

LBS BREAKFAST SESSION

Smuggling Paradox

Good for the few, bad for the economy

Presented by **Bismarck Rewane**

October 7, 2026



What they said about smuggling

“

Smuggling is an invisible enemy, posing a threat to the nation's economy... it doesn't only lead to loss of government revenue, but also creates economic instability, destroys industries, and gives rise to unemployment.



**Federation of Indian Chambers of
Commerce and Industry (FICCI)**

“

The country is filled with energetic and enterprising men, rendered desperate by being reduced from affluence to poverty through the vicissitudes of the times. They will give an impulse to smuggling unknown to the country heretofore.



John C. Calhoun

American statesman

Outline

Five conversations for
business leaders, investors
and policymakers

01

Smuggling: the height of the informal economy

The origin and economics of smuggling

02

Domestic economy

A boom people don't feel; endogenous vs. exogenous shocks

03

Markets & new economy

Stock market, proxies, aviation, fashion, Detty December

04

Global updates

Key developments, global elections and monetary policy

05

Political update & outlook

100 days to the election; what we expect for October to December

SECTION

01

Smuggling: the height of the informal economy

The origin and economics of smuggling

What is smuggling?



Smuggling is associated with informal cross-border trade that violates trade regulations and customs requirements, particularly where traders evade official border procedures and duties.

Benjamin, Golub & Mbaye (2015)



Smuggling involves international trade in which firms or individuals partially or fully evade trade regulations and border duties, including practices such as under-invoicing and misclassification.

Pitt (1981)



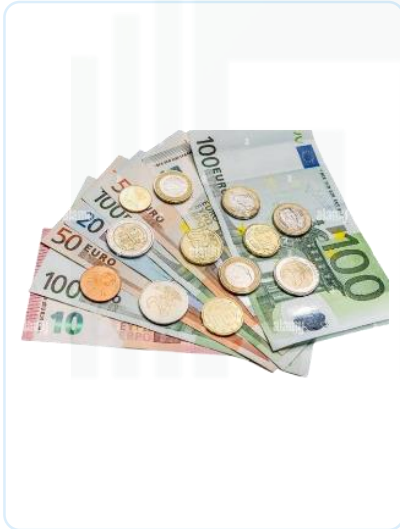
Smuggling is the offence of importing or exporting specified goods that are subject to customs or excise duties without having paid the requisite duties.

Oxford Dictionary

 **The common thread: smuggling is trade that deliberately avoids the duties and rules at the border**

Origin of smuggling: many borders, many rules

Before European integration, travelling from Bradford, England to Turkey could involve crossing at least eight borders



At each border, travellers and traders faced:



Multiple currencies



Different border barriers



Passport and visa controls



Customs inspections



Import tariffs



Quality control and quarantine



Smuggling developed because borders created price gaps and trade restrictions, and governments used border duties to raise revenue

European integration changed the incentive

The EU moved from fragmented national markets to a common market



Treaty of Rome

Created the European Economic Community

EU Customs Union completed

Internal customs duties and quotas abolished

Single Market

Freer movement of goods, services, capital and people

THE RESULT



Fewer internal borders, fewer customs checks, and lower incentives for routine cross-border smuggling



Countries like Spain and Italy, once economic laggards, have since achieved significant growth and development



Not every member stayed: the UK left the union (Brexit)



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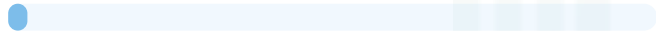
Countries that benefited from European integration



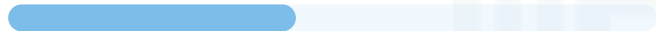
Germany

GDP

Before integration (1958) **\$115bn**



After integration (1993) **\$2.08tn**



2025 **\$4.69tn**



CAGR, 1958 to 1993 8.62%

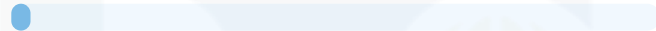
Used integration to scale up a globally competitive industrial economy



Italy

GDP

Before integration (1958) **\$40bn**



After integration (1993) **\$1.24tn**



2025 **\$2.38tn**



CAGR, 1958 to 1993 10.31%

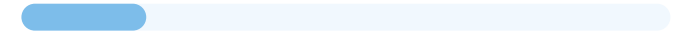
Used integration to expand manufacturing and trade, but regional and productivity problems limited the gains



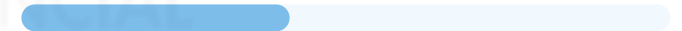
Greece

GDP

Before integration (1958) **\$54bn**



After integration (1993) **\$116bn**



2025 **\$280.6bn**



CAGR, 1958 to 1993 6.06%

Used integration to improve infrastructure, tourism and living standards, but did not build a competitive productive base

Factors that induce smuggling

$$\text{Smuggling (SMG)} = f(\text{HIDT}, \text{PDDFM}, \text{ERO}, \text{IRB}, \text{HDPC}, \text{WBC}, \text{DCGs})$$



HIDT

High import duties and tariffs



PDDFM

Price difference between domestic and foreign markets



ERO

Exchange-rate overvaluation



IRB

Import restrictions and bans



HDPC

High domestic production costs



WBC

Weak border controls



DCGs

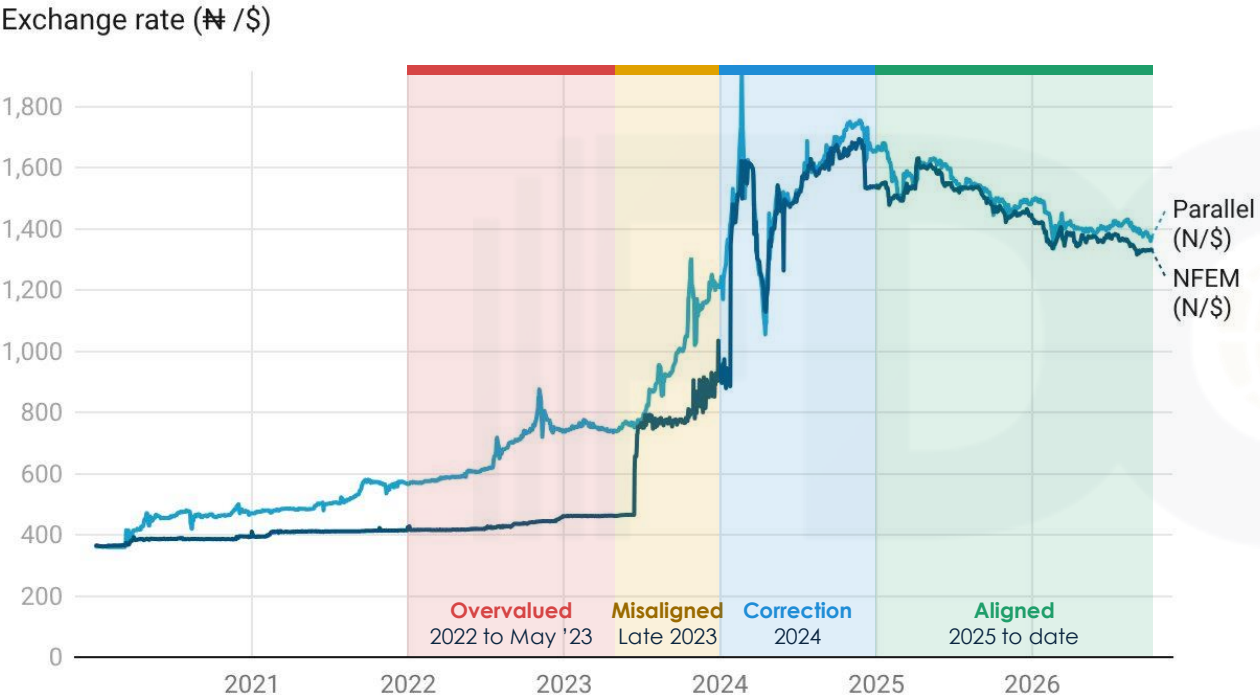
Demand for cheaper goods

Why does smuggling occur?

Economic incentives drive smuggling

Exchange-rate valuation and smuggling

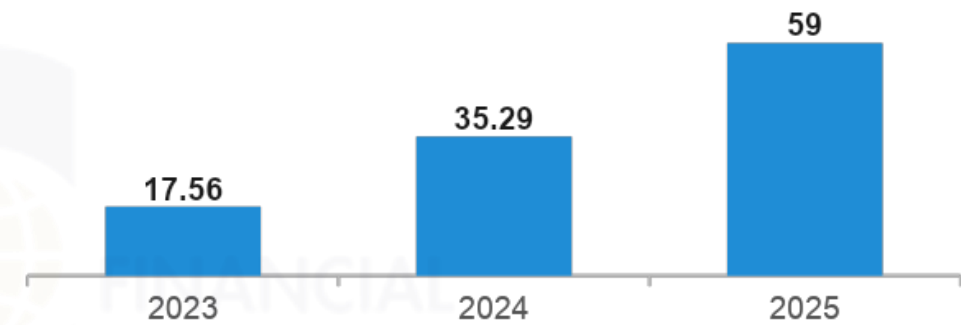
Parallel rate nears the official rate, bridging the premium



Source: Central Bank of Nigeria (CBN), FDC • Created with Datawrapper

Seizures doubled as the naira fell

Value of customs seizures (₦bn)



Source: Nigeria Customs Service, FDC. 2025 is "more than ₦59bn"

- 2023 to 2024:** 3,555 seizures, including 183,527 bags of rice and 1.7m+ litres of fuel
- 2025:** 2,500+ seizures worth over ₦59bn. Fewer seizures, higher value

💡 There is a positive relationship: as the naira depreciated, the value of customs seizures rose sharply

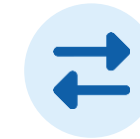
Countries with a high propensity to import

The more a country depends on imports, the more incentive and opportunity there is to evade the formal import system. **Nigeria's propensity to import was 0.176 (17.6%) in 2025**

Country	2025 merchandise imports (\$bn)	Share of Africa's imports (%)	ENACT "illicit trade in excisable goods" score (0 to 8)
South Africa	128.10	16.20	7
Egypt	97.50	12.40	3.5
Morocco	87.40	11.10	6
Algeria	47.40	6.00	6.5
Nigeria	41.50	5.30	6.5
Kenya	21.60	2.70	6.5
Ghana	20.50	2.60	5

Source: World Bank, ENACT Organised Crime Index (2023 to 2025)

VARIANTS OF SMUGGLING



Counter-trade

Goods leave Nigeria, but payment returns as other goods instead of money



Mis-declaration

Under-invoicing or mislabelling goods to cut duties



Border diversion

Routing goods through neighbouring ports and land borders

Beneficiaries and victims of smuggling

Beneficiaries of smuggling

-  **Consumers** may access goods at lower prices
-  **Smugglers and intermediaries** earn profits from price and tax differentials
-  **Informal traders and retailers** gain access to cheaper merchandise
-  **Source-country producers and exporters** gain additional demand for their products
-  **Corrupt agents** may benefit from illicit payments

Victims of smuggling

-  **Government** loses customs revenue, taxes and duties
-  **Local manufacturers** face unfair competition from cheaper untaxed imports
-  **Formal businesses and importers** lose market share to informal competitors
-  **Consumers** may face unsafe, counterfeit or substandard products
-  **Financial system** loses formal foreign-exchange and transaction flows

The dangers of smuggling



Smuggling can cost lives

Unsafe transportation and illicit fuel movement can result in accidents, fires and loss of lives



Substandard goods put consumers at risk

Smuggled products often bypass regulatory and quality-control checks

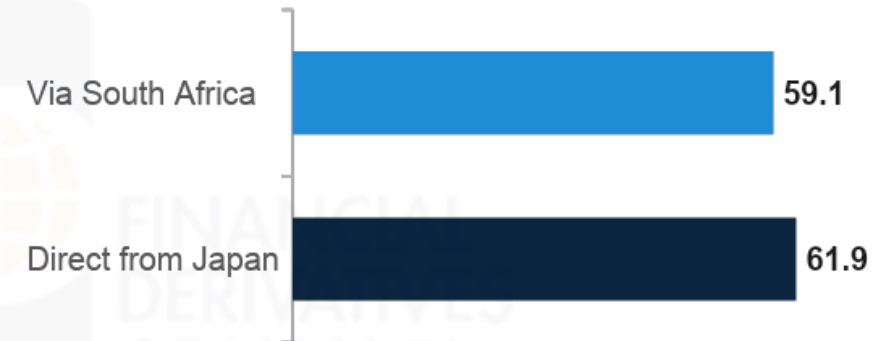
Free-trade areas can create a smuggling route

