

MACROECONOMIC OUTLOOK FOR NIGERIA, 2026

**Consolidating Macroeconomic
Stability Amid Global Uncertainty**



Central Bank of Nigeria

CENTRAL BANK OF NIGERIA



Disclaimer:

The Central Bank of Nigeria Macroeconomic Outlook assesses recent developments and projects short-term prospects for the Nigerian economy. It is produced by the Research Department with inputs from other departments within the Economic Policy Directorate. The Outlook is published in the first quarter of the year, and updated in the third quarter, based on forecasts from in-house macroeconomic models. It incorporates a wide range of possible shocks to the domestic economy, analyses potential risks, and highlights policy priorities needed to strengthen the Nigerian economy. The views and projections contained in this Report are based on the understanding of the prevailing economic circumstances, and available data at the time of the publication.

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Foreword

It is with great pleasure that I present the third edition of the CBN Macroeconomic Outlook for the Nigerian Economy. This publication provides a comprehensive review of recent macroeconomic developments and offers informed projections for the near term. It reflects the Bank's commitment to evidence-based policy formulation, transparency, and the promotion of a stable and resilient economy. By providing timely analyses and forward-looking insights, this report seeks to guide policy decisions, anchor market expectations, and promote sustainable growth and development in line with the Bank's core mandate.

The 2026 Outlook is released at a pivotal moment in Nigeria's economic trajectory, marked by sustained efforts to restore market confidence and macroeconomic stability through coordinated monetary and fiscal policy actions. Key developments in this regard include the ongoing banks' recapitalisation, foreign exchange market reforms, fiscal consolidation measures, and structural initiatives aimed at addressing supply-side constraints, including improving food and energy security.

Furthermore, as the Bank transitions to an inflation-targeting framework, the report provides an in-depth assessment of key macroeconomic indicators, presents short-term forecasts, and outlines policy priorities to entrench price stability, strengthen external balance, and foster inclusive growth.

Global economic conditions are projected to remain broadly stable in 2026. The International Monetary Fund forecasts global output growth of 3.10 per cent, with variations across advanced and emerging market economies. The anticipated continued easing of monetary policy in major economies, sustained fiscal support, improving financial conditions, and the gradual resolution of trade disruptions are expected to support global resilience. Nonetheless, emerging economies such as Nigeria must remain cautious of persistent external vulnerabilities resulting from geopolitical tensions, rising protectionism, commodity price volatility, and potential shifts in global capital flows. These factors underscore the importance of sound macroeconomic management and policy coordination to safeguard stability and sustain growth momentum.

The domestic economy is projected to expand by 4.49 per cent in 2026, from an estimated 3.89 per cent in 2025. The outlook reflects expectations of continued expansion in key non-oil sectors, improved crude oil production, and sustained stability in the macroeconomic environment. These factors, supported by ongoing structural reforms and prudent policy management, are anticipated to strengthen

productive capacity, enhance investor confidence, and consolidate the foundation for inclusive and resilient growth.

Inflation, though still elevated, is projected to moderate further to 12.94 per cent in 2026, reflecting the combined impact of easing food and energy prices, as well as the lagged effects of the Bank's monetary policy tightening cycle. The expected continuation of the disinflationary trend will provide a firm basis for the Bank's gradual transition to a full-fledged inflation-targeting framework. Likewise, the exchange rate is projected to remain broadly stable, supported by rising diaspora remittances, higher oil receipts, and strong investor confidence. The Bank remains committed to discharging its mandate in a manner that balances the objectives of price stability and sustainable economic growth.

Fiscal conditions are expected to strengthen, driven by the deeper implementation of the Petroleum Industry Act (PIA), 2021 and the broad-based tax reforms, expenditure rationalisation, and improved public financial management.

Nonetheless, we acknowledge risks to the Outlook. Geopolitical tensions, supply-chain disruptions, rising protectionism, volatile oil prices, and disruption in domestic crude oil production could undermine the Outlook. In view of these downside risks, the forecasts for 2026 generally reflects cautious optimism.

The Bank, on its part, will remain steadfast in deepening ongoing foreign exchange market reforms, strengthening collaboration with key stakeholders, and ensuring a research-driven monetary policy approach. Effective fiscal-monetary coordination remains critical to sustaining macroeconomic stability and unlocking Nigeria's full growth potential.

This Macroeconomic Outlook serves as a strategic tool for shaping expectations, guiding policy reforms, and enhancing economic resilience. I therefore invite policymakers, investors, researchers, and all stakeholders across the public and private sectors, to engage with the insights presented herein, as we collectively strive to build a more stable, inclusive, and prosperous Nigerian economy.



Governor, Central Bank of Nigeria
January 2026

Preface

The Central Bank of Nigeria's 2026 Macroeconomic Outlook is themed Consolidating Macroeconomic Stability amid Global Uncertainty to capture improving domestic conditions and rising global trade tensions. The publication reviews developments in the economy in 2025, provides projections for 2026 and highlights policy priorities to mitigate identified risks.

The Outlook for 2026 is cautiously optimistic, amid conditional risks as the economy is expected to stabilise further, on account of the reforms implemented since 2023. Growth is expected to pick up modestly. Continued disinflation and stability of the foreign exchange market are anticipated, while activity in the non-oil sector is expected to gain traction. Yet, structural constraints remain.

Following an extended period of monetary tightening to curb inflationary pressure, the Bank, in September 2025, eased its policy stance to support domestic growth and investment. This policy recalibration was underpinned by continuing disinflation, sustained exchange rate stability, and improved liquidity conditions. External buffers improved on the back of increased remittances inflows through the International Money Transfer Operators (IMTOs), steady oil receipts, and rising non-oil exports, which supported the naira's stability. Additionally, substantial progress has been made in the transition toward a full-fledged inflation-targeting regime, with enhancements in forecasting tools, modelling frameworks, and policy communication.

The strategic policy decisions in 2025 improved price and exchange rate stability, enhanced capital inflows, and strengthened the resilience of the financial system. The period also witnessed significant progress in the ongoing banking sector recapitalisation exercise, with a substantial number of banks meeting the new capital thresholds.

As a result of the implementation of coordinated macroeconomic policy measures and the impact of the reforms, the Outlook projects a more stable and resilient Nigerian economy in 2026. Accordingly, inflation is expected to continue to moderate, while output growth strengthens. The stability in the FX market is expected to be sustained, leading to reserves accretion.

The Outlook provides a strong focus on practicable strategies for the road ahead. First, it emphasises the significance of harmonised fiscal and monetary policies, institutional reforms, and tailored guidelines, as essential tools for sustaining investor confidence and economic

momentum. Second, it highlights the need to sustain orthodox monetary policy and implementation of the reforms in the FX market, to ensure monetary, price and exchange rate stability.

In addition, beyond presenting diagnostics, the Outlook provides policy priorities for Nigeria in key sectors, leveraging Public-Private-Partnerships (PPPs) to drive inclusive growth, enhance productivity and boost job creation. While these prospects are encouraging, the Outlook remains cautiously optimistic, recognising that achieving these goals will require persistent reform commitment and careful navigation of evolving domestic and global risks.

As the monetary authority of Nigeria, the Bank remains steadfast in achieving its core mandate of price stability while promoting sustainable development and fostering economic resilience. The Bank will sustain its regulatory oversight, and commitment to ensuring that policies are timely, data-driven, and supportive of a stable macroeconomic environment.

I commend the Research Department for the preparation of the 2026 Central Bank of Nigeria Macroeconomic Outlook. I invite all stakeholders, including policymakers, business leaders, academics, civil society organisations, and the public to take full advantage of the insights presented in this Outlook. Together, we can chart a path toward a more stable, prosperous, and competitive economy.



