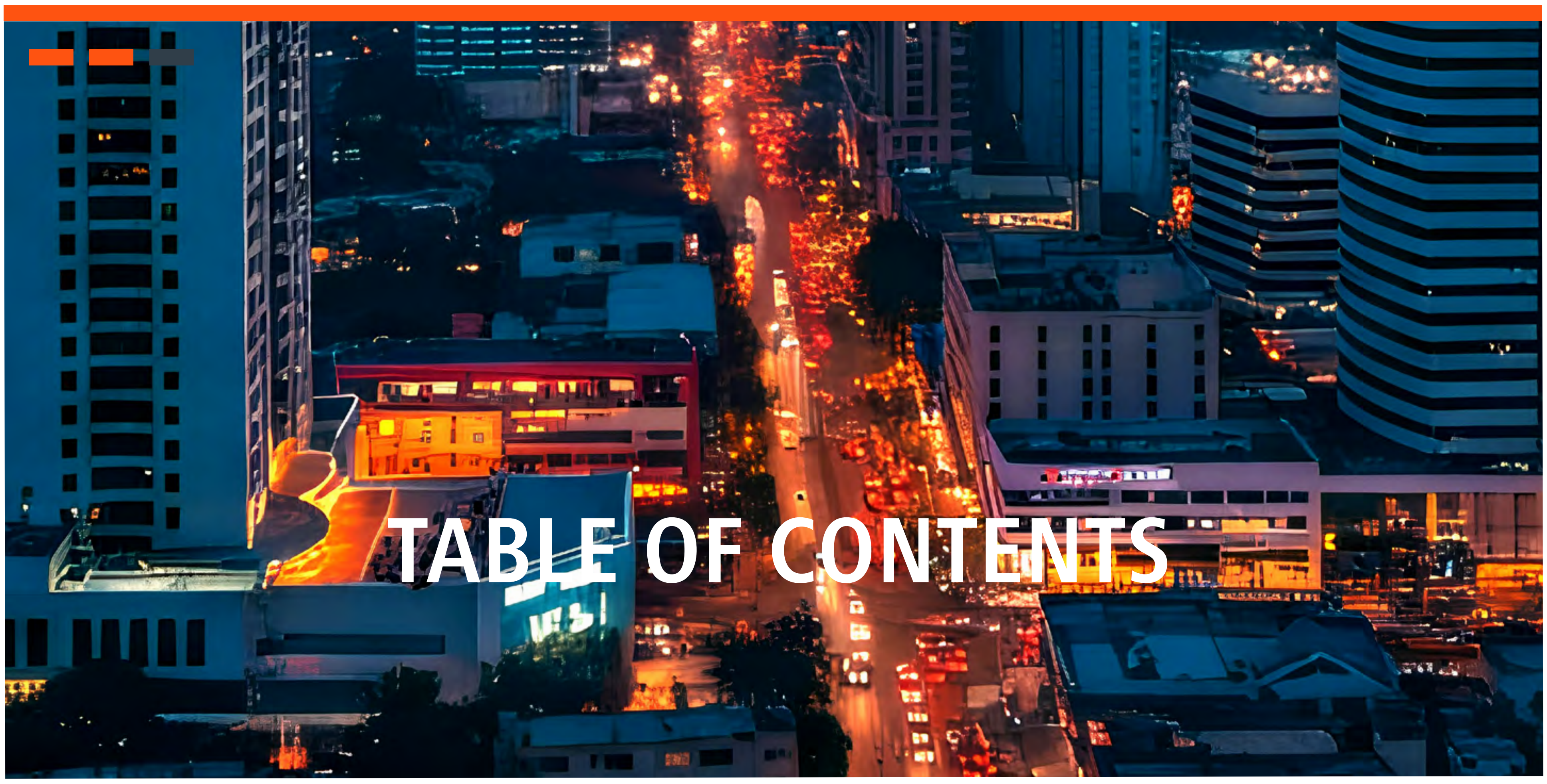
GTCO

Guaranty Trust Holding Company Plc

RC 1690945

Q3 2025

Macroeconomic
Review & Q4 Outlook



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ECONOMIC REVIEW OF Q3-2025

GLOBAL ECONOMY

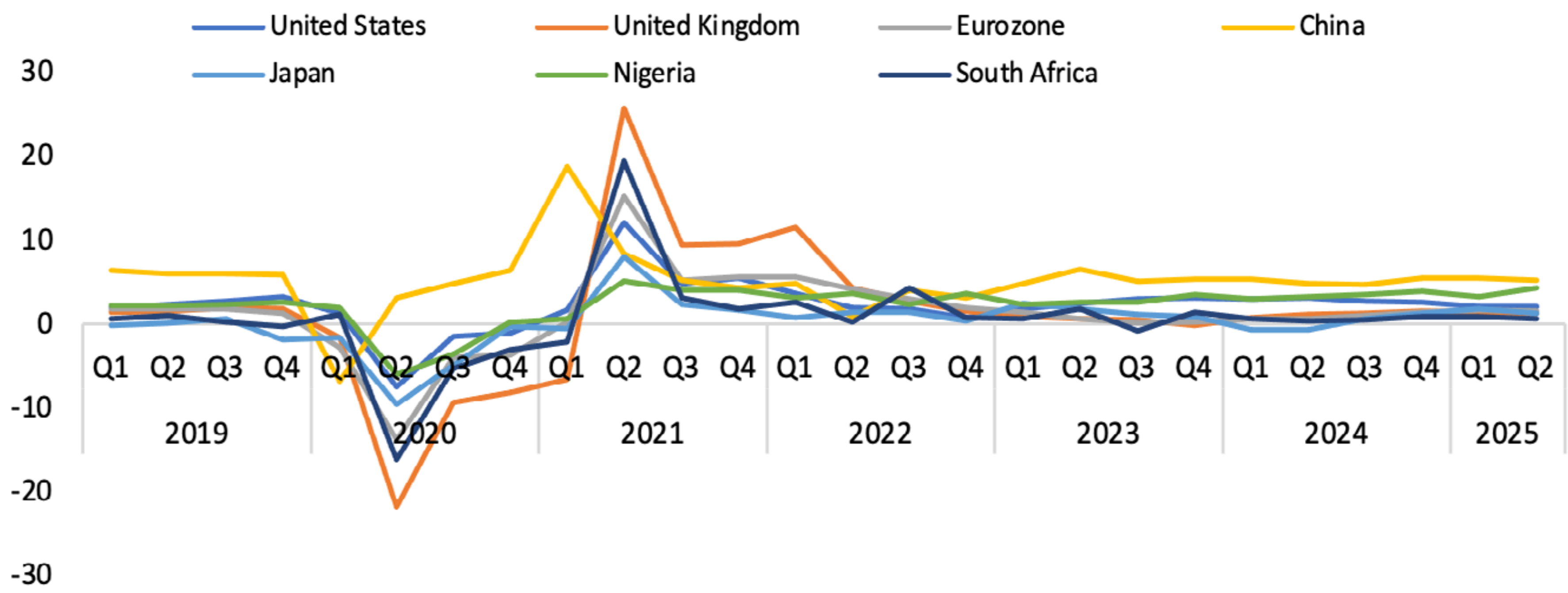
Global economy on a tightrope amid persistent uncertainty

The global economy has been navigating a delicate balance – showing strong growth in the first half of the year 2025 – yet facing increasing challenges in the latter half. Rising US tariffs, geopolitical tensions, and policy uncertainties are expected to dampen economic momentum as the year progresses.

The US economy expanded by 2.1% year-on-year in Q2 2025, slightly up from the 2.0% growth recorded in Q1, fueled by robust consumer demand. In addition, both the Eurozone and UK maintained positive growth trajectories in the first half of the year, with GDP rising by 1.5% (Q1: 1.6%) and 1.4% (Q1:1.7%) respectively in Q2 2025, supported by continued household spending.

In Q2 2025, Emerging Market and Developing Economies (EMDEs) saw strong GDP growth, with China expanding by 5.2% (down slightly from 5.4% in Q1) and India accelerating to 7.8% (up from 7.4% in Q1). This momentum was largely fueled by robust export performance, as trading partners ramped up purchases in anticipation of rising tariffs.

