# IRON Capital Economic & Markets Outlook

CAPITAL PERSPECTIVES | H2 2026

DATA AS AT

30 June 2026

# Table Of Contents

# Capital Perspectives | H2 2026

The first half of 2026 has been characterized by a gradual improvement in financial conditions across several markets, despite persistent uncertainty around global growth, inflation and geopolitical developments. Major central banks have maintained a cautious approach to monetary policy, commodity prices have remained sensitive to external developments and capital continues to flow selectively across emerging and frontier markets. Nigeria has recorded greater exchange rate stability, stronger external reserves and a notable recovery in domestic financial markets. These developments are significant, but they do not tell the full story. The more important consideration for businesses and investors is whether improvements in market indicators will translate into stronger economic activity and sustained investment over time.

At IRON Capital, we recognize that successful investment decisions require more than an understanding of current conditions. They require an appreciation of the trends shaping markets, the risks that remain and the opportunities likely to emerge. This report has been developed with that objective in mind. It provides an assessment of developments across the global economy, Nigeria's macroeconomic environment and the financial markets, while identifying the themes likely to influence investment decisions during the remainder of the year. As we enter the second half of 2026, I expect the quality of execution by businesses, policymakers and investors to play an increasingly important role in determining outcomes.

Jubril Enakele

**Jubril Enakele**

**Managing Director / Chief Executive**

**IRON Capital**

# Executive Note

Nigeria entered the year with stronger external buffers and has since recorded greater stability within the foreign exchange market alongside improved performance across domestic financial assets. The equities market gained more than 47% during H1 2026, external reserves remained above USD50bn, and exchange rate movements were more contained than in preceding periods. At the same time, financing conditions remain elevated, and businesses continue to operate within a demanding environment. While recent macroeconomic developments are encouraging, the quality and breadth of economic expansion remain important considerations.

My assessment is that H2 2026 will be influenced primarily by a few factors. These include the direction of inflation and monetary policy, developments within global energy markets, the consistency of capital flows into frontier economies and the pace of domestic policy execution. The significance of these factors extends beyond their immediate impact on markets. They will influence investment decisions, financial conditions and business activity over the remainder of the year. Recent improvements in macroeconomic stability represent an important milestone. The next phase will depend on the extent to which that stability supports productive investment, strengthens private sector activity and contributes to more broad-based economic outcomes. This report provides an assessment of the developments that shaped the first half of 2026 and considers their implications for the months ahead.

Chinwe Egwim

**Chinwe Egwim**

**Independent Executive Advisor**

**IRON Capital**

# Global Economy

# Global Economy

Stronger than expected, but increasingly uneven across major economies in the first half of 2026.

## GLOBAL DRIVERS

**Trade** **Labour** **Policy** **Energy**

- Diverging growth paths.
- Shifting risks and opportunities.

### 1 UNITED STATES

Resilient consumer spending and a healthy labour market support growth.

### 2 EURO AREA

Monetary easing and fiscal support aid recovery, but growth remains moderate.

### 3 CHINA

Policy stimulus lifts manufacturing and exports, but domestic demand is soft.

### 4 EMERGING & FRONTIER MARKETS

Growth varies widely; commodity exporters benefit, while high-debt economies face headwinds.

# Regional Performance Breakdown

| REGION | Primary Growth Drivers | Key Economic Headwinds | H1 Summary & Outlook |
|---|---|---|---|
| **United States** | Resilient household spending; strong labour market | High borrowing costs; weaker business investment; tariff and tax policy uncertainty | Remains a key driver of global growth, though activity is slowing under policy and rate pressure |
| **Euro Area** | Lingering disinflation benefits; services activity | Weak manufacturing; soft external demand; fragile business confidence | Subdued growth with limited momentum entering H2; highly exposed to trade and energy markets |
| **China** | Strong exports; industrial production; advanced manufacturing investment | Persistent property sector weakness; subdued household consumption | Highly reliant on external demand and state-led investment rather than a broad domestic recovery |
| **Emerging & Frontier Markets** | Strong external buffers; credible policy frameworks; improving inflation trends | High external financing needs; weak fiscal positions; commodity dependence | Highly polarized; capital flows favor economies with sound macroeconomic management |

# Key Macroeconomic & Market Drivers

1

## Trade Policy & Supply Chain Reconfiguration

- **Tariffs & Policy Uncertainty:** New tariffs and trade negotiations impacted production, investment, and supply-chain planning globally.
- **Supply Chain Diversification:** Businesses actively diversified manufacturing locations to mitigate trade risks, driving investment into alternative hubs, domestic capacity, and logistics.
- **Rising Adjustment Costs:** While diversification enhanced resilience, it also increased operating and expansion costs for firms adapting to more complex trade frameworks.
- **Merchandise Trade Divergence:** Export-oriented markets tied to technology and manufacturing outperformed economies reliant on traditional industrial activity.

2

## Monetary Policy & Fixed Income

- **Cautious Central Banks:** Persistent services inflation, labour cost pressures, and episodic commodity spikes prevented rapid interest-rate cuts, keeping monetary policy data-dependent.
- **Gradual Easing Expectations:** Market consensus shifted toward a slower, uneven easing cycle, keeping government bond yields elevated across major fixed-income markets.
- **Capital Competition:** Elevated yields in advanced economies increased the return hurdle required by international investors, tightening financial conditions globally.

# Key Macroeconomic & Market Drivers

## 3 Commodities, Geopolitics & Financial Markets

- **Geopolitics & Crude Oil:** Middle East tensions and shipping risks around the Strait of Hormuz and the Red Sea caused temporary spikes in crude prices. However, Brent crude closed June near USD67.6/bbl—below its start-of-year level—as physical flows remained uninterrupted and OPEC+ supply expectations adjusted.

- **Metals & Agriculture:** Gold benefited from central bank buying and safe-haven demand. Industrial metals saw China property drag offset by demand from renewable energy, electrification, AI, and digital infrastructure. Agricultural commodities faced selective weather and logistics pressures (notably cocoa and coffee).

- **Equity Market Concentration:** Global equities were buoyed by corporate earnings and AI/technology investment, though gains remained heavily concentrated in select sectors and firms.

# H2 2026 Outlook & Strategic Implications

## GLOBAL MACRO TRAJECTORY

**United States:** Growth is projected to slow further while remaining in positive territory.

**Euro Area:** Economic expansion will likely proceed at a modest, fragile pace.

**China:** Growth will continue to lean heavily on exports, industrial policy, and state-backed investment as household demand remains muted.

# H2 2026 Outlook & Strategic Implications

## STRATEGIC IMPLICATIONS FOR EMERGING & FRONTIER MARKETS

- **Selective Capital Allocation:** International liquidity will not lift all emerging markets equally. Capital will favor economies offering strong external buffers, credible policy frameworks, and investable, risk-adjusted returns.
- **Domestic Fundamentals Rule:** With global financial conditions remaining relatively tight and easing cycles progressing unevenly, domestic economic resilience will be the primary determinant of market access and performance through the remainder of 2026.
- **Commodity Exporter Dynamics:** For oil-exporting economies, fiscal and trade performance will depend on the combined effect of production volumes and international prices rather than price movements alone.

# Nigeria at Mid-Year

# Nigeria at Mid-Year

## Growth

- Q1 2026 GDP: **3.89% y/y**
- Non-oil sector contribution: **96.08%**
- Strongest performers: Financial Services, ICT and Oil Refining.

Key Observation: Growth remains concentrated within a limited number of sectors, with Agriculture and Trade continuing to underperform relative to their economic significance.

## Foreign Exchange & External Position

- Closing NFEM Rate (30 June): **₦1,376/US$**
- External Reserves: **USD51.46bn**
- Current Account Surplus (Q1): **USD4.98bn**

Key Observation: Greater FX stability has improved confidence, although sustaining these gains will depend on continued policy consistency and stronger non-oil FX earnings.

