



NIGERIA

June 2026

2026 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR NIGERIA

In the context of the 2026 Article IV Consultation, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board and summarizing the views of the Executive Board as expressed during its June 1, 2026, consideration of the staff report on issues related to the Article IV Consultation.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 1, 2026, following discussions that ended on March 17, 2026, with the officials of Nigeria on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on May 7, 2026.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for Nigeria.

The documents listed below have been or will be separately released.

Selected Issues

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.



IMF Executive Board Concludes 2026 Article IV Consultation with Nigeria

FOR IMMEDIATE RELEASE

Washington, DC – June 9, 2026: The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation¹ with Nigeria on June 1, 2026.

Strong reforms over the past three years have yielded improved macroeconomic outcomes and built resilience. Still, conditions for many Nigerians remain difficult. Poverty reached 63 percent (national poverty line) and 27 million Nigerians are estimated to have faced food insecurity in the fall of 2025.

Higher global fuel, food and fertilizer prices will improve exports and fiscal revenues, but also give rise to inflationary pressures, potentially aggravating poverty and food insecurity. Growth is estimated at 4 percent in 2025 and projected at 4.1 percent in 2026, as headwinds from higher food and transport costs weigh on economic activity. After being on a declining trend for over a year, inflation nudged up to 15.4 percent year-on-year in March 2026 as the jump in international fuel and food prices started hitting Nigeria. While the external shock to fuel and food prices will push up inflation in the short run, the disinflation path is projected to continue in the second half of the year.

Gross international reserves increased to US\$46 billion in 2025 from US\$40 billion at end-2024, supported by the current account surplus, net purchases of central bank open market operations by non-residents, and a Eurobond issuance. Net international reserves increased to US\$35 billion at end-2025 from US\$23 billion at end-2024.

The overall deficit of the consolidated government is estimated to have increased to 4.4 percent of GDP in 2025. While non-oil revenues were on target, oil revenues fell short of budget expectations. The shortfall was offset by under execution of reported capital expenditures, while some additional capital spending that took place outside the budget perimeter has now been included in the budget through the repeal and reenactment bills.

Risks to the outlook come from the uncertain global environment, in particular the outlook for fuel and food prices. The domestic security situation is another risk to people and economic activity. On the upside, quick gains on revenue mobilization would create additional budget space for growth-enhancing priority spending.

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

Executive Board Assessment²

Executive Directors agreed with the thrust of the staff appraisal. They commended the authorities' reforms over the past three years that have strengthened macroeconomic stability and resilience. Directors cautioned that conditions remain difficult for many Nigerians, with poverty and food insecurity likely to worsen in the current external environment. Tight macroeconomic policies and continued reforms supported by technical assistance from the Fund and other partners will be crucial to preserve stability and boost inclusive growth.

Directors called for a neutral fiscal stance in 2026 to support macroeconomic stability and disinflation, while protecting priority and social spending. They welcomed the recent tax reforms, noting that additional tax policy measures may be needed over the medium term, including to fund a scaled up cash transfer program to provide relief to the most vulnerable. Highlighting concerns about off-budget spending and complex financing instruments, they called for accelerating reforms to strengthen the budget process, public financial management, fiscal reporting and risk framework, transparency, and accountability.

Directors commended the authorities' success in bringing down inflation, while noting renewed external inflationary pressures. They agreed that the Central Bank of Nigeria should maintain a tight monetary policy stance with a data-dependent approach until disinflation is entrenched and inflation expectations are anchored. Directors welcomed progress toward adopting inflation targeting and encouraged steps to strengthen monetary transmission and communication.

Directors welcomed the authorities' commitment to the flexible exchange rate regime, recognizing that foreign exchange interventions can play a complementary role under certain circumstances. Directors called for reducing reliance on portfolio flows with roll-over risk, phasing out remaining exchange restrictions, capital flow management measures, and remaining multiple currency practices as conditions permit.

Directors welcomed that the financial system remains resilient, helped by the recent recapitalization of banks, while encouraging continued vigilance of rising NPLs and the sovereign-bank nexus. They encouraged the authorities to accelerate Basel III implementation, including the countercyclical capital buffer and the liquidity coverage ratio. Directors stressed the importance of further strengthening supervision and bringing stablecoin and other crypto-asset activities into the regulatory perimeter. They welcomed Nigeria's removal from the FATF grey list and noted that sustained implementation will be key to preserving recent gains in financial integrity.

Directors emphasized the need for reforms to support inclusive growth and diversification. They flagged governance, security, electricity, agriculture, infrastructure, and human capital as priority areas. Directors called for strengthening macroeconomic statistics to support policy formulation and implementation. Some Directors stressed the importance of integrating climate considerations into macroeconomic policy and development policies.

The next Article IV Consultation with Nigeria is expected to be held on the standard 12-month cycle.

² At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summing ups can be found here: <http://www.IMF.org/external/np/sec/misc/qualifiers.htm>.

Table 1. Nigeria: Selected Economic and Financial Indicators, 2024–27

	2024	2025	2026	2027
	Act.	Est.	Proj.	Proj.
National income and prices	Annual percentage change, unless otherwise specified			
Real GDP (at 2019 market prices)	4.1	4.0	4.1	4.3
Oil and Gas GDP	5.5	8.5	4.5	4.1
Non-oil GDP	4.0	3.9	4.0	4.3
Non-oil non-agriculture GDP	5.0	4.2	4.6	5.0
Production of crude oil (million barrels per day)	1.55	1.64	1.71	1.75
Nominal GDP at market prices (trillions of naira)	373	442	529	618
Nominal non-oil GDP (trillions of naira)	358	430	517	604
Nominal GDP per capita (US\$)	1,084	1,223	1,556	1,565
GDP deflator	14.1	13.9	15.2	11.9
Consumer price index (annual average) 1/	33.2	23.0	16.0	15.9
Consumer price index (end of period) 1/	34.8	15.2	17.0	14.5
Investment and savings	Percent of GDP			
Gross national savings	23.8	22.0	24.2	22.4
Public	3.5	1.6	0.9	0.9
Private	20.3	20.5	23.3	21.5
Investment	16.2	17.2	20.3	20.4
Public	3.5	2.7	5.7	4.6
Private	12.7	14.5	14.6	15.8
Consolidated government operations	Percent of GDP			
Total revenues and grants	10.8	10.2	10.8	10.6
<i>Of which:</i> oil and gas revenue	3.0	3.1	3.8	3.5
<i>Of which:</i> non-oil revenue	6.8	6.8	6.7	6.9
Total expenditure and net lending	12.0	12.0	15.5	14.2
Financing (overall balance from financing side)	2.4	4.4	4.7	3.6
Non-oil primary balance (from financing side)	-3.1	-5.1	-5.9	-4.6
Public gross debt 2/	39.3	36.1	35.4	36.7
<i>Of which:</i> FX denominated debt	19.0	16.9	17.2	19.1
FGN interest payments (percent of FGN revenue)	40.8	53.2	53.7	52.4
Money and credit	Contribution to broad money growth, unless otherwise specified			
Broad money (percent change; end of period)	50.3	14.6	15.9	15.9
Net foreign assets	35.8	4.3	9.3	4.8
Net domestic assets	14.5	10.4	6.6	11.1
<i>Of which:</i> Claims on consolidated government	-8.2	6.2	1.4	5.6
Credit to the private sector (y/y, percent)	30.1	-1.2	14.0	14.2
Velocity of broad money (ratio; end of period)	3.3	3.0	3.2	3.2
External sector	Annual percentage change, unless otherwise specified			
Current account balance (percent of GDP)	7.5	4.8	3.9	2.0
Exports of goods and services	-4.5	8.7	18.3	-6.0
Imports of goods and services	-0.8	8.5	8.4	6.0
Terms of trade	-0.7	-5.7	5.8	-10.5
Price of Nigerian oil (US\$ per barrel)	79.9	68.3	80.2	71.5
External debt outstanding (US\$ billions) 3/	105.9	109.3	119.3	132.0
Gross international reserves (US\$ billions, CBN definition) 4/	40.2	45.8	58.1	62.0
Equivalent months of prospective imports of G&S	7.7	8.1	9.7	10.2

Sources: Nigerian authorities; and IMF staff estimates and projections.

1/ Consumer price index (CPI) projections are derived based on rebased CPI data starting January 2025 and staff estimates.

2/ Gross debt figures for the Federal Government and the public sector include overdrafts from the Central Bank of Nigeria (CBN).

3/ Includes both public and private sector.

4/ Based on the IMF definition of gross international reserves (para 6.64 in IMF's Balance of Payments and International Investment Position Manual (BPM6)), GIR was \$8 billion lower relative to CBN's official gross reserves at end-2025.



NIGERIA

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION

May 7, 2026

KEY ISSUES

Context. Strong reforms over the past 3 years have yielded improved macroeconomic outcomes and built resilience. Higher global fuel, food and fertilizer prices will improve exports and fiscal revenues, but also give rise to inflationary pressures, likely aggravating poverty and food insecurity. The government aims to foster high and inclusive growth via improved productivity and ensuring that reform gains benefit all Nigerians. Presidential elections will take place in January 2027.

Policy Recommendations

Fiscal Policy. A neutral fiscal stance in 2026 would support macroeconomic stability, given renewed inflationary pressures. Domestic revenue mobilization is appropriately focused on administrative gains in 2026, while tax rate increases will likely be needed over the medium-term. Funding for the cash transfers program should be secured to support the most vulnerable. Ongoing efforts to enhance the budget process, fiscal reporting, transparency and accountability need to accelerate.

Monetary and Exchange Rate Policy. Monetary policy must remain tight for longer than previously expected given inflationary pressures from the war in the Middle East and a global risk-off environment. As market conditions allow, the Central Bank of Nigeria (CBN) should reduce its reliance on expensive portfolio inflows that pose a rollover risk. The flexible exchange rate regime is serving Nigeria well, and the CBN can focus its foreign exchange interventions (FXIs) framework on countering risks to financial and price stability from large exchange rate movements in line with the Integrated Policy Framework (IPF).

Financial Sector Policies. The authorities should accelerate Basel III implementation, complementing the ongoing analytical work with a clear roadmap for the remaining elements—including the countercyclical capital buffer and the liquidity coverage ratio.

Structural Reforms. Structural reforms to address challenges in the electricity sector, infrastructure, agriculture, and human capital formation are needed alongside improved security to facilitate high and inclusive growth.

Approved By

Costas Christou (AFR)

Jarkko Turunen (SPR)

Discussions took place during March 4–17, 2026, in Lagos and Abuja. The IMF team consisted of Axel Schimmelpfennig (head), Reginald Darius, Nkunde Mwase, and Can Sever (all AFR), Cecilia Melo Fernandes (MCM), Bo Zhao (SPR). Costas Christou (AFR) joined the mission during the first week. The mission was supported by Christian Ebeke (resident representative) and Laraba Bonet, Nene Ikpechukwu, and Zainab Mangga (local office). The mission met with Minister of Finance and Coordinating Minister of the Economy Edun, Governor Cardoso, Minister of Budget and Economic Planning Bagudu, Minister of State for Finance Oyedele (who succeeded Minister Edun in late April), Minister of Agriculture and Food Security Kyari, Minister of Power Adelabu, and other senior government and central bank officials, representatives of the Senate, civil society organizations, trade unions, the private sector, and development partner organizations. Joanna Delcambre, Chris Stumphius, and Islom Urolov provided excellent assistance in preparing this report.

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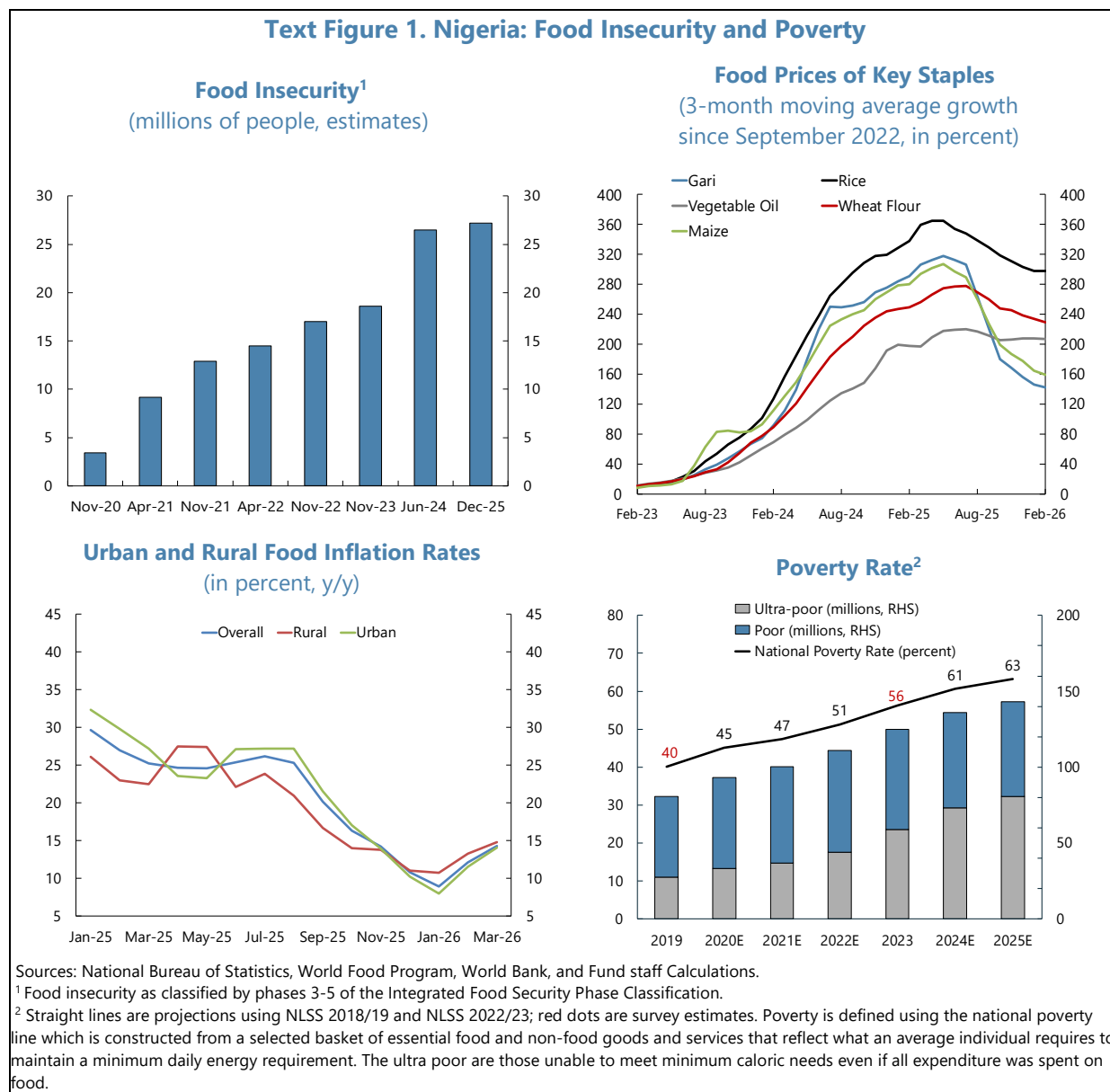
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CONTEXT

1. Sustained reforms since 2023 have strengthened macroeconomic stability (Annex I).¹

Ending fuel subsidies and deficit monetization, tightening monetary policy, coupled with the liberalization of the exchange rate, have reduced fiscal vulnerabilities, rebuilt external buffers, and improved fx market functioning. Portfolio inflows have resumed, and Nigeria again accessed external markets. Nigeria was removed from the Financial Action Task Force (FATF) “grey list” in October 2025, and from the European Union’s list of third countries having strategic deficiencies in their AML/CFT frameworks in January 2026. S&P revised the country’s outlook from stable to positive in November 2025.



¹ See also the [2025 Article IV Consultation](#).

2. Still, conditions for many Nigerians remain difficult. Insecurity takes a heavy human toll, and impacts investment, agriculture, and oil production. Poverty is estimated to have reached 63 percent (national poverty line) and 27 million Nigerians are estimated to have faced food insecurity in the fall of 2025. 9.2 million households have been enrolled in the cash transfer system—developed with World Bank support—with 15 million targeted. Those enrolled have received at most a total of 3 transfers of naira 25,000 (~US\$18) since 2023. Poverty and food insecurity are expected to increase with higher fuel and food prices. The government aims to raise inclusive growth through infrastructure investment and supporting businesses and citizens. Presidential elections will take place in January 2027.

3. Nigeria is a Fragile and Conflict-Affected State that struggles with capacity constraints. Our [Country Engagement Strategy](#) emphasizes the need to build a broad consensus to sustain reforms and exit fragility. IMF surveillance and capacity development (CD) continue to reflect and help alleviate capacity constraints via prioritized and streamlined policy advice and tailored support (Annex II).

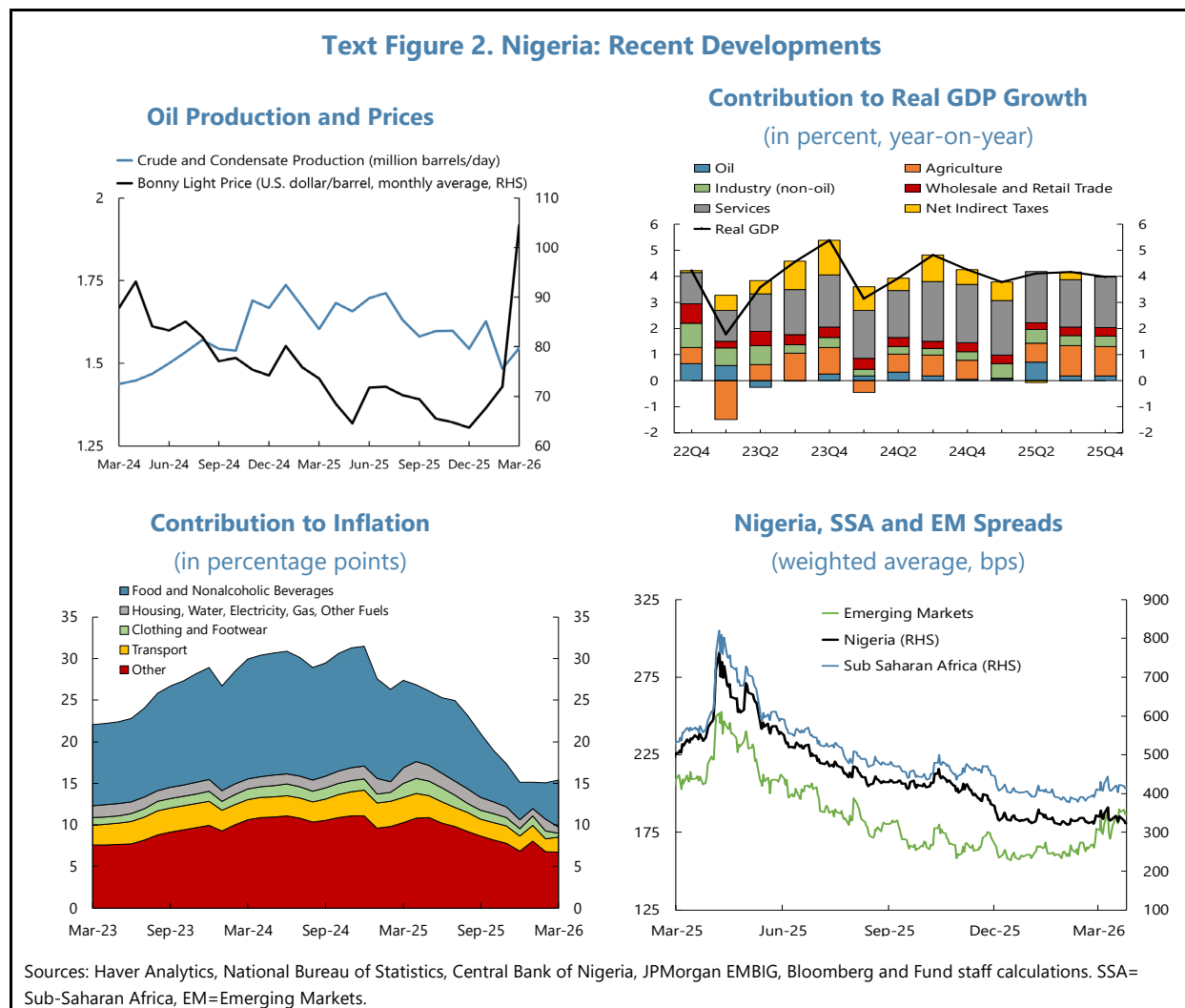
RECENT ECONOMIC DEVELOPMENTS

4. Growth is estimated at 4.0 percent in 2025, while inflation nudged up in March 2026 after declining for over a year. Sustained macroeconomic reforms supported activity and confidence. Growth was driven by agriculture, real estate, information and communication, and oil and gas.² Inflation was on a declining trend for over a year through February 2026, reaching 15.1 percent year-on-year, with tight monetary policy, stability in the foreign exchange market, and an improved harvest. As the jump in global fuel and food prices started hitting Nigeria, inflation ticked up to 15.4 percent year-on-year in March 2026. Core inflation increased to 16.2 percent year-on-year from 15.9 percent in February, and food inflation to 14.3 percent from 12.1 percent (See Selected Issues Paper).³

² The authorities have released a rebased GDP series, supported by Fund CD, with a base year 2019. The GDP share of information/communication, trade, real estate, and manufacturing increased while the share of oil/gas and agriculture declined. Nominal GDP was revised up by 34 percent for 2024.

³ Following the release of a rebased CPI in January 2025, the authorities revised the reference period used to link the new and the old index retroactively with the December 20205 inflation report. The revised methodology is consistent with IMF CD advice, the IMF CPI Manual, and ECOWAS guidance. The change has shifted up the inflation path in 2025 but has not impacted the disinflation trend over the course of the year.

Text Figure 2. Nigeria: Recent Developments



5. The consolidated government (CGN) fiscal stance was expansionary in 2025. The CGN deficit measured from below-the-line was 4.4 percent of GDP in 2025, up from 2.4 percent in 2024. At the Federal Government (FGN) level—for which more granular information is available—oil and gas revenue fell short of budget expectations, while company income tax and value added tax (VAT) were on target. So far, the estimated savings of the fuel subsidy removal completed in late 2024 (estimated at up to 2 percent of GDP) do not appear to have accrued to the budget in 2025. The revenue shortfall was offset by under execution of reported capital expenditures. An estimated statistical discrepancy of 2.7 percent of GDP could reflect spending not captured by the Office of the Accountant General of the Federation (OAGF). The January 2026 Repeal and Re-enactment Bills for the 2024 and 2025 budgets incorporated, ex post, some expenditures that had been executed

outside the budgets. Financing came from a Eurobond issuance, syndicated loans for infrastructure projects, domestic securities, and a CBN deposit drawdown of 1.1 percent of GDP which has the same liquidity impact as previous “ways and means” (overdraft) financing.⁴ Interest payments are estimated to have absorbed 53 percent of FGN revenues in 2025, from 41 percent in 2024.

6. The external position remained strong.

The current account recorded a surplus of 4.8 percent of GDP in 2025, driven by oil and gas exports and reduced refined fuel imports, with the domestic refinery ramping up production. Gross international reserves increased to US\$46 billion in 2025 from US\$40 billion at end-2024, supported by the current account surplus, US\$6 billion net purchases of central bank open market operations (OMOs) by non-residents, and a US\$2.3 billion Eurobond issuance.⁵ Gross reserves rose to US\$49 billion (30-day moving average) by end-March 2026. Net international reserves increased to US\$35 billion at end-2025 from US\$23 billion at end-2024. The naira appreciated by 10 percent year-on-year against the U.S. dollar in March 2026.

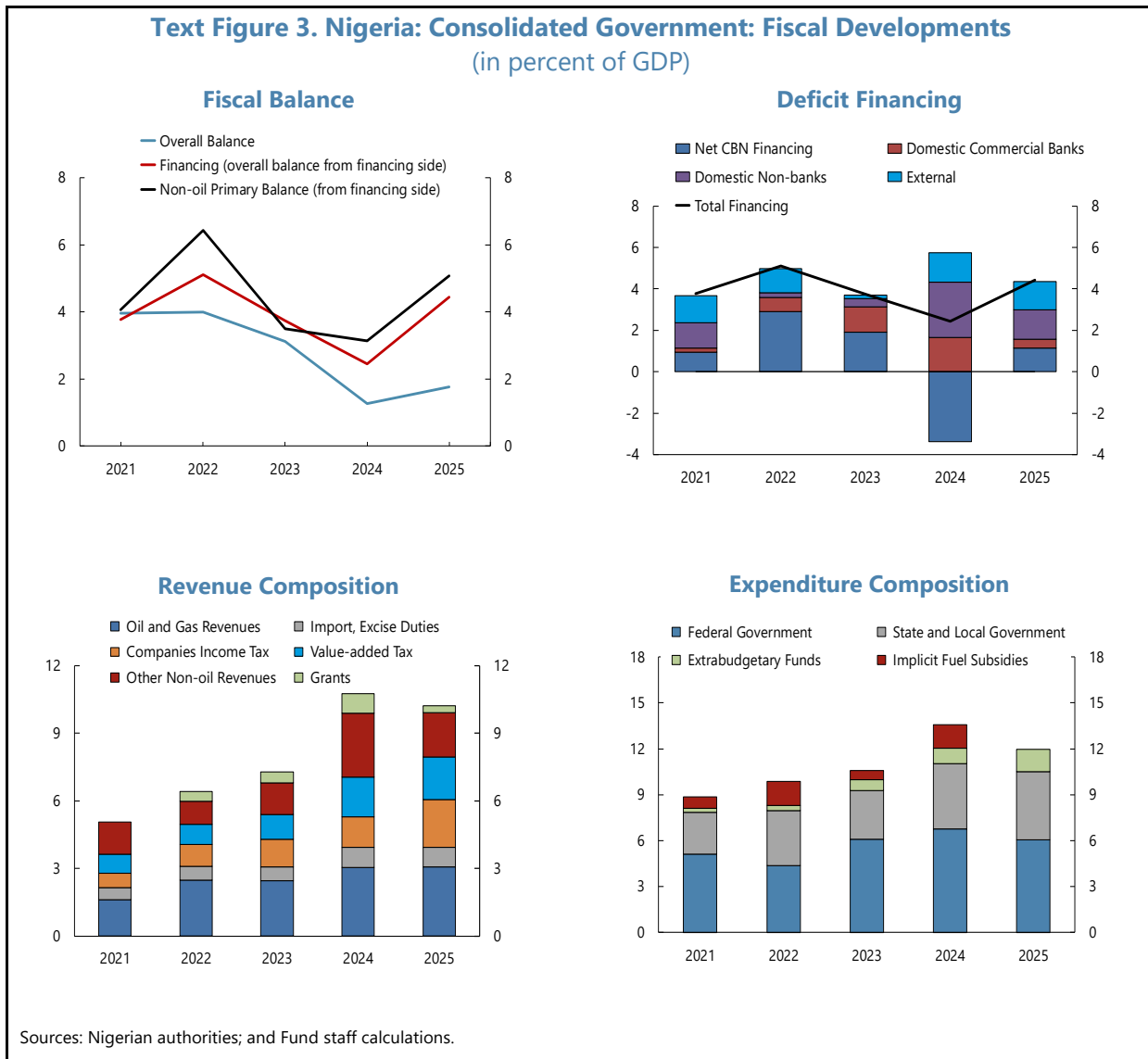
**Text Table 1. Nigeria: Government Operations
2024–25 (in percent of GDP)**

	2024	2025	
	Act.	Budget	Est.
Consolidated Government (CGN)			
Total revenues	10.8	...	10.2
<i>Of which: oil</i>	3.0	...	3.1
<i>Of which: grants</i>	0.9	...	0.3
Expenditures	12.0	...	12.0
Overall balance	-1.3	...	-1.8
Financing	2.4	...	4.4
Statistical discrepancy (“+” = additional spending)	1.2	...	2.7
Non-oil primary balance (from financing side)	-3.1	...	-5.1
Federal Government (FGN)			
Total revenues	5.3	8.6	4.3
<i>Of which: oil</i>	0.8	4.9	0.9
<i>Of which: VAT and CIT</i>	0.8	1.2	1.2
<i>Of which: grants</i>	0.9	0.0	0.3
Expenditures	6.8	11.0	6.0
<i>Of which: capital spending</i>	2.2	5.1	1.3
Overall balance	-1.5	-2.4	-1.8
Financing	2.4	...	3.5
Statistical discrepancy (“+” = additional spending)	1.0	...	1.7
Non-oil primary balance (from financing side)	-1.1	...	-2.2
FGN interest payments (percent of FGN revenue)	40.8	27.5	53.2

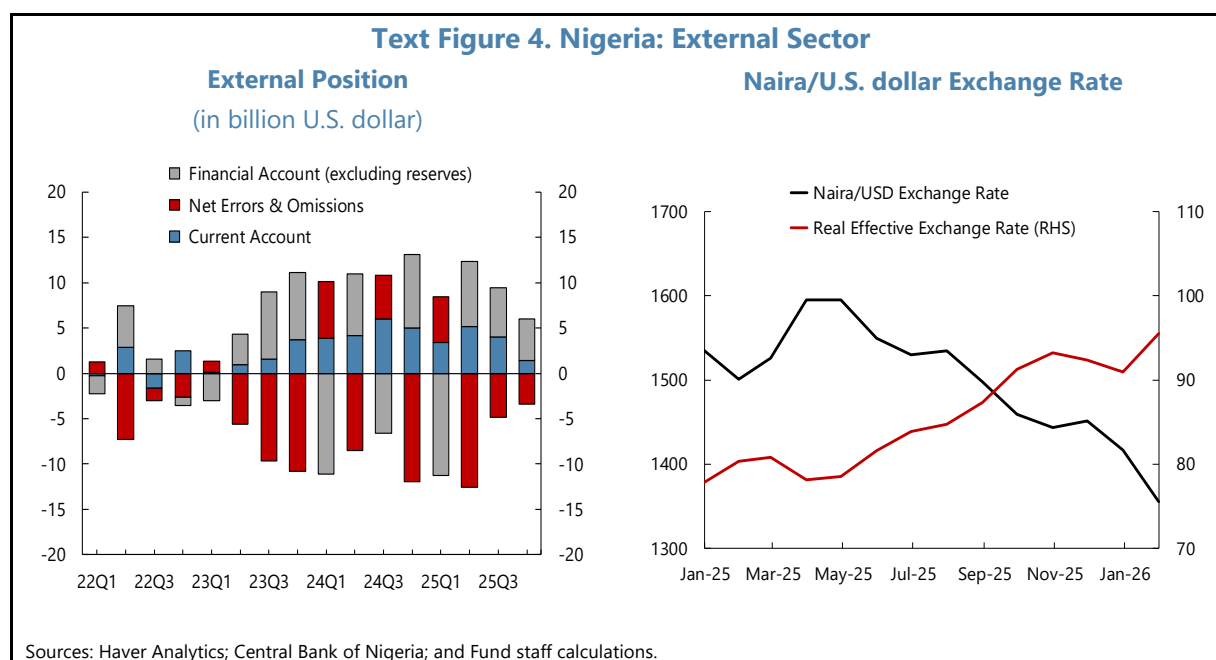
Sources: Nigerian authorities; and Fund staff calculations and projections.

