

Nigeria Country Brief



July 2024



Transforming Africa's Trade

African Export-Import Bank
Banque Africaine d'Import-Export



Nigeria

The Federal Republic of Nigeria is located in West Africa, covering an area of 923,768 square kilometers. With a population of approximately 223 million people, Nigeria is the most populous country in Africa.

223
million inhabitants

923,768
square kilometers

1st
most populous
African country



INTRODUCTION

The Federal Republic of Nigeria is located in West Africa, covering an area of 923,768 square kilometers. With a population of approximately 223 million people, Nigeria is the most populous country in Africa. Nigeria shares its borders with Niger to the north, Chad to the northeast, Cameroon to the east, and Benin to the west. The country is known for its rich multiculturalism, with over 250 ethnic groups and around 500 languages spoken. English is the official language, fostering unity among Nigeria's 36 states. Abuja is the capital, and Lagos is the commercial nerve of the country.

In 2023, Nigeria's GDP was estimated at US\$362.8 billion¹, positioning it as one of the largest economies on the African continent. The economy is primarily driven by the services sector, which contributed 56% to the GDP in 2023, followed by industry at 19% and agriculture at 25% (National Bureau of Statistics, 2024). In terms of employment, the services sector emerged as the principal source of employment, engaging more than 52% of the workforce in 2022, surpassing agriculture and industry, which accounted for over 35.2% and 12.7% of employment, respectively.

Nigeria is the leading oil-producing country in Africa. Despite the rising significance of the non-oil sector, Nigeria continues to uphold a prominent position in oil production in Africa. While oil contributes only approximately 6% to the GDP, its impact extends beyond economic boundaries. It is an important source of government income, foreign exchange, and export earnings, with over 70% of export earnings derived from this sector. Furthermore, oil is indispensable in facilitating payment for crucial imports, such as food items and production factors, underscoring its vital function in sustaining Nigeria's economy. However, recent global events, notably the COVID-19 pandemic and subsequent oil price volatility, highlight the urgent need for Nigeria to expedite economic diversification efforts. This is crucial for reducing dependence on oil revenue and fostering sustainable growth amid uncertain global dynamics.

POLITICAL ENVIRONMENT

The Federal Republic of Nigeria is structured as a federation comprising 36 self-governing states and a federal capital territory. Nigeria's federalism divides powers among federal, state, and local governments. Under a presidential system, two major parties predominantly shape the nation's political landscape: the All-Progressives Congress (APC) and the

People's Democratic Party (PDP). The presidency is subject to a four-year term, which may be renewed only once. Mr. Bola Tinubu of the APC won the 2023 presidential elections. Mr. Tinubu succeeded former President Muhammadu Buhari, who served two terms. Since restoring civilian rule in 1999, Nigeria has consistently and uninterruptedly conducted elections, indicating its dedication to democratic governance.

ECONOMIC OVERVIEW

Growth

Nigeria's economy has shown remarkable resilience by bouncing back from the 2020 COVID-19 recession, achieving a growth rate of 3.6% in 2021, the highest since 2014. This recovery, driven by favourable crude oil prices, growth in non-oil sectors such as agriculture and services, and increased public and private consumption, indicates Nigeria's growth potential. Economic growth slowed to 3.3% and 2.8% in 2022 and 2023, respectively, mainly driven by persistent oil theft, which resulted in a decline in oil output and the impact of tough reforms on foreign exchange and subsidy removal in mid-2023 (Figure 1). Despite the current economic hardship, forecasts suggest that economic growth will continue at an average of 3.1% in 2024 and 2025, supported by rising global oil prices, improved oil production, sustained growth in agriculture and services, currency stability, and the government's efforts to strengthen fiscal policies. However, it is crucial to note that the pace of economic growth needs to be much higher, especially with Nigeria's rapidly expanding population. While the GDP shows an annual growth of about 3%, demographic trends indicate that the economy is struggling to keep up with population growth, which could impede overall socio-economic progress and exacerbate unemployment and poverty. Sustainable economic growth requires targeted interventions to address unemployment and poverty. Nigeria's recovery from the recession is a promising beginning. However, given the growing population, addressing the high cost of living triggered by the war in Ukraine and achieving robust and inclusive economic growth is crucial.