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



Source: IMF, GTCO

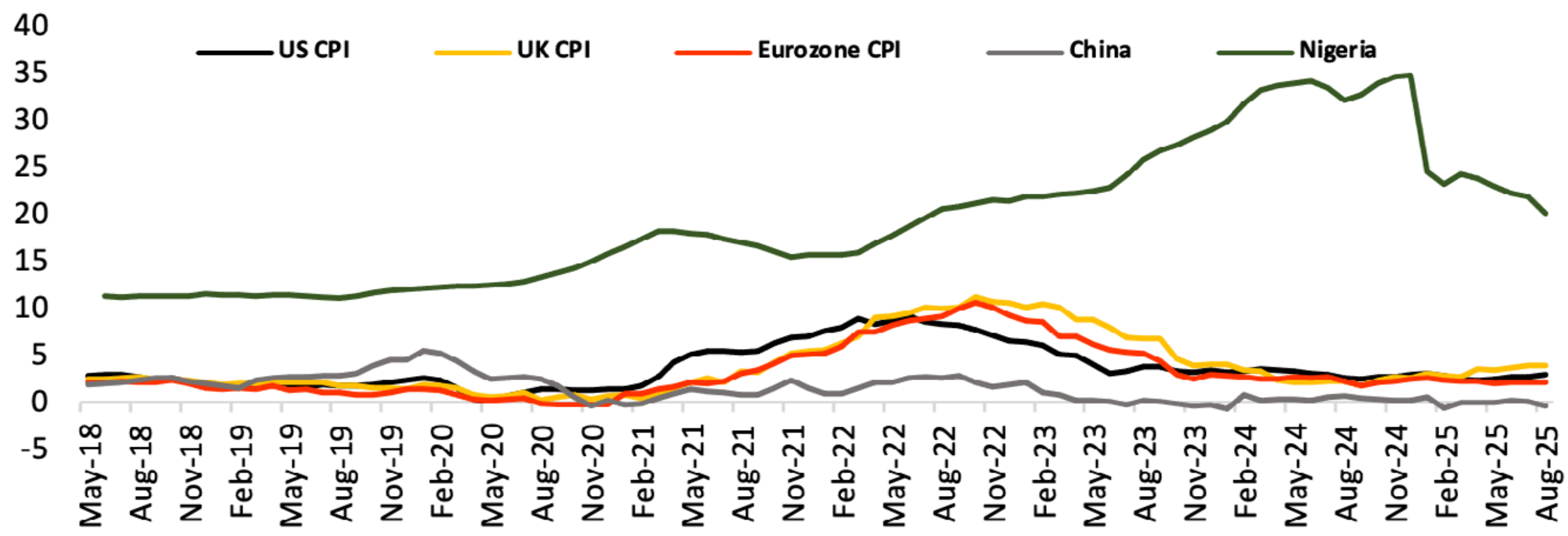
INFLATION

US tariffs push inflation above targets

Global inflation trends in Q3 2025 were notably shaped by the United States' broad tariff measures, which ranged from 10% to 50% and affected most trading partners. These tariffs, along with retaliatory actions, disrupted global supply chains and pricing structures. In advanced economies, U.S. inflation climbed to 2.9% in Q3 2025, up from 2.7% in Q2, as retailers gradually passed on higher import costs, compounded by rising gasoline and household expenses. The United Kingdom also experienced upward pressure on prices, with inflation rising to 3.8% from 3.6%, driven primarily by higher transportation costs. Meanwhile, inflation in the Eurozone edged up to 2.2% in Q3 from 2.0% in Q2, slightly exceeding the European Central Bank's target.

Inflation in Emerging Markets and Developing Economies (EMDEs) eased, driven by subdued demand, declining energy prices, and stable local currencies. China's inflation fell further to -0.4% in Q3 2025 (from 0.1% in Q2), reflecting ample supply, lower production costs, and weak consumer demand. Nigeria, Ghana, and Brazil also recorded notable declines in inflation, with rates dropping to 20.12% (Q2: 22.22%), 9.4% (Q2: 13.7%), and 5.13% (Q2: 5.35%) respectively in Q3 2025, largely due to falling prices of food and beverages.

Fig 2: Global Inflation Trend (%)



Source: TradingEconomics, NBS, GTCO

POLICY RATE

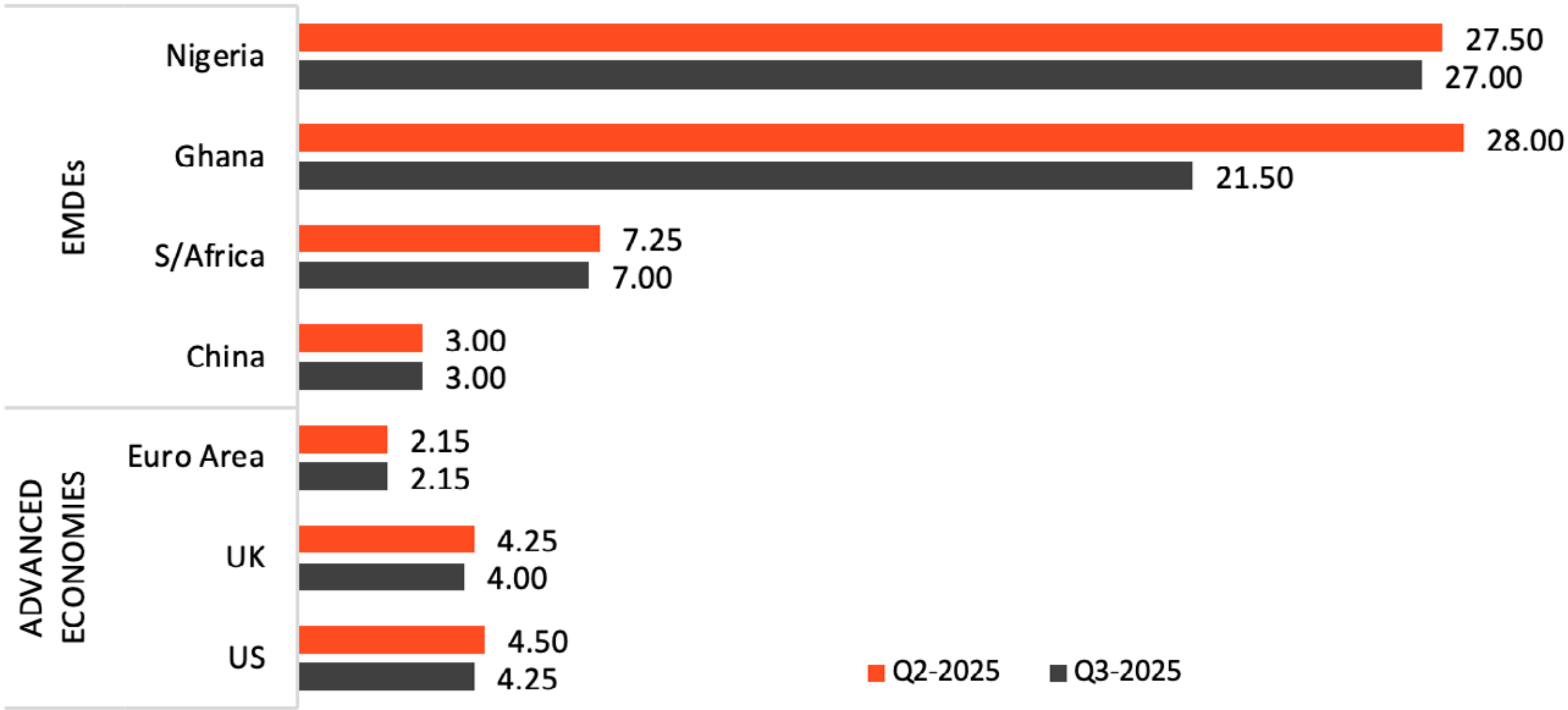
Central banks shift away from hawkish stance

A notable shift in global monetary policy emerged in Q3 2025, as several central banks began easing away from their previously hawkish positions. This shift occurred despite expectations of rising inflation, particularly in advanced economies, and reflects growing concerns over sluggish economic growth, ongoing trade tensions, and a diminishing risk of tariff-driven inflation.

Central banks in major advanced economies adjusted their monetary policies in response to slowing growth and evolving inflation dynamics. The Bank of England (BoE) lowered its benchmark interest rate by 25 basis points to 4.00% in Q3 2025 (from 4.25% in Q2), aiming to support the economy amid a sluggish recovery. The European Central Bank (ECB) maintained its key rate at 2.15% during the period, despite inflation rising slightly above its 2.0% target to 2.2%. Meanwhile, the U.S. Federal Open Market Committee (FOMC) cut the Fed Funds rate by 25 basis points to a range of 4.00%–4.25% in Q3 2025, prioritizing employment stability over inflation control, as the unemployment rate climbed to 4.3%—its highest level since 2021.

Most central banks in Emerging Markets and Developing Economies (EMDEs) maintained a cautious stance on interest rate hikes, as inflation continued to moderate across several countries in Q3 2025. The People's Bank of China held its key lending rates steady, with the 1-year and 5-year Loan Prime Rates (LPR) remaining at 3.0% and 3.5%, respectively. Meanwhile, the South African Reserve Bank and the Bank of Ghana opted for rate cuts, reducing their policy rates by 25 basis points and 650 basis points to 7.00% and 21.5%, respectively during the period, in response to easing inflationary pressures.