⁴ The government adhered to the zero limit on ways and means that had been a large source of CBN financing before 2023.

⁵ Based on the IMF’s definition of gross international reserves, reserves pledged under a securities lending arrangement (close to US\$8 billion at end-2025) would be excluded from the official reserves figure reported by the central bank.

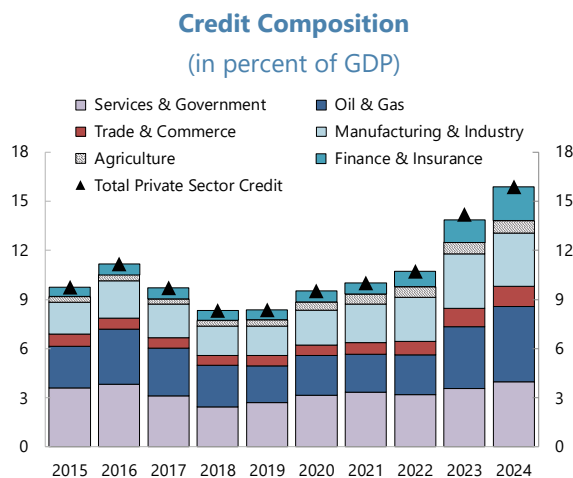
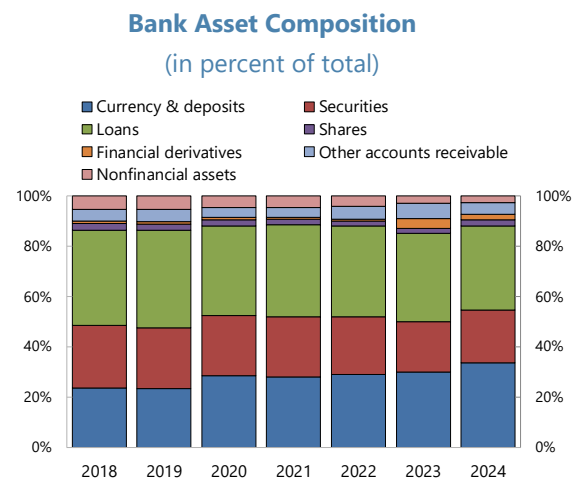
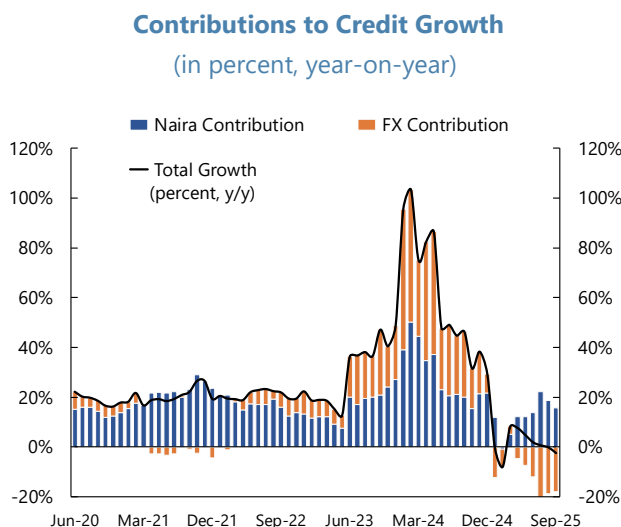
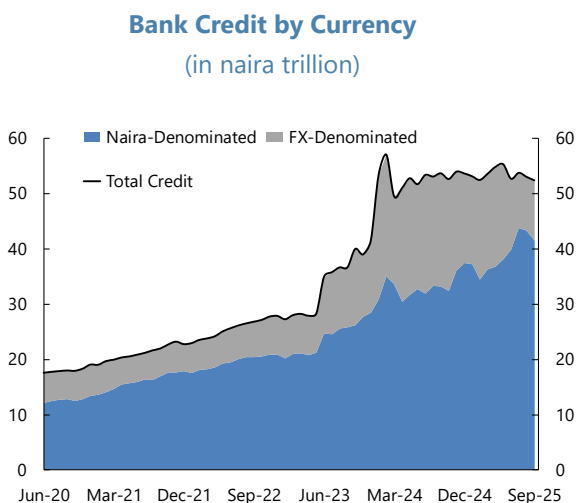


7. Credit showed welcome greenshoots. Adjusting for exchange rate valuation effects, private sector credit grew by about 20 percent in 2025, driven by a 16 percent expansion in naira-denominated lending. However, private sector credit remains low at 12 percent of GDP in 2025, and markets do not intermediate domestic savings into productive investment. Credit exposure remains concentrated in a few sectors such as oil and gas, services, manufacturing and industry.



8. The financial sector maintains adequate capital and liquidity, but risks persist. The bank recapitalization exercise raised about US\$3.4 billion in new equity, with 33 out of 37 banks meeting the revised requirements by the end-March deadline. The remaining four banks are undergoing regulatory and judicial processes, which are being handled through established supervisory and legal frameworks. Vulnerabilities persist. The capital adequacy ratio declined to 11.7 percent in Q3-2025, driven by the impact of naira depreciation on risk-weighted assets and higher provisioning. NPLs increased to 8 percent in Q3-2025, above the prudential ceiling, following the migration of restructured exposures from Stage 2 to Stage 3 upon the expiry of COVID-19 regulatory forbearance. The insurance sector is also undergoing recapitalization under the 2025 Insurance Industry Reform Act, with a deadline in July 2026. To date, 20 of 58 insurers have submitted for capital verification.

Text Figure 5. Credit Developments: Underlying Strength Masked by Valuation Effects



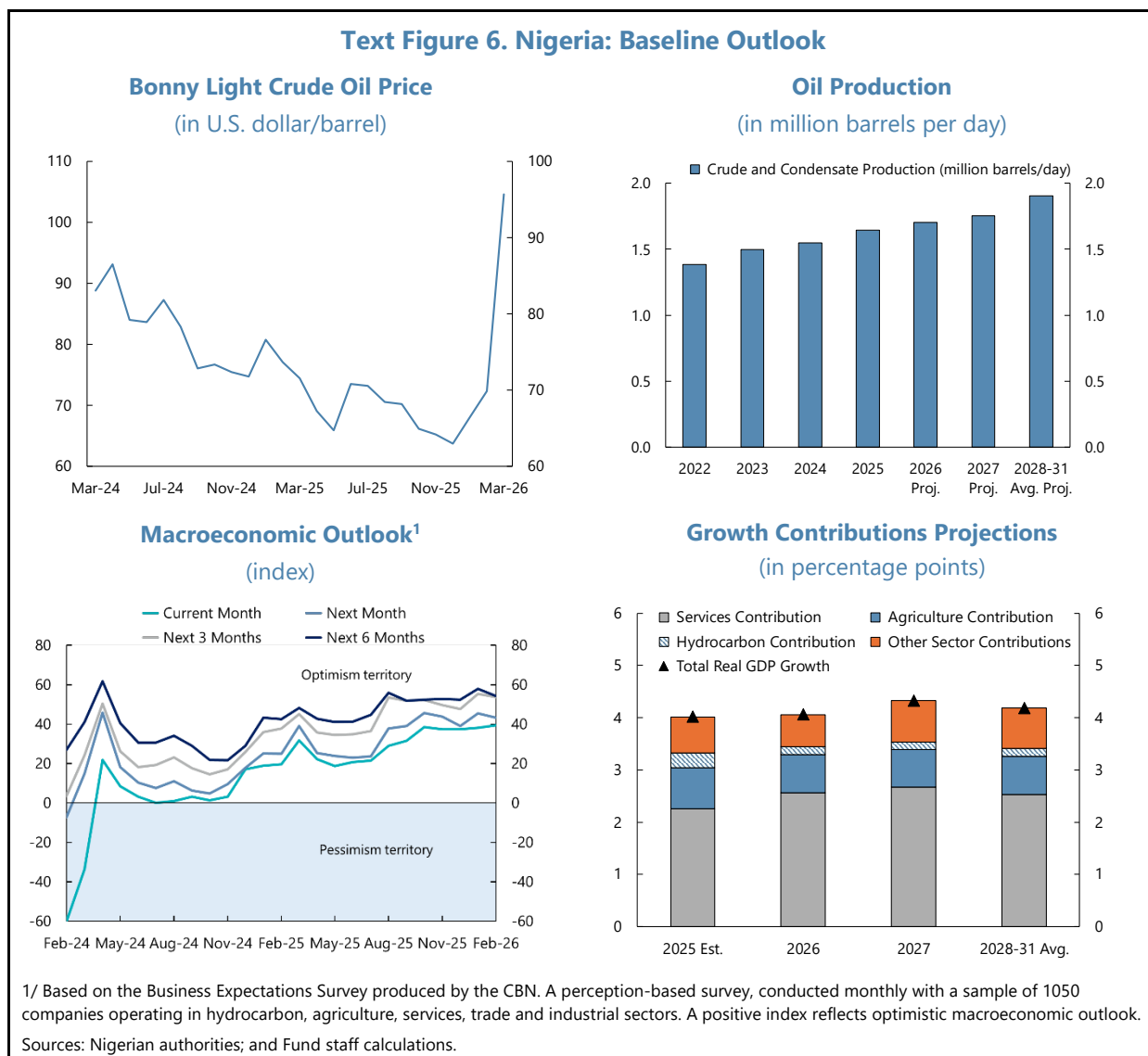
Sources: Central Bank of Nigeria and Fund staff calculations. y/y: year-on-year.

OUTLOOK AND RISKS

9. The uncertain external environment weighs on the outlook and gives rise to risks. The war in the Middle East impacts Nigeria through higher commodity prices and possibly a sustained risk-off sentiment. As an oil producer, elevated crude oil and gas prices will boost export and fiscal revenues. At the same time, higher fuel, fertilizer and food prices will push up inflation and likely aggravate poverty and food insecurity. Staff’s projections assume that the war will have limited duration, intensity, and scope, such that disruptions will fade by mid-2026. Given the fluidity of the situation, an illustrative alternative scenario discusses risks and policy implications.

10. Growth is expected to be resilient at 4.1 percent in 2026. Nigeria has become self-sufficient in refined fuel—in fact, is now a net exporter—which should avoid supply disruptions.

However, international prices are still passed through to the domestic market, where petrol and diesel prices increased by 22.5 and 16 percent, respectively, in March compared to pre-war. Rising domestic and international transport costs are set to weigh on non-oil activity. Oil/gas production has limited scope to quickly respond to rising prices. Staff estimates that, in the baseline (consistent with the April 2026 World Economic Outlook reference scenario), the war shaves off 0.3 percentage points of growth in 2026. Over the medium-term, growth is projected at just over 4 percent, with services remaining a key driver. With the expected higher food and fuel prices, inflation is projected to tick up to 17 percent year-on-year at end-2026—about 3½ percentage points higher than projected before the war—and return to the pre-war disinflation path as policies remain tight and supply conditions improve.



11. With elevated uncertainty, the outlook is subject to downside risks (Annex III).

- A further increase in global commodity prices and tightening of financial conditions would weigh on non-oil activity and financing costs, and push up inflation.
- A deterioration in domestic security could hit oil production, impact fiscal and export revenues, and aggravate poverty and food insecurity. Climate-related shocks and security developments can affect agriculture and food insecurity.

Text Table 2. Nigeria: Breakeven Oil Prices 2026

Fiscal	
Breakeven price (US\$/bl)	195
Change in overall balance for US\$10/bl price move (percent of GDP)	0.4
Current account	
Breakeven price (US\$/bl)	40
Change in current account balance for US\$10/bl price move (percent of GDP)	1.0
Sources: Nigerian authorities; and Fund staff estimates. The analysis covers the oil price only, all else constant.	

- Spending pressures from elevated poverty and food insecurity, including in the run-up to the elections, could widen fiscal deficit and increase financing needs.
- A slowdown in the reform momentum around the elections, and structural constraints—such as infrastructure and human capital gaps—pose risks to growth.
- Cyberattacks could undermine financial stability.

12. There are also upside risks, notably associated with steadfast reforms.

- Durably high global hydrocarbon prices, lower financing costs, and improvements in investor sentiment could bolster investment, revenues, fx reserves, and growth.
- Swift implementation of the recent changes in tax laws combined with enhanced enforcement could generate fiscal space for social and development priorities, fostering inclusive growth.
- Continued improvements in domestic security present an upside for agriculture and oil production, which would boost fiscal revenues and fiscal space.

13. In an alternative scenario where global headwinds become protracted, repercussions on growth and inflation, capital outflow pressures, and policy trade-offs would become more acute (Annex IV). While the impact on the external balance should be net positive, outflow pressures could intensify. Non-oil activity would slow further, while inflation pressures would mount. Macrofinancial linkages would further weigh on activity. The policy response should be guided by the IMF's [Integrated Policy Framework](#) and the IMF's [Institutional View on The Liberalization and Management of Capital Flows](#). Adjusting monetary and fiscal policies and allowing the exchange rate to fluctuate remain the appropriate response. Structural reforms to improve the business environment and attract FDI—alongside phasing out reliance on short-term portfolio inflows—will boost external stability and resilience over the medium-term.

14. Authorities' Views. The authorities recognized the challenges posed by global headwinds but stressed that their reforms have boosted resilience. They see continued strong investor confidence and expect that the inflationary impact of the war is moderated by a stronger naira and revenue windfalls that create space for growth-enhancing investments and social spending. The authorities are monitoring global disruptions and key transmission channels and are ready to take necessary actions to safeguard stability and protect citizens.

POLICY DISCUSSIONS

Discussions centered on protecting stability gains and sustaining reforms to achieve high and inclusive growth. The war in the Middle East will entail export and fiscal windfall revenue, while at the same time likely aggravating poverty and food insecurity and presenting elevated uncertainty and downside risks. Macroeconomic policies should safeguard internal and external balance with a neutral fiscal stance in 2026 to support tight monetary policy. Completing the roll-out and budgeting for the cash transfer system is needed to alleviate poverty and food insecurity. Over the medium-term, transitioning to inflation targeting, enhancing public financial management and budget practices, continuing with revenue mobilization efforts, improving security, accelerating structural reforms, and addressing infrastructure bottlenecks are crucial to fostering inclusive growth.

A. Fiscal Policy

15. The 2026 FGN budget is expected to imply an expansionary fiscal stance. The budget was signed by the President only in mid-April, and the implementation period for the 2025 budget was extended until end-June 2026. Staff expects that the budget implies a FGN deficit of 4.4 percent of GDP in 2026, compared with 3.5 percent of GDP in 2025 (financing side). Staff projects a CGN non-oil primary deficit of 5.9 percent of GDP in 2026 up from 5.1 percent of GDP in 2025 (financing side). Budget revenue projections assume strong oil revenue growth, including from higher prices and Executive Order 09 that limits the role of the Nigerian National Petroleum Corporation in taking deductions upfront. Staff cautions that some of the recent tax law changes (see Text Table 4) are revenue-reducing and that it may take time to fully realize the administrative gain potential. On the spending side, the budget envisages a sharp increase in capital spending, including from bringing on budget priority projects that were previously executed outside the budget perimeter. The authorities are also looking into ways to strengthen the social safety net in light of expected further pressures on poor and food insecure households.

Text Table 3. Nigeria: Government Operations 2025–26
(in percent of GDP)

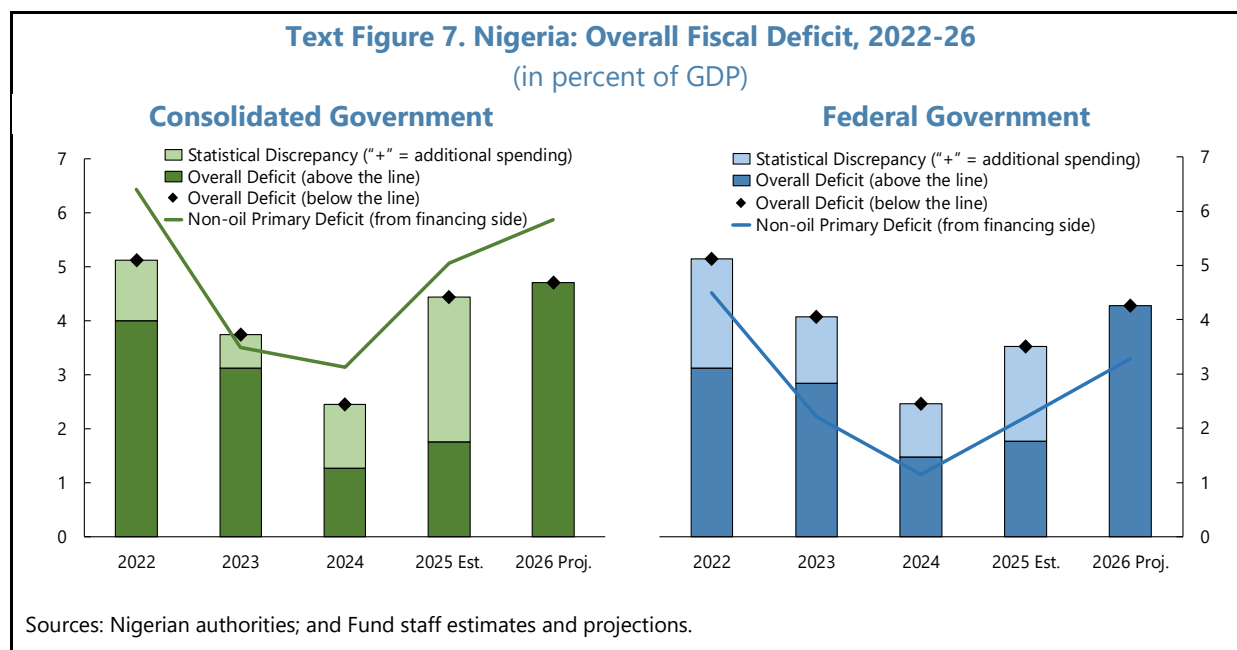
	2025		2026	
	Budget	Est.	Budget	Proj.
Consolidated Government (CGN)				
Total revenues, including grants	...	10.2	...	10.8
Total Expenditures	...	12.0	...	15.5
Overall balance	...	-1.8	...	-4.7
Financing	...	4.4	...	4.7
Non-oil primary balance (from financing side)	...	-5.1	...	-5.9
Federal Government (FGN)				
Total revenues	8.6	4.3	5.5	4.9
Oil revenues (net)	4.9	0.9	2.5	1.6
Non-oil revenues	3.5	3.0	2.8	3.1
Import and excise duties	0.6	0.4	0.4	0.4
Companies' income tax	1.0	0.9	0.9	1.0
Value-added tax	0.2	0.2	0.2	0.1
FGN independent revenue	1.2	0.9	0.8	0.9
Education tax/custom levies	0.5	0.6	0.5	0.6
Grants	0.2	0.3	0.2	0.3
Total Expenditures	11.0	6.0	9.9	9.2
<i>Of which:</i> Capital Expenditure	5.1	1.3	4.4	3.8
Overall balance	-2.4	-1.8	-4.4	-4.3
Financing	...	3.5	...	4.3
Non-oil primary balance (from financing side)	...	-2.2	...	-3.3
FGN interest payments (percent of FGN revenue)	27.5	53.2	43.0	53.7

Sources: Nigerian authorities; and Fund staff calculations and projections.

Note: The MTEF 2026-2028 provides the basis for the budget. However, the 2026 budget increased spending, including stemming from the Repeal and Reenactment Budgets, revenue, and financing. With the approved budget not yet published, projections are based on public statements and the MTEF.

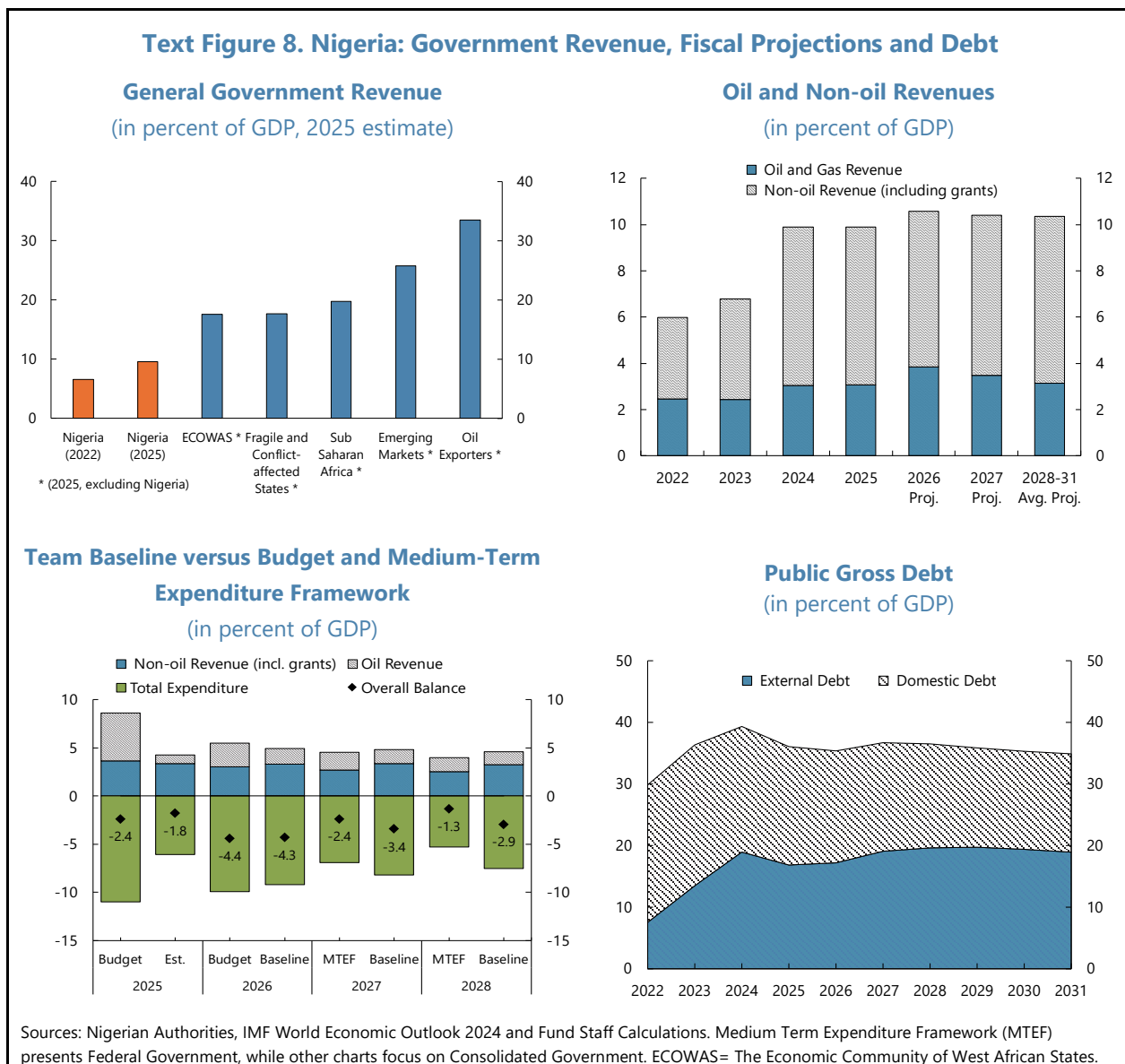
16. Financing the 2026 CGN deficit is set to rely more on external than on domestic sources. The draft budget doubles the nominal borrowing limits relative to 2025 and includes a US\$5 billion (1.3 percent of GDP) total return swap with an international bank. The total return swap carries an interest rate that is comparable to Nigeria's Eurobond yield, entails collateralization of 133 percent with domestic government securities and fees that make the arrangement complex. The arrangement exposes the government to margin calls if the fx value of the naira securities drops (naira depreciation, higher interest rates) and could thus give rise to political constraints on monetary or exchange rate policy. Staff's projections include the full value of the collateral issued as a liability in the DSA until the swap matures. Pension funds face new limits on investing in government securities that could constrain nonbank financing. Banks have indicated that they have space to absorb more government securities than in the past, though this crowds out private credit. With this borrowing, and assuming that the government will also place a Eurobond later in the year, the deficit would be overfinanced, and the government could build up further deposits at the CBN

which stood at 4.2 percent of GDP at end-2025 or use the resources to prepay expensive debt which the authorities are considering.



17. Staff recommends a neutral fiscal stance in 2026, while prioritizing growth-enhancing spending and providing support to the most vulnerable. This means keeping the non-oil primary balance unchanged from 2025, an adjustment of 0.8 percent of GDP compared to staff's projections. The adjustment can come from lower capital expenditure which would still be higher than in 2025. Within the expenditure envelope, sufficient allocations for the cash transfer system are needed considering the expected deterioration of poverty and food insecurity. The FGN and subnational governments can also expand cost-effective public works programs for youth, less-skilled individuals and vulnerable households. If the government can successfully boost revenue through administrative gains, the need to hold back capital spending is reduced.

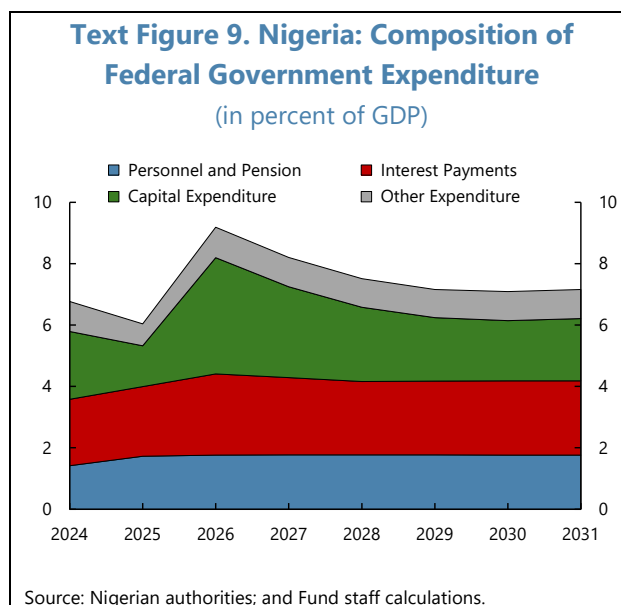
18. Recent reforms to enhance revenue and spending transparency are welcome. The requirement to route remittances of hydrocarbon revenues directly to the Federation Account will improve fiscal transparency and revenue availability. Including national priority projects in the budget, while continuing to phase out the use of Federal Accounts Allocation Committee deductions strengthens prioritization, accountability, transparency, and execution. The ongoing reconciliation of budget execution data across the Budget Office, Debt Management Office, and OAGF should be completed and automated, while resuming the regular publication of audited accounts for the FGN.



19. Going forward, further steps to strengthen the budget process, and fiscal transparency, governance and risks assessment are needed. Timely passage of the budget and phasing out the practice of overlapping budgets would strengthen budget implementation. Adopting annual reporting of general government fiscal data will allow fiscal monitoring at national level and using fiscal policy as an active macroeconomic management tool. Continuing the efforts to eliminate spending outside the budget sphere and improve fiscal governance is needed. Establishing and maintaining an integrated fiscal risk management framework in line with the IMF CD recommendations would help monitor risks, in particular from oil-backed loans and SOEs. Reforms in the energy sector are needed to reduce ongoing losses from the average tariff being below cost recovery and collection challenges, an implicit subsidy that constitutes a contingent liability. At end-2025, electricity sector arrears were about ¾ percent of GDP, and are expected to increase by ½ percent of GDP. The IMF stands ready to provide further CD to strengthen public financial management.

20. Over the medium term, continued revenue mobilization is essential to creating fiscal space for development and social spending.

Staff’s projections caution that there is limited space to sustain the 2026 ramp up of capital expenditure over the medium-term in the absence of further revenue gains. Robust implementation of the new tax laws should gradually increase revenue collection. Leveraging digitalization to track, verify, and collect government revenues would reduce leakages and mitigate corruption vulnerabilities. Further tax policy changes will likely be needed—such as increasing the VAT rate, extending VAT to fuel products, rationalizing tax expenditures in particular VAT exemptions on extractive industries and some customs duties, and introducing telecom excises—to complement administrative gains. The timing of reforms must consider the poverty and food insecurity situation and ensure that the cash transfer system is in place and funded. The IMF continues to support the authorities, including with a resident advisor on tax administration and CD on customs from the regional technical assistance center, and remains ready to provide further assistance at the authorities’ request.



