

The background of the slide is a photograph of two boats on a calm blue ocean under a clear sky. In the foreground, a small white sailboat with a single mast and a white sail is moving towards the right, leaving a white wake. In the background, a large blue and white cargo ship with four masts is visible, also moving towards the right. The water is a deep blue with gentle ripples.

# **Fragile Gains, Firm Goals:**

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Will the Rising Tide Lift All Boats?

# Executive Summary

The global economy in the first half of 2025 remained subdued, grappling with sluggish growth, softening inflation, and rising geopolitical tensions.

In the United States, the economy contracted by 0.50% in Q1, 2025, the first decline in three years, due to a surge in pre-tariff imports and lower government spending. However, growth rebounded in Q2, supported by strong consumer demand. China's recovery lost momentum despite meeting its 2024 growth target. Industrial activity improved, but exports slowed sharply, and deflation persisted. The Euro Area showed early signs of stabilisation, achieved modest GDP growth of 0.60% in Q1 and a slight increase of just 0.10% in Q2, with easing inflation that prompted the ECB to cut rates.

The global oil market remained volatile in H1 2025, driven by oversupply and geopolitical tensions. China's imports dipped early in the year but surged in May and June.

On the domestic front, Nigeria's economy grew by 3.13% year-on-year in the first quarter of 2025, based on the newly rebased data, which reflected a slowdown from Q4 2024 but better than the same period last year. While oil production picked up, its overall impact on the economy remained limited. The rebased Inflation also eased to 22.22% in June, helped by a stable currency and falling fuel costs.

The Nigerian equities market had a strong start to 2025, with the All-Share Index rising by 16.57% in H1 and reached an all-time high of 121,257.69 points. Investor confidence remained high, driven by solid corporate earnings, dividend announcements, and improved macroeconomic conditions. Sectoral gains were broad-based, led by the Agriculture and Consumer goods sectors, while the oil and gas sector lagged.

Nigeria's growth outlook for the rest of 2025 remained broadly positive, supported by rising oil production and a more stable macro environment. However, weak household demand and lingering structural issues, particularly in agriculture, led to a downward revision of the full-year real GDP forecast to 3.50% from 3.71%.

Nigeria's inflation outlook for H2 2025 is expected to be mixed. While headline inflation may continue to ease, supported by FX stability and falling fuel prices, food inflation is likely to remain sticky in the near term due to structural bottlenecks and seasonal pressures. However, improved harvests later in the year could help ease food prices by Q4 2025.

# TABLE OF CONTENTS



## GLOBAL ECONOMY

Review ..... 4

Outlook..... 9



## DOMESTIC ECONOMY

GDP ..... 11

Inflation ..... 16

Monetary Policy ..... 18

Fiscal Policy ..... 20



## FINANCIAL MARKETS

Equities Market ..... 23

Fixed Income Market ..... 28

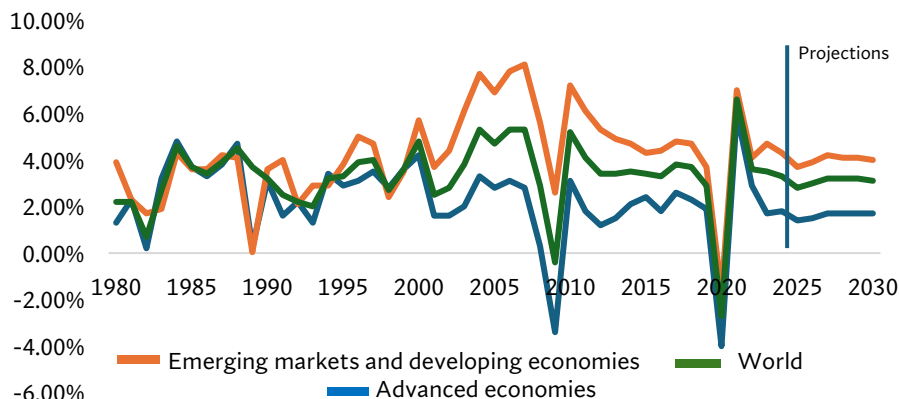
External Reserves ..... 29

Foreign exchange market ... 30

# Global Economy

The global economy navigated a landscape marked by sluggish growth, moderating inflation, diverging monetary policies, trade wars and persistent geopolitical risks. While the United States economy demonstrated resilience despite a first-quarter contraction, the euro area showed nascent signs of stabilisation. In contrast, China continued to struggle with deflation and a weak property sector. Global oil markets remained well-supplied but were sensitive to geopolitical shocks. Trade tensions, particularly between the U.S. and China, weigh heavily on the outlook.

## World Real GDP Annual Growth Rate

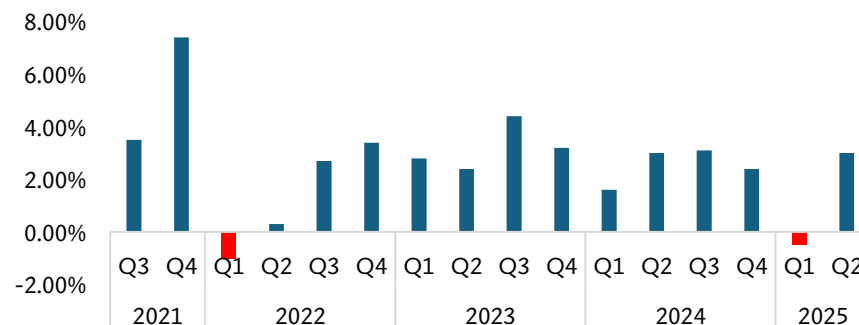


Source: IMF, WSTC Research

According to the report released by the U.S Bureau of Economic Analysis, the economy contracted in Q1 2025, which marked its first quarterly decline in three years. Real GDP shrank by 0.50%, a sharp deceleration from the 2.40% growth in Q4 2024. The contraction was largely driven by two factors: a substantial surge in imports by

businesses and consumers, likely in anticipation of future tariff adjustments and a reduction in government spending. However, a deeper look revealed that domestic demand remained resilient, as personal consumption expenditures rose to 3.70%, up from 2.40% in Q4 2024. Encouragingly, the economy rebounded in the second quarter, posting 3.00% year-on-year growth. The recovery was fueled by a slowdown in imports and sustained strength in consumer spending, both of which helped lift real GDP, despite a dip in business investment. This suggests that while trade policy uncertainty continues to create concerns, the strength of U.S. consumer demand remains a key pillar of economic stability.

## US GDP Quarterly Growth Rate



Source: US Bureau of Economic Analysis, WSTC Research

Inflation in the U.S. showed signs of moderation almost through the first half of 2025, initially moving closer to the Federal Reserve's 2.00% target before experiencing a slight uptick in June. The Consumer Price Index (CPI) stood at 3.00% in January, 2.82% in February, 2.39% in March, 2.31% in April, relatively stable at 2.35%

# Global Economy Cont'd

in May, then jumped to 2.67% in June, marking the highest level in five months. This moderation over the first four months reflected easing price pressures across a range of categories, however, renewed inflationary pressure in June was broad-based, affecting several key categories such as food, transportation services, and used cars and trucks, suggesting that the recently imposed tariffs were beginning to influence overall price levels.

The labour market remained tight. The unemployment rate stood at 4.10% in December 2024, eased to 4.00% in January, and hovered between 4.10% and 4.20% from February through June. It dipped slightly to 4.10% in June from 4.20% in May, defying market forecasts of a rise to 4.30%. The rate has remained within the 4.00% – 4.24% range since May 2024. Job gains continued through the first half of 2025, reflecting the labour market's resilience. The number of unemployed individuals rose by 122,000 to 7.02 million in June, compared to 6.90 million in December 2024. Meanwhile, the number of employed persons increased by 1.71 million, reaching 163.366 million.

In June 2025, the Federal Reserve, through its Federal Open Market Committee (FOMC), held interest rates steady at 4.25%–4.50% for the fourth consecutive time. There were no rate cuts in the H1 2025, which reflected a cautious approach by policymakers as they evaluate the broader economic impact of President Trump's policies, particularly in the areas of tariffs, immigration, and taxation.

**China's** economy navigated a complicated landscape in the first half

of the year. On a quarter-on-quarter basis, growth slowed to 1.10% in Q2 2025, down from 1.20% in Q1 2025, but remains stronger than the 0.90% recorded in Q2 2024. This was attributed to a rise in industrial output, along with steady gains in the service sector and growth in retail sales. The government is holding firm on a 5.00% target for 2025, but private forecasts suggest it might end up slightly lower, due to soft domestic demand and persistent external pressures. Exports grew by 2.30% year-on-year in Jan–Feb, surged to 12.40% in March, then slowed to 8.10% in April, 4.80% in May and 5.80% in June, with shipments to the U.S. dropped to 16.10% reflecting a new round of tariffs and ongoing geopolitical tension.

