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2026 Nigeria Economic Outlook

Turning macroeconomic stability into sustainable growth

January 2026

What's inside

Dashboard of key economic indicators

GDP growth rate

3.98%

Period	YoY% ▲	Previous
Q3 2025	0.12%P	3.86%

Inflation rate

14.45%

Period	YoY% ▼	Previous
Nov 2025	20.15%P	34.6%

Exchange rate - Official

₦1,436.31/$

Period	YoY% ▼	Previous
Dec 2025	6.9%	₦1,535$

Exchange rate- Parallel

₦1,452/$

Period	YoY% ▼	Previous
Dec 2025	6.3%	₦1,543/$

FX reserves

$45.45bn

Period	YoY% ▲	Previous
Dec 2025	11.1%	$40.9bn

Monetary policy rate

27%

Period	YoY% ▼	Previous
Dec 2025	0.25%P	27.25%

Market capitalisation

₦99.4tn

Period	YoY% ▲	Previous
Dec 2025	58.4%	₦62.76tn

Oil production

1.43 mbpd

Period	YoY% ▲	Previous
Nov 2025	3.5%	1.33 mbpd

***The cut-off date is 31 December 2025.**

P – Percentage points

Source: NBS, NUPRC, OPEC, CBN, FMDQ, NGX, Rate Cap, PwC's Analysis

Direction of change

Increase ▲ Decrease ▼

Reflections on 2025 outlook

In 2025, we presented our outlook for the year, identifying seven key trends. In this segment, we revisit that outlook considering actual economic outcomes, based on data available as of 31 December 2025

Our 2025 economic outlook was a mix of progress, partial alignment, and shortfalls (1/4)

2025 economic outcomes relative to outlook expectations

Key issues	Our outlook	2025 Outcome assessment	Score card
Broader fiscal policy focus: going beyond revenue generation	• The FAAC allocation in 2025 will be driven by the outcomes of the **implemented fiscal reforms, exchange rate fluctuations, oil production levels, and global oil prices.** • Fiscal pressures may persist in 2025, **driven by rising debt service costs, increased government expenditure, and insufficient revenue mobilisation.** • Nigeria's total debt in 2025 will be shaped by its **exchange rate dynamics and planned fiscal deficit**.	• Revenue performance strengthened in 2025, **supported by tighter tax administration, exchange rate unification, subsidy removal, and improved customs enforcement**, which lifted non-oil and naira-denominated revenues. • FIRS collected **₦22.6 trillion as of September 2025, equal to 89.6% of the annual target, supported by stronger non-oil revenue**. • Fiscal pressures persisted despite higher revenues. **Debt service absorbed 46% of projected revenue in 2025**, constraining fiscal space and capital spending.	
Disciplined monetary policy: sustaining the momentum	• Exchange rate is projected to stabilise in 2025, on the back of **CBN foreign exchange reforms.** • CBN may **maintain monetary tightening cycle in 2025 with focus on fostering long-run price stability and creating an attractive foreign portfolio investment.**	• The exchange rate appreciated by **6.9% y/y** to **₦1,436.31/US$** in December 2025 and remained **broadly stable through the year**, reflecting improved FX liquidity conditions. • **Monetary policy remained tight for most of the year**, with the Central Bank of Nigeria (CBN) holding the **Monetary Policy Rate (MPR) at 27% as of November 2025** to anchor inflation expectations and stabilise macroeconomic conditions.	

Sources: CBN, NBS, BoF, Strategy& Analysis

Positive | Limited | Negative

Our 2025 economic outlook was a mix of progress, partial alignment, and shortfalls (2/4)

2025 economic outcomes relative to outlook expectations

Key issues	Our outlook	2025 Outcome assessment	Score card
Disciplined monetary policy: sustaining the momentum	• Inflation may ease supported **by abating supply inflation drivers and sustained tightening of monetary policy.**	• **Towards year-end, the CBN adopted a cautious easing stance,** lowering **the MPR to 27%** as inflation moderated, signalling a gradual shift towards disinflation while preserving macroeconomic stability. • **Headline inflation declined for the eighth consecutive month to 14.45% in November 2025**, reflecting rebasing and tighter monetary policy, **but elevated price levels continue to constrain real incomes and household welfare**.	
Attracting investments (foreign and local)	• Capital flows are projected to remain **moderate in 2025 as investors remain cautious, despite Central Bank of Nigeria (CBN) policy actions aimed at rebuilding investor confidence.** • Nigeria **may unlikely attract significant foreign funds in 2025 if negative real returns persist.** • Market performance is projected to **continue on an upward trend in 2025 driven disproportionately by domestic investment.**	• **Capital importation rose 67.1% y/y to $5.64 billion in Q1 2025**, driven mainly by portfolio inflows. • **Portfolio investment accounted for 92% of inflows**, rising **150.8% to $5.2 billion**, while **FDI increased only 6% to $126.29 million**. A significantly higher share of FPI compared to FDI raises concerns about macroeconomic stability and medium to long-term development. • **NGX recorded a 58.4% y/y gain as of December 2025**, driven by strong corporate earnings, particularly in the Consumer Goods and Industrial sectors.	

Sources: CBN, NBS, NGX, Strategy& Analysis

Positive	Limited	Negative

Our 2025 economic outlook was a mix of progress, partial alignment, and shortfalls (3/4)

2025 economic outcomes relative to outlook expectations

Key issues	Our outlook	2025 Outcome assessment	Score card
Consumers' uncertain pathway to spending recovery, pressured by economic shocks	• **Economic pressure points may continue to weigh on the purchasing power of average consumer in Nigeria.** • Macroeconomic pressure points such as rising inflation, interest rate and naira depreciation may **drive additional 13 million people below the national poverty line in 2025.**	• **Household welfare remains under pressure**, as weak income growth and limited job opportunities continue to constrain purchasing power despite easing food prices. • **Food inflation eased to 11.08% in November 2025**, marking a fifth consecutive monthly decline, slowing the pace of cost increases rather than reversing earlier losses in real incomes. • **Poverty is estimated to rise to 61% in 2025 from 59% in 2024,** reflecting that easing inflation alone is insufficient to improve consumer outcomes without stronger employment and income recovery**.**	Limited
Stimulating productivity to drive real sector growth	• PMI is expected **to improve signaling expansion in 2025 driven by the impact of policy measures.** • Trade surplus is projected to be sustained in 2025 on the back of **increased crude oil production and price.**	• **Sectorial activities continued expanding through 2025, with the Composite PMI hitting 56.4 points in November**, indicating sustained expanding sectorial activities and productivity improvements in the real sector amid economic recovery. • A positive **trade surplus was maintained through 2025, with Q3 recording a surplus of ₦6.69 trillion (26.29% y/y increase) driven largely by crude oil export receipt.**	Positive

Sources: CBN, NBS, World Bank, Strategy& Analysis

Positive | Limited | Negative

Our 2025 economic outlook was a mix of progress, partial alignment, and shortfalls (4/4)

2025 economic outcomes relative to outlook expectations

Key issues	Our outlook	2025 Outcome assessment	Score card
Security and social stability	• Security bottlenecks may continue to **undermine Nigeria's socio-economic development.**	• Security remained **highly unstable throughout 2025 due to ongoing insurgency, banditry, and kidnappings. Conflict-related fatalities increased from 9,897 in 2024 to 10,894 in 2025, reflecting severe insecurity.** • The government **declared a national security emergency and increased recruitment of police and army personnel to respond to escalating threats.**	
Global political economy + m egatrends in transition	• Easing geopolitical tensions in 2025 may **stabilise imported inflationary pressures in Nigeria**.	• Despite expectations of easing geopolitical tensions in 2025, **global risk levels remained elevated.** While ceasefire talks in the Israel–Hamas and Russia–Ukraine conflicts offered some optimism, persistent trade protectionism and unresolved disputes in the South China Sea continued to disrupt global supply chains. • **These tensions, combined with volatility in oil markets, kept energy prices high and sustained imported inflationary pressures for Nigeria.**	

Sources: CBN, NBS, ACLED, Strategy& Analysis

Positive | Limited | Negative

Seven key issues for 2026

This segment presents our outlook on the key issues expected to shape economic performance in 2026 and offers in-depth insights into each issue

Seven key issues that will shape the economy in 2026

Global dynamics and geopolitics: *shifting trade patterns, regional tensions & policy realignments redefine global outlook*

Addressing fiscal sustainability and executing reforms: *elevated debt obligations, deepening revenue mobilisation strategy & acceleration of reforms shape policy choices*

Strengthening monetary policy effectiveness: *anchoring expectations, inflation risks & external shocks challenge to price stability*

Uneven sectoral growth dynamics: *uneven growth trends, structural bottlenecks & shifting demand patterns reshape industry outlook*

Consumer dilemma: *spending recovery in the face of dwindling real income*

Domestic security and social stability pressures: *prevailing insecurity & land-use conflicts challenge national cohesion*

Stronger momentum in the emergence of digital economy and AI: *regulatory clarity, AI adoption gaps & infrastructure constraints shape digital growth*

Sources: Strategy& Analysis

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Sources: Strategy& Analysis

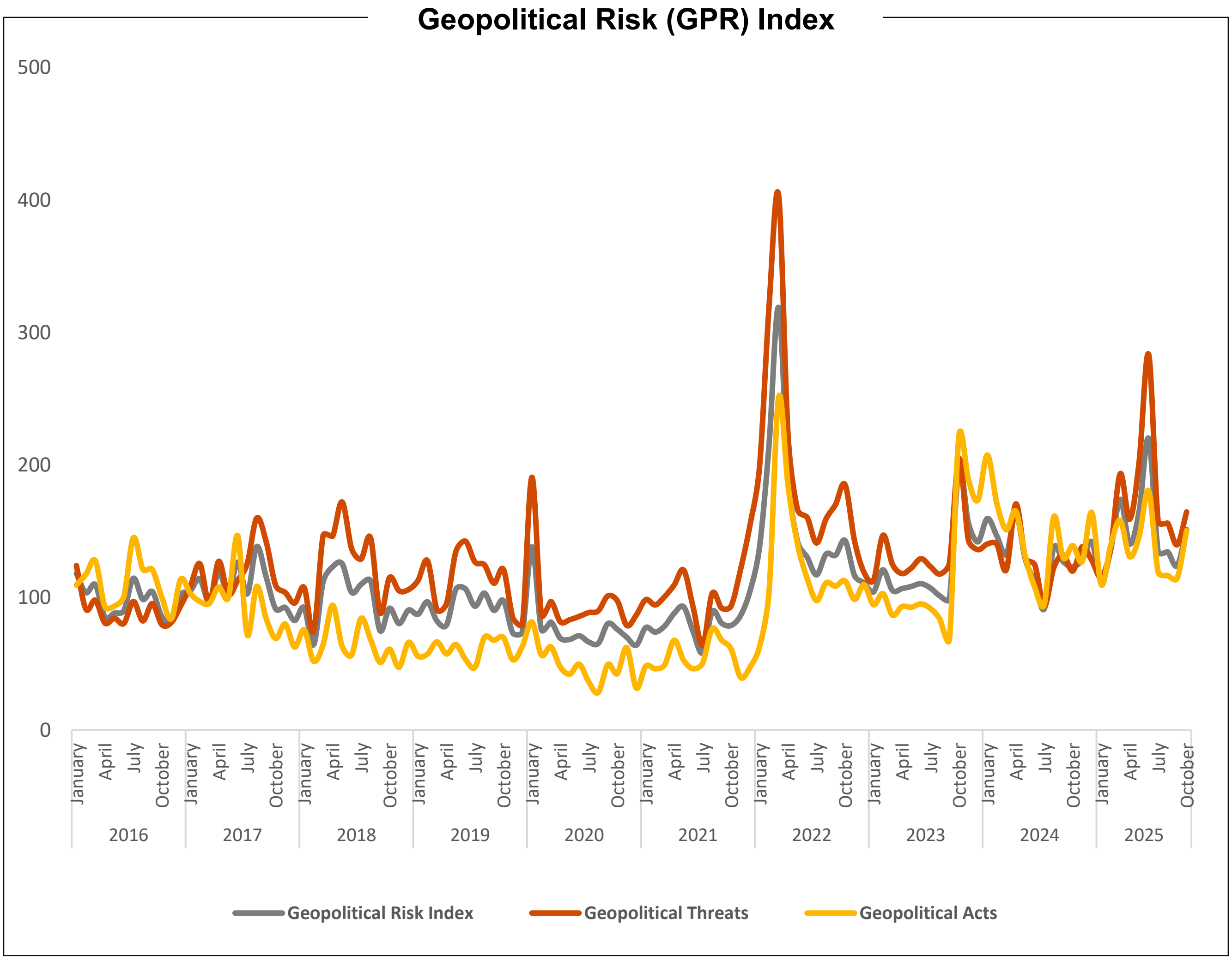
Three global dynamics that may shape the Nigerian economy in 2026 include global economic dynamics, global policies and geopolitics

Global dynamics that may shape the Nigerian economy in 2026

Global economic dynamics	• Global GDP growth in 2025 was estimated at 3.2%, **supported by resilient services activity, easing inflation, and stable labour markets, despite weak manufacturing output and subdued goods demand**. • Global GDP growth is projected at **3.1% in 2026**, while global merchandise trade growth is forecast to **slow to 0.5%, reflecting weaker demand, inventory adjustments, and moderating consumption**. • **Slower global trade limits Nigeria's non-oil export growth, while oil prices, capital flows, and external financing conditions remain the dominant channels influencing GDP growth and FX liquidity**.
Global policies	• Elevated global policy rates kept financial conditions restrictive in 2025, sustaining high yields, tight liquidity, and higher risk premiums for frontier and emerging markets. • **Global policy rates are expected to ease gradually in 2026**, but remain restrictive, while tariff uncertainty continues to weigh on global trade flows and investment decisions. • **Gradual easing supports Nigeria's refinancing conditions, but tariff-driven shocks can tighten capital flows, pressure FX stability, and raise imported inflation**.
Geopolitics	• Geopolitical tensions sustained oil price volatility in 2025, with **Brent crude averaging $70 per barrel**, driven by Russia–Ukraine dynamics, Middle East risks, and supply management. • **Oil prices are projected to soften in 2026 to the $55 per barrel range, reflecting weaker demand growth and rising global inventories, subject to escalation risks**. • Lower oil prices weaken Nigeria's fiscal revenues and FX inflows, while geopolitical shocks raise freight costs, disrupt trade routes, and delay energy investment.

Geopolitical risks are expected to stay elevated in 2026 amid intensifying conflicts, trade protectionism, and global power rivalries

Geopolitical risk index



Key insights

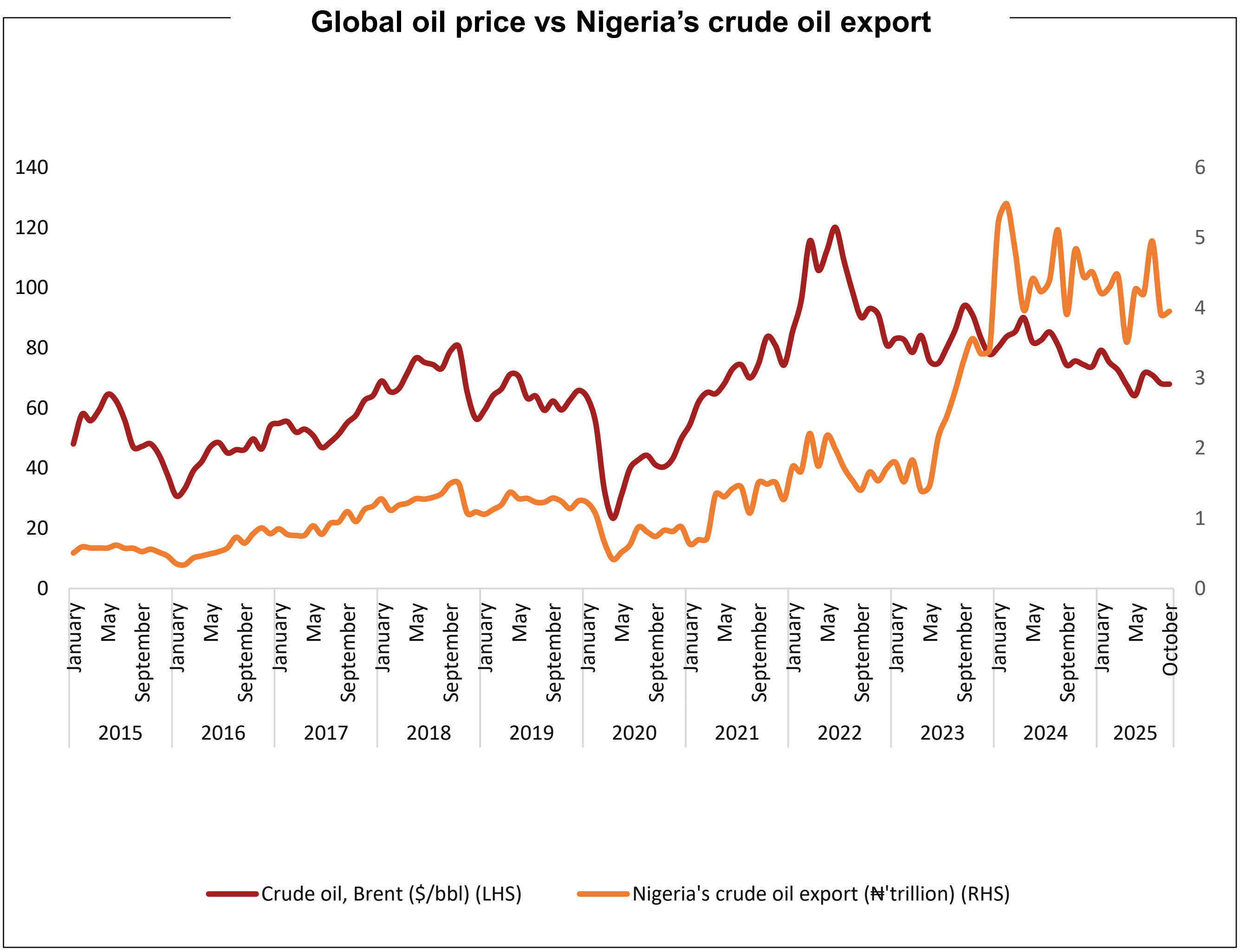
- **The Geopolitical Risk Index rose from 112 in January to 220 in June before easing to 124 in September**, reflecting intensified Middle East conflict, Israel–Iran tensions and intermittent disruptions to key shipping routes.
- The U.S. intervention in Venezuela and leadership change has added a fresh flashpoint to global energy geopolitics, raising sanctions and supply-disruption risks that can amplify oil price volatility
- Elevated geopolitical risk presents a challenging external environment for 2026, with implications for **oil market stability, supply chain security, import costs and FX liquidity, reinforcing the need for stronger economic resilience**.

Source: Caldara & Iacoviello (Geopolitical Risk Index), updated to Nov 2025, Strategy& Analysis

Elevated GPR signals external vulnerability for Nigeria in 2026

The risk of heightened geopolitical risk in 2026 may affect Nigeria's crude oil export

Geopolitical risk and implications for oil markets



Key insights

- Between January and September 2025, **Brent crude fell by 14.2% (US$79.21/bbl to US$67.95/bbl), while Nigeria's crude oil export receipts fell by 6.2% (₦4.21 trillion to ₦3.95 trillion)**.
- **Short-term volatility persisted through 2025, driven by geopolitical tensions and OPEC+ supply decisions**. Price weakness in Q2 2025 coincided with a sharp dip in export receipts in April, followed by a partial recovery in mid-year.
- **Heightened geopolitical risk, alongside fragile supply-demand balances, continues to amplify oil price volatility, increasing uncertainty around Nigeria's crude oil export earnings, FX inflows and fiscal receipts**.

Source: World Bank, NBS, Strategy& Analysis

Political instability in parts of West Africa may elevate spillover risks for Nigeria in 2026

Political instability across West Africa

Regional coups between 1950- 2025			
Region	**Coup Attempts**	**Successful**	**Failed**
Africa	220	108	112
Latin America	146	70	76
Asia Pacific	49	27	22
Middle East	44	21	23
Europe	17	8	9
South Asia	16	10	6
Global	492	244	248

Key Insights

- **Africa has recorded six attempted coups since 2023, concentrated in West and parts of Central Africa, including successful takeovers in Guinea-Bissau and Madagascar and failed attempts in Benin, signalling renewed political fragility near Nigeria.**

- **Key drivers include weak governance, corruption, fragile institutions, and persistent jihadist insurgencies,** compounded by severe economic hardship among a large youth population.

- ECOWAS instability raises risks of sanctions, border restrictions, and diplomatic strain, which could disrupt regional trade, weaken border economies, and strain food and livestock supply chains linked to Nigeria.

- **Heightened regional risk may dampen investor sentiment, potentially raising Nigeria’s risk premium and complicating capital inflows in 2026,** despite ongoing domestic reforms.

Source: Powell & Thyne, Strategy& Analysis

Beyond regional politics and security, other trends that will shape West Africa economies in 2026

Macroeconomic trends that may shape West Africa economy in 2026

Growth to stabilise	• Economic growth across West Africa is projected to reach **4.1% in 2026, supported by domestic demand, ongoing reforms and deeper regional trade integration.** • Growth momentum is expected to be driven by large economies such as Nigeria and Côte d'Ivoire, alongside commodity exporters including **Ghana and Guinea**, although outcomes will vary by reform depth and exposure to external shocks.
Fiscal consolidation to continue	• **Fiscal consolidation across West Africa is expected to continue in 2026**, with regional fiscal deficits projected to remain contained at around **3.5–4.0% of GDP**, reflecting ongoing efforts to stabilise public finances amid elevated debt-service costs. • **Adjustment will be uneven, with highly indebted countries such as Ghana and Sierra Leone remaining constrained**, while others pursue gradual deficit reduction supported by revenue mobilisation and expenditure rationalisation.
Inflation to ease gradually but remain structurally high	• Inflation across **West Africa is projected to decline to 11.1% in 2026**, from 15.7% in 2025, reflecting easing food prices, moderating global cost pressures and improved macro stability. • Disinflation momentum is already evident in large **economies such as Nigeria (14.45% in Nov-2025) and Ghana (9.5% projected for 2026), while lower-inflation anchors such as Côte d'Ivoire (2.4%) help stabilise regional price dynamics**.
Capital flows to remain selective and reform-dependent	• Capital inflows into **West Africa are expected to remain selective in 2026**, rather than broad-based, given tight global financing conditions and heightened risk sensitivity. • Countries demonstrating **macroeconomic credibility, FX stability and fiscal discipline are more likely to attract investment, while weaker reform environments continue to face constrained access**.

Source: Afreximbank, World Bank, Strategy& Analysis

Global dynamics in 2026 may continue to shape Nigeria's macroeconomic outlook

Key takeaways

1 Global and regional growth and trade may remain weak

- Global GDP growth is projected to moderate to **3.1% in 2026**, while merchandise trade growth slows to **0.5%, reflecting weaker global demand**.
- **Subdued global and regional trade may limit Nigeria's non-oil export growth**, particularly within West Africa, where trade disruptions and border frictions persist.
- **Oil prices, capital flows, and external financing conditions, alongside regional trade stability, are likely to remain dominant drivers of Nigeria's GDP growth and FX liquidity**.

2 Global financial conditions may ease gradually but remain restrictive

- **Elevated global policy rates kept financial conditions tight in 2025**, sustaining high yields and risk premia for frontier markets, including West Africa.
- While easing is expected in 2026, **restrictive conditions and tariff uncertainty may continue to weigh on investment flows into the region**.
- For Nigeria, gradual easing may support refinancing conditions, but regional instability and selective capital flows could still pressure FX stability and imported inflation.