Text Table 4. Nigeria: Authorities’ Revenue Mobilization Objectives
(percent of GDP, 2025 estimates)

Measures	Cumulative revenue change within 3 years after implementation (+: gain)
A. Revenue-enhancing tax policies (increasing tax rates and base, and changing tax structure)	3.9
VAT on fuel and (2.5 percent) rate increase	0.8
Pioneer status incentive and free zone regulations	0.7
Progressive capital gains tax rate	0.6
PIT bands, allowances, rates adjustments	0.6
Top up tax (multinationals, large firms)	0.5
Investment allowance rationalization	0.4
Others (excise on telecom and others, harmonized development levy, carbon tax on fuel)	0.4
B. Tax administration reforms (improving compliance and enforcement, and reducing informality)	3.1
VAT and CIT fiscalization and e-invoicing, and cross-validations of tax deductions	1.5
Tax ID registration and consolidation	1.6
C. Revenue-reducing tax policies (supporting progressivity and growth, and increasing the base over time)	-2.4
VAT input credits on goods and services, zero-rate expansion to basic consumption items, exemption thresholds for small firms	-1.7
CIT exemptions thresholds and reduction of rates for small firms	-0.4
PIT exemptions thresholds and reduction of rates for low-earners	-0.3
Overall revenue change (A+B+C)	4.6

Source: Nigerian authorities, Fund staff calculations. The recent changes in tax laws comprised some of the policy measures above, including both revenue-enhancing and reducing elements regarding PIT and CIT, introduction of top-up tax, and streamlining capital gains tax, as well as revenue-reducing measures on VAT (expansion of input credits and zero-rate items). Tax administration measures, including fiscalization, e-invoicing and tax ID registration, were also included in the recent changes. Staff projections remain conservative, given that some measures would only become effective at a future date and particularly on the gains from administrative reforms.

21. The risk of sovereign stress is assessed as moderate (Annex V). Public debt stood at 36.1 percent in 2025, down from 39.3 percent of GDP in 2024 on account of a favorable interest-growth differential and naira appreciation. Gains in macroeconomic stability, a stronger external position and improved security should support growth and put debt on a stable path. Risks to the outlook stem from global uncertainty, weak domestic revenue mobilization, and potential expenditure slippage. Contingent liabilities, if recognized and realized, would increase the public and publicly guaranteed debt stock.

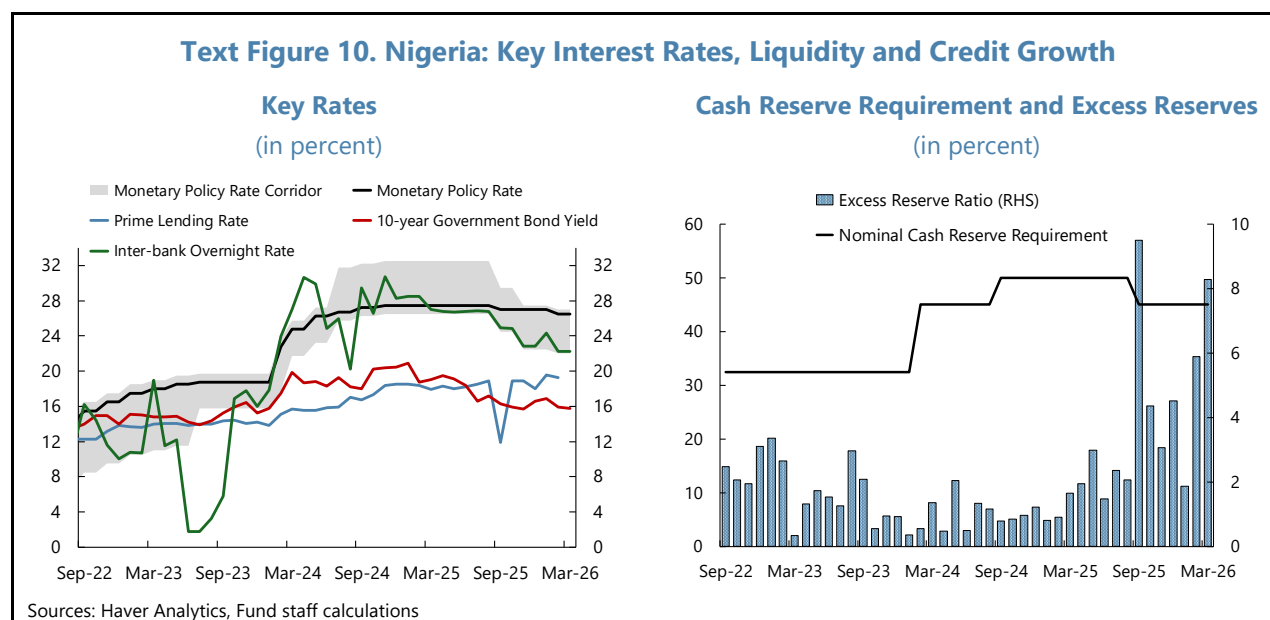
22. Authorities' Views. The authorities stressed that the Repeal and Re-enactment of the 2024 and 2025 budgets ensures that all spending is now included in the budgets, and that the estimated 2025 statistical discrepancy would be lower once the spending that has now been added to the budgets is included in revised fiscal outturn reports. They assured staff that all public expenditure would remain strictly within the budget framework and they would not reintroduce fuel subsidies. The authorities argued that fiscal policy should be countercyclical to offset adverse global headwinds. They believe that staff's estimates of revenue gains are too conservative and underscored their commitment to reach more beneficiaries via the cash transfer program.

B. Monetary Policy

23. Monetary policy must remain focused on bringing down inflation and anchoring inflation expectations. Staff commends the authorities for maintaining a tight policy stance with a positive real monetary policy rate (MPR). With headline inflation coming down pre-conflict, the CBN cut the MPR by 50 bps in February 2026 to 26.5 percent, lowered the Cash Reserve Requirement (CRR) by 5 percentage points to 45 percent, and adjusted the corridor around the MPR. Given the changed inflation outlook, keeping the MPR unchanged for now and carefully monitoring inflation, exchange market, and fiscal developments is appropriate. The CBN may need to sterilize fx inflows from increased oil prices. The complex outlook makes it even more important for monetary policy to remain data driven and respond accordingly if inflation pressures are more persistent than projected or if they turn out to be less pronounced, including from a strengthening exchange rate.

24. Staff welcomes the CBN's progress toward adopting inflation targeting. While monetary transmission is strengthening in the context of transitioning the monetary and exchange rate policy frameworks, it remains weak (See Selected Issues Paper). Further steps are needed to ensure that the MPR fully anchors lending and deposit rates. In response to Fund CD, the CBN has introduced a 7-day OMO instrument to manage short-term liquidity rates. This should help firmly establish the MPR at the center of monetary policy operations and target the overnight rate. CRR averaging could help manage daily liquidity fluctuations and forecast errors, while standing facilities would provide a stable corridor for short-term rates. Over time, the CBN should normalize the CRR, implement reserve requirements on an average basis, and broaden coverage to include foreign currency deposits. Analytical work on the specification of an inflation target should be deepened. Establishing an inflation target setting process independent of the budget cycle, extending the policy horizon through Monetary Policy Committee-owned forecasts, and developing a clear

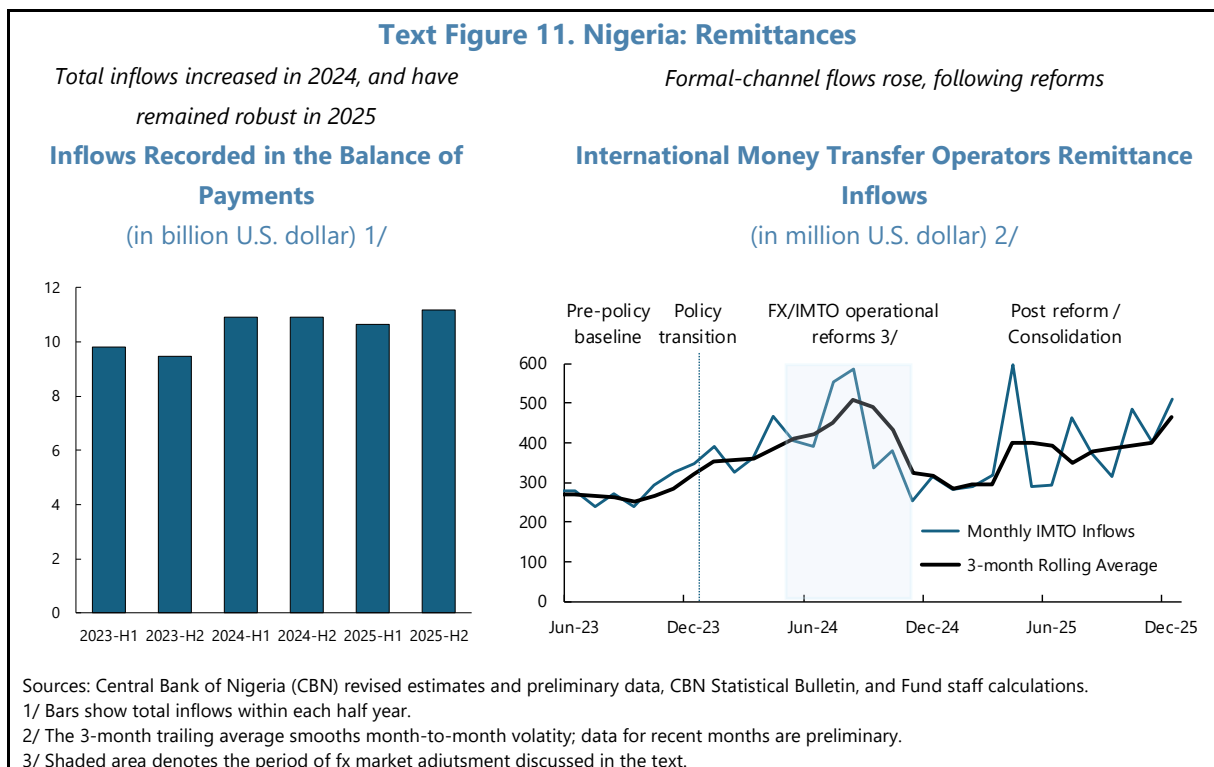
communication will be key, including communication of the quantitative inflation target that will be adopted.



25. Authorities' Views. The authorities reaffirmed their commitment to staying the course on reducing inflation with a carefully calibrated data-driven approach. They welcomed the Fund's CD on inflation targeting and stressed that the MPR serves as the primary policy anchor. They confirmed that they will normalize the CRR over time once monetary policy transmission has strengthened.

C. Safeguarding External Stability

26. Nigeria's external position in 2025 is assessed as stronger than implied by fundamentals and desirable policies (Annex VI). This assessment, based on EBA-lite quantitative models, should be interpreted with caution given sizable net errors and omissions. The strong current account is mainly driven by an improved trade balance with higher oil and gas exports, and lower refined oil imports with increasing supplies from the Dangote Refinery. Diaspora remittances have improved since mid-2023, supported by the fx reforms and the transition to a more market-determined exchange rate. Following a Real Effective Exchange Rate (REER) appreciation in 2025, the EBA-Lite REER model still indicates a REER gap of -25.6 percent, implying that the REER is weaker than the level implied by economic fundamentals. Closing this REER gap would require slowing the pace of fx reserve accumulation when appropriate, allowing greater two-way flexibility of the exchange rate, and strengthening fx market functioning, alongside continued fiscal and structural reforms, particularly those that support non-oil imports and broader external rebalancing.



27. Gross international reserves of US\$46 billion at end-2025 are estimated at 157 percent of the IMF’s Assessment of Reserve Adequacy (ARA) metric, above the 100–150 percent range considered broadly adequate for precautionary purposes. Large foreign holdings of OMOs represent roll-over risks and carry elevated yields. Policy priorities should include gradually reducing reliance on OMO-related investment while encouraging a shift toward other domestic assets (government securities, equities), diversifying foreign exchange earnings (including further strengthening remittance inflows through official channels), and advancing structural reforms to attract more stable FDI.

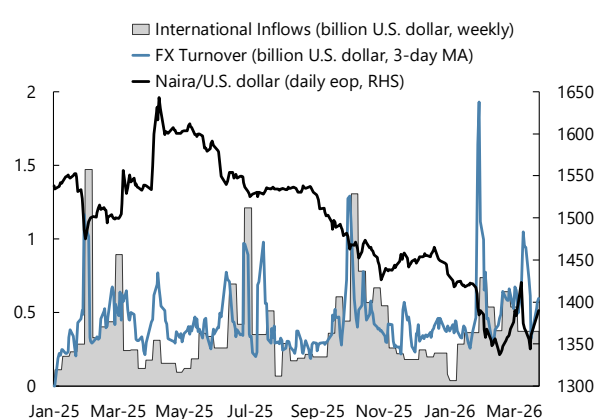
Text Table 5. Nigeria: Domestic and External Maturities (Principal), 2024-26

	2024	2025 (Estimated)	2026 (Projected)				Year
	Year	Year	Q1	Q2	Q3	Q4	
Total (percent of GDP)	7.1	11.6	2.5	1.8	2.4	3.9	10.6
Domestic (trillion naira)	15.0	30.5	9.8	6.0	6.3	10.7	32.8
Consolidated Government	8.6	21.1	7.8	3.8	2.0	3.8	17.4
T-bills	7.6	13.8	5.2	2.4	1.6	3.2	12.4
Bonds	1.0	7.3	2.6	1.4	0.4	0.5	5.0
CBN							
OMO held by residents	6.4	9.4	2.0	2.1	4.3	7.0	15.4
External (billion U.S. dollar)	7.4	13.6	2.4	2.5	4.4	7.2	16.5
Consolidated Government	3.0	1.7	0.4	0.4	0.3	0.4	1.5
Eurobonds	0.2	1.1	0.0	0.0	0.0	0.0	0.0
Bilateral	0.3	0.4	0.2	0.0	0.2	0.0	0.5
Multilateral	2.4	1.5	0.2	0.2	0.2	0.2	0.9
CBN							
OMOs held by non-residents	4.4	11.9	2.0	2.1	4.2	6.8	15.1
<i>Memorandum items</i>							
Eurobonds (coupon, billion U.S. dollar)	1.2	1.4	0.4	0.4	0.4	0.4	1.4
Nominal GDP (trillion naira)	373	442	529	529	529	529	529

Sources: Nigerian authorities; and Fund staff estimates.

28. Recent fx interventions coincided with increased global uncertainty. The CBN uses a model-based framework that was developed based on Fund advice to assess fx market developments and decide on interventions. If pressures were to intensify, in line with the IMF's Integrated Policy Framework, temporary FXIs can play a role in addressing disorderly market conditions, given the shallowness of the fx market, the large exchange rate passthrough, and exposure to short-term foreign inflows. However, FXIs should not substitute for warranted macroeconomic adjustments. Publishing the broad principles of the CBN's foreign exchange intervention framework can further strengthen the fx market functioning.

29. The CBN should continue to phase out remaining capital flow management measures (CFMs) as macroeconomic conditions permit. Staff welcomes that, in March 2026, the CFM on the requirement for International Oil Companies to hold 50 percent of repatriated export proceeds in Nigeria for 90 days before transferring offshore has been eliminated. The authorities have indicated that they intend to phase out the three remaining outflow CFMs: (1) Ban of fx purchases on the Nigeria fx market for the purpose of investing in fx securities abroad, (2) Payment limits on naira-denominated credit and debit cards for overseas transactions, and (3) The net open positions limit of the overall fx assets and liabilities

Text Figure 12. Nigeria: FX Turnover, International Inflows and Exchange Rate

Sources: CBN and Bloomberg.

should not exceed 20 percent short or 0 percent long of shareholders' funds.⁶ In line with the Fund's Institutional View, these CFMs should be phased out as fx pressures abate and macroeconomic and financial stability is restored.

30. Official actions taken by the Nigerian authorities have led to Multiple Currency Practices (MCPs) over the past 12 months. Staff has identified two MCPs as follows: (i) MCP arising from the use of the buying rate—determined by CBN as the previous day's Weighted Average Exchange Rate (WAR) minus one naira—for CBN fx purchases from MDAs and oil/oil related companies. As of April 27, 2026, the latest impermissible spread was observed on March 23, 2026; (ii) MCP arising from the use of the selling rate—determined by CBN as the previous day's WAR plus 2 percent commission for CBN fx sales to MDAs. As of April 27, 2026, the latest impermissible spread was observed on April 22, 2026.⁷ Staff encourages the authorities to eliminate these official actions.

31. Authorities' Views. The CBN noted that in addition to the one CFM that has recently been removed, other measures are expected to be addressed in the upcoming FX Manual. The CBN does not consider the official actions MCPs. The 2 percent commission applied to fx sales to MDAs is not part of exchange rate determination but a cost-recovery fee. In addition, the CBN noted that the one naira adjustment applied to fx purchases from MDAs and oil companies reflects a narrow bid-side spread consistent with standard market-making practices, accounting for liquidity provision, inventory risk, and settlement costs. They also note that the official actions impact only a small share of total turnover. However, given that these charges are viewed as MCPs under the IMF framework, the CBN will review and take necessary actions.

D. Financial Sector Policies

32. The banking sector's recapitalization has been successfully completed, yet vulnerabilities remain. The bank recapitalization has enhanced resilience and supports financial stability, with most institutions meeting the revised capital requirements. While systemic risk has declined from the stress observed in 2023–24, vulnerabilities persist, as capital buffers have come under pressure from higher credit provisioning following the withdrawal of temporary forbearance. A more prolonged tightening cycle could further weigh on asset quality, though capital buffers, enhanced supervision, and more granular stress testing would provide a cushion.

33. While recent reforms have improved financial conditions and market access, financial intermediation remains constrained by structural impediments and persistent sovereign–bank linkages. Greater exchange rate predictability has reduced risk premia, strengthened investor

⁶ The authorities should reintroduce symmetric limits and at their previous levels as fx pressures abate and macroeconomic and financial stability is restored. This would return the net open position limits to their use as a prudential measure rather than as means to limit capital flows.

⁷ As specified in [the Guidance Note for the Fund's Policy on Multiple Currency Practices](#), "impermissible spread" is the difference between exchange rates arising from official action breaching the range between the highest and lowest exchange rates of the benchmark rate on a given day in the wholesale fx market, with a margin of -/+ 2 percent.

confidence, and supported Nigeria’s re-engagement with international capital markets. Deepening equity markets remains critical for domestic resource allocation, and the Investment and Securities Act 2025 should help modernize the financial ecosystem, supporting the gradual expansion of alternative instruments. At the same time, banks’ holdings of government securities (22 percent of total assets) combined with the high CRR requirements and structural constraints crowd out private credit. The pension sector (6.4 percent of GDP) is also concentrated in government securities, though recent reforms could support diversification. Looking ahead, increased government borrowing risks deepening sovereign–bank linkages.

34. The authorities have advanced alignment with Basel III standards. Several macroprudential tools are already actively used, including stress testing frameworks, loan to deposit ratio, capital adequacy requirements, and limits on NPLs.⁸ Staff welcomes the CBN’s ongoing bottom-up stress testing exercise, which marks a shift toward risk-based capital requirements. While internal models are being developed to support full Basel III implementation, key elements—such as the countercyclical capital buffer and the liquidity coverage ratio—are not yet operationalized or enforced. The authorities should establish a roadmap for adopting the remaining standards.

35. The growing use of stablecoins for cross-border transactions in Nigeria brings opportunities and risks (Annex VII). While stablecoins can improve payment efficiency, lower transaction costs, and improve financial inclusion, the increasing use of U.S. dollar-denominated stablecoins raises risks to monetary sovereignty, capital flow management, financial stability, and financial integrity by facilitating potential “digital dollarization” and cross-border transactions outside the formal financial system. Policy priorities include maintaining confidence in the naira through continued sound macroeconomic policies, strengthening oversight and supervisory capacity, and bringing stablecoin arrangements within the regulatory perimeter in line with international best practices, including robust licensing, consumer protection, and reporting requirements. Close coordination between the CBN and Securities and Exchange Commission is essential to ensure coherent oversight and avoid regulatory gaps.

36. Nigeria’s progress in improving its AML/CFT framework is commendable, with continued efforts required to combat illicit financial flows. Despite recent progress, risks still stem from corruption and fraud, and terrorism financing. Addressing these risks will require the continued strengthening of the AML/CFT framework, including measures to mitigate vulnerabilities in high-risk areas such as the crypto-asset sector.

37. Authorities’ Views. The authorities stressed that they have substantially strengthened supervision, while the recapitalization exercise is expected to enhance the resilience of the financial sector. Further progress is being made toward Basel III implementation. They also noted that a joint CBN–SEC regulatory framework is being developed to enhance oversight of stablecoin activities.

⁸ Follow-up to the 2013 Financial Sector Assessment was summarized in the [2024 Article IV Consultations](#). Since then, the authorities have further strengthened macroprudential oversight and risk preparedness and have continued to enhance Development Finance Schemes.

E. Structural Reforms

38. Nigeria needs sustained high and inclusive growth. The authorities aim to achieve medium-term growth of 7–12 percent. The 2026–30 National Development Plan is still under preparation, while different government entities from time to time have circulated specific reform agendas. Policy interventions focus on infrastructure, the electricity sector, and supporting small businesses. The forthcoming development plan should prioritize policies and be set within a macroeconomic framework that identifies financing sources to translate into Medium-Term Expenditure Frameworks and budgets.

39. Staff emphasizes the following reform areas as crucial to unlocking inclusive growth:

- In the near term, further enhancing security is key for hydrocarbon and agriculture production. Cutting red tape in trade—such as cumbersome procedures for exports/imports and ending the pre-shipment inspection of nonoil exports—would help make the most of the National Single Window.
- Supporting longer-term growth and reducing fragility will require a productivity-led push. Improving agricultural productivity—through mechanization, developing agriculture value chains and promoting R&D in agriculture—will be critical for food security and jobs. Developing infrastructure and accelerating electricity sector reforms are key to stimulating private investment and boosting productivity. Increased spending on education and health and facilitating access to financing are also crucial for growth.
- Addressing multifaceted governance challenges—as identified in Annex IX of [the 2024 Article IV Report](#)—would help unlock Nigeria’s growth potential and strengthen the social contract.

40. Authorities’ Views. The authorities broadly agreed with staff’s priorities which they see being reflected in their sequenced reform strategy—from stabilization to consolidation and, over time, productivity-enhancing measures—to support inclusive, job-rich growth. Within this multi-pronged agenda to support growth, they see scaling up infrastructure investment alongside electricity-sector reforms as top priorities to ease binding bottlenecks.

F. Macroeconomic Statistics

41. Improving the quality, availability, and timeliness of data would enhance policy formulation. Nigeria’s economic data have some shortcomings that somewhat hamper surveillance, particularly affecting assessment of fiscal, external and monetary sectors (Annex VIII). Addressing issues around fiscal reporting—including enhancing consistency across agencies, expanding coverage, and improving granularity—would facilitate a timelier assessment of fiscal policy. Continuing the work to reduce balance-of-payments errors and omissions would strengthen the external stability analysis. The IMF stands ready to support data improvements through CD.

STAFF APPRAISAL

42. Reforms since 2023 have improved macroeconomic stability and resilience. This resilience and strengthened policy frameworks can help Nigeria navigate spillovers from global shocks. The uncertain global environment, high poverty and food insecurity, as well as a difficult domestic security situation pose challenges. Tight macroeconomic policies and steadfast reforms will be crucial to maintaining macroeconomic stability and supporting inclusive growth.

43. A neutral fiscal stance in 2026 is warranted, while prioritizing growth-enhancing investments and social protection spending is crucial. A neutral stance would support monetary policy in containing inflation. Under staff's revenue projections, this would require curtailing the ambitious capital expenditure plans which would still leave capital expenditure above the 2025 levels. Staff urges the authorities to withstand election-related spending pressures and stick to their commitment to not bringing back fuel subsidies. Within the budget envelope, an allocation for the cash transfer system is needed to provide temporary and targeted support given prospects for poverty and food insecurity to increase further. Staff cautions that complex financing instruments that involve high collateral and possible margin calls introduce additional fiscal risks and could give rise to political constraints on monetary or exchange rate policy.

44. Revenue mobilization, enhancing public investment efficiency, and improving public financial management and transparency are essential to generate fiscal space and contain risks. Staff welcomes the tax reforms which modernize the tax system, increase progressivity, tackle corruption vulnerabilities, improve compliance and enforcement, and reduce leakages and informality. Recent initiatives to reduce hydrocarbon revenue deductions from the Federation Account and bring large infrastructure projects into the budget appropriation processes are also important to enhance transparency and accountability. Over the medium-term, and with a funded and well-functioning cash transfer system in place, bringing tax rates in line with regional peers may be needed to achieve the government's revenue objective and create space for social and development priorities. Further progress is also needed to strengthen the budget process and enhance fiscal reporting, transparency, and governance.

45. The CBN's tight monetary policy with positive real rates is appropriate. With a less favorable inflation outlook than at the start of the year, a tighter-for-longer posture is warranted, while remaining data-driven. Mopping up excess liquidity, including from fx inflows, would be important to steer inflation downwards. As the CBN moves towards inflation targeting, the MPR should be at the center of monetary policy operations to anchor lending and deposit rates. A clear communication strategy is key, including guidance on quantitative targets for inflation targeting.

46. Nigeria's external position at end-2025 is assessed to be stronger than the level implied by fundamentals and desirable policies. Large foreign holdings of OMOs represent a roll-over risk and carry elevated yields. Staff recommends gradually reducing reliance on OMO-related foreign portfolio investment while encouraging a shift toward other domestic assets, further diversifying foreign exchange earnings, and advancing reforms to attract FDI. Staff recommends

eliminating the remaining legacy exchange restrictions, the remaining CFMs and the official actions leading to MCPs, for which approvals are not being sought.

47. In line with the IMF’s Integrated Policy Framework, the exchange rate should continue to play its role as shock absorber, while foreign exchange interventions, under certain circumstances, may play a complementary role in addressing risks to price stability. With a floating regime, allowing the exchange rate to fluctuate and adjusting monetary and fiscal policies remain the appropriate policy response to external shocks. Temporary FXIs can help mitigate the impact of confidence swings and the pass-through to inflation. Ensuring that market participants understand the CBN’s FXI framework will enhance traction and support the transition to inflation targeting.

48. The financial system remains resilient, with pockets of vulnerabilities. Staff welcomes the CBN’s forthcoming risk-based stress testing exercise and encourages the authorities to maintain close supervisory monitoring, accelerate Basel III implementation, and address structural impediments to private sector credit intermediation to support growth. The authorities should also ensure that stablecoin arrangements are regulated in line with international best practices, supported by close and effective coordination between CBN and Securities and Exchange Commission.

49. Focusing on policies with near-term payoffs can help ease the adjustment–growth trade-off and create conditions for stronger and more inclusive growth. Reforms with longer gestation would lift potential growth over the medium term and help Nigeria exit fragility. Addressing governance challenges remains an overarching reform need, including strengthening fiscal management and laying a strong foundation for private sector-led growth.

50. Staff recommends the standard 12-month cycle for the next Article IV Consultations.

Table 1. Nigeria: Selected Economic and Financial Indicators, 2022–31

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Act.	Act.	Act.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
National income and prices										
Annual percentage change, unless otherwise specified										
Real GDP (at 2019 market prices)	4.3	3.3	4.1	4.0	4.1	4.3	4.1	4.2	4.2	4.2
Oil and Gas GDP	24.8	4.4	5.5	8.5	4.5	4.1	4.1	4.9	4.1	4.1
Non-oil GDP	3.8	3.3	4.0	3.9	4.0	4.3	4.1	4.2	4.2	4.2
Non-oil non-agriculture GDP	4.3	4.1	5.0	4.2	4.6	5.0	4.7	4.7	4.7	4.6
Production of crude oil (million barrels per day)	1.38	1.50	1.55	1.64	1.71	1.75	1.80	1.88	1.93	2.00
Nominal GDP at market prices (trillions of naira)	274	314	373	442	529	618	710	813	927	1,057
Nominal non-oil GDP (trillions of naira)	262	301	358	430	517	604	695	796	909	1,036
Nominal GDP per capita (US\$)	2,893	2,139	1,084	1,223	1,556	1,565	1,604	1,684	1,761	1,842
GDP deflator	8.0	10.8	14.1	13.9	15.2	11.9	10.4	9.8	9.5	9.4
Consumer price index (annual average) 1/	18.8	24.7	33.2	23.0	16.0	15.9	12.7	10.0	10.0	10.0
Consumer price index (end of period) 1/	21.3	28.9	34.8	15.2	17.0	14.5	11.0	10.0	10.0	10.0
Investment and savings										
Percent of GDP										
Gross national savings	18.0	18.3	23.8	22.0	24.2	22.4	20.4	18.5	22.1	20.2
Public	-1.7	-0.1	3.5	1.6	0.9	0.9	0.9	1.0	0.8	0.8
Private	19.8	18.4	20.3	20.5	23.3	21.5	19.5	17.5	21.3	19.4
Investment	17.5	17.0	16.2	17.2	20.3	20.4	18.7	16.4	19.8	20.2
Public	1.8	2.4	3.5	2.7	5.7	4.6	4.0	3.7	3.6	3.7
Private	15.7	14.6	12.7	14.5	14.6	15.8	14.7	12.7	16.2	16.5
Consolidated government operations										
Percent of GDP										
Total revenues and grants	6.6	7.3	10.8	10.2	10.8	10.6	10.3	10.5	10.4	10.4
Of which: oil and gas revenue	2.7	2.4	3.0	3.1	3.8	3.5	3.2	3.2	3.1	3.0
Of which: non-oil revenue	3.5	4.3	6.8	6.8	6.7	6.9	7.1	7.2	7.3	7.3
Total expenditure and net lending	10.6	10.4	12.0	12.0	15.5	14.2	13.4	13.1	13.1	13.1
Financing (overall balance from financing side)	5.1	3.7	2.4	4.4	4.7	3.6	3.1	2.7	2.7	2.8
Non-oil primary balance (from financing side)	-6.4	-3.5	-3.1	-5.1	-5.9	-4.6	-3.9	-3.5	-3.3	-3.4
Public gross debt 2/	29.8	36.3	39.3	36.1	35.4	36.7	36.5	35.8	35.3	34.9
Of which: FX denominated debt	7.5	13.5	19.0	16.9	17.2	19.1	19.6	19.7	19.4	18.9
FGN interest payments (percent of FGN revenue)	61.2	83.8	40.8	53.2	53.7	52.4	52.2	52.2	53.4	53.4
Money and credit										
Contribution to broad money growth, unless otherwise specified										
Broad money (percent change; end of period)	17.4	51.9	50.3	14.6	15.9	15.9	14.3	13.3	13.3	13.4
Net foreign assets	-12.3	10.5	35.8	4.3	9.3	4.8	2.1	2.8	1.6	1.9
Net domestic assets	29.7	41.3	14.5	10.4	6.6	11.1	12.2	10.6	11.6	11.5
Of which: Claims on consolidated government	24.5	20.1	-8.2	6.2	1.4	5.6	5.2	3.6	3.4	3.3
Credit to the private sector (y/y, percent)	11.0	53.6	30.1	-1.2	14.0	14.2	19.3	18.1	17.3	16.5
Velocity of broad money (ratio; end of period)	3.7	2.7	3.3	3.0	3.2	3.2	3.3	3.3	3.3	3.3
External sector										
Annual percentage change, unless otherwise specified										
Current account balance (percent of GDP)	0.5	1.3	7.5	4.8	3.9	2.0	1.7	2.1	2.3	2.3
Exports of goods and services	35.9	-12.8	-4.5	8.7	18.3	-6.0	-1.9	6.8	5.4	3.5
Imports of goods and services	14.2	-4.4	-0.8	8.5	8.4	6.0	1.2	4.6	4.4	2.6
Terms of trade	9.5	-6.1	-0.7	-5.7	5.8	-10.5	0.0	0.1	0.0	0.0
Price of Nigerian oil (US\$ per barrel)	99.0	82.3	79.9	68.3	80.2	71.5	69.7	69.4	69.4	69.4
External debt outstanding (US\$ billions) 3/	108.3	109.2	105.9	109.3	119.3	132.0	141.9	149.4	154.1	158.4
Gross international reserves (US\$ billions, CBN definition) 4/	36.6	33.2	40.2	45.8	58.1	62.0	62.8	64.2	64.7	66.4
Equivalent months of prospective imports of G&S	6.7	6.9	7.7	8.1	9.7	10.2	9.9	9.7	9.5	9.5

Sources: Nigerian authorities; and IMF staff estimates and projections.

