

A nighttime photograph of a modern cityscape. On the left, a tall, curved glass building is illuminated from within, showing many lit windows. A pedestrian bridge with a glass railing and a curved metal support structure spans over a road. The road below has light trails from cars, with a prominent green light trail on the left. In the background, other city buildings are visible, some with lit windows. The overall scene is a mix of urban architecture and infrastructure.

CERTARI /

NAVIGATING STABILITY:

Nigeria's Q3 2025 Economic and Market Dynamics

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The global economy maintained moderate resilience in Q3 despite heightened trade tensions and policy uncertainty. The Organisation for Economic Co-operation and Development (OECD) now projects global GDP growth of **3.2%** for 2025, slightly below last year, as tariff escalations weigh on exports but domestic demand and monetary easing continue to provide support.

In the **United States**, growth remains positive though softening, with full-year expansion expected around 1.7%. The Federal Reserve's 25bps September rate cut aims to cushion labour market weakness and sustain consumer demand amid rising fiscal discipline under the FY2025 budget. Equity markets advanced on strong tech momentum, masking industrial headwinds.

The **Eurozone** shows marginal recovery, with inflation near **2%** and unemployment at record lows. Fiscal strategies are pivoting toward innovation and defense, while moderate credit growth sustains private investment.

Across Developing **Asia**, growth expectations eased to **4.7%**, but digitalization and infrastructure investments continue to anchor stability, mitigating the impact of tariff-related capital outflows.

In **Nigeria**, economic momentum improved through H1, expanding 3.7%, driven by non-oil activity and rising AfCFTA-linked exports. Inflation eased to 20.1%, prompting the CBN's first rate cut since 2020, while the naira stabilized below **₦1,500/\$**. Market sentiment strengthened, reflected in a 38.6% YTD rally in equities and declining bond yields.

Looking ahead, the interplay between fiscal reform, targeted monetary easing, and global trade realignments will shape Q4 performance. Sustaining growth will depend on maintaining inflation stability and deepening diversification across emerging markets.



GLOBAL ECONOMIES

The global economy in Q3 2025 reflected moderated expansion amid stabilizing yet sticky inflation and intensifying trade frictions, particularly from renewed U.S. tariffs that heightened policy uncertainty and market volatility. While monetary authorities maintained cautious stances, targeted easing began to surface as growth signals softened toward quarter end.

July: Resilient Momentum

Global activity in July showed resilience despite emerging trade pressures. In the **United States**, Q2 GDP was revised to **3.0%** annualized, driven largely by household consumption even as import tariffs began to weigh on costs. The Conference Board's Leading Economic Index edged higher, signaling tempered but positive expansion.

Across **Europe**, industrial production grew 0.3% month-on-month, underpinned by modest credit growth and easing wage inflation, while Asia maintained robust momentum — the ADB projected **4.7% regional growth**, supported by China's **5.3%** H1 GDP and India's **7.8%** expansion.

Policy rates remained steady across major economies as central banks balanced inflation control with growth concerns: the Fed at **4.25–4.50%**, the ECB at **2.00%**, and the BOJ at **0.50%**. Equity markets reflected this cautious optimism — the S&P 500 rose **2.2%**, led by tech earnings, while MSCI Emerging Asia gained 2.0%, supported by semiconductor strength.



August: Cooling Signals

By August, signs of cooling began to surface. U.S. job creation slowed sharply, with only **22,000 jobs** added, and unemployment rising to **4.3%**, revealing labour-market sensitivity to tariff-driven uncertainty. The **Eurozone's PMI** eased to 51.1, pointing to marginal growth in services and stabilization in manufacturing as energy deflation balanced higher service costs.

Asian markets faced volatility, with the MSCI EM Asia Index down 1.6% on capital outflows, although Southeast Asia's growth held steady around 4.4%. Inflation stayed largely contained — U.S. CPI at **2.9%**, Eurozone at **2.0%** — allowing policymakers to keep rates unchanged.

However, the August 7 U.S. tariff increase (to an effective 18.6%) triggered \$8.8 billion in Asian equity outflows and a 0.5% drop in the U.S. leading index, signaling weakening global momentum.

