

Inflation and market value of listed consumer goods companies in Nigeria

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Abstract

Purpose: This study examined the effect of inflation on market value of listed consumer goods companies in Nigeria.

Methodology: An *ex-post facto* research design was adopted, using secondary data obtained from the annual reports of CGC listed on the Nigerian Exchange Group (NGX), publications of the Central Bank of Nigeria and the National Bureau of Statistics, covering the period 2012–2024. The population consists of all 21 CGC listed. Applying a filter sampling technique, a final sample of 18 firms were selected. Multiple data regression was employed to analyse the data collected.

Results and Conclusion: The findings revealed that inflation rate has a negative and significant effect on share price, indicating that rising inflation reduces investor confidence and firm value. Interest rate has negative and insignificant effect on share price of CGC in Nigeria, suggesting a weak influence on market value during the study period. Exchange rate exhibited a positive and significant effect on share price, implying that exchange rate movements significantly influence stock market performance. GDP growth had a positive and insignificant effect on share price of listed CGC in Nigeria, indicating that economic growth alone does not strongly determine firm valuation in the consumer goods sector. The study concluded that inflation significantly influences the market value of listed CGC, with inflation rate and exchange rate emerging as the major determinants of share price movements.

Implication of findings: Supporting Cost-Push Inflation Theory, inflation and exchange rate movements drive valuations, requiring CGC to manage cost pressures and currency risks.

Keywords: Exchange rate, gross domestic product, inflation rate, interest rate, share price.

JEL Classification: E31, G12, F31

1. Introduction

Inflation, which connotes a persistent rise in the general prices of goods as well as services over time, remains one of the major economic challenges confronting countries around the world. Its effects are often more pronounced in developing economies such as Nigeria, where high inflation can undermine macroeconomic stability and reduce firms' profitability. Over the years, Nigeria has witnessed recurring episodes of inflation determined by a combination of factors, as well as supply shortages, fluctuations in international oil prices, and domestic monetary policy actions. These inflationary pressures have continued to exert significant influence on the country's economic environment and the performance of businesses operating within it (Anidiobu et al., 2018).

The April 2024 Consumer Price Index (CPI) as well as Inflation Report released by the National Bureau of Statistics (NBS) disclosed that inflation in Nigeria continued its upward trajectory, reaching a 19-year high of 33.69% in April 2024, compared with 22.22% recorded during the corresponding period in 2023. This represents an increase of 11.47 percentage points on a year-on-year basis. The report further indicated that food inflation stood at 40.53% in April 2024, reflecting substantial increases in the prices of staple food items such as millet flour, garri, bread, pre-packaged wheat flour, and semolina. The persistent rise in food prices was largely attributed to disruptions in global supply chains and escalating transportation costs following the withdrawal of the fuel subsidy in May 2023. These developments have intensified inflationary pressures, reduced consumers' purchasing power, and created additional challenges for businesses operating within the Nigerian economy (Abu, 2024).

The price increases were further intensified by pressures from foreign exchange due to the Central Bank of Nigeria's declaration of the merger of all exchange rate windows in June 2023, alongside other related government policy measures. The resulting expansionary environment has exerted considerable pressure on businesses, particularly Consumer Goods Companies (CGC), by increasing production and distribution costs while weakening consumers' purchasing power. Consequently, the boost in transportation expenses as well as the considerable increase in the cost of goods as well as services have adversely affected the operational efficiency and profitability of firms within Nigeria's consumer goods sector (Abu, 2024).

Macroeconomic variables, including inflation rates, interest rates, exchange rates, as well as gross domestic product, performs an essential role in transforming stock market performance as well as influencing investors' decisions. Inflation, for instance, erodes consumers' purchasing power and often raises production and operating costs for firms, which can weaken corporate profitability and diminish investor confidence in the market (Effendi et al., 2022). Similarly, interest rates serve as important monetary policy tools that influence the cost of borrowing as well as the attractiveness of investment alternatives. An increase in interest rates tends to lower the present value of anticipated future cash flows, making equities less appealing to investors and potentially reducing demand in the stock market (Ayoade et al., 2024).

