

THE OUTLIER BRIEF

Business Intelligence · Finance · Strategy · Governance · AI Advisory

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THIS WEEK

When Costs Rise, Your Cash Hides in Working Capital.

KEY TAKEAWAY

Crude has climbed back above \$110 and pump prices are rising again — and every naira of higher cost quietly demands more working capital to hold the same stock and carry the same receivables. The squeeze rarely shows on the profit line; it shows in the bank balance. The businesses that manage the cash trapped between paying suppliers and collecting from customers absorb a cost rise; those that don't can run short of cash while still trading profitably.

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01 CEO IN 60 SECONDS

THE WEEK IN FOUR LINES

What happened. Crude rebounded above \$110 and pump prices climbed again (Dangote ₦1,344, NNPC ₦1,405), even as September inflation held its new low of 14.63% and the policy rate stayed at 23%.

Why it matters. Rising input, energy and logistics costs quietly inflate the cash tied up in stock and receivables — squeezing working capital even when profit looks healthy.

What to do today. Measure your cash conversion cycle — how long cash is trapped between paying suppliers and collecting from customers — and attack the longest leg.

Biggest mistake. Reading profit as safety. A profitable business can still run out of cash when costs rise and working capital balloons.

02 EDITOR'S NOTE

Welcome to this week's Outlier Brief. After two months of easing, the macro handed businesses a fresh complication this fortnight: crude climbed back above \$110 and pump prices rose again, with Dangote lifting petrol to ₦1,344 and NNPC to ₦1,405 a litre. Inflation held its new low of 14.63% and the naira stayed firm — but the cost of fuelling, moving and stocking a business ticked up.

This week is about where that cost pressure actually bites: working capital — the cash trapped between paying for goods and getting paid for them. When costs rise, every unit of stock and every unsettled invoice ties up more cash than before. The profit line may barely move; the bank balance tells the real story. Managing that gap is the difference between absorbing a cost rise and being squeezed by it.

Rafiu Olawuyi, FCA — Lead Consultant, Outliers Professionals

03 EXECUTIVE SUMMARY — WHAT YOU NEED TO KNOW THIS WEEK

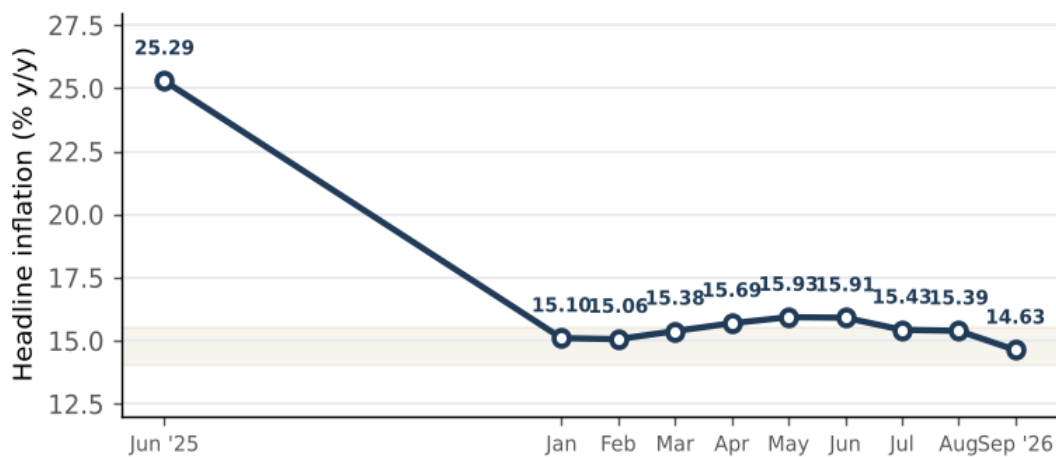
- **Costs are rising again.** Crude rebounded above \$110 and pump prices climbed (Dangote ₦1,344, NNPC ₦1,405) — lifting the cost of fuel, logistics and stock.
- **The squeeze lands in working capital.** Higher costs mean more cash tied up in the same stock and the same receivables — a drain that rarely shows on the profit line.
- **The macro low holds.** Inflation held at 14.63%, the policy rate at 23%, reserves near an 18-year high and the naira firm — a steady backdrop, bar the oil move.
- **Manage the cash conversion cycle.** The businesses that shorten the gap between paying suppliers and collecting from customers absorb rising costs; those that don't run short of cash.

04 BUSINESS INTELLIGENCE DASHBOARD

Key indicators for Nigerian businesses, current at preparation (week of 20–24 October 2026).

