verivAfrica

NIGERIA MACROECONOMIC OUTLOOK 2026

Pursuing Growth Amidst Uncertainties

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Executive Summary

Life can only be understood backwards; but it must be lived forwards
– Søren Kierkegaard

On the road to 2026, Nigeria finds itself in a more uncertain world, notwithstanding the raft of reforms undertaken internally in 2025. Trade relations continue to sour, the geopolitical environment remains more fluid than ever, and new threats continue to emerge, both internally and externally.

As the world continues to evolve, Nigeria's policymakers at the national and subnational levels must implement recently-completed reforms and seek new reforms to unlock other critical sectors of the economy. This macroeconomic outlook combines data-driven forecasts with an analysis of real-world dynamics and the underlying factors that shape them. It discusses opportunities and key headwinds, and proffers solutions on navigating these headwinds and unlocking dormant sectors of the economy.

The State of Play

Global growth slowed sharply in 2025

Global growth slowed sharply in 2025 as escalating trade disputes and tariff threats disrupted supply chains and investor confidence. The world economy is expected to grow by only about 2.5%, putting 2026 on track to be one of the decade's hardest years, apart from the pandemic slump.

Internally, the Nigerian economy witnessed a continued raft of reforms and impressive growth. The passage of key reforms in monetary policy, the energy sector, and taxes was a welcome development. The country maintained a positive trade balance, recorded improved tax receipts, experienced decreased inflation, and reduced its debt service burden. However, key risks remain, including a continued borrowing spree, worsening insecurity, and excessive dependence on crude oil, with consequences for fiscal and monetary policy stability.

Heading into 2026, we expect continued improvement in the domestic economy, driven by increased tax receipts, improved oil production, declining inflation, and a positive trade balance. However, key headwinds remain, including an unpredictable global trade environment, increasing foreign policy and geopolitical challenges, insecurity, and limited transmission of improved economic outcomes to the general populace.

At the global level, the global economy faces significant tests. The continued spate of tariffs, counter-tariffs, and other trade barriers poses tremendous challenges to international trade heading into next year. In addition to trade, key geopolitical developments, especially tensions in the Middle East and Ukraine, could further impact growth in global trade.

The key recommendations for the government include increased absorption of the informal economy, significant investments in electricity and other infrastructure to reduce the cost of doing business, improved investments in the non-oil sector, and completion of key reforms, especially land reforms, to unlock the agricultural industry.

Global Economic Outlook and Risks

01

1.1 Overview of the Global Economic Landscape

The global economy faced significant headwinds in 2025, driven by high levels of uncertainty in trade relations. Repeated threats of tariffs, counter-tariffs, and other anti-trade activities significantly impacted trade and global growth. The 2.5% growth expected at the end of 2025 is billed to be one of the lowest in the past decade, save for temporary contractions during the pandemic. Key growth centres in Asia and Europe experienced decreased activity as a result of general uncertainty in the USA, alongside other internal factors. The forecast for 2026 remains pessimistic, with merchandise trade expected to contract to 0.5% in 2026 (down from 2.5% in 2025) and trade in services expected to decline from 4.6% to 4.4%[1]

While trade contracted due to souring trade relations, other key metrics, such as inflation, significantly improved. Central banks around the world maintained tight monetary policies, which helped ease inflationary pressure in both developing and developed countries.

Global debt levels remained stable, with a slight decline in private debt and relatively similar increases in public debt. Overall, debt-to-GDP ratios remained within 2024 limits. However, the cost of capital differed, with developing and emerging economies paying multiples of the rates paid by developed countries. This development resulted in thinner budgets for vital human capital programs and stalled infrastructure development.

In addition to trade and the macroeconomy, key geopolitical tensions persisted and are expected to continue into 2026. The Israel-Hamas war took a further ominous turn, with large-scale destruction throughout most of the year, further culminating in a war with Iran and attacks on Qatar. While the fragile US-backed ceasefire continues to hold, vital questions and risks remain heading into 2026. Other tensions, including the Russia-Ukraine war, remain intractable and could go either way in the coming months.

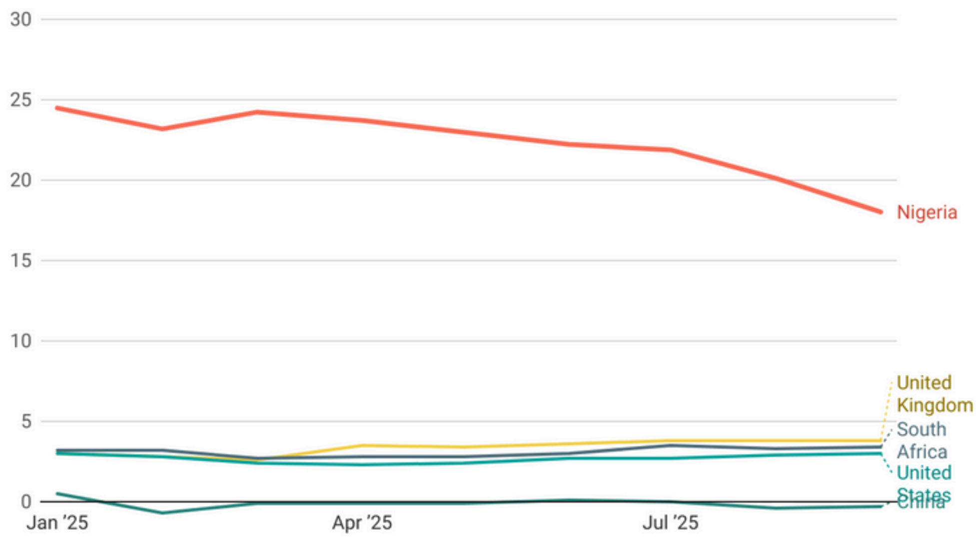
Going into 2026, the broader economic environment remains highly uncertain, with key indicators pointing to a fluid and unpredictable outlook.. The US, a key driver of global demand and growth, continues to threaten trade wars and use tariffs as an instrument of economic and foreign policy. The uncertainty around the next targets, duration, and impact of these tariffs casts a major cloud on global trade and economic growth in 2026. Other factors, including geopolitical tensions and the potential for supply shocks in key commodity-producing regions, could worsen the outlook for 2026.

1.2 Inflation Dynamics Worldwide

The IMF projects that global inflation will average 4.2% in 2025, although significant differences persist between developed and developing economies. While inflation has moderated in most advanced economies, several emerging and developing countries

[1] World Trade Organization. Global Trade Outlook and Statistics.
[2] https://www.imf.org/external/datamapper/PCPIPCH@WEO/WEOWORLD?year=2024

Figure 1: Inflation in Selected Economies, M1 2025-M9 2025



Source: CBN (2025)

continue to experience high and persistent price pressures. In particular, many African and South American economies face double-digit inflation rates, primarily driven by currency depreciation and structural weaknesses.

In advanced economies such as the United States, headline inflation has remained relatively moderate, fluctuating between 2.3% and 3% in 2025. In the United Kingdom, inflation has averaged around 3.37% between January and September 2025. Conversely, China has faced periods of deflation in six different months, with the inflation rate standing at -0.3% in September 2025, largely driven by industrial overcapacity and weak domestic demand.[3] In Africa's largest economy, South Africa, inflation has ranged between 2.7% and 3.5% in 2025, peaking at 3.5% in July. According to the South African Reserve Bank, key contributors to inflation during the year include rising electricity tariffs, food prices, and fuel costs.[4]

According to the United Nations,[5] annual global inflation remains above pre-pandemic levels in approximately 65% of all countries, with core inflation remaining stubbornly high in advanced economies and food inflation persisting across developing regions. New tariffs introduced by the Trump administration, alongside retaliatory trade measures from other countries, are expected to further heighten global inflation, on average, by increasing trade policy uncertainty, import costs, and supply chain disruptions.

1.3 Monetary Policy Developments

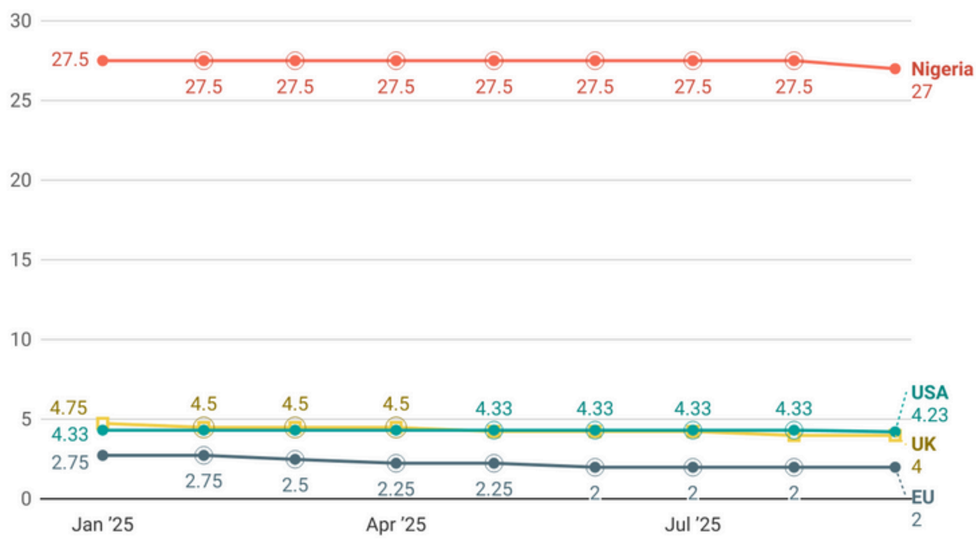
Globally, monetary policy is navigating the shifting terrain of post-pandemic inflation, supply chain disruptions, and geopolitical risk. Inflation is gradually easing in many

3 https://www.reuters.com/world/asia-pacific/chinas-annual-consumer-producer-prices-remain-negative-september-2025-10-15/

4 https://www.resbank.co.za/en/home/publications/publication-detail-pages/statements/monetary-policy-statements/2025/september#:~:text=Moving%20to%20prices%2C%20headline%20inflation,the%20inflation%20outlook%20as%20balanced.

5 https://www.un.org/en/desa/navigating-through-inflationary-world

Figure 2: Base Interest Rates (January 2025-September 2025)



Source: CBN (2025)

developed countries, as post-pandemic surges have steadily declined. Global GDP growth is projected to average 3.2%[6] in 2025, according to the IMF, with significant heterogeneity across countries. 2025 has seen global monetary policy development shaped by a delicate balance between managing inflation and supporting economic recovery.

In the US, the Federal Reserve shifted towards a more accommodative stance by cutting its target federal funds rate in September 2025, marking the first policy easing after a prolonged period of restraint. The Federal Reserve's decision reflects confidence in the ongoing disinflation and a moderation of inflation expectations. Despite the cut, the Federal Reserve maintained a cautious tone, indicating that future decisions would remain data-driven to balance inflation risks and concerns about an economic slowdown.

In Europe, the European Central Bank (ECB) also eased monetary policy slightly in mid-2025, lowering its key interest rates by 25 basis points in response to declining inflation and a push to more sustainable growth. By October 2025, the ECB kept its deposit, refinancing, and marginal lending rates unchanged at 2.00%, 2.15%, and 2.40%[7] respectively. The institution also emphasised the continued use of its Transmission Protection Instrument (TPI) to maintain the effectiveness of monetary policy across member states, given the varying fiscal positions and inflation dynamics within the bloc.

In Nigeria, the CBN maintained a tight monetary policy stance for most of 2025, keeping the Monetary Policy Rate (MPR) at 27.5% to contain inflation and stabilise the naira. However, in September 2025[8] the CBN made its first policy rate cut in several months, reducing the MPR by 50 basis points to 27.0%. The decision reflects a steady decline in inflation, more firmly anchored inflation expectations, and the need to stimulate economic activity after several quarters of tight liquidity. The Bank also

6 https://www.aa.com.tr/en/economy/imf-raises-global-growth-forecast-to-32-for-2025/3717126

7 https://www.ecb.europa.eu/press/pr/date/2025/html/ecb.mp251030~cf0540b5c0.en.html

8 https://www.cbn.gov.ng/Out/2025/CCD/Final%20MPC%20Communique%20No.%20159%20September%2023%202025.pdf

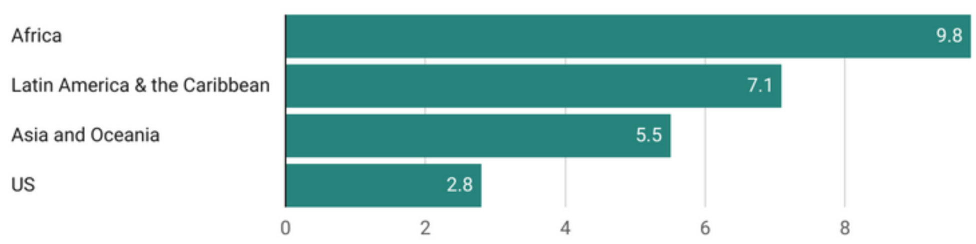
adjusted the cash reserve ratio (CRR) for commercial banks from 50% to 45%, while maintaining the liquidity ratio at 30%, signalling a gradual move toward monetary easing.

The global monetary landscape highlights divergent policy priorities across economies. The United States has entered a moderate easing cycle to support employment and sustain growth, the ECB has paused further cuts as inflation nears its target, and Nigeria is cautiously shifting toward easing after prolonged tightening to curb inflation and stabilise the exchange rate. The UK has also witnessed cuts in the base interest rate, which is currently at 4%. These varying approaches highlight the distinct macroeconomic realities faced by different economies, underscoring the complex trade-offs between price stability, currency management, and economic growth in a post-reform global environment.