Exchange rate movements also have important implications for business performance, especially in Nigeria that is developing economies, where many consumer goods companies rely heavily on imported raw materials and production inputs. A depreciation of the domestic currency raises the cost of these imports, leading to higher production expenses and reduced profit margins. Such developments can adversely affect firms' financial performance and, consequently, exert downward pressure on their stock prices (Aziz & Sofa, 2023). According to Sukirno (2013), Gross Domestic Product (GDP) functions as an essential parameter of a nation's economic performance together with overall development. Sustained growth in GDP signifies an expansion in production activities, increased income generation, and standard of living improvements of the population. GDP per capita, computed by the ratio of a country's total GDP to its population size, is commonly used to appraise the average economic well-being of citizens. An increase in GDP per capita generally reflects improved living conditions, greater economic prosperity, lower levels of poverty, and a reduction in unemployment, thereby indicating enhanced welfare within the society.

The capital market performs a critical role in promoting economic growth by converting savings into productive investments as well as ensuring the efficient allocation of financial resources. Through this mechanism, businesses gain access to long-term funds needed for expansion and value creation, while investors are provided with opportunities to earn returns on their investments. Share prices, in particular, serve as an important assessment of a firm's market value because they embody investors' prospects concerning the company's future profitability, growth, and the overall stability of the macroeconomic environment. For listed firms on the stock exchange, the value attributed by the market is largely reflected in their share prices, making them a key indicator of shareholder wealth and an essential benchmark for assessing corporate performance (Effendi et al., 2022).

In spite of its importance to economic development, the Nigerian economy has continued to grapple with persistent inflationary pressures, exchange rate instability, and episodes of monetary tightening. These macroeconomic disturbances have often been accompanied by fluctuations in the share prices of selected consumer goods firms on the Nigerian Exchange Group (NGX). These firms are significantly vulnerable to changes in the macroeconomic environment because their operations largely depend on consumers'

purchasing power and, in many cases, imported raw materials and production inputs. Consequently, rising inflation and changes in interest rates can alter production costs, consumer demand, and financing conditions, thereby affecting firms' performance and market valuation. Empirical evidence has shown that interest rate and inflation dynamics significantly influence corporate performance in Nigeria (Ayoade et al., 2024), while exchange rate movements and inflation variations have also been discovered to considerably affect stock prices in emerging economies (Aziz & Sofa, 2023).

Although, numerous studies have assessed the connection among individual macroeconomic indicators as well as measures of firm performance or value, there remains a paucity of evidence that jointly examines the effects of interest rate, inflation rate, exchange rate, and Gross Domestic Product (GDP) on the share prices of consumer goods enterprises in Nigeria. Most extant studies have concentrated on selected variables in isolation, leaving a gap in understanding the combined effect of these key macroeconomic elements on market value. However, this study aims to determine whether interest rate, exchange rate, inflation rate, as well as Gross Domestic Product significantly affect the market value, proxied by share price, of Nigerian consumer goods companies.

The remainder of this paper is organised as follows. Section 2 provides a comprehensive literature review on the effect of inflation on share price on listed consumer good companies in Nigeria. Section 3 explores the methodology used in the study. Section 4 presents the result of the study followed by the discussion. Section 5 offers conclusion and recommendations.

2. Literature review

Inflation Rate

Inflation is the persistent rise in the general prices of goods as well as services, reducing the purchasing power of money. It is a major macroeconomic challenge affecting Nigeria's economic growth and stability (Okeke, 2024; Ramalan et al., 2025). The sector-consumer goods, is particularly vulnerable due to its significant input to employment, investment together with GDP. Inflation in Nigeria is driven by factors such as exorbitant government spending, mounting import costs, as well as supply-side restrictions. Cost-push inflation arises from higher production costs, while demand-pull inflation happens when aggregate demand surpasses aggregate supply. Expansionary monetary policy and increased government expenditure also contribute to inflationary pressures. As inflation rises, consumers require more money to purchase the same number of goods as well as services. This decline in purchasing power negatively affects both households and businesses. Inflation is commonly measured using the interest rate, exchange rate, inflation rate together with gross domestic products. Yusuf et al. (2025) found that inflation had a negative, although statistically insignificant, long-run effect on the Nigerian All-Share Index, while Olurin and Oladipo (2025) reported that inflation had a significantly negative effect on stock-market performance in the long run. Additionally, Tirimisiyu et al. (2025) included inflation rate among the macroeconomic and firm-level factors explaining variations in the share prices of quoted consumer-goods firms in Nigeria.