1/ Consumer price index (CPI) projections are derived based on rebased CPI data starting January 2025 and staff estimates.

2/ Gross debt figures for the Federal Government and the public sector include overdrafts from the Central Bank of Nigeria (CBN).

3/ Includes both public and private sector.

4/ Based on the IMF definition of gross international reserves (para 6.64 in IMF's Balance of Payments and International Investment Position Manual (BPM6)), GIR was \$8 billion lower relative to CBN's official gross reserves at end-2025.

Table 2. Nigeria: Balance of Payments, 2022-31
(billions of U.S. dollars, unless otherwise specified)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Act.	Act.	Act. 1/	Act. 1/	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account balance	3.5	6.4	19.0	14.0	14.7	7.9	6.8	9.0	10.7	11.4
Trade balance	6.0	8.1	13.2	14.5	24.1	16.6	15.5	18.5	21.0	22.6
Exports	64.2	55.8	53.0	57.5	68.8	64.3	62.9	67.4	71.2	73.8
Crude Oil	49.8	44.0	36.9	31.5	37.2	34.4	34.7	34.0	32.5	34.2
Refined Oil	0.0	0.0	0.0	6.1	7.6	6.1	5.3	10.0	14.6	13.9
Gas	7.4	5.8	8.7	10.5	12.9	11.8	9.9	9.5	9.2	9.6
Other	7.1	6.0	7.5	9.3	11.1	12.0	12.9	13.8	14.9	16.0
Imports	-58.2	-47.7	-39.8	-43.0	-44.7	-47.7	-47.4	-48.8	-50.3	-51.1
Crude Oil	0.0	0.0	-0.9	-3.7	-6.3	-5.6	-5.5	-6.9	-8.2	-8.2
Refined Oil	-22.4	-18.3	-13.2	-10.0	-3.0	0.0	0.0	0.0	0.0	0.0
Other	-35.9	-29.4	-25.7	-29.2	-35.4	-42.1	-41.9	-42.0	-42.0	-42.9
Services (net)	-14.0	-13.2	-13.4	-14.6	-18.0	-19.0	-20.1	-21.9	-23.7	-24.8
Receipts	4.9	4.4	4.6	5.1	5.2	5.3	5.4	5.5	5.6	5.8
Payments	-18.8	-17.7	-17.9	-19.6	-23.2	-24.2	-25.5	-27.4	-29.3	-30.5
Income (net)	-10.4	-10.5	-5.6	-9.1	-15.5	-14.2	-13.7	-13.4	-12.9	-13.4
Oil/gas	-9.9	-10.5	-6.9	-12.0	-13.8	-12.0	-11.4	-11.0	-10.3	-10.7
Other	-0.5	-0.1	1.2	2.9	-1.7	-2.2	-2.3	-2.5	-2.7	-2.8
Of which: Interest due on public debt	1.5	2.8	1.7	2.0	2.2	3.0	3.2	3.4	3.6	3.7
Transfers (net)	21.8	22.1	24.9	23.2	24.0	24.6	25.1	25.8	26.4	27.0
Capital and Financial account balance	3.1	15.1	-2.8	5.9	-2.4	-4.1	-6.0	-7.6	-10.2	-9.7
Capital Account (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial Account (net)	3.1	15.1	-2.8	5.9	-2.4	-4.1	-6.0	-7.6	-10.2	-9.7
Direct Investment (net)	-1.9	1.6	1.2	2.8	5.9	10.8	7.8	6.8	2.8	2.9
Portfolio Investment (net)	3.9	6.2	15.2	7.1	0.9	3.2	2.4	0.7	1.3	1.2
Other Investment (net)	1.2	7.2	-19.1	-4.0	-9.2	-18.1	-16.2	-15.0	-14.3	-13.8
Errors and omissions	-9.9	-24.9	-9.4	-15.7	...	...	...	...	...	...
Overall balance	-3.3	-3.3	6.8	4.2	12.3	3.9	0.8	1.4	0.5	1.7
<i>Memorandum items:</i>										
Gross official reserves, end-of-period (CBN definition) 2/	36.6	33.2	40.2	45.8	58.1	62.0	62.8	64.2	64.7	66.4
In months of next year's imports of goods and services	6.7	6.9	7.7	8.1	9.7	10.2	9.9	9.7	9.5	9.5
Current account (percent of GDP)	0.5	1.3	7.5	4.8	3.9	2.0	1.7	2.1	2.3	2.3
Exports of goods and services (percent of GDP)	10.7	12.4	22.8	21.5	19.6	17.9	16.8	16.8	16.5	16.0
Imports of goods and services (percent of GDP)	11.9	13.4	22.9	21.6	18.0	18.6	18.0	17.5	17.1	16.5
Public external debt 3/	46.2	47.1	46.1	51.9	66.5	72.6	78.7	84.3	88.5	92.2
In percent of GDP	7.1	9.7	18.3	17.9	17.6	18.7	19.4	19.4	19.1	18.6
In percent of exports of G&S	66.8	78.2	80.0	82.9	89.8	104.3	115.4	115.7	115.2	116.0
In percent of consolidated fiscal revenues	108	133	170	175	163	177	188	185	184	179
Private external debt	62.1	62.1	59.8	57.4	52.8	59.4	63.1	65.1	65.6	66.2
Public external debt service due (percent of exports of G&S)	5.2	8.5	7.9	8.1	5.0	8.8	9.2	10.5	10.6	11.3
GDP in billion U.S. dollars	646	487	252	290	377	388	406	435	464	496

Sources: Nigerian authorities; and IMF staff estimates and projections.

1/ Balance of payments data for 2024 have been revised by the authorities; data for 2025 are provisional and subject to revision.

2/ Based on the IMF definition of gross international reserves (para 6.64 in IMF's Balance of Payments and International Investment Position Manual (BPM6)), GIR was \$8 billion lower relative to CBN's official gross reserves at end-2025.

3/ Nominal public short- and long-term debt, end of period. Guaranteed external debt not included. External public debt for the purpose of BoP is based on a residency definition and includes CBN's debt.

Table 3. Nigeria. Government Operations, 2022–31
(percent of GDP)

	2022	2023	2024	2025		2026			2027		2028		2029	2030	2031
	Act.	Act.	Act.	Budget	Est.	MTEF 1/	Budget 2/	Proj.	MTEF	Proj.	MTEF	Proj.	Proj.	Proj.	Proj.
Consolidated Government															
Total revenue	6.6	7.3	10.8	...	10.2	...	...	10.8	...	10.6	...	10.3	10.5	10.4	10.4
Oil revenue	2.7	2.4	3.0	...	3.1	...	...	3.8	...	3.5	...	3.2	3.2	3.1	3.0
Non-oil revenue	3.5	4.3	6.8	...	6.8	...	...	6.7	...	6.9	...	7.1	7.2	7.3	7.3
Grants	0.4	0.5	0.9	...	0.3	...	...	0.3	...	0.2	...	0.0	0.0	0.0	0.0
Total expenditure	10.6	10.4	12.0	...	12.0	...	...	15.5	...	14.2	...	13.4	13.1	13.1	13.1
Federal government expenditure	5.1	5.9	6.8	...	6.0	...	...	9.2	...	8.2	...	7.5	7.2	7.1	7.2
State and local government	3.6	3.2	4.2	...	4.5	...	...	5.8	...	5.5	...	5.4	5.4	5.4	5.4
Extrabudgetary funds	0.3	0.7	1.0	...	1.5	...	...	0.6	...	0.5	...	0.5	0.5	0.5	0.5
Overall balance	-4.0	-3.1	-1.3	...	-1.8	...	...	-4.7	...	-3.6	...	-3.1	-2.7	-2.7	-2.8
Non-oil primary balance	-5.3	-2.9	-1.9	...	-2.3	...	...	-5.9	...	-4.6	...	-3.9	-3.5	-3.3	-3.4
Financing	5.1	3.7	2.4	...	4.4	...	...	4.7	...	3.6	...	3.1	2.7	2.7	2.8
External	1.2	0.2	1.4	...	1.4	...	...	3.4	...	1.6	...	1.5	1.3	0.9	0.8
Borrowing	1.3	0.8	2.5	...	2.4	...	...	3.8	...	2.4	...	2.3	2.1	2.0	1.9
Amortization	-0.2	-0.6	-1.1	...	-1.1	...	...	-0.4	...	-0.8	...	-0.7	-0.8	-1.1	-1.1
Domestic	4.0	3.6	1.0	...	3.1	...	...	1.3	...	2.1	...	1.6	1.4	1.8	2.0
Bank financing	3.6	3.1	-1.6	...	1.7	...	...	0.4	...	1.4	...	1.3	0.9	0.9	0.8
CBN	2.9	1.9	-3.4	...	1.1	...	...	-0.9	...	0.4	...	0.1	0.0	0.0	0.0
Commercial Banks	0.7	1.2	1.7	...	0.4	...	...	1.2	...	1.1	...	1.3	0.9	0.9	0.9
Nonbank financing	0.2	0.4	2.7	...	1.4	...	...	0.9	...	0.6	...	0.2	0.4	0.9	1.2
Other financing	0.1	0.0	0.0	...	0.0	...	...	0.0	...	0.0	...	0.0	0.0	0.0	0.0
Statistical discrepancy	-1.1	-0.6	-1.2	...	-2.7	...	...	...	...	...	...	...	...	...	...
Federal Government															
Total revenue	2.4	3.1	5.3	8.6	4.3	5.1	5.5	4.9	4.5	4.8	4.0	4.6	4.6	4.5	4.5
Oil revenue	0.5	0.7	0.8	4.9	0.9	2.0	2.5	1.6	1.8	1.4	1.4	1.3	1.3	1.3	1.3
Non-oil revenue	1.3	1.9	3.6	3.5	3.0	2.8	2.8	3.1	2.5	3.2	2.5	3.2	3.2	3.2	3.2
Grants	0.5	0.5	0.9	0.0	0.3	0.2	0.2	0.3	0.2	0.2	0.0	0.0	0.0	0.0	0.0
Total expenditure	5.5	5.9	6.8	11.0	6.0	8.8	9.9	9.2	6.9	8.2	5.3	7.5	7.2	7.1	7.2
Recurrent expenditure	4.7	4.5	4.6	5.8	4.7	5.5	5.5	5.4	4.5	5.2	3.6	5.1	5.1	5.1	5.1
Personnel	1.4	1.4	1.4	2.0	1.7	1.7	1.7	1.8	1.4	1.8	1.1	1.8	1.8	1.8	1.8
Overheads	0.4	0.3	0.5	0.6	0.3	0.6	0.6	0.4	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Interest	1.4	2.6	2.2	2.4	2.3	2.4	2.4	2.6	2.1	2.5	1.7	2.4	2.4	2.4	2.4
Transfers	0.4	0.3	0.5	0.8	0.4	0.7	0.9	0.5	0.5	0.6	0.4	0.6	0.6	0.6	0.6
Arrears clearance	0.1	0.0	0.0	...	0.0	...	...	0.0	...	0.0	...	0.0	0.0	0.0	0.0
Capital expenditure	0.7	1.4	2.2	5.1	1.3	3.3	4.4	3.8	2.4	3.0	1.7	2.4	2.1	2.0	2.0
Overall balance	-3.1	-2.8	-1.5	-2.4	-1.8	-3.7	-4.4	-4.3	-2.4	-3.4	-1.3	-2.9	-2.6	-2.6	-2.6
Financing	5.1	4.1	2.4	...	3.5	...	...	4.3	...	3.4	...	2.9	2.6	2.6	2.6
External	1.2	0.2	1.4	...	1.6	...	...	3.9	...	1.6	...	1.5	1.3	0.9	0.8
Domestic	4.0	3.9	1.0	...	1.9	...	...	0.4	...	1.8	...	1.4	1.3	1.7	1.9
Bank financing	3.6	3.1	-1.7	...	1.6	...	...	0.4	...	1.4	...	1.3	0.9	0.9	0.8
CBN	2.9	1.9	-3.4	...	1.1	...	...	-0.9	...	0.4	...	0.1	0.0	0.0	0.0
Nonbank financing	0.2	0.7	2.7	...	0.2	...	...	0.0	...	0.4	...	0.1	0.3	0.8	1.0
Other financing	0.1	0.0	0.1	...	0.1	...	...	0.0	...	0.0	...	0.0	0.0	0.0	0.0
Statistical discrepancy	-2.0	-1.2	-1.0	...	-1.7	...	...	...	...	...	...	...	...	...	...
<i>Memorandum Items:</i>															
FGN interest payments (percent of FGN revenue)	61.2	83.8	40.8	27.5	53.2	47.0	43.0	53.7	47.0	52.4	42.5	52.2	52.2	53.4	53.4

Sources: Nigerian authorities; and IMF staff estimates and projections.

1/ Proposed budget within the 2026–28 MTEF.

2/ Budget is proxied based on the news coverage of the approved budget (in percent of the budget GDP projection).

Table 4. Nigeria: Federal Government Operations, 2022–31
(billions of naira)

	2022	2023	2024	2025		2026			2027		2028		2029	2030	2031
	Act.	Act.	Act.	Budget	Est.	MTEF 1/	Budget 2/	Proj.	MTEF	Proj.	MTEF	Proj.	Proj.	Proj.	Proj.
Total Revenue and Grants	6,454	9,728	19,733	38,019	18,888	28,218	30,808	26,085	31,535	29,705	34,904	32,558	37,509	42,045	47,939
Oil revenue	1,397	2,096	3,033	21,755	4,008	11,360	13,950	8,445	12,774	8,941	12,756	9,421	10,935	11,754	13,372
Non-oil revenue	3,603	6,060	13,457	15,502	13,440	15,492	15,492	16,273	17,575	19,578	21,832	22,822	26,258	29,975	34,292
Import and excise duties	731	858	1,489	2,781	1,785	2,072	2,072	2,131	2,256	2,619	2,657	2,786	3,299	3,769	4,141
Companies' income tax	1,229	1,724	2,257	4,262	4,085	5,061	5,061	5,475	6,536	6,498	8,591	7,756	8,977	10,336	11,951
Value-added tax	330	426	825	973	1,044	1,292	1,292	754	1,522	892	1,859	1,092	1,275	1,456	1,672
Federal government independent revenue	1,313	1,988	4,994	5,262	4,078	4,307	4,307	4,896	3,762	5,728	4,382	6,591	7,549	8,613	9,974
Education tax/custom levies/other	322	1,064	3,892	2,224	2,448	2,760	2,760	3,018	3,500	3,840	4,344	4,597	5,158	5,801	6,554
Grants	1,145	1,572	3,243	762	1,440	1,367	1,367	1,367	1,187	1,187	315	315	315	315	275
Total expenditure	14,991	18,609	25,233	48,402	26,678	48,788	55,261	48,627	48,054	50,679	46,709	53,390	58,248	65,738	75,717
Recurrent expenditure	12,967	14,122	16,997	25,784	20,805	30,584	30,584	28,602	31,432	32,395	31,757	36,195	41,474	47,585	54,256
Personnel	3,882	4,404	5,296	9,040	7,607	9,731	9,731	9,333	9,808	10,919	9,808	12,563	14,390	16,369	18,618
Overheads/other	1,168	1,019	1,904	2,639	1,169	3,501	3,501	2,354	3,596	2,354	3,700	2,608	2,888	3,495	4,036
Interest	3,953	8,154	8,054	10,460	10,048	13,255	13,255	14,017	14,826	15,564	14,826	17,012	19,583	22,437	25,583
Transfers 3/	960	1,035	1,743	3,646	1,980	4,097	4,799	2,898	3,202	3,557	3,423	4,011	4,612	5,288	6,017
Arrears Clearance	293	0	0	...	0	...	...	0	...	0	...	0	0	0	0
Capital expenditure	2,024	4,486	8,236	22,618	5,873	18,204	24,677	20,025	16,622	18,284	14,952	17,195	16,775	18,153	21,461
Overall balance	-8,536	-8,880	-5,500	-10,383	-7,790	-20,570	-24,453	-22,541	-16,519	-20,974	-11,805	-20,832	-20,740	-23,694	-27,777
Financing	14,035	12,728	9,130	...	15,511	...	...	22,541	...	20,974	...	20,832	20,740	23,694	27,777
External	3,200	611	5,239	...	7,206	...	...	20,498	...	9,704	...	10,815	10,443	8,358	7,948
Borrowing	2,495	1,761	9,385	...	11,853	...	...	22,603	...	14,667	...	16,119	17,212	18,377	19,620
Amortization	-304	-1,343	-4,146	...	-4,647	...	...	-2,104	...	-4,963	...	-5,304	-6,769	-10,019	-11,673
Net External Lending to SLGs	1,008	192	0	...	0	...	...	0	...	0	...	0	0	0	0
Domestic	10,835	12,117	3,891	...	8,305	...	...	2,043	...	11,270	...	10,017	10,296	15,336	19,830
Bank financing	9,851	9,857	-6,407	...	6,992	...	...	1,972	...	8,817	...	9,502	7,646	8,161	8,854
CBN	7,951	6,009	-12,572	...	5,013	...	...	-4,576	...	2,288	...	621	44	-245	-170
Commercial Banks	1,900	3,848	6,165	...	1,978	...	...	6,548	...	6,529	...	8,881	7,602	8,407	9,024
Nonbank financing	600	2,157	10,000	...	1,001	...	...	71	...	2,453	...	515	2,650	7,174	10,976
Promissory notes	293	0	0	...	0	...	...	0	...	0	...	0	0	0	0
Other Financing	91	103	298	...	312	...	...	0	...	0	...	0	0	0	0
Statistical discrepancy	-5,499	-3,848	-3,630	...	-7,721	...	...	...	...	...	...	...	...	...	...
<i>Memorandum items:</i>															
FGN Total Debt	74,490	104,093	134,756	...	146,740	...	...	172,804	...	213,737	...	247,239	280,157	316,192	357,954
Domestic 4/	55,788	65,077	71,438	...	80,468	...	...	89,687	...	103,585	...	115,306	126,960	143,412	164,703
Foreign	18,702	39,016	63,318	...	66,272	...	...	83,117	...	110,152	...	131,933	153,197	172,780	193,252

Sources: Nigerian authorities; and IMF staff estimates and projections.

1/ Proposed budget for 2026 within the 2026–28 MTEF.

2/ Budget is proxied based on the news coverage of the approved budget.

3/ "Statutory transfers" include earmarked spending for National Judicial Council, Universal Basic Education, Niger Delta Development Corporation, and Multi-Year Tariff Order subsidy.

4/ Gross debt figures for the Federal Government and the public sector include overdrafts from the Central Bank of Nigeria (CBN), promissory notes and AMCON debt.

Table 5. Nigeria: Consolidated Government, 2022–31
(billions of naira)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Act.	Act.	Act.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and Grants	18,129	22,889	40,100	45,136	57,287	65,399	73,310	85,263	96,271	109,565
Oil revenue	7,360	7,686	11,344	13,560	20,366	21,561	22,720	26,370	28,346	32,163
Non-oil revenue	9,624	13,630	25,513	30,136	35,554	42,651	50,275	58,578	67,609	77,127
Import and excise duties	1,686	1,907	3,301	3,839	4,724	5,807	6,177	7,314	8,355	9,181
Companies' income tax	2,639	3,896	5,056	9,378	11,759	13,957	16,659	19,281	22,200	25,668
Value-added tax	2,462	3,397	6,564	8,343	8,722	10,328	12,636	14,755	16,853	19,347
Other (education tax and customs levies)	322	1,064	3,892	2,448	3,018	3,840	4,597	5,158	5,801	6,554
Federal government independent revenue	1,313	1,988	4,994	4,078	4,896	5,728	6,591	7,549	8,613	9,974
SLGs independent revenue	1,200	1,377	1,706	2,049	2,435	2,991	3,616	4,521	5,787	6,402
Grants	1,145	1,572	3,243	1,440	1,367	1,187	315	315	315	275
Total expenditure	29,102	32,701	44,844	52,899	82,164	87,784	95,207	106,822	121,134	138,663
Federal government	13,983	18,609	25,233	26,678	48,627	50,679	53,390	58,248	65,738	75,717
State and local government	9,846	9,968	15,917	19,725	30,615	33,748	38,030	44,163	50,433	57,303
Extrabudgetary funds 1/	920	2,275	3,693	6,496	2,922	3,357	3,787	4,411	4,963	5,643
Overall balance	-10,973	-9,812	-4,744	-7,763	-24,877	-22,385	-21,897	-21,558	-24,863	-29,098
Non-oil primary balance	-13,805	-8,579	-6,879	-9,996	-30,290	-27,670	-26,940	-27,727	-30,203	-35,158
Financing	14,034	11,766	9,130	19,584	24,877	22,385	21,897	21,559	24,865	29,101
External	3,200	611	5,239	6,080	18,163	9,704	10,815	10,444	8,360	7,951
Borrowing	3,644	2,571	9,385	10,727	20,268	14,667	16,119	17,212	18,377	19,620
Amortization	-444	-1,960	-4,146	-4,647	-2,104	-4,963	-5,304	-6,769	-10,019	-11,673
Domestic	10,835	11,155	3,891	13,504	6,714	12,681	11,082	11,115	16,505	21,150
Bank financing	9,851	9,857	-6,407	6,992	1,972	8,817	9,502	7,646	8,161	8,854
CBN	7,951	6,009	-12,572	5,013	-4,576	2,288	621	44	-245	-170
Commercial Banks	1,900	3,848	6,165	1,978	6,548	6,529	8,881	7,602	8,407	9,024
Nonbank financing	600	1,195	10,000	6,200	4,742	3,864	1,580	3,469	8,344	12,296
Other financing	91	103	298	312	0	0	0	0	0	0
Statistical discrepancy	-3,061	-1,954	-4,386	-11,821	...	...	...	...	...	...

Sources: Nigerian authorities; and IMF staff estimates and projections.

1/ Includes spending of customs levies and education tax; transfers to FIRS and NCS; spending from the ecology, stabilization, development of natural resources accounts; and FCT spending.

Table 6. Nigeria: Central Bank of Nigeria (CBN) Analytical Balance Sheet, 2022–31
(billions of naira)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Act.	Act.	Act.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Net foreign assets	4,995	9,255	25,820	30,327	43,542	48,914	51,407	56,041	58,727	62,621
Foreign assets	16,452	36,983	65,782	77,736	92,714	98,589	99,857	102,003	102,778	105,328
Foreign liabilities	-11,458	-27,728	-39,962	-47,410	-49,172	-49,675	-48,449	-45,962	-44,050	-42,707
<i>Of which: non-resident OMOs</i>	-6,480	-9,333	-24,836	-33,603	-33,603	-30,242	-27,218	-23,135	-19,665	-16,715
Net domestic assets	11,038	15,480	6,853	7,308	-2,627	-4,577	-3,303	-3,536	-1,892	-955
Net domestic credit	32,671	41,759	40,887	35,102	25,145	23,880	25,555	25,448	27,844	29,115
Net claims on consolidated government	18,993	25,084	12,629	17,501	12,925	15,213	15,834	15,878	15,632	15,462
Net claims on federal government	17,516	23,525	10,953	15,966	11,390	13,678	14,299	14,343	14,098	13,927
Claims	27,589	45,167	34,727	34,272	34,272	34,272	32,833	31,394	29,955	28,517
Deposits	-10,073	-21,642	-23,775	-18,305	-22,882	-20,593	-18,534	-17,051	-15,858	-14,589
Net claims on state and local governments	1,477	1,559	1,676	1,535	1,535	1,535	1,535	1,535	1,535	1,535
Claims on deposit money banks	3,239	3,881	13,716	3,722	1,117	1,228	2,579	2,786	3,120	3,198
Other net claims	10,439	12,794	14,543	13,879	11,103	7,439	7,142	6,785	9,091	10,455
Other items net	-21,633	-26,279	-34,035	-27,794	-27,772	-28,457	-28,858	-28,984	-29,736	-30,070
Reserve money	16,033	24,736	32,673	37,635	40,914	44,337	48,104	52,505	56,835	61,666
Currency in circulation	3,012	3,653	5,258	5,733	6,584	7,135	7,741	8,449	9,146	8,074
Banks reserves with the CBN	13,021	21,082	27,415	31,902	34,330	37,202	40,363	44,055	47,689	53,592
<i>Memorandum items :</i>										
Reserve money y/y growth rate	21	54	32	15	9	8	8	9	8	9
Net foreign assets	-30	27	67	14	35	13	6	10	5	7
Net claims on government	66	38	-50	15	-12	6	1	0	0	0
Claims on deposit money banks	-3	4	40	-31	-7	0	3	0	1	0
Other claims	10	15	7	-2	-7	-9	-1	-1	4	2
OIN	-22	-29	-31	19	0	-2	-1	0	-1	-1
Money multiplier	3	3	4	4	4	4	4	5	5	5

Sources: Nigerian authorities; and IMF staff estimates and projections.

Table 7. Nigeria: Monetary Survey, 2022–31
(billions of naira)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Act.	Act.	Act.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Net foreign assets	3,843	9,338	37,684	42,774	55,424	63,005	66,770	72,552	76,356	81,443
Central Bank of Nigeria (net)	4,995	9,255	25,820	30,327	43,542	48,914	51,407	56,041	58,727	62,621
Commercial and merchant banks (net)	-1,152	83	11,864	12,448	11,882	14,091	15,363	16,511	17,629	18,822
Net domestic assets	48,345	69,914	81,394	93,736	102,808	120,367	142,757	164,891	192,553	223,373
Net domestic credit	66,125	96,086	105,163	109,810	119,400	137,851	160,712	183,386	211,483	242,815
Net claims on consolidated government	27,235	37,748	31,228	38,465	40,437	49,254	58,756	66,402	74,564	83,417
Net claims on FGN 1/	23,691	33,548	27,140	34,132	36,106	44,925	54,428	62,075	70,237	79,092
CBN	17,516	23,525	10,953	15,966	11,390	13,678	14,299	14,343	14,098	13,927
Commercial Banks	6,175	10,022	16,187	18,166	24,716	31,247	40,129	47,732	56,140	65,165
Claims on SLG	3,544	4,200	4,088	4,333	4,331	4,329	4,328	4,328	4,326	4,325
Claims on private sector 2/	26,221	41,371	54,310	51,849	58,756	67,036	79,843	94,177	110,357	128,532
Of which: credit to the private sector	25,883	39,747	51,698	51,084	58,233	66,514	79,320	93,654	109,835	128,010
Other Claims	12,669	16,967	19,625	19,496	20,208	21,560	22,113	22,807	26,562	30,865
Other items (net)	-17,780	-26,172	-23,768	-16,074	-16,592	-17,484	-17,955	-18,495	-18,930	-19,442
Broad money 3/	52,187	79,252	119,078	136,510	158,232	183,372	209,527	237,443	268,909	304,816
Currency outside banks	2,569	3,434	5,125	5,362	6,208	6,727	7,299	7,967	8,624	7,612
Demand deposits	18,177	26,688	33,688	37,412	47,048	54,524	62,300	70,601	79,957	90,633
Time and savings deposits	30,565	48,709	74,524	82,457	91,023	108,308	123,554	139,491	158,421	176,570
CBN Bills held by resident nonbank sector	394	421	17	10	0	0	0	0	0	0
<i>Memorandum Items:</i>										
Broad money (y-o-y, percent)	17.4	51.9	50.3	14.6	15.9	15.9	14.3	13.3	13.3	13.4
Credit to the private sector (y-o-y, percent)	11.0	53.6	30.1	-1.2	14.0	14.2	19.3	18.1	17.3	16.5
Velocity (non-oil GDP/broad money)	3.6	3.2	3.3	3.0	3.2	3.2	3.3	3.3	3.3	3.3
Gross international reserves (US\$ billions)	36.6	33.2	40.2	45.8	58.1	62.0	62.8	64.2	64.7	66.4
Foreign currency deposits (as percent of total deposits)	21.5	29.2	38.9	35.1	...	...	...	...	...	...
Foreign currency credits (as percent of total private sector credit)	25.5	30.7	41.3	43.2	...	...	...	...	...	...

Sources: Nigerian authorities; and IMF staff estimates and projections.

1/ The SLGs share of the ECA is included under the Net Claims on the FGN, as the FGN is the signatory of the ECA in the CBN. It is assumed that the domestic portion of sovereign wealth fund will have similar accounting treatment.

2/ Does not include AMCON bonds.

3/ Broad money is based on an M3 definition.

