GTCO

Guaranty Trust Holding Company Plc

RC 1690945

Half Year

Macroeconomic Review & Outlook

For Q3 2025

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ECONOMIC REVIEW OF Q2–2025

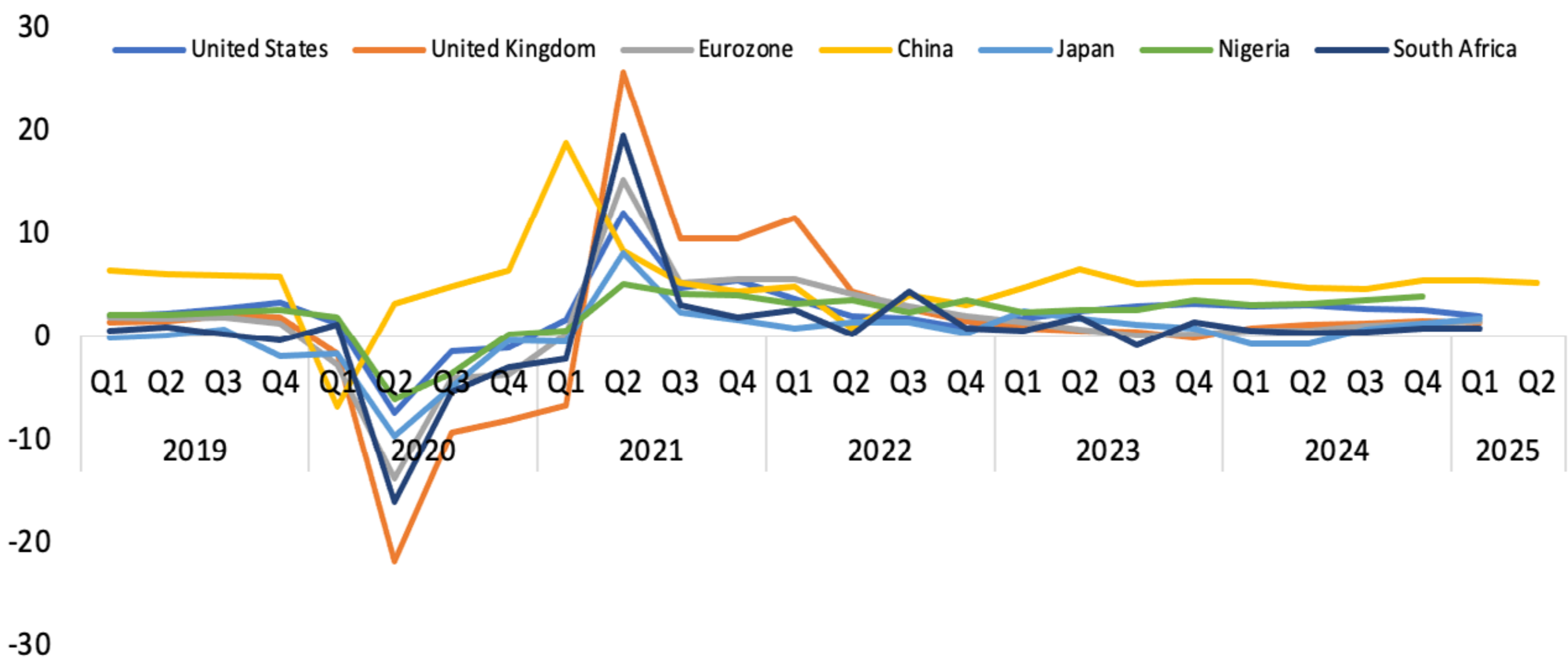
GLOBAL ECONOMY

Resilient Global Growth Amidst Tariff Wars and Geopolitical Tensions

Global economic growth remained robust in Q1-2025, despite escalating geopolitical tensions and ongoing tariff negotiations. Performance across advanced economies was mixed, influenced by the outlook for higher tariffs and declining energy prices. In the United States, annual GDP growth fell to 2.1% in Q1-2025 from 2.5% in Q4-2024 as businesses and consumers stockpiled in anticipation of new tariffs. Meanwhile, the Eurozone showed greater resilience, with GDP expanding by 1.5% in Q1-2025, up from 1.2% in the previous quarter. The United Kingdom experienced a slight slowdown, with growth moderating to 1.3% in Q1-2025 from 1.5% in Q4-2024.

Emerging Markets and Developing Economies (EMDEs) experienced strong growth, primarily driven by resilience in household spending. China's economy expanded by 5.2% year-on-year in Q2-2025, supported by government stimulus and a surge in tariff-induced exports. Similarly, Argentina and South Africa recorded improved year-on-year GDP growth in Q1-2025, rising to 5.8% and 0.8% respectively, from 2.1% and 0.8% in Q4-2024, largely due to stronger consumer demand.

Fig 1: GDP Growth Rate of Selected Countries (year-on-year %)



Source: IMF, GTCO

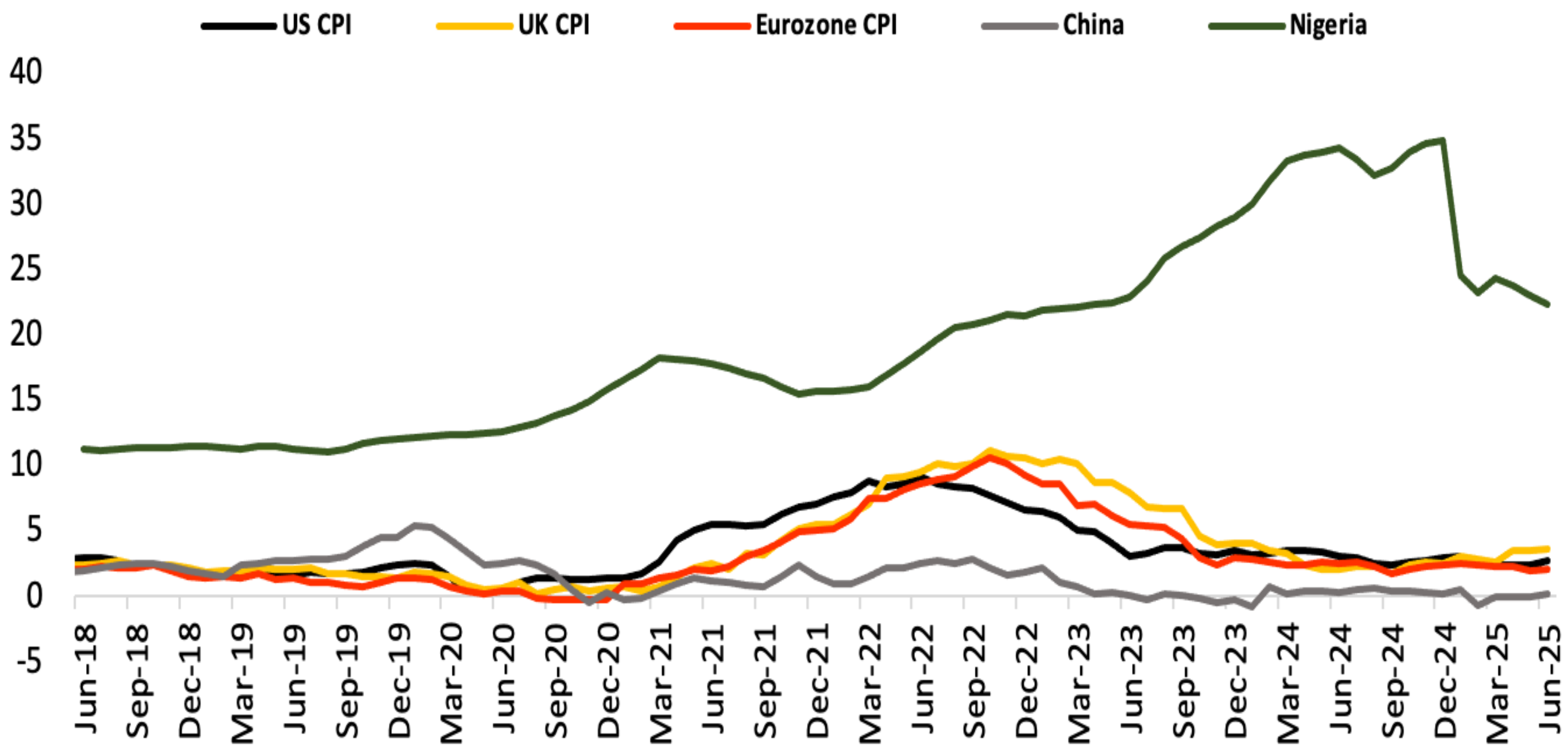
INFLATION

Inflation remains above the target

The United States' trade policy—especially its haphazard tariff implemented had an effect on the global Consumer Price Index, as inflation remained elevated across most countries in Q2-2025. In advanced economies, U.S. inflation rose to 2.7% in Q2-2025 (up from 2.4% in Q1-2025), driven by higher prices on food, transportation services, and used vehicles. The United Kingdom also recorded a sharp rise in inflation, reaching 3.6% in Q2-2025 compared to 2.6% in the previous quarter, largely due to rising fuel and food prices and a surge in travel-related expenses during the Easter season. In contrast, the Eurozone achieved its inflation target, with inflation easing by 20 basis points to 2.0% in Q2-2025 (from 2.2% in Q1-2025), primarily due to declining energy prices.

