# RESILIENCE AMID ENERGY SHOCK

October 30, 2026. *Economic Report*

**Global Market**

Q3 2026 combined solid but uneven growth with a fresh energy-price shock. The war involving the US and Iran from late August lifted crude returned above $100 a barrel, which raised domestic prices in all three economies. The Federal Reserve and the ECB responded with rate increases, while China left policy untouched and continue to benefits from its export sector.

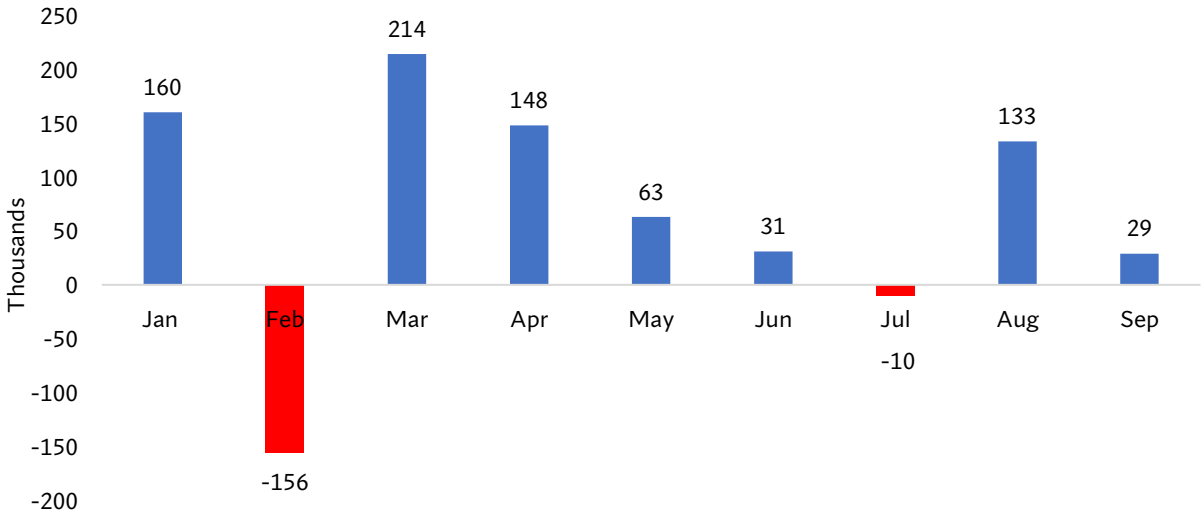
**United States**

US inflation rose at the tail end of Q3 as the energy shock fed into consumer prices. Annual CPI inflation held at 3.4% in both July and August, then rose to 3.7% in September with energy driving the acceleration. The energy index rose 5.2% in September after a 2.1% gain in August, with gasoline up 9.1% on the month and accounting for more than half of the overall increase. Core inflation, which excludes food and energy, eased from 2.5% in July to 2.4% in August (the lowest reading since March 2021), then rose to 2.6% in September, with prices up 0.3% on the month. That increase showed price pressures were not limited to fuel. The September reading, published on October 14, came after the Fed's September 16 rate increase and showed underlying inflation still not moving toward 2% as quickly as the Fed wanted.

That pressure moved the Fed from holding to tightening. At its July 29 meeting it kept the federal funds range at 3.50–3.75% for a fifth consecutive meeting. The Fed then raised the range by 25 basis points to 3.75–4.00% on September 16, in a unanimous 12-0 vote and its first rate increase since July 2023. Sixteen of 18 policymakers expect at least one more increase before the end of the year, which signals that the central bank does not regard the September move as the end of its tightening. We opined this reflect the Fed behavior in achieving its 2% inflation target.

Against the backdrop of rising prices and tighter policy, job growth was uneven, but private employers kept hiring throughout the quarter, adding 28,000 jobs in July, 89,000 in August and 46,000 in September. The swings in total payrolls, which fell by 10,000 in July, rose by 133,000 in August and slowed to 29,000 in September came from government because in July, local government education cut 58,000 jobs, which pulled the total below zero. In August, education regained 42,000 jobs, which lifted the total. In September, government payrolls fell by 17,000, which held the total to 29,000. Government employment is down 216,000 over the past 12 months, which makes it the main drag on job growth.

