Reading the Signals

The Next Half

FirstBank Mid-Year Economic & Market Outlook 2026

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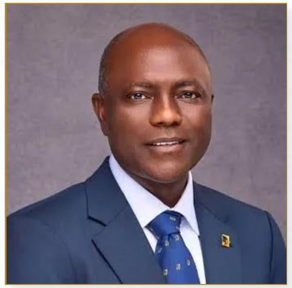
Our Perspective



The first half of 2026 demonstrated that meaningful progress often emerges through gradual but deliberate change. While businesses continued to navigate a complex operating environment, improving macroeconomic conditions, evolving market dynamics and sustained policy implementation provided greater confidence for planning, investment and long-term growth.

At FirstBank, we understand that our clients require more than financial solutions. They need trusted insights that help them interpret change, identify opportunities and make informed decisions with confidence. This publication reflects our commitment to equipping businesses, investors, public sector institutions and individuals with timely perspectives on the developments shaping the economic and financial landscape.

As we look to the second half of the year, the pace of change is unlikely to slow. Global developments will continue to influence domestic outcomes, while new opportunities will emerge for organisations that remain agile, informed and forward-looking. We remain committed to partnering with our clients at every stage of that journey, combining our deep market expertise, strong regional presence and enduring relationships to support sustainable growth and shared prosperity.

Olusegun Alebiosu
Managing Director & CEO
FirstBank Group

The pace of change across today's business environment continues to accelerate, requiring organisations to rethink how they create value, respond to disruption and position for long-term success. Competitive advantage is increasingly shaped by an institution's ability to transform with purpose, harness intelligence effectively and make decisions that anticipate change rather than react to it.

At FirstBank, we view enterprise transformation as a continuous journey of strengthening capabilities, enhancing execution and building an institution that remains relevant in a rapidly evolving world. Complementing this is our commitment to intelligence driven decision making, ensuring that strategic choices are informed by rigorous analysis, forward looking perspectives and a deep understanding of the economic, market and business forces shaping the future. These capabilities enable us to respond more effectively to change while creating greater value for our clients, shareholders and the communities we serve.

Reading the Signals | The Next Half reflects this philosophy. It brings together our assessment of the developments that defined the first half of 2026 and the trends likely to shape the months ahead, providing practical insights to support more informed decisions in an increasingly dynamic operating environment. We trust that it will serve as a valuable resource as our clients navigate the opportunities and challenges that lie ahead.

Dr. Julius B. Omodayo-Owotuga (JB)
Executive Director, Enterprise Transformation and Intelligence
FirstBank Group

Economic and financial markets rarely change direction without first sending signals. Some are immediate and unmistakable, while others emerge more gradually, becoming clearer when viewed alongside broader developments across the global, regional and domestic landscape. The first half of 2026 produced several such signals, pointing to an economy that is becoming more stable in some respects while entering a new phase shaped increasingly by external developments. Nigeria's macroeconomic environment continued to evolve as policy reforms supported improvements in foreign exchange market conditions, strengthened market confidence and reinforced the foundations for economic activity. At the same time, developments beyond Nigeria's borders, including shifts in global growth, trade policy, commodity markets and financial conditions, assumed greater importance in shaping domestic outcomes. This growing interaction between global and domestic developments is likely to define the operating environment through the remainder of the year.

This publication has been developed to move beyond reporting developments to interpreting what they mean. It examines the signals emerging across global, regional and domestic markets, explores their implications for businesses, investors and policymakers, and highlights the opportunities and risks likely to shape the second half of 2026. Our objective is to equip our clients with timely, rigorous and forward-looking analysis that supports sound decision making in an increasingly dynamic environment.

Chinwe Egwim
Chief Economist
FirstBank Group

Executive Brief

The first half of 2026 marked an important inflection point for Nigeria's economy.

The first half of 2026 marked an important inflection point for Nigeria's economy. Following two years of significant policy adjustment, the macroeconomic environment has become more stable, supported by improved foreign exchange market conditions, stronger external reserves, renewed investor confidence and resilient financial markets. These developments represent meaningful progress, however, the central question is no longer the restoration of macroeconomic stability, but the extent to which that stability begins to strengthen productive economic activity, stimulate private investment and deliver broader improvements across the real economy. The global environment remained equally significant during H1. Diverging growth trajectories across major economies, evolving trade policies, shifting monetary policy expectations, geopolitical developments and commodity market dynamics continued to shape capital flows, investment decisions and market sentiment. These external developments increasingly reinforce the need to assess Nigeria's economic outlook within a broader international context.

Reading the Signals | The Next Half presents FirstBank's integrated assessment of the developments that defined H1 2026 and the forces expected to shape the remainder of the year. Drawing on analysis of the global economy, FirstBank's regional markets, Nigeria's macroeconomic environment, key sectors and financial markets, the publication identifies the developments most relevant to businesses, investors, policymakers and other economic stakeholders. A consistent message emerges throughout this report. Macroeconomic stabilisation, while necessary, represents only one stage of economic progress. Greater significance will increasingly be attached to stronger private investment, broader sectoral participation in growth, rising productivity, expanding domestic value addition and improving household welfare. These developments will provide a more meaningful assessment of Nigeria's economic trajectory than headline macroeconomic indicators alone.

The report concludes with FirstBank's H2 2026 Base Case, outlining our central expectations for key macroeconomic and financial market indicators together with the principal developments expected to influence those outcomes. The analysis provides a practical framework for interpreting economic developments, assessing emerging opportunities and supporting informed business, investment and policy decisions during the second half of 2026.

> “Macroeconomic stabilisation is the foundation, but our collective focus must now shift to strengthening productive activity, accelerating private investment and delivering broad-based improvements that create lasting prosperity for Nigerians.

This Is The Next Half

H1 2026 At A Glance

The Numbers Behind The Narrative

Real GDP Growth

3.89%

In Q1, economic activity remained resilient, supported primarily by continued expansion across non-oil sectors.

Headline Inflation (June 2026)

15.91%

Inflation moderated marginally in June. However, it remained elevated, reflecting persistent food price pressures and structural constraints.

Monetary Policy Rate

26.5%

The Central Bank maintained its policy rate through the first half of the year as inflation remained above target despite improving macroeconomic conditions.

Official Exchange Rate (NFEM)

N1,376/USD

30 June 2026 Closing Rate

Foreign exchange market conditions continued to improve, supported by stronger liquidity, increased market turnover and sustained policy implementation.

External Reserves

$51.46bn

30 June 2026

External reserves strengthened further during the review period, providing additional support for external stability and market confidence.

NGX All Share Index

229,419.18

30 June 2026

The domestic equity market extended its strong performance during the first half, supported by improved investor sentiment and continued earnings resilience.

NGX Market Capitalisation

N147.2trn

30 June 2026

Market capitalisation reached a milestone as sustained buying interest and positive market performance supported further value creation.