Table 8. Nigeria: Financial Soundness Indicators, 2022 – 2025Q3
(percent, end of period)

	2022	2023	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3
Regulatory Capital to Risk-Weighted Assets	13.8	13.0	11.0	12.5	14.0	15.3	15.6	13.4	11.7
Regulatory Tier 1 Capital to Risk-Weighted Assets	13.0	10.7	9.0	10.6	12.0	12.9	13.7	11.5	9.7
Non-Performing Loans to Total Gross Loans	4.0	4.4	5.4	4.1	4.9	4.9	6.0	5.8	8.0
Return on Assets	1.4	3.1	3.4	3.9	3.5	3.5	3.2	3.3	3.0
Return on Equity	17.2	37.9	44.3	50.3	43.2	40.0	31.7	31.2	27.5
Interest Margin to Gross Income	53.8	43.6	47.3	50.1	54.3	54.7	65.4	71.3	69.7
Non-interest Expenses to Gross Income	67.8	46.3	44.5	47.7	47.2	46.1	49.7	46.4	51.1
Liquid Assets to Total Assets (Liquid Asset Ratio)	25.4	18.0	16.5	19.3	19.6	18.3	19.7	20.9	24.0
Liquid Assets to Short Term Liabilities	37.4	40.7	41.6	48.0	53.2	47.1	49.5	50.6	57.6

Source: Central Bank of Nigeria.

Annex I. Status of Key Recommendations from the 2025 Article IV Consultation

Recommendations	Status
Fiscal	
Step up revenue mobilization	A set of new tax laws that became effective January 1, 2026, modernizes the tax system and should facilitate compliance and enforcement, including with further digitizing revenue collection. A presidential order mandates direct remittances of hydrocarbon revenues to the government, bypassing the Nigerian National Petroleum Corporation Limited (NNPCL).
Ensure fuel subsidy savings accrue to the government	Challenges remain in tracking if and how fuel subsidy savings accrue to the budget.
Prioritize adjustments to recurrent spending to protect growth-enhancing investments while accelerating delivery of cash transfers under the cash transfer program	In 2025, recurrent and capital expenditure were both under executed. For 2026, publication of the budget is still outstanding. Enrollment in the cash transfer program has been progressed, but at most three payments of naira 25,000 (~US\$ 18) have been made to individual households since 2023.
Monetary and Financial	
Maintain tight monetary policy and announce a disinflation path to contain inflation and external pressures	The monetary policy stance was appropriately tightened in 2025.
Eliminate remaining legacy exchange rate restrictions as conditions permit	One legacy CFM has been removed.
Structural reforms	
Strengthen security to stop oil theft and protect farmers and herders	In 2025, the government and security agencies intensified operations to curb oil theft and protect critical infrastructure, but insecurity persists in rural areas.
Enhance governance frameworks to safeguard credit quality, manage risks, and ensure AML/CFT compliance in fast-growing fintech and crypto sectors	Nigeria exited from the FATF grey-list exit, while enhancing risk management and governance amid growing fintech and crypto activity. Covid-era forbearance has been phased out. Banks were required to increase capital.
Enhance governance frameworks and anti-corruption frameworks	The Federal Audit Service Act has been passed by both chambers and is awaiting presidential assent, while broader progress on earlier anti-corruption and rule-of-law recommendations remains limited.
Amend the EFCC law to assure independence	An EFCC (Establishment) Act amendment bill has been filed in the House of Representatives and is now in the legislative process for approval.

Annex II. Capacity Development Strategy Fiscal Year 2026

A. Context

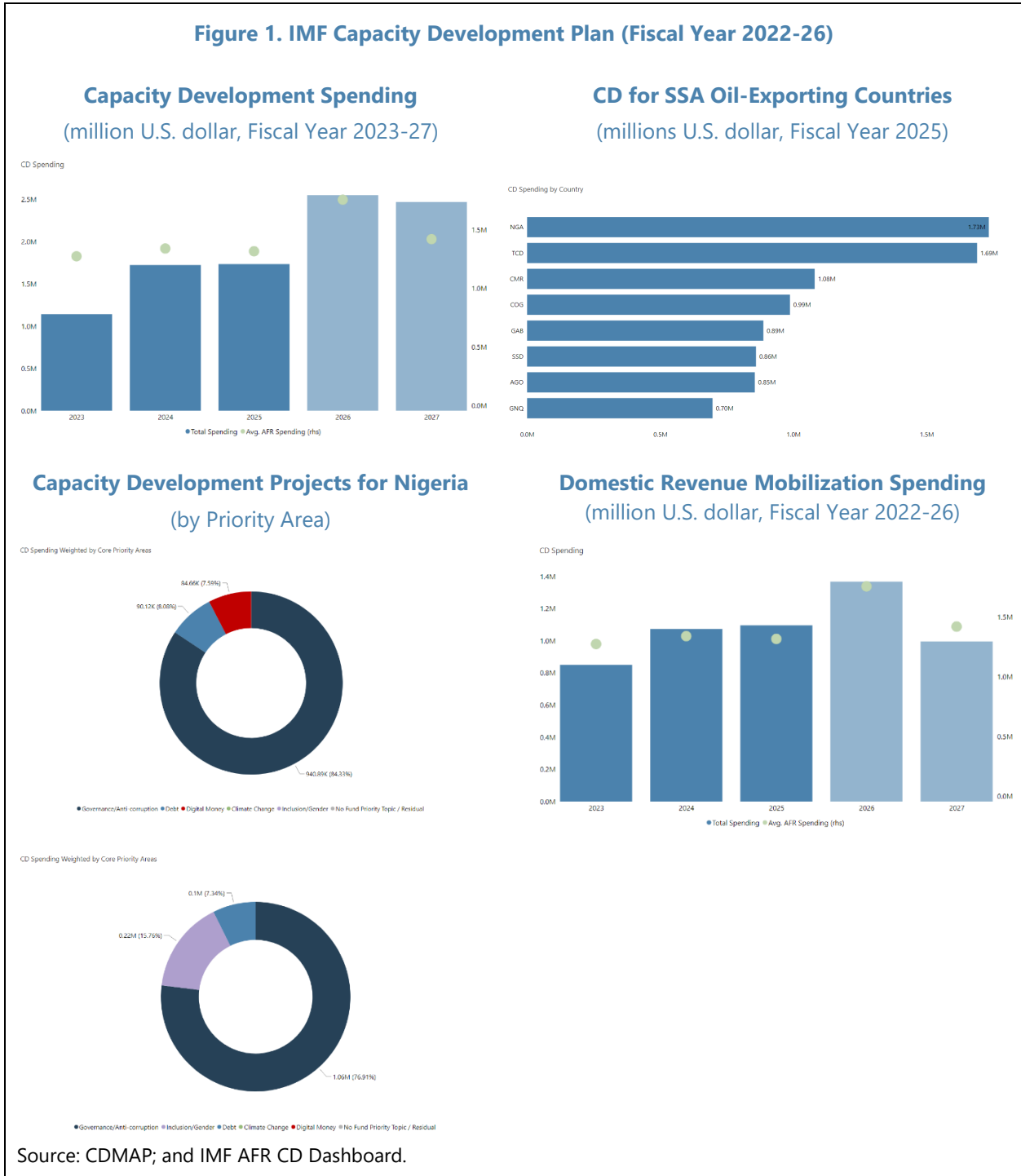
1. After 3 years of reforms, policies remain focused on preserving macroeconomic stability gains while supporting higher and more inclusive growth. A tighter policy mix and fx market reforms stabilized the naira, helped the ongoing disinflation and contributed to external sustainability. Important challenges persist. Food insecurity and poverty have increased, inflation remains in double-digit territory, fiscal space is constrained by a high interest-to-revenue ratio, and large infrastructure gaps continue to weigh on inclusive growth. The authorities are appropriately prioritizing macroeconomic stabilization with a focus on bringing inflation down further, continuing with domestic revenue mobilization to expand fiscal space to address development needs, and enabling the private sector to drive long-term growth, jobs, diversification, and inclusion. Fund capacity development has generally been instrumental across these areas, including revenue mobilization, debt management, financial supervision, disaster risk financing, and the ongoing work on inflation targeting.

2. Fund CD remains instrumental in helping the authorities strengthen macroeconomic policies and drive reforms, though the electoral cycle could further slow CD demand and implementation. The broader multi-year CD strategy outlined below is aligned with Nigeria's evolving needs and is designed to help achieve core macroeconomic objectives in a challenging global environment coupled with a busy domestic electoral cycle. As the next presidential elections approach in Q1 2027, the window for undertaking additional major reforms has closed. Accordingly, the immediate focus will be on technical (and less politically charged) support aimed at fine-tuning the tools and reforms already in motion. CD efforts will prioritize support for tax authorities in implementing the new tax laws in effect since January 1st, ringfencing hydrocarbon revenues, strengthening the management of fiscal risks amid elevated uncertainty, and progressing toward inflation targeting. Stronger engagement on the revenue agenda would be desirable.

B. CD Strategy and Priorities

3. IMF's surveillance in Nigeria calls for sustaining the macroeconomic gains and facilitating higher and inclusive growth through continuing policy reforms. CD in Nigeria is closely aligned with staff's policy recommendations and the authorities' macroeconomic objectives and is broadly in line with CD intensity in sub-Saharan Africa and Fragile and Conflict Affected States (see Figure 1). CD in Nigeria will continue to prioritize revenue mobilization in the context of tax laws, including through the on-the-ground presence of a resident advisor on revenue administration. Additional areas of support include inflation targeting, financial stability, and macroeconomic statistics with support from both HQ and the regional center Afritac West II. The authorities frequently request Fund CD but engagement and coordination challenges within the government and the proximity of the 2027 elections make major changes, follow up, and implementation tricky. Staff will continue to assess the government's appetite for further reforms and tailor CD provision, accordingly, prioritizing those that are high on the government's own

agenda. The forthcoming Nigeria Development Plan (2026-30) will be important reference points for identifying specific areas where Fund CD can most effectively support the authorities' priorities in the medium-term.



4. The proposed CD strategy focuses on the priorities outlined in the 2026 Article IV consultation. This includes domestic revenue mobilization, public financial management, inflation targeting, and macroeconomic statistics. Domestic revenue mobilization is crucial given Nigeria’s very low revenue-to-GDP ratio, reduced official development assistance, and pressing social and development spending. Efforts would be needed in several areas including tax administration (drawing on the findings from TADAT assessments and the recent VAT gap analysis), petroleum taxation, and customs. Challenges to budget planning, implementation, and reporting hamper fiscal policy making, public investment and service delivery and potentially rising fiscal risks (arrears, contingent liabilities, etc.). A successful transition to inflation targeting must be complemented by a credible foreign exchange intervention framework. Support in supervision and prudent provisioning, and the recapitalization of the banking system are timely in the context of high domestic interest rates and rising non-performing loans. Nigeria needs to significantly upgrade its macroeconomic data to better inform policies and Fund surveillance.

5. The current mix of HQ/RTAC missions is appropriate, leveraging continuous regional engagement while also benefiting from strategic support from HQ. Training activities should gradually expand—both as standalone ones and as a part of TA missions. The ongoing resident advisor program on revenue administration has been maintained given its criticality for Nigeria.

C. Key Overall CD Priorities Going Forward.

Priorities	Objectives
<i>Tax policy and revenue administration</i>	<p>Traction: CD on tax policy and administration has focused on strengthening Nigeria’s revenue mobilization and supporting the implementation of recent reforms (TaxProMax solution). In the petroleum sector, CD advice supported the effective implementation of the petroleum industry tax regime and the transition to the new legislative framework, including via institutional capacity—particularly audit and training. On tax administration, CD has gained traction building on the national and Lagos State TADAT assessments. A follow-up HQ mission reviewed progress, addressed remaining gaps, and provided guidance aligned with priorities following the enactment of four Tax Acts effective January 1, 2026. Recent CD also supported revenue administration gap analysis and improvements in tax arrears management.</p> <p>Progress has been made in compliance with risk management. CD supported the implementation of a compliance improvement plan focused on VAT, subsequently extended to CIT, helping strengthen risk-based compliance practices. Additional traction was achieved through CD support in project portfolio management, including initiatives on digitalized audits in the telecommunications sector,</p>

	<p>improvements to human resource performance management systems, and the development of a strategic management framework encompassing medium-term and corporate plans.</p> <p>While traction in customs-related CD has been relatively limited, assistance has contributed to strengthening controls and enforcement of rules of origin, supporting Nigeria’s implementation of the African Continental Free Trade Area (AfCFTA). CD has also helped redesign and optimize cargo control and customs clearance processes, while forthcoming assistance will assess options for implementing the National Single Window system for trade. Further, CD has supported the Nigeria Customs Service in the area of risk-based compliance and fraud.</p> <p>Separately, CD support to the Federal Ministry of Finance advanced work on climate-related fiscal policy, helping integrate climate considerations into the broader tax policy framework.</p> <p>Going forward: Revenue mobilization efforts continue to benefit from the embedded resident advisor at the Federal Ministry of Finance, whose on-the-ground presence has been critical in supporting implementation and sustaining momentum. With the major new tax laws now enacted and given the current political cycle, no tax policy changes are anticipated in the near term. This allows CD to focus on technical enhancements of the existing framework to close gaps and strengthen execution. In that regard, CD should continue advancing compliance risk management by developing compliance improvement plans, tax arrears management, ongoing CD on revenue gap analyses, building capacity in audit and compliance in specialized sectors, strengthening tax expenditure monitoring, assessing the implementation of electronic invoicing, delivering CD on effective administration of the oil and gas sector, and assessing the AfCFTA implementation.</p> <p>Additional progress would be needed in improving taxpayer services with a focus on behavioral insights, enhancing portfolio management of projects, strengthening strategic management framework (cascading of plans).</p> <p>CD support remains needed in the effective administration of the oil and gas sector, though momentum in this area is limited due to lower authorities’ engagement which could reduce the need for Fund resources.</p>
<p><i>Monetary and Exchange Rate Policies</i></p>	<p>Traction: The CBN is moving towards inflation targeting with Fund CD support that is closely integrated into the surveillance dialogue. An</p>

	<p>inflation targeting scoping took place to assess the areas of Fund support. CBN staff have started exploring appropriate dimensions of a long-run inflation target, supported by a comprehensive set of research. A follow-up mission recommended measures for aligning the CBN's monetary operations framework with international best practices, including putting the monetary policy rate at the center of the framework and pivoting to shorter-term liquidity absorption operations.</p> <p>While the authorities are very appreciative of the CD, follow-through has been mixed so far. The CBN has not yet produced a public strategy document to clarify how it intends to move forward with inflation targeting. Staff also viewed the decision to announce a double-digit inflation target for the next two years as inconsistent with TA advice. The CBN also sometimes engages in FXIs but does not provide a high degree of transparency into the strategy guiding its use of this tool. Absent a greater degree of transparency into the fx strategy, this arrangement could lead to confusion regarding the Nigeria's "true" nominal anchor. At the request of the CBN, Fund staff developed an fx intervention framework to guide CBN interventions, which CBN could make greater use of.</p> <p>Going forward: Focus should be on advancing the transition towards inflation targeting and adopting a robust fx intervention framework in light of the still shallow fx market and other IPF frictions. The subsequent strategy and communication decisions should align as closely as possible with the TA recommended approach. Within the context of Fund CD on transitioning to an inflation targeting regime, work should include revamping the monetary policy toolkit to make effective use of the range of instruments to manage liquidity, streamlining the asymmetric corridor, and using a credible fx intervention framework aimed at smoothing excess volatility.</p>
<p><i>Public financial management</i></p>	<p>Traction: Progress has been made in establishing a Treasury Single Account and enhancing debt management. However, the budget process is still characterized by poor credibility, a lack of transparency, and insufficient reporting which weakens accountability. There has been insufficient uptake so far of staff's TA advice on monitoring and classification of Government-Owned Enterprises. A recent mission assessing fiscal risks—including from government SOEs, public-private partnerships, and contingent liabilities—proposed remedial measures.</p> <p>Going forward: TA could focus on strengthening the budget process from planning to execution and controls, transparency, and fiscal risk management. Greater focus on public sector spending reviews, public</p>

	investment management and improving asset liability management would help rationalize public expenditures.
<i>Enhance Financial Stability</i>	<p>Traction: Positive response from the authorities to IMF policy advice on bank regulation and supervision, including Basel III implementation, cross-border supervision, and surveillance of emerging risks in the crypto-asset/Fintech space.</p> <p>Going forward: TA should focus on helping the CBN reduce vulnerabilities in the financial sector, end regulatory forbearance, and address the high sovereign-bank loop, all of which are contributing to the high interest environment. This should include a particular emphasis on the development of macroprudential tools and assistance to tightening loan classification and provisioning rules and issue pending Basel III regulations alongside efforts to strengthen interbank market functioning.</p>
<i>Strengthen macroeconomic statistics compilation</i>	<p>Traction: The Nigeria Bureau of Statistics (NBS) has updated the CPI and GDP base years in line with best rebasing in line with Fund best practices and is advancing work to improve and expand the producer price index with TA. The quality of quarterly GDP time series also needs urgent improvement through TA. Progress is needed on BOP statistics (large errors and omissions), and monetary statistics to reduce publication lag of full monetary surveys. Fiscal reporting remains a challenge and TA could focus on harmonizing and aligning reporting of fiscal data by OAGF and the Budget Office with Government Finance Statistics (GFS), covering the general government. Support is also needed in the areas of discrepancies between above and below-the-line, adequate provision of data on arrears, and SOEs monitoring. The absence of comprehensive and harmonized data significantly impairs the regular monitoring of fiscal implementation. Proceeding with CD in these areas is conditional on strong high-level ownership.</p> <p>Going forward: Support for macroeconomic statistics should be maintained with a sense of urgency, but subject to ownership by the authorities.</p>
<i>AML/CFT compliance</i>	<p>Traction: LEG has provided TA to help Nigeria implement its FATF action plan to exit the "grey list." Nigeria recently exited the FATF grey list as well as the European Union list of high-risk third countries for money laundering and terrorist financing.</p>

D. Main Risks and Mitigation

6. **Progress has been made implementing TA recommendations, albeit at a slow pace.**

Political commitment, absorptive capacity, and technical skills have been key risk factors. As the next presidential elections approach in 2027, the immediate focus will be on technical (and less politically charged) support aimed at fine-tuning the tools and reforms already in motion. Ensuring top-level buy-in, regularly liaising at the principal level, and close follow-up until reform delivery is completed are key to improving CD traction. This will include a willingness to step away from CD areas where traction and reform progress are too limited and will require staff to be more selective when assessing CD priorities. Relying on hands-on and regular support from Afritac West and the resident advisor will help address risks from limited absorptive capacity.

Annex III. Risk Assessment Matrix¹

Risk Assessment Matrix				
Sources of Risk	Likelihood	Time Horizon	Impact on Nigeria	Policy Responses
External Risks				
<p>Geopolitical Tensions and Intensification of Conflicts. Rising geopolitical tensions, and a weakening of multilateralism, raise the risk of an escalation in military conflicts, accompanied by damage to key physical and financial infrastructure, disruptions in major transit routes and supply chains, higher migration pressures, additional financial frictions and market volatility.</p>	High	Short Term	Medium	<ul style="list-style-type: none"> • Tighten monetary policy to contain inflation if needed, supported by fiscal policy. • Maintain exchange rate flexibility to facilitate adjustment and preserve external buffers. • Accelerate revenue mobilization to reduce dependence on hydrocarbon revenue. Prioritize fiscal intervention to relieve food insecurity. • In line with the IPF, temporary FXIs can play a role in mitigating risks associated with large confidence swings and sharp depreciation.
<p>Trade-related Risks</p> <p>Protectionism and Trade Disruptions. Tariff and nontariff measures disrupt global supply chains, weighing on activity while increasing inflation. Trade diversion triggers broader protectionism.</p>	High	Short Term	Low	<ul style="list-style-type: none"> • Maintain exchange rate flexibility to facilitate adjustment and preserve external buffers. • Tighten monetary policy to contain inflation. • Diversify external financing sources, including from IFIs. • In line with the IPF, temporary FXIs can play a role in mitigating risks associated with large confidence swings and sharp depreciation.

¹ The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline. Likelihood reflects staff's subjective assessment: "low" (below 10 percent), "medium" (10-30 percent), and "high" (30-50 percent).

Risk Assessment Matrix (Continued)

Sources of Risk	Likelihood	Time Horizon	Impact on Nigeria	Policy Responses
Commodity Price Volatility. Supply and demand imbalances—triggered by geopolitical tensions, coordinated production decisions, shifts in investor preferences, or structural changes in demand—fuel commodity price swings, amplifying external and fiscal pressures, social unrest, and macro instability.	High	Short Term	High	<ul style="list-style-type: none"> • Tighten monetary policy to contain inflation if needed, supported by fiscal policy. • Maintain exchange rate flexibility to facilitate adjustment and preserve external buffers. • Accelerate revenue mobilization to reduce dependence on hydrocarbon revenue. Prioritize fiscal intervention to relieve food insecurity. • In line with the IPF, temporary FXIs can play a role in mitigating risks associated with large confidence swings and sharp depreciation.
Fiscal Vulnerabilities and Higher Interest Rates. Higher public debt and deficit levels put further upward pressure on long-term interest rates, sharply tightening global financial conditions, amplifying currency volatility, and reducing consumption and investment that exacerbate adverse debt dynamics. Disruptions are amplified by increased role of price-sensitive investors and leveraged NBFIs in sovereign debt markets, limited market absorption capacity when NBFIs offload debt securities, higher roll-over needs on shorter sovereign debt maturities, and strong sovereign-financial nexus. Concurrently, capital outflows from emerging and developing economies elicit a sharp increase in short-term rates.	High	Short to Medium Term	High	<ul style="list-style-type: none"> • Maintain exchange rate flexibility to facilitate adjustment and preserve external buffers. • Tighten monetary policy to contain inflation, supported by fiscal policy. • Accelerate revenue mobilization to reduce dependence on external financing. Prioritize fiscal intervention to relieve food insecurity. • Review regulatory framework to contain excessive risk taking. • In line with the IPF, temporary FXIs can play a role in mitigating risks associated with large confidence swings and sharp depreciation.
Labor Shortages and Remittances. Tighter immigration policies exacerbate labor shortages in aging destination economies, reducing potential output, fueling inflation, and straining fiscal balances through lower revenues. Origin countries see depressed remittances and incomes, and worsening external balances, though a larger labor force could partly offset the remittance decline over the medium term.	High	Medium to Long Term	Medium	<ul style="list-style-type: none"> • Maintain exchange rate flexibility to facilitate adjustment and preserve external buffers. • Diversify sources of foreign exchange by increasing non-oil exports. • Accelerate revenue mobilization to provide space to support vulnerable groups most affected by the decline in remittances.

Risk Assessment Matrix (Concluded)				
Sources of Risk	Likelihood	Time Horizon	Impact on Nigeria	Policy Responses
Climate change. Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability.	Medium	Medium to Long Term	High	<ul style="list-style-type: none"> Expand delivery mechanisms for relief aid to mitigate impact on the most vulnerable. Accelerating pace of rolling out cash transfers to all targeted households. Strengthen fiscal buffers and expand ex-ante risk financing instruments to improve speed and efficiency of disaster response. Integrate climate resilience into public investment management. Strengthen the agricultural sector. Improve climate resilience of the agricultural sector by investing in needed infrastructure and improving supply of inputs.
Cyberthreats. Cyberattacks on physical or digital infrastructure, technical failures, or misuse of AI technologies could trigger financial and economic instability.	High	Short to Medium Term	Medium	<ul style="list-style-type: none"> Strengthen cyber-resilience and operational risk supervision in the financial sector Tighten regulation and oversight of fintech, crypto assets, and AI-enabled financial services. Build national cyber-incident preparedness capacity.
Nigeria-specific Risks				
Reduction in oil and agriculture production due to worsening domestic security and climate-related shocks. A deterioration in security could hit oil production, impacting fiscal and export revenues. Climate-related shocks and security developments can affect agriculture and food insecurity.	Medium	Short to Medium Term	High	<ul style="list-style-type: none"> Strengthen security for the oil and gas sector. Maintain exchange rate flexibility to facilitate adjustment and preserve external buffers. Tighten monetary policy to contain inflation, supported by fiscal policy. Accelerate revenue mobilization to reduce dependence on external financing. Prioritize fiscal intervention to relieve food insecurity. In line with the IPF, temporary FXIs can play a role in mitigating risks associated with large confidence swings and sharp depreciation.
Spending pressures and reform momentum. Spending pressures from elevated poverty and food insecurity could widen fiscal deficit and increase financing needs. A slowdown in the reform momentum around the elections, and structural constraints—such as infrastructure and human capital gaps—pose risks to growth.	High	Short Term	Medium	<ul style="list-style-type: none"> Tighten monetary policy to offset any liquidity injection. Accelerate revenue mobilization to create fiscal space for social and development spending. Enhance spending prioritization and quality. Boost targeted support to vulnerable groups.

Annex IV. Alternative Scenario

1. The alternative scenario is based on the April 2026 World Economic Outlook adverse scenario for the global economy. Oil and gas prices would increase further in 2026H2 and remain high during 2027, before returning to the baseline in 2028. Other commodity prices, including fertilizer and other agricultural inputs, would also increase and stay high in 2026–27. This intensified shock would lead to a further tightening of global financial conditions. A worsening risk-off sentiment would lead to increasing sovereign spreads. This shock would interact with election year dynamics in Nigeria. Spending pressures are already high, also given elevated poverty and food insecurity, and the government would face elevated pressures to make quick adjustments in the face of the external shocks.

A. Impact on the Economy

2. The impact on the external balance should be net positive. Higher hydrocarbon prices would improve export receipts and the current account balance. Some of the oil windfalls leave Nigeria through remittances to international oil company operators. In addition, food and other imports will increase on account of higher global food and transport costs. A key question is how investor appetite for Nigerian assets behaves in the context of a global risk-off environment. There could be further capital outflows, including from portfolio investors exiting positions in OMOs and to a lesser extent government securities and equities. Similar to its response to the 2025 Liberation Day shock, the CBN would likely allow some exchange rate adjustment while meeting some of the outflows through FXIs from reserves to smooth excess volatility and support orderly market functioning. Given current positioning of portfolio investors in Nigeria, the impact should be manageable in all but extreme tail risk scenarios.

3. In this scenario, Nigeria could face stagflation, given higher input costs and limited policy space. Higher fuel, fertilizer, and food costs would push up inflation further and reduce non-oil growth even more. Tighter financial conditions would further constrain investment and consumption. With limited space to increase oil production in the short-term in response to higher prices, there would not be a positive impact on real growth from oil and gas. Poverty and food insecurity could increase even further.

4. The financial sector could also come under pressure, further weighing on economic activity through the macro-financial linkages. With lower growth and tighter global financial conditions, non-performing loans could increase. In turn, this would lead to tighter lending standards and increased borrowing costs, reducing the scope for investment even for large corporates. If the government's domestic financing needs were to increase, this would further constrain private-sector credit.

B. Policy Response

5. The policy response would be guided by the Integrated Policy Framework and the IMF’s Institutional View on The Liberalization and Management of Capital Flows. Adjusting monetary and fiscal policies and allowing the exchange rate to fluctuate remain the appropriate response. Structural reforms to improve the business environment and attract FDI—alongside phasing out reliance on short-term portfolio inflows—will boost external stability and resilience over the medium-term.

6. The CBN would need to tighten monetary policy and prioritize inflation control over short-term activity support. Nigeria would face a protracted supply shock that pushes up inflation. With inflation expectations not yet firmly entered—the CBN’s transition to inflation targeting is ongoing—“looking through” the supply shock would risk entrenched higher inflation. Tight monetary policy, i.e., keeping the real policy rate positive at levels comparable to late 2025, will be needed to ensure inflation expectations do not become unanchored. If inflation pressures became severe, an even higher real policy rate may be required.

7. The exchange rate should continue to play its role as a shock absorber. While the first-round impact of higher oil prices on the balance of payments would support the naira, the net effects would be ambiguous given potential risk-off-driven capital outflows. Maintaining a flexible exchange rate would help absorb shocks and preserve credibility. Clear and consistent communication would be critical to sustain investor confidence and alleviate capital outflow pressures to tilt the balance to positive.

8. Fiscal policy should support disinflation and address social needs, with a carefully calibrated mix of financing. A neutral fiscal stance would support monetary policy in the fight against inflation. Spending should be clearly prioritized towards quick-impact growth-enhancing projects. In addition, the budget should make sufficient allocations for cash transfers to the growing number of vulnerable households as poverty and food insecurity rises. Given the still low revenue to GDP ratio, the government should not increase spending permanently in response to a temporary windfall. Instead, most of such a windfall should be saved or used to retire expensive debt, thus creating future fiscal space. The financing strategy may need to be recalibrated, in particular if external market financing becomes expensive, while containing reliance on domestic financing sources to limit crowding out of private sector credit. Securing low-cost financing, including from development partners, would help contain debt servicing costs and create space for priority spending.

9. Financial sector policies should be geared to safeguarding stability amid heightened macro-financial risks. This would require intensifying supervision to ensure timely provisioning for asset quality and prevent the buildup of systemic risks. Resolution frameworks should be applied where institutions become non-viable, while monitoring risks from sovereign–bank nexus.

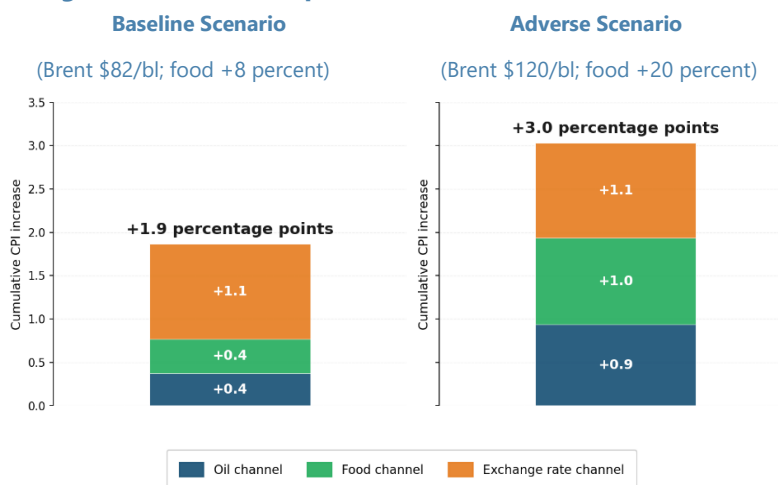
10. Beyond near-term stabilization, structural reforms are essential to bolster growth and resilience over the medium term. Priorities include improving the business environment,

strengthening governance, deepening domestic capital markets, and reducing reliance on oil revenues. These would help crowd in private investment, diversify exports, and build resilience to shocks to future shocks.