**US Non-Farm Payroll - 2026**




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

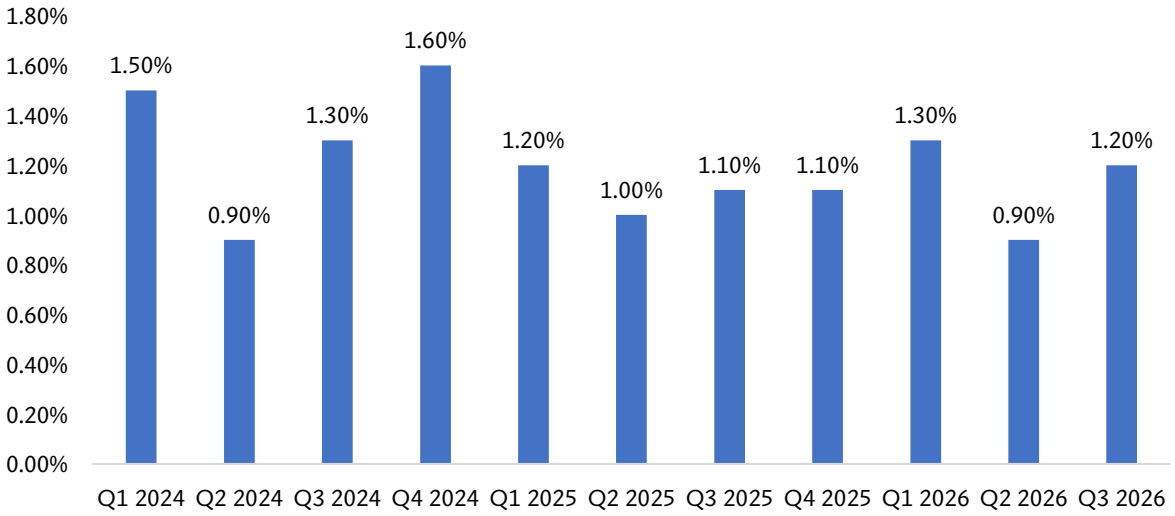
**China**

The People's Bank of China left the one-year Loan Prime Rate (LPR) at 3.0% and the five-year at 3.5% all through the quarter. The pause was due to imported inflation from higher oil prices and the need to stabilise the Yuan. Inflation further shows why it held back. CPI rose by 0.5% in July, 0.8% in August and 0.9% in September, the main cause was energy, as petrol prices were 16.6% higher than a year earlier, and holiday travels before the October break pushed transport costs up 4.3%. Food prices fell for the sixth month in a row, down 1.7% in September, with pork, the largest single item in the food basket, still 10.0% lower on strong supply and weak spending, though the fall had narrowed from 13.9% in July and 11.8% in August.

Since the pressure came from fuel prices and not from household spending, domestic demand remained weak, with retail sales rising by only 1.1% in September. Even at that, the economy picked up from the previous quarter with GDP growing 1.2% in Q3 , up from 0.9% in Q2 and above the 1.1% in Q3 2025.

On exports, the trade surplus widened through the quarter, from about $112.5 billion in July to $119.1 billion in August and $133.5 billion in September, when exports rose 36.3% and imports 31.0%. Shipments to the US rose 39.56% in September, led by chips and electronic components. Strong exports, not consumer spending, are what supported Q3 GDP growth of 1.2% on the quarter