- 1 A free-trade area gives member countries' goods lower or zero tariffs**
This increases trade and GDP and creates economies of scale
- 2 Rules of origin decide which goods qualify**
They exist to stop non-member goods entering the area through a member country, which is called trade deflection
- 3 Where the rules are weak or poorly enforced**
goods are routed through a member country and relabelled as its own



Example: Toyota Hilux

Price in Nigeria (₦ million)



₦2.8m

price gap in favour of the South Africa route

 The ₦2.8 million price gap is the incentive, so buyers and importers prefer the South Africa route

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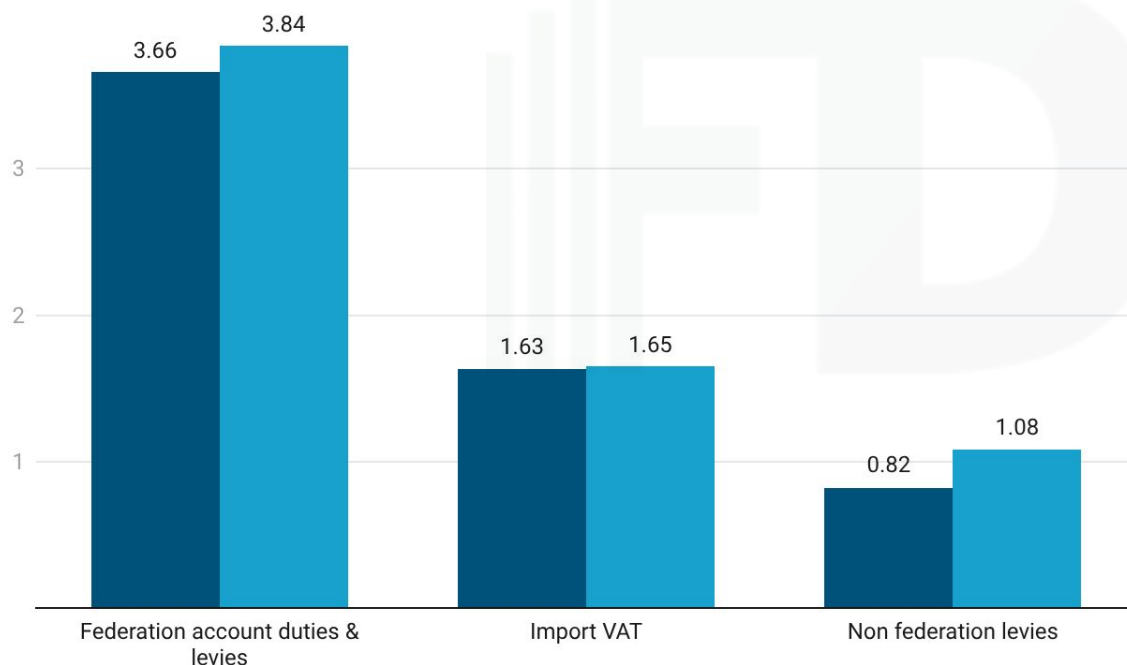
SCAN TO GET STARTED

Smuggling puts customs revenue and tax collection at risk

Custom revenues have steadily increased, up 19.3% between 2024 and 2025

Customs revenue by component (₦trn)

■ 2024 ■ 2025



Source: Nigeria Customs Service (NCS) • Created with Datawrapper

₦7.28trn

Customs revenue in 2025, 10% above target

₦6.11trn

2024 revenue, up 90.4% on 2023 (₦3.21trn)

Formal imports are a significant source of public revenue. Customs makes up about 17% of gross federally collected revenue and 1.6% of GDP
Smuggling leaks revenue. It reduces the government's ability to capture duties, VAT and other levies on goods entering the country

AfCFTA: a way out?



AfCFTA is the African Union's flagship trade-integration project. It aims to:

- Create a single continental market for goods and services across up to 55 AU member states
- Gradually eliminate tariffs on most products
- Develop regional and continental supply chains

But AfCFTA is not automatically an anti-smuggling agreement

Its trade-facilitation provisions can reduce smuggling by lowering the cost of legal trade

West African regional integration: still a dream

Regional integration allows bigger markets. The hypothetical market:



One regional market of over 400 million people



One currency: the ECO



One ECOWAS passport and free movement of people



Harmonised tariffs, customs procedures and product standards



A common monetary and interest-rate framework



Free movement of capital, labour, goods and services

ECONOMIES OF SCALE

Economies of scale will benefit from regional integration

A larger market allows firms to produce at greater volume and lower average cost

$$\text{Average cost} = \text{Total cost} \div \text{Output}$$

Nigerian corporates will have to compete across the region

ECOWAS integration



The Economic Community of West African States (ECOWAS) was set up to promote economic integration, free movement of people and goods, and a common market across West Africa

HOW TO READ THE MAP

-  Mali, Burkina Faso and Niger: under military rule and in withdrawal tensions with ECOWAS
-  Other ECOWAS members
-  Neighbours outside ECOWAS: Mauritania, Chad and Cameroon
-  Other countries, for context

What has held back integration?

Constraint	How it blocks integration
Weak implementation	ECOWAS protocols exist, but member states apply them inconsistently
Non-tariff barriers	Roadblocks, customs delays, multiple levies, bureaucracy and discriminatory practices raise trade costs
Rules-of-origin problems	Complex certification and weak administration limit access to ECOWAS trade preferences
Poor infrastructure	Bad roads, ports, rail, power and border facilities increase transport and energy costs
Currency fragmentation	Multiple currencies create conversion costs, exchange-rate risk and payment frictions
Macroeconomic divergence	Inflation, deficits, debt and reserve levels differ widely across members
Political instability	Coups, insecurity and the withdrawal tensions involving Mali, Burkina Faso and Niger weaken regional trust
Informal trade dominance	Many traders operate outside formal channels because formal trade is costly and unpredictable

The irreversible realities

- ✓ Almost all currencies are becoming more convertible
- ✓ Inflation is converging
- ✓ Regional integration is a must
- ✓ Markets are becoming more efficient
- ✓ Exchange rates are increasingly market-determined
- ✓ Import duties and trade barriers are gradually being rationalised
- ✓ Digital payments and financial tracking are expanding
- ✓ Border controls and technology are improving
- ✓ Supply chains are becoming more integrated
- ✓ Formal cross-border trade is expanding



As price gaps, currency distortions and trade barriers reduce, the incentive to smuggle will diminish, making smuggling progressively less profitable

DEEP DIVE

Economics of smuggling

Who gains, who pays and which sectors are most exposed



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The consumer paradox



SHORT-TERM CONSUMER GAIN

- Consumers may benefit from lower prices
- Availability of some goods may increase
- Competition can put pressure on formal sellers



LONG-TERM ECONOMIC COST

- Domestic producers may lose market share
- Investment may weaken
- Government revenue can decline
- Product standards and consumer protection may be compromised

Smuggling: the unpriced competition for consumer goods



Economic effects of smuggling on...



International trade

- Distorts legitimate trade flows
- Undermines customs revenue
- Encourages informal cross-border trade



Corporates

- Undercuts local manufacturers
- Reduces market share and profitability
- Discourages investment and formalisation



Currency

- Increases demand for foreign currency
- Puts pressure on the naira
- Can weaken FX market stability



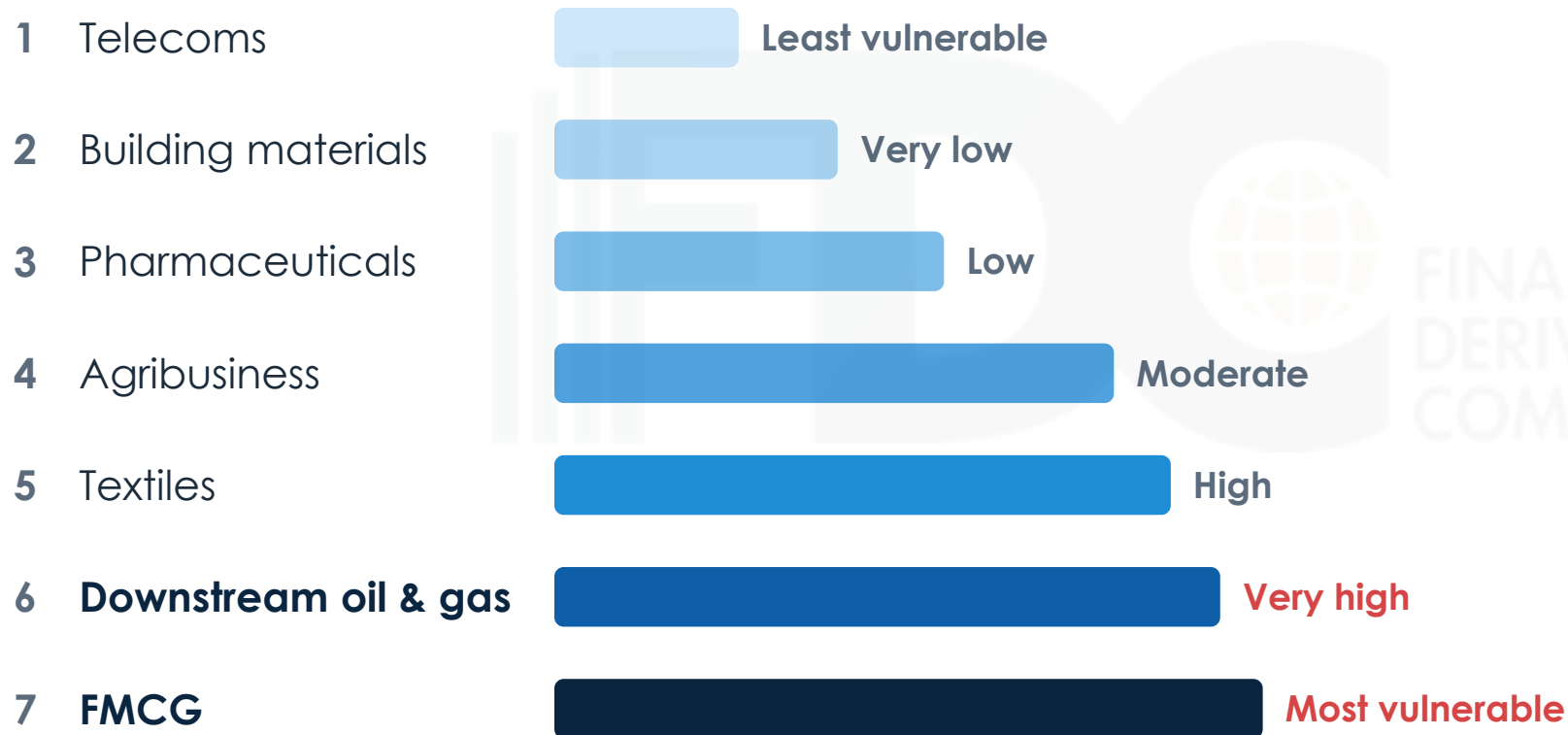
Government revenue

- Reduces customs duties, import-related taxes, VAT and other revenues
- Reduces revenue available for public services

Downstream oil & gas and FMCG earnings are most exposed

Smuggling vulnerability ranking by sector: Nigeria

Bar length shows relative vulnerability of the sector's earnings to smuggling



WHY THEY ARE EXPOSED

FMCG and downstream refining rely heavily on volume to offset high production costs and thin margins

This makes smuggled imports catastrophic, as they destroy market share and scale

Unlike FMCGs, healthcare consumers rarely substitute trusted brands for open-market alternatives

Future of smuggling: reduced, but not eliminated



What is reducing the incentive

- Naira closer to fair value, so less reason to smuggle
- Lower import duties, so a narrower gap between formal and informal imports
- Greater focus on the domestic market by manufacturers



What keeps it alive

- A large informal economy continues to facilitate distribution
- Price differentials with neighbouring countries still create incentives
- Demand for cheaper goods sustains the informal market



What could reduce it further

- More formal ECOWAS and African trade could reduce incentives for some forms of smuggling

 **Smuggling has reduced, but persistent price gaps, informal networks and porous borders make complete elimination unlikely**



FOOD FOR THOUGHT

Section 1: Smuggling, the height of the informal economy

If smuggling is a symptom of price gaps, are we fighting the smugglers or the prices?



BUSINESSES

Is your competitive edge built on protection that is disappearing? What happens to your margins when the price gap closes for good?



INVESTORS

Which companies lose most to smuggled substitutes, and which gain as AfCFTA and a fairly valued naira pull trade into the formal economy?



POLICYMAKERS

Would the next naira spent on border enforcement do more good if it went into lowering duties and the cost of legal trade?

