

# A GLIMMER OF RESILIENCE

October 31, 2025.



*Economic Report*

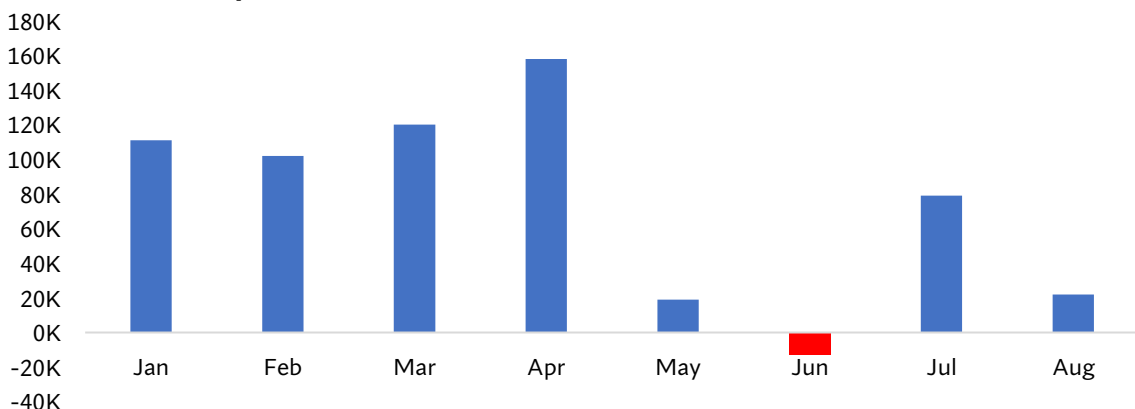
## Global Market

The Global economic conditions in Q3 2025 reflected resilience and moderation. Growth showed signs of improvement in some regions, supported by steady consumer activity and policy adjustments from central banks. However, inflationary pressures persisted, driven largely by energy costs and uneven demand across markets. Despite some progress toward stability, uncertainties surrounding trade performance, labour market softening, and policy direction continued to weigh on sentiment.

The United States' GDP grew at an annualised rate of 3.84% in the second quarter of 2025, a notable improvement from the 3.6% in Q2 2024 and marking the strongest performance since the third quarter of 2023. This acceleration was largely driven by a sharp reduction in imports, which helped narrow the trade deficit to \$59.09 billion at the end of the quarter, compared with \$136.42 billion in the first quarter. Consumer spending also contributed to the momentum, rising to \$16,445.70 billion from \$16,345.80 billion in the previous quarter.

Inflation, however, continued its upward trajectory through the third quarter, registering 2.70% in July, 2.90% in August, and 3.00% in September. The release of the September data was delayed by two weeks due to a government shutdown that temporarily halted operations at the Bureau of Labor Statistics. Although the increase exceeded earlier expectations, much of the inflationary pressure stemmed from higher energy prices, which rose 2.80% year-over-year in September. After maintaining interest rates unchanged for nine consecutive months, the Federal Reserve made its first rate cut of 2025 on September 17, reducing the target range by 25 basis points to 4.00%–4.25%. The decision was influenced by a series of labor market reports showing signs of slowing job growth.