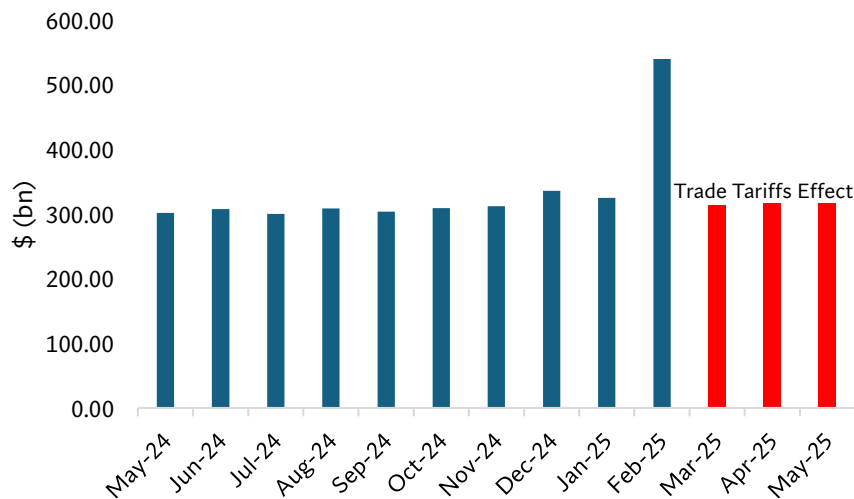
Meanwhile, deflation continued to weigh on the economy. Consumer prices increased by 0.50% in January before contracting for four consecutive months, recording -0.70% in February and -0.10% for March, April, and May, respectively, before registering a modest 0.10% increase in June. Producer prices dropped to -3.60% year-on-year (May: -3.30%), the steepest slide in more than two years. This signalled significant challenges for manufacturers and broad-based pricing power, clearly reflecting sluggish domestic demand and rising external risks.

China's property sector remained under strain, although some stabilisation was observed. New home prices in June 2025 fell by 3.20% year-on-year, easing slightly from May's 3.50% drop. This marked the 24th consecutive monthly decline, but notably, it was the slowest decline in over a year, hinting that government support

# Global Economy Cont'd

measures, such as rate cuts and buyer incentives, were beginning to have an impact. While major cities like Shanghai saw continued price declines, others like Beijing and Guangzhou continued to show price increases. In response to these challenges, the People's Bank of China (PBOC) remained firmly in easing mode. Following multiple In May, it lowered key policy rates, including a 10-basis-point cut to the one-year Loan Prime Rate (LPR), which had been steady at 3.10% earlier in 2025 but was lowered to 3.00%. This aimed to inject substantial liquidity into the banking system to counter sluggish growth and persistent deflationary pressures.

## China Exports



Source: General Administration of Customs, WSTC Research

## Euro Area: Emerging from Weakness

The **Euro area** began 2025 with nascent signs of recovery following a challenging 2024. The economy grew by 0.60% in Q1 2025, up from 0.30% in Q4 2024. This performance was driven by Ireland's exceptional 9.70% surge alongside strong contributions from Germany (0.40%) and Spain (0.60%). However, momentum weakened in the second quarter, with GDP rising just 0.10%.

The slowdown reflected growing caution among businesses and households as they respond to easing inflation and lingering external uncertainties.

Inflation began to ease during the first half of 2025. Headline edged up to 2.50% in January from 2.40% in December 2024, and then gradually declined to 2.30% in February and 2.20% in both March and April. It fell further to 1.90% in May, before ticking up slightly to 2.00% in June. The initial cooling was primarily driven by moderating energy and food prices. Meanwhile, core inflation remained relatively stable, hovering between 2.40% and 2.50%. In response to these developments and to support economic recovery, the European Central Bank (ECB) implemented multiple interest rate cuts in H1 2025, specifically in January (2.90%), April (2.40%), and May (2.40%), ultimately reducing its deposit rate to 2.15% on June 5, 2025.

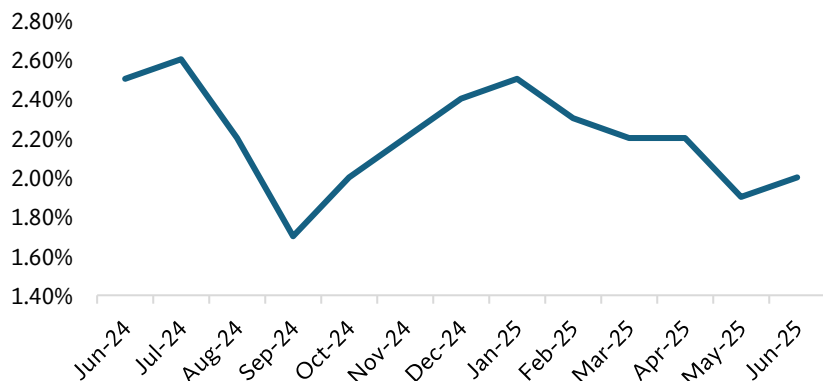
Among other major economies, Germany saw a 0.40% quarterly boost, significantly powered by a notable 3.20% rise in exports. The

# Global Economy Cont'd

government was observed to be ramping up spending, particularly on social benefits. France remained mostly flat, with near-zero growth (0.10%) and inflation dropping to just 0.70% in May and increasing to 0.90% in June.

The Euro Area seasonally adjusted unemployment figure was relatively flat during the period as they reported a 6.20% rate which was same as at the end of December 2024. Youth unemployment edged up to 14.40%, underscoring continued pressure on younger job seekers, with nearly 10.80 million people now unemployed.

## Euro Zone Inflation rate



Source: Eurostat, WSTC Research

## Global Crude Oil Market

The global crude oil market in the first half of 2025 was characterized by significant volatility, driven by a confluence of geopolitical disruptions, shifting production strategies, and an uneven economic recovery across major economies.

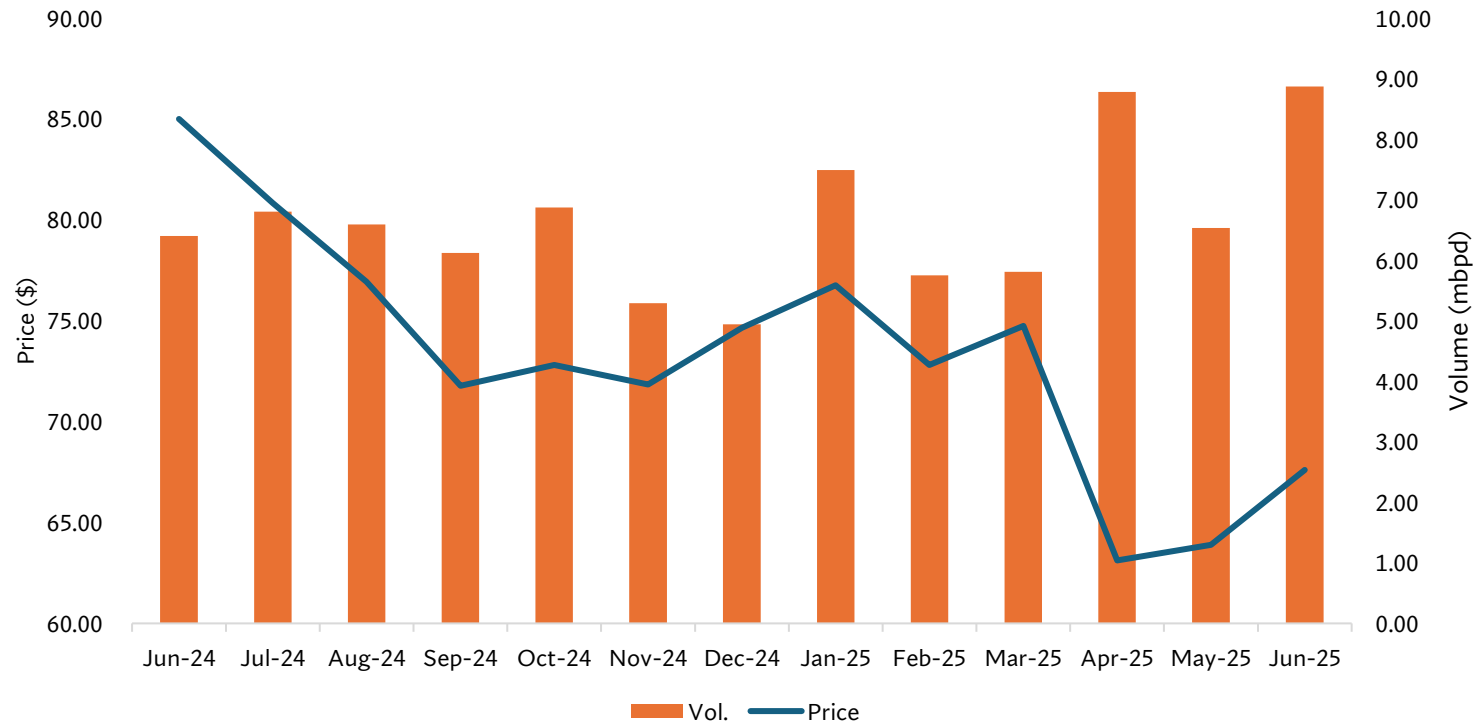
## Demand and Import Dynamics

China's import volumes provided a key indicator of market health. In the first four months of 2025, China's crude oil imports declined by approximately 4.20% year-on-year, falling to 163.20 million metric tons. This drop was largely attributed to weaker industrial demand and elevated domestic oil inventories. However, the trend reversed sharply in May and June, as imports surged to approximately 46.60 million metric tons and 49.89 million metric tons, respectively. These figures represented the highest monthly levels since August 2023, signaling a potential pickup in economic activity.

## Supply and Geopolitical Pressures

The OPEC+ alliance reversed its April 2024 production cuts, adding nearly 1 million barrels per day to global supply between April and June 2025 in a move to defend market share. This is in line with robust US production, which stood at a six-months average of 13.45 mbpd in H1 2025, intensifying oversupply concerns. The result was a sharp drop in Brent crude prices, which fell to a four-year low of \$58 per barrel in May, before rebounding to \$63 in June following the Israel-Iran conflict that threatened key supply routes through the Strait of Hormuz.