SECTION

02

Domestic economy

Economy in a boom, but people don't feel it
Endogenous vs. exogenous shocks



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September highlights: the usual

15.39%



August inflation fell for the third consecutive month

\$54.92bn



Gross external reserves rose

₦1,380/\$



Naira appreciated at the parallel market

56.4



PMI rose, signalling continued economic expansion

1.50mbpd



Oil production edged down, in line with the OPEC benchmark

20



Rig count increased from 18, despite the decline in oil output

\$7.54bn



Q2 current-account surplus, up 67.92%, indicating a stronger external position

\$3.51bn



Q2 balance-of-payments surplus, up from \$2.38bn

September highlights: the extraordinary

MONETARY POLICY

350bps

The CBN's surprise cut in the Monetary Policy Rate to 23%p.a

The magnitude of the cut was larger than expected



Large Dangote Refinery capital-market offer

A major development for Nigeria's capital market, industrial financing and the refining sector



FTSE Russell: "Unclassified" to "Frontier"

Nigeria reclassified, opening the door to index-tracking flows



Back in the JPMorgan EM bond index

Nigeria re-admitted into the JPMorgan bond index



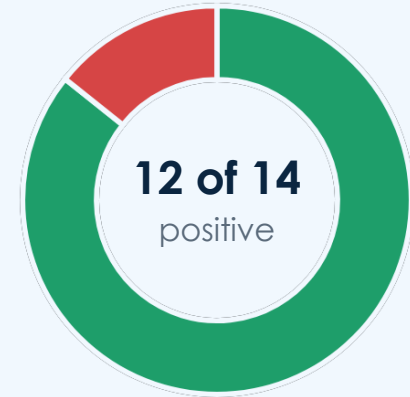
\$300m renewable energy fund

Distributed Renewable Energy Fund launched, backed by the Nigeria Sovereign Investment Authority (NSIA)

Macroeconomic snapshot

Indicator	Aug. 2026*	Sep. 2026*	% change	Oct. 2026*
GDP growth (%)	4.43 (Q2'26)	4.19 (Q3'26)	-0.24	4.82 (Q4'26)
PMI	54.3	56.4	3.87	56.8
Inflation (%)	15.39	15.34	0.05	15.18
Oil production (mbpd)	1.50	1.54	2.67	1.53
Brent oil price (\$/b), end-period	90.49	102.31	13.06	89
Gross external reserves (\$bn)	54.25	54.95	1.29	55.21
FAAC (Ntrn)	2.34	2.45	4.70	2.38
Exchange rate, official (N/\$)	1,375.79	1,331.00	-3.26	1,340
Exchange rate, parallel (N/\$)	1,420	1,387.00	-2.32	1,380
Money supply growth (%)	16.45	17.25*	0.80	17.85
MPR (%)	26.50	23	3.5	23
364-day T-bills (%)	17.77	15.89	-10.58	15.64
Stock market cap. (Ntrn)	157.74	163.10	3.40	168.23
Average opening position (Ntrn)	4.37	4.43	1.37	4.52

SCORECARD



85.7% positive
14.3% negative

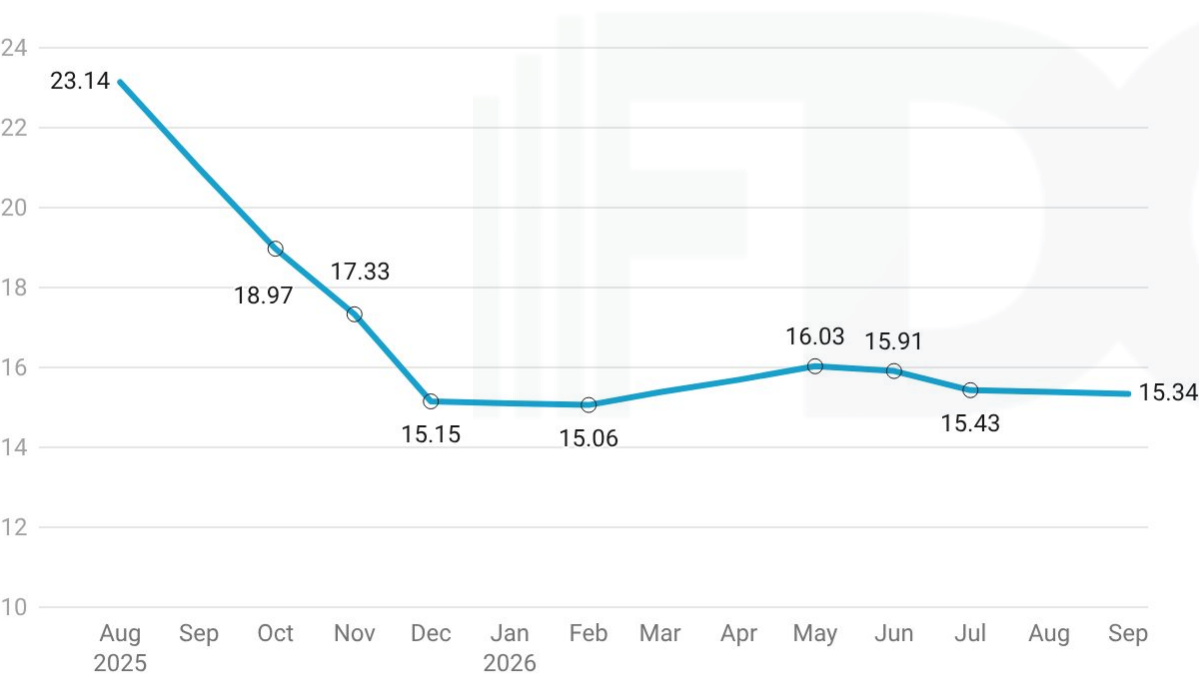
**The overall
macroeconomic picture
is largely positive**

*FDC forecast

Inflation outlook: a marginal decline in September

Headline inflation to moderate slightly in September, but pressures remain

Headline inflation (%)



Sep'2026*: FDC Forecast

Source: National Bureau of Statistics (NBS) • Created with Datawrapper

15.34%

Projected headline inflation for September (FDC forecast)

WHAT IS DRIVING IT



Stability in the FX market



Improved food supply from the ongoing harvest season



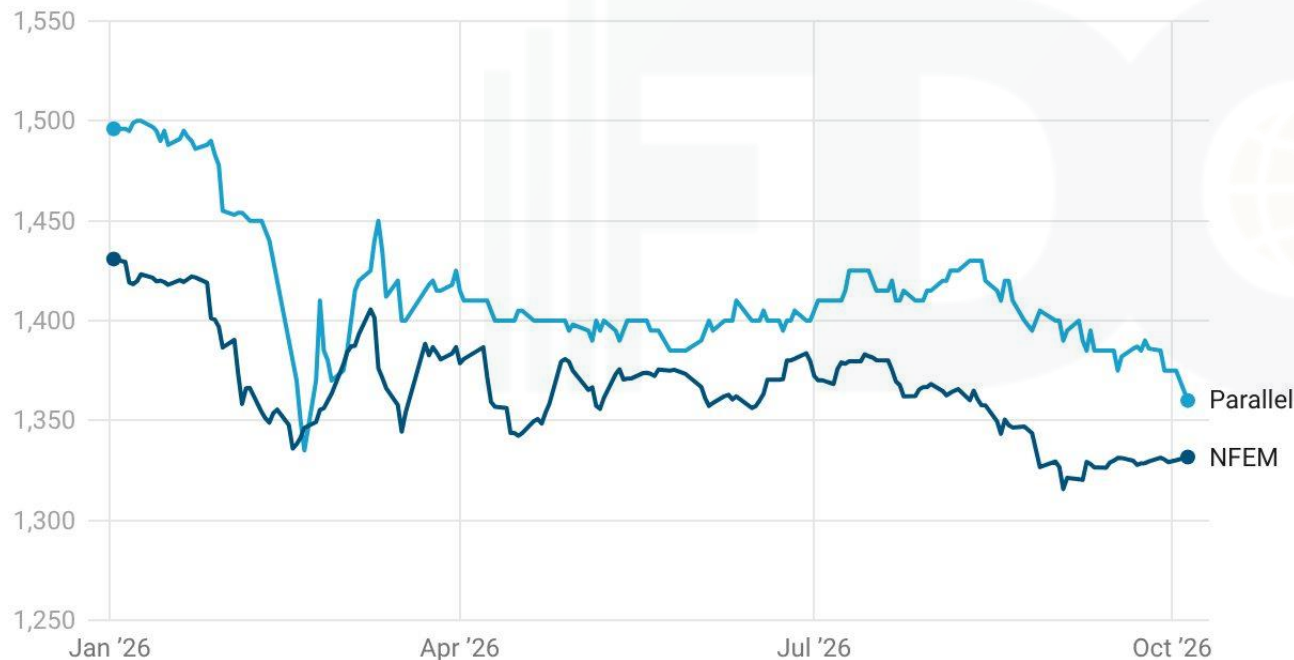
A favourable base-year effect

Forex outlook: the parallel rate is chasing the official rate

The dog is wagging the tail: *the parallel market now follows the official window*

Parallel rate nears the official rate, bridging the premium

Exchange rate (₦ / \$)



Source: Central Bank of Nigeria (CBN), FDC • Created with Datawrapper

₦1,360/\$

Parallel market rate in October, supported by improved FX supply

₦28.31

Gap between the parallel and official (NFEM) rates in October, down from ₦65.15 in January

Convergence: the parallel and official windows are converging

Watch December: dollar demand will rise, partly from inventory build-up ahead of Christmas

Fundamental vs. technical drivers of the exchange rate

Variables	2025	2026*	% change	2027*
Interest rate-inflation differential	6.46	7.6	1.14	6
Oil production (mbpd)	1.45	1.50	3.45	1.48
Oil price (\$/b)	68.12	103	51.2	75-80
Gross external reserves (\$bn)	45.50	54.95	20.8	52.34
Current account balance (\$bn)	14.03	28.81	105.34	18.70
Trade balance (\$bn)	14.5	29.8	105.5	23.4

*FDC forecast

PURCHASING POWER PARITY, OCTOBER 2026

₦1,169.60/\$

Average PPP rate across a basket of 19 everyday goods

₦1,331.68/\$

Official (NFEM) rate

₦1,360/\$

Parallel market spot rate

Fundamentally, the exchange rate shows greater stability

Technically, the naira is undervalued by 12.17%

Purchasing power parity: the naira is undervalued by 12.17%

Item	Price (₦)	Price (\$)	PPP (₦/\$)	Item	Price (₦)	Price (\$)	PPP (₦/\$)
Bottle of Pepsi (50cl)	500	0.72	696.09	Toyota Corolla 2025	42,000,000	21,778	1,928.55
Heineken beer (60cl)	1,200	1.62	740.74	Irish Spring soap (3)	4,200	2.09	2,010.00
Burger King hamburger	15,660	6.83	2,292.83	Chicken breast (1kg)	6,500	7.94	818.64
Movie ticket	8,000	16.30	490.80	Trolley	2,500	6.64	376.51
HP Pavilion x360 laptop	1,450,000	699.00	2,074.39	Peak milk (24 pack)	30,000	19.99	1,500.75
Diesel (1 litre)	1,833	1.50	1,222.00	Uncle Ben's rice 5.44kg	30,000	22.99	1,304.92
Vegetable oil (5 litres)	15,000	29.95	500.83	Eggs (30 large)	6,000	4.88	1,229.51
Indomie (1 unit)	500	0.78	641.03	Panadol Extra (50)	11,500	12.70	905.51
Nestlé water (60cl)	250	0.81	308.64	Andrex toilet roll (24)	49,000	18.87	2,596.71
Big loaf of bread	2,300	3.34	688.62				

₦1,169.60/\$

Average PPP rate

₦1,331.68/\$

Official (NFEM) rate

-12.17%

PPP vs NFEM: the naira is undervalued

₦1,360/\$

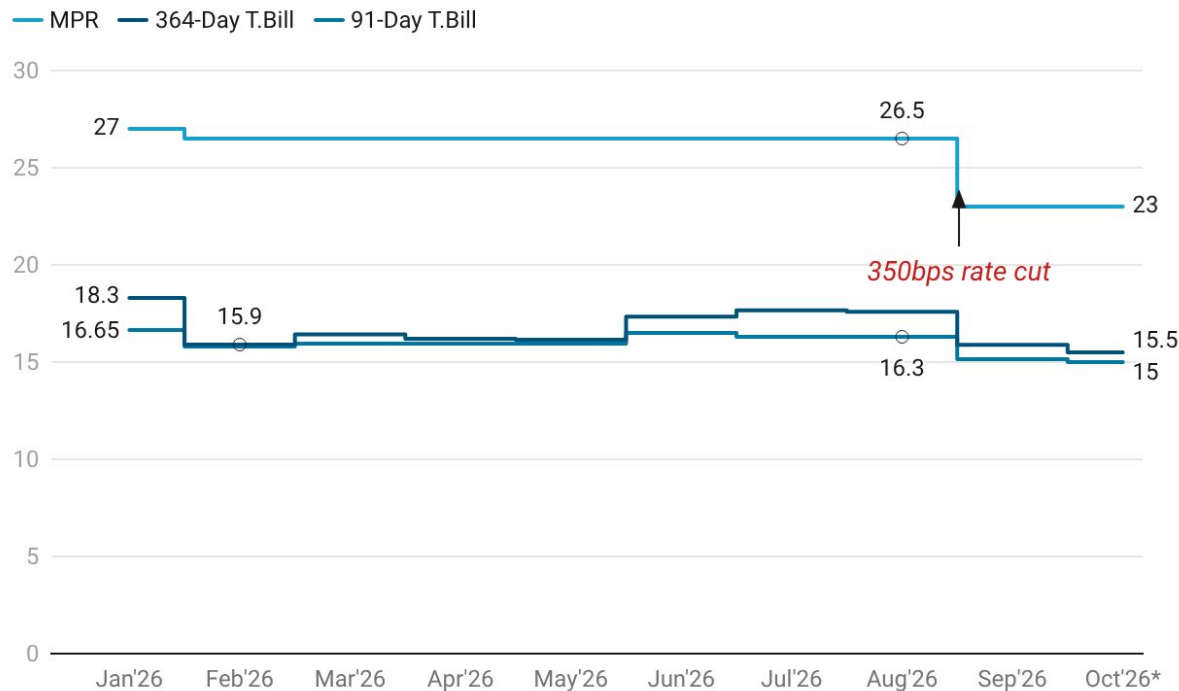
Parallel market spot rate

Source: FDC, October 2026. PPP = naira price ÷ dollar price

Interest rate adjustment or realignment?