**China GDP Quarterly Trend**



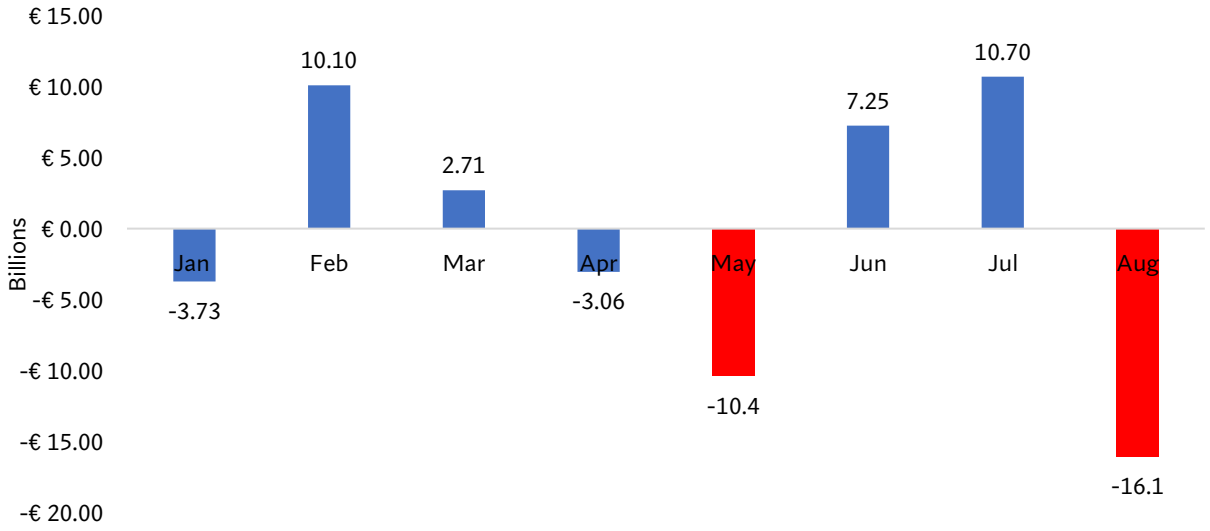

**Euro Zones**

Across the eurozone, inflation remained well above the European Central Bank's (ECB) medium-term target of 2.0%, rising from 2.9% in July to 3.2% in August and 3.8% in September, its highest level since September 2023. Energy drove the increase, with prices up 18.8% year-over-year in September, compared with 14.3% in August, while services inflation edged up to 3.2% from 3.0%, food, alcohol and tobacco to 1.4%, and non-energy industrial goods eased to 1.1%. The acceleration was broad across the larger members. Germany's inflation rose to 3.3% in September from 2.9% in August, France's to 3.4% from 2.6%, Italy's to 4.1% from 3.2%, and Spain's to 5.0% from 4.6%. The highest rates were in Lithuania (6.1%), Bulgaria (5.6%) and Cyprus and Luxembourg (5.2%), while Malta (2.2%) was the lowest.

With inflation already at 3.2% in August and driven by energy, the ECB tightened policy. After raising rates in June and holding them in July, it increased the deposit rate by 25 basis points to 2.50% on September 10, citing energy-driven inflation above 3%.

The same energy costs also hurt the region's trade. The eurozone moved from a goods trade surplus of €10.70 billion in July to a deficit of €16.11 billion in August, the widest since January 2023. Imports grew 19% year-over-year to €243.8 billion, well ahead of the 10% growth in exports to €227.7 billion, as the energy deficit widened to €26.7 billion from €21.3 billion and the machinery and vehicles balance fell from a €7.2 billion surplus to a €0.7 billion deficit. The energy shock that raised prices therefore raised the region's import bill and weakened its manufacturing exports.

**Eurozone Monthly Trade Balance - 2026**




**Sources:** Trading Economics, WSTC Research

**Domestic Economy**

Nigeria's economy strengthened further in Q2 2026 as real Gross Domestic Product (GDP) grew by 4.43% year-on-year (YoY), according to the National Bureau of Statistics (NBS). The performance was higher than the 4.23% recorded in Q2 2025 and represents an improvement from the 3.89% recorded in Q1 2026. This improvement was driven by stronger activity in non-oil sectors and supported a better performance from the oil sector. However, the growth remained uneven among sectors, as industrial-sector growth slowed significantly from 7.46% in Q2 2025 to 3.96% in Q2 2026.