Inflation

Nigeria has experienced significant inflationary pressure in recent years, attributed to supply chain disruptions and relaxed financial conditions. Inflation has risen, reaching 33.95% in May 2024, up from 28.9% in December 2023 and 21.3% in December 2022 (Figure 1). The COVID-19 pandemic and the Ukraine conflict have disrupted the supply chain, causing food and energy prices to soar. Food inflation, the most significant component of the inflation basket, increased from 23.75% in December 2022 to 33.9% in December 2023 and 40.66% in May 2024. Overall, food inflation has been

¹ World Bank (2024). Nigeria. <https://thedocs.worldbank.org/en/doc/bae48ff2fefc5a869546775b3f010735-0500062021/related/mpo-nga.pdf>

driven by higher bread prices, cereals, oils and fats, potatoes, and yams. Core inflation also rose to 27% in May 2024, primarily due to gas, electricity, and transportation costs. Although the inflation rate is projected to decline in 2024 and 2025, persistent structural weaknesses and external shocks may continue to push prices up. This high inflation reduces purchasing power, threatens macroeconomic stability, and highlights the need for comprehensive policy measures to address underlying economic vulnerabilities. These measures include enhancing supply chain resilience, maintaining tight monetary policy, and promoting fiscal discipline to mitigate the adverse effects of inflation on the welfare of Nigerian citizens and the overall economic outlook.

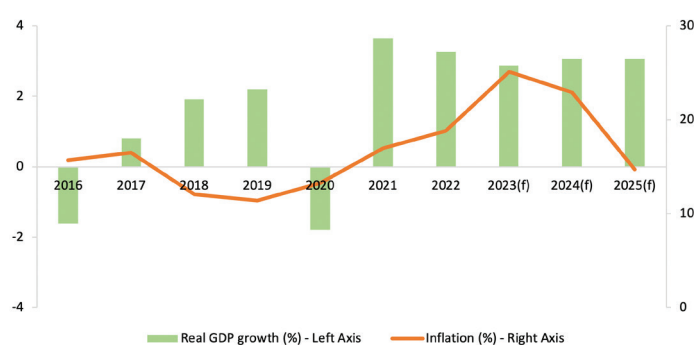
Exchange Rate

The Nigerian Naira has been highly volatile in recent years due to high and increasing demand for the US dollar to pay for imports, low foreign reserves, weak investment inflows, and a strong US dollar supported by tight US monetary policy. As a result, the Naira has weakened against the US dollar, depreciating by over 5.8% and trading at ₦423.3:US\$1 in 2022, compared to ₦398.8:US\$1 in 2021 (Figure 2). Since May 2023, when the current administration assumed office, the Central Bank of Nigeria (CBN) has implemented several policy measures to tackle inflation and foreign exchange pressures. These measures include ongoing tightening of monetary policy, leading to tighter credit conditions for domestic companies and an increase in local bond yields. During the 295th Monetary Policy Committee meeting on May 21, 2024, the Monetary Policy Rate (MPR) was raised to 26.25%, the cap on the Standing Deposit Facility (SDF) was removed, and the Cash Reserve Ratio (CRR) was retained at 45%. Additionally, CBN has taken steps to tackle challenges in foreign exchange supply. This includes consolidating all foreign exchange transaction windows into the Investors and Exporters (I&E) window, reintroducing Bureau de Change (BDC) operators, establishing a committee to monitor foreign exchange liquidity, and gradually addressing outstanding foreign exchange obligations.