Brent Crude Oil

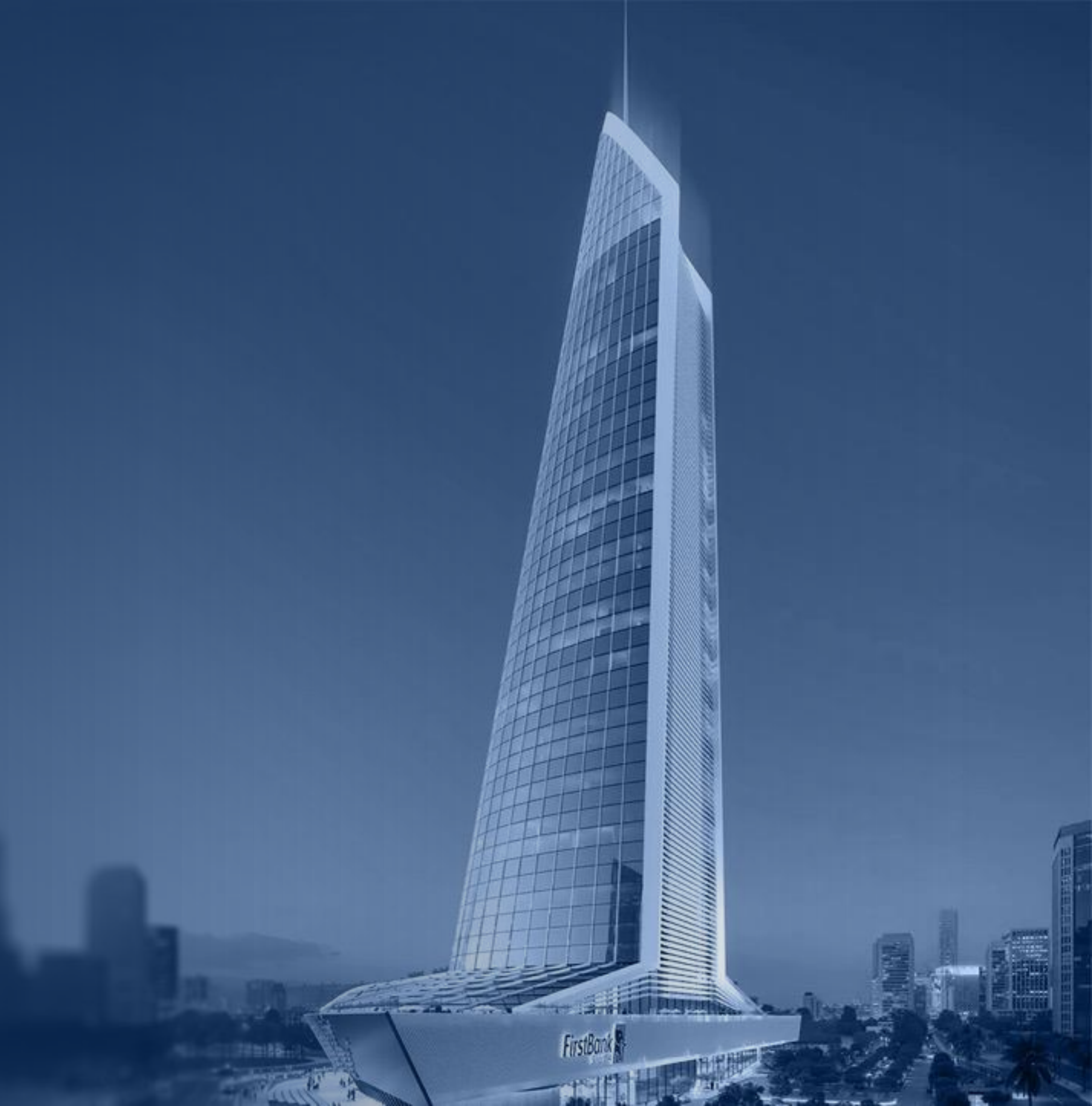
$67.61bn

30 June 2026 Closing Price

Oil prices moderated over the review period as improving supply conditions outweighed geopolitical risk premiums, creating a less supportive external environment for oil exporting economies.

1.

Global Economy



The global economy entered 2026 with stronger momentum than anticipated, supported by resilient consumer spending, easing supply chain constraints and continued expansion across services sectors. As the first half progressed, however, the pace of activity became increasingly uneven as trade policy uncertainty, geopolitical developments and country specific challenges produced a more differentiated global growth landscape. Rather than moving in a common direction, major economies increasingly followed distinct growth trajectories, reflecting differences in domestic demand, policy settings and external exposures.

The United States remained one of the principal drivers of global growth, although economic activity moderated over the review period as elevated borrowing costs, softer business investment and growing trade uncertainty weighed on momentum. Labour market conditions remained relatively resilient and household spending continued to provide support, although businesses became increasingly cautious as policy uncertainty surrounding tariffs, taxation and trade negotiations intensified. Across the Euro Area, economic activity remained subdued as weak manufacturing output, sluggish external demand and fragile business confidence constrained the pace of recovery despite further progress in reducing inflation.

China continued to face a more challenging operating environment. Persistent weakness within the property sector, subdued household consumption and softer manufacturing activity moderated growth despite targeted fiscal and monetary measures aimed at supporting domestic demand.

Nevertheless, investment linked to advanced manufacturing, technology and renewable energy continued to provide important areas of strength, reinforcing China's central role within global manufacturing and commodity markets.

Across emerging markets, economic performance became increasingly differentiated as countries responded to varying combinations of domestic reforms, external financing conditions and commodity price developments. Economies characterised by stronger macroeconomic management, policy credibility and diversified growth drivers generally continued to attract investor interest, while countries with greater dependence on external financing or commodity exports remained more exposed to changes in global financial conditions and international prices.

Trade developments emerged as one of the defining themes of the first half of the year. The expansion of tariff measures, continued trade negotiations and broader policy uncertainty influenced investment decisions, production strategies and cross border commerce.

Businesses increasingly accelerated efforts to diversify production locations, strengthen supply chain resilience and reduce concentration risks, reinforcing structural shifts that have been underway since the pandemic. Although global merchandise trade continued to expand, the pace remained uneven as policy uncertainty, weaker manufacturing activity and changing trade relationships influenced business confidence and international investment decisions.

Monetary policy expectations remained a significant driver of global economic and financial market developments during the first half of 2026, confidence that major central banks would embark on rapid or synchronised policy easing gradually faded, with policymakers placing greater emphasis on incoming data before signalling further adjustments to benchmark interest rates.

This produced increasing divergence across major central banks, as monetary policy decisions increasingly reflected country-specific inflation dynamics, growth conditions, and exposure to external shocks rather than a common global policy trajectory. Financial markets repeatedly reassessed expectations for the future path of monetary policy as successive inflation releases, labour market reports and central bank communications reshaped perceptions of the policy outlook. As a result, expectations for the future path of interest rates became increasingly responsive to incoming economic data.

The repricing of monetary policy expectations was reflected across global financial markets. Government bond yields experienced repeated swings as investors reassessed the outlook for policy rates and economic growth, while foreign exchange markets responded to widening and narrowing interest rate differentials across major economies. These developments also influenced global capital allocation, with investors increasingly rewarding economies characterised by credible policy frameworks, sustainable fiscal positions and stronger macroeconomic fundamentals. As global liquidity conditions remained restrictive by historical standards, capital became more discerning, reinforcing greater differentiation across developed and emerging markets.

Geopolitical developments emerged as one of the defining influences on the global economy during the first half of 2026. Tensions in the Middle East intensified significantly following direct military exchanges between Iran and Israel during June, raising concerns over regional stability, energy security and the potential disruption of global trade routes. Financial markets responded swiftly, with investors initially pricing in a higher geopolitical risk premium amid growing concerns that the conflict could broaden beyond the immediate region.

The market's attention centered on the Strait of Hormuz, a critical maritime corridor through which approximately one fifth of globally traded crude oil passes.

The prospect of disruption to this route, together with continuing security concerns around the Red Sea shipping corridor, renewed concerns over global energy supplies, freight costs, supply chain efficiency and inflation. International shipping operators continued to adjust routing decisions and risk management strategies in response to these developments, reinforcing the extent to which geopolitical events continue to influence global trade beyond the countries directly involved.

The escalation initially drove a sharp increase in crude oil prices as markets incorporated the possibility of supply disruptions. However, that upward momentum proved relatively short lived. Diplomatic efforts, the absence of sustained disruptions to physical oil flows and expectations of additional supply from OPEC+ contributed to a rapid unwinding of geopolitical risk premiums, allowing oil prices to moderate towards the end of the review period. The episode nevertheless underscored the sensitivity of global commodity markets to geopolitical developments and the speed with which investor sentiment can shift as geopolitical risks evolve.

