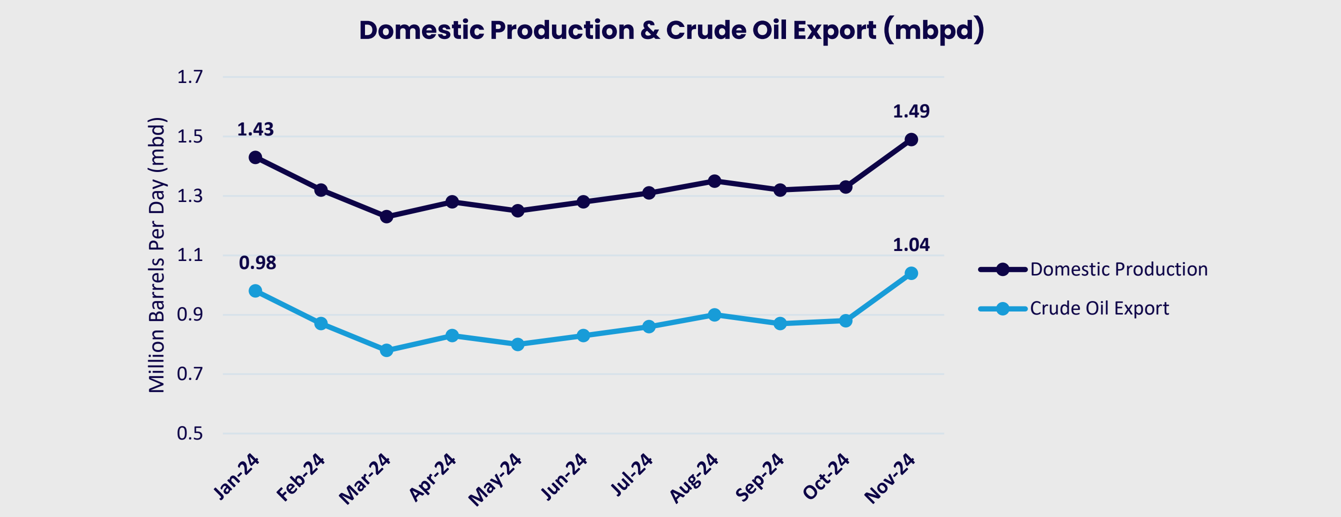
Crude Oil

Domestic crude oil production declined in Q22024, attributed to persistent oil theft and illegal refining activities in the Niger-Delta region. Nigeria's average crude oil production fell by 4.51% to 1.27 mbpd in Q22024, from 1.33 mbpd in the preceding quarter. This was due to crude oil theft and pipeline vandalism in the Niger Delta region, leading to a decline in production. Nigeria's crude oil production level (exclusive of condensate) fell short of its OPEC + quota of 1.5 mbpd by 0.23 mbpd in Q22024.

This persistent underperformance resulted in a revenue shortfall of approximately $4.5 billion, severely impacting oil export earnings—a critical source of foreign exchange and government revenue. The economic ramifications of this underperformance were far-reaching. With global oil prices averaging $85 per barrel, down from $100 per barrel in 2023, oil export revenues fell short of projections by nearly 15%, further straining public finances. The resulting foreign exchange shortages contributed to a continued depreciation of the naira, which closed at ₦1,535 to $1 by December 2024.

Inflation surged to a 34.6% rate, the highest in nearly three decades, exacerbating the cost-of-living crisis and dampening economic growth.

Addressing these challenges requires a robust strategy, including enhanced security in oil-producing regions, investment in pipeline and refinery infrastructure, and a commitment to economic diversification into sectors such as agriculture, manufacturing, and renewable energy, which show promising growth trajectories.



Source: CBN, NBS, Kreston Pedabo Analysis

The Domestic Landscape

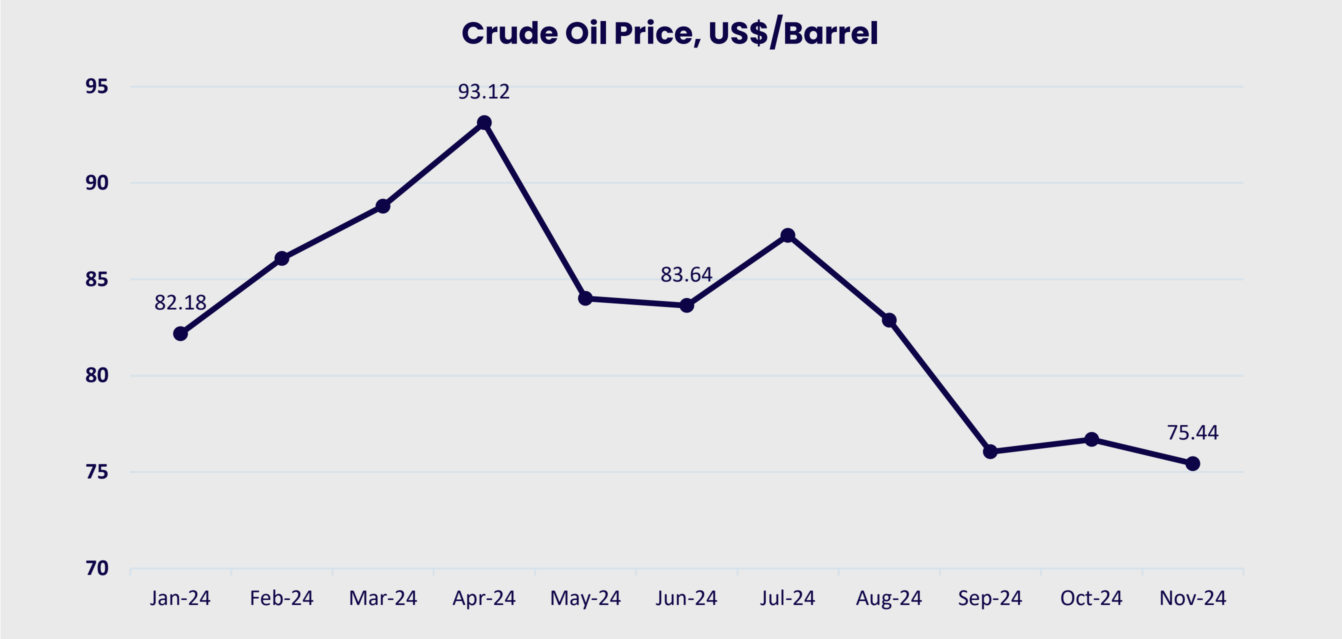
Forward Contracts

Nigeria's oil industry is facing significant challenges, primarily due to conflicting policies, forward contracts, and domestic supply obligations. The operationalisation of the Dangote Refinery in 2024 and the Federal Executive Council's (FEC) directive to sell crude oil in Naira to local refineries have exposed deeper structural issues. NNPCL's forward contracts, including multi-year agreements and crude-backed loans, limit its ability to redirect crude oil to domestic refineries, often at a premium. This has created a bottleneck for the Dangote Refinery, which struggles to secure affordable local crude despite its large refining capacity.

The FEC's directive, aimed at stabilising fuel prices and reducing foreign exchange pressure, further complicates matters, as NNPCL's existing contracts prioritise liquidity over domestic supply flexibility.

While the Petroleum Industry Act (PIA) aims to prioritise local supply, its weak enforcement hinders progress. Forward contracts also expose Nigeria to potential revenue losses due to fluctuating global oil prices, limiting opportunities for market-driven decisions.

The broader implications include reduced refining capacity, hampering energy security, and long-term growth in the industry. As Dangote Refinery and other local players face supply gaps, the situation highlights the urgent need for more effective regulatory frameworks and policies to support domestic refining, energy security, and sustainable economic development.