Interest Rate

Interest rates represent the cost of borrowing money, usually expressed as a percentage of the amount borrowed. They indicate both the cost of credit as well as the risk connected with lending. Higher interest rates generally indicate greater lending risk, while lower rates suggest lower risk. Yusuf et al. (2025) identified interest rate as one of the key macroeconomic variables associated with stock-market development in Nigeria. In Nigeria, interest rates perform a crucial role in influencing economic activities and financial markets. The Central Bank of Nigeria (CBN) uses monetary policy tool - interest rates to control inflation as well as foster economic stability. Due to persistent inflation and lending risks, interest

rates in Nigeria have remained relatively high. High interest rates increase the cost of borrowing and reduce access to credit for businesses as well as individuals. This discourages investment, limits business expansion, and slows economic growth. Consequently, fluctuations in interest rates significantly affect the fulfilment of the consumer goods sector and the broader Nigerian economy (Alsayegh, 2024).

Exchange Rate

Exchange rate depicts the price of one country's currency in terms of another country's currency and plays an important role in international trade, investment and financial-market activities. Exchange-rate movements affect the domestic prices of imported inputs and finished goods, the competitiveness of exports, firms' operating costs, profitability and investment decisions. An appreciation of the domestic currency can make a country's exports relatively more expensive in international markets, whereas depreciation can increase the domestic cost of imported inputs and create pressure on firms that depend heavily on foreign-sourced materials. At the macroeconomic level, exchange-rate movements can influence stock-market performance through their effects on inflation, trade, foreign investment and corporate earnings. Yusuf et al. (2025) found that exchange rate had a positive but statistically insignificant effect on the All-Share Index in the long run, while Abdullahi et al. (2026) reported that exchange-rate depreciation negatively affected the Nigerian Exchange banking-sector index in the long run. These findings suggest that changes in the exchange rate can influence investors' expectations, corporate profitability and, consequently, the share prices and market values of listed firms.

Gross Domestic Products

Gross Domestic Product (GDP) represents the monetary value of goods and services produced within an economy over a specified period and is widely used as an indicator of economic activity and national economic performance. A sustained increase in GDP generally reflects expansion in production, income generation, investment and employment, although GDP growth alone does not necessarily guarantee improvements in individual welfare. Recent evidence confirms the importance of GDP as a macroeconomic indicator in analysing Nigeria's financial and economic performance. Yusuf et al. (2025) incorporated GDP alongside interest rate, exchange rate and money supply in examining macroeconomic variables and stock-market development in Nigeria, demonstrating the relevance of economic growth to financial-market outcomes. Similarly, Olurin and Oladipo (2025) included GDP per capita growth among the macroeconomic variables influencing stock-market performance, while Shittu and Adewale (2026) used GDP as an indicator of service-sector economic growth in Nigeria. Thus, changes in GDP provide an important indication of the level of economic activity and can influence firms' sales, profitability, investment opportunities and investors' expectations, thereby potentially affecting the share prices and market values of listed companies.

Market Value

Market value refers to the value that investors and other market participants attach to a company based on the prevailing price of its shares and other relevant market information. The market price of a company's shares therefore provides an important indication of how investors perceive the company's value and future prospects. Recent evidence from Nigeria shows that market value is commonly assessed using measures such as share price and Tobin's Q, reflecting the importance of market-based indicators in evaluating corporate value (Ajiboye & Olagunju, 2023; Gwar et al., 2025; Shawai et al., 2025). Consequently, companies employ various financial and managerial strategies to enhance their performance and increase shareholder wealth through improvements in firm value. A higher share price generally indicates stronger investor confidence and a more favourable assessment of the company's prospects, whereas a decline in share price may signal reduced investor confidence and lower perceived firm value. However, Ajiboye and Olagunju (2023) established the relevance of share price and Tobin's

Q as measures of the market value of listed Nigerian firms. Similarly, Gwar et al. (2025) and Shawai et al. (2025) examined market value among Nigerian listed firms using Tobin's Q, demonstrating the continuing relevance of market-based measures in assessing corporate value. Therefore, the market value of a company can be reflected in the value investors attach to its shares, with increases in share price potentially enhancing shareholders' wealth and declines potentially reducing it.

Theoretical Framework

Cost-Push Inflation Theory

Cost-Push Inflation Theory provides a strong theoretical basis for explaining the finding that inflation has a significant negative effect on the share prices of listed consumer goods companies in Nigeria. The theory posits that increases in the prices of major production inputs, including wages, raw materials, energy, transportation and other operating costs, increase firms' production expenses and can consequently reduce profit margins. For consumer goods companies, the ability to transfer higher costs to consumers through increased product prices may be constrained by consumers' purchasing power and price sensitivity. Consequently, persistent cost pressures may reduce sales, profitability and expected future cash flows, thereby weakening investor confidence and exerting downward pressure on share prices. This theoretical mechanism is consistent with recent Nigerian evidence from Olurin and Oladipo (2025), who found that inflation had a significant negative long-run effect on stock-market performance. Their result demonstrates that persistent inflationary pressure can erode stock-market performance and supports the proposition that inflation can adversely affect investors' valuation of equities.