1.4 Trends in Public Debt

Global public debt remained largely unchanged from 2024 levels, with private debt decreasing slightly and public debt increasing to fill the gap. Overall, the global debt-to-GDP ratio remained at about 235%, according to the IMF's Global Debt Database.[9] These relatively elevated levels can be attributed to several factors. First, higher interest rates have increased the cost of debt servicing. Second, sustained expenditure on social benefits and subsidies has persisted, particularly as deteriorating trade relations and rising business costs exert additional fiscal pressure on the economy of the affected states. Finally, defence spending has expanded in response to an increasingly fragile global environment. While overall public debt increased slightly, the cost of debt and the debt burden on countries differed significantly. Developing countries, particularly in sub-Saharan Africa, continue to face substantial debt servicing costs and borrowing expenses, which affect public spending on other crucial sectors, including education and healthcare. On average, the cost of capital for many African countries was 3.5 times that paid by the USA and nearly twice that paid by countries in Asia and Oceania. In addition to differences in risk perception, which affect borrowing costs, the relatively tight monetary policies of many creditor countries have continued to impact borrowing costs among African countries. As rates decline, these costs might ease.

Figure 3: Bond Yields Across Regions and Countries.



Source: UNCTAD

[9] IMF Global Debt Database. https://www.imf.org/external/datamapper/datasets/GDD
[10] UNCTAD. Global Trade Report. https://unctad.org/news/global-trade-25-second-quarter-track-record-highs-2025
[11] World Trade Organization. Global Trade Outlook and Statistics. https://www.wto.org/english/news_e/news25_e/stat_07oct25_e.pdf

1.5 Global Trade Patterns

Global trade witnessed one of the highest levels of uncertainty in recent years, driven by repeated threats of tariffs, counter-tariffs, and other anti-trade measures from governments around the world. Nonetheless, the first half of the year saw significant levels of resilience, with over $500 billion worth of growth in the first half of the year, and 2.5% growth (quarter on quarter) in the second quarter.[10] The World Trade Organisation raised its initially pessimistic forecast for 2025 merchandise trade from 0.9% to 2.4% as some of the major tariffs threatened by the US and other countries were suspended.[11]

However, the forecast for 2026 remains dim. In its latest update, the World Trade Organisation decreased its forecast for 2026 merchandise trade from 1.8% to 0.5%, citing the continued risk of uncertainty surrounding trade policies in many countries. Key drivers of the global economy, especially the USA, remain mired in trade wars or the threat of one, with other countries around the world. In the absence of clear trade agreements with governments and the continued threat of tariffs, the forecast remains dim but evolving.

Beyond the risk of tariffs and responses from other countries, there are unresolved geopolitical tensions that continually threaten global trade. The Israel–Hamas war rippled beyond the conflict zone, unsettling trade routes across the Mediterranean as Houthi attacks on passing vessels disrupted shipping and raised security risks. Continued tensions in the Middle East and other key geopolitical flashpoints could impact trade flows, increase commodities prices, and worsen an already bad trade environment.

Figure 4: Quarterly Growth in Global Trade.

Source: UNCTAD

[10] UNCTAD. Global Trade Report. https://unctad.org/news/global-trade-25-second-quarter-track-record-highs-2025

[11] World Trade Organization. Global Trade Outlook and Statistics. https://www.wto.org/english/news_e/news25_e/stat_07oct25_e.pdf

Developments in the Domestic Economy, 2025

02

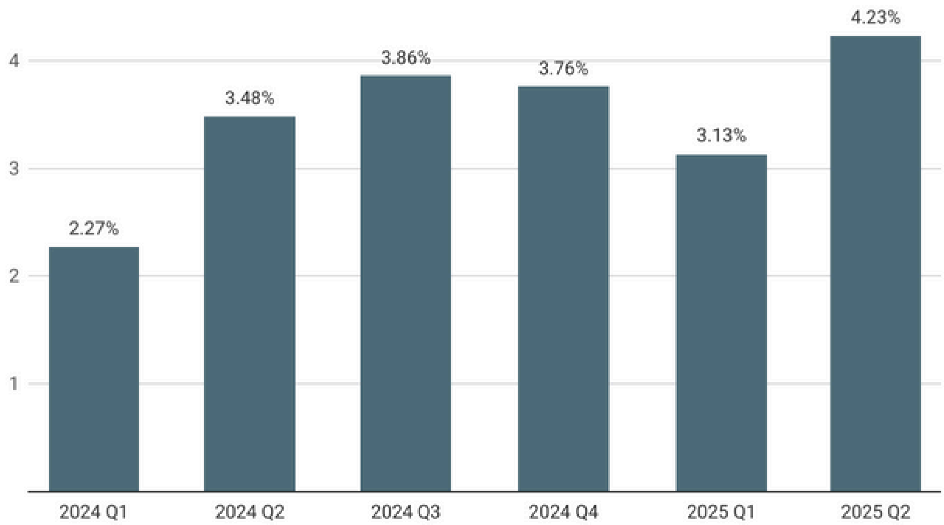
2.1 Overview of the Nigerian Economy in 2025

In 2025, the Nigerian economy has been shaped mainly by the continuation of key structural reforms initiated in 2023 and 2024—most notably, the removal of fuel subsidies and the unification of foreign exchange rates—aimed at guiding the economy toward a more sustainable equilibrium. During the year, the CBN maintained a tight monetary policy stance, which contributed to an increase in FPI inflows and helped to ease pressure on the naira. From January to September 2025, headline inflation averaged 22.31%, reflecting persistent yet easing price pressures. Meanwhile, GDP growth averaged 3.68% in the first two quarters of the year, buoyed by ongoing policy reforms, as well as the rebasing and recomputation of GDP. The naira exhibited relative stability, with volatility declining compared to previous years. The IMF projects Nigeria's GDP to grow by 3.4% in 2025, supported by a robust services sector and higher oil production. Similarly, in the 2025 Macroeconomic Outlook, Veriv Africa projected that Nigeria's GDP will average 3.64% in 2025.

2.2 Real Gross Domestic Product (GDP) Growth

Nigeria experienced an average year-on-year GDP growth of 3.13% in Q1 2025 and 4.23% in Q2 2025. These numbers represent a 0.86 and 0.75 percentage point increase, respectively, when compared to Q1 2024 and Q2 2025. The service sector has remained the primary driver of GDP, contributing 57.50% in Q1 2025 and 56.53% in Q2 2025.

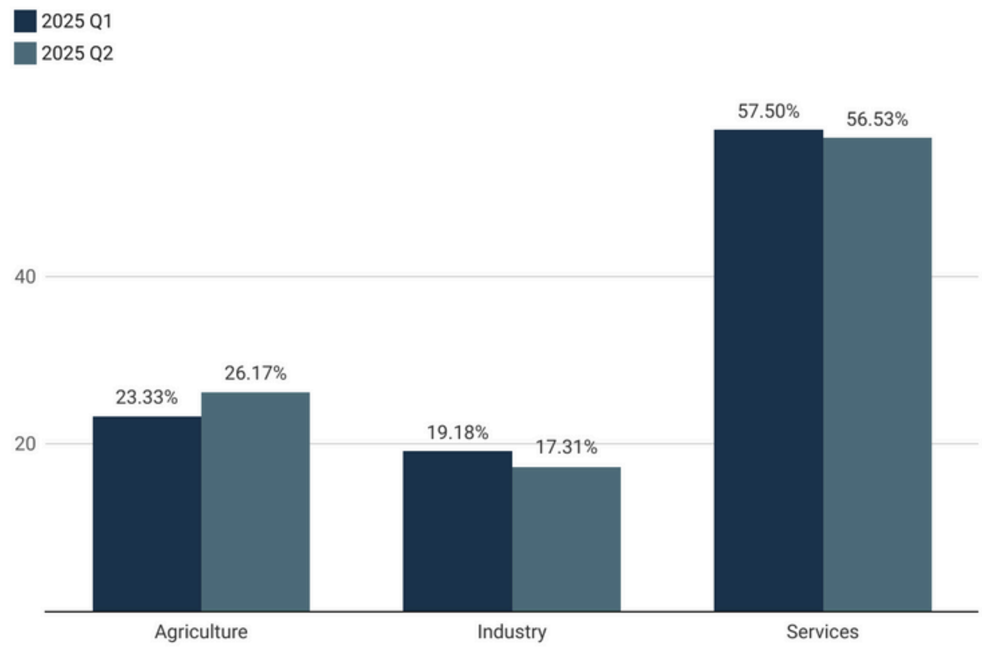
Figure 5: GDP Growth (Q1 2024-Q2 2025).



Source: NBS (2025)

The agricultural sector's contribution to GDP rose by 2.84 percentage points from 23.33% in Q1 2025 to 26.17% in Q2 2025. Moreover, the industry's contribution to GDP was 17.31% in Q2 2025, a decline from the 19.18% recorded in Q1 2025.

Figure 6: Sector Contribution to GDP



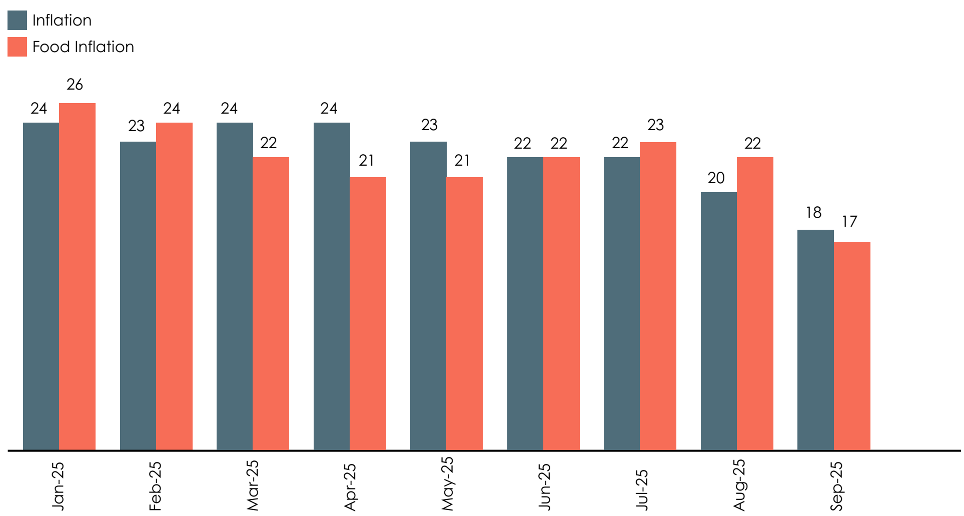
Source: NBS (2025)

2.3 Inflation Trends and Analysis

A combination of structural factors and shocks has shaped Nigeria's inflation in 2025. The major drivers include high transportation costs, exchange rate pressure, and insecurity, all of which continue to exert pressure on prices. Although seasonal harvests have provided temporary relief in food prices, other inflationary pressures have persisted, sustaining the overall high inflation numbers.

The removal of fuel subsidies in 2023 resulted in a permanent increase in transportation costs, which significantly contributed to the surge in inflation during that period. While the direct impact of this policy has moderated, its structural effect remains embedded in the overall price level. In addition, the high exchange rate has raised the cost of imports, fuelling inflation across various sectors. Moreover, conflicts in food-

Figure 7: Headline Inflation and Food Inflation (M1 2024-M9 2025).



Source: CBN (2025)

producing states in Nigeria, have created supply-side constraints that fed into higher prices.

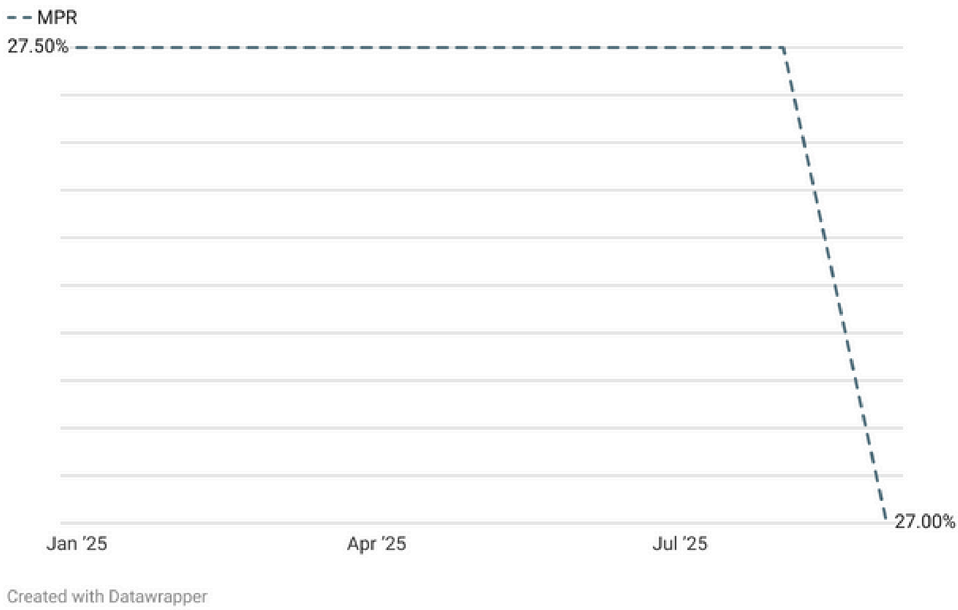
Despite these challenges, Nigeria's inflation rate has shown signs of moderation, easing for the sixth consecutive month to 18.02% year-on-year—a 2.1 percentage point decline from the August figure. While food prices have moderated due to seasonal harvests, the notable decline in the inflation rate compared to 2024 levels is also largely attributed to the recent rebasing of the Consumer Price Index (CPI).

The rebasing exercise, which updated the base year from 2009 to 2024, incorporated new consumption patterns and emerging sectors into the inflation basket, resulting in a more representative but lower overall inflation figure. In 2025, food inflation peaked in January but recorded two consistent declines in July and August, dropping to 16.87% in September 2025.

