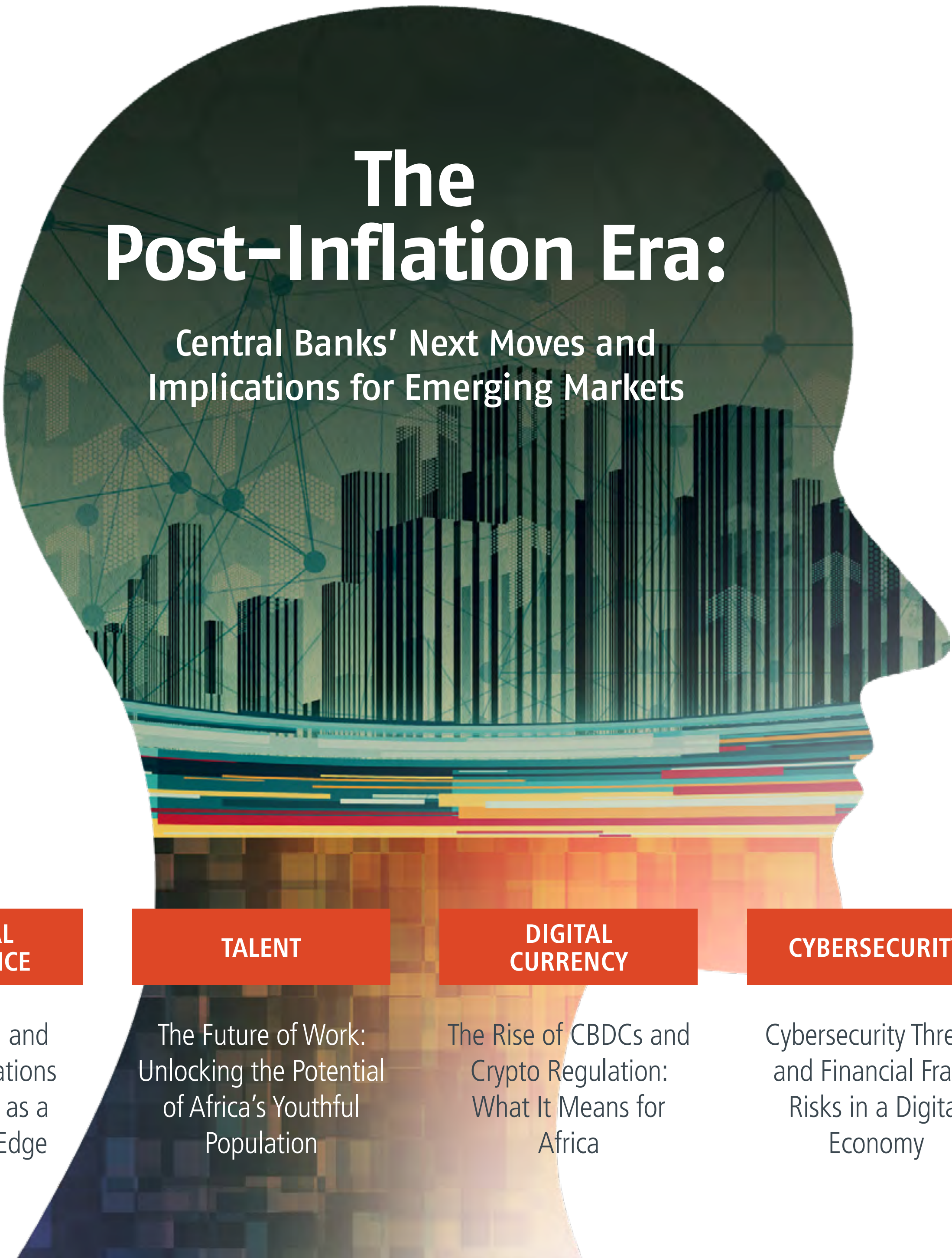
GTCO

Guaranty Trust Holding Company plc

RC 1690945

2024

Macroeconomic Review & 2025 Outlook



The Post-Inflation Era:

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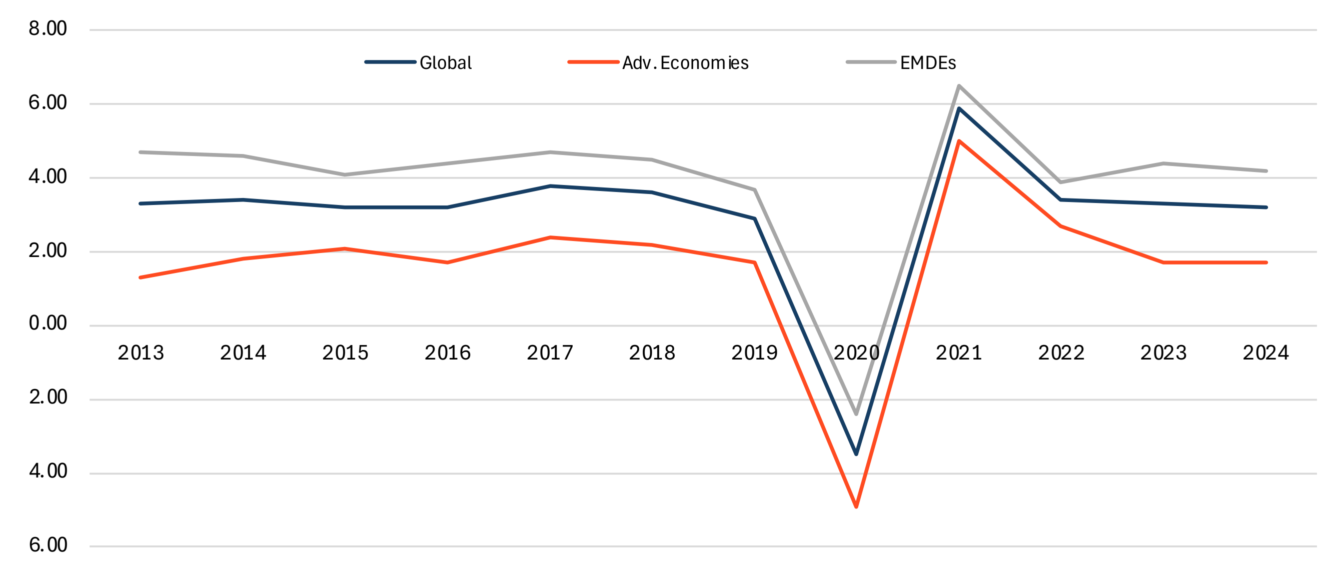
Global Economy

Gross Domestic Product

Modest Growth amid Persistent Challenges

In 2024, global economic growth held steady despite challenges like high interest rates, climate shocks, geopolitical tensions, trade disputes, and weak demand in many countries. Even though most countries experienced stable growth, the overall global growth was still below pre-pandemic levels due to slow GDP growth in the United States and China—the two biggest economies. As a result, the IMF predicts global growth to slow down to 3.2% in 2024, slightly down from 3.3% in 2023

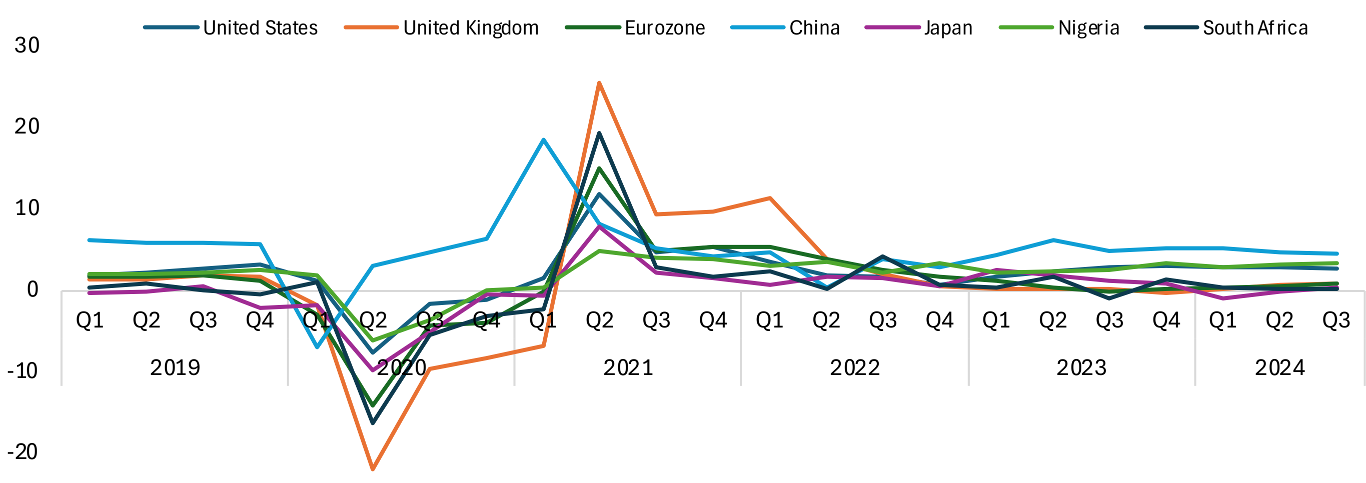
Fig 1: GDP Growth Rate (year-on-year %) *Source: IMF, GTCO*



Growth in advanced economies is expected to remain stable at 1.7% in 2024, driven by strong growth in the Eurozone and the United Kingdom, which will offset slower growth in the United States and Japan. The Eurozone and the United Kingdom witnessed increased household spending and business investments in 2024, boosting their GDP growth. The IMF projects the Eurozone's GDP growth to rise from 0.4% in 2023 to 0.8% in 2024, and the United Kingdom's from 0.3% to 0.9%. However, the United States' growth is estimated to be slightly lower at 2.8% in 2024, down from 2.9% in 2023, due to high interest rates.

In emerging market and developing economies (EMDEs), growth is projected to decline from 4.4% in 2023 to 4.2% in 2024. The slowdown in China and India outweighs improved growth in Sub-Saharan Africa. China's economy slowed down to 5.0% in 2024 from 5.2% in 2023 due to property issues, weak demand, deflation risks, and trade frictions. India's growth is projected to fall from 8.2% in 2023 to 6.5% in 2024 due to weak urban spending and election-related capital expenditure. Meanwhile, growth in Sub-Saharan Africa is projected to rise from 3.6% in 2023 to 3.8% in 2024, driven by resilient growth in Nigeria and South Africa.