While most reforms were being implemented, the Naira faced significant pressure, especially in the second half of 2023 and early 2024. After the official FX exchange windows were unified on June 14, 2023, the official exchange rate depreciated by 60%, aligning with the parallel market rate, which fluctuated between ₦750-850:US\$1. Market scrutiny intensified, particularly regarding the CBN's net international reserves position and its impact on FX liabilities, overdue dollar obligations to domestic banks, and a backlog of pending dollar demand from corporates seeking repatriation funds. Reflecting market concerns and segmentation, the

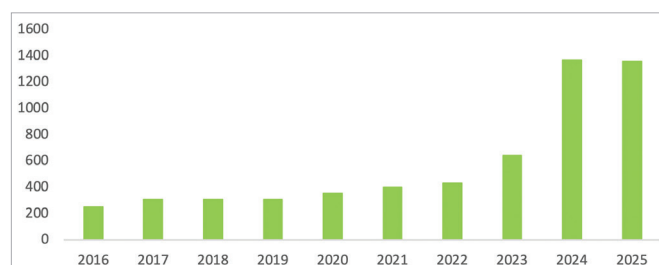
parallel market rate depreciated by 35% between July and October 2023, reaching approximately ₦1,100:US\$1, with the parallel market premium widening to over 40%. At the end of February 2024, the Naira fell to ₦1,544:US\$1 in the official market. From March to June 2024, the volatility of the Naira reduced, as the currency closed H2 at ₦1,470:US\$1. The clearing of the foreign exchange backlog, coupled with high interest rates of fixed-income securities, restored confidence and brought some stability to the currency. It is important to note that addressing the underlying structural weaknesses in the economy is crucial in ensuring exchange rate stability in the medium to long term.

Figure 1: GDP growth and inflation (percent)



Source: International Monetary Fund, World Economic Outlook Database, October 2023

Figure 2: Official exchange rate (per \$, period average)



Source: Afreximbank Research, IMF World Economic Outlook, 2024.

Fiscal Balance

From 2020 to 2024, Nigeria's fiscal landscape showed dynamic changes. Government revenue, excluding grants, increased from 6.4% to 12.4% of GDP, indicating potential improvements in revenue collection mechanisms or favorable economic conditions contributing to enhanced tax receipts or alternative revenue streams. During the same period, government expenditure consistently rose from 12.1% of GDP in 2019 to 14.4% in 2022, peaking at 13.6% in 2023, before slightly decreasing to 17.1% in 2024 (Table 1). This trend reflects a sustained commitment to investment in infrastructure, social programs, and other developmental initiatives. Despite the increase in expenditure, the overall fiscal balance, excluding grants, showed signs of improvement, with the deficit narrowing over time. A significant improvement was observed

by 2024, with the deficit narrowing to 4.7% of GDP from 6% in 2022. This improvement suggests cautious fiscal management and a concerted effort to reduce reliance on Central Bank of Nigeria (CBN) financing, demonstrating a prudent fiscal stance. In 2025, the deficit is projected to narrow to 4.3% due to a decline in revenue.

The Nigerian government is implementing a reform agenda to strengthen fiscal sustainability. Discontinuing the fuel subsidy in May 2023 aims to save an estimated 0.6% of GDP, freeing up funds for developmental purposes. Additionally, Nigeria removed electricity subsidies for 15% of Band A consumers receiving at least 20 hours of power supply. Non-oil revenue increased by 0.8% of GDP in 2023, and oil production reached 1.65 million barrels daily in January 2024. The goal is to elevate revenue collection to 18% of GDP over the next five years, with digitalization expected to enhance spending efficiency and combat corruption. Despite these reforms, the government faces limitations in responding to the needs of citizens, most of whom have been affected by the high cost of living and promoting development. Nigeria needs to implement budget reforms to strengthen the implementation of the 2024 budget, particularly its capital component.