Fig 3: Policy Rate (%)



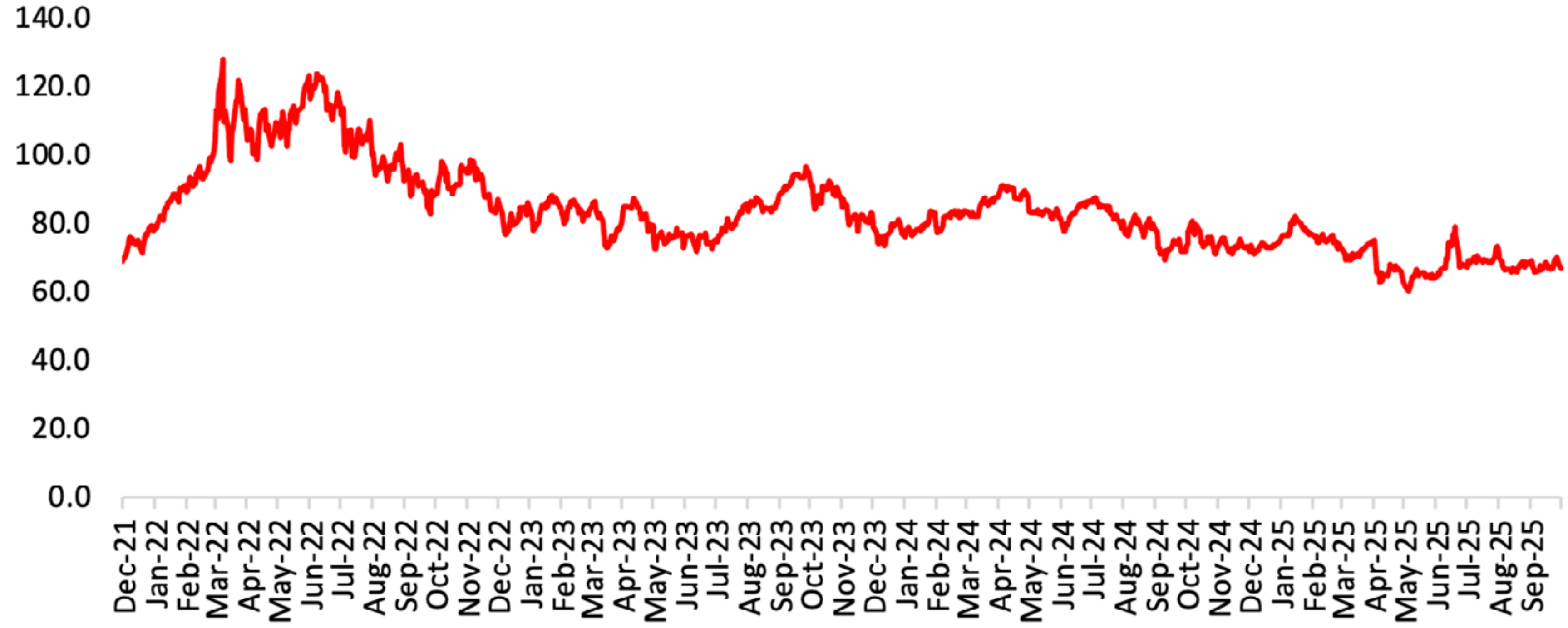
Source: Trading Economics, CBN, GTCO

CRUDE OIL

Crude oil price rises on Russian and Iran sanction

OPEC+ ramped up crude oil production in mid to late 2025, adding 411,000 barrels per day (bpd) in June and July, followed by a further increase of 555,000 bpd in September and a planned hike of 137,000 bpd in October. Despite this rise in supply and a slowdown in global economic activity triggered by U.S. tariff hikes, crude oil prices edged higher. Brent crude averaged $68.16 per barrel in Q3 2025, up 2.17% quarter-on-quarter, while WTI rose by 2.01% to $64.96 per barrel. The price increases were largely driven by sanctions on Russian and Iranian oil, which outweighed the impact of higher OPEC output and weaker global demand.

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



Source: Bloomberg, GTCO

TARIFF WAR

US tariffs take effect in August 2025

On August 7, 2025, the United States implemented one of its most extensive tariff regimes, introducing reciprocal tariffs on a wide range of commodities across more than 70 countries. This move followed a temporary suspension of tariffs from April 9 to July 9, intended to allow room for diplomatic negotiations. The primary goals of the policy were to protect domestic industries, reshape global trade relations, and reinforce the country's economic sovereignty. In Europe, Switzerland was hit with a steep 39% tariff, while the European Union faced a 15% rate, with certain items exempted under 0% tariffs, indicating the presence of nuanced trade arrangements. Turkey concluded negotiations with a 15% tariff, whereas the United Kingdom secured a more favorable 10% rate.

Across the Americas, tariff rates varied under the U.S. trade policy shift. Brazil faced the highest regional tariff at 50%, reflecting strained trade relations—partly due to its engagement with sanctioned Russian crude and its BRICS membership. Canada was subjected to a 35% tariff, while Mexico received a 90-day extension and is currently facing a 25% tariff.

In the Middle East and Africa, U.S. tariffs are varied across countries. Iraq's exports to the United States are subject to a 35% tariff, while Algeria and South Africa each face a 30% rate.

In Asia, India received the highest tariff rate of 50%, largely due to its involvement in trade deals involving sanctioned Russian crude oil and its membership in BRICS. Taiwan and Vietnam were each assigned a 20% tariff on their exports to the U.S., while China remains in ongoing negotiations with the United States.

Nigeria is subject to a 15% tariff; however, the overall impact is expected to be minimal. This is because over 90% of Nigeria's exports to the United States—comprising crude oil, natural gas, and refined energy products—are exempt from the newly introduced tariff framework.

The broader consequences of these tariff increases are cause for concern. Rising import costs have already begun fueling inflation in the United States and other advanced economies. Moreover, global economic growth could decelerate as elevated prices curb consumer spending and hinder international trade.

Fig 5: New US tariffs on imports from selected countries

Americas

Brazil	50%
Canada (USMCA Exemption)	35%
Mexico (90 Day Extension)	25%
Venezuela	15%

Europe

Switzerland	39%
EU (0% on select items)	15%
Turkey	15%
UK	10%

Middle East & Africa

Iraq	35%
Algeria	30%
South Africa	30%
Nigeria	15%
Israel	15%

Asia

India	50%
Taiwan	20%
Vietnam	20%
Malaysia	19%
South Korea	15%

Nigeria Top Trading Partners Q2 2025

Export		Import	
Country of Destination	% Share of Total Export	Country of Origin	% Share of Total Imports
Spain	10.85	China	32.45
India	8.71	United States of America	14.12
France	7.13	India	5.90
The Netherlands	6.75	The Netherlands	3.97
Canada	6.27	United Arab Emirates	3.51
United States of America	5.97	Belgium	3.25

Source: Global Business, GTCO

NIGERIA MACROECONOMIC REVIEW

GROSS DOMESTIC PRODUCT

Nigeria's GDP grows by 4.23% in Q2-2025

Nigeria's economy recorded its fastest growth in four years, with real GDP rising by 4.23% year-on-year in Q2 2025. This marks an improvement over the 3.86% growth in Q2 2024 and 3.13% in Q1 2025. Notably, the National Bureau of Statistics (NBS) adjusted previous quarterly GDP figures to align with newly rebased annual estimates, resulting in a revised quarterly series used for comparison with Q2 2025.

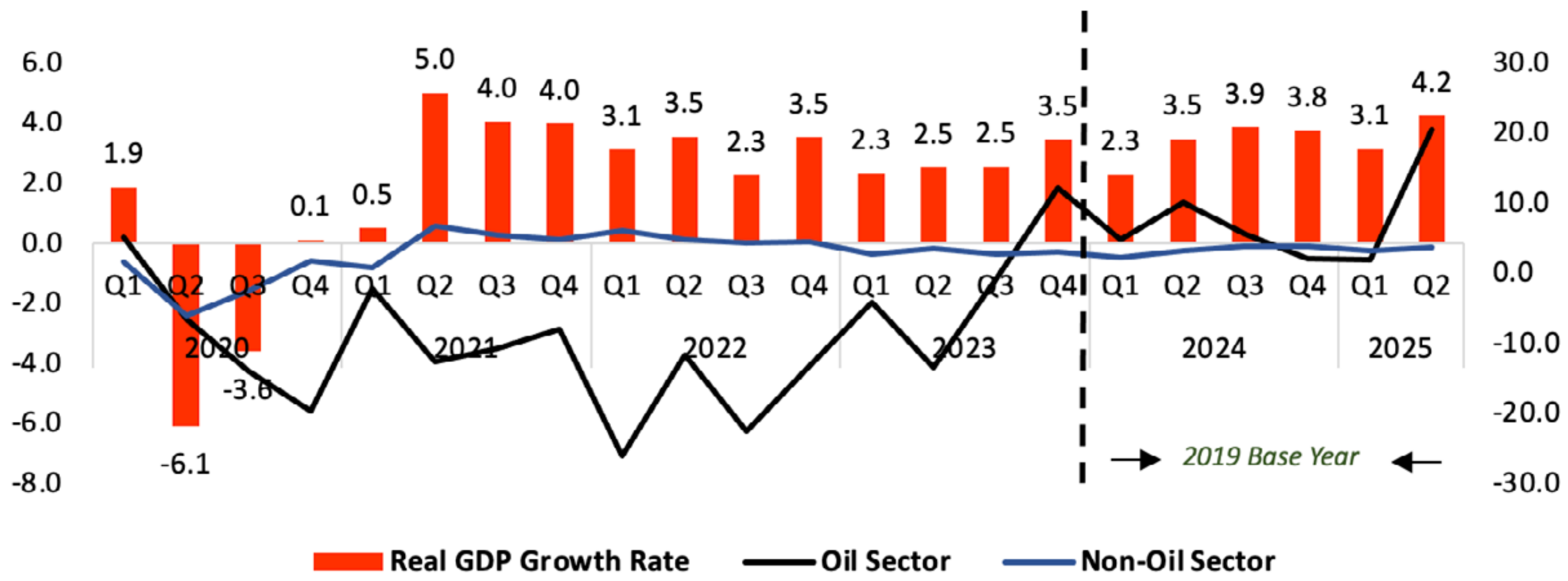
The growth in Q2 2025 was primarily driven by stronger performance in the Industries, Services, and Agriculture sectors. The Industries sector expanded by 7.45% (Q1 2025: 3.42%), although its reduced contribution to GDP—17.31% in Q2 2025 compared to 19.18% in Q1—remains a concern. The Services and Agriculture sectors grew by 3.94% (Q1 2025: 4.33%) and 2.82% (Q1 2025: 0.07%), contributing 56.53% and 26.17% to GDP respectively, compared to 57.50% and 23.33% in the previous quarter.