Inflation trends across Emerging Markets and Developing Economies (EMDEs) were mixed in Q2-2025, influenced by lower energy prices and currency depreciation. In China, inflation edged up to 0.1% (from -0.1% in Q1-2025), driven by stronger demand for subsidized consumer goods and easing trade tensions with the United States. South Africa, Egypt, and Kenya saw inflation rise slightly to 2.8% (Q1-2025: 2.7%), 14.9% (Q1-2025: 13.6%), and 3.8% (Q1-2025: 3.6%), respectively in Q2-2025, largely due to weaker local currencies and elevated food prices. Conversely, Argentina, Nigeria, and Ghana recorded notable declines in inflation, falling to 39.4% (Q1-2025: 55.9%), 22.2% (Q1-2025: 24.2%), and 13.7% (Q1-2025: 22.4%), respectively in Q2-2025, benefiting from reduced energy costs.

Fig 2: Global Inflation Trend (%)



Source: TradingEconomics, NBS, GTCO

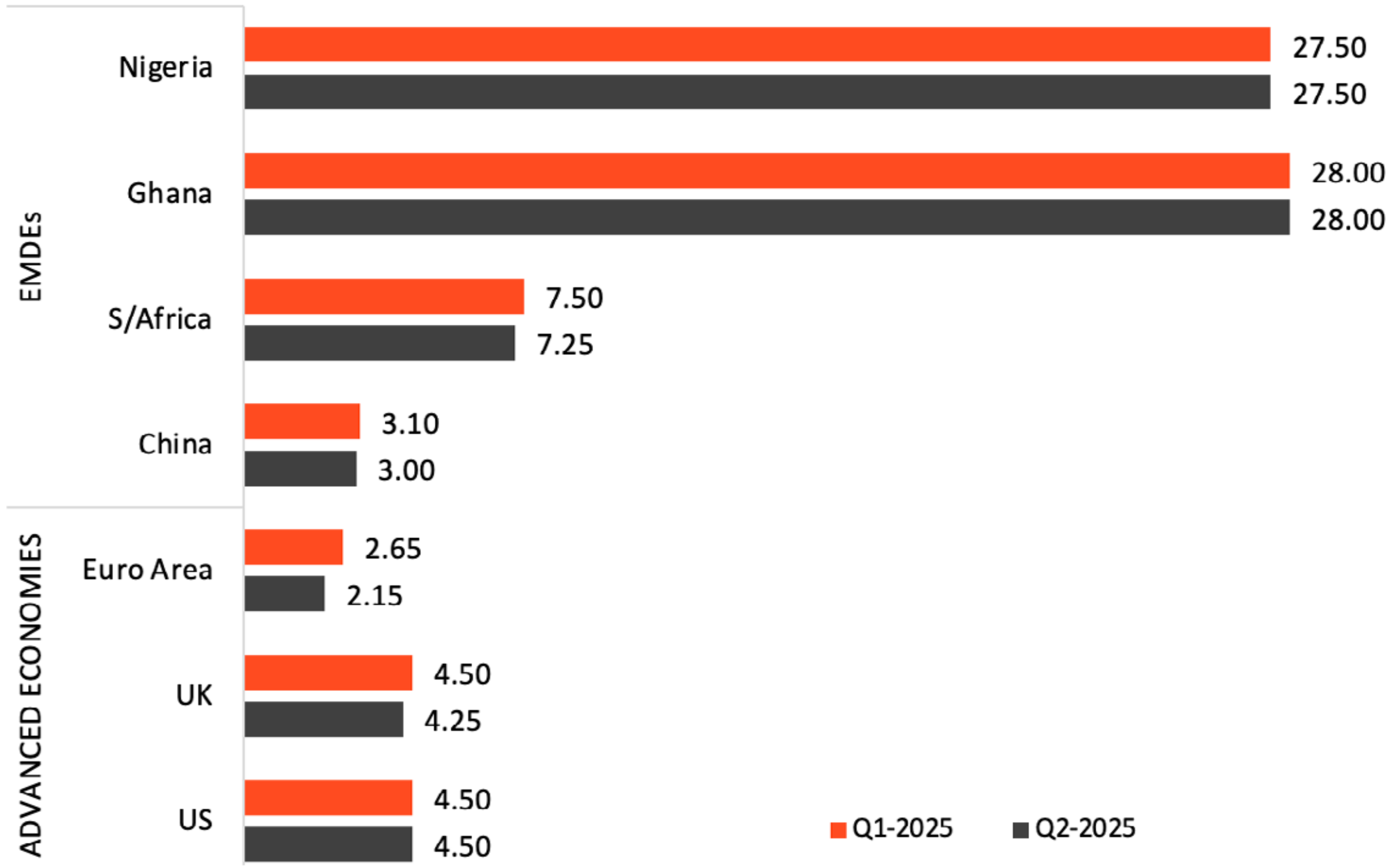
POLICY RATE

Despite High Inflation, Central Banks Avoid Policy Rate Hike

While most central banks in advanced economies moved toward monetary easing in Q2-2025, the U.S. Federal Reserve maintained its policy stance amid uncertainty surrounding President Trump's tariff agenda. The Bank of England (BoE) reduced its benchmark interest rate by 25 basis points to 4.25% (from 4.50% in Q1) to support its sluggish economic recovery. Similarly, the European Central Bank (ECB) cut its key rate by 50 basis points to 2.15% (Q1: 2.65%) following a drop in inflation below its 2.0% target. In contrast, the Fed kept the federal funds rate unchanged at 4.25%–4.5%, citing concerns that the administration's policies—particularly on immigration, trade, and taxation—could fuel inflationary pressures.

In Emerging Market and Developing Economies (EMDEs), most central banks refrained from raising policy rates to avoid triggering economic slowdowns. For example, the People's Bank of China cut its key lending rates in Q2-2025, reducing both the 1-year and 5-year Loan Prime Rates (LPR) by 10 basis points to 3.0% and 3.5%, respectively. Similarly, the Central Bank of Nigeria and the Bank of Ghana held their policy rates steady at 27.5% and 28%, respectively, as they await a clearer picture of the inflationary impact of President Trump's upcoming tariff hike, set to take effect on August 1, 2025.

Fig 3: Policy Rate (%)



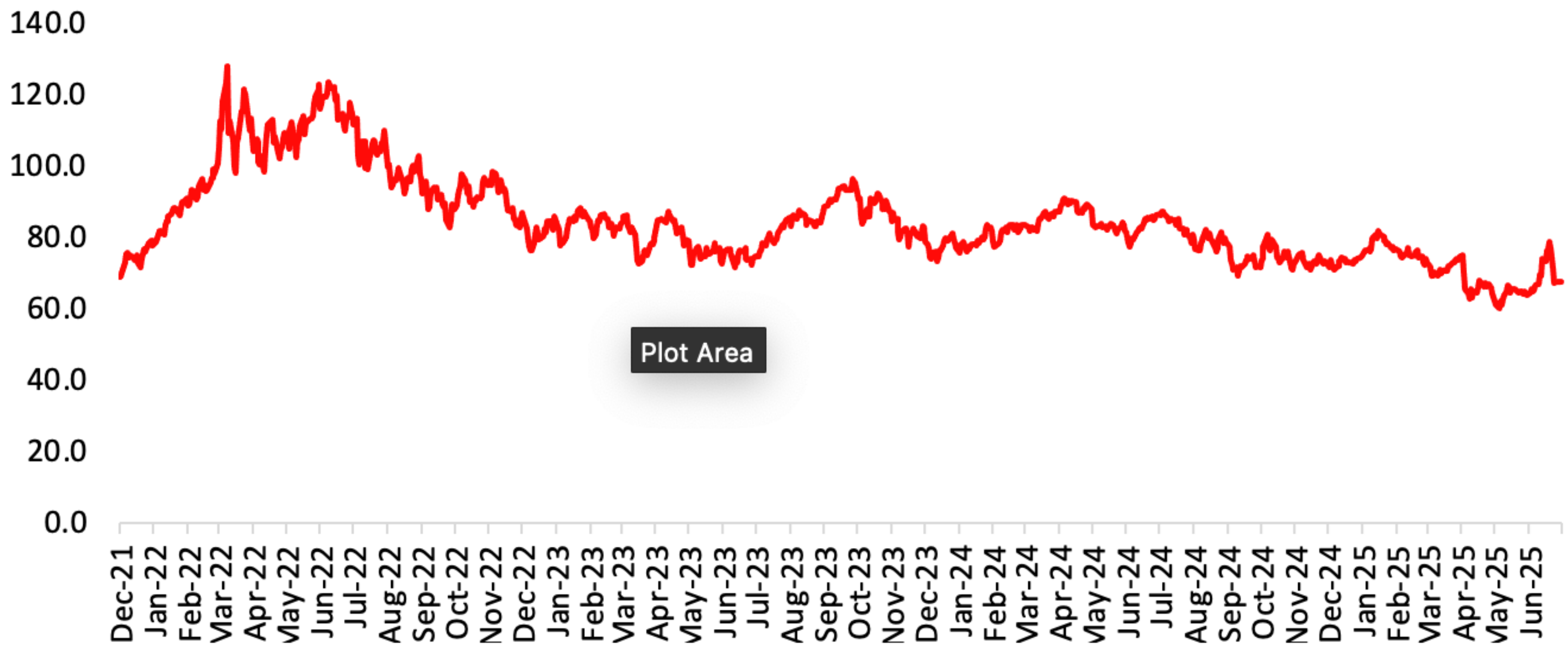
Source: Trading Economics, CBN, GTCO

CRUDE OIL

Crude Oil Prices Fall on Fears of a Global Economic Slowdown Arising from Trade Tensions

The average quarterly prices for Brent crude and WTI declined by 11.0% and 10.8%, settling at $66.70 and $63.68 per barrel, respectively, in Q2-2025. However, prices rebounded above $70 per barrel toward the end of the quarter, driven by escalating tensions in the Middle East. The earlier decline was largely attributed to increased supply from OPEC members—who added 411,000 barrels per day between May and July—alongside higher output from non-OPEC producers and growing concerns over a potential global economic slowdown stemming from US-China trade tensions.

