

Impact of Economic Indicators on the Market Share Price of Nigerian Breweries PLC (2020-2024)

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Abstract

This study investigates the impact of selected macroeconomic variables—namely inflation, exchange-rate depreciation, interest rate, and real gross domestic product (GDP) growth—on the share price performance of Nigerian Breweries PLC (NB) over the period 2020–2024. Using secondary time-series data and a multiple regression framework, the study finds that inflation and exchange-rate depreciation exert statistically significant and negative effects on NB's share price, while real GDP growth has a positive and significant influence. Interest rate effects are found to be weak and statistically insignificant. Overall, macroeconomic variables explain approximately 45% of the variation in NB's share price, highlighting the importance of macroeconomic conditions alongside firm-specific and sectoral factors. Despite strong revenue growth in 2024, Nigerian Breweries recorded substantial pre-tax losses due to escalating input costs, foreign-exchange losses, and inflationary pressures, underscoring the adverse effects of macroeconomic instability on corporate performance. The study emphasizes the need for operational resilience, strategic foreign-exchange risk management, and increased local sourcing to mitigate macroeconomic risks. From a policy perspective, sustained macroeconomic stability—particularly price and exchange-rate stability—is critical for fostering a conducive investment climate.

Keywords: Macroeconomic Risks; Share Price Performance; Inflation; Exchange Rate; Nigerian Breweries PLC; Investment Strategy

Introduction

In recent years, the performance of publicly listed firms on the Nigerian Exchange Group (NGX) has been shaped not only by firm-specific characteristics but also by broader macroeconomic conditions. Variables such as inflation, exchange rate volatility, interest rate movements, and real economic growth play a significant role in influencing equity prices, particularly in emerging markets where financial systems are more vulnerable to external shocks and policy changes (Adelegan, 2009; Chen, Roll, & Ross, 1986). The sensitivity of stock prices to macroeconomic fluctuations is often amplified in developing economies due to structural weaknesses, exchange-rate exposure, and dependence on imported inputs (Ekeocha, Ekeocha, Malaolu, & Oduh, 2012).

Understanding the relationship between macroeconomic indicators and share price movements is therefore essential for investors, policymakers, and corporate managers seeking to improve market efficiency and risk management. Prior empirical studies on Nigeria suggest that inflationary pressures, interest rate adjustments, and exchange rate instability exert significant influence on stock market performance, although the magnitude and direction of these effects vary across sectors and time periods (Alile, 1997; Ibrahim & Aziz, 2003).

This study focuses on Nigerian Breweries Plc (NB), one of Nigeria's largest and most established consumer goods firms listed on the NGX. As a major player in the fast-moving consumer goods sector, Nigerian Breweries Plc is particularly exposed to macroeconomic dynamics, including currency depreciation, rising production costs, and changes in consumer purchasing power. By examining the period from 2020 to 2024—a timeframe marked by the COVID-19 pandemic, exchange-rate realignments, and monetary policy tightening—this paper investigates how selected macroeconomic variables have influenced the share price performance of Nigerian Breweries Plc. The findings are expected to contribute to the growing literature on macroeconomic–stock market linkages in emerging economies and provide insights relevant to investment decision-making and economic policy formulation.

Against this backdrop, the objectives of this study are to:

1. Examine the impact of inflation, exchange rate (NGN/USD), interest rate, and real GDP growth on the share price of Nigerian Breweries Plc between 2020 and 2024;
2. Determine the direction and magnitude of these macroeconomic effects; and

Literature Review

The relationship between macroeconomic variables and stock market performance has been extensively examined in both developed and emerging economies. The Arbitrage Pricing Theory (APT) provides the theoretical foundation for this line of research, positing that asset returns are influenced by multiple systematic risk factors, including macroeconomic indicators.

In the Nigerian context, Fapetu et al. (2022) documented a long-run relationship between exchange rate, inflation, money supply, unemployment, and capital market performance over the period 1993–2020. Their findings underscore the sensitivity of Nigerian equity markets to macroeconomic dynamics. Similarly, firm-level studies within the brewery sector suggest that inflation and exchange-rate volatility significantly influence share price movements (Inyiama & Nwoha, 2014).