# Nigeria at Mid-Year

## Inflation & Monetary Policy

- MPR: **26.50%**
- Inflation remained a principal macroeconomic challenge during H1.
- Food supply constraints, transport costs and energy continue to influence price developments.
- Monetary policy is expected to remain cautious in the near term.

## Fiscal Position

- Budget Oil Assumption: **1.84 mbpd Actual**
- Production (June): **1.53 mbpd**
- Brent (30 June): **USD67.61/bbl**

Key Observation: Fiscal conditions remain sensitive to developments within the oil market, reinforcing the importance of revenue diversification.

## Financial Markets

- Financial Markets
- NGX ASI (30 June): **229,419.18**
- Market Capitalization: **NGN147.22trn**
- Equities: **+47.43% H1**

Key Observation: Financial markets continue to outperform the broader economy, supported by stronger confidence and improving macroeconomic conditions.

# H2 Assessment | Financial Markets Review (1 of 2)

Nigeria enters the second half of the year from a stronger macroeconomic position than was the case twelve months ago. Greater exchange rate stability, stronger external reserves and improved financial market performance have contributed to a more predictable operating environment.

Attention is expected to shift increasingly towards the transmission of these gains across the broader economy. Developments associated with the approach to the 2027 election cycle, inflation dynamics, global energy markets and capital flows, will become increasingly important in shaping market sentiment and investment decisions during the remainder of the year.

## Financial Markets Review

### Equities

- NGX All Share Index (30 June): **229,419.18**
- Market Capitalization: **NGN147.22trn**
- H1 Performance: **+47.43%**
- Banking recapitalisation remained an important driver of market activity.
- Domestic investors continued to account for the majority of market transactions.

Assessment: The equity market delivered another strong performance during H1 2026, supported by improving macroeconomic conditions, resilient corporate earnings and sustained domestic participation. Market performance is increasingly dependent on earnings delivery and valuation discipline rather than sentiment alone.



### Fixed Income

- Monetary Policy Rate: **26.50%**
- Elevated interest rates continued to support demand for government securities.
- Treasury bill and bond markets recorded robust investor participation during H1.
- Monetary policy remained cautious throughout the first half of the year.

Assessment: Higher interest rates continued to support investor interest in fixed income instruments. Investment decisions remained influenced by carry opportunities and portfolio positioning, while expectations for a material shift in monetary policy remained relatively limited.

# H2 Assessment | Financial Markets Review (2 of 2)

The next phase of the adjustment process will be determined less by the restoration of stability and more by the extent to which recent gains support stronger investment, higher productivity and broader economic participation.

## Financial Markets Review

### Foreign Exchange

- NFEM Closing Rate (30 June): **₦1,376/US$**
- External Reserves: **USD51.46bn**
- Foreign exchange market liquidity improved during H1.
- Exchange rate movements were considerably less volatile than in prior periods.

Assessment: The foreign exchange market was one of the strongest areas of macroeconomic performance during the first half of the year. Attention is expected to shift from restoring confidence to sustaining it, with policy consistency and adequate market liquidity remaining important considerations.

### Capital Markets

- Banking sector recapitalisation was completed successfully during H1.
- Domestic investors accounted for the majority of subscriptions.
- Nigeria's return to the FTSE Russell Frontier Market Index represents an important milestone for market visibility and accessibility.

Assessment: H1 demonstrated the growing capacity of Nigeria's capital markets to mobilise domestic savings at scale. The significance extends beyond the banking sector and provides further evidence of increasing market depth and broader investor participation.

# Sector Perspectives

# AGRICULTURE

Agriculture retained its position as the anchor of the Nigerian economy in Q1 2026, contributing 23.16% of real GDP with a year-on-year growth rate of 3.15%.

## KEY TAKEAWAY:

While agricultural growth meaningfully impacts broader economic output, household incomes, and food security, current expansion rates remain insufficient to ease structural food supply constraints. The sector's core bottlenecks have moved beyond primary farm production to systemic supply-chain and distribution failures.

## H2 2026 Outlook

- Agriculture led Nigeria's economy in Q1 2026, contributing 23.16% of real GDP and growing 3.15% year-on-year, but growth remains too modest to substantially ease food shortages or boost rural productivity.
- Food inflation is increasingly driven by domestic bottlenecks: inadequate storage, costly transport, weak distribution, low mechanisation, and insecurity prevent farm output from reaching consumers efficiently.
- H2 outcomes will hinge on rainfall patterns and value-chain resilience. Better access to inputs, credit, irrigation, security, storage, and logistics could lift food supply, impact inflation, and support agro-processing.

# Key Sector Challenges & Dynamics — AGRICULTURE

## THE DISCONNECT BETWEEN FARMGATE AND MARKET

- **Infrastructure Deficits:** A lack of modern, climate-controlled storage facilities and limited on-farm mechanisation perpetuate high post-harvest loss rates.
- **Logistics & Distribution Bottlenecks:** Fragmented distribution networks and elevated transport costs create steep price markups between rural producers and urban consumers.
- **Security Pressures:** Persistent insecurity across core agricultural belts continues to disrupt farming cycles and restrict transport corridors.
- **Inflation Dynamics:** Because domestic supply-side frictions dominate, macroeconomic relief (such as FX stability) has yet to translate into lower retail food prices.

## CLIMATE & WEATHER OUTLOOK (NIMET 2026 FORECAST)

- **Rainfall Patterns:** NiMet's 2026 Seasonal Climate Prediction forecasts an early-to-normal onset across most regions, with normal to above-normal precipitation alongside higher-than-average temperatures.
- **Localized Climate Risks:** The forecast flags risks of extended dry spells, uneven rainfall cessation, flooding, and heat stress across key agrarian states.
- **Divergent Crop Outcomes:** Harvest performance will not see a uniform recovery; yields will vary sharply depending on regional weather resilience and irrigation access.

# H2 2026 Strategic Outlook & Critical Enablers — AGRICULTURE

## VALUE CHAIN DIFFERENTIATION

- **Integrated Value Chains Outperform:** Agribusinesses and producers with established offtake agreements, dedicated processing capacity, and adequate storage will capture demand and outperform fragmented producers.

- **Post-Harvest Preservation:** Preserving harvest gains through modernized storage, logistics, and processing will be more decisive for food availability than raw yield volume alone.

## CRITICAL SUCCESS FACTORS FOR H2 2026

- **Input & Financing Access:** Expanding farmer access to certified seeds, fertilizers, formal credit, and irrigation infrastructure.

- **Agrarian Security:** Stabilizing production belts to enable safe cultivation and transit of commodities.

- **Supply-Chain Resilience:** Upgrading domestic agro-processing and cold-chain logistics to mitigate climate volatility, curb food inflation, and stabilize market supply.

# ENERGY

Nigeria’s oil and gas sector demonstrated stronger production and refining performance in the first half of 2026. Improved pipeline security and enhanced terminal operations supported upstream activities. However, the fiscal impact of these gains was limited by softer global crude oil prices and overall production falling short of the Federal Government's benchmark.

## KEY TAKEAWAY:

While output has improved, it must be consistently sustained at higher levels to meaningfully strengthen government revenues and export earnings, as production still tracks below the 1.84 mbpd budget benchmark.

## PRODUCTION HIGHLIGHTS (MAY 2026)

**Crude Oil Output:** Reached **1.53 mbpd**.

**Total Output (including condensates): Peaked at 1.86 mbpd,** according to the **NUPRC.**

# Downstream Reshaping the Trade Balance



The most significant structural improvements in the sector occurred downstream. The expansion of domestic refining capacity has begun to fundamentally alter Nigeria's trade balance and alleviate a long-standing drain on foreign exchange.