**Oil sector**

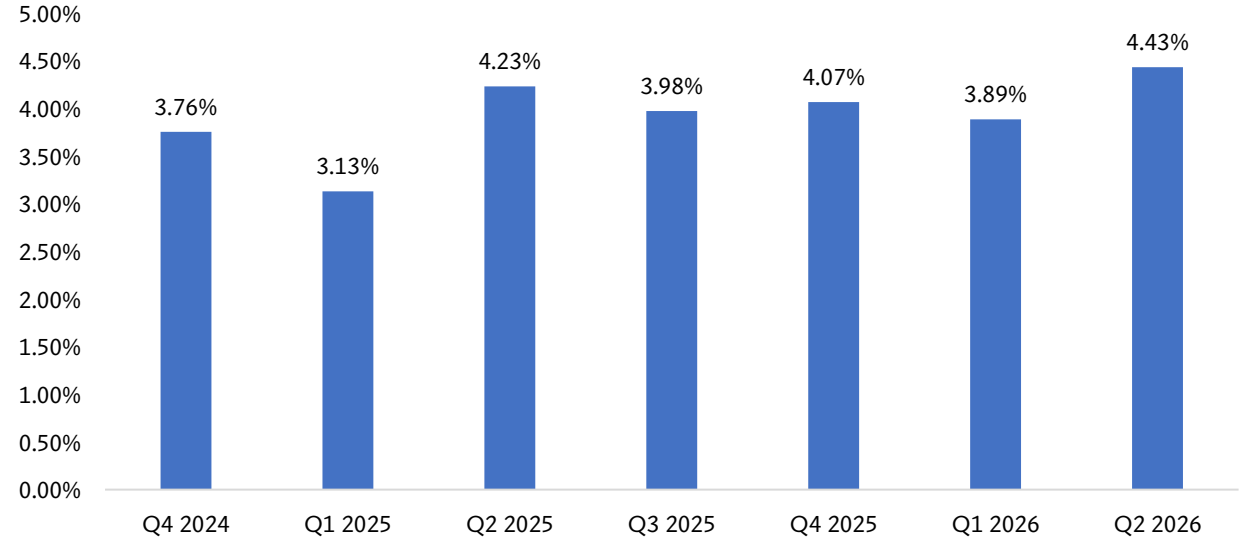
The Oil sector recorded a significant improvement in Q2 2026 as it grew by 7.31% year-on-year, compared with 2.57% in Q1 2026 and significantly lower than 20.46% in Q2 2025. On a quarter-on-quarter basis, the sector expanded by 10.91%. The stronger performance was supported by higher crude oil production as average daily production increased from 1.55mbpd in Q1 2026 to 1.72 million barrels per day (mbpd) in Q2 2026, which also exceeded the 1.68mbpd recorded in Q2 2025. The last time Nigeria had this production level was in Q1 2021 (1.72mbpd). NUPRC attributed the growth to stable production operations across most producing assets and the absence of any major pipeline outages during the period. The increase in production is particularly important for Nigeria given the long-standing challenges around crude theft, operational disruptions and underinvestment in the upstream sector. The oil sector contributed 4.16% to real GDP, slightly above 4.05% in Q2 2025 and 3.92% in Q1 2026. Despite the improvement, oil remains a relatively small component of Nigeria's total economic output.

**Non-Oil Sector**

The non-oil sector remained the main engine of the Nigerian economy as it grew by 4.31% YoY in real terms in Q2 2026. This was higher than the 3.64% recorded in Q2 2025 and the 3.94% recorded in Q1 2026. The sector accounted for 95.84% of real GDP, although this was marginally lower than 95.95% in Q2 2025 and 96.08% in Q1 2026. The NBS identified agriculture (+4.39% YoY), information and communication(+9.62% YoY), real estate (+3.76% YoY), and trade (+2.40% YoY), as the major activities supporting non-oil growth.

Breaking down the Non-Oil performance, the Agricultural sector expanded by 4.39% YoY in Q2 2026, significantly higher than the 2.82% recorded in Q2 2025 and above the 3.15% recorded in Q1 2026. Agriculture contributed 26.15% (Q1 2026: 23.16%) to real GDP during the quarter. The Services sector remained the largest part of Nigeria's economy, accounting for 56.62% of real GDP in Q2 2026 (Q1 2026: 57.73%). The sector grew by 4.60% YoY which is an improvement compared with 3.94% in Q2 2025 and 4.15% in Q1 2026. In contrast, the Industrial sector remains the major area of concern in the Q2 GDP numbers. Industrial growth slowed to 3.96% YoY, compared with 7.46% in Q2 2025 and a marginal improvement from 3.50% in Q1 2026.