3 Geopolitical and regional risks may weigh on FX and oil

- **Geopolitical tensions remain elevated**, contributing to oil price volatility and uncertainty around energy supply and trade routes.
- **Oil prices are projected to soften toward the US$55/bbl range in 2026**, weakening Nigeria's fiscal revenues and FX inflows.
- Political instability and coups across West Africa, alongside potential sanctions and border restrictions, may disrupt regional trade, raise risk premia, and reinforce Nigeria's external vulnerability.

Seven key issues that will shape the economy in 2026

Global dynamics and geopolitics: *shifting trade patterns, regional tensions & policy realignments redefine global outlook*

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Sources: Strategy& Analysis

Fiscal policy actions in 2025 strengthened revenue mobilisation, subsidy reforms and debt sustainability

2025 fiscal performance: revenue mobilisation and debt position

Revenue performance	• Non-oil revenues grew significantly by **40.5% y/y, to ₦20.59 trillion between January and August 2025**. The growth was driven by stronger VAT and CIT collections. • FIRS collected **₦22.59 trillion in tax revenue by September 2025, representing 90% of its full-year target**. • FAAC disbursed **₦2.094 trillion for October 2025, up by 94% from ₦1.08 trillion in October 2024**. • The allocation comprised statutory revenue (₦1.376 trillion), Value Added Tax (VAT) (₦670.3 billion), and the Electronic Money Transfer Levy (EMTL) (₦47.87 billion).
Expenditure management	• The **₦54.99 trillion 2025 budget** prioritised infrastructure, security and social programmes while targeting a deficit of ₦13.08 trillion (3.9% of GDP). • Electricity-tariff adjustments reduced power-sector subsidies by **35%, lowering the tariff shortfall from ₦3.0 trillion to ₦1.9 trillion**, easing recurrent-spending pressures. • Additional ₦1.15 trillion in borrowing was approved to close the funding gap, raising total spending to ₦59.99 trillion.
Fiscal buffers and debt position	• **Nigeria completed repayment of the US$3.4 billion IMF COVID-19 loan**, with the final instalment paid on 30 April 2025, easing external-debt obligations. • The Federal Executive Council approved a **₦4 trillion electricity-sector debt-refinancing** plan to clear legacy arrears and stabilise the market (announced 14th August 2025). • Nigeria's **US$2.35 billion Eurobond issuance attracted US$13.0 billion in bids, implying an oversubscription of US$10.65 billion** (453%), and signalling renewed global investor confidence in the Nigerian economy.

Source: Budget Office, FMoF, FIRS, FAAC, DMO, Strategy& Analysis

Fiscal stability in 2026 will depend on five key drivers (1/4)

Tax reforms, execution discipline, and institutional measures will define the 2026 fiscal outlook

1. **Structural tax reforms and revenue optimisation**
2. **Expenditure management: subsidy reallocation and national security**
3. **Fiscal deficit and financing sustainability**
4. **Budget execution and the overlapping budget cycle**
5. **Institutional reforms and asset divestment strategy**
6. **Managing money supply and access to liquidity**

Fiscal stability in 2026 will depend on five key drivers (2/4)

Tax reforms, execution discipline, and institutional measures will define the 2026 fiscal outlook

Structural tax reform and revenue optimisation	• **The full implementation of the Nigeria Tax Act 2025 is expected to transform the revenue landscape in 2026 by consolidating different taxes into a unified, digital-first system.** • A key pillar of this reform is the mandatory use of the Tax Identification Number (TIN) for all bank account operations and corporate transactions to widen the tax net and reduce evasion. • **The transition from the FIRS to the Nigeria Revenue Service (NRS), which aims to centralise collection, targeting a long-term tax-to-GDP ratio of 18% by 2027** through enhanced compliance rather than rate hikes. • Despite these efforts, achieving the 2026 revenue target remains challenging, as the government must recover from significant revenue shortfalls recorded during the 2025 fiscal year.
Expenditure management and national security	• Electricity and fuel subsidy removal has improved government revenues and reduced expenditure pressures, resulting in **higher FAAC allocations to subnationals and increased fiscal flexibility at the federal level, part of which is being directed toward social safety nets and broader economic growth initiatives.** • **However, partial subsidy reform, particularly in the power sector, may continue to weigh on fiscal outcomes in 2026.** • **National security and infrastructure development** remain a focus in the proposed 2026 budget**.** Security received the largest single sector allocation, with **₦5.41 trillion** (9.3% of the budget) **reflecting continued emphasis on stabilising volatile regions while ₦26.08 trillion was set aside for investment in infrastructure and other development priorities.** • Although inflation is easing, residual price shocks may erode the real value of spending, requiring tighter prioritisation and targeting.

Source: ICIR, Proshare, Strategy& Analysis

Fiscal stability in 2026 will depend on five key drivers (3/4)

Tax reforms, execution discipline, and institutional measures will define the 2026 fiscal outlook

Fiscal deficit and financing sustainability	• Nigeria's 2026 budget proposes a fiscal deficit of **₦23.85 trillion**, reflecting a significantly wider deficit relative to 2025 and underscoring continued pressure on public finances. • Total expenditure is projected at **₦58.18 trillion**, against expected revenue of **₦34.33 trillion**, reinforcing reliance on deficit financing to close the funding gap. • **Debt service is budgeted at ₦15.52 trillion in 2026**, equivalent to nearly half of projected federal revenue, materially constraining fiscal space for growth-enhancing and social expenditures. • Sustained reliance on borrowing to finance recurrent obligations and legacy commitments heightens macroeconomic risks, including upward pressure on interest rates and reduced fiscal flexibility over the medium term. • **Clear and consistent fiscal communication will also matter in 2026**, as government signalling on deficits, borrowing plans, and reform sequencing influences investor confidence, financing costs, and overall fiscal credibility.
Budget execution and the overlapping budget cycle	• A major structural challenge remains the **weak execution of capital projects**, reflecting persistent spillovers of unfinished projects across fiscal years and gaps in implementation discipline. • The continuation of **overlapping budget cycles**, where multiple fiscal years run concurrently, complicates accountability, slows project delivery, and weakens expenditure effectiveness. • **Capital expenditure is budgeted at ₦26.08 trillion in 2026**, signalling a renewed emphasis on infrastructure and growth-supporting investment, but delivery risks remain elevated. • Capital implementation continues to be constrained by **late capital releases, weak contract cash-backing, delays in budget approvals, and reporting lags**, which collectively stall projects, increase costs, and erode contractor confidence.

Source: ICIR, Budget Office, Proshare, Strategy& Analysis

Fiscal stability in 2026 will depend on five key drivers (4/4)

Tax reforms, execution discipline, and institutional measures will define the 2026 fiscal outlook

Institutional reforms and asset divestment strategy	• The 2026 fiscal outlook places renewed emphasis on **institutional reforms and selective asset divestment**, as complementary tools to support fiscal sustainability rather than as core deficit-financing mechanisms. • Government strategy is increasingly oriented toward **Public-Private Partnerships (PPPs) and asset concessions**, which may help reduce the direct fiscal burden on the federal treasury while supporting infrastructure delivery. • The **fast-tracking of an integrated revenue management framework** remains critical to reducing leakages across Ministries, Departments, and Agencies (MDAs) and strengthening the transparency and remittance of government revenues. • Effective implementation of these institutional reforms is expected to **support investor confidence and improve Nigeria's sovereign risk perception**, which could enhance access to lower-cost external financing over the medium term.
Managing money supply and access to liquidity	• **Disciplined cash management and liquidity control are central to fiscal stability in 2026**, as government seeks to strengthen credibility, improve budget execution, and better align spending commitments with available cash. • The Federal Ministry of Finance plans to **strengthen centralised cash management across MDAs**, leveraging the **Treasury Single Account (TSA)** and **an integrated revenue and cash management platform** to achieve real-time visibility over balances, inflows, and commitments. • **Closer coordination between the FMF, DMO, Budget Office, BPP, and the CBN** is expected to improve cash forecasting, tighten commitment controls, reduce idle balances, and support more predictable releases aligned with budget and debt-servicing priorities. • **Persistent execution weaknesses, including overlapping budget cycles and legacy obligations**, may continue to complicate cash forecasting, weaken prioritisation, and increase the likelihood of in-year liquidity stress despite improved planning frameworks.

Source: ICIR, Budget Office, Proshare, Strategy& Analysis

Nigeria missed most budget targets from 2020–2025, with weak oil output, volatile exchange rates, and persistent inflation

Historical budget performance: assumptions vs actual outcomes (2020–2025)

Year	2020		2021		2022		2023		2024		2025*	
Indicator	Assumption	Actual	Assumption	Actual	Assumption	Actual	Assumption	Actual	Assumption	Actual	Assumption	Actual
Oil price benchmark (US$/b)	57	**41.9**	40	**68.17**	73	**105.8**	75	**82.99**	78	**75.8**	75	**69**
Oil production (mbpd)	2.18	**1.49**	1.86	**1.56**	1.6	**1.24**	1.69	**1.39**	1.78	**1.48**	2.06	**1.43**
Exchange rate (₦/$)	305	**379**	379	**403.1**	410.2	**402.3**	435.6	**672.9**	800	**1,553**	1,500	**1,446**
Inflation (%)	14.13	**14.89**	15	**16.95**	16.11	**18.77**	17.2	**24.54**	21.4	**33.18**	15	**14.5**
GDP growth rate (%)	2.9	**-1.79**	3	**3.65**	3.55	**3.25**	3.75	**2.86**	3.55	**3.4**	4.6	**3.98**

Source: Budget Office, Strategy& Analysis

Actual performance was better than assumption by more than 5%

Actual performance close assumption by <=5%

Actual performance below assumption by more than 5%

NB

2025 - Data as of Q3 2025*

The proposed 2026 budget is set at ₦58.18 trillion, with a ₦23.85 trillion deficit at 4.28% of the GDP

2026 Budget framework: revenue, expenditure, and key assumptions

Revenue projection — ₦34.33 trillion

Oil	Non-Oil	GOEs
₦12.24 trillion (35.6%)	₦22.10 trillion (64.3%)	₦4.31 trillion (12.6%)

Planned expenditure — ₦58.18

Recurrent Non-Debt	Debt service	Capital expenditure	Statutory transfer	Sinking fund
₦15.25 trillion (35.6%)	₦15.5 trillion (26.2%)	₦26.08 trillion (44.8%)	₦3.2 trillion (5.5%)	₦0.4 trillion (0.7%)

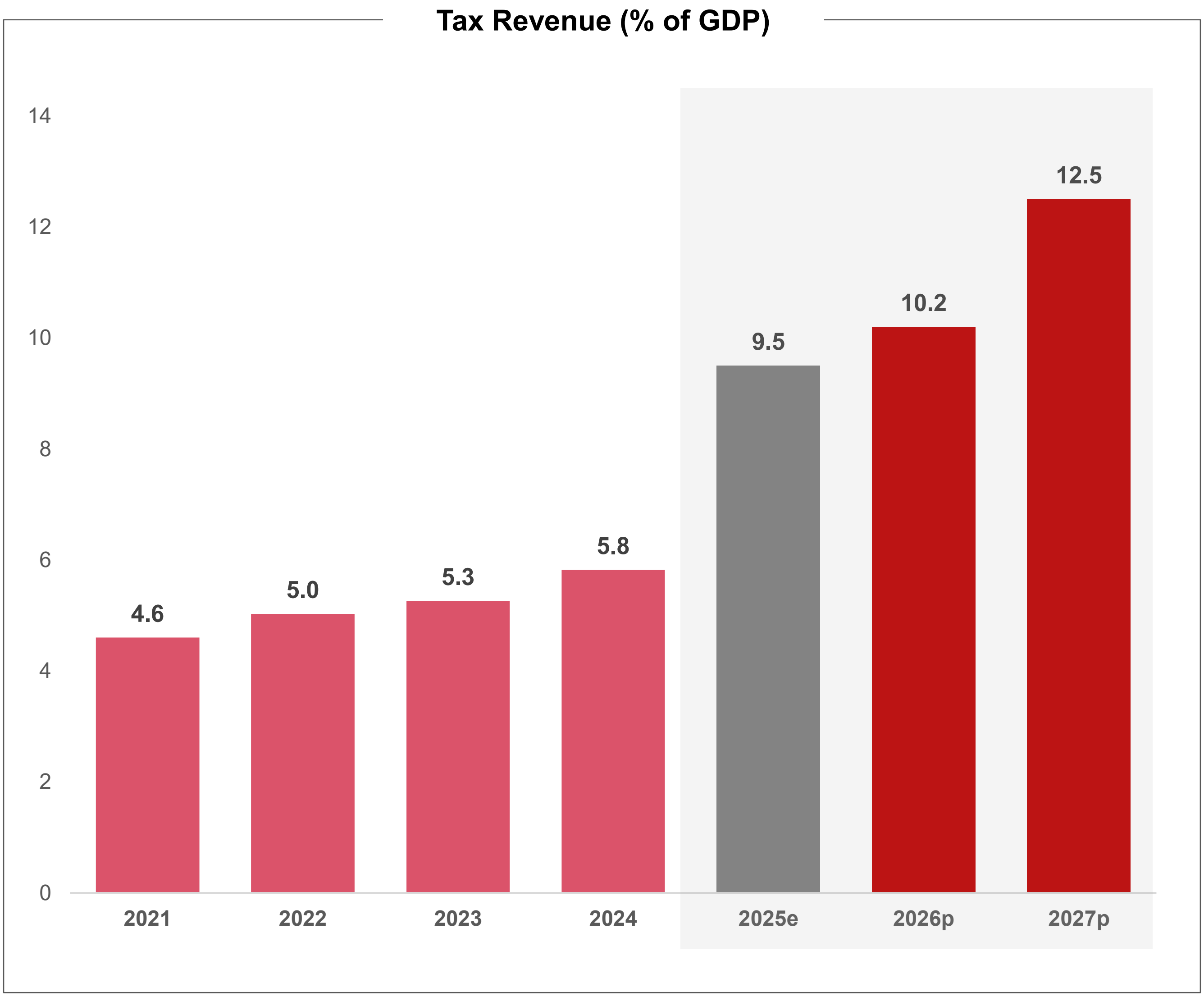
Key assumptions

Assumption	Value
Exchange rate	₦1,400/$
Oil price	$64.85 per barrel
Oil production	1.84 mbpd
Target inflation	15%
GDP growth rate	4.68%

Source: Ministry of Budget and Economic Planning, Budget Office, Strategy& Analysis

Tax revenue mobilisation may strengthen further in 2026, supported by implemented tax reforms

Trends in tax revenue to GDP ratio



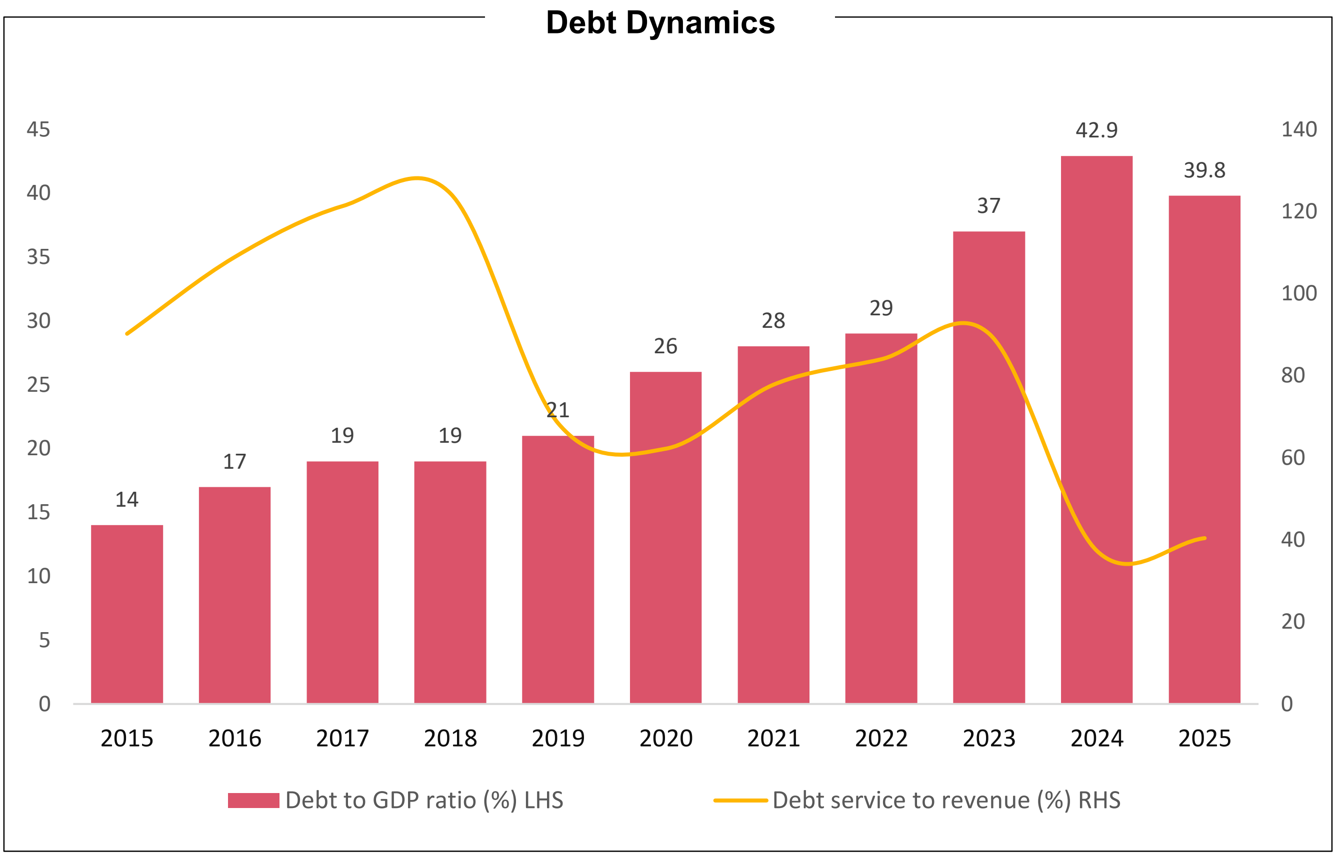
Source: World Bank, Strategy& Analysis

Key Insights

- **Nigeria's tax-to-GDP ratio is estimated to have increased to 9.5%,** reflecting recent gains from improved revenue mobilisation, enforcement, and administrative reforms.
- **Despite this improvement, tax revenue remains below the minimum desirable benchmark of 15% of GDP**, as referenced in World Bank and IMF domestic revenue mobilisation frameworks for financing core government functions.
- **In 2026, tax revenue mobilisation is expected to strengthen further**, driven by the phased implementation of tax reforms, tighter compliance enforcement, expanded use of digital revenue systems, and improved remittance discipline across revenue-generating agencies.

Debt pressures may ease in 2026, supported by effective tax reforms and stronger revenue mobilisation

Debt dynamics trend



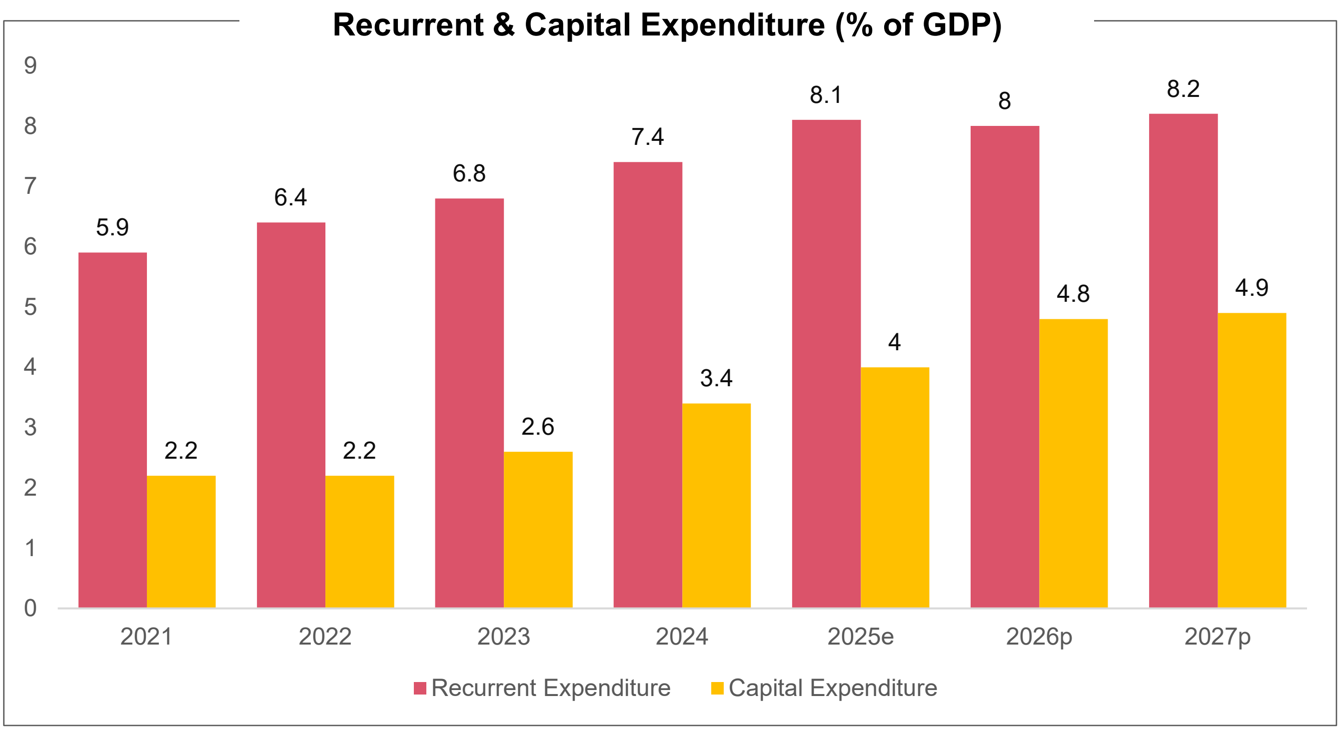
Source: World Bank, Strategy& Analysis

Key Insights

- **Public debt-to-GDP is estimated to have declined from 42.9% in 2024 to 39.8% in 2025**, supported by strong nominal GDP growth, the statistical effects of GDP rebasing, and improved fiscal receipts.
- This improvement has been underpinned by **strong non-oil revenue mobilisation, including ₦15.69 trillion in non-oil revenue collected between January and August 2025.**
- **Debt pressures are expected to ease in 2026, but fiscal vulnerabilities persist as debt service is budgeted at ₦15.52 trillion against projected revenue of ₦34.33 trillion, implying a debt service-to-revenue ratio of 45%.**
- In addition, the 2026 budget deficit of ₦23.85 trillion (4.28% of GDP) sustains elevated financing needs, limiting fiscal space and increasing exposure to refinancing, interest-rate, and exchange-rate risks.