Box 1. Effects of Oil Supply Shocks on Inflation in Nigeria

Staff used a 7-variable Bayesian Vector Autoregression developed in the context of an accompanying Selected Issues Paper to gauge the repercussions of the war in the Middle East on domestic inflation. The impact of the external shock on domestic inflation is decomposed into three channels: oil price channel, food channel, and exchange rate channel. The estimates are tentative, given the limited sample horizon since major reforms to Nigeria's macroeconomic policy framework. In staff's baseline projections, the oil and food price channels would add 0.8 percentage points to headline inflation over a 12-month horizon. If the global risk-off sentiment exerts pressure on the exchange rate, the jump in inflation could be higher. In an adverse scenario where the shock to global oil and food prices is more severe and protracted, the oil and food price channels would add 1.9 percentage points to headline inflation over a 12-month period. If there were further pressure on the exchange rate, inflation pressures could increase further. In both scenarios, a strengthening naira, benefiting from the external oil windfall, would partially offset the impact of the oil and food price channels.

Figure 1. Nigeria: 12-Month Impact of Oil and Food Price Shocks on Inflation



Source: Fund Staff calculations.

11. In a severe scenario where pressures from investor confidence losses outweigh high export and fiscal revenues from hydrocarbon prices, short-term stabilization measures could include the following:

- Temporary FXIs can play a role—in line with the IMF's Integrated Policy Framework—in mitigating risks associated with sharp confidence swings and naira depreciation, given Nigeria's fx market shallowness, significant exchange rate passthrough, and increasing exposure to short-term foreign inflows. FXIs should not substitute for warranted macroeconomic adjustments, and strong communication is key.

- Temporary capital flow management measures—consistent with the IMF’s Institutional View on The Liberalization and Management of Capital Flows and as part of a broader policy package—could be needed. CFMs should not substitute for needed macroeconomic adjustment.

Annex V. Debt Sustainability Assessment

Figure 1. Nigeria: Risk of Sovereign Stress

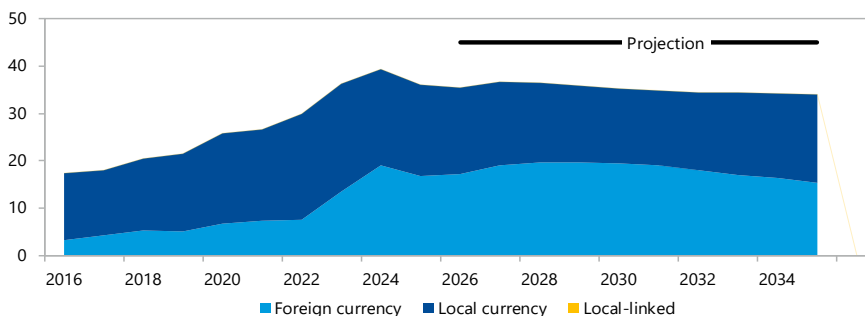
Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Moderate	The overall risk of sovereign stress is moderate. The assessment is supported by a low debt to GDP ratio, the long maturity structure of Nigeria's debt stock, and improvements in macroeconomic conditions, including increased hydrocarbon production, improved external position, enhanced resilience, and declining inflation.
Near term 1/			
Medium term	Moderate	Moderate	The fan-chart module points to moderate medium-term risks, with moderate fan chart width and a lower probability of debt non-stabilization than in the 2025 DSA. The GFN mechanical signal also indicates moderate medium-term risks, supported by relatively low average GFN and large potential space for domestic banks to step in if a funding shock were to materialize. The weighted average of both signals points to an overall moderate medium-term risk assessment. Triggered stress tests underscore the importance of staying the course on domestic revenue mobilization, building buffers, enhancing fiscal risk management, and diversifying exports and fiscal revenues away from hydrocarbons to contain liquidity risks and mitigate uncertainty. Taken together, staff assess medium-term risks as moderate, in line with the mechanical signal.
Fanchart	Moderate	...	
GFN	Moderate	...	
Stress test	Comm. Prices Cont. Liabty. FX rate	...	
Long term	...	Moderate	The DSA considers the large amortization, the climate change, and the natural resource modules. The large amortization module flags a high risk driven by the results of the historical 10-year average scenario which underscores the importance of staying the course on revenue mobilization and expenditure control, as well as scaling up private investment and addressing security challenges. The other two modules speak to resilience. The climate change adaptation module shows that adaptation that is well integrated into development could even lead to an improved debt trajectory. The natural resource module does not suggest significant risks, though continued diversification of fiscal revenues and exports will reduce any exposure further. Taken the results from the three modules together, the long-term risk is assessed as moderate.
Sustainability assessment 2/	...	...	Not required for surveillance-only countries
Debt stabilization in the baseline			Yes
DSA Summary Assessment			
<p>Nigeria's public debt declined in 2025 to 36.1 percent of GDP from 39.3 percent of GDP in 2024. A favorable growth - interest rate dynamics combined with a stronger naira were the main drivers. As a result of the reforms and macroeconomic policy tightening since 2023, the external position and investor confidence have strengthened, the exchange rate has stabilized and security has improved. This, along with the domestic refinery ramping up production and private investment regaining momentum, should support growth in the medium-term and put debt on a declining path, as reflected in the baseline. Long term risk is mitigated by the structure and composition of debt with a large share of external debt made up of concessional debt and the authorities debt strategy which prioritizes long dated instruments. Staff assess Nigeria's risk of sovereign stress as moderate, but flag risks, including from worsening global sentiment or oil prices, still weak domestic revenue mobilization, potential expenditure slippages given high poverty and large development needs. The total return swap announced in 2026, including the overcollateralization, is included in external debt. The risk that margin calls could be triggered during the life of the operation is a contingent risk that could force Nigeria to provide additional collateral. Government arrears to NNPC, electricity companies and pensioners—once consolidated and recognized—will add to debt, while any pre-export financing deal would reduce future revenues. Absent policies to safeguard macroeconomic stability, enhance fiscal risk management and improve the fiscal position, risks would increase.</p> <p>Source: Fund staff.</p> <p>Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.</p> <p>1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.</p> <p>2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.</p>			

Figure 2. Nigeria: Debt Coverage and Disclosures

1. Debt coverage in the DSA: 1/						CG	GG	NFPS	CPS	Other	Comments									
1a. If central government, are non-central government entities insignificant?												n.a.								
2. Subsectors included in the chosen coverage in (1) above:																				
Subsectors captured in the baseline										Inclusion										
CPS	NFPS	GG: expected	CG	1	Budgetary central government						Yes	Not applicable								
				2	Extra budgetary funds (EBFs)						No									
				3	Social security funds (SSFs)						No									
				4	State governments						Yes									
				5	Local governments						Yes									
				6	Public nonfinancial corporations						No									
				7	Central bank						No									
				8	Other public financial corporations						No									
3. Instrument coverage:						Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/										
4. Accounting principles:						Basis of recording		Valuation of debt stock												
						Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/										
5. Debt consolidation across sectors:						Consolidated		Non-consolidated												
Color code: ■ chosen coverage ■ Missing from recommended coverage ■ Not applicable																				
Reporting on Intra-government Debt Holdings																				
											Holder	Budget. central govt	Extra-budget. funds (EBFs)	Social security funds (SSFs)	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
CPS	NFPS	GG: expected	CG	1	Budget. central govt									0						
				2	Extra-budget. funds									0						
				3	Social security funds									0						
				4	State govt.									0						
				5	Local govt.									0						
				6	Nonfin pub. corp.									0						
				7	Central bank									0						
				8	Oth. pub. fin. corp									0						
Total											0	0	0	0	0	0	0	0	0	
<p>1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.</p> <p>2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.</p> <p>3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.</p> <p>4/ Includes accrual recording, commitment basis, due for payment, etc.</p> <p>5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).</p> <p>6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.</p> <p>7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.</p>																				
<p>The perimeter of the public debt in this SRDSA includes general government debt—namely central government debt and state and local government debt—as well as the government’s CBN overdraft facility (ways and means). The government is currently undertaking a consolidation of potential arrears to the national oil company, electricity companies, and pensioners. Once recognized, these arrears will be included in the public debt. In the case of the electricity arrears the government has recognised 1 percent of GDP in arrears and has issued 0.1 percent of GDP of GDP in bonds.</p>																				

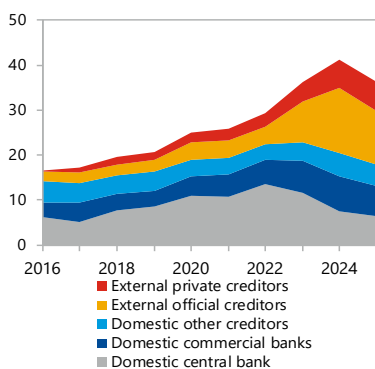
Figure 3. Nigeria: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



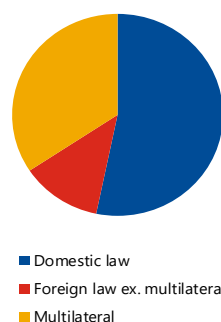
Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)



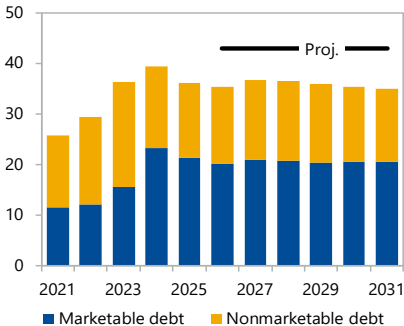
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2025 (Percent)



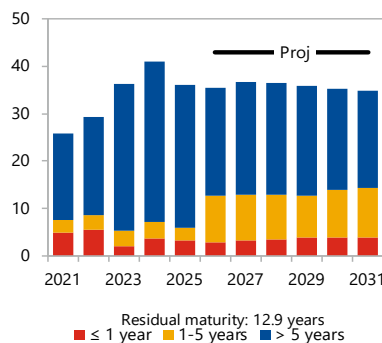
Note: The perimeter shown is general government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)



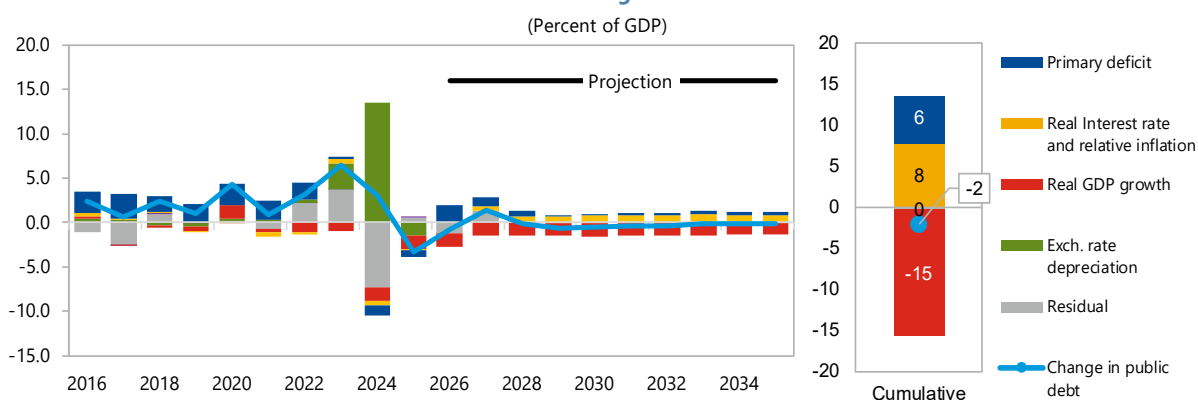
Note: The perimeter shown is general government.

The Eurobond issuance, World Bank disbursements, and depreciation brought the share of foreign debt in total debt to 48 percent in 2025, leading to a higher share of marketable and long-term debt than in 2024. Increased reliance on non-bank and medium-and long-term domestic debt—particularly pension funds’ borrowing—is expected over the medium-term as per the government’s medium-term debt strategy. Although this would increase pension funds’ exposure to the sovereign, the long-term nature of their investment would mitigate this risk. Rollover risks remain high reflecting some recent accumulation of short term debt. However, with disinflation becoming entrenched and external yields declining, interest rates are projected to decline. As macroeconomic stability takes hold this would create the opportunity to extend maturities.

Figure 4. Nigeria: Baseline Scenario
(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection			
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Public debt	36.1	35.4	36.7	36.5	35.8	35.3	34.9	34.5	34.3	34.2	34.0
Change in public debt	-3.3	-0.7	1.3	-0.2	-0.7	-0.5	-0.4	-0.4	-0.2	-0.2	-0.1
Contribution of identified flows	-3.8	0.6	0.0	-0.3	-0.6	-0.4	-0.3	-0.3	-0.1	-0.1	-0.1
Primary deficit	-0.8	1.9	1.0	0.6	0.2	0.2	0.3	0.3	0.3	0.3	0.3
Noninterest revenues	10.2	10.8	10.6	10.3	10.5	10.4	10.4	10.2	10.2	10.2	10.2
Noninterest expenditures	9.4	12.7	11.6	10.9	10.7	10.6	10.6	10.5	10.5	10.6	10.5
Automatic debt dynamics	-3.1	-1.3	-1.0	-0.9	-0.8	-0.6	-0.6	-0.6	-0.5	-0.5	-0.4
Real interest rate and relative inflation	-0.1	0.1	0.5	0.6	0.7	0.8	0.8	0.8	0.9	0.9	0.9
Real interest rate	-2.0	-1.7	-1.0	-0.8	-0.6	-0.5	-0.4	-0.4	-0.2	-0.2	-0.1
Relative inflation	1.9	1.8	1.5	1.4	1.3	1.3	1.3	1.2	1.1	1.1	1.0
Real growth rate	-1.5	-1.4	-1.5	-1.5	-1.5	-1.4	-1.4	-1.4	-1.4	-1.3	-1.3
Real exchange rate	-1.4	...	...	...	...	...	...	...	...	...	...
Other identified flows	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	0.6	-1.3	1.3	0.1	0.0	-0.1	-0.1	-0.1	-0.1	0.0	0.0
Gross financing needs	2.9	5.3	6.0	5.8	5.7	6.2	6.4	6.4	5.8	6.4	6.4
of which: debt service	3.7	3.4	5.0	5.2	5.5	6.0	6.1	6.1	5.5	6.1	6.1
Local currency	1.9	2.4	3.4	3.7	3.9	4.2	4.3	4.3	3.7	4.5	4.4
Foreign currency	1.8	1.0	1.6	1.5	1.6	1.9	1.9	1.8	1.7	1.6	1.7
Memo:											
Real GDP growth (percent)	4.0	4.1	4.3	4.1	4.2	4.2	4.2	4.2	4.2	4.0	4.0
Inflation (GDP deflator; percent)	13.9	15.2	11.9	10.4	9.8	9.5	9.4	9.3	9.2	9.1	9.0
Nominal GDP growth (percent)	18.4	19.9	16.7	15.0	14.5	14.0	14.0	13.9	13.7	13.4	13.3
Effective interest rate (percent)	7.7	9.4	8.7	7.8	7.8	7.9	8.0	8.0	8.5	8.4	8.5

Contribution to Change in Public Debt



Debt accumulation is expected to moderate in the medium-and-long term, owing to favorable growth dynamics, lower inflation and borrowing costs. GFN are expected to continue increasing in the medium-and-long-term, reflecting the increasing share of 1-5 years maturity debt. Residuals in the debt dynamics equation reflect exchange rate assumptions that move the real exchange rate towards its equilibrium level over the medium-term with external debt accounting for about 48 percent of total debt (Annex V: External Sector)

Figure 5. Nigeria: Medium-term Risk Assessment

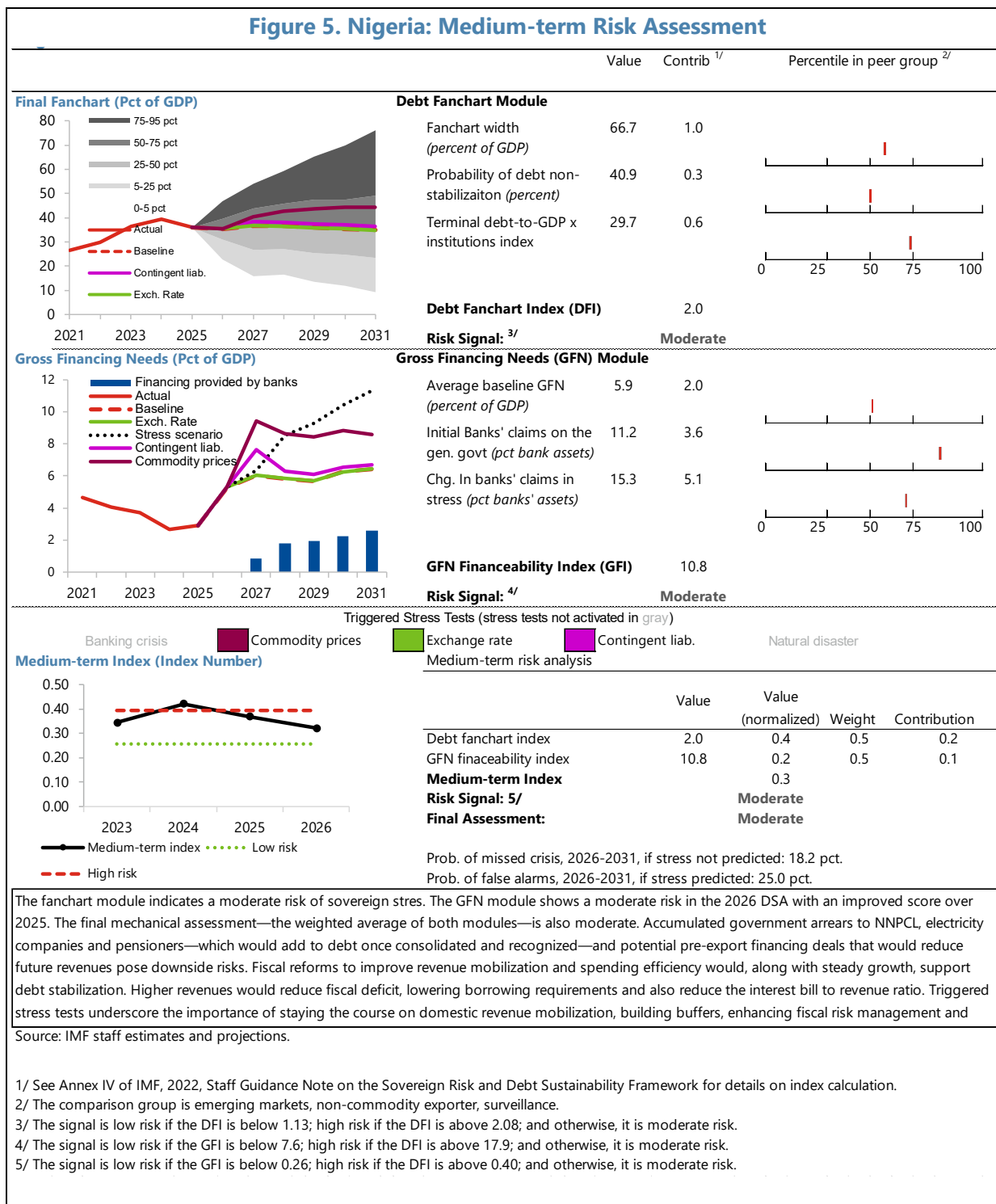
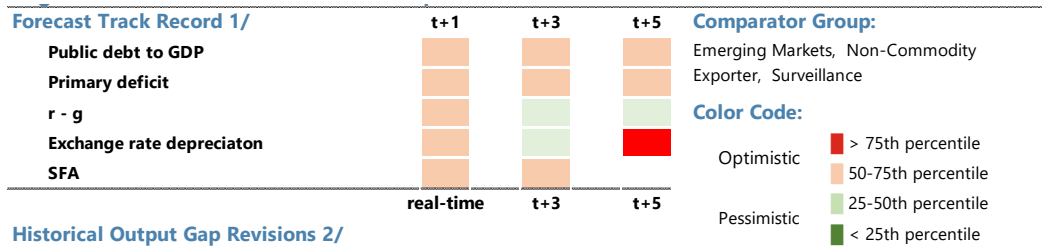
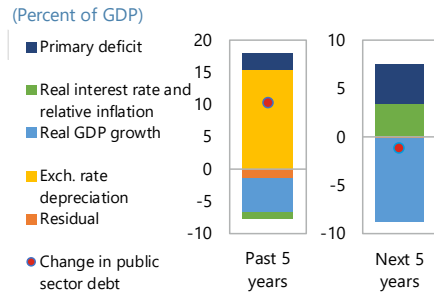


Figure 6. Nigeria: Realism of Baseline Assumptions

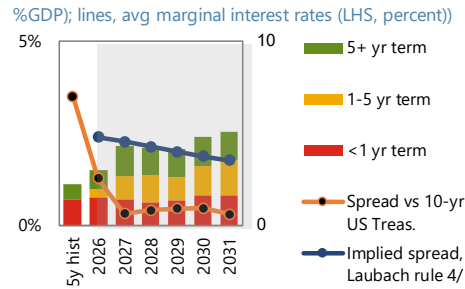


Historical Output Gap Revisions 2/

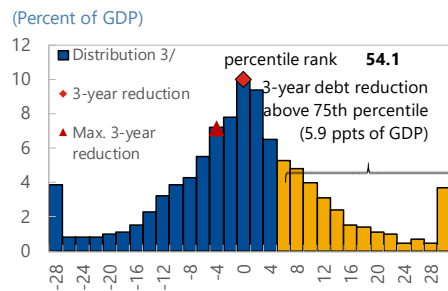
Public Debt Creating Flows



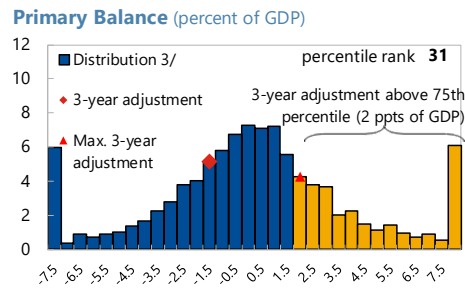
Bond Issuances (bars, debt issuances (RHS,



3-Year Debt Reduction

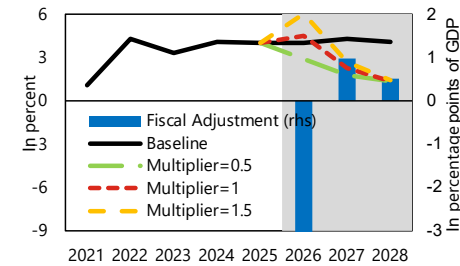


3-Year Adjustment in Cyclically-Adjusted

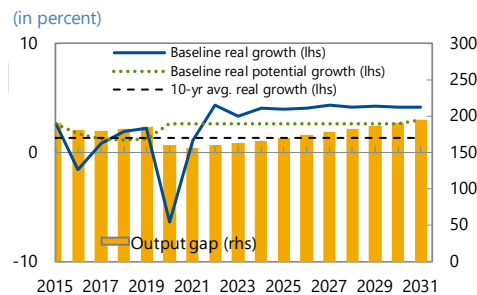


Fiscal Adjustment and Possible Growth Paths

(lines, real growth using multiplier (LHS); bars, fiscal adj. (RHS))



Real GDP Growth



The realism analysis suggests optimism in growth. Growth forecasts exceed both its potential and historical averages in the baseline, which seems achievable with sound macroeconomic policies and a pro-growth agenda, also considering that the historical average is based on a decade of subpar growth. Average per-capita growth in the projections is around 2 percent over the next 5 years which is achievable. The 3-year fiscal adjustment is ambitious in comparison to its own history, but consistent with the fundamental change in the approach to macroeconomic management. The expected debt path does not show any realism issues as the 3-year debt reduction seems to be within normal range in a cross-country comparison and compared to Nigeria's own experience.

Source : IMF Staff.

1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates

3/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

Figure 7. Nigeria: Triggered Modules

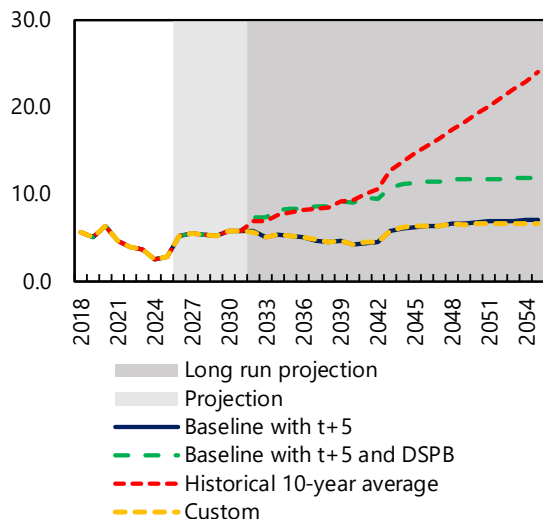
Large Amortizations Pensions Climate Change: Adaptation Natural Resources
 Health Climate change: Mitigation

Long-term Risk Assessment: Large Amortization incl. Custom Scenario

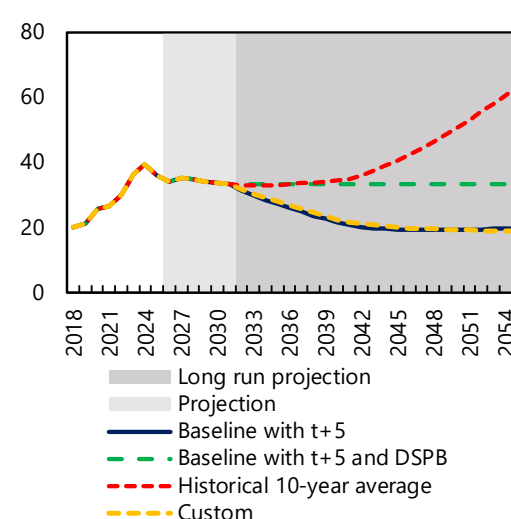
Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio	■
	Amortization-to-GDP ratio	■
	Amortization	■
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio	■
	Amortization-to-GDP ratio	■
	Amortization	■
Historical average assumptions	GFN-to-GDP ratio	■
	Amortization-to-GDP ratio	■
	Amortization	■
Overall Risk Indication		■

Variable	2031	2035 to 2039 Average	Custom Scenario
Real GDP growth	4.2%	4.1%	3.5%
Primary Balance-to-GDP ratio	-0.3%	-0.3%	-0.2%
Real depreciation	-2.4%	-2.1%	0.0%
Inflation (GDP deflator)	9.4%	9.1%	9.0%

GFN-to-GDP Ratio



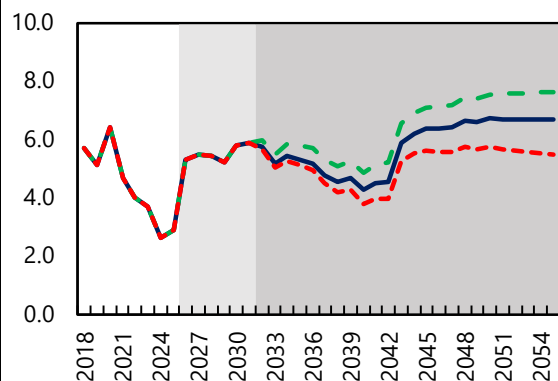
Total Public Debt-to-GDP Ratio



The long-term risk assessment indicates high risks from large amortization under all considered alternatives. GFN and debt stabilize in the “medium-term extrapolation with debt stabilizing primary balance” scenario and the “customized” scenario which broadly corresponds to an active scenario with domestic revenue mobilization measures that involve rate increases. The results underscore the importance of staying the course on revenue mobilization reforms.

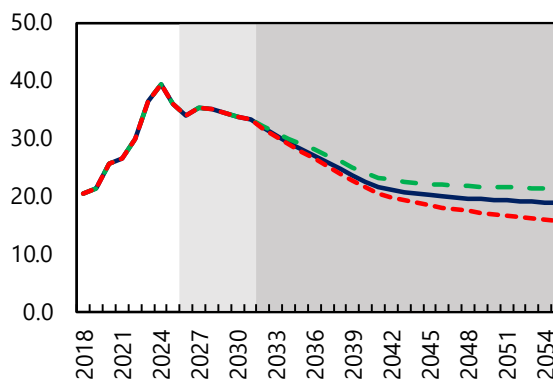
Figure 8. Nigeria: Climate Change—Adaptation

GFN-to-GDP Ratio



— Baseline: Custom
 - - With climate adaptation (standardized scenario)
 - - With climate adaptation (customized scenario)

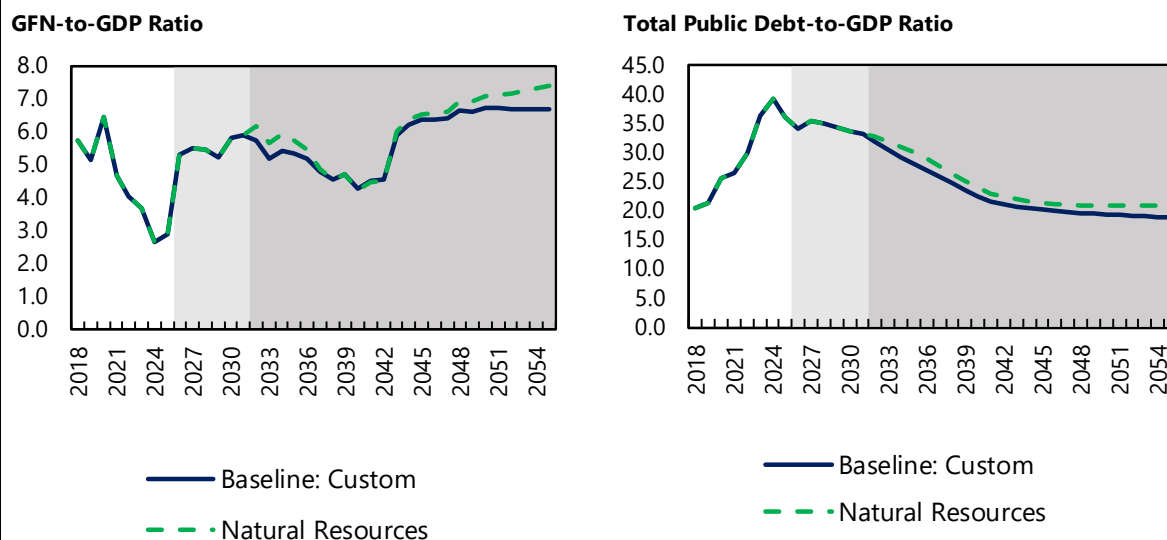
Total Public Debt-to-GDP Ratio



— Baseline: Custom
 - - With climate adaptation (standardized scenario)
 - - With climate adaptation (customized scenario)

In a customized climate adaptation scenario that uses estimates of adaptation costs and growth gains for Nigeria, the debt trajectory could be slightly improved relative to the baseline. These estimates are documented in the selected issues paper on climate adaptation and mitigation in Nigerian that accompanies the 2025 Article IV staff report. The debt trajectory in the "standardized scenario" which uses standardized cost estimates, follows closely the one in the baseline.

