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Research Note

September FX Market Report

Naira Draws Strength from Strong FPI Inflows and CBN Interventions

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Highlights

- In September 2025, The naira continued to rally, breaking off from the N1,500/$ band at both the official and parallel market. The naira appreciated by 381bps and 397bps at the NFEM and parallel window to settle at N1,475.35/$ and N1,485.00/$, respectively. The stronger naira reflects increased market confidence which lowered speculative demand and complemented by CBN's sustained intervention.

- Nigeria's external reserves maintained it's upward trajectory in September, climbing to $42.33bn on September 20, 2925, the highest since September 2019. The growth came from increased FPI inflows, trade surplus, and concessionary loans from World bank.

- The recent rally in Nigeria's FX reserves is commendable; however, its sustainability remains uncertain as the underlying drivers appear largely temporary. The CBN's recent dovish stance could taper foreign portfolio inflows as investors rebalance toward higher-yielding emerging markets. Nigeria's primary FX earner, crude oil faces persistent volatility, with prices hovering around $65–$67/b, well below the $75/bbl budget benchmark. While the modest recovery in oil production to above 1.5mbpd offers some cushion, the outlook remains fragile, hinging on improved export receipts and stable inflows to sustain reserve accretion

N1,475.35/$
MoM: -3.81%
NFEM (Sept 30, 2025)

N1,485.00/$
MoM: -3.97%
BDC Rate (Sept 30, 2025)

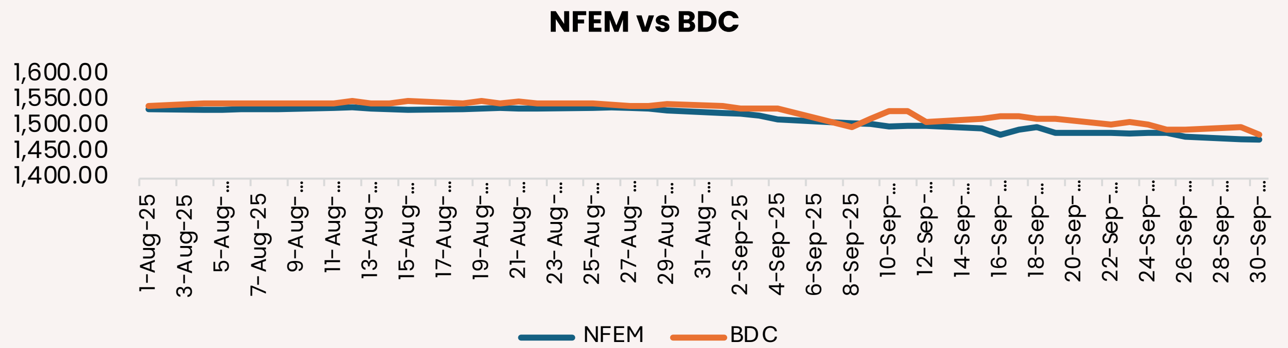
N1,521.35/$
August: 1,537.61/$
Highest NFEM (Sept 2025)

N1,475.35/$
August: 1,531.57/$
Lowest NFEM (Sept 2025)

US$42.33bn
MoM: +2.57%
Foreign Reserves (Sept 30, 2025)

N95.14bn
MoM: +88.47%
Equity Foreign Inflows (Aug 30, 2025)

Exchange Rate Trend



Source: Team Analysis, CBN, NBS, FMDQ, Rate captain
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Anchors

CBN Actions

- CBN intervened with $574m in August 2025, 76% higher than $326m in July. We estimate CBN spent around $550m in September.
- Elevated rate despite 50bps Monetary Policy Rate cut to 27%

FX Inflows

- FX Reserves grew by 2.57% to $42.33bn on September 30, 2025.
- Trade Surplus of N5.17trn in Q1 2025
- Oil price stayed above $60/b in September 2025.
- Remittances rose by 43% to $107.55m in August and is estimated to hover around $110m -$120m for September.

Payoffs

Lower Import-price shocks

- Stronger naira supported slower price level increase, with headline CPI easing to 20.12% in September 2025.

Increased Investor Confidence

- Naira stability stirred positive foreign perception with foreign inflows into equity rose by 88% to N95.14bn in August, alongside strong fixed income inflows.

Cheaper Debt Servicing

- Naira appreciation will reduce the translation cost of external debt repayments.

Outlooks

Headwinds

- Foreign earnings vulnerable to volatile oil prices
- November Eurobond Maturity could slow reserve accretion.
- Potential rise in foreign goods demand given stable naira
- CBN aggressive rate cut might reverse FPI inflows

Tailwinds

- OPEC's lower-than-expected production increase for November would increase oil prices.
- Increased activity in Naira-Yuan Swap and Peer-2-Peer trade.
- Trade tariff negotiations and US shutdown might continue to weigh on dollar dominance and strength.
- CBN maintains timely intervention
- Persistence of foreign reserves rapid accretion

In October, the naira's stability could face mild pressure from expected **rapid monetary easing**, but rising reserves, recovering oil prices, and CBN interventions should provide cushion.

We expect naira to maintain a tight trading band in October 2025, averaging N1,490–N1,500/$ at the official window (NFEM) and N1,495–N1,510/$ at the BDC. Ongoing CBN interventions and reserve accretion should anchor market stability.

Source: Team Analysis, CBN, NBS.

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