Empirical Review of Literature

Effendi et al. (2022) examine the effect of gross domestic product, interest rates, inflation rate, exchange rates, as well as good corporate governance on the value of listed consumer goods enterprises on the Indonesia Stock Exchange. The study adopted a quantitative and descriptive research design. The population consisted of 57 listed consumer goods enterprises between 2017 and 2020, from which purposive sampling was used. Secondary data were evaluated utilising multiple linear regression analysis. The outcomes uncovered that inflation, exchange rate, interest rate, GDP, as well as good corporate governance individually had insignificant effects on firm value, while collectively they significantly influenced firm value. The study recommended improved macroeconomic and corporate governance policies to strengthen company value.

Odey and Oko (2022) investigate the effects of macroeconomic variables on stock price returns in Nigeria using an *ex-post facto* research design. Time-series data were sourced from the World Development Indicators as well as the Central Bank of Nigeria. The study covered GDP growth, money supply, interest rate, exchange rate, together with inflation rate. Data analysis was conducted utilising the Error Correction Mechanism (ECM) and Autoregressive Distributed Lag (ARDL) model. Findings disclosed that GDP, money supply, exchange rate, together with interest rate positively influenced stock price returns, however inflation negatively influenced stock prices. The study recommended maintaining inflation at a single-digit level to improve stock market performance.

Aziz and Sofa (2023) analyse the influence of inflation, exchange rate, and interest rate on stock prices of companies registered on the LQ45 Index in Indonesia. A quantitative descriptive research design was implemented using purposive sampling of 45 companies between 2016 and 2020. Secondary data were obtained from annual reports as well as the Indonesia Stock Exchange. Panel regression analysis using EVIEWS 9 was employed. Findings indicated that interest rates, inflation rate together with exchange rates significantly influenced stock prices. The study recommended that investors together with

policymakers should closely monitor macroeconomic indicators when formulating policy as well as making investment decisions.

Naja and Natsir (2023) examine the influence of capital structure, liquidity as well as inflation on the financial performance of listed consumer goods enterprises on the Indonesian Stock Exchange between 2016 and 2020. The study utilised a quantitative research design with purposive sampling of 40 companies, resulting in 200 observations. Secondary data were analysed utilising panel data regression. Findings disclosed that capital structure together with inflation positively as well as significantly influence financial performance, however, liquidity exhibited a negative insignificant influence. The study recommended proper capital structure management to improve firm performance.

Wahyuningsih et al. (2023) investigate the influence of inflation, capital structure, as well as return on assets on stock returns of food together with beverage enterprises registered on the Indonesian Stock Exchange from 2017 to 2020. The study implemented a quantitative research design with purposive sampling of 20 companies. Secondary data were analysed utilising multiple regression analysis through SPSS. The outcomes revealed that inflation as well as return on assets significantly affected stock returns, while capital structure had no significant effect. The study recommended that firms improve profitability to enhance stock returns.

Abu (2024) examines the influence of inflation on the performance of stock market in Nigeria's fast-moving consumer goods sector from 2007 to 2023. A quantitative research design was employed utilising time-series data. The study utilized ARDL and Granger causality tests for data analysis. Findings revealed that inflation negatively affected FMCG stock performance in the short run however, in the long run, it positively influenced performance. Broad money supply significantly affected inflation and stock market performance. It was recommended that effective monetary policies help to stabilize inflation as well as improve market performance.

Alsayegh (2024) investigates the connection between inflation as well as stock market returns at the Damascus Securities Exchange from 2010 to 2020. A quantitative research design was adopted using all listed companies as the population and sample. Data analysis displayed a weak positive connection among inflation together with stock market returns. The study recommended proper inflation management policies to stabilize stock market activities.

Ayoade et al. (2024) assess the impact of monetary policy on the financial performance of registered consumer goods enterprises in Nigeria. An *ex-post facto* research design was implemented. The population consisted of 20 listed consumer goods enterprises as of 2023, while purposive sampling selected 8 firms covering 2012–2023. Secondary data were sourced from the Central Bank of Nigeria, the Nigerian Exchange Group together with annual reports. Regression analysis was employed. Findings showed that interest rate significantly influenced financial performance, while inflation had no significant effect. The study recommended effective monetary policy management to improve firm performance.