INFLATION 14.63% ▼ Sept · Oct print mid-Nov	POLICY RATE (MPR) 23% ■ held · cut to 23% Sept	NAIRA / US\$ (OFFICIAL) ₦1,333 ■ firm · ~2-yr high
NAIRA / US\$ (PARALLEL) ₦1,375 ■ gap ~₦42	PETROL (PMS) ₦1,345 ▲ rising · Dangote ₦1,344	BRENT CRUDE \$111 ▲ firm · rose above \$110
EXTERNAL RESERVES \$55.1bn ▲ holding · 18-yr high	TRADE BALANCE ₦12.6tn ▲ surplus · Q2 2026	FDI \$135m ■ Q1 2026 · 1.3% of inflows

Inflation held at its new low of 14.63% (September)



Actual NBS readings. Inflation held its new low of 14.63% (September); the October print lands mid-November. Brent rose back above \$110 and pump prices climbed, lifting cost pressure even as the naira held firm.

05 THE NUMBERS BEHIND THE NEWS

WHY RISING COSTS DRAIN YOUR CASH

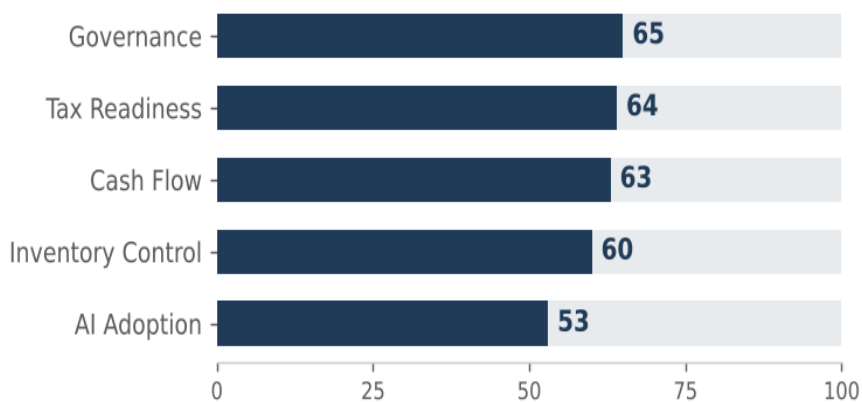
Every business carries cash it cannot touch: money tied up in stock on the shelf and in invoices not yet collected, less the credit its own suppliers extend. When costs rise — fuel, inputs, logistics — the same quantity of stock and the same book of receivables simply cost more to carry. Nothing about the business changed, yet more cash is trapped.

The lesson: a cost increase is not only a profit problem; it is a working-capital problem. The hit to margin is visible and widely watched. The extra cash swallowed by working capital is quiet, and it is often the larger of the two — the reason a profitable business can still run short of cash.

06 OUTLIERS INDEX™

The Outliers SME Confidence Index™ is our proprietary weekly read of operating conditions for Nigerian small and mid-sized businesses, scored from 0 to 100 across five dimensions. It is an expert index maintained by the Outliers editorial office.

Outliers SME Confidence Index™ (0-100) · Composite 61



How to read the index: The Composite Index is the average of the five dimensions shown above. The underlying average is 61.0.

Governance led at 65 and the overall Composite Index edged to 61 — another new high — as the macro low held. Tax Readiness rose to 64 and Inventory Control to 60 as businesses tightened stock against rising costs, while Cash Flow held at 63 and AI Adoption (53) remained the lowest two.

WHAT CHANGED THIS WEEK

Confidence edged to 61, a fresh high, as the macro low held and firms tightened operations against rising input costs. Governance rose to 65 and Inventory Control to 60; Cash Flow steadied at 63 and AI Adoption inched to 53 — still the lowest dimension.

07 FEATURE: WHEN COSTS RISE, CASH HIDES IN WORKING CAPITAL

A cost increase shows up twice. The first hit is obvious: it lands on your margin, and everyone watches the profit line. The second is quiet and usually larger: it lands on your working capital — the cash tied up in stock and receivables, net of what suppliers let you owe. When fuel, inputs and logistics all cost more, carrying the same stock and the same debtors simply swallows more cash. The business looks unchanged; the bank balance is tighter.

This is the cash conversion cycle: the time between paying for goods and collecting from the customers you sold them to. The longer that gap, the more cash sits trapped in the business and the more a rise in costs hurts. A distributor paying suppliers in 15 days but collecting in 60 is financing 45 days of ever-more-expensive stock out of its own pocket — and a cost rise widens the hole.