Fig 4: Trend in Brent Crude Oil Price ($)



Source: Bloomberg, GTCO

TARIFF WAR

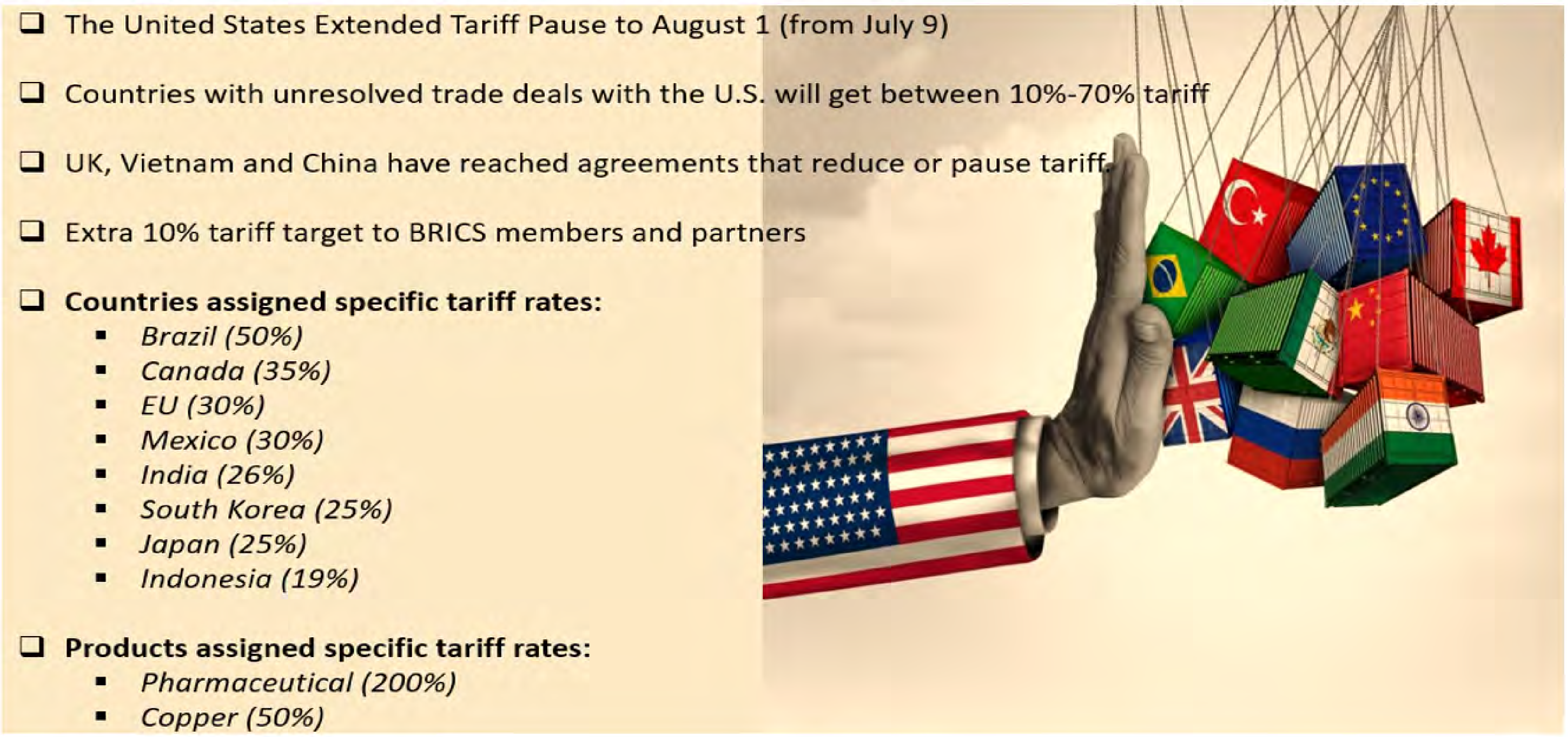
US Tariff Pause Extended to August 1 2025

The United States' tariff policy under the "Liberation Day" framework has seen a significant shift with the extension of the tariff pause until August 1, 2025. Initially, a blanket 10% tariff was introduced on April 5, followed by the implementation of country-specific rates from April 9—Mexico and Canada faced 25% tariffs, while China was subjected to a steep 145% rate. The U.S. government however suspended these tariffs for a three-month period, from April 9 to July 9, to allow room for negotiations. On July 7, the White House issued an executive order extending the pause, providing additional time for bilateral negotiations.

Countries like Brazil (50%), Canada (35%), EU (30%), Mexico (30%), among other, have been assigned specific tariff rates, with August 1 2025 being an effective date to execute the tariff rates. Meanwhile, UK, Vietnam and China have reached agreements to reduce or pause the implementation till conclusion of negotiations of their tariff.

The IMF has identified the above tariff rate as a downside risk to global growth, revising its 2025 forecast downward from 3.2% to 2.8%, citing heightened trade uncertainty and the threat of retaliatory measures. For advanced economies, the imposition of tariffs could lead to slower economic growth, rising inflation, and disruptions across supply chains. Meanwhile, Emerging Markets and Developing Economies (EMDEs) may contend with increased currency volatility, declining export revenues, and greater debt vulnerabilities—particularly those with strong trade ties to the U.S. As the August 1 deadline approaches, global economic conditions remain fragile and uncertain.

Fig 5: US tariff Pause Extension and Countries assigned Specific Tariff



Source: Global Business,

NIGERIA

GROSS DOMESTIC PRODUCT

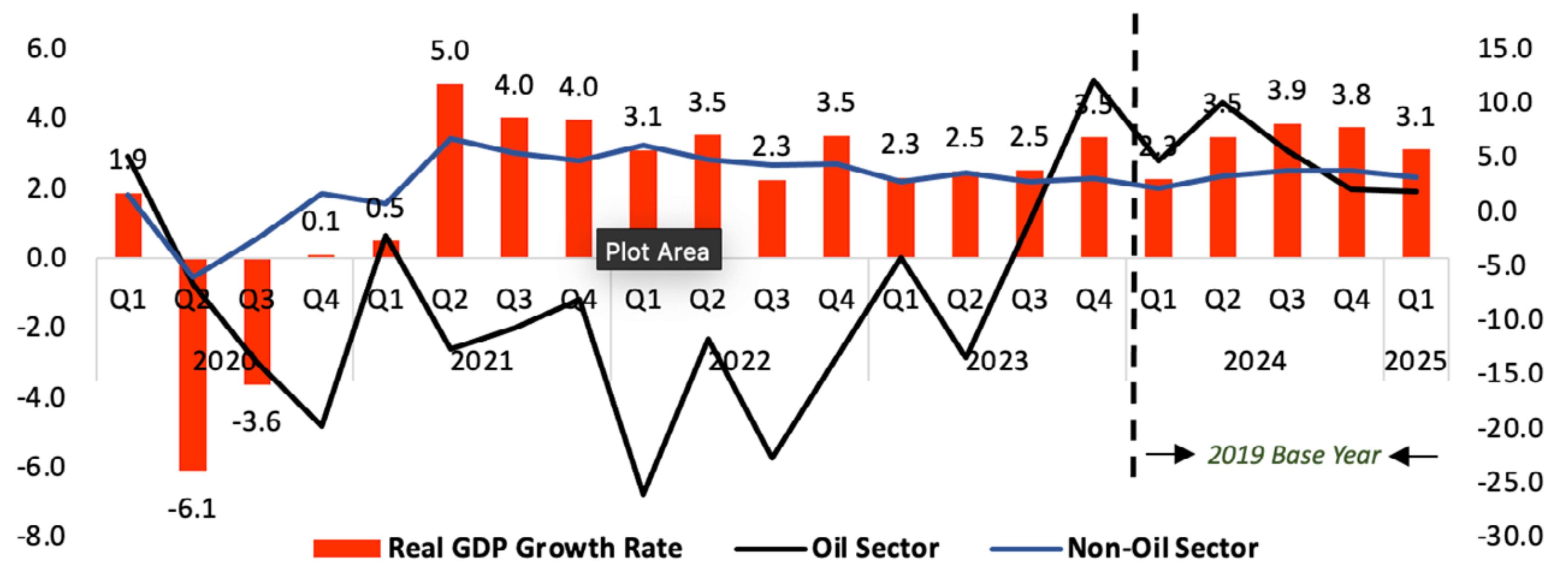
Nigeria's GDP Grows by 3.13% in Q1-2025 After Rebasing.