Commodity markets reflected the evolving macroeconomic and geopolitical landscape throughout the first half of the year, with performance varying significantly across asset classes. Energy markets experienced the greatest volatility as geopolitical developments in the Middle East, changing supply expectations and successive OPEC+ production decisions drove pronounced price movements. Although crude oil prices strengthened sharply during the escalation of tensions between Iran and Israel, improved supply conditions and expectations of additional OPEC+ output contributed to a moderation in prices as the review period drew to a close.

Precious metals extended their strong performance during the first half, with gold reaching successive record highs as central bank purchases remained robust and investors increased allocations to safe-haven assets in response to geopolitical uncertainty and evolving monetary policy expectations. Industrial metals presented a more mixed picture. Softer manufacturing activity and subdued construction demand, particularly in China, moderated prices for several base metals, while continued investment associated with electrification, renewable energy, artificial intelligence and digital infrastructure provided support for metals critical to the global energy transition.

Agricultural commodity markets remained comparatively balanced despite periodic disruptions. Improved production across several major exporting countries helped moderate price pressures for a few staple crops, although adverse weather conditions, changing trade policies and logistics challenges continued to generate volatility across selected agricultural commodities. Cocoa prices remained elevated by historical standards following supply constraints in key West African producing countries, while coffee markets also experienced episodes of heightened volatility linked to weather related production risks.

Global financial markets navigated these developments with notable resilience. Equity markets continued to benefit from solid corporate earnings and sustained investment in technology, particularly businesses linked to artificial intelligence and digital infrastructure, although performance became increasingly differentiated across sectors and regions. Government bond markets remained highly responsive to changing interest rate expectations, while foreign exchange markets reflected shifting monetary policy differentials and periodic adjustments in investor risk appetite. Capital allocation also became more selective, with investors placing greater emphasis on macroeconomic fundamentals, fiscal sustainability and policy credibility when assessing opportunities across both developed and emerging markets.

As the second half of 2026 begins, the global environment is expected to remain characterized by uneven economic growth, evolving trade relationships, differentiated monetary policy paths and elevated geopolitical uncertainty. The interaction of these developments will continue to shape commodity markets, financial conditions and investment decisions, requiring businesses and investors to remain agile in responding to an increasingly dynamic global landscape.

2.

FirstBank's Regional Markets | Our Vantage Point

Economic conditions across FirstBank's African footprint continued to improve during the first half of 2026, although the pace and composition of growth varied across markets. The region was characterised by strengthening reform momentum, improving macroeconomic stability in several economies and increasing differentiation in policy execution. While some countries entered a firmer phase of recovery supported by improving confidence and stronger domestic activity, others remained focused on fiscal consolidation, inflation management and strengthening external balances. These differences increasingly shaped investment decisions, business confidence and economic performance across the region.

Growth remained broadly supported by domestic demand, mining, agriculture, infrastructure development and services, although individual markets continued to exhibit distinct growth drivers. Ghana's recovery gained further traction as economic activity strengthened under its macroeconomic adjustment programme. Guinea continued to benefit from sustained mining investment and expanding mineral exports, while the Democratic Republic of the Congo remained supported by strong copper and cobalt production despite ongoing security challenges in the eastern region. Senegal entered a new phase following the commencement of hydrocarbon production, although fiscal developments and ongoing engagement with the IMF became increasingly important determinants of investor confidence. Sierra Leone and The Gambia maintained positive growth momentum, supported by agriculture, tourism, remittances and continued reform implementation, albeit with varying macroeconomic challenges.

Macroeconomic policy remained centred on preserving stability and strengthening confidence. Several central banks maintained relatively restrictive monetary policy to consolidate progress in containing inflation, while governments continued efforts to strengthen fiscal positions, improve domestic revenue mobilisation and reinforce macroeconomic credibility. Progress remained uneven across the region, reflecting differences in inflation dynamics, exchange rate conditions, debt burdens and access to external financing. Increasingly, investors rewarded economies demonstrating consistent policy implementation, credible reform programmes and prudent macroeconomic management.

Sectoral developments also continued to reshape the region's growth profile. Mining remained a major source of investment and export earnings across several markets, while energy assumed greater prominence following Senegal's emergence as an oil and gas producer. Agriculture continued to support employment and domestic demand, although weather conditions and commodity price movements influenced outcomes across individual economies.

Tourism strengthened further in markets benefiting from increased visitor arrivals, while financial services, telecommunications and digital payments continued to expand as important contributors to economic activity and financial inclusion.

Looking ahead, the outlook across FirstBank's regional footprint remains cautiously optimistic. Continued reform implementation, improving macroeconomic fundamentals and sustained investment across mining, energy, infrastructure and financial services are expected to support growth through the second half of 2026. At the same time, developments in global trade, commodity markets, external financing conditions and domestic policy execution will continue to shape performance across individual markets. For businesses and investors, the regional opportunity is becoming increasingly differentiated, reinforcing the importance of country specific analysis in identifying sectors and markets best positioned for sustainable growth.

Market Snapshots

Ghana

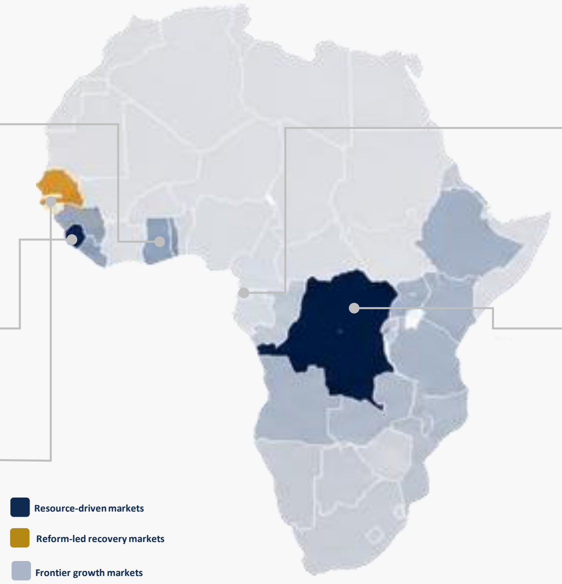
- Recovery accelerated under IMF-supported programme.
- Inflation moderating.
- Stronger cedi stability.
- Improved investor confidence.

Sierra Leone

- Growth supported by agriculture, mining & services.
- Inflation easing.
- Strong remittances & tourism.
- Fiscal consolidation continued.

The Gambia

- Sustained growth momentum.
- Tourism and agriculture remain strong.
- Fiscal position improving.
- Inflation contained.



Guinea

- Mining investment and export growth sustained.
- Stronger fiscal position
- Inflation easing.
- Infrastructure development accelerates.

D.R. Congo

- Robust copper & cobalt production..
- Mining drives growth Security challenges persist.
- Infrastructure gaps remain.

Senegal

- Hydrocarbon production begun.
- Fiscal pressures remain.
- IMF engagement critical.
- Investor confidence improving.

Regional Themes Shaping H2 2026 Outlook

- Sustained reform implementation and policy discipline
- Attraction of more investment in mining, energy and infrastructure
- Strengthening fiscal positions and revenue mobilisation
- Agriculture and food security remain critical priorities
- Digital financial services driving inclusion and growth

> The outlook across our SSA footprint is cautiously optimistic.

3.

Country Scorecard

Country Scorecard | Ghana & Senegal

H1 In Review | H2 Outlook

Ghana

H1 In Review

Ghana's macroeconomic recovery strengthened during H1 2026 as GDP growth accelerated, inflation remained within target despite a modest uptick, and IMF-supported reforms continued to reinforce investor confidence.

Key Developments

- **GDP Growth** — 6.4% Q1 2026 (y/y)
- **Inflation** — 5.3% June 2026 (y/y)
- **Policy Rate** — 14.0% Held steady
- **IMF Programme** — Fiscal reforms continue

H2 Outlook

Watch For
- Fiscal discipline
- Inflation moderation
- Monetary easing potential
- Investor confidence

Recovery Outlook: Positive

Senegal

H1 In Review

Senegal's macroeconomic narrative shifted from hydrocarbons toward restoring fiscal credibility after previously undisclosed public debt materially changed investor perceptions.