Table 1: Nigeria Government Finance (Percent of GDP)

| Indicators | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|--|------|------|------|------|------|------|
| Government Revenue, Excluding Grants | 6.4 | 7.1 | 8.4 | 8.7 | 12.4 | 12.8 |
| Government Expenditure | 12.1 | 12.6 | 14.4 | 13.6 | 17.1 | 17.1 |
| Overall Fiscal Balance, Excluding Grants | -5.7 | -5.5 | -6.0 | -4.9 | -4.7 | -4.3 |

Source: Afreximbank Research and International Monetary Fund's 2024 Country Article IV.

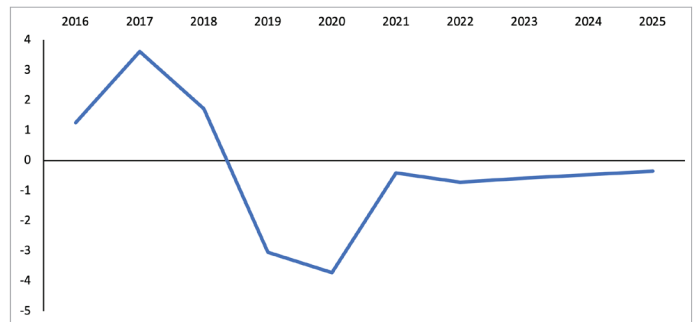
OVERVIEW OF TRADE, RESERVES, AND THE FINANCIAL SECTOR

External Balance

Current Account Balance

The external balance of Nigeria, as indicated by its current account balance as a percentage of GDP, has shown a mixed trend in recent years. From 2019 to 2020, there was a slight increase in the current account deficit from 3.1% to 3.7% of GDP, mainly due to a decrease in exports of goods and services as a percentage of GDP (Figure 3). However, in the following years, there was a noticeable improvement in the current account balance. The deficit decreased to 0.4% of GDP in 2021. This improvement can be credited to increased exports relative to GDP, indicating higher external demand for and improved competitiveness of Nigerian products and services in global markets. The current account deficit-to-GDP ratio is set to narrow to 0.4% of GDP in 2024 and 0.3% in 2025; Nigeria has maintained a relatively steady external balance, demonstrating resilience in its trade performance.

Figure 3: Current account balance (percent of GDP)



Source: Afreximbank Research, IMF World Economic Outlook, 2024.

Total Trade

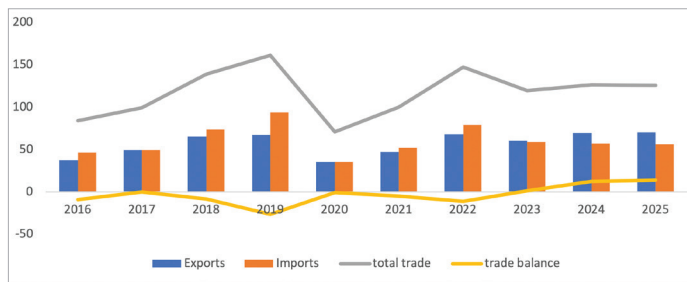
Nigeria's exports and imports of goods and services as a percentage of GDP have shown relatively stable patterns over the review period. Exports have consistently accounted for around 14-15% of GDP, indicating a steady contribution to the economy from foreign sales of goods and services. Imports have hovered around 16-17% of GDP, reflecting Nigeria's reliance on imported goods to meet domestic demand. Although the current account has improved, the narrow export base and persistent dependence on imports highlight underlying vulnerabilities in Nigeria's external sector. To ensure sustainable external balance and reduce

reliance on imports, Nigeria may need to diversify its export base, promote value-added industries, and enhance domestic production capacity to meet local demand, thereby reducing the need for certain imports and strengthening the resilience of its external sector in the long term.

Nigeria's total trade volume showed a consistent upward trend until 2022, with total trade reaching US\$147.6 billion, doubling between 2020 and 2022. However, in 2023, there was a downturn, with total trade declining to US\$119.6 billion, marking a decrease of 19.0%. This decline is mainly a result of the impact of current devaluation and depreciation and reflects a certain level of volatility in Nigeria's trade environment. Over the years, Nigeria's trade performance has been influenced by various domestic and global economic factors, including shifts in commodity prices, geopolitical tensions, and policy changes.