## US Non-Farm Payroll - 2025

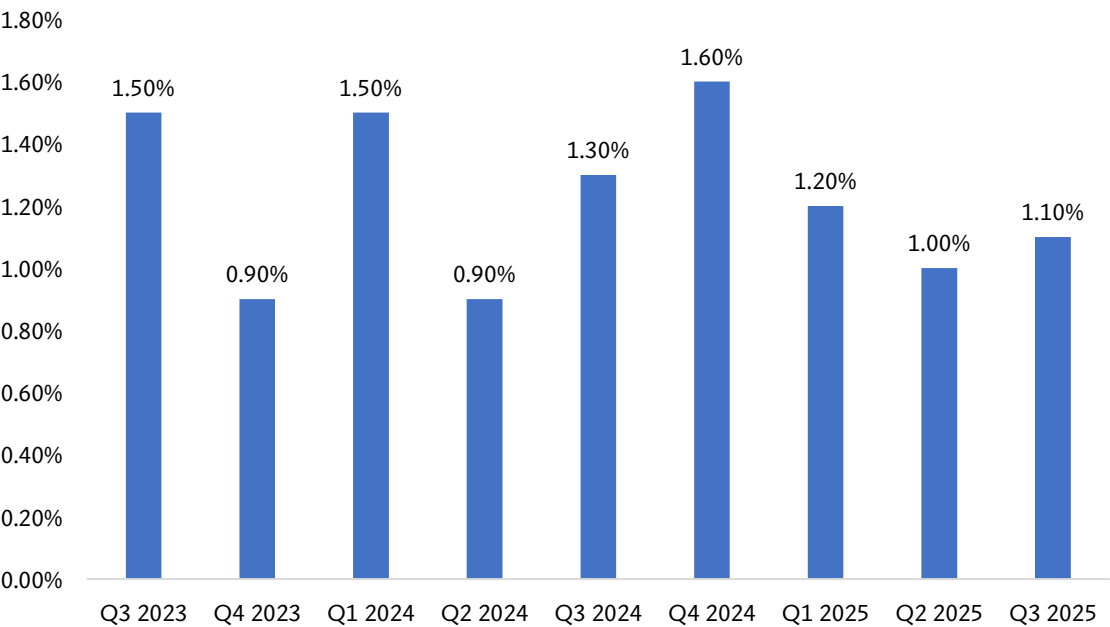


**Sources:** U.S. Bureau of Labor Statistics, WSTC Research



Meanwhile, China maintained a cautious stance on monetary policy. The People’s Bank of China kept its 1-year loan prime rate unchanged at 3.00% for the fourth consecutive month, while the 5-year LPR, which anchors mortgage rates, remained at 3.50%. Both rates were last adjusted in May, when they were lowered by 10 basis points. Liquidity conditions remained stable, with private sector lending holding at ¥835.00 billion in July and August before inching up to ¥839.00 billion in September. Inflation dynamics in China showed gradual improvement, with consumer prices flat in July, followed by deflation readings of -0.4% in August and -0.3% in September. Core inflation, which excludes volatile food and energy prices, rose to 1.00% year-over-year in September, its highest level in 19 months. Producer prices also showed signs of easing, falling 2.30% year-over-year in September compared to a 2.90% decline in August. On the growth front, China’s economy expanded by 1.10% quarter-on-quarter in Q3, beating market expectations of 0.80% and building on a revised 1.00% gain in Q2. This reflects the impact of targeted policy measures, including liquidity injections aimed at stabilising credit markets and curbing deflationary pressures.

China GDP Quarterly Trend



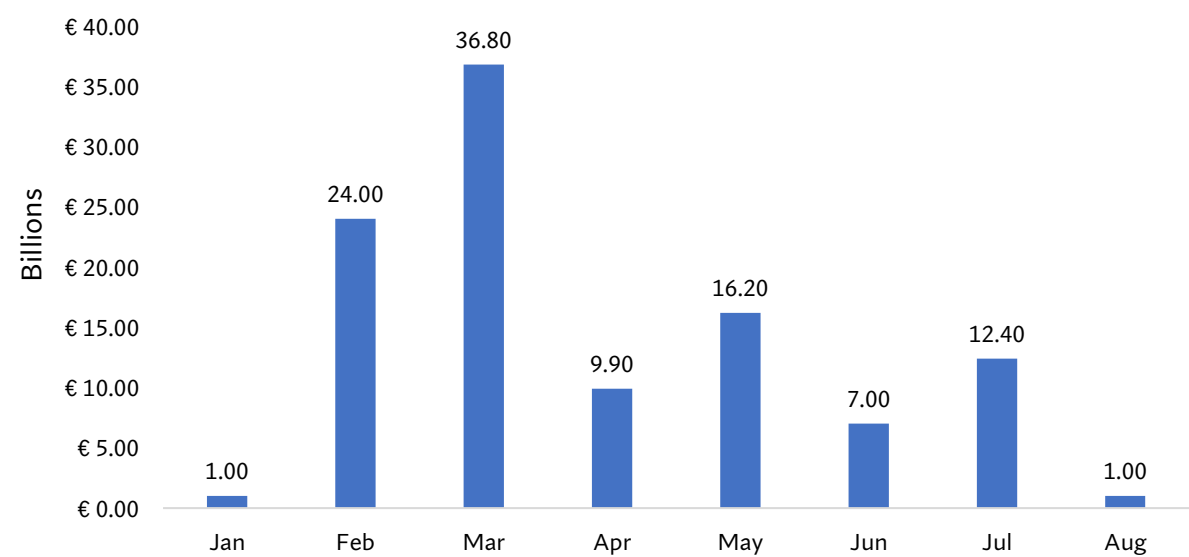
Sources: National Bureau of Statistics of China, WSTC Research