Debt service and wage-heavy recurrent costs may crowd out fiscal space, while capital allocations may face execution risks in 2026

Expenditure trend: recurrent vs capital expenditure



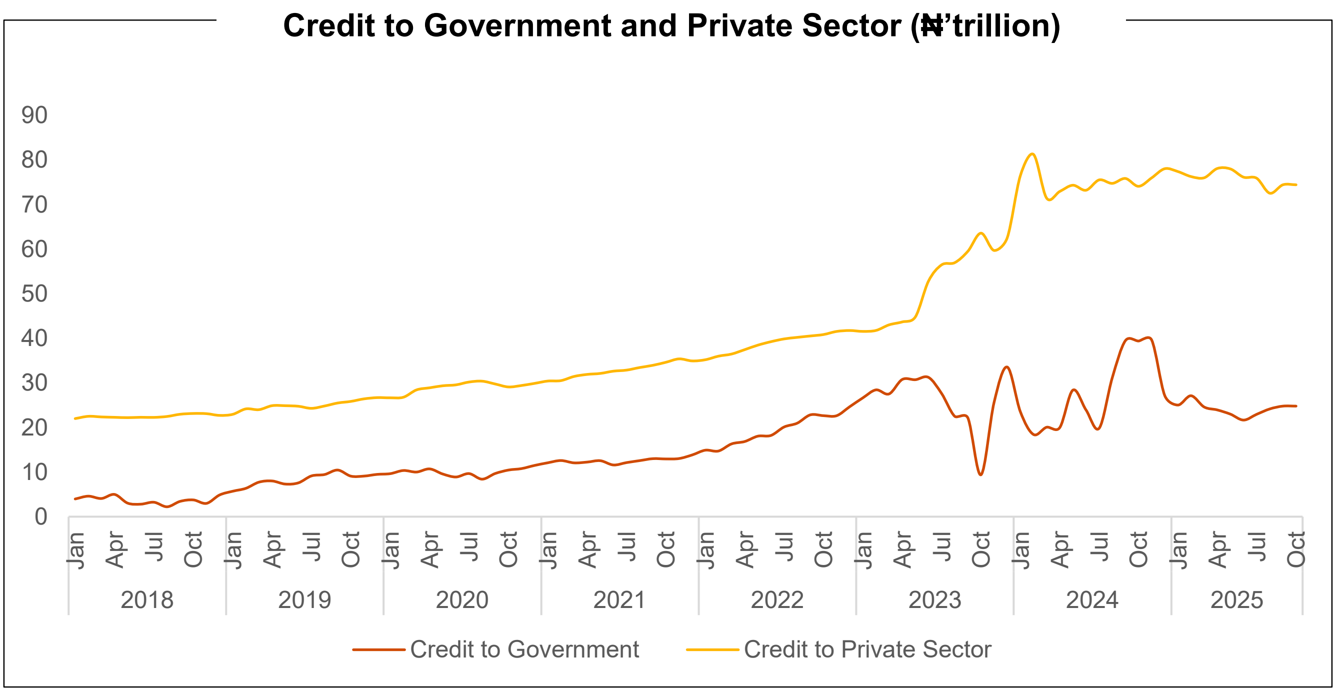
Source: Budget Office, World Bank, Strategy& Analysis

Key Insights

- **Debt service and recurrent spending may continue to crowd out fiscal space in 2026**. Debt service is budgeted at ₦15.52 trillion, while recurrent (non-debt) expenditure is **₦15.25 trillion**, bringing both items to **₦30.77 trillion, or 52.9% of total expenditure (₦58.18 trillion)**.
- **Recurrent expenditure remains structurally rigid, driven largely by personnel and statutory obligations**.
- Personnel costs, including pensions, are estimated at **₦10.75** trillion, accounting for **70.5%** of recurrent (non-debt) spending, which limits short-term fiscal flexibility when revenues underperform.
- Capital expenditure is budgeted at **₦26.08 trillion**, signalling policy intent to support growth and infrastructure delivery and rebalance spending toward productive investment.
- **However, weak execution, delayed releases, and procurement bottlenecks mean the realised growth impact in 2026 may fall short of budgeted allocations**, increasing the risk that higher spending does not translate into proportional economic outcomes.

Credit conditions may remain tight in 2026, as both supply and demand-sides constraints may limit private-sector borrowing

Credit to government and private sector trend



Source: CBN , Strategy& Analysis

Key Insights

- **Credit to government fell sharply from ₦39.39 trillion in October 2024 to ₦24.79 trillion in October 2025, yet private-sector credit stayed almost flat (₦74.07 trillion to ₦74.41 trillion),** showing that liquidity freed from government borrowing did not translate into private lending.
- Elevated borrowing costs (policy rate at 27%) and double-digit inflation continue to suppress credit demand, as businesses face higher working capital needs and uncertain returns.
- Exchange rate remains high though more stable, adding FX risk for import-dependent firms and discouraging debt-funded expansion projects.
- This combination of weak demand and cautious lending implies constrained private investment in 2026, limiting financing for industrial, infrastructure, and expansion projects despite easing government demand for funds.

There are key debt sustainability issues to contend with in 2026 (1/2)

Key debt sustainability pressures and implications for 2026

	Drivers	Implications for 2026
Revenue shortfalls & fiscal imbalance	• Expected 2026 revenue is **₦34.33 trillion against projected expenditure of ₦58.18 trillion, implying a deficit of ₦23.85 trillion (4.28% of GDP)**. • The large deficit sustains elevated financing needs, constraining fiscal flexibility and increasing exposure to refinancing and macroeconomic shocks.	• Lower revenue inflows **weaken the government's capacity to meet debt obligations from operating cash flows**. • **Higher reliance on borrowing increases debt accumulation and raises debt service-to-revenue ratios**, heightening sustainability concerns.
Debt-service burden risk	• Debt servicing is budgeted at **₦15.52 trillion** in 2026. • Debt service equals **45.2%** of projected revenue, materially crowding out capital and social spending. • Debt service represents **26.7%** of total expenditure.	• A growing share of revenue is absorbed by **interest and principal payments, crowding out capital and social spending**. • Fiscal flexibility diminishes, increasing vulnerability to revenue or macroeconomic shocks.
Exchange rate/FX exposure	• The 2026 budget assumes an average exchange rate of **₦1,400/$.** • FX shocks remain a key risk because a meaningful share of obligations is foreign-currency denominated, and depreciation raises **the naira cost of servicing external debt and other FX-linked commitments**.	• Currency depreciation increases **the domestic cost of servicing external debt, even without new borrowing**. • **FX shocks can quickly worsen debt metrics and pressure reserves**.

Source: Budget Office, Strategy& Analysis

There are key debt sustainability issues to contend with in 2026 (2/2)

Key debt sustainability pressures and implications for 2026

	Drivers	Implications for 2026
Refinancing and rollover risk	• The **₦23.85 trillion budget deficit** implies continued reliance on borrowing to meet financing needs. • Financing is expected to remain largely domestically oriented, increasing competition for local capital. • Successive years of large deficits increase future refinancing volumes.	• Elevated rollover requirements **may increase exposure** to market liquidity conditions. • Domestic yields may remain elevated, raising refinancing costs and crowding out private investment. • Refinancing pressures could intensify if market conditions tighten.
Recurrent expenditure pressures	• **Recurrent non-debt expenditure is budgeted at ₦15.25 trillion in 2026**, covering personnel costs, overheads, and statutory transfers. • Recurrent non-debt spending represents **26.2% of total expenditure** (₦15.25 trillion out of ₦58.18 trillion). • A large share of recurrent spending is structurally inflexible in the short term.	• High rigidity in recurrent spending **may limit fiscal adjustment capacity** during revenue shortfalls. • Revenue underperformance **may translate into delayed capital execution or additional borrowing**, rather than cuts to recurrent spending. • Persistent rigidity **could weaken expenditure reprioritisation** and reduce the growth impact of fiscal policy in 2026.
Interest rate risk	• **Debt service is budgeted at ₦15.52 trillion**, equivalent to **45.2% of projected revenue**, reflecting high sensitivity to financing costs. • Large domestic refinancing volumes expose the budget to yield repricing risk.	• Higher domestic interest rates **may translate directly into rising debt-service costs**, tightening fiscal space. • Refinancing at elevated yields **could accelerate debt service growth faster than revenue growth**, increasing fiscal strain.

Source: DMO Strategy& Analysis

Source: Budget Office, Strategy& Analysis

Fiscal conditions in 2026 may remain constrained, reflecting modest revenue gains, persistent debt pressures, and execution risks

Key takeaways

1 Revenue momentum may improve, but fiscal space remains tight

- **The fiscal deficit is projected to stay high**, easing only slightly by year-end as revenue reforms gain traction.
- **Non-oil revenues are expected to grow year-on-year**, driven by VAT and CIT compliance improvements and digital tax administration.
- **Oil revenues may recover modestly**, but production is likely to remain below targets due to security and infrastructure constraints.

2 Fiscal deficit and debt pressures may persist

- **Borrowing needs will remain elevated,** with most financing sourced domestically, sustaining upward pressure on yields and constraining private-sector credit.
- **Debt service is expected to absorb nearly half of federal revenue**, limiting fiscal space for capital projects and social programmes.
- **External debt pressures may persist**, driven by rollover needs and shifting global financial conditions.

3 Reform delivery and execution discipline will be decisive

- **Tax reforms and the Unified Revenue Platform are expected to improve compliance and reduce leakages, but enforcement will be critical.**
- **Subsidy savings may be reallocated toward social protection and infrastructure**, though political pressures may slow deeper cuts.
- **Capital project execution remains a major risk**; delays in procurement and cash releases could push many projects into 2027.

Source: DMO, Budget Office, Strategy& Analysis

Seven key issues that will shape the economy in 2026

Global dynamics and geopolitics: *shifting trade patterns, regional tensions & policy realignments redefine global outlook*

Addressing fiscal sustainability and executing reforms: *elevated debt obligations, deepening revenue mobilisation strategy & acceleration of reforms shape policy choices*

Strengthening monetary policy effectiveness: *anchoring expectations, inflation risks & external shocks challenge to price stability*

Uneven sectoral growth dynamics: *uneven growth trends, structural bottlenecks & shifting demand patterns reshape industry outlook*

Consumer dilemma: *spending recovery in the face of dwindling real income*

Domestic security and social stability pressures: *prevailing insecurity & land-use conflicts challenge national cohesion*

Stronger momentum in the emergence of digital economy and AI: *regulatory clarity, AI adoption gaps & infrastructure constraints shape digital growth*

Sources: Strategy& Analysis

Monetary policy actions in 2025 supported disinflation, FX stability and external buffers

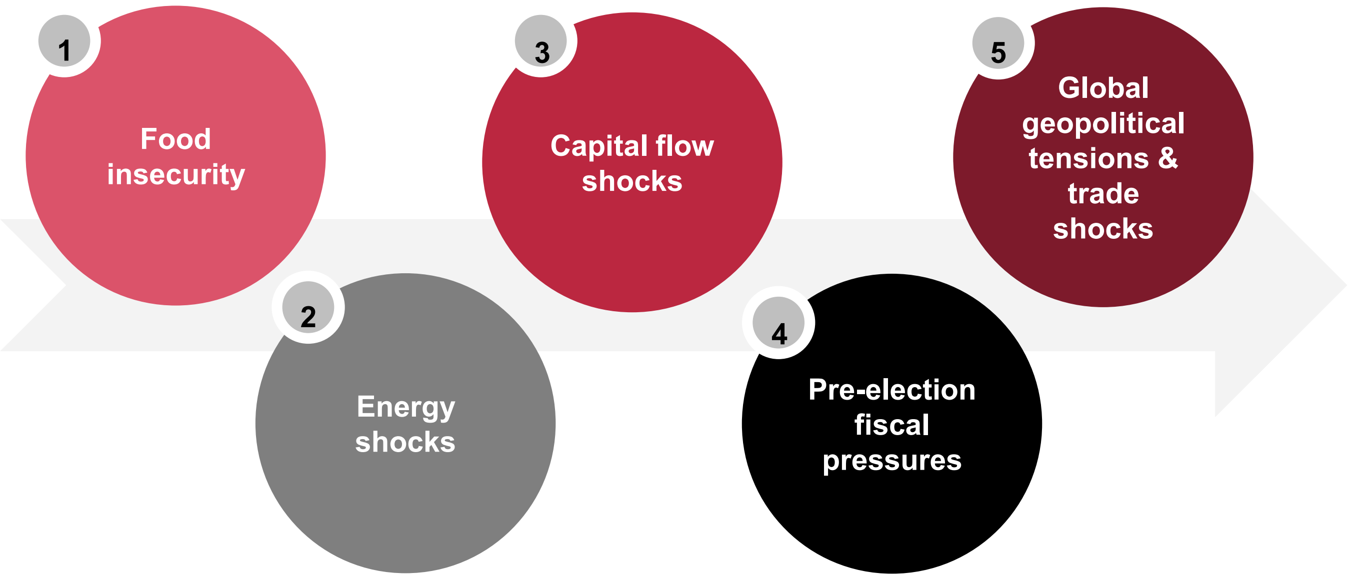
In 2025, Nigeria witnessed disinflation, FX stability, and policy tightening

Sustained disinflationary trend	• **Nigeria achieved sustained disinflation in 2025, with headline inflation falling for eight consecutive months to 14.45% in November**, a 3.5-year low. The decline was driven by base effects, easing food prices, improved FX stability, and tight monetary policy. • This broad-based moderation, affecting food and core components, showed an overall easing of price pressures in the economy.
Exchange rate stability	• **The exchange rate appreciated by 6.9% y/y to ₦1,436.31/US$ in December 2025 and remained broadly stable through the year.** • **Foreign reserves increased by 11.1% y/y to $45.5 billion in December 2025,** reflecting stronger foreign inflows, rising remittances, resilient non-oil exports and steady investor demand for high-yield domestic instruments.
Improved domestic food supply	• Food inflation, a major component of the inflation basket, moderated due to improved domestic supply during the harvest seasons and stable exchange rate. • Food inflation declined for the fifth consecutive month to 11.08% in November 2025.
Monetary policy efficiency	• **Monetary policy remained tight for most of the year, with the Central Bank of Nigeria (CBN) holding the Monetary Policy Rate (MPR) at 27% to anchor inflation expectations and stabilise macroeconomic conditions.** • Towards year-end, the CBN adopted a cautious easing stance, lowering the MPR to 27% as inflation moderated, signalling a gradual shift towards disinflation while preserving macroeconomic stability.

Source: CBN, NBS Strategy& Analysis

To sustain the monetary policy and price stability momentum, there are potential pressure points and shocks to contend with in 2026

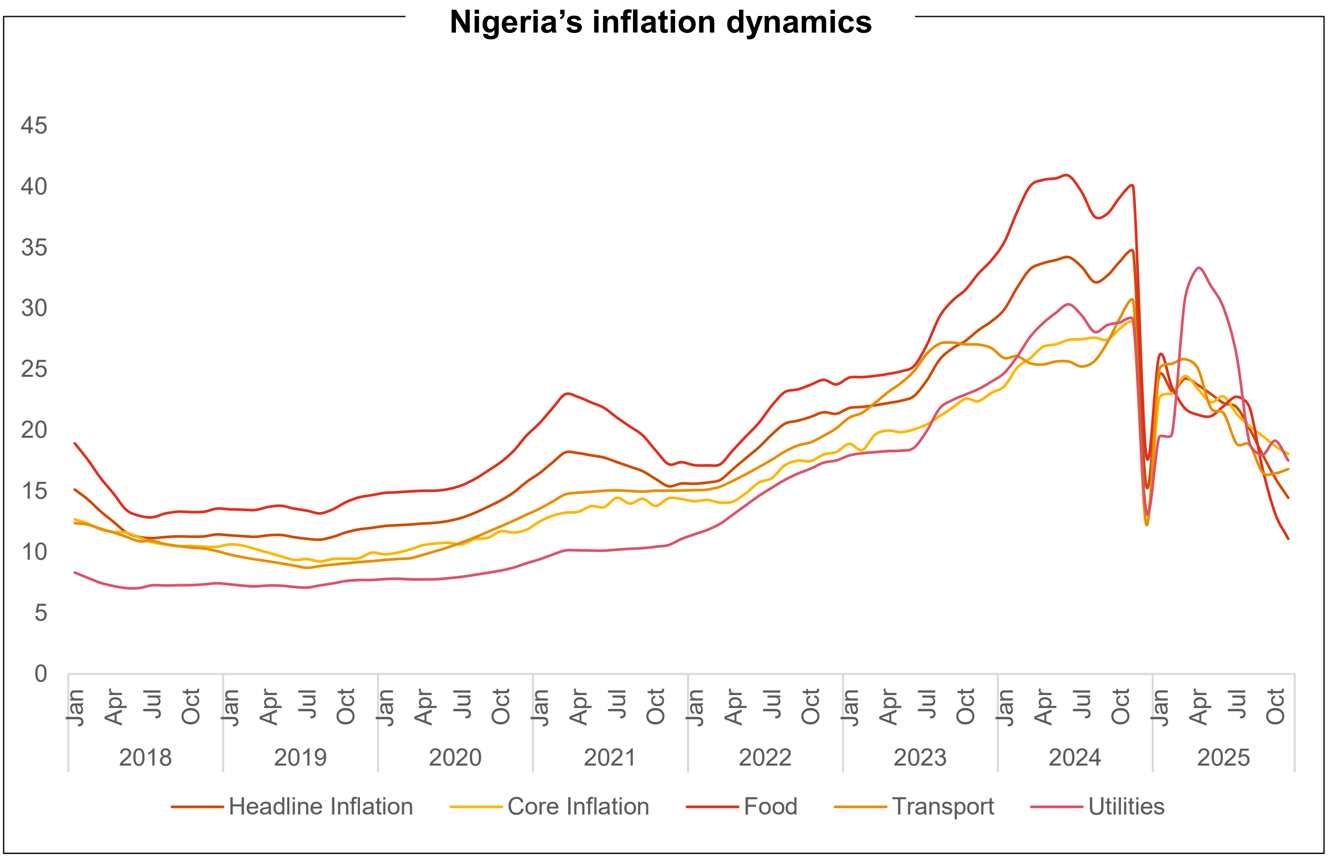
Key pressure points and shocks that may disrupt price stability in 2026



Source: Strategy& Analysis

Disinflation in 2025 was broad-based, but sustaining price stability in 2026 will hinge on internal and external shocks to contend with..

Inflation dynamics trend



Key insights

- **Nigeria achieved sustained disinflation in 2025, with headline inflation falling for eight consecutive months to 14.45% in November**, a 3.5-year low. The decline was driven by base effects, easing food prices, improved FX stability, and tight monetary policy.
- **Inflation is expected to moderate further in 2026,** supported by FX stability, higher agricultural output, and policy consistency. However, risks remain from pre-election fiscal pressures, insecurity in food-producing regions, and global oil price volatility.

Source: NBS , Strategy& Analysis

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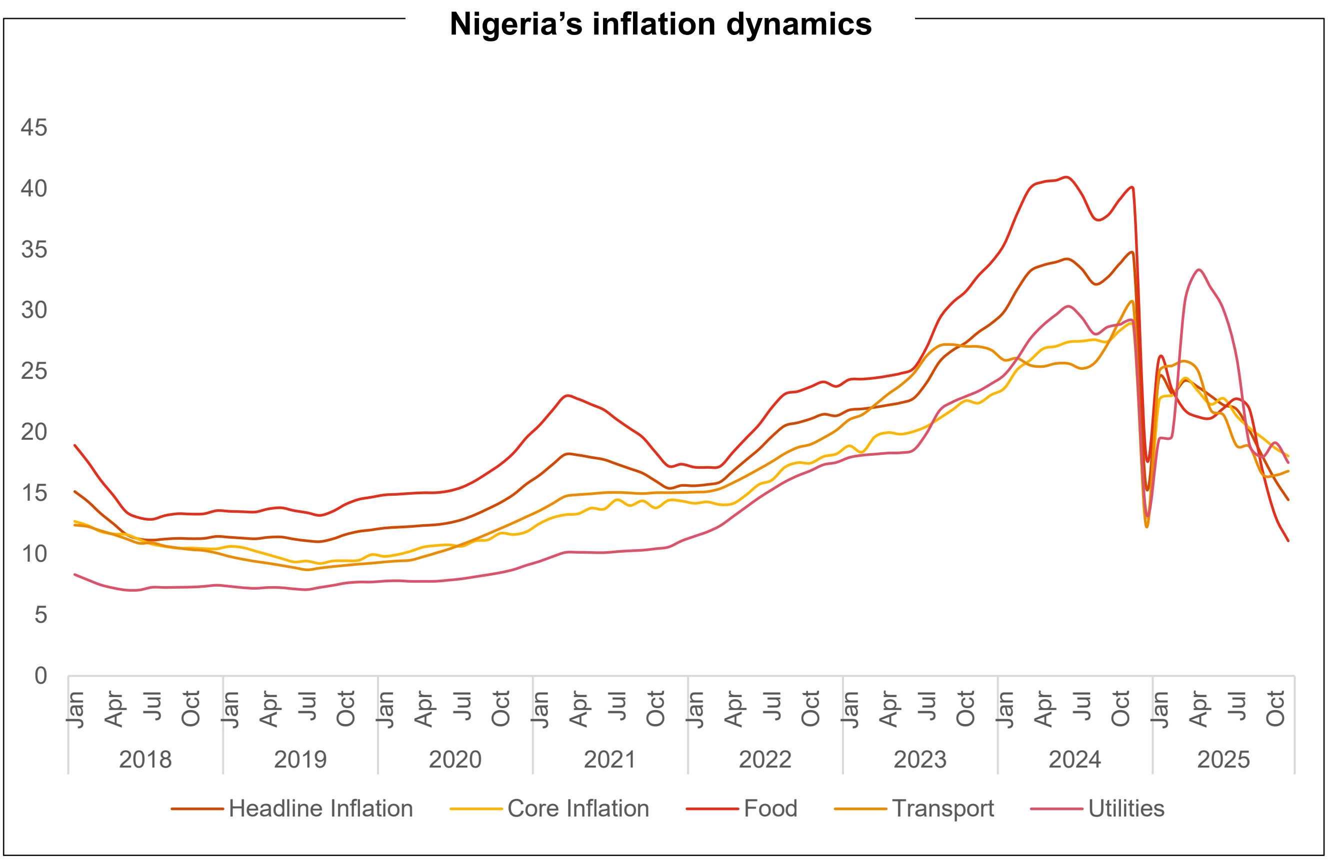

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Source: NBS , Strategy& Analysis

To sustain the monetary policy and price stability momentum, there are potential pressure points and shocks to contend with in 2026 (1/2)

Implication of pressure points and shocks on price stability

Potential shock	Drivers	Implications for 2026
Food insecurity	• The ongoing insurgency and banditry in food-producing North Central and Northeast regions **have led to an estimated 30.6 million people facing acute food insecurity during the 2025 lean season**, with numbers expected to rise without sustained intervention.	• This shock would primarily fuel supply-side inflation as food production is hindered, keeping overall price levels high.
Energy shocks	• With average crude oil prices projected at **$55 per barrel in 2026**, a sustained downturn below this level would weaken government revenue and foreign exchange inflows, increasing pressure on the exchange rate and monetary policy transmission, even if lower fuel costs ease some inflation pressures. • While crude oil production is recovering at **1.436 mbpd as of November 2025**, close to OPEC quota, **output remains vulnerable to security risks, operational disruptions, and infrastructure constraints that could undermine export volumes and revenue stability**. • **Reduced oil receipts and continued reliance on fuel imports would tighten FX liquidity and amplify energy-related pressures during periods of oil market volatility**.	• An energy shock may likely lead to cost-push inflation by increasing transportation and production costs across all sectors.