Nigeria heavily relies on its oil and gas sector, which accounts for a significant portion of exports and imports. Over the

Figure 4. Nigeria's Trade Accounts, Exports, and Imports (Billion US\$), 2016-2023



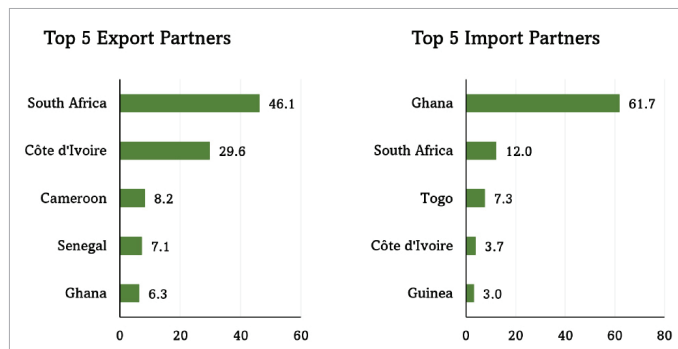
Source: EIU database and Afreximbank research 2024.

years, the oil and gas sector has consistently contributed to Nigeria's total trade, with oil and gas accounting for about 89 percent of exports and about 38 percent of imports in 2023, respectively. However, alongside the pivotal oil and gas sector, there is a noticeable trend of diversification in Nigeria's trade portfolio, with the non-oil sector also showing growth. The steady increase in non-oil exports and imports indicates Nigeria's efforts to reduce dependency on oil revenues and create a more balanced trade ecosystem. Additionally, the trade balance, while fluctuating, has generally improved over the years, with deficits gradually narrowing from US\$16.4 billion in 2020 to an estimated US\$3.8 billion in 2024. This trend suggests positive progress towards achieving a more favourable balance between exports and imports, indicating potential enhancements in Nigeria's trade competitiveness and economic stability.

Intra-African Trade

In 2023, Nigeria's participation in trade with other African countries increased significantly, reaching US\$7.8 billion, which accounted for 6.4% of its overall trade, broadly unchanged from 2022. However, Nigeria's intra-African trade levels remained lower than the regional average of 14%. In 2022, South Africa was Nigeria's primary export destination within Africa, accounting for 46.1% of exports, followed by Côte d'Ivoire at 29.6% and Cameroon at 8.2% (Figure 5). Mineral fuels and oils constituted a significant portion, making up 78.2% of Nigeria's total exports within Africa. This highlights Nigeria's significant role as a supplier of energy resources in the region. Ghana was the primary source of Nigeria's intra-African imports, representing 61.7% of the total imports, followed by South Africa at 12.0% and Togo at 7.3%. Similar to exports, mineral oils, fuels, and distillation products were essential import products, reflecting Nigeria's reliance on these commodities to meet domestic demand. The full operation of the Dangote Refinery, the world's largest single-train refinery, is expected to reduce Nigeria's reliance on imports of refined petroleum products.

Figure 5: Nigeria's African Trading Partners (percent), 2022



Source: Afreximbank Research, World Bank (2024) World Trade Services (WITS).

Foreign Reserves

Nigeria's foreign reserves have been quite volatile since the economic recession in 2016 when they declined to US\$27 billion. Traditionally, the movement of foreign reserves mirrors the movement of crude oil prices in the international market. However, the increase in crude oil prices in 2022 following the war in Ukraine was not accompanied by the rise in Nigeria's reserves. Foreign reserves fell to US\$35.5 billion in 2022 from US\$40.4 billion in 2021. In 2023, it fell further to US\$34.45 billion. Key factors influencing the movement of reserves include a fall in crude oil production, increased demand for foreign exchange, and weak foreign investment inflows into the country. External reserves are expected to stabilize around US\$33 billion in 2024 and 2025, driven by high interest rates and foreign exchange reforms, which raised confidence in the markets and attracted investments into the country.