Across the eurozone, inflation remained above the European Central Bank’s medium-term target of 2.00%, rising to 2.20% in September from 2.10% in August and 2.00% in July. Services led the inflation surge, climbing 3.20% year-over-year, followed by food, alcohol, and tobacco at 3.00%, while non-energy industrial goods rose more modestly by 0.80%. Despite the uptick, the ECB held its benchmark interest rate steady at 2.15% from June through September, signalled confidence that the current rate level is sufficient to manage inflation risks and absorb potential shocks. Between June 2024 and June 2025, the ECB had lowered borrowing costs by 200 basis points, pausing



further cuts in July after inflation reached its target. However, trade performance in the region faltered. The eurozone’s trade surplus dropped sharply in August to €1.00 billion from €12.70 billion in July, driven primarily by a steep decline in the surplus of machinery and vehicles, which fell from €18.0 billion to €7.8 billion. This contraction reflects weakening external demand and ongoing supply chain adjustments.

**Eurozone Monthly Trade Balance - 2025**



**Sources:** Investing.com, WSTC Research



**Domestic Economy**

Nigeria’s economy strengthened further in Q2 2025, with Real GDP expanding by 4.23% year on year. This marks the fastest quarterly growth in recent years, outpacing 3.48% in Q2 2024 and 3.13% in Q1 2025. The stronger momentum reflects a broad-based recovery, with the Oil sector emerging as the most striking performer.

**Oil sector**

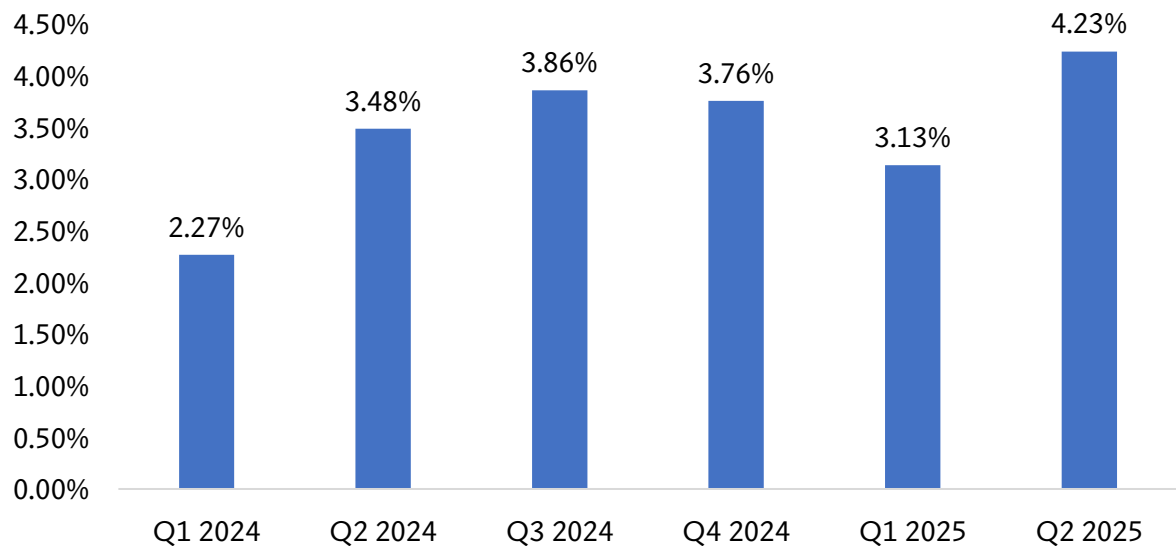
The Oil sector posted an exceptional 20.46% year on year expansion in Q2 2025, a sharp jump from 1.87% in Q1 2025 and nearly double the 10.08% recorded in Q2 2024. The contribution to GDP rose to 4.05%, up from 3.51% in Q2 2024. This surge was powered by higher crude output as average daily production climbed to 1.68 million barrels per day from 1.62 mbpd in Q1 and 1.41 mbpd in Q2 2024 which was on the back of improved security in oil producing regions and sustained efforts to curb theft and pipeline vandalism.