T-bill rates likely to keep falling, in tandem with the MPC's rate cut

Interest rates (%)



Oct'26*: FDC Forecast

Source: Central Bank of Nigeria (CBN) • Created with Datawrapper

WHAT HAPPENED

- Sharp decline in interest rates as the MPC cut the MPR by 350bps to 23%
- T-bill rates likely to sustain the downward trend, albeit slowly
- Real rate of return falls to +7.61% from +11%

WHAT IT MEANS

- Propensity to consume rises; propensity to save falls
- Potential boost to equity prices
- Lower borrowing costs for firms and government
- Reduced government debt-servicing burden



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Rate cut impact: corporates and markets



Corporates



Cost of borrowing and financing



Business investment and expansion



Access to credit for SMEs and large firms



Debt-servicing burden



Corporate profitability



Markets



Equity prices, as investors seek higher returns



Bond prices, as yields decline



Market liquidity and trading activity



Attractiveness of fixed-income investments



Portfolio reallocation toward equities and other risk assets

Rate cut impact: consumers and the economy

Consumers

- ↓ Cost of consumer loans and mortgages
- ↑ Access to credit
- ↑ Disposable income, as debt-service costs fall
- ↑ Consumption and demand
- ↓ Incentive to save, as deposit returns decline

The economy

- ↑ Aggregate demand and economic activity
- ↑ Private-sector investment
- ↑ Employment and business expansion
- ↑ GDP growth
- ↑ Government fiscal space, through lower debt-servicing costs

 **Risks to watch:** potential inflationary pressure if demand rises faster than supply, and possible capital outflows if domestic returns become less attractive



FOOD FOR THOUGHT

Section 2: Domestic economy

Growth above 4%, inflation falling, reserves near \$55bn. So why don't households feel the boom?



BUSINESSES

Rates are falling and demand is lifting. Will you use cheaper credit to expand capacity, or only to refinance and wait out the election cycle?



INVESTORS

Is the 350bps cut the start of an easing cycle, or a one-off that inflation and pre-election spending could reverse?



POLICYMAKERS

If oil fell back to \$75 a barrel tomorrow, which of today's shock absorbers would still hold?

SECTION

03

Markets & new economy

Stock market and market proxies

Aviation

Global fashion & Detty December

DEEP DIVE

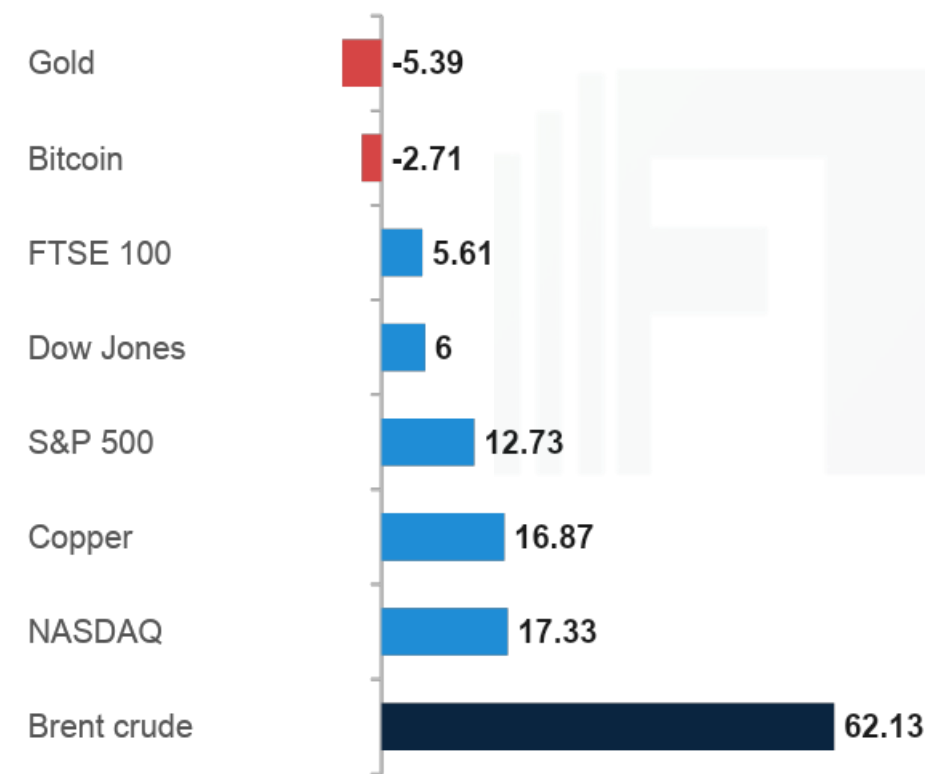
Stock market

Asset performance, the MPC reset and the Q4'26 outlook

Asset class performance year to date

Brent and tech led; gold and bitcoin slipped

Change from Dec 30, 2025 to Oct 6, 2026 (%)

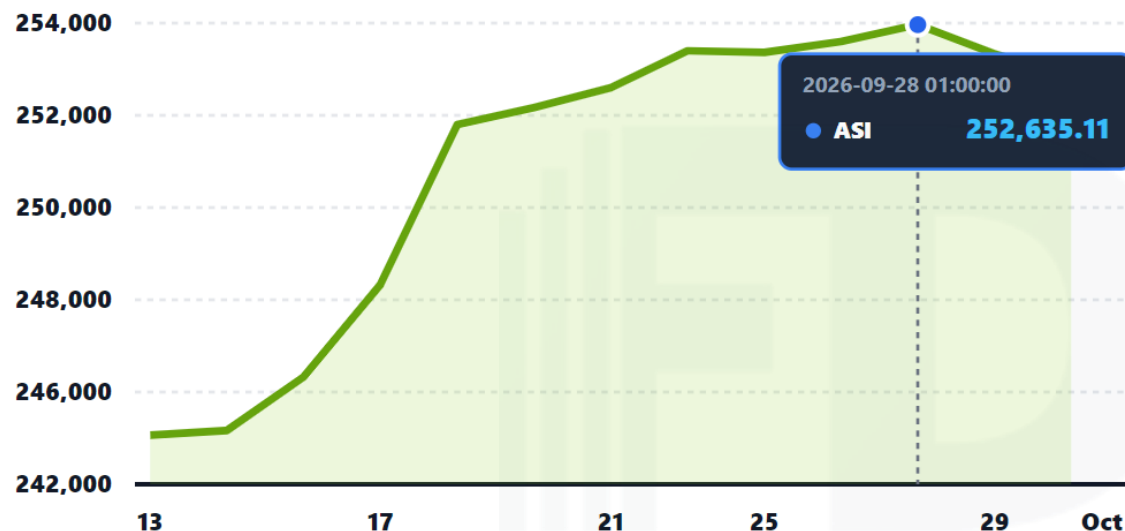


Source: Yahoo Finance, LSEG, CNBC Market Data, FDC

Asset	Change	Drivers
Gold	-5.39%	Fed's September hike and 5%+ US yields lifted real rates
Brent crude	+62.13%	US-Iran war and Hormuz supply risk
Copper	+16.87%	Record highs on US tariff stockpiling; China softness caps gains
Bitcoin	-2.71%	Hawkish Fed and high yields offset spot-ETF inflows
S&P 500	+12.73%	AI earnings (Q3 EPS +27% est.) offset the Fed hike
NASDAQ	+17.33%	Record highs on AI mega-cap strength
Dow Jones	+6.00%	5%+ yields hit cyclicals; the Dow fell 4.3% in September
FTSE 100	+5.61%	Energy and miners up; gilt rout (30-year at 6%) hit banks
US 2-year yield	+139bps	Fed hiked 25bps to 3.75-4.00%; dots signal one more

The MPC's reset: capital markets react as expected

THE NGX POST - RESET



+~~N~~1.50tn

Market capitalisation added w/w (+0.92%), from ~~N~~162.16tn pre-decision to ~~N~~163.66tn

+62.0% YTD

NGX ASI record close of 252,635.11 on Sep 28. Turnover averaged ~~N~~48.2bn a day (+1.2% w/w)

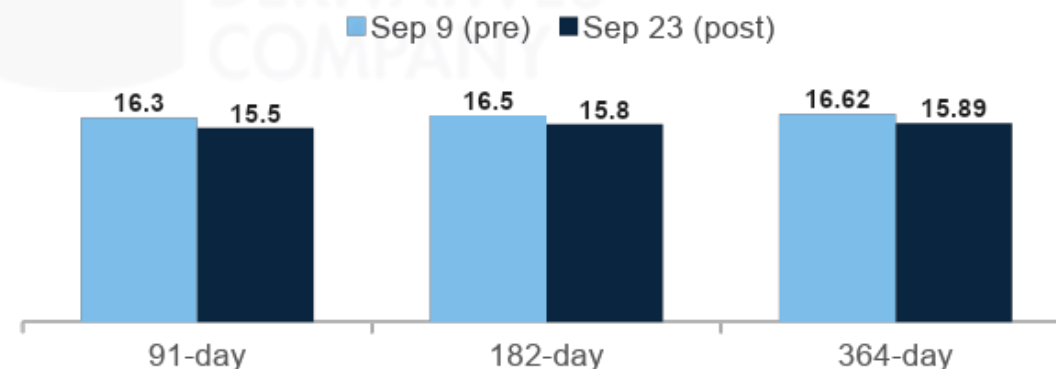
THE MONEY MARKET POST -RESET

~~N~~4.2tn

Total bids at the Sep 23 NTB auction vs ~~N~~2.64tn on Sep 9. 7.1x cover on a ~~N~~600bn offer; the 364-day bill took 97% of bids

NTB stop rates fell after the MPR cut

Stop rate (%), Sep 9 (pre) vs Sep 23 (post)



Source: CBN, FDC

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MPC's reset, recalibration or all of the above?