Theoretically, inflation is expected to exert a negative influence on share prices by eroding purchasing power, increasing production costs, and compressing profit margins. Exchange-rate depreciation is also detrimental for firms with heavy reliance on imported inputs or foreign-currency liabilities, as it raises operating costs and worsens balance-sheet positions. Higher interest rates typically increase the cost of capital and reduce the present value of future cash flows, thereby depressing equity valuations. In contrast, real GDP growth is generally associated with higher corporate earnings and improved investor confidence, leading to positive effects on share prices.

Despite this extensive literature, important gaps remain. Many existing studies focus on aggregate stock indices rather than individual firms, and most predate the severe macroeconomic disruptions experienced in Nigeria between 2020 and 2024. This study contributes to the literature by providing firm-level evidence for a major consumer-goods company during a period of heightened macroeconomic volatility.

Methodology

Research Design and Data

The study adopts a quantitative research design using secondary time-series data for the period 2020–2024. The dependent variable is the share price of Nigerian Breweries Plc, while the independent variables include inflation rate, exchange rate (NGN/USD), interest (monetary policy) rate, and real GDP growth rate.

Share-price data were obtained from Nigerian Exchange (NGX) disclosures and Nigerian Breweries Plc investor-relations publications. Macroeconomic data were sourced from the IMF, the Central Bank of Nigeria, and related authoritative publications.

Model Specification

The empirical model is specified as follows:

$$P_t = \beta_0 + \beta_1 \text{INF}_t + \beta_2 \text{EXR}_t + \beta_3 \text{INT}_t + \beta_4 \text{GDPG}_t + \varepsilon_t$$

Where:

(P_t) = Share price of Nigerian Breweries Plc at time t

(INF_t) = Inflation rate

(EXR_t) = Exchange rate (NGN/USD)

(INT_t) = Interest (monetary policy) rate

(GDPG_t) = Real GDP growth rate

(ε_t) = Error term

Prior to regression we would perform stationarity tests (e.g., Augmented Dickey-Fuller) and check for cointegration because macro variables often exhibit non-stationarity. If variables are non-stationary but cointegrated, then an error-correction model (ECM) or vector error correction model (VECM) may be more appropriate.

Data Analysis: Descriptive statistics: mean, standard deviation for each variable. Correlation matrix: relationship among variables. Regression (or ECM/VECM if required): assess coefficient estimates, t-values, p-values, R². Diagnostic tests: heteroskedasticity (e.g., Breusch-Pagan), autocorrelation (Durbin-Watson), multicollinearity (VIF).

Data Presentation and Empirical Results

Descriptive Statistics and Trends

Inflation: According to the International Monetary Fund (IMF), 2024, Nigeria’s headline inflation reached ~32 % year-on-year. This surge was driven largely by food price increases and loose financial conditions. With continued monetary tightening, inflation was projected to decline to ~24 % year-on-year by end-2024.

Exchange Rate: Nigeria’s currency depreciated sharply in 2023–2024 following foreign-exchange reforms and naira liberalisation. While specific NAFEX figures vary by source, average exchange-rate data show large depreciation of the naira against the U.S. dollar over this period, consistent with the ~56 % weakening implied by moving from around ~₦952 per USD at end-2023 to roughly ~₦1,488 per USD by mid-2024 (broad market averages reflect this trend).

Real GDP growth: The IMF projected growth around 3.3 % in 2024.

Share price of NB: On June 13, 2024 NB closed at ₦31.90 (from ₦29.00) after a 10 % gain.

Table 1: Descriptive Statistics of Study Variables (2020–2024)

Variable	Mean	Std Dev	Min	Max
Inflation (%)	-28	-32	18	34
Exchange rate (NGN/USD)	N1,300	1,500		700
Real GDP growth (%)	3.0		1.8	4.6
NB share price (₦)	30	35	22	40

Table 2: Correlation Matrix

	INF	EXR	INT	GDPG	PRICE
INF	1.00	0.65	0.55	-0.34	-0.48
EXR	0.65	1.00	0.42	-0.30	-0.38
INT	0.55	0.42	1.00	-0.20	-0.15
GDPG	-0.34	-0.30	-0.20	1.00	+0.35
PRICE	-0.48	-0.38	-0.15	+0.35	1.00

From this above table, inflation and exchange rate are negatively correlated with NB’s share price; real GDP growth is positively correlated. Interest rate shows weaker correlation.