**Nigeria GDP Trend**




Sources: Nigeria Bureau of Statistics (NBS), WSTC Research

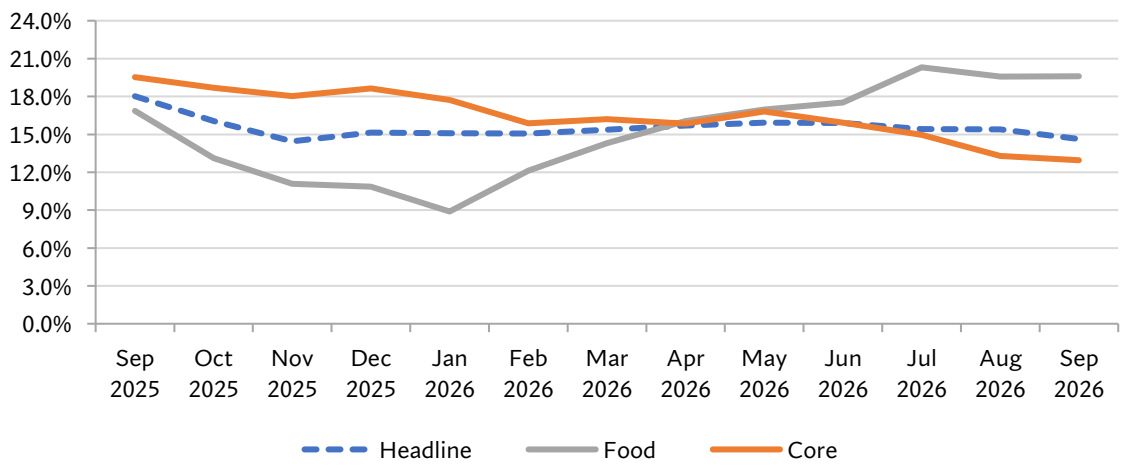
**Domestic Inflation**

Headline inflation maintained a downward trend through Q3, easing from 15.43% in July to 15.39% in August and 14.63% in September, a cumulative decline of 80 basis points. This disinflation was due to the harvest season which improved the supply of staples and eased pressure on food prices. However, fuel prices were rising as Brent crude traded at around $92 per barrel in late July, fell to $88.37 in late August, and topped $107 by mid-September. Locally, The Dangote Refinery's petrol gantry price rose in each month of the quarter. In July, fuel prices went from ₦1,125 to ₦1,215 per litre, rose further to ₦1,265 in August, and reached ₦1,350 by mid September. Despite this, the largest monthly decline in headline inflation, 76 basis points, was recorded in September, the month with the highest fuel prices of the quarter. The harvest season therefore outweighed the pressure from higher fuel prices over the period.

Food inflation remained the main driver of the headline inflation, though it also moderated over the quarter. It declined from 20.31% in July to 19.57% in August, before edging up marginally to 19.59% in September. The July to August improvement reflects the seasonal easing in supply as harvests came to market. The marginal uptick in food inflation in September was due to higher fuel prices, which raised transport and logistics costs and slowed the decline in food prices.

Core inflation declined in every month of the quarter, falling from 14.97% in July to 13.29% in August and 12.95% in September, a cumulative decline of 202 basis points. The naira appreciated throughout the quarter, by an average of 1.18%. A stronger naira reduces the naira cost of imported goods and production inputs, which likely eased price pressures on some core items.

**Inflation Trend**




**Source:** National Bureau of Statistics, WSTC Research

**Financial Markets**

The Nigerian fixed income market experienced a gradual shift in yield expectations during the third quarter of 2026, as the Central Bank of Nigeria (CBN) maintained a tight monetary policy stance in July and August before a significant rate cut in September.