Treasury bills & CPs

- A lower MPR should push short-term market yields down
- Investors may rotate toward longer-duration assets and equities



Real estate

- Lower rates will boost activity
- Cheaper loans may give tenants an incentive to pay rent ahead



Bonds

- Lower rates support prices of existing fixed-rate bonds
- Demand for longer-duration bonds could strengthen as yields fall



Equities

- Banks will hold investor interest on stronger credit demand
- Bank margins will depend on how quickly lending and deposit rates reprice

BEFORE THE SEPTEMBER MEETING

Domestic investors leaned heavily toward debt securities, expecting the rate to be held. Interest in equities was also high, though lower than for debt, and was driven mainly by domestic investors

Factors that will drive the NGX in Q4'26



T-bill yield compression

- 364-day NTB at 15.89% vs 15.39% inflation: a thin real return
- Pushing PFAs and fund managers toward dividend-paying equities



Q3'26 earnings results

- Interim dividends will attract yield-seekers
- Recapitalised banks, upstream oil & gas and industrials are in focus



FTSE Russell re-entry

- Reclassification still favours index heavyweights like Tier-1 banks, MTN and Dangote Cement



Election cycle

- Campaigns are underway and the 2027 budget lands in Q4
- Pre-election spending, dollar demand and profit-taking could carry volatility into December



Oil, FX & reserves

- Brent near \$100/b and reserves at \$55.25bn support the naira
- But a geopolitical reversal in oil would hit FX and sentiment



Listings & liquidity

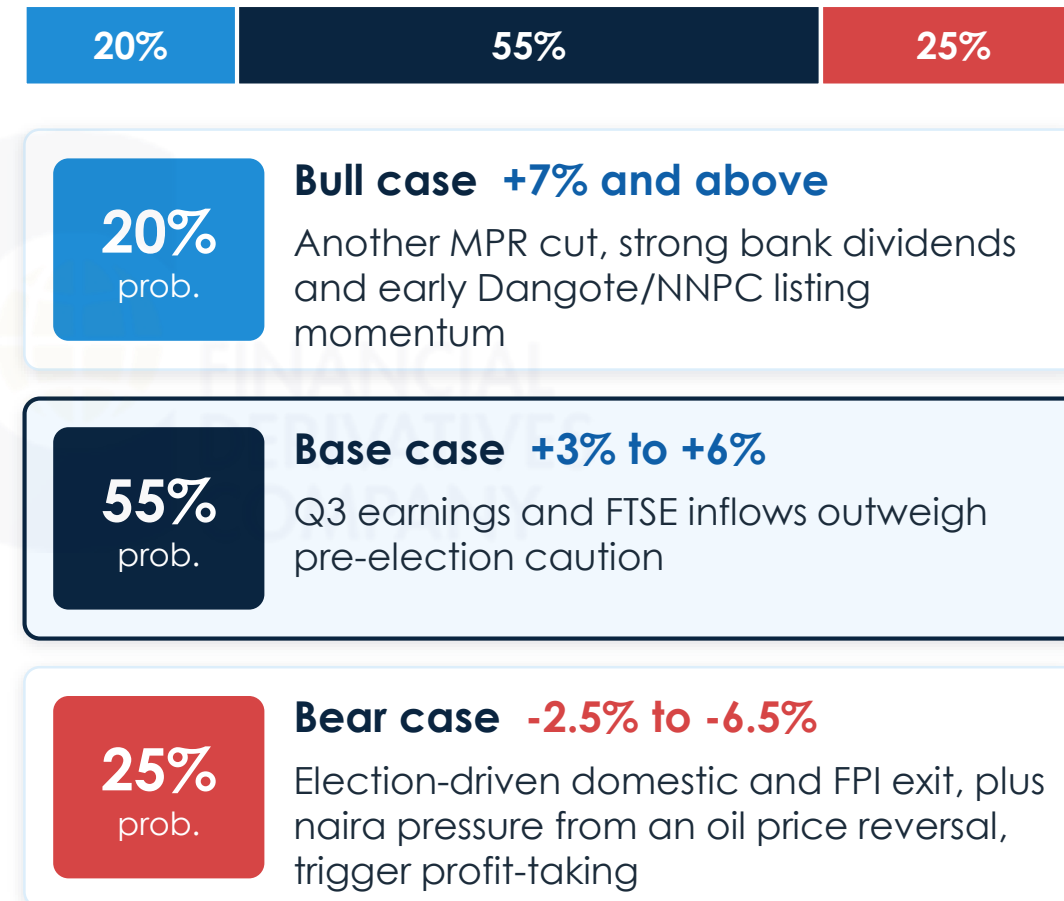
- ~~N~~8.57tn of OMO and bond maturities add liquidity, capped by CBN mop-ups
- Dangote and NNPC listings could deepen or crowd out flows

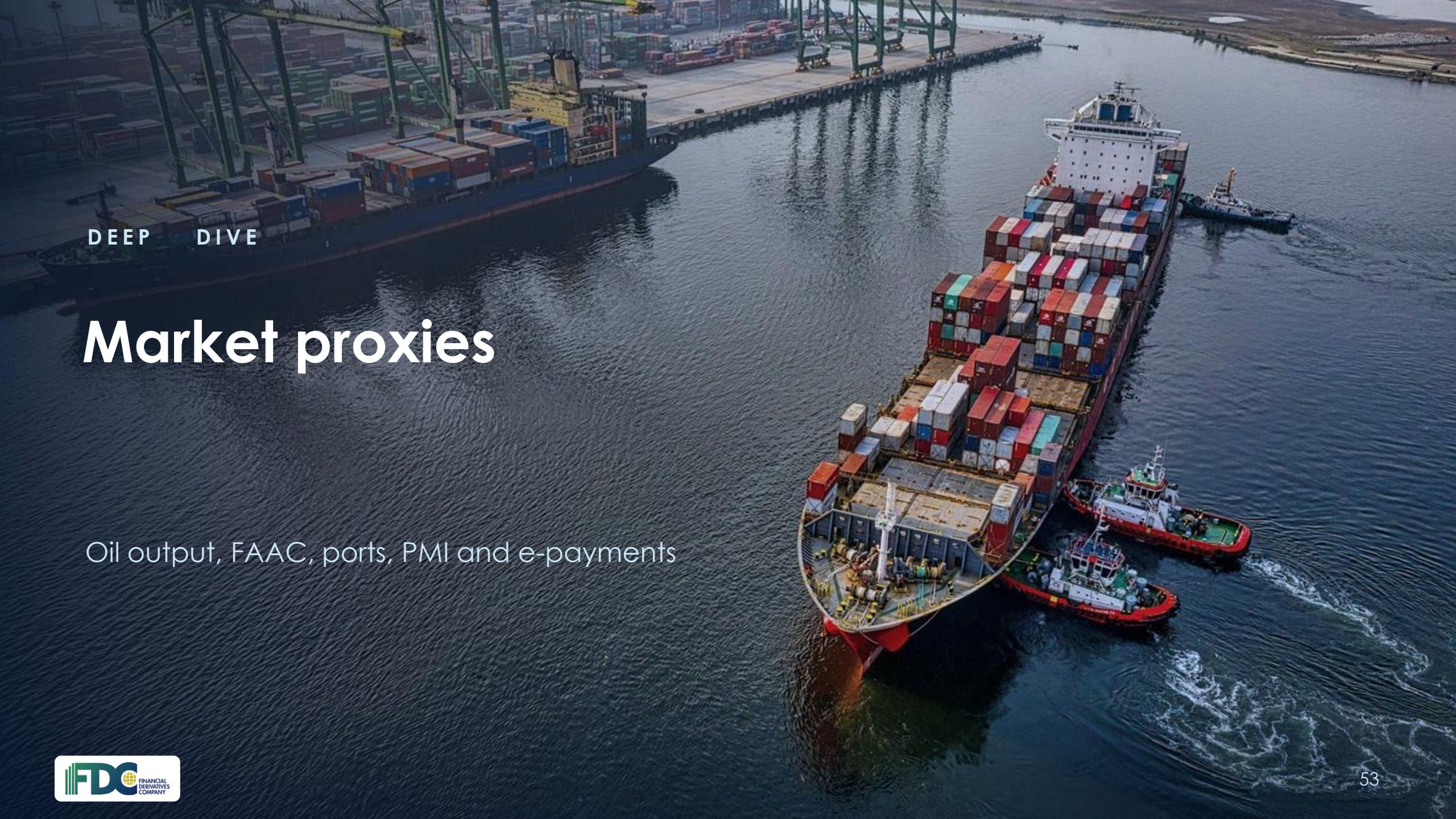
Nigerian stock market outlook for Q4 2026

WHAT WILL DRIVE THE MARKET

- Cheaper credit will encourage debt-financed equity trading
- Compressed Treasury bill yields will accelerate capital rotation into equities
- Unallotted IPO funds returning in November will push a fresh liquidity surge into secondary equities
- FTSE Russell reclassification will drive passive FPI inflows, likely supporting large-cap liquid stocks
- Late-October Q3 results will anchor a return to fundamentals, rewarding companies with lower debt costs
- October consolidation during IPO absorption will evolve into a strong year-end rally from November

SCENARIOS AND PROBABILITIES





DEEP DIVE

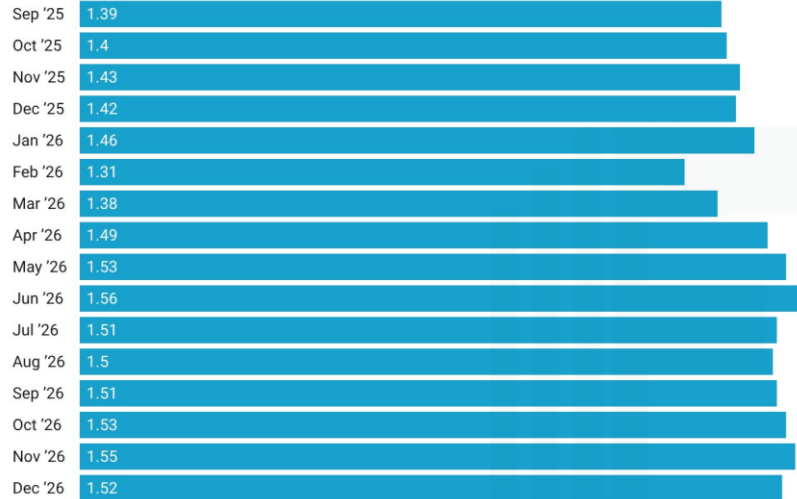
Market proxies

Oil output, FAAC, ports, PMI and e-payments

Domestic oil output to hold at 1.5mbpd in Q4'26

Domestic oil production to average approx. 1.5mbpd in 2026

Crude oil production (mbpd)

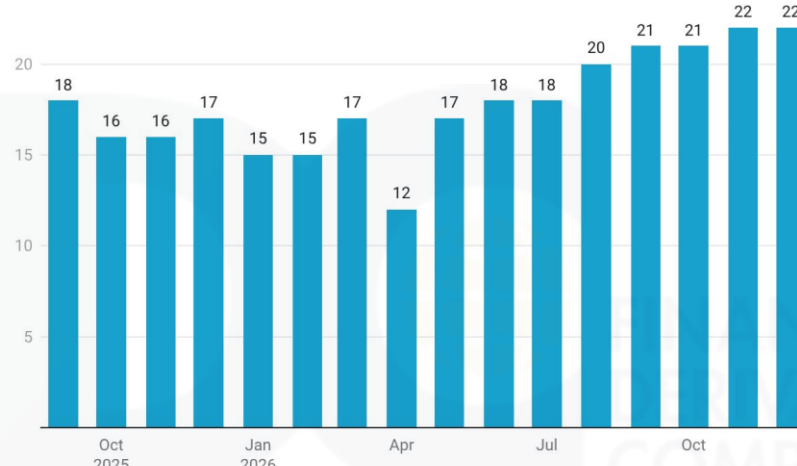


Sep'26 to Dec'26: FDC Forecast

Source: NUPRC, OPEC, FDC • Created with Datawrapper

Active rigs to sustain the upward trend as upstream investments increase

Total rig count



Sep'26 - Dec'26: FDC Forecast

Source: Baker Hughes • Created with Datawrapper

Q4'26 VIEW

1.5mbpd

Output expected to hold at 1.5mbpd in Q4'26

20 rigs

Active rig count in August, up from 18

- Oil production decreased by 0.66% from 1.51mbpd in July to 1.50mbpd in August
- The rig count rise highlights improved upstream investment
- Production gains will likely materialise gradually as new drilling and field interventions mature
- With volatile oil prices, fiscal pressures may resurface as the election nears

FAAC allocations will likely recover in Q4'26

FAAC allocations are expected to rise in the near term

Federal Accounts Allocation Disbursement (₦'trn)



-22%

Fall in the FAAC allocation in August, on weaker oil and non-oil statutory receipts

WHAT COMES NEXT

- FAAC allocations are expected to recover in September and remain elevated in October
- Supported by higher oil prices, improving VAT collections and stronger economic activity