How to free the trapped cash

- **Collect faster.** Invoice the day you deliver, chase before due dates, and make it easy to pay. Every day cut from receivables is cash back in your hands.
- **Pay on terms, not early.** Use the credit suppliers offer in full. Paying early is lending them your cash free — exactly the cash a cost rise makes scarce.
- **Right-size the stock.** Hold what sells, not what might. Excess stock is cash frozen on a shelf, and rising prices make every idle unit more expensive.
- **Watch the cycle, not just the margin.** Track the cash conversion cycle month to month. A widening gap is an early warning the profit line will not give you.

None of this raises a single price or cuts a single cost. It simply shortens the time your cash is trapped — and in a rising-cost month, freed cash is the cheapest financing you have.

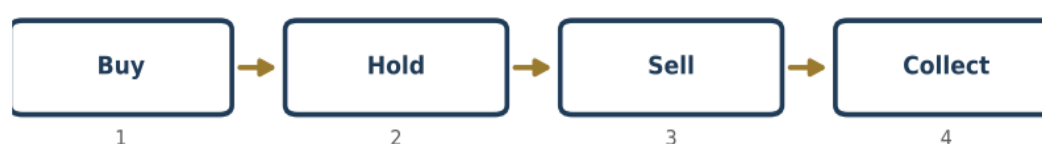
WHAT THIS MEANS FOR YOUR BUSINESS

If costs are rising and cash feels tight even though sales are fine, the problem is almost certainly working capital, not profit. This week, measure your cash conversion cycle, then attack its longest leg — usually slow collections or excess stock. Freeing cash already trapped in the business is faster, cheaper and entirely within your control, in a way that waiting for costs to fall is not.

08 THE WORKING-CAPITAL CYCLE

Working capital moves in a loop: cash buys stock, stock is held until sold, the sale creates a receivable, and the receivable is collected back into cash. The longer the loop takes, the more cash is trapped inside it — and the more a rise in costs tightens the squeeze.

The Working-Capital Cycle — cash buys stock, stock becomes cash



Shorten the loop and cash comes free; let it stretch and rising costs trap more with every turn.

09 OUTLIERS INTELLIGENCE™

ONE INSIGHT • ONE DECISION

Most owners respond to rising costs by watching the margin and trying to raise prices. The disciplined also look at working capital — because a cost rise quietly traps more cash in stock and receivables, and freeing that cash is often faster than repricing. Same cost shock, two responses, very different cash positions.

The decision this week: calculate your cash conversion cycle — days of stock plus days to collect, minus days you take to pay — and set a target to cut it, starting with its longest leg.

10 BUSINESS NUMBERS THAT MATTER

Indicator	Latest	Why it matters
Inflation	14.63%	Held its new low (Sept) — October print lands mid-November
Policy rate (MPR)	23%	Held at 23% — the easing cycle's next test is the coming MPC
Naira / US\$ (official)	~₦1,333	Firm near a two-year high — eases import costs
Naira / US\$ (parallel)	~₦1,375	Gap to official ~₦42 — retail FX broadly steady
Petrol (PMS), pump	~₦1,344-1,405	Dangote ₦1,344 (up); NNPC ₦1,405 — rising with crude
Brent crude, per barrel	~\$111	Rose above \$110 — aids reserves but lifts energy and pump costs
External reserves	~\$55.1bn	Holding near an 18-year high — higher oil supports FX
Trade balance (Q2 2026)	₦12.6tn	Surplus nearly doubled on surging exports
FDI (Q1 2026)	\$135.1m	Direct investment — a small share of capital inflows

11 WHAT WE'RE SEEING

Across the Nigerian market this fortnight, as costs tick up again, early patterns are visible among small and mid-sized businesses — shared at market level, without reference to any individual client:

- Cash feeling tight even where sales and profit look healthy.
- Stock bought ahead of further price rises — tying up more cash on the shelf.
- Receivables stretching as customers, squeezed themselves, pay more slowly.
- Early supplier payments made from habit, giving away free credit.
- Few businesses tracking their cash conversion cycle month to month.

12 FINANCE SCHOOL

Working capital is the cash trapped between the statements.

Working capital is what a business needs to fund its day-to-day trading: the cash locked in inventory and receivables, less the credit it gets from suppliers (payables). It does not appear as a single line on any statement — it lives between them, which is exactly why it is so often overlooked until cash runs short.

The measure that matters is the cash conversion cycle: days of inventory held, plus days to collect receivables, minus days taken to pay suppliers. The shorter it is, the less cash the business must tie up to trade — and the better it withstands a rise in costs. Next lesson: the break-even point — the sales level where a business starts to make money.