In Q2 2025, Nigeria's oil sector contributed 4.05% to the GDP, up from 3.51% in Q2 2024, while the non-oil sector accounted for the remaining 95.95%, slightly lower than the 96.49% recorded a year earlier. In nominal terms, the total GDP at basic prices reached N100.7 trillion, representing a 7.1% increase from N94.05 trillion in Q1 2025.

The oil sector experienced a significant year-on-year real growth of 20.46% in Q2 2025—an increase of 1,038 basis points and 1,859 basis points compared to the 10.08% and 1.87% growth rates in Q2 2024 and Q1 2025 respectively. This surge was largely driven by higher crude oil production during the period.

Meanwhile, the non-oil sector also showed improvement, growing by 3.64% year-on-year in Q2 2025, up from 3.26% in Q2 2024 and 3.19% in Q1 2025. Key drivers of this growth included crop production in agriculture, telecommunications, real estate, financial institutions, trade, construction, and electricity, gas, steam, and air conditioning supply.

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



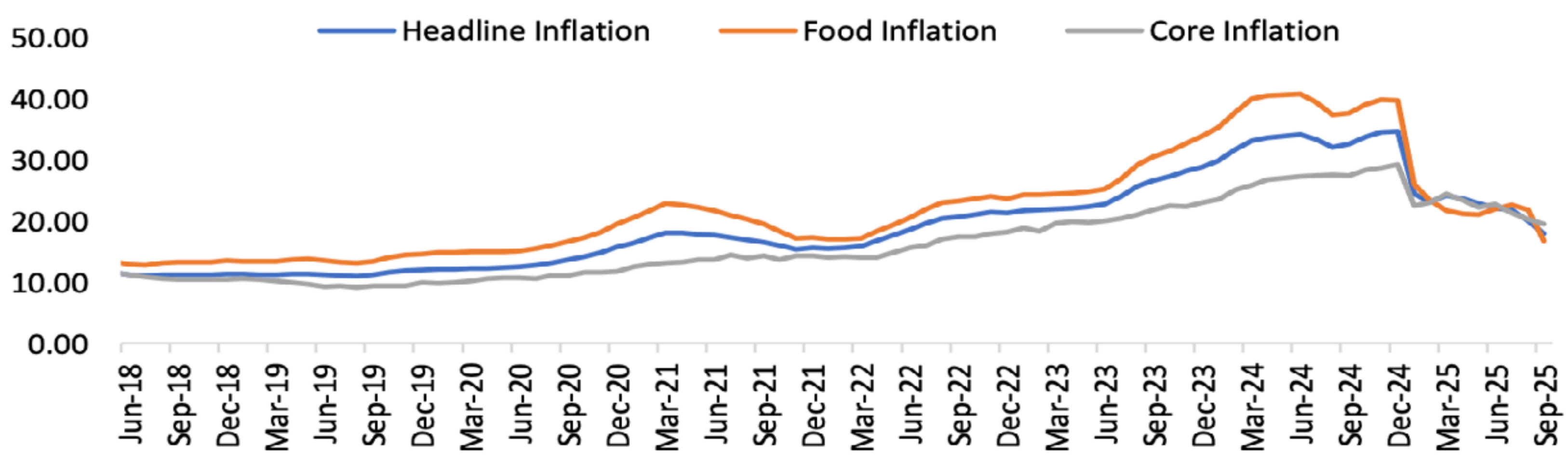
Source: NBS, GTCO

INFLATION

Nigeria's inflation drops further

Nigeria's headline inflation eased to 18.02% year-on-year in Q3 2025, marking a decline of 420 basis points from the 22.22% recorded in Q2. This moderation was largely driven by a sustained reduction in petrol (PMS) prices, the strengthening of the naira in the foreign exchange market, and the seasonal impact of harvests which helped lower food prices. Food inflation declined by 510 basis points, settling at 16.87% year-on-year in Q3 2025, compared to 21.97% in Q2. This significant drop was mainly due to the benefits of the harvest season, a slowdown in petroleum prices, and a stable exchange rate. Also, Core inflation (which excludes farm produce and energy) fell significantly by 323 basis points to 19.53% year-on-year in Q3 2025, down from 22.76% in the previous quarter.

Fig 7: Nigeria's Inflation Trend (%)



Source: NBS, GTCO

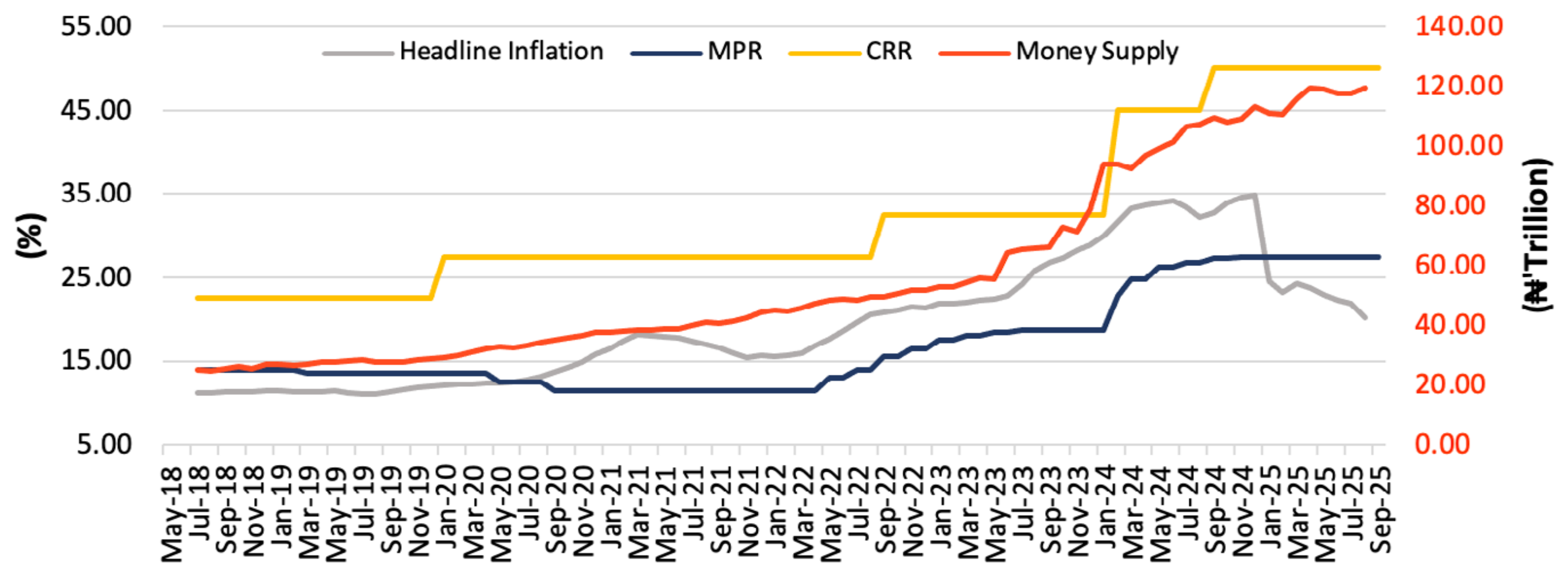
MONETARY POLICY RATE

MPC cuts MPR to 27.00%, adjusts key policy parameters

In Q3 2025, the Central Bank of Nigeria's Monetary Policy Committee (MPC) held two meetings. The July session saw no changes to policy parameters. However, in September, the Committee adopted a more accommodative stance, reducing the Monetary Policy Rate (MPR) by 50 basis points to 27.0% and lowering the Cash Reserve Ratio (CRR) for commercial banks by 500 basis points to 45%. This marked the first MPR cut since September 2020. The CRR for merchant banks remained unchanged at 16%, while a new 75% CRR was introduced for non-TSA public sector deposits to enhance liquidity management. The term "non-TSA public sector" is interpreted to refer to state-owned enterprises and agencies outside the Treasury Single Account framework, pending further clarification from the CBN. The liquidity ratio was maintained at 30%.