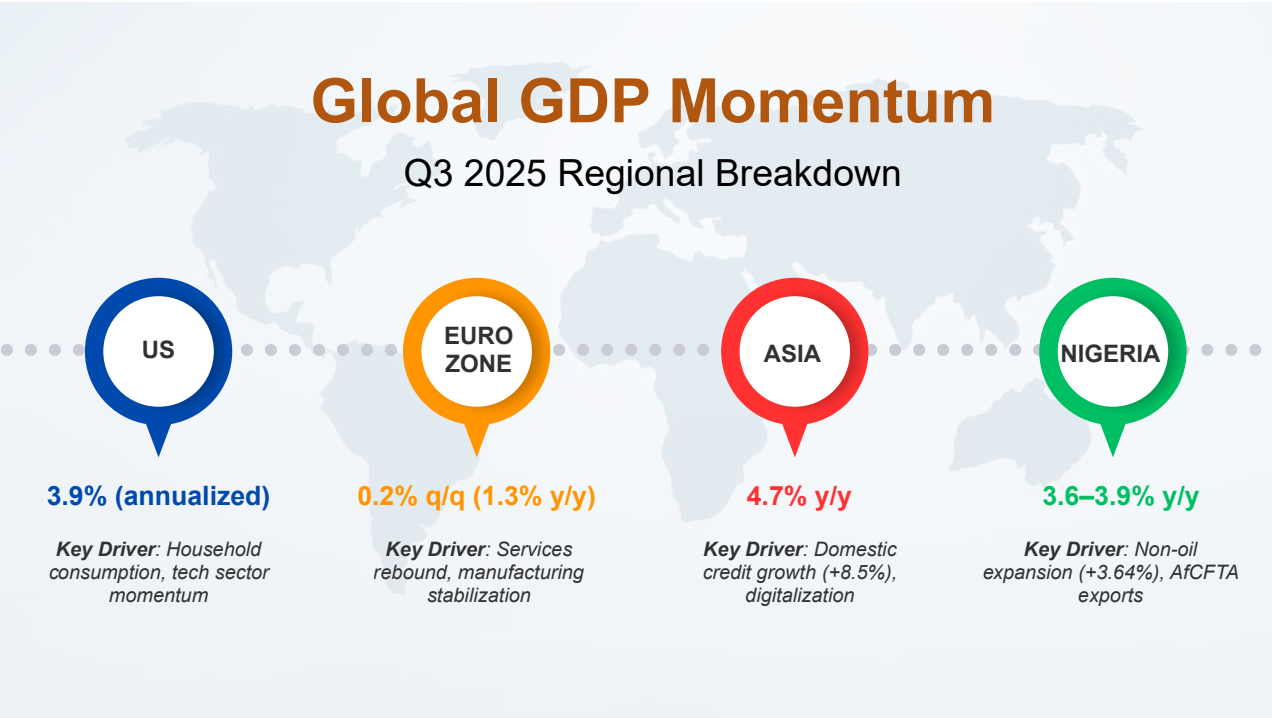
September: Easing Pivot

Monetary policy became the focal point in September as central banks responded to early signs of slowdown. The U.S. Federal Reserve cut its benchmark rate by 25bps to **4.00–4.25%**, aiming to cushion labour weakness — with private-sector job gains slowing to their lowest since 2020 — while containing tariff-induced price pressures.

The European Central Bank maintained its **2.00%** deposit rate, supporting gradual recovery amid steady inflation near **2.4%** and improving business sentiment. In **Asia**, the People's Bank of China (PBOC) held the LPR at **3.00%**, and the RBI kept the repo rate at 5.50%, sustaining credit flow to non-trade sectors and reinforcing a regional growth outlook of 4.8%.

Markets welcomed the shift: the S&P 500 rose 3.5% and the STOXX 600 gained 1.5%, buoyed by dovish policy signals and strong corporate earnings. Meanwhile, the U.S.–EU tariff accord capping auto duties at **15%** helped stabilize trade sentiment heading into Q4.

GDP growth estimates reflect resilient yet moderated performance amid U.S. tariff pressures and monetary easing, drawn from the latest nowcasts and flash data from sources including the Atlanta Fed, Eurostat, ADB, and IMF.



United States

Real GDP is estimated to have grown **3.9% annualized** (Atlanta Fed GDPNow model), extending Q2’s **3.8%** momentum. Growth remains driven by strong household consumption—contributing over 70% of output—though offset by tariff-related headwinds and a softening labour market. Unemployment edged up to 4.3%, underscoring a mild deceleration in hiring amid tighter corporate margins.

Eurozone

The Eurozone economy expanded **0.2% quarter-on-quarter** in Q3 (Eurostat flash estimate, October 30), exceeding expectations and improving on Q2’s 0.1%. Growth was underpinned by a modest services rebound and manufacturing stabilization. Year-over-year expansion stood at 1.3%, supported by the European Central Bank’s steady 2.00% deposit rate, though weighed down by an estimated 10% decline in exports due to ongoing tariff impacts.

