GTCO
Guaranty Trust Holding Company Plc
RC 1690945

1st Quarter 2025

Macroeconomic Review & Outlook for Q1

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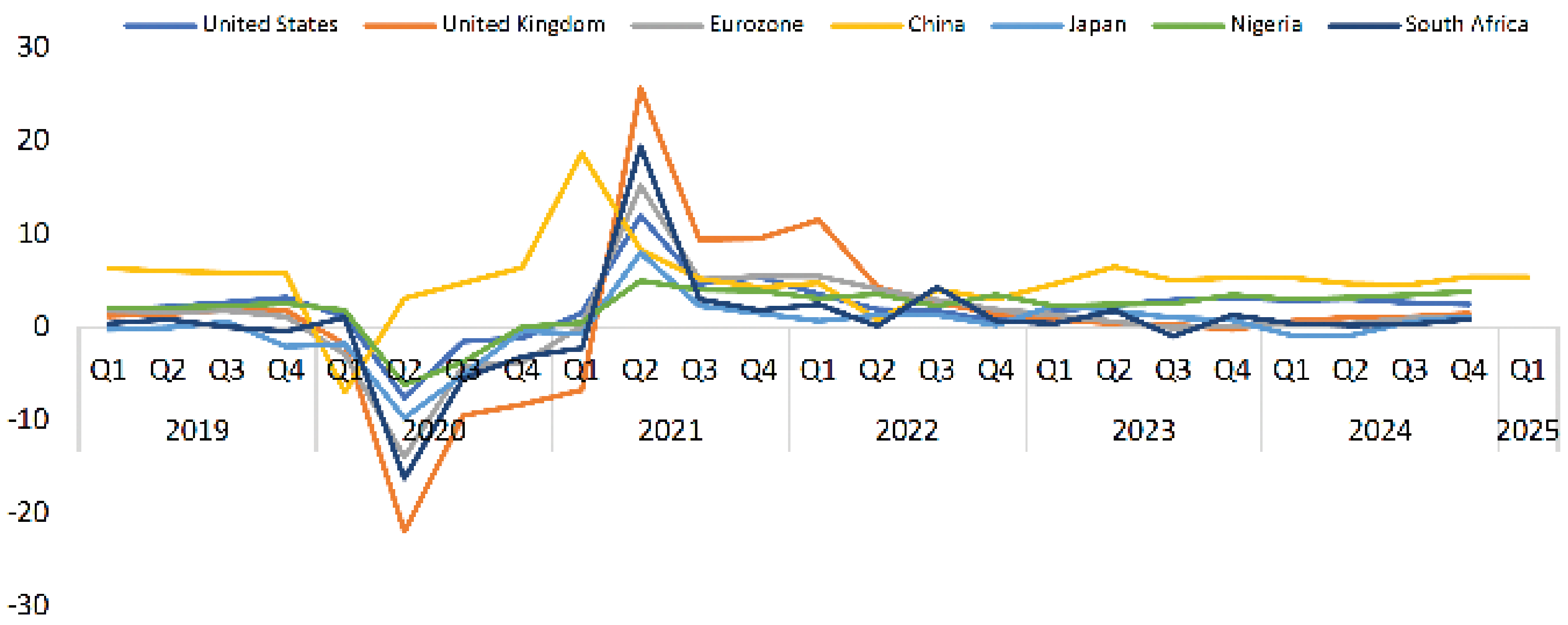
ECONOMIC REVIEW OF Q1-2025 GLOBAL ECONOMY

GLOBAL ECONOMY

Sustained Economic Growth Driven by Enhanced Household Spending

The global economy experienced consistent growth in Q4-2024, supported by easing inflationary pressures and strengthened household consumption. Advanced economies exhibited mixed performances, while Emerging Market and Developing Economies (EMDEs) maintained robust momentum. In advanced economies, the US recorded its slowest growth in seven quarters, with GDP expanding by 2.5% year-on-year in Q4-2024, down from 2.7% in the previous quarter. Conversely, GDP growth in the United Kingdom and the Eurozone rose to 1.4% (Q3-2024: 1.0%) and 1.2% (Q3-2024: 1.0%) respectively. In EMDEs, China's economy grew by 5.4% year-on-year in Q1-2025 (Q4-2024: 5.4%), fueled by stimulus measures aimed at recovery and boosting confidence. Similarly, real GDP in India and Argentina increased to 6.2% (Q3-2024: 5.6%) and 2.1% (Q3-2024: -2.1%) respectively, driven by stronger consumption.

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



Source: IMF, GTCO

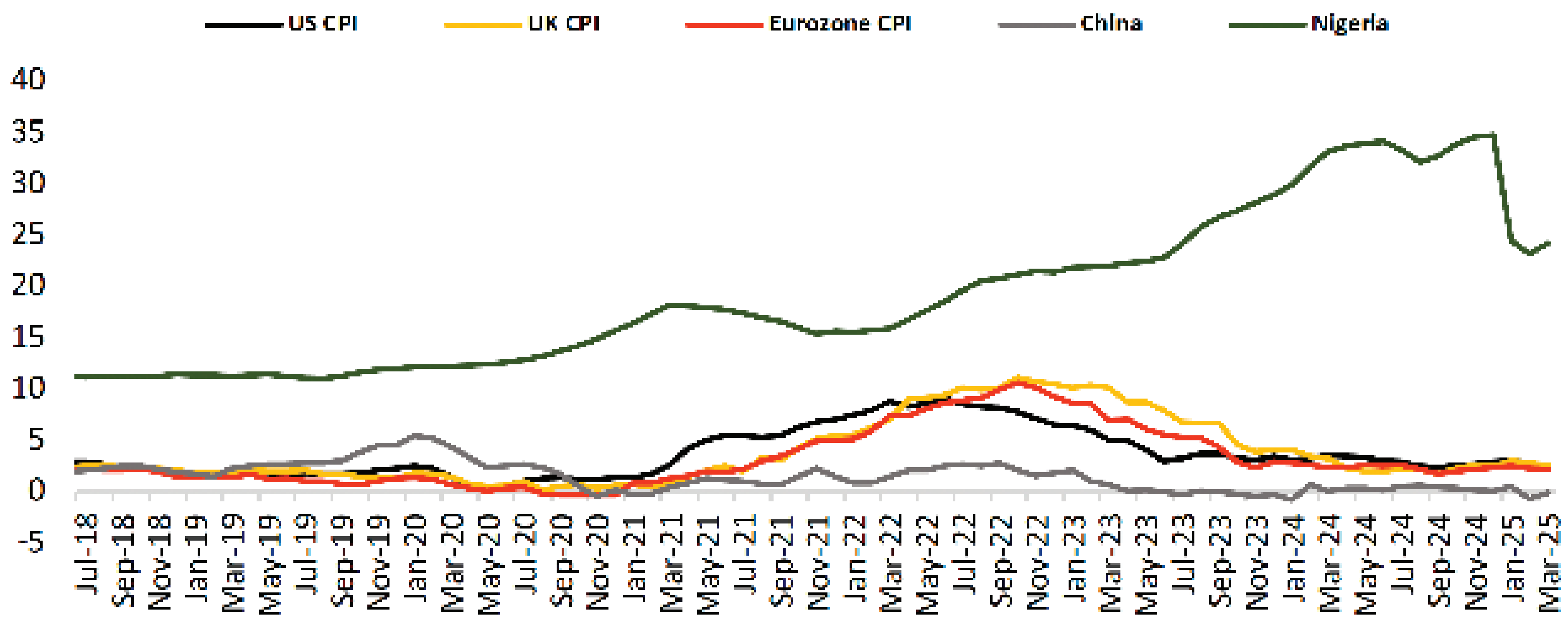
INFLATION

Inflation drops after CPI rebasing

The tariff war had minimal influence on global inflation in Q1-2025. The Global Consumer Price Index reflected the effects of earlier tight monetary policies and high base effects, with inflation easing in most countries in Q1-2025 despite a slight increase in energy prices during the period. In advanced economies, U.S. inflation declined to 2.4% in Q1-2025 from 2.9% in Q4-2024, mainly due to decreases in energy, transportation, and used vehicle prices. Likewise, inflation in the Eurozone fell by 20 bps to 2.2% in Q1-2025 (from 2.4% in Q4-2024), largely driven by high base effects and a reduction in food prices. Conversely, inflation in the United Kingdom rose slightly by 10 bps to 2.6% in Q1-2025, fueled by higher transportation, food, and non-alcoholic beverage costs.

In Emerging Markets and Developing Economies (EMDEs), inflation remained high but showed signs of slowing in some countries. In Q1-2025, inflation fell in China (-0.1%, down from 0.1% in Q4-2024), Argentina (55.9%, down from 117.8%), and Ghana (22.4%, down from 23.8%), largely due to weaker demand, effective monetary and fiscal policies, and lower energy prices. Conversely, inflation rose in South Africa (3.2%, up from 3.0%), Russia (10.3%, up from 9.5%), and Brazil (5.5%, up from 4.8%). In Brazil, housing and utility costs rebounded, while rising food prices drove inflation higher in Russia.