## Oil - Volume



Source: Investing.com, WSTC Research



# Outlook for the Global Economy

Global economic growth is anticipated to remain moderate through the second half of 2025, with the IMF projecting a modest 2.80% expansion. The overall outlook suggests a slow, steady improvement, supported by coordinated monetary easing across major economies and moderating inflation.

## Regional Outlooks

- **United States:** The resilient second quarter growth following a sluggish first quarter has created a window for the Federal Reserve to begin easing policy later this year. Lower borrowing costs, combined with resilient consumer sentiment, are expected to support a modest recovery into late 2025.
- **Euro Area:** The Area is poised for a period of policy normalisation. With inflation falling toward the ECB's 2.00% target, the Central Bank initiated its first rate cut in June, and further easing is expected in the second half of the year as growth slowly recovers. A gradual pickup in activity, albeit from a low base, is suggested by Germany's export recovery and signs of stabilisation in peripheral economies.
- **China:** The government policy fiscal stimulus, targeted credit easing, and stabilising property market are all poised to offset external trade headwinds. These efforts underscore the government's commitment to achieving its 5.00% GDP growth target for 2025. While structural challenges persist, a modest recovery in domestic demand could help sustain growth through the end of the year.

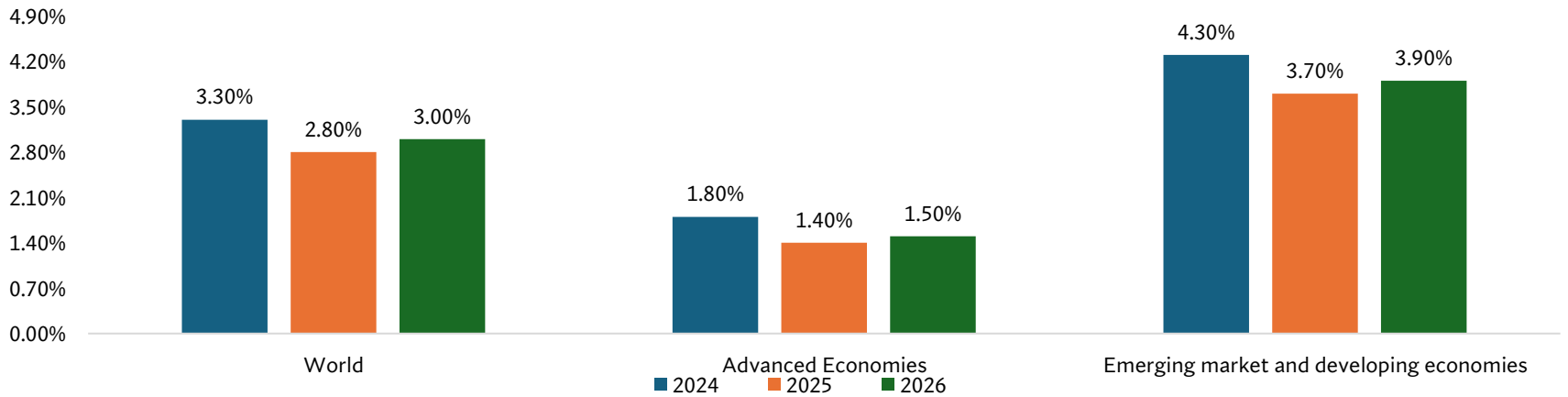
## Trade Headwinds

A significant headwind to this global momentum will be the new U.S. trade tariffs, which are scheduled to take effect on August 1, 2025. These tariffs, which range from 25.00% to 40.00%, will apply to goods from 14 countries, including key trading partners like Japan, South Korea, Malaysia, and Indonesia. This move toward protectionism is likely to disrupt global supply chains and increase costs for both businesses and consumers, potentially interrupting the momentum of the global recovery.

## Global Oil Market Outlook

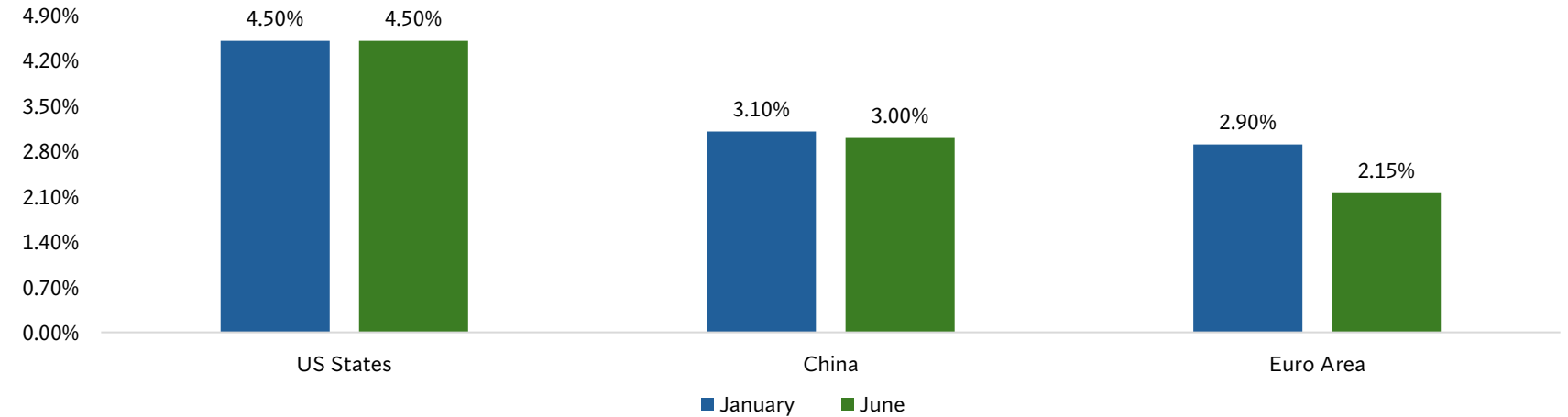
The global oil market is projected to remain oversupplied in H2 2025. Output increases from both OPEC+ and non-OPEC producers are expected to continue outpacing demand. China's uneven recovery and a slow growth in U.S. have weighed on demand expectations. With inventories rising and no major supply cuts on the horizon, we anticipate oil prices to remain relatively volatile. Barring a major geopolitical shock, the market is likely to remain imbalanced through year-end.

## Real GDP Projections(Annual )



Source: IMF, WSTC Research

## Key Policy Rates, 2025



Source: Fed. Reserve, PBOC, ECB, WSTC Research

## ***DOMESTIC ECONOMY***

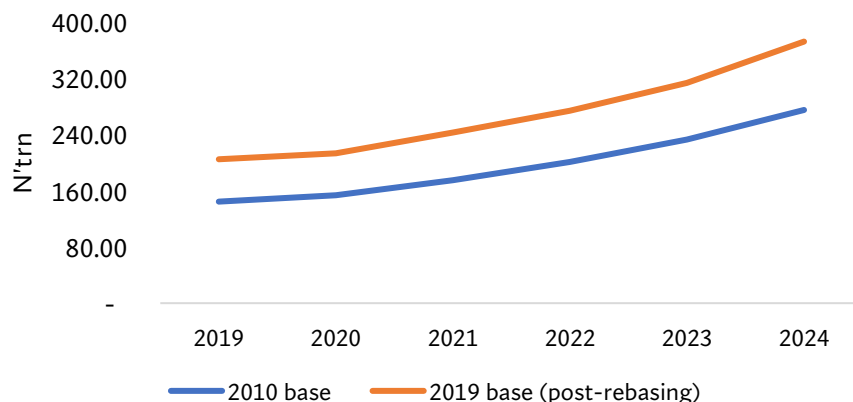
# GDP

The National Bureau of Statistics (NBS) released the rebased GDP data with a revised base year of 2019 from previously used 2010. According to the NBS, using 2019 as the base year was due to the relative stability of the economy during this period.

The rebased data showed upward revisions in nominal GDP, with new figures now at:

- 2019 – up by 42% to N205.09 trillion;
- 2020 – up by 39% to N213.64 trillion;
- 2021 – up by 39% to N243.30 trillion;
- 2022 – up by 36% to N274.23 trillion;
- 2023 – up by 35% to N314.02 trillion;
- 2024 – up by 35% to N372.82 trillion.

## Nominal GDP Trend Before and Post Rebasing



Source: NBS, WSTC Research

The growth in nominal GDP post-rebasing reflects the inclusion of newly captured economic activities, and also better representation of existing sectors. The newly captured sectors include Digital Economic Activities, Pension Fund Administration (PFA), the National Health Insurance Scheme (NHIS), National Social Insurance Trust Fund (NSITF), Activities of Modular Refineries, Domestic Households as employers of labour, Quarry and Other Mining Activities.

Despite the jump, Nigeria retained its position as the fourth largest economy in Africa, as the Naira depreciation offset much of the nominal gains when expressed in US dollar. Using an exchange rate of N1,530/\$, the 2024 GDP stands at \$243.68 billion, trailing South Africa (\$400.26 billion), Egypt (\$389.06 billion), and Algeria (\$263.62 billion).

