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Macroeconomic Insights

Global Macroeconomic Update :

A Turbulent Start

The global economy entered 2025 on edge, rocked by Donald Trump's inauguration and his aggressive "America First" trade agenda. His plan to slash trade deficits with China, Mexico, and Canada through tariffs on steel (25%), aluminum (10%), and autos (20%) sent ripples across markets. Fears of global recession and inflation grew, prompting cautious responses from central banks. Commodity and capital markets wavered, setting a tense tone for the quarter.

January: Fragile Stability

In the U.S., the Federal Reserve held the federal funds rate at 4.25 - 4.5%, balancing inflation at 3.1%, above the 2% target but down from 2022 peaks. Trump's protectionist rhetoric, hinting at broader tariffs, unsettled investors, with the S&P 500 dipping 2%. China saw a Lunar New Year-driven surge in consumer spending, with retail sales up 8% year-on-year, briefly pushing inflation to 1.2%. In the Euro Area, headline inflation fell to 2.3%, and services inflation eased to 3.5%, raising hopes for European Central Bank easing.

February: Diverging Paths

As winter deepened, economic signals diverged. The U.S. labor market added 180,000 jobs, but sticky services inflation (4.2%) kept the Fed on hold, wary of tariff-driven price hikes. Markets grew jittery, with Tesla's stock sliding 5% amid auto tariff fears. In China, the post-holiday glow faded; consumer demand weakened, and producer prices fell 2.1%, signaling deflation. The People's Bank of China (PBoC) held its benchmark rate at 3.35%, eyeing global risks. The Euro Area saw further disinflation, with wages growing at a modest 2.8%. This bolstered ECB rate-cut expectations.

March: Risks Crystallize

By March, Trump's tariff plans solidified, amplifying stagflation fears. U.S. inflation held at 3.2%, and the Fed maintained its neutral stance, torn between growth and price control. China's Q1 GDP grew 5.4%, its strongest in 18 months, but deflation persisted, with consumer prices down 0.3%. The ECB, responding to inflation at 2.1%, cut its main rate by 50bps to 2.65%, boosting European markets briefly. However, global trade frictions tempered optimism.

April – May Highlights (USA)

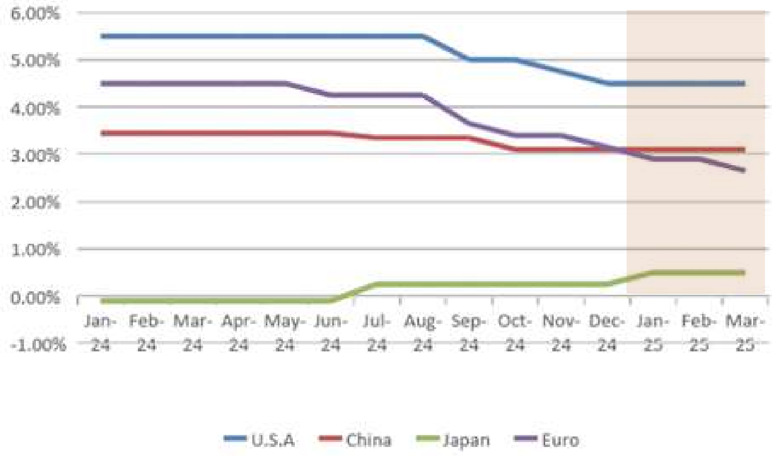
In the United States, April and May saw continued volatility due to trade tensions. The Federal Reserve held rates at 4.25–4.5% amid market speculation about potential cuts later in the year. The S&P 500 experienced a 13% drop in early April due to tariff announcements but rebounded after a temporary 90-day tariff truce with China. Inflation moderated slightly, with April CPI at 2.3% and core at 2.8%, aided by lower grocery and energy prices.

April – May Highlights (China)

China's economy, while growing at 5.4% in Q1, continued facing deflationary pressures. The CSI 300 index dipped due to U.S. tariffs as high as 54%, although markets rallied post-truce. The PBoC introduced a 10bps rate cut in April to support growth, and deflation persisted into May. China redirected exports toward Southeast Asia and Europe, signaling an evolving trade landscape.

April–May 2025 Highlights (Euro Zone)

In the Euro Area, the ECB maintained easing expectations, with another 25bps cut anticipated in June. German economic stagnation continued, though southern Europe showed resilience. Chinese foreign direct investment into Europe rose, particularly in renewables and infrastructure, reflecting strategic shifts amid global tensions.



The shaded area is indicative of the cautious monetary stance of central banks globally due to the uncertainty around recent trade policies

Source: Trading Economics, Certari Research

Domestic Macroeconomic Update :

Nigeria’s Economic Recovery: A Promising Yet Cautious Path Forward

Nigeria’s economy is gaining traction in early 2025, following a challenging period marked by high inflation and tightening global financial conditions. Bold policy responses from both fiscal and monetary authorities have contributed to a more stable environment. A recent rebasing of inflation metrics and strengthened exchange rate management are supporting renewed investor optimism. However, significant domestic vulnerabilities and external uncertainties still pose risks to the recovery path.