Following the rebasing of Nigeria's Gross Domestic Product (GDP), the National Bureau of Statistics (NBS) benchmarked the previous quarterly GDP estimates to the rebased annual estimates to align the old series to the new rebased estimates. This procedure provided a new quarterly GDP series, which are compared to the Q1-2025 estimates, according to the NBS.

GDP grew by 3.13% (year-on-year) in real terms in Q1-2025. The growth rate reported in Q1-2025 is higher than the 2.27% recorded in the Q1-2024 but lower than the 3.76% reported in Q4-2024. The performance of the GDP was driven mainly by the Services sector, which recorded a growth of 4.33% (Q1-2024: 4.06%) and contributed 57.50% (Q1-2024: 56.84%) to the aggregate GDP in Q1-2025. The agriculture and industry sector grew by 0.07% (Q1-2024: -1.79%) and 3.42% (Q1-2024: 2.35%) in Q1-2025 respectively.

The real growth of the oil sector was 1.87% (year-on-year) in Q1-2025, indicating a decrease of 285 bps and 21 bps when compared with 4.71% and 2.08% recorded in Q1-2024 and Q4-2024 respectively. In real term, the non-oil sector also grew by 3.19% (year-on-year) in Q1-2025), higher than the 2.17% reported in Q1-2024 but lower than the 3.80% recorded in Q4-2024. The non-oil sector growth in Q1-2025 was driven by Information and Communication (Telecommunications), Agriculture (Crop production), Real Estate, Financial and Insurance (Financial Institutions), among others. In nominal term, the aggregate GDP at basic price stood at N94.05 trillion, in Q1-2025, 18.30% higher than the N79.51 trillion reported in Q4-2024. It is worth stating that Nigeria's rebased nominal GDP for FY-2024 is N372.82 trillion, which is higher than the nominal GDP of N277.49 trillion reported for FY-2024 before rebasing.

Fig 6: Trend in Real GDP, Oil Sector & Non-Oil Sector Growth Rate (%)



Source: NBS, GTCO

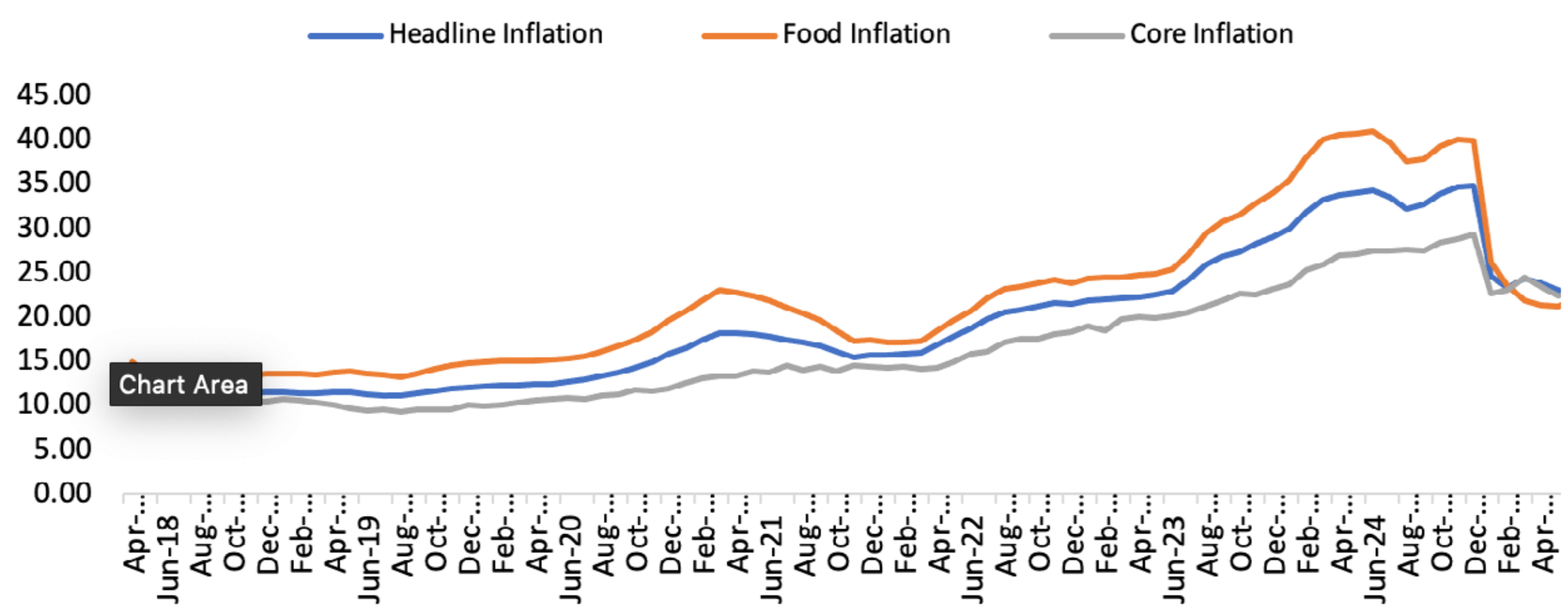
INFLATION

Nigeria's inflation drops further in Q2-2025

Headline inflation eased to 22.22% in Q2-2025, down from 24.23% in Q1-2025, driven by the recent GDP rebasing exercise, lower petrol (PMS) prices, and a relatively stable exchange rate environment. Food inflation however inched up slightly to 21.97% (Q1-2025: 21.79%), largely due to increased consumer spending during the Eid-el-Kabir and Easter celebrations, as well as rising insecurity in key agricultural regions—particularly Benue State, known as the "Food Basket of the Nation." Meanwhile, core inflation, which excludes volatile agricultural products, declined to 22.76% in Q2-2025 from 24.43% in Q1-2025, reflecting the impact of stable exchange rates and reduced PMS prices.

Year-on-year, headline inflation was highest in Borno (31.63%), followed by Abuja (26.79%) and Benue State (25.91%). In contrast, Zamfara (9.90%), Yobe (13.51%), and Sokoto (15.78%) recorded the lowest increases in headline inflation in Q2-2025.

Fig 7: Nigeria's Inflation Trend (%)



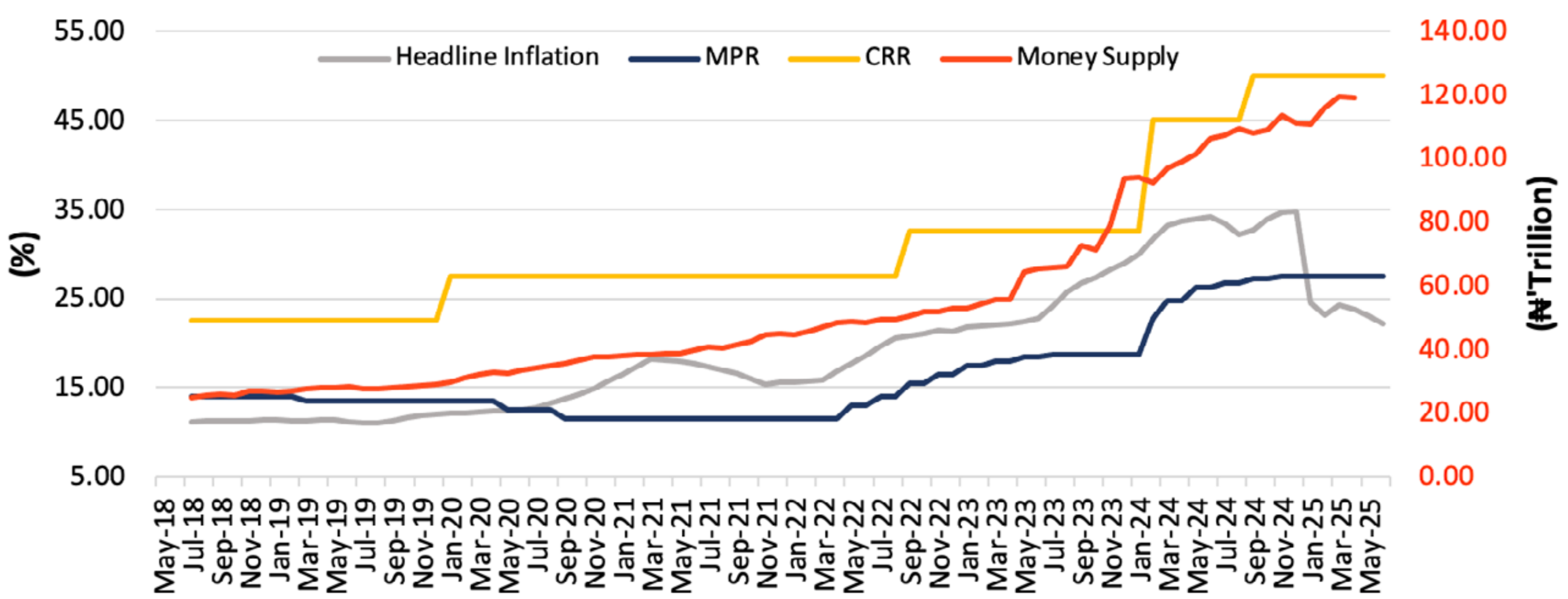
Source: NBS, GTCO

MONETARY POLICY RATE

Monetary Policy Committee Holds all Policy Parameters Constant

In Q2-2025, the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) convened once and opted to maintain the Monetary Policy Rate (MPR) at 27.50%, despite a continued decline in inflation during the quarter. The Committee also held the Cash Reserve Ratio (CRR) steady at 50% for commercial banks and 16% for merchant banks, while the Liquidity Ratio (LR) remained unchanged at 30.0%. Additionally, the Asymmetric Corridor around the MPR was retained at +500/-100 basis points, as the apex bank continued efforts to absorb excess liquidity from the financial system. The decision to keep all monetary policy parameters unchanged was aimed at reinforcing the downward inflation trend, managing liquidity levels, and attracting foreign portfolio investments.