Fig 2: GDP Growth Rate of Selected Countries (year-on-year %) *Source: TradingEconomics, NBS, GTCO*



Inflation

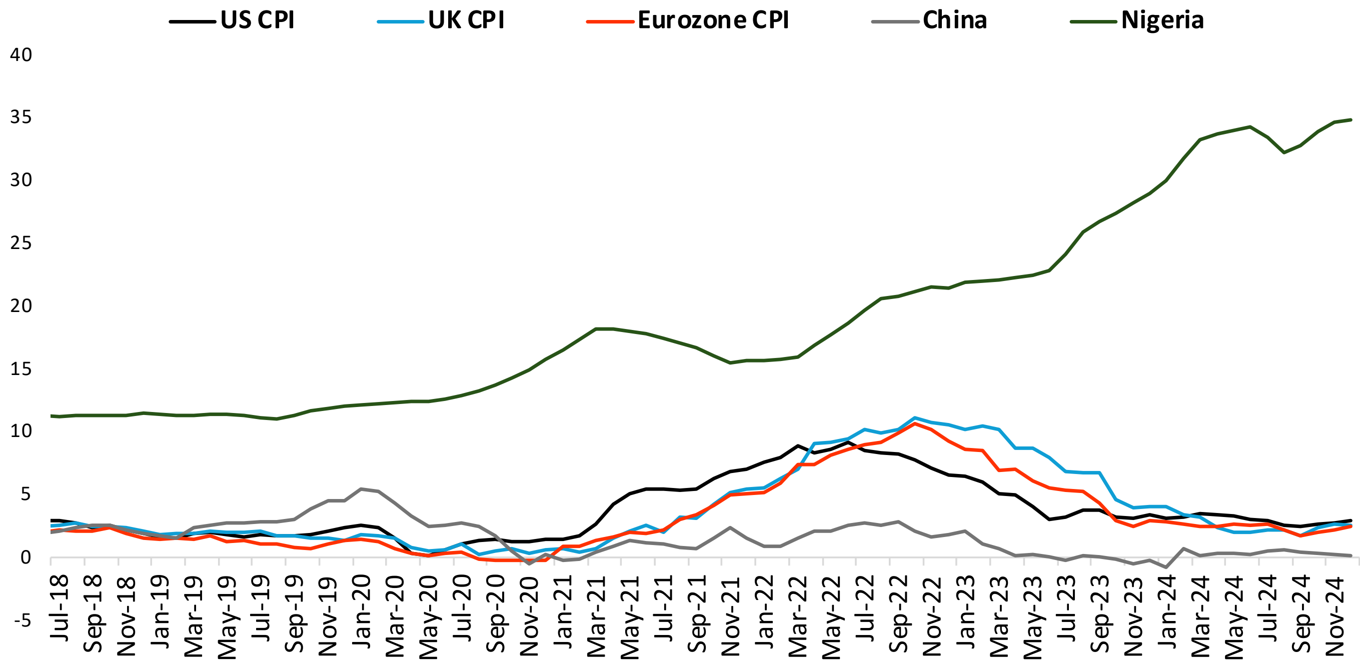
Inflation Slows as CPI Responds to Tight Monetary Policy

The world made significant progress against inflation in 2024, despite some countries still facing price pressures. After peaking at 9.4% (year-on-year) in Q3 2022, the IMF projects global headline inflation to drop from 6.7% in 2023 to 5.7% in 2024. This is due to falling energy prices and the impact of previous tight monetary policies.

In the United States, inflation fell to 2.9% in 2024 from 3.4% in 2023, driven by tight monetary policy and lower food and energy prices. The United Kingdom saw a bigger drop, with inflation falling to 2.5% in 2024 from 4.0% in 2023, due to reduced transport, energy, housing, and utility costs. In the Eurozone, inflation slowed to 2.4% in 2024 from 2.9% in 2023, nearing the ECB's 2% target due to lower energy prices and non-energy industrial costs. In emerging market and developing economies (EMDEs), inflation results were mixed. In Brazil and Nigeria, inflation rose to 4.83% and 34.8%, respectively, in 2024 due to high food and energy prices and increased government spending. However, inflation slowed in India, Argentina, and South Africa, reaching 5.22%, 117.8%, and 2.9%, respectively, in 2024 due to effective monetary policies and lower food and energy prices.

Despite the progress, global inflation at 5.3% in 2024 is still above the pre-pandemic average of 3.6%. Ongoing regional conflicts, rising energy prices, and expansionary fiscal policies pose risks to future global inflation.

Fig 3: Global Inflation Trend (%) *Source: TradingEconomics, NBS, GTCO*



Policy Rate

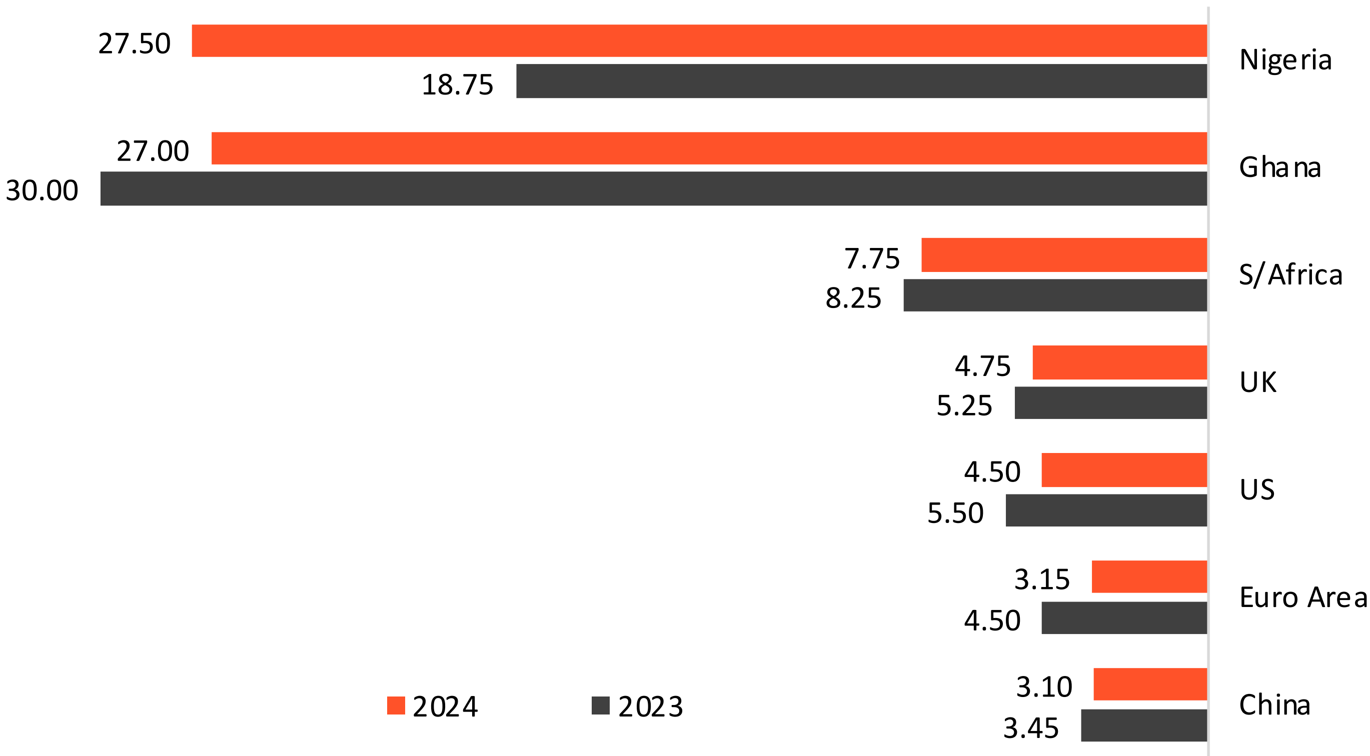
Monetary Policy Shifts as Inflation Approaches 2% Target

Most central banks adopted contractionary monetary policies to combat high inflation in 2024. As inflation returned closer to central bank targets and GDP growth slowed, some advanced economies shifted to easing policy rates, especially in the second half of the year.

- **United States:** The Federal Reserve cut the fed funds rate by 100 bps to 4.25%-4.50%, the first cut since 2020.
- **United Kingdom:** The Bank of England lowered the policy rate by 50 bps to 4.75%.
- **Eurozone:** The European Central Bank reduced the policy rate by 135 bps to 3.15%.
- **China:** The People's Bank of China cut the 1-year loan prime rate by 35 bps to 3.10%.

In Africa:
- **Ghana:** The Bank of Ghana cut the policy rate by 300 bps to 27%.
- **South Africa:** The South African Reserve Bank reduced the policy rate by 50 bps to 7.75%.
- **Nigeria:** The Central Bank of Nigeria however, raised the policy rate by 875 bps to 27.50% to tackle high inflation driven by high fuel prices and currency depreciation.

Fig 4: Policy Rate *Source: Bloomberg, GTCO*



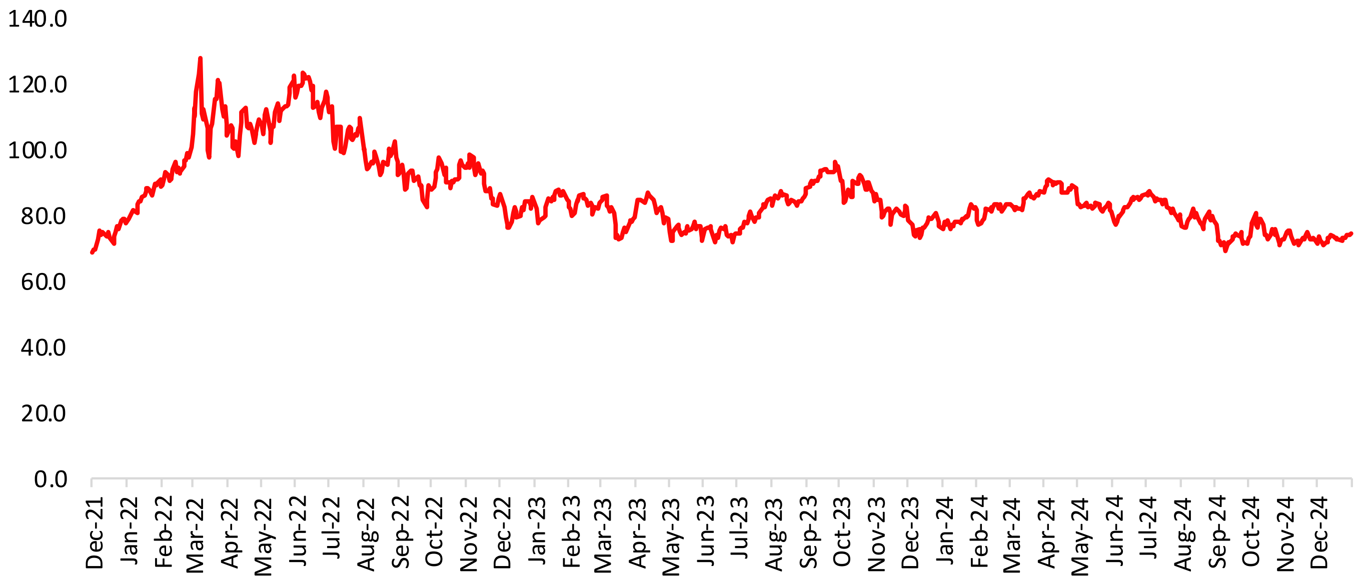
Crude Oil

Crude Oil Price Falls on Weak Demand

OPEC+, in 2024, held several meetings to manage oil production. Increase in production was projected in October 2024 but delayed it due to slowing global demand and higher production from non-OPEC+ countries. By December 2024, OPEC+ decided to extend their oil production cuts of 2.2 million barrels per day. OPEC+ plan to gradually increase production starting in April 2025, with monthly increases of 138,000 barrels until September 2026.