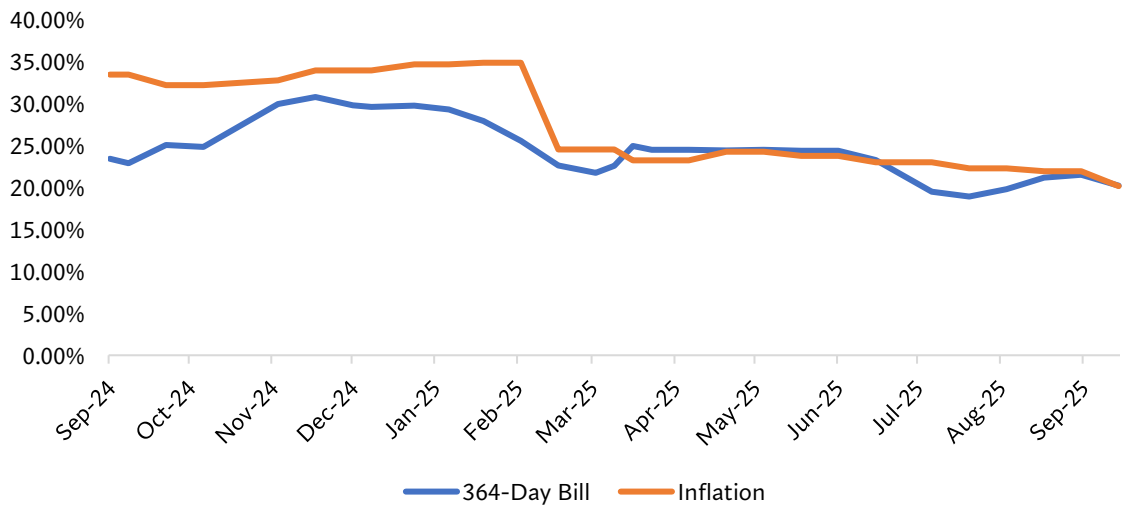
The Monetary Policy Committee (MPC), at its most recent meeting on September 21st and 22nd, reduced the Monetary Policy Rate (MPR) by 350 basis points (3.50%) to 23.00% on the back of a persistent disinflationary environment and stronger external-sector fundamentals (balance of payments and growing external reserves).

In the Treasury bills market, the CBN allotted approximately ₦8.14 trillion across eight auctions during the quarter, which exceeded the ₦5.80 trillion quarterly issuance target by 40.34%. Demand remained particularly strong for the 364-day instrument, which accounted for approximately 87% of total allotments. This preference is proof that investors remained keen to lock in attractive yields for longer, with the expectation of a lower interest rates at future CBN meetings.

The average yield movements trended upward across the tenors. Specifically, the 91-day bill increased by 19 basis points to 16.99% (Q2 2026: 16.69%), the 182-day bill by 22 basis points to 17.88% (Q2 2026: 17.66%), while the 364-day bill increased by 101 basis points to 20.63% (Q2 2026: 19.62%). We are of the opinion that the upward movement in average yields was influenced by increased government borrowing during the quarter.

The CBN also remained active in its liquidity management operations through the Open Market Operations (OMO) market as it conducted 13 auctions during the quarter. Notably, on August 12, 2026, the CBN expanded access to OMO securities to all eligible investors, including individuals, corporates and non-bank financial institutions, through deposit money banks. Meanwhile, the average OMO yield declined to 20.72% (Q2 2026: 21.68%).

**T-bill Yields Vs Inflation**




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

**Equities Market**

The equities market continued its bullish run in the third quarter of 2026, although the pace of appreciation moderated from the 13.98% gain recorded in Q2 2026. The All-Share Index (ASI) advanced by 9.50% during the quarter and brought its year-to-date (YTD) return to 61.43%. This translated to a ₦15.89 trillion increase in market capitalisation, which rose to ₦163.10 trillion, while the ASI closed at 251,211.67 points as of September 30, 2026.

The quarter began with a recovery in July, when the ASI gained 6.92%, reversing the 8.37% decline recorded in June. The rebound was on the back of renewed buying interest following the previous month's sell-off, as investors repositioned ahead of the release of half-year 2026 earnings and potential dividend announcements. However, the rally lost momentum in August, as the ASI declined by 0.44%. The market experienced profit-taking following the substantial gains recorded earlier in the year, alongside investors' growing need to preserve liquidity ahead of the Dangote Petroleum Refinery IPO. The offer encouraged some investors to raise cash by reducing existing equity positions, adding to selling pressure across the market.

In September, the market regained positive momentum as the ASI appreciated by 2.87% as investors found the market attractive again and positioned for the banks' half-year results and potential dividend declarations. During the month, FTSE Russell also transitioned Nigeria to frontier market status, effective September 21, 2026.