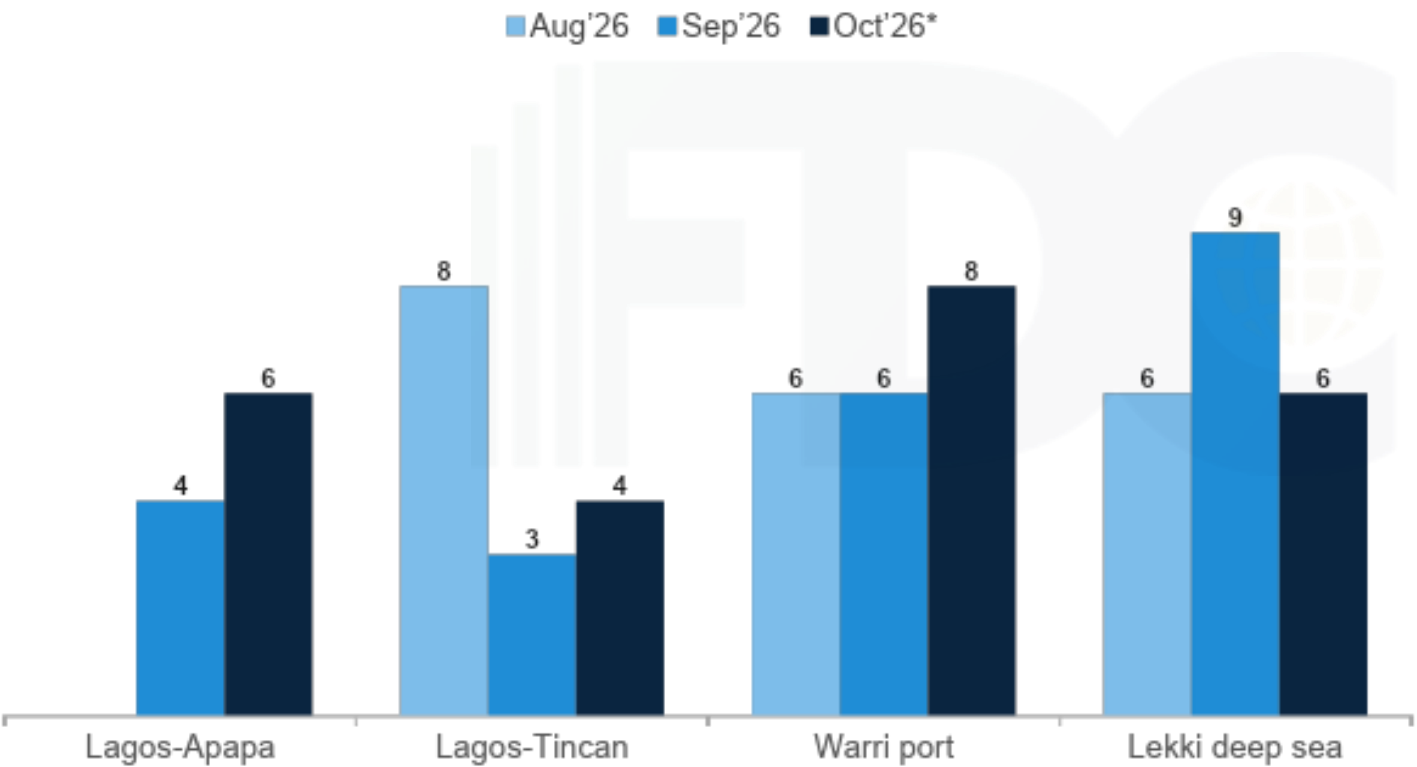
Oct'26*-Dec'26*: FDC Forecast

Source: Office of the Accountant-General of the Federation (OAGF), National Bureau of Statistics (NBS) • Created with Datawrapper

Festive stockpiling to raise ships awaiting berth

Lekki and Warri carry most of the queue

Ships awaiting berth by port



Note: Calabar, Onne and Rivers ports had no ships awaiting berth. *FDC forecast

20

Aug'26

19

Sep'26

24

Oct'26*

Total ships awaiting berth

- Ships awaiting berth declined by 5% to 19 in September from 20 in August
- The decline likely reflects fewer vessel arrivals and reduced fertiliser imports after the planting season
- Expected to rise in October as businesses stockpile imports for the festive season and the 2027 election run-up

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**INTERCONTINENTAL
DISTILLERS LIMITED**

...first choice quality drinks

PMI will likely remain expansionary

56.4

PMI in September, up 3.87% from 54.3 in August

Stronger expansion: private-sector activity expanded at a faster pace

Tailwinds: festive-season demand, lower borrowing costs and rising new orders will support activity in the near term

Headwinds: elevated fuel, food and raw-material costs could constrain the pace of expansion

Private sector activities will likely remain in the expansion region until year end

Stanbic IBTC PMI Index



Oct'26-Dec'26: FDC Forecast

Source: Stanbic IBTC • Created with Datawrapper

Year-end activities to lift e-transaction values

Digital payment transactions will keep rising in the near term

Total Value of transactions across e-payment channels (₦trn)

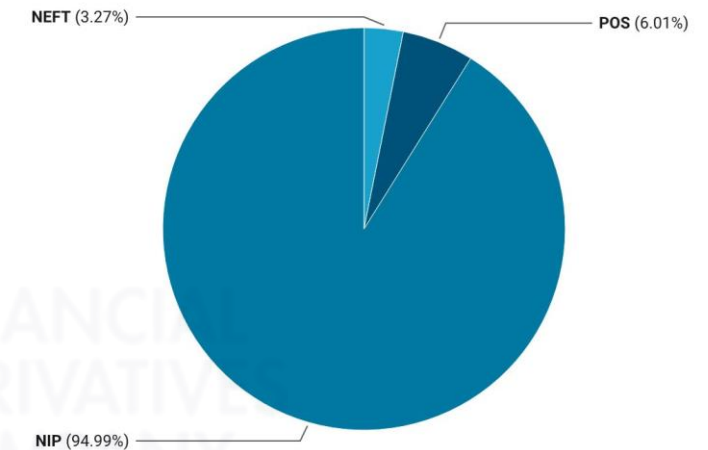


Oct'26*: FDC Forecast

Source: Nigeria Inter-Bank Settlement System (NIBSS) • Created with Datawrapper

Instant payments account for roughly 95% of e-payment transactions in Nigeria

Share of e-payment transactions



Source: Nigeria Inter-Bank Settlement System (NIBSS), FDC • Created with Datawrapper

₦130.06trn

Value of transactions in September, up 6.46% from ₦122.68trn, driven by school-related payments and higher business activity

+746.46%

Surge in cheque transactions, likely reflecting large-value institutional and corporate payments

Q4'26

Business activity, festive spending and year-end settlement will keep transaction values elevated

DEEP DIVE

Aviation

Global air travel, Nigeria's aviation market and illicit trade



Global air travel returns to contraction in August



-0.8%

Global passenger traffic, year-on-year, in August

After only one month of marginal growth (+0.3% in July), as the recovery of Middle East carriers was interrupted

-14.6%

Traffic carried by Middle Eastern airlines, year-on-year

+0.6%

Global demand for air travel excluding Middle East carriers

+6.7%

Demand for African airlines, year-on-year

+8.3%

African airlines' capacity, year-on-year

Source: IATA

Singapore Airlines wins 2026 World's Best Airline

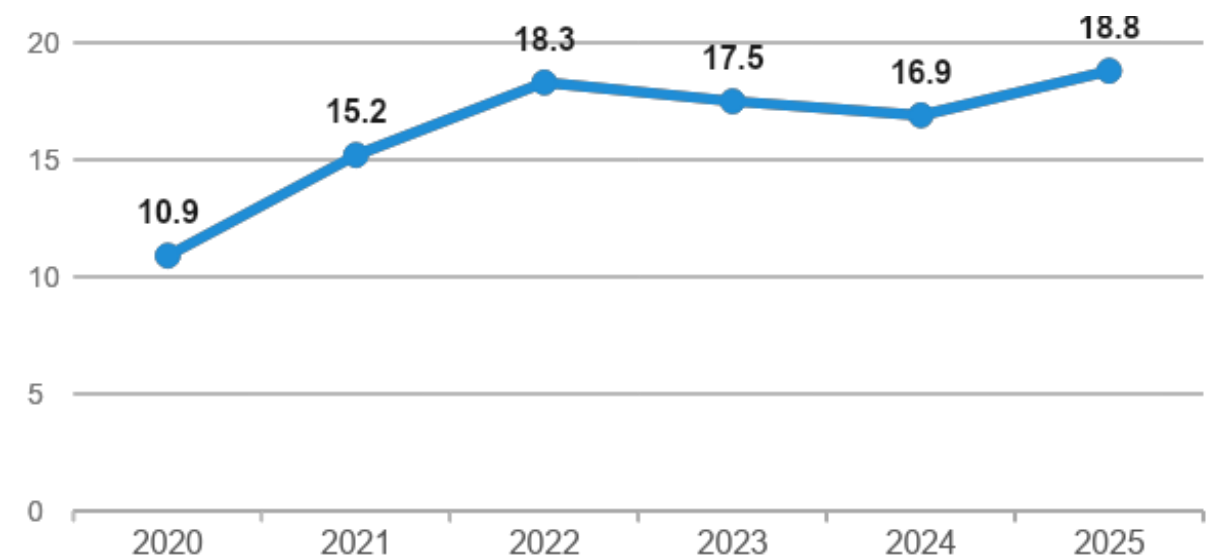
1	 Singapore Airlines	Great customer service, premium food, in-flight entertainment and a modern fleet	
2	Qatar Airways	Focus on onboard comfort, cuisine, entertainment, service and a relatively young fleet	Flies to Nigeria
3	Cathay Pacific	Passenger and cargo services to 200+ destinations worldwide. Best Cabin Crew and First Class Lounge	
4	ANA All Nippon Airways	A large domestic and international network	
5	Turkish Airlines	An exceptionally broad network, serving more than 300 destinations with 50+ African cities	Flies to Nigeria
6	Emirates	Connects passengers through Dubai with 262 aircraft across 6 continents	Flies to Nigeria

 **Three of the top six fly to Nigeria. None is African or American; Turkish Airlines is the only European carrier, with Air France at No. 7, flying to 30+ African cities**

Nigeria's air passenger traffic grew 12% in 2025

Passenger numbers are back above the 2022 peak

Nigeria's total airport passengers (million)



Source: FAAN, NCAA



But service is under strain. Air Peace passengers face flight delays and cancellations, and domestic airfares are spiking again

18.8mn

Domestic and international passengers in 2025, up 11.9% y/y. Nigeria is now Africa's fourth-largest aviation market

1.19mn seats

Scheduled capacity in September 2026, up 37.4% y/y: the fastest-growing major aviation market in Africa

+24.1%

Seat capacity growth at Lagos MMIA in September, supported by terminal rehabilitation and modernisation

220mn+

Potential demand. The gap to current traffic shows large untapped aviation potential

Connectivity is becoming more regional

148

Scheduled routes in 2025, up 24% from 2015

35%

Share of routes classified as regional

Air Peace expanded its West African network in 2026, linking Lagos more often with:

Accra

Abidjan

Dakar

Banjul

Monrovia

Freetown

From August 2026, Air Peace added Central and West African routes to:

Douala

Libreville

Bamako

Conakry

Ibom Air introduced new regional services outside Lagos:

Uyo–Accra

Abuja–Accra

AIRLINES ON THE LAGOS–ACCRA CORRIDOR



Air Peace



Africa World Airlines



Ibom Air



United Nigeria



ValueJet, etc.



More Nigerian airlines are connecting passengers directly to African markets

***770** 

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Aviation and illicit trade: the exposure and the response

THE EXPOSURE



Gateways for time-sensitive cargo

Strict screening and customs are essential



Key zones

MMIA Lagos, Kano Airport and Enugu Airport



Primary illicit goods

Cash, precious minerals and antiquities



THE RESPONSE: STRONGER INFRASTRUCTURE AND INTELLIGENCE

01

More cargo capacity

FAAN commissioned a Lagos cargo facility in 2025 and is planning an MMIA Cargo Village to centralise logistics

02

Better cargo intelligence

Advanced Cargo Information systems identify high-risk shipments before arrival, supporting security and revenue assurance

03

More formalised logistics

Bonded facilities and licensed operators close gaps between airlines, customs and freight, curbing illicit activity

DEEP DIVE

The new economy: global fashion & Detty December

Luxury, beauty and the festive economy

Global luxury goods market dynamics

\$471.5bn

Global luxury goods market, 2025

2.9%

Projected CAGR through 2030

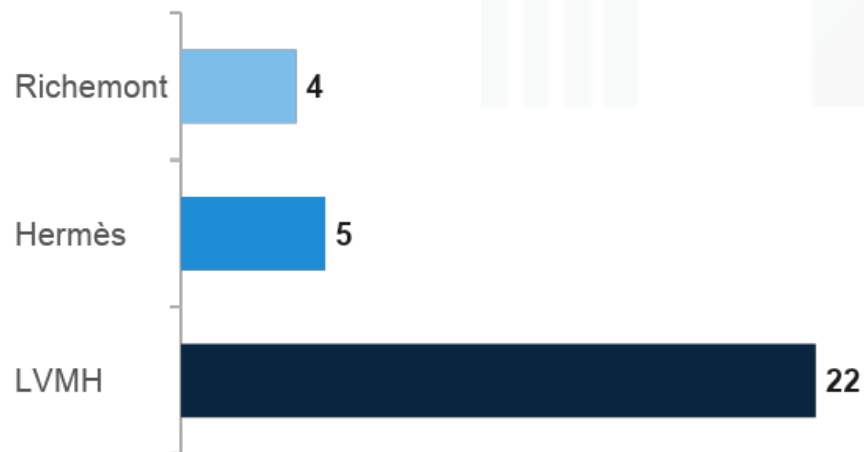
\$1.63tn

Global luxury spending in 2025, flat



LVMH dominates the market

Market share of leaders (%)