Despite these cuts and geopolitical tensions in the Middle East, the average prices of Brent crude oil and WTI fell by 2.81% and 2.38% to $79.86 and $75.76 per barrel, respectively. This was mainly due to lower demand from China (the world's largest oil importer), increased oil production in the United States, and weak economic productivity in various countries.

Fig 5: Trend in Brent Crude Oil Price ($) *Source: Bloomberg, GTCO*



Nigeria

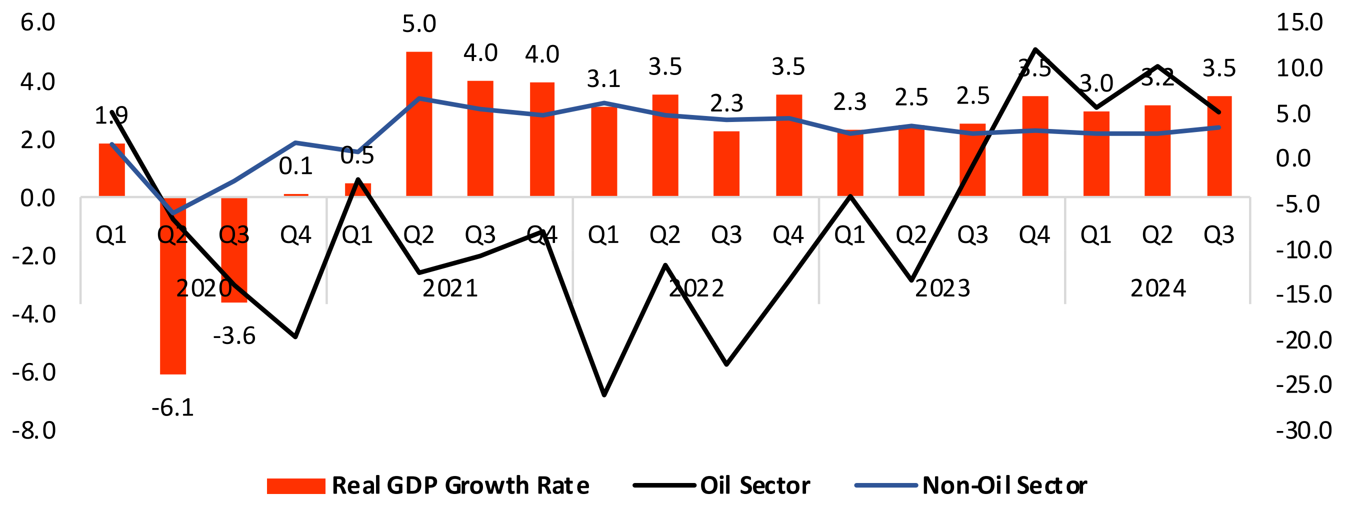
Gross Domestic Product

Resilient GDP Growth Amid Elevated Interest Rate and Depreciation of Naira

Nigeria's economy showed positive growth in 2024 despite high interest rates and a weaker naira. GDP grew by 3.22% in the first nine months, higher than the 2.46% in the same period of 2023, driven by improvements in both the oil and non-oil sectors. The oil sector grew by 7.01% in 9M-2024, driven by government efforts to combat oil theft and vandalism, which increased oil production. The non-oil sector grew by 2.99%, slightly lower than in 2023 due to high inflation and interest rates.

Oil production increased from 1.39 million barrels per day in 9M-2023 to 1.48 million in 9M-2024, and Nigeria met its OPEC quota of 1.50 million barrels per day in December 2024 for the first time since 2020. The total GDP at basic price was ₦190.92 trillion ($123.82 billion) in nominal terms in 9M-2024, 16.41% higher than ₦164.00 trillion in 9M-2023.

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



Inflation

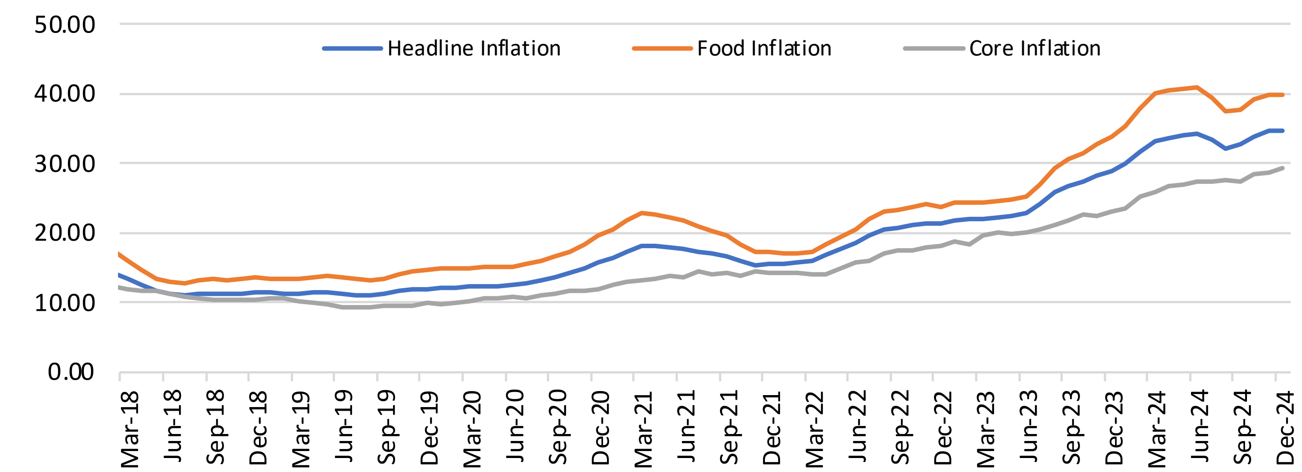
Nigeria's Inflation Accelerates on High Energy Prices and Weak Local Currency

Headline inflation kept rising in the first half of 2024, from 28.92% in December 2023 to 34.19% in June 2024. This increase was due to the removal of PMS subsidy, high electricity tariffs, insecurity, flooding in food-producing areas, and a weaker naira.

Inflation eased slightly to 33.40% in July and 32.15% in August 2024 due to past tight monetary policies and base effects. However, inflation picked up again from August to December 2024 due to a minimum wage increase and the complete removal of the PMS subsidy.

Overall, Nigeria's average inflation rate in 2024 was 33.18%, up from 24.52% in 2023. Food inflation rose to 39.10% from 27.76%, and core inflation increased to 27.06% from 20.68% due to transportation costs, insecurity, and naira depreciation. In December 2024, Bauchi had the highest inflation rate at 44.06%, followed by Sokoto (42.43%) and Kebbi (41.47%). Katsina (28.33%), Delta (29.23%), and Imo (29.99%) had the slowest rise in inflation.

Fig 7: Nigeria's Inflation Trend (%) *Source: NBS, GTCO*



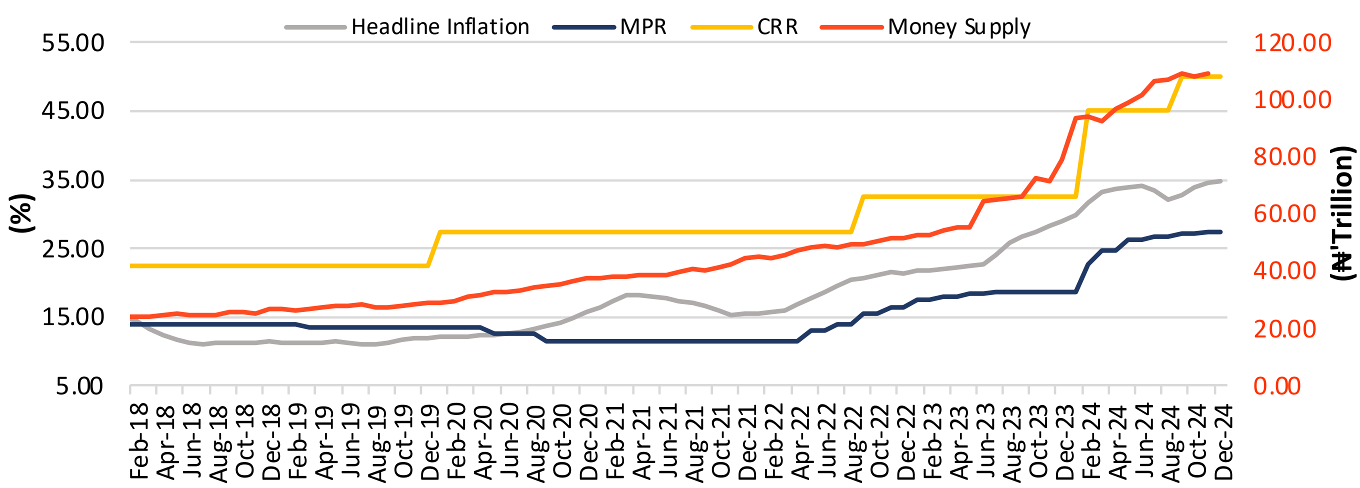
Monetary Policy Rate

Monetary Policy Committee Adopts Contractionary Monetary Policy in 2024

The Central Bank of Nigeria's Monetary Policy Committee held six meetings in 2024, adopting contractionary policies to combat high inflation, attract foreign investments, and control liquidity. The Committee raised the monetary policy rate (MPR) by 875 bps to 27.50% from 18.75% in 2023. The Committee also increased the Cash Reserve Ratio (CRR) for Commercial and Merchant Banks by 1,750 bps and 400 bps to 50.0% and 16.0%, respectively, while keeping the liquidity ratio at 30%. The Asymmetric Corridor was adjusted to +500/-100 bps around the MPR.