The Monetary Policy Committee's dovish tilt was influenced by the disinflation trend observed over the past five months, the expectation of declining inflation for the rest of 2025 and the need to support economic recovery efforts.

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



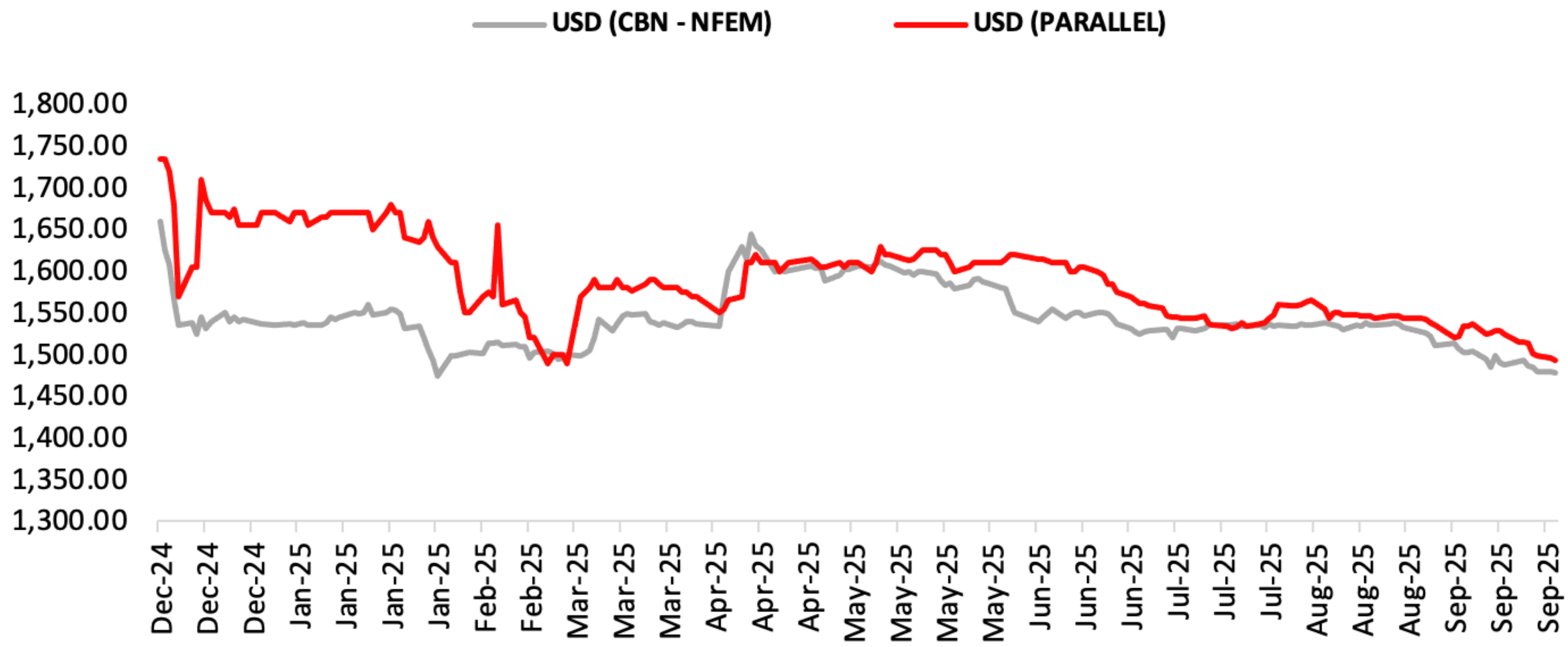
Source: NBS, CBN, GTCO

CURRENCY

Naira appreciates on improved FX inflows

On a quarter-on-quarter basis, the naira strengthened against the U.S. dollar in the official Nigerian Foreign Exchange Market (NFEM), appreciating by 3.52% to close at N1,478.00 in Q3 2025, compared to N1,532.00 in Q2. This improvement was largely driven by Central Bank of Nigeria (CBN) interventions and increased foreign exchange inflows from diaspora remittances and foreign portfolio investments. The appreciation in the official market also influenced the parallel market, where the naira gained 4.90%, ending the quarter at N1,493.00, up from N1,570.00 in the previous quarter.

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



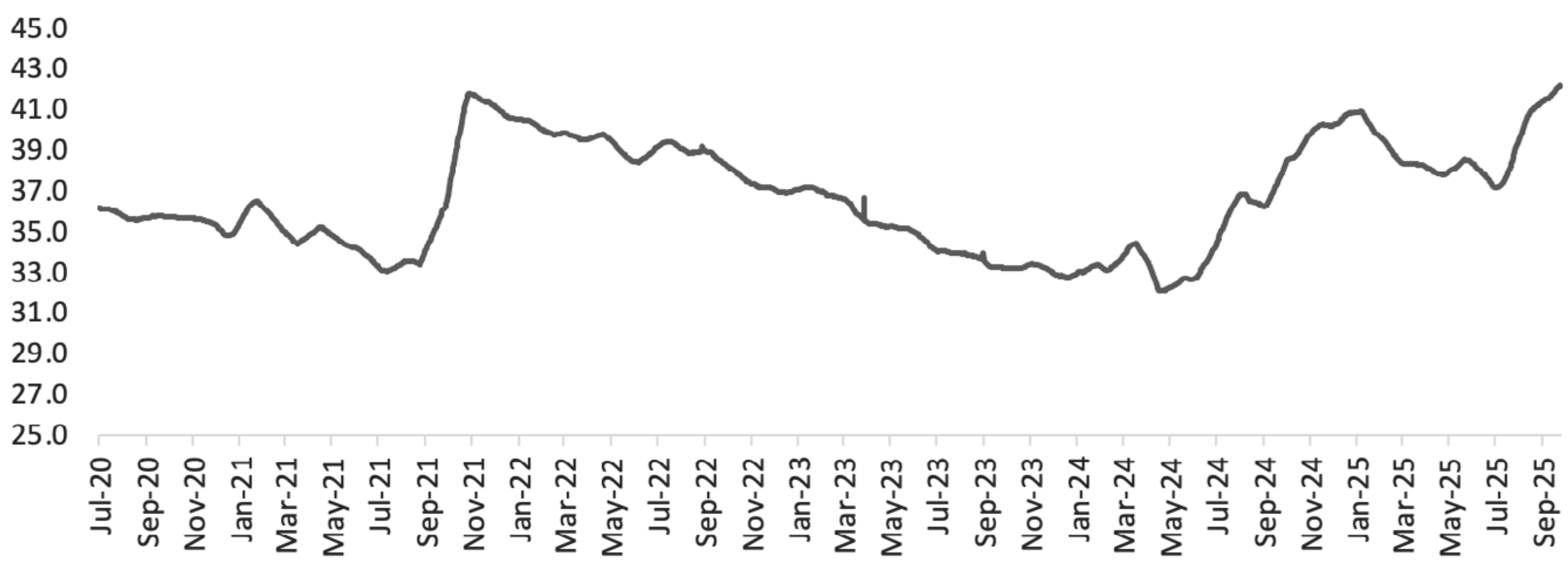
Source: Bloomberg (BGN), AbokiFX, GTCO

FOREIGN RESERVES

Nigeria's foreign exchange reserves hit a 6-year high

Nigeria's foreign exchange reserves surged to a six-year high in Q3 2025, rising by 13.8% (or $5.14 billion) to $42.35 billion, up from $37.21 billion in the previous quarter. This growth was largely fueled by increased FX inflows from oil exports, portfolio investments, and diaspora remittances. In addition, a decline in foreign exchange demand led, which led to reduced interventions by the CBN, also supported reserve accumulation. We noticed that CBN's FX market interventions fell by about 58%, from $2.18 billion in Q2 to $0.92 billion in Q3. Notably, there were no major repayments or maturities of Nigeria's external debt during the period.