Key Developments

- **Debt Transparency** — Dominant Issue
- **Hydrocarbon Production** — Improving progress
- **Fiscal Consolation** — In Progress Ongoing efforts
- **IMF Engagement** — Critical To credibility

H2 Outlook

Watch For
- IMF negotiations
- Sovereign funding access
- Fiscal credibility
- External financing

Outlook Meter: Cautiously Optimistic

FirstBank Insight

West Africa continues to offer attractive long-term opportunities, but policy credibility has become the principal differentiator for investor confidence across regional markets.

Country Scorecard | Guinea & Sierra Leone

H1 In Review | H2 Outlook

Guinea

H1 In Review

Guinea maintained its position as one of the region's strongest growth markets in H1 2026, supported by mining activity and continued investment in large scale transport and export infrastructure.

Key Developments

STRONG MINING EXPORTS
Sustained
Bauxite, gold and iron ore

ECONOMIC GROWTH
Solid
Driven by mining and construction

INVESTMENT PIPELINE
Expanding
Mining and Infrastructure

KEY CHALLENGES
Infrastructure & Governance
Limit broader impact

H2 Outlook

WATCH FOR
- Infrastructure delivery
- Governance reforms
- Export diversification
- Investment execution

Outlook Meter

Cautiously Optimistic

Sierra Leone

H1 In Review

Sierra Leone's inflation story changed significantly in H1 2026. After declining sharply through 2025, headline inflation rose from 10.83% y/y in April to 12.69% in May, as renewed food and energy pressures interrupted the earlier disinflation trend.

Key Developments

AGRICULTURE
Strong
Key driver of growth

MINING SECTOR
Resilient
Iron ore production supporting exports

REMITTANCES
Supportive
Boosting household consumption

REFORM PROGRESS
Continued
Fiscal consolidation and governance

H2 Outlook

WATCH FOR
- Fiscal discipline
- Mining sector performance
- Remittance flows
- Investment in infrastructure

Outlook Meter

Cautiously Optimistic

FirstBank Insight

Commodity strength, reform momentum and prudent macroeconomic management continue to underpin growth across several regional economies, although the pace of progress remains uneven.

Country Scorecard | The Gambia & DRC

H1 In Review | H2 Outlook

The Gambia

H1 In Review

The Gambia sustained strong economic performance in H1 2026, driven by robust tourism, construction activity, and prudent fiscal management, reinforcing external buffers and investor confidence.

Key Developments

Tourism Growth
Robust
Strong visitor arrivals and receipt

Construction Activity
Strong
Public and private investment rising

Fiscal Management
Prudent
Deficit contained, debt sustainable

External Position
Stable
Reserves adequate, cedi stable

H2 Outlook

WATCH FOR
- Tourism momentum
- Fiscal discipline
- Infrastructure delivery
- External risks

Outlook Meter

Positive

D.R Congo

H1 In Review

The DRC benefitted from high commodity prices and strong mining output in H1 2026, but insecurity in the East and infrastructure constraints continue to weigh on growth and fiscal outcomes.

Key Developments

Mining Output
Strong
Copper and cobalt production up

Security Challenges
Persist
Conflict in the East disrupting activity

Infrastructure Constraints
Binding
Transport and power limitations

Fiscal Pressures
Elevated
Revenue shortfalls, spending pressures

H2 Outlook

WATCH FOR
- Security developments
- Infrastructure progress
- Commodity prices
- Fiscal consolidation

Outlook Meter

Cautiously Optimistic

FirstBank Insight

Strong performance and policy discipline in some markets contrast with structural and security challenges in others, underscoring the importance of country fundamentals in shaping investment outcomes.

4.

Nigeria | Reading The Signals

The first half of 2026 provided further evidence that Nigeria's macroeconomic adjustment is becoming increasingly reflected in market outcomes. Conditions within the foreign exchange market improved further, external buffers strengthened and confidence continued to recover. At the same time, inflation remained elevated, financing conditions stayed restrictive, and the benefits of greater macroeconomic stability were yet to be fully transmitted across the real economy.

Economic growth remained resilient, expanding by **3.89%** y/y in **Q1 2026**, supported primarily by continued activity across non-oil sectors, which accounted for more than **96%** of total output. Financial services, information and communications, crop production and oil refining recorded notable expansion during the quarter, reinforcing the increasing importance of non-oil activities in sustaining growth. However, the composition of growth also highlights an important consideration. While output continued to expand, improvements in household purchasing power, private investment and labour market conditions remained more gradual, suggesting that the quality of growth is becoming just as important as the pace of growth.

Macroeconomic conditions became more supportive during the review period. Liquidity within the Nigerian Foreign Exchange Market continued to improve, supported by sustained policy implementation, stronger market turnover and improving market confidence. Exchange rate movements also became less volatile than during earlier phases of the adjustment process, providing businesses and investors with a more predictable operating environment. Although external reserves remained supportive despite softer global oil prices, sustaining these gains will increasingly depend on continued policy consistency, stronger non-oil export earnings and the economy's capacity to attract stable foreign capital.

The first half also highlighted a subtle but important shift in Nigeria’s macroeconomic challenges. Earlier concerns centred primarily on restoring stability following significant policy adjustments. Increasingly, attention is shifting towards translating that stability into stronger investment, higher productivity, improved competitiveness and broader improvements in living standards. The second half of the year is therefore likely to be defined less by the direction of policy and more by the effectiveness with which recent macroeconomic gains are converted into stronger and more inclusive economic outcomes.

Nigeria | Reading The Signals

Growth & Economic Activity

Nigeria's economy expanded by **3.89**% y/y in Q1 2026, marking a modest improvement from **3.13**% recorded in the corresponding period of 2025, although below the **4.07**% recorded in the preceding quarter. Growth remained overwhelmingly driven by the non-oil economy, which accounted for **96**% of total output, reinforcing the continued shift in the structure of economic activity. While this performance reflects the economy's ability to sustain expansion despite a challenging operating environment, it also suggests that stronger headline growth has yet to translate into broad based improvements across the wider economy.

The composition of growth provides a more nuanced assessment of current economic conditions. Agriculture remained Nigeria's largest sector, accounting for **23.16**% of real GDP, followed by Trade at **17.89**%, Real Estate at **13.10**%, Information and Communications at **11.31**% and Manufacturing at approximately 8.8%. These five sectors contributed almost three quarters of total economic activity, highlighting the continued concentration of output within a relatively small number of sectors. Importantly, Agriculture and Trade alone accounted for more than **41**% of the economy, yet expanded by just **3.15**% and **2.08**% respectively, highlighting the importance of raising productivity within sectors that have the greatest influence on overall economic performance.

Performance across the production sectors remained uneven. Financial and Insurance Services expanded by **8.54**% y/y, Information and Communications grew by **10.98**%, while Oil Refining recorded exceptional growth of **37.46**%, reflecting continued improvements in domestic refining activity. By comparison, several manufacturing sub sectors recorded considerably more modest expansion, illustrating that improvements remain concentrated rather than broad based. The divergence between high performing sectors and the wider economy suggests that Nigeria's growth story continues to depend on a relatively limited number of activities, while significant opportunities remain to strengthen productivity, investment and value addition across the broader economic landscape.

The first half therefore reinforces an important message. Nigeria is sustaining economic growth, but the next phase of expansion will increasingly depend on improving the quality, breadth and inclusiveness of that growth. Strengthening productivity across agriculture and trade, deepening industrial activity beyond refining, encouraging greater private sector investment and translating macroeconomic stability into stronger household and business outcomes will be critical in determining the pace and sustainability of growth through the remainder of 2026.