Source: CBN, Kreston Pedabo Analysis

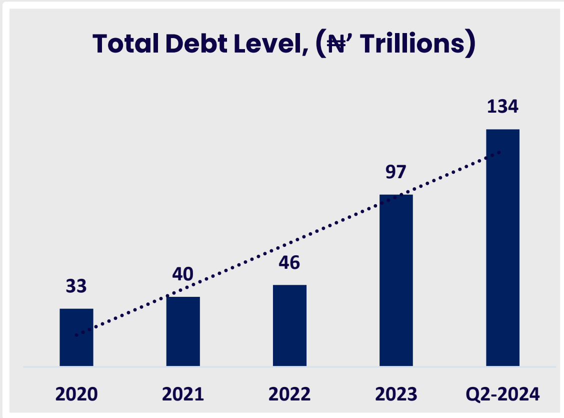
Public Debt

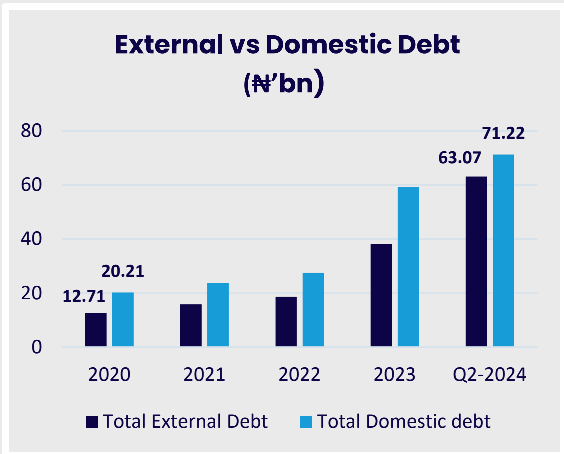
This rise was driven by the naira's devaluation, elevated interest rates increasing debt servicing costs, and heavy borrowing to finance budget deficits and economic reforms. The 2024 budget projected ₦27.5 trillion in expenditure against ₦18.32 trillion in revenue, leaving a ₦9.18 trillion deficit, with ₦8.25 trillion—nearly 30% of expenditure—allocated to debt servicing. Consequently, the government's fiscal capacity to invest in infrastructure and critical social programs remains constrained, exposing deeper structural weaknesses in revenue mobilisation.

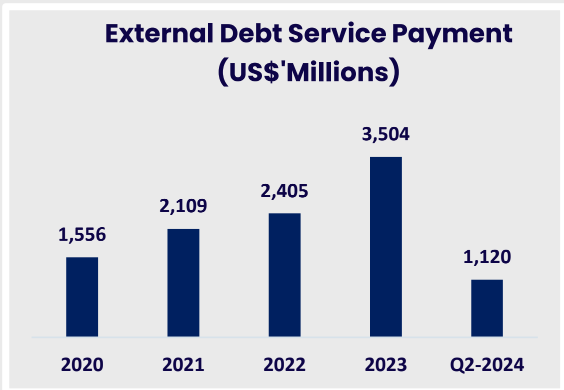
Despite a debt-to-GDP ratio of 52.8%—below the IMF threshold of 55%—Nigeria faces severe fiscal sustainability challenges. Debt servicing consumed 44% of revenue in H1 2024, highlighting the reliance on borrowing to meet obligations. Projections for 2025 anticipate further debt growth to ₦160.05 trillion, fueled by domestic and external borrowings, including $900 million from the first domestic US Dollar bond, $1.7 billion in Eurobond issuances, and ₦500 billion in Sukuk financing. Additionally, external debt now accounts for over 47% of total debt, intensifying concerns about long-term fiscal pressures.

The ongoing domestic borrowing needs will further strain the fiscal landscape. Although external debt ratios remain within IMF thresholds, Nigeria's heavy reliance on short-term financing, rising yields, and constrained refinancing options signal the need for urgent fiscal reforms. Strengthening revenue mobilisation, managing debt maturity profiles, and diversifying income streams are essential

to restore fiscal stability and mitigate the mounting pressures on public finances.







Source: DMO, Kreston Pedabo Analysis

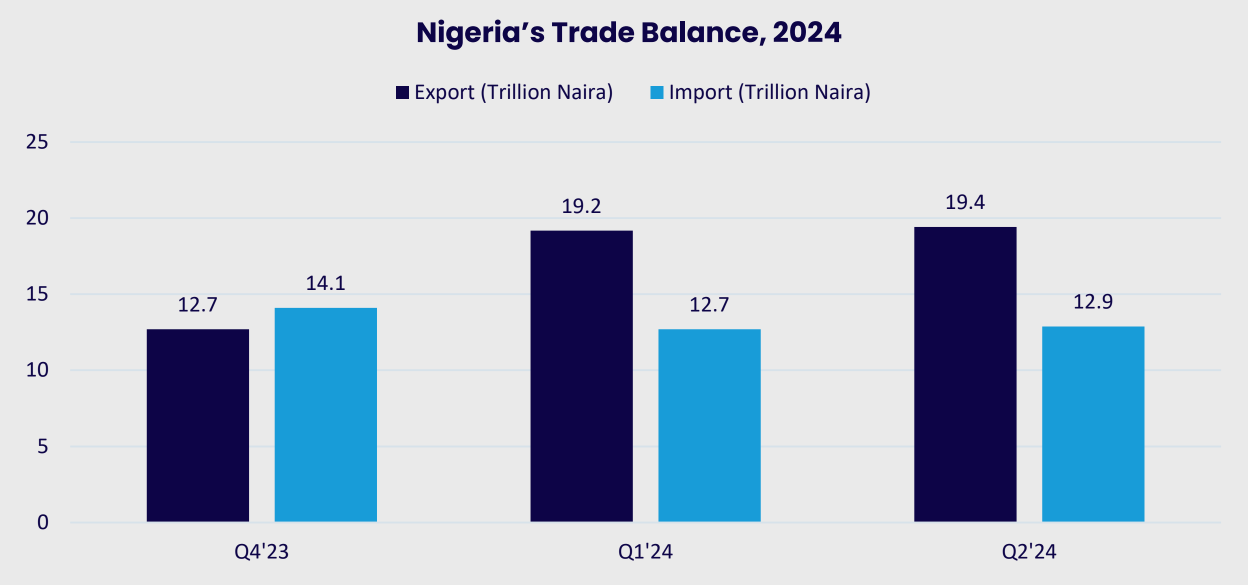
External Balances and Trade Dynamics

Nigeria's trade balance experienced a remarkable turnaround in 2024, recording significant gains compared to previous years. In Q1 and Q2, the total export values reached ₦19.17 trillion and ₦19.42 trillion, respectively, reflecting a substantial leap from the ₦12.69 trillion reported in Q4 2023. The 51% surge in exports from Q4'23 to Q1'24 marked a pivotal moment, driven by improved crude oil production, enhanced export volumes, and key reforms implemented within the oil sector and beyond.

This impressive growth translated into record trade surpluses of ₦6.47 trillion in Q1 and ₦6.54 trillion in Q2 of 2024. Imports also contributed to this positive balance, declining by 9.9% between Q4'23 and Q1'24, from ₦14.1 trillion to ₦12.6 trillion, before slightly increasing to ₦12.88 trillion in Q2'24.

Despite these gains, the trade structure remains heavily reliant on crude oil exports, which account for over 70% of total export earnings. This dependence continues to expose Nigeria's economy to vulnerabilities from fluctuations in global oil prices.

Looking ahead to 2025, Nigeria is projected to sustain the growth momentum established in 2024, with crude oil exports remaining a dominant contributor to export revenues. Modest improvements in non-oil exports, particularly in agriculture and mining, are anticipated. However, realising the full potential of these sectors will require strategic investments and policy reforms to diversify the economy and create a more resilient trade sector less susceptible to external shocks.



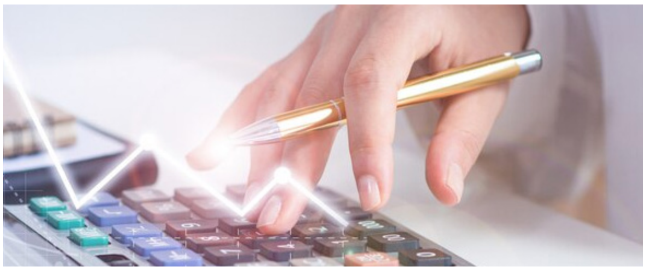
Source: NBS, Kreston Pedabo Analysis

The Domestic Landscape

Overview of the Professional Services Sector

The professional services sector, encompassing accounting, auditing, legal, consulting, and other specialised services, plays a pivotal role in Nigeria's economy. This sector is integral to driving corporate compliance, financial transparency, and business efficiency across various industries. As Nigeria continues to pursue economic diversification and improve the ease of doing business, the demand for professional services remains robust.

Between Q1 2023 and Q3 2024, the professional, scientific, and technical services sector contributed an average 5.67% to the overall services sector. 3.16% of the total real GDP during this period came from professional, scientific, and technical services, reflecting its resilience amidst economic uncertainties. The sector's contribution highlights its critical role in supporting Nigeria's corporate landscape and economic activities.