Fig 2: Global Inflation Trend (%)



Source: TradingEconomics, NBS, GTCO

POLICY RATE

Central Banks Ease Further

Despite the threat of tariff war on inflation outlook, most central banks around the world extended the dovish monetary policy to Q1-2025 as inflation moderated.

United States: kept the federal funds rate steady within the range of 4.25%-4.5%.

United Kingdom: The Bank of England reduced its policy rate by 25bps to 4.50% in Q1-2025 to keep supporting fragile economic growth.

Eurozone: The European Central Bank reduced the policy rate vy 50bps to 2.65%

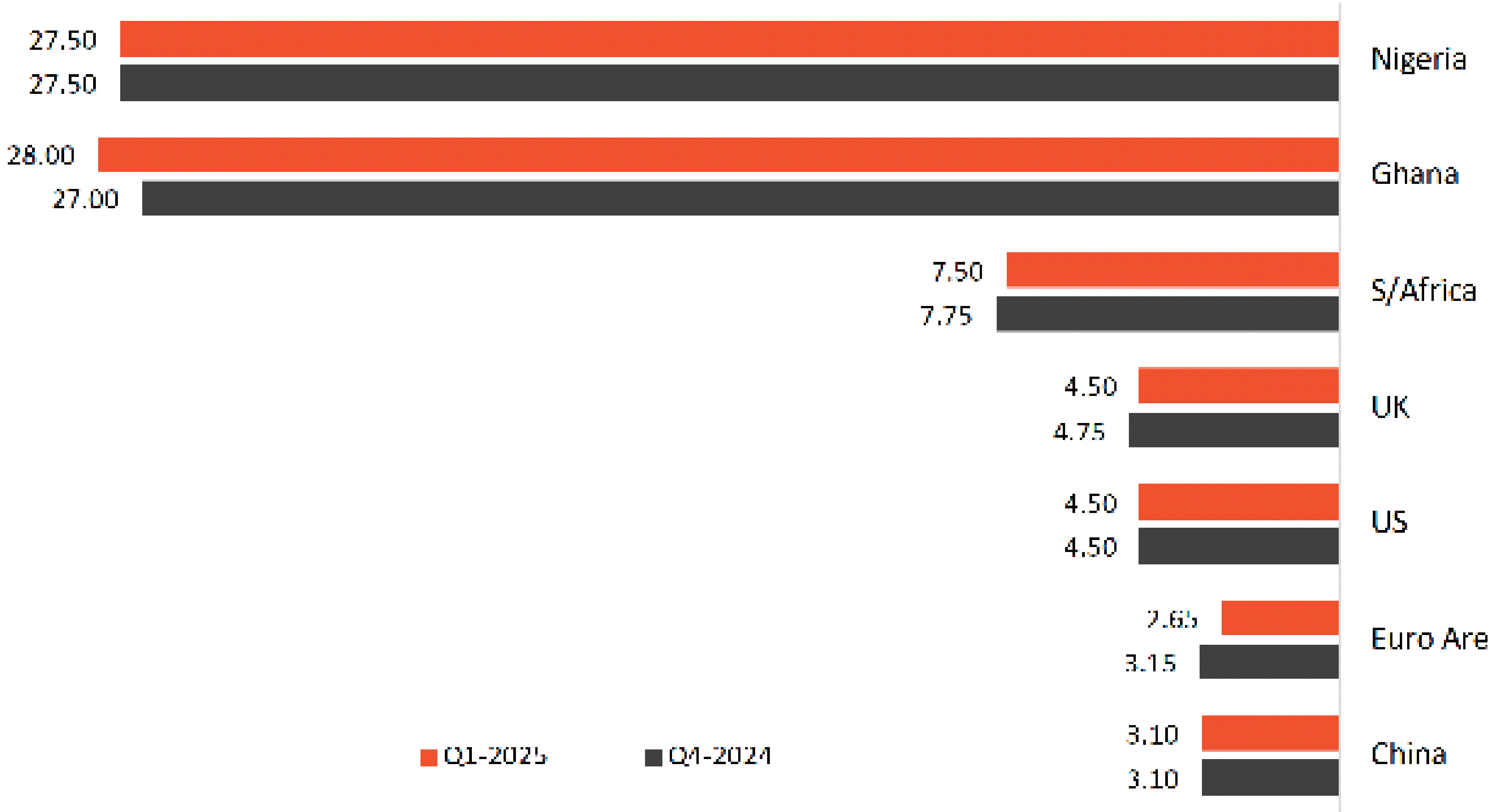
China: The People's Bank of China kept 1-year loan prime rate at 3.10%.

In Africa:

South Africa: The South African Reserve Bank reduced the policy rate by 25 bps to 7.5%.

Nigeria: The Central Bank of Nigeria retained its policy rate at 27.50%

Fig 3: Policy Rate (%)



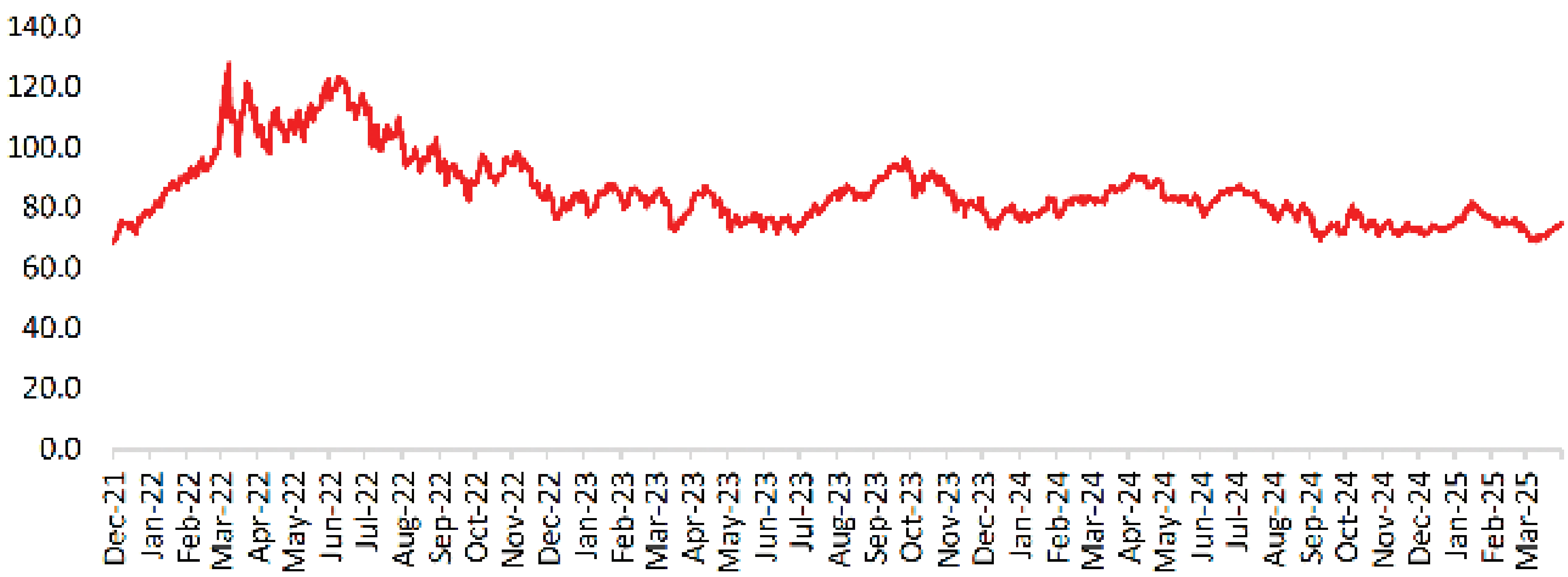
Source: Trading Economics, CBN, GTCO

CRUDE OIL

Crude Oil Price Rises on OPEC Production Cuts

The quarterly average prices of Brent crude oil and WTI rose by 1.31% and 1.56%, reaching $74.99 and $71.42 per barrel, respectively, in Q1-2025 (quarter-on-quarter). This increase was largely driven by the extended production cuts implemented by the Organization of the Petroleum Exporting Countries (OPEC). Additionally, a range of stimulus measures that boosted demand in China, the world's leading oil importer, combined with geopolitical tensions, significantly contributed to the rise in crude oil prices during the period.

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



Source: Bloomberg, GTCO

TARIFF WAR

Tariff war: A Drag on Global Trade and Economic Growth

While tariff hikes are a form of economic protectionism designed to shield domestic industries and address trade imbalances, they can negatively impact global trade and economic growth, especially when involving major economies. Trade wars escalated when U.S. President Donald Trump imposed tariffs on various imports, focusing on goods such as agricultural products, steel, aluminum, automobiles, and semiconductors from countries like China, Mexico, Canada, and the European Union. In response, China and several other nations imposed countermeasures, intensifying global trade tensions. China enacted a retaliatory tariff of 145%, while Canada and Mexico followed with tariffs of 25% each, among others. President Trump later suspended the tariff hike for 90 days, from April 10 to July 9, 2025, excluding China from the pause. One of the impacts of the tariff war is a slowdown in global economic growth. In its April 2025 World Economic Outlook (WEO), the International Monetary Fund (IMF) revised global GDP growth downward to 2.8%, compared to 3.3% in the January WEO. The tariff war could also drive higher inflation, particularly in the United States and China. However, global inflation is not expected to rise due to the anticipated decline in crude oil prices. As a result, the IMF has adjusted its global inflation projection for 2025 down to 4.3%. Lastly, nations may explore alternative trade partnerships, prioritizing regional cooperation over reliance on a single country.