Deputy Governor, Economic Policy
Central Bank of Nigeria,
January 2026



EXECUTIVE SUMMARY

Global economic growth, estimated at 3.20 per cent in 2025, was slightly below the 3.30 per cent in 2024. The development was due to lingering trade tensions and weaker demand in major economies. Global inflation moderated to 4.20 per cent, on account of lower energy costs, and the continued normalisation of supply chains. Financial conditions eased in many economies, following moderating inflation, less-restrictive monetary policies, rising investor confidence, and the de-escalation of trade tensions.

The performance of the Nigerian economy remained strong in 2025, with growth estimated at 3.89 per cent, compared with 3.38 per cent in 2024. The performance was supported by improvement in both the oil and non-oil sectors. Following the rebasing of the consumer price index by the NBS, consumer price inflation, which was 24.48 per cent in January 2025, ended with an estimated average of 21.26 per cent in 2025, shaped by tight monetary policy stance, exchange rate stability and improved monetary and fiscal policy coordination.

In the financial sector, the expansion in monetary aggregates slowed, compared with the preceding year, as key interest rates rose, reflecting tight conditions in the money market. However, the Bank, in September 2025, eased its policy stance to support domestic growth and investment. The banking system remained stable, as key financial soundness indicators broadly aligned with regulatory benchmarks, supported by the Bank's oversight functions and macro-prudential guidelines.

The fiscal space improved in 2025, owing to policy and institutional reforms, as well as stable crude oil prices and

domestic production. Total public debt outstanding was 33.98 per cent of GDP at end-June 2025, with domestic debt accounting for 52.86 per cent and external debt for 47.14 per cent.

The performance of the external sector remained positive, with a balance of payments surplus estimated at US\$5.80 billion in 2025, supported by an increase in the external reserves estimated at US\$45.01 billion, compared with US\$40.19 billion in 2024. Relative stability in the foreign exchange market during the year was buoyed by domestic reforms, higher capital inflow and export receipts, as well as expanding local refining capacity.

Looking forward, the year 2026 presents a realistic window of opportunity for macroeconomic stabilisation. The Nigerian economy is expected to continue expanding, with growth projected at 4.49 per cent in 2026. The projection is hinged on continued gains from broad-based structural reforms and a gradually easing monetary policy stance. These are expected to further improve the business environment, enhance investor confidence and support private-sector-led growth. The growth momentum is also anticipated to be complemented by increased production and investments in the oil sector, supported by improved security surveillance, alongside gains from enhanced domestic refining capacity. Headline inflation is projected to moderate to an estimated average of 12.94 per cent in 2026, driven by declining food and premium motor spirit (PMS) prices.

Growth in monetary aggregates in 2026 is expected to be influenced majorly by exchange rate movement, fiscal operations, the impact of election-related spending, and continued implementation of prudential measures. The capital market is expected to remain bullish in 2026, supported by the bank recapitalisation exercise, rising investor confidence and other policy measures aimed at fostering growth.

The fiscal outlook for 2026 is optimistic, driven by sustained

non-oil revenue collection and continued implementation of the Nigeria Tax Act, 2025, alongside other policy reforms. The FGN retained revenue and expenditure are projected at ₦35.51 trillion and ₦47.64 trillion, respectively, resulting in a provisional deficit of ₦12.14 trillion (3.01% of GDP). Public debt as a percentage of GDP is projected at 34.68 per cent by end-2026, compared with 33.98 per cent as at June 2025, predicated on expected new borrowings.

The positive trend in the external position is expected to be sustained in 2026, supported by strong exports, steady remittances inflow, increased oil & gas output, improved domestic refining capacity and rising global demand from key trading partners. The current account surplus is expected to rise to US\$18.81 billion, while increased portfolio investment inflows and external borrowings are projected to keep the financial account in a net borrowing position of US\$10.15 billion.

The IIP is projected to record a net borrowing position of US\$69.58 billion in 2026, as attractive yields are anticipated to further boost capital inflows. Reforms in the foreign exchange market are expected to sustain exchange rate stability, while external reserves is projected to increase to US\$51.04 billion.

The outlook for the domestic economy could be susceptible to several risks. Unanticipated headwinds may upturn the expected deceleration in inflation. Inflation projections could be derailed if fiscal expenditure rises disproportionately above the benchmark or if a sudden deterioration in global financial market condition triggers capital reversals that could rekindle exchange rate volatility. Growth prospects could be adversely affected if an unlikely reversal of the expected disinflation necessitates monetary tightening.

Unfavourable climatic conditions and potential disruptions to crude oil production could also dampen projected output growth, impair budget implementation and weaken overall macroeconomic performance. In addition, unanticipated headwinds, such as continued geopolitical tensions and re-escalation of protectionist trade policies could adversely affect the trade balance and exchange rate stability.

A significant rise in non-performing loans could impair asset quality, and weaken banks' balance sheets, thereby posing systemic risk. Also, higher concentration risk from the

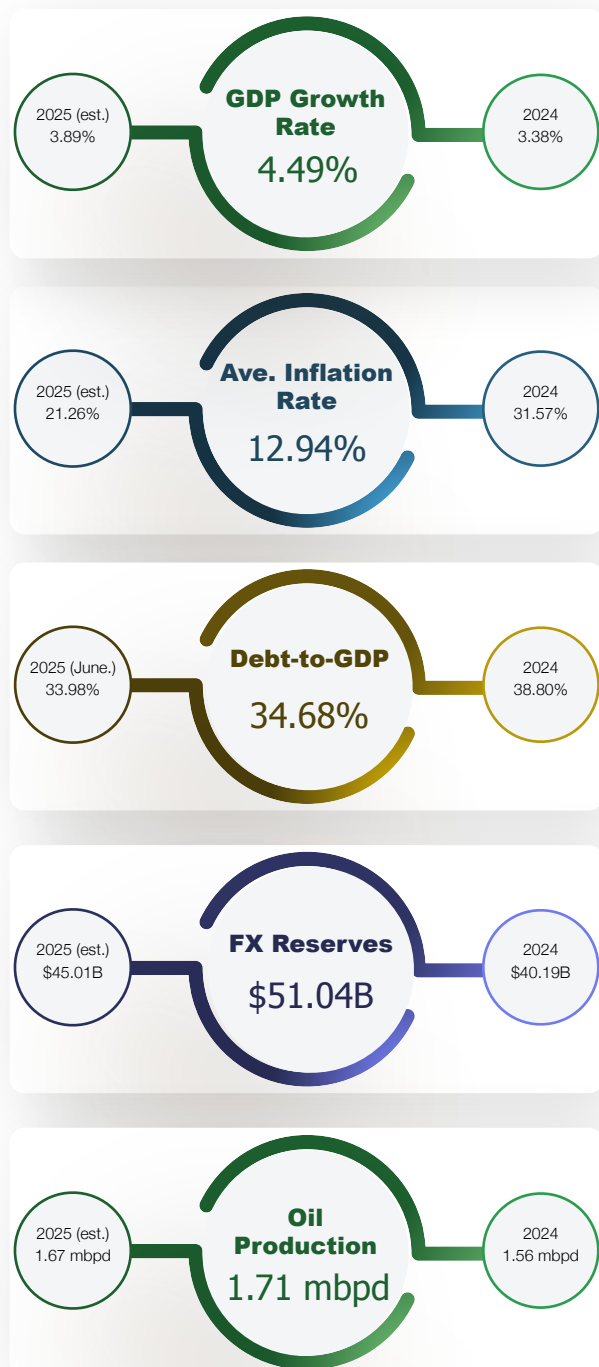
ongoing banking sector recapitalisation could trigger investor fatigue and crowd-out other issuers. Together, these could derail the outlook for the financial sector.

In 2026, the Bank would sustain its commitment to balancing the objectives of price stability and supporting output growth. Appropriate policy instruments would also be deployed to attract foreign investment and consolidate the stability in the foreign exchange market. Furthermore, the Bank would continue to enhance financial stability by deepening the operational integration of the GSI framework across all financial institutions, ensuring credit discipline, and strengthening cybersecurity regulations.