2.4 Monetary Policy Developments in Nigeria

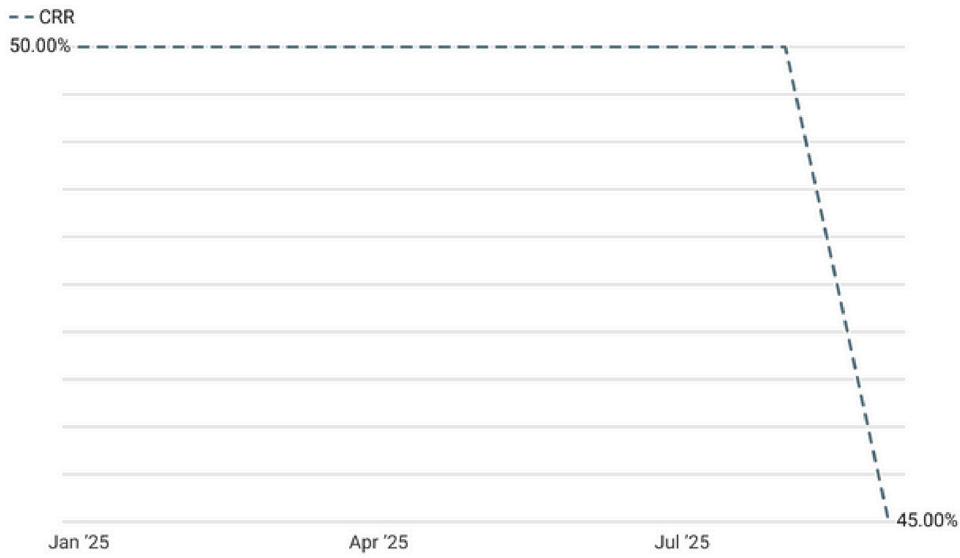
In September 2025, the CBN implemented its first MPR reduction of the year, lowering the rate to 27.0%, a 50-basis-point decrease from the previous rate of 27.5%. Concurrently, the standing facility corridor was adjusted to +250/-250 basis points around the MPR. The CRR for commercial banks was reduced to 45% from 50%, while that of merchant banks was retained at 16%. The liquidity ratio remained unchanged at 30%, although a 75% CRR was introduced on non-Treasury Single Account (TSA) public sector deposits. Sustained disinflation trends primarily drove the policy adjustments, as well as favourable inflation projections for the remainder of the year, and the need to stimulate economic recovery through improved credit and investment conditions.

Figure 8: Monetary Policy Rate, January 2025-September 2025.



Source: CBN (2025)

Figure 9: Cash Reserve Ratio, M1 2025-M9 2025.



Source: CBN (2025)

2.5 Fiscal Policy and Public Finance

The new administration continued along the path of structural reforms in 2025. In addition to early reforms in fuel subsidies and exchange rates, the administration initiated a comprehensive consolidation of the tax system. Nigeria's lawmakers rolled out four major bills aimed at centralising revenue collection, reducing the tax load on low-income earners and small firms, and plugging leakages in key taxes, including VAT and capital gains tax. The legislative package also aimed to institutionalise consistent reporting practices and eliminate arbitrage opportunities within the corporate sector. The tax regime is expected to commence in January 2026 and is likely to increase tax receipts if fully implemented.

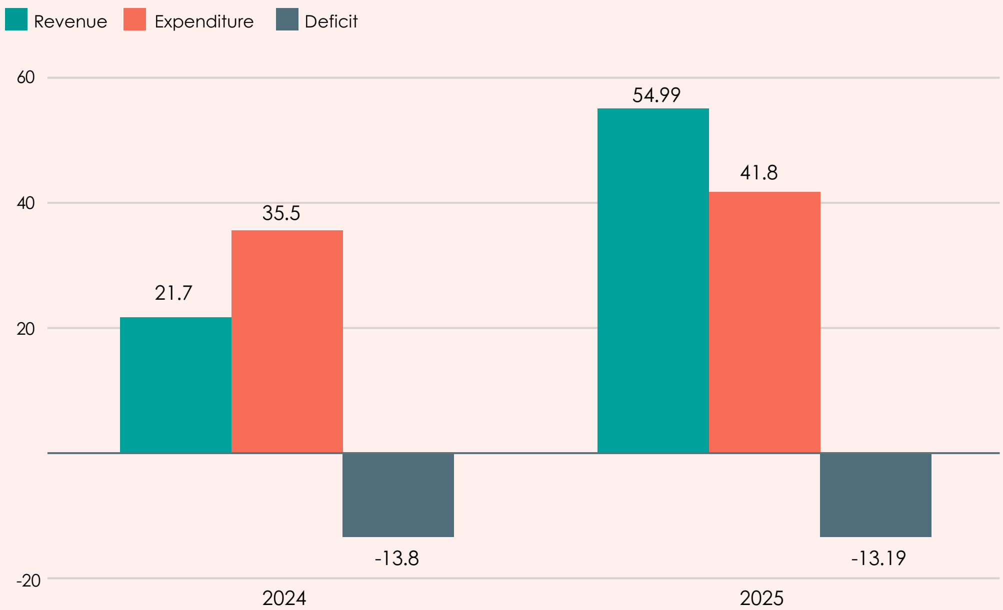
Whether these receipts will compensate for burgeoning expenditures remains to be seen. Nigeria's fiscal health relies on a balance between revenues (acquired from taxes and borrowings) and expenses (including debt servicing, non-debt expenditures, and capital and recurrent expenditures). In 2024, the federal government earned over ₦21.7 trillion[12] in revenues and budgeted over ₦28.7 trillion in expenditure, followed by a supplementary budget of ₦6.2 trillion in further spending. In 2025, under the approved budget for the year, the federal government expects to spend over ₦54.99 trillion, with a projected revenue of ₦41.8[13] trillion leaving a deficit of ₦13.19 trillion. Although revenues are expected to rise substantially due to higher oil production and stronger tax inflows, the government's expenditure surge continues to widen budget deficits.

The continued increase in expenditure and failure to dramatically reduce deficits mean that, notwithstanding the rapid growth in revenues, borrowings continue to increase. Nigeria's total outstanding debt at the end of Q2 2025 was estimated to be ₦152.3 trillion

[12] Federal Inland Revenue Service. 2024 Tax Statistics. https://www.firs.gov.ng/tax-resources-statistics
[13] Budget Office. https://budgetoffice.gov.ng/index.php/resources/internal-resources/budget-documents/2025-budget

($99.6 billion)[14]. The country's debt has grown steadily over the past quarters, rising by over ₦10 trillion between Q3 2024 and Q2 2025. Admittedly, the country's GDP and tax receipts have consistently grown in the same period, with debt-to-GDP projected by the World Bank to reach its lowest levels in recent times at 39.8% by the end of 2025[15]. A continued increase in the country's debt levels, especially at high interest rates, could erode the gains made from the reforms above.

Figure 10: Federal Government Budget 2024-2025.



Source: Budget Office

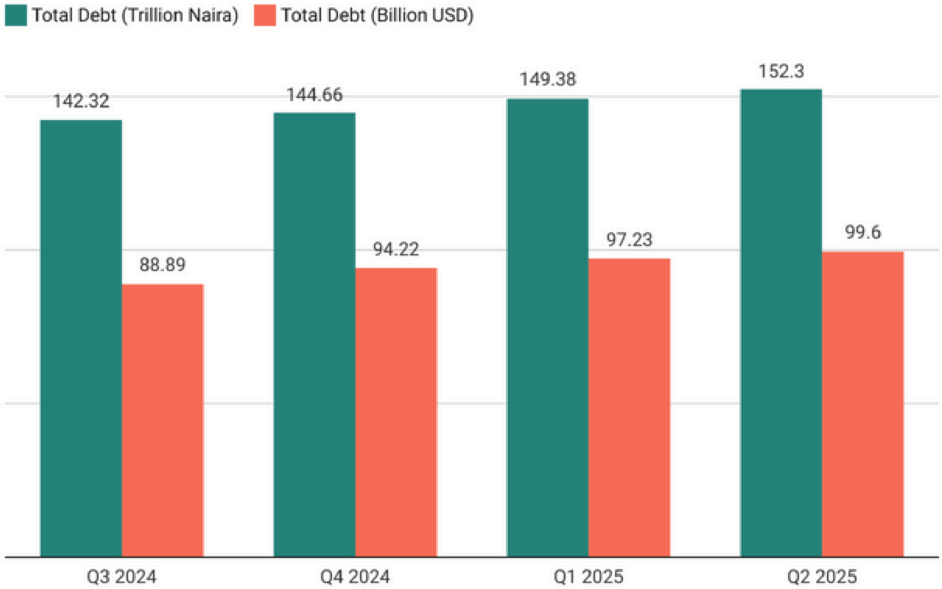
The continued increase in expenditure and failure to dramatically reduce deficits mean that, notwithstanding the rapid growth in revenues, borrowings continue to increase. Nigeria's total outstanding debt at the end of Q2 2025 was estimated to be ₦152.3 trillion ($99.6 billion). The country's debt has grown steadily over the past quarters, rising by over ₦10 trillion between Q3 2024 and Q2 2025.

Admittedly, the country's GDP and tax receipts have consistently grown in the same period, with debt-to-GDP projected by the World Bank to reach its lowest levels in recent times at 39.8% by the end of 2025. A continued increase in the country's debt levels, especially at high interest rates, could erode the gains made from the reforms above.

[14] Debt Management Office. Nigeria's Total Public Debt. https://dmo.gov.ng/debt-profile/total-public-debt/5541-nigeria-s-total-public-debt-as-at-june-30-2025

[15] World Bank: Nigeria Overview. https://www.worldbank.org/en/country/nigeria/overview

Figure 10: Total Outstanding Public Debt in Naira and USD.



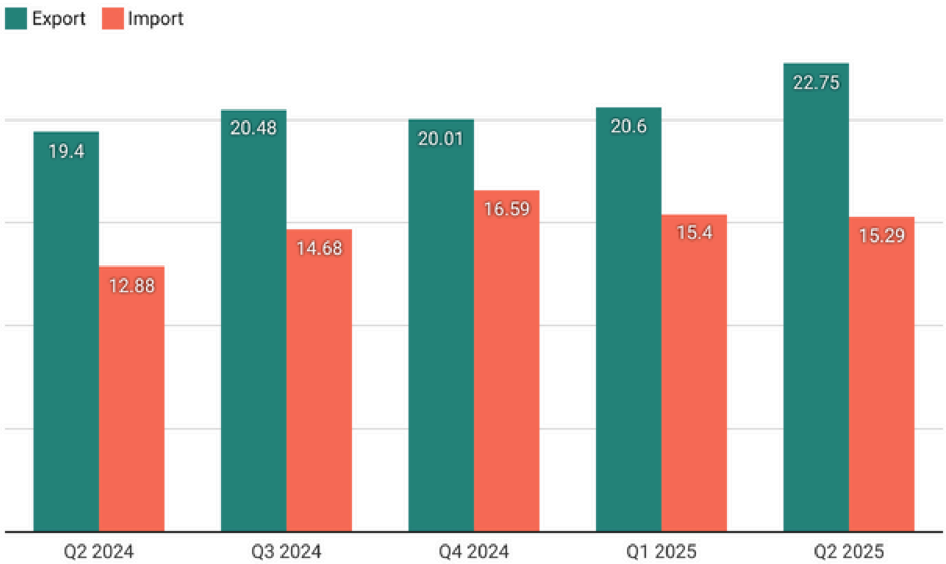
Source: DMO

2.6 External Balances and Trade Dynamics

Nigeria maintained its positive trade balance through the first two quarters of the year. The total value of exports in Q1 and Q2 was reported at ₦20.6 trillion and ₦22.75 trillion, respectively.[16] This continues a trend established throughout 2024, in which Nigeria maintained a positive trade balance.

In the first two quarters of 2025, exports increased by over ₦2 trillion while imports declined slightly, by about ₦100 billion. In both cases, crude oil exports accounted for more than 50% of total exports, further underscoring the country's excessive reliance on crude oil export earnings.

Figure 12: Nigeria's Trade Balance from Q2 2024 to Q2 2025.



Source: NBS

[16] Nantional Bureau of Statistics. Foreign Trade in Goods and Services. https://microdata.nigerianstat.gov.ng/index.php/catalog/84

Heading into 2026, the country is expected to maintain its positive trade balance, with periodic fluctuations in quarterly export and import levels. Similarly, the oil sector is expected to remain the key driver of export growth and the overall trade balance. Key headwinds to look out for include a deteriorating global trade environment, triggered by factors highlighted in previous sections, and a worsening domestic security situation that might impact crude oil production. While several reforms have been either proposed or enacted in other sectors of the economy, their impact is likely to remain relatively small in the coming year. Their implementation could unlock the long-delayed potential of Nigeria's non-oil sector, paving the way for faster, more balanced growth.

2.7 Exchange Rate Movements

The naira exhibited greater stability in 2025, supported by several key factors. The unification of the official and parallel markets, together with a stronger role for market forces in price formation, enhanced transparency and improved price discovery. Additionally, the CBN's tight monetary policy stance has attracted foreign portfolio inflows, easing pressure on the currency.

Figure 13 illustrates that the naira experienced its sharpest depreciation

Figure 13: NFEM Naira-US dollar Exchange Rate, Simple Average.

Source: CBN (2025)

between March and April 2025. For most of the year, the exchange rate remained within the range of ₦1,450 to ₦1,650 per US dollar, reflecting relative stability compared to the previous year. By October 2025, the naira had appreciated modestly, trading at approximately ₦1,422 per US dollar in the official market. In contrast, 2024 was marked by heightened exchange rate volatility, with the naira reaching a peak of ₦1700 in the official market and ₦1,900 per dollar in the parallel market. The reduction in import demand, partly due to the operations of the Dangote Refinery, has also helped conserve foreign exchange. Furthermore, external borrowings provided a temporary boost to foreign reserves. Collectively, these factors have shifted the naira from the high volatility experienced in 2024 to a more stable and predictable position in 2025.

Prospects for the Domestic Economy

03

3.1Projection Methodology Using Veriv Africa's Econometric Models (Vector Autoregressive (VAR) Prediction Model)

Veriv Africa uses a macroeconometric model to estimate real sector projections, reflecting the impact of various factors on forecasting macroeconomic indicators. The projections considered both domestic and crude oil prices, a key factor in global economic considerations. Given the challenges associated with accurate forecasting, three scenarios were developed to provide flexibility in projections. In this section, the macroeconomic variables forecasted are real GDP growth and inflation.

The three scenarios:

Base-case scenario: This represents the business-as-usual scenario. It assumes the basic ceteris paribus (all things equal) principle that the macroeconomic condition remains largely the same with no significant changes.