As a result, the Standing Lending Facility (SLF) rate moved to 32.50%, and the Standing Deposit Facility (SDF) rate moved to 26.50%, with the SDF rate pegged at 19.0% for excess deposits above certain amounts. Despite these measures, banks might struggle to achieve a 50% Loan-to-Deposit Ratio (LDR) due to the high CRR. While the CBN's policies aimed to curb inflation and improve the economy, challenges remain, particularly with high money supply which rose by 38.20% to ₦108.9 trillion in November 2024 from ₦78.8 trillion in December 2023.

Fig 8: Nigeria's Inflation, MPR, CRR (%) and Money Supply (₦'Trilion) *Source: NBS, GTCO*



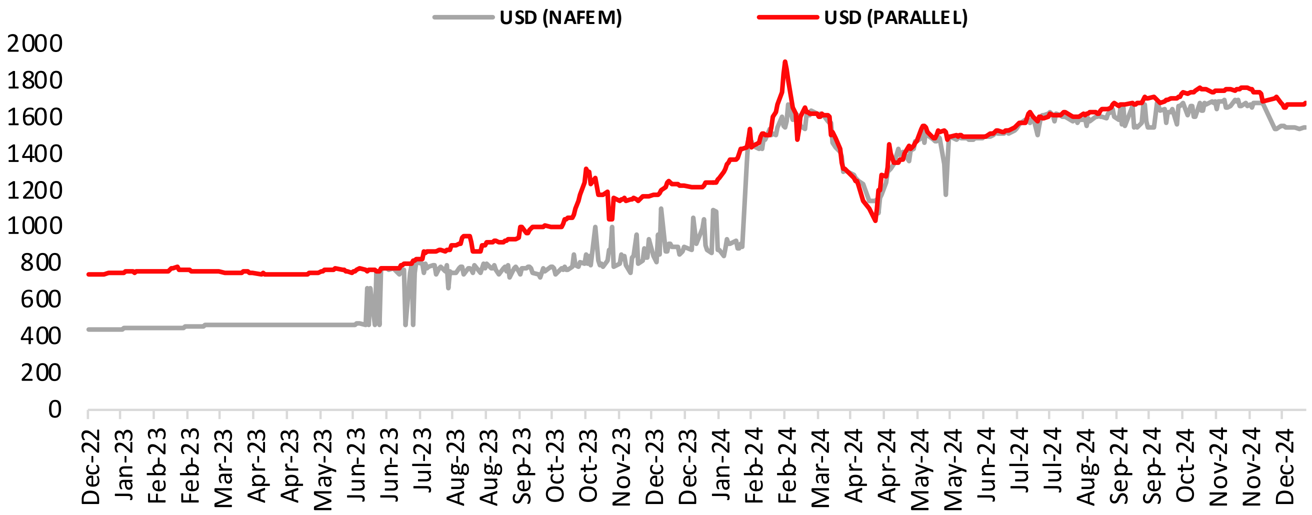
Currency

Naira Depreciates Further in 2024 Despite the Growth in External Reserves

The Naira in 2024, depreciated significantly against the US dollar, closing at ₦1,538.25 at the official NAFEM and ₦1,670.00 on the parallel market, despite interventions by the Central Bank of Nigeria (CBN). To stabilize the Naira, the CBN took several actions, including a Retail Dutch Auction, which recorded successful bids of US$815.37 million.

The depreciation was assumed to be mostly driven by high demand and speculation. However, the new Bloomberg BMatch trading platform, introduced by the CBN in December 2024, brought more transparency and reduced speculation. Since its introduction, Naira has appreciated by 7.54% against the US dollar, closing at ₦1,535.82 on December 31, 2024.

Fig 9: Exchange Rate Trend (US$/₦) *Source: Bloomberg (BGN), AbokiFX, GTCO*



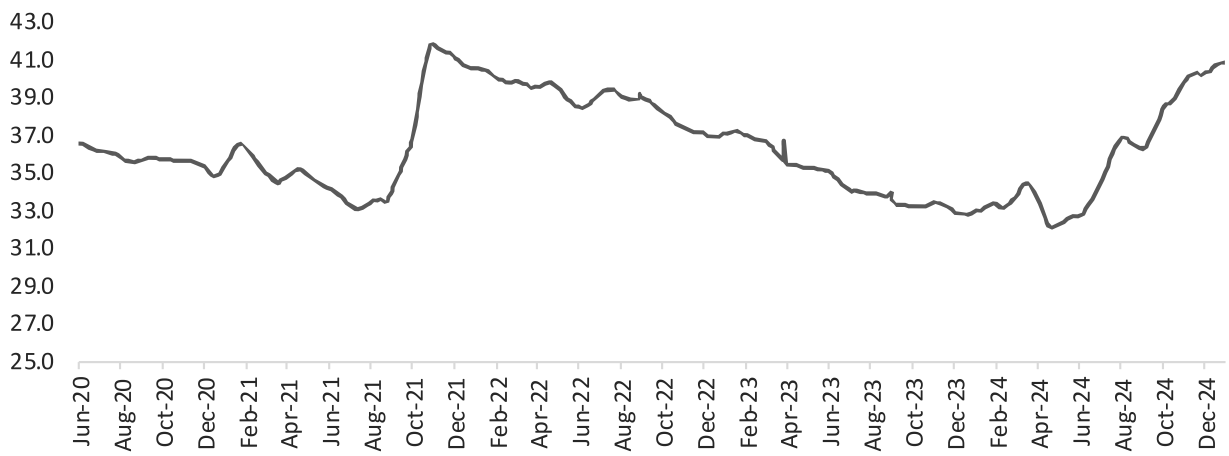
Foreign Reserves

Foreign Reserves Rises on Improved FX Inflows in 2024

Nigeria's foreign exchange reserves increased by 24.2% to $40.88 billion in 2024, up from $32.91 billion in 2023. This growth was driven by higher FX inflows from oil receipts, foreign investment inflows, and debt proceeds. The rise in crude oil production aided oil-related receipts while high interest rates supported capital inflows as data from the National Bureau of Statistics shows capital importation grew by 177% to $5.98 billion in the first half of 2024, with portfolio investments contributing 58% of this growth.

Lower FX demand from refined petroleum importers also helped boost reserves. The completion of the Dangote Petroleum Refinery and partial completion of the Warri and Port Harcourt Refineries reduced the need for imported refined petroleum, easing pressure on reserves. To sustain this growth, the government should adopt accommodative fiscal policies and create an environment that boosts foreign direct investments and local production, enhancing production and encouraging commodity exports to further build Nigeria's external Reserves.

Fig 10: CBN Foreign Reserves Trend ($Billion) *Source: CBN, GTCO*



Crude Oil Production

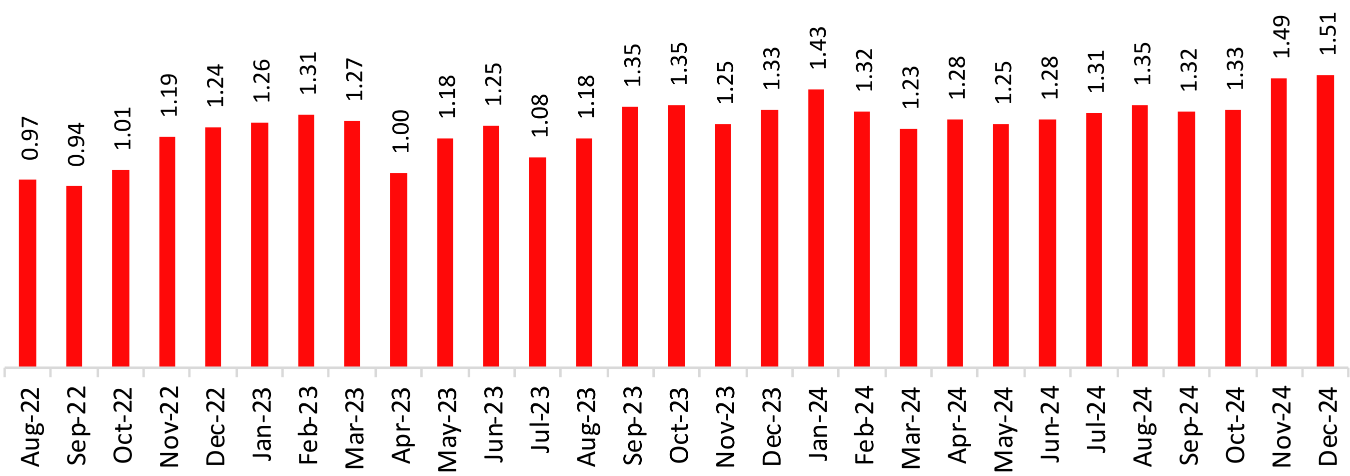
Oil Production Rises as Nigeria meets OPEC Production Quota in December 2024

The Nigerian government made growing progress in curbing oil theft and pipeline vandalism in 2024, leading to improved crude oil production. The country surpassed 1.5 million barrels per day (bpd) in December 2024, meeting the OPEC quota for the first time in four years. Average production rose by 8.7% to 1.34 million bpd from 1.23 million bpd in 2023. However, this was still below the 1.78 million bpd budget benchmark and the OPEC quota for the year.

The slow growth in production was due to a lack of investment in the upstream sector and ongoing oil theft and vandalism.

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

Source: OPEC, GTCO



Financial Market Performance

Equities Market

Irrepressible Market as Bulls Dominate the Year

Despite high inflation and attractive interest rate in 2024, the Nigerian stock market remained strong, with the NGX All-Share Index rising by 37.65% to 102,926.40 points. This marked the fifth consecutive year of positive growth since 2020. Market capitalization grew by 53.39% to ₦62.76 trillion, driven by investor interest in low-cap stocks and the recapitalization of Nigerian banks.