**Non-Oil Sector**

Non-Oil sector remained the anchor of overall activity, expanding by 3.64% year on year. This represents an improvement from both Q1 2025 at 3.19% and Q2 2024 at 3.26%. Contributing 95.95% of total GDP, the Non- Oil sector reflects the benefit of a relatively more stable macroeconomic backdrop, with moderating inflation and improving investor sentiment supporting economic activities.

Breaking down the Non-Oil performance, the Agricultural sector grew by 2.82% year-on-year, contributing 26.17% to GDP (Q1 2025: 23.33%, Q2 2024: 26.53%). The Industrial sector posted a strong 7.46% year-on-year growth, contributing 17.31% to GDP (Q1 2025: 19.18%, Q2 2024: 16.79%). In contrast, growth in the Services sector showed signs of moderation. Although the sector recorded a 3.94% year-on-year increase, which is slightly higher than the 3.83% in Q2 2024, it fell short of the 4.33% posted in Q1 2025.

**Nigeria GDP Trend**



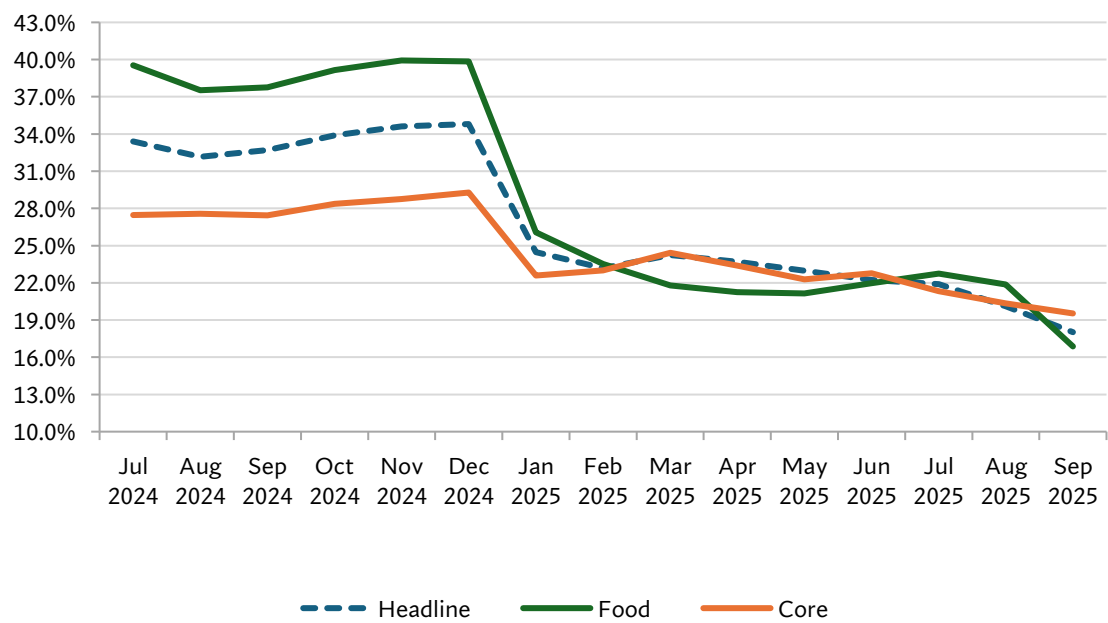


Domestic Inflation

Nigeria Headline inflation has eased significantly from 22.22% at the beginning of Q3 to 18.02% at the end of Q3. This continued disinflation was powered majorly by reduced energy and food prices, which has benefited from improved supply-side conditions due to the ongoing harvest season. The continued decline in energy prices, underpinned by consistent supply from the Dangote Refinery, has helped stabilise domestic fuel costs and reduce transportation-related inflationary pressures.