Sector performance was mixed, with four of the seven sectors posting gains. The Banking sector led with a 31.01% gain, driven by renewed interest in banking stocks, especially the FUGAZ group, with notable advances in First HoldCo (179.55%), Access Holdings (38.18%), Zenith Bank (27.56%), UBA (19.61%) and GTCO (8.20%). The Consumer Goods sector recorded the weakest result at a decline of 11.67%, weighed down by notable declines in BUA Foods (19.00%) Unilever Nigeria (16.75%) and Nesle (7.20%).

**Sectorial Performance**

| Description | Q3 2026 |
|---|---|
| All-share index (ASI) | 9.50% |
| Banking Index | 31.01% |
| Telco Index | 24.60% |
| Oil & Gas Index | 22.99% |
| Industrial Index | 2.73% |
| Insurance Index | 1.00% |
| Agricultural index | 10.68% |
| Consumer Goods Index | 11.67% |

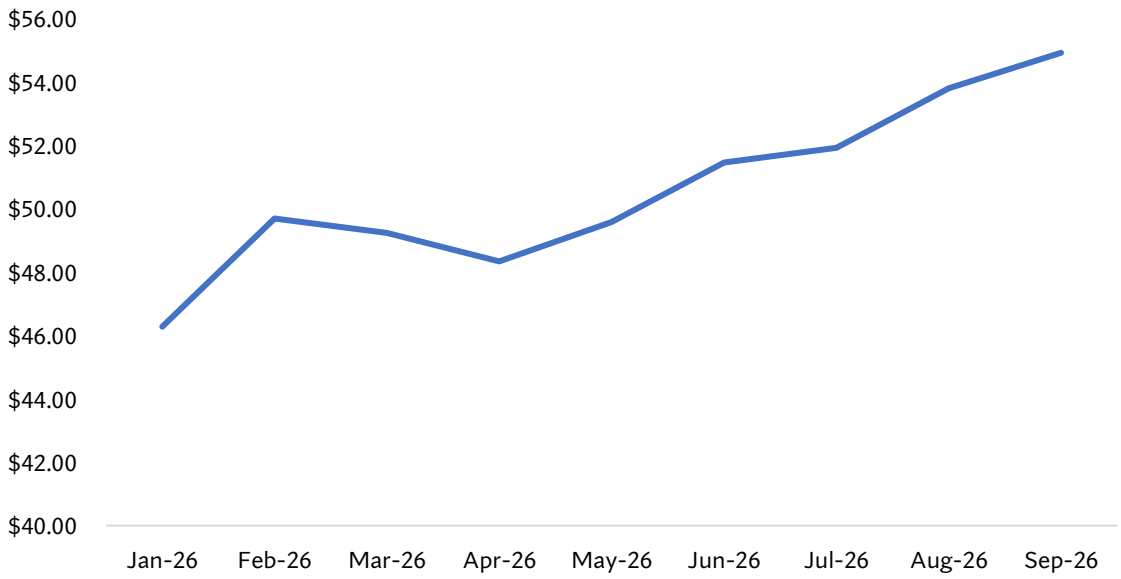
**Sources:** NGX, WSTC Research

**External Reserve and Foreign Exchange Market**

Nigeria's external position strengthened further during the third quarter of 2026 and continued to provide support for the Naira. Gross external reserves rose by 7% quarter-on-quarter (QoQ) from $51.46 billion at the end of June to $54.93 billion at the end of September.

The growth in reserves value was driven by an improvement in external-sector fundamentals, including foreign exchange inflows and remittances. The stronger reserve position coincided with relative stability in the foreign exchange market as the official Nigerian Foreign Exchange Market (NAFEM) rate appreciated by 4% from N1,379.68/$ Q2 2026) to N1,329.16/$1 (Q3 2026). This evidenced that the exchange rate benefited from improved foreign exchange supply and confidence in Nigeria's external position.