- **Refined Exports Surge:** Q1 2026 refined petroleum exports grew by 20.3% quarter-on-quarter to USD 2.37 billion.
- **Refined Imports Plummet:** Imports collapsed by 87.5%, dropping from USD 2.48 billion (Q4 2025) to USD 0.31 billion (Q1 2026).
- **Trade Surplus:** These shifts contributed to a widening of the overall goods trade surplus to USD 5.95 billion

**THE ROLE OF DANGOTE REFINERY:**

The 650,000-barrels-per-day facility assumed a critical role in domestic supply and regional trade. Exploiting supply disruptions linked to the Iran conflict, the refinery boosted exports of gasoline, diesel, and jet fuel to African and European markets, cementing Nigeria's emergence as a regional refining hub in H1.


# Supply Challenges & Upstream Investment Needs

**ENERGY**

*Despite massive downstream progress, local refining has not eradicated supply and pricing complexities.*

## CURRENT FEEDSTOCK & PRICING FRICTION

- **Crude Allocation Shortfalls:** Deliveries of locally produced crude to domestic refineries remained below allocated volumes in Q1 due to pricing disputes.
- **Import Reliance for Feedstock:** Consequently, the Dangote Refinery was forced to supplement its feedstock with crude imports from Libya and the UAE.
- **FX & Pricing Linkage:** Recent moves to price selected domestic petroleum transactions in US dollars highlight the persistent entanglement of crude supply, FX liquidity, and domestic fuel costs.

## THE UPSTREAM IMPERATIVE

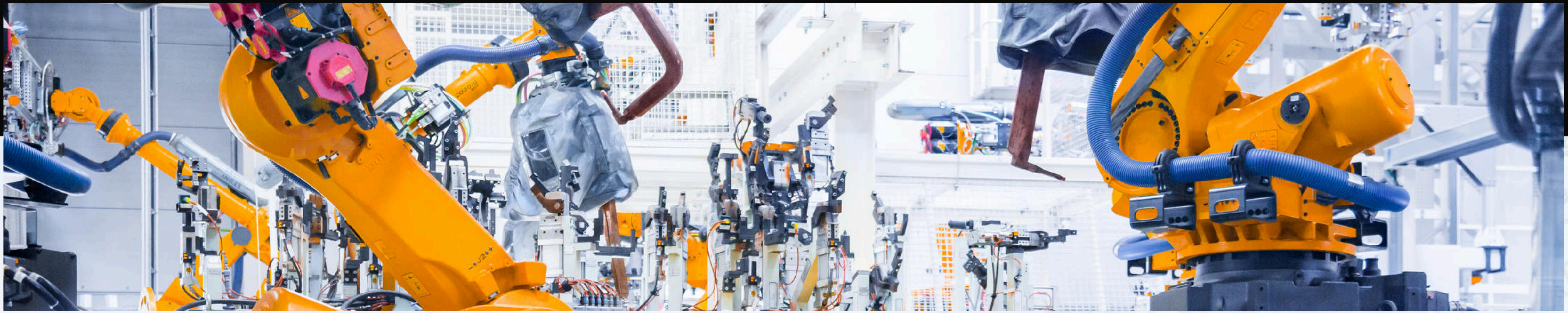
Sustained upstream investment is vital for the sector's medium-term viability. The conclusion of the 2025 Licensing Round—yielding 31 successful bidders across 37 blocks—offers a pathway to expand production capacity. However, translating these licenses into commercial production will heavily depend on:

- **Effective regulatory implementation**
- **Commercial viability**
- **Infrastructure security**
- **Sustained investor confidence**

# H2 2026 Outlook & Strategic Implications

Sector performance through the second half of the year will be driven by a delicate balance of domestic refining activity, crude output, and global oil market dynamics.

| Scenario | Market Conditions | Economic Impact for Nigeria |
|---|---|---|
| **Upside Case** | Higher crude production + sustained refining momentum | Boosts export earnings, further reduces refined imports, and strengthens domestic industrial linkages |
| **Downside Case** | Lower global oil prices or renewed local production disruptions | Weakens the sector's net contribution to government fiscal revenues and external balances |



# MANUFACTURING

Manufacturing maintained its recovery trajectory during the first half of 2026, with real output growing by 3.29% year-on-year in Q1. While this marks a clear improvement over the same period in 2025, the expansion remains below the level needed to significantly elevate the sector's contribution to employment, export revenues, and broader industrial development.

## KEY TAKEAWAY:

Accounting for approximately 9.6% of real GDP, the sector is strategically vital. However, current performance is heavily skewed, reflecting surging growth in a handful of industries rather than a broad-based, diversified manufacturing expansion.

## INDUSTRY PERFORMERS: NARROW GROWTH DRIVERS

The strongest performance was concentrated in industries buoyed by import substitution and the expansion of domestic production capacity. Outside of these key areas, manufacturing activity remained relatively subdued.

### TOP PERFORMERS (Q1 2026 Y/Y GROWTH)

- **Oil Refining: 37.46%** (The fastest-growing segment, underlining the rising impact of domestic refining capacity)
- **Cement Manufacturing: 11.53%**
- **Chemical and Pharmaceutical: 6.15%**
- **Motor Vehicle Assembly: 5.44%**

### SUBDUED GAINS

- **Food, Beverage and Tobacco: 4.10%**
- **Wood and Wood Products: 2.93%**
- **Non-Metallic Mineral Products: 2.20%**
- **Electrical and Electronics: 2.15%**
- **Basic Metals, Iron and Steel: 1.18%**

# Operating Environment & Headwinds

*Despite improved access to foreign exchange—which alleviated a major historical bottleneck for manufacturers—the sector continues to grapple with a challenging operating environment.*

**PERSISTENT CONSTRAINTS:**

- **High financing costs limiting investment and capacity expansion.**
- **Elevated energy prices.**
- **Expensive imported raw materials and inputs.**
- **Relatively weak consumer demand.**

Nevertheless, business activity indicators point toward a gradual operational improvement. The CBN Composite Purchasing Managers' Index (PMI) remained above the 50-point expansion threshold for most of the first half, signaling continued private sector expansion, despite a brief easing of manufacturing activity in April.

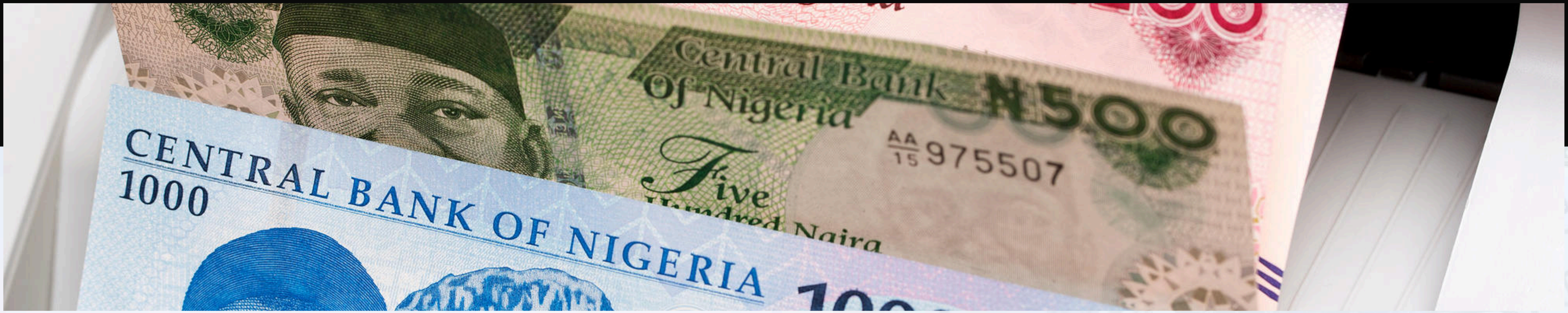
# H2 2026 Outlook & Strategic Imperatives

The critical test for the second half of the year will be whether the recovery can extend beyond refining and construction-related industries.

A genuinely diversified manufacturing recovery will heavily depend on sustained improvements in:

- **Foreign Exchange Availability**
- **Logistics Infrastructure**
- **Domestic Consumer Demand**

Broadening this expansion is essential for driving employment growth, fortifying domestic value chains, and enhancing Nigeria's capacity to produce higher-value exports over the medium term.