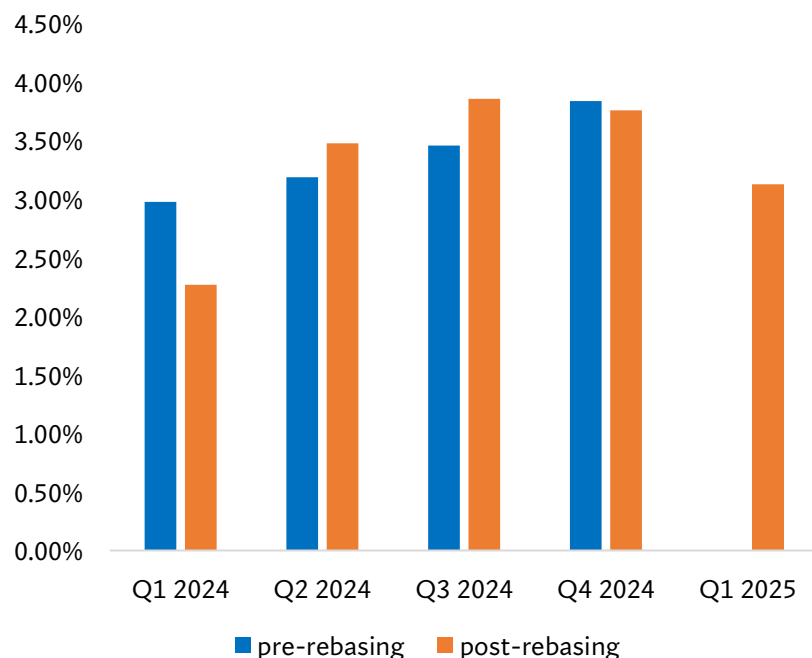
The post-rebasing exercise also revised Nigeria's real GDP growth, estimating the economy growth during covid pandemic in 2020 at -6.96%. As the economy recovered, growth rate improvement was estimated at 0.95% in 2021, 4.32% in 2022, 3.04% in 2023 and 3.38% in 2024.

The revised data also shows significant changes in economy structure, with Services sector now contributing 53.09% (up from 50.22%), Agriculture sector contributing 25.83% (up from 22.12%), and Industry sector share moderated to 21.08% (down from 27.65%).

# Real GDP Grew by 3.13% in Q1 2025.

Following the rebasing exercise, the previous quarterly GDP estimates were adjusted to align the old series to the new rebased estimates. Against this back drop, the NBS reported a real GDP growth of 3.13% year-on-year for Q1 2025, and while this marked an increase from the 2.27% recorded in Q1 2024, it is a pullback from the 3.76% growth reported for Q4 2024. The quarterly moderation mirrors the subdued growth in both the non-oil and oil sectors.

## Oil sector Annual Growth Trend



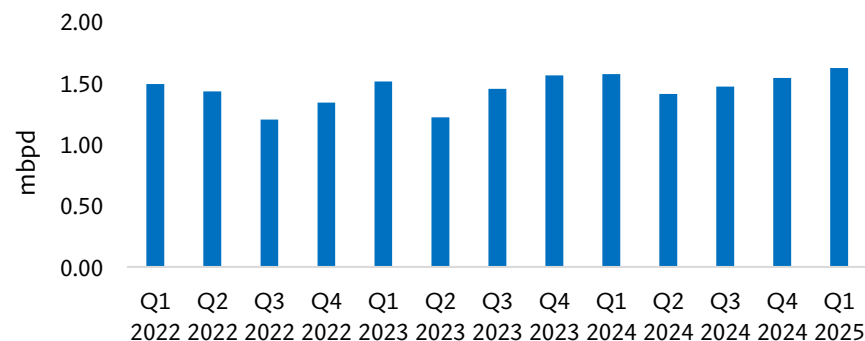
Source: NBS, WSTC Research

## Oil Sector

Nigeria's oil production picked up steam in Q1 2025, reaching an average daily crude oil production of 1.62 million barrels per day (mbpd) as reported by the NBS. This reflects an improvement from 1.54 mbpd in Q4 2024 and 1.57 mbpd in Q1 2024, underscoring the impact of intensified government and industry-led interventions aimed at curbing crude oil theft and pipeline vandalism.

Despite the improvement in oil production, the growth impact on the sector's real GDP was limited. The oil sector posted a positive year on year growth in Q1 2025, but the growth moderated to 1.87%, from 2.08% in Q4 2024 and well below 4.71% in Q1 2024. In terms of its share of real GDP, the sector contributed 3.97% in Q1 2025. This marked an improvement from 2.80% in Q4 2024 but was slightly lower than the 4.02% share recorded in Q1 2024, indicating that the sector's overall contribution to the economy remains relatively weak.

## Oil Production Trend



Source: NBS, WSTC Research

## Non-Oil Sector

Driven by an improved macroeconomic condition on a year-on-year basis, and broader coverage of economic activities, the non-oil sector grew by 3.19% in Q1 2025, up from the 2.17% growth recorded in Q1 2024. However, on a quarter-on-quarter basis, the Q1 2025 was a moderation from the 3.80% recorded in Q4 2024. The sector's contribution to the total real GDP declined to 96.03% in Q1 2025, from 97.20% in Q4 2024. However, this reflects a slight improvement from its Q1 2024 share of 95.98%.

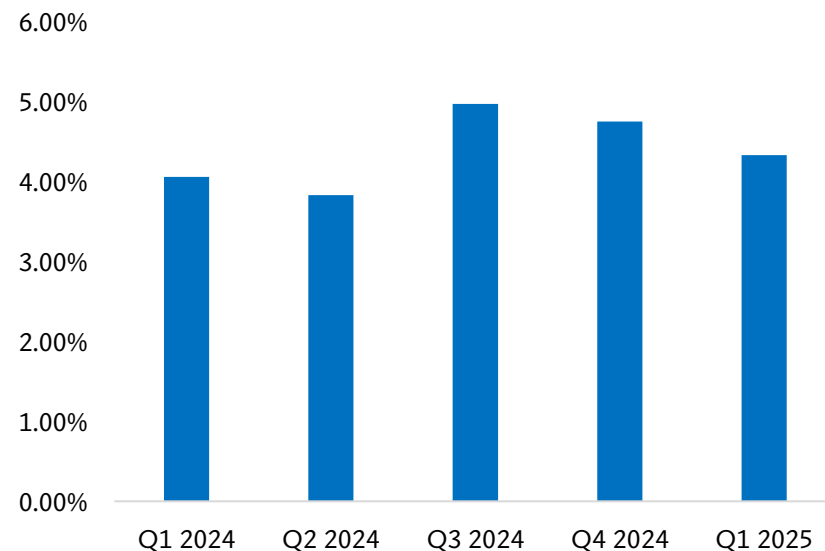
The **Services sector** remained the largest contributor to the sector's GDP in Q1 2025, with a growth of 4.33% year-on-year (vs Q4 2024: 4.75%, Q1 2024: 4.06%). The sector's performance was primarily driven by improved growth in Information & Communication, as well as Finance & Insurance sub-sectors, while other major contributors recorded softer expansion. Specifically, Trade (32% of total services sector) and Real Estate (23% of total service sector) reported a growth of 1.78% and 4.61%, respectively - a slowdown from 2.04% and 5.28% respectively in Q4 2024, and 2.31% and 8.01%, respectively in Q1 2024.

The Finance and Insurance sub-sector delivered a strong double-digit growth of 15.03% in Q1 2025, up from 5.99% in Q4 2024, and 1.46% in Q1 2024. This performance was fueled by higher net interest income amid sustained elevated interest rate.

The Information and Communication subsector also grew by 7.40% in Q1 2025, up from 7.00% in Q4 2024, and 4.04% in Q1 2024. This growth was driven by increased digital adoption and upward revision in telecom tariffs, following the Nigeria Communications Commission's 50% tariff hike approval during the quarter.

Overall, the Services sector's contribution to total GDP rose to 57.50% in Q1 2025, up from 55.87% in Q4 2024, and 56.84% in Q1 2024.

### Services Sector Quarterly Trend



Source: NBS, WSTC Research

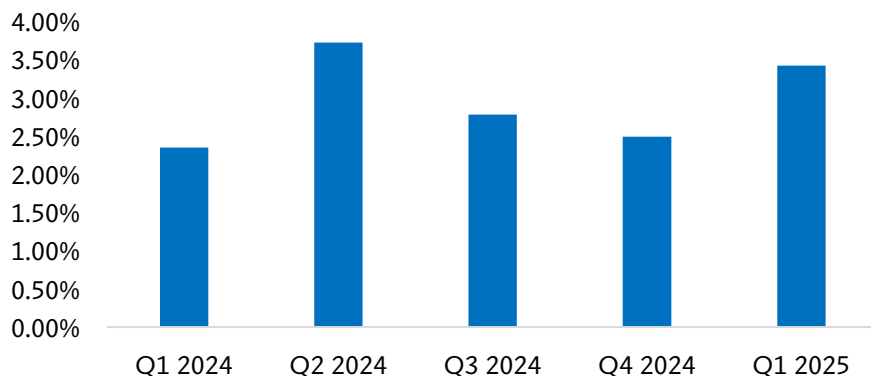
The **Industries sector** grew by 3.42% in Q1 2025, an increase from 2.49% in Q4 2024 and 2.35% in Q1 2024. At the heart of this growth was the Manufacturing sector, which accounts for 50% of the sector's total output.

Manufacturing sector posted a growth of 1.69% in the quarter, up from 1.28% in Q4 2024 and 1.58% in Q1 2024. A key driver within the manufacturing sector was the sustained recovery in the Oil Refinery activities. The Oil refinery sub-sector recorded an expansion of 11.51%, compared to 9.36% in Q4 2024, and a sharp rebound from a contraction of 27.87% in Q1 2024.

Additionally, the improved macroeconomic environment, particularly the relative stability in the foreign exchange market also contributed to the manufacturing sector's performance, as it ease input cost pressures of imported raw materials and foreign liabilities.

The sector's contribution to the total GDP rose to 19.18% in Q1 2025, up from 15.45% in Q4 2024, and 19.12% in Q1 2024.