Ogbonna and Enyi (2024) examine the influence of macroeconomic determinants on stock prices of registered consumer goods businesses in Nigeria using an *ex-post facto* design. The study sampled 10 firms from 2016–2023 using panel least square, fixed effect, together with random effect models. Secondary data were obtained from annual reports. The outcomes displayed that exchange rate, interest rate, together with economic growth positively and significantly affected stock prices, however, inflation had a positive but insignificant effect. The study recommended stable macroeconomic policies to boost stock market growth.

Ajayi et al. (2025) investigate the influence of inflation on the financial performance of Nestlé Nigeria Plc from 2000 to 2023. A quantitative research design together with purposive sampling were adopted. Secondary data were sourced from annual reports as well as the Central Bank of Nigeria. Multiple linear regression analysis was utilised. The outcomes disclosed that inflation negatively affected profitability, while interest rate positively influenced return on equity. The study recommended robust cost management and adaptive pricing strategies to mitigate inflationary pressures.

Etale and Orivri (2025) investigate the connection among inflation as well as market value of enterprises in Nigeria's healthcare manufacturing sector from 2001 to 2019. Secondary data were sourced from the World Bank database as well as audited financial statements of four pharmaceutical enterprises. Ordinary Least Squares regression analysis was utilised. Findings showed that inflation had weak and insignificant effects on earnings per share across the enterprises. The study recommended incorporating inflation into business valuation decisions.

Isibor et al. (2025) assess the influence of inflation and exchange rate on the financial performance of consumer goods enterprises in Nigeria. An *ex-post facto* design was utilised with purposive sampling of six firms as of 2023. Regression analysis was employed using secondary data. Findings revealed an inverse connection among inflation, exchange rate fluctuations, as well as financial performance. The study recommended inflation control and exchange rate stabilization policies to improve profitability.

Based on the review of literature, the study hypothesises that:

H₀₁: Inflation rate has no significant effect on the share prices of consumer goods companies in Nigeria.

H₀₂: Interest rate has no significant influence on the share prices of consumer goods companies in Nigeria.

H₀₃: Exchange rate has no significant effect on the share prices of consumer goods companies in Nigeria.

H₀₄: Gross domestic product has no significant influence on the share prices of consumer goods companies in Nigeria.

3. Methodology

This study adopts an *ex-post facto* research design, which is uniquely suited for examining historical financial data without the risk of variable manipulation. The population comprises of all 21 quoted consumer goods enterprises on the Nigerian Exchange Group (NGX). Applying a filter sampling technique, a final sample of 18 firms was selected; firms with incomplete or inconsistent records were excluded to maintain data integrity. The empirical investigation spans a 13-year period from 2012 to 2024. The study depends exclusively on secondary data, extracted from the audited, published annual reports and accounts of the sampled enterprises, alongside official NGX stock publications. To evaluate the connection among the variables, panel regression analysis was employed. The dataset was processed using STATA statistical software to guarantee the reliability, precision, and econometric accuracy of the empirical findings.

Measurement of Variables

Dependent Variable

The dependent variable for this study is market value. The proxy for market value is share price which is measured as closing stock price of a financial year. A reflection of its valuation shows the degree upon which the potential investors are engrossed with an interest in the company. This happens because of the high value the investor placed on the enterprises which made them contend to buy the enterprise's share. It will certainly lead to an increase share price as well as creating higher firm value. Therefore,

higher investor demand for a firm's shares can lead to a higher share price and, consequently, higher firm value; they conclude that share price reflects the value attached to the firm by shareholders and prospective investors (Ajiboye & Olagunju, 2023).

Independent Variable

The independent variable is inflation proxied by exchange rates, inflation rates, interest rates, together with Gross Domestic Product. Current asset turnover ratio is expressed by the ratio of sales to current asset, fixed asset turnover asset ratio is expressed by ratio of sales to fixed asset, and total asset turnover ratio is expressed by fraction of sales to total asset (Orjinta et al., 2025).