To boost fiscal operations, there is a need to broaden the tax net and establish a more efficient and equitable tax regime, through the effective implementation of the Nigeria Tax Act, 2025, among other short-term priorities. Also, the fiscal authority should ensure that the debt strategy remains aligned with fiscal rules for debt sustainability.

MACROECONOMIC SNAPSHOT

2026 Outlook



Key Policy Anchors in 2026

FX Market Reforms

Enhance price discovery, market stability, and foreign exchange flows.

PIA, 2021

Improved fiscal conditions, boost crude production, engender investment and foster productivity in the economy.



Nigeria Tax Act, 2025

Boost government revenue profile and capacity to undertake projects and stimulate SMEs as engines of economic growth

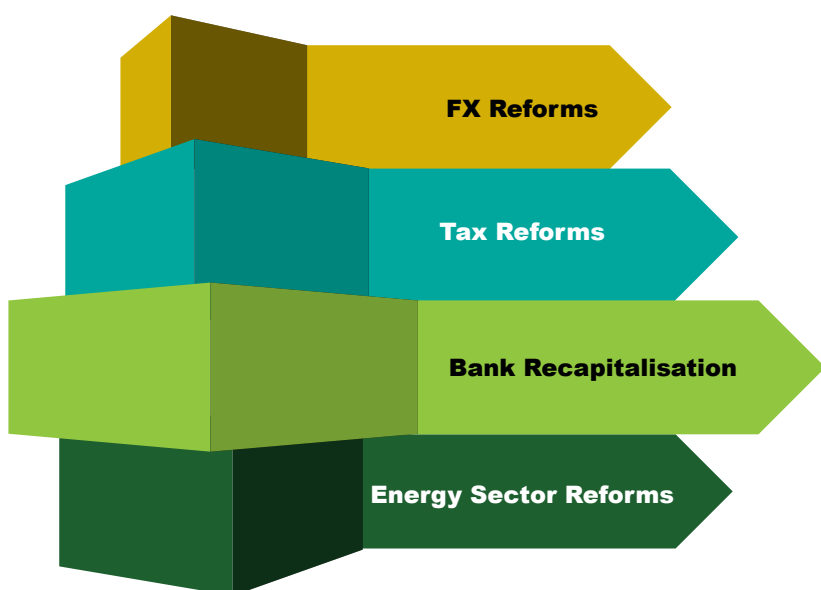
Banking Sector Recapitalisation

Strengthen the resilience of the financial system, enhance their capacity for credit intermediation, and support economic growth.



REFORM PRODUCTIVITY PATHWAY

Policy Reforms



These reforms are expected to lower uncertainty, provide better price signals, strengthen FX Market stability, ensure transparent tax administration, and improve the business environment.

1. Productivity Channels:

- I. Firm efficiency gains (technology, energy use)
- II. Export competitiveness
- III. Lower transaction and logistic costs
- IV. Improved human capital quality
- V. Credit expansion
- VI. Increased ease of doing business

2. Investment:

- I. **Short Term:** Rise in public and private investment, increased capital inflow.
- II. **Medium Term:** Increased productive investment in tradables, manufacturing & processing and infrastructure.

3. Sectoral Reallocation:

- i. Reallocation to high productive sectors
- ii. Expansion in manufacturing, agro-processing, construction and services
- iii. Contraction in low-productivity informal activities
- iv. Greater import substitution

4. Job Creation & Value Addition:

- i. More formal higher-skill jobs
- ii. Greater value addition in non-oil sectors
- iii. Higher productivity and diversification
- iv. Expansion of the creative economy

The background is a solid teal color. Overlaid on this is a faint, stylized globe showing the continents. A network of thin, light-colored lines connects various points across the globe, creating a web-like pattern. The text 'GLOBAL ECONOMIC OUTLOOK AND RISKS' is written in large, bold, white capital letters, positioned on the left side of the image.

GLOBAL ECONOMIC OUTLOOK AND RISKS

1.1 Overview

Global output growth remained positive at an estimated 3.20 per cent in 2025 but was lower than the 3.30 per cent in 2024, owing to lingering trade tensions and weaker private demand in major economies.¹ Growth in Advanced Economies (AEs) was estimated to slow to 1.60 per cent in 2025, from 1.80 per cent in 2024. The moderation was due to trade policy uncertainties, weaker demand, and declining business sentiment mainly in the US, Spain, France, and the UK.

In Emerging Markets and Developing Economies (EMDEs), growth slowed to an estimated 4.20 per cent from 4.30 per cent in 2024, owing to geopolitical tensions, policy uncertainty, and a decline in concessional financing and aid. Growth in Sub-Saharan Africa increased from 4.00 per cent in 2024 to 4.10 per cent in 2025, due to improvements in weather conditions, infrastructure investment, and policy reforms.

Global headline inflation further declined to an estimated 4.20 per cent in 2025 from 5.80 per cent in the preceding year, as the lagged effect of past rate hikes restrained borrowing, investment, and consumption. Also, base effects and the moderation in labour cost, especially in advanced economies, contributed to the moderation in prices. Financial conditions were largely accommodative in many economies, underpinned by monetary policy easing, moderating inflation, and strong investor sentiment, amid trade concerns. Policy rates in most AEs and EMDEs stabilised and began to decline, owing to sustained disinflation.

The performance of financial markets improved in many countries, as the US government softened its trade policy, and agreed to trade deals with key economies. Global public debt remained elevated, with an estimated increase of 2.80 per cent in 2025,² driven by high levels of global fiscal deficit, which averaged 5.00 per cent of GDP³.

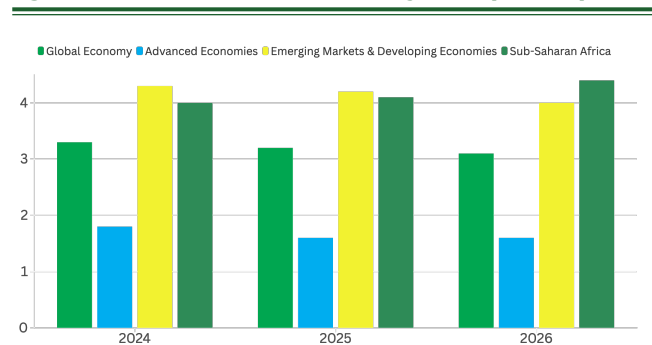
Global merchandise trade volume grew by an estimated average of 2.40 per cent in 2025 compared with 2.80 per cent in 2024, majorly, due to tariff policy uncertainty.⁴ Commodity prices decreased to an estimated 5.00 per cent in 2025, driven, mainly, by oil prices. The decline was, however, moderated by higher prices of natural gas and metals.

1.2 Output

The global output growth is projected at 3.10 per cent in 2026, a slight decrease, compared with an estimate of 3.20 per cent in 2025, as the effects of front-loading ahead of tariff changes and disruptions fade, exposing weaker underlying demand. Also, a sluggish external demand and erosion of fiscal space due to higher debt burdens could weigh on global growth. In the AEs, growth is projected at 1.60 per cent in 2026, the same as the estimated growth rate for 2025.

Growth in EMDEs, however, is projected to slow further to 4.00 per cent in 2026 from 4.20 per cent in 2025, on account of anticipated decline in commodity prices and trade policy uncertainty that might crimp investment inflows.

Figure 1: IMF Global Real GDP Growth Projections (Per cent)



Source: IMF World Economic Outlook, January 2025 update

Growth in SSA is projected to increase to 4.40 per cent in 2026 from 4.10 per cent in 2025, underpinned by strong policy reforms that lift private investment, easing inflation and FX pressures, which could allow monetary easing and spur consumption and investment spending.