The Oil & Gas sector was the best performer, with gains led by Oando Plc (+529%), Conoil (+362%), and Geregu (+188%). The banking sector saw the least growth at 20.88%, impacted by losses in Stanbic IBTC. Total transactions at the Nigerian Exchange grew by 37.32% to ₦4,913.31 billion by November 2024, with foreign participation rising to 15.98% due to pro-market government policies. Domestic participation was 84.02%, with some investors shifting to high-yield fixed income instruments.

Fig. 12: NGX All-Share Index Trend *Source: Bloomberg (BGN), GTCO*

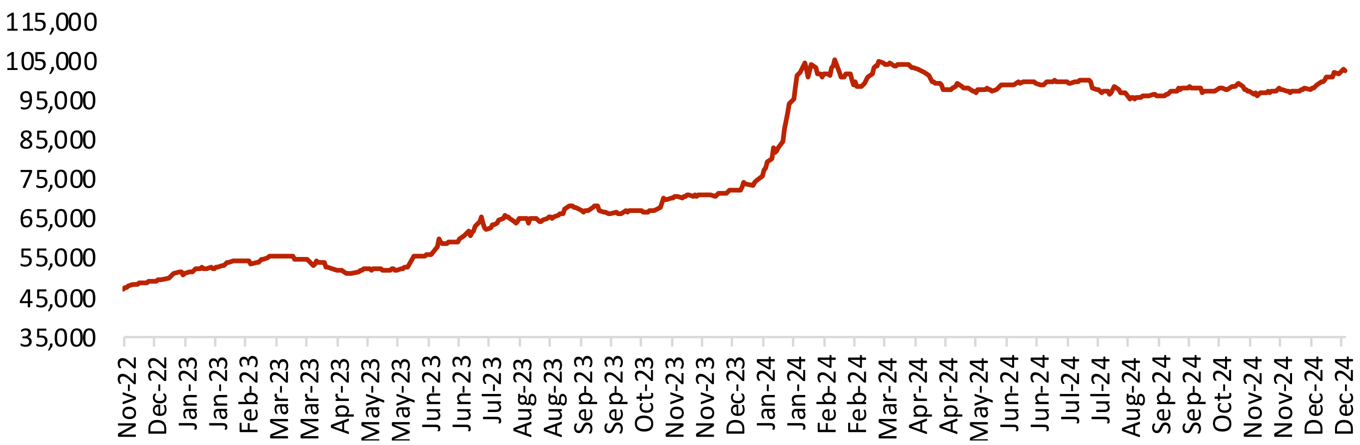


Table 1: Sector/Index Performance in 2024 *Source: NGX, GTCO*

S/N	INDEX	29-Dec-23	31-Dec-24	% CHANGE
1	NGX OIL & GAS	1,043.06	2,712.06	160.01%
2	NGX ASEM	639.55	1,583.71	147.63%
3	NGX INSURANCE	321.66	718.00	123.22%
4	NGX CONSUMER GOODS	1,121.29	1,731.67	54.44%
5	NGX LOTUS II	4619.73	6955.89	50.57%
6	NGX PENSION	3,241.03	4,521.13	39.50%
7	NGX 30	2790.28	3811.94	36.61%
8	NGX PREMIUM	7,227.22	9,719.75	34.49%
9	NGX INDUSTRIAL GOODS	2712.27	3572.17	31.70%
10	NGX BANKING	897.20	1,084.52	20.88%

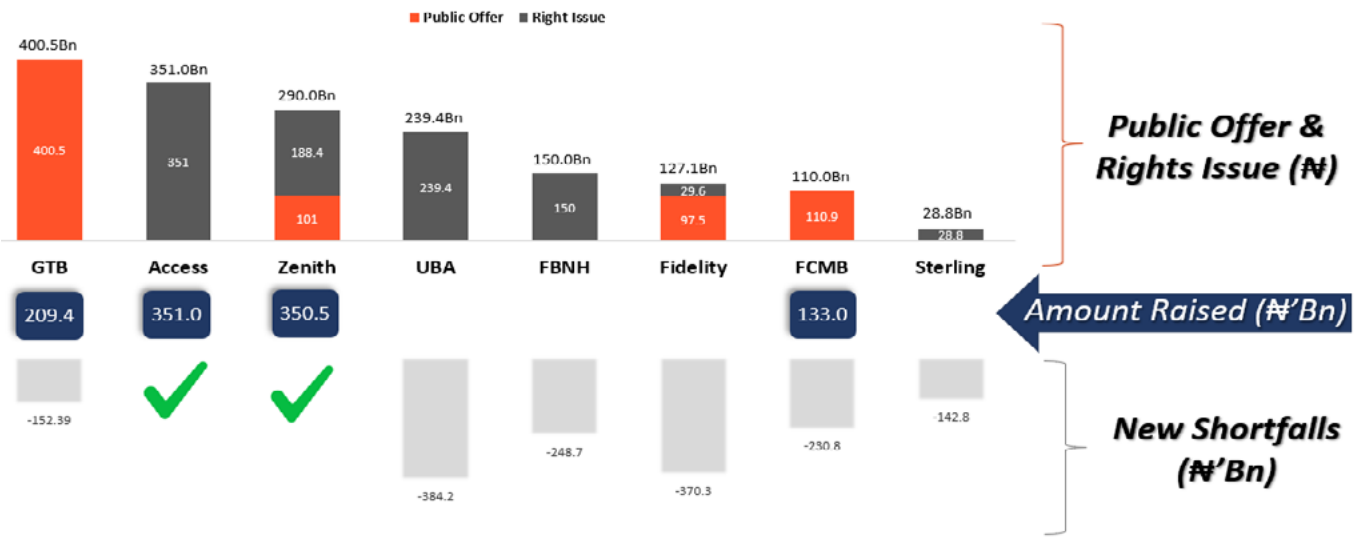
New Capital Requirement For Banks

Commercial Banks with Public Offer, Rights Issue Announcements in 2024 and Capital Raised

The CBN announced new recapitalization requirement for Commercial banks and Merchant banks in 2024 stipulating minimum capital to ₦500bn for banks with international authorization and ₦200bn for banks with national coverage. Banks are required to achieve compliance on or before March 2026. During the year, some banks began the recapitalization process to raise additional capital through rights issue and/or public offer.

We saw eight (8) banks come out to the market to meet this objective, we foresee a successful capital requirement for the banks through capital raising, mergers, acquisitions, or review of their licensing to enable them achieve compliance during the course of the year 2025.

Fig. 13: Banks with Public Offer, Rights Issue Announcements in 2024 and Capital Raised



Source: GTCO, Zenith, Access, FCMB, UBA, FBNH, Fidelity, Sterling

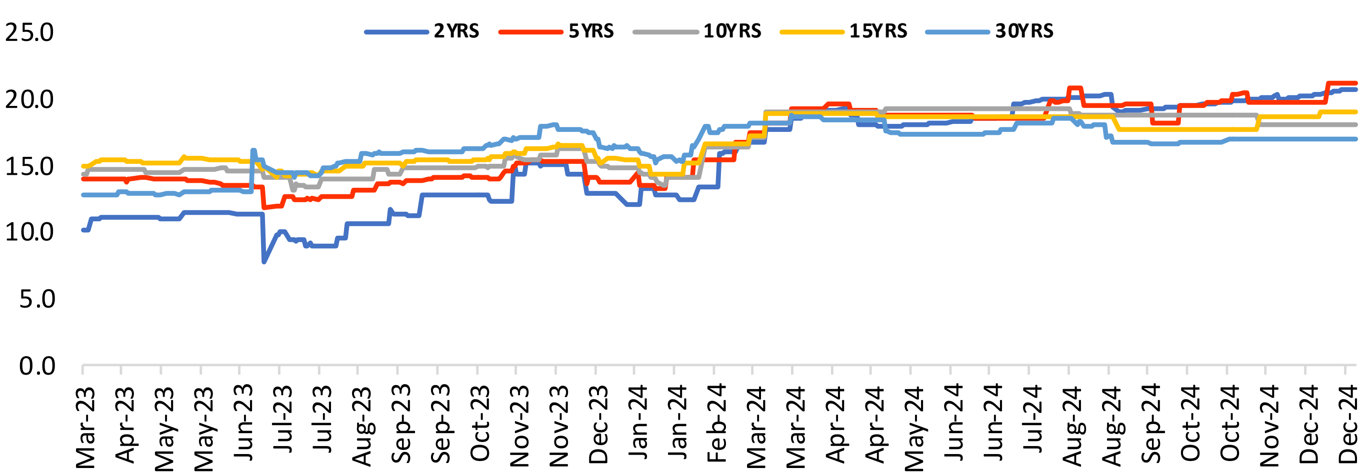
Fixed Income Market

Investors Seek Higher Yields in the Fixed-Income Market

In 2024, Nigeria's bond market saw a significant rise in yields in the secondary market. This increase was mainly due to high inflation, consistent interest rate hikes, and a liquidity squeeze.

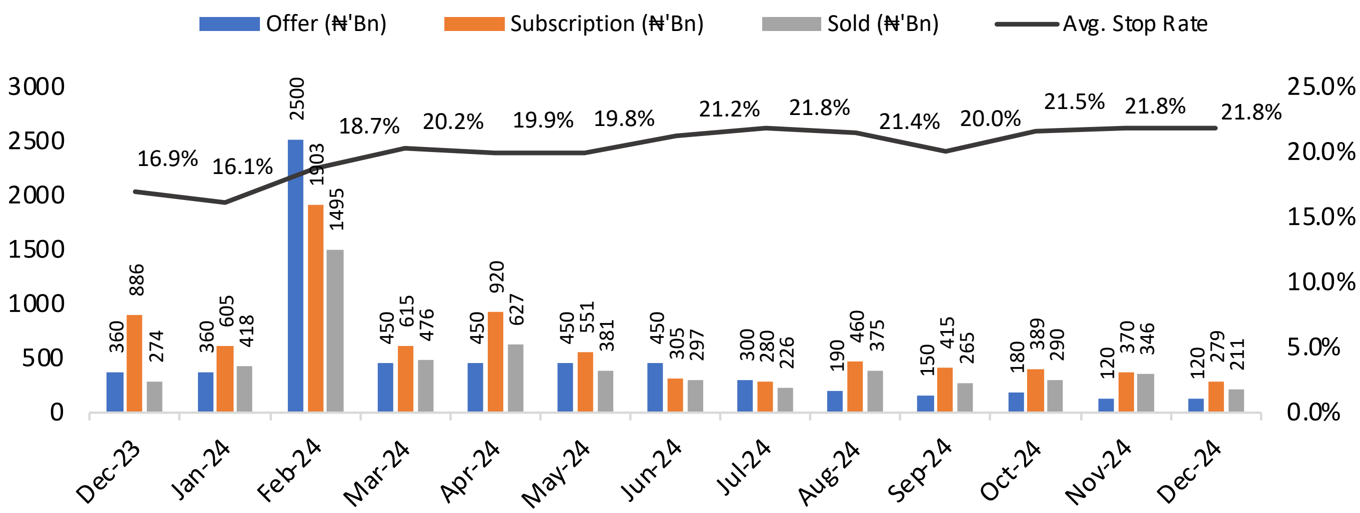
As a result, the average yield of FGN domestic bonds in the secondary market increased by 410 bps, closing at 18.09% in 2024, compared to 14.00% in 2023.