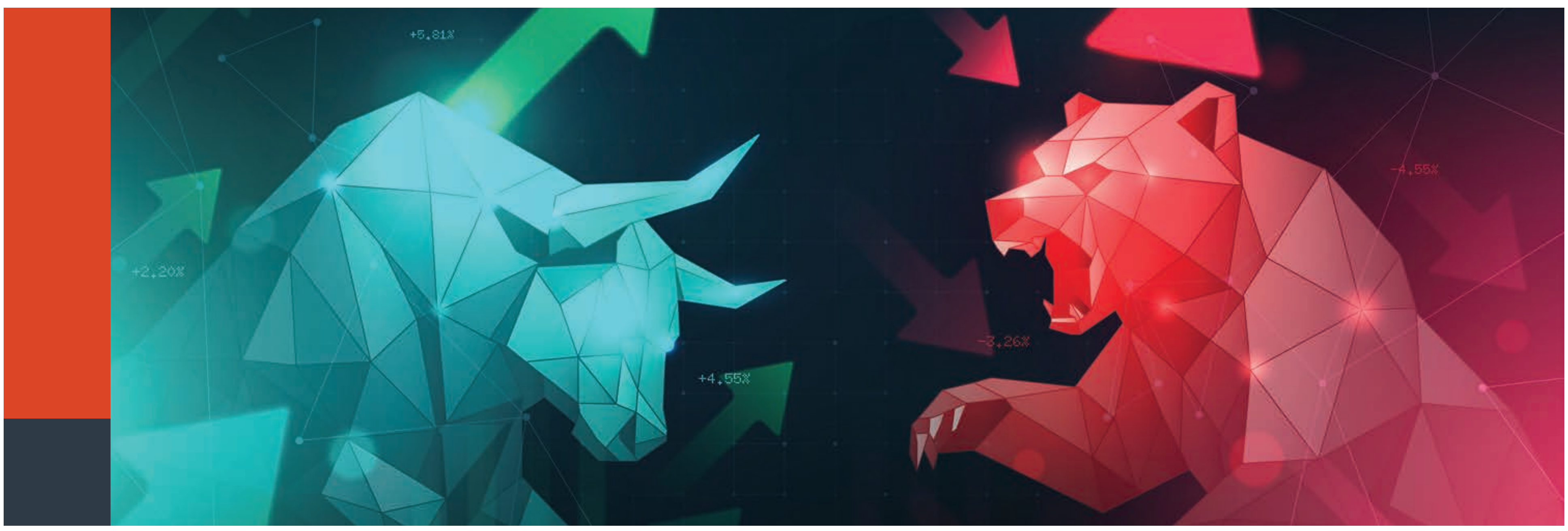
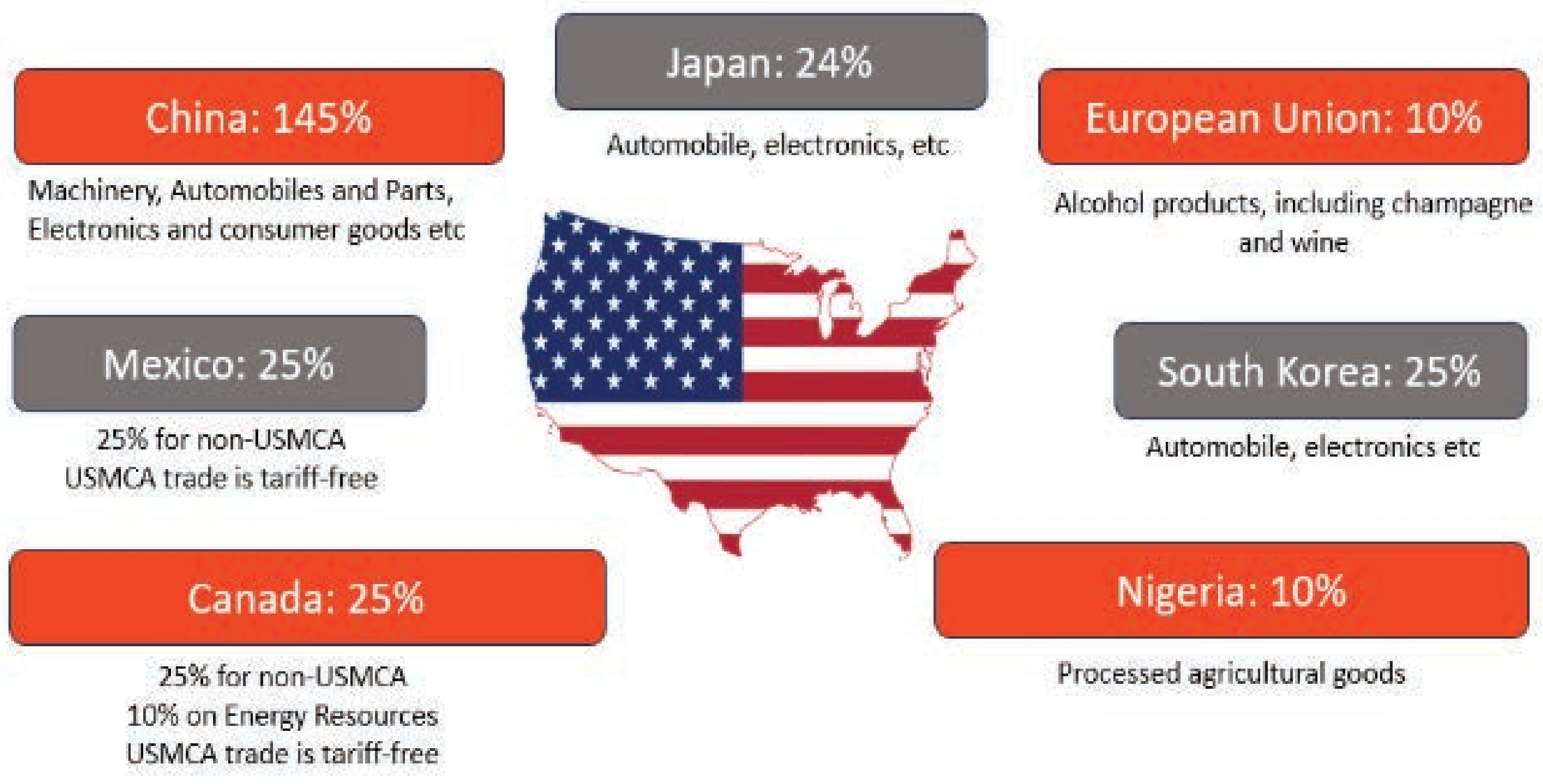