#### Industries Sector Quarterly Trend

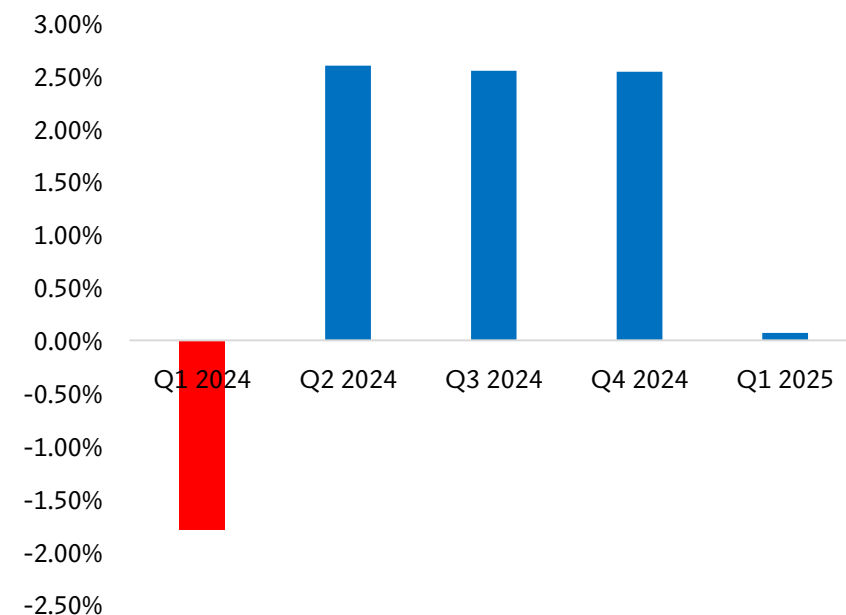


Source: NBS, WSTC Research

The **Agriculture sector's** growth was more subdued, with a real GDP growth of 0.07% in Q1 2025. Although, this is a massive slowdown from 2.54% in Q4 2024, it reflects a recovery from the 1.79% contraction recorded in Q1 2024. The year-on-year rebound was primarily driven by crop production (+3.71%) and forestry (+1.82%). Overall, structural bottlenecks such as insecurity in key food-producing regions, inadequate infrastructure and transportation inefficiencies continue to weigh on the sector's growth potential.

The sector's contribution to the total real GDP stood at 23.33% in Q1 2025, down from 28.68% in Q4 2024, and 24.04% in Q1 2024.

#### Agriculture Sector Quarterly Trend



Source: NBS, WSTC Research

We are optimistic about the Oil sector's prospects for the rest of the year, as we expect the sustained clampdown on crude oil theft and pipeline vandalism to continue driving incremental oil production gains. Additionally, increased investment by new onshore and shallow water asset holders and upstream activities bodes well for the oil sector.

The Non-oil sector growth prospects remain solid as supported by favorable macroeconomic conditions. The relative stability in the foreign exchange market, alongside moderating inflation is expected to translate into improved consumer purchasing power in near term. As market price adjusts to better reflect easing inflationary pressure, we anticipate firmer household demand, which should lend continued support to non-oil sector performance.

In the Services sector, the telecommunications sector stands out as a key upside driver. We expect the full impact of the tariff hike to be more reflective in subsequent quarters. This, supported by continued growth in digital penetration should lift revenue across the segment and enhance its contribution to GDP.

The Industries sector outlook is equally encouraging. In addition to a more stable macroeconomic environment, expectations for interest rate cuts later in the year could ease financing constraints for corporates, lower borrowing costs, and catalyse expansion in manufacturing and other capital-intensive industries. We also expect continued growth in oil refining activity, as local refineries ramp up capacity.

Conversely, the Agriculture sector's growth prospect are clouded by structural bottlenecks. While the harvest season in H2 2025 is expected to boost output, persistent structural headwinds which includes insecurity in key producing regions, infrastructure deficits, and logistic inefficiencies, will continue to limit growth. As such, we remain cautious about the sector's near-term prospects.

Overall, we revise our projection for FY 2025 real GDP growth lower to **3.50%** (previous: 3.71%), reflecting the delay in transmission of moderating inflation rate to market prices which has continued to strain household purchasing power as of the end of H1 2025. Furthermore, the global uncertainty which poses risk to both the country's foreign exchange market, supply chain and monetary policy interest rate outlook, all of which have direct implications for the non-oil sector output.



# Inflation

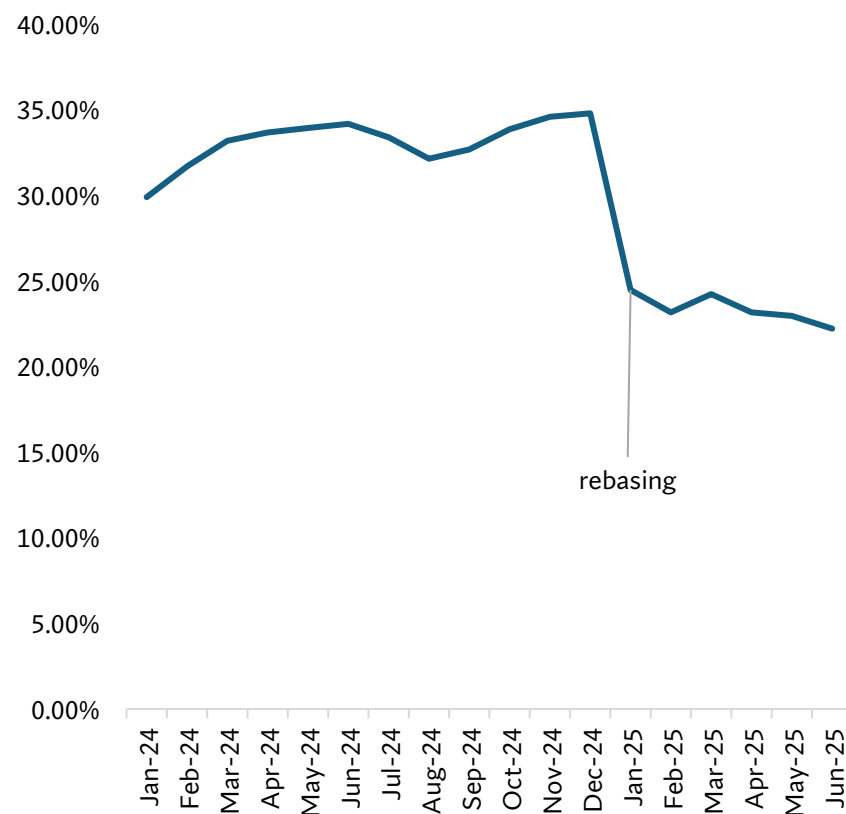
The NBS Inflation rebasing in January 2025 introduced a significant methodological shift, adopting a new base year of 2024 and weight reference period of 2023, along with an expanded CPI basket.

In the wake of the rebasing, January 2025 year-on-year Headline Inflation printed at 24.48%, marking a notable moderation from the pre-rebasing figure of 34.80% recorded in December 2024. The disinflationary trend largely persisted throughout H1 2025, with Headline Inflation easing further to 22.17% by June 2025.

Food Inflation, which remained the major driver of Headline Inflation largely mirrored this downward trend, registering five consecutive months of decline before edging up slightly in June. Conversely, Core Inflation exhibited a more volatile pattern over the period, oscillating between months of increases and declines, reflective of underlying structural and cost-push pressures across non-food components.

While the rebasing exercise accounts for the significant decline at the start of the year, the relative stability of the Naira, which had a pass through effect on imported raw materials and finished goods, coupled with moderation in fuel prices for most of the period, appears to have slightly supported the declining trend in the Headline Inflation.

## Headline Inflation Trend



Source: NBS, WSTC Research

# ***Inflation Outlook***

In H2 2025, Nigeria's inflation outlook is expected to remain mixed across key components. While Headline Inflation may continue to moderate, driven by improved stability in the foreign exchange market and recent downward movements in PMS prices, Food Inflation is likely to remain sticky in the near term.

With Nigeria's heavy reliance on imported goods, sustained FX market stability or a slight appreciation, is expected to ease imported inflation, particularly across non-food segments. Also, barring any global shock, Fuel price movements are also expected to contribute positively to disinflationary pressures. Notably, Dangote Oil Refinery is scheduled to begin direct fuel supply to retailers, manufacturers, telecom operators, and other bulk consumers from August 2025. By reducing distribution and transactional costs, this move is expected to have a passthrough effect, particularly on transportation and logistics costs across both food and non-food components.

However, in addition to the persistent structural constraints of insecurity in food-producing regions and also underdeveloped logistics which continue to weigh on food supply chains, the lean season in early H2 2025 may further compound these challenges and temporarily offset gains from lower fuel prices and FX stability on imported food items. Hence, we expect Food Inflation to remain sticky in the near term. That said, the harvest season which starts later in H2 2025 is expected to improve market supply and may support a gradual easing in Food Inflation particularly by Q4 2025.

# Monetary Policy

In H1 2025, the Monetary Policy Committee (MPC) broke its long streak of continuous rate hikes since May 2022, adopting a cautious stance in its two meetings in H1 2025. Departing from its previously hawkish stance aimed at curbing inflation and stabilising the foreign exchange market, the Committee opted to keep the Monetary Policy Rate (MPR) and other key monetary parameters unchanged throughout the period.

Summary:

---> Monetary Policy Rate: 27.50%.

---> Asymmetric Corridor: +500/-100 basis points around the MPR.

---> CRR of Deposit Money Banks: 50.00%.

---> CRR of Merchant Banks: 16.00%.

---> Liquidity Ratio: 30.00%.