¹ World Economic Outlook (WEO), October 2025 update

² The IMF Fiscal Monitor April, 2025

³ The IMF Global Debt Database

⁴ Global Trade Outlook and Statistics, October 2025

1.3 Inflation and Monetary Policy

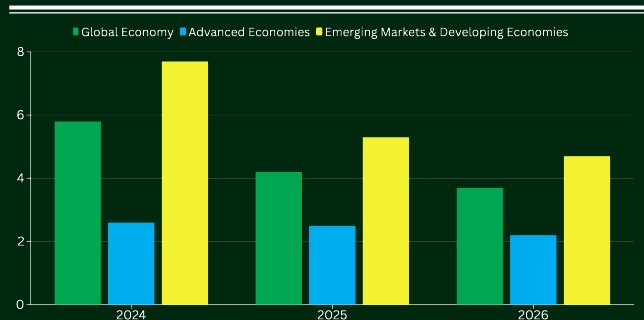
Global price pressures are expected to ease further, with inflation falling to 3.70 per cent in 2026, from 4.20 per cent in 2025, driven by cooling demand, easing energy prices, and inflation expectations remaining well anchored.

In AEs, inflation is expected to converge towards central bank targets, though it is likely to remain above 2.00 per cent in the US due to the continued pass-through of higher tariffs to domestic prices. In the Euro area, disinflation is projected to persist, aided, majorly, by currency appreciation, base effects in energy prices, and moderation of food and commodity input costs. Similarly, inflation is expected to moderate in EMDEs, on account of easing exchange rate, commodity and input price pressures.

As global inflation declines, monetary conditions are expected to ease further in 2026, following anticipated policy rate cuts to support economic activities. AEs are expected to continue to lower policy rates to align with the inflation target and economic conditions, while ensuring financial stability.

In EMDEs, easing global financial conditions and domestic rate cuts are expected to improve financial stability and foster growth, although inherent vulnerabilities such as increased debt and external pressures may taper the pace of monetary easing.

Figure 2: IMF Global Inflation Projections (Per cent)



Source: IMF World Economic Outlook, January 2025

Table 1: IMF Projections for Real Output Growth in Selected Countries and Regions (Per cent)

	2024	2025	2026
World Output	3.30	3.20	3.10
Advanced Economies	1.80	1.60	1.60
United States	2.80	2.00	2.10
Euro Area	0.90	1.20	1.10
United Kingdom	1.10	1.30	1.30
Japan	0.20	1.10	0.60
Emerging Markets and Developing Economies	4.30	4.20	4.00
China	5.00	4.80	4.20
India	6.50	6.60	6.20
Russia	4.30	0.60	1.00
Brazil	3.40	2.40	1.90
Sub-Saharan Africa	4.00	4.10	4.40
South Africa	0.50	1.10	1.20
Nigeria	3.40	3.90	4.20
Angola	4.50	2.10	2.10
Kenya	4.50	4.80	4.90
Ghana	5.70	4.00	4.80
Middle East and North Africa	1.80	3.50	3.80
Saudi Arabia	2.00	4.00	4.00
Egypt	2.40	4.00	4.40

Source: IMF WEO, October 2025

Notes: 2025 and 2026 values are estimated and projected, respectively.

1.4 Global Public Debt

Global public debt levels are expected to remain elevated in 2026, albeit with considerable variation across countries.⁵ The outlook is influenced by reciprocal tariffs, heightened uncertainty, financial market conditions, diminishing foreign aid, and increased defence spending -particularly in Europe.

Table 2: Policy Rates for Selected Central Banks (Per cent)

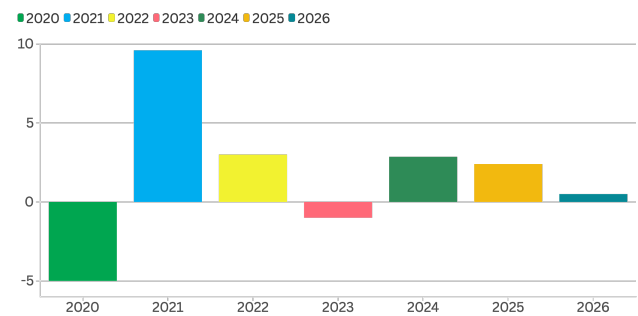
Country	2023	2024	2025
United States	5.50	4.50	4.00
Euro Area	4.50	3.15	2.15
United Kingdom	5.25	4.75	4.00
China	3.45	3.10	3.00
Russia	16.00	21.00	16.50
India	6.50	6.50	5.50
Brazil	11.75	12.25	15.00
Indonesia	6.00	6.00	4.75
Turkey	42.50	47.50	39.50
South Africa	8.25	7.75	6.75
Kenya	12.50	11.25	9.25
Ghana	30.00	27.00	18.00

Source: Reuters 2025 (As at November 2025)

1.5 Trade

Global merchandise trade volume is projected to grow by 0.50 per cent in 2026, as the impact of higher tariffs crystallise and trade policy remains uncertain.⁶ The trade outlook is underpinned by front-loading of purchases, which is expected to unwind as accumulated inventories are drawn down. Additionally, it is anticipated that trade and manufacturing output in developed economies will deteriorate, resulting in a decline in consumer and corporate confidence and a slower rate of job growth.

Figure 3: Global Trade Volume Growth (Per cent)



Source: World Trade Organisation.

Note: 2025 and 2026 values are projections

1.6 Commodity Price Developments

Global commodity prices are expected to moderate by 5.52 per cent in 2026, influenced by weakening demand and improving supply conditions.⁷ Energy prices are projected to fall by 6.99 per cent in 2026, mainly due to lower oil prices as Brent crude is expected to average approximately US\$61.00pb in 2026. Metal prices (excluding precious metals) are expected to drop by 3.29 per cent in 2026. Similarly, the precious metals price index is projected to moderate in 2026. Agricultural commodities are anticipated to fall moderately by 3.18 per cent in 2026, reflecting weak demand and easing supply pressures in key grain and food markets.

1.7 Global Financial Market

The outlook for global financial market conditions in 2026 shows signs of gradual easing compared to 2025, with some cautions and risks shaped by a variety of factors. The stock market outlook is supportive but fragile, as easing rates and steady investor sentiment could be dampened by vulnerabilities in sovereign debt, stretched equity valuations, and currency risks. Moderate gains are anticipated from equity performance, hinging on the pace of monetary easing and sustained corporate profitability.

The bond yield outlook for 2026 signals further declines in advanced economies, reflecting policy easing, while EMDEs could see narrower spreads if global financial conditions

⁵ Global Trade Outlook and Statistics, October 2025

⁶ WTO Global Trade Outlook and Statistics, October 2025.

⁷ World Bank GEP, June 2025.

stay benign. The currency markets are expected to be driven by diverse monetary policy stance.

A softer dollar is possible if the Fed cuts faster than peers, while EMDEs currencies may benefit from capital inflows but remain exposed to commodity shocks and geopolitical risks.

tensions, particularly in the Middle East and Europe, may disrupt oil and food supplies, resulting in inflationary pressure.

Higher public debt levels could raise long term yields and tighten financial conditions. Escalating trade tensions could heighten currency volatility, especially in emerging markets vulnerable to capital outflows.

1.8 Risks and Vulnerabilities

The projected positive growth outlook could be undermined by several downside risks. Notably, increasing geo-fragmentation, arising from escalating trade tensions and geopolitical conflicts, as well as, a sudden reversal of policy rate cuts, could derail the outlook.