Fig 5: Snapshot of US Tariffs Imposed on various countries



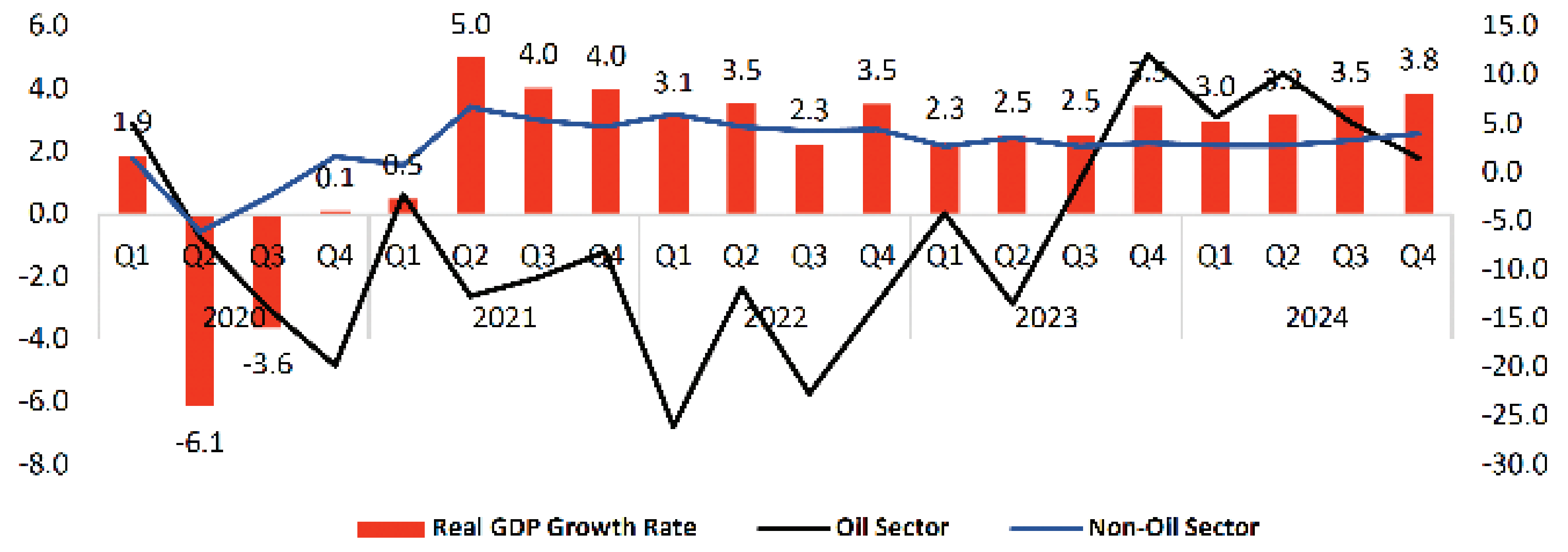
Source: CNBC, GTCO

NIGERIA
GROSS DOMESTIC PRODUCT
Nigeria's GDP Grows by 3.84% in Q4-2024

Nigeria maintained its positive growth trend, with its Gross Domestic Product (GDP) expanding by 3.84% year-on-year in real terms in Q4-2024. According to data from the National Bureau of Statistics (NBS), this growth rate is 38 basis points higher than the 3.46% recorded in both Q3-2024 and Q4-2023. On a year-on-year basis, the growth in the country's GDP in Q4-2024 was driven by the non-oil sector which grew by 3.96% (Q4-2023: 3.1%). The oil sector recorded a growth rate of 1.48% in Q4-2024, significantly lower than the 12.1% seen in Q4-2023. Meanwhile, the non-oil sector continued to be the dominant contributor to the nation's GDP, accounting for 95.40% in real terms during Q4-2024.

As anticipated, the annual real GDP remained steady at 3.4% in 2024, up from 2.74% in 2023-marking the highest growth rate since 2021. In nominal terms, the aggregate GDP at basic price stood at N78.37 trillion in Q4-2024, compared to A65.91 trillion in Q4-2023, while the full-year GDP for 2024 reached N269.29 trillion, up from N229.91 trillion in 2023.

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



Source: NBS, GTCO

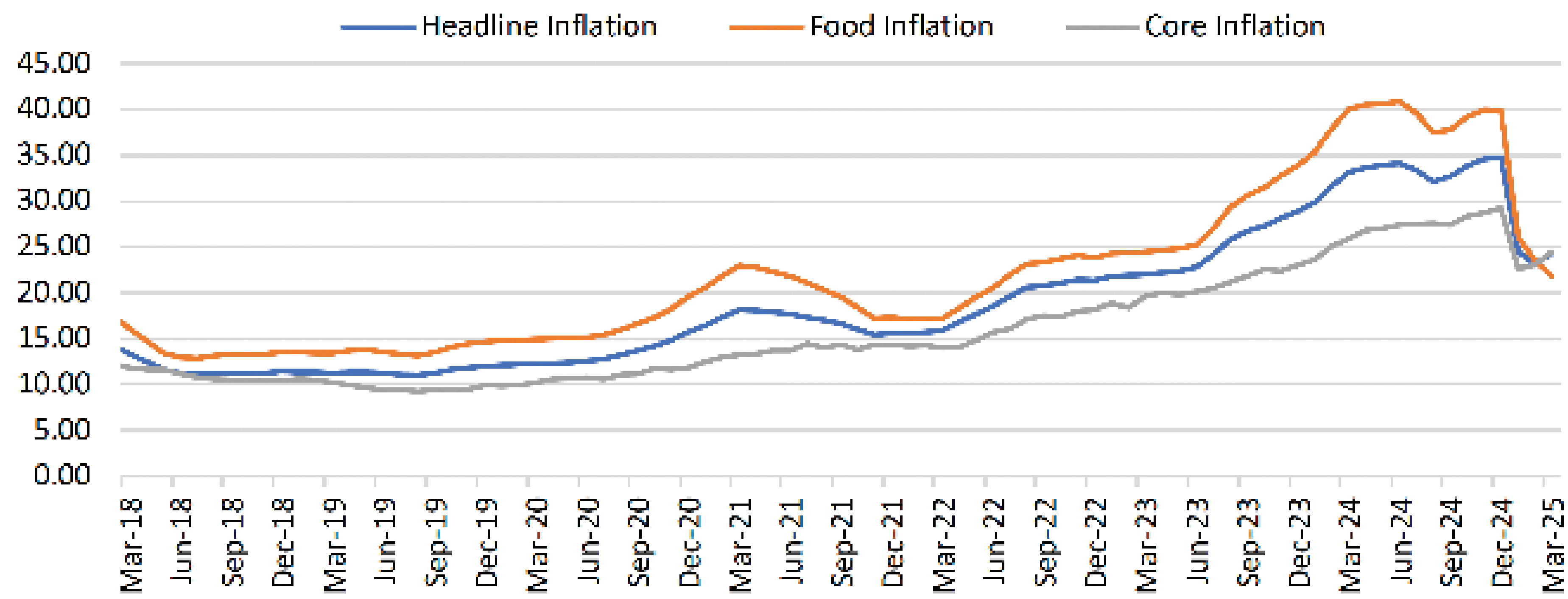
NIGERIA'S INFLATION DROPS AFTER CPI REBASING

Nigeria's GDP Grows by 3.84% in Q4-2024

Nigeria's headline inflation rate saw a substantial drop to 24.23% year-on-year in Q1-2025, compared to 34.80% in Q4-2024. This decrease followed the rebasing of the Consumer Price Index (CPI) by the National Bureau of Statistics (NBS) to align with shifts in consumption patterns. It is important to note that the sharp reduction in headline inflation does not necessarily indicate a widespread decrease in price levels. Instead, it primarily reflects adjustments such as the adoption of a new base year (from 2009 to 2024), changes in weights, and the inclusion of additional product varieties (increased from 740 to 934).

After the rebasing, food inflation stood at 21.79% year-on-year in Q1-2025, significantly lower than the 39.84% recorded in Q4-2024. Similarly, core inflation (excluding farm produce and energy) declined to 24.43% year-on-year in Q1-2025, down from 29.28% in Q4-2024. On a state-by-state basis, headline inflation was highest in Kaduna (33.33%), followed by Osun (32.08%) and Kebbi (30.74%). Conversely, the slowest increases in headline inflation were observed in Akwa Ibom (12.81%), Bayelsa (14.02%), and Sokoto (14.83%) during Q1-2025.

Fig 7: Nigeria's Inflation Trend (%)



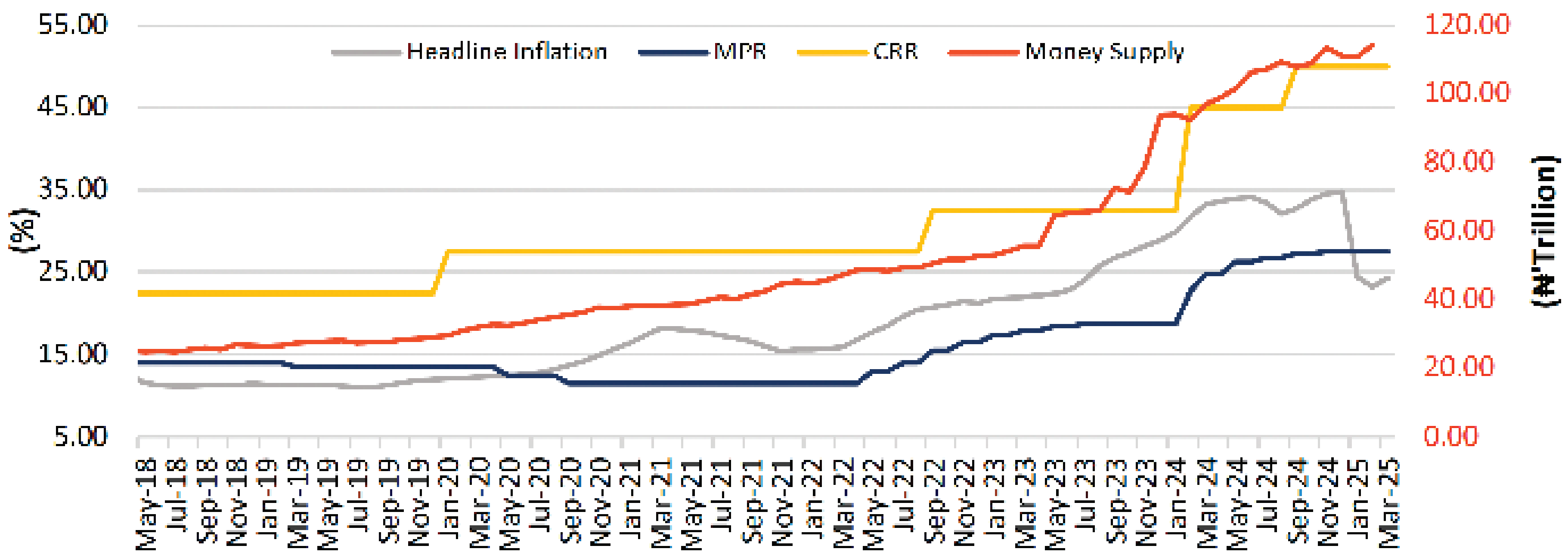
Source: NBS, GTCO

MONETARY POLICY RATE

Monetary Policy Committee Holds all Policy Parameters Constant

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) held one meeting in Q1-2025 where it held Monetary Policy Rate (MPR) constant at 27.50%, despite the decline in inflation. The Committee also retained the Cash Reserve Ratio (CRR) at 50% and 16% for commercial and merchant banks respectively while Liquidity Ratio (LR) was retained at 30.0% during the period. In addition, the Committee left the Asymmetric Corridor unchanged at +500/-100 bps around the MPR in Q1-2025 as the Apex Bank continue to mop up excess liquidity in the system. The decision of the apex bank to hold all monetary policy parameters constant was to observe the trend of inflation, following the rebasing of CPI.