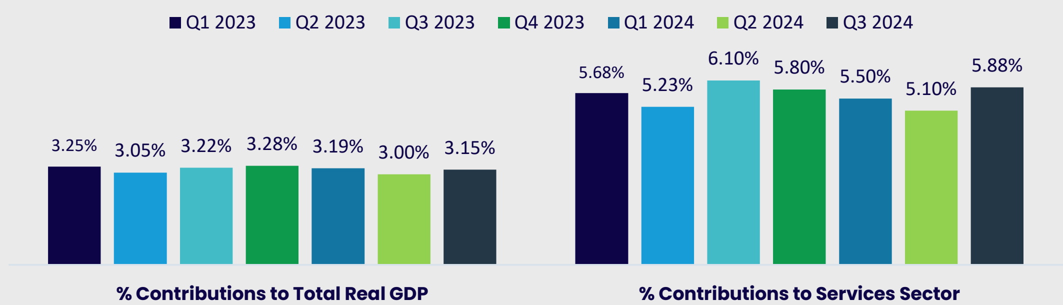


Key Trends and Development

The professional services sector in Nigeria has experienced notable trends and developments in recent years. One key trend is the increased demand for compliance and advisory services, driven by regulatory reforms and heightened scrutiny from authorities Firms have sought professional advice to navigate these complex regulatory requirements. Simultaneously, digital transformation has become a cornerstone of the sector, with firms adopting AI-driven auditing tools, cloud-based financial systems, and data analytics solutions to enhance service delivery. This shift towards digital tools is expected to accelerate as efficiency and transparency become increasingly vital.

A major program for 2025 is the implementation of comprehensive tax reforms aimed at broadening the tax base, increasing compliance, and boosting government revenues. These reforms are expected to drive demand for tax advisory and compliance services, with professional services firms such as Kreston Pedabo playing a pivotal role in guiding corporate responses and shaping long-term economic outcomes.

However, the sector faces challenges, including talent shortages due to poaching, currency volatility, and rising operational costs. Despite these hurdles, the sector has maintained growth through innovative practices and diversification of client services.



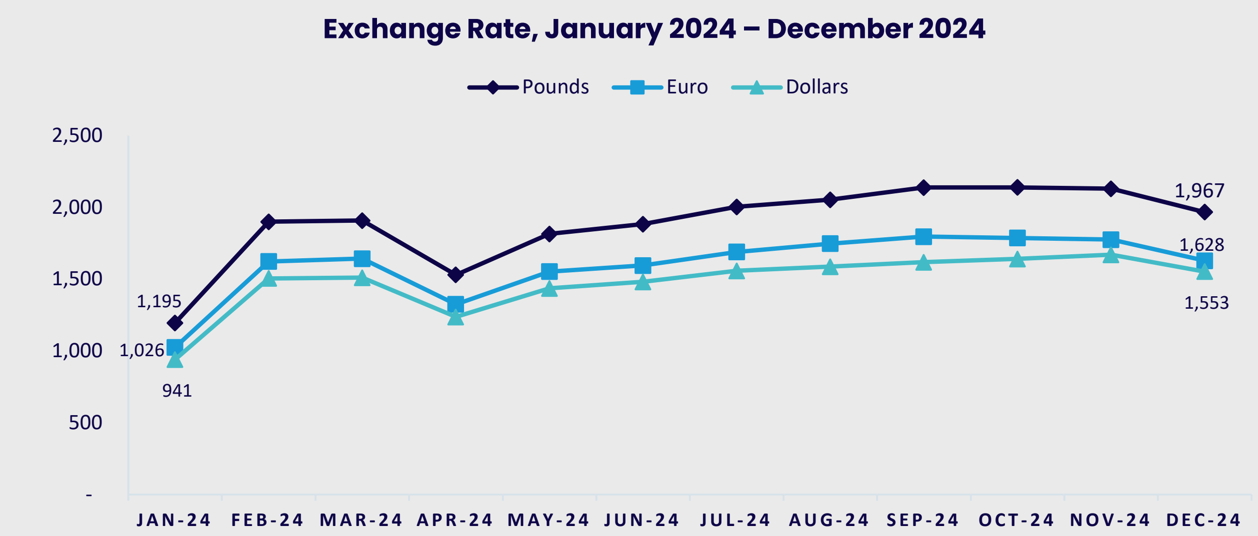
Source: CBN, NBS, Kreston Pedabo Analysis

The Domestic Landscape

Exchange Rate

Nigeria's economy remains heavily reliant on imports, spanning both finished goods and capital items sourced from various continents. This dependence has created a substantial and consistent demand for foreign currencies, particularly the US dollar, exerting significant pressure on the country's foreign exchange reserves. Compounding the issue is Nigeria's limited domestic production capacity, which necessitates the importation of essential goods like refined petroleum products.

Aliko Dangote, Forbes Africa's wealthiest man, noted in an interview with Bloomberg that petroleum imports alone account for approximately 40% of Nigeria's total imports. This highlights the immense strain placed on foreign exchange reserves, with the high demand for dollars to pay for imports weakening the value of the naira. Nigeria's reliance on imports, particularly in the energy sector, leaves the country vulnerable to fluctuations in global oil prices and exchange rate volatility



Source: CBN, Kreston Pedabo Analysis

Recent developments provide a promising outlook for Nigeria's exchange rate stability. The commencement of operations at key refineries, including the Dangote Refinery and the Port Harcourt Refinery, alongside the imminent launch of the BUA Refinery, is expected to significantly reduce the nation's dependence on imported petroleum products. These refineries are projected to meet a substantial portion of domestic fuel demand, easing the energy sector's demand for foreign exchange and potentially stabilising the naira.

Simultaneously, the Central Bank of Nigeria (CBN) has implemented reforms to improve the transparency and efficiency of the foreign exchange market. A key initiative is the Electronic Foreign Exchange Matching System (EFEMS), which electronically matches buyers and sellers of foreign currency. This system is designed to minimise market friction, enhance transparency, and boost confidence among investors and market participants.

The Domestic Landscape

Capital Market Development

he Nigerian capital market witnessed remarkable developments in 2024. Despite a slowdown in equities during the second quarter due to a shift in investor preference for fixed-income securities, overall NGX market capitalisation surged by 42%, climbing from ₦43.6 trillion in January 2024 to ₦61.9 trillion by December.

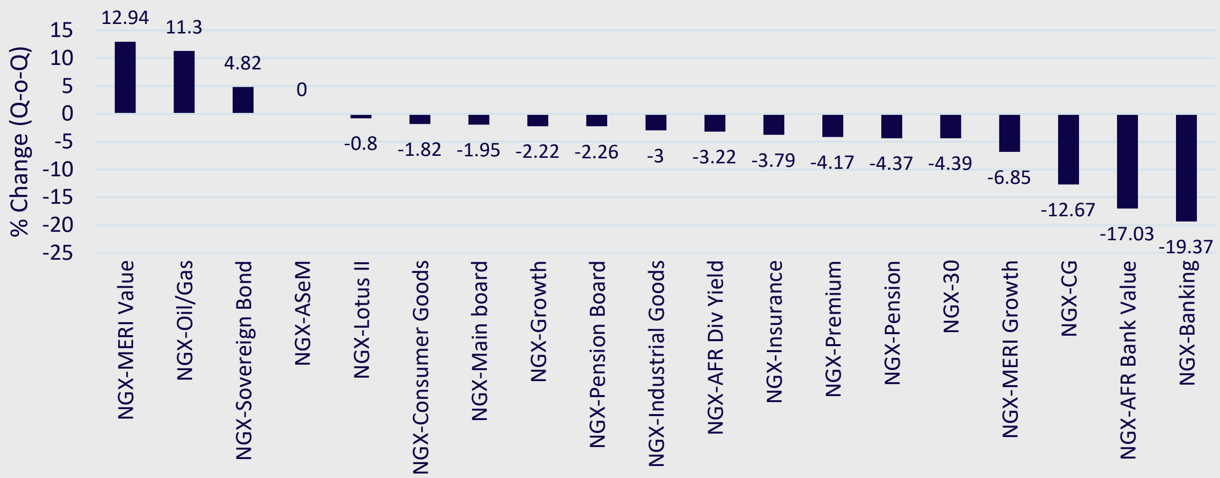
During the first half of the year, the domestic equities market surpassed the 100,000-point milestone, driven by investor optimism around economic reforms. However, the latter half saw fixed-income yields reach unprecedented levels, supported by the Monetary Policy Committee's (MPC) firm policy actions, boosting investor confidence in rate transmission functionality.