Source: NBS , FAO, World Bank, Strategy& Analysis

To sustain the monetary policy and price stability momentum, there are potential pressure points and shocks to contend with in 2026 (2/2)

Implication of pressure points and shocks on price stability

Potential Shock	Drivers	Implications for 2026
Pre-election fiscal pressures	• Pre-election pressures are likely to drive higher government spending on **wages, transfers, and politically sensitive programmes, injecting additional liquidity into the economy and boosting aggregate demand**. • Nigeria's 2023 election cycle was associated with elevated fiscal outlays and rapid liquidity growth, which coincided with rising inflationary pressures, particularly across food and core components.	• This shock would contribute to demand-pull inflation through increased money supply and aggregate demand, without a proportional increase in available goods and services.
Global geopolitical tensions & trade shocks	• Middle East/Red Sea tensions could disrupt **shipping routes and raise freight and insurance costs, increasing Nigeria's import bill and pass-through to fuel, food, medicines, and industrial inputs, with inflationary pressure**. • **Escalating US–Venezuela tensions could heighten geopolitical risk**, disrupt oil market expectations, and reinforce global cost-push inflation pressures in 2026 • Escalation could amplify oil price volatility and global risk-off sentiment, affecting Nigeria's FX inflows, external reserves, and borrowing costs, and tightening financial conditions even if oil prices rise.	• Global trade shocks could exacerbate supply chain disruptions, increasing the cost of both food and non-food commodities.
Capital flow shocks	• Shifts in global risk sentiment and US interest-rate expectations could reduce foreign portfolio inflows into Nigerian fixed income and equities. • **FDI inflows could slow if investor confidence weakens due to policy reversals, regulatory uncertainty, or rising operating cost**.	• Weaker portfolio inflows or delayed FDI could reduce FX inflow momentum, tightening market liquidity. • Slower FDI would limit stable, long-term FX inflows, dampening capital formation and productivity growth. • Combined pressures could raise the naira cost of imports and external financing, reinforcing inflationary and investment constraints.

Source: NBS Strategy& Analysis

Conflict, high input costs, and climate shocks are expected to push 34.7 million Nigerians into acute food insecurity in 2026

Food security risks in 2026

Potential food insecurity shocks in 2026

Escalating insecurity and conflict

- Insecurity displaces farmers across northern regions, disrupting planting, harvesting, and output.
- 34,000 people were displaced in Borno, Adamawa, and Yobe (Jan–Oct 2025), reducing agricultural labour supply.
- Disrupted transport and trade prevent surplus food from reaching deficit markets, sustaining high prices.

High agricultural input costs

- **The national average price of NPK fertiliser rose by 19.5% to ₦52,000 per 50kg bag in 2025**.
- **Production costs increased sharply, with maize and soybean production costs up 29.2% and 36.8%, respectively.**
- **Limited access to finance reduced input usage: only 62% of farmers used agricultural inputs in 2025, down from 81% in 2024**, leading to a 24% drop in input application and an 8% contraction in cultivated land.
- **Persistently high fuel prices (30% higher y/y in 2025)** raised transportation and on-farm energy costs, reinforcing domestic food price pressures.

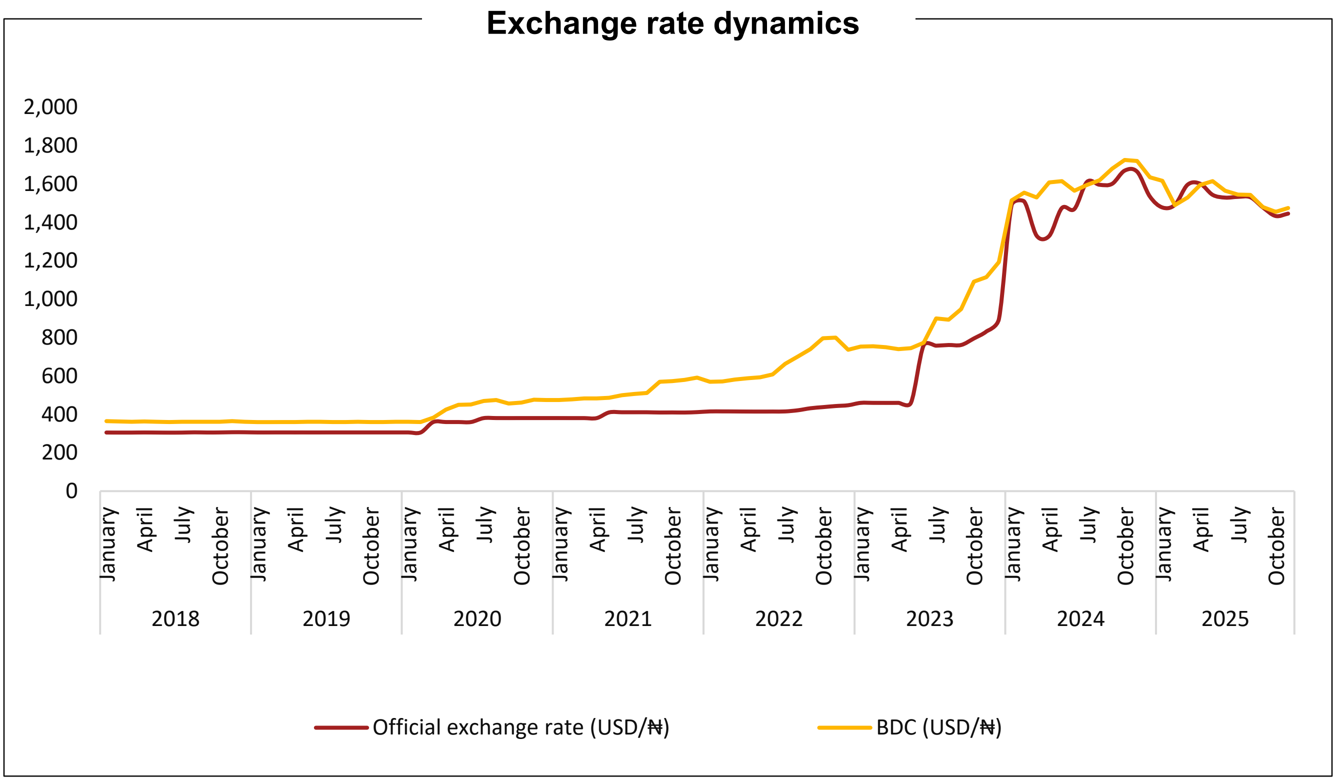
Climate shocks

- **Flooding between June and October 2025 affected over 1.6 million hectares of farmland**, leading to significant crop losses and forcing farmers into cycles of poverty.
- **Erratic weather patterns, including irregular rainfall and dry spells in 2025**, **have led to below-average overall production and reduced food availability in affected regions, exacerbating the food security situation for 2026.**

Source: International Organization for Migration, AFEX, FAO, Strategy& Analysis

While exchange rate is projected to remain stable in 2026, it is subject to downside risks that could disrupt price stability

Exchange rate trend



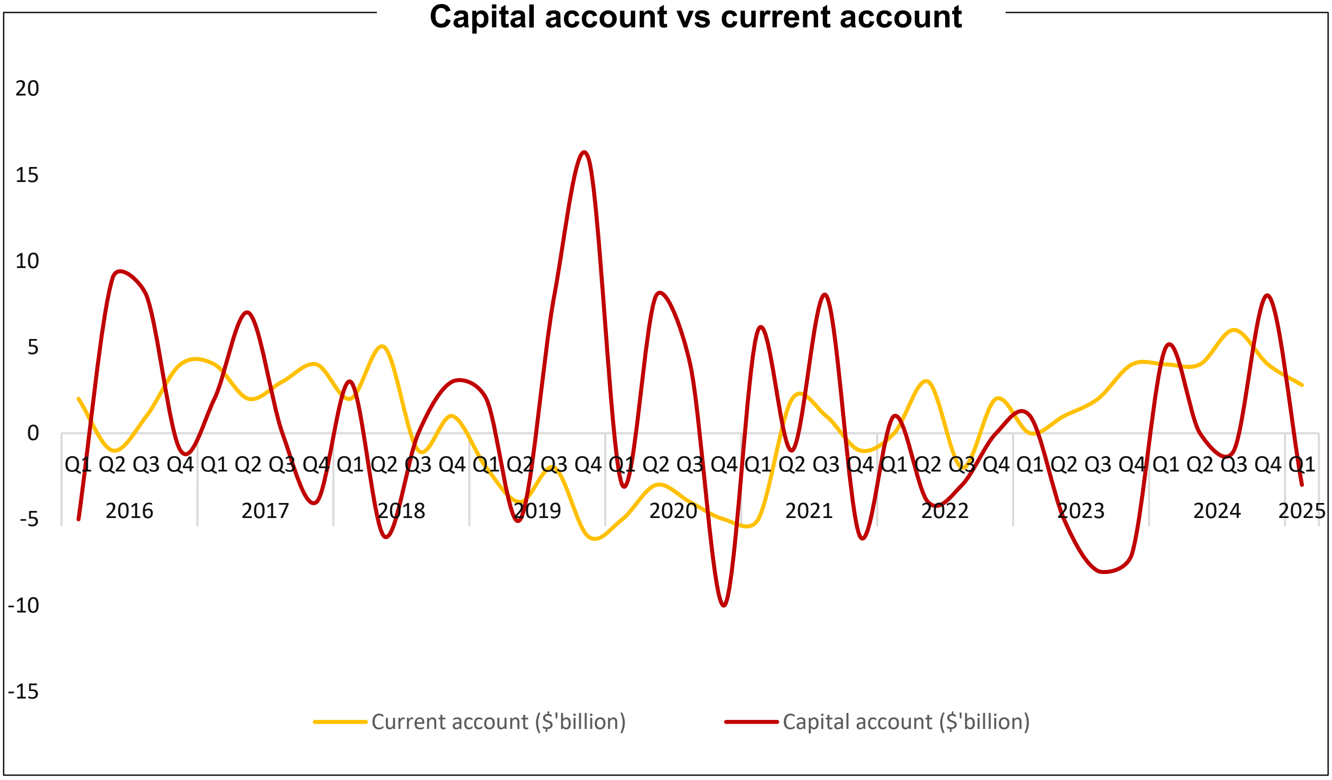
Key Insights

- In 2025, the exchange rate appreciated by **6.9% y/y to ₦1,436.31/$ in December**, supported by higher external reserves of **$45.45 billion**, strong remittance inflows, and improved transparency under the unified FX framework.
- **The outlook remains positive for 2026, with stability expected to persist on the back of a positive current-account balance, sustained FX inflows, and continued policy transparency that reinforces market confidence**.
- However, downside risks include potential external shocks, reserve depletion, reversal of portfolio flows, inflationary pressures, and a possible deterioration in the current-account balance that could disrupt price stability.

Source: CBN, Strategy& Analysis

...and external pressures may persist in 2026 without stronger non-oil exports and capital inflows

Capital and current account trend



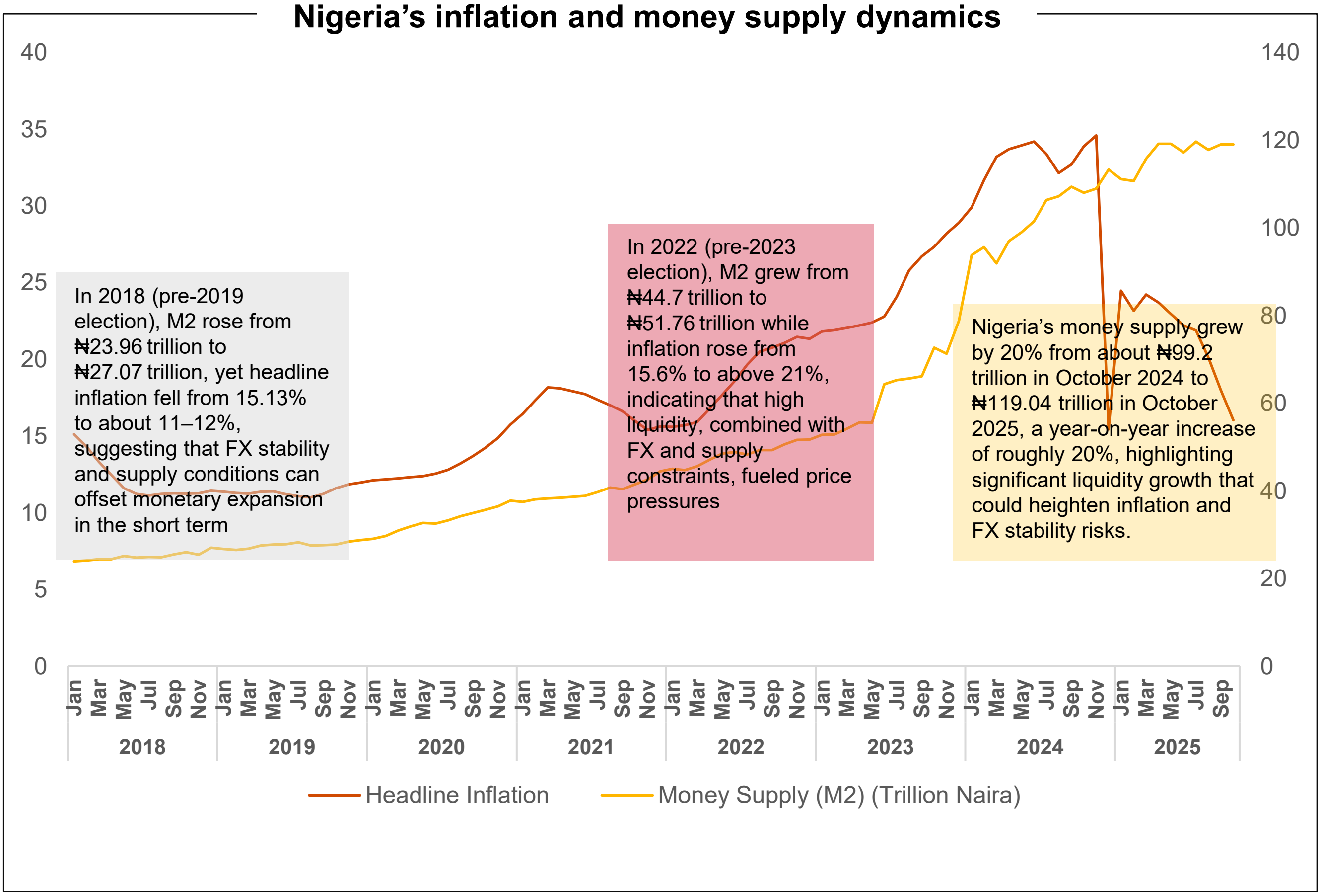
Key Insights

- Nigeria's current-account surplus rose slightly **to $3.73 billion in Q1 2025 (from $3.69 billion in Q1 2024),** but this position is vulnerable to global trade shocks such as the Red Sea shipping disruptions, US geopolitical play and Middle East tensions that recently increased freight costs and strained supply chains.
- Despite export gains, the balance of payments recorded a **$2.77 billion deficit in Q1 2025**, and similar shocks to global energy and food markets could worsen deficits, pressure FX reserves, and destabilise the exchange rate.
- Without stronger non-oil exports and higher capital inflows, **external-sector pressures driven by geopolitical conflicts and supply-chain disruptions, such as OPEC+ production cuts or slowing Chinese demand, may trigger inflationary pressures and undermine price stability in 2026**.

Source: CBN Strategy& Analysis

With elections approaching in 2027, risk of elevated fiscal spending in 2026 may trigger inflation risks in 2026

Liquidity and inflation risks ahead of 2027 elections



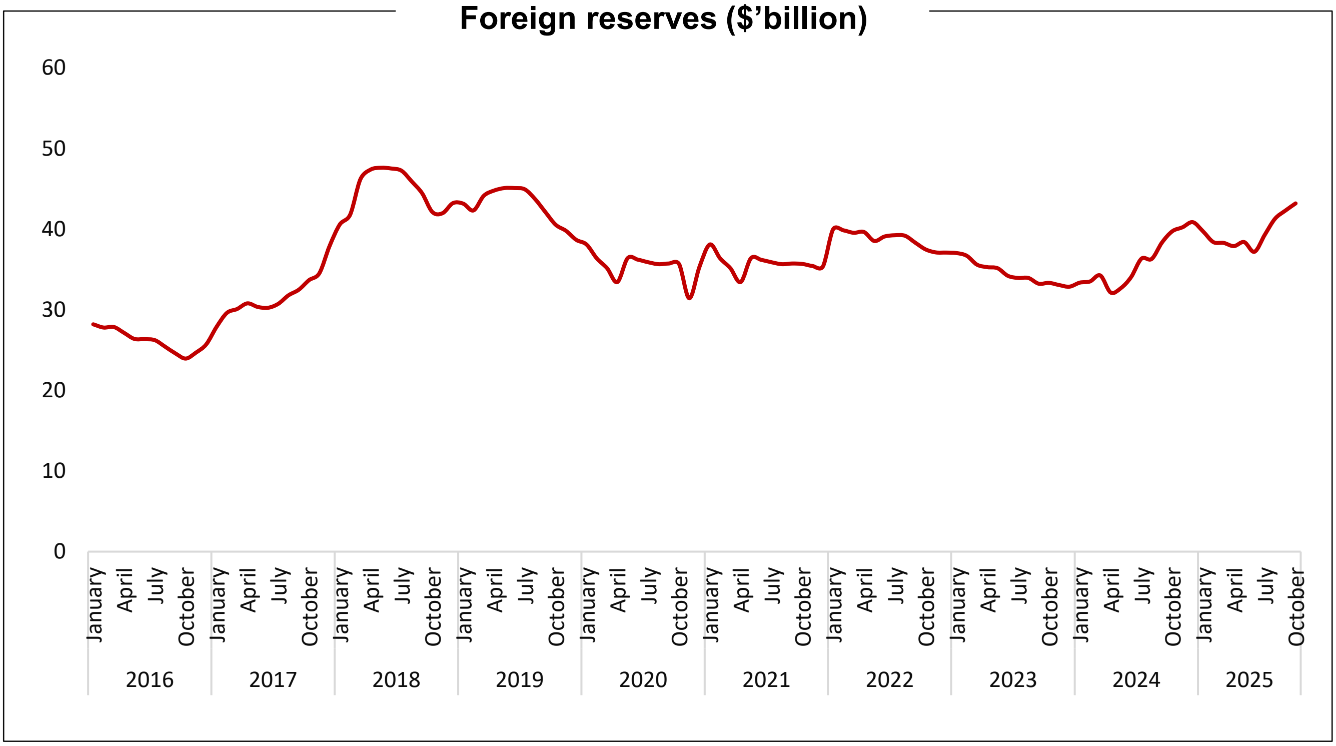
Key Insights

- In 2018, money supply (M2) rose from ₦23.96 trillion in January to ₦27.07 trillion in December, yet inflation fell from 15.13% to 11.44%, showing that liquidity growth did not drive prices as stable FX and supply-side conditions offset inflationary pressure.
- **In 2022, M2 rose from roughly ₦44.7 trillion in February to ₦51.76 trillion by December, while inflation climbed from 15.6% to above 21%,** indicating that liquidity expansion combined with FX instability and supply constraints amplified price pressures.
- **By October 2025, money supply grew to ₦119.04 trillion from ₦99.2 trillion a year earlier (20% y/y), implying significant liquidity growth that, if paired with food supply shocks or FX depreciation ahead of the 2027 elections, could trigger inflationary risks like 2022.**

Source: CBN, NBS, Strategy& Analysis

Foreign reserves projected to rise in 2026, underpinned by sustained investor confidence and improved external flows

Foreign reserves trend



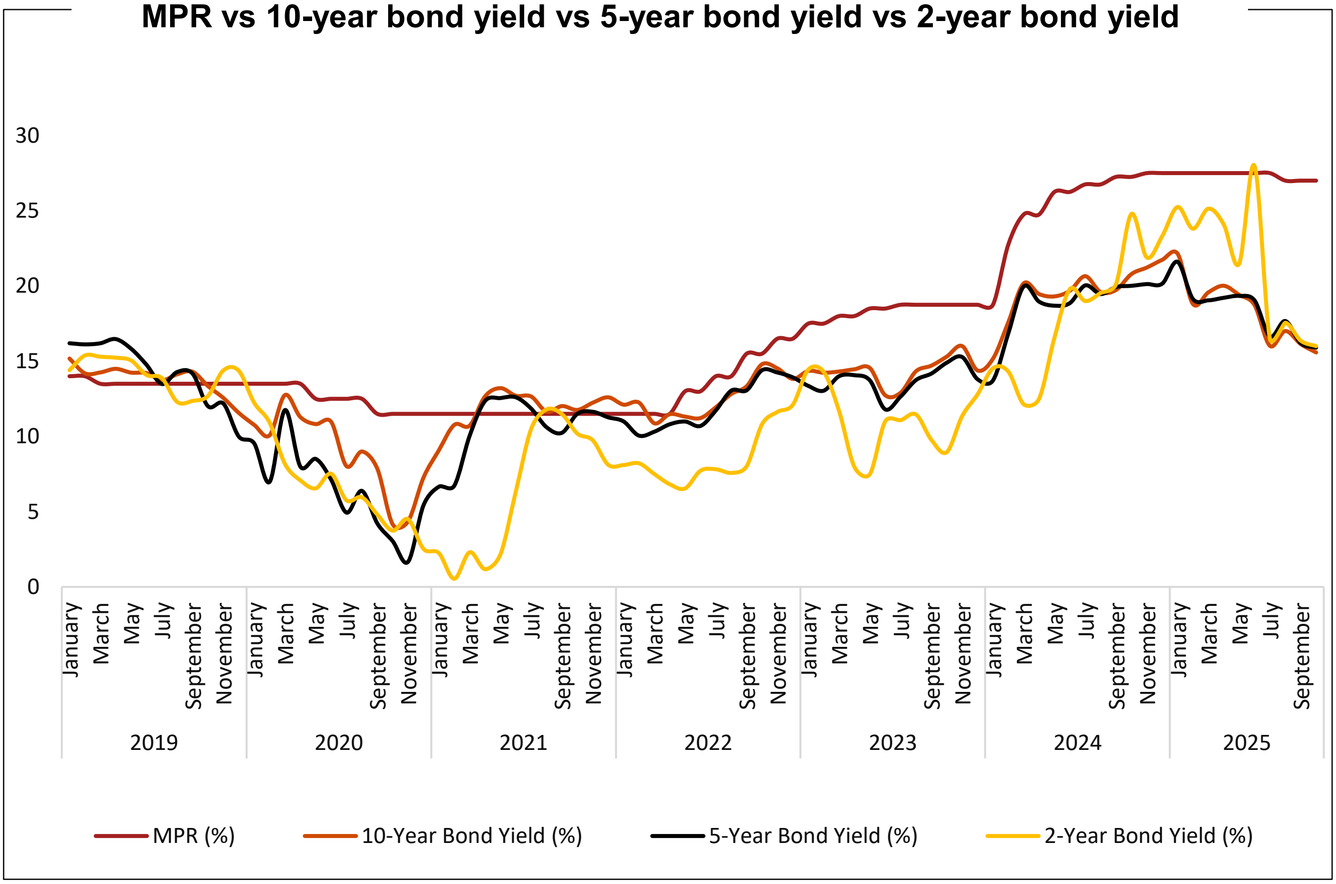
Key Insights

- **Foreign reserves reached $45.45 billion in December 2025**, reflecting stronger foreign inflows, rising remittances, resilient non-oil exports and steady investor demand for high-yield domestic instruments.
- FX reserves are expected to increase further in 2026, supported by stronger external buffers and sustained foreign-portfolio interest, although oil-price volatility and external-financing risks remain relevant headwinds.