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

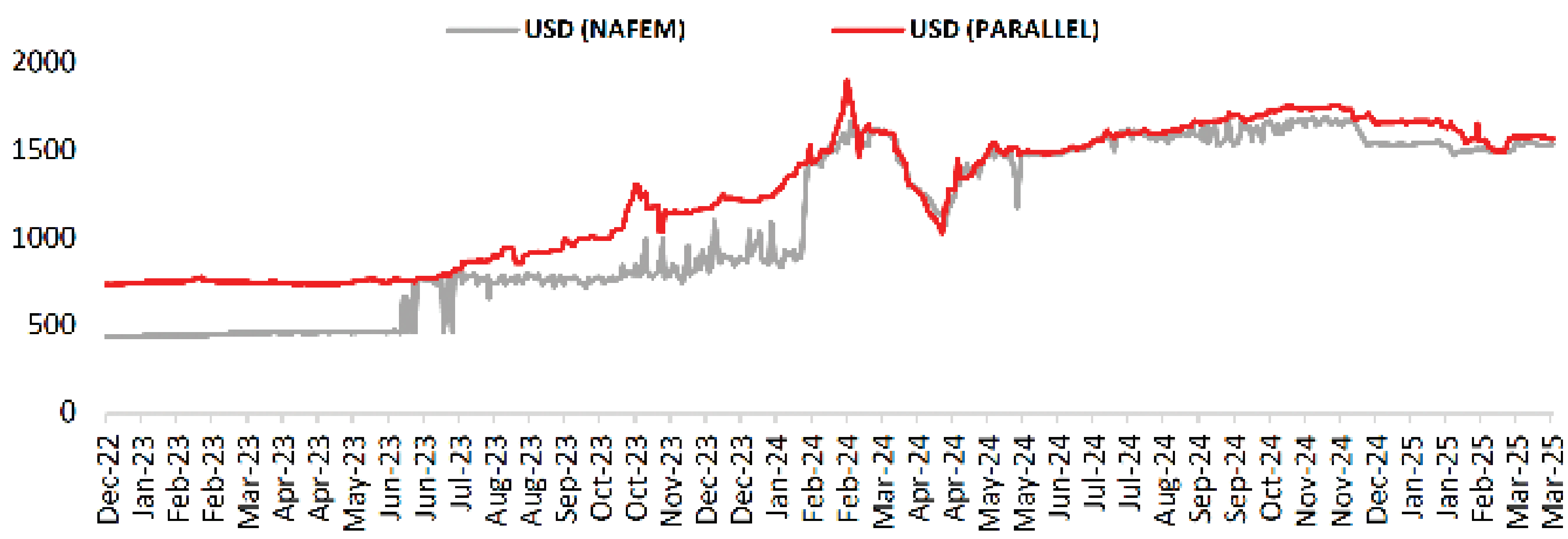


Source: NBS, GTCO

Naira Remains Relatively Stable at the Official Markets

On a quarter-on-quarter basis, the naira exhibited relative stability against the greenback at the official NFEM (CBN), closing at N1,537.00 in Q1-2025 compared to N1,535.00 in Q4-2024, remaining above the country's budget benchmark of N1,500/$. This stability was largely supported by consistent interventions from the CBN and enhanced transparency through the Bloomberg BMatch trading platform. Additionally, the naira strengthened by 0.72% in the parallel market, closing at N1,550.00 in Q1-2025 (compared to N1,670.00 in Q4-2024), driven mainly by the extension of approval granted by the CBN to BDCs, which allows them to purchase FX from the official market, subject to a weekly cap of USD 25,000.

Fig 9: Exchange Rate Trend (US$/N)



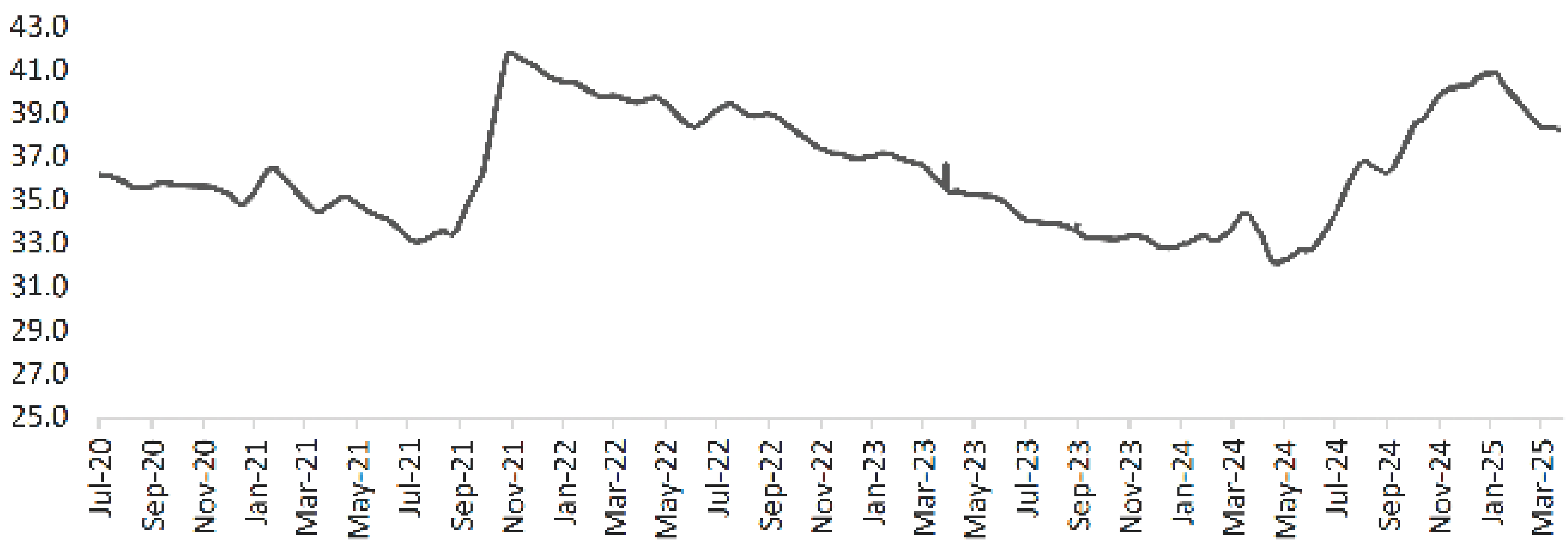
Source: Bloomberg (BGN), AbokiFX, GTCO

FOREIGN RESERVES

Foreign Reserves Falls in Q1-2025 Due to Debt Servicing and Heightened Demand

Nigeria's foreign exchange reserves declined by 6.3% (equivalent to $2.57 billion), reaching $38.33 billion in Q1-2025, compared to $40.88 billion in Q4-2024. This drop was primarily attributed to debt servicing and the Central Bank of Nigeria's (CBN) continued interventions in the foreign exchange market to meet increased FX demand. According to data from FMDQ, approximately $428 million was utilized to service FGN Eurobonds in Q1-2025. Additionally, the CBN made frequent intervention in the FX market to defend the naira during this period.