Fig 8: Nigeria's Inflation, MPR, CRR (%) and Money Supply (N'Trilion)



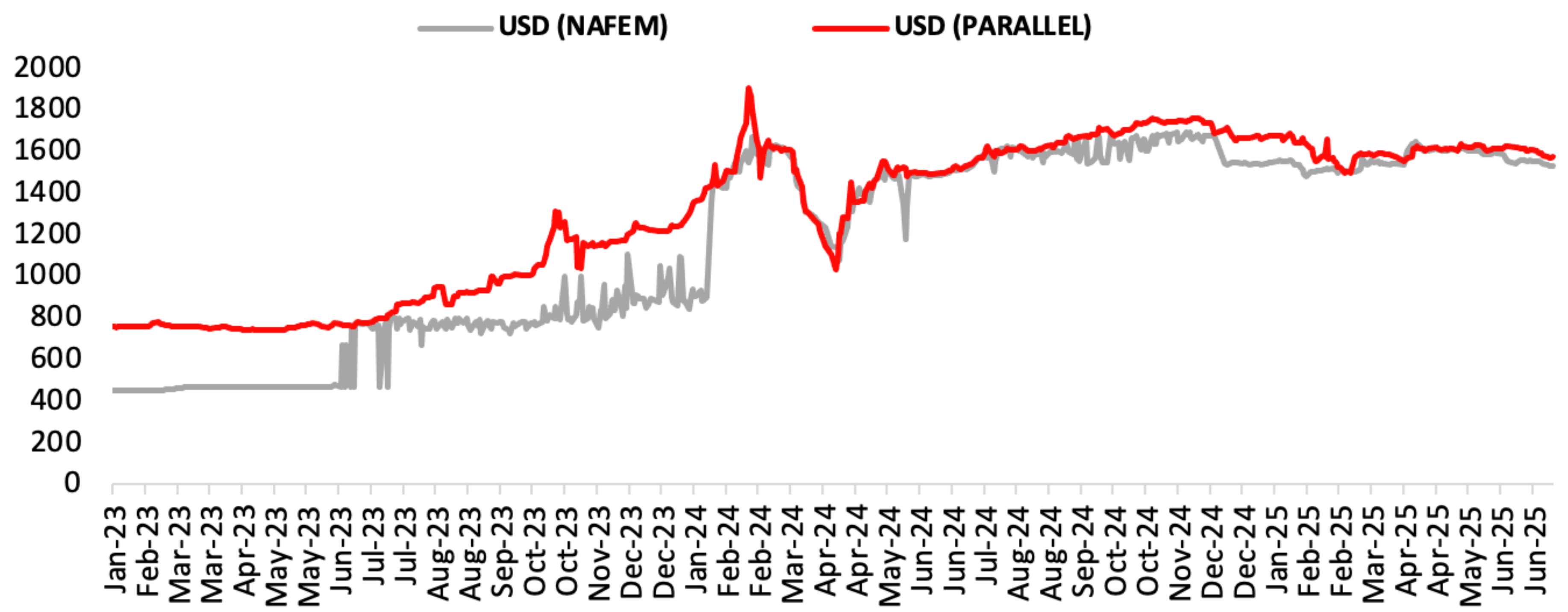
Source: NBS, CBN, GTCO

CURRENCY

Naira Remains Stable at the Official Markets

On a quarter-on-quarter basis, the naira remained relatively stable against the U.S. dollar in the official Nigerian Foreign Exchange Market (NFEM), appreciating slightly by 0.3% to close at N1,532.00 in Q2-2025, compared to N1,537.00 in Q1-2025. This stability was largely supported by consistent interventions from the Central Bank of Nigeria (CBN) and improved foreign exchange inflows. Conversely, in the parallel market, the naira depreciated marginally by 0.6%, ending the quarter at N1,570.00 (Q1: N1,560.00), following the CBN's decision not to extend the May 30, 2025 deadline for Bureau de Change (BDC) operators' weekly purchase of $25,000 through the NFEM window.

Fig 9: Exchange Rate Trend (US$/₦)



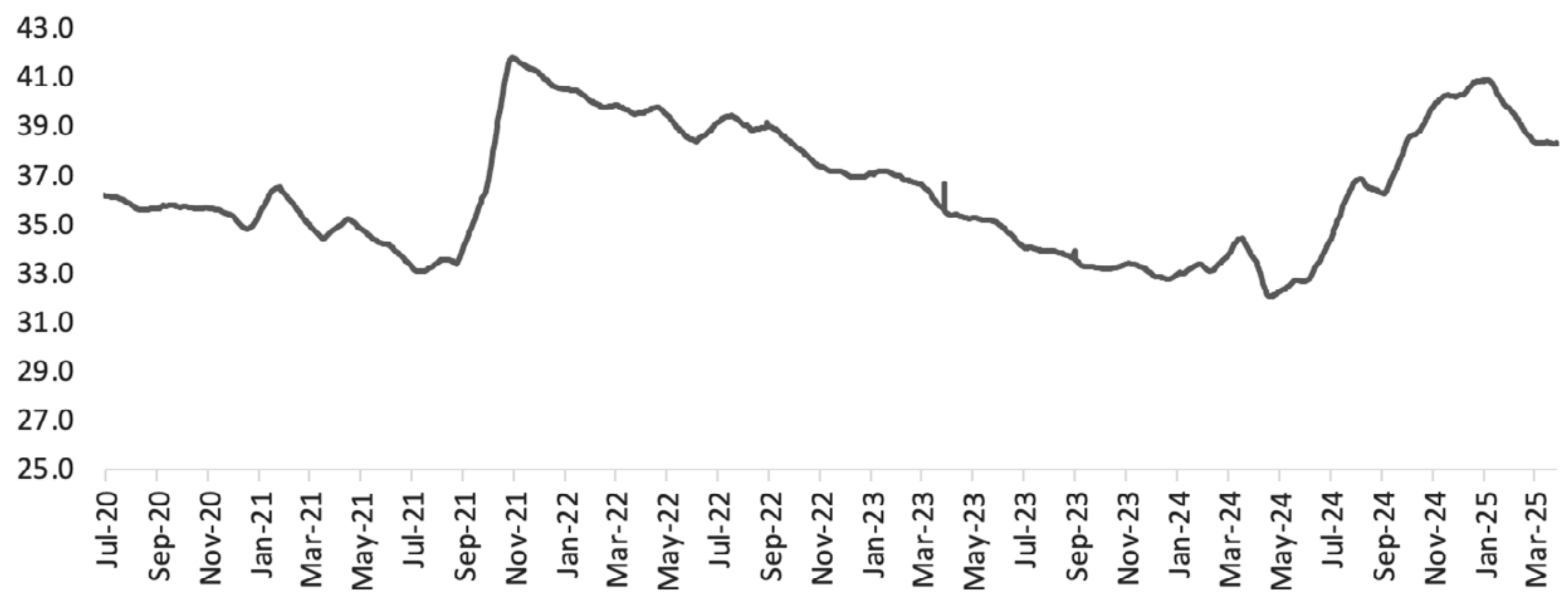
Source: Bloomberg (BGN), AbokiFX, GTCO

FOREIGN RESERVES

Foreign Reserves Falls in Q2-2025 Due to Debt Servicing and Heightened Demand

Despite gains in non-oil revenue, remittances, and portfolio inflows, Nigeria's foreign exchange reserves declined by 2.9% (or $1.1 billion) to $37.21 billion in Q2-2025, down from $38.31 billion in Q1-2025. The drop was primarily driven by continued Central Bank of Nigeria (CBN) interventions in the FX market and external debt servicing obligations. According to FMDQ data, approximately $297 million was allocated for servicing Federal Government Eurobonds during the quarter. Additionally, the CBN actively intervened in the foreign exchange market to stabilize the naira.