While debt markets experienced robust performance and liquidity, equities-maintained dominance in total market capitalisation. Gains in the fixed-income market were bolstered by attractive returns on treasury bills, CBN special bills, and corporate bonds, among others, contributing to a total turnover of ₦415.94 trillion by November 2024. The surge in activity highlights a dynamic trading environment, particularly on the FMDQ Exchange.

Additionally, macroeconomic reforms, such as the Central Bank of Nigeria's (CBN) naira policies, played a critical role in strengthening market performance. The depreciation of the naira enhanced foreign capital inflows, which grew from 4% in mid-2023 to an average of 16% by November 2024. Investor sentiment was further buoyed by the listing of major companies like Geregu Power Plc, Transcorp Power Plc, Aradel Holdings, and BUA Foods Plc, enriching the pool of blue-chip stocks and invigorating trading.

The high-yield interest rate environment encouraged increased investor participation, driving market liquidity and fostering robust trading volumes. Despite challenges, the market's resilience underscores its adaptability, paving the way for sustained growth and development.

Quarter-on-Quarter Changes in Per cent for Sectorial Indices



Source: CBN, NGX, Kreston Pedabo Analysis

Capital Importation and Credit Ratings

In Q3 2024, Nigeria recorded a capital importation of $1.25 billion, a 51.90% decline from the previous quarter, but a 91.35% increase compared to Q3 2023. Portfolio investments, contributing $899.31 million (71.79%), dominated, reflecting foreign investors' preference for short-term instruments over foreign direct investments (FDIs).

The UK was the top source of foreign capital, accounting for 40.12%, followed by South Africa and the US with 14.77% and 13.08%, respectively. Lagos and the Federal Capital Territory (FCT) remained the primary investment destinations, receiving 51.92% and 47.90% of inflows, respectively.

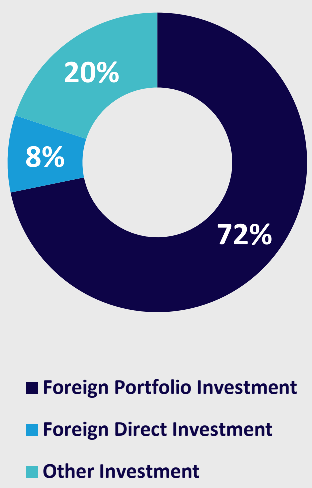
Standard Chartered Bank Nigeria facilitated $385.62 million (30.78%), while Stanbic IBTC Bank and Citibank Nigeria facilitated $382.08 million and $192.88 million, respectively.

Despite these inflows, Nigeria's current debt ratings, which are 'B-' from Fitch Ratings with a Positive Outlook and 'B-/B' from S&P Global Ratings with a Stable Outlook, reflect concerns about fiscal health and debt sustainability. These ratings could hinder investor confidence and long-term capital inflows.

To address these challenges, Nigeria must implement sound fiscal policies, enhance debt management, and tackle structural economic issues to improve creditworthiness.

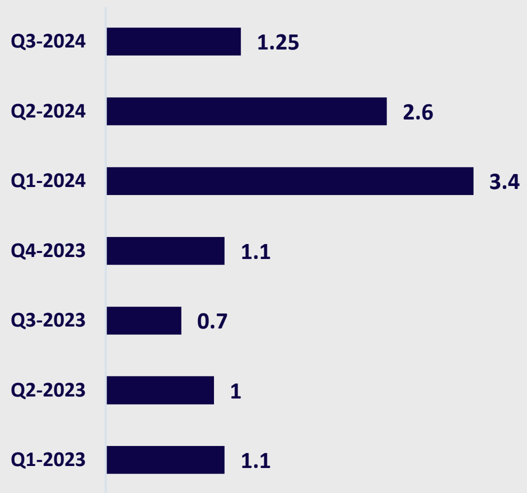
Additionally, addressing bureaucratic delays, improving infrastructure, and enhancing the ease of doing business will be critical for maintaining and growing capital inflows, ensuring that Nigeria can leverage its investment hubs and institutional frameworks for sustainable growth.

Capital Importation Inflow Q3 - 2024



Source: NBS, Kreston Pedabo Analysis

Nigeria's Capital Importation Inflows (US$ billion)



Source: NBS, Kreston Pedabo Analysis

5.0

Major Insights from 2024

Major Insights from 2024

CBN Recapitalisation

In March 2024, the Central Bank of Nigeria (CBN) announced a recapitalisation policy aimed at strengthening the banking sector and reducing systemic risks. This policy introduces significant increases in the minimum capital requirements for various categories of banks in Nigeria, to enhance the stability and resilience of the financial system. Banks are given a 24-month timeline, from April 1, 2024, to March 31, 2026, to comply with the new capital requirements.

Bank Type	Capital Requirements	
	Former	New
Commercial Banks		
- Regional Commercial Banks	₦10 billion	₦50 billion
- National Commercial Banks	₦25 billion	₦200 billion
- International Authorisation	₦50 billion	₦500 billion
Merchant Banks	₦15 billion	₦50 billion
Non-Interest Banks		
- Regional Non-Interest Banks	₦5 billion	₦10 billion
- National Non-Interest Banks	₦10 billion	₦20 billion

Source: CBN, Kreston Pedabo Analysis

The CBN defines qualifying capital as paid-up share capital and share premium only, excluding other forms of capital such as retained earnings or reserves. This focus on paid-up capital underscores the importance of liquid, easily accessible capital to ensure the banks' capacity to handle unforeseen financial shocks and systemic risks.

To meet the new capital requirements, banks have the option of raising funds through private placements, rights issues, or public offers for subscription.

In 2024, we witnessed Access Holdings, United Bank of Africa (UBA), First Bank of Nigeria, GTCo, FCMB, Zenith Bank, Jaiz Bank, Sterling Bank, and Fidelity Bank raise funds from the capital market through either public offers for subscriptions or right issues.

The recapitalisation policy is expected to drive several key outcomes in the Nigerian banking sector. First, it is likely to result in consolidation within the industry, as smaller or financially weaker banks may be forced to merge with larger, more capitalised institutions or exit the market altogether. The policy aims to reduce the number of undercapitalised banks, thus minimising systemic risks and enhancing overall financial stability.

Furthermore, the increased capital requirements are intended to improve the resilience of banks, enabling them to withstand economic downturns, exchange rate volatility, and other financial shocks. By having a stronger capital base, banks will be better positioned to meet the credit needs of the economy while mitigating the risk of insolvency.

While the policy presents significant challenges for banks to raise the required capital, it also offers an opportunity for growth and transformation within the sector, ensuring that Nigeria's banking system remains strong, competitive, and capable of supporting long-term economic growth.

Major Insights from 2024

Tax Reforms in 2024

In 2024, Nigeria undertook significant tax reforms aimed at enhancing revenue generation, simplifying tax compliance, and stimulating economic growth. Key developments included:

Introduction of the Nigeria Tax Bill 2024

On October 3, 2024, President Bola Ahmed Tinubu submitted four tax reform bills to the National Assembly:

- **Nigeria Tax Bill (NTB) 2024**
- **Nigeria Tax Administration Bill**
- **Nigeria Revenue Service (Establishment) Bill**
- **Joint Revenue Board (Establishment) Bill**

These bills aim to unify tax laws, reduce the Company Income Tax (CIT) rate from 30% to 27.5% in 2025 and 25% in 2026, and exempt small companies (annual revenue below ₦50 million) from CIT.

Value Added Tax (VAT) Adjustments

The reforms propose a progressive increase in VAT rates:

- **10% in 2025**
- **12.5% from 2026 to 2029**
- **15% from 2030 onward**

This strategy aims to boost government revenue while aligning with regional VAT standards.

Suspension of Taxes on Certain Food Imports

To combat rising food prices, the government suspended taxes on imports of wheat and maize for 150 days, effective July 2024. This measure sought to alleviate food inflation and support economic stability.

Withholding Tax

The WHT rates have been revised, with the new rates spanning from 2% to 20%.
The specific inclusion of new categories, lottery winnings, and payments to entertainers and sportsmen, is also a welcome and long-overdue introduction to boost government revenue.