# FINANCIAL SERVICES & DIGITAL FINANCE

The Financial and Insurance Services sector stood out as one of the fastest-growing segments of Nigeria's economy in the first half of 2026. In Q1, the sector recorded a robust year-on-year growth of 8.54%—more than double the overall national GDP growth rate.

## KEY TAKEAWAY:

The sector's accelerated performance was driven by an expansion in financial intermediation, surging transaction volumes, and the aggressive adoption of technology-driven financial services. Beyond its direct GDP contribution, the sector continues to play a central macroeconomic role in mobilising savings, allocating capital, and facilitating broad-based economic activity.

## OPERATING ENVIRONMENT & DIGITAL TRANSFORMATION

Operating conditions for financial institutions improved significantly during the review period, supported by enhanced macroeconomic stability and ongoing technological innovation.

### KEY DRIVERS OF H1 PERFORMANCE:

- **FX Stability & Liquidity:** Greater stability in the Nigerian Foreign Exchange Market reduced a major historical source of uncertainty. Concurrently, stronger external reserves and improved market liquidity bolstered overall confidence in the financial system.
- **Interest Rate Dynamics:** Elevated interest rates supported net interest income. This environment also encouraged more selective lending practices, with institutions shifting focus toward sectors presenting stronger cash flows and lower credit risk.
- **Digital Finance Surge:** A broader adoption of digital banking platforms, sustained fintech innovation, and higher electronic payment volumes transformed service delivery and expanded access to the formal financial system. This digital pivot improved operational efficiency, drove transaction volumes, and created substantial alternative sources of non-interest income.

# Capital Markets & Banking Sector Resilience

*The capital markets provided essential support to the financial system during the first half of the year.*

- **Nigerian Exchange Momentum:** The local bourse maintained positive momentum, fueled by resilient corporate earnings, heightened investor confidence, and a noticeable portfolio reallocation toward domestic financial assets.

- **Banking Stock Performance:** Banking equities remained among the best-performing assets. This strength was underpinned by robust profitability, ongoing capital-raising initiatives, and steady progress in meeting the Central Bank’s recapitalisation requirements.

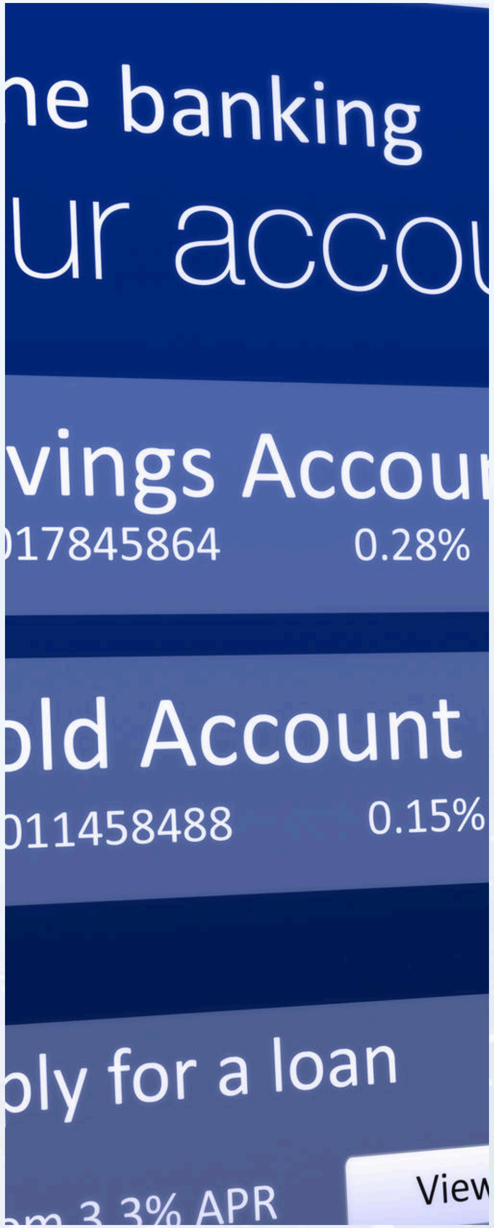
# H2 2026 Outlook & Strategic Imperatives

Heading into the second half of 2026, the sector is expected to transition from a phase of balance sheet expansion to one focused on balance sheet optimisation.

The capacity of the financial system to support private sector investment and wider economic growth will increasingly hinge on:

- **Credit Quality & Asset Management:** Maintaining the quality of credit growth and ensuring robust asset quality.
- **Resource Allocation:** Efficient deposit mobilisation and disciplined capital allocation.
- **Continued Innovation:** Deepening the ongoing digital transformation to maintain operational efficiency and reach.

As macroeconomic conditions continue to improve, the financial sector's role in shaping the overall pace of Nigeria's economic expansion will become increasingly prominent.



# TRADE & CONSUMER

Trade maintained its status as Nigeria's second-largest economic sector in Q1 2026, contributing 17.89% of real GDP and recording a year-on-year growth rate of 2.08%. Because trade is directly tied to domestic demand, its performance serves as a primary barometer for the health of Nigerian households and commercial enterprises.

## KEY TAKEAWAY:

While the sector continues to expand, growth remains relatively subdued relative to its economic weight. This sluggish trajectory highlights persistent, ongoing pressure on consumer purchasing power and household disposable income.

## OPERATING ENVIRONMENT: EASING FX RISK VS. HIGH OVERHEAD

The first half of 2026 presented a challenging yet gradually improving backdrop for retailers, distributors, and fast-moving consumer goods (FMCG) businesses.

### POSITIVE MACRO DRIVERS:

- **FX Stability:** Greater exchange rate stability reduced pricing uncertainty around import costs and inventory planning.
- **Improved FX Liquidity:** Enhanced foreign exchange availability supported access to trade-related currency for import requirements.
- **Fuel Supply Predictability:** Expanding domestic refining activity improved petroleum product availability. While transport costs remained high, fuel supply certainty allowed logistics providers, wholesalers, and organized retailers to plan supply chains far more effectively.

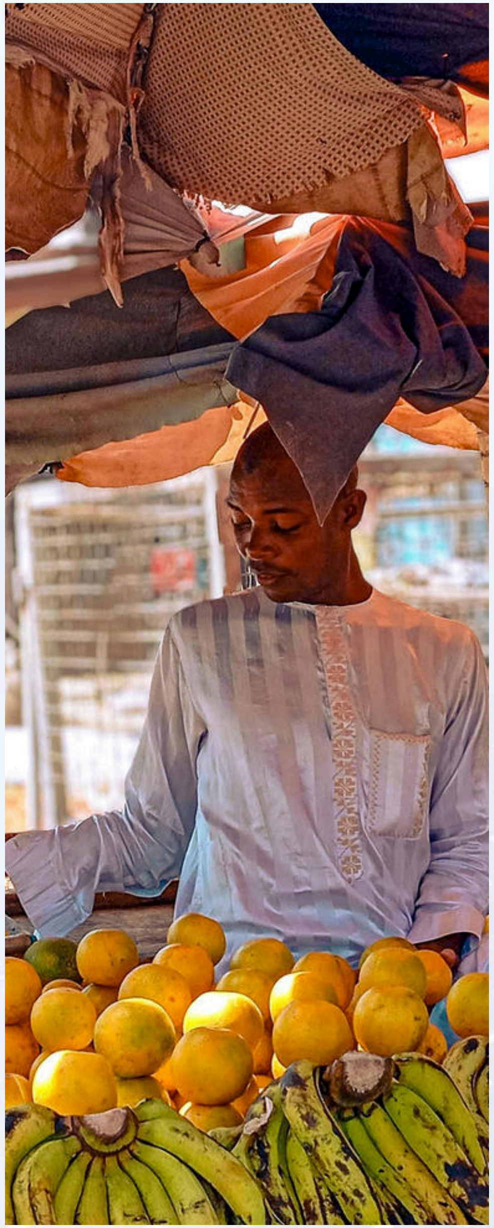
### PERSISTENT HEADWINDS:

- **High financing and borrowing costs.**
- **Elevated headline inflation.**
- **Subdued real household incomes impacting spending on both essential and non-essential goods.**

# Shifting Consumer Behavior & Market Adaptation

*As pressure on disposable incomes persisted through H1, consumer behavior adapted rapidly, driving structural adjustments across consumer-facing industries:*

- **Priority Spending & Price Sensitivity:** Household expenditure shifted heavily toward essential needs, with increased price sensitivity across almost all consumer segments.
- **Focus on Affordability:** Demand favored value-oriented offerings, making product affordability, flexible packaging/sizing, and competitive pricing essential for market retention.
- **Corporate Agility:** Businesses adapted by recalibrating inventory levels, restructuring product ranges, and optimising supply chain operations. Predictability in operations became nearly as critical as direct cost reduction.