Fig. 14: Movement in Bond Yields (Secondary Market) *Source: Bloomberg (BGN), GTCO*



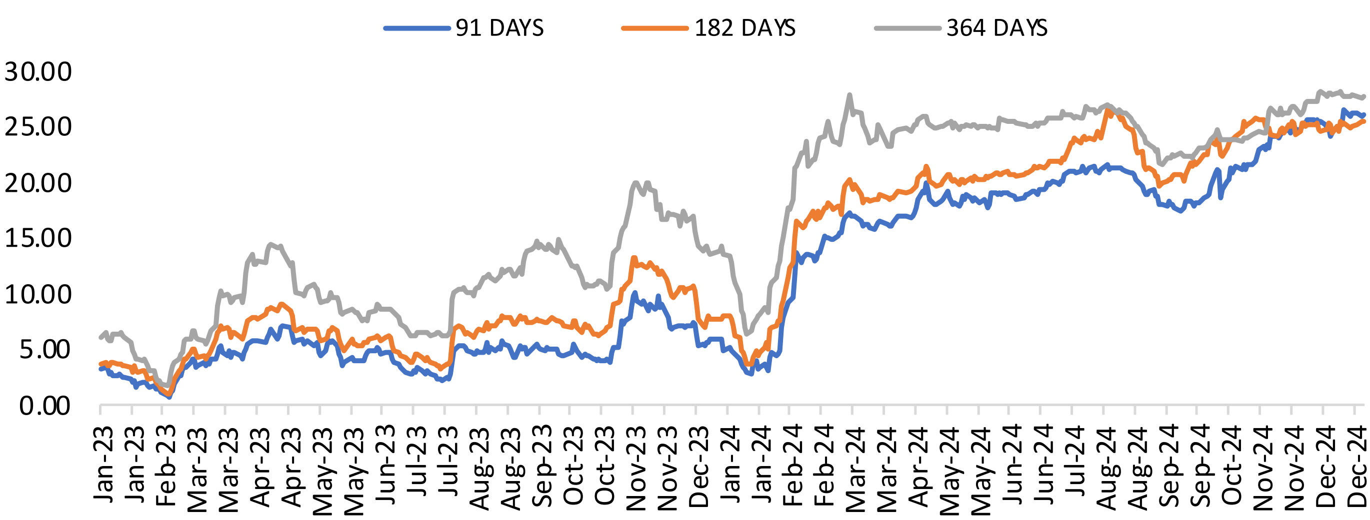
In 2024, the average stop rates for FGN domestic bonds in the primary market increased by 462 basis points (bps) to 20.35%, up from 15.73% in 2023. This rise compensated investors for high inflation and higher policy rates. Total amount sold by the Debt Management Office was ₦5.41 trillion in 2024, slightly higher than ₦5.34 trillion in 2023.

Fig. 15: Bond Offer, Subscription, Sales and Average Stop Rate (Primary Market) *Source: DMO, GTCO*



The average yield of treasury bills in the secondary market also increased significantly by 1,330 bps to 20.56% in 2024 (vs. 7.27% average yield of 2023) as the market responded to the hike in policy rate, and liquidity squeeze during the period.

Fig. 16: Movement in Treasury Bills Yields (Secondary Market) *Source: Bloomberg (BGN), GTCO*



Additionally, the average stop rate for treasury bills in the primary market increased by 1,043 basis points (bps) to 17.77% from 7.34% in 2023. Investors demanded higher rates due to the high interest rate environment.

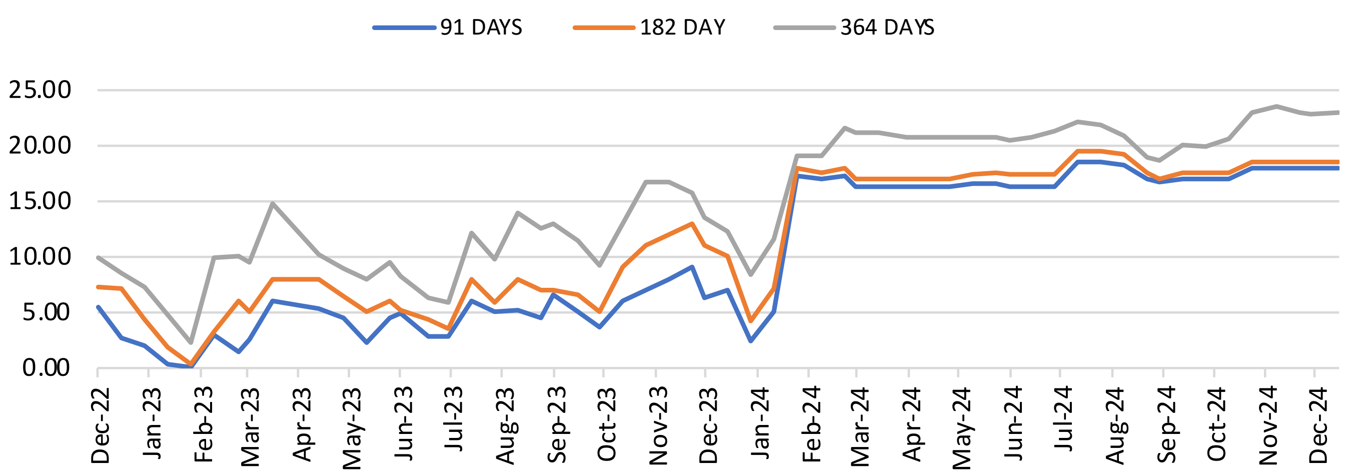
- Total amount offered: ₦7.89 trillion in 2024, up 89.86% from ₦4.16 trillion in 2023.
- Total subscription: ₦29.02 trillion in 2024, indicating a 268% oversubscription, higher than ₦20.87 trillion in 2023.
- Total amount sold: ₦13.07 trillion in 2024, up from ₦6.26 trillion in 2023.

In the money market, the average stop rates for Open Market Operations (OMO) auctions increased from 14.1% in January 2024 to 23.9% in December 2024.

- Total amount offered: ₦9.55 trillion in 2024, significantly higher than ₦0.90 trillion in 2023.
- Total subscription: ₦18.82 trillion in 2024, indicating a 197.06% oversubscription, higher than ₦1.50 trillion in 2023.
- Total amount sold: ₦14.68 trillion in 2024, up from ₦0.73 trillion in 2023.

The high rates and large subscriptions reflect the Central Bank of Nigeria's efforts to manage liquidity, attract foreign investors, and strengthen the naira.

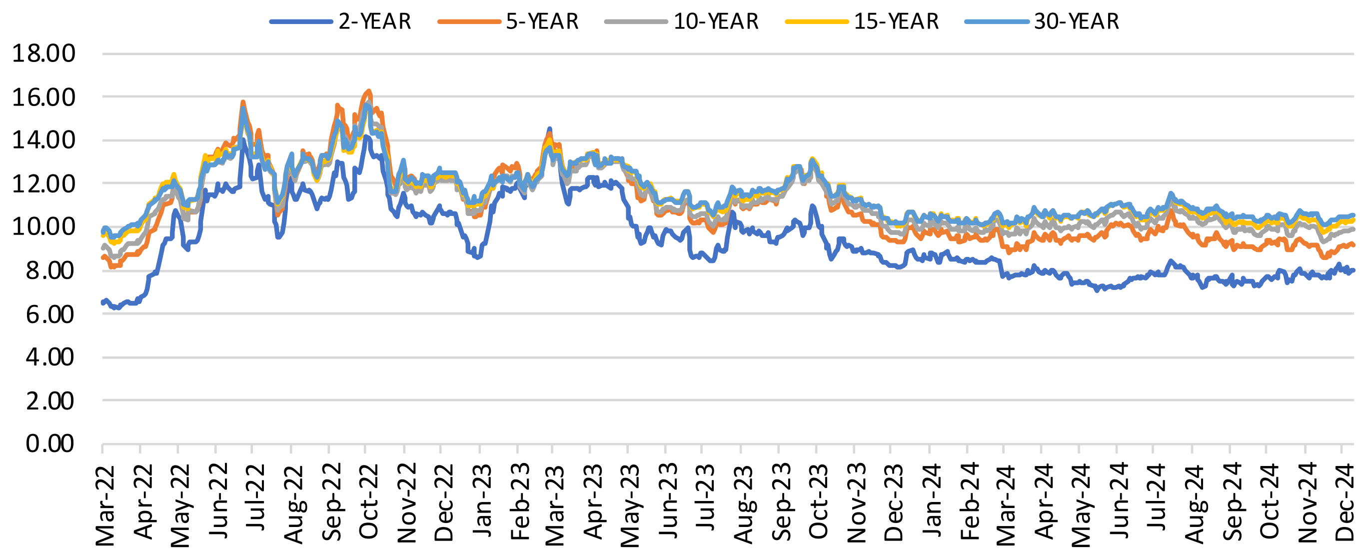
Fig. 17: Movement in Treasury Bills Stop Rates (Primary Market) *Source: CBN, GTCO*



In 2024, the average yield on Nigeria's Eurobonds fell by 173 basis points (bps) to 9.69%, down from 11.42% in 2023. This was due to increased demand from investors responding to higher external reserves, growth in crude oil production, and policy rate cuts in advanced economies.

The Nigerian government introduced a 5-year Domestic US Dollar Bond, raising at least $500 million. The bond had a coupon of 9.75% and was 180% oversubscribed, with the government raising $900 million in its first domestic sale. Local investors favored these bonds to hedge against currency devaluation.