Figure 9. Nigeria: Natural Resources



In the absence of new discoveries, an exhaustion of hydrocarbon production would lead to lower oil revenues, exports and GDP, potentially yielding higher GFN, a higher debt path and lower buffers. These simulations suggest that the economy is becoming increasingly diverse as the non-oil sector becomes more important. This highlights the importance of the authorities' growth agenda that seeks to accelerate diversification of exports and fiscal revenues, though hydrocarbon exports and revenues is expected to remain important for the balance of payments and government revenues for the foreseeable future.

Annex VI. External Sector Assessment

Overall Assessment: *The external position of Nigeria in 2025 is assessed as stronger than the level implied by fundamentals and desirable policies, based on provisional data. Staff's assessment relies on EBA-lite quantitative models and should be interpreted with caution, given sizable net errors and omissions in the balance of payments.¹ Additionally, there continues to be lack of clarity regarding the CBN's composition of gross reserves and how it aligns with the IMF's definition of reserves.² The current account remained in surplus in 2025 (around 4.8 percent of GDP), driven by higher oil and gas exports and lower refined oil products imports with increasing supplies from the Dangote Refinery, while gross reserves increased by US\$5.6 billion to US\$45.8 billion by end-2025, supported by the current account surplus, the central bank's short-term borrowing in naira-denominated OMOs from non-resident investors, and the Eurobond issuance.*

Potential Policy Responses: *Policies should focus on improving competitiveness while containing inflation pressures and reducing reliance on oil-related fx receipts as well as portfolio inflows into OMOs. Priorities include diversifying fx earnings beyond hydrocarbons, maintaining a tight and credible macroeconomic policy stance, and rebuilding external buffers through prudent fiscal policy and debt management. Continued improvements in fx market functioning and deeper domestic capital markets would support external sustainability. Structural reforms to improve the business climate are essential to attract stable FDI inflows and reduce dependence on volatile portfolio flows.*

Foreign Assets and Liabilities: Position and Trajectory³

Background. Nigeria is a net debtor country with heavy reliance on oil exports. The net international investment position (NIIP) was at -31 percent of GDP at end-2025. Gross assets increased in 2025, driven by rising reserve assets of the central bank, while gross liabilities also increased, driven primarily by an increase in the central bank's short-term liabilities. Valuation effects from exchange rate movements, changes in the composition of reserve assets, and repatriation of profits from oil companies are expected to remain key determinants of NIIP over the medium term.

Assessment. The external balance sheet is expected to remain relatively robust as oil and gas exports pick up, fuel imports decline, and investor confidence improves in the short to medium term, containing portfolio investment outflows. Risks from the gross external liabilities are mitigated by the long-term maturity of primarily official debt and by the accumulation of non-borrowed reserve assets by the central bank when the trade balance in goods remains in surplus.

¹ The magnitude of net errors and omissions remains large at -US\$15.7 billion (around 3.9 percent of GDP) in 2025 compared -US\$9.4 billion (around 3.7 percent of GDP) in 2024, based on provisional 2025 and revised 2024 BOP data. The large net errors and omissions continue to constrain the external sector assessment for Nigeria and is reflected in the ratings of External Sector Statistics in the Data Issues Annex (Annex VI).

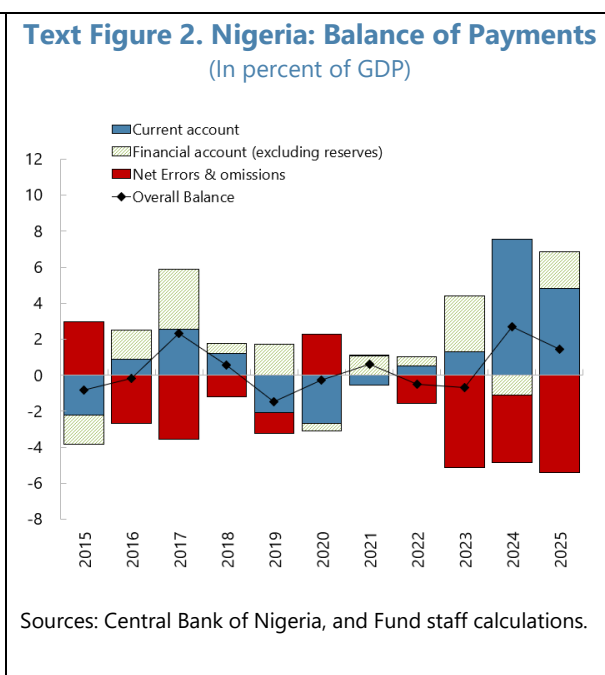
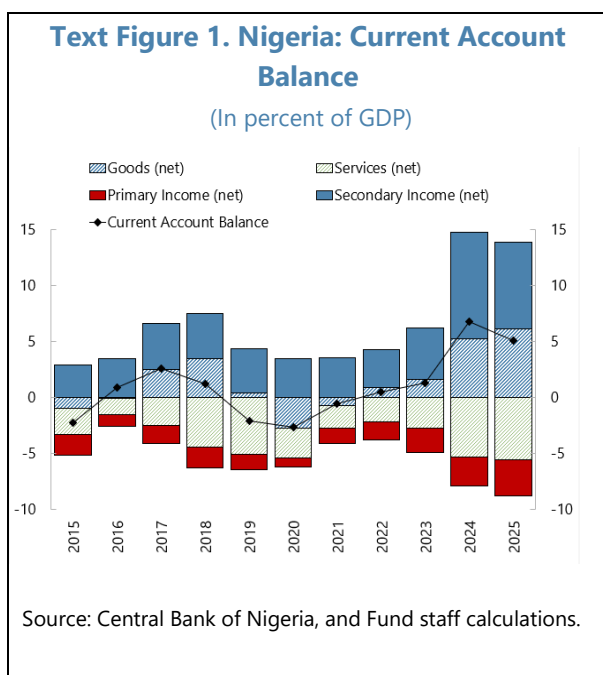
² Based on the IMF's definition of gross international reserves, reserves pledged under a securities lending agreement (close to US\$8 billion at end-2025) as well as any reserves backed by short-term borrowing by the CBN, would be excluded from the official reserves figure reported by the central bank.

³ Based on provisional international investment position data which is subject to revision.

2025 (% GDP)	NIIP: -31.0	Gross Assets: 43.2	Debt Assets: 38.1	Gross Liabilities: 74.3	Debt Liabilities: 51.6
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Current Account

Background. The current account registered a large surplus of US\$14.0 billion (around 4.8 percent of GDP) in 2025, based on provisional balance of payments data. The strong current account was mainly driven by an improved trade balance with higher oil and gas exports, and lower fuel imports, alongside a negative primary account driven by international oil company repatriations. Remittances have also improved since June 2023, reflecting improved fx conversion rate, i.e., the official exchange rate. The goods trade balance was close to US\$14.5 billion in 2025, increasing from US\$13.2 billion in 2024. The net services balance remained in deficit at about 5 percent of GDP in 2025, widening slightly to US\$14.6 billion from US\$13.4 billion in 2024. With increasing supply from the Dangote Refinery, the net oil/gas trade balance is expected to keep improving. The planned, large-scale oil and gas infrastructure investments are projected to increase non-oil/gas imports, leading to a reduced current account for a few years during peak investment activity, although part of these expenditures may be executed and financed offshore and thus may not be fully captured in the current account.



Assessment. The mechanical results of the two regression models under the revised EBA-lite methodology suggest that the external position is stronger than the level implied by fundamentals and desired policy settings. However, considering the large net errors and omissions and absent clarity regarding the CBN’s composition of gross reserves, this result needs to be interpreted with caution. Staff welcomes the publication of net international reserves data for end-2024 and end-2025 and note the authorities’ continued progress in strengthening reserve buffers and transparency, which supports the central bank’s ability to act in the face of external shocks.

The qualitative assessment, informed by the CA model, indicates a CA gap of 3.0 percent of GDP. The EBA-lite cyclically adjusted CA surplus of 1.9 percent of GDP incorporates cross-country consistent adjusters, and an additional temporary factor reflecting non-oil/gas import compression in 2025 (around 2.3 percent of GDP) following the 2023–24 foreign exchange reforms and the sharp naira depreciation. The adjusted CA is compared with a CA norm of -1.0 percent. Relative policy gaps explain most of this CA gap. Policy contributions to the CA gap mainly stem from the fiscal balance and underspending on public health expenditures relative to the rest of the world.

Text Table 1. Nigeria: EBA-lite Model Estimates for 2025
(in percent of GDP)

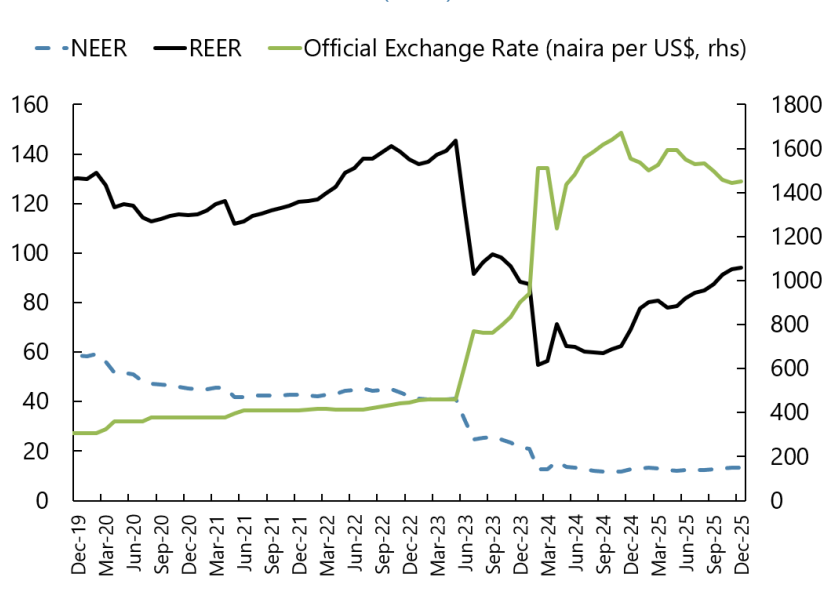
	CA model 1/ (in percent of GDP)	REER model 1/ (in percent of GDP)
CA-Actual	4.8	
Cyclical contributions (from model) (-)	0.2	
Additional temporary/statistical factors (-) 2/	2.3	
Natural disasters and conflicts (-)	0.4	
Adjusted CA	1.9	
CA Norm (from model) 3/	-1.0	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	-1.0	
CA Gap	3.0	2.3
o/w Relative policy gap	3.1	
Elasticity	-0.1	
REER Gap (in percent)	-33.1	-25.6
1/ Based on the EBA-lite 3.0 methodology		
2/ Additional adjustment to account for temporary non-oil/gas import compression in 2025 (around 2.3 percent of GDP) after the 2023-2024 FX reforms and the sharp naira depreciation.		
3/ Cyclically adjusted, including multilateral consistency adjustments.		

Real Exchange Rate

Background. Nigeria's REER is estimated to have appreciated by 32 percent in 2025, despite a 5.2 percent depreciation of the nominal effective exchange rate (NEER). On an annual average basis, the official naira/US dollar exchange rate depreciated from around 1,479 naira/US dollar in 2024 to 1,520 naira/US dollar in 2025 (around 2.8%), while on an end-of-period basis, the official naira/US dollar exchange rate appreciated from 1,535 naira/US dollar at end-2024 to 1,435 naira/US dollar at end-2025 (around 6.5%).

Assessment. Despite the REER appreciation that has already taken place in 2025, the EBA-lite REER model indicates a REER gap of -25.6 percent. Given the assessed REER undervaluation, slowing the pace of reserve accumulation and continuing to allow 2-way movement of the naira exchange rate combined with strengthening fx market functioning and advancing and supporting fiscal and structural reforms, particularly those that can improve non-oil/gas imports, would help close the gap.

Text Figure 3. Nigeria: Real and Nominal Effective Exchange Rate (Index)



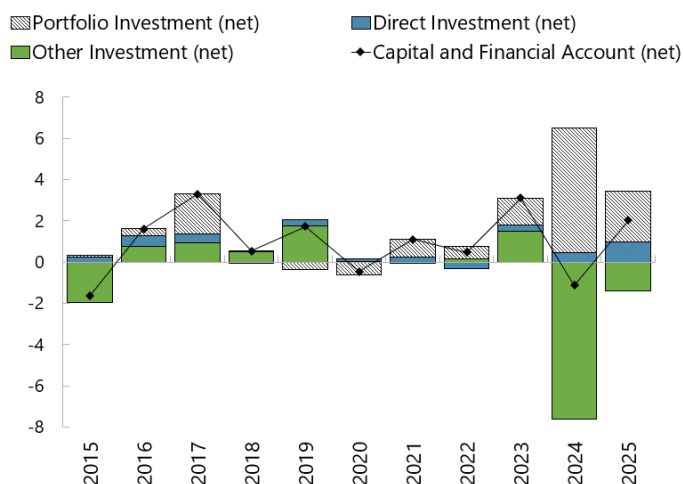
Sources: STA data and Fund staff calculations.

Capital and Financial Accounts: Flows and Policy Measures

Background. Based on provisional data, the financial account recorded a net inflow in 2025 of around US\$5.9 billion (around 2 percent of GDP), mainly driven by net portfolio inflows, while net FDI inflows has improved to US\$2.8 billion (still less than 1 percent of GDP). Portfolio net inflows moderated related to 2024, supported by Eurobond issuance and foreign investor participation in central bank’s OMOs (close to US\$5.8 billion of net inflows). Net outflows from the other investments account significantly reduced from US\$19 billion to US\$4 billion.

Assessment. The financial account continues to be portfolio-led. FDI inflows remains low in Nigeria but is expected to increase with the planned large-scale oil and gas infrastructure projects. Reforms should focus on a credible macro and fx framework and more predictable regulations, along with improving business environment, including infrastructure and security, to support more stable capital flows.

Text Figure 4. Nigeria: Financial Account Balance (In percent of GDP)



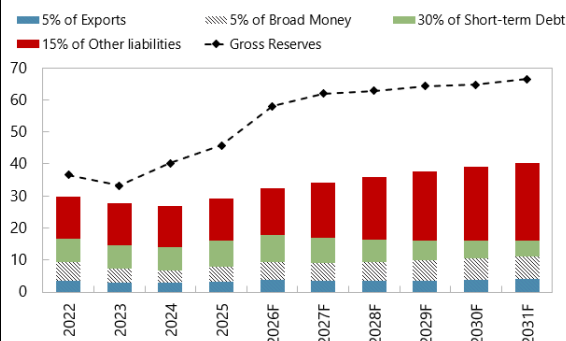
Sources: Central Bank of Nigeria and and Fund staff calculations

Nigeria has phased out one CFM on “the requirement for International Oil Companies to hold 50 percent of repatriated export proceeds in Nigeria for 90 days before transferring offshore with the prior CBN approval” and maintains three outflow capital flow management measures. Staff recommends phasing out the remaining CFMs in a properly timed and sequenced manner, which would require considering external vulnerability risks and progress made with reforms to foster necessary institutional and financial development and in line with the IMF’s Institutional View. The authorities intend to do so in the context of their upcoming FX Manual.

Fx Intervention and Reserves Level

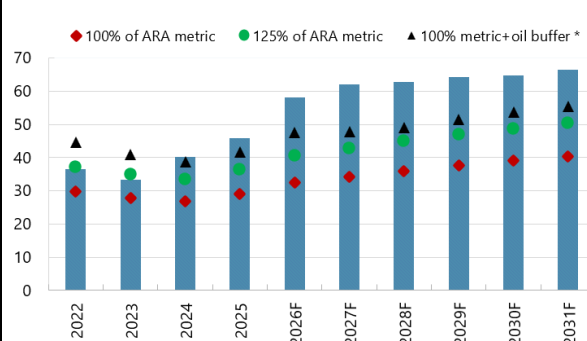
Background. Nigeria has adopted a market-based exchange rate. The fx market functioning is improving, supported by occasional FXI by the central bank. Net international reserves increased from US\$23 billion at end-2024 to about US\$35 billion at end-2025, while gross reserves (end of period) rose to US\$45.8 billion (15.8 percent of GDP), equal to about 8.8 months of imports. This is another significant increase from reserves of US\$40.2 billion at end-2024 (15.9 percent of GDP), close to 8.4 months of imports. The increase in gross reserves in 2025 was supported by the current account surplus, central bank’s short-term borrowing in naira denominated OMOs from non-resident investors, as well as the Eurobond issuance. Staff’s de facto exchange rate regime classification in 2025 remains “floating.” The lack of clarity regarding the CBN’s composition of gross international reserves and how it aligns with the IMF’s definition complicates the assessment of external buffers.

Text Figure 5. Nigeria: Contributions to Reserve Adequacy Metric
(billion U.S. dollars)



Note: Data for 2025 are end-year official reserves and thereafter are projections.
Sources: Central Bank of Nigeria; and Fund staff estimates.

Text Figure 6. Nigeria: Reserve Adequacy Measures
(billion U.S. dollars)



Note: * The oil price gap multiplied by oil exports, following the 2016 ARA paper. Data for 2025 are year-end official reserves and thereafter are projections.
Sources: Central Bank of Nigeria; and Fund staff estimates.

Assessment. Gross international reserves are estimated at 157 percent of the Assessment of Reserve Adequacy (ARA) metric, above the range of 100–150 percent of the composite ARA metric considered broadly adequate for precautionary purposes. Gross reserves steadily increased to US\$45.8 billion at end-2025 from US\$40.2 billion at end-2024. Gross reserves are projected to continue increasing in the medium term and remain above the ARA metric. Current account surpluses, slight improvements in FDI, portfolio

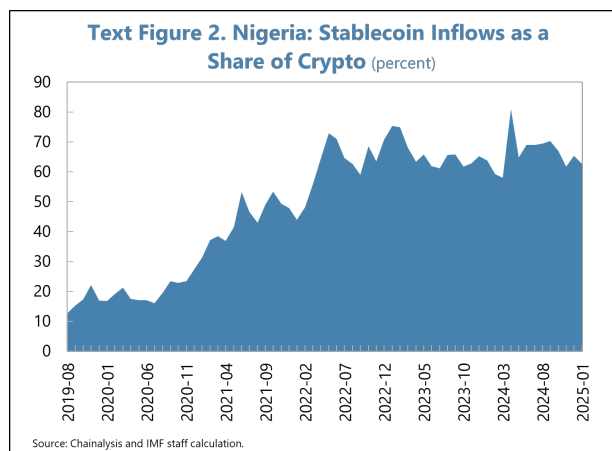
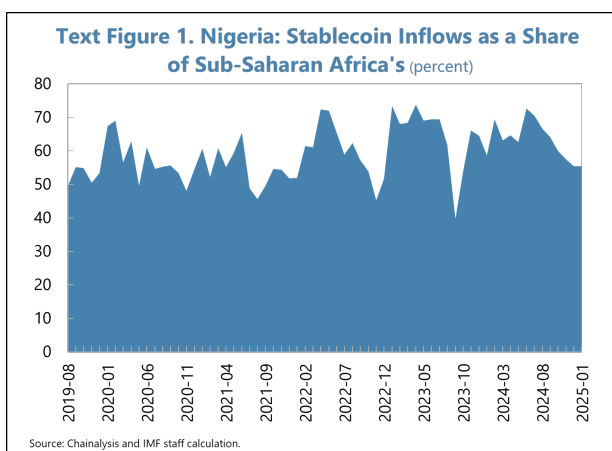
flows as well as borrowing from official and multilateral creditors, despite repayments on various public and private sector loans, will help gradually raise reserves to around US\$66 billion in 2031.

FXI trends and policy in 2025. The CBN intervened sporadically with the objective of containing excess market volatility and support market confidence. As the authorities transition toward an inflation-targeting regime, clear and consistent communication on fx interventions will be critical. Publishing a well-defined FXI framework would strengthen transparency and enhance the effectiveness of policy communication.

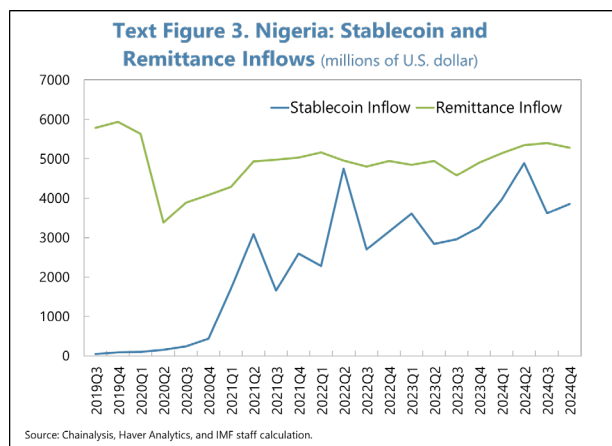
Annex VII. Stablecoin Use for Cross-Border Transactions¹

A. Current Stablecoin Landscape in Nigeria

1. Stablecoin use has expanded rapidly in Nigeria, making it one of the most active markets globally. Between July 2023 and June 2024, Nigeria received approximately \$59 billion in crypto-asset value and ranked second globally on Chainalysis’ 2024 Global Crypto Adoption Index; in the most recent 2025 edition, Nigeria ranked sixth worldwide, remaining among the leading countries for crypto adoption (Chainalysis 2024, 2025). Stablecoins have become the dominant link between crypto markets and traditional financial systems. Stablecoin inflows to Nigeria are the largest in Sub-Saharan Africa, accounting for around 60 percent of inflows to the region from late 2019 to early 2025.²



2. The share of stablecoins in Nigeria’s cross-border crypto transactions has risen rapidly



in recent years, accounting for over 65 percent of crypto inflows in 2024. This reflects the growing substitution away from more volatile cryptoassets, such as Bitcoin, toward stablecoins for cross-border payments and transfers. The market is dominated by two U.S. dollar denominated stablecoins, Tether (USDT) and USD Coin (USDC). By 2025, Nigeria was estimated to have around 25.9 million digital-asset users (around 12 percent of the population), with a strong preference for U.S. dollar-denominated stablecoins.³ Notably,

¹ Prepared by Bo Zhao (SPR).

² Due to data availability constraints, the stablecoin flow data used in this annex extend only through January 2025. Stablecoin flows are proxied by USDT and USDC, while unbacked crypto flows are proxied by Bitcoin and Ethereum.

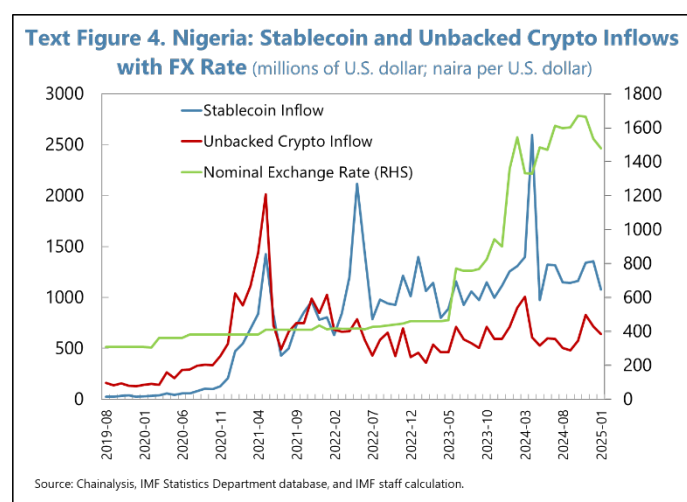
³ Source: [West Africa: Nigeria Leads Global Stablecoin Adoption With 25.9m Users](#) (June 22, 2025)

stablecoin inflows have grown to a scale approaching that of recorded remittance inflows.⁴ This growing use of USD-denominated stablecoins effectively enables households and firms to store and transact in foreign currency outside the domestic banking system, a phenomenon often referred to as “digital dollarization.” In addition to USD-backed stablecoins, Nigeria launched in early 2025 the first regulated stablecoin (cNGN) pegged 1:1 to the naira. So far, adoption of cNGN remains nascent, with about 66 million cNGN (roughly US\$44 thousand) issued and held by around 20 digital wallets and only 74 on-chain transactions recorded as of early 2025.⁵ This limited uptake highlights the challenge faced by domestic digital currency initiatives in competing with widely adopted USD stablecoins that offer stronger network effects and clearer use cases.

3. Stablecoin activity in Nigeria spans retail users, small businesses, and some larger firms.⁶ At the retail level, stablecoins such as USDT and USDC are widely used as intermediaries for crypto investment and for cross-border transfers, including remittances to family members, often as a low-cost alternative to banks and money transfer operators. Business use cases are also expanding. Small and medium-sized importers increasingly rely on stablecoins to pay overseas suppliers, while some larger Nigerian firms have begun experimenting with stablecoins for trade settlement.

B. Drivers of Stablecoin Use for Cross-Border Transactions

4. The drivers of stablecoin use for cross-border transactions in Nigeria mirror those in other emerging and developing economies (EMDEs). Crypto-related activity, particularly the use of stablecoins as settlement instruments for trading, investment, and transfers within crypto-asset



markets, appears to be a key driver of stablecoin cross-border transactions. Structural factors also play an important role, including Nigeria’s large and relatively young population, which is associated with higher digital adoption and greater familiarity with crypto-based financial instruments. During 2023–2024, when inflation was elevated and the naira experienced significant depreciation, weakened confidence in the domestic currency, together with financial system frictions such as capital flow management

⁴ Remittance inflow recorded in balance-of-payments statistics primarily capture cross-border household monetary transfers and, to some extent, in-kind transfers through formal channels, whereas stablecoin inflow measured by Chainalysis reflect on-chain crypto transactions.

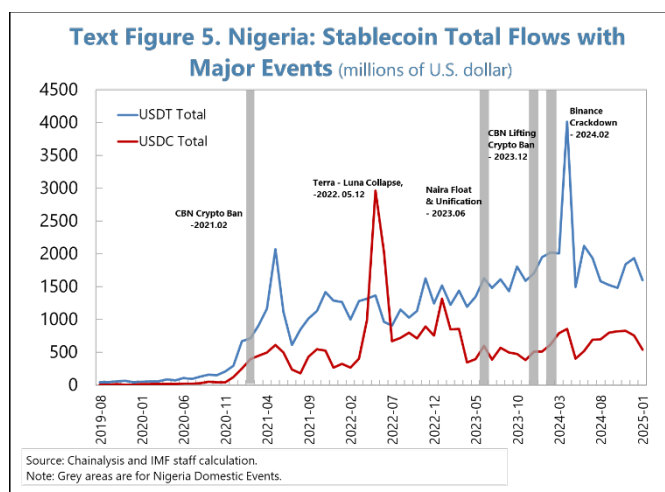
⁵ Source: [Ten things to know about cNGN, Nigeria’s stablecoin](#) (February 17, 2025)

⁶ Source: [Stablecoins are filling in legacy finance gaps for businesses, corporates](#) (Sept 25, 2025)

measures and episodic constraints on access to foreign exchange, increased the relative attractiveness of stablecoins for cross-border transactions.

5. Nigeria's experience also highlights the role of regulatory actions in shaping stablecoin flows.

In February 2021, the Central Bank of Nigeria (CBN) instructed banks to cease providing services to crypto exchanges and users. Rather than dampening crypto activity, this measure shifted activity toward less regulated channels, notably peer-to-peer (P2P) platforms, where stablecoins became the primary medium of exchange. This episode underscores that regulatory restrictions may alter the channels and visibility of activity, shifting transactions outside regulated intermediaries rather than reducing the overall scale of flows. A similar pattern was observed following regulatory actions affecting Binance in early 2024, which were also associated with temporary spikes in stablecoin cross-border flows.



C. Implications: Opportunities and Risks

6. The growth of stablecoin use in cross-border transactions presents opportunities, including faster and cheaper payments and improved financial inclusion. Stablecoins can enable near-instant cross-border transfers at low cost, by reducing reliance on correspondent banking networks and multiple intermediaries that can make traditional cross-border payments slow and expensive. According to World Bank (2025), the global average cost of sending US\$200 remains high at 6.49 percent, rising to 8.78 percent in Sub-Saharan Africa, while Stripe (2025) reports that sending stablecoins typically entails fees of only a few cents per dollar, although total all-in costs depend on network conditions and on- and off-ramp fees. Stablecoins can also broaden access to cross-border transactions for underserved users, including SMEs and individuals without access to formal banking channels, subject to digital infrastructure and financial literacy constraints.

7. At the same time, widespread stablecoin use for cross-border transactions raises potential concerns for Nigeria's monetary and financial authorities, including:

- **Monetary sovereignty:** Risks from U.S. dollar-denominated stablecoins are state-contingent and dependent on macroeconomic conditions. During past episodes of naira depreciation, households and firms sought to protect value by shifting into foreign currencies. In this context, stablecoins facilitate "digital dollarization," allowing users to hold and transact in USD-denominated assets outside the formal financial system. Widespread use of USD stablecoins in such context could amplify capital flow volatility, deepen currency substitution (dollarization),

and weaken the effectiveness of monetary policy. By contrast, under current conditions of improved exchange rate stability, incentives for large-scale substitution into stablecoins appear more contained.