The projected disinflation in 2026 could be threatened if tariff-related trade tensions linger. Rising geopolitical

Table 3: Global Capital Market Indexes

Markets	2022	2023	2024	2025
.NGSEINDEX	51,251.06	74,773.85	102,926.40	139,394.75
.NGSE30	1,842.5	2,790.28	3,811.94	5,082.13
.NDX	10,939.762	16,825.931	21,012.17	23,762.30
.FTSE	7,451.74	7,733.24	8,173.02	9,221.44
.FCHI	6,473.76	7,543.18	7,380.74	7,734.84
.GDAXI	13,923.59	16,751.64	19,909.14	23,807.13
.JALSH	73,048.57	76,893.15	84,095.14	102,771.76
.STOXX50E	3,793.62	4,521.44	4,895.98	5,362.81
.TOPX	1,891.71	2,366.39	2,784.92	3,138.81
.SPTSE	1,168.91	1,264.83	1,482.30	1,718.41
.MXX	48,463.86	57,386.25	49,513.27	60,649.76
.FTMIB	23,706.96	30,351.62	34,186.18	41,723.69
.IBEX	8,229.1	10,102.1	11,595.00	15,002.20
.XU100	5,509.16	7,470.18	9,830.56	10,449.36
.BSESN	6,0840.74	72,240.26	78,139.01	80,787.30
.HSI	19,781.41	1,7047.39	20,059.95	25,633.91
.SZI	11,015.986	9,524.6895	10,414.61	12,666.84
.SZSC	1,975.6141	1,837.8546	2,427.39	1,957.42
.JKSE	6,850.619	7,272.797	7,079.91	7,766.85
.IMOEX	2,154.12	3,099.11	2,817.54	2,916.00
.GSECI	2,444.25	3,130.57	4,888.82	7,175.72
.NSE20	1,676.1	1,501.16	2,010.65	2,975.81
.EGX30	14,598.53	24,894.26	29,740.58	34,601.53

Source: Reuters 2025 & Investing.com

Note: As at September 2025

DEVELOPMENTS IN THE DOMESTIC ECONOMY IN 2025

2.1 Overview of the Economy

The economy expanded by an estimated 3.89 per cent in 2025, compared with 3.38 per cent in 2024. The development was on account of the crystallisation of gains from broad-based reforms and rising business confidence. Inflation pressures moderated for the most part of 2025, shaped by the lagged effect of the tight monetary policy stance of the Bank, improved fiscal-monetary policy coordination, stability in the foreign exchange market, and the base effect.

In the financial sector, key financial soundness indicators (FSIs) for the banking system remained stable and within regulatory benchmarks. The All-Share Index (ASI) rose by 42.82 per cent, reaching 147,000.00 index points compared with 102,926.40 index points in 2024. Monetary aggregates slowed, compared with the preceding year, as key interest rates rose, reflecting tight conditions in the money market.

Provisional FGN revenue, estimated at ₦34.82 trillion in 2025, was 21.98 per cent above the 2024 revenue due, mainly, to higher resource-based revenue. Total public debt outstanding stood at ₦152.40 trillion (33.98% of GDP) at end-June 2025, compared with ₦144.67 trillion (38.80% of GDP) at end-December 2024 due to new borrowings.

The balance of payments was estimated to be a surplus of US\$3.81 billion in 2025. The external reserves increased to an estimated US\$45.01 billion, compared with US\$40.19 billion at end-December 2024. The premium between the Nigerian Foreign Exchange Market (NFEM) and the Bureaux de Change (BDCs) rates narrowed significantly to 2.11 per cent as at 9 December 2025, from 5.92 per cent in 2024, signifying convergence of the rates.

2.2 Real Sector Developments

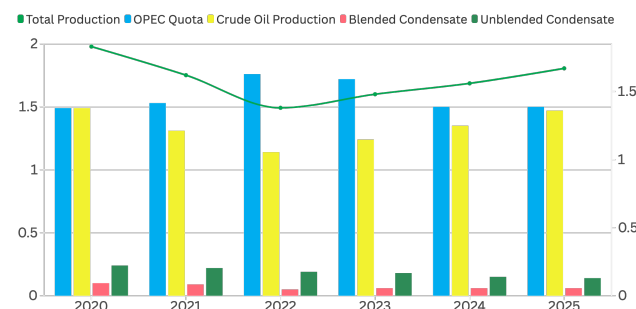
2.2.1 Output

The economy expanded in 2025, with an estimated real GDP growth of 3.89 per cent compared with 3.38 per cent in 2024. The growth was supported by broad-based structural reforms, which led to improvements in both the oil and non-oil sectors.

The oil sector was estimated to grow by 9.39 per cent,

compared with 5.54 per cent in 2024. The performance in the oil sector was driven by increased crude oil production due to enhanced security surveillance around oil installations, ongoing reforms, and increased investment in the sector. At an average production of 1.67 million barrels per day (mbpd), including condensates, Nigeria's crude oil output increased by 7.1 per cent compared with 1.56 mbpd in 2024.

Figure 4: Nigeria's Crude Oil and Condensate Production (mbpd)

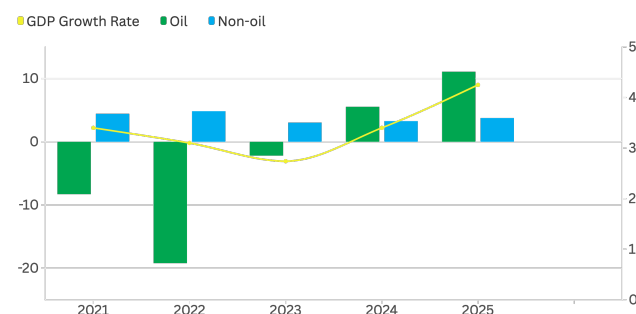


Source: Nigerian Upstream Regulatory Commission (NUPRC)

Note: The 2025 figures are Staff estimates

The non-oil sector was estimated to grow by 3.70 per cent driven by the robust performance of the services sector, particularly trade, real estate, and information & communications sub-sectors.

Figure 5: Real GDP Growth Rates (Per cent)



Source: National Bureau of Statistics

Note: The 2025 figures are Staff estimates

In terms of sectoral performance, the industry sector was estimated to grow by 4.89 per cent compared with 0.49 per cent in the preceding year. Within the sector, the mining and quarrying sub-sector recorded the highest growth of 5.71 per cent, supported by the significant growth observed in

the quarrying & other minerals (42.30%), and the coal mining related activities (37.01%). The performance of the mining and quarrying sub-sector was driven by the effect of the ongoing reforms in the sub-sector, which supported increased investments and improved the business environment around mining sites. The electricity, gas and steam sub-sector grew by an estimated 12.73 per cent compared with 0.56 per cent in 2024. The development followed reforms in the sub-sector, including the decentralisation of the electricity regulatory framework, which increased investments and improved efficiency within the electricity value chain. Also, recent expansion in electricity generation capacity, including the operationalisation of the 180MW AFAM II power plant in Rivers State, and increased investment in the national grid, supported the growth in the sub-sector.

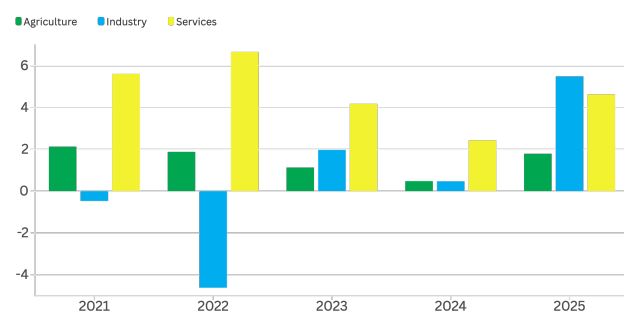
Similarly, the services sector grew by an estimated 4.24 per cent following improvements in rail and road transport, which rose by 39.79 and 23.71 per cent, respectively. The performance of the rail and road transport activity was on account of increased investments by both the public and private sectors and preference for road transport following the relatively higher cost of air travel.

The finance and insurance sub-sector grew by 17.16 per cent, compared with 2.95 per cent in 2024, following increased use of digital financial services, continued gains from the ongoing banks' recapitalisation exercise, higher interest income, and reforms in the insurance sub-sector.

Growth in the information and communication technology sub-sector was estimated at 7.19 per cent compared with 5.57 per cent in 2024, driven by continued investments in digital telecommunication infrastructure.

The agriculture sector's performance was estimated to remain positive, with growth of 2.59 per cent in 2025, driven by 4.15 per cent growth in the crop production sub-sector. The sector's performance was however moderated by the 6.40 per cent contraction in the livestock sub-sector.