Asia

Developing Asia maintained a **4.7% year-on-year** growth pace (ADB H2 forecast, consistent with IMF's October Regional Outlook). Expansion remains anchored in domestic credit growth (+8.5%) and accelerating digitalization, though regional divergences persist—East Asia around 4.3%, South Asia near 6.0%. Export erosion of roughly 0.1 percentage points from tariff effects remains a key constraint to external momentum.

Nigeria

Nigeria's GDP is projected between **3.6% and 3.9% year-on-year** (IMF: 3.6%; analyst consensus: 3.9%), slightly below Q2's 4.23%. Growth is propelled by **non-oil sectors (+3.64%) and strengthened AfCFTA-driven exports (+19.59% in H1)**. The Central Bank of Nigeria's September MPR cut to **27.00%** and stable oil production at 1.71 mbpd continue to underpin domestic recovery.

Growth Outlook and Key Risks

The near-term global outlook remains cautiously balanced. Upside potential stems from expanded U.S.–EU and Asia tariff concessions (e.g., automotive tariffs capped at 15%) and easing geopolitical tensions, which could accelerate inflation convergence toward central bank targets (~2.1%) and reopen credit channels through further policy easing.

However, downside risks dominate, including:

- Prolonged tariff escalations (effective rates up to 18.6%) potentially shaving 0.3–0.9 percentage points off global GDP and driving \$8.8 billion+ in equity outflows.
- Volatile energy prices, with oil trading below \$75/bbl, and persistent conflicts disrupting supply chains.
- Labour market softening—such as the U.S. unemployment uptick—and fiscal strains in emerging economies (e.g., Nigeria's \$2.86bn debt servicing through August).

These dynamics reinforce the need for vigilant policy coordination and monitoring as the global economy heads into Q4 2025.



DOMESTIC MACROECONOMIES



Nigeria's economy in Q3 2025 maintained a steady yet modest growth trajectory, reflecting gradual recovery across both oil and non-oil segments. H1 GDP expanded 3.7% year-on-year (Q2: 4.23%), in line with full-year projections of **3.4–3.9%**, supported by sustained diversification efforts and easing inflation pressures.

The **non-oil sector**—covering manufacturing, agriculture, trade, and ICT—expanded by **3.64%**, driven by improved productivity, stronger market linkages, and a **19.59%** rise in H1 non-oil exports facilitated through the AfCFTA framework. Business confidence improved amid headline inflation easing to **20.12% in August, down from 21.88% in July**, reflecting monetary tightening effects and better food supply dynamics.

In the **oil sector**, production averaged **1.68 million barrels per day** (96–100.5% of OPEC quota), constrained by infrastructure bottlenecks, Niger Delta insecurity, and underinvestment, undershooting the government's 2.06 mbpd target under the ~~N~~**₦54.9** trillion budget. Despite these challenges, crude output stability helped cushion fiscal and external balances.

The **services sector** showed steady gains, led by trade, ICT, and transportation, contributing roughly **95,000 new jobs**. However, financial services moderated due to base effects and elevated borrowing costs, while real estate activity remained subdued under high financing rates despite the Central Bank of Nigeria's September 50bps MPR cut to **27.00%**.

Looking ahead, the planned GDP rebasing to a 2019 base year—incorporating the digital economy, creative industries, and modular refineries—is expected to restate Nigeria's GDP size and realign sectoral weights, enhancing visibility for emerging non-oil segments in the national accounts.

PARAMETER	Q2' 2025	Q3' 2025
MPR	27.50%	27.00%
Inflation	22.22%	18.02%
External Reserves	\$37.21bn	\$42.30bn
NGX Market Cap	₦75.96trn	₦85.46trn
NGX ASI	119,987.57	142,710.48
Crude Production	1.5mb/d	1.7mb/d

Nigeria's macroeconomic fundamentals improved modestly in Q3 2025, with inflation easing sharply to 18.02% from 22.22% in Q2, reflecting tighter monetary management and improved supply conditions.

The Monetary Policy Rate (MPR) was trimmed to 27.00%, signaling a cautious shift toward growth support. External reserves rose to \$42.30bn, aided by stronger oil receipts as crude production increased to 1.7mb/d.

On the capital market front, renewed investor confidence drove the NGX Market Capitalization up to ₦85.46trn and the All-Share Index (ASI) to 142,710.48, marking sustained bullish sentiment across equities.