- **Financial stability:** Evidence to date suggests limited bank disintermediation in Nigeria, with banks reporting little deposit migration. However, risks could increase if stablecoin use continues to scale. If stablecoins offer greater convenience, perceived safety, or in some case higher returns than bank deposits, particularly during periods of stress, households may reallocate savings away from banks. If sizable, such outflows could raise banks' funding costs, weaken liquidity positions, and constrain credit provision. In addition, episodes of tighter capital flow management measures or restrictions on banks' links to crypto service providers have coincided with increases in cross-border crypto activity and stablecoin flows, potentially amplifying capital flow volatility.
- **Financial integrity:** As in other jurisdictions, the privacy-enhancing and borderless nature of crypto assets and the speed of these transactions can give rise to money laundering and terrorism financing risks and raise AML/CFT challenges. These risks are heightened in the case of stablecoins, given their perceived stability and potential for mass adoption. Absent robust preventive measures such as customer due diligence, transaction monitoring, and suspicious transaction reporting, and effective AML/CFT risk-based supervision of reporting entities, stablecoin channels could be misused for illicit activities, including fraud, tax evasion, or terrorism financing. Large volumes of cross-border stablecoin flows outside any regulatory perimeter can thus pose significant risks to financial integrity.

D. Policy and Regulatory Priorities

8. As the scale of stablecoin cross-border flows in Nigeria has grown rapidly, the authorities can take a proactive and coordinated policy approach in four key areas:

- **Safeguard monetary sovereignty:** The authorities should continue to affirm the naira as the sole legal tender and reinforce confidence in the currency through sound macroeconomic policies, underpinned by a credible and well-communicated monetary policy framework. This is essential to contain the risks of currency substitution (cryptoization or dollarization). In this context, the eNaira could support monetary sovereignty by anchoring digital payments to central bank money denominated in naira. At the same time, if appropriately designed, regulated, and supervised, local-currency-denominated stablecoins could serve as a complementary layer within the domestic payment ecosystem, including by supporting interoperability with regional payment arrangements.
- **Regulate and supervise stablecoin activities.** In line with Financial Stability Board (FSB) recommendations (FSB, 2023), stablecoin arrangements should be brought fully within the regulatory perimeter. Major jurisdictions, including the EU, Singapore, Hong Kong SAR, Japan, and the United States, have adopted or are implementing frameworks that subject stablecoin issuers and service providers to licensing, prudential and governance standards (including

requirements on reserve management and redemption), as well as AML/CFT and consumer protection obligations. Nigeria would benefit from clarifying its policy stance toward U.S. dollar denominated stablecoins, including the conditions under which foreign-based providers may offer services to residents and the mechanisms for enforcing compliance. Aligning domestic regulation with international standards, while calibrating it to local market conditions, would help mitigate risks arising from the rapid adoption of stablecoins. A balanced and enforceable regulatory framework is critical to mitigate risks while avoiding the unintended consequence of driving activity into informal channels.

- **Maintain control over capital flows:** In line with the IMF’s guidance to “guard against excessive capital flow volatility,” the authorities should strengthen measures to monitor and manage stablecoin flows. This involves improving data visibility for regulators including through the use of blockchain analytics tools—an area where the SEC and CBN have begun to build capacity—to track large cross-border stablecoin transactions. Regulatory cooperation with foreign jurisdictions can help trace and interdict illicit outflows. In addition, the authorities could consider requiring the reporting of naira–stablecoin conversions, in line with international practices, including threshold-based reporting in Canada and broader reporting frameworks in the United States and the European Union.
- **Improve cross-border payment infrastructure.** To address frictions driving stablecoin use—high costs, slow settlement, limited interoperability, and weak access to formal foreign exchange channels—authorities should encourage public and private investment in faster, cheaper, and more reliable cross-border payment systems. A modernized, multilayered ecosystem, in which regulated stablecoins complement other payment infrastructures under appropriate safeguards, would help reduce reliance on stablecoins operating outside the regulatory perimeter while supporting financial inclusion.

9. Nigeria’s current regulatory framework on stablecoin underscores the need for stronger and more effective inter-agency coordination. While stablecoins fall primarily under the securities framework administered by the Securities and Exchange Commission, the Central Bank of Nigeria retains responsibility for payment systems oversight, financial stability, monetary policy, and currency issuance. Given these overlapping and complementary mandates, effective coordination between agencies is essential to avoid regulatory gaps or inconsistencies, particularly where stablecoins function simultaneously as investment instruments and as means of payment for cross-border transactions.

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Annex VIII. Data Issues Annex

Table 1. Nigeria: Data Adequacy Assessment for Surveillance							
Data Adequacy Assessment Rating ¹							
C							
Questionnaire Results ²							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Intersectoral Consistency	Median Rating
	B	B	C	C	C	C	C
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	C	B	D	B	C		
Granularity ³	B		D	C	C		
			B		D		
Consistency			C	D		C	
Frequency and Timeliness	A	A	A	B	C		
Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.							
¹ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.							
² The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see <i>IMF Review of the Framework for Data Adequacy Assessment for Surveillance</i> , January 2024, Appendix I).							
³ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.							
A	The data provided to the Fund are adequate for surveillance.						
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.						
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.						
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.						
Rationale for staff assessment. National accounts and Prices: Rebasing GDP to 2019 and the CPI to 2024 in line with best practices and Fund advice were important improvements. Further progress is needed to improve and expand the producer price index and address weaknesses in expenditure-side GDP estimates. Fiscal data: Addressing data deficiencies by ensuring consistent reporting of outturn data across agencies and expanding the perimeter to general government (ultimately to include SOEs), while improving the granularity of fiscal data are needed. These constrain Fund surveillance, posing risks to Fund policy advice. Staff encourage the authorities to close these data gaps. Fund TA can support such work if requested. External data: While there have been some improvements in balance of payments statistics, large and persistent net errors and omissions continue to complicate the assessment of external stability. Greater detail on the composition of reserves would further strengthen external sector statistics. Monetary data: Resume regular reporting of CBN and depository corporations balance sheets would be important.							
Changes since the last Article IV Consultation Prices: The reference period for linking the rebased CPI has now been defined in line with best practices. The rebased GDP series has been published.							
Corrective actions and capacity development priorities A Fund mission in May will assess the implications of the recent CPI rebasing. Fiscal and external sectors: Strengthening government finance statistics (GFS) and external sector statistics (ESS) would benefit from Fund CD as these sectors continue to show gaps that hamper surveillance.							
Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff does not use any data and/or estimates in the staff report in lieu of official statistics.							
Other data gaps. Labor data are suffering from severe shortcomings given frequent changes in employment statistics and methodology--including definition of employment/unemployment. Economic data on states and localities are inexistent. Nation-wide sex-disaggregated data are very limited. Data on climate adaptation and mitigation are very limited as well.							

Table 2. Nigeria: Data Standards Initiatives

Nigeria participates in the Enhanced General Data Dissemination System (e-GDDS) and publishes the data on its National Summary Data Page since March 2016.

Table 3. Nigeria: Table of Common Indicators Required for Surveillance

As of April 28, 2026

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data ⁷	Frequency of Reporting ⁷	Expected Frequency ⁷	Committed Frequency ^{8,9}	Expected Timeliness ⁷	Committed Timeliness ^{8,9}
Exchange Rates	2026-04-28	2026-04-28	D	D	D	M	...	1M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	2026-03	2026-04	M	M	M	M	1M	2M
Reserve/Base Money	2026-03	2026-04	M	M	M	M	2W	6W
Broad Money	2026-03	2026-04	M	M	M	M	1M	6W
Central Bank Balance Sheet	2026-03	2026-04	M	M	M	M	2M	6W
Consolidated Balance Sheet of the Banking System	2026-03	2026-04	M	M	M	M	1Q	6W
Total assets of other depository corporations ²	2026-03	2026-04	M	M	...	...	...	...
Total credit from other depository corporations ²	2026-03	2026-04	M	M	...	...	...	...
Interest Rates ³	2026-03-31	2026-04-27	M	M	D	M	...	1M
Consumer Price Index	2026-03	2026-04	M	M	M	M	2M	2W
Revenue, Expenditure, Balance and Composition of Financing ⁴ - General Government ⁵	...	...	...	...	A	...	2Q	...
Revenue, Expenditure, Balance and Composition of Financing ⁴ - Central Government	2025-12	2026-02	M	M	M	M	1M	1M

Table 3. Nigeria: Table of Common Indicators Required for Surveillance (Concluded)

Stocks of Central Government and Central Government- Guaranteed Debt ⁶	2025Q4	2026-04	Q	Q	Q	Q	1Q	1M
Total stock of General Government Debt ⁶	2025Q4	2026-04	Q	Q	Q	...	4M	...
External Current Account Balance	2025Q4	2026-03	Q	Q	Q	A	1Q	6M
Exports and Imports of Goods and Services	2025Q4	2026-03	Q	Q	M	M	12W	50D
GDP/GNP	2025Q4	2026-02	Q	Q	Q	Q	1Q	50D
Gross External Debt	2025Q4	2026-04	Q	Q	Q	Q	2Q	4M
International Investment Position	2025Q4	2026-04	Q	Q	Q	Q	3Q	4M

¹ Includes net market value of derivative positions.

² Other depository corporations include all deposit-taking corporations (except for the central bank) and money market funds.

³ Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

⁴ Foreign, domestic bank, and domestic non-bank financing.

⁵ The general government consists of the central government (budgetary funds, extra-budgetary funds, and social security funds) and state and local governments.

⁶ Including currency and maturity composition.

⁷ Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("SA") semi-annual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

⁸ Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

⁹ Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (<https://dsbb.imf.org/>). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "...".



NIGERIA

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

May 7, 2026

Prepared By

The African Department

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FUND RELATIONS

(As of March 30, 2026)

Membership Status: Joined: March 30, 1961.

Article XIV

General Resources Account:	SDR Million	%Quota
<u>Quota</u>	2,454.50	100.00
<u>IMF's Holdings of Currency (Holdings Rate)</u>	2,279.09	92.85
<u>Reserve Tranche Position</u>	175.47	7.15

SDR Department:	SDR Million	%Allocation
<u>Net cumulative allocation</u>	4,027.90	100.00
<u>Holdings</u>	3,140.17	77.96

Outstanding Purchases and Loans: None

Latest Financial Commitments:

Arrangements:

<u>Type</u>	<u>Date of Arrangement</u>	<u>Expiration Date</u>	<u>Amount Approved (SDR Million)</u>	<u>Amount Drawn (SDR Million)</u>
Stand-By	Aug 04, 2000	Oct 31, 2001	788.94	0.00
Stand-By	Jan 09, 1991	Apr 08, 1992	319.00	0.00
Stand-By	Feb 03, 1989	Apr 30, 1990	475.00	0.00

Outright Loans:

<u>Type</u>	<u>Date of Commitment</u>	<u>Date Drawn/Expired</u>	<u>Amount Approved (SDR Million)</u>	<u>Amount Drawn (SDR Million)</u>
RFI	Apr 28, 2020	Apr 29, 2020	2,454.50	2,454.50

^{1/} Undrawn outright disbursements (RFI and RCF) expire automatically 60 days following the date of commitment, i.e. Board approval date.

Overdue Obligations and Projected Payments to Fund ^{1/}

(SDR Million; based on existing use of resources and present holdings of SDRs):

	<u>Forthcoming</u>				
	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
Principal					
Charges/Interest	<u>18.32</u>	<u>24.63</u>	<u>24.64</u>	<u>24.62</u>	<u>24.63</u>
Total	<u>18.32</u>	<u>24.63</u>	<u>24.64</u>	<u>24.62</u>	<u>24.63</u>

^{1/} When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative: Not Applicable

Implementation of Multilateral Debt Relief Initiative (MDRI): Not Applicable

Implementation of Catastrophe Containment and Relief (CCR): Not Applicable

Exchange Rate Arrangements

The de jure and de facto exchange rate arrangement in Nigeria is classified as floating.

Nigeria continues to avail itself of the transitional arrangements under Article XIV, but it does not maintain restrictions under Article XIV. However, Nigeria maintains five exchange restrictions subject to Fund approval under Article VIII, Section 2(a) of the IMF's Articles of Agreement:

- i. An exchange restriction arising from (i) absolute limits on the amounts of foreign exchange available when traveling abroad (Business Travel Allowance (BTA) and Personal Travel Allowance (PTA)), and (ii) the monthly absolute limit on the availability of FX for the making of payments in respect of foreign mortgages. All such limits cannot be exceeded even upon verification of the bona fide nature of the transaction.
- ii. An exchange restriction arising from the unavailability of fx as a PTA for persons aged under 18 years when traveling abroad.
- iii. An exchange restriction arising from the requirement to use only own funds to pay for certain current international transactions.
- iv. An exchange restriction arising from the unavailability of fx for resident Nigerian nationals to purchase and transfer abroad moderate amounts for family living expenses.
- v. An exchange restriction arising from the CBN discretionary approval to access FX to make payments for certain current international transactions.

In addition, Nigeria maintains the following multiple currency practices (MCPs), which are inconsistent with Article VIII, Section 3: (i) MCP arising from the use of the buying rate—determined by CBN as the previous day's Weighted Average Exchange Rate (WAR) minus one naira—for CBN FX purchases from MDAs and oil/oil related companies. The first impermissible spread was observed on December 6, 2024. The latest impermissible spread was observed on March 23, 2026; and (ii) MCP arising from the use of the selling rate—determined by CBN as the previous day's WAR plus 2 percent commission for CBN FX sales to MDAs. The first impermissible spread was observed on December 3, 2024. The latest impermissible spread was observed on April 22, 2026.

Article IV Consultation

Nigeria is on the standard 12-month Article IV consultation cycle. The previous Article IV consultation was concluded on 13 June 2025.

Mr. Axel Schimmelpfennig has been the IMF's Mission Chief since August 2023.

Mr. Christian Ebeke has been the IMF's Resident Representative since October 2023.

Technical Assistance (TA) since January 2023		
Department	Purpose of TA Mission	Duration
FAD	Customs administration	February 19 - 28, 2023 April 12 – 21, 2023 (Regional) May 15 – 26, 2023 July 17- 28, 2023 (Regional) September 18 – 29, 2023 September 25 – October 6, 2023 (Regional) November 27 – December 8, 2023
FAD	Tax administration	May 2, 2022 – April 28, 2023 (Regional) January 9 – 13, 2023 (Regional) January 16 – 27, 2023 January 19 – February 1, 2023 January 21 – February 8, 2023 January 26 – February 8, 2023 February 9 – February 20, 2023 April 12 – 14, 2023 (Regional) April 17 – May 2, 2023 May 1, 2023 – May 31, 2023 (Regional) May 1, 2023 – April 30, 2024 (Regional) May 15 – 26, 2023 September 1 – 13, 2023 September 6 – 19, 2023 (Regional) September 6 – 22, 2023 November 13 – 17, 2023 (Regional) March 26 – April 4, 2024 March 26- April 09, 2024 April 24 – May 7, 2024 July 10 – 23, 2024 August 26 – September 13, 2024 (Regional) October 7 – 11, 2024 October 14 – 29, 2024 October 28 – November 8, 2024 (Regional) November 4 – 19, 2024 November 18-22, 2024 November 25 – 29, 2024 January 27 – February 7, 2025 (Regional) February 10 - 21, 2025 February 12 – 25, 2025 April 7 – 18, 2025 (Regional)
FAD	Tax policy	August 1 - December 31, 2022

Technical Assistance (TA) since January 2023 (concluded)		
FAD	Public Finance Management	January 13 – 17, 2023 March 20 – 31, 2023 October 11 – 24, 2023 November 13 – 22, 2023 January 10 – 17, 2024 April 8 – 12, 2024 October 14 – 18, 2024 (Regional) November 11 – 15, 2024 (Regional) January 16 – 27, 2025 January 27 – 31, 2025 (Regional) April 26-28, 2025 (Regional) May 26-28, 2025 (Regional) November 11 – 25, 2025 January 26-30, 2026 (Regional)
MCM	Banking Supervision	February 7-10, 2023 March 20-24, 2023 May 22 to June 2, 2023 July 30-August 4, 2023 (Regional) November 20-21, 2023 December 4 to 15, 2023 February 20-21, 2024 (Regional) January 20-24, 2025
	Monetary Policy	July 27-31, 2023 (Regional) March 27-31, 2024 (Regional) March 10-14, 2025 (Regional) October 21-28, 2025 March 21-28, 2025
	Debt Management	March 4 to 8, 2024
STA	Financial Soundness Indicators	May 22-June 2, 2023
	National Accounts	July 24-August 4, 2023 May 02-16, 2024 July 08-19, 2024 September 16-27, 2024
	Price statistics	June 19-30, 2023 April 8-19, 2024 July 1-12, 2024 April 15-25, 2025

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

World Bank

<https://www.worldbank.org/en/country/nigeria>

African Development Bank

<https://www.afdb.org/en/countries/west-africa/nigeria/>

**Statement by Mr. Ouattara Wautabouna, Executive Director for Nigeria and Mr. Afolabi Olowookere,
Alternate Executive Director, and Mr. Patterson Chukwuemeka
Ekeocha, Senior Advisor to Executive Director
June 1, 2026**

I. Introduction

1. Our Nigerian authorities thank staff for the constructive dialogue throughout the 2026 Article IV consultation. They share the broad thrust of staff's assessment of economic developments and key policy priorities.

2. They welcome the Selected Issues paper containing a detailed analytical study that underpins the 2026 Article IV Staff Report. It presents a descriptive analysis of Nigeria's inflation dynamics, persistence, diffusion, composition, and expectations, and concludes that inflation has become significantly less entrenched and more sensitive to monetary policy after the unification of the exchange rate in June 2023. The second, an empirical evaluation of interest-rate and exchange-rate pass-through during Nigeria's transition to a floating regime, demonstrates that monetary policy effectiveness has strengthened with the transition. Together, these analyses supply the evidential foundation for the Staff Report's policy recommendations on maintaining a tight monetary stance, advancing the inflation-targeting framework, and preserving exchange-rate flexibility as a shock absorber.

3. The macroeconomy has stabilized, primarily due to the bold reform measures undertaken by the administration since mid-2023. The authorities decided to merge the naira exchange rates and cut fuel subsidies. However, these measures came with implications including inflation shooting up past 30.0 percent before finally starting to decline. Further, the naira's value dropped sharply against the dollar, leading the Central Bank to respond by raising interest rates and thus getting prices under control. On the positive side, there has been improvement in oil revenues, and increase in foreign reserves, and investor interest as the government demonstrates a commitment to fiscal discipline and structural reform. Agriculture and technology sectors still strive to provide some pockets of growth. The outlook is cautiously hopeful, indicating a gradual cooling of inflation and modest uptick in GDP growth over the near-term. However, those advantages are conditional on maintaining reform momentum, greater security in food-producing regions, and favourable global oil prices.

II. Recent Economic Developments and Outlook

4. Growth is projected to strengthen modestly from 4.0 percent in 2025 to 4.1 percent in 2026, and 4.3 percent in 2027 led by agriculture, real estate, information and communication, and oil and gas. Inflation is projected to tick up to 17.0 percent year-on-year at end-2026, from 15.2 percent in 2025, before returning to the disinflation path in the outer years as tight monetary policy is maintained, fiscal discipline is preserved through a neutral fiscal stance, and supply conditions, including a stronger harvest and improved domestic food production, improve.

5. The current account balance is projected to decline from 4.8 percent of GDP in 2025 to 3.9 percent of GDP in 2026 but remain positive and supported by earnings from oil and gas exports, benefiting from high global prices. This is further supported by a sharp drop in the amount of refined fuel imports as Dangote Refinery boosts domestic production, turning Nigeria into a net exporter of refined petroleum products. At the same time, remittances inflow increases steadily since mid-2023, assisted by reforms in the foreign exchange market and a shift toward a market-determined rate. Consequently, gross official reserves are projected to remain stable at about 9 months of import cover in 2026.

III. Fiscal Policy

6. The administration is committed to sustaining macroeconomic stability while creating the fiscal space necessary for growth-enhancing investment and social protection. On the revenue front, the authorities focused on increasing revenue and thus have embarked on a comprehensive domestic revenue mobilization drive. The recently enacted tax reform laws modernize the tax system, broaden the base, increase progressivity, and strengthen compliance and enforcement. While the administration acknowledges that some elements of these reforms are revenue-reducing in the short run, notably the expansion of VAT input credits and zero-rated items, it is confident that the net effect, combined with digital tracking of government revenues and enhanced customs administration supported by the Fund regional technical assistance center, will deliver a meaningful and sustained increase in the tax-to-GDP ratio. The authorities remain open to further tax-policy adjustments over the medium term, including a possible increase in the VAT rate, extension of VAT to fuel products, rationalization of extractive-industry tax expenditures, and the introduction of telecom excises, once the cash-transfer system is fully funded and operational, so that the burden of adjustment does not fall disproportionately on the most vulnerable.

7. On the expenditure side, the authorities' focus is on reprioritization and monitoring of expenditure execution such that the 2026 budget reflects their commitment to transparency, accountability, and developmental impact. This led to the incorporation into the budget the national priority infrastructure projects to strengthen legislative oversight, expenditure prioritization, and execution monitoring. The repeal and re-enactment of the 2024 and 2025 budgets was undertaken precisely to ensure that all public spending is captured within the budget framework. The administration is equally committed to ensuring that the ambitious capital-expenditure programme, which, even under a more prudent envelope, would exceed 2025 levels, is directed toward projects with the highest growth multipliers, particularly in transport, energy, and digital infrastructure. At the same time, social spending is being scaled up: the government is expanding the cash-transfer system, developed with World Bank

support, toward its target of 15 million households and is deploying cost-effective public-works programmes for youth, less-skilled workers, and vulnerable households. Fiscal governance reforms continue, including the reconciliation and eventual automation of budget-execution data across the Budget Office, the Debt Management Office, and the Office of the Accountant General of the Federation, as well as the resumption of regular publication of audited federal accounts.

8. The authorities' debt-management strategy aims to optimize costs and risks through diversification of financing sources (Eurobonds, concessional borrowing, and domestic securities) and keeping the Central Bank's ways-and-means financing at zero. With respect to the US\$5 billion total-return swap arrangement, the administration notes that this instrument was designed to secure external financing on competitive terms; it is nonetheless mindful of the associated risks, including margin-call exposure linked to exchange-rate and interest-rate movements, and is committed to managing these prudently, including through the potential use of excess government deposits at the CBN to prepay expensive legacy obligations. On the domestic side, the government is working to deepen the domestic debt market, encourage participation by pension funds and non-bank financial institutions, and reduce the crowding-out of private credit. Regarding external debt, the authorities plan to restrict non-concessional borrowing, favour longer maturities to lower rollover risk, and use Nigeria's better credit outlook, including the S&P positive outlook revision in November 2025 and the FATF grey list removal, to obtain access to international markets on more advantageous conditions. They strongly believe that robust revenue mobilization and careful expenditure control would help their main goal of keeping both home and foreign debt relative to GDP on a sustainable downward course.

IV. Monetary and Exchange Rate Policy

9. The Central Bank of Nigeria (CBN) is committed to maintaining a tight monetary policy stance for as long as necessary to consolidate the hard-won disinflation gains and anchor inflation expectations. In this context, the decision by the CBN to retain the Monetary Policy Rate at 26.5 percent in her Monetary Policy Committee's meeting of May 2026, the Cash Reserve Requirement (CRR) at 45.0 percent for commercial banks and 16.0 percent for merchant banks, including the asymmetric corridor left unchanged, reflects a carefully calibrated, data-driven approach that balances the need to sustain positive real interest rates against the evolving inflationary pressures emanating from the war in the Middle East. While acknowledging that the changed inflation outlook warrants a tighter-for-longer posture, the CBN's stands ready to sterilize foreign-exchange inflows from elevated oil prices and to respond flexibly should inflation pressures prove more persistent, or less pronounced, than currently projected. The CBN's progress toward adopting a full inflation-targeting framework is a cornerstone of the administration's macroeconomic agenda: the introduction of the 7-day open-market-operations instrument to manage short-term liquidity rates, the planned normalization of the Cash Reserve Requirement over time, and the deepening of analytical work on the specification of an inflation target are all steps that will strengthen monetary transmission, firmly establish the MPR at the center of policy operations, and enhance the credibility and predictability of monetary policy.

10. On exchange-rate policy, the administration reaffirms its commitment to the flexible exchange-rate regime, which has served Nigeria well by absorbing external shocks, supporting the rebuilding of reserves, and improving foreign-exchange market functioning. In line with the Fund's technical assistance, the CBN's model-based foreign-exchange intervention framework, is limited to countering disorderly market conditions and mitigating risks to price and financial stability from large exchange-rate movements, consistent with the IMF's Integrated Policy Framework. Furthermore, the CBN is committed to phasing out the remaining capital-flow management measures, including the ban on foreign-exchange purchases for overseas securities investment, payment limits on naira-denominated cards for overseas transactions, and the asymmetric net-open-position limits, as macroeconomic conditions permit and the foreign-exchange market deepens further. Regarding the multiple-currency practices identified by staff, the CBN is reviewing the one-naira bid-side spread on purchases from MDAs and oil companies and the 2.0 percent commission on sales to MDAs and will take the necessary actions to bring these into conformity with IMF guidelines.

11. Looking ahead, the CBN is mindful that the transition to a fully operational inflation-targeting regime will require continued strengthening of the monetary-policy communication strategy, including clear guidance on quantitative inflation targets independent of the budget cycle and the development of Monetary Policy Committee-owned forecasts with an extended policy horizon. In this regard, the CBN, supported by IMF capacity development, aims to deepen reforms and reduce reliance on costly short-term portfolio inflows through OMO instruments. The strategy is to encourage a gradual shift of foreign portfolio investment toward longer-dated government securities and equities, thereby reducing the concentration of rollover risk while deepening domestic capital markets.

V. Safeguarding External Stability

12. The authorities are determined to pursue a multi-pronged approach to sustain external stability over the medium term. They are first promoting trade facilitation, agriculture, and the business environment as well as structural changes in the energy industry meant to draw more stable foreign direct investment and lower the reliance on hydrocarbon exports. Second, keeping a respectable and open foreign-exchange market and engaging with International Money Transfer Operators and fintech companies help the government to keep remittances coming in official channels strong. Third, in line with the IMF's Institutional View on the Liberalization and Management of Capital Flows, the government is dedicated to the phased elimination of any remaining measures controlling capital flows and the resolution of the multiple-currency practices. Fourth, the CBN's foreign-exchange intervention approach, as guided by the Integrated Policy Framework's principles, is only limited to addressing volatile market conditions rather than being in place of justified macroeconomic correction. The government believes that these initiatives will entrench Nigeria's improved external posture and provide greater defense against external shocks, with the pledge of responsible fiscal and monetary policies.

VI. Financial Sector Policy

13. The financial system remains strong, reliable, and profitable even in the face of inflation, currency swings, and tighter monetary policies. The CBN's efforts to recapitalize banks, expand fintech innovation, and improve regulatory frameworks have helped broaden access

to finance and deepen inclusion. In addition, the CBN will continue to strengthen prudential regulations and foreign exchange management, enhance cybersecurity safeguards, and enforce stricter capital adequacy and loan quality controls to stabilize the financial system and restore investor confidence. Efforts are also ongoing to strengthen supervision with a bottom-up stress test alongside a full Basel III rollout, including countercyclical capital buffers and liquidity coverage ratios. While recapitalization is advancing on the Insurance side, under the 2025 Insurance Industry Reform Act, with a July 2026 deadline, and progress so far has been encouraging, a joint framework between the CBN and the Securities and Exchange Commission is being developed to oversee stablecoins and digital assets.

14. The CBN is determined to deepen financial intermediation to encourage private-sector-led development. They propose to do so by addressing high CRR-constrained private-sector credit, banks' large holdings of government securities and structural barriers. They also agreed to normalize the CRR as the transmission of monetary policy improves and to encourage diversification of pension-fund holdings away from government securities. At the same time, the authorities are modernizing the capital-market ecosystem through the Investment and Securities Act 2025 and continue to tighten the AML/CFT framework after Nigeria's removal from the FATF grey-list in October 2025. They are also committed to addressing the sovereign-bank nexus by being fiscally responsible and diversifying sources of government funding, thus reducing the crowding out impact on private credit and allowing banks to lend more to profitable segments of the economy.

VII. Structural Reforms

15. The administration is firmly dedicated to a comprehensive and sequenced structural-reform agenda, moving from macroeconomic stabilization and consolidation to productivity-enhancing measures that underpin its vision of achieving sustained, high, inclusive, and job-rich growth. The government's target of medium-term growth of 7–12 percent is ambitious, but grounded in a multi-pronged strategy that addresses the binding constraints to Nigeria's development. In the near term, the highest priorities are enhancing domestic security, which is critical for hydrocarbon production, agricultural output, and investor confidence, and cutting red tape in trade, including streamlining cumbersome import/export procedures and ending the pre-shipment inspection of non-oil exports, to maximize the benefits of the National Single Window. The administration is also scaling up infrastructure investment, particularly in transport and digital connectivity, to ease bottlenecks that constrain private-sector activity and raise production costs.

16. In the electricity sector, which the administration regards as a top structural priority, reforms are being accelerated to close the gap between tariffs and cost recovery, improve collection efficiency, and reduce the implicit subsidies that constitute a growing contingent liability. The government, supported by development partners, seeks to restructure the sector's value chain, encourage private investments into generation and distribution, and increase access to reliable power for homes and businesses. In agriculture, the administration is promoting mechanization, developing agricultural value chains, investing in research and development, and strengthening extension services to raise productivity, enhance food security and create jobs.

17. The administration aims to increase expenditure on education and health, ease access to funds for small and medium businesses and tackle governance flaws outlined in the 2024 Article IV Report. They are optimistic that these steps would unleash prosperity and bolster the social contract between government and the people. The upcoming 2026–2030 National Development Plan will lay out these priorities in a practical economic framework, indicating where funding will come from and how it will fit into the country’s medium-term spending plans and yearly budgets. The administration is confident in delivering inclusive growth with the reform momentum and strong international partnerships.

VIII. Conclusion

18. The authorities reaffirm their commitment to continue the comprehensive policy reforms to address the remaining economic and social landscape challenges and sustain macroeconomic stability. They appreciate the Fund’s advice and technical support and look forward to Directors' support in concluding the 2026 Article IV consultation.