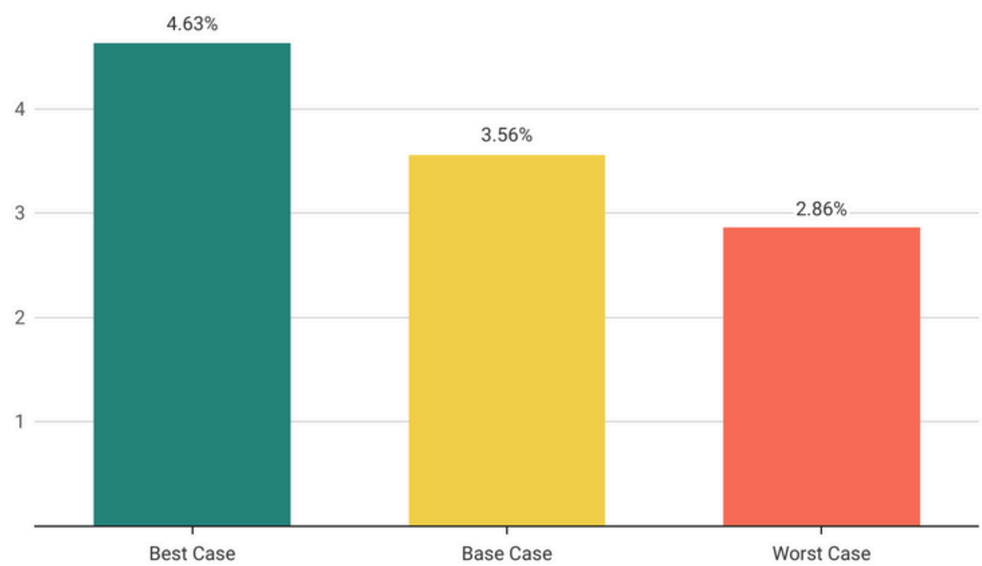
Worst-case scenario: This is slightly pessimistic compared to the base case, representing the bear market scenario.

Best-case scenario: This is the bull case. It is quite optimistic relative to the base case.

3.2 Real Sector Projections: Output and Inflation

3.2.1 Output Outlook

Figure 14: 2026 GDP Forecast for Nigeria.



Source: Veriv Africa

- **Base-Case Scenario**

Assumptions: The base-case scenario assumes stability in key macroeconomic indicators, including the MPR, inflation, and the parallel market exchange rate. It is expected that the CBN may lower the MPR by 1–2 percentage points as it continues to monitor inflation trends. Inflation is expected to stabilise at around 16% in 2026, with the exchange rate projected to remain stable, averaging ₦1,440–₦1,465 per U.S. dollar.

Outcome: The base case scenario yields a 3.56% real GDP growth in 2026.

- **Worst-Case Scenario**

Assumptions: In this scenario, we assess the potential impact on GDP growth if the CBN raises the MPR in response to a sharp rise in inflation. The scenario also examines how GDP growth could be affected by a significant depreciation of the naira in 2026. Specifically, it assumes an average inflation rate of about 26%, an MPR of 28.5%, and a parallel market exchange rate of approximately ₦1,745 per U.S. dollar.

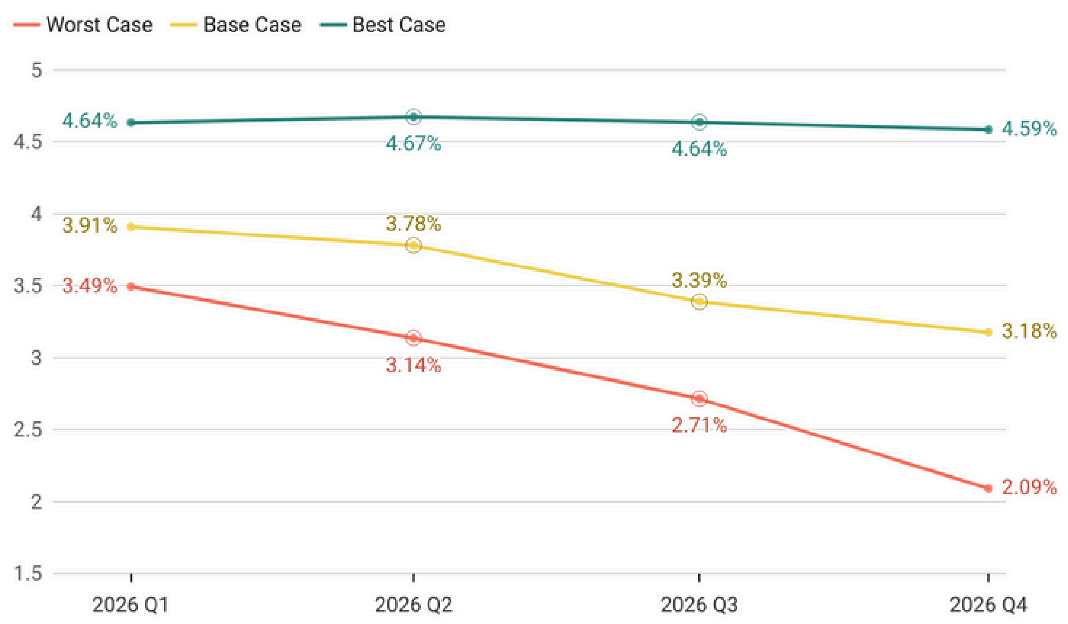
Outcome: The outcome of the worst-case scenario is a 2.86% real GDP growth in 2026.

- **Best-Case Scenario**

Assumptions: In this scenario, we evaluate the potential real GDP growth outcome if the positive momentum observed in Q3 and Q4 2025 extends into 2026. It is assumed that inflation will continue to ease, averaging around 14% in 2026, while the MPR declines to an average of 23.5%, supported by the sustained moderation in inflation. We also assume an appreciation of the naira to approximately ₦1,300 per U.S. dollar, driven by oil sector activities, with the Dangote refinery further reducing oil imports and increasing exports.

Outcome: The outcome of the best-case scenario is a 4.6% real GDP growth in 2026.

Figure 15: 2026 Quarterly GDP Forecast.



Source: Veriv Africa

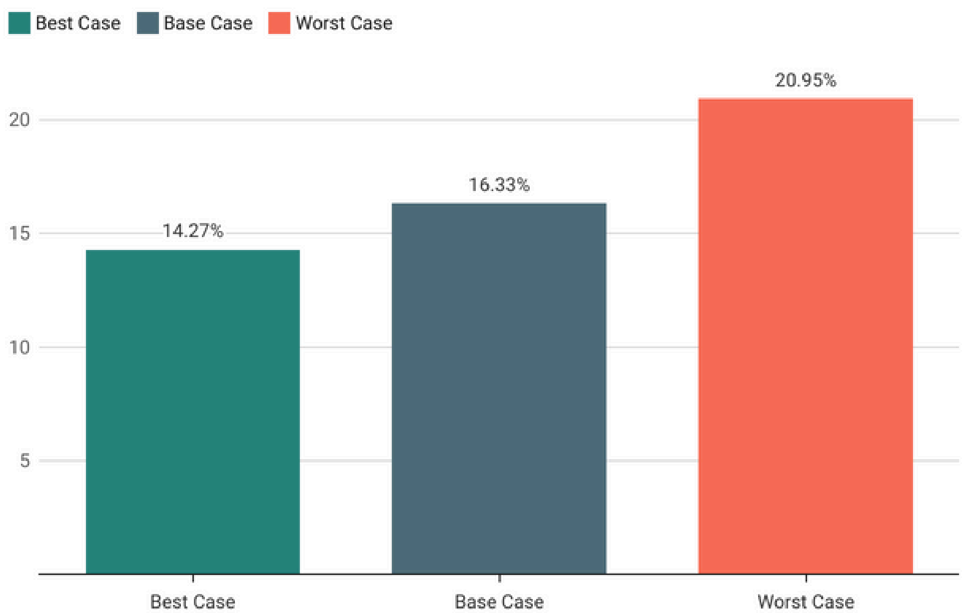
3.3 Inflation Forecast

- **Base-Case Scenario:**

The base-case scenario reflects a business-as-usual outlook. It assumes that money supply remains stable, consistent with the average levels observed in Q3 and Q4 2025. The scenario also assumes that the CBN will maintain the MPR at 27%. In addition, the parallel market exchange rate is expected to remain between ₦1,460 and ₦1,465 per U.S. dollar, while GDP growth is projected to average around 3.56% in 2026. Notably, the GDP growth figure used in the inflation forecast is based on the VAR model projection for GDP growth under this base-case scenario.

Outcome: The base-case scenario's outcome will be a 16.33% inflation rate in 2026.

Figure 16: 2026 Inflation Forecast.



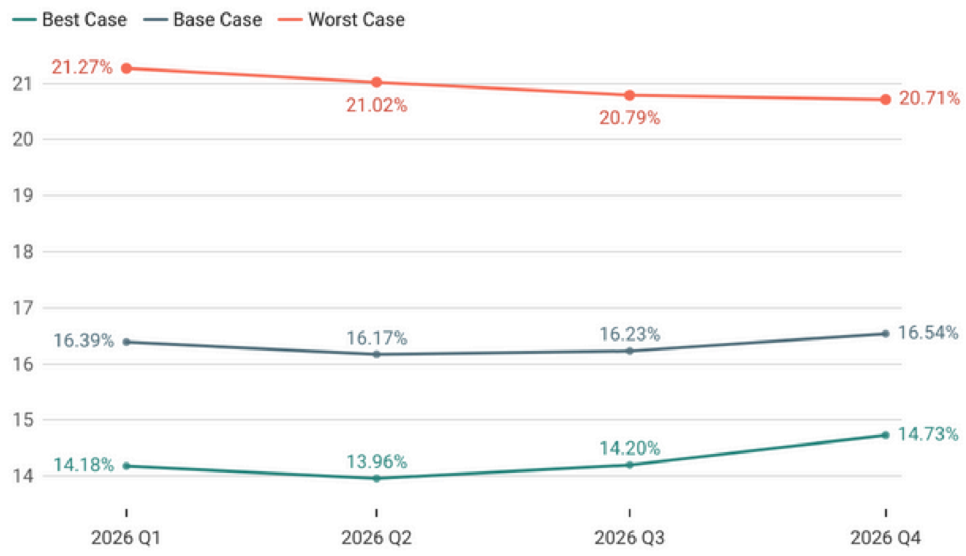
Source: Veriv Africa

- **Worst-Case Scenario:**

In the worst-case scenario, it is assumed that the Monetary Policy Committee will cut the MPR as inflation eases. It is assumed that an MPR cut of about seven percentage points will occur in 2026 on average, while the parallel market exchange rate will rise to an average of ₦1800 per dollar. Furthermore, we assume a consistent increase in the money supply throughout 2026 and an average GDP growth of 2.85%, derived from our VAR worst-case scenario forecast.

Outcome: The outcome for the worst-case scenario will be a 20.95% inflation rate in 2026.

Figure 17: Quarterly 2026 Inflation Forecast.



Source: Veriv Africa

- **Best-Case Scenario:**

In the best-case scenario, it is assumed that the MPR will decline as inflation continues to ease, though not as sharply as in the worst-case scenario. The MPR is projected to average around 24.5% in 2026. The naira is expected to appreciate to an average of ₦1,300 per U.S. dollar, while real GDP growth is anticipated to average about 4.63% in the same year. In addition, money supply is expected to rise slightly in 2026 compared to 2025 levels.

Outcome: The outcome for the best-case scenario will be a 14.27% decrease in inflation.

3.4 Energy Sector Outlook

3.4.1 Oil and Gas Industry Outlook

The global oil market remained volatile in 2025, as geopolitical tensions and lingering trade uncertainties continued to drive fluctuations in crude prices. Crude prices have been within the $60-$85 per barrel (bbl) range since 2023, following a price spike of >$120/bbl in 2022 at the beginning of the Russian invasion of Ukraine. These events redirected demand towards Nigeria's light-sweet crude oil and other exporters, especially following the imposition of sanctions by the US, EU, and other countries. In addition to the Russian sanctions, the US and EU have re-enacted sanctions on Iran over concerns around its nuclear program. As supplies tighten due to renewed pressure on Russia and Iran, demand pressure would pivot to other exporters like Nigeria. The recent sanctions could move into 2026 if fully enforced[17] and might accentuate upward price volatility.

[17] Nantional Bureau of Statistics. Foreign Trade in Goods and Services. https://microdata.nigerianstat.gov.ng/index.php/catalog/84

Figure 18: World Crude Oil Price.

Source: Macrotrends Oil Charts

Beyond the impact of the geopolitical events, Nigeria emerged as the leading destination for oil and gas investments in Africa.[18] Furthermore, the sector has experienced an increase in production capacity, more substantial gas sector commitments, and approval of 79 Field Development Plans (FDPs) valued at $40 billion.[19] These projects spark renewed confidence in Nigeria's upstream sector after years of under-investment and low production.

Nigeria's average crude oil production in 2025 stood at 1.46 million barrels per day (bpd), which aligns with its assigned OPEC quota. Including condensates, total liquids production averages 1.66 million bpd.[20] In gas production, the daily average production reached 7.59 billion standard cubic feet per day, which represents a YoY increase of circa 8.6%.[21] The progress made is a direct result of multiple strategy implementations by the NUPRC, including approval of Final Investment Decisions (FIDs) such as Shell's $122 million Iseni Gas Project, TotalEnergies' $566 million investment in the Ubeta Gas Project and Shell's approval of the Bonga North Tranche 1 project in 2024.