Fig 10: CBN Foreign Reserves Trend ($Billion)



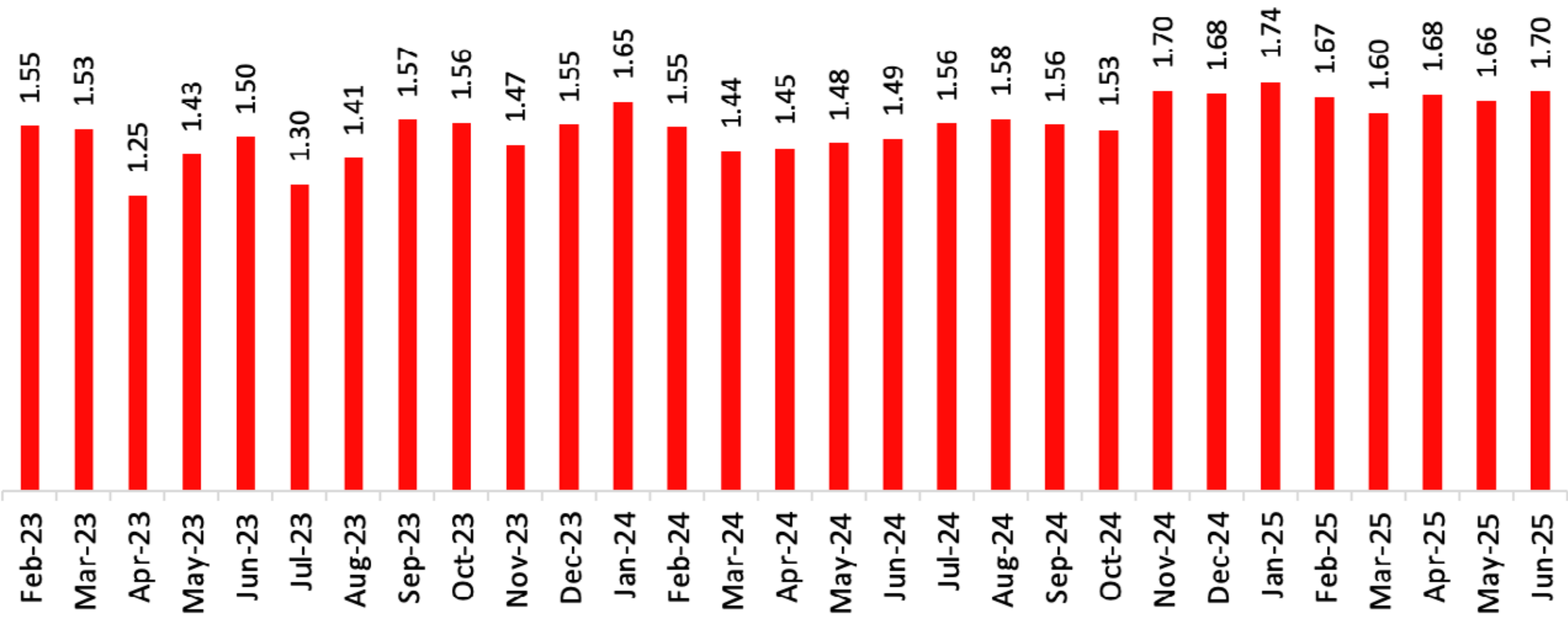
Source: CBN, GTCO

CRUDE OIL PRODUCTION

Crude Oil Output Underperforms Against Budget Estimates

Nigeria's average crude oil production, including condensates, rose marginally by 0.5% to 1.68 million barrels per day (mbpd) in Q2-2025, up from 1.67 mbpd in Q1-2025. This modest increase reflects continued progress in the oil sector, supported by enhanced pipeline security and a reduction in oil theft. The output in Q2-2025 however remains significantly below the 2025 budget benchmark of 2.12 mbpd. Excluding condensates, the quarterly average crude oil production stood at 1.48 mbpd in Q2-2025, falling short of OPEC's quota of 1.5 mbpd by approximately 20,000 barrels per day. Given current production levels, oil prices, and the critical role of crude oil in government revenue, Nigeria may face challenges in meeting its 2025 revenue target of 40.89 trillion.

Fig 11: Oil Production Trend (Million Barrel Per Day)



Source: OPEC, GTCO

FINANCIAL MARKET PERFORMANCE

EQUITIES MARKET

Bulls Dominate the Nigerian Stock Market in Q2-2025

Despite global trade tensions and the Central Bank of Nigeria's regulatory forbearance directive, the Nigerian stock market maintained its upward momentum in Q2-2025. The NGX All-Share Index rose by 13.55% to close at 119,978.57 points, while market capitalization increased by 14.63% to ₦75.95 trillion. This performance reflects sustained investor confidence and optimism in the market.

NGX Consumer Good index was the best performing index, mainly driven by International Breweries (+1723%), Champion Breweries (+145%) and FTN Cocoa (117.86%). NGX Oil & Gas index was the worst performing index due to the setback in Conoil (-29%), MRS (11%) and Seplat(-4%).

The total transaction value at the Nigerian Exchange increased by 51.79%, reaching ₦3.4146 trillion year-to-date in May 2025, compared to ₦2.2496 trillion in May 2024. Of the total equity transactions of ₦3.4146 trillion year-to-date at the Nigerian Exchange in May 2025, foreign participation accounted for 29.17% (up from 20.37% in May 2024), while domestic participation made up 70.83% (down from 79.63% in May 2024). Again, the relative stability of the naira in the foreign exchange market motived foreign portfolio investors to pick Nigeria's stocks during the period.

Fig. 12: NGX All-Share Index Trend

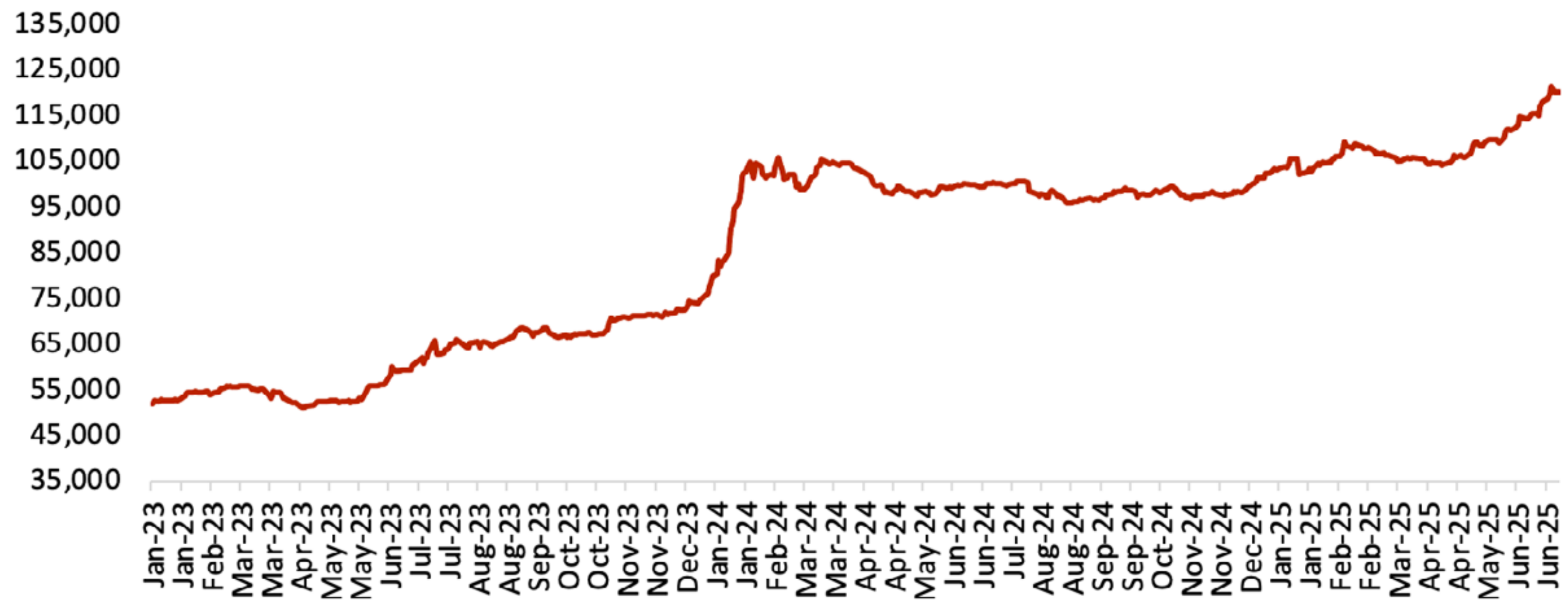


Fig. 12: NGX All-Share Index Trend

Table 1: Sector/Index Performance in Q2-2025

S/N	INDEX	28 MAR 25	30 JUN 25	%CHANGE
1	NGX CONSUMER GOODS	1,815.85	2,635.86	46.16%
2	NGX LOTUS II	7,551.18	9,229.65	22.23%
3	NGX PENSION	4,785.90	5,789.71	21.16%
4	NGX PREMIUM	10,171.85	11,576.85	13.81%
5	NGX 30	3,922.34	4,423.04	13.81%
6	NGX BANKING	1,159.99	1,280.41	10.38%
7	NGX INSURANCE	698.54	755.52	8.16%
8	NGX INDUSTRIAL GOODS	3,489.87	3,638.15	4.25%
9	NGX ASEM	1,587.89	1,595.12	0.46%
10	NGX OIL & GAS	2,458.69	2,437.47	- 0.86%