Sectoral Contributions (Q1 2026)

Agriculture
23.16%
of real GDP

Trade
17.89%
Of real GDP

Real Estate
13.10%
of real GDP

Information & Communication
11.31%
of real GDP

Manufacturing
9.57%
of real GDP

Nigeria | Reading The Signals

Prices & Monetary Conditions

Inflation remained Nigeria's principal macroeconomic challenge during the first half of 2026, although developments beneath the headline suggest that the inflation story is becoming more nuanced. Headline inflation moderated marginally from 15.93% y/y in May to 15.91% y/y in June, following three-consecutive monthly increases. June's inflation figures suggest that Nigeria may be approaching a plateau, the evidence remains insufficient to confirm a sustained decline The latest inflation dynamics suggests that the factors driving prices are not moving in the same direction. Relative stability in the foreign exchange market, policy consistency and softer global oil prices are beginning to support lower non-food inflation. At the same time, food prices continue to face pressure from seasonal factors, transportation costs and domestic supply conditions The implication is that while inflation remains elevated, the factors sustaining price pressures are becoming increasingly differentiated, requiring a more targeted interpretation of inflation dynamics.

Food inflation continued to account for a significant share of overall price pressures, reflecting structural constraints within domestic food supply, seasonal factors, logistics costs and insecurity affecting agricultural production in parts of the country. Core inflation also remained elevated, although improving foreign exchange market conditions helped moderate exchange rate pass through relative to earlier phases of the adjustment process. This suggests that while imported inflation remains an important consideration, domestic structural factors continue to exert greater influence over the inflation outlook.

Monetary policy remained appropriately cautious throughout the review period. The Monetary Policy Committee retained the Monetary Policy Rate at 26.50%, reflecting a balanced assessment of persistent inflation and improving macroeconomic conditions. Although foreign exchange market stability continued to improve and external buffers strengthened, inflation remained well above the Bank's long-term objective. The decision to maintain the existing policy stance also recognized that prevailing inflationary pressures were increasingly linked to food supply conditions, transport costs and other structural factors that monetary policy alone cannot resolve. Maintaining policy continuity therefore helped reinforce credibility while allowing earlier tightening measures to continue filtering through the economy.

The trajectory of inflation will depend less on additional monetary tightening and more on developments affecting domestic food supply, exchange rate stability, transportation costs and global energy prices. Sustaining improvements in foreign exchange market conditions, preserving policy credibility and addressing structural bottlenecks within agriculture and logistics will be central to achieving a more durable moderation in inflation during the second half of the year.

Key Highlights (H1 2026)

Food Inflation Remains The Main Driver

Structural supply constraints, seasonal factors, logistics costs and insecurity continued to fuel food price pressures.

Core Inflation Stays Elevated

Improving FX market conditions helped moderate exchange rate pass through compared to earlier phases.

MPR

MPC retained the MPR at 26.50%, balancing persistent inflation with improving macroeconomic conditions.

Inflation Drivers

Increase from 15.10% (Jan) to 15.91% (June) reflects base effects, food prices, transport costs and earlier policy adjustments.

Policy Continuity Reinforces Credibility

Maintaining the stance allows earlier tightening measures to keep working through the economy.

Structural Factors Dominate Outlook

Food supply, transport costs and other structural issues are the main drivers of current inflation.

Nigeria | Reading The Signals

External Sector & Foreign Exchange

The external sector remained one of the strongest areas of macroeconomic performance during the first half of 2026. Continued improvements in foreign exchange market liquidity, stronger reserve accumulation and increasing confidence in the Nigerian Foreign Exchange Market (NFEM) contributed to a more stable operating environment for businesses and investors. Gross external reserves rose to US$51.46bn as at 30 June 2026, strengthening Nigeria's capacity to withstand external shocks despite a less supportive global oil market.

Liquidity within the official foreign exchange market continued to improve as market turnover increased and price discovery became more efficient. Exchange rate movements were considerably less volatile than during the earlier stages of the reform process, reducing uncertainty for businesses, improving market confidence and supporting planning across trade, investment and financial markets. Sustaining these gains will increasingly depend on preserving adequate foreign exchange supply from both oil and non-oil sources, while maintaining confidence in the policy framework.

Global conditions became less favourable as the review period progressed. Brent crude prices declined from above US$80/b at the beginning of the year to approximately US$67.6/b at the end of June, reducing the tailwind previously provided by higher oil prices. Average crude oil production also remained below the Federal Government's budget benchmark of 1.84mbpd, constraining potential export receipts and fiscal revenues despite gradual improvements in production. These developments reinforce the importance of expanding non-oil exports, attracting more stable capital inflows and deepening Nigeria's non-oil foreign exchange earning capacity.

Attention during the second half of the year will increasingly shift from restoring confidence to sustaining it. The sustainability of recent gains will depend on continued policy consistency, adequate market liquidity, stronger export performance and the economy's ability to attract long-term foreign capital. Progress across these areas will determine whether improvements in the foreign exchange market become more firmly embedded within the broader macroeconomic environment.

Nigeria | Reading The Signals

Fiscal Position & Public Finance

Fiscal conditions remained constrained during the first half of 2026 despite continued improvements across several macroeconomic indicators. Softer international crude oil prices during the review period, combined with crude oil production that remained below the Federal Government's budget assumption of **1.84mbpd**, continued to weigh on oil-related revenue performance. This further reinforced the importance of broadening the government's revenue base through stronger non-oil revenue mobilization and sustained fiscal reform efforts.

Revenue performance continued to benefit from stronger collections outside the oil sector, reflecting ongoing improvements in tax administration and compliance. Nevertheless, financing requirements remained elevated, while debt service continued to absorb a substantial share of government revenues, limiting the fiscal space available for capital expenditure and other growth enhancing investments. Monthly FAAC allocations continued to underpin subnational finances, providing states and local governments with the fiscal resources needed to sustain expenditure despite continued revenue constraints.

The first half also highlighted important changes in the composition of Nigeria's external earnings. Provisional Balance of Payments data showed that the current account surplus widened to **US$4.98bn** in Q1 2026, supported by stronger crude oil and gas exports, increased refined petroleum exports and a sharp decline in refined petroleum product imports. These developments illustrate the growing contribution of domestic refining to Nigeria's external position while signaling the potential for more durable improvements in the country's trade balance over time.

The fiscal outlook for the remainder of the year will increasingly depend on sustaining reform momentum while strengthening the quality of public finances. Continued progress in revenue mobilization, expenditure efficiency and crude oil production will be important in expanding fiscal space, while stronger non-oil exports and improved external earnings should provide additional support to government revenues and broader macroeconomic stability.

5.

Sector Intelligence

Sector Intelligence

Agriculture

Agriculture remained Nigeria's largest economic sector in Q1 2026, accounting for **23.16%** of real GDP, while expanding by **3.15%** y/y. The sector's size means that even modest improvements in output can materially influence national growth, household incomes and food prices. Its performance, however, remained below what is required to meaningfully reduce food supply pressures or lift productivity across rural value chains.

The sector's central challenge is no longer simply production volume. Weak storage capacity, fragmented distribution networks, high transport costs, limited mechanization and insecurity across important farming corridors continue to widen the gap between farm output and food available in major consumption centers. This explains why improved exchange rate conditions have not translated into a comparable easing of food prices. Domestic supply constraints now account for more of the inflation problem than imported cost pressures alone.

Weather conditions will become increasingly important through the second half of the year. NiMet's 2026 Seasonal Climate Prediction points to an early to normal onset of rainfall across much of the country, normal to above normal rainfall in many locations and warmer than normal temperatures. It also identifies the risk of prolonged dry spells and uneven cessation dates across several agricultural states. The implications will differ across crops and regions, with favourable rainfall supporting output in some areas while flooding, heat stress and intraseasonal dry spells could reduce yields elsewhere.