The downstream sector has undergone a structural shift following the commissioning and ramp-up of the Dangote refinery. The facility is Africa's largest refinery, with a current refining capacity of about 650,000 bpd, with a plan to increase refining capacity to 1,400,000 bpd, making it the largest in the world.[22] If this plan materialises in 2026, the refinery could absorb nearly all of Nigeria's crude output. The refinery can significantly reduce import dependence on refined petroleum products[23] and reshape domestic crude allocation. Additionally, domestic refining at scale would reduce

[18] Africa Business Insider Report wasaligninghttps://africa.businessinsider.com/local/markets/wood-mackenzie-report-nigeria-emerges-as-top-destination-for-oil-and-gas-investments/rpvs8c4

[19] NUPRC Approved 79 FDPs, Premium Times https://www.premiumtimesng.com/business/business-news/826061-nuprc-approved-79-fdps-with-40-billion-potential-investment-within-two-years-official.html?tztc=1

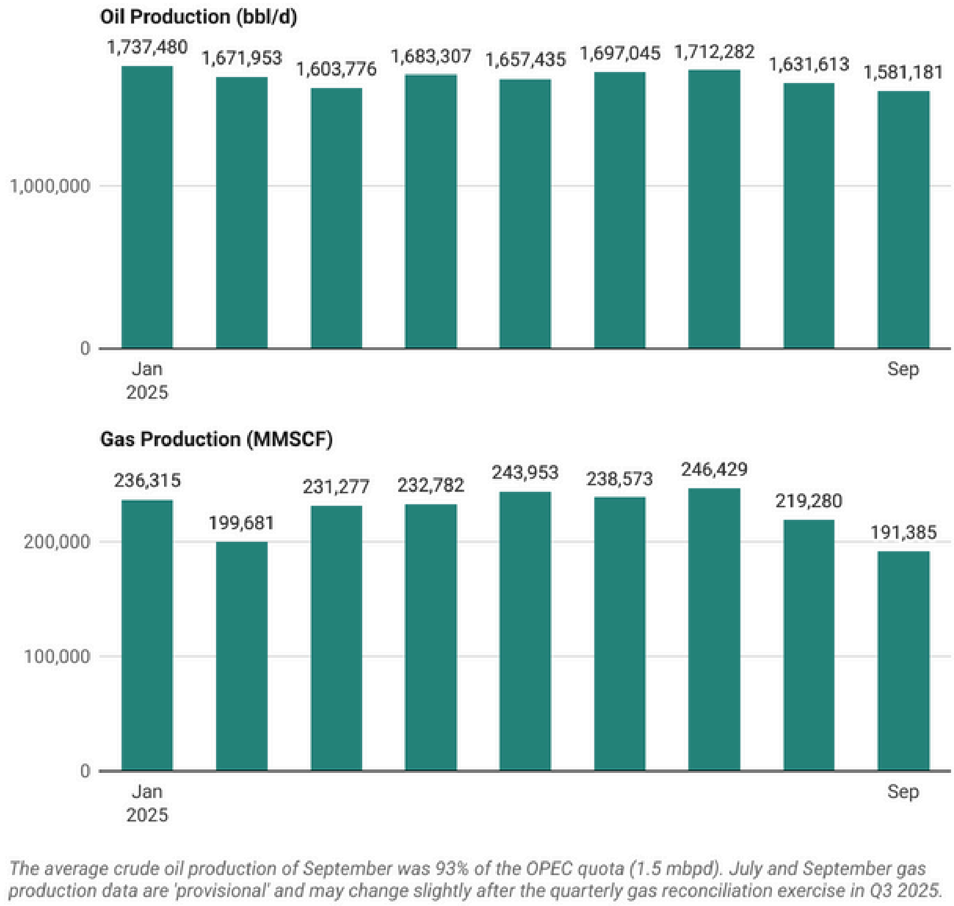
[20] NUPRC Oil Production Data https://www.nuprc.gov.ng/wp-content/uploads/2025/10/Copy-of-JAN-TO-DEC-2025-PRODUCTION-002.pdf

[21] Nigeria's Gas Production Progress, NUPRC. https://www.nuprc.gov.ng/nigerias-gas-production-hits-daily-average-of-7-59billion-scf-as-nuprc-releases-july-production/?

[22] Dangote to Increase Refinery Capacity to 1.4 million Bpd, Channels TV Dangote To Increase Refinery Capacity From 650,000 To 1.4 Million Bpd [Full Briefing]

[23] OPEC Data

Figure 19: Average Oil and Gas Production Data, 2025



Source: NUPRC

import bills, save foreign exchange, and diversify fiscal revenue. On the other hand, there might be a risk of inflation if domestic refined products are priced at market-linked rates.

The success of the Nigerian oil and gas sector in 2025 can also be attributed to fiscal and policy reforms. In mid-2025, President Bola Ahmed Tinubu signed the Tax Reform Bills into law; however, enforcement is scheduled to begin in 2026.[24] The new tax legislation is designed to stimulate economic growth, boost government revenue, enhance the business environment, and make tax administration more effective across all sectors, including oil and gas. Key changes expected under the new tax law include the extension of the hydrocarbon tax to deep-offshore operations, stricter conditions on deductibility, enforcement[25] of a surcharge on fossil fuel products, and a minimum effective tax rate of 15%.

While current trends in the international energy market appear favourable for Nigeria's economy, they also heighten the country's exposure to volatility. The removal of sanctions restricting the Russian and Iranian oil exports could soften crude oil prices. Similarly, a slowdown in demand from major markets due to the shift towards renewable energy poses a risk to Nigeria's external earnings.. Domestically, persistent

[24] The Nigerian Tax Reform Acts, *PWC 2025*. https://www.pwc.com/ng/en/publications/the-nigerian-tax-reform-acts.html

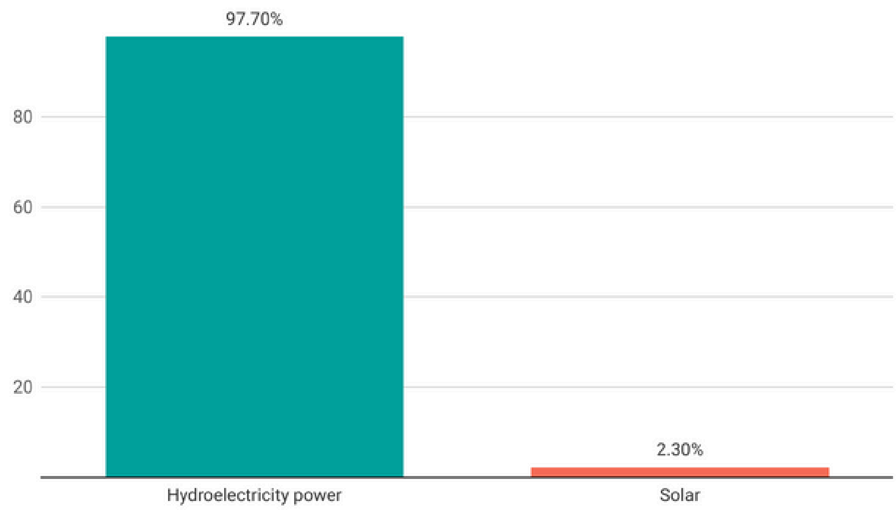
[25] Taxation of Oil and Gas Companies under Nigeria's New Fiscal Framework, Olaniwun Ajayi. https://www.olaniwunajayi.net/blog/wp-content/uploads/2025/10/Taxation-of-Oil-and-Gas-Companies-under-Nigerias-New-Fiscal-Framework-14102025.pdf?

pipeline vandalism, crude theft, and underinvestment in maintenance continue to undermine production efficiency and fiscal performance.

3.4.2 Renewable Energy Developments

As the world transitions to renewable energy under the Paris Agreement, Nigeria is under pressure to incorporate renewable energy into its energy mix. Currently, Nigeria has over 24% of renewable energy in its electricity grid, with over 98% coming from hydropower and less than 2% from solar (Figure 20). In terms of overall energy supply, over 44% of the country's energy comes from biofuels (firewood and charcoal), while more than 52% comes from fossil fuels like oil and natural gas (Figure 21). This highlights the country's deficit in cleaner energy sources.

Figure 20: Nigeria's Renewable Electricity Generation by Source.



Source: IRENA

In line with the global commitment to achieve net zero by 2060 by combating high emissions from both domestic modern energy sources, such as cooking, transportation, energy agriculture, and electricity generation, Nigeria developed its Energy Transition Plan (ETP) 2022 and the Long-Term Low Emission Development Strategy (LT-LEDS). These are blueprints for building a zero-carbon economy by 2060. However, these blueprints have not resulted in a substantial renewable energy transformation and development.

Despite the existence of relevant policies, a significant implementation gap is evident in the country's renewable energy sector. As of 2024, most installed renewable energy systems remain confined to off-grid solar and old hydropower plants. The industry is expected to record steady growth in 2026, supported by donor-backed programs, enhanced foreign participation, and stronger fiscal linkages to climate financing.

Solar energy remains the fastest-growing renewable energy source in Nigeria. It is noticed that off-grid adoption outpaces on-grid capacity additions, driven by affordability constraints and persistent grid unreliability. On-grid installed solar capacity remains below 500MW.[26] However, there are afew large solar projects underway that, when operational, will add close to 8GW of

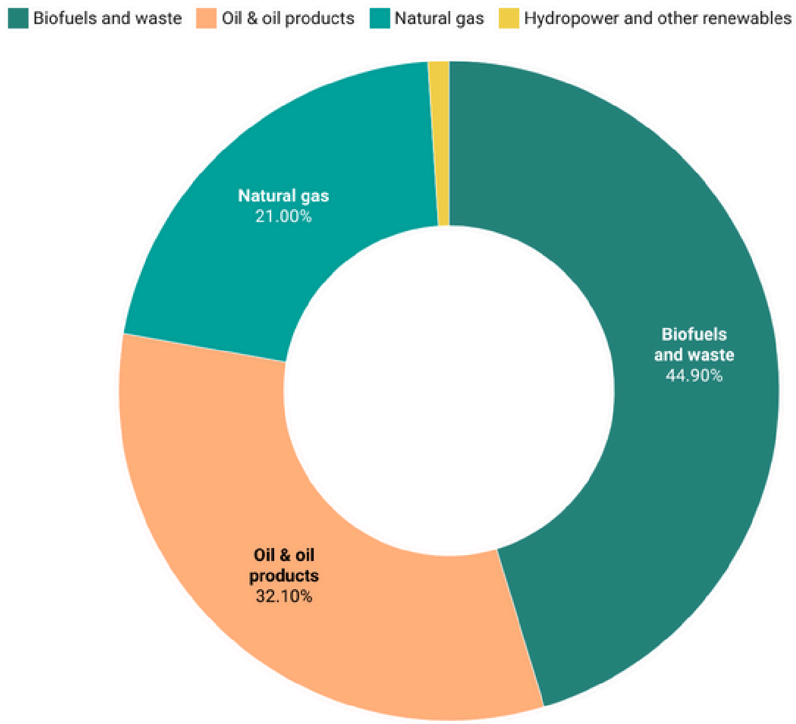
[26] IRENA REMap Nigeria 2023 report
https://energy.gov.ng/reports/IRENA_REMap_Nigeria_2023.pdf

electricity to the grid.[27] Although these projects have been announced, they remain under development and are scheduled for completion in 2026, supported by the broader momentum in renewable energy.

Beyond solar energy, Nigeria has a vast untapped wind power potential of approximately 3,200 MW, with promising prospects in states such as Katsina, Sokoto, Zamfara, Plateau, Adamawa, Borno, and the Mambilla region. The Lambar Rimi 10 MW Wind Farm in Katsina is one of the prominent wind energy projects conceived in 2009, which became operational in 2020 but shut down shortly due to insecurity and corruption. However, the project has been revitalised and hybridised to add 10 MW of solar-generated electricity. 60% of the project funds have been secured through grants. If fully deployed, the pilot project will pave the way for further wind energy development in the country.

Nigeria is also exploring green hydrogen as a tool for accelerating its energy transition through a recent partnership with LONGi, a Chinese company. The APPL Hydrogen Limited unveiled its €7.6 billion green hydrogen project partnership with LONGi. The hydrogen project is projected to yield 1 tonne of green methanol per year, mainly for export. Additionally, the Nigerian government has introduced an initiative called 'Nigeria 4H2 project' in mid-2025 as a drive to position Nigeria as the leading producer and exporter of green hydrogen.[28] Nigeria 4H2 is expected to provide foreign direct investment, thousands of jobs to Nigerians, and local content creation. The year 2026 is anticipated to bring progress if these renewable energy projects in development become fully operational.

Figure 21: Nigeria's Total Energy Supply, 2023



Source: IRENA

[27] Taxation of Oil and Gas Companies under Nigeria's New Fiscal Framework, Olaniwun Ajayi. https://www.olaniwunajayi.net/blog/wp-content/uploads/2025/10/Taxation-of-Oil-and-Gas-Companies-under-Nigerias-New-Fiscal-Framework-14102025.pdf?

[28] Nigeria4H2 project to unlock vast, untapped green hydrogen potential, NAN. https://nannews.ng/2025/07/18/nigeria4h2-project-to-unlock-vast-untapped-green-hydrogen-potential-shettima/

3.4.3 Electricity Supply Industry Analysis

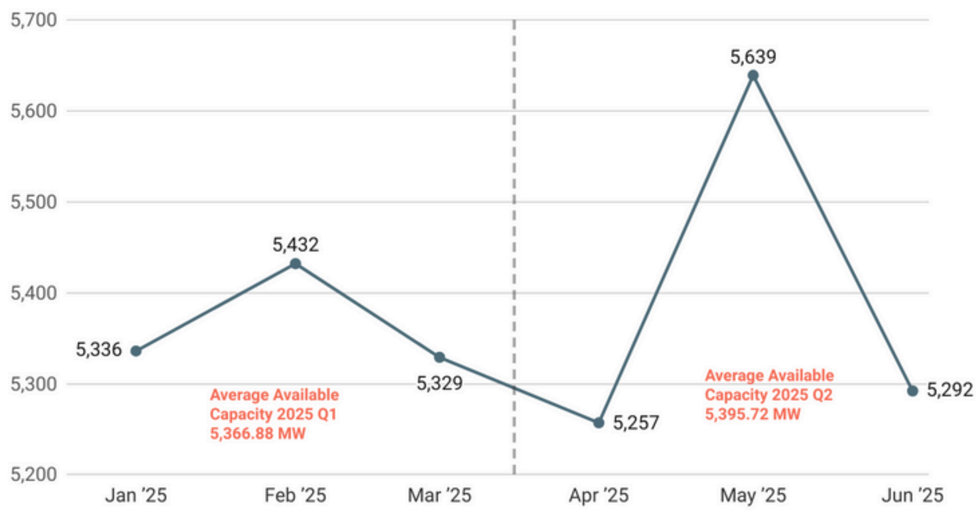
Nigeria's electricity sector has undergone a significant transformation in the past year. These changes span regulatory frameworks, energy mixes, decentralisation, state tariff structures, reduced grid reliance, and Public-Private Partnerships (PPPs). Structural reforms in Nigeria's electricity market, specifically the Electricity Act 2023, are reshaping the energy landscape. Despite these impressive strides, there is still much room for improvement.