Personal Income Tax

S58 and the Fourth Schedule to the NTB substitute the old graduating rates with a new graduating rate; thereby, exempting the ₦800,000 band from income tax on an annual basis.

Revenue Performance

Nigeria's Company Income Tax (CIT) surged by 150.83% to N2.47 trillion in Q2 of 2024, from ₦984.61 billion in Q1 2024.
On a year-on-year basis, the CIT went up by 59.52% from ₦1.55 trillion in Q2 2023.

CIT-to-GDP Ratio

Nigeria's CIT-to-GDP ratio increased from 8.7% in Q2 2023 to 13.5% in Q2 2024, remaining below the African average tax-to-GDP ratio of 16.0%.

Conclusion

The tax reforms of 2024 represent a concerted effort by Nigeria to modernise its tax system, improve compliance, and increase revenue. While initial results are promising, ongoing monitoring and adjustments will be essential to achieve long-term fiscal sustainability and economic growth. **Read more on the changes with respect to Nigerian Taxation from our 2024 Tax RoundUp.**

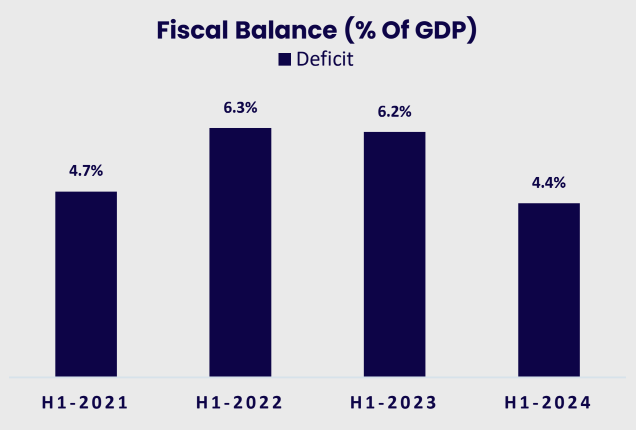
Major Insights from 2024

Fiscal Consolidation

In 2024, Nigeria implemented significant fiscal consolidation measures aimed at stabilising its economy and reducing fiscal deficits. The Federal Government's fiscal deficit narrowed to 4.4% of GDP in the first half of 2024, down from 6.2% in the same period of 2023, indicating progress in mitigating debt-related risks.

This improvement was driven by a combination of expenditure control and revenue-enhancing reforms, including the removal of fuel subsidies and efforts to unify exchange rates, which contributed to a more sustainable fiscal trajectory.

To support these reforms, the World Bank approved a $2.25 billion loan for Nigeria in June 2024, with $1.5 billion allocated to safeguard livelihoods and $750 million dedicated to enhancing revenue mobilisation. These funds aimed to bolster the government's capacity to implement fiscal reforms while protecting vulnerable populations from potential adverse effects. Additionally, foreign exchange reserves increased from $32.9 billion at the end of 2023 to over $38.8 billion by mid-October 2024, providing a buffer against external shocks and further strengthening Nigeria's fiscal position.



Source: World Bank Group, Kreston Pedabo Analysis

Unified Exchange Rate System

In 2024, Nigeria implemented significant reforms to unify its multiple exchange rate windows, transitioning towards a more liberalised and market-driven foreign exchange system. This strategic move aimed to enhance transparency, improve investor confidence, and stabilise the nation's currency, the Naira.

Background and Implementation

Prior to the unification, Nigeria operated multiple exchange rate regimes, including official and parallel market rates, leading to market distortions and arbitrage opportunities. In June 2023, the Central Bank of Nigeria (CBN) initiated policies to merge these rates, striving for a single, market-reflective exchange rate. This policy shift was part of broader economic reforms to address fiscal challenges and attract foreign investment.

Impact on the Naira and Economy

The unification of Nigeria's exchange rate system in 2024 led to a significant depreciation of the naira, which ended the year at N1,535 to the US dollar, marking a 40.9% decline.
This depreciation contributed to a surge in inflation, reaching a 28-year high and exacerbating the cost-of-living crisis. Despite these short-term challenges, the unification is anticipated to yield long-term benefits, including improved price discovery, increased foreign exchange supply, higher capital importation, and enhanced investor confidence.

6.0

Outlook for 2025

Outlook for 2025

Proposed 2025 Budget

The federal government unveiled a ₦49.74 trillion spending plan for 2025, marking a 41.91% increase over the 2024 budget and supplementary of ₦35.05 trillion. While the proposal is ambitious, analysts at Kreston Pedabo express skepticism about its feasibility, citing Nigeria's historical challenges with budgetary implementation. This underperformance is often linked to the nation's income-driven approach to budgeting, which prioritises revenue assumptions without adequately addressing structural inefficiencies.

Key projections underpinning the 2025 budget, such as an exchange rate of ₦1,500/USD, an inflation rate decline to 15%, and an oil price benchmark of $75 per barrel, are viewed by analysts as overly optimistic. These assumptions raise concerns about the government's ability to achieve its revenue target of ₦36.35 trillion. If these targets fall short, the budget's effectiveness could be severely undermined, further straining public finances and limiting the country's capacity to meet its developmental goals.

Outlook for 2025

Nigeria 2025 Economic Outlook

The Budget's Focus

The proposed 2025 budget of ₦49.74 trillion reflects a significant commitment to driving economic growth and addressing critical sectors such as security, education, and agriculture.

Aggregate capital expenditure accounts for ₦17.86 trillion (comprises ₦14.85 trillion for direct capital expenditure and ₦3.01 trillion from statutory transfers earmarked for capital expenditure), representing approximately 35.9% of the total budget. This prioritisation of capital projects indicates the government's focus on long-term infrastructure development.

However, the deficit financing strategy—relying on debt, asset sales, and multilateral loans—raises concerns about the sustainability of Nigeria's growing debt burden, especially given the 8% country default spread, signaling elevated investor caution.

Security receives notable attention, with defense allocations rising sharply by 79% from ₦1.31 trillion in 2024 to ₦2.34 trillion in 2025. Of this, ₦581 billion is earmarked for capital expenditure, reflecting a focus on enhancing infrastructure, equipment, and operational capacity in defense. Similarly, the Ministry of Police Affairs sees a 38.2% increase in funding, from ₦869 billion in 2024 to ₦1.2 trillion in 2025, with ₦76.7 billion dedicated to capital projects. These increases aim to address escalating security challenges, which remain a critical bottleneck to economic stability and investor confidence. However, the effectiveness of these funds will depend heavily on their efficient utilisation.

Education also sees a robust budgetary increase, with the Ministry of Education's allocation growing by 35.3%, from ₦857 billion in 2024 to ₦1.16 trillion in 2025. This growth underscores the government's commitment to human capital development, a vital driver of economic growth. Tetfund's ₦940 billion capital allocation further strengthens this focus, aiming to enhance infrastructure, access, and quality within the education sector. A well-educated workforce could mitigate structural inefficiencies in Nigeria's economy over the long term.

Agriculture, a key sector for economic diversification, receives ₦155 billion in 2025, marking a 40.9% increase from the ₦110 billion allocated in 2024. While the increment is notable, the sector's funding remains insufficient relative to its potential to ensure food security and create employment opportunities. Investments in mechanisation, irrigation, and rural infrastructure must accompany this allocation to yield tangible results.

In conclusion, the 2025 budget demonstrates a bold attempt to tackle critical developmental needs across security, education, and agriculture. However, the reliance on debt financing for the deficit poses risks, and the government must ensure accountability and efficient disbursement to maximise returns on these investments. Sustained progress in these sectors could support economic growth, but the looming challenges of inflation, currency depreciation, and debt sustainability remain significant hurdles.

Outlook for 2025

GDP

Nigeria's economic growth in 2025 is expected to face modest improvements, building on a challenging 2024. GDP growth is projected to hover around 3%, driven by sustained reforms, increased oil production, and gradual recovery in non-oil sectors. However, structural inefficiencies, coupled with global economic uncertainties, may cap growth potential. To unlock higher GDP growth, Nigeria must implement deeper economic reforms aimed at improving productivity across all sectors.

Inflation Rate

Based on current inflation trends and the government's 15% target in the 2025 budget, a moderate decline in inflation is possible, but achieving 15% may be challenging. The NESG Stanbic IBTC Business Confidence Monitor predicted that the inflation rate would fall to 27.1% by December 2025. A more realistic outcome might be a range of 25%-30%, depending on the successful implementation of the government's economic reforms and monetary policies.