The outlook is therefore not a simple harvest recovery story. Stronger agricultural output will depend on farmers' access to inputs, credit, irrigation and reliable routes to market, together with the ability of processors and distributors to limit post-harvest losses. Value chains with established off take arrangements, storage infrastructure and domestic processing capacity are better positioned to benefit from improving demand than primary producers operating without those connections.

Three signals will determine the sector's H2 performance: the quality and distribution of rainfall, security across major food producing areas and the extent to which harvest gains are preserved through storage and logistics. Meaningful progress across these areas would support crop output, moderate food inflation and strengthen agro-processing activity. Weak execution would leave Nigeria with the familiar disconnect between agricultural growth in the national accounts and persistent pressure on household food budgets.

H2 2026 Outlook

Improved rains expected to boost output in H2.

Continued policy support and financing to enhance productivity.

Focus on reducing post-harvest losses and improving rural infrastructure.

Strong export prospects for cash crops to support FX earnings.

Sector Intelligence

Oil & Gas

Nigeria's oil and gas sector recorded a stronger production and refining profile during the first half of 2026, although the fiscal benefit was moderated b output that remained below the Federal Government's budget assumption of 1.84mbpd. Crude oil production reached 1.53mbpd in May, while the NUPRC reported peak production of 1.86mbpd during the month when condensates were included. Improved infrastructure security and higher terminal activity supported output, but sustaining production above recent levels remains necessary to strengthen export receipts and government revenue.

The more significant structural change occurred downstream. Q1 2026 refined petroleum exports increased by 20.3% q/q to US$2.37bn, while refined petroleum product imports declined by 87.5% to US$0.31bn from US$2.48bn in Q4 2025. This contributed to a sharp widening of the goods account surplus to US$5.95bn, illustrating how domestic refining is beginning to alter Nigeria's trade profile and reduce a long-standing source of foreign exchange demand.

Dangote Refinery became increasingly important to both domestic supply and regional petroleum trade during H1. Production at the 650,000 barrels per day facility supported higher exports of gasoline, diesel and jet fuel across Africa and into Europe, particularly as supply disruptions linked to the Iran conflict tightened refined product markets. Nigeria's clean petroleum product exports rose sharply in March, strengthening the country's emerging position as a regional refining center. Domestic refining has not removed every supply and pricing challenge. Local crude deliveries remained below allocations during Q1 as pricing disputes constrained supply to domestic refineries, requiring Dangote Refinery to supplement Nigerian crude with imports from Libya and the United Arab Emirates. Petroleum product prices also remained linked to international crude and refined product benchmarks, meaning higher domestic refining capacity did not fully insulate consumers and businesses from global price movements.

Upstream investment will remain central to the sector's medium-term performance. With the 2026 licensing round now underway, attention has shifted from launching the process to its execution and eventual outcomes. The key determinants of its impact will be the competitiveness of fiscal and commercial terms, regulatory efficiency, infrastructure security, and the speed with which awarded assets progress from licensing to exploration, development, and production. Successful execution could help attract fresh capital into undeveloped assets and support higher production capacity over the medium term.

H2 performance will be shaped by three developments: whether crude production can remain consistently above 1.5mbpd, whether domestic refineries secure reliable crude supply at commercially viable prices and whether softer international oil prices persist. Higher production combined with deeper refining activity would support export earnings, reduce petroleum imports and strengthen industrial linkages. Weak crude prices or renewed production disruptions would limit the contribution of the sector to fiscal revenue and external balances.

Sector Intelligence

Manufacturing

Manufacturing continued to recover during the first half of 2026, although the improvement remained uneven across industries. Real manufacturing output expanded by 3.29% y/y in Q1 2026, improving from the corresponding period of 2025 but remaining below the pace required to materially increase the sector's contribution to employment, exports and industrial transformation. At 9.57% of real GDP, manufacturing remains a strategically important sector, yet its performance continues to be shaped by significant differences across individual industries rather than broad based expansion.

The strongest gains were concentrated in industries that benefited from import substitution and improved domestic capacity. Oil refining expanded by 37.46% y/y, making it the fastest growing manufacturing activity during the quarter and reflecting the increasing contribution of domestic refining to industrial production. Cement manufacturing recorded growth of 11.53%, supported by continued construction activity, while the Chemical and Pharmaceutical industry grew by 6.15% and Motor Vehicle Assembly expanded by 5.44%. These performances demonstrate that investment continues to flow towards industries benefiting from structural demand, domestic value addition and import replacement.

Outside these segments, however, manufacturing conditions remained considerably more challenging. Food, Beverage and Tobacco grew by 4.10%, while Wood and Wood Products (2.93%), Non-Metallic Mineral Products (2.20%), Electrical and Electronics (2.15%) and Basic Metals, Iron and Steel (1.18%) recorded much slower expansion. These industries continued to contend with elevated financing costs, energy expenses, imported raw material costs and relatively weak consumer demand, limiting the pace of industrial recovery despite improvements in foreign exchange market conditions.

Business activity indicators nevertheless point to gradually improving operating conditions. The CBN Composite Purchasing Managers' Index remained above the 50-point expansion threshold for much of the first half, indicating continued expansion across the private sector, although manufacturing activity softened temporarily in April before recovering in subsequent months. Improving foreign exchange availability reduced one of the principal operational constraints facing manufacturers, but financing conditions remained restrictive and continued to weigh on capacity expansion and investment.

The second half of the year is likely to determine whether manufacturing moves beyond a recovery led by a handful of industries. Sustained improvements in foreign exchange availability, lower logistics costs, more reliable energy supply and stronger domestic demand will be critical in broadening industrial growth beyond refining and construction related activities. A more diversified manufacturing recovery would strengthen employment, deepen domestic value chains and improve Nigeria's capacity to generate higher value exports over the medium term.

Sector Intelligence

Financial Services & Digital Finance

The Financial and Insurance Services sector remained one of Nigeria's strongest growth engines during the first half of 2026, expanding by 8.54% y/y in Q1, more than double the pace of overall GDP growth. The sector's performance reflected continued expansion in financial intermediation, stronger transaction activity and increasing adoption of technology enabled financial services. Beyond its direct contribution to output, the sector continued to play a critical role in mobilizing savings, allocating capital and supporting economic activity across households and businesses.

The operating environment improved materially during the review period. Greater stability in the Nigerian Foreign Exchange Market reduced one of the principal sources of uncertainty confronting financial institutions over the past two years, while stronger external reserves and improving market liquidity enhanced confidence across the financial system. At the same time, elevated interest rates continued to shape balance sheet decisions, supporting interest income while encouraging more selective credit creation as institutions prioritized sectors with stronger cash flow generation and lower credit risk.

An equally important development has been the growing influence of digital finance. Rising electronic payment volumes, wider adoption of digital banking channels and continued innovation across the fintech ecosystem are reshaping the delivery of financial services and expanding access to the formal financial system. These developments are increasing transaction intensity, improving operational efficiency and creating new sources of non-funded income for financial institutions. More broadly, the continued digitalization of financial services is strengthening financial intermediation and supporting the sector's growing contribution to economic activity.

Capital markets also provided an important source of support during the first half of the year. The Nigerian Exchange sustained its positive momentum on the back of resilient corporate earnings, improving investor sentiment and continued portfolio reallocation towards domestic financial assets. Banking stocks remained among the market's strongest performers, supported by robust profitability, ongoing capital raising programmes and continued progress towards the Central Bank's recapitalization requirements.

The second half of 2026 is likely to be characterized by a shift from balance sheet expansion towards balance sheet optimization. The quality of credit growth, deposit mobilization, asset quality, capital deployment and continued digital transformation will increasingly determine the sector's ability to support private sector investment and broader economic growth. As macroeconomic conditions continue to stabilize, financial institutions that successfully combine strong capital positions with technology enabled service delivery will be better positioned to capture emerging opportunities across the economy.

H2 2026 Outlook

Structural reforms will drive medium-term resilience, with policy execution becoming more important than additional monetary tightening.