Fig 10: CBN Foreign Reserves Trend ($Billion)



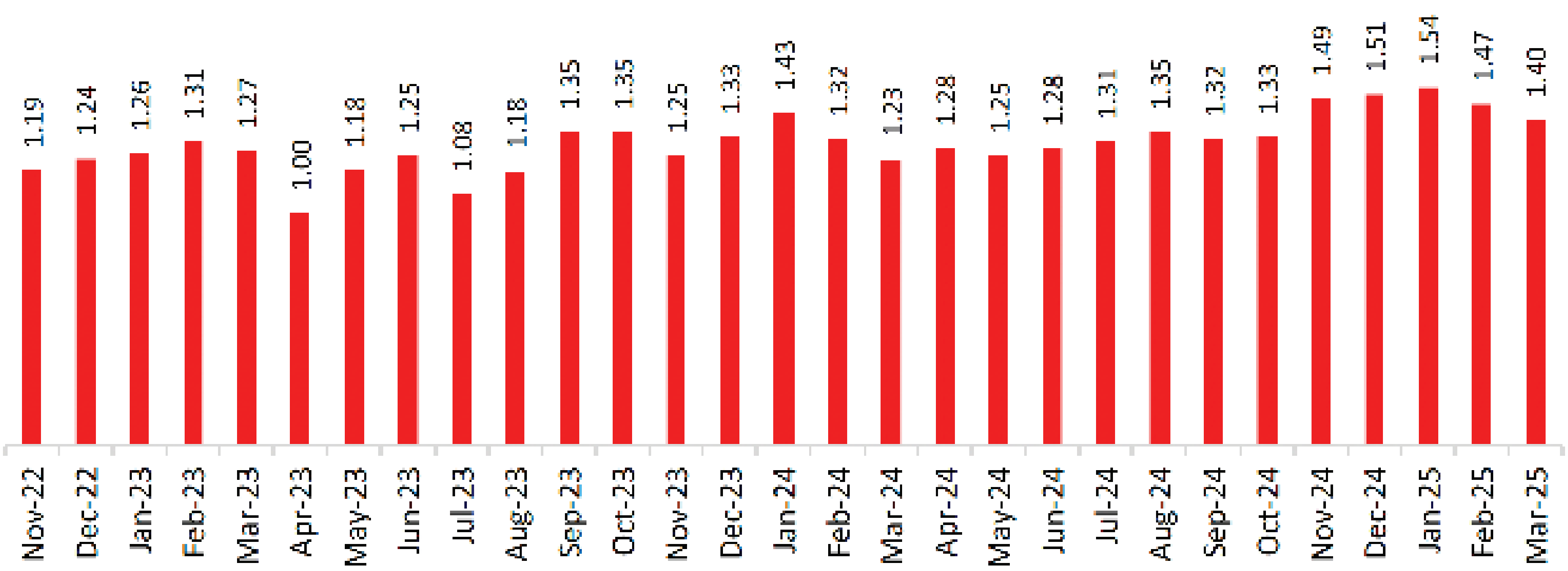
Source: CBN, GTCO

CRUDE OIL PRODUCTION

Increase in Crude Oil Production, Yet Below OPEC Quota and Budget Target

The Nigerian government continued to make progress in the oil sector, with the country's quarterly average crude oil production, excluding condensate, rising by 1.9% to 1.47 mbpd in Q1-2025
(compared to 1.44 mbpd in Q4-2024). This increase was largely attributed to enhanced security measures. Nigeria, however, fell short of OPEC's production quota of 1.5 mbpd by approximately 31,000 bpd during Q1-2025. When condensate is included, Nigeria's average oil output for Q1-2025 reached 1.67 mbpd, which remains significantly below the budget benchmark of 2.12 mbpd. Given the current levels of oil production and pricing, achieving the projected revenue of N40.89 trillion for 2025 may prove challenging for the country.

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



Source: OPEC, GTCO

FINANCIAL MARKET PERFORMANCE

EQUITIES MARKET

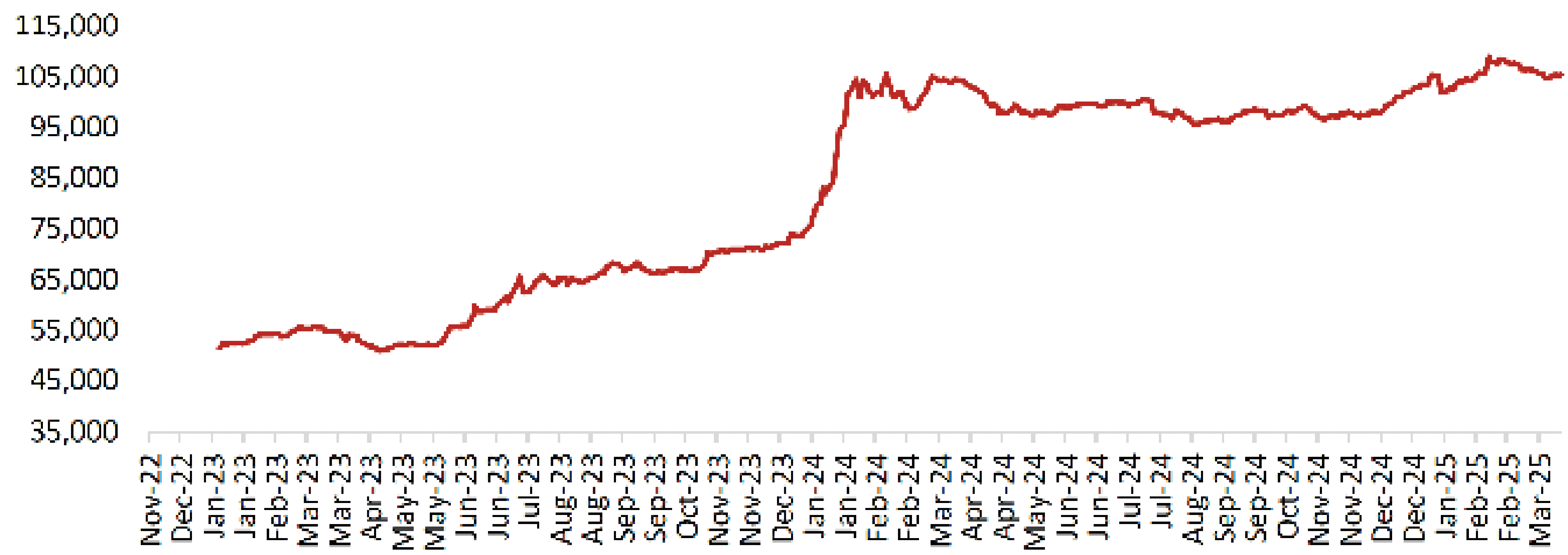
Bulls Dominate the Nigerian Stock Market in Q1-2025

Nigerian equities market was dominated by the bulls as investors reacted strongly to the decline in rates in the fixed income market and expectation of dividend payments during earning season. NGX All-Share Index and Market Capitalization rose by 2.66% and 5.57%, closing at 105,660.64 and N66.26 trillion respectively in Q1-2025.

During the period, NGX Lotus Index (+8.56%) was the best performing index, mainly driven by Okomu Oil Palm Plc (+22.79%), MTN Nigeria Pic (+22.50%) and Nestle Nigeria Plc (+16.57%). However, NGX Industrial Goods index was the worst performing index due to the setback in Oando Plc (-26.74%), MRS Plc (-19.70%) and Conoil Plc (-14.46%).

The total transaction value at the Nigerian Exchange increased by 44.19%, reaching N2.2320 trillion year-to-date in March 2025, compared to N1.5479 trillion in March 2024. Of the total equity transactions of N2.2320 trillion year-to-date at the Nigerian Exchange in March 2025, foreign participation accounted for 36.47% (up from 13.77% in March 2024), while domestic participation made up 63.53% (down from 86.23% in March 2024). This shift was largely influenced by the reaction of foreign portfolio investors to the relative stability of the naira in the foreign exchange market during the period.

Fig. 12: NGX All-Share Index Trend



Source: Bloomberg (BGN), GTCO

S/N	INDEX	31-Dec-24	28-Mar-25	% CHANGE
1	NGX LOTUS II	6,955.89	7,551.18	8.56%
2	NGX BANKING	1,084.52	1,159.99	6.96%
3	NGX PENSION	4,521.13	4785.90	5.86%
4	NGX CONSUME GOODS	1,731.67	1,815.85	4.86%
5	NGX PREMIUM	9,719.75	10171.85	4.65%
6	NGX 30	3,811.94	3,922.34	2.90%
7	NGX ASEM	1,583.71	1587.89	0.26%
8	NGX INDUSTRIAL GOODS	3,572.17	3,489.87	-2.30%
9	NGX INSURANCE	718	698.54	-2.71%
10	NGX OIL & GAS	2,712.06	2,458.69	-9.34%