Financial Sector

Nigeria's financial sector is one of the most extensive and diversified on the African continent, housing numerous banks and non-bank financial institutions. As of 2022, the sector comprises 24 commercial banks, 875 microfinance institutions, 5,675 bureaux de change, 105 finance companies, 34 primary mortgage banks, and 7 development finance institutions, all regulated by the Central Bank of Nigeria (CBN). Nigeria's financial sector has demonstrated exceptional resilience and robust performance despite local and global challenges. Total deposits in the sector surged to approximately US\$102.28 billion by June 2022, marking a substantial 28.5% increase from the previous year's figure of US\$79.6 billion. Similarly, total credit to the private sector experienced significant growth, reaching US\$65 billion in June 2022, a notable 22.61% rise from the US\$53 billion recorded in June 2021. Notably, the agriculture and industrial sectors emerged as the primary beneficiaries of this credit expansion.

Moreover, the sector’s non-performing loans remained within the prudent threshold of 5%, at 4.95% in 2022, emphasizing the CBN’s dedication to fostering growth and employment while ensuring financial stability.

In recent years, the Central Bank of Nigeria (CBN) has taken proactive measures to safeguard the stability of Nigeria’s banking sector. In response to the 2009 financial crisis, the CBN nationalized three struggling banks-AfriBank, Spring Bank, and Bank PHB - to prevent further risks and protect the sector’s stability. Stress tests conducted by the CBN indicated a potentially significant decline in banks’ Capital Adequacy Ratio (CAR) to 6% under severe shocks, highlighting the importance of the CBN’s policy requiring banks to retain foreign exchange gains and strengthen their capital reserves. The CBN has increased the minimum capital requirement for commercial banks with international licenses to N500 billion and implemented similar revisions for other bank categories. The recapitalization process is set to be completed within two years, aiming to enhance the resilience of Nigerian banks and support the government’s US\$1 trillion economy drive by 2030. This policy is expected to improve banks’ resilience, reduce vulnerability to financial shocks, control inflation, and enhance their capacity to support the government’s economic objectives.

The CBN has also revoked licenses of small micro-finance banks found non-compliant with prudential norms, ensuring the protection of insured depositors' funds. The sector has adopted international financial reporting standards to enhance transparency and accountability. Additionally, CBN has intensified efforts to promote financial inclusion by leveraging mobile money platforms to bring clients from the informal sector into the formal banking system. Through strategies focused on payment systems, fintech innovations, and initiatives to enhance financial literacy and expand access to finance, the CBN aims to achieve a financial inclusion target of 95% by 2024, bolstering the resilience and sustainability of banks and the broader financial services industry.

Debt Sustainability

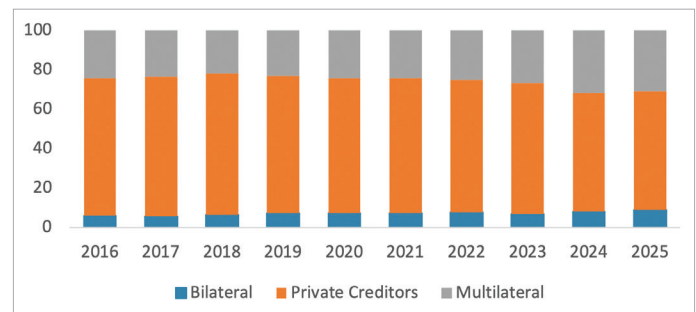
Nigeria is currently benefiting from a relatively low FX debt-to-GDP ratio, but this ratio is on the rise. In 2017, the debt-to-GDP ratio was 16.7%, which is forecast to increase to 40.3% in 2024, indicating a significant debt growth relative to the economy’s size (Table 2). Similarly, the debt-to-export ratio has also shown a substantial increase, reaching 235.7% in 2020 before gradually declining. It is projected to decrease to 137.1% in 2025, suggesting a heavy reliance on external borrowing compared to export earnings.