Figure 6: Sectoral Growth Rates (Per cent)



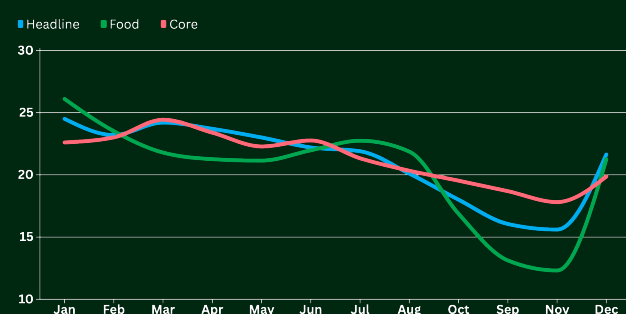
Source: National Bureau of Statistics
Note: The 2025 figures are Staff estimates

2.2.2 Consumer Prices

Inflation slowed in 2025, due largely to the effect of the tight monetary policy stance of the Bank, improved fiscal-monetary policy coordination, stability in the foreign exchange market, and the base effect. In addition, the moderation in supply-side constraints eased pressure on prices due to the waning effects of policy-induced shocks that were introduced since 2023.

Following the rebasing of the Consumer Price Index (CPI) by the NBS in December 2024, inflation was recalibrated to reflect updated household consumption patterns and a new base year. This methodological revision rendered direct comparison with pre-rebased figures inappropriate. Headline inflation fell from 24.48 per cent in January 2025 to 24.23 per cent in March and continued to decline for eight consecutive months. It is however expected to surge in December 2025 due to base effect distortion, averaging 21.26 per cent for the year.

Figure 7: Inflation Trend in 2025 (Per cent)



Source: National Bureau of Statistics

Note: The December figures are Staff estimates

2.3 Monetary and Financial Conditions

Maintaining monetary, price, and financial system stability in support of sustainable economic growth remained central to the Bank's policy direction. In 2025, the Bank maintained its key policy parameters until August to sustain the disinflationary momentum recorded during the year. This stance followed a contractionary policy phase in 2024, during which the Monetary Policy Rate (MPR) was increased by a cumulative 875 basis points to 27.50 per cent, alongside the maintenance of the standing facilities corridor at +500/-100 basis points, the Liquidity Ratio (LR) at 30.00 per cent, and the Cash Reserve Ratio (CRR) at 50.00 per cent and 16.00 per cent for commercial and merchant banks, respectively. Having achieved some level of macroeconomic stability in 2025, the Bank adjusted some policy parameters in September 2025 to further enhance economic conditions. Thus, MPR was reduced to 27.00 per cent, the standing facilities corridor adjusted to ± 250 basis points, the CRR reduced to 45.00 per cent for commercial banks, and 75.00 per cent CRR was introduced on non-TSA public sector deposits. At the November 2025 MPC, the Bank adjusted the standing facility corridor to +50/-450 basis points, while retaining other parameters.

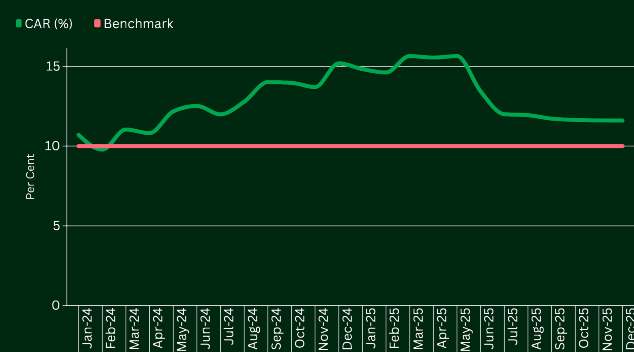
The dynamics of short-term interest rates reflected the prevailing monetary stance, with the average interbank call rate and open repo rate estimated at 27.90 and 28.33 per cent, respectively, in 2025 compared with 27.34 and 27.29 per cent in 2024. On an annualised basis, reserve money expanded by 14.57 per cent at end-October 2025, surpassing the programmed benchmark by 2.01

percentage points. This outcome was largely driven by liabilities to other depository corporations (ODCs), which grew by 15.98 per cent. Broad money supply (M3) recorded an annualised growth of 6.02 per cent at the end of October 2025, below the annual target of 8.12 per cent, reflecting the combined effects of an 8.90 and 3.49 per cent rise in net foreign assets (NFA) and net domestic assets (NDA), respectively. Narrow money (M1) recorded a modest annualised growth of 1.65 per cent, driven by transferable deposits, which grew by 3.60 per cent.

The Nigerian banking sector remained stable, as key Financial Soundness Indicators (FSIs) broadly aligned with prudential benchmarks in 2025. The LR stood at 65.00 per cent, significantly above the 30.00 per cent regulatory minimum and 48.94 per cent as of December 2024, reflecting the banking sector's ability to meet maturing obligations. Similarly, the capital adequacy ratio (CAR) stood at 11.60 per cent and remained above the regulatory minimum of 10.00 per cent, underscoring the sector's capacity to absorb credit and market shocks. To ensure a robust capital base to absorb unexpected losses, support a trillion-dollar economy, and boost public confidence in the banking sector, the CBN raised the minimum capital requirements for banks to enhance financial system stability.

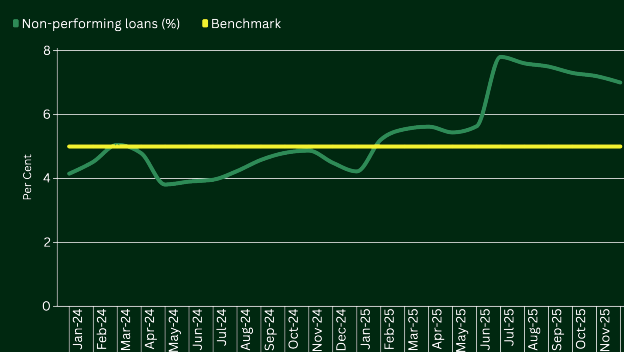
The Non-performing Loans (NPLs) ratio stood at an estimated 7.00 per cent relative to the prudential limit of 5.00 per cent. The level of NPLs reflected the withdrawal of the regulatory forbearance granted to banks during the COVID-19 pandemic.

Figure 8: Trends of CAR and Benchmark

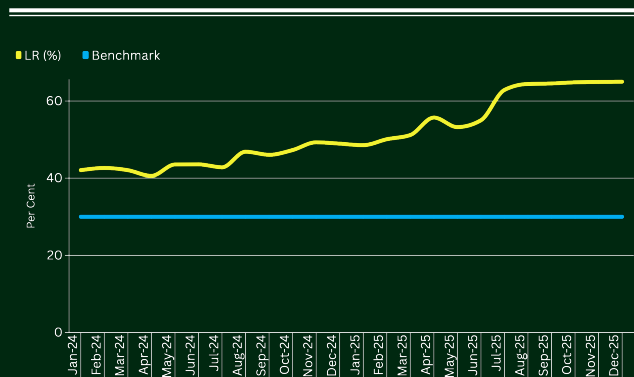


Source: Central Bank of Nigeria

Figure 9: Trends of NPL and Benchmark



Source: Central Bank of Nigeria

Figure 10: Trends of Liquidity Ratio and Benchmark

Source: Central Bank of Nigeria

The sector's underlying resilience was supported by strong net interest income, accelerated digital transformation, and ongoing recapitalisation, positioning it to mitigate emerging risks and uphold financial system stability.