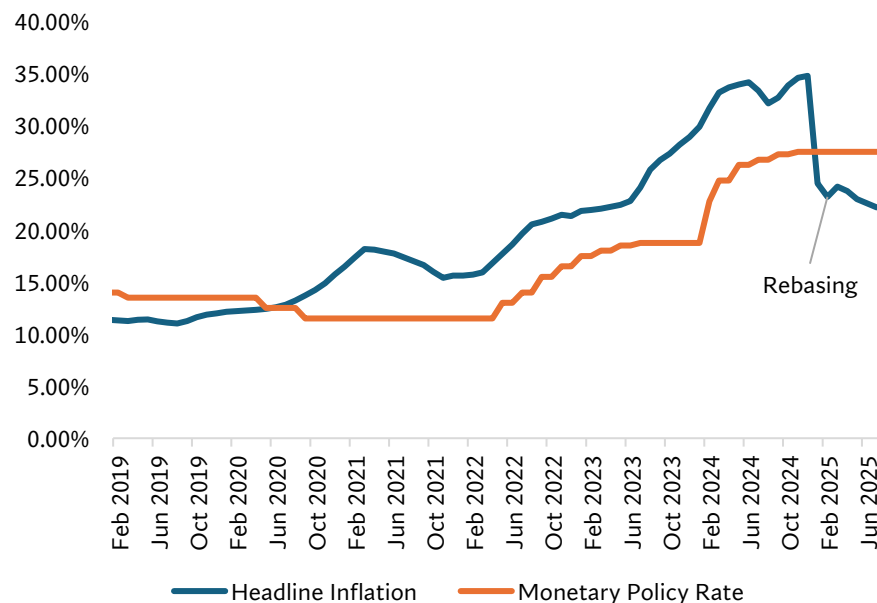
The Committee's decision was underpinned by several factors including improvements in the foreign exchange market, easing of PMS prices, and the positive balance of payments position.

The Committee acknowledged the sustained moderation in inflationary pressure. However, the MPC also highlighted the persistent structural vulnerabilities in the agricultural sector, which pose a direct risk to food inflation. The Committee further noted heightened external uncertainties stemming from global economic developments, necessitating the cautious stance and continuous

surveillance of developments in both the domestic and global environments to enable appropriate policy response to emerging shocks.

Although the Committee paused its hawkish monetary policy stance in H1 2025, the rebasing of the inflation methodology altered the real interest rate direction. Nigeria's real returns turned positive for the first time in years, offering respite for investors.

## MPC Vs Inflation Rate Trend



Source: NBS, WSTC Research

# ***Monetary Policy Outlook***

In H2 2025, we expect the MPC committee to sustain its cautious stance, with a possible pivot to a dovish stance in the latter part of the period. This projection is anchored on the premise that the Committee's priority will likely remain focused on maintaining FX stability and curbing inflationary pressures, rather than stimulating economic growth through rate cuts in H2 2025. Hence, with improving FX liquidity and better transmission of the moderating inflation to market prices, the Committee may consider a rate cut in Q4 2025. However, heightened uncertainty in the global market which poses risk to both the global supply chain and the foreign exchange market, could cast a shadow on this projection, resulting in the Committee maintaining a cautious stance throughout H2 2025.

# Fiscal Policy

Reviewing the 2025 budget performance, the Minister of Finance and Coordinating Minister of the Economy, Mr. Wale Edun, disclosed that federal government revenue reached N6.90 trillion in the first quarter of 2025—a 40% year-on-year increase compared to the N5.20 trillion recorded in Q1 2024. This marks a notable improvement in revenue generation and reflects some early momentum in the fiscal year.

However, with a projected annual revenue target of N36.35 trillion, it appears increasingly unlikely that the government will meet its full-year goal. The mechanisms and strategies like non-oil revenue diversification and customs and tariffs reforms implemented to drive revenue have so far fallen short of expectations, and oil earnings which is one of the country's major revenue sources have not met projections as crude oil prices averaged between \$66 and \$68 per barrel, falling below the \$75 per barrel benchmark set in the 2025 national budget. This shortfall was further exacerbated by weak oil production, which remained between 1.47 and 1.52 mbpd, significantly lower than the government's target of 2.06 mbpd. This shortfall raises concerns about the feasibility of the 2025 budget and highlights the ongoing need for stronger non-oil revenue generation and structural reforms.

## Tax Reforms (2026)

In June 2025, President Tinubu enacted four pivotal Tax Reform Acts—the Nigeria Tax Act, Nigeria Tax Administration Act, Nigeria Revenue Service Act, and the Joint Revenue Board Act—which will take effect in January 2026. These reforms are designed to stream-

Line Nigeria's fragmented tax system by consolidating various levies, embracing digital compliance processes, and overhauling tax administration structures.

One of the headline changes is the reduction of the Corporate Income Tax (CIT) rate from 30% to 27.5% in 2025, with a further cut to 25% scheduled for 2026 for medium and large firms with revenue of over N50 million. This downward adjustment is expected to significantly improve the profitability of large-cap listed companies. The reduced tax burden could enhance earnings, attract investor interest, and support broader market performance. Furthermore, to encourage small businesses, companies with turnover of less than N50 million will pay 0% as Company income tax. We believe this move will improve formalisation of more businesses and in the long term benefit the government's earnings as these businesses continue to grow.

The reforms also introduced structural improvements, including a standardised Tax Identification Number (TIN) system, digital VAT/GST invoicing, and the establishment of a Tax Appeal Tribunal and Ombudsman for dispute resolution. These measures are particularly beneficial for listed and multinational firms like Nestlé Nigeria and Unilever Nigeria, which often demand transparent, predictable regulatory environments. The streamlined processes are expected to minimise compliance risks and reduce incidences of arbitrary enforcement.

In a bid to support the oil sector, an executive order now allows for up to 20% in tax credits for upstream oil operators who demonstrate cost-efficiency.

As Nigeria enters the second half of 2025, the fiscal outlook remains uncertain, weighed down by persistent macroeconomic challenges. Crude oil which is one of the country's major revenue sources have not met both its price and production volume projections. This dual shortfall is expected to significantly constrain oil revenue, the cornerstone of Nigeria's budgetary framework.

For the non-oil revenue, sustained elevated interest rate continue to pose risk to Companies profitability, and in turn can lead to lower tax payment which will negatively impact government revenue.

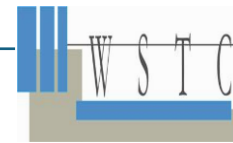
While the Federal Government has made progress in mobilising domestic debt raising N2.70 trillion through bond auctions and over N3.30 trillion via treasury and OMO bills—these funds, which accounts for not up to half of the projected N13.80 trillion fiscal deficit, may not be sufficient. With revenue performance expected to trail expectations, the fiscal gap is now on track to exceed initial estimates.

To meet its spending obligations and stay on course with the 2025 budget, Nigeria's Senate approved President Bola Tinubu's proposal to secure over \$21 billion in foreign loans to address funding gaps in the 2025 budget while extending to finance 2026 expenditures. The borrowing package also includes loans of €4 billion (\$4.70 billion), ¥15 billion (\$102.26 million), a \$65 million grant, and an additional \$2 billion in domestic dollar-denominated borrowing.

In the months ahead, maintaining investor confidence, improving oil sector efficiency, and boosting non-oil revenue will be critical to stabilising Nigeria's public finances and preserving fiscal sustainability.

Although, the foreign exchange landscape experienced relative stability in H1 2025 which enhanced the naira-denominated value of oil exports and helped restore investor confidence. Looking ahead, the approved borrowings by the senate will help to offset oil revenue shortfalls and improve budget execution. However, the success of these efforts hinge on disciplined expenditure management, proactive revenue enforcement, and timely budget adjustments.

## ***Fiscal Policy Outlook Cont'd***



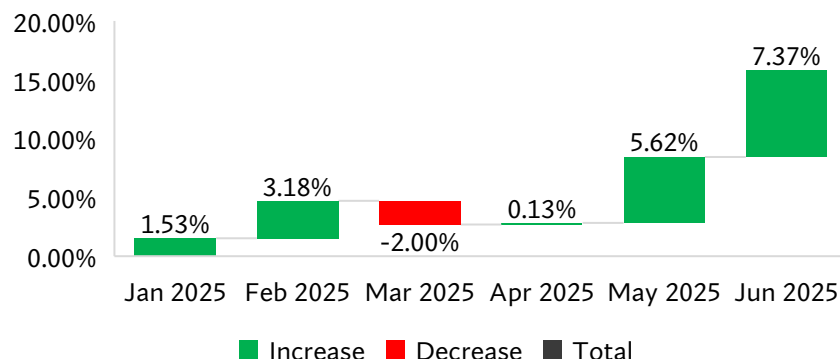
Looking ahead, inflationary pressures remain a concern, the government's strategic tax overhaul sends a positive signal to investors and may stimulate increased domestic investment in the medium term.

In conclusion, while H1 2025 has laid the groundwork for structural reform, the fiscal trajectory for the remainder of the year will depend on the government's ability to balance reform momentum with macroeconomic stability. Without careful policy calibration, Nigeria risks deeper fiscal slippage, rising public debt, and constrained development financing in the run-up to 2026.

# Equities Market

The Nigerian equities market opened 2025 with an air of optimism, riding the wave of a strong finish from the previous year. Investors, buoyed by favorable sentiment and an appetite for growth entered the market to position strategically as the market extended its bullish run into the new year. Save for the brief dip in March, the market largely posted strong gains in H1 2025, maintaining a steady upward trajectory that culminated in a historic milestone as the All-Share Index (ASI) soared to an all-time high of 121,257.69 points, marking a solid year-to-date gain of +16.57%.