Fig 10: CBN Foreign Reserves Trend ($Billion)



Source: CBN, GTCO

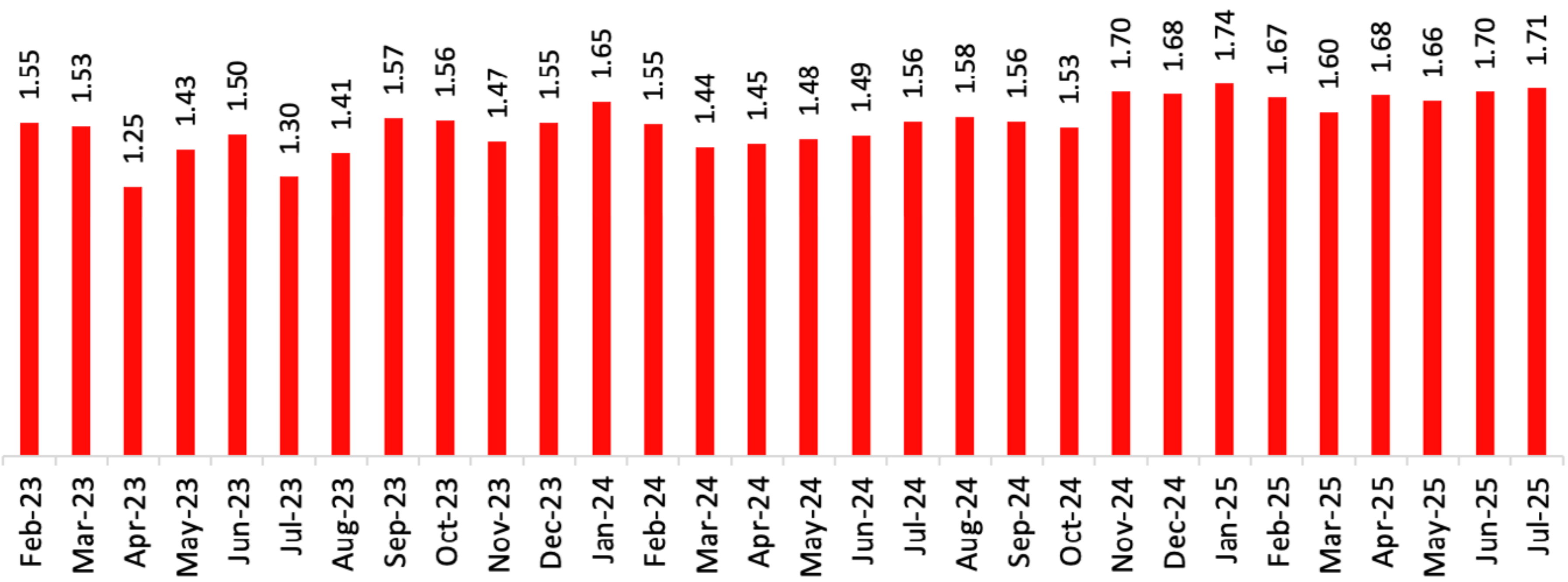
CRUDE OIL PRODUCTION

Nigeria's Oil output rises but misses budget target

Nigeria's average crude oil production, including condensates, increased by 2.0% in Q3-2025, reaching 1.71 million barrels per day (mbpd), up from 1.68 mbpd in Q2-2025. This growth was primarily driven by higher output from major terminals and enhanced security measures in the Niger Delta.

However, the production figure in the third quarter of the year remains well below the 2025 budget benchmark of 2.12 mbpd. When condensates are excluded, average crude oil output stood at 1.51 mbpd, slightly exceeding OPEC's quota of 1.5 mbpd by about 10,000 barrels per day. Given current production levels and crude oil prices falling short of the $75 per barrel budget assumption, the Federal Government may struggle to meet its 2025 revenue targets from production.

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



Source: OPEC, GTCO NUPRC

FINANCIAL MARKET PERFORMANCE

EQUITIES MARKET

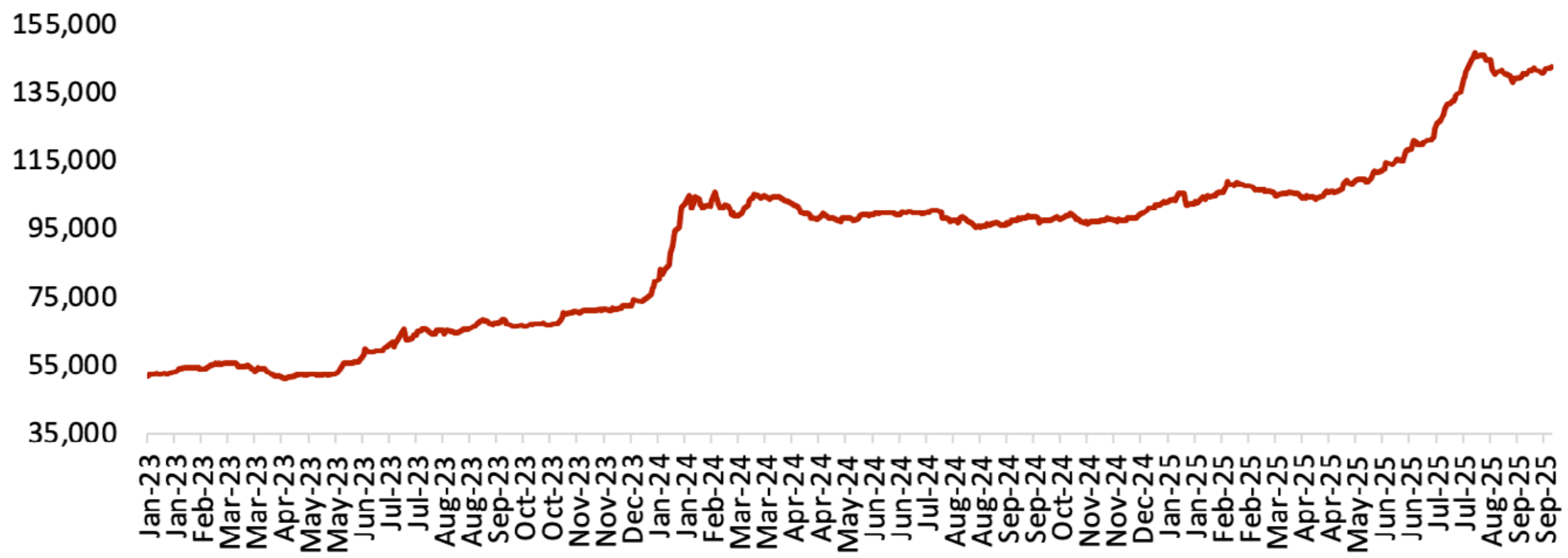
Nigerian Stocks Market extends bullish trend

The Nigerian Exchange sustained its bullish momentum in Q3 2025, with the NGX All-Share Index advancing by 18.95% to close at 142,710.48 points, up from 119,978.57 points in Q2. Market capitalization also rose significantly by 19.26%, reaching N90.58 trillion from N75.95 trillion. This positive performance reflects continued investor confidence and favorable sentiment, largely driven by portfolio reallocation toward equities amid declining fixed-income yields.

The NGX Insurance Index emerged as the best-performing sector, buoyed by substantial gains in Mutual Benefits Assurance Plc (+248%), Regency Assurance Plc (+150%), and AIICO Insurance Plc (+122%). In contrast, the NGX ASeM Index was the weakest performer, primarily due to a decline in Juli Plc (-4%).

As of August 2025, the total transaction value on the Nigerian Exchange rose sharply by 99% year-to-date, reaching N6.92 trillion compared to N3.48 trillion in August 2024. Foreign investors accounted for 21.01% of equity transactions, up from 18.86% in the same period last year, while domestic participation declined slightly to 78.99% from 81.14%. This shift signals growing confidence among foreign portfolio investors, driven by improved economic indicators—particularly the relative stability of the naira in the FX market, which has enhanced the attractiveness of Nigerian equities.

Fig. 12: NGX All-Share Index Trend



Source: Bloomber (BGN), GTCO

Table 1: Sector/Index Performance in Q3-2025

S/N	INDEX	30 JUN 25	30 SEPT 25	%CHANGE
1	NGX INSURANCE	755.52	1,191.04	57.65%
2	NGX INDUSTRIAL GOODS	3,638.15	5,068.68	39.32%
3	NGX LOTUS II	9,229.65	11,858.00	28.48%
4	NGX CONSUMER GOODS	2,635.86	3,370.91	27.89%
5	NGX BANKING	1,280.41	1,514.11	18.25%
6	NGX PREMIUM	11,576.85	13,682.97	18.19%
7	NGX 30	4,423.04	5,211.19	17.82%
8	NGX PENSION	5,798.71	6,724.36	15.96%
9	NGX OIL & GAS	2,437.47	2,523.05	3.51%
10	NGX ASEM	1,595.12	1,538.10	- 3.57%