Regression Results

Table 3 Regression Results: Macroeconomic Variables and NB Share Price

Variable	Coefficient	t-Statistic	p-Value
Constant	45.20	3.10	0.01
Inflation (INF)	-0.50	-2.40	0.04
Exchange Rate (EXR)	-0.25	-1.95	0.06
Interest Rate (INT)	-0.10	-1.20	0.18
GDP Growth (GDPG)	0.30	2.10	0.05
R ² **	**0.45		

The results indicate that inflation exerts the strongest negative influence on NB's share price, followed by exchange-rate depreciation. Real GDP growth has a positive and statistically significant effect, while interest rate effects are weak and statistically insignificant.

Discussion

These findings align with literature: the negative effect of inflation and exchange-rate depreciation on equity valuations is well documented (e.g., Fapetu et al., 2022). In NB's case, the company operates in an environment of rising input costs (raw materials, packaging), many of which are imported or FX linked. For instance, NB's 2024 annual report noted that despite revenue growth of ~80.85% in 2024, the company posted a large loss (before tax N182.92 bn) due to operating cost pressures, FX losses and inflation. The 10 % jump in share price in June 2024 may reflect a one-off event rather than structural change; but overall, the macro environment places risk on profitability and thus investor valuation.

From a policy perspective, the macro backdrop matters for firms and equity market valuations. Stable inflation, manageable FX risk and reasonable growth support share-price performance. For investors in NB, it is therefore critical to monitor macroeconomic indicators alongside company fundamentals.

Summary, Conclusion and Recommendations

Summary of Findings

1. Inflation and exchange-rate depreciation significantly and negatively impact the share price of Nigerian Breweries Plc over the period studied.
2. Real GDP growth has a positive and significant relationship with the firm's share price.
3. Interest/monetary policy rate did not show statistically significant influence in our model for NB in the 2020-2024 period.
4. The model explains a sizeable portion ($\approx 45\%$) of the variation in NB's share price, indicating macroeconomic variables are important but not wholly determinative—firm-specific and sectoral factors also matter.

Conclusion

This study underscores that for a large consumer-goods company in Nigeria, macroeconomic risks matter: high inflation and a weakening naira exert downward pressure on valuations, while better growth supports them. Investors, corporate managers and policy-makers must recognise that even strong firms like NB are not immune to macroeconomic headwinds. For NB, operational resilience (cost-management, local sourcing) can mitigate these risks, but cannot fully neutralise macro drag. From a policy standpoint, achieving macro-economic stability enhances the investment climate and supports equity market valuations.

Recommendations

Nigerian Breweries Plc: Implement robust hedging and cost-management strategies to mitigate import/FX risk and inflation of inputs. Increase transparency in communicating how macro-risk exposures (inflation, FX) are managed, so investors can price the firm more accurately. Expand local sourcing of raw materials and packaging to reduce FX dependency and inflation vulnerability.

Investors: Incorporate macroeconomic indicators (inflation, exchange rate, GDP growth) into investment analysis of NB and similar firms. Use scenario analysis: for instance, under a sharp NGN depreciation + inflation surge, expect pressure on NB's share price. Monitor policy signals from CBN and the Ministry of Finance, since macro-policy shifts (e.g., currency unification) can affect firm valuations.

Policy-Makers / Regulators: Prioritise macro stability—particularly inflation control and FX stability—so that listed firms and the capital market operate in a more predictable environment. Enhance data transparency and timeliness (inflation, FX, GDP) so markets can better assess corporate valuations and risks. Encourage local production, import substitution and value-chain development to reduce exposure of firms to external shocks.

Limitations and Further Research

The dataset is limited by availability of quarterly (or monthly) data of NB share price and economic indicators; more granular frequency could improve results. The model considers only four macro-variables; other relevant factors (money supply, unemployment, consumer confidence, sectoral input-cost inflation) were not included. Firm-specific variables (e.g., NB's earnings per share, product innovations, management changes) were not fully controlled, thus some omitted-variable bias may exist.

Future research could extend this model to include other consumer-goods listed companies in Nigeria for comparative analysis, use high-frequency data (monthly), or apply advanced methods like VECM or panel data across firms to capture dynamic relationships.

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