Table 3.1: Summary of Variables

Variables	Proxies	Variable Labels	Measurement	Sources	Expected Sign
Dependent					
Market Value	Share Price	SP	Closing stock price of a accounting year.	Ajiboye & Olagunju (2023)	Share Price
Independent					
Inflation	Inflation rates	INFR	Fluctuations in Consumer Price Index	Alsayegh (2024)	+
	Interest rate	INTR	Difference among the nominal interest rate as well as inflation rate	Ekpete (2026)	+
	Exchange rates	EXR	This is based on several factors: competitive exchange rates, market conditions, their desired rate of return, credit risk market risk, together with other economic and business factors.	Kalam (2020)	+
	Gross Domestic product	GDP	Consumption + investment + government spending + Net exports	Ratnaningrum et al., (2022)	+

Source: Authors' Computation (2026)

Model of specification

This study adapts the model used by Ofuonye et al. (2025) in his study titled influence of inflation rates on the financial performance as well as sustainability of public healthcare enterprises in Nigeria.

The model was expressed as:

$$ROA_{it} = \beta_0 + \beta_1 INTR_{it} + \beta_2 INFR_{it} + \beta_3 EXR_{it} + \beta_4 GDP_{it} + \beta_5 MS_{it} + \mu_i - i$$

Where:

ROA_{it} = Return on Asset of enterprise i in period t

INTR_{it} = Interest Rate of enterprise i in period t

INFR_{it} = Inflation Rate of enterprise i in period t

EXR_{it} = Exchange Rate of enterprise i in period t

GDP_{it} = Gross Domestic Product of enterprise i in period t

MS_{it} = Money supply growth i in period t

This study modifies the model to ascertain the influence of inflation on market value of registered consumer goods companies in Nigeria. The modified model was specified as:

$$SP_{it} = \gamma_0 + \gamma_1 INFR_{it} + \gamma_2 INTR_{it} + \gamma_3 EXR_{it} + \gamma_4 GDP_{it} + \mu_{it}$$

Where:

SP = Share price of registered consumer goods enterprises

INFR = Inflation Rate

INTR = Interest Rate

EXR = Exchange Rate

GDP = Gross Domestic Product

γ_0 = Constant term

$\gamma_1 - \gamma_4$ = Coefficients of the explanatory variables

μ = Error term

i = Cross-section of firms

t = Time period of the study

4. Results and discussion

Descriptive Analysis

Table 4.1: Descriptive Analysis

Variables	Obs	Mean	Std. Dev	Min.	Max.
SP	234	94.29803	276.7504	0	1556.5
INFR	234	15.90077	7.153568	8	33.95
INTR	234	14.53846	4.227644	11	27.25
EXR	234	362.2385	210.4876	157.3	913
GDP	234	2.865385	1.984383	-1.73	5.94

Source: Authors' Computation (2026)

Table 4.1 outlines the descriptive statistics for 234 observations of share prices and selected macroeconomic variables, including their means, standard deviations, and ranges. Share price recorded a mean of 94.30, while its high standard deviation of 276.75 together with wide range of 0 to 1,556.50 indicate substantial variability in market performance and firm valuation over time. The inflation rate averaged 15.90%, ranging from 8.00% to 33.95%, reflecting persistent inflationary pressures. Likewise, the mean interest rate of 14.54%, with a maximum of 27.25%, suggests a high borrowing cost resulting

from changing monetary policies. The exchange rate had a mean of 362.24 as well as a high standard deviation of 210.49, while the wide gap among the minimum value of 157.30 as well as maximum value of 913.00 highlights significant exchange rate volatility. GDP growth recorded a modest mean of 2.87%; however, its standard deviation of 1.98, with values varying from -1.73% to 5.94%, indicates periods of economic contraction and uneven expansion. Overall, the data portray an economy characterized by high inflation, elevated interest rates, unstable growth, and considerable differences in firm performance.

Normality Test

Table 4.2: Shapiro-Wilk Test

Variables	Obs	W	V	Z	Prob>z
SP	234	0.35025	111.189	10.925	0.00000
INFR	234	0.90135	16.881	6.554	0.00000
INTR	234	0.72238	47.509	8.954	0.00000
EXR	234	0.84537	26.461	7.596	0.00000
GDPG	234	0.94262	9.819	5.297	0.00000

Source: Authors' Computation (2026)

Table 4.2 outlines the outcomes of the Shapiro-Wilk normality test for the variables included in the study. The null hypothesis assumes that the data are normally distributed and is rejected when the probability value (p) is below 0.05. Share price produced a W-statistic of 0.35025, whereas the inflation rate recorded 0.90135. Both variables generated p-values of 0.00000, indicating significant departures from normality. Interest rate (W = 0.72238) and exchange rate (W = 0.84537) also yielded p-values of 0.00000, confirming that these variables are not normally distributed. Although GDP growth reported a relatively higher W-statistic of 0.94262, its p-value of 0.00000 remained far below the 0.05 benchmark, leading to the rejection of normality. Overall, the Shapiro-Wilk test demonstrates that none of the variables follow a normal distribution, as all p-values are below the 5% significance level. Consequently, due to the widespread non-normality observed in the dataset, the Spearman rank correlation technique was employed to ascertain the relationships amid the variables.