KEY SEGMENTS

Watches & jewellery

Leather goods

Fashion

Eyewear

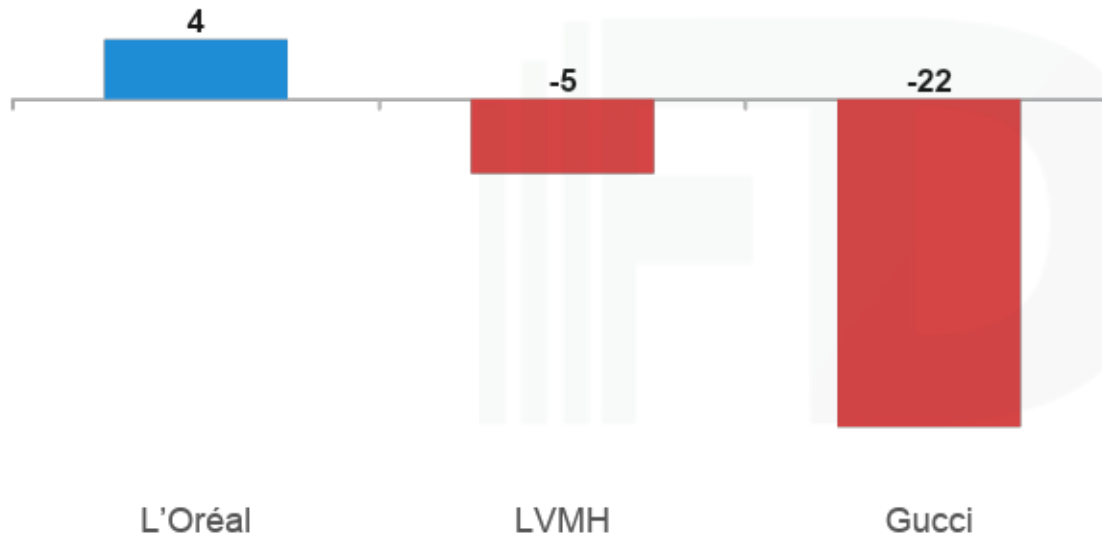
Prestige cosmetics

Consumers are shifting spending from luxury goods towards experiences. The shift is expected to continue, keeping luxury goods growth subdued in the near term

The global business of fashion is changing

Beauty grows while luxury shrinks

Revenue growth, FY2025 (%)



Gucci: revenue fell 22% to €6bn in FY'25, and the brand has started manufacturing select luxury sneakers in China to cut costs



From luxury goods to affordable indulgences

Demand is shifting to affordable products such as lip gloss

WHY THE SHIFT



Inflation



Job uncertainty



Demand for affordable indulgences

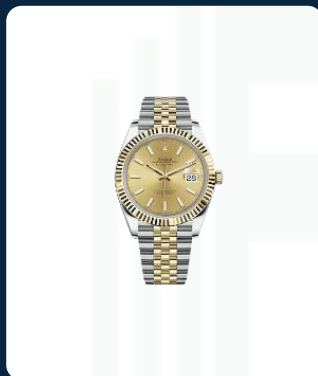
The luxury consumer's purse: then vs. now

THEN

The statement purse



Designer handbag



Luxury watch



Designer sneakers

Big-ticket, logo-led status buys

VS

NOW

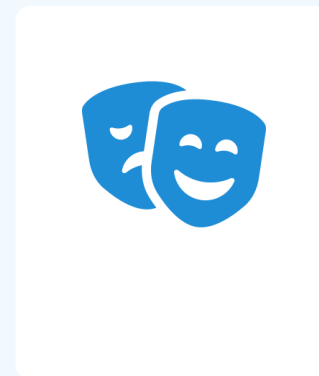
The small-indulgence purse



Lip gloss & beauty



Skincare & SPF



Experiences

Affordable treats and experiences



Spending is moving from owning luxury to affordable indulgences and experiences

Spotlight: L'Oréal

- **1909** Founded in Paris by French chemist Eugène Schueller as a hair-dye business
- **Category Expansion** Expanded from hair care into skincare, makeup, fragrance and professional beauty
- **40 brands** A portfolio including Lancôme, Maybelline, CeraVe, Kérastase and YSL Beauty
- **1974** Nestlé acquired a stake and now holds 20.16%, making it the second-largest shareholder
- **Luxury Focus** Expanded its luxury presence through acquisitions and long-term licences with fashion houses



Jay-Z set to become Rihanna's Fenty Beauty partner

2017

Launched by
Rihanna and
LVMH's Kendo

\$450mn

Fenty's net sales in
2024

\$1–2bn

Current valuation,
down from \$2.8bn in
2021



Rihanna



Jay-Z

THE DEAL



LVMH is reportedly seeking to exit its stake, and has hired Evercore to find a buyer



Jay-Z's investment firm is reportedly close to buying LVMH's stake, which could make him Rihanna's 50% partner

WHAT IT TELLS US

As celebrity beauty brands mature, star power alone may no longer command the same premium. Sustainable growth, brand strength and fundamentals matter more

 **Fenty's valuation has fallen from \$2.8bn in 2021 to \$1–2bn, even with \$450mn in net sales**



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Nigeria's December 2026 outlook



Election impact

Festive activity may shift to late October to early December



Activity trends

December activity may soften, but short-stay rentals and events remain resilient



Regional spillover

Ghana and East Africa may capture part of holiday demand



Domestic spillover

Ogun and Oyo may benefit from Lagos spillovers



Infrastructure & regulation

National Theatre and stadium investments may support demand; logistics and regulation remain key



Defty December may come early this year: plan for festive demand from late October to early December



Cheap money is flowing into equities while consumers trade down to small indulgences. Is this rally built on earnings, or on liquidity?



BUSINESSES

Consumers are swapping handbags for lip gloss. Is your product the affordable treat they keep, or the big ticket they drop?



INVESTORS

If the rally is liquidity-led, what happens to valuations when election spending and dollar demand peak in December?



POLICYMAKERS

Aviation and Detty December earn foreign exchange. Are we treating tourism, events and air connectivity as the exports they are?

SECTION

04

Global updates

Key developments, global elections and monetary policy



Key global developments



Policy stays tight

Major central banks will maintain a tightened policy stance through 2026



Oil below \$100/b

Global oil prices fell below \$100 per barrel, as the G7 pledged to boost supplies



US yields above 5%

The US 10-year Treasury yield remains above 5%

UPCOMING GLOBAL ELECTIONS



Brazil General election

October 4 (1st round) and October 25 (runoff), 2026



United States Midterm elections

November 3, 2026



Nigeria Presidential election

January 16, 2027



France Presidential election

April 18 and May 2, 2027

Global elections to test Nigeria's external resilience

Election scenario	Outcome / channel	Transmission to Nigeria	Likely impact
US: Republicans hold Congress	High policy rate, higher Treasury yields	Higher global borrowing costs	Negative
US: continued protectionism	High policy rate, stronger dollar	Naira depreciation pressure	Negative
US/Europe: close results, policy uncertainty	Risk-off sentiment	FPI outflows	Negative
Brazil: runoff expected	Commodity volatility	Oil and agricultural commodity prices	Mixed
Europe: pro-defence	Higher fiscal and defence spending	Stronger European demand	Potentially positive
France/Germany: fragmented politics, populist gains	Weaker Europe	Lower external demand and investment	Negative

4 of 6 scenarios are negative for Nigeria, mainly via a stronger dollar, higher borrowing costs and FPI outflows

Global monetary policy to remain restrictive through 2026

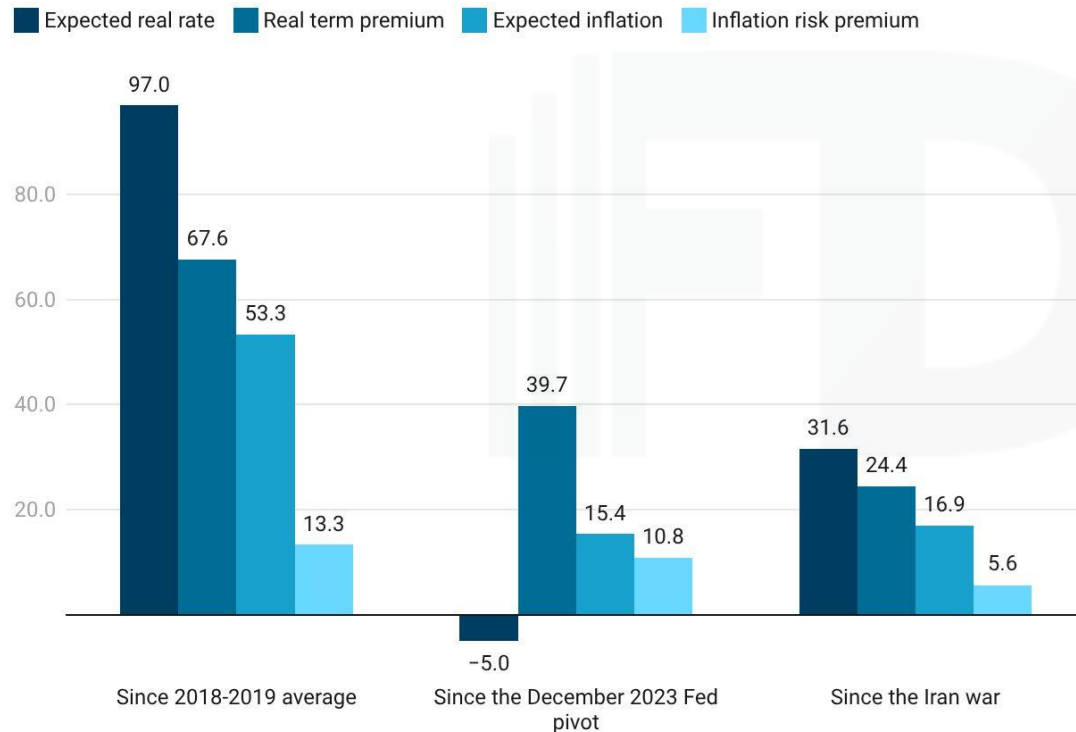
 US +25bps POLICY RATE 4% INFLATION 3.4%	 Germany +25bps POLICY RATE 2.65% INFLATION 3.3%	 Japan +25bps POLICY RATE 1.25% INFLATION 1.9%
 UK Hold POLICY RATE 3.75% INFLATION 3.1%	 South Africa +25bps POLICY RATE 7.25% INFLATION 4.4%	 ECB +25bps POLICY RATE 2.65% INFLATION 3.8%

Major central banks will keep a tightened stance through 2026 to keep inflation expectations under control. The Fed, ECB, BoE and BoJ are likely to raise their benchmark rates by 25bps each by end-2026

Higher global real rates to drive a reversal of flows

Global returns have declined since the US Iran war, but remain fairly attractive

Change in 10-year US Treasury Yields by period and yield component (basis points)



Source: FRED (Federal Reserve Economic Data), CNBC US10Y Tracker, U.S. Department of the Treasury • Created with Datawrapper

5%+

US 10-year Treasury yield, reflecting a mix of growth expectations and rising fiscal risk

Further to rise: long-term yields are expected to rise further, due to higher expected nominal short-term interest rates