Source: CBN, Strategy& Analysis

Yields could ease further in 2026, driven by lower inflation expectations, improved fiscal coordination, and cautious MPR easing

MPR and bond yields trends



Key Insights

- Although the policy rate remained high at 27%, **bond yields across major maturities started to decline, reflecting moderating inflation and a gradual improvement in investor sentiment**.
- The yield curve flattened as 2-year, 5-year and 10-year yields converged below the MPR, consistent with the World Bank's view that monetary transmission is still incomplete and short-term yields remain anchored to the policy rate.
- **Yields are projected to fall further in 2026, supported by lower inflation expectations, reduced term premia, improved fiscal coordination and cautious monetary easing by the CBN in line with stabilising global financial conditions**.

Source: Investing.com, Strategy& Analysis

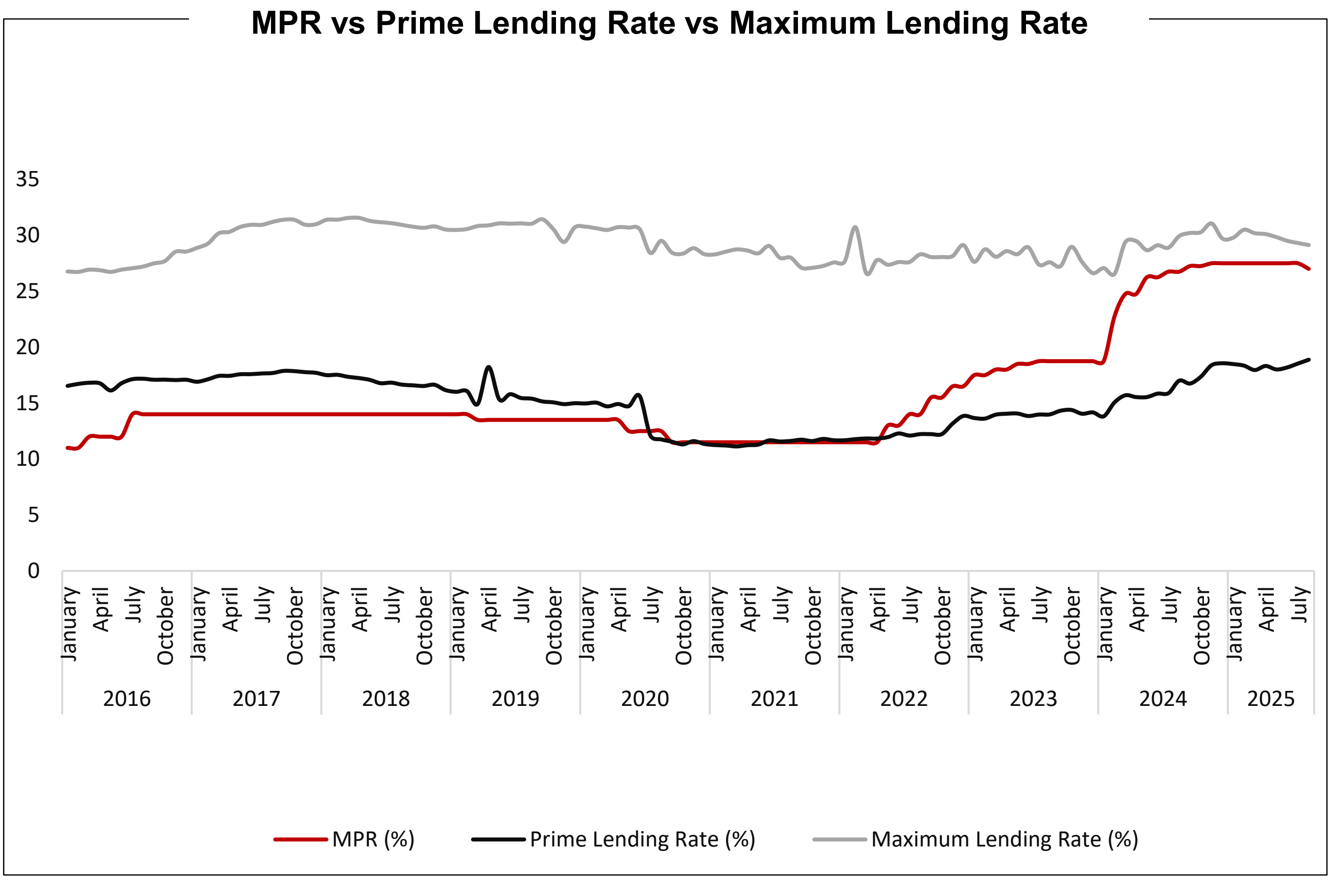
As a result, targeted liquidity drains combined with selective rate hikes offer the optimal mix to stabilise prices without stifling growth in 2026

Policy tool/option	Drivers	Liquidity, inflation nad growth implications
OMO/liquidity mop-up/CRR/ reserve tools	• **In 2024, CBN sold ₦10.18 trillion in OMO bills**, a significant increase from prior years. • **Between Jan–Aug 2025, CBN raised ₦26.4 trillion through Treasury bills and Open market operations** (₦16.92 trillion via OMO, ₦9.47 trillion via T-Bills). • In April 2025, an OMO auction attracted over ₦1 trillion in subscriptions (initial offer ₦500 bn).	• **Absorbs excess system liquidity and slows money-supply (M2/M3) growth**, reducing inflationary pressure without broad rate shocks. • **Less growth-damaging than blanket hikes,** preserving credit access for productive and priority sectors if well-calibrated.
MPR (policy-rate) hikes/corridor adjustments	• **As of December 2025, CBN held MPR at 27%,** after previous hikes in 2024. • **Despite high MPR, broad money supply (M2) rose to ₦119.65 trillion** by October 2025, a 20% y-o-y increase from October 2024.	• **Anchors inflation expectations and restrains demand** but raises economy-wide borrowing costs. • **Over-tightening risks crowding out private credit,** widening spreads, and dampening investment and growth.

Source: CBN, Strategy& Analysis

CBN may continue to adopt cautious monetary easing in 2026 as inflation moderates and lending rates stabilise

Monetary Policy Rate trend



Key Insights

- **The CBN maintained the MPR at 27% at its November 2025 MPC meeting**, signalling the start of a cautious easing cycle as headline inflation continued its downward trend to 14.45% in November 2025.
- In August 2025, the prime lending rate increased to 18.88%, while the maximum lending rate eased slightly to 29.13%, reflecting modest loan repricing as banks responded to high policy rates and improving market liquidity.
- **With inflation moderating and FX conditions firming, monetary policy is expected to ease gradually in 2026 as the CBN seeks to support credit expansion while maintaining price stability.**

Source: CBN, Strategy& Analysis

CBN's 2026 priorities focus on strengthening monetary policy credibility and macro-financial stability

CBN priorities for 2026

Priority area	CBN's focus for 2026	Critical actions for CBN
Strengthening monetary policy for price stability	• Sustain commitment to price stability **through orthodox monetary tools.** • Enhance forward guidance and transparency. • Improve monetary–fiscal coordination for predictable growth.	• **Maintain cautious monetary stance** until inflation expectations are anchored. • Issue clearer, consistent policy communication. • Limit deficit monetisation and policy slippage.
Safeguarding financial stability & deepening domestic markets	• **Real-time monitoring of FSIs by sector and geography.** • Automate stress-testing and asset quality reviews. • Strengthen global standing instruction (GSI) framework for loan recovery. • Enhance data privacy laws for banks and fintechs. • Facilitate cross-border capital flows.	• Increase frequency and depth of supervisory diagnostics. • Enforce GSI-based loan recovery. • Tighten prudential and governance enforcement for systemically important banks and fintechs.
Enhancing external sector stability & competitiveness	• **Enforce Nigerian FX Code (2025) to maintain price discovery.** • Strengthen local-currency settlement in intra-African trade. • Harmonise trade documentation standards. • Promote Green Bonds and climate-aligned finance. • Support domestic refining capacity to stabilise energy supply.	• Tighten FX market surveillance and sanctions. • **Expand PAPSS participation** and harmonise documentation. • **Align monetary and regulatory frameworks** for climate finance and infrastructure funding. • **Mobilise sustainable finance instruments** and ensure consistency with price stability.

Source: CBN, Strategy& Analysis

Moderating inflation with cautious easing, but food, energy, and capital shocks make policy discipline vital for stability in 2026

Key takeaways

1 Inflation eases, monetary policy turns cautious

- **Headline inflation is projected to moderate further in 2026, supported by FX stability and improved food supply, though fiscal and security risks remain.**
- **The CBN is expected to begin gradual monetary easing from the current policy rate in 2026**, to support credit growth while maintaining price stability.
- **Bond yields may decline, and the naira may remain broadly stable in 2026**, supported by easing inflation expectations and stronger reserves.

2 External shocks could disrupt gains

- **Food insecurity and climate shocks may push more Nigerians into acute hunger**, fueling supply-side inflation, if not controlled.
- **Energy volatility persists, with crude oil averaging $55/barrel and refining disruptions possibly triggering cost-push inflation.**
- **Capital flow reversals and geopolitical tensions could pressure FX reserves**, weaken the naira, and amplify imported inflation in 2026.

3 Policy discipline may anchor stability

- **Inflation-targeting framework deepens, with better data, forecasting, and strong policy signaling to anchor expectations.**
- **Fiscal restraint and security improvements are critical to curb election-driven spending and boost domestic food production.**
- Financial system resilience and innovation through stronger bank governance, digital payments expansion, and AI-driven analytics for risk management.

Source: EIA, Strategy& Analysis

Seven (7) key issues that will shape the economy in 2026

Stronger momentum in the emergence of digital economy and AI: *regulatory clarity, AI adoption gaps & infrastructure constraints shape digital growth*

Global dynamics and geopolitics: *shifting trade patterns, regional tensions & policy realignments redefine global outlook*

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Uneven sectoral growth dynamics: *uneven growth trends, structural bottlenecks & shifting demand patterns reshape industry outlook*

Sources: Strategy& Analysis

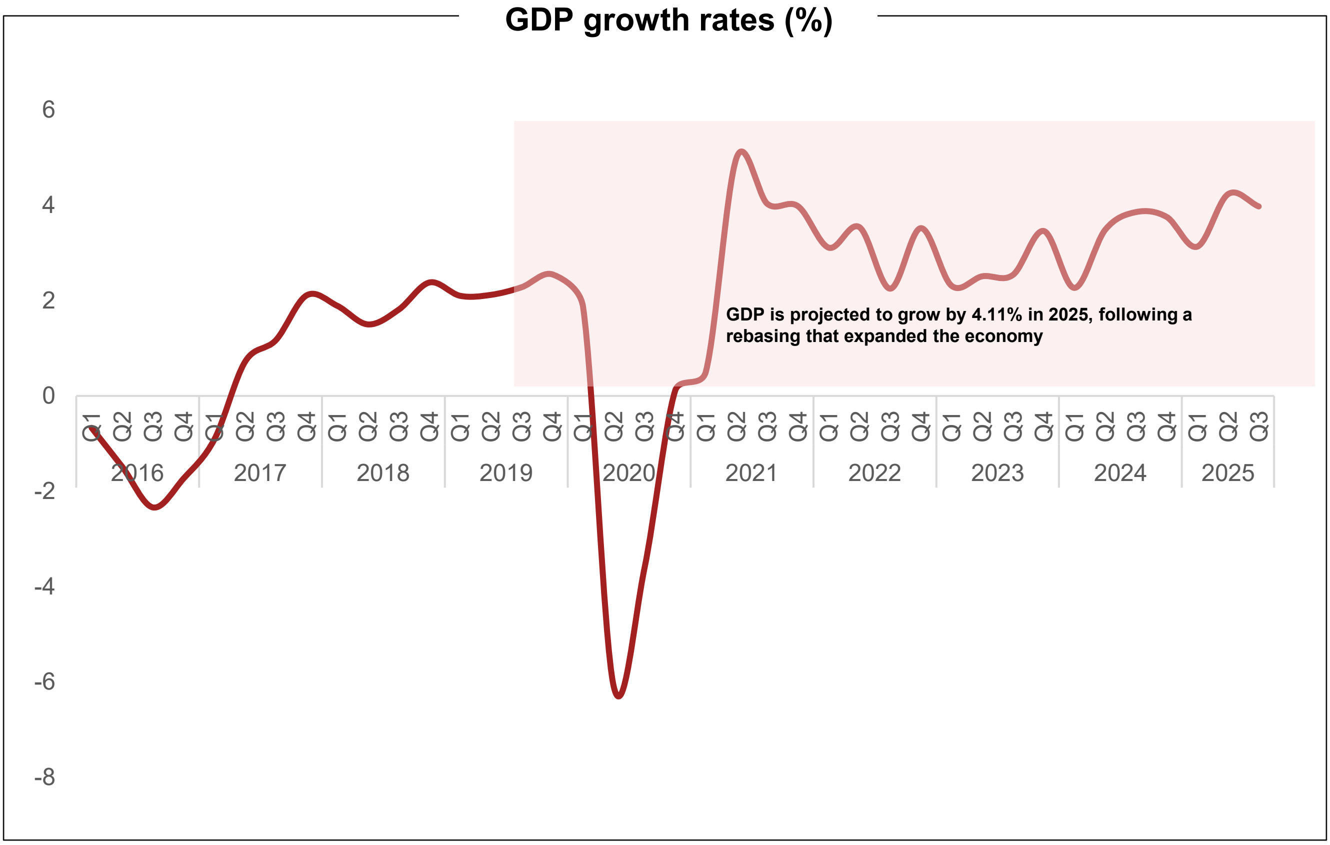
Growth outlook for 2026 remains resilient, but constrained by sectoral concentration and execution risks

Key sectorial issues

Services-led growth will support GDP, but concentration risks persist	• Economic growth in 2026 is expected to remain anchored **in services, particularly ICT, finance and insurance, and real estate, reflecting sustained digital adoption, financial deepening, and urban demand**. • **This services momentum should support headline GDP growth** but may continue to concentrate output in capital- and technology-intensive sectors. • Limited spillovers into employment-intensive activities could weaken the transmission of growth to jobs and household incomes.
Persistent structural bottlenecks in the real economy	• **Agriculture, manufacturing, and trade are likely to remain constrained by insecurity, high energy and logistics costs, port inefficiencies, and import dependence**. • These structural challenges are expected to continue suppressing productivity and raising operating costs across the real economy. • As a result, recovery in employment-intensive sectors may remain slow in 2026 despite ongoing reforms and investment commitments.
Uneven investment amid tight financial conditions	• **Investor interest is expected to persist across services, extractives, and select fast-growing sectors in 2026**. • However, **elevated borrowing costs and uneven access to long-term financing may continue to shape where capital flows**. • Investment is therefore likely to remain concentrated in sectors with stronger cash flows and lower execution risk, limiting scale-up in production-oriented sectors.

GDP is projected to grow by 4.26% in 2026, driven by expansion in services sector and improvement in macroeconomic conditions

GDP growth trends



Key Insights

- **Real GDP grew by 3.98% y/y in Q3 2025**, easing from **4.23% in Q2 2025** but above **3.86% in Q3 2024**, confirming sustained growth momentum despite a high-interest-rate environment.
- Growth was supported **by finance and insurance, driven by higher interest income and increased digital transactions**; **mining and quarrying, led by petroleum and natural gas production supported by higher crude oil output, domestic gas production, and rising oil prices; and ICT, driven by telecommunications growth from expanded broadband penetration and sector investments.**
- GDP is projected to grow by **4.3% in 2026**, driven by **expanding services (especially ICT, finance and real-estate), a gradual recovery in oil and non-oil exports, and modest improvements in macro stability and investor confidence.**

Source: NBS, Fitch, Strategy& Analysis

We evaluated the sectors that will drive growth in 2026 across four key dynamics, that reflect market conditions and policy influences

For key dynamics to analyse top sectors

1	**Demand and Trade Dynamics**	• This dynamic examines the **expected domestic and global demand conditions** across the sectors in 2026. • It evaluates consumption trends, export prospects, and exposure to regional or international markets.
2	**Investment and Funding**	• The investment and funding dynamic evaluates **how much capital each sector is likely to attract** in 2026, from private investors, foreign inflows, or public funding. • It focuses on investor appetite, financing availability, and whether funding conditions will enable growth in 2026.
3	**Government Reforms**	• The **policies, regulations, and institutional changes** expected to shape the sectors in 2026 are reviewed under this dynamic. • It assesses whether reforms will reduce constraints, improve incentives, or materially alter operating conditions.
4	**Technological Dynamics**	• This dynamic considers **how players in each of the sectors are likely to adopt technology** in 2026, the types of technology and for what purposes.

Source: FAO, NBS, WTO, Strategy& Analysis

Sectors that will drive growth in 2026 have been analysed based on key metrics (1/9)

Agriculture sector

Sectors	Demand & trade dynamics	Investment & funding	Government reforms	Technological dynamics
Agriculture ↓	• In 2025, strong global and regional demand for key commodities, especially cocoa and urea, contributed to non-oil exports, with agricultural exports reaching ₦786 billion in Q3 while imports rose to ₦1.1 trillion. • In 2026, global demand for cocoa, cashew and sesame is expected to remain high and expanded regional trade access under agreements like AfCFTA are expected to support agricultural exports. • However, domestic production gaps, logistics challenges, insecurity, and climate risks may drive import dependency and affect the trade balance. • Domestically, food demand remained elevated in 2025 due to population growth, insecurity, climate variability, and inflation. These pressures are likely to persist or worsen in Northern Nigeria without significant supply-side interventions in 2026.	• Investment in the sector will likely increase in 2026, driven by the $3.14 billion Hand-in-Hand value-chain pipeline (tomato, cassava, maize, dairy, fisheries), a new $500 million World Bank loan to strengthen agribusiness and value chains, and enhanced domestic lending capacity following the Bank of Agriculture recapitalisation. • Although structural challenges may cause some investors to be cautious however, opportunities in agritech, processing and logistics, along with the desire to improve food security, may help sustain investor interest in 2026.	• The government introduced several reforms in 2025 aimed at strengthening the agriculture sector. These included expanded dry–season cultivation programmes, fertiliser & equipment distribution, soil health initiatives, recapitalisation of the Bank of Agriculture, a new smallholder financing window and the national mechanisation programme launched with Heifer International. • The full impact of these measures will unfold gradually, with many benefits expected to materialise in 2026.	• In 2025, agritech adoption expanded through mobile advisory services, precision farming tools, drones, and IoT soil sensors, improving farm planning, reducing waste, and strengthening crop monitoring. • The government supported this shift through the launch of the Nigeria Agricultural Intelligence Platform to drive sector-wide digital transformation. • In 2026, the agricultural sector is expected to further adopt advanced technologies to optimise productivity and improve resilience.

Source: FAO, NBS,ARCN, WTO, Strategy& Analysis

↑ Attractive → Selectively attractive ↓ Unattractive

Sectors that will drive growth in 2026 have been analysed based on key metrics (2/9)

ICT sector

Sectors	Demand & trade dynamics	Investment & funding	Government reforms	Technological dynamics
ICT ↑	• ICT trade remains in a persistent services deficit, with imports of digital technologies and services far outpacing exports. WTO data show a cumulative $94.5B deficit in digitally delivered services (2005–2024), with imports roughly being 10x exports. • Domestically, the sector sustained growth, expanding by 5.78% in Q3 2025, driven by rising mobile subscriptions, broadband penetration, widespread adoption of mobile and real time payments and a strong demand from digital transformation across businesses and government enterprises. • This momentum should continue into 2026, especially in cloud computing, cybersecurity, and fintech, though infrastructure gaps could worsen if broadband and data capacity fail to scale with demand.	• ICT investment is set to rise in 2026, driven by government-led digital transformation, major connectivity projects (fiber optics, 4,000 towers), and initiatives promoting a digital economy and local tech innovation. • The full impact of some key investments including the World Bank's $500M BRIDGE project to expand broadband and attract private investment, and the $617M iDICE initiative supported by AfDB, IsDB, and AFD to upskill young Nigerians will begin to playout in 2026. • Opportunities in broadband deployment, cloud services, and fast-growing digital startups are expected to sustain investor interest throughout 2026.	• In 2025, the government introduced key ICT policy reforms to strengthen the digital economy. Highlights include the National IP Policy to boost innovation, ratification of AfCFTA's Digital Trade Protocol, and NITDA's Startup Policy to drive skills and entrepreneurship. • Tax reforms streamlined levies and added incentives for tech firms, while the Digital Economy & E-Governance Bill aims to harmonize rules on e-transactions, data governance, and cybersecurity. NCC complemented these with a new corporate governance guidelines and targeted policies to promote digital trade. • These reforms are expected to deliver clearer regulation, boost innovation, and enhance ICT competitiveness in 2026.	

Source: FAO, NBS,ARCN, WTO, Strategy& Analysis

↑ Attractive → Selectively attractive ↓ Unattractive

Sectors that will drive growth in 2026 have been analysed based on key metrics (3/9)

Construction sector

Sectors	Demand & trade dynamics	Investment & funding	Government reforms	Technological dynamics
Construction →	• In 2025, demand for construction materials and services remained strong, supported by ongoing housing, commercial, and infrastructure development. • This momentum is expected to continue in 2026, driven by sustained investment in housing and transport infrastructure.	• By the end of 2025, the sector is expected to grow by 4.3% driven by higher public infrastructure spending and improved access to construction loans. • A few major investment in 2025 include the allocated ₦4.06 trillion to budget for infrastructure (roads, rail, power and housing), that sustained a large national construction pipeline and the African Development Bank's $2.2 billion for Special Agro-Industrial Processing Zones across 28 states, with US$500+ million already in execution. • Investment into the sector is expected to continue rising in 2026 on the back of rising construction loans, financing for mega projects like affordable housing, rail and renewables, and an increased focus on modular and sustainable construction.	• In 2025, the Nigerian government implemented several reforms to strengthen the construction sector. • These included decentralising Public-Private Partnership approval processes, allowing ministries and agencies to fast-track mid-size infrastructure projects; enhancing risk management through the National Insurance Industry Reform Act, which mandated insurance for multi-storey buildings; and updating contract laws to standardize FIDIC frameworks while introducing flexible cost adjustment clauses to mitigate inflation risks. • Collectively, these measures aim to improve transparency, reduce project delays, and boost investor confidence heading into 2026.	• In 2025, the use of digital project management tools, drones, BIM (Building Information Modeling/Management) was nascent, adopted by few private players and remaining in experimental or early stages. • In 2026, the construction sector is expected to face slow and selective digital uptake, with productivity gains constrained unless capacity building and standardisation improve.

Source: FAO, NBS,ARCN, WTO, Strategy& Analysis

↑ Attractive → Selectively attractive ↓ Unattractive

Sectors that will drive growth in 2026 have been analysed based on key metrics (4/9)

Finance and insurance sector

Sectors	Demand & trade dynamics	Investment & funding	Government reforms	Technological dynamics
Finance & Insurance ↑	• Financial and insurance services recorded real GDP growth of 19.63% y/y in Q3 2025 and contributed 2.65% of real GDP driven by higher interest income and increased digital transactions. • This momentum is projected to continue in 2026 driven by increased use of digital financial platforms and digital payment services and expanded risk-manageme nt and insurance uptake among households and businesses.	• Investor interest in the finance and insurance sector is set to grow in 2026, following strong 2025 performance. • The sector attracted over 92% of capital importation and about US$3.1 billion of foreign inflows in Q1 2025. • Regulatory initiatives such as bank recapitalisation mandates and evolving frameworks for fintech and digital financial services are further drawing institutional interest, while secondary listings by major banks on international exchanges demonstrate growing cross-border investor engagement and confidence. • In 2026, strong demand for modern financial products, credit expansion, and advanced risk management solutions combined with projected capital market growth to ₦262 trillion, driven by anticipated listings of Dangote Refinery and NNPC will deepen liquidity, attract new investors, and sustain interest across banking, fintech, and insurance.	• In 2026, the impact of major financial reforms introduced in 2025 will begin to materialise. The National Insurance Industry Reform Act (NIIRA) which consolidates insurance laws, raises minimum capital requirements, and expands compulsory coverage will deepen market reach and consumer trust. • In banking, the recapitalisation mandates, tighter anti-money-laundering and cashless-economy policies will create a stronger Banking sector.	• In 2025, banks and fintechs accelerated AI and blockchain adoption to personalise services, automate risk management, and enhance fraud detection, while major lenders deployed AI chatbots and advanced analytics to streamline operations. • The insurance sector embraced insurtech, with NAICOM and fintechs collaborating on digital platforms to boost product innovation and access. • This momentum is expected to continue in 2026, fueled by strong investment flows, growing developer talent, and expansion in embedded finance.