13 AI & TECHNOLOGY SPOTLIGHT

AI IN FINANCE — PART 12 OF AN ONGOING SERIES

AI for cash flow and working capital

AI's twelfth role is keeping cash visible. Connected to your accounting system, modern tools can forecast cash weeks ahead, flag the invoices most likely to be paid late, prioritise which debtors to chase first, and signal when stock is building beyond what sales justify — the daily grind of working-capital management, done continuously.

The guardrails hold: AI can surface the pattern and draft the chase, but the relationship call — how hard to press a given customer, when to hold stock for a known order — remains yours. Use it to see the cash sooner; keep the judgement about what to do with that sight.

TOOL OF THE WEEK

Cash-Flow & Receivables Tools

Examples. Cash-flow forecasting and receivables modules in cloud accounting platforms, and dedicated credit-control or collections tools.

What it does. Forecasts your cash position weeks ahead, automates invoice reminders, and flags slow-paying accounts and over-building stock.

Who should use it. Any business whose cash feels tight despite healthy sales, or whose receivables are chased by hand and late.

Common mistake. Automating reminders but never acting on the forecast. The tool shows the cash coming short; closing the gap is still a decision.

Business benefit. Cash seen before it runs short, invoices collected sooner, and less of the business's money trapped in stock and debtors.

14 PRACTICAL TOOLKIT — WORKING-CAPITAL CHECKLIST

Work through these this week. Each item closed sharpens how you steer.

- ☐ Calculate your cash conversion cycle: days of stock + days to collect – days to pay.
- ☐ Invoice the day you deliver, and set a standard follow-up before each due date.
- ☐ Review receivables: list anything overdue and chase the largest first.
- ☐ Take the full credit your suppliers allow — stop paying early out of habit.
- ☐ Identify slow-moving stock and stop reordering what does not sell.
- ☐ Agree clear payment terms, in writing, with your biggest customers.
- ☐ Track the cash conversion cycle monthly, and set a target to shorten it.

15 COMPLIANCE WATCH

- **This month.** October PAYE falls due by 10 November and October VAT by 21 November — diarise both while you plan cash.
- **Watch.** The October inflation print lands mid-November, and the next MPC will test whether September's rate cut was the start of a cycle.
- **Year-end.** For a 31 December year-end, the audit timetable and companies income tax planning should be under way — and tight working capital is best fixed before December.

16 CASE STUDY

ILLUSTRATIVE • ANONYMISED

A mid-sized trading business grew sales through 2026 and stayed profitable on paper — yet its overdraft kept climbing. The cause was not losses but working capital: it paid suppliers in 20 days, held stock for 50, and let customers run to 70 — financing a 100-day cash gap that every price rise made more expensive.

Nothing was wrong with the margin; the cash was simply trapped. By invoicing on delivery, chasing overdue accounts and trimming slow stock, it cut the cycle to 60 days — and freed enough cash to clear most of the overdraft without a single extra sale. The profit did not change; the cash position transformed.

17 OUTLIERS RECOMMENDATION

THIS WEEK'S RECOMMENDATION

Measure your cash conversion cycle this week, then attack its longest leg — usually slow collections or excess stock. In a rising-cost environment, cash freed from working capital is the cheapest and fastest financing available, and it is entirely within your control.

18 CEO & BOARDROOM QUESTIONS

TWO QUESTIONS WORTH SITTING WITH

CEO question. Do we know our cash conversion cycle in days — and which single change would shorten it the most?

Boardroom question. If costs rise another tenth, how much extra cash will our working capital swallow — and where would that cash come from?

19 THE OUTLIERS PERSPECTIVE

Profit is an opinion; cash is a fact. A business can report healthy margins for years and still be strangled by the cash trapped in its own trading cycle — stock it paid for but has not sold, invoices it raised but has not collected. Rising costs tighten that grip quietly, well before they show up as a problem anyone names.

The disciplined treat working capital as a permanent discipline, not a crisis response. They know their cash conversion cycle, watch it move, and act on it before the overdraft does the talking. Managing the cash trapped between the statements is not glamorous — but it is often the difference between a business that merely looks profitable and one that is genuinely sound.

20 CLOSING INSIGHT

Businesses rarely fail for want of profit. They fail for want of cash — and the cash is usually not gone, just trapped, in stock that hasn't sold and invoices that haven't been paid. A rise in costs tightens the trap. The work this week is to find that cash, free it, and keep the cycle short enough that the next cost rise cannot squeeze you.

YOUR MOVE THIS WEEK

Measure your cash conversion cycle this week — or book a 45-minute session to map your working capital and free the cash trapped in it. outlierspro.com · Lagos | Abuja.

Each week rotates the action: download a checklist · complete an assessment · register for a webinar · read the full guide · book a consultation.