Fig. 18: Movement in Nigeria's Eurobond Yields *Source: Bloomberg (BGN), GTCO*



2025 Economic and Market Outlook

Global Economy

- In 2025, global economic growth is expected to improve slightly to 3.3%, up from 3.2% in 2024, driven by stimulus in China, easing monetary policies in advanced economies, and higher consumption. Growth in advanced economies is projected at 1.9% (2024: 1.7%), supported by strong growth in the Eurozone, UK, Canada, and Japan. Emerging markets and developing economies (EMDEs) are expected to maintain stable growth at 4.2%, with strong performance in Sub-Saharan Africa, the Middle East, Central Asia, and Latin America, which will offset slower growth in Emerging Asia and Developing Europe.

  We anticipate that the United States will see moderate economic growth at 2.7% in 2025, slightly lower than the 2.8% estimated for 2024. This growth will be driven by tax cuts, regulatory easing, Trump's tax incentives for foreign direct investments, and a strong labor market. Potential challenges include trade wars, which could lead to higher inflation, reduced economic growth, and stricter immigration policies, which could cause labor shortages and lower productivity. Trump's policies are expected to have both positive and negative impacts on the US economy.

  In the Euro Area, the IMF expects growth to rise gradually to 1.0% in 2025, up from 0.8% in 2024. This is due to improved domestic consumption and monetary policy easing. China's economy is expected to grow by 4.6% in 2025, down from 5.0% in 2024 as faster-than-expected net export growth will help offset slower consumption amid delayed property market stabilization and low consumer confidence.

- We anticipate global inflation will continue to decrease in 2025, moving closer to the targets set by most central banks, mainly due to the expectation of slowdown in energy prices. Cooling labor markets will also help keep demand pressures in check. According to the IMF, global headline inflation is expected to slow to 4.2% in 2025, down from 5.7% in 2024. In advanced economies, inflation is forecast to reach 2.1% in 2025, compared to 2.6% in 2024. For EMDEs, inflation is projected to decline to 5.6% in 2025, from 7.8% in 2024.

  In the United States, inflation is expected to be close to, but above, the 2% target in 2025. However, the proposed tariffs on imports from China and other countries by President Trump could lead to higher inflation. Additionally, stricter immigration policies could cause labor shortages, resulting in lower productivity and higher inflation. In China, low inflation is expected to persist due to slow consumption, delayed stabilisation in the property market and low consumer confidence.

- We foresee advanced economies lowering interest rates further in 2025 as inflation nears target levels. Meanwhile, emerging markets and developing economies (EMDEs) will likely be less strict with their monetary policies to support fragile economic growth and avoid recession. However, key interest rates in developing economies are expected to remain higher than in advanced economies to attract foreign investors and strengthen local currencies.

- Despite OPEC+'s decision to extend oil production cuts until 2025, we expect crude oil prices to decline. This anticipated decrease is due to expected sluggish demand in China and an increase in oil drilling and production in the United States under Donald Trump's administration. Furthermore, a ceasefire agreement between Israel and Hamas to end a 15-month conflict may foster peace and lead to higher oil production in the Middle East, which produces over 31.5% of the world's crude oil.

Domestic Economy

- We anticipate Nigeria's GDP to grow in 2025, driven by improvements in both the non-oil and oil sectors. The non-oil sector is expected to benefit from a higher fiscal budget and the additional capital raised by banks. The Federal Government's goal to increase crude oil production to around 2.06 million barrels per day in 2025 is also likely to boost the oil sector, especially if production exceeds 2024 levels.

  Additionally, the planned GDP rebasing exercise by the National Bureau of Statistics (NBS) will likely capture more economic activities. The GDP will be rebased to 2019 (from 2010) and will include areas such as digital economic activities, activities of pension funds administrators, National Health Insurance Scheme (NHIS), Nigerian Social Insurance Trust Fund (NSITF), modular refineries, domestic households as employers of labour, quarrying and mining activities, and other activities.

- We foresee headline inflation decreasing in 2025 due to a stable naira, effective past monetary tightening, base effect and increased food production. The National Bureau of Statistics (NBS) plans to rebase the Consumer Price Index (CPI) starting January 2025, updating the base year to 2024, adjusting weights, and expanding the basket of items from 740 to 960. With the adjustment to the weights, expansion of items, and using 2024 as the new base year, we expect a range of 23%-25% for Nigeria's inflation in 2025.

Our projection is higher than the Central Bank of Nigeria's (CBN) forecast of 21.4.0% and the Federal Government's estimate of 15%, mainly due to concerns about current PMS prices, higher minimum wages, and insecurity in some food-producing regions.

- With the expected lower inflation rate in 2025, we anticipate a shift in monetary policy from the Central Bank of Nigeria's Monetary Policy Committee (MPC). Specifically, we foresee a policy rate cut and adjustments to the asymmetric corridor in 2025. However, we do not expect significant policy changes in the first quarter of 2024, as the apex bank is likely to adopt a wait-and-see approach during the first MPC meeting on February 17-18, 2025, to observe the full effects of the CPI rebasing exercise.

- With the introduction of Bloomberg BMatch improving transparency, we anticipate the naira to remain relatively stable against the US dollar in the foreign exchange market in 2025. Factors such as expected improvements in foreign portfolio investments, increased interventions by the Central Bank of Nigeria (CBN) in the FX market, a positive current account balance, and reduced demand pressure on FX demand for importing refined petroleum products will likely support the naira's stability. As a result, we predict the naira will trade at a sustainable level against the US dollar in the Electronic Foreign Exchange Matching System (EFEMS) and between ₦1,600 and ₦1,750 in the parallel market in 2025.

Equities Market

In 2025, we expect the Nigerian stock market to stay bullish as investors shift their focus to equities, anticipating lower yields in the fixed-income market. Investors will likely seek dividend payments, especially in the first half of the year. Despite a 37.65% rise in 2024, some stocks in the banking, consumer goods, and telecom sectors remain undervalued, and investors are expected to take advantage of these cheap stocks in 2025. Additionally, we might see more capital flowing into the Nigerian stock market as the naira is expected to remain stable in the foreign exchange market.

Fixed Income Market

The outlook for Nigeria's fixed income market in 2025 will depend on the Central Bank of Nigeria's (CBN) monetary policy, inflation trends, and the Federal Government's borrowing needs. With expected lower inflation and policy rate cuts, we anticipate bond and treasury bill rates/yields to moderate. However, rates/yields will likely stay high in Q1 2025 due to a possible policy rate pause. Rates/yields are expected to decrease from the end of Q1 2025 as inflation slows and policy rates are cut. Nevertheless, rates/yields will remain in double digits in 2025 due to government borrowing and efforts to attract capital inflows and stabilize the naira.

We expect higher demand for Nigeria's Eurobonds in 2025 as capital flows from advanced economies increase, driven by anticipated policy rate cuts in the US, Eurozone, UK, and others. The recent growth in Nigeria's external reserves and improved crude oil production may also attract foreign portfolio investors to Nigeria's Eurobonds.

Global Economy, Finance and Business Themes

The Post-Inflation Era: Central Banks' Next Moves and Implications for Emerging Markets

After years of aggressive rate hikes to curb inflation, central banks around the world are shifting gears, aiming to balance price stability with economic growth. For emerging markets, where inflation has been driven by currency depreciation, supply chain disruptions, and volatile commodity prices, the next phase of monetary policy will be critical. While some central banks may consider easing interest rates to stimulate business activity, others will tread cautiously, wary of renewed inflationary pressures and external debt risks.

With borrowing costs still high and currency fluctuations posing challenges, businesses must rethink their financial strategies. Accessing alternative funding sources—such as private equity and fintech-driven lending—will be essential, as traditional credit remains expensive. Exporters could benefit from weaker local currencies, making locally produced goods more competitive globally, while companies operating in import-dependent sectors must adopt effective forex risk management strategies to navigate volatility.

To ensure long-term resilience, emerging market economies must accelerate diversification beyond commodities and focus on attracting investment in high-growth sectors such as technology, manufacturing, and financial services. Governments will also need to implement structural reforms to enhance ease of doing business and financial inclusion. In this yet evolving macroeconomic landscape, businesses that stay agile and proactive will be best positioned to thrive.

Leveraging AI and Fintech Innovations: Automation as a Competitive Edge

AI and fintech innovations are reshaping industries globally, driving financial inclusion, operational efficiency, and productivity. From automated credit scoring to AI-powered chatbots, financial institutions are using technology to improve customer experience and in driving optimisation. Mobile money platforms, digital lending solutions, and blockchain technology enable product offerings beyond the traditional, making financial services more accessible. However, Africa's AI adoption remains uneven, with some economies rapidly integrating AI into banking, healthcare, and logistics, while others lag due to infrastructure gaps and limited digital skills. Countries like Kenya, Nigeria, and South Africa are leading AI-driven innovations, particularly in fintech, where automated lending, fraud detection, and customer service chatbots are rapidly transforming financial services. Despite this progress, high costs, inadequate regulatory frameworks, and data privacy concerns remain key barriers.

For businesses in Africa, AI adoption enhances efficiency, reduces costs, and improves customer experiences. Generative AI is also reshaping interactions, enabling hyper-personalized services at scale. Success depends on developing local talent, investing in digital infrastructure, and fostering an enabling regulatory environment. To drive AI adoption, African governments must prioritize policies that encourage responsible AI development, data security, and investment in digital literacy. Collaboration between businesses, universities, and tech hubs can bridge the skills gap, while public-private partnerships can enhance infrastructure for AI deployment.

As automation accelerates, companies that integrate AI into their strategies while maintaining a human-centric approach will stand out in Africa's increasingly digital economy. The challenge, however, lies in ensuring that automation does not lead to job displacement but instead creates new opportunities for reskilling and workforce transformation.