Source: FAO,NAICOM NBS,ARCN, WTO, Strategy& Analysis

↑ Attractive → Selectively attractive ↓ Unattractive

Sectors that will drive growth in 2026 have been analysed based on key metrics (5/9)

Oil and gas sector

Sectors	Demand & trade dynamics	Investment & funding	Government reforms	Technological dynamics
Oil and Gas ↑	• Crude oil remained the dominant export diver in 2025, accounting for 56.1% of total exports (₦12.81 trillion of ₦22.81 trillion) in Q3 2025. • With global oil demand projected to rise by 860,000 barrels per day in 2026 and Brent prices stable at $55/barrel, export earnings are likely to grow, widening the trade surplus and strengthening reserves. • Domestic demand for refined products remained high with rising local refinery output reducing importation. Gas consumption also grew on the back of power generation and industrial expansion. • Domestic demand is expected to remain high as refining capacity and infrastructure development continue in 2026.	• Investment in Nigeria's oil and gas sector is expected to rise in 2026, supported by new upstream opportunities and regulatory clarity under the Petroleum Industry Act. • Major players have made multiple investment decisions including Chevron's plan to increase drilling and participate in license auctions, Shell's $5 billion commitment to the Bonga North deepwater project and ExxonMobil's $1.5 billion investment in Usan and other fields. • On the gas side, Afreximbank's $500 million financing for LNG and pipeline infrastructure, alongside NNPC's and Hiers agreement to convert flared gas into energy will accelerate commercialisation and midstream growth in 2026.	• In 2025, the government introduced several reforms aimed at strengthening the oil and gas sector including a streamlined regulatory oversight under the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) and the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA), which together unlocked more than $18 billion in field development plans. • They also approved the settlement of gas debts to producers to restore confidence and improve domestic gas supply for power generation. • The full impact of these policies will unfold gradually, with many benefits expected to materialise in 2026.	• In 2025, technology adoption was moderate, with operators using remote monitoring, predictive maintenance, and data analytics primarily in upstream operations, while downstream and smaller firms remained largely traditional. • In 2026, adoption is expected to grow incrementally, focused on efficiency and operational monitoring with regulators and operators (like NNPC Ltd, NUPRC) pushing for digital transformation to meet production targets and ESG demands.

Source: FAO,NAICOM NBS,ARCN, WTO, Strategy& Analysis

↑ Attractive → Selectively attractive ↓ Unattractive

Sectors that will drive growth in 2026 have been analysed based on key metrics (6/9)

Mining and quarrying sector

Sectors	Demand & trade dynamics	Investment & funding	Government reforms	Technological dynamics
Mining & Quarrying	• In Q3 2025, solid minerals exports reached ₦100.81 billion, reflecting stronger non-oil export momentum. • Looking to 2026, global demand for critical and energy transition minerals such as lithium, cobalt, and rare earth elements is projected continue growing as industries worldwide scale up electric vehicles, batteries, and renewable technologies.	• Various investments were recorded in the solid minerals sector in 2025, led by over $1.3 billion in lithium-related investments by multiple firms including Canmax, Jiuling, Avatar New Energy, and Ganfeng, alongside about $850 million committed to lithium processing plants in Nasarawa State and a $400 million rare-earth and critical minerals processing facility backed by the Federal Government. • In addition, the government invested ₦1 trillion for geological exploration, data generation, and sector de-risking to crowd in private capital. • In 2026, investment into the sector is expected to rise further, supported by sustained global demand for battery and energy-transition minerals, the continuation of lithium plant construction and expansion, and improved investor confidence from formalisation and value-addition policies. • While security and infrastructure may still limit inflows, capital deployment is likely to remain concentrated in lithium, rare earths, gold, and industrial minerals.	• Various reforms were implemented in 2025 to strengthen the sector, including the revocation of over 1,200 dormant licences, the formalisation of artisanal miners, and the deployment of mining marshals to improve compliance and reduce illegal operations. • The government also introduced digital platforms like One-Gov Cloud and 1Gov Cadastre to streamline licensing, improve transparency, and accelerate approvals for investors. • In 2026, these reforms are expected to continue with deeper enforcement, stronger interagency cooperation, and enhanced support for local value addition, boost formal sector activity and attract sustainable investment.	• In 2025, adoption of technology improved in the solid minerals sector, driven by government initiatives such as digital platforms (NMRDSS and EMC+),the integrating AI, IoT, drones, autonomous vehicles, and advanced processing labs to improve efficiency, transparency, and global competitivenes. • However, infrastructure gaps remain a challenge. • In 2026, gradual adoption is expected in operations, particularly for safety monitoring and resource mapping.

Source: FAO, NBS,ARCN, WTO, Strategy& Analysis

Attractive | Selectively attractive | Unattractive

Sectors that will drive growth in 2026 have been analysed based on key metrics (7/9)

Real estate sector

Sectors	Demand & trade dynamics	Investment & funding	Government reforms	Technological dynamics
Real Estate ↑	• Real estate sustained elevated domestic demand, driven by population growth, urbanisation, and continued commercial and residential development. The sector recorded a 3.5% y-o-y growth year in Q3 2025 and accounted for 13.36% of real GDP within the same period. • Looking ahead to 2026, demand for housing and commercial property is expected to remain elevated due to Nigeria's high housing deficit of over 20 million units.	• Investment in real estate is projected to rise in 2026, driven by strong demand for residential and commercial property and attractive returns in key urban markets like Lagos, Abuja, and Port Harcourt. • The surge in rent prices at prime locations between 2024 and 2025 and digital reforms that streamline property transactions and improve transparency further attract investors to the sector. • With housing affordability pressures and rising rental yields expected to persist, investor interest across affordable housing, short-let assets, and high-growth property segments is likely to remain strong in 2026.	• The government introduced tax reforms under the Nigeria Tax Act 2025 that provide new incentives for property investment and make housing finance more accessible, and reforms aimed at broadening diaspora participation in domestic investment. • Additionally, they introduced urban planning and housing governance policies such as the Revised National Urban Development Policy (2025–2035) to support coordinated infrastructure development and sustainable urban growth. • Benefits from these reforms are expected to begin materialise in 2026 as regulatory clarity improves, financing costs moderate, and investor confidence in the property market grows.	• Technology adoption in real estate further improved in 2025, driven by PropTech platforms offering AI-powered valuations, blockchain-secured transactions, and virtual property tours. Innovations like fractional ownership through tokenisation and rent-as-you-go apps improved accessibility and transparency. • Smart home features and digital property management systems also gained traction, reflecting a shift toward tech-enabled living and streamlined operations. • Looking ahead to 2026, the market is projected to deepen digital integration with VR/AR tours, smart contracts, and sustainable building technologies.

Source: FAO, NBS,ARCN, WTO, SFMHUD, trategy& Analysis

↑ Attractive → Selectively attractive ↓ Unattractive

Sectors that will drive growth in 2026 have been analysed based on key metrics (8/9)

Creative sector

Sectors	Demand & trade dynamics	Investment & funding	Government reforms	Technological dynamics
Creative	• In Q3 2025, the Arts, Entertainment and Recreation sector contributed ₦165,141.88 million to GDP and was one of the fastest growing sectors recording 9.13% year-on-year growth. • The growth was driven by booming digital content demand, increased mobile/internet penetration, strong Afrobeats/Nollywood global appeal, and government focus on digital infrastructure, gaming, and arts hubs • In 2026, demand for Nigerian creative services is expected to remain high on the back of digital expansion, a large youth population, and growing global recognition of Nigerian content.	• In 2025 the Federal Government and private partners secured over $300 million in investment commitments through initiatives like the Creative Economy Development Fund, aimed at expanding production capacity, creative hubs, and enterprise financing. • Despite these inflows, sector financing remained uneven, with infrastructure gaps, limited long-term financing solutions, and weak monetisation frameworks constraining broader investment scaling across production, distribution, and creative technology. • In 2026 investor interest is expected to persist in digital platforms, music and film distribution, fashion tech, and creative tech ventures where scalable revenue models and export potentials are clearer.	• In 2025 the Federal Ministry of Art, Culture, Tourism and the Creative Economy completed Nigeria's first Creative and Cultural Industries Mapping, providing data-driven insights into value chains and setting the stage for targeted policy interventions and job creation strategies. • Policy emphasis in 2025 included strengthening intellectual property frameworks to protect creators' rights and enhance monetisation, supporting infrastructure projects, and mobilising private-public partnerships to improve financing access. • Ongoing reforms in 2026 are expected to sharpen focus on IP enforcement, export facilitation, and expanded support mechanisms to boost competitiveness and formal economic integration.	• Adoption of technology in the creative sector surged in 2025 driven by private sector involvement and government measures such as the NCAC's launch of the Council for Creative Technology Futures (CCTF), which fostered AI, AR/VR, Web3, and blockchain integration across creative sub-sectors. • By 2026, the sctor is set for strong tech-driven growth, powered by government initiatives like iDICE, rising VC funding, and global success in Afrobeats and Nollywood. We expect wider use of AI for content creation, OTT streaming, AR/VR experiences, and gaming supported by 5G expansion. However, infrastructure gaps, limited financing access, and digital skill shortages might limit tech adoption.

Source: FAO, NBS,ARCN, WTO, Strategy& Analysis

Attractive | Selectively attractive | Unattractive

Sectors that will drive growth in 2026 have been analysed based on key metrics (9/9)

Manufacturing sector

Sectors	Demand & trade dynamics	Investment & funding	Government reforms	Technological dynamics
Manufacturing ↓	• In Q3 2025, the sector grew by 1.25%, contributing 7.62% to GDP despite structural challenges such as high energy and logistics costs, dependence on imported inputs, and weak export competitiveness. • Raw material imports remained high at ₦3.53 trillion in H1 2025, while manufactured goods exports were limited, highlighting a persistent trade deficit and the need for stronger local production and export capacity. • In 2026, demand for manufactured goods is expected to improve modestly as inflation eases and consumer purchasing power stabilises..	• In 2025, over $5 billion in foreign and domestic investments was invested in the manufacturing sector, driven by reforms that eased registration and regulatory processes. • Despite this, limited access to affordable credit, high borrowing costs, and infrastructure gaps constrained widespread investment across large-scale manufacturing projects. • In 2026, investment inflows are expected to increase moderately if ongoing tax incentives, credit support, and infrastructure improvements materialise.	• In 2025, the government implemented reforms to improve the manufacturing environment, including business registration digitisation, simplified port operations, and advocacy for industrial policy support. • Key regulatory measures focused on reducing multiple levies, harmonising taxes, and introducing incentives to support local manufacturers and boost competitiveness. • The National Single Window Project and policy alignment with industrial strategy aimed to facilitate exports, formalise operations, and reduce bureaucratic delays. • In 2026, deeper enforcement, improved credit access, and export facilitation are expected to strengthen sector performance, attract investment, and expand the sector's contribution to GDP.	• Adoption of technology in the manufacturing sector accelerated in 2025 with widespread deployment of blockchain, AI-powered predictive maintenance, automation, and IoT-driven smart factory systems. • In 2026, manufacturing output is projected to grow by around 3.1%, supported by new tax incentives, harmonised levies, and deeper adoption of AI automation and smart factory models.

Source: MAN, Strategy& Analysis

↑ Attractive → Selectively attractive ↓ Unattractive

Growth may strengthen in 2026, but outcomes will depend on sectoral breadth and execution

Key takeaways

1 Services-led growth may continue to anchor GDP expansion due to uneven growth dynamics

- Real GDP grew by **3.98% in Q3 2025**, driven mainly by **finance and insurance, ICT, and real estate, despite tight financial conditions**.
- Growth remains **uneven and concentrated in a narrow set of sectors, while agriculture, manufacturing, and trade continue to lag.**.
- Projected GDP growth of 4.3% in 2026 may be supported by **services expansion and improving macro stability, though concentration risks persist**.

2 Extractives and emerging sectors may support external and investment momentum

- **Oil and gas remains the dominant export driver**, with production recovery, gas expansion, and prices supporting FX inflows.
- **Mining and quarrying may gain further traction in 2026**, driven by strong demand for energy-transition minerals and ongoing sector reforms.
- Creative and real estate sectors are expected to sustain growth, supported by **demographics, digital adoption, and targeted investment initiatives**.

3 Structural constraints may limit the breadth of growth

- Agriculture and manufacturing remain constrained by **insecurity, logistics bottlenecks, high energy costs, and import dependence**, despite reforms and investment commitments.
- **Financing constraints, infrastructure gaps, and execution risks may continue to slow broad-based sectoral transformation**.
- As a result, growth in 2026 may remain uneven, favouring capital- and service-intensive sectors over employment-intensive activities.

Source: EIA, Strategy& Analysis

Seven (7) key issues that will shape the economy in 2026

Stronger momentum in the emergence of digital economy and AI: *regulatory clarity, AI adoption gaps & infrastructure constraints shape digital growth*

Domestic security and social stability pressures: *prevailing insecurity & land-use conflicts challenge national cohesion*

Consumer dilemma: *spending recovery in the face of dwindling real income*

Global dynamics and geopolitics: *shifting trade patterns, regional tensions & policy realignments redefine global outlook*

Addressing fiscal sustainability and executing reforms: *elevated debt obligations, deepening revenue mobilisation strategy & acceleration of reforms shape policy choices*

Strengthening monetary policy effectiveness: *anchoring expectations, inflation risks & external shocks challenge to price stability*

Uneven sectoral growth dynamics: *uneven growth trends, structural bottlenecks & shifting demand patterns reshape industry outlook*

Sources: Strategy& Analysis

Affordability remains challenged, but early signs of income recovery and policy support may cushion households in 2026

Key issues constraining household purchasing power

Key Issues

Poverty and Household Cost Pressures

- Although poverty is projected to rise to **62% (141m people)** by 2026, real income may begin to recover as inflation abates.
- Food accounts for **70% of consumption** among the poorest, amplifying exposure to food inflation.
- Between 2023 and August 2025, **₦330 billion was disbursed to 8.1 million households**, providing short-term income support amid cost pressures.

Expectations shaping consumer behaviour

- **70.1% of households** expect inflation to remain elevated into Q1 2026 due to energy, transport and FX pressures.
- **By April 2026, a rising share of households expect inflation to stabilise or ease**, indicating early signs of improving expectations.
- Inflation may remain elevated in early 2026 but **ease gradually as FX and energy pressures moderate.**

Consumer Spending & Resilience

- Nominal spending grew by **19.6%** to ₦139.3 trillion (est.) in 2025, but real spending **contracted by 2.5% to ₦**11.9 trillion due to essential cost pressures.
- Real spending is expected to recover in 2026, constrained by **persistent price pressures and high interest rates.**
- **Fiscal constraints** limit the scope of government support, weakening household resilience into 2026.

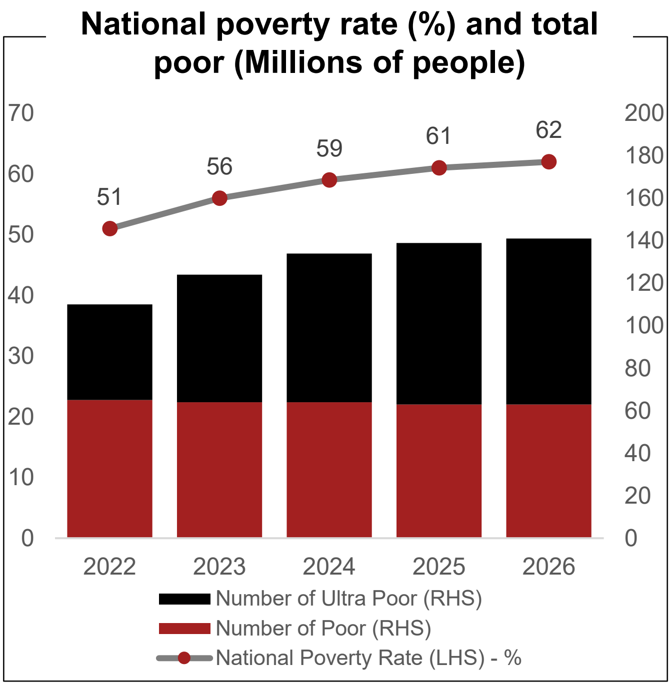
Labour Market & Income Dynamics

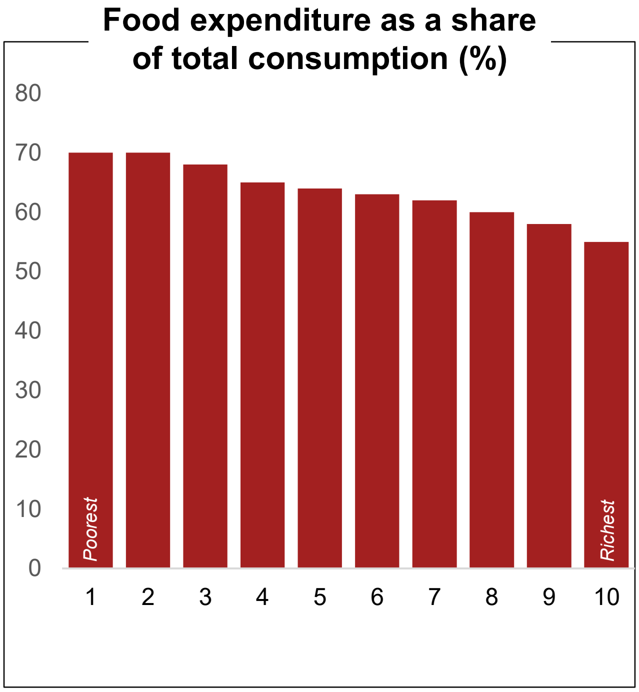
- Unemployment projected to reach **5.3% in 2026**, however as of 2023, **92% of jobs were informal**, keeping income low and unstable.
- **Ongoing reforms and private-sector–led activity** are expected to gradually improve job absorption and earnings quality over the medium term.

Source: World Bank, NBS, Fitch, Strategy& Analysis

While poverty remains high, reforms and productivity initiatives aim to slow the pace of increase and support vulnerable households

Poverty dynamics and household welfare pressures





Key Insights

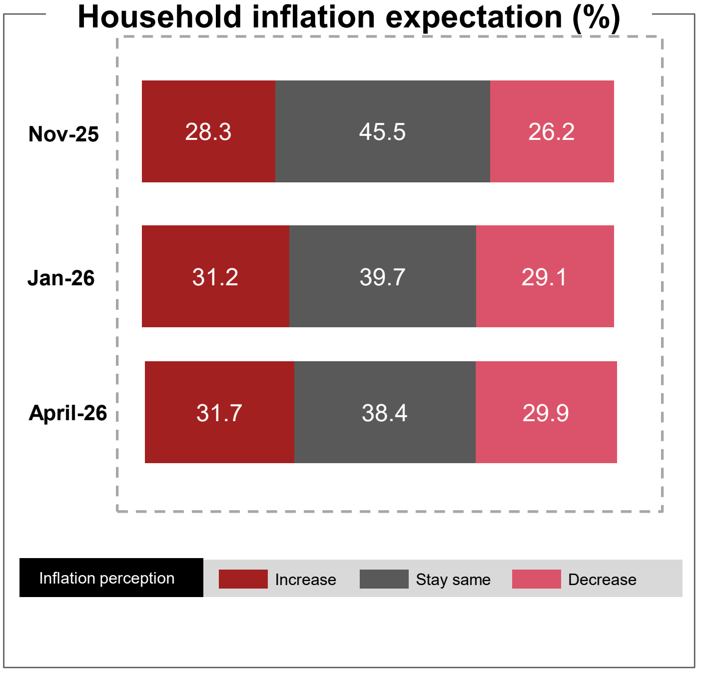
- **Poverty levels is projected to reach 62% of total population (141 million people) in 2026,** reflecting the combined effects of legacy policy gaps, global shocks and the short-term costs of ongoing reforms.
- **Unemployment is projected to reach 5.3% in 2026**, but with over 70% (92% in 2023) of workers in informal jobs, **most new jobs will remain low-pay and low-productivity, limiting real income gains. However, ongoing reforms and private-sector–led activity are expected to gradually improve job absorption** and earnings quality over the medium term.
- Food price pressures remain elevated with poor households disproportionately affected as **food accounts for almost 70% of total consumption for the bottom 10% of Nigerians.**
- With expanded social protection, productivity-focused reforms, and improved macroeconomic conditions, **poverty outcomes could stabilise over time, even as headline indicators remain under pressure in the near term.**

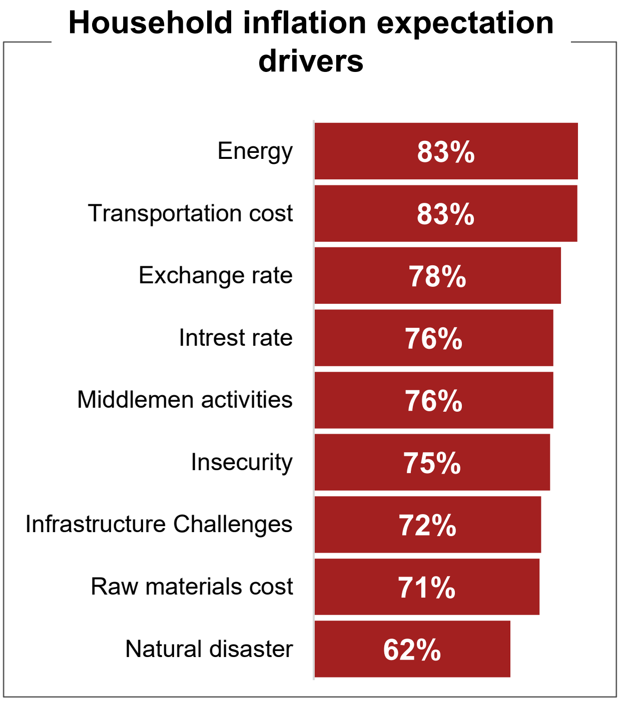
Source: Fitch, World Bank, Strategy& Analysis

Note: Ultrapoor are defined as those unable to meet basic caloric needs even if all income is spent on food
Poverty rate are straight-line projections using Nigerian Living Standards Survey (NLSS) from 2018/19 and 2022/23 survey estimates

Inflation expectations remain elevated short-term, but anticipated FX stability and easing energy costs could temper pressures later in 2026

Household inflation expectations and key drivers





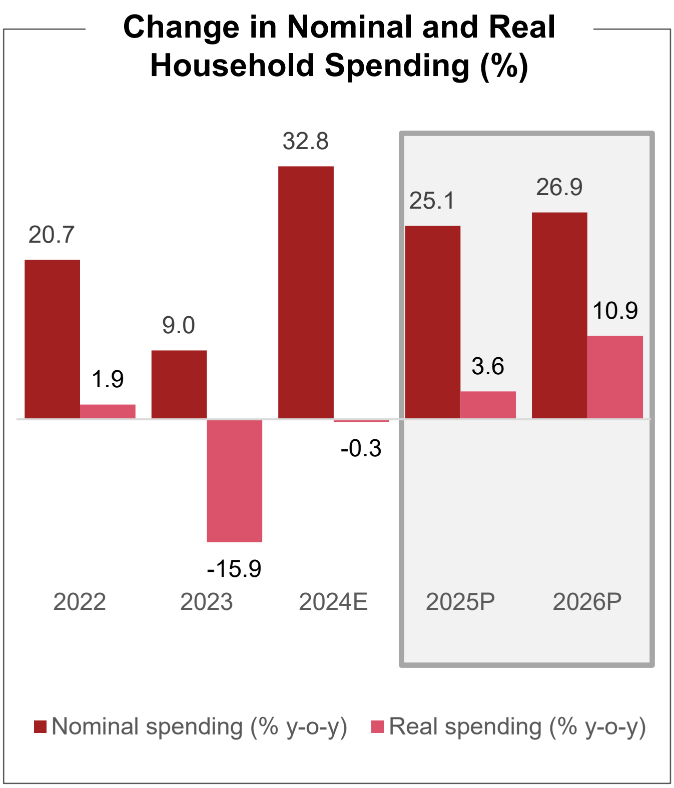
Key Insights

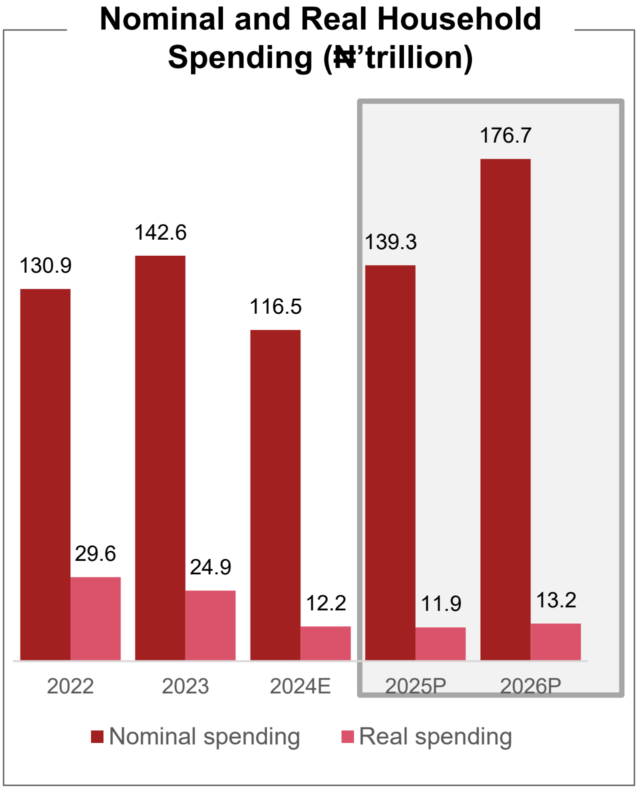
- The CBN inflation expectations survey showed **that 70.1% of households expect inflation to remain elevated over the next 3 to 6 months driven by high energy prices, increase in transportation cost, and exchange rate pressures, among others.**
- **By April 2026, 38.4% of households expect inflation to remain stable, while the share anticipating a decline increased to 29.9%**, pointing to early signs of stabilisation despite near-term pressures.
- **Household expectations suggest inflation pressures may remain elevated in early 2026,** but with a gradually improving balance of views that could support easing perceptions as FX stability and energy cost moderation take hold.