Correlation Matrix

Table 4.3: Spearman Rank Correlation

	SP	INF	ITR	EXR	GDPG
SP	1.0000				
INFR	0.0299	1.0000			
INTR	0.0879	0.6061	1.0000		
EXR	0.0281	0.8143	0.5540	1.0000	
GDPG	0.0667	-0.2837	-0.0305	-0.2366	1.0000

Source: Authors' Computation (2026)

Table 4.3 outlines the correlation matrix for share price (SP) and key macroeconomic variables. Share price exhibits a very weak positive correlation with inflation (0.0299), interest rate (0.0879), exchange rate (0.0281), and GDP growth (0.0667). This suggests that stock movements are primarily driven by internal firm-level factors rather than macroeconomic indicators. Base on macroeconomic interrelations, inflation is strongly as well as positively correlated with interest rates (0.6061) together with exchange rates (0.8143), aligning with expected monetary policy responses and currency depreciation pressures. Similarly, interest rates maintain a strong positive correlation with exchange rates (0.5540). GDP Growth shows a weak negative correlation with inflation (-0.2837), interest rates (-0.0305), and exchange rates (-0.2366), indicating that inflationary and currency instability slightly dampens economic expansion.

Overall, while the macroeconomic variables are strongly interrelated, they show minimal direct association with individual firm share prices.

Multicollinearity Test

Table 4.4: Variance Inflation Factor (VIF)

Variables	VIF	1/VIF
INFR	13.30	0.075176
INTR	8.45	0.118333
EXR	7.52	0.132976
GDPG	1.63	0.615294
Mean VIF	7.72	

Source: Authors' Computation (2026)

Table 4.4 outlines the Variance Inflation Factor (VIF) outcomes utilised to detect multicollinearity amid the explanatory macroeconomic variables. Inflation, records a VIF of 13.30 and a tolerance value of 0.0752. Exceeding the standard threshold of 10, it indicates a severe multicollinearity problem due to strong correlations with other regressors. Exchange rate and interest rate post VIF values of 8.45 and 7.52, respectively. These figures indicate moderate multicollinearity, which is expected given their natural macroeconomic interrelation. GDP Growth exhibits a low VIF of 1.63 (tolerance of 0.6153), confirming it remains largely independent. Although the model's mean VIF of 7.72 falls below the critical threshold of 10, the elevated VIF for inflation requires caution when interpreting individual regression estimates.

Multiple Regression Analysis

Table 4.5: Regression with Driscoll-Kraay Standard Error for fixed effect

Variable	Coff.	T-stat	Prob.
INFR	-2.613	-3.11	0.009
INTR	-0.676	-1.03	0.322
EXR	0.146	7.19	0.000
GDPG	0.827	0.96	0.358
F-stat.			23.18
Prob.			0.000
Random Test: Breusch as well as Pagan Lagrangian multiplier test			
Chi2			1151.66
Prob.			0.000
Heteroskedascity test: Breusch-Pagan / Cook-Weisberg test:			
Chi2			4.41
Prob.			0.035
Autocorrelation Test: Wooldridge test			
F stat.			92.123
Prob.			0.000
Cross-Sectional dependence: Pesaran Test			
Chi2			16.039
Prob.			0.00

Source: Authors' Computation (2026)

The final Driscoll-Kraay Fixed Effects model comprised 234 observations across 18 cross-sectional units. The model exhibits joint statistical significance, as evidenced by an F-statistic of 23.18 ($p = 0.0000$), confirming that the macroeconomic indicators combined significantly alter share prices. However, the

within R-squared value of 0.0277 specifies weak explanatory power, meaning the model accounts for only 2.77% of the variations in share prices. Inflation rate exerts a significant negative influence on share prices ($\sigma = -2.6132$, $p = 0.009 < 0.05$). This specifies that rising inflationary pressures erode investor confidence and depress firm valuations. Interest rate shows a negative but statistically insignificant impact on share prices ($\sigma = -0.6763$, $p = 0.322$). While higher borrowing costs drag down stock performance, the effect is not statistically reliable. Exchange rate holds a positive together with highly significant connection with share prices ($\sigma = 0.1466$, $p = 0.000 < 0.05$). This reveals that exchange rate movements heavily support higher share prices, potentially reflecting capital inflows or external market performance. GDP Growth records a positive but statistically insignificant influence on stock valuation ($\sigma = 0.8271$, $p = 0.358$), proving that macroeconomic expansion does not exert a strong direct influence on these firms' share prices.