The Future of Work: Unlocking the Potential of Africa's Youthful Population

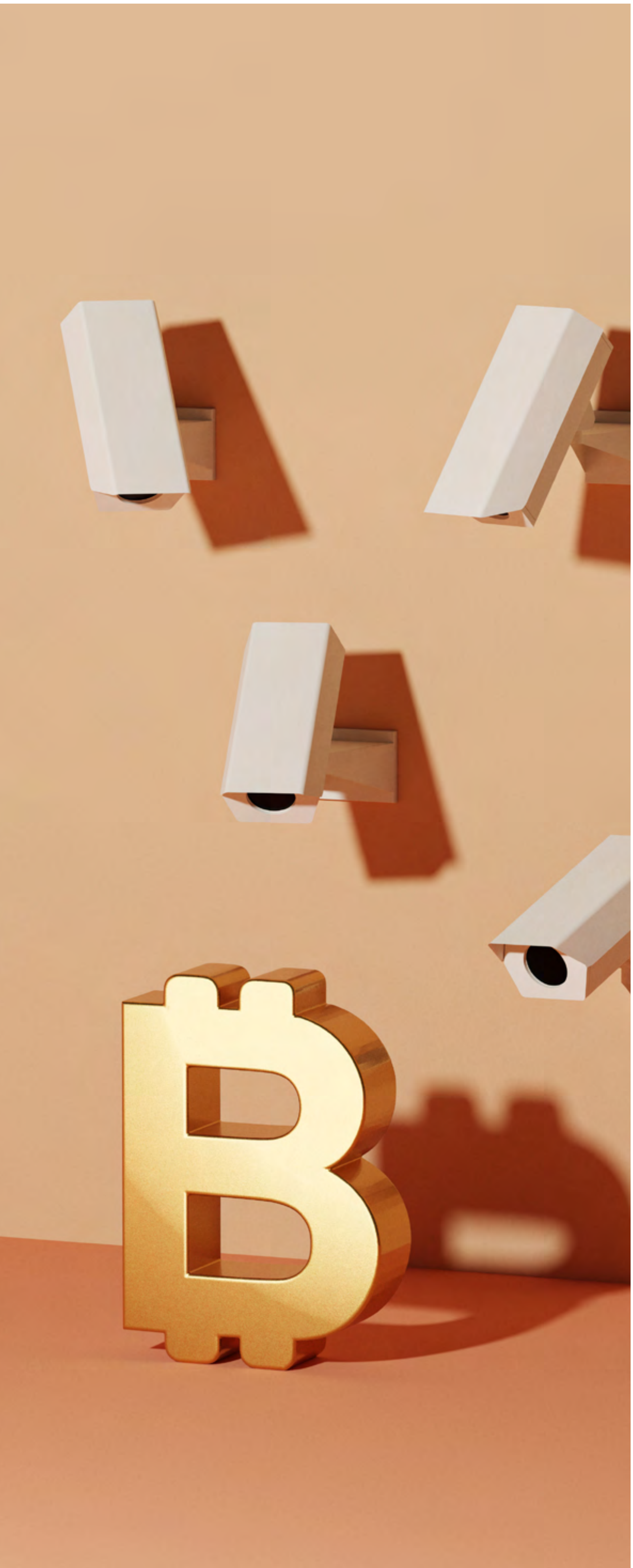
Africa has the world's youngest and fastest-growing workforce, a demographic dividend that could drive economic transformation if properly harnessed. With over 60% of its population under 25, the continent has an opportunity to lead in technology, entrepreneurship, and innovation. However, high unemployment rates, skills mismatches, and limited access to quality education threaten to turn this potential into a crisis. Bridging the skills gap through vocational training, digital literacy, and entrepreneurial support is critical to unlocking Africa's workforce potential.

Businesses must rethink talent acquisition and workforce development strategies to leverage this youthful population.

Remote work, digital jobs, and the gig economy are unlocking new opportunities for Africa's growing tech-savvy workforce, allowing companies to tap into Africa's growing tech-savvy talent pool. With advancements in digital collaboration tools and the rise of global freelancing platforms, African talent can now compete in international job markets, offering skills in software development, digital marketing, data analytics, and customer service to businesses across different time zones. Sectors such as fintech, e-commerce, and creative industries are already benefiting from this shift, with young entrepreneurs driving innovation in digital payments, content creation, and mobile-first solutions. Companies investing in continuous learning and employee development will be best positioned to harness this demographic advantage.

To fully capitalize on these opportunities, individuals must develop in-demand digital skills, build strong online portfolios, and maintain a professional presence on global job platforms. Reliable internet access, proficiency in remote work tools, and familiarity with international work cultures are also critical for success. Public-private partnerships in education, apprenticeship programs, and investments in digital infrastructure will further empower Africa's young workforce. Governments must also play a role by fostering policies that support job creation, entrepreneurship, and access to capital for startups.

As automation and AI reshape jobs globally, Africa's advantage lies in its ability to build a future-ready workforce that is skilled, adaptable, and globally competitive.



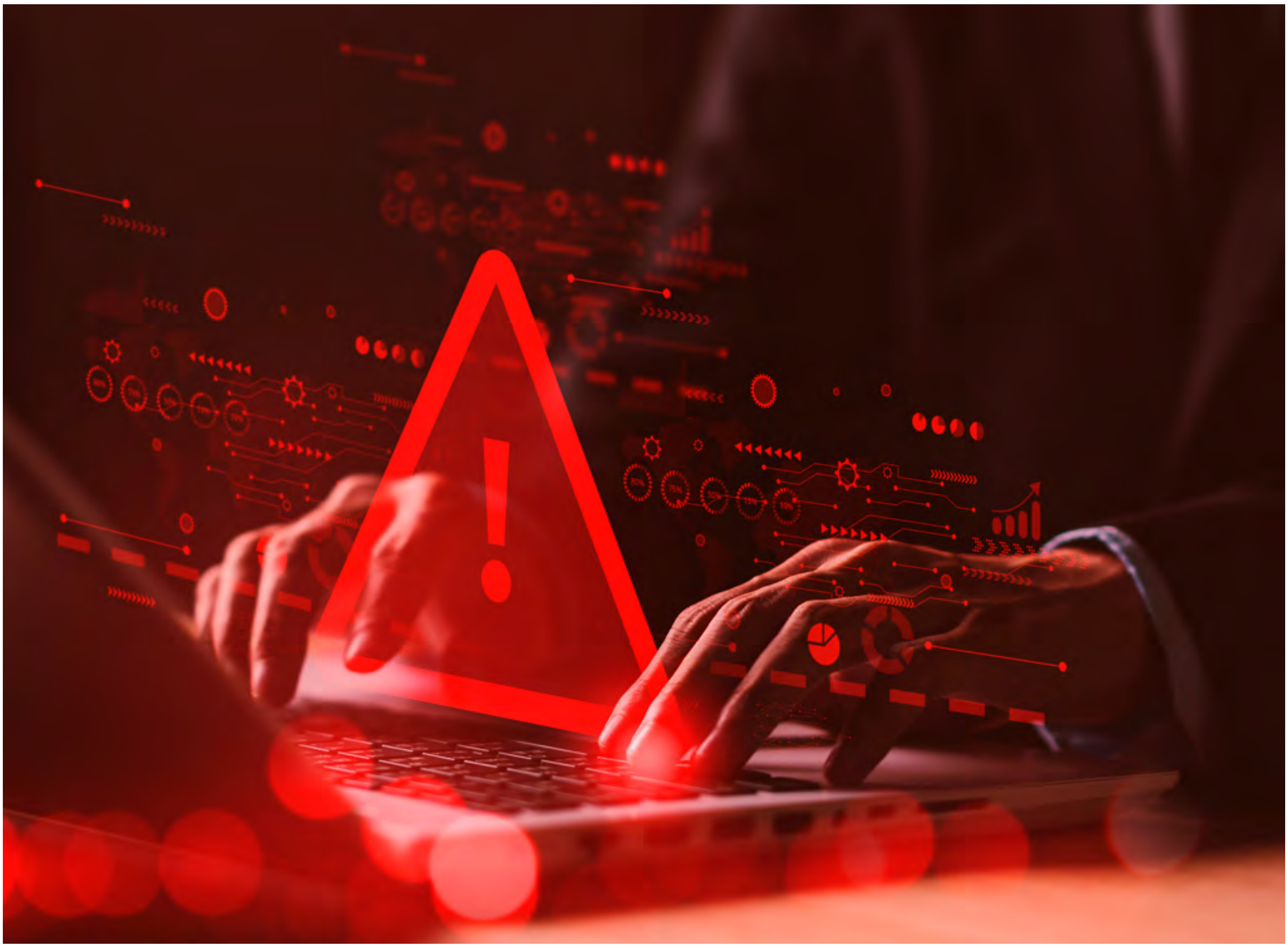
The Rise of CBDCs and Crypto Regulation: What It Means for Africa

Central Bank Digital Currencies (CBDCs) and cryptocurrency regulations are gaining momentum as governments seek to modernize financial systems while addressing concerns about financial stability and illicit transactions. Nigeria became the first African nation to launch a CBDC — the e₦aira — signaling a shift towards digital finance. Other countries, including Ghana and South Africa, are exploring similar initiatives to enhance payment efficiency and financial inclusion. However, widespread adoption remains slow due to low digital literacy, widespread mistrust, and regulatory uncertainty surrounding cryptocurrencies.

For businesses, the rise of CBDCs presents opportunities for faster and more secure transactions, particularly in cross-border trade and remittances. Fintech companies can leverage digital currencies to expand financial services, reaching unbanked populations and reducing transaction costs. However, the regulatory crackdown on private cryptocurrencies in some countries poses challenges for crypto-based startups and investors. Clear and balanced policies are essential to fostering innovation while protecting consumers from fraud and volatility.

Overall, governments must strike a balance between regulation and innovation to create a thriving digital finance ecosystem. By integrating CBDCs with existing banking and fintech infrastructures, countries can enhance financial inclusion while maintaining monetary stability. Businesses that adapt early to these changes—whether through blockchain-based solutions or partnerships with digital currency platforms—will gain a competitive edge in the evolving financial landscape.

Cybersecurity Threats and Financial Fraud Risks in a Digital Economy



As the digital economy expands, cyber threats and financial fraud are becoming major concerns. Increased internet penetration, mobile banking, and e-commerce have created new vulnerabilities, with cybercriminals targeting both individuals and businesses. Phishing attacks, ransomware, and identity theft are on the rise, costing economies and businesses billions annually. The financial services sector, in particular, faces significant risks as online transactions surge, making cybersecurity a top priority for banks, fintechs, and regulators.

For businesses, strengthening cybersecurity measures is no longer optional—it is essential for survival. Beyond financial losses, cyber breaches can severely damage consumer trust, affecting long-term brand reputation and business sustainability. Financial institutions must invest in advanced fraud detection systems powered by AI, implement multi-factor authentication, and educate customers on cybersecurity best practices. As digital transformation accelerates, businesses that prioritize cybersecurity will safeguard not only their operations but also the trust of their customers in an increasingly interconnected world.

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