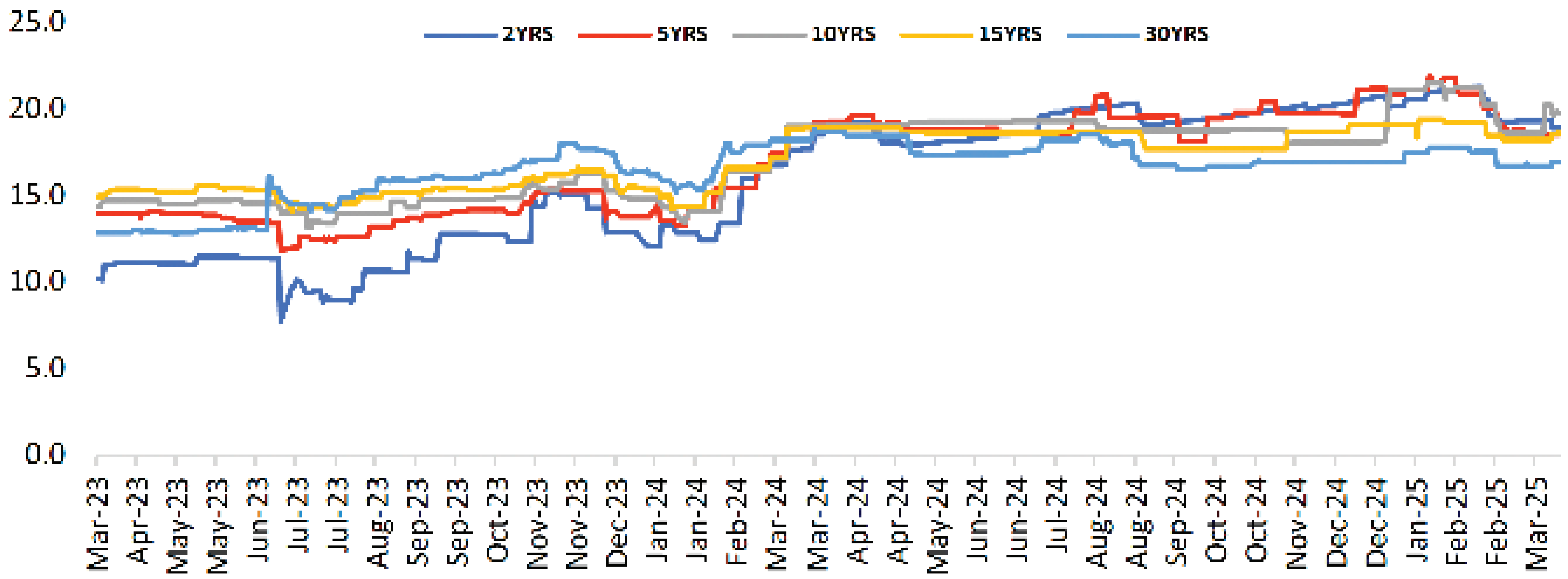
Source: NGX, GTCO

FIXED INCOME MARKET

Market Responds to Rebased Inflation Figures as Rates Decelerate

The average yield of FGN bonds in the secondary market declined by 61 bps, closing at 18.61% in Q1-2025 compared to 19.22% in Q4-2024. This drop in yields was primarily driven by the significant reduction in inflation following rebasing, alongside the Monetary Policy Committee's decision to pause policy rate hikes during the period. A similar trend was observed in the primary market, where marginal rates in the last auction of Q1-2025 fell to 19.0% for FGN APR 2029 bonds and 19.99% for FGN MAY 2033 bonds, compared to marginal rates of 21.14% for FGN APR 2029 and 22.0% for FGN FEB 2031 in Q4-2024. The primary market responded strongly to the decline in inflation and the policy rate pause during the quarter. 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 and rates in Q1-2025.

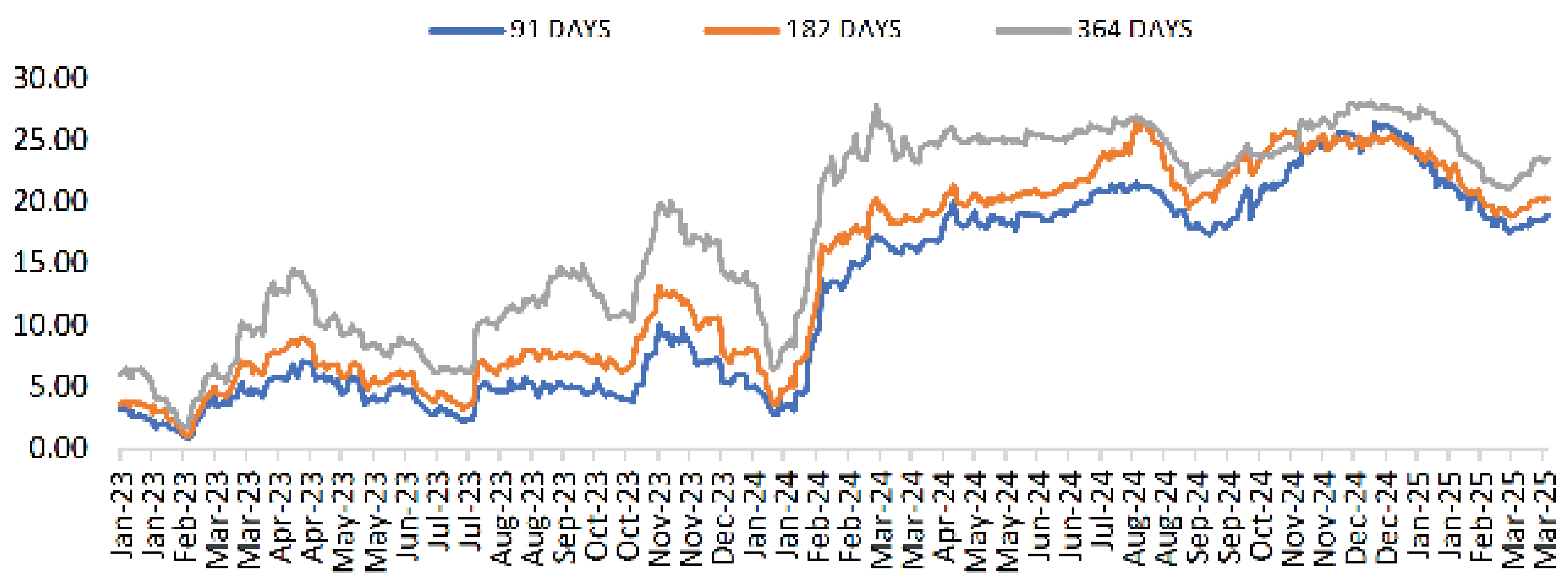
Fig. 13: Movement in Bond Yields (Secondary Market)



Source: Bloomberg (BGN), GTCO

As anticipated, the average yield of treasury bills in the secondary market declined by 383 bps, closing at 20.91% in Q1-2025, compared to an average yield of 24.74% in Q4-2024. This reduction was largely attributed to the significant decrease in inflation following the rebasing of the country's Consumer Price Index (CPI). Furthermore, the apex bank's decision to maintain a steady monetary policy rate during Q1-2025, coupled with expectations of potential rate cuts in subsequent quarters, played a key role in driving down yields during the period.

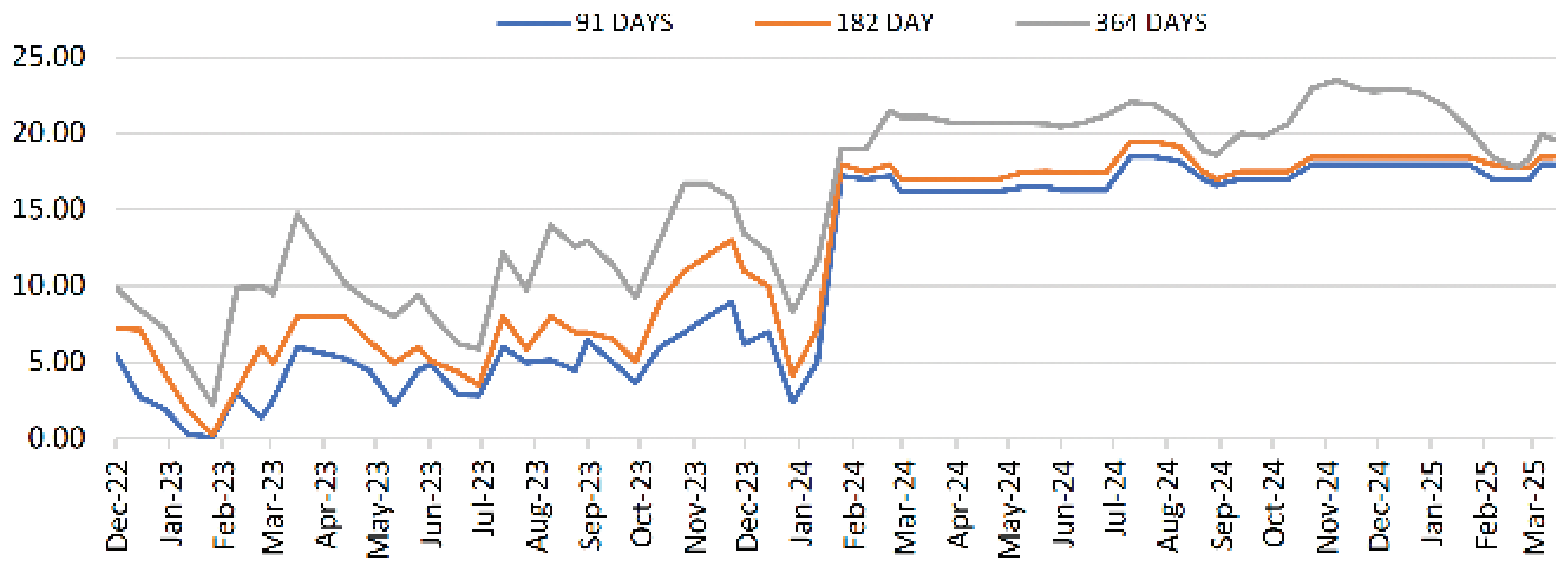
Fig. 14: Movement in Treasury Bills Yields (Secondary Market)



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.