## ASI Monthly Trend



Source: NGX, WSTC Research

January set the tone with a measured but confident advance, with ASI gaining +1.62%, translating to a market capitalisation boost of N1.95 trillion. This positive start was no surprise to seasoned investors, who saw it as a continuation of the market's robust

momentum from the close of 2024. Sustaining this solid start was the anticipation of the release of FY audited results and the announcement of dividend payouts- a combination that traditionally fuels investor interest and drives demand.

In February, investors remained firmly in buy mode, encouraged by expectations of strong corporate earnings and supported by the Monetary Policy Committee's decision to hold the monetary policy rate steady at 27.50%. With no surprises from the monetary front to dampen sentiment, the market posted another healthy gain of +3.18%, further reinforcing investor confidence, riding the wave of optimism.

However, by March, the market's steady climb began to falter. After weeks of sustained gains, stock prices had reached levels that prompted many investors to lock in profits. The resulting wave of selloffs triggered a market correction, and for the first time in the year, the ASI dipped by -2.00% for the month.

By April, the dust of March's selloffs began to settle, and with it came a resurgence of investors confidence. The market found its footing once again as listed companies started to roll out their Q1 2025 earnings reports. Dividend declarations and other corporate actions added further encouragement, helping to restore positive sentiment across the board. Though modest, the ASI's gain of 0.13% for the month signaled a turning point, an evidence that investors



# ***Equities Market Cont'd***

were ready to re-enter the market after a period of caution.

Investor sentiment rebounded in May and June, driven by a fresh round of Q1 2025 earnings reports and a series of positive corporate announcements. Both months recorded strong gains, with the market rising by 5.62% in May and 7.37% in June. This rally was underpinned by improving macroeconomics conditions, particularly stability in the foreign exchange market. This boosted investors optimism about companies H1 2025 performance and prompted a positing ahead of its release.

## **Sectoral Performance**

Among the seven sectors under our coverage, six recorded strong positive returns, reflecting broad investor optimism. The oil and gas sector stood out as the lone laggard, posting a year-to-date loss of -10.12%. While the sector rallied in June (+4.74%), due to a brief spike in oil prices caused by the Israel-Iran conflict, the rebound was not sufficient to turn the sector's tide following prior five consecutive months of decline.

The Agricultural sector soared to exceptional heights, leading the market with an eye-catching +125.77% gain. This remarkable performance was driven by standout players such as Okomu Oil and Presco, which surged by +78% and +168%, respectively. Their growth was fueled by strong earnings reports and generous final

dividend payouts (N26 for Okomu Oil and N42 for Presco) which bolstered investor confidence. Further propelling Presco's momentum was its strategic acquisition of a 52% stake in Ghana Oil Palm Development Company Limited in August 2024, with continued consolidation efforts into 2025, signaling an aggressive expansion strategy that resonated well with investors.

Hot on Agriculture's heels, the telecommunications sector, posted a strong +69.96% return, driven by gains in both MTN Nigeria (+79%), and Airtel (+7%). The Nigerian Communications Commission's approval for 50% tariff hike renewed investors interest in the sector, and the optimism was further supported by improved earnings particularly from MTN Nigeria, as the Group's FX losses tempered following the relative stability in the foreign exchange market.

The Consumer Goods sector also made a strong showing, rising +52.21%, thanks to stellar performances from blue chips companies like BUA Foods +11%, Dangote Sugar +47%, Nestle +66%, and Cadbury +93%. The growth in this sector was largely driven by a more stable foreign exchange environment, and strategic price increases all of which contributed to healthier margins and stronger profitability across the board.

## ***Equities Market Cont'd***

The Banking sector posted a gain of +18.06%, driven primarily by strong performances from key stocks such as GT Holdco (+41%), Stanbic IBTC (+48%), Zenith Bank (+23%), and Fidelity Bank (+14%), among others.

This surge was largely attributed to the Central Bank of Nigeria's (CBN) recapitalisation initiative and the release of strong financial results across the industry which was boosted by the elevated interest rates environment. Additionally, few banks saw increased momentum following their press release assuring investors that they would clear their forbearance loans following CBN's directive on forbearance loans, contributing to their performance in the last month of H1 2025.

The Insurance and Industrial sectors recorded gains of +5.23% and +1.85%, respectively. The Insurance sector's performance was supported by the proposed Nigerian Insurance Reform Bill and recapitalisation efforts, as well as solid corporate earnings. Meanwhile, the Industrial sector benefited from strong earnings reports and appealing dividend payouts, which helped lift investor sentiment. Stocks like Lafarge (+25%), Cutix (+57%), and Berger Paints (+50%) stood out, driving optimism within the sector despite its comparatively lower overall performance.

### **Corporate Actions**

There were several strategic corporate moves during the period. Few of these notable developments include:

- Aradel's full acquisition of Shell Petroleum Development Company of Nigeria (SPDC) via Renaissance Africa Energy Holdings
- MRS Oil's planned delisting from the NGX in favor of a listing on the NASD OTC Securities Exchange
- Oando's continued expansion across Africa and the Caribbean
- Oando's successful acquisition of Block KON 13 in Angola, its selection as preferred bidder for the Guaracara Refinery lease in Trinidad & Tobago, and the expansion of its \$375 million Afreximbank reserve-based lending facility (RBL2).
- Dangote Cement PLC invested USD 400 million to upscale a second production line at its Mugher cement plant in Ethiopia.

# Equities Market Cont'd

Description	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	H1 2025
ASI Trend	1.53%	3.18%	-2.00%	0.13%	5.62%	7.37%	16.58%
Agricultural index	16.96%	24.17%	0.01%	-1.50%	21.36%	30.03%	125.77%
Banking Index	9.76%	-2.07%	-0.49%	-1.52%	1.86%	10.04%	19.36%
Consumer Goods Index	4.47%	1.70%	-1.30%	10.42%	18.71%	10.75%	51.02%
Industrial Index	-8.52%	10.78%	-3.59%	-3.59%	2.39%	5.60%	2.27%
Insurance Index	-1.10%	0.87%	-2.48%	-3.52%	1.60%	10.33%	4.50%
Oil & Gas Index	-1.61%	-4.00%	-4.02%	-4.23%	-1.17%	4.74%	-9.86%
Telco Index	8.36%	2.19%	-2.90%	0.78%	10.78%	9.18%	31.07%

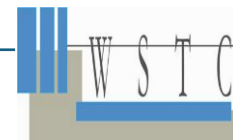
Source: NGX, WSTC Research

## H2 Corporate Actions

As the second half of the year unfolds, several listed companies have initiated strategic corporate actions aimed at strengthening their performance:

- GTCO Holdings listed 2.29 billion shares at N70 each on the London Stock Exchange, expanding its capital base and international visibility.
- Beta Glass, at its 2025 AGM in early July, announced plans to expand exports into Central and West Africa and invest in sustainable energy initiatives.
- C&I Leasing signed a N4 billion fleet management deal, reinforcing its position as Nigeria's leading leasing and mobility solutions provider.

# ***Equities Market Cont'd***



- MTN Nigeria committed over \$240 million to the development of a new data centre, strengthening its infrastructure and digital capacity.

## **Outlook**

The corporate actions that has happened so far in H2 2025 are expected to have positive effect on equities market in the second half of 2025. Specifically, financial results particular H1 2024 will play a critical role, as some companies are expected to declare interim dividends, which could further drive market enthusiasm and attract more investor participation.

Additionally, with improved macroeconomic condition compared to 2024, investor confidence is expected to strengthen, particularly in sectors like Fast-Moving Consumer Goods (FMCG), which were previously weighed down by foreign exchange losses and inflation pressures. The anticipated solid performance of these companies in their half-year results could serve as a catalyst for sustained buying interest at the start of the year. Overall, the combination of favorable corporate actions, dividend announcements, and improved economic fundamentals may sustain a positive momentum in the equities market throughout the second half of the year.

We also expect monetary authorities to adopt a more measured approach to interest rate policy for the most part of H2 2025, aiming to strike a balance between controlling inflation and sustaining economic stability. With no expectation of rate hike in the period, we expect a shift in investor behavior, as the relative decline in fixed-income securities yields could diminish their appeal, prompting a reallocation of capital toward equities for higher return.

Overall, a well-managed moderation in rates has the potential to serve as a catalyst for renewed momentum in the equities market, provided inflation remains within a manageable range. However, we remain mindful of potential headwinds, including global economic uncertainties and domestic fiscal challenges.

# Fixed Income

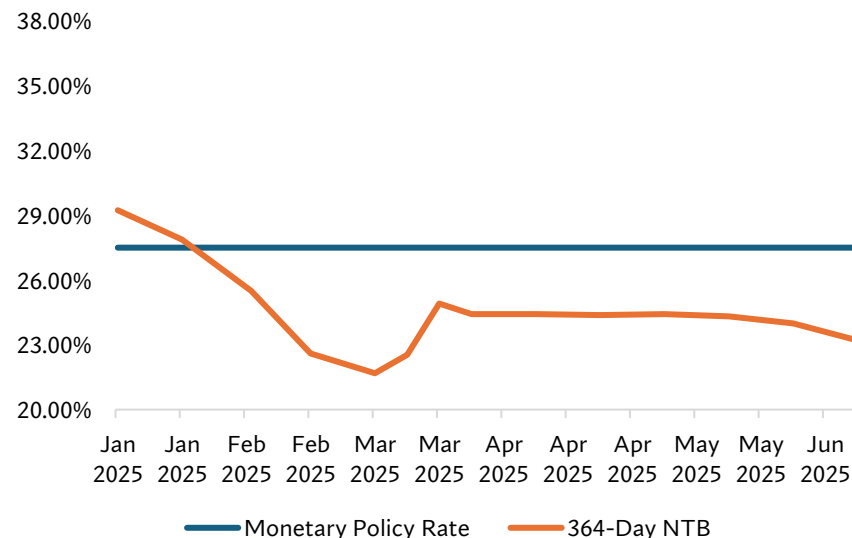
In the first half of 2025, the Monetary Policy Committee's (MPC) decision to maintain a cautious stance sent a strong signal to the market that interest rates may have peaked, sparking speculation about potential rate cuts later in the year. This expectation influenced yield movements in the fixed income market, particularly in Q2 2025.