Exchange Rate

Nigeria's outlook for 2025 is cautiously optimistic, driven by transformative developments in the energy sector and monetary policies. The commencement of operations at key refineries, including the Dangote, Port Harcourt, and BUA refineries, is expected to drastically reduce the country's reliance on imported petroleum products, which account for approximately 40% of total imports. By curbing dollar demand from the energy sector, these refineries are projected to support naira stabilisation and ease pressure on foreign exchange reserves.

To stabilise the naira, Nigeria must prioritise diversifying foreign exchange earnings through non-oil exports and strengthening monetary policy coordination.

.Capital Market

The capital market is expected to experience moderate growth in 2025, spurred by increased investor confidence following ongoing reforms and the issuance of local bonds to finance infrastructure projects. However, rising domestic borrowing costs and foreign portfolio outflows remain key risks. Strategic policies to enhance market liquidity and attract foreign direct investments are crucial to sustaining market performance.

Oil Sector

The oil sector is expected to experience a modest recovery in 2025, with crude oil production consistently exceeding the OPEC+ quota of 1.5 million barrels per day, largely driven by the contribution of new oil refineries.

However, challenges such as oil theft, pipeline vandalism, and global price fluctuations will continue to weigh on sector performance. The government's renewed focus on security in oil-producing regions and ongoing reforms in the petroleum sector could help stabilise production and improve revenues.

Non-Oil Sector

The non-oil sector remains pivotal to Nigeria's economic diversification agenda. Agriculture, manufacturing, and services are expected to continue their growth trajectories, driven by key structural reforms and improved infrastructure investments as noted in the budget. Efforts to modernise agricultural practices, incentivise local manufacturing, and enhance digital infrastructure will be critical for sustained non-oil sector growth.

Outlook for 2025

Infrastructure Development

The 2025 infrastructure development outlook for Nigeria presents a cautiously optimistic view, with significant investments earmarked for key transportation, energy, and housing projects. Notable proposals include the Lagos-Calabar Coastal Highway, Sokoto-Badagry road, and the Lagos–Abuja mass transit rail, along with substantial allocations for housing initiatives. These projects are set to improve national connectivity, ease trade, and foster regional development, particularly by linking major cities and enhancing logistics.

The increased budgetary allocations signal the government's commitment to addressing Nigeria's infrastructure deficit. However, the outlook remains tempered by persistent challenges, notably financing gaps and bureaucratic delays that have historically hindered project execution. While public-private partnerships (PPPs) and international collaborations with China and France could provide much-needed resources, the real test lies in the government's ability to streamline project implementation and governance.

Financial Services Industry

The financial services industry is expected to maintain steady growth in 2025, bolstered by regulatory reforms, digital banking expansion, and rising financial inclusion. However, rising inflation and exchange rate volatility pose risks to asset quality and profitability. The sector's resilience will depend on effective risk management, innovation, and regulatory support.

The Central Bank of Nigeria's (CBN) recapitalisation policy could further shape this outlook by enhancing the capital base of financial institutions, enabling them to withstand economic shocks, including inflationary pressures and exchange rate fluctuations. This move would likely foster more robust lending capacity, drive competition, and improve the overall stability of the financial services sector. If properly implemented, the recapitalisation policy may also attract foreign investment and strengthen confidence in the sector. However, challenges related to compliance costs and access to capital for smaller players in the market could emerge as potential risks.

Professional Services

The professional services sector is poised for expansion in 2025, driven by increased demand for advisory, legal, and consulting services, particularly in infrastructure development and financial market reforms. Opportunities also exist in supporting businesses navigating tax reforms, enterprise risk management compliance requirements, and digital transformation initiatives. Enhancing skill development, adopting global best practices, and continuous embrace of technology, will be critical for maintaining the sector's competitive edge.

Capital Importation

Nigeria's capital importation in 2025 is projected to recover modestly, driven by anticipated policy reforms, improved investor confidence, and efforts to stabilise the naira. A rebound in foreign capital inflows, especially from key partners like the UK and South Africa, could bolster forex reserves and ease exchange rate volatility. Strengthening non-oil sectors and enhancing infrastructure are critical to sustaining this trajectory. A stable and competitive exchange rate will improve trade dynamics, attract investment, and support overall economic growth in 2025.

Key Risks and Potential Disruptions to 2025 Economic Outlook

While Nigeria's 2025 economic outlook shows potential for modest growth across key sectors, several risks and interruptions could undermine these projections.

i. **Structural Inefficiencies:** Persistent insecurity, infrastructure deficits, and corruption may impede economic reforms and growth initiatives

ii. **Inflationary Pressures:** Persistent inflation can erode purchasing power, increase operational costs, and reduce consumer demand, all of which may negatively impact the financial services sector.

iii. **Currency Risks:** The naira's depreciation could discourage investment, worsen foreign exchange shortages, and disrupt trade.

iv. **Oil Sector Vulnerabilities:** Oil theft, vandalism, and global price fluctuations threaten revenue recovery in the petroleum sector.

v. **Execution Risks in Infrastructure Projects:** Financing gaps, bureaucratic delays, and weak public-private partnerships may hinder project completion.

vi. **Non-Oil Sector Challenges:** High production costs, limited credit access, and inflation pressures could stifle growth in agriculture, manufacturing, and services.

vii. **Global Economic Uncertainty:** External shocks, such as shifting demand for fossil fuels or global financial market instability, could impact Nigeria's exports and FDI inflows.

viii. **Unemployment:** High youth unemployment rates and job creation gaps remain pressing concerns for inclusive economic growth.

ix. **Debt Burden:** Rising public debt and high servicing costs could limit fiscal space for critical investments in infrastructure and social services.

x. **Unaccountability**: Governance challenges and a lack of accountability could undermine effective policy implementation and erode investor confidence

Outlook for 2025

Key Recommendations and Policies

Category	Strategies/Innovations	Expected Impact
Infrastructure Development	» Embracing Public-Private Partnerships (PPPs) » Develop a supportive regulatory environment for PPPs, provide government guarantees, and ensure transparent contracting processes.	» Improved infrastructure, enhanced service delivery, and accelerated development of public services.
Diversifying Export	» Implement targeted export promotion strategies » Strengthen international trade agreements. » Import substitution and export incentive	» Increased foreign exchange earnings » Improved trade balance.
Energy and Infrastructure	» Promoting renewable energy initiatives. » Upgrading refineries and pipeline networks. » Expanding transport and logistics infrastructure.	» Reducing production and distribution costs. » Strengthening energy security and stabilising prices.
Industrialisation Drive	» Support through subsidy programs » Encouraging local manufacturing and SME growth. » Developing Special Economic Zones (SEZs) and tax benefits	» Shielding vulnerable populations from inflation. » Boosting domestic industries and reducing import dependency.
Technology and Innovation	» Support for tech startups and innovation hubs » Investment in broadband infrastructure » Promotion of digital literacy » Skill development program	» Boosted tech industry growth » Improved internet access » Increased digital skills
Agricultural Development	» Scaling up Anchor Borrowers' Program (ABP). » Strengthen 3agro-processing zones. » Enhancing accessibility to fertilisers and inputs.	» Increasing domestic food production. » Mitigating food inflation and reducing import dependency. » Creating diverse employment opportunities.

2025 Projections

Variables	Outlook
GDP	↑
Inflation Rate	↑
Unemployment Rate	↓
Exchange Rate	↔
Capital Importation	↑
Oil Production	↑
MPR	↔
External Reserves	↑

Rating Key	Outlook
Positive	↑
Stable	↔
Negative	↓

Glossary of Terms

CIT (Company Income Tax)	is a direct tax levied on the profits made by companies operating in a particular jurisdiction.
GDP(Gross Domestic Product)	The total value of goods and services produced within a country in a given period.
Monetary Policy	The actions taken by a central bank to control the money supply and interest rates in the economy.
NBS	National Bureau of Statistics
DMO	Debt Management Office
Public-Private Partnerships (PPPs)	Arrangements between the government and private sector to finance, develop, and operate infrastructure projects.
Foreign Exchange Reserves	The amount of foreign currencies held by a country's central bank.
Purchasing Managers' Index (PMI)	A composite index that tracks the perceived change in business conditions for manufacturing and services.
MPR	Monetary Policy R
OPEC+	A coalition of oil-producing countries, including members of the Organisation of the Petroleum Exporting Countries (OPEC) and other major oil producers.