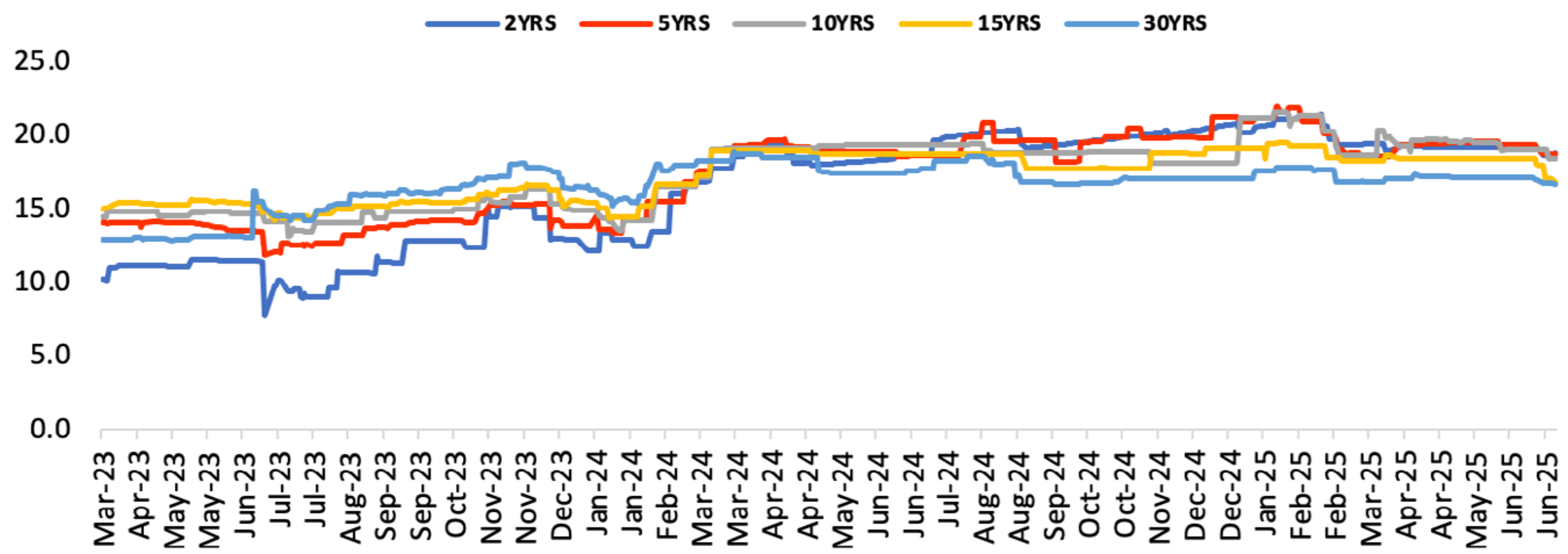
Source: NGX, GTCO

FIXED INCOME MARKET

Rates decline amid lower supply and receding inflation

The average yield of FGN domestic bonds in the secondary market fell by 77bps to close at 17.84% in Q2-2025 as investors reacted to the slowdown in inflation and the decline in bond yields. A similar trend was observed in the primary market, where marginal rates in the last auction of Q2-2025 fell to 17.75% for FGN APR 2029 bonds and 17.95% for FGN JUN 2032 bonds, compared to marginal rates of 19.00% for FGN APR 2029 and 19.99% for FGN MAY 2033 in Q1-2025. The primary market responded to the persistent drop in inflation and excess liquidity during the period. Additionally, adjustments to the Debt Management Office's (DMO) auction calendar and the Nigerian government's efforts to lower borrowing costs further contributed to the reduction in yields in Q2-2025.

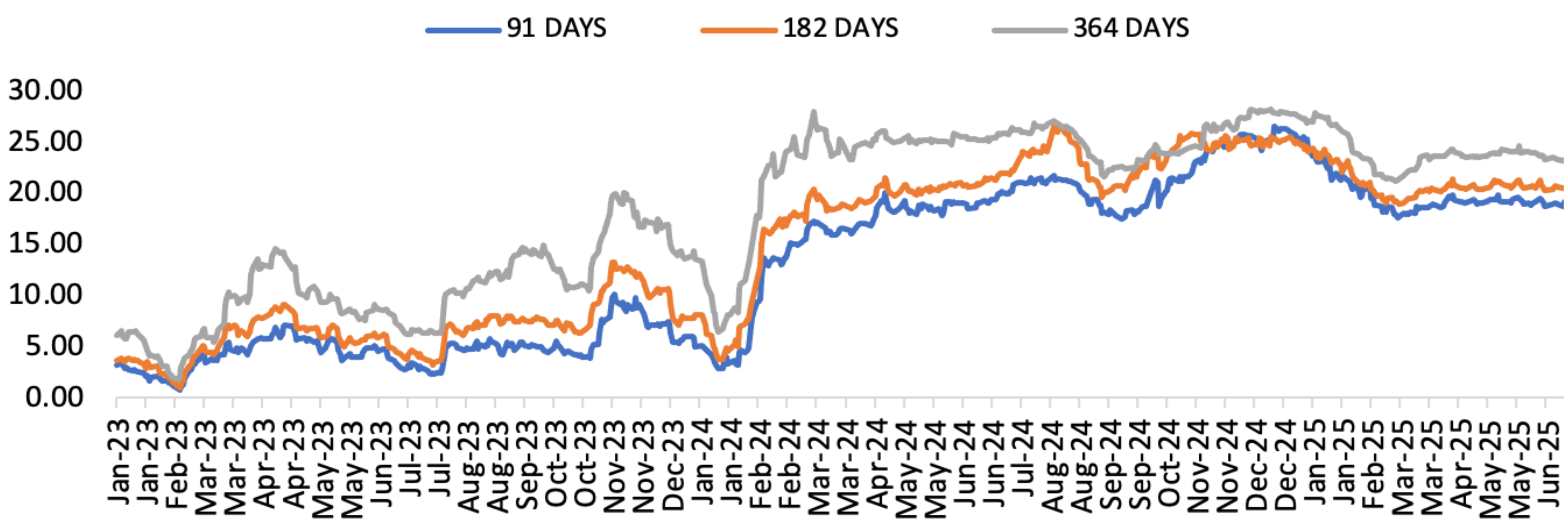
Fig. 13: Movement in Bond Yields (Secondary Market)



Source: Bloomberg (BGN), GTCO

In Q2-2025, the average yield on treasury bills declined by 66 basis points to 20.25%, as investors responded to excess liquidity and falling stop rates in the primary market. This downward trend was further supported by the Central Bank of Nigeria's decision to maintain a steady monetary policy rate throughout the quarter, alongside growing expectations of potential rate cuts in the coming months.

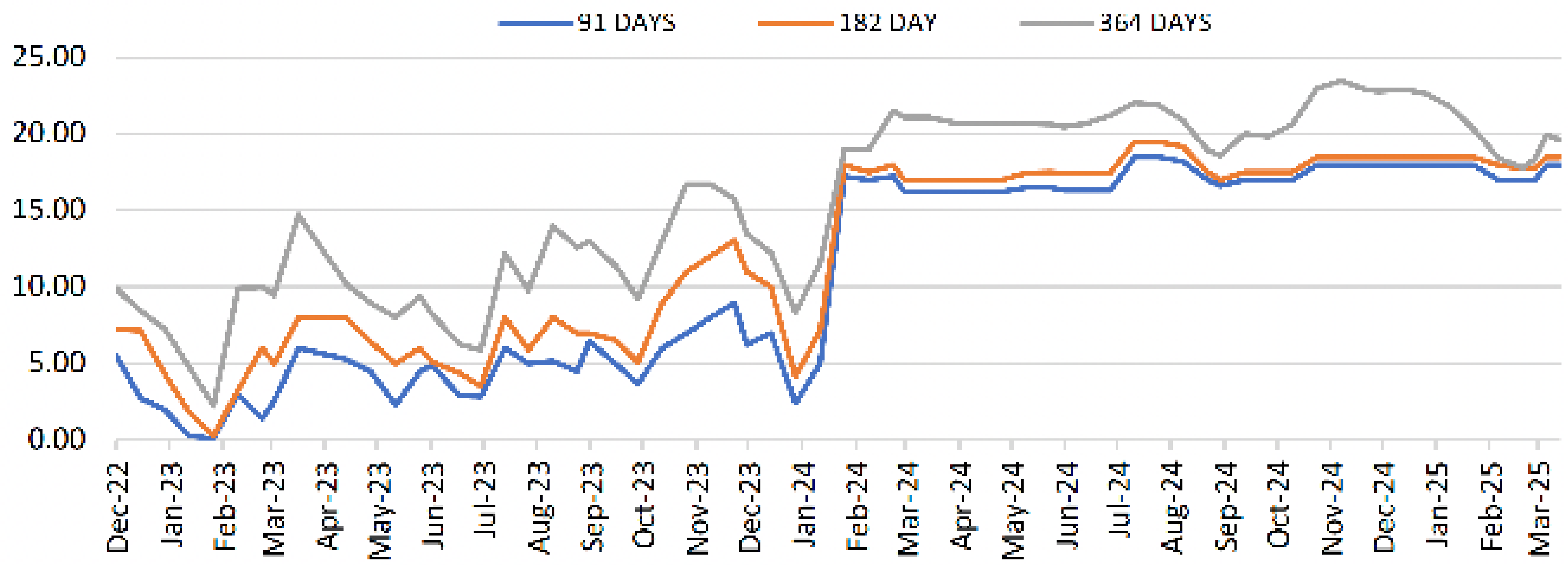
Fig. 14: Movement in Treasury Bills Yields (Secondary Market)



Source: Bloomberg (BGN), GTCO

The average stop rate of treasury bills in the primary market also fell by 80 bps to close at 18.58% in Q1-2025 (vs. 19.39% average stop rate of the auction results for Q4-2024) mainly driven by the decline in inflation rate.