Inflation and Monetary Policy

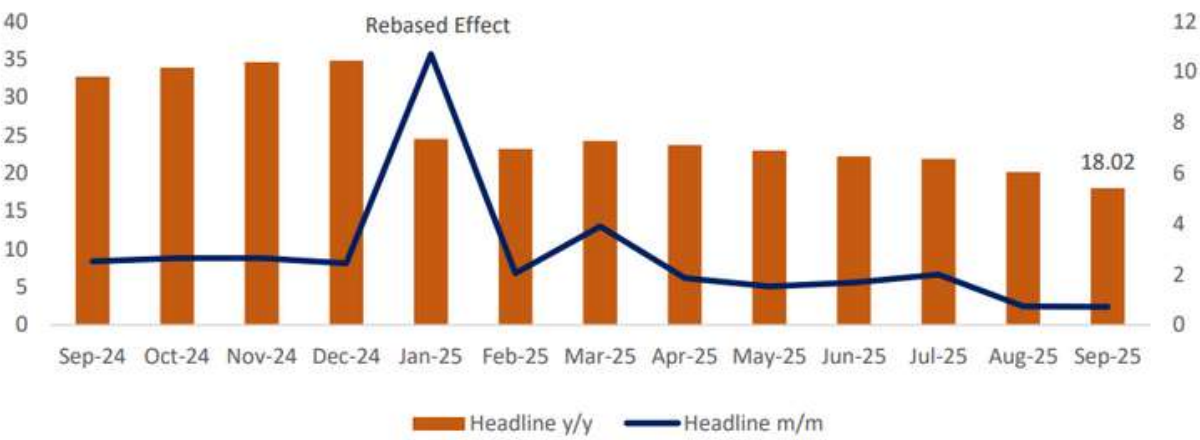
Nigeria’s inflation trend moderated significantly in Q3 2025, following the CPI rebasing in January that updated the base year from 2009 to 2019, incorporating modern consumption patterns such as digital services, e-commerce, and telecommunications. This methodological shift, combined with favorable base effects, improved agricultural output, and a stronger naira, helped ease headline inflation from **21.88%** in July to **18.02%** in September — *the lowest since May 2022*.

While food inflation remained a pressure point due to insecurity in major producing regions (notably Borno, Adamawa, Benue, and Plateau), the overall moderation provided much-needed relief for households and policy space for the Central Bank of Nigeria (CBN).

The Monetary Policy Committee (MPC) maintained the Monetary Policy Rate (MPR) at **27.50%** through its July meeting — the third consecutive hold — before executing a 50bps cut to **27.00%** in September, marking Nigeria’s first easing cycle since 2020. This move, captured in Communiqué No. 159, aimed to stimulate credit growth in the non-oil sectors (which expanded 3.64% in Q2) while cushioning growth from high debt servicing (estimated at \$2.86bn through August).

To balance liquidity pressures (~~₦10–~~₦12 trillion excess liquidity), the MPC introduced a 75% Cash Reserve Ratio (CRR) on public sector deposits — a measured attempt to contain inflationary risks while supporting growth.

In essence, Q3 2025 reflected a policy recalibration: inflation’s downtrend provided breathing room for cautious monetary easing, yet sustained vigilance on food prices, exchange rate stability, and global trade disruptions remains critical to anchoring inflation below 20% into Q4.



Market Overview and Yields

Nigeria's fixed income market in Q3 2025 witnessed sustained yield moderation, driven by improved system liquidity, inflationary easing (average ~20.0%), and the MPC's dovish policy shift with a 50bps MPR cut to **27.00%** in September — the first easing since 2020. The CBN's **₦1.5tn** Open Market Operation (OMO) injections in August further boosted liquidity, reducing funding costs and stimulating credit growth.

Private sector lending expanded by an estimated 5–7%, reflecting renewed confidence among corporates and households as borrowing costs fell. This, combined with expectations of further monetary easing if inflation sustains below 18%, supported investor appetite for higher-risk assets and compressed yields across maturities.

Treasury bill yields dropped by **50–100bps** across tenors, averaging **17.9–20.6%** by late September (with the **91-day bill at 17.93%**, down from **18.88%** in August). Bond yields eased more gradually to **16.3–16.9%**, with the 10-year benchmark closing at **16.86%**. The yield curve remained inverted but showed early signs of flattening, as short-term instruments maintained premiums (e.g., 3-year at 16.91%) amid lingering liquidity and fiscal uncertainties.