Macroeconomic stability is expected to improve gradually, supported by exchange rate stability and easing supply-side pressures.

Sustained investment and productivity gains will be critical to unlocking stronger, broad-based economic growth.

Sector Intelligence

Trade & Consumer

Trade remained the second largest contributor to Nigeria's economy during the first quarter of 2026, accounting for 17.89% of real GDP while expanding by 2.08% y/y. Although the sector continued to record positive growth, the pace of expansion remained modest relative to its economic importance, reflecting the continued pressure on household purchasing power and consumer spending. Given its close relationship with domestic demand, developments within the trade sector provide one of the clearest signals of conditions facing businesses and consumers across the economy.

The first half of the year presented a mixed operating environment for retailers, distributors and consumers facing businesses. Improving exchange rate stability reduced uncertainty around inventory planning and import costs, while stronger foreign exchange market liquidity improved access to trade related foreign exchange. These gains, however, were partly offset by elevated financing costs, persistent inflation and weaker real household incomes, which continued to influence purchasing behaviour across both essential and discretionary consumer segments.

Consumer spending patterns also continued to evolve. Households remained focused on essential expenditure, while businesses increasingly adjusted inventory management, pricing strategies and product offerings to reflect changing demand conditions. Across several consumer-facing industries, value conscious purchasing became more pronounced as firms responded to continued pressure on disposable incomes. This has reinforced the importance of affordability, product diversification and operational efficiency as key competitive differentiators within Nigeria's consumer economy.

The gradual recovery in domestic refining and improved availability of petroleum products also contributed to a more predictable operating environment for logistics, wholesale distribution and organized retail. Although transportation costs remained elevated, reduced uncertainty around fuel availability supported supply chain planning and improved the movement of goods across parts of the country. For many businesses, operational predictability became as important as the level of operating costs during the review period.

Attention during the second half of the year will increasingly focus on the pace at which macroeconomic stability translates into stronger consumer demand. Sustained moderation in inflation, continued stability in the foreign exchange market and improvements in real household incomes would support retail activity and broader domestic consumption. Until then, businesses are likely to remain focused on pricing discipline, inventory optimization and value-oriented product strategies as they navigate a consumer environment that continues to reward affordability and operational agility.

Sector Intelligence

Information & Communications Technology

The Information and Communications Technology (ICT) sector continued to strengthen its position as one of Nigeria's principal drivers of economic growth during the first half of 2026. Real output expanded by 10.98% y/y in Q1, while the sector accounted for 11.31% of real GDP, reinforcing its importance within the country's evolving economic structure. Telecommunications remained the dominant activity, contributing 9.19% of GDP, a reflection of the increasing role of digital infrastructure in supporting economic activity across virtually every sector of the economy.

The industry's expansion is increasingly being driven by rising demand for data and digital services rather than traditional voice communication. According to the Nigerian Communications Commission (NCC), active mobile subscriptions and internet subscriptions continued to increase during the first half of the year, supported by sustained demand for broadband connectivity from households, businesses and public institutions. This trend reflects a structural shift in how Nigerians communicate, transact, consume information and conduct business, with digital connectivity becoming an increasingly essential economic input rather than a discretionary consumer service. Industry estimates suggest that spending on mobile internet data reached approximately ₦3.33trn during Q1 2026, while subscribers consumed about 4.06 million terabytes of data over the same period. Although derived from industry analysis of NCC statistics rather than published by the NCC as an official aggregate, these estimates illustrate the scale of Nigeria's digital economy and the increasing centrality of data consumption to household expenditure and enterprise activity. The continued migration towards digital channels is supporting financial services, electronic commerce, cloud computing, media, education and a growing range of technology enabled business models.

Investment patterns across the sector also continue to evolve. Mobile network operators are expanding broadband capacity, accelerating 5G deployment and strengthening fibre infrastructure to accommodate rising data traffic, while enterprises are increasing investment in cloud services, cybersecurity and digital transformation initiatives. These developments are generating productivity gains well beyond the ICT sector itself, reinforcing its role as enabling infrastructure for financial intermediation, logistics, manufacturing, healthcare and public administration. Notwithstanding this progress, important structural constraints remain. High energy costs continue to raise network operating expenses, while right of way challenges, fibre infrastructure damage, multiple taxes and foreign exchange exposure for imported equipment increase the cost of network expansion. Addressing these constraints will be critical to improving service quality, expanding broadband penetration and sustaining investment in digital infrastructure over the medium term.

The sector's contribution to economic growth will increasingly depend on the pace of infrastructure investment relative to the growth in digital demand. Continued expansion in broadband coverage, fibre networks, data centers and next generation mobile technologies should reinforce productivity across the wider economy, while deeper adoption of digital technologies by businesses and households will further strengthen ICT's position as one of Nigeria's most important engines of long-term growth.

6.

Financial Markets

Financial Markets

Nigeria's financial markets entered 2026 from a fundamentally different position than a year earlier. The first half was characterised not simply by stronger asset prices, but by a broader improvement in market function. Foreign exchange liquidity improved, capital market activity accelerated, government securities continued to attract robust demand and investors responded positively to greater policy consistency. More importantly, the period demonstrated that domestic financial markets are increasingly capable of mobilising capital to support large scale economic reforms while continuing to intermediate savings across the wider economy.

The defining market development during H1 was the successful completion of the banking sector recapitalisation programme. Rather than relying principally on mergers or regulatory intervention, Nigerian banks raised approximately **₦4.65**trn through the capital market over the 24-month exercise, with **72.55%** of the capital sourced domestically. According to the Central Bank of Nigeria (CBN), 33 banks met the revised minimum capital requirements following the conclusion of the recapitalisation exercise, illustrating the growing depth of Nigeria's domestic investor base and the market's capacity to finance systemic reform. The broader significance extends beyond the banking industry. The recapitalisation exercise demonstrated that the Nigerian capital market is increasingly serving as a channel through which long term domestic savings are mobilised into productive investment. It also expanded retail investor participation through digital subscription platforms while strengthening confidence in market infrastructure, disclosure standards and regulatory coordination. These developments represent an important step in the continued maturation of Nigeria's financial markets.

The equity market extended the strong momentum established in 2025, supported by improving macroeconomic conditions, resilient corporate earnings and heightened investor interest in banking stocks as recapitalisation progressed. The NGX All Share Index continued to reach successive record highs during H1, reflecting both stronger earnings expectations and greater confidence in the direction of economic policy. Market activity also became increasingly broad based. According to NGX portfolio investment statistics, domestic investors accounted for the majority of equity transactions during the review period, highlighting the growing importance of local institutional and retail investors in supporting market liquidity. While foreign participation improved, domestic capital remained the principal driver of market performance, reducing dependence on volatile external portfolio flows.

The fixed income market remained supported by restrictive monetary conditions. The Monetary Policy Committee maintained the Monetary Policy Rate at **26.5%** throughout the first half, preserving relatively attractive nominal yields across NTBs and FGN Bonds. Demand at government securities auctions remained robust despite elevated issuance, reflecting continued investor preference for high quality fixed income assets in an environment where inflation remained above the policy target.

Rather than anticipating an imminent easing cycle, investors increasingly recognised that monetary policy would remain data dependent, particularly given the renewed acceleration in headline inflation during the second quarter. Consequently, investment decisions increasingly reflected carry opportunities and duration management rather than expectations of rapid capital gains from falling yields.

Beyond domestic market performance, Nigeria recorded an important improvement in international market perception. In April, FTSE Russell announced that Nigeria would be reclassified from "Unclassified" to "Frontier Market" status, effective September 2026. The decision reflected improvements in market accessibility, settlement efficiency, regulatory oversight and, critically, the easing of concerns around capital repatriation following foreign exchange market reforms. While the immediate impact on capital inflows may be modest, the decision carries broader significance. Frontier market classification improves Nigeria's visibility within global investment benchmarks and increases the likelihood of renewed consideration by international asset managers whose mandates are linked to recognised market indices. It also provides independent validation that recent market reforms are improving the functioning of Nigeria's financial system rather than simply influencing short term asset prices.