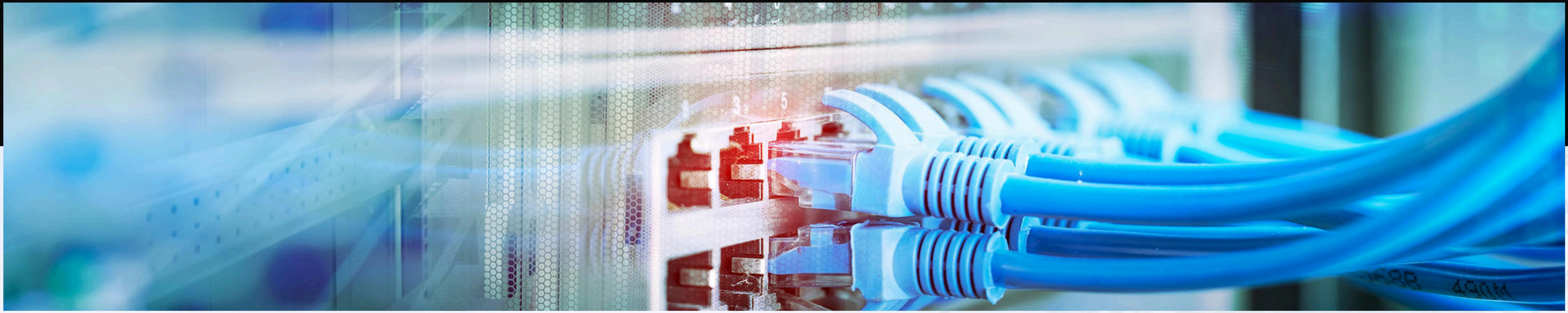
# H2 2026 Outlook & Strategic Imperatives

The second-half outlook for the trade and consumer sector hinges on whether broader macroeconomic stabilization begins to translate into tangible gains for the end consumer.

Key Catalysts for a Demand Recovery:

- **Inflation Moderation:** Easing headline and food inflation to stop real wage erosion.
- **Sustained FX Stability:** Maintaining predictable import pricing for retailers and manufacturers.
- **Real Income Growth:** A gradual recovery in household purchasing power.

Until these macroeconomic conditions take firm root, consumer-oriented businesses are expected to remain anchored to disciplined cost management, inventory efficiency, and value-based product strategies tailored to an increasingly price-conscious market.



# Information & Communications Technology

The Information and Communications Technology (ICT) sector solidified its position as a major driver of Nigeria's economic expansion during the first half of 2026. In Q1, the sector's real output surged by 10.98% year-on-year, accounting for 11.31% of the nation's real GDP.

## KEY TAKEAWAY:

The sector's robust growth highlights its growing structural importance. Digital connectivity has transitioned from an optional service to an essential component of economic activity for businesses, households, and public institutions.

### TELECOMMUNICATIONS & THE DATA-DRIVEN SHIFT

Telecommunications remains the anchor of the ICT sector, contributing 9.19% of the overall GDP. This segment provides the critical digital infrastructure that enables operations across nearly every part of the economy.

- **Data Over Voice:** Industry growth is increasingly fueled by rising demand for data usage and digital services, pivoting away from traditional voice communication.
- **Subscription Growth:** Data from the Nigerian Communications Commission indicated continued expansion in active mobile and internet subscriptions during H1, propelled by sustained demand for broadband access.

# Operating Environment & Structural Headwinds

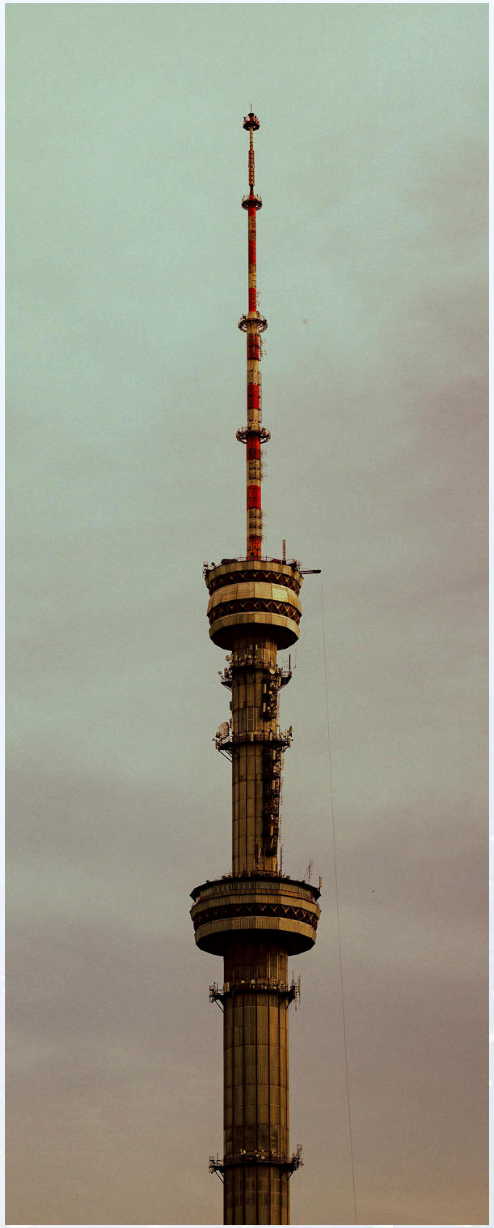
*Despite robust expansion, the ICT sector faces significant structural constraints that inflate infrastructure costs. Resolving these issues is critical for improving service quality and widening broadband access.*

- **Operating Expenses:** High energy costs continue to drastically increase network operating expenses.
- **Infrastructure Risks:** Right-of-way limitations and instances of fibre damage hinder physical network expansion.
- **Fiscal & Currency Pressures:** Multiple taxation and foreign exchange risks associated with importing necessary equipment add layers of cost to infrastructure rollout.

# H2 2026 Outlook & Strategic Imperatives

Moving forward, the ICT sector's ability to stimulate broader economic growth will depend heavily on whether infrastructure investments can keep pace with the accelerating demand for digital services.

The continued expansion of broadband coverage, fibre networks, data centres, and next-generation mobile technologies will be pivotal in driving productivity improvements across the Nigerian economy. Ultimately, wider adoption of these digital solutions will further cement the ICT sector's role as a major driver of Nigeria's long-term growth.