Discussion of Findings

The finding that inflation exerts a significant negative influence on share prices ($\sigma = -2.6132$, $p = 0.009$) indicates that increase costs erode investor confidence and reduce corporate market valuations. This was supported by Odey and Oko (2022), Wahyuningsih et al. (2023), Abu (2024) in the short run, and Ajayi et al. (2025), who all verified that inflation damages profitability, consumer sector stock returns, and overall market performance. However, the outcome was contradicted by Ogbonna and Enyi (2024), Etale and Orivri (2025), and Ayoade et al. (2024), who reported positive but insignificant relationships, suggesting that some sub-sectors successfully implement cost-shifting or pricing-hedging strategies.

Also, Interest rate showed a negative together with statistically insignificant effect ($\sigma = -0.6763$, $p = 0.322$), revealing that while higher borrowing costs pose a structural drag, they do not reliably dictate immediate stock market price movements. This outcome was supported by Effendi et al. (2022), who observed that interest rates individually have an insignificant relationship with consumer goods firm value. However, the outcome was contradicted by Ogbonna and Enyi (2024) and Ayoade et al. (2024), whose findings indicated a highly significant positive or negative relationship, arguing that monetary policy adjustments strongly dictate cost of capital and investment behaviors in the consumer sector.

Moreover, the positive as well as highly significant influence of the exchange rate ($\sigma = 0.1466$, $p = 0.000$) reveals that exchange rate movements play a positive role, possibly through external capital inflows or strategic advantages for local manufacturers utilizing foreign buffers. This outcome was supported by Odey and Oko (2022), Aziz and Sofa (2023), and Ogbonna and Enyi (2024), who revealed that foreign exchange adjustments strongly and positively dictate stock market pricing behaviors. However, the outcome was contradicted by Isibor et al. (2025), who asserted that exchange rate fluctuations create an inverse relationship with financial performance due to import-dependent operating expenses in consumer firms.

Lastly, GDP growth registered a positive but statistically insignificant influence ($\sigma = 0.8271$, $p = 0.358$), which implies that broad macroeconomic expansion does not pass through directly or aggressively to bolster individual stock valuations. This was supported by Effendi et al. (2022), who showed that structural economic growth variables produce mixed, weak, or generally inconsistent impacts on shareholder value and market performance measures. However, the outcome was contradicted by Odey and Oko (2022) as well as Ogbonna and Enyi (2024), who established that aggregate national output expansion functions as a powerful, direct catalyst for escalating stock returns.

5. Conclusion

Conclusion

Grounded on the empirical outcomes, the study concluded that macroeconomic variables significantly influence share price, although the magnitude of their effect varies. Inflation rate together with exchange rate are the most important elements of share price in the model, while interest rate and GDP growth exhibit weaker effects. The study further concludes that macroeconomic instability, particularly inflationary pressure and exchange rate fluctuations, negatively affects investor confidence and stock market performance. However, the general low explanatory influence of the model suggests that share price determination is also influenced by other firm-specific and market-related factors not captured in this study.

Recommendations

Based on the outcomes of the study, these recommendations are made:

- i. Policy makers should ensure macroeconomic stability, by controlling inflation to prevent the erosion of corporate valuations and investor confidence, while maintaining stable foreign exchange policies that encourage capital inflows and mitigate costs for import-dependent firms.
- ii. Monetary authorities should adopt stable together with predictable interest rate policies to minimize uncertainty in the financial markets, even though interest rates were not statistically significant in this study.
- iii. Monetary authorities should adopt stable together with predictable interest rate policies to minimize uncertainty in the financial markets, even though interest rates were not statistically significant in this study.
- iv. Exchange rate stability should be prioritized, as fluctuations in exchange rates significantly influence share price movements. A stable foreign exchange market will encourage investor confidence and capital inflows.
- v. Government should promote sustainable economic growth policies, by implementing targeted structural policies that directly bridge the gap between aggregate GDP expansion and firm-level market performance, ensuring broad economic growth effectively translates into business profitability.
- vi. Investors should consider macroeconomic indicators in investment decisions, particularly inflation and exchange rate trends, as they have significant effects on share price movements.

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