Despite these increases, Nigeria’s risk of debt distress is

considered moderate, as the present value of external debt remains below critical sustainability metrics. However, the debt service indicators present challenges. The debt service to export ratio has varied over the years, reaching 18.4% in 2023, which indicates the proportion of exports needed to service debt obligations. Additionally, the debt service to revenue ratio has increased significantly, from 33.8% in 2017 to a projected 110.4% in 2024, signalling potential difficulties in meeting debt servicing obligations relative to revenue generation.

Nigeria has consistently relied on private creditors for its external debt, accounting for the largest share, ranging from 59.9% to 72.0% over the years analysed (Figure 6). Multilateral institutions also played a significant role, with their share fluctuating between 21.8% and 31.9%. Meanwhile, bilateral creditors comprised a smaller proportion, ranging from 5.6% to 8.8%.

Figure 6. Decomposition of Nigeria’s external debt by Creditors (percent), 2016–2025



Source: Afreximbank Research, World Bank data.

Despite facing challenges, Nigeria’s ability to sustain its debt looks promising. The country needs to find diverse funding sources and increase its revenue to minimize risks associated with rising debt levels and debt service obligations compared to GDP, exports, and revenue. Nigeria’s debt sustainability depends on its capacity to implement sensible fiscal management practices, find diverse funding sources, and improve revenue generation. Enhancing tax collection systems, curbing oil theft, cutting non-productive government spending, and supporting private sector-led growth can ease debt sustainability pressures and promote long-term economic stability. Moreover, securing debt management frameworks, improving transparency and accountability in debt procurement and use, and establishing sustainable debt repayment plans are critical to protecting Nigeria’s fiscal health and reducing risks linked with mounting debt levels and debt service obligations.

Table 2. Nigeria's Debt Sustainability Indicators (percent)

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 (f) | 2025(f) |
|--------------------------------|-------|-------|-------|-------|-------|-------|-------|----------|---------|
| Debt to GDP | 16.7 | 15.8 | 16.4 | 19.1 | 20.6 | 20.7 | 28.7 | 40.3 | 39.7 |
| Debt to export | 126.9 | 101.9 | 115.2 | 235.7 | 191.7 | 144.8 | 148.6 | 134.0 | 137.1 |
| Debt service to export | 6.7 | 9.7 | 10.2 | 17.3 | 16.0 | 11.0 | 18.4 | 15.8 | 10.9 |
| Debt service to revenue | 33.8 | 46.5 | 43.1 | 58.9 | 64.5 | 56.1 | 102.0 | 110.4 | 62.6 |

Source: Afreximbank Research, IMF (2024)

Annex 1: Nigeria - Selected Macroeconomic and Financial Indicators

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|-------|------|------|------|-------|-------|------|------|------|------|
| Real GDP, % | -1.6 | 0.8 | 1.9 | 2.2 | -1.8 | 3.6 | 3.3 | 3.2 | 3.0 | 3.0 |
| Inflation, annual average, % | 15.7 | 16.5 | 12.1 | 11.4 | 13.2 | 17.0 | 18.8 | 20.1 | 15.8 | 14.7 |
| Exports of goods and services, % y/y | -10.4 | 8.0 | 2.9 | 18.1 | -19.3 | -19.7 | -2.6 | 5.8 | -5.3 | -5.0 |
| Current account, % of GDP | 1.3 | 3.6 | 1.7 | -3.1 | -3.7 | -0.4 | -0.7 | 0.6 | -0.5 | -0.4 |
| Total reserves, US\$ millions | 27.2 | 39.6 | 42.8 | 38.3 | 36.7 | 40.4 | 35.5 | 34.5 | 33 | 33 |
| Gross reserves, months of imports | 7 | 9.3 | 7.2 | 4.5 | 6.1 | 7.1 | 5.5 | 7.3 | 6.5 | 7 |

Source: Afreximbank Research, IMF (2024)

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