Investor Sentiment & Foreign Participation

Investor interest remained strongest in short-term instruments, reflecting a cautious stance amid inflation and FX volatility. Foreign Portfolio Investors (FPIs) maintained selective exposure, attracted by high real yields and a stabilizing macro environment. However, global monetary policy divergences and persistent geopolitical tensions across emerging markets limited the pace of fresh inflows.

Risks and Outlook for Q4 2025

While the September policy cut introduced relief, elevated fiscal borrowing (**₦6–7tn** deficit gap) and external debt servicing (over \$2.86bn through August) continue to anchor high yields and limit monetary flexibility.

For Q4 2025, Treasury bill yields are projected to range between **18.5–21.5%**, while bond yields could hover near 16.5%, supported by stable inflation and a firmer naira. A further **25–50bps** policy cut remains possible if inflation sustains below **18%**, potentially encouraging renewed demand for long-duration bonds.



The Nigerian Exchange (NGX) All-Share Index (ASI) recorded robust gains in Q3 2025, advancing **38.65%** year-to-date to close at **142,710 points**, extending its strong 2024 performance. Market sentiment strengthened after a cautious July, accelerating through August and September, supported by easing inflation (headline at 20.12% in August), naira stability below **₦1,500/\$**, and resilient corporate earnings across key sectors including banking, consumer goods, and ICT.

Confidence was further boosted by the CBN Monetary Policy Committee's (MPC) first rate cut since 2020 — a 50bps reduction in the MPR to **27.00%** — which improved system liquidity, lowered borrowing costs, and spurred 5–7% private sector lending growth. The dovish shift signalled potential for further monetary easing, enhancing investor appetite, turnover, and valuations across risk assets.

Foreign Portfolio Investor (FPI) activity remained selective but positive, with marginal inflows adding to market depth, while domestic institutional investors dominated trading, accounting for over 60% of volumes.

Telecommunications:

Data expansion and digital adoption underpinned strong Q3 growth. **Airtel Nigeria's** H1 revenue surged **46.5% to \$699m (EBITDA +71.9%)**, driven by a **62.4%** rise in data usage and subscribers. Airtel Africa's H1 revenue rose **25.8% to \$2.98bn** (EPS +70% to \$0.083), with Nigeria contributing 49% (currency-adjusted). The sector remains positioned for 20%+ annual growth, bolstered by 5G rollout momentum.

Industrial Goods:

Cement producers capitalised on infrastructure-led demand to post record profits. Dangote Cement's Q3 profit soared **166% to ₦743.3bn** (revenue +23% to ₦3.15tn), while BUA Cement's 9M profit climbed 492% to ₦289.9bn. Expansion projects supported capacity growth, though rising input costs could pressure margins. The sector continues to outpace GDP growth, signalling a construction revival.

Oil & Gas:

Upstream producers benefited from stable output and high quota compliance (96–100.5%), sustaining an average of 1.68 mbpd. Seplat Energy doubled H1 reserves to 2.3bn barrels, while Oando's H1 net profit hit ₦63.3bn aided by tax credits on acquisitions. Sector upside remains constrained by underinvestment and FX volatility, limiting diversification potential.

Banking:

Despite profit compression and delayed earnings releases, the sector displayed resilience through robust net interest income. Access Holdings' H1 profit dipped 23.3% to ₦215.9bn, reflecting higher operating costs, while Zenith Bank's net interest income nearly doubled YoY to ₦1.36tn, reinforcing investor confidence. UBA reported ₦773bn in H1 net interest income (+15% YoY), supported by regional growth but weighed by FX exposure. Sentiment improved following the MPC rate cut, enhancing loan growth and sector liquidity.

Consumer Goods:

The FMCG segment rebounded strongly on volume recovery and pricing power. Nestlé Nigeria swung to a **₦72.5bn profit** for 9M 2025 (from losses in 2024), with Q3 revenue up 17.5% to ₦303.4bn. Guinness Nigeria posted a 315% YoY jump in Q3 profit to ₦15.8bn, leveraging premium product demand. The sector's recovery underscores consumer resilience amid moderating inflation.



Valuation and Outlook

At a P/E ratio of approximately 6.5x, the NGX remains undervalued relative to African peers, offering compelling entry points for value investors. Full-year 2025 returns could reach **20–30%**, propelled by monetary easing, corporate profitability, and improved macro fundamentals.

However, risks persist — including potential FX volatility, sluggish FPI inflows, and geopolitical uncertainty — which could temper the rally. Nonetheless, with stabilising inflation, policy continuity, and resilient domestic participation, the Nigerian equities market is poised to sustain its bullish momentum through Q4 2025 and into 2026.

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