# IRON Capital House View | H2 2026

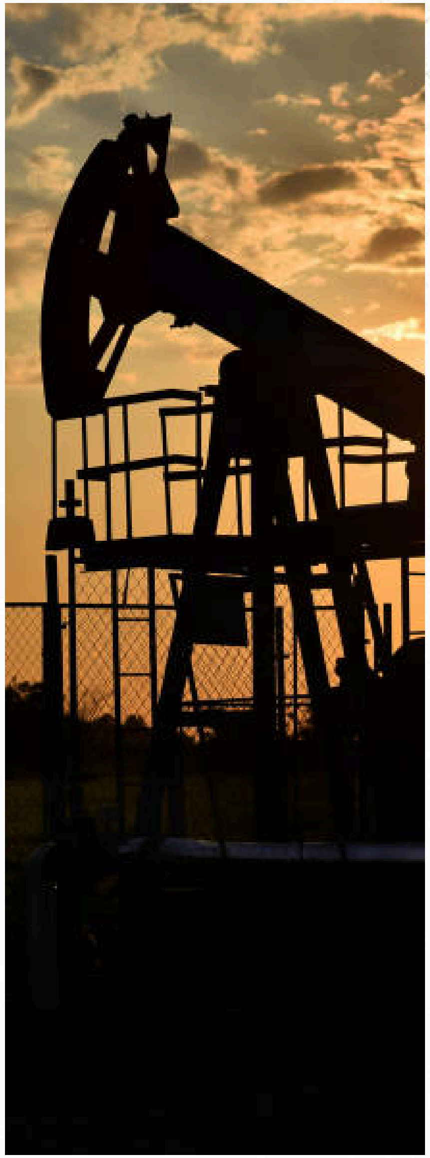
# **MARKET UPDATE** | September 2026

Since the report’s 30 June 2026 data cut-off, Brent crude prices have risen sharply, driven largely by heightened geopolitical and supply-side risks.

The USD70 - 80/bbl House View represents the expected average Brent crude price for H2 2026, rather than a spot-price range or ceiling.

Recent price developments increase upside risk to this range, although the eventual H2 average will depend on the persistence of current price levels over the remainder of the period.

The broader macroeconomic assessment remains unchanged at this stage. For Nigeria, the impact will continue to depend on the interaction between international oil prices and domestic production volumes.



# IRON Capital House View | H2 2026

| Indicator | IRON Capital H2 2026 House View | What Will Drive The Outcome |
|---|---|---|
| **Real GDP Growth** | **4.0% – 4.3%** | Growth is projected to continue being driven mainly by non-oil sectors, with support from Financial Services, ICT, Oil Refining, and selected Manufacturing activities. Whether growth becomes more broad-based in H2 will depend on improving business confidence, higher capital expenditure by firms, and stronger investment activity across productive sectors. |
| **Inflation** | **Gradual moderation, with periodic upside pressures** | Food supply conditions are expected to remain the primary driver of inflation outcomes. Monthly inflation dynamics will also be influenced by weather conditions, transportation costs, energy prices, exchange rate developments, and factors associated with the lead-up to the 2027 election cycle. |
| **Monetary Policy Rate (MPR)** | **Hold** | The Monetary Policy Committee is expected to retain a cautious policy stance as it evaluates inflation trends, exchange rate stability, liquidity conditions, developments in broad money growth, and inflation expectations. A significant policy shift is unlikely unless there is clearer evidence that underlying price pressures are moderating on a sustained basis. |
| **Exchange Rate** | **₦1,350 – ₦1,450/US$** | Exchange rate performance will continue to be shaped by foreign exchange market liquidity, oil export receipts, autonomous inflows, portfolio investment, reserve adequacy, and policy consistency. Market confidence and conditions in global financial markets will also affect sentiment during H2. |

# IRON Capital House View | H2 2026

| Indicator | IRON Capital H2 2026 House View | What Will Drive The Outcome |
|---|---|---|
| **External Reserves** | **USD50 – USD53bn**<br><br>**(floor: ≥ USD45bn)** | External reserves are expected to remain supported by oil and gas exports, increased domestic refining activity, current account trends, and capital inflows. Maintaining reserves above USD45bn would strengthen resilience against external shocks and reinforce confidence in the foreign exchange market. |
| **Oil (Avg.)** | **US$70 – US$80/bbl H2 Average** | Global demand conditions, OPEC+ production policy, geopolitical developments, and additional supply from major producers will continue to shape oil prices. In Nigeria, crude production volumes are likely to be as influential as international prices in determining fiscal and external sector performance. |
| **Equities** | **Positive, increasingly earnings-driven** | Market performance is expected to be increasingly driven by earnings quality, valuation levels, and domestic liquidity conditions. Ongoing participation by institutional investors, alongside improving macroeconomic conditions, should continue to support the market during H2. |
| **Fixed Income** | **Elevated yields expected to sustain demand** | Elevated interest rates are expected to sustain demand for government securities. Inflation expectations, monetary policy decisions, government borrowing requirements, liquidity conditions, and expectations of future policy easing will remain key drivers of investor appetite. |

# Executive Considerations for H2

2026

# A Shifting Macroeconomic Landscape

## KEY TAKEAWAY:

With a more predictable operating environment, stronger market fundamentals, and improving investor confidence, H2 2026 will place a premium on disciplined investment decisions and thoughtful sector positioning. Investment outcomes will be driven primarily by asset allocation choices rather than broad market momentum.

## ASSET CLASS IMPLICATIONS

### 1. Fixed Income Markets

- **Monetary Policy Stance:** The Monetary Policy Committee (MPC) is expected to maintain a cautious stance through much of H2.
- **Yield Environment:** Government securities continue to provide attractive nominal returns.
- **Market Support:** A prolonged policy hold, coupled with moderating inflation and FX stability, will continue to anchor support for fixed-income assets.

### 2. Equity Markets

- **Selectivity Over Momentum:** While equities remain attractive, broad market momentum will no longer drive returns.
- **Key Value Drivers:** Outperformance will be determined by fundamental earnings quality, strict valuation discipline, and targeted sector exposure.

# H2 2026 Allocation Matrix

| Parameter/Asset Class | Expected H2 Condition | Strategic Allocation Imperative |
|---|---|---|
| **Monetary & FX Backdrop** | MPC stance cautious; reserves USD50 – USD53bn (floor: ≥ USD45bn); FX stable | Elevated nominal fixed-income yields continue to present attractive carry opportunities |
| **Fixed Income** | Supported by policy hold and moderating inflation | Higher yields remain supportive of fixed-income positioning, with duration discipline remaining important |
| **Equities** | Driven by earnings quality and valuation discipline | Relative opportunities remain stronger across Financial Services, ICT, Energy and selected Manufacturing segments |
| **Risk Management** | Approaching 2027 election cycle | Portfolio diversification and prudent liquidity buffers remain important as the 2027 election cycle approaches |

# Pivot from Crisis Management to Strategic Growth

Over the past two years, corporate board agendas were understandably consumed by acute macroeconomic shocks—primarily high inflation, extreme foreign exchange volatility, and preserving basic operational continuity. While these factors require ongoing oversight, relative stabilization across key anchors in H2 2026 creates a critical window for boards to pivot from defensive playbooks toward proactive growth, competitiveness, and long-term value creation.

## KEY TAKEAWAY:

As severe macroeconomic headwinds ease, corporate performance can no longer be attributed exclusively to external market conditions. H2 2026 will place a premium on internal execution, disciplined investment decisions, and management's ability to translate improving macro tailwinds into sustainable growth.

## KEY STRATEGIC FOCUS AREAS FOR CORPORATE BOARDS

With exchange rate conditions remaining broadly stable, external reserves projected to hold between USD50 – 53bn (floor: ≥ USD45bn), and headline inflation trending downward (despite an uneven moderation path), boards must refocus governance on core value-creation levers:

- **Capital Expenditure (CapEx) Realignment:** Re-evaluating expansion projects, facility upgrades, and capital deployment plans deferred during high-volatility periods.
- **Business Model & Market Expansion:** Assessing the adequacy of existing business models in a stabilizing economy and identifying new market growth opportunities.
- **Digital Transformation Acceleration:** Investing in digital capabilities to build long-term operational efficiency, agility, and competitive advantage.

# Medium-Term Risk Governance: Approaching the 2027 Political Horizon

While the immediate economic environment is stabilizing, boards must ensure medium-term planning accounts for upcoming political dynamics as Nigeria approaches the 2027 election cycle.