Glossary of Terms

NNPCL	Nigerian National Petroleum Company Limited
Currency Depreciation	Currency depreciation occurs when a currency loses value compared to another currency in the foreign exchange market, primarily driven by the forces of demand and supply.
Purchasing Power	Purchasing power represents the quantity of goods and services that can be acquired with a given unit of currency.
CBN	Central Bank of Nigeria
mbpd (Million Barrels Per Day)	A unit of measurement for oil production volume.
Exchange-Traded Funds (ETFs)	Funds that track an index, sector, commodity, or other asset class, and whose shares trade on stock exchanges like stocks.
Fiscal Consolidation	Government measures aimed at reducing budget deficits and stabilising public finances.
Arbitrage	The simultaneous purchase and sale of an asset to profit from a price difference between two or more markets.
NESG	Nigerian Economic Summit Group
IMF	International Monetary Fund

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Methodology

The research for this report was conducted using a combination of secondary data sources and expert insights. Key data sources included the Central Bank of Nigeria Statistical Bulletin, Bloomberg, the National Bureau of Statistics, the World Bank, the International Monetary Fund (IMF), the African Development Bank, Trading Economics, Proshare, and Veriv Africa.

In addition to these robust datasets, the study incorporated qualitative inputs from discussions and interviews with industry experts across diverse fields, whose perspectives provided valuable insights into the macroeconomic factors influencing Nigeria's economy.

The collected data was rigorously analysed and critically examined. The analysis also focused on identifying strategies to mitigate potential adverse effects and support sustainable economic growth in 2025 and beyond.

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10 Practical Tips to Develop your 2025 Sustainability Strategy and the Benefits to your Bottomline

As with every new year, organisations are looking for ways to do better –

Improve their operations and be more efficient, expand their reach, and be better - impact their community, reduce their waste and negative impact on the environment, and in all, be more responsible. Many of these objectives bring the management of organisations to the conclusion that they need to be more environmentally and socially conscious in their operations and need the right governance approach to achieve same.

In our November Issue, we delved into Introducing Sustainability to Operations: A Strategic Roadmap Review for Nigerian Businesses, to share how to integrate sustainability into operations, and highlighted relevant and practical examples of Nigerian cases to illustrate progress and challenges. As a next step to reinforce this need, our article looks at **10 practical steps** and their **benefits to an organisation's profitability.**

Recall and keep as the focus of this interaction that developing a sustainability strategy requires a structured approach that aligns sustainability with business objectives. We look at the key tasks under each action and consider their benefits to the business' bottom line.

1 Conduct a Sustainability Audit

Action:

Assess the current environmental, social, and governance (ESG) performance of your organisation, against an identified or established baseline - could be your previous performance, that of your sector, or a competing firm. Identify and document areas of strength, inefficiencies, and opportunities for improvement.

Benefit:

- **Cost savings** by identifying waste and inefficiencies.
- **Risk mitigation** by uncovering compliance gaps with regulations.
- **Improved operations** by uncovering opportunities for improvement.

2 Engage Stakeholders

Action:

Involve employees, customers, suppliers, and investors to understand their priorities and expectations regarding sustainability.

Benefit:

- **Stronger relationships** with stakeholders, fostering loyalty and support.
- **Innovation driven** by collaborative ideas and perspectives.

3 Set Clear Goals and Metrics

Action:

Establish measurable and time-bound sustainability goals for the business (e.g., improving energy savings by 60% in 2 years or reducing carbon emissions by 20% in 5 years). Use frameworks like the Global Reporting Initiative (GRI), UN Sustainable Development Goals (SDGs), etc.

Benefit:

- **Focused investment** in high-impact initiatives.

» Improved **accountability** and measurable progress toward profitability.

4 Integrate Sustainability into Core Business Strategy

Action:

Establish measurable and time-bound sustainability goals for the business (e.g., improving energy savings by 60% in 2 years or reducing carbon emissions by 20% in 5 years). Use frameworks like the Global Reporting Initiative (GRI), UN Sustainable Development Goals (SDGs), etc.

Benefit:

» **Enhanced brand value** by demonstrating commitment to responsible practices.

» Access to **new markets** and eco-conscious customer segments.

» Access to green financing in response to your demonstration of alignment with responsible practices.

5 Implement Energy Efficiency Measures

Action:

Adopt energy-saving technologies and or switch to renewable energy sources.

Benefit:

» Significant **cost reductions** in energy bills.

» **Long-term savings** through reduced dependence on diesel or PMS generators.

6 Adopt Circular Economy Practices

Action:

Transition from the traditional linear model of make-use-dispose to a circular model or reuse- recycle- upcycle (i.e., remanufacturing materials and extending lifecycles for as long as possible).

Benefit:

» Reduced **waste disposal costs.**

» Reduced replacement costs.

» **Revenue generation** from upcycled products or by-products.

7 Develop a Sustainable Supply Chain

Action:

For companies within the general production space, it is important that you intentionally take steps like identifying suppliers who follow ethical and sustainable practices and partner with them for incremental growth. Where possible, encourage responsible sourcing and reduce direct and indirect emissions. For many companies within the FMCG space, their supply chain is their key polluting driver.

Benefit:

» Cost efficiency through streamlined, ethical sourcing.

» Resilience against supply chain disruptions

8 Educate and Train Employees

Action:

Whilst generation Z is already more interested in value-oriented organisations, it remains key to offer sustainability training to employees at all levels so as to intentionally embed a culture of sustainability with everyone playing their part to reduce the organisation's impact while championing the cause.

Benefit:

» **Increased productivity from engaged employees.**

» **Increased staff loyalty and reduced attrition.**

» **Reduced operational costs through resource-efficient behaviours.**

9 Monitor, Report, and Communicate Progress

Action:

Regularly track progress against sustainability goals and report transparently to stakeholders using recognised standards (e.g., GRI, CDP).

Benefit:

» **Investor confidence** through transparency and accountability, especially vis-à-vis green financing.

» **Stronger reputation** and employer branding, attracting more customers and talent.

10 Leverage Technology and Innovation

Action:

Adopt technologies like IoT for energy monitoring, AI for predictive analytics, and blockchain for supply chain transparency.

Benefit:

» **Optimised operations leading to reduced costs.**

» **Competitive advantage through innovative solutions.**

Overall Profitability Benefits:

Organisations adopting these steps can:

1. Reduce costs through resource efficiency and waste reduction.
2. Increase revenue by appealing to sustainability-conscious customers.
3. Access new funding opportunities, such as green investments.
4. Mitigate risks associated with regulatory non-compliance and supply chain disruptions.
5. Strengthen brand reputation, employee loyalty, and customer trust, fostering long-term profitability.

Whilst many of the listed benefits may not be immediately evident and have a longer term view, they are proven to be valid amongst practicing organisations, and accurate measurements - which are the hardest part of compliance - of the identified parameters over time with the right documentation template will help you see just how much progress is being achieved and encourage your teams to strive to do more.

Local Insights

Whilst all of the above are relevant, in the Nigerian marketplace, the following three are the most critical due to our unique economic, social, and environmental challenges, as well as the inherent opportunities in our region. Also, we have considered some business cases and implementation ideas to get you started immediately.

1

Implement Energy Efficiency Measures

Nigeria faces significant energy challenges, including high reliance on diesel generators due to inconsistent grid power. Implementing energy efficiency measures is not only critical for cost reduction but also for reducing dependence on unsustainable energy sources.

Practical Approach:

» **Switch to Renewable Energy:** Installing hybrid solutions is often a good place to start with an eventual aim to fully switch to solar power which is particularly viable due to abundant sunlight. Organisations can adopt solar energy systems supplemented by energy storage solutions.

» **Energy Audits:** Conduct regular energy audits to identify inefficiencies in power usage. This includes assessing high-consumption equipment like air conditioning systems, which are prevalent in Nigerian businesses. Continuous measurement following the implementation of initiatives allows you to identify what works and what does not.

- **Energy-Efficient Equipment:** Promote the use of energy-efficient appliances, LED lighting, and smart energy management systems to optimise electricity use. The installation of smart systems allows automatic turn-offs when spaces are unoccupied.