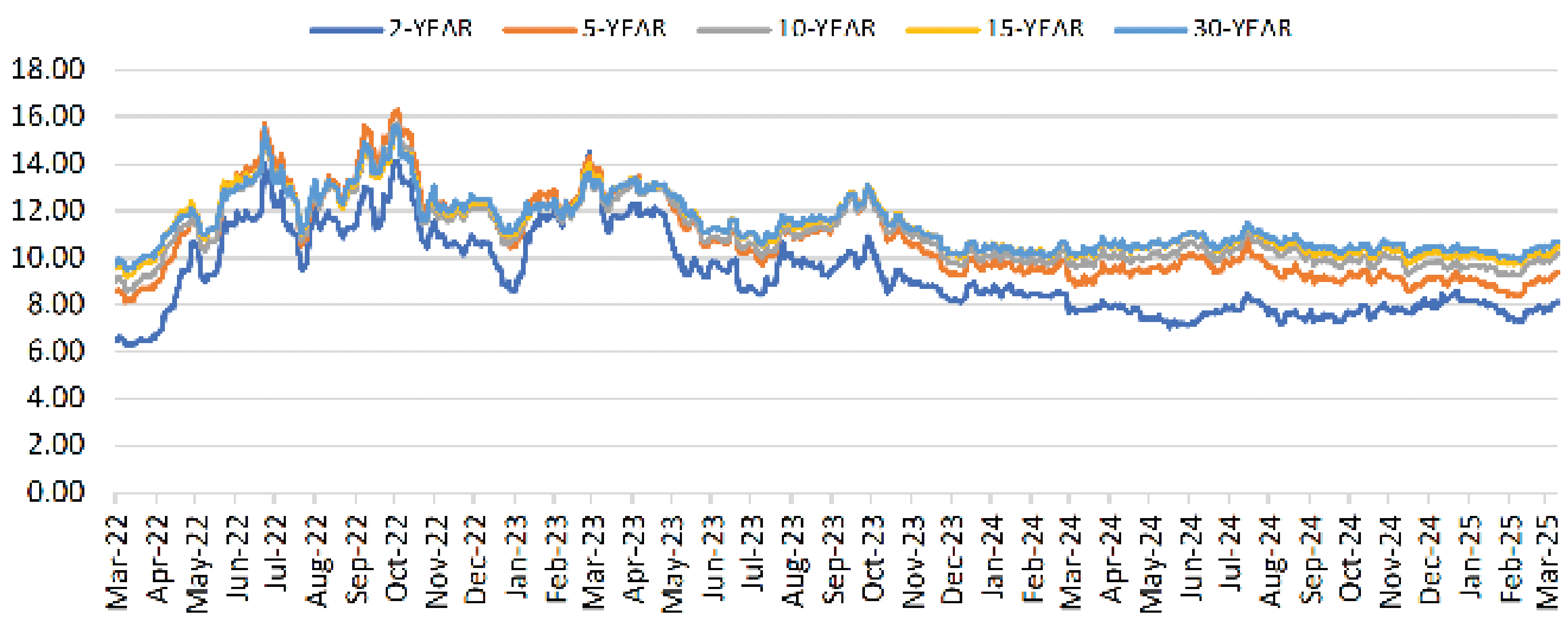
Fig. 15: Movement in Treasury Bills Stop Rates (Primary Market)



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

Global economic growth is expected to slow in Q2-2025, largely due to the adverse effects of tariff wars on economic output. Risks stemming from shifts in economic/trade policies and escalating geopolitical tensions may intensify, potentially driving up commodity prices. The imposition of a 145% tariff on China, coupled with its exclusion from the U.S. 90-day tariff suspension, is likely to hinder the economic productivity of the world's second-largest economy and further weaken global GDP in Q2-2025. Similarly, China's retaliatory tariff of 125% on the United States is anticipated to reduce the economic output of the world's largest economy, exerting negative pressure on global GDP. Additionally, ongoing geopolitical tensions, particularly in the Middle East, may further dampen global economic growth during the quarter. As a result, the International Monetary Fund (IMF) revised its 2025 global GDP growth forecast downward from 3.3% to 2.8% in its April 2022 World Economic Outlook.

Global inflation is expected to remain relatively stable in Q2-2025, as the anticipated decline in energy prices may offset the inflationary pressures stemming from rising tariffs, particularly between the United States and China. The U.S. imposition of higher tariffs on specific imports from China, coupled with China's retaliatory measures, could contribute to inflationary trends. In the Eurozone and Sub-Saharan Africa, inflation is projected to ease slightly, primarily due to expected lower energy prices. However, despite the predicted moderation in the Consumer Price Index across SSA, inflation is likely to remain elevated and surpass the targets of most nations in Q2-2025, driven by the impact of geopolitical tensions and the depreciation of local currencies.

• With global inflation rates expected to remain stable in Q2-2025, a policy rate hike is unlikely, given the fragile economic growth experienced by many nations. In Advanced Economies, we expect accommodative monetary policies to persist, with a possible extension of rate cuts in the Eurozone and a rate pause in the United States during the quarter. Similarly, most Emerging Markets and Developing Economies (EMDEs) are expected to keep policy rates steady in Q2-2025, focusing on attracting foreign portfolio investments and strengthening local currencies.

• Although OPEC+ has decided to extend oil production cuts through 2025, crude oil prices are expected to slow in Q2-2025 due to reduced demand in China, anticipated increases in oil production from non-OPEC members, and the potential lifting of sanctions on Russian crude oil following the initial phase of peace talks between Russia and Ukraine. However, geopolitical tensions in the Middle East remain a considerable downside risk to this forecast.

DOMESTIC ECONOMY

• Nigeria's GDP growth is projected to improve in Q2-2025, driven by the effects of the rebasing exercise and the multiplier impact of newly raised capital by banks on the non-oil sector. The non-oil sector is expected to gain significantly from the inclusion of various activities during the rebasing process. Additionally, the non-oil sector is likely to benefit from enhanced performance in financial services, telecommunications, and the information technology segments of the economy. Furthermore, the newly raised capital within the banking industry is anticipated to boost economic growth as banks are expected to increase lending across multiple sectors in Q2-2025. Despite the Federal Government of Nigeria's decision to raise the crude oil production target to approximately 2.12 million barrels per day in 2025, oil sector growth in Q2-2025 may face challenges due to the anticipated decline in crude oil prices.

• The March 2025 inflation data indicates that the Consumer Price Index (CPI) was more influenced by exchange rate fluctuations than by the decline in PMS prices. As a result, inflation is likely to experience a modest increase in Q2-2025, driven by the combined effects of a weakened local currency and imported inflation from countries engaged in tariff disputes, which are expected to outweigh the pass-through effects of reduced PMS prices. Nonetheless, consistent and potentially enhanced interventions by the Central Bank of Nigeria (CBN) in the foreign exchange market could lead to lower prices and present a positive outcome to this outlook.

• Anticipating a slight uptick in inflation, the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) is likely to maintain the monetary policy rate at its current level in Q2-2025, while potentially adjusting other policy parameters, especially the asymmetric corridor. This approach would allow the apex bank to continue combating high inflation effectively and create an environment conducive to attracting foreign portfolio investments.

• The naira is likely to remain under pressure against major currencies in Q2-2025 due to increased foreign exchange demand and weak earnings, particularly from oil revenues. Additionally, the temporary permission granted by the Central Bank of Nigeria (CBN) for Bureau de Change (BDC) operators to purchase foreign exchange from the Nigerian Foreign Exchange Market will expire on May 30, 2025. This may cause the naira to depreciate, especially toward the end of the quarter. However, a sharp decline is unlikely, as continued CBN intervention and improved transparency through the BMatch trading platform are expected to help stabilize the currency.

EQUITIES MARKET

Nigeria's equities market may struggle in Q2-2025, with cautious trading anticipated amid macroeconomic challenges. Nevertheless, the financial services sector, agricultural sector and telecommunication sector could offer potential growth opportunities.

FIXED INCOME MARKET

Yields and rates in the money market are anticipated to remain steady, driven by expectations of a policy rate pause at the upcoming MPC meeting and the Central Bank's ongoing efforts to attract foreign exchange inflows. However, bond rates and yields may experience a slight decline, reflecting the government's objective to lower borrowing costs for long-term instruments.

Yields and rates of Nigeria's Eurobonds are expected to remain elevated in Q2-2025, primarily due to the anticipated slow-down in capital inflows from Advanced Economies, as interest rates are likely to stay high, particularly in the United States and United Kingdom. Moreover, the recent drop in Nigeria's external reserves and the forecasted decline in crude oil prices could further deter foreign portfolio investors from acquiring Nigeria's international bonds during the quarter.

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