Why it matters: Nigeria's portfolio flows remain sensitive to global rates

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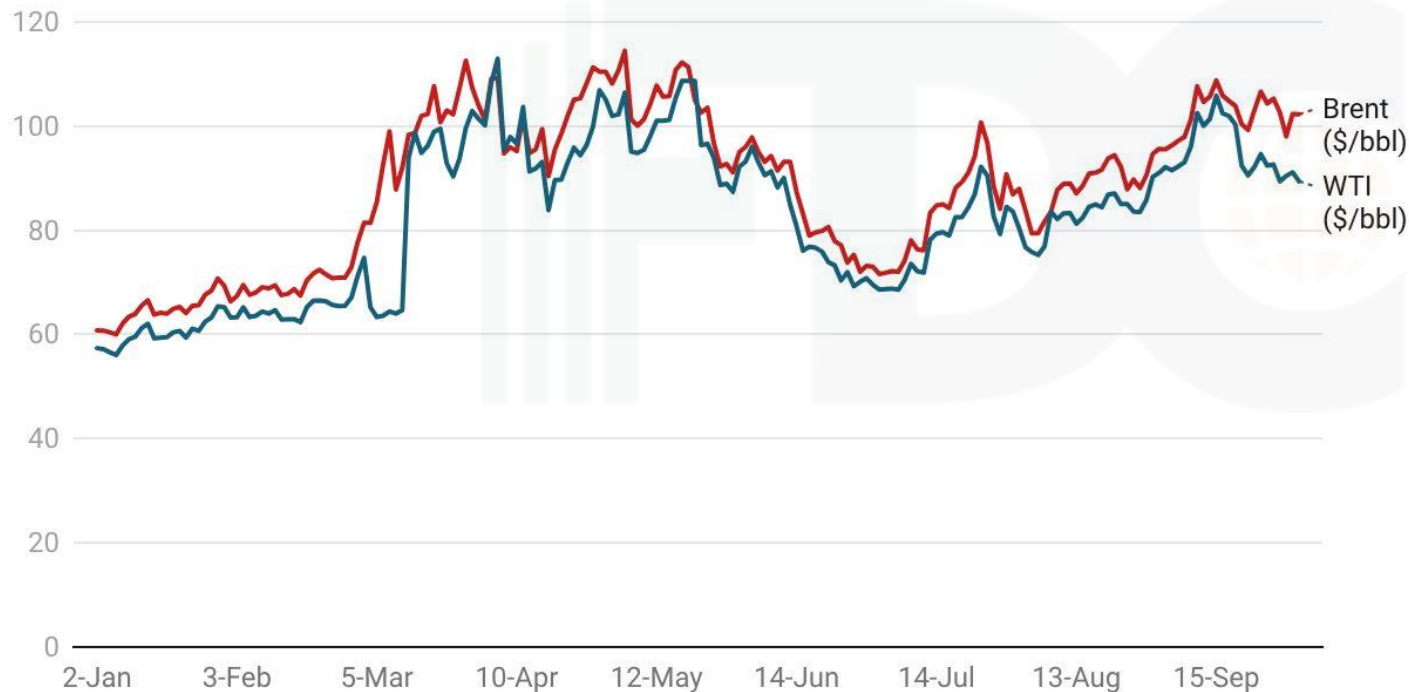
CHOOSE QUALITY, CHOOSE DANGOTE SALT

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Coordinated reserve release to lower energy costs

Brent crude breached \$100 but could reverse the upward trend as temporary supply measures take effect

Brent and WTI crude oil prices (\$/per barrel)



Source: Bloomberg • Created with Datawrapper

100mn

Barrels the G7 plans to release from oil reserves

- The release is expected to ease supply concerns
- It will help stabilise global energy markets over the next four months

Global developments: key takeaways for Q4'26



Policy stays tight

Major central banks hold a tightened stance through 2026, with 25bps hikes likely from the Fed, ECB, BoE and BoJ



Oil eases, for now

The G7's 100 million-barrel release should ease supply concerns and stabilise energy markets over the next four months



Yields stay high

The US 10-year yield above 5% keeps global borrowing costs elevated; Nigeria's portfolio flows are sensitive to this



Elections test resilience

US midterms, Brazil's runoff and France's 2027 vote could mean a stronger dollar, risk-off sentiment and FPI outflows



For Nigeria: easing at home while the world stays tight narrows the yield gap that attracts portfolio inflows



FOOD FOR THOUGHT

Section 4: Global updates

The world is staying tight while Nigeria eases. How long can we swim against the global tide?



BUSINESSES

If a stronger dollar returns after the US midterms, how exposed are your imported inputs and dollar debts?



INVESTORS

With US 10-year yields above 5%, what real return will keep foreign portfolio money in Nigeria after the rate cut?



POLICYMAKERS

If oil eases on the G7 release, which revenues and buffers replace the windfall?

SECTION

05

Political update & outlook

100 days to the election

What we expect for October to December

Political update: 100 days to the election



100

days to the election

The campaign environment is tepid, and the coincidence with the festive season will shape spending, travel and turnout



Turnout is the swing factor

Voter apathy could rise again, or voter anger could drive a higher turnout



Hardship weighs on participation

Poorer voters are less likely to turn out when the cost of living is high



INEC under pressure

The electoral commission is under pressure to act, and be seen to act, independently



Overlap with the festive season

Campaign spending and holiday demand will compete for cash, FX and logistics into December



At this point, it is all about turnout

October/November outlook: the world and the ballot box



US elections, November 3

- All eyes are on the US elections
- A Democratic wave is more likely, with the House and Senate going to the Democrats
- It will be a turnout game



Brazil

- The run-off will probably bring back Lula



World Bank meetings and OPEC

- The World Bank meetings in Bangkok will emphasise multilateralism
- OPEC will keep quotas unchanged



Travel

- The travel industry will remain resilient despite global headwinds
- Passengers will shift towards reliable service and price efficiency
- Middle East airlines will lose passengers to other carriers

October/November outlook: economy and markets



Fiscal

- The government will submit an expansionary 2027 budget
- Domestic debt service will fall sharply



Inflation

- Headline inflation is projected to ease
- Import duty cuts and levy reductions will create an “illusory disinflation”



Fuel prices

- The price war in petrol, diesel and jet fuel will intensify
- Petrol will likely fall to ₦1,300 per litre while Brent stays below \$100/b



Naira

- Stable at ₦1,380–1,410/\$ in October
- Importers will stockpile ahead of the election



Stock market

- The rally will fizzle in November
- Market cap to dip below ₦160tn, then rise on the Dangote IPO
- A first-year Dangote Refinery dividend would cheer investors



For the team to reconcile

- The stock market call here differs from the Q4 base case (+3% to +6%) and the November rally view in the markets section



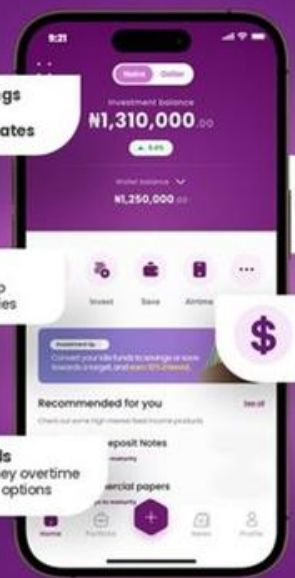
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 **USD Term Notes**
Earn in Dollars and hedge against inflation

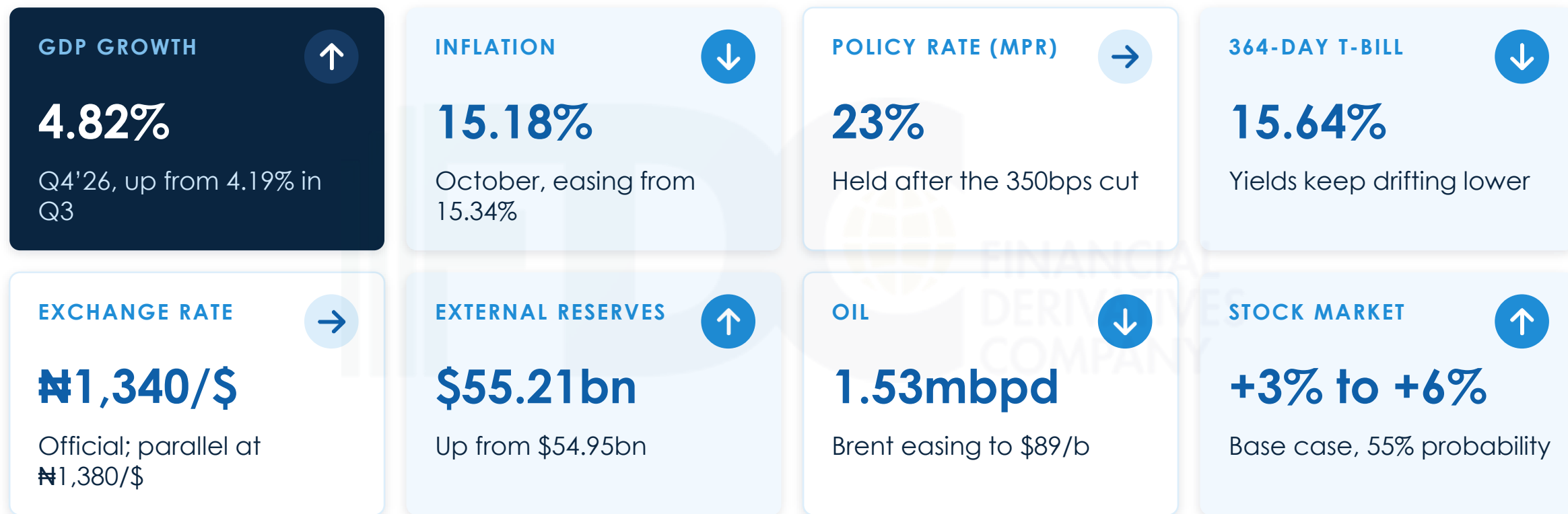


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Q4'26 outlook at a glance

FDC forecasts. Arrows show the expected direction from September



Our base case: growth holds up, inflation eases slowly and the naira stays stable, but the election cycle brings volatility into December

What to watch, and what it means for you

KEY RISKS TO WATCH

- ⚠ **Election spending** and dollar demand into December
- ⚠ **An oil price reversal** that hits FX, FAAC and sentiment
- ⚠ **Global rates** US yields above 5% could trigger FPI outflows
- ⚠ **Demand outpacing supply** after the rate cut, reviving inflation
- ⚠ **Festive stockpiling** that lifts import and FX demand



Businesses

- Refinance and invest selectively with cheaper credit
- Plan for festive demand from late October
- FMCG and downstream still face smuggled goods



Investors

- Expect rotation from fixed income into equities
- Favour dividend payers and index heavyweights
- Price in pre-election volatility



Policymakers

- Keep the naira near fair value; rationalise tariffs
- Invest in border tech and AfCFTA trade facilitation
- Hold fiscal discipline through the election cycle



FOOD FOR THOUGHT

Closing reflection

Smuggling thrives in the gaps. Nigeria's next phase of growth depends on how fast we close them: price gaps, policy gaps and infrastructure gaps.



BUSINESSES

When the borders, the naira and tariffs all normalise, will your business still win on cost and quality alone?



INVESTORS

Which companies are best placed to win as the informal economy becomes formal?



POLICYMAKERS

Which single gap, if closed in 2027, would remove the most incentive to smuggle?

A photograph of two Black men in business suits sitting on a ledge in front of a large window. They are both smiling and laughing, looking at each other. The man on the left is wearing a dark suit and tie, while the man on the right is wearing a grey suit and a patterned tie. The background shows a bright, out-of-focus view of greenery outside the window.

INTERLUDE

Corporate humour

A lighter look at work, politics and life
22 thoughts to take back to the office

On work and success



“

The only thing that ever sat its way to success was a hen.

—— Sarah Brown

“

You don't get paid for the hour. You get paid for the value you bring to the hour.

—— Jim Rohn

“

Laziness is nothing more than the habit of resting before you get tired.

—— Jules Renard

“

Don't watch the clock; do what it does. Keep going.

—— Sam Levenson

“

Procrastination is one of the most common and deadliest of diseases and its toll on success and happiness is heavy.

—— Wayne Gretzky

“

I don't know the key to success, but the key to failure is trying to please everybody.

—— Bill Cosby

On politics, leaders and change



“

Politics is the gentle art of getting votes from the poor and campaign funds from the rich, by promising to protect each from the other.

—— Oscar Ameringer

“

An honest politician is one who, when he is bought, will stay bought.

—— Simon Cameron

“

Leaders think and talk about the solutions. Followers think and talk about the problems.

—— Brian Tracy

“

To avoid criticism, do nothing, say nothing and be nothing.

—— Elbert Hubbard

“

Progress is impossible without change, and those who cannot change their minds cannot change anything.

—— George Bernard Shaw

“

A flaw in the human character is that everybody wants to build and nobody wants to do maintenance.

—— Kurt Vonnegut

On mistakes, wisdom and the road ahead



“

Experience is merely the name men gave to their mistakes.

—— Oscar Wilde

“

The difference between stupidity and genius is that genius has its limits.

—— Albert Einstein

“

Never argue with stupid people, they will drag you down to their level and then beat you with experience.

—— Mark Twain

“

Speak when you are angry and you will make the best speech you will ever regret.

—— Ambrose Bierce

“

A failure is like fertilizer; it stinks to be sure, but it makes things grow faster in the future.

—— Dennis Waitley

“

Obstacles are those frightful things you see when you take your eyes off your goal.

—— Henry Ford

On life



“

Life is a song: sing it. Life is a game: play it. Life is a challenge: meet it. Life is a dream: realize it. Life is a sacrifice: offer it. Life is love: enjoy it.

—— Sai Baba

“

A successful man is one who makes more money than his wife can spend. A successful woman is one who can find such a man.

—— Lana Turner

“

The reason grandparents and grandchildren get along so well is that they have a common enemy.

—— Sam Levenson

“

Life is short. Smile while you still have teeth.

—— Mallory Hopkins



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