Key Developments in the Nigerian Treasury Bills (NTB) Market:

- **Yield Decline:** The prospect of rate cuts, combined with robust system liquidity and strategic domestic borrowing by the Federal Government, led to a decline in yields across both quarters.
- **Q1 2025 Borrowing Trend:** Despite frontloading borrowings up to N5.12 trillion in Q1 2025, yields dropped due to ample liquidity, with the 364-day yield averaging 24.84%, down from 28.63% in Q4 2024.
- **Q2 2025 Borrowing Trend:** Reduced government borrowing to N2.86 trillion drove yields further downward, with the 364-day NTB yield averaging 24.12%, a decline from 24.84% in Q1 2025.

In contrast, yields in the Open Market Operations (OMO) segment told a different story. While yields largely declined across auctions held in Q1 2025, Q2 2025 saw more volatility as the Central Bank adjusted rates to meet its foreign portfolio inflow target and manage short-term liquidity. Of the four OMO auctions held in Q2 2025, yield rose in three and marginally declined in only one.

## H1 2025 364 Day NTB vs MPR Trend



Source: NBS, WSTC Research

## Outlook

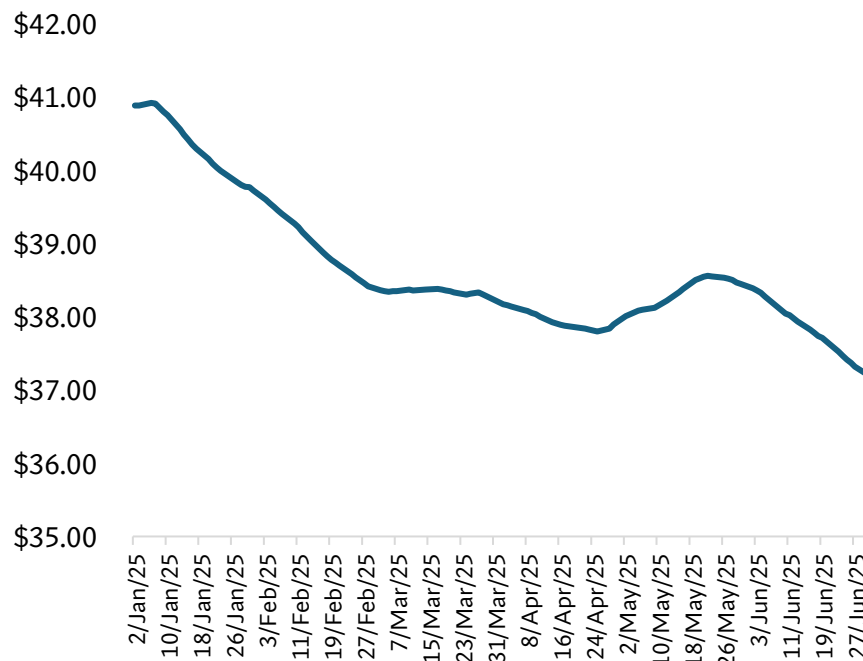
Despite expectation that the monetary committee will keep rate constant for most part of H2 2025, we anticipate yields in the fixed income market to maintain a downward trend, as investors increasingly price in the likelihood of a rate cut later in the year. Additionally, the FGN's plan to strategically lower borrowing cost in H2 2025 as evidenced in the lower supply across its treasury bill and bond Q3 2024 calendar, further supports our outlook for lower yield in the market.

# External Reserve

In H1 2025, the nation's external reserves bled quietly despite the inflow from multiple sources which includes foreign remittances, oil and non-oil exports and foreign investment inflows. By June 30, 2025, Nigeria's external reserves had dropped by \$3.67 billion, representing a year-to-date decline of -8.97%, and this made it settle at \$37.21 billion as of June 30, 2025.

This decline in the external reserve, though concerning, is not without explanation. Much of the decline stemmed from the Central Bank of Nigeria's (CBN) efforts to meet its obligations on Eurobond maturity, 361-day Open Market Operations (OMO) and 364-day Treasury bills, particularly those held by foreign portfolio investors (FPIs) maturing between January 6 and March 27, 2025. In a bid to restore investor confidence and meet foreign obligations, the CBN dipped into its reserves, triggering the observed decline. Additionally, the sale of dollars to authorised dealers by CBN as it sustained intervention in the FX market also impacted the external reserve.

External Reserves Trend (bn)



Source: CBN, WSTC Research

# Foreign Exchange Market

Building on the foundational reforms done in the FX market in 2023 and 2024, the Central Bank of Nigeria (CBN) continued to implement measures to improve transparency and liquidity in the foreign exchange market in 2025. Specifically, the CBN implemented several targeted interventions aimed at stabilising the naira and enhancing the efficiency of the foreign exchange (FX) market. Among these were the introduction of the FX Market Conduct Code to guide market behavior and improve transparency, as well as a directive permitting Bureau de Change (BDC) operators to access up to \$25,000 at official rates.

We believe the sustained efforts by CBN was well received by foreign investors, as evidenced in increased foreign portfolio inflow with \$8.05 billion already generated in H1 2025 compared to \$8.53 billion generated in FY 2024.

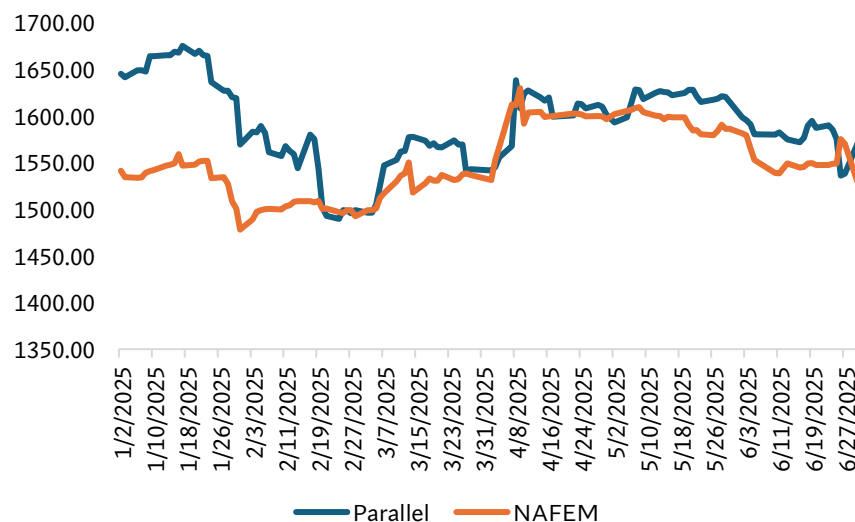
This, coupled with CBN's sustained intervention in the market by sales of dollar to authorised dealers, positively impacted the Naira, resulting in a relatively stability in H1 2025.

By the end of H1 2025, the Naira averaged N1,592/\$1 in the parallel market and N1,551/\$1 in the NAFEM market, closing the period at N1,570/\$1 and N1,530/\$1, respectively. These closing figures represent modest appreciations of 0.40% and 4.76% compared to the closing rates at the end of 2024 which were N1645/\$1 and N1536/\$1 respectively.

While Nigeria walks a tightrope between currency stability and external vulnerability, the first half of 2025 reveals a deliberate

effort by monetary authorities to preserve Naira value — even at the expense of dwindling reserves. The question now is whether this strategy is sustainable or merely a temporary patch for deeper structural issues.

## Naira Movement Relative To The US Dollar



Source: CBN, Naira rates (X), WSTC Research

# ***External Reserve & Foreign Exchange Market Cont'd***

## **Outlook**

Looking ahead, the trajectory of Nigeria's external reserves will be shaped by a delicate balance of policy direction, market forces, and global economic conditions. While oil revenues remain a traditional pillar of reserve accumulation, their contribution has not been sufficient due to persistent challenges in oil production, theft, and infrastructural deficits. A meaningful recovery in reserves will hinge on the successful execution of oil sector reforms aimed at enhancing output and operational efficiency. If the Federal Government can effectively address these structural bottlenecks, oil earnings could gradually rebound—providing a more organic and sustainable boost to the reserve pool. The ability to sustain reserves will therefore depend not just on securing new inflows but on managing outflows more strategically. The reserves can be sustained by streamlining foreign exchange (FX) market interventions, maintaining monetary discipline, and ensuring transparent fiscal management to preserve investor confidence.

Encouragingly, the Naira has shown notable resilience so far in 2025, and this stability is expected to continue, provided that reform momentum is sustained, and external shocks remain moderate. While potential headwinds persist, including global financial tightening or commodity price fluctuations, a disciplined and reform-focused approach by policymakers could offer Nigeria a firmer footing. We anticipate the naira will close the year within the range of N1,550/\$ to N1,600/\$, supported by the stabilising impact of the CBN's policy measures. Overall, the outlook points to cautious optimism for Naira stability, tempered by the need for ongoing policy vigilance to safeguard external reserves .