Source: CBN, Strategy& Analysis

Real spending projected to rebound in 2026 as incomes stabilize and essential cost pressures ease

Household spending dynamics: nominal versus real trends





Key Insights

- Although, nominal household spending grew by 19.6% from **₦116.5 trillion** in 2024 to **₦139.3 trillion (est.) in 2025**, real household spending contracted by 2.5% from ₦12.2 trillion in 2024 to **₦11.9 trillion** (est.) in 2025.
- The decline in real spending was driven by rising food prices, transportation costs, and other essential household items.
- Real household spending may begin to recover in 2026, however, the **pace of recovery may be constrained by persistent price pressures, high interest rates, and ongoing fiscal constraints.**

Source: NBS, Fitch, Strategy& Analysis

Source: CBN, Strategy& Analysis

Household affordability may improve gradually in 2026, though inflation expectations remain a watchpoint

Key takeaways

1 Cost pressures may remain elevated in 2026

- **Poverty is projected to rise to 62% (141 million people) by 2026**, reflecting weak real income growth and lingering inflation effects.
- High food dependence, **with food accounting for 70% of consumption among poorer households, sustains vulnerability to food price shocks**.
- Price pressures may ease gradually, but structurally high costs suggest affordability gains will remain limited.

2 Inflation expectations may keep consumers cautious

- **70.1% of households expect inflation to remain elevated into Q1 2026**, driven by energy, transport, FX pressures, and insecurity.
- Rising inflation expectations between **January and April 2026 reinforce cautious spending and delayed discretionary purchases**.
- Persistently high expectations are likely to continue weighing on consumer confidence in 2026.

3 Spending recovery may remain constrained

- **Persistent insecurity raises the probability of adverse international responses in 2026**.
- **Affordability is expected to gradually recover supported by income gains and targeted fiscal measures**, though inflation expectations remain a watchpoint.

Source: NBS, Fitch, Strategy& Analysis

Seven (7) key issues that will shape the economy in 2026

Global dynamics and geopolitics: *shifting trade patterns, regional tensions & policy realignments redefine global outlook*

Addressing fiscal sustainability and executing reforms: *elevated debt obligations, deepening revenue mobilisation strategy & acceleration of reforms shape policy choices*

Strengthening monetary policy effectiveness: *anchoring expectations, inflation risks & external shocks challenge to price stability*

Uneven sectoral growth dynamics: *uneven growth trends, structural bottlenecks & shifting demand patterns reshape industry outlook*

Consumer dilemma: *spending recovery in the face of dwindling real income*

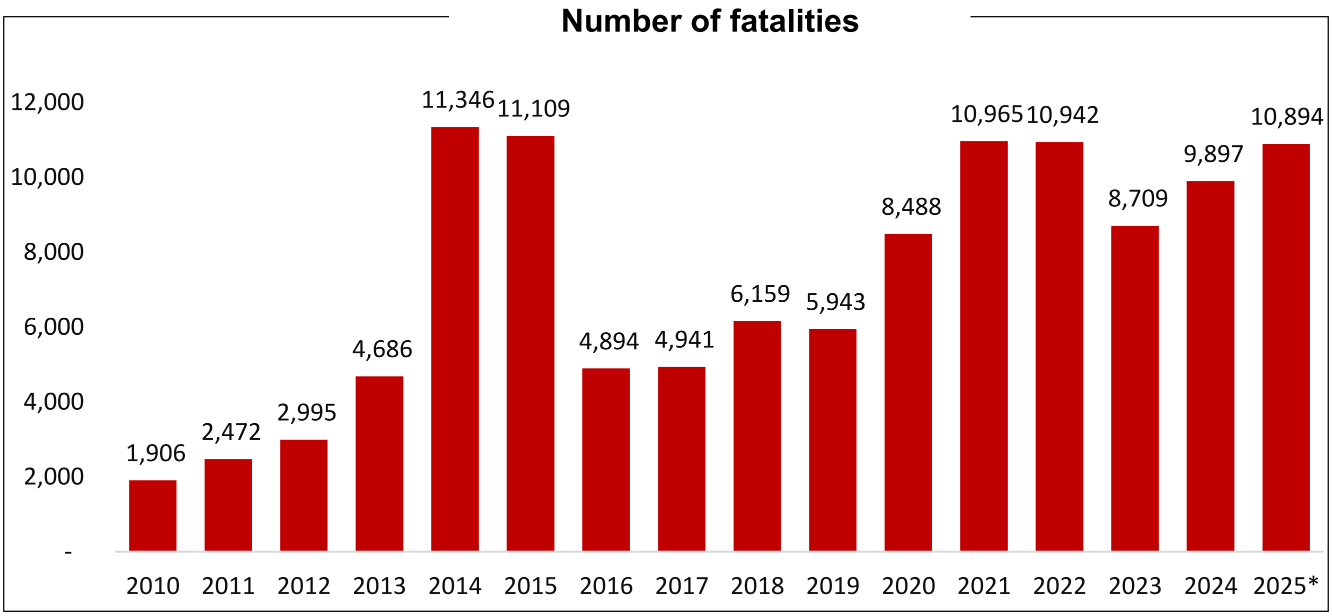
Domestic security and social stability pressures: *prevailing insecurity & land-use conflicts challenge national cohesion*

Stronger momentum in the emergence of digital economy and AI: *regulatory clarity, AI adoption gaps & infrastructure constraints shape digital growth*

Sources: Strategy& Analysis

Rising kidnappings, insurgency and political violence pushed fatalities higher in 2025 and may worsen Nigeria's security outlook in 2026

Domestic security risks and violence trends



Key Insights

- The number of conflict-related fatalities in Nigeria increased from **9,897 in 2024 to 10,894 in 2025**, marking a clear reversal of the decline recorded in 2023 and signalling renewed escalation in violent incidents.
- The 2025 increase reflects **sustained pressure from kidnappings, insurgency, communal violence and politically linked unrest, with late-year incidents, including the December 2025 U.S. counter-terrorism strike on militant targets in Sokoto State, underscoring the persistence of asymmetric security threats and elevated risk perceptions**.
- **Conflict-related fatalities in 2026 may remain elevated as security-related shocks, rather than electoral instability, compound existing insurgency, banditry and communal-violence risks, despite expectations of broadly stable electoral processes**.

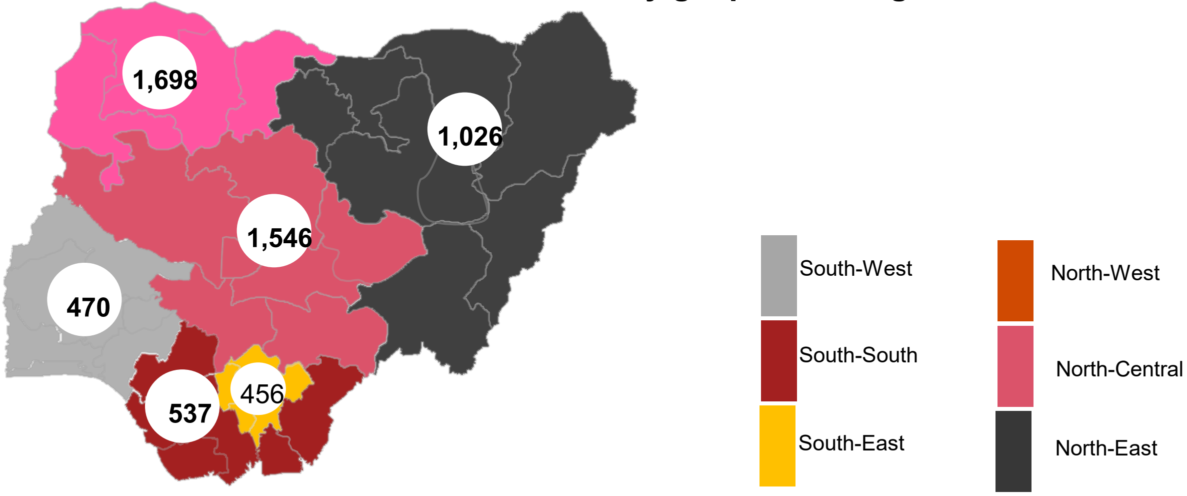
Source: ACLED, Strategy& Analysis

**2025 – 2025 figure as of November 11, 2025*

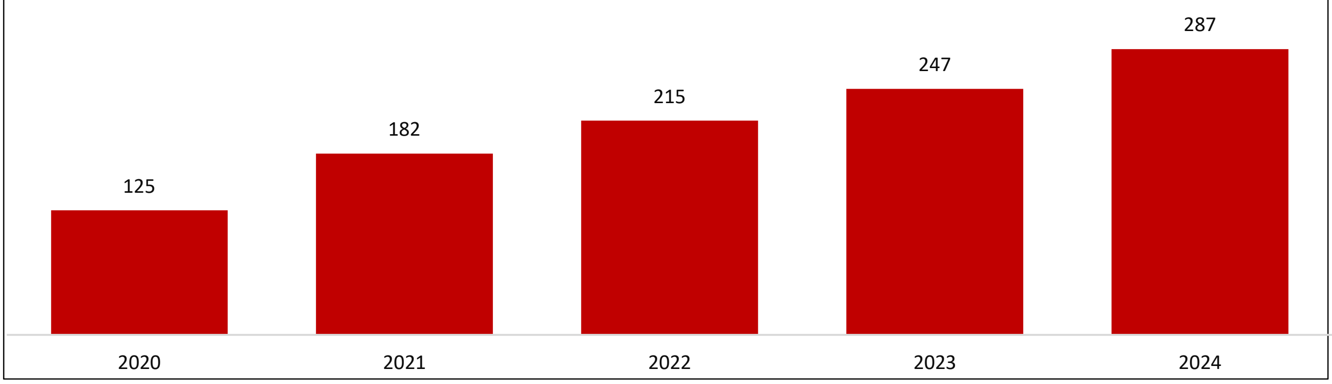
Farm-conflict dynamics will shape food security and household welfare in 2026

Farm-conflict trends and food security risks

Number of farm-conflict by geopolitical region - 2024



Number of farm-conflict related events



Key Insights

- Farm-conflict incidents increased from 125 in 2020 to 287 in 2024, reflecting ongoing farmer-herder clashes, land-use tensions and disruptions along key agricultural corridors.
- The North-East (1,698 incidents) and North-Central (1,546 incidents) recorded the highest conflict intensity in 2024, driven by land-use disputes, grazing-route frictions and population displacement, all of which disrupt food supply chains.
- **Farm-conflict dynamics will shape food security and household welfare in 2026**, with improved security, community mediation, and input support expected to stabilise supply and prices, while persistent violence could worsen food inflation and hardship.

Source: ACLED, Strategy& Analysis

Heightened insecurity or governance failures could increase Nigeria's exposure to external sanctions risk

U.S. sanctions: types, mechanisms, and observed impacts

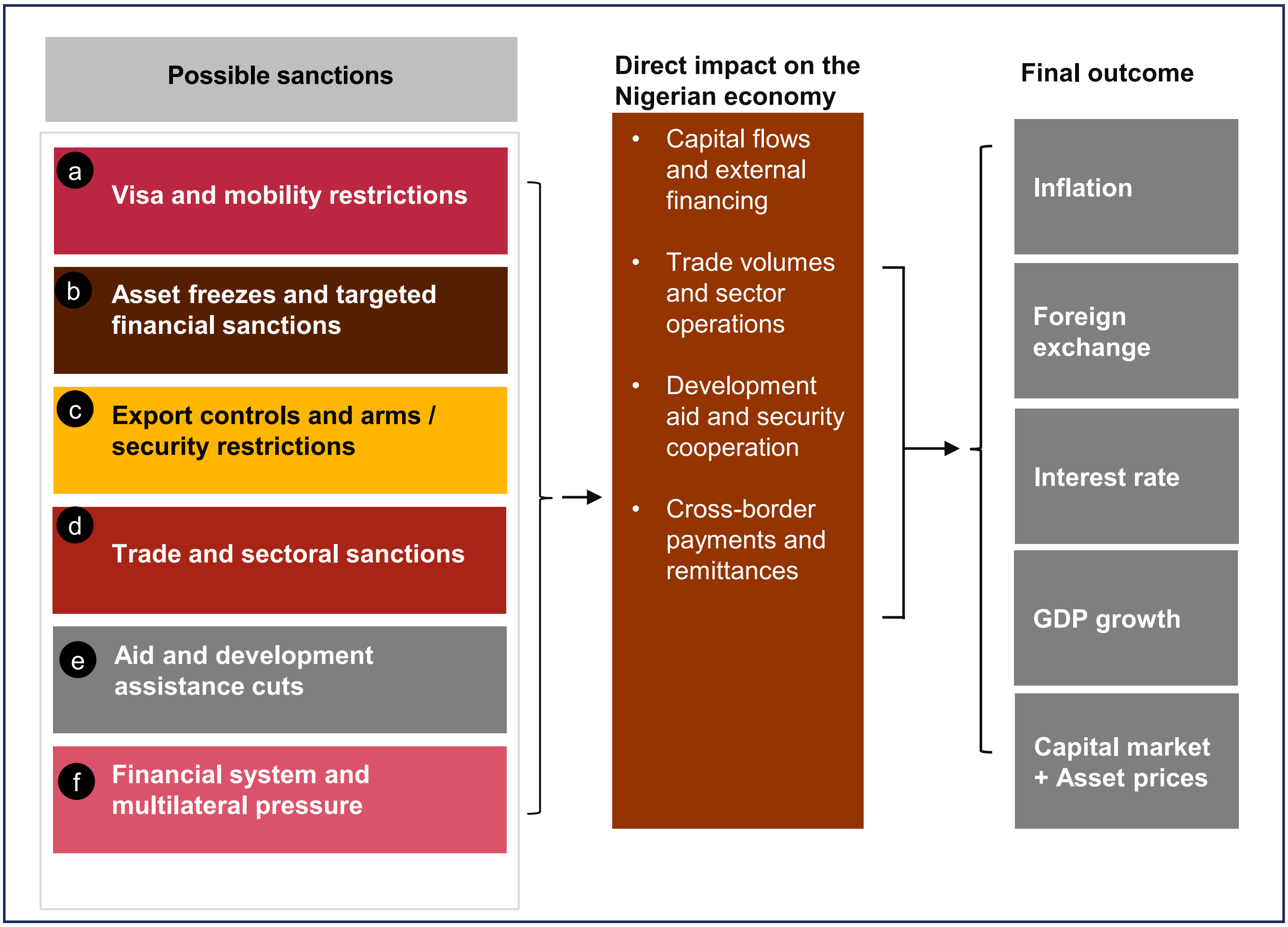
Sanction Type	Description	Observed impact
Sectoral trade sanctions	Targeted restrictions on **key industries such as oil & gas, banking, defence, technology and mining, including limits on exports of critical inputs and services**.	Sharp fall in **sector output and exports, revenue losses and job cuts**; seen in oil, banking and defence sectors in Iran and Venezuela.
Financial sanctions & asset freezes	Freezing of **assets and prohibition of transactions with designated individuals, firms, banks or state entities in the U.S**. and allied financial systems.	**Collapse in sector output, loss of export revenue, fiscal stress and sector-wide job losses**, notably in Venezuela and Iran.
Banking & dollar-system restrictions (incl. SWIFT)	**Limits on use of U.S. dollar clearing, correspondent banking** and, in extreme cases, removal of banks from the SWIFT messaging network.	Trade-finance disruption, payment bottlenecks, higher transaction costs and reduced capital inflows, experienced by Russian and Iranian banks.
Secondary sanctions on third-party firms	Penalties on non-U.S. banks and companies that continue to deal with sanctioned entities, sectors or transactions linked to the target country.	**Global investor retreat, isolation from major supply chains and collapse in FDI**, notably in Iran and some Russian-linked entities.
Travel bans & visa restrictions	**Entry bans and visa limitations on political, military and business elites associated with human-rights abuses or governance failures**.	Diplomatic isolation, reputational damage and constrained elite mobility, with limited but visible signalling effect in cases such as Russia, Iran and Venezuela.

NB: Impacts depend on scope and severity of sanctions

Source: World Bank, IMF, OFAC

If imposed, U.S. sanctions could impact Nigeria's economic stability, investment climate, and external sector

How U.S. sanctions transmit to the Nigerian economy



NB: Nigeria is not currently under U.S. sanctions, this is a scenario analysis, not a forecast

Nigeria's domestic insecurity may remain elevated in 2026, weighing on macroeconomic stability and potentially reversing stability gains

Key takeaways

1 Domestic insecurity may remain elevated in 2026

- **Conflict-related fatalities rebounded sharply in 2025**, reversing prior gains and signalling renewed escalation.
- Pre-election political activity is expected to **compound existing insurgency, banditry, and communal violence risks**.
- Absent decisive intervention, fatalities are likely to remain elevated, reinforcing Nigeria's fragile security outlook.

2 Farm conflicts will directly shape food security

- Rising farm-conflict incidents along key agricultural corridors continue to disrupt production and distribution.
- **Concentration of violence in the North-East and North-Central regions threatens national food supply chains**.
- Security outcomes in 2026 will determine whether food prices stabilise or whether inflationary pressures and household hardship worsen.

3 External pressure risks may increase if insecurity deteriorates

- Persistent insecurity **raises the probability of adverse international responses in 2026**.
- **The United States may consider targeted sanctions if governance and security conditions weaken further**.
- Sanctions would likely extend beyond symbolism, affecting finance, trade, aid, and security cooperation.

Source: NBS, Fitch, Strategy& Analysis

Seven (7) key issues that will shape the economy in 2026

Stronger momentum in the emergence of digital economy and AI: *regulatory clarity, AI adoption gaps & infrastructure constraints shape digital growth*

Domestic security and social stability pressures: *prevailing insecurity & land-use conflicts challenge national cohesion*

Consumer dilemma: *spending recovery in the face of dwindling real income*

Global dynamics and geopolitics: *shifting trade patterns, regional tensions & policy realignments redefine global outlook*

Addressing fiscal sustainability and executing reforms: *elevated debt obligations, deepening revenue mobilisation strategy & acceleration of reforms shape policy choices*

Strengthening monetary policy effectiveness: *anchoring expectations, inflation risks & external shocks challenge to price stability*

Uneven sectoral growth dynamics: *uneven growth trends, structural bottlenecks & shifting demand patterns reshape industry outlook*

Sources: Strategy& Analysis

By 2026, Nigeria's digital prosperity hinges on clear digital-asset regulation, responsible AI adoption, and closing the digital divide

Digital economy enablers shaping 2026 outcomes

Key Issues

Digital Assets & Regulation

- Nigeria recorded $92.1 billion in crypto transactions (Jul 2024–Jun 2025), **driven by young, tech-savvy users, especially students.**
- Adoption poses risks including capital outflows, currency speculation, illicit finance, and fraud.
- **However, Investment and Securities Act (ISA) and Nigeria Tax Administration Act (NTAA) have formalised crypto regulation and taxation to drive greater engagement with compliant players in 2026** and beyond.

AI & Digital Transformation

- **The digital economy contributes 19% of GDP** driven by improved mobile & internet penetration and government policies e.g. Nigeria Startup Act.
- The National Digital Economy and E-Governance Bill 2025, if passed, **constitutes a key driver for how the digital economy will evolve in 2026.**
- **The Nigeria AI Strategy, launched in 2025, is being operationalised through targeted initiatives.**

The Digital Economy

- Total entertainment and media revenues in Nigeria **is projected to reach $4.9 billion in 2026.**
- Nigeria remains the fastest growing market in Africa driven by expansion in internet advertising, video games, OTT streaming, and audio content.
- Investment in the creative sector through various government and private sector interventions such as the Creative Economy Development Fund may drive the growth in the sector in 2026.