Food inflation, which is the main driver of inflation despite rising in July to 22.74% (June: 21.97%), has continued to decelerate significantly as it ended Q3 at 16.87%. This turnaround was driven by the ongoing harvest season as stated earlier, coupled with ease of transport cost as Dangote refinery continued to reduce the gantry price of fuel. Moreso, Core inflation has been on a downward trajectory throughout Q3, as it dropped from 22.76% in June to 19.53% at the end of Q3. This downward trend was supported mainly by the appreciation of Naira, coupled with lower fuel prices during the quarter.

Inflation Trend



Source: National Bureau of Statistics, WSTC Research



## Financial Markets

The fixed-income market was shaped by a mix of easing inflation, steady interest rates and expectations of a rate cut towards the end of the quarter.

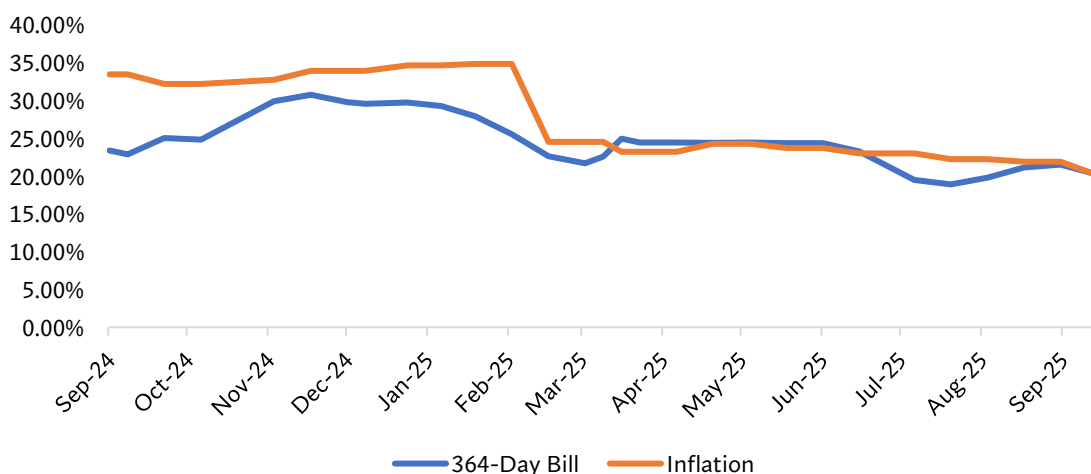
The Treasury bills market saw six auctions during the quarter, with a total offer of N1.76 trillion. Despite strong investor interest reflected in bids totalling N5.73 trillion, the DMO allotted only N1.89 trillion, slightly above the planned issuance.

The 364-day bill tenor dominated the allotment, accounting for approximately 84.00% (N1.59 trillion) of the total, as investors continued to show interest in longer maturities fixed instruments in search of higher yields amid inflationary concerns. Yield movements across the three tenors all trended downward from Q2 to the end of Q3. The 91-day, 182-day, and 364-day bills averaged 15.84%, 16.90%, and 20.15% respectively, compared to 18.90%, 20.56%, and 24.12% in Q2. The 364-day yield began July at 19.47%, dipped to 18.88% by month end, before settling at 20.16% at the close of the quarter. This moderation was driven by two consecutive months of declining inflation and growing investor anticipation of monetary easing, which eventually materialised in a 50-basis-point rate cut to 27.00% by the Monetary Policy Committee in its September meeting.

The FGN bond market also depicts a similar trend, as the two-year saving bond averaged to 15.23% (Q2 2025: 16.05%) and the 3-year saving bond to 16.23% (Q2 2025: 17.11%).

Meanwhile, the Central Bank of Nigeria actively deployed the Open Market Operations window to absorb excess liquidity. The apex bank conducted six OMO auctions during the quarter, with a total allotment of N6.78 trillion. Notably, four of these auctions focused on short maturities below 90 days, with yield averaging around 27.85%. The elevated OMO rates relative to Treasury Bill rates reflected the Central Bank's intent to continue to attract foreign portfolio inflows and stabilise the naira.

### T-bill Yields Vs Inflation



**Sources:** CBN, NBS, WSTC Research



**Equities Market**

The Nigerian equities market delivered its best quarterly performance of the year, gaining 18.95% in Q3 and pushing the year-to-date return to 38.65% as of September 30, 2025. The remarkable rally was largely concentrated in July, which recorded a 16.57% surge, the strongest monthly performance of the year. Subsequent months saw more moderate gains of 0.31% in August and 1.72% in September, as profit taking activities tempered the earlier momentum.