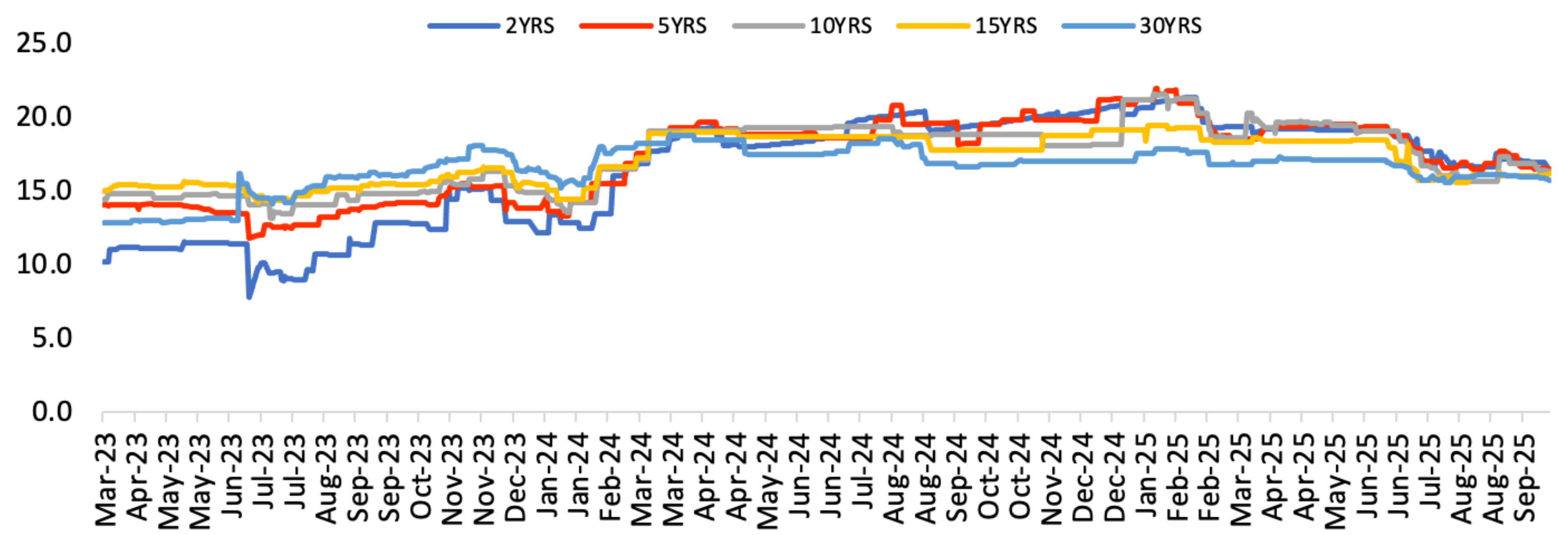
Source: NGX, GTCO

FIXED INCOME MARKET

Rates drop further amid falling inflation and policy rate cut

The average yield on FGN domestic bonds in the secondary market declined by 156 basis points, settling at 16.41% in Q3 2025 from 17.97%. This drop reflected investor response to easing inflation and a more dovish stance from the monetary policy authorities. A similar pattern emerged in the primary market, where marginal rates in the final auction of the quarter fell to 16.00% for the FGN AUG 2030 bond and 16.20% for the FGN JUN 2032 bond, compared to marginal rates of 17.75% for FGN APR 2029 bonds and 17.95% for FGN JUN 2032 bonds in Q2 2025. The primary market was influenced by sustained disinflation, excess system liquidity, and a reduction in the monetary policy rate during the period.

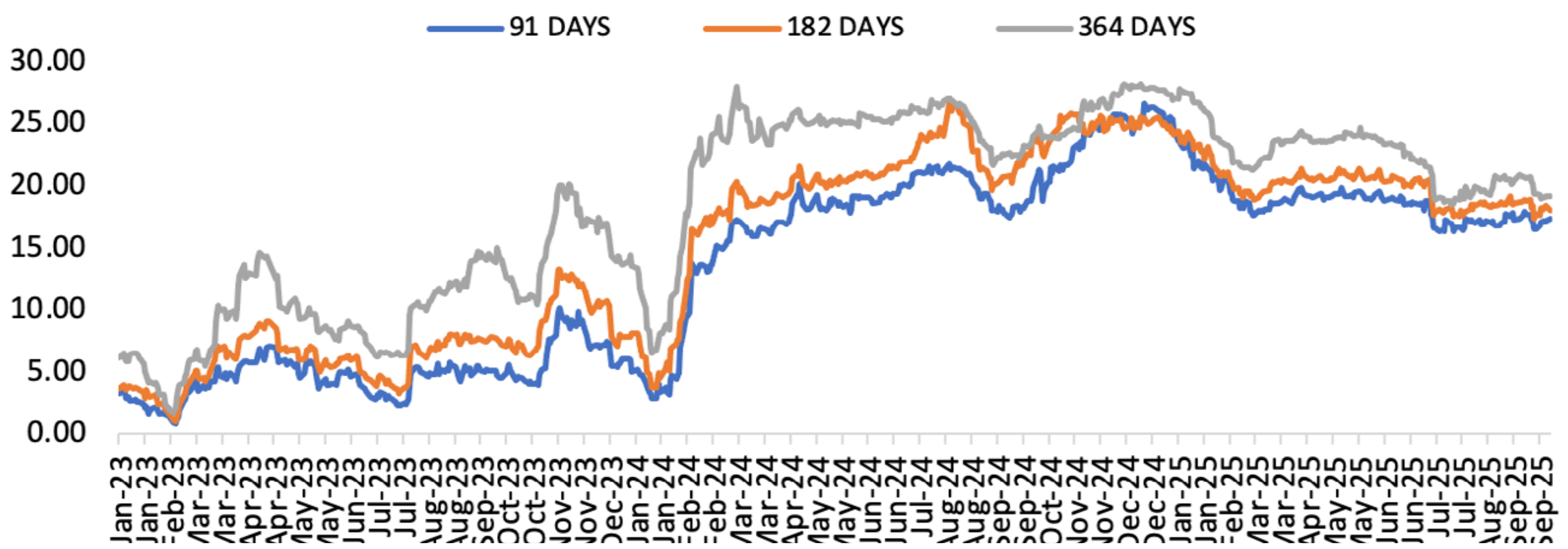
Fig. 13: Movement in Bond Yields (Secondary Market)



Source: Bloomberg (BGN), GTCO

The treasury bills secondary market also reflected key macroeconomic shifts in Q3 2025, as the average yield declined by 213 bps to 18.12% (Q2 2025: 20.25%). This downward movement was influenced by the moderation in inflation, excess liquidity in the financial system, the recent policy rate cut, and expectations of further easing in Q4.

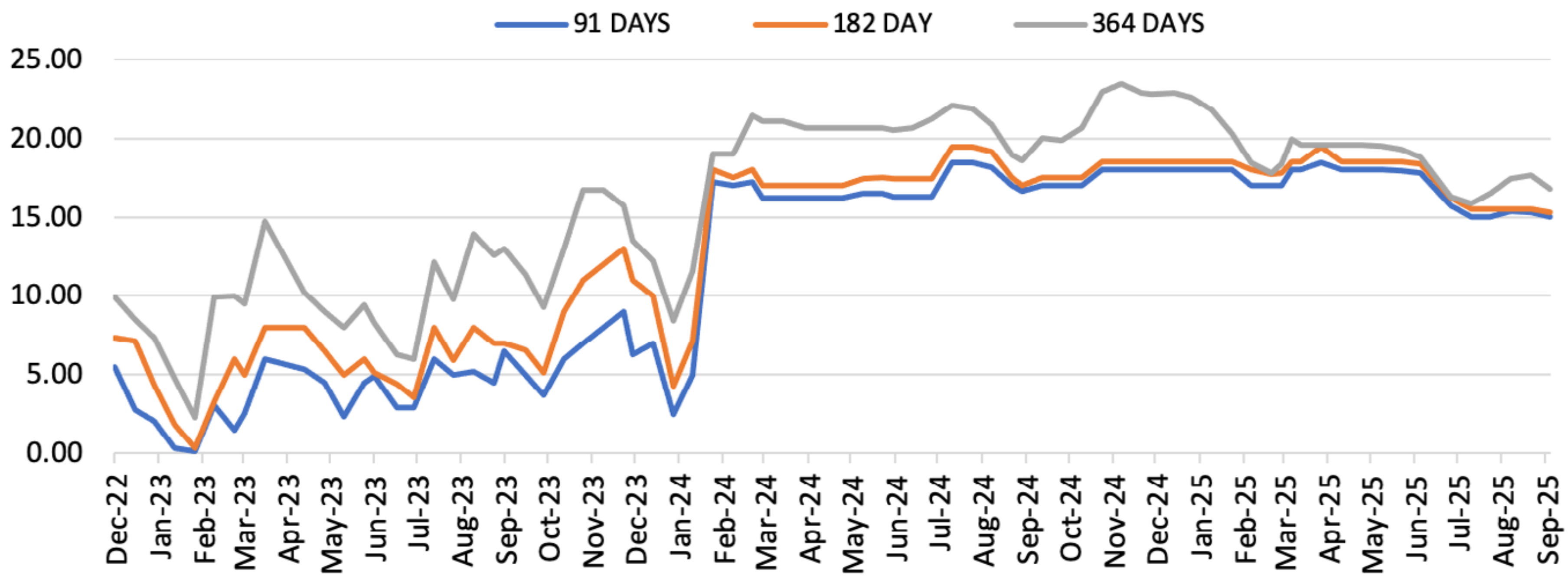
Fig. 14: Movement in Treasury Bills Yields (Secondary Market)



Source: Bloomberg (BGN), GTCO

In the primary market, treasury bill yields declined notably in Q3 2025, with the average stop rate falling by 264 bps to 15.69%, down from 18.33% in Q2. This downward trend occurred despite an increase in the volume of bills offered by the Debt Management Office (DMO). At the final NTB auctions for the quarter, stop rates settled at 15.00% for the 91-day bill (Q2: 17.80%), 15.30% for the 182-day bill (Q2: 18.35%), and 16.78% for the 364-day bill (Q2: 18.84%).