By the end of 2024, Nigeria's available power generation capacity increased by 30% from 4100 megawatts to 5,528 megawatts.[29] The increase is attributed to the construction of the 700 megawatt Zungeru hydroelectric power dam, as well as increased energy supply from existing power plants in the country. In February 2025, available generation capacity increased slightly to 5,543.20 megawatts, with a daily transmission capacity of 125,159.48 megawatts/hour on February 14, 2025.[30] The upward trend continued into March, when Nigeria recorded a new peak generation capacity of 5,713.6 megawatts and the country's highest recorded daily transmission capacity of 125,542.06 megawatts/hour on March 2, 2025. This figure significantly exceeded the previous recorded peak on February 14th by 382.58 megawatts/hour.

However, the country has struggled to maintain the momentum it had lost. By September 2025, the country's generation transmission capacity dropped to 5,200 megawatts.[31]

According to the Nigerian Electricity Regulatory Commission (NERC)'s Operational Performance Factsheet, the decline was due to gas supply shortages, plant transmission issues, and transmission bottlenecks.

Figure 22: Nigeria's Available Generation Capacity



Source: NERC

[29] Power generation increased by 30% in 2024 - Adelabu https://businessday.ng/energy/power/article/power-generation-increased-by-30-in-2024-adelabu/

[30] Nigeria's power generation peaks at 5,713.6MW, sets new daily energy record - TCN https://nairametrics.com/2025/03/04/nigerias-power-generation-peaks-at-5713-6mw-sets-new-daily-energy-record-tcn/#google_vignette

[31] Nigeria's power generation plants operated at 38% capacity in September - NERC

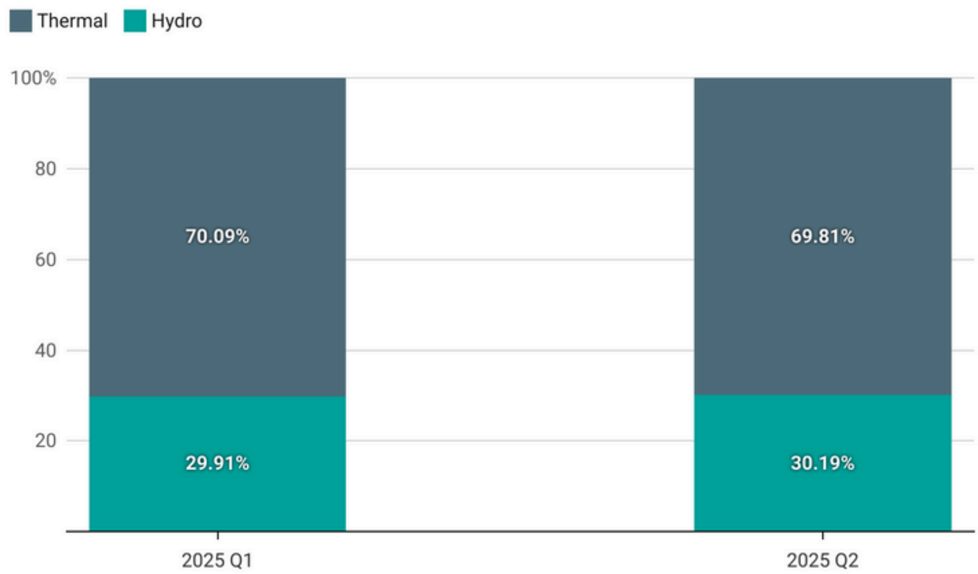
Nigeria's Average Electricity Generation Capacity for Q1 and Q2 2025

Nigeria's electricity generation mix plays a significant role in the sector's overall performance. By the end of Q2 2025, Nigeria had nineteen Open Cycle Gas Turbine (OCGT), five hydro, two Combined Cycle Gas Turbine (CCGT), and two steam plants, making up twenty-eight power plants in total connected to the national grid.[31] The total average available generation capacity for Q2 2025 was 5,395.72 megawatts, showing an increase from the 5,366.88 megawatts recorded in Q1 2025. Hydropower Plants accounted for 30.19% of the total quarterly generation, which was an increase from 29.91% in Q1 2025.

The introduction of the Electricity Act 2023 permanently changed the regulatory trajectory of Nigeria's electricity sector. The Act provided for the decentralisation of the Nigerian electricity market, allowing state governments to regulate their own electricity markets. In response, states such as Edo, Ekiti, Enugu, Imo, Kogi, Lagos, Niger, Ogun, Ondo, Oyo, and Plateau have established regulatory commissions for their electricity markets.[33] The Nigerian electricity sector now operates a dual regulatory framework: the State Electricity Regulatory Commissions (SERCs) and the Nigerian Electricity Regulatory Commission (NERC).

The NERC maintains regulatory authority over the national grid, wholesale electricity generation and market regulation in general. The SERCs oversee their respective state electricity markets and the infrastructure within them.

Figure 23: Electricity Generated by Energy Sources



Source: NERC

This decentralised framework, despite its potential benefits, has also exposed critical structural inconsistencies in tariff structures, causing discrepancies and confusion in the sector. In August 2025, conflicting tariff directives in Enugu state highlighted the risk of regulatory disintegration.. These inconsistencies must be addressed to effectively achieve these objectives and improve electricity access and supply in 2026.

[32] NERC 2025 Q2 Quarterly Report
https://nerc.gov.ng/wp-content/uploads/2025/10/2025_Q2-Report.pdf

[33] The Electricity Act One Year Later: Has Nigeria Truly Decentralised Power Governance
https://www.verivafrica.com/insights/the-electricity-act-one-year-later-has-nigeria-truly-decentralised-power-governance

The national grid collapsed at least three times in 2025, plunging millions of Nigerians into darkness for several hours. These collapses were caused mainly by frequency instability, generation constraints, and ageing infrastructure. States affected by the collapse include Abuja, Lagos, Kano, Kaduna, Port Harcourt, and Enugu, with some states experiencing longer hours of blackout than others. While there have been fewer grid collapses in 2025 than in the previous year, the Nigerian grid system still faces critical challenges. These challenges must be addressed to ensure a sustainable power supply across the nation.

Additionally, off-grid solutions have increased significantly in 2025, expanding electricity access to previously unserved and underserved communities. The Rural Electrification Agency (REA), highlighting this progress, stated that in Q1 2025, over one million Nigerians were connected to electricity for the first time through the Mini-Grid Regulation Programme established by the NERC. This achievement positively impacted thousands of small and medium-sized enterprises (SMEs), reducing their reliance on alternative sources of energy and substantially increasing their productivity.

In recent months, Nigeria has experienced a notable increase in renewable energy adoption, particularly in solar power. The shift is primarily driven by the unreliable and unstable nature of the national grid, as well as rising electricity tariffs. Despite the initial high cost of solar panel installation, many Nigerians have adopted solar energy solutions due to their long-term reliability, cost-effectiveness, and independence from grid collapses and inefficiencies. A significant number of premium electricity customers, industries, and high-income households switched to alternative energy sources and off-grid solutions in 2025. As a result, the percentage of commercial energy customers has dropped from 20% to 13%, and the government risks facing a monthly tariff shortfall of ₦200 billion. If this trend continues, the energy sector could face a revenue loss of approximately ₦5.6 trillion by year-end.

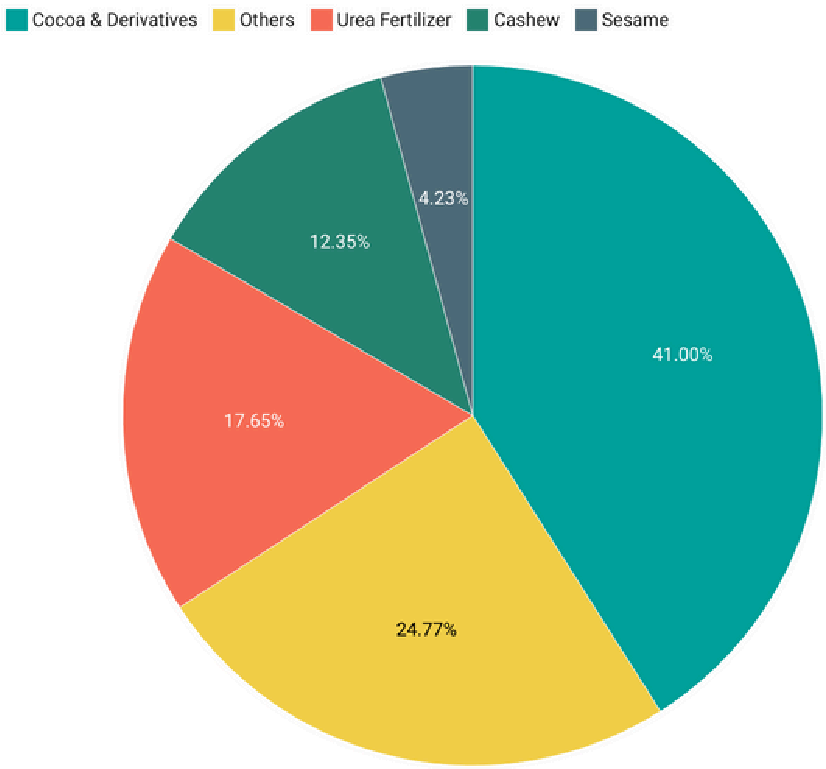
Currently, over 85 million Nigerians lack access to electricity, despite the government's efforts to expand electricity access. With an annual population growth rate of 3% outpacing the 1.1% electrification rate, this figure is projected to rise to 120 million by 2030. If the government is unable to provide a solution that addresses the financial and operational challenges of the energy sector, the national grid risks becoming a service primarily for low-income Nigerians, as more citizens will adopt off-grid alternatives in 2026 and beyond.

As Nigeria enters 2026, the energy sector will continue to build on the transformative momentum of 2025, with electricity decentralisation and broader adoption of renewable energy sources at the centre of the transformation. More states are expected to gain regulatory autonomy from the NERC in 2026, allowing them to manage their own electricity markets with limited interference from the commission. If proper state laws and policies are enacted and implemented efficiently, decentralisation could significantly improve market efficiency, increase Public-Private Partnerships (PPPs), expand electricity access to unserved and underserved areas, and accelerate renewable energy adoption. Evidently, renewable energy adoption is expected to continue rising through 2026, and more Nigerians will become less reliant on the national grid. The Federal Government targets to increase power generation capacity by 4000 megawatts, and an additional aspiration target of 2000 megawatts — 6000 megawatts in total — by the end of 2026. This ambitious target is part of the Presidential Power Initiative, popularly known as the Siemens Power Project. The initiative aims to modernise Nigeria's energy infrastructure and expand access to reliable electricity nationwide.

3.4.4 Non-Oil Sector (Agro, Mining, Manufacturing, et al)

The non-oil sector continued its positive run in the first half of 2025, with total export earnings of $3.225 billion in the first half of 2025, compared with $2.7 billion in the first half of 2024. The 19% increase was driven by a significant rise in demand for key commodities, especially cocoa, which enjoyed high levels of demand and pricing in the first few months of the year. Earnings from cocoa export accounted for over 40% of total receipts in the non-oil sector. Other commodities, including cashew and sesame, and manufactured products such as urea fertilisers, made up the rest.[34]

Figure 24: Non-Oil Export Earnings by Product Groups



Source: NEPC

Heading into 2026, some of the key factors that drove growth in the sector are likely to be sustained, while others will be moderated. High cocoa prices, which played an important role in non-oil export earnings through 2025 and the first half of 2025, might be moderated as crop harvest rebounds in key production centres such as Ghana.

[34] Business Day. NEPC Report on Non Oil Sector Earnings. https://businessday.ng/news/article/nigerias-non-oil-exports-hit-3-23bn-in-first-half-of-2025-up-19-6-nepc/

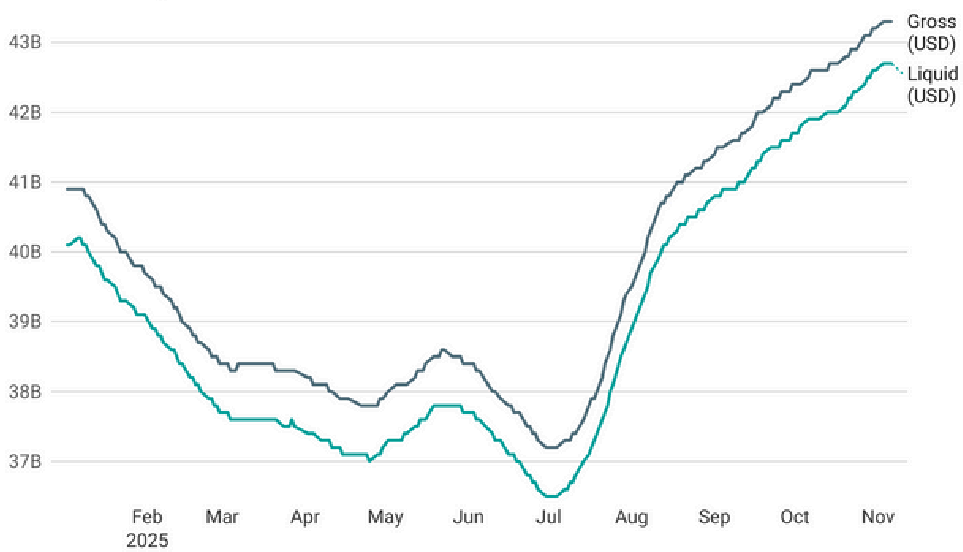
This has already been witnessed.[35] To sustain the growth of the non-oil sector, key reforms that encourage increased value-add, promote increased investment in the agriculture and manufacturing sectors, and reduce the cost of doing business in Nigeria must be enacted. Furthermore, the government must capitalise on the opportunities in the mining sector by addressing key challenges, including illegal mining and policy uncertainties.