**Governance & Planning Imperatives:**

- **Scenario Planning:** Stress-testing operational and financial models against potential political and policy shifts.
- **Liquidity Management:** Ensuring robust liquidity buffers are maintained to shield operations from potential pre-election market uncertainty.
- **Policy Continuity Assessments:** Evaluating regulatory and economic policy continuity to safeguard medium-term strategic investments.

# H2 2026 Strategic Execution Matrix

| Strategic Horizon | Governance Imperative | Core Management Action |
| --- | --- | --- |
| **Immediate (H2 2026)** | Shift from operational defense to market execution | Deploy CapEx, accelerate digital initiatives, and optimise business models |
| **Medium-Term (2026–2027)** | Prepare for political cycle dynamics | Incorporate scenario planning, assess policy continuity, and maintain liquidity |
| **Performance Benchmark** | Management accountability for growth outcomes | Convert macro stability into measurable market share gains and profitability |

# Recalibrating Strategic Baseline

The macroeconomic outlook for H2 2026 provides finance leaders with a critical window to reassess the core assumptions driving corporate budgeting, liquidity management, and capital planning. For CFOs and financial executives, the operational mandate is shifting from managing acute uncertainty to improving structural preparedness.

## KEY TAKEAWAY:

Organizations that periodically test their planning assumptions against evolving macroeconomic realities will avoid frequent mid-year budget revisions, protect operating margins, and remain better positioned to deploy capital into emerging opportunities.

## CORE BASELINE PLANNING ASSUMPTIONS (H2 2026)

Finance teams should benchmark their financial models and forecasting scenarios against the following macroeconomic anchors:

- **Exchange Rate Expectations: ₦1,350 – ₦1,450 / US$**
- **Average Crude Oil Prices: Planning assumption (conservative case) of USD 65–75/bbl against a house view of USD 70–80/bbl.**
- **Monetary Policy Stance:** Projected policy hold by the MPC, sustaining elevated baseline interest rates.
- **Inflation Trajectory:** Gradual moderation, though operating expenses remain exposed to food prices, transport costs, domestic energy pricing, and pre-election dynamics approaching 2027.

# Key Financial & Operational Levers Impacted

These baseline metrics directly influence capital structure and day-to-day corporate operations beyond mere financial modeling:

**1. Capital Structure & Leverage Discipline**

- **Elevated Borrowing Costs:** With high interest rates expected to persist through much of H2, finance leaders should adopt a measured approach to debt and leverage.
- **Cash Flow Alignment:** Investment decisions and capital commitments must be strictly aligned with realistic, expected cash flow generation.
- **FX Obligations:** Businesses with significant import requirements or foreign-currency exposure must maintain disciplined hedging and liquidity buffers despite recent FX market stabilization.

**2. Operational Cost & Working Capital Management**

- **Working Capital & Inventory:** High financing costs necessitate tight inventory optimisation, strategic pricing reviews, and disciplined working capital management.
- **Energy & Refined Product Dynamics:** Evolving domestic refining capacity and shifts in petroleum pricing directly affect transport and energy overhead across all industries.

# CFO Strategic Execution Matrix

| Planning Focus | Macro Assumption/Constraint | Strategic Action for Finance Leaders |
|---|---|---|
| **Budgeting & Modeling** | FX: ₦1,350 – ₦1,450/US$ \| Oil: USD 65–75/bbl (conservative case) against a house view of USD 70–80/bbl | Stress-test financial forecasts against energy cost volatility and FX swings |
| **Capital Structure** | High interest rates persist via policy hold | Limit unhedged leverage; preserve liquidity buffers; enforce cash flow matching for CapEx |
| **Working Capital** | Gradual (not abrupt) household demand recovery | optimise inventory levels and refine pricing strategies to protect operating cash flow |
| **Strategic Focus** | Easing of acute macro shocks | Transition finance function from reactive crisis management to proactive preparedness |

# Transition to Differentiated Markets

The exceptional broad-based performance recorded across domestic financial markets in H1 2026 is unlikely to repeat uniformly in the second half of the year. While the macroeconomic backdrop remains broadly supportive, market drivers are shifting from a tide-lifting recovery to a highly differentiated, stock-picker's environment.

## KEY TAKEAWAY:

As markets transition away from broad recovery momentum, investment returns will be dictated by company-specific fundamentals, asset quality, and sector positioning. Investors must pivot toward disciplined portfolio construction and selective asset allocation.

## SHIFT IN EQUITY & FIXED INCOME DYNAMICS

### 1. Equity Market Realities (Post-H1 Surge)

- **H1 Performance Benchmark:** The Nigerian Exchange (NGX) posted impressive gains **exceeding 47% in H1 2026**, driven by strong corporate earnings, improved market sentiment, and resilient domestic institutional participation.
- **H2 Return Determinants**: Broad market momentum will fade. Future equity outperformance will depend on five core corporate pillars:
    - **Earnings Quality**
    - **Balance Sheet Strength**
    - **Governance Standards**
    - **Asset Liquidity**
    - **Strategic Execution Consistency**

### 2. Fixed Income Dynamics

- **Policy Support:** The Monetary Policy Committee's (MPC) cautious stance will continue to anchor demand and sustain attractive yields across fixed-income instruments.

# Sector Opportunities & Portfolio Risk Factors

**Sector Positioning:**

- **Financial Services:** Continues to benefit from deepening financial intermediation, higher transaction volumes, and favorable operating conditions.
- **Information & Communications Technology (ICT):** Growth remains fundamentally supported by accelerating digital adoption and enterprise data demand.
- **Energy & Manufacturing:** Selective opportunities will emerge as operating conditions stabilize and capital investment expands.

**Exogenous & Medium-Term Risk Factors:**

- **Global Portfolio Flows:** Shifts in global financial conditions and interest rate differentials affecting emerging and frontier market liquidity.
- **Pre-Election Cycle:** Emerging expectations and strategic positioning surrounding Nigeria's 2027 election cycle.

# Investor Portfolio Strategy Matrix

| Investment Pillar | Market Condition/Shift | Investment Implications |
|---|---|---|
| **Market Phase** | Transition from broad recovery to selective valuation | Company-specific stock selection is increasingly favoured over broad market exposure |
| **Equities** | Post-47% NGX rally; performance decoupling | Greater emphasis on firms with strong balance sheets, earnings quality and governance |
| **Fixed Income** | Persistent cautious MPC monetary policy stance | Elevated yields continue to support fixed-income exposure, alongside liquidity considerations |
| **Sectors** | Differentiated fundamentals across industries | Financial Services and ICT remain relatively well positioned, with selective opportunities across Energy and Manufacturing |
| **Risk Management** | Global liquidity friction & 2027 election dynamics | Disciplined portfolio construction, diversification and a long-term value focus remain important |

# Management Teams Should Prepare for a More Competitive Environment

In H2, greater emphasis is expected to shift towards competitiveness and the ability of businesses to convert a more supportive operating environment into sustainable growth. While broader conditions may provide a more stable foundation, existing challenges remain.

Differences in business performance are therefore expected to become more visible, with companies within the same sector likely to experience varying outcomes. Market positioning, pricing strategies, technology adoption, customer retention, and the effectiveness of capital allocation are expected to become increasingly important drivers of performance.

Consumer-facing businesses will continue to operate in an environment where affordability and value proposition remain critical considerations. At the same time, sectors such as Financial Services, ICT, and selected areas of Manufacturing may be better positioned to capture emerging opportunities through scale, innovation, and improved execution.

The operating environment is becoming more stable, but competition is expected to intensify. H2 should provide greater clarity on which businesses are best positioned to leverage changing conditions and deliver sustained commercial performance.

# Election Preparedness Should Begin Now

Although the 2027 general elections are scheduled for early 2027, their influence on business and investment decisions is expected to become more evident during H2 2026. Financial markets and businesses rarely wait until polling begins to adjust expectations. Historically, election cycles have influenced capital flows, investor sentiment, and perceptions of policy continuity.