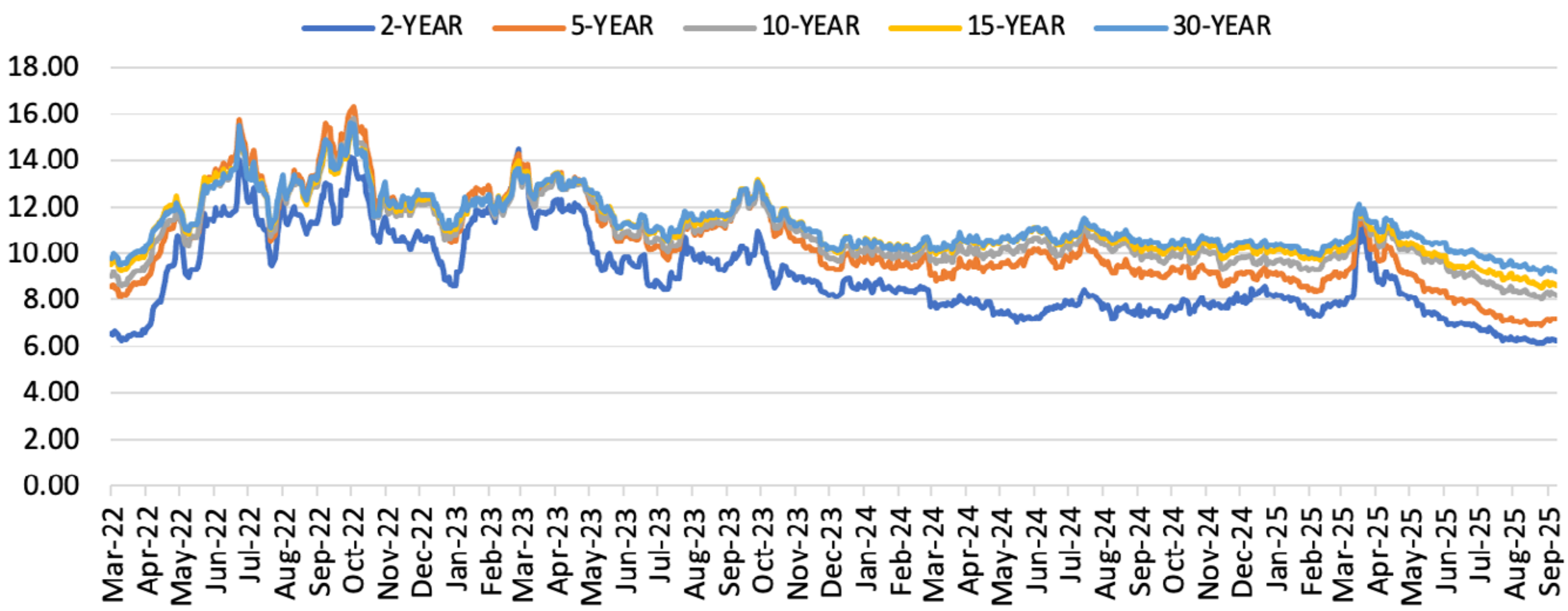
Fig. 15: Movement in Treasury Bills Stop Rates (Primary Market)



Source: CBN, GTCO

In the secondary market, the average yield of FGN Eurobonds fell by 83 bps to 7.90% in Q3-2025. This decline was primarily driven by renewed investor appetite for higher returns, following a shift toward expansionary monetary policies by major central banks in developed economies, which led to lower interest rates. In addition, the recent strengthening of Nigeria's external reserves and expectations of improved foreign exchange inflows further supported the downward trend in yields during the period.

Fig. 16: Movement in Nigeria's Eurobond Yields



Source: Bloomberg (BGN), GTCO

ECONOMIC AND MARKET OUTLOOK FOR Q4-2025

GLOBAL ECONOMY

- Global economic growth is projected to decline further in Q4 2025, although signs of resilience are emerging as trade-related disruptions, stemming from the recent U.S. tariff increases, begin to ease. According to the International Monetary Fund (IMF), in its July 2025 World Economic Outlook edition, global GDP is expected to slow to 3.0% in 2025, down from 3.3% in 2024 and below the pre-pandemic historical average of 3.7%. This resilience is underpinned by robust front-loading of international trade, a lower-than-anticipated global effective tariff rate, improved global financial conditions and widespread adoption of expansionary monetary policies by central banks. In addition, a mutually beneficial trade agreement between the United States and China is anticipated in Q4 2025, which could further support global economic stability.
- Global inflation is expected to remain relatively stable in Q4 2025, as the adverse effects of trade distortions are likely to be offset by weakening demand across most countries and anticipated declines in energy prices. However, inflation will still stay elevated and above the targets set by most central banks in advanced economies, largely due to the impact of tariff increases. In the United States, these tariffs are projected to gradually feed into consumer prices, contributing to relatively higher inflation during the quarter. In the United Kingdom, while inflation may ease slightly in Q4 2025 due to expectations of falling energy prices, it is still forecast to remain above 3%, driven by persistently high food prices. EMDEs are poised to benefit from lower energy prices, subdued global demand, and the strengthening of local currencies in Q4 2025. As a result, inflation is expected

to decelerate during the quarter. However, it is likely to remain above the inflation targets of most countries. Nevertheless, geopolitical tensions pose a significant downside risk to this outlook, and any escalation could disrupt the expected moderation in inflation.

- We expect dovish monetary policies to extend into Q4 2025, driven by fragile economic growth and weak labor market data across many countries. In advanced economies, particularly the United States and the Eurozone, central banks are likely to continue with accommodative stances, potentially implementing further rate cuts during the quarter. Similarly, most EMDEs are projected to maintain or extend supportive policy rates in Q4 2025 to bolster economic growth and aid recovery efforts.

- Crude oil prices are likely to decline in Q4 2025, as the recent increase in OPEC supply and weak global economic productivity are expected to outweigh the impact of sanctions on Iranian and Russian oil. In September, OPEC members raised output by 555,000 barrels per day (bpd) and have announced plans to increase production by an additional 137,000 bpd each in October and November. This continued rise in supply is anticipated to exert downward pressure on oil prices throughout the quarter.

DOMESTIC ECONOMY

- With anticipated improvements in crude oil production, we expect the oil sector to maintain strong growth in Q3 and Q4-2025. In addition, the non-oil sector is projected to record improved performance in Q3 and Q4-2025, supported by easing inflation, the appreciation of the Naira, and the multiplier effects of the recent additional capital injections by Nigerian banks. Consequently, we expect overall GDP growth to remain strong in the third and fourth quarter of the year.

- We expect inflation to maintain its downward trend in Q4 2025, driven by anticipated stability in the foreign exchange market and a projected slowdown in PMS prices. In addition, Nigeria is currently in its harvest season, which may contribute to lower food prices in the market and have positive impact on headline inflation in Q4 2025. 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.

- Another policy rate cut may be considered at the upcoming MPC meeting on November 24–25, 2025, driven by expectations of a decline in headline inflation and the committee's ongoing commitment to fostering economic growth and recovery.

- The naira is expected to remain relatively stable in the foreign exchange market during Q4 2025, despite prospects of further monetary policy easing. We anticipate continued foreign exchange inflows from capital importation, supported by the attractiveness of local yields compared to economies with single digit interest rates. Also, the robost external reserves may serve as a cushion for the naira, helping to maintain relative stability in the FX market.

EQUITIES MARKET

We expect that bullish sentiment will persist in the Nigerian stock market in Q4 2025, as investors are likely to consider investing more of their portfolios in favour of equities due to the anticipation of a reduction in yields in the fixed income market. In addition, anticipation of dividend payments and the stable foreign exchange market will attract domestic and foreign portfolio investments in Q4 2025.

FIXED INCOME MARKET

Following the recent decisions by the MPC to lower the MPR, adjust the asymmetric corridor, and reduce the CRR for commercial banks—alongside expectations of a further policy rate cut in November—we anticipate a continued moderation in fixed income yields through Q4 2025. Nigeria's Eurobonds may extend the bullish trend into Q4 2025, supported by the country's resilient external reserves. In addition, with interest rate cuts across several markets, yield-seeking investors may find attractive opportunities in Nigeria's international bonds.

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