3.5 External Sector Projections

3.5.1 External Reserves Outlook

In 2025, gross external reserve averaged $39.6 billion, while liquid reserve stood at $38.9 billion. In 2024, gross external reserve averaged $35.9 billion, while liquid reserve was $35 billion, indicating an increase in reserves. Higher oil revenue from improved crude oil output, strong FPI inflows, and foreign loans like the $2.35 billion Eurobond issuance have driven Nigeria's external reserves in 2025. Additionally, the reduction in the demand for foreign exchange due to lower oil importation has contributed positively to the reserves.

Figure 25: Gross and Liquid External Reserve, January 2025 to November 2025



Source: CBN

In 2026, Nigeria's external reserves are set to improve, driven by two key factors. First, the 15% tariff on fuel imports introduced in Q4 2025 is likely to reduce the volume of imported petroleum products by 2026. Second, the expansion of production capacity at the Dangote Refinery will further cut import dependence while increasing the potential for refined product exports. Together, these developments are expected to strengthen external reserve levels significantly.

[35] Yahoo Finance. Cocoa Prices Fall on Signs of Weak Chocolate Demand. https://finance.yahoo.com/news/cocoa-prices-fall-signs-weak-161651763.html?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8&guce_referrer_sig=AQAAABRmXx-IPDH22W8V9WQpye4NP6TuFG1vKNzJItTAQqKZgEX9QWWMhKkEBrG67wB_h0D74NQWRZ5ggGZ6Hne_vfBtlAqjoEuINONcqGTIXeju-3o2ZIFRxSpKnrVDJeAXKPwl2HGhhIqXFbNiN6E02pNP4qbZ9uA9y_xHiP9TVB6q

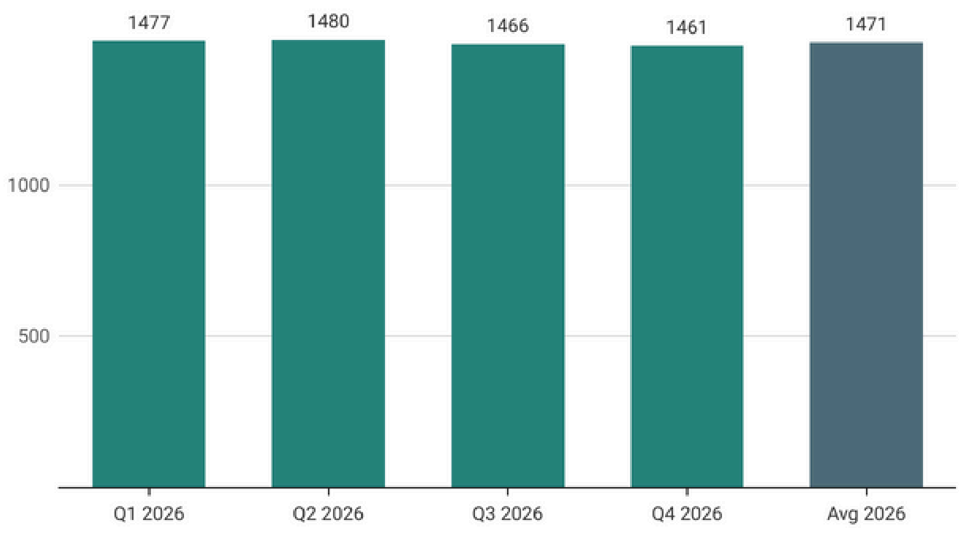
Additionally, the outlook for external reserves will hinge on Nigeria's ability to boost crude oil production and sustain exports in the international market, thereby enhancing foreign exchange earnings and reserve accumulation. Ultimately, a combination of favourable global conditions, such as higher crude oil prices, lower import demand, and increased export capacity, will be critical to sustaining and expanding Nigeria's external reserves in 2026.

3.5.2 Exchange Rate Projections

The exchange rate is projected to remain below ₦1,500 per U.S. dollar in the parallel market in 2026, averaging around ₦1,471 per U.S. dollar, with some variations across quarters. Exchange rate movements will continue to be shaped by both domestic and global factors, particularly developments in crude oil prices. Nigeria's continued dependence on imports and the underdevelopment of key real sectors, such as agriculture and manufacturing, will remain major structural factors influencing exchange rate trends. Other internal factors that will impact the exchange rate in 2026 include foreign exchange earnings, inflation dynamics, and liquidity conditions within the foreign exchange market.

Nonetheless, there is a strong possibility that the naira could appreciate further in 2026 if the Dangote Refinery successfully doubles its production capacity, as reported.[36] Beyond reducing Nigeria's import bill for refined petroleum products, the refinery is also

Figure 26: Parallel Market Exchange Rate Forecast for 2026



Source: Veriv Africa

expected to generate foreign exchange earnings through the export of refined products to regional and international markets. This dual effect—lower import dependence and increased export receipts—could further help ease pressure on the naira, improve the country's external reserves position, and support overall exchange rate stability.

[36] https://www.arise.tv/dangote-refinery-targets-1-4-million-bpd-capacity-eyes-stock-exchange-listing/

Risks to the Outlook

04

4.1 Internal Economic Imbalances

In numerical terms, Nigeria has made notable progress in tackling the various economic challenges that weighed heavily on the country a year ago. However, these statistical improvements are yet to translate into a meaningful enhancement in the quality of life for the average Nigerian. Although there is some measure of stability in exchange rates and a downward trend in inflation is emerging, key imbalances remain. Foremost, the country's heavy dependence on crude oil exports poses serious risks. As the global economy continues to face high levels of uncertainty, Nigeria's dependence on a single commodity, whose price it does not directly control, for 65% of government revenues and 85% of total exports,[37] poses significant risks to continued monetary policy stability and fiscal resources. Notwithstanding the progress made in internal refining through the Dangote Refinery, Nigeria continues to depend on external imports for nearly 69% of its refined petroleum needs, with consequences for external price fluctuations.[38] Moreover, the continued absence of key competition in the domestic refining market, whether through government-owned refineries or other large private enterprises, limits the potential benefits of a fully deregulated and competitive downstream sector.

Similarly, Nigeria's industries and the wider non-oil sector have continued to operate at suboptimal levels due to a combination of factors, including high cost of doing business, policy uncertainties at national and subnational levels, the rising spate of insecurity, poor infrastructure, and other factors. These factors reduce productivity, increase unemployment, and affect the country's current account balance, thereby placing pressure on the exchange rate.

On the fiscal side, Nigeria's continued appetite for debt raises serious concerns. While the decline in fuel subsidies freed up significant resources for the federal and subnational governments, and played a role in decreasing the country's debt-to-GDP ratio, continued borrowing, especially at disadvantageous rates, could wipe out the benefits of the much-celebrated subsidy removal. So far, debt levels have remained within established limits. Whether it remains within these levels in the coming year remains to be seen. Whether these new debts are directed at critical investments in infrastructure, human capital, and other essential sectors of the economy will play a role in the country's economic outcome in the near term

[37] EITI Nigeria Profile. https://eiti.org/countries/nigeria

[38] The Punch. https://punchng.com/nigeria-imports-15bn-litrvitales-of-petrol-despite-dangote-refinery-output/

4.2 Potential Global Economic Slowdowns

The global economy has largely avoided a worldwide recession, showing significant resilience despite repeated attacks on trade relations by key global economies. Interest rates have been gradually lowered without triggering large-scale inflation, and recent flare-ups in key global flashpoints have had a limited impact on key commodity prices, especially crude oil.

However, uncertainties remain. While one of the key uncertainties last year was over who would become the US president and what that would mean for global trade, the uncertainty in the coming year largely revolves around tariffs and trade relations. In the past few months, trade relations have soured among key trade partners, with tariffs reaching 100% or more.[39] Beyond the direct impact of these tariffs, the uncertainty surrounding target, timing, and duration presents a clear risk to free global trade. While trade deals have been signed between the US and a few partners, there are no guarantees that other deals will come to fruition, or that those signed will not be cancelled by either party. The African Growth and Opportunity Act (AGOA), a signature policy that has benefited many African countries, is one of the victims of the new trade regime under the current administration, with hopes for its renewal largely muted.

Beyond the USA, continued sluggishness in other economies will likely weigh down the global economy. The German economy continues to struggle to remain competitive following dwindling exports,[40] driven by tariffs, high energy costs, and other internal economic factors. The country's ability to emerge from this economic malaise will have a significant impact on the European and global economies.

Similarly, China has struggled to post remarkable growth in the last year. The country continues to face critical challenges, including high youth unemployment, renewed pressure from US trade policies, and weak consumer spending. Its ability to weather these challenges in the coming year and navigate the continued threat of trade war with the US will impact the health of the global economy, demand levels for developing countries, and investment inflows into developing countries, including Nigeria.

In addition to country-specific economic challenges, the world faces critical geopolitical, climatic, and security challenges. Countries around the world continue to experience disastrous climate-related events, including floods, droughts, wildfires, and heatwaves. These disasters have increased in frequency and impact, routinely posing serious threats to the economies of countries and the production of essential commodities.

Finally, health challenges could impact growth in various parts of or the entire global economy. While the world has largely weathered the impact of the COVID-19 pandemic and successfully contained various flares in potential pandemics in different parts of the world, the threat of new variants of previous pandemics and new health challenges capable of causing worldwide distress remains, with potential impact on travel, supply chains, and global economic growth.

[39] Al Jazeera. Trump's 100% Tariff Threat. https://www.aljazeera.com/news/2025/10/13/trumps-100-tariff-threat-history-of-us-trade-measures-against-chinahas

[40] Reuters. Germany's Economy Stagnates in Third Quarter. https://www.reuters.com/world/europe/german-economy-stagnates-q3-2025-10-30/

4.3 Geopolitical Risks and Their Impact

The global economy faces a fluid geopolitical reality. The year has witnessed intense conflicts in key geopolitical flashpoints, with consequences for the coming year and the near term. From the Israel-Iran 12-day war, through the festering Ukraine war, to the renewed threat of a nuclear arms race and regional tensions, the world again faces significant challenges with possible consequences for commodity prices, supply chain disruptions, and the health of the global economy.

Israel's 12-day war with Iran, the culmination of the decades-long shadow war between the two adversaries, marked a significant uptick in Middle Eastern tensions. The war, itself, part of the broader Hamas war, dragged in other players, including direct players like the US, and third-party targets like Qatar.[41] While the consequences, especially on commodities markets, were muted, there is no ruling out worse outcomes if similar levels of open warfare resume in the coming months.

The US-led attempt at resolving the Israel-Hamas war will face critical tests in the coming months, including resolutions on the future of Hamas, the future of Gaza, and the role of other Arab countries in building Gaza. While peace looks likely, at least compared to the past year or two, key risks remain. These include potential attempts by splinter groups, other regional groups, and state actors to sabotage the deal. Deliberate attacks on key commodities infrastructure by any other groups could pose a threat to the supply security of crude oil and the wider shipping industry.

The Russia-Ukraine war will enter its fourth year in early 2026. The war, which has claimed hundreds of thousands of lives, including civilian and military, remains intractable. The new US administration's promise of a swift resolution remains elusive. While the impact of the war, especially on food and energy markets, has moderated compared to 2022, the uptick in sanctions on key energy companies in Russia [41] and renewed pressure on key buyers like India might have consequences on the global market. Whether this conflict is resolved amicably or allowed to continue along its current path will impact many economies, especially in Europe.

Finally, the South China Sea and Taiwan-China issue remains concerning. There have been relatively fewer records of skirmishes between the Chinese military and the military of neighbouring countries in 2025. Whether this lull in tensions continues next year remains to be seen, especially with a new US administration in place, whose views on foreign conflicts continue to evolve. Barring any significant developments, there is no expectation of a serious escalation in tensions in the region. However, this cannot be ruled out completely.

At the regional level, the past year has seen significant crises in different parts of Africa, including ongoing conflicts such as the Sudan civil war and crisis in the DR Congo, coups d'état in the Sahel and threats of new ones in hitherto stable countries, large-scale nationwide protests in many countries related to cost of living and demand for electoral transparency, and several climate-

41 Politico. Qatar Was the Turning Point. https://www.politico.com/news/2025/10/10/qatar-was-the-turning-point-how-israels-bombing-of-doha-ignited-a-peace-process-00604017

42 US Treasury. Treasury Sanctions Major Russian Oil Companies. https://home.treasury.gov/news/press-releases/sb0290

related and health disasters. The growing spate of coups d'état, with overt and covert support from foreign states and non-state actors, could pose a threat to economic growth, the region's attractiveness as an investment destination, and intra-African trade, especially under the auspices of the African Continental Free Trade Agreement. The response of regional powers, regional economic bodies, and the African Union to these rising external influences will determine whether there will be a halt to the growing undemocratic trend or the beginning of a new decade of coups and economic stagnation. Developments in the coming months could affect Nigeria's plans for expanding trade across the continent and its fight against non-state actors.

Policy Priorities

05

5.1 Fiscal Consolidation Strategies

Fiscal consolidation strategies and diverse revenue sources are key ingredients in ensuring continued fiscal sustainability, inclusive growth, and poverty reduction. Some of the strategies Nigeria can implement include:

- **Building robust institutional frameworks:** There is a need to further strengthen reforms in key areas, including the tax system, accountability at both the federal and subnational levels, and sustainable debt management. Clear guidelines, backed by robust enforcement mechanisms, must be adopted to ensure adherence to global best practices among all Ministries, Departments, and Agencies (MDA).
- **Tackle Key Bottlenecks in the Non-Oil Sector:** The non-oil sector holds significant potential as a primary source of revenue and export earnings, complementing revenues from Nigeria's oil and gas sector. However, the industry is bedevilled by key bottlenecks, including high cost of energy, low levels of land titling and documentation, and lack of access to competitive capital, especially for key stakeholders such as smallholder farmers and MSMEs. Addressing these key bottlenecks would help accelerate the sector's performance, increase government revenue earnings, and create jobs.
- **Improve Security:** The continued spate of insecurity poses a serious threat to realising Nigeria's fiscal consolidation goals. Potential sources of revenue, especially in mining and agriculture, have either been subjected to illegal flows by non-state actors or simply shut down. The government, utilising security agencies and other partners, must address insecurity in these areas, halt the illicit flows of revenue in the mining sector, and attract investors to these regions.