As the election period draws closer, political developments are likely to receive greater attention, particularly in relation to long-term investment decisions. Capital expenditure programmes, infrastructure investments, and strategic initiatives with multi-year payback periods are often evaluated more carefully as political uncertainty gradually increases. The objective is not necessarily to delay investment, but to ensure that planning assumptions adequately reflect a broader range of potential outcomes.

Market participants are also expected to focus more closely on policy signals over the coming quarters. Questions surrounding reform continuity, fiscal priorities, and the direction of economic policy are likely to become increasingly important, particularly for investors allocating capital across emerging and frontier markets.

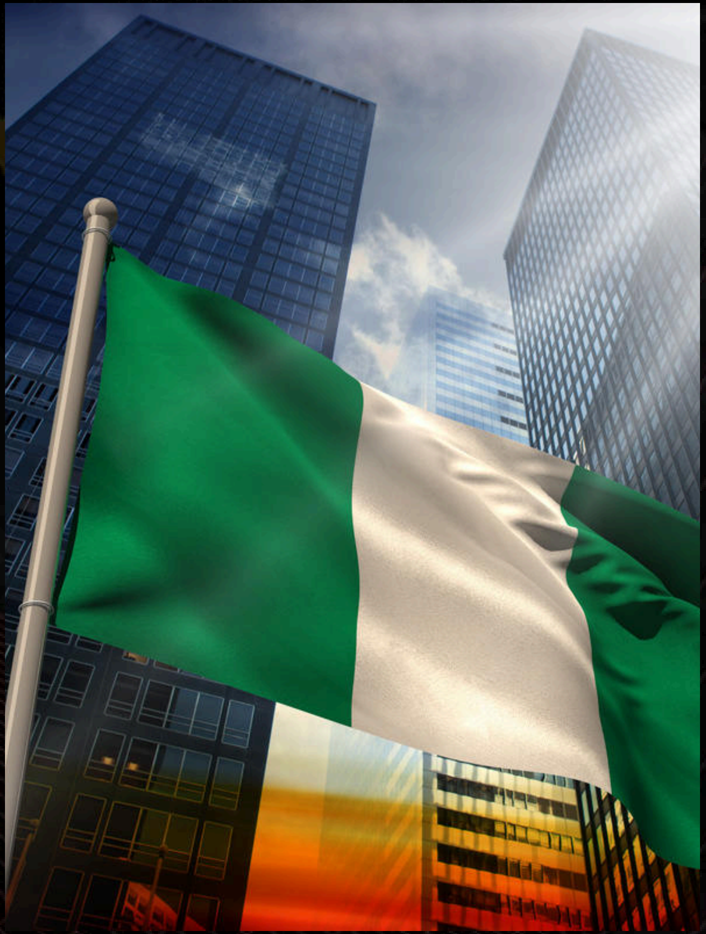
With the elections approaching, preserving policy credibility, investor confidence, and the momentum of recent economic reforms will become increasingly important. Maintaining consistency in the policy environment should help sustain investment, capital formation, and private sector activity through the election period.

# IRON Capital | H2 2026 State of Play

- **Improved Macroeconomic Foundation:** Nigeria enters the second half of 2026 with enhanced macroeconomic stability, stronger financial market confidence, and early positive outcomes from structural adjustments made over the past two years.

- **Focus on Broad-Based Growth:** While initial stabilization has been achieved, recent growth has been too concentrated. The next phase of recovery must focus on broadening growth to meaningfully improve employment, household incomes, and domestic demand.

- **Policy and Business Execution:** The policy focus is shifting toward consistency, implementation, and sustaining reform momentum. Simultaneously, businesses and investors must prioritize execution, competitiveness, and disciplined capital allocation as market performance becomes more differentiated.

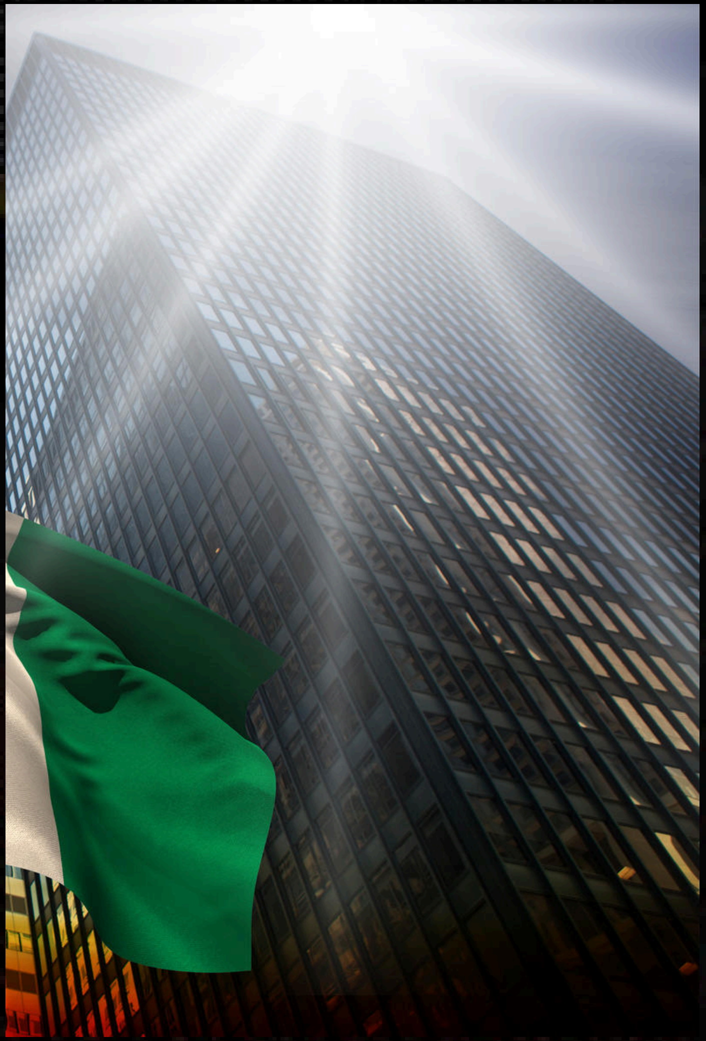


# IRON Capital | H2 2026 State of Play

- **External Risks & Elections:** Global financial conditions, capital flows, oil prices, and the approaching 2027 election cycle remain key considerations. Sustaining policy continuity will be critical for maintaining investor confidence as these elections draw closer.

- **IRON Capital Projections:** The firm's house view is one of cautious optimism, anchored by the following baseline forecasts:
    - **Real GDP Growth:** 4.0% – 4.3%
    - **Exchange Rate:** N1,350 – N1,450/US$
    - **External Reserves:** USD 50bn – USD 53bn
    - **Brent Crude (H2 Average):** USD 70 – USD 80/bbl
    - **Inflation:** Moderating, though along an uneven path

- **Conclusion:** While the platform for growth is much stronger than in recent years, long-term success is now highly dependent on execution—specifically the ability to translate baseline stability into sustained private sector activity, higher investment, and durable economic expansion.



# Disclaimer

This publication has been prepared by **IRON Capital Partners Limited** and is intended solely for informational purposes.

The views expressed herein represent IRON Capital's assessment as of the date of publication and are subject to change without notice. The projections, estimates and opinions contained in this report are based on information believed to be reliable; however, IRON Capital does not guarantee their accuracy or completeness.

This publication should not be construed as investment, legal, tax or other professional advice, nor does it constitute an offer or solicitation to buy or sell any financial instrument or security. Readers should undertake their own independent assessment and seek appropriate professional advice before making investment or business decisions.

Past performance is not indicative of future results. Economic and market developments are inherently uncertain, and actual outcomes may differ materially from the views expressed in this publication.

IRON

Corporate Finance | Financial Advisory | Capital Markets | Asset Management | Multi-Family Office (Dubai)

www.iron.africa