Specific Benefits:

- **Cost Reduction:** Reduces reliance on costly diesel fuel for generators, lowering operational expenses.
- **Resilience:** Ensures more stable energy supply, minimising disruptions caused by grid outages.
- **Brand Advantage:** Positions the company as forward-thinking and environmentally responsible, appealing to eco-conscious customers and investors.

Cases:

- **Dangote Group:** As one of Nigeria's largest conglomerates, Dangote has invested heavily in energy-efficient practices. For instance, the Dangote Cement plants have implemented waste heat recovery systems, which capture, and reuse heat generated during production to reduce energy consumption.

- **Cold Hubs:** This Nigerian startup provides solar-powered cold storage solutions for perishable goods. These hubs help reduce food spoilage while lowering energy costs for small-scale farmers and businesses.

- **MTN Nigeria:** The telecommunications giant has integrated solar-powered base stations across rural areas to reduce reliance on diesel generators, significantly cutting energy costs.

Implementation Ideas:

- Partner with solar energy providers like **Lumos or Renewvia Energy** for cost-effective solar solutions tailored to businesses.

- Conduct energy audits with companies like **Carbon Limits Nigeria** to identify and address inefficiencies in operations.

- Leverage incentives like the Central Bank of Nigeria's (CBN) **Renewable Energy and Energy Efficiency Support Program** for financing renewable energy projects.

2

Develop a Sustainable Supply Chain

Supply chains in Nigeria often suffer from inefficiencies, lack of transparency, and environmental impacts due to poor infrastructure and logistics. Companies can improve their operational resilience and reduce costs by adopting sustainable supply chain practices.

Approach:

- **Ethical Sourcing:** An organisation can choose to be intentional about working only with local suppliers who prioritise sustainable practices, such as farmers using eco-friendly methods or manufacturers minimising waste. This may sometimes mean limited options, but sometimes there is a price to pay to reach your goal.

- **Reduce Transportation Emissions:** Optimise logistics and distribution networks, minimising transportation routes and associated emissions. Where feasible, invest in cleaner transportation options. Today, however, the options to achieve this are very limited and may require substantial investments, but simple solutions like truck pooling which now exist within this space are equally impactful.

- **Local Sourcing:** As much as is possible, favour local suppliers and alternative raw materials to importation to reduce transportation costs, build local capacity, and strengthen the domestic economy.

Specific Benefits:

- **Cost Efficiency:** Streamlines operations, reducing unnecessary expenditure on logistics and waste management.

- **Community Impact:** Strengthens relationships with local communities, improving local capacity and competence as well as enhancing social capital and brand reputation.

- **Risk Mitigation:** Reduces dependency on international suppliers, protecting against global supply chain disruptions.

Cases:

- **Chi Limited (makers of Chivita):** By incorporating local suppliers for fruit processing, the company has reduced reliance on imported fruits, cutting transportation emissions and supporting local farmers.

- **Zenvus:** This agritech company uses IoT devices to monitor soil and crop health, helping farmers optimise resource use and increase sustainable agricultural output. Businesses sourcing from these farmers benefit from lower costs and a reduced environmental footprint.

- **Guinness Nigeria:** The brewery sources locally for raw materials like sorghum and cassava, reducing logistics costs and supporting the local agricultural economy.

Implementation Ideas:

- Work with local suppliers like **Farmcrowdy** or **ThriveAgric,** which connect businesses to farmers adopting sustainable practices.
- Optimise transportation routes using logistics platforms like **Kobo360** to minimise emissions and reduce delivery times.
- Implement blockchain technology for supply chain transparency, such as partnerships with firms like **TradeDepot,** which focuses on supply chain efficiency in Nigeria.

3

Educate and Train Employees

Employee buy-in is critical to achieving sustainability goals, especially in Nigeria, where there is still rather limited awareness or expertise in implementing sustainable practices. As such, investing in employee education ensures long-term organisational commitment to sustainability.

Approach:

- **Sustainability Training:** Provide tailored workshops and training sessions to educate employees on energy conservation, waste management, and eco-friendly behaviours and practices relevant to their roles.
- **Reward Systems:** Introduce incentive programs to reward employees for achieving sustainability targets, such as reducing energy use or initiating recycling projects.
- **Cultural Integration:** Align sustainability initiatives with existing cultural values, such as communal responsibility and environmental stewardship, to foster deeper engagement.

Specific Benefits:

- **Increased Productivity:** Engaged employees will deliberately adopt cost-saving behaviours and contribute innovative ideas for sustainability.
- **Workforce Retention:** The organisation’s commitment to employee development, increasing loyalty and reducing turnover is demonstrated by capacity building leading to trust and improved loyalty.

- **Operational Excellence:** A well-trained workforce ensures the effective implementation of sustainability practices, leading to long-term cost savings and efficiency.

Cases:

- **Access Bank:** As a leader in sustainability, Access Bank trains its employees on sustainable banking practices, ESG reporting, and green finance, ensuring all staff understand and contribute to the bank's sustainability goals.

- **Nestlé Nigeria:** The company's employee engagement programs focus on waste reduction and water conservation. Nestlé's "Creating Shared Value" initiative also empowers employees to champion sustainability practices at work and in their communities.

- **Lafarge Africa:** The cement company organises training programs for its employees on resource efficiency, waste management, and energy conservation as part of its sustainability agenda.

Implementation Ideas:

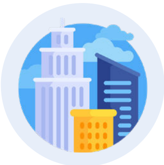
- Develop partnerships with organisations like The Nigerian Conservation Foundation (NCF) or Sustainability Professionals Institute of Nigeria (SPIN) to deliver training on sustainability practices.

- Use platforms like Udemy or LinkedIn Learning to provide employees with access to sustainability courses tailored to their roles.

- Create in-house sustainability champions—select motivated employees to lead initiatives and educate their teams.

Sector-Specific Insights

Agriculture: Companies can work with platforms like Hello Tractor, which improves efficiency and sustainability for farmers using shared tractor services, reducing fuel usage and improving yields.



Real Estate: Developers like Mixta Africa are incorporating energy-efficient designs and materials in housing projects, demonstrating the benefits of sustainability in construction.

Manufacturing: Firms like Unilever Nigeria have achieved energy savings and waste reduction by adopting circular economy practices, such as reusing by-products in manufacturing.

Conclusion

These actions, particularly the preceding 3 that are most impactful in the Nigerian context address foundational challenges - energy reliability, supply chain inefficiencies, and workforce engagement - while unlocking profitability. The overall benefits of these initiatives are cost reduction via the reduction of energy, logistics, and operational expenses; market differentiation with leading companies like Access Bank and Guinness Nigeria reaping benefits from their reputation as sustainability leaders, attracting eco-conscious customers and investors; and, regulatory compliance whereby affected businesses avoid penalties and gain access to green financing opportunities, such as the CBN Green Bond Program as well as other green investments globally by aligning with Nigeria's ESG and environmental policies.

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About Us

Kreston Pedabo is a professional services firm providing Audit & Assurance, Tax Compliance & Advisory, Financial Advisory & Risk Management, as well as Management Consulting & other specialised Support services to clients across all sectors of the Nigerian economy.

A full-service firm of chartered accountants, auditors, tax practitioners, and management experts, with a staff strength of over 200 persons, most of whom are professionally certified. The firm was established in 1998 and is led by ten (10) partners.

The firm offers various routine and bespoke solutions aimed at facilitating compliance and meeting clients' expectations for improved business performance.

25 years in business with over 500 satisfied clients, our firm takes a holistic approach to all its engagements, aimed at developing constructive and result-oriented reports on all assignments.

Our focus is to create real economic value for clients through radical improvements with strategic insights and impacts leading to tangible economic results; practical analysis and strategies that make sense to business managers and are germane to clients' businesses.

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We are longstanding members of the Forum of Firms – THE quality mark for transnational Audits.

We are members of IFAC and actively involved in setting standards in accounting worldwide.

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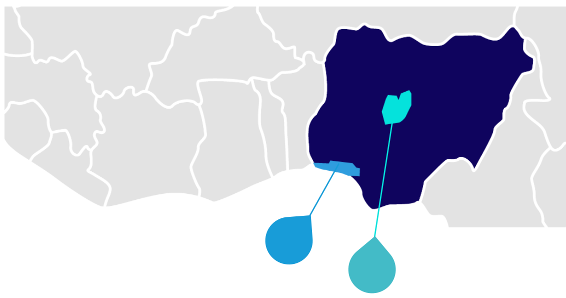
Kreston Pedabo's Footprint



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