5.2 Monetary Policy Adjustments

The CBN adjusted the MPR in September 2025, reducing it by 50 basis points to 27%. Despite this marginal cut, the MPR remains significantly elevated, sustaining a high cost of borrowing across the economy. This persistent tight monetary stance continues to constrain both consumption and investment expenditures, which are critical for stimulating aggregate demand and driving economic growth.

Nevertheless, with inflation still in double digits, the CBN's cautious approach is understandable. A premature or aggressive reduction in the policy rate could reignite inflationary pressures from the demand side of the economy, especially in an economy where structural bottlenecks and exchange rate pass-through effects remain prevalent.

On the positive side, the elevated MPR has attracted higher inflows of FPI, contributing to short-term stability in the foreign exchange market. This stability has supported the naira and contributed to a moderation in imported inflation. However, this approach remains primarily short-term in nature and may not address the economy's underlying structural challenges.

For sustained economic growth, it is imperative that monetary policy gradually transitions from a contractionary to a more accommodative stance as inflationary pressures ease. A measured reduction in the MPR, complemented by fiscal measures to enhance productivity and reduce supply-side constraints, would support investment and boost aggregate supply. Strengthening domestic production capacity could enhance exports, improve the trade balance, and foster a more stable appreciation of the naira. In the medium term, a coordinated policy mix that aligns monetary and fiscal policies will be essential to achieving price stability, stimulating growth, and ensuring that the current monetary tightening does not stifle the recovery momentum in the productive sectors.

5.3 Structural Reforms

The federal government, under the current administration, has undertaken key reforms in the energy and financial sectors. The latest is the comprehensive tax reform, which aims to simplify the tax system, curb leakages, and reduce the tax burden on small businesses and low-income individuals. Nonetheless, critical structural constraints remain.

Foremost, the ease of doing business remains low. High levels of bureaucracy, corruption, and inefficiency in the civil service, especially among regulatory agencies, must be addressed. There needs to be clear guidelines on entry and operational requirements in each sector, an estimated timeframe for completing bureaucratic processes, and an enforcement mechanism to ensure efficiency across regulatory agencies. An efficient and reliable regulatory regime in key sectors of the economy will play a crucial role in attracting the much-needed capital into the country.

Secondly, there is a need to absorb and leverage opportunities in the informal economy. The informal sector reportedly accounts for nearly half of the nation's GDP[43], provides over 80% of employment, and accounts for more than 90%[44] of all small and medium-scale businesses in Nigeria. While significant progress has been made in ensuring access to credit and other banking services, as well as in attracting these businesses into the tax system under the new tax law, the informal nature of these businesses limits their contribution to the fiscal health of the economy. Thus, a deliberate attempt to absorb this sector of the economy through reforms of identity laws (or requirements) that ensure easy verification, as well as efficient reforms of land and property laws, would help reduce informality and have a positive impact on government revenues and economic growth.

Finally, there is a need to design and deploy pro-export policies and infrastructure. Key

43 Forbes Africa. Over half of Nigeria's GDP from Informal Sector. https://www.forbesafrica.com/current-affairs/2024/07/18/over-half-of-nigerias-gdp-from-informal-sector-says-report

44 Moniepoint. Informal Sector Report. https://informalrthe eport.moniepoint.com/

exports (both oil and non-oil) for which Nigeria has a competitive advantage could be targeted and promoted through efficient policies, a thorough understanding of destination markets, the development and efficient operation of quality testing and phytosanitary facilities that meet international standards, and concentrated capital support for producers and farmers in the respective sector. By targeting a select number of commodities and investing in infrastructure along the value chain, the economy would enjoy increased revenue receipts, job creation, and tax inflow for the federal and state governments.

5.4 Policy Interventions for the Energy Sector

The introduction of the Electricity Act 2023 and National Integrated Electricity Plan (NIEP) 2024 has collectively provided a comprehensive blueprint for the growth of the energy sector. Having concluded the requisite legal reforms, there needs to be a straightforward implementation of these reforms. With states now empowered to regulate the electricity sector within their boundaries, they must take on the responsibility of creating friendly regulations, attracting investors into the sector, and potentially making direct investments as well.

Beyond states, the federal government must continue to play a major role in ensuring the overall growth of the sector through strategic investments in hydroelectricity and other major power plant projects beyond the means of most states. With states and the federal government collaborating to attract investments and ensure efficient regulation in the sector, Nigeria’s electricity sector is poised for significant improvements in the coming years.

Veriv Africa Deal Book

06

The Veriv Africa Deal Book provides a high-level overview of select opportunities in the Nigerian economy, driven by key internal and global factors that make those opportunities particularly timely. The team's pick for the year are:

6.1 Deal One: The Lithium Mining Industry

Lithium mining is one of Nigeria's key opportunities, driven by a combination of internal and external factors. Externally, the demand for lithium and other green metals has been sustained as the demand for products such as electric vehicles continues to rise. In addition to the general demand for green metals, there are growing concerns around supply security, with companies and their respective governments looking to establish independent supply sources and reduce dependence on strategic adversaries. The global lithium market is projected to increase to over $74 billion by 2030, an 18% annual growth driven by increasing demand for EVs and other lithium products.

Internally, Nigeria continues to pursue revenue diversification strategies aimed at reducing dependence on crude oil. As part of this drive, the mining industry has seen renewed interest, with key reforms aimed at streamlining licensing, royalties, and other activities in the sector. In response, the government has established a Solid Minerals Development Fund to offer low-cost financing to artisanal and small-scale miners. It has also established the Nigerian Solid Minerals Corporation, a well-funded entity to co-finance larger projects across the various mining value chains. Nonetheless, the sector is fully deregulated, with no requirement to partner with the aforementioned government entities.

It is worth noting that the lithium industry, like other niches in Nigeria's mining industry, faces a dearth of exploration data. Furthermore, significant levels of artisanal activities are currently taking place in various locations, with a few medium-scale mines licensed by the government. However, any entry into the sector will require preliminary exploratory work to establish the estimated quantity and lithium percentages. Different incentives exist to compensate for these expenses

Key Opportunities and Potential Structure

The lithium value chain presents key opportunities, contingent upon investor interest, risk appetite, and average ticket size. Investment opportunities include:

- Acquisition of multiple exploratory licenses, establishment of core data, including estimated quantity and quality,and resale of these licenses to medium and larger-scale mining companies
- Full exploration and production of lithium ore
- Benefaction of lithium (could be combined with production)
- Provision of logistics services

The potential structure and product would vary, depending on investor type and ticket size. Investors with existing operational experience could acquire licenses and operate mines and beneficiation facilities. On the contrary, investors might choose to inject capital into existing entities. These could be structured as equity (common and preferred) or debt. In addition, for trading companies outside Nigeria, capital could be structured to ensure consistent supplies to these investing companies for a pre-agreed duration and pre-agreed prices.

Depending on the structure and what part of the value chain investors are interested in, the ticket size will vary. The estimated ticket size ranges from $2 million (for exploratory work and small-scale production) to $250 million (for larger production and processing plants).

Risks

While opportunities exist in the lithium industry in Nigeria, there are risks worth considering, with mitigation plans put in place. Some of these risks include the continued spate of insecurity in specific mining locations, periodic cases of illegal mining within licensed areas, and more general risks in developing economies, such as currency risks, political risks, and hostility from host communities over the environmental impact of mining activities. Mitigation plans can be designed to help clients navigate these risks.

6.2 Deal Two: The Nigerian Electricity Sector

Nigeria's electricity sector has seen a raft of reforms in recent years. The 2023 Electricity Act unbundled the industry, empowering states (rather than the federal government) to regulate the production, transmission, and distribution of electricity within their territories. Until then, the sector had been regulated mainly at the national level, with little room for competition and a high level of bureaucracy. The new law allows each state to regulate pricing, licensing, and incentives for investors. While states are at different stages of domesticating the Electricity Act, there exists ample choice for investors interested in real asset-based investment opportunities.

Nigeria, one of Africa's largest economies and the continent's most populous country, continues to struggle with electricity production. Just over half of the country's population of 200 million has access to electricity, with higher levels of access among urban dwellers compared to rural dwellers. While the country's installed capacity is over 16,000 MW, the average production essentially hovers around 4,000 MW due to infrastructural and other production challenges. This scarcity of power means that many households and businesses continue to rely on alternative energy sources, especially petrol- and diesel-powered generators. The enactment of the Electricity Act and subsequent development of regulations across states provide opportunities for investors to pick investment-friendly states looking to partner with investors and improve electricity supply to households and businesses.

Key Opportunities and Potential Structure

Opportunities exist along the value chain, including generation, transmission, and distribution. There are no laws currently limiting participation in any of the aforementioned parts of the value chain or preventing the use of specific energy sources. As a result, investors are largely free to choose among different energy sources, as long as their operations comply with existing national environmental laws. Significant investment opportunities include:

- Small-scale renewable energy generation (up to 10MW)
- Medium to Large Scale Renewable Energy Generation (Above 10MW
- Installation and operation of transmission lines
- Distribution to the general public
- Generation and distribution to specific businesses (factories, mines, etc.)

The total investment layout will vary, depending on the type of activity and size of generation. This will vary from about $15 million (for up to 10MW production) to hundreds of millions of dollars for statewide transmission facilities and larger-scale generation projects within a state

Risks

The electricity sector is primarily an inward-facing sector; thus, revenues will be in the local currency. This creates a significant currency risk that must be factored in and hedged. Furthermore, while the devolution of regulatory powers to the states could potentially ensure faster decision-making and reduce excessive bureaucracy, there are differing levels of institutional certainty and political risks among Nigeria's states. Therefore, these risks must be taken into account when selecting which states to invest in.

6.3 Practical Discussion of the Investment Environment

The opportunities discussed above, in addition to other opportunities tracked by the Veriv Africa team, possess significant potential. However, each intending investor must consider the practical aspects of investing in the Nigerian market. Key factors to consider include:

- **Tax Changes:** A new tax regime is expected to kick in by January 2026. While headline corporate tax is retained at 30%, other taxes are likely to change, including the capital gains tax, which is expected to increase from 10% to the corporate tax rate of 30%. This sizable increase in capital gains tax, in addition to the hidden tax on inflation, means that investments via the stock exchange and other financial markets must meet higher potential returns for investors to achieve the type of post-tax gains they expected under the previous taxation regime. Exemptions to these changes include investment amounts below 150 million Naira and reinvestments in the stock exchange within a prescribed timeline.

- **Land Tenure:** For investments in rural areas, land tenure is not straightforward. Under the Land Use Act, state governors are empowered to allocate land and issue a certificate of occupancy for leases that could last up to 99 years, subject to renewal. In addition to the above law, the federal government generally controls the licensing of mining activities. Thus, activities in the mining space would require double interaction at the state and federal levels, in addition to the host community. While state governors are legally empowered to issue certificates of occupancy, there are legacy ownership systems among local communities that continue to subsist. Thus, any revocation of these traditional tenures will require negotiations and, in most cases, compensation.

- **Security:** Nigeria, like many countries on the continent, continues to face numerous security challenges. These include kidnapping, banditry, illegal mining, and terrorism in limited parts of the country. Key food-producing regions and mine-rich regions are particularly vulnerable. However, for investors interested in operating these areas, special arrangements with the state governors and other security agencies could be designed to ensure the safety of personnel and facilities. Nonetheless, enhanced insurance arrangements must be made.

- **Other Risks:** In addition to insecurity, other risks remain. A major risk is political risk. For investors in the mining industry, key risks include an occasional ban on mining activities or the export of unprocessed minerals by the national government. Each new government might enact new laws aimed at increasing value added within the country. This risk must be considered by investors, with plans for processing made over time.

- Furthermore, there are periodic disagreements between companies in sectors regulated by the federal government (such as oil & gas, mining, etc.) and the governors of the states in which they operate. These disagreements may centre on taxation, environmental concerns, and other issues. Thus, there is a need to work closely with in-country consultants and an attorney to enable seamless navigation of these risks.

Finally, there are concerns around the repatriation of capital. Legally, there are no restrictions on capital repatriation. However, during times of foreign exchange scarcity, temporary restrictions have been imposed, while other investors have struggled to repatriate funds due to the illiquid nature of the markets. So far, under the current administration and leadership of the central bank, these issues have been primarily dealt with. The risk is especially acute for investment opportunities that rely entirely on in-country revenues (for example, utilities). In conclusion, these risks are indeed present in the market. However, with the right mitigation strategies in place, investors can effectively harness the opportunities highlighted.

Appendices

A.1 Data Sources and Methodology Notes

Our projection was estimated using the VerivAfrica MacroEconometric Model, which reflects the impact of various factors on the forecasted macroeconomic indicators. The projections considered both domestic and global economic factors that are expected to stimulate economic activity in 2025. The model was constructed to analyse the impacts of different policies on key macroeconomic indicators and forecast their future values using scenario analysis.

We used a Vector Autoregressive (VAR) model to estimate our forecasts. VAR is a powerful, robust, and standard methodology for forecasting interdependent macroeconomic variables. It captures the dynamic relationship among the variables. VAR models also have the advantage of handling endogeneity because they treat all variables as endogenous; however, they can be modified to accommodate exogenous variables, depending on the model's assumptions. They can also simulate "what if" scenarios to examine possible outcomes using different economic conditions. Given the difficulty of making accurate forecasts, we built three scenarios around the forecast to provide flexibility rather than estimating a point forecast. The three scenarios are the base case scenario, i.e., the business-as-usual scenario; the best-case scenario, i.e., the optimistic view; and the worst-case scenario, i.e., the pessimistic view. The macroeconomic variables forecasted in the outlook are real GDP growth, headline inflation rate, and exchange rate (forecasted only at the base case).

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