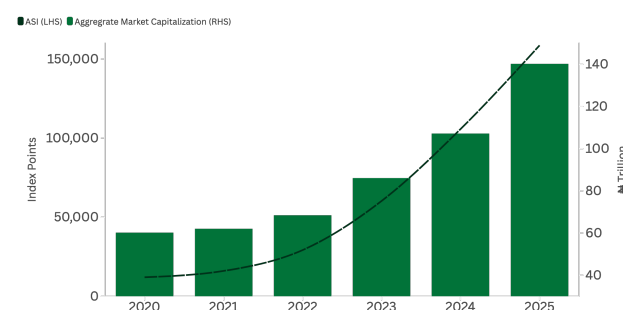
The Nigerian capital market was bullish, driven by robust corporate earnings, more stable macroeconomic conditions, and attractive returns, which triggered a shift from fixed income to equities. The increase in trading activities attracted more foreign portfolio inflows, reflecting growing confidence in the market, while improved foreign exchange (FX) liquidity and regulatory clarity continued to bolster foreign investor appetite.

The All-Share Index (ASI) rose by 42.82 per cent, reaching 147,000.00 index points compared with 102,926.40 index points in 2024. Similarly, the aggregate market capitalisation (AMC) grew by 36.36 per cent to ₦149.00 trillion from ₦109.27 trillion in 2024, driven by strong momentum in Industrial, Banking and Consumer Goods sectors. Equities remained the dominant asset class, contributing ₦88.57 trillion or 63.80 per cent of total market capitalisation, while the debt market accounted for 36.17 per cent, and Exchange Traded Funds (ETFs) represented a marginal 0.03 per cent, reflecting the market's continued equity-led growth trajectory.

Trading activity in 2025 was notably strong, with equities turnover reaching an estimated ₦8.38 trillion compared with ₦2.60 trillion in the preceding year, primarily driven by heightened activity surrounding the banking sector's recapitalisation efforts. The aggregate value and volume of transactions, increased by 40.90 and 9.84 per cent to ₦4.00 trillion and 152.00 billion units, respectively,

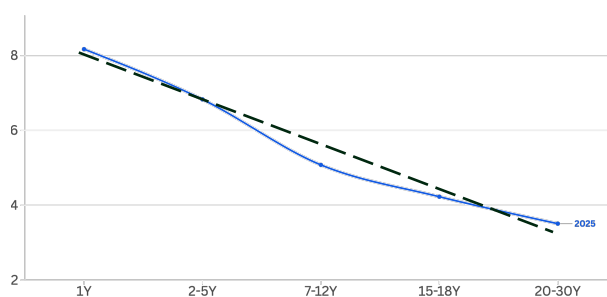
compared with ₦2.84 trillion and 138.38 billion units in the preceding year. Similarly, the number of deals increased by 78.26 per cent to 1,774,241. Market breadth was largely positive, as gainers outweighed losers. The favourable market breadth suggests underlying strength and momentum, potentially signalling continued upward movement and widespread buying interest in the near-to-long-term.

Domestic participation stood at 88.0 per cent, compared with 90.0 per cent in 2024, while foreign participation stood at 12.0 per cent, relative to 10.0 per cent in the preceding period, signalling renewed international interest in the Nigerian equities market.

Figure 11: All-Share Index and Aggregate Market Capitalisation

Source: Securities and Exchange Commission (SEC) and Nigerian Exchange Group (NGX) Limited

The yield curve rose slightly in 2025, indicative of shifts in financial and economic conditions, monetary policy, and investor sentiments. The curve, however, remained inverted, as long-term yields trended lower than short-term yields, reflecting the expectation of monetary easing.

Figure 12: Yield Curve (per cent)

Source: FMDQ | CBN Staff Computation

2.4 Fiscal Operations and Public Debt

Fiscal policy in 2025 was based on the Appropriation Act (2025), which was guided by the Medium-Term Expenditure Framework & Fiscal Strategy Paper (2025–2027). It was further underpinned by broader economic reforms aimed at restructuring the economy, bolstering oil and gas production, and ultimately increasing competitiveness.

Provisional FGN revenue, estimated at ₦34.82 trillion in 2025, was 21.98 per cent above the 2024 revenue of ₦28.55 trillion. The rise was due, mainly, to estimated higher resource-based revenue, owing to the recovery of the oil sector, policy reforms, institutional improvements, stable global oil prices and higher crude oil production. Resource-based revenue accounted for 58.30 per cent of total revenue, while non-oil revenue accounted for the balance of 41.70 per cent. A further breakdown revealed that of the resource-based revenue, oil revenue constituted the major driver at 96.54 per cent. Of the total non-oil revenue, other revenue consisting of FGN Independent revenue contributed 48.77 per cent, taxes 46.33 and grants and donor funding contributed the balance. The performance of non-oil revenue was boosted by tax administration reforms, such as the passage of the Nigeria Tax Act, 2025, leverage technology (TaxPro Max and E-services) to further simplify tax processes, drive voluntary tax compliance, thereby increasing revenue collection.

Total public debt outstanding stood at ₦152.40 trillion (33.98% of GDP) at end-June 2025, compared with ₦144.67 trillion (38.80% of GDP) at end-December 2024 due to new borrowings. A breakdown of the consolidated public debt revealed that domestic debt accounted for 52.86 per cent, while external debt constituted 47.14 per cent. The FGN accounted for 97.40 per cent (₦148.43 trillion) of total debt, with state governments accounting for the balance.

Overall, fiscal operation in 2025 was supported by improved fiscal space resulting from subsidy removal, tax and energy reforms aimed at boosting revenue and increased oil production following the installation of meters used to track crude oil production and enhanced security around oil installations.

2.5 External Sector Development

The performance of the external sector in 2025 was favourable, influenced mainly by domestic reforms, a stable exchange rate, higher export receipts, and expanding local refining capacity.

The overall balance of payments remained in surplus at an estimated US\$5.80 billion in 2025, albeit lower than US\$6.83 billion in 2024.⁸ The estimated surplus in 2025 was attributed, primarily to the accretion to external reserves, reflecting the effects of ongoing reforms in the foreign exchange market, improved portfolio inflows, and sustained export receipts.⁹

The current and capital account recorded an estimated surplus of US\$16.94 billion in 2025, driven by high export receipts and favourable remittance inflow. This was, however, a lower surplus compared to US\$17.22 billion in 2024.

The goods account recorded a higher estimated surplus of US\$14.67 billion in 2025, compared with US\$13.17 billion in 2024, driven by higher export receipts, which rose to US\$54.59 billion from US\$52.97 billion in 2024. The higher exports were largely sustained by improved crude oil earnings and the increase in agricultural commodity & fertiliser exports.

Aggregate import bill increased to an estimated US\$39.92 billion, compared with US\$39.80 billion in 2024, reflecting stronger demand for non-oil merchandise, particularly industrial goods.

The deficit in the services account narrowed to an estimated US\$12.80 billion, from US\$13.36 billion in 2024, due to lower payments for telecommunications, financial and other business services. The estimated primary income account deficit widened to US\$8.01 billion from US\$6.63 billion in 2024, driven largely by higher interest payments to non-resident portfolio investors. The secondary income account maintained its robust performance, estimated at a surplus of US\$23.64 billion, albeit lower than the US\$24.04 billion recorded in 2024. This outcome reflected the lower inflow of general government grants.

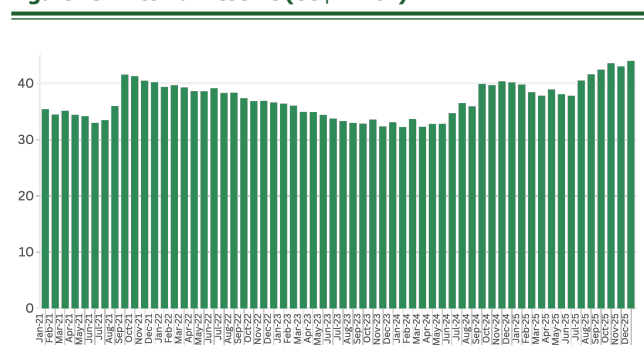
The financial account recorded a net reduction in financial liabilities, estimated at US\$8.23 billion, compared with US\$12.12 billion in 2024. The development was on account

of the reduction in other investment liabilities, particularly, short-term loan liabilities.