Source: PwC E&M Report, Strategy& Analysis

The Nigerian crypto market is evolving rapidly, bringing both opportunities and risks

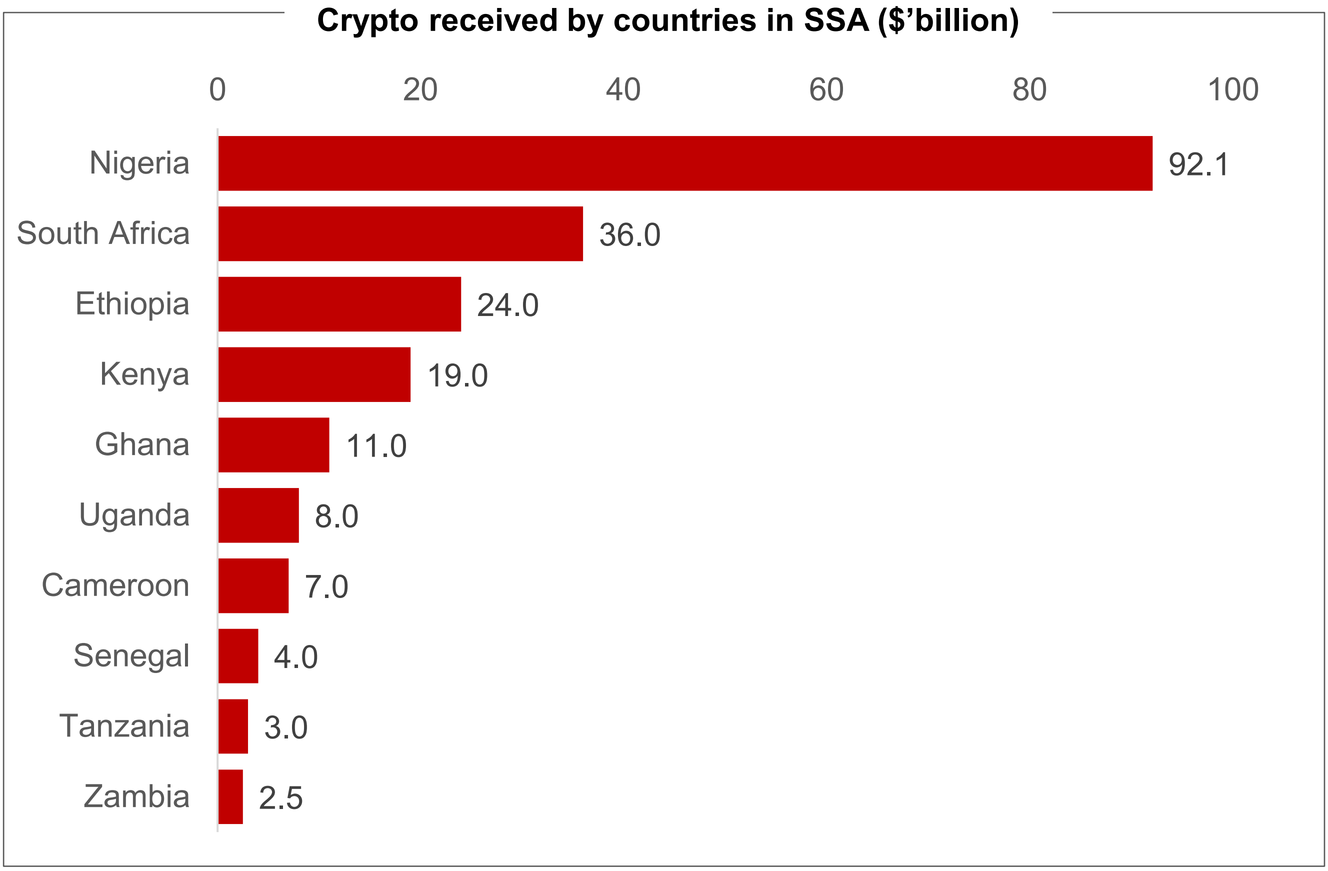
Key Issues that will shape the crypto landscape in 2026

Industry Adoption and Compliance Challenges	• Despite regulatory uncertainty, **Nigeria processed $92.1 billion in crypto transactions between July 2024 and June 2025.** • The Nigerian crypto market is positioned to **grow further in 2026, primarily driven by the implementation of a new, formal regulatory and tax framework.**
Licensing and Regulatory Framework	• **Licensing progress remains constrained**, with only two exchanges granted provisional approval, highlighting capacity and sequencing challenges within the regulatory framework. • **The planned rollout of crypto-asset taxation may outpace supervisory readiness**, raising concerns about effective enforcement in the absence of a fully operational licensing regime.
Structural Shift in Crypto Taxation	• **The new Tax and Tax-Administration Acts, effective from 2026, will treat crypto profits as income taxed up to 25%**, replacing the previous 10% capital-gains tax effectively raising tax burden and complexity for users. • **Virtual Asset Service Provider (VASPs) face rising compliance and reporting obligations in 2026**, increasing operating costs for licensed platforms while potentially pushing unlicensed activity further into informal and offshore channels.
Capital Flow Management and Market Surveillance	• **Crypto markets can be used to evade capital controls by routing funds through unlicensed exchanges**. Stablecoin purchases funded from naira deposits can drain bank liquidity. • **Regulators have strengthened monitoring of crypto inflows and outflows** and introduced FX pricing bands to deter arbitrage, **although market surveillance remains constrained by incomplete data coverage.**

Source: CBN, IMF, Strategy& Analysis

Nigeria dominates SSA crypto flows, driven by macro stress and stablecoin demand, while South Africa leads in institutional adoption

Crypto transaction by countries in Sub-Saharan Africa



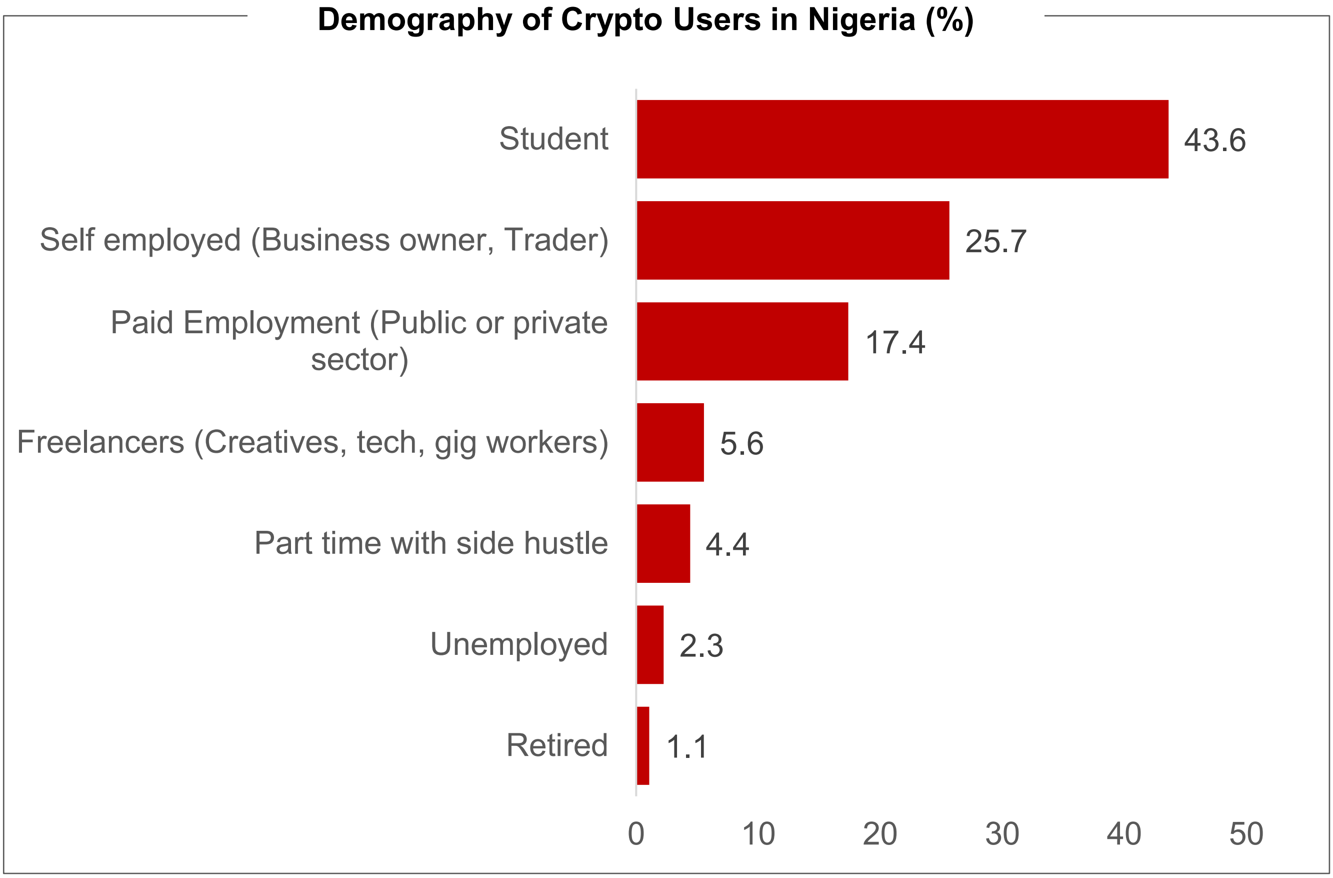
Key Insights

- **Nigeria received over $92.1 billion in crypto value, nearly three times South Africa, reflecting its scale, youthful digital adoption**, and persistent inflation and FX access constraints that continue to drive crypto and stablecoin usage as financial alternatives.
- **Bitcoin dominated fiat crypto purchases in SSA, accounting for 89% in Nigeria and 74% in South Africa**, underscoring its role as a default hedge and entry asset in volatile or constrained financial environments.
- **Stablecoin usage is structurally higher in Nigeria, signalling reliance on crypto rails as an informal FX and dollar-substitute channel**, though the data reflects only centralised exchange activity and excludes peer-to-peer and informal flows.
- **Nigeria is likely to remain SSA's largest crypto market in 2026**, with usage sustained by FX access constraints, inflation sensitivity, and continued demand for stablecoins as a practical store of value and settlement rail.

Source: Chainalysis, Strategy& Analysis

The rising usage of crypto, especially among Nigeria's youth requires acceleration of regulatory cohesion in the near term

Crypto adoption patterns and demographic concentration



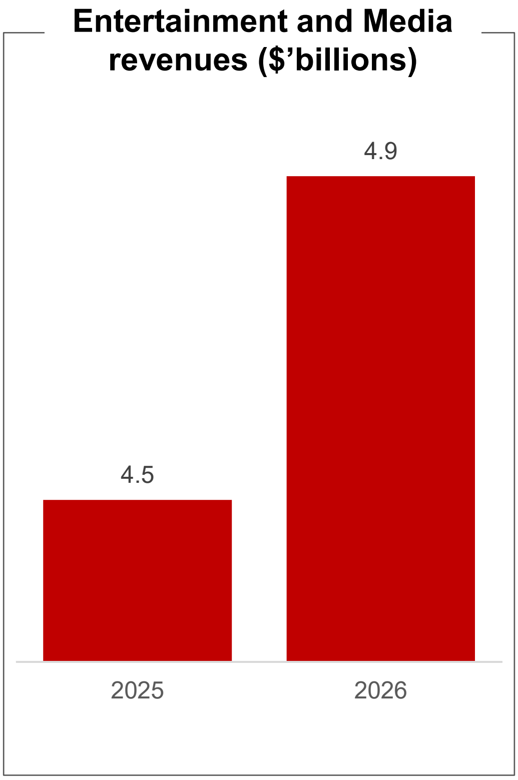
Key Insights

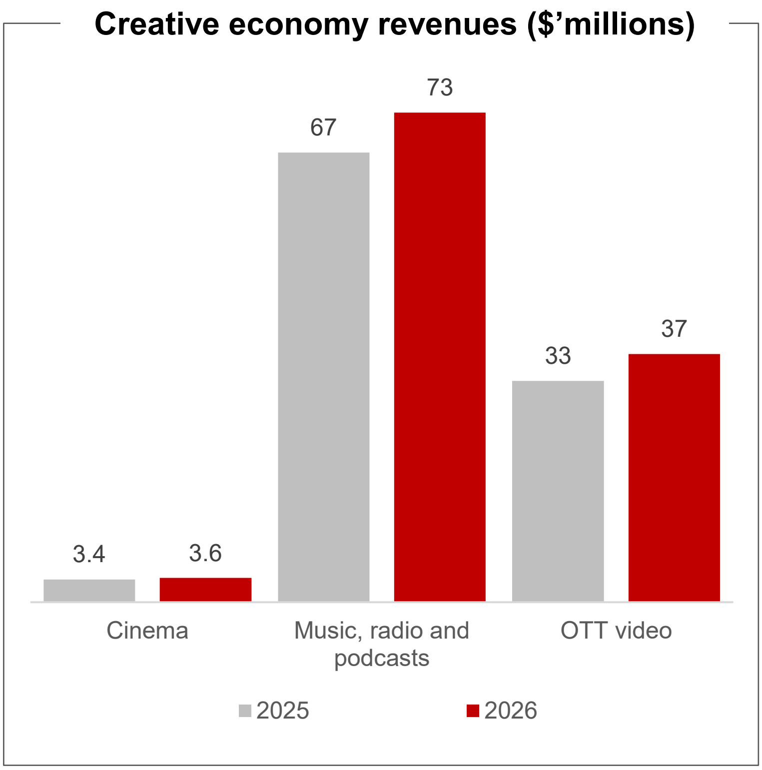
- **Crypto adoption in Nigeria is dominated by young, tech-savvy users, particularly students.**
- Self-employed entrepreneurs and traders represent a large share, using crypto for flexibility and business utility.
- Even those in formal employment are increasingly involved, suggesting growing mainstream interest.
- **Minimal uptake among older and unemployed populations, showing digital assets remain youth-centric.**

Source: Quidax, Intelpoint, Strategy& Analysis

Nigeria's Entertainment and Media sector is projected to generate $4.9 billion in revenues by 2026

Entertainment and media market dynamics and growth drivers





Key Insights

- **Nigeria's Entertainment and Media (E&M) sector is projected to grow from $4.5 billion in 2025 to $4.9 billion in 2026,** reinforcing its position as the fastest-growing E&M market in Africa, driven by strong digital adoption.
- **OTT video, cinema, music radio and podcasts constitute the creative economy** segment which will account for ~2% of the total Entertainment and Media (E&M) sector revenues in 2026.
- **Growth is increasingly digitally led,** with OTT video revenues rising from $33 million to $37 million and music, radio and podcasts expanding from $67 million to $73 million, reflecting rising streaming and audio consumption.
- **Mobile internet penetration, cheaper data plans, and smartphone adoption continue to shift consumer behaviour** towards on-demand and digital-first content, particularly among Gen Z and millennial audiences.
- **Continued investment in fibre rollout and 5G deployment is expected to unlock new digital experiences and monetisation opportunities, supporting further E&M sector expansion beyond 2026.**

Source: PwC E & M Report, Strategy& Analysis

Digital adoption may deepen in 2026, but outcomes will hinge on regulation, readiness and investment

Key takeaways

1 Digital-asset adoption may expand under tighter regulation

- Nigeria processed **$59 billion** in **crypto transactions**, driven largely by young, tech-savvy users, highlighting deepening adoption momentum.
- The ISA and NTAA formalise regulation and taxation, **which may increase engagement with compliant platforms in 2026**.
- However, higher tax burdens, limited licensing capacity, and surveillance gaps may sustain informal and offshore activity.

2 AI and digital-economy gains may be constrained by adoption gaps

- The digital economy contributes **19% of GDP in 2024**, supported by rising mobile and internet penetration and enabling policies.
- **Nigeria's low AI diffusion rate (8.7%) relative to regional peers reflects gaps in digital readiness, talent, and coordinated adoption**.
- The National Digital Economy and E-Governance Bill, if passed, may shape more structured AI and digital outcomes in 2026.

3 Creative-economy growth may strengthen on digital demand and investment

- Entertainment and media revenues are projected to reach **$4.9 billion in 2026**, with the creative economy contributing 2%.
- Growth is driven by demographic trends, streaming adoption, and expanding digital distribution channels.
- Funding gaps, infrastructure constraints, and piracy risks may limit upside, though targeted public and private investment could support growth.

Source: NBS, Fitch, Strategy& Analysis

Economic outlook

This segment outlines our macroeconomic outlook for 2026, covering growth, fiscal conditions, inflation, exchange rate stability and interest rate direction

Economic outlook for 2026

	Outlook
Broad economic growth outlook	• Nigeria's GDP is projected to expand to 4.3% in 2026 supported by higher crude oil production and stronger performance in dominant sectors.
Fiscal outlook	• Fiscal sustainability risks are expected to persist, driven by low revenue to GDP, fiscal leakages, higher spending and elevated debt service obligations.
Inflation rate outlook	• Headline inflation is projected to moderately ease in 2026, supported by the CBN's tight monetary policy stance, rebasing effects, and improved stability in the foreign exchange market.
Exchange rate outlook	• The naira is expected to remain broadly stable through 2026, underpinned by ongoing CBN reforms and improved portfolio inflows.
Interest rate outlook	• With inflation trending down, the CBN may cautiously ease its monetary policy stance in 2026.

Source: PwC Global, Fitch, PwC Analysis

Fitch projects that average inflation will moderate to 21.46% in 2025. It takes the rebasing from 2009 to 2024 into consideration.

Strategic imperatives for business leaders

This segment outlines key imperatives for businesses to navigate 2026

Business leaders can thrive by embracing these eight strategic imperatives (1/4)

Key imperatives for businesses

1	Make bold investment bets in geographic expansion and attractive sectors
2	Scenario plan to build resilience to external macro and geopolitical shocks
3	Reinvent / adapt your business model for resilience
4	Accelerate digital transformation and responsible AI adoption
5	Adapt to market dynamics and changing consumer needs
6	Stay proactive in regulatory engagement and advocacy
7	Proactive Tax Strategy and Compliance
8	Relook your strategic focus, differentiating capabilities and cost structure

Business leaders can thrive by embracing these eight strategic imperatives (2/4)

1 Make bold investment bets in geographic expansion and attractive sectors

- Accelerate market entry into emerging opportunities in highly attractive sectors including Financial services, oil and gas, ICT etc.
- Make capex decisions riding on FX stability to ride the economic growth curve.
- Adapt funding strategy to positive yields and FX outlook.
- Explore and capitalise on export-led growth opportunities, leveraging the African Continental Free Trade Area (AfCFTA) to access new regional markets and enhance cross-border competitiveness.

2 Scenario plan to build resilience to external macro and geopolitical shocks

- Stress test your business to geopolitical shocks, taking cognizance of wars, regime change, disintegrating global order etc.
- Review your 2026 business plan assumptions to incorporate extreme scenarios of macroeconomic shocks including energy shocks, capital flows reversals etc. and 2027 election related risks.
- Preserve margin to ensure resilience of financial performance to external and geopolitical shocks.
- Balance drive for investment with stronger cash management while ensuring balance sheet resilience.

3 Reinvent / adapt your business model for resilience

- Recognise changing industry assumptions and pace of disruption to your current business model driven by regulatory, competition and technology changes
- Make bold move to relook/reinvent your business model - reconfiguring your value creation, value delivery and revenue model.
- Stay agile and drive rapid execution in the face of disruption and potential shocks.
- Embrace business model reinvention by rethinking how value is created, delivered and captured in response to changing customer needs and market dynamics.

Business leaders can thrive by embracing these eight strategic imperatives (3/4)

4 Accelerate digital transformation and responsible AI adoption

- Define how digital and AI will be used to drive value within an organisation.
- Define what needs to be done to make it successful on the entity level.
- Outline a strategic agenda i.e., how this will happen at an entity level.
- Embed digital and AI capabilities across core operations to structurally lift productivity, reduce costs, and accelerate data-driven decision-making.

5 Adapt to market dynamics and changing consumer needs

- Continuously adjust offerings, pricing, and routes to market as consumer behaviour and price sensitivity evolve.
- Enhance customer segmentation and targeting to tailor products, pricing, and channels to distinct customer needs and income profiles.
- Accelerate innovation cycles by testing, refining, and rapidly scaling offerings that respond to emerging market trends.
- Strengthen omni-channel presence to meet customers where they prefer to engage, balancing digital, physical, and partner-led routes to market.
- Embed agility in operations and supply chains to respond quickly to demand volatility, cost pressures, and competitive moves.

6 Stay proactive in regulatory engagement and advocacy

- Actively monitor and contribute to policy discussions and systematically assess how new regulations and reforms will affect your organisation.

Business leaders can thrive by embracing these eight strategic imperatives (4/4)

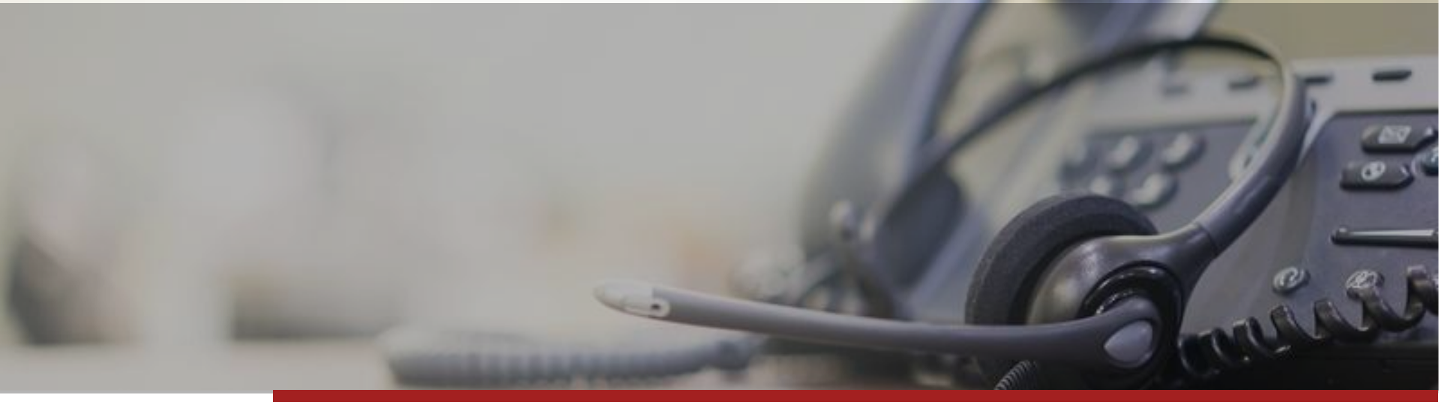
7 Proactive Tax Strategy and Compliance

- Review ERP and tax configurations to ensure full alignment with final legislation, including rates, rules, and calculation logic approved by the National Assembly.
- Prioritise automation for processes that carry a high penalty risk, especially in respect of withholding tax and withholding VAT, which now attract penalties of 40%. Robust automation and controls in these areas can materially reduce exposure to errors and protect the balance sheet.
- Strengthen compliance discipline by improving data quality, reducing manual intervention, and enhancing tax function capability to ensure accurate, first-time filings.
- Complete a comprehensive review of strategic opportunities, risks, and operating model changes required by the reforms. Ensure that all design decisions have been implemented on a timely basis, are embedded in business processes, and are sustainable over the long term.
- Integrate tax into every strategic decision - expansion, supply chain, and workforce planning. As the Nigeria Tax Act aligns with global standards, businesses must adopt a proactive approach to ensure compliance, minimise risk, and maximize fiscal efficiency.

8 Relook your strategic focus, differentiating capabilities and cost structure

- Revisit your strategy and be clear on your must haves i.e. differentiating capabilities require to win in your industry.
- Radically transformation cost structure by relooking capabilities, investments and cost centers that do not contribute to your ability to win in your current and future market.
- Engage and accelerate culture evolution to drive strategic focus and cost structure.
- Analyse costs across the organisation, eliminate inefficiencies, and redirect savings toward capabilities that will drive future growth and competitiveness.

Source: PwC Analysis



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