The July rally was underpinned by the release of strong Q2 earnings, dividend declarations, and improved investor sentiment driven by relative macroeconomic stability and a firmer exchange rate environment. The All-Share Index peaked at 146,570.71 points in August before closing the quarter at 142,710.48 points.

Sector performance was broadly positive, with all seven sectors posting gains. The Insurance sector led with a remarkable 57.65% jump, buoyed by renewed investor optimism following regulatory approval for industry recapitalisation. The Oil and Gas sector recorded the least gain at 3.51%, supported by notable advances in Aradel Holdings (20.59%) and Transcorp Power (9.60%).

**Sectorial Performance**

Description	Q3 2025
ASI Trend	18.95%
Insurance Index	57.65%
Industrial Index	39.32%
Consumer Goods Index	27.89%
Agricultural index	20.92%
Banking Index	18.25%
Telco Index	8.35%
Oil & Gas Index	3.51%

**Sources:** NGX, WSTC Research

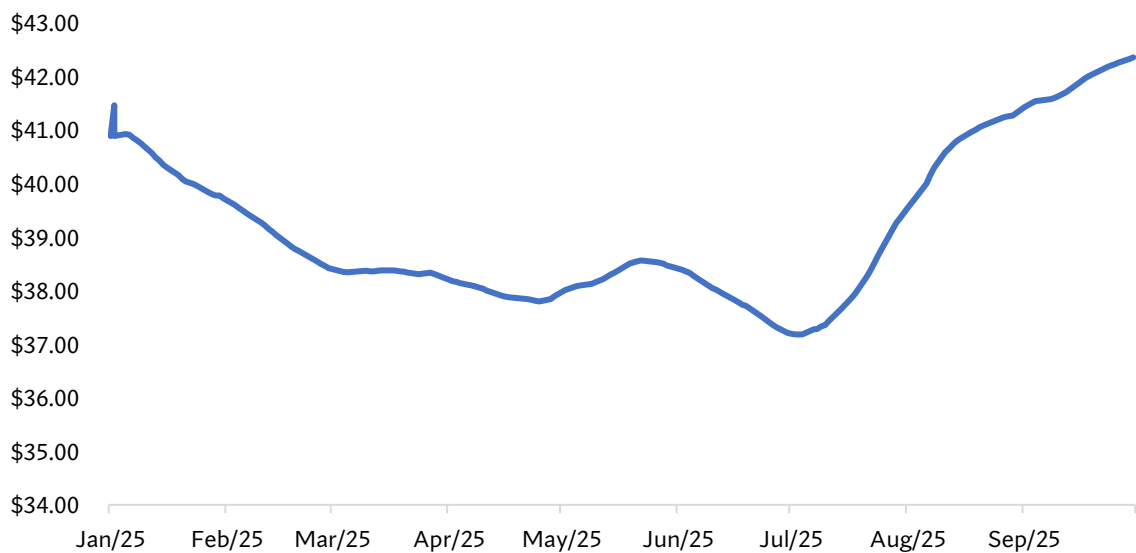


*External Reserve and Foreign Exchange Market*

In Q2 2025, the external reserves saw multiple declines due to debt servicing obligations and CBN intervention to stabilise the naira. By the end of the quarter, it had settled at \$37.2 billion. However, since the beginning of Q3, the reserves have been recording positive movement, surging by \$5.14 billion to reach \$43.35 billion by the end of the quarter, the highest level in six years. This improvement was based on higher oil outputs, robust remittance inflows and improved foreign exchange management by the Central Bank. These developments contributed to the appreciation of the naira.

The NAFEM rate appreciated by 3.68%. while the parallel market rate appreciated by 5.81% on a quarter-on-quarter basis.

**External Reserve Trend**



Sources: CBN, WSTC Research





## **Outlook**

### *Global Economy*

The U.S. economy entered the final quarter of 2025 with a mix of strength and caution. Robust GDP growth and resilient consumer spending have provided a solid foundation but rising inflation and signs of labour market softening suggest that momentum may be fragile. The Federal Reserve's recent rate cut signals a shift toward supporting growth, yet the path forward will depend on how inflation evolves and whether the labour market stabilises.