Financial markets begin the second half of the year from a considerably stronger position than at the start of 2026. Equity valuations are increasingly dependent on earnings delivery rather than sentiment alone, fixed income continues to offer attractive carry across selected maturities and improvements in foreign exchange market liquidity have reduced one of the principal constraints to international investor participation.

The more important question is no longer whether confidence has improved, but whether stronger market conditions can translate into higher levels of productive investment. Sustaining that transition will depend on continued policy consistency, credible macroeconomic management and the ability of financial markets to channel capital towards sectors capable of supporting durable economic expansion.

H2 2026 Outlook

Outlook remains positive.
Supported by easing inflation, policy stability, strong corporate earnings and improved market liquidity.

Stronger capital market momentum.
Expected to continue with broader participation and robust activity across equities and fixed income.

Focus on productive investment.
Deepening reforms, macro stability and efficient capital allocation will be critical to driving long-term growth.

7.

H2 2026 Base Case

H2 2026 Base Case

Indicator	Firstbank H2 2026 Base Case	What Will Drive The Outcome
Real GDP Growth	3.8 – 4.2%	Non-oil sector resilience, domestic refining, ICT expansion, financial intermediation, improving business confidence and gradual recovery in private investment.
Inflation	Gradual moderation, with periodic upside pressures	Harvest season, food supply conditions, exchange rate stability, transport costs, energy prices, weather conditions, agricultural output and election-related liquidity.
Monetary Policy Rate (MPR)	Hold	Inflation trajectory, exchange rate stability, inflation expectations, liquidity conditions and the MPC's assessment of underlying price pressures.
Exchange Rate	Broad stability (₦1,380 – 1,480/US$)	Foreign exchange market liquidity, oil export receipts, autonomous FX inflows, portfolio investment, external reserves and policy consistency.
External Reserves	Stable to modestly higher (= or > US$45bn)	Oil export earnings, current account performance, portfolio inflows, non-oil exports and reserve management by the Central Bank.
Oil (Avg.)	US$70 – 80/b	OPEC+ production policy, geopolitical developments, global demand conditions and supply disruptions.
Equities	Expected to remain favourable, with returns becoming increasingly earnings-driven	Corporate earnings, banking recapitalisation, domestic institutional liquidity, foreign investor participation, valuation discipline and macroeconomic stability.
Fixed Income	Yields expected to remain elevated, sustaining investor demand for government securities	Monetary policy stance, inflation trajectory, government borrowing programme, system liquidity and expectations regarding the timing of policy easing.

8.

H2 2026 Outlook | Broadening The Recovery

H2 2026 Outlook | Broadening The Recovery

The first half of 2026 marked an important turning point for Nigeria's economy. Much of the macroeconomic adjustment that has shaped the past two years is now reflected in stronger foreign exchange market conditions, improved external buffers, firmer investor confidence and more resilient financial markets. These developments have strengthened the economy's operating environment, but they represent only the first stage of the adjustment process. Attention during the remainder of the year will increasingly focus on the extent to which these gains translate into stronger production, higher private investment and broader improvements in business activity and household welfare.

1 Can The Recovery Become More Broad Based?

Economic growth is expected to remain resilient during H2, although the composition of that growth is likely to attract closer scrutiny than the headline rate itself. Financial services, ICT and domestic refining have accounted for a significant share of recent momentum, reflecting continued investment and structural transformation across these sectors. Sustaining the recovery, however, requires stronger contributions from agriculture, manufacturing, trade and construction, where progress has been more measured. Quarterly GDP releases will therefore be assessed not only for the pace of expansion, but also for evidence that growth is becoming more balanced across sectors with greater capacity to generate employment, strengthen domestic demand and improve household incomes.

2 What Will Shape Inflation During H2?

Our base case remains one of gradual moderation in inflation during the second half of the year, supported by seasonal improvements in food supply and a more stable exchange rate environment. Monthly inflation outcomes are unlikely to follow a straight path. Weather conditions, agricultural output, insecurity across key food producing areas, transport costs, energy prices and fiscal spending associated with the approach to the 2027 election cycle all have the potential to influence price developments at different points during the remainder of the year. The broader direction is expected to remain favourable, although temporary reversals should not be ruled out.

3 How Might Monetary Policy Evolve?

The improved macroeconomic environment does not necessarily create scope for an early shift towards monetary easing. Inflation remains above levels consistent with medium-term price stability, while preserving confidence in the foreign exchange market continues to be a key policy consideration. The Monetary Policy Committee is therefore expected to maintain a measured approach, seeking clearer evidence that inflationary pressures are easing on a sustained basis before materially adjusting the policy stance. Financing conditions are consequently expected to remain relatively firm across much of H2, reinforcing disciplined capital allocation across the economy.

4 Will Stronger Confidence Translate Into Higher Investment?

The successful banking sector recapitalisation, stronger capital market activity and Nigeria's return to the FTSE Russell Frontier Market Index have strengthened confidence in Nigeria's investment environment. H2 should provide a clearer indication of the extent to which that confidence begins to influence investment decisions beyond financial markets. Developments across manufacturing, infrastructure, logistics, agriculture, housing and technology will offer stronger evidence that improved macroeconomic conditions are supporting productive capital formation, business expansion and employment creation.

4

Which Policy Developments Will Matter Most?

The broad direction of economic policy is considerably clearer than it was two years ago. Attention is now expected to shift towards implementation. Progress in executing the 2026 Federal Budget, implementing the new tax reform framework, expanding domestic refining capacity and sustaining improvements in crude oil production will provide tangible evidence of reform execution. Market participants are also likely to monitor developments associated with the approach to the 2027 election cycle, particularly for any implications for fiscal discipline, inflation expectations and investor confidence.

5

How Could Global Developments Influence Nigeria?

Nigeria enters the second half of the year with stronger external buffers than it had a year ago, although international developments will continue to shape domestic outcomes. OPEC+ production decisions, movements in crude oil prices, the direction of US monetary policy, geopolitical developments and shifts in global risk appetite will remain important determinants of fiscal revenue, external reserves, capital flows and foreign exchange liquidity. Recent reforms have strengthened Nigeria's capacity to absorb external shocks, while preserving those gains will require continued policy consistency and macroeconomic discipline.

6

Beyond Stabilisation

The remainder of 2026 is unlikely to be defined by the maintenance of macroeconomic stability alone. Far greater significance will be attached to evidence that stability is beginning to reshape the real economy through stronger private investment, broader sectoral participation, higher productivity, expanding domestic value addition and firmer household demand. Progress across these areas would indicate that the economy is advancing beyond adjustment towards sustained expansion. More limited progress would suggest that the benefits of recent reforms remain concentrated within financial markets and a relatively small number of sectors. The distinction between these two outcomes is likely to define Nigeria's economic narrative during H2 and will remain central to FirstBank's assessment of the economy over the months ahead.

About Firstbank

FirstBank is Nigeria's oldest bank and one of Africa's leading financial institutions, with a history dating back to **1894**. Through a broad domestic footprint, international subsidiaries and representative offices, the Bank provides banking and financial solutions to individuals, businesses, corporates and public sector institutions, supporting trade, investment and economic development across Africa and key international markets.

As the flagship banking subsidiary of FirstHoldCo Plc, FirstBank combines deep market knowledge with extensive sector expertise to support clients across agriculture, manufacturing, energy, infrastructure, commerce, telecommunications and financial services. The Bank's long-standing presence across these sectors provides a unique perspective on the evolving macroeconomic and business environment.

This publication forms part of FirstBank's commitment to delivering high quality economic intelligence and market insights to clients, investors and other stakeholders. It combines rigorous analysis with practical interpretation to support better-informed decision-making in an increasingly dynamic operating environment.

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