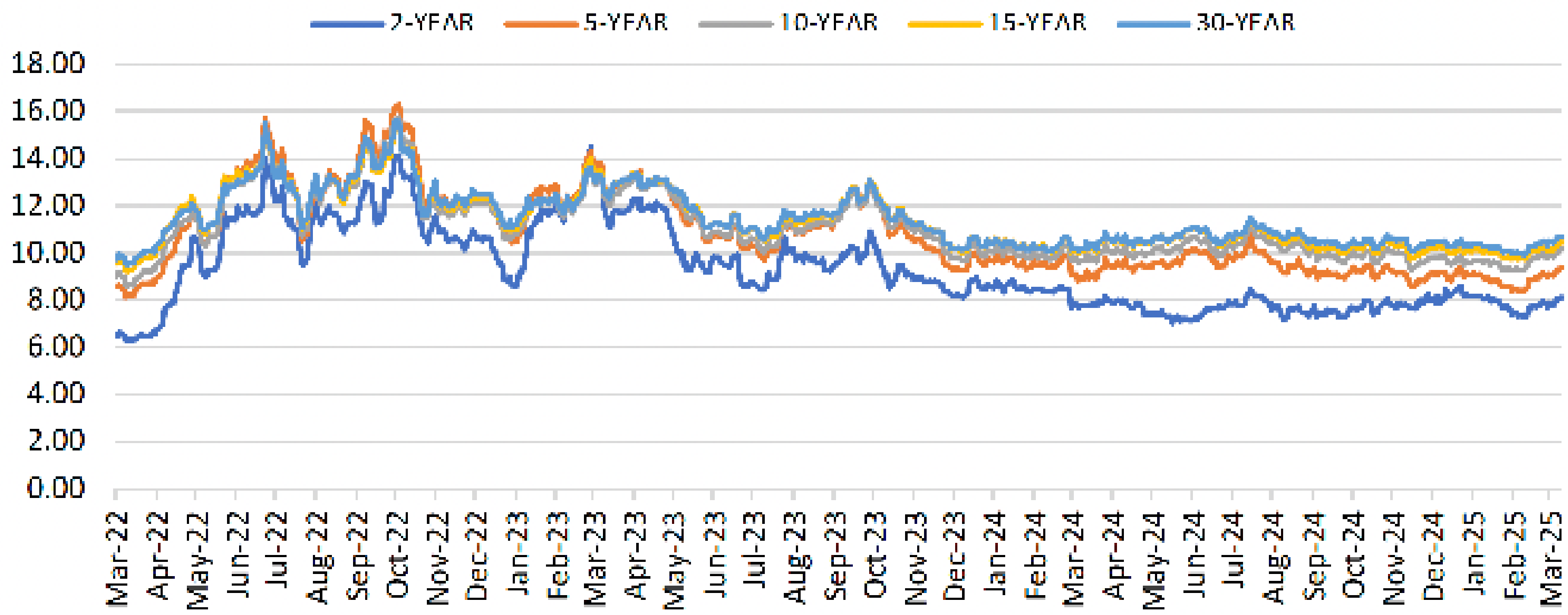
Fig. 15: Movement in Treasury Bills Stop Rates (Primary Market)



Source: CBN, GTCO

The average yield of FGN Eurobonds increased by 29 bps, reaching 9.76% in Q1-2025, compared to the 9.47% average market yield in Q4-2024. This decline in the prices of Nigeria's international bonds is largely attributed to elevated interest rates in developed economies, a substantial reduction in external reserves, and forecasts of lower foreign exchange earnings, particularly from the oil sector. Furthermore, the federal government did not issue any Eurobonds during Q1-2025.

Fig. 16: Movement in Nigeria's Eurobond Yields



Source: Bloomberg (BGN), GTCO

ECONOMIC AND MARKET OUTLOOK FOR Q2-2025

GLOBAL ECONOMY

- The 90-day tariff pause between the United States and most countries ended on July 9, 2025, and was subsequently extended to August 1, 2025. With the expiration of this pause, the U.S. aim at implementing tariff increases, which may prompt retaliatory measures from other nations. These developments are likely to weigh on global economic growth in Q3-2025. In addition, recent attacks in the Red Sea by Houthi rebels threaten to disrupt critical shipping routes, potentially straining global supply chains and dampening productivity across several economies. As a result, global GDP growth is expected to slow in Q3-2025, driven largely by the adverse impacts of escalating trade tensions and geopolitical instability.

The potential upside to our outlook hinges on the possibility of a mutual trade agreement between the United States and other major economies before August 1, 2025. Such an agreement could ease trade tensions and support stronger economic growth in Q3-2025. Furthermore, a possible truce between Russia and Ukraine conflicts could help stabilize global energy markets and supply chains, boosting investor confidence and paving the way for a more robust global economic recovery during the quarter.

- Global inflation is anticipated to rise modestly in Q3-2025, as the implementation of higher US tarif and geopolitical tensions are expected to weigh on prices. In addition, geopolitical tensions, particularly the recent waves of attack on ships in the Red Sea may lead to an increase in crude oil prices and result in high inflation in various countries. As a result, most advanced economies are unlikely to meet their 2% inflation targets in Q3-2025.

In EMDEs, inflation is likely to remain elevated and above the targets of most countries in Q3-2025, driven by the effects of geopolitical tensions and weakened local currencies. However, the possibility of a mutual agreement on tariff revisions and reduced geopolitical tensions presents upside potential for our global inflation outlook.

- We nonetheless do not foresee a policy rate hike due to the fragile economic growth across many nations. In advanced economies, accommodative monetary policies are likely to continue, with extended rate cuts anticipated in the Eurozone and a rate pause expected in the United States and the United Kingdom. Likewise, most EMDEs are projected to keep policy rates steady in Q3-2025 to encourage foreign portfolio inflows and strengthen local currencies.
- Although non-OPEC producers are expected to ramp up output and OPEC has announced a production increase of 411,000 barrels per day in July, followed by an additional 158,000 barrels per day from August, crude oil prices may still hover around $70 per barrel in Q3-2025.

DOMESTIC ECONOMY

- Nigeria's GDP is projected to grow more strongly in Q3-2025, supported by the ongoing rebased exercise and expected improvements across both the non-oil and oil sectors. The non-oil sector stands to gain significantly from the multiplier effects of fresh capital raised by banks and the government's inward-focused initiatives – particularly the newly approved Nigeria First policy. Additionally, efforts by the Federal Government to raise crude oil production targets are likely to bolster performance in the oil sector during the quarter. External shocks, particularly from a possible renewal of the tariff war and escalation of geopolitical tensions, remain the downside risk to our outlook.
- An increase in inflation is unlikely in Q3-2025, given expectations of a stable foreign exchange environment, slowdown in PMS prices and anticipation for harvest season during the quarter. Meanwhile, the global uncertainties associated with the tariff wars and geopolitical tensions, alongside growing insecurity in key food-producing areas such as Benue and Plateau States, are major downside risks to our outlook.
- With anticipation of a slowdown in inflation, the MPC of the CBN may likely cut the monetary policy rate and/or adjust other policy tools in Q3-2025. However, we do not expect a significant reduction of monetary policy rate in Q3-2025 as the apex bank will continue to manage excess liquidity, enhance foreign portfolio investment inflows and carefully access the impacts of global trade tensions on domestic prices.
- The naira is projected to maintain relative stability in the foreign exchange market during Q3-2025, buoyed by continued interventions from the Central Bank of Nigeria (CBN) and stronger foreign exchange inflows, particularly from diaspora remittances, oil revenues, and increased foreign portfolio investments.

EQUITIES MARKET

Nigeria's equities market is expected to maintain its bullish momentum into Q3-2025, building on the positive trend observed in Q2-2025. Investor optimism is likely to be fueled by interest in undervalued stocks as market participants position for interim dividend payouts. In addition, the stable foreign exchange market will keep attracting foreign portfolio investors into the country.

FIXED INCOME MARKET

Yields in the money market and bonds market are projected to decline in Q3-2025, driven by sustained excess liquidity and the Debt Management Office's (DMO) plan to scale back domestic borrowings. In addition, the expectation of lower inflation rate and possible policy rate cut by the CBN may keep rates lower in Q3-2025.

We expect yields of Nigeria's Eurobonds to decline further in Q3-2025, primarily due to projected improvements in capital inflows, as foreign portfolio investors are likely to respond positively to a stable foreign exchange market and the recent rise in crude oil prices. Additionally, the recent upgrade of Nigeria's credit outlook by Fitch and the positive outlook for the country's external reserves are expected to boost investor appetite for Nigeria's Eurobonds during the quarter.

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