Inflation Eases After CPI Rebasing

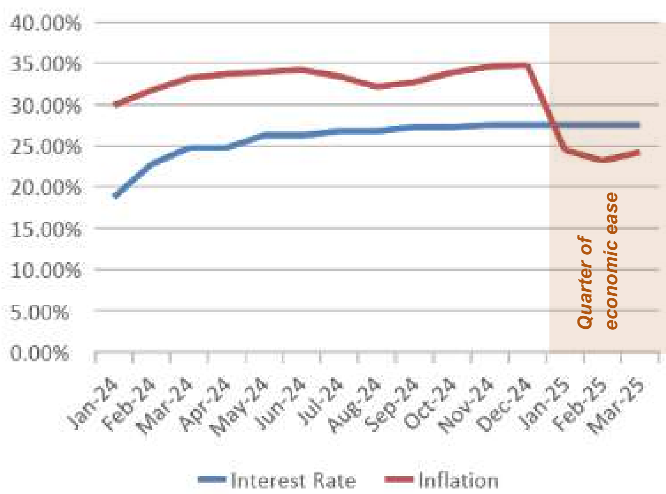
The National Bureau of Statistics rebased the Consumer Price Index in January 2025, adjusting the basket to reflect updated spending patterns. Notably, it reduced the weight of food items, which contributed to a sharp fall in reported inflation. Headline inflation dropped from 34.80% in December 2024 to 24.23% by March 2025. While this reflects improved conditions, some of the decline is due to the statistical adjustment. Monetary tightening also played a key role in moderating price pressures.

Growth Sustained Despite Tight Monetary Policy

Despite a restrictive monetary environment, economic activity improved over two consecutive quarters. The Central Bank of Nigeria raised interest rates six times in 2024, totaling 875 basis points. It paused further hikes in early 2025, holding the rate steady at 27.50%. These policies curbed inflation but increased borrowing costs for businesses. Still, the economy’s continued growth signals resilience and adaptation to tighter financial conditions.

Naira Stability: Strengthened FX Management

Exchange rate stabilization has been a central achievement of recent CBN policies. The naira traded in a managed range of ₦1,500 to ₦1,600 per US dollar in Q1 2025, closing at ₦1,536.32/USD, an appreciation from the previous quarter. This relative stability points to improved FX liquidity and confidence, driven by more transparent market operations and reduced speculative demand. It also reflects improved external inflows, possibly linked to better oil earnings and remittance flows, which have bolstered Nigeria’s foreign reserves.



April – May Highlights (Monetary Policy Rate)

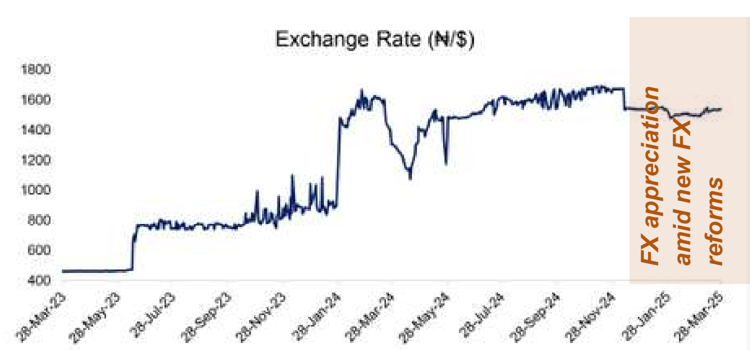
In April, the CBN maintained the Monetary Policy Rate (MPR) at 27.50%, following a 25 bps hike in November 2024. This cautious approach was aimed at curbing inflation and supporting naira stability. Ten-year government bond yields averaged 19.5%, reflecting high inflation expectations and global uncertainties. Inflation eased further to 23.71% in April, driven by agricultural output and a steady naira (~NGN 1,598/USD). The NGX All-Share Index dipped slightly due to global tariff volatility.

April – May Highlights (Market Development)

In May, the CBN retained its MPR and key ratios, citing no strong inflation trend to warrant change. Bond yields slightly declined to 19.3%, aided by domestic pension fund demand. The NGX rose 2.5%, buoyed by the U.S.-China tariff truce and stable oil prices. Foreign investments showed signs of stabilizing, with portfolio flows into banking and consumer goods, and $200 million Chinese investments in the Lagos Free Zone.

Outlook Positive but Global Risks Loom

The Federal Government and CBN project 2025 growth at 4.17%, driven by reforms and macro stability. However, the IMF and World Bank forecast a more modest 3.3% due to ongoing fiscal risks and global headwinds. Key concerns include policy shifts in major economies, especially the U.S. under Trump-era trade posturing. Sustaining growth will require vigilance, credible policies, and responsiveness to shifting global dynamics.



Source: Trading Economics, Certari Research

Nigeria’s Equity Market

May 2025 MPC Decision and Market Impact

In May, the Central Bank of Nigeria decided to keep the benchmark interest rate steady at 27.5%. This pause came after a year of steady increases and reflected some easing inflation and a more stable foreign exchange reserve. The goal was to balance inflation control while supporting economic stability.

The Nigerian stock market reacted with caution. The All-Share Index dipped by 0.62%, wiping about ₦202 billion off the total market capitalization. The banking and oil sectors were the hardest hit, weighed down by high borrowing costs and some investors cashing out profits. Meanwhile, consumer goods stocks like Dangote Sugar and PZ Cussons attracted interest from investors seeking safer havens amid the uncertainty.

Overall, the market showed a mixed mood — cautious but with pockets of resilience in defensive sectors.

June 2025 Market Forecast

Looking ahead to June 2025, the decision to maintain interest rates is expected to support a gradual recovery in the Nigerian equity market. With inflation showing signs of easing and a relatively stable foreign exchange environment, investor confidence should improve.

The consumer goods and banking sectors are likely to lead gains, driven by steady corporate earnings and renewed investor interest.

However, risks persist from the continued high borrowing costs and potential volatility in global oil prices. Overall, the NGX All-Share Index could see a moderate increase of 2-4% during June, reflecting cautious optimism in the market.