**External Reserve Trend**




Sources: CBN, WSTC Research

**Outlook**

*Global Economy*

The U.S. is expected to remain in a tightening cycle through the end of 2026. There could be a chance of another 25 basis point increase at the Fed's December meeting, and the Fed is expected to stay cautious with no forward guidance. Inflation is expected to stay elevated while energy prices remain high, which supports further tightening, and higher borrowing costs should weigh on hiring and household spending in the months ahead. The path from here will depend on whether energy prices ease enough for inflation to cool, and whether the labour market holds up under higher rates.

China's outlook is for a steady but unspectacular close to the year. The PBOC is expected to keep its lending rates unchanged and rely on targeted support, and fiscal measures are expected to reach the economy gradually, giving a modest improvement in growth in Q4. Exports are likely to slow as the surge from shipments brought forward ahead of the holiday unwinds, which would remove the main support for growth. Producer prices should stay elevated while consumer inflation remains low, so pressure on margins is likely to continue. A lasting recovery will hinge on stronger household spending.

The ECB is expected to raise interest rates again in December, and government borrowing costs have already risen, which makes loans more expensive for businesses and households even before the ECB acts. Inflation is expected to stay well above target while energy prices remain high, and the ECB has warned of upside risks to inflation and downside risks to growth. The trade balance is likely to stay weak if the energy import bill remains large and manufacturing exports stay soft, and a leadership change at the ECB early next year adds further uncertainty. The region's outlook will depend on whether energy prices ease and whether industrial exports recover.

**Outlook**

*Domestic Economy*

The Q2 GDP report provides evidence that the economy is gaining momentum on the back of higher oil production, improved agricultural activity and continued resilience in the services sector. The increase in crude oil production to 1.72mbpd is particularly encouraging, as sustained higher production could provide additional support to government revenue, foreign exchange liquidity and external reserves.

However, the industrial sector remains a major constraint. The slowdown in industrial growth from 7.46% to 3.96% suggests that structural supply-side challenges remain unresolved.

The outlook for the year 2026 will therefore depend on whether the improvement in oil production can be sustained and whether stronger activity begins to spread into manufacturing, construction and other important sectors.

Overall, we expect the Nigerian economy to maintain its improving growth trajectory through FY 2026. Taking these aforementioned factors into account, we project FY 2026 real GDP growth at approximately 3.70%, with the upside dependent on sustained improvements in oil production and continued strength in the non-oil economy.

*Domestic Inflation*

Headline inflation is expected to trend lower in Q4. The harvest should keep food prices contained in the near term and oil prices should remain stable barring any further escalation of the war, which would keep pump prices steady and limit the transport costs that feed into food and core prices. The pace of decline is likely to be gradual, because festive-season demand towards December may lift food prices temporarily.

*Fixed Income Market*

We expect the fixed income market to adjust gradually to the CBN's new MPR rate (23.00%), with Treasury bill and OMO bill yields likely to remain sensitive to liquidity conditions, government borrowing requirements and expectations surrounding future monetary policy decisions. The 3.50% reduction in the MPR to 23.00% creates room for further rate cuts, particularly if inflation continues to decline and other macroeconomic conditions remain relatively stable in the economy.

In our view, we expect investors to continue leaning towards longer fixed income instruments to lock in attractive yields before any further potential rate cut.

*Equities Market*

We expect the equities market to remain broadly positive, supported in Q4 2026 by corporate earnings releases for Q3 2026, and portfolio rebalancing which will reallocate funds from fixed-income securities into equities following the September rate cut.

However, after the significant YTD gain, we can expect some profit-taking through the quarter, particularly in stocks that have recorded significant price appreciation.

*Foreign Exchange Market*

We expect the naira exchange rate, both the NAFEM and the parallel rate, to remain relatively supported in Q4 2026, underpinned by continued accretion in external reserves (Net Reserves of ~$46 bn as of October 2026. With a continued improvement in oil production and remittance to the federation account, stronger remittance inflows, and sustained FX market surveillance by the Central Bank. The Naira is expected to remain stable through 2026.

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- Hold Rating: estimated change in price is between -10% and 19% of current market price.
- Sell Rating: estimated change in price is ≤ -10% of current market price.

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WSTC Securities Limited has its registered office at 2, Maitama Sule Street, South-West Ikoyi, Lagos, Nigeria.

Email: research@wstc.com.ng
Website: www.wstc.com.ng
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