China's outlook remains cautiously optimistic. Modest growth and improving inflation dynamics point to a gradual recovery, supported by targeted policy measures and stable liquidity conditions. However, persistent deflationary risks and subdued producer prices remained a concern. The government's measured approach to monetary easing reflects a desire to maintain stability while avoiding excess stimulus. Sustained recovery will hinge on strengthening domestic demand and restoring confidence in credit markets.

The eurozone faces a more complex outlook, shaped by persistent inflation and weakening trade performance. While inflation remains above target, the European Central Bank has opted for a steady rate stance, signalling confidence in its current policy framework. However, the sharp decline in trade surplus, particularly in key export sectors, raises concerns about external demand and competitiveness. The region's recovery will depend on its ability to navigate inflationary pressures while reinvigorating trade and industrial output.



## **Outlook**

### *Economy*

Looking ahead, sustained progress in curbing crude oil theft and vandalism is expected to further lift production levels, positioning the oil sector as a consistent growth engine through the second half of the year. Average daily output has already shown signs of resilience, and with improved security and operational efficiency, the sector should continue to anchor overall growth momentum.

On the non-oil side, the arrival of the harvest season will boost agricultural output, support rural productivity and helping to stabilise food supply. Industry is likely to maintain its upswing, driven by manufacturing and construction, while services will continue to thrive on strong contributions from financial services, trade, and ICT. These gains will be supported by improving macroeconomic conditions, particularly the ongoing trend of disinflation and relative exchange rate stability, which should reinforce business confidence and encourage new investment flows.

Taking these factors into account, we raise our FY 2025 real GDP forecast to 3.75% from our previous 3.50%. FY 2025 nominal GDP is projected to reach \$431.53bn, an increase from \$364.62bn in FY 2024.

### *Domestic Inflation*

We expect disinflation to continue through the end of the year, supported by a more stable economy. However, the pace of deceleration is unlikely to be as pronounced as in Q3, considering the recent increase in fuel prices following the PENGASSAN strike. Additionally, the festive season in December may lead to higher prices for certain food items.



### *Fixed Income Market*

The fixed income market is expected to remain broadly soft in Q4 2025, mainly due to falling inflation and a likely interest rate cut of around 100 basis points at the November MPC meeting. As yields on government securities continue to drop, many investors will likely shift towards longer-term bonds to lock in higher effective returns.

Lower short-term interest rates could also encourage more companies to issue bonds, since borrowing will become cheaper. Still, the Central Bank is expected to actively manage excess liquidity through OMO auctions to help keep the naira stable and reduce inflation risks.

Overall, the market is gradually moving away from the high-yield environment of the past, heading towards a more stable and moderate interest rate outlook.

### *Equities Market*

The equities market enters the final quarter of 2025 with solid momentum and stronger investor sentiment. A more stable macroeconomic backdrop, easing inflation, and lower yields in the fixed income market create conditions supportive of an extended equity rally. The release of Q3 earnings is expected to further reinforce market optimism.

However, the market may experience intermittent profit taking as investors rebalance after significant gains in the previous quarter. The newly introduced 30% capital gains tax poses a mild risk to foreign portfolio participation, potentially moderating inflows. Still, the relative attractiveness of equities compared to fixed income should keep domestic interest high, especially among institutional and retail investors.

### *Foreign Exchange Market*

The foreign exchange market is expected to remain broadly stable in Q4 2025. Rising oil outputs, steady inflows from remittances, and tighter control by the Central Bank are expected to continue to support the upward trend in external reserves. The recently introduced non-TSA framework, which allows the CBN to manage liquidity from FAAC more flexibly, is also expected to temper potential pressure in the market.

Consequently, the Naira is projected to maintain a gradual appreciation trend across both the official and parallel markets. However, seasonal dollar demand toward year-end, driven by import and travel pressures, could introduce mild volatility.



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### Investment Recommendation

WSTC uses a 3-tier recommendation system for stocks under coverage: Buy, Hold, and Sell.

- Buy Rating: estimated fair value is  $\geq 20\%$  above current market price.
- Hold Rating: estimated change in price is between  $-10\%$  and  $19\%$  of current market price.
- Sell Rating: estimated change in price is  $\leq -10\%$  of current market price.

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