The International Investment Position (IIP) posted a lower net borrowing position, estimated at US\$60.41 billion, compared with US\$60.46 billion in 2024, attributed to a reduction in financial liabilities.

At end-December 2025, the external reserves increased to an estimated US\$45.01 billion, compared with US\$40.19 billion at end-December 2024. The external reserves could cover 14.58 months of goods imports or 9.61 months of goods and services imports.

Figure 13: External Reserve (US\$ Billion)



Source: Central Bank of Nigeria

In the foreign exchange market, the premium between the Nigerian Foreign Exchange Market (NFEM) and the Bureaux de Change (BDCs) rates narrowed significantly to 2.17 per cent as at November 2025, from 5.92 per cent in 2024, signifying convergence of the rates.

⁸ 2025 figures are provisional staff estimate and 2026 forecasted

⁹ These reforms include Nigeria Foreign Exchange (FX) Code, the Electronic Foreign Exchange Matching system (EFEMS) and the start of Foreign Currency Disclosure, Deposit, Repatriation and Investment Scheme

Box 1: Medium-Term Structural Reforms

Nigeria implemented a number of medium-term structural reforms to reduce over-dependence on oil, unlock domestic and foreign investment, and lay the structural groundwork for a more competitive, diversified, and resilient economy. The reforms, spanning key sectors such as the Petroleum Industry Act, Nigeria Tax Act, FX reforms, and banking sector recapitalisation, collectively strengthen policy, regulatory, and financial frameworks. These measures position Nigeria as an investment-driven economy on a clear path towards sustainable growth.

Petroleum Industry Act (PIA), 2021:

- The PIA was enacted to provide legal, governance, regulatory and fiscal frameworks for the Nigerian petroleum industry, the development of host communities and related matters. It aims to create efficient and effective governing institutions, with clear and separate roles for the petroleum industry, establish a framework for the creation of a commercially oriented and profit-driven national petroleum company.
- It also promotes transparency, good governance and accountability in the administration of the petroleum resources of Nigeria, fosters a business environment conducive for petroleum operations, and deepens local content practice in Nigeria Oil and Gas Industry.
- The continued implementation of the PIA has resulted in greater efficiency in the oil sector, commercialisation of the NNPC Ltd., increased domestic crude oil production, increased domestic refining capacity, improvement in oil revenue and optimism around the oil sector.
- The PIA enabled the conversion of Joint Venture (JV) cash calls into self-funding models, thereby significantly reducing government fiscal burden and recurrent obligation.
- The enhanced investment in the midstream segment, owing to new fiscal incentives under the PIA, boosted the domestic energy capacity. Deregulation policies under the Act engendered private investments in gas processing, pipelines, storage, and refining (e.g., Dangote Refinery, modular refineries), enhancing domestic supply.

Nigeria Tax Act, 2025:

- The Nigeria Tax Act, 2025, which takes effect on 1 January 2026, is expected to strengthen fiscal policy.
- The Act aims to consolidate tax collection and harmonise the various tax laws. It also aims to improve tax administration by having a single body referred to as Nigeria Revenue Service as the sole tax collecting agency.
- A broader tax base and improved compliance will raise non-oil revenue share and reduce reliance on oil receipts.
- Ensuring that large companies pay a minimum level of tax (15%) will increase tax revenue for funding government programmes.
- Higher revenue will narrow the fiscal deficit, reduce borrowing needs, and strengthen fiscal sustainability.
- The Act presents a transparent and predictable tax framework which will boost investor confidence and foreign investment.

Other fiscal reforms:

- Discontinuation of cash collections by MDAs and introduction of the Federal Treasury e-Receipt (FTe-R) as a unified electronic receipt system, offer significant benefits.
- Reduction of revenue leakages as the mandatory use of electronic channels creates a digital trail for every transaction, making it easier to audit and detect fraudulent activities.
- Real-time monitoring of all government revenue streams ensures that every naira earned is visible and traceable, thus strengthening fiscal transparency and accountability.
- Electronic payment systems automate the collection process, reducing manual errors in counting, recording, and transporting cash. This results in faster transaction settlements and improve overall efficiency of revenue collection for MDAs.
- The Federal Treasury e-Receipt (FTe-R) will be the sole recognised receipt for all Federal government transactions by 1 January 2026, eliminating reliance on susceptible paper receipts and ensuring standardised documentation.
- The RevOp platform, used for generating e-receipts, provides unified automation for billing, reconciliation, and treasury visibility. This enables public finance managers to have real-time data on all transactions, empowering them with accurate financial intelligence for effective decision-making.

Foreign Exchange Market Reforms:

- The Bank implemented a series of policy measures aimed at enhancing efficiency, transparency, attracting foreign exchange inflows, promoting price discovery, and stabilising the Naira exchange. Key among these measures include:
 - In June 2023, the Bank introduced some operational changes in the foreign exchange market and adopted a market-determined exchange rate.
 - The revised guidelines of International Money Transfer Operators (IMTOs) and onboard unofficial IMTOs. The policy initiative aimed to enhance competition within the remittance market and incentivise the channelling of diaspora remittances through formal financial institutions.
 - Revised regulatory and supervisory guidelines governing Bureau de Change (BDC) operations to strengthen market oversight, enhance surveillance, and ensure greater compliance with established regulations.
 - The Bank introduced the Electronic Foreign Exchange Matching System (EFEMS) and the Nigeria Foreign Exchange Code to enhance transparency and promote ethical conduct in the foreign exchange market.
 - The Non-Resident Nigerian Ordinary Account (NRNOA) and the Non-Resident Nigerian Investment Account (NRNIA) were introduced to facilitate the remittances and allow non-resident Nigerians to invest domestically.
- These reforms have led to a more stable exchange rate while narrowing premium between NFEM and BDC rates to 2.11 per cent as at 9 December 2025, from 62.23 per cent in May 2023, prior to the reform.
- With growing investor confidence and easing transaction cost, remittances and foreign capital inflows (US\$20.57 billion from January to October 2025, compared with US\$3.90 billion in 2023) rose significantly, leading to reduced pressure in the foreign exchange market.
- External reserves increased to an estimated US\$45.01 billion at end-December 2025, from US\$40.19 billion at end-December 2024.

Banking Sector Recapitalisation:

- The banking sector recapitalisation aims to strengthen the capital buffers of Nigerian banks. This would make the banks better equipped to absorb financial shocks, ensure sustained solvency, bolster competitiveness, and reinforce the resilience of banks in fulfilling both domestic and international financial obligations, while maintaining alignment with global regulatory standards.
- Under the reform, banks are required to raise their minimum paid-up capital according to their operational authorisation: International (N500 billion from N50 billion), national (N200 billion from N25 billion), regional (N50 billion from N10 billion), merchant (N50 billion from N15 billion), non-interest banks with national authorisation (N20 billion from N10 billion), and non-interest banks with regional authorisation (N10 billion from N5 billion).
- The increased capital base enables banks to underwrite big-ticket loans required to finance transformative infrastructure, energy, and large-scale manufacturing projects to boost total factor productivity and facilitate the attainment of the US\$1 trillion economy.
- The recapitalisation is expected to strengthen financial soundness, enhance investor confidence in the Nigerian financial system, and attract higher capital flow into the economy.
- Enhanced financial stability from the recapitalisation forms the basis for real-sector productivity gains, inclusive growth, mitigating risk through increased scale, supporting Small and Medium Enterprises (SMEs), and promoting sustainable and broad-based economic development.

The background of the slide is a deep blue gradient. It is filled with numerous small, bright blue dots and larger, glowing blue trails that curve and swirl across the frame, creating a sense of dynamic movement and energy, reminiscent of a particle simulation or a data visualization.

OUTLOOK FOR THE DOMESTIC ECONOMY

3.1 The Real Sector

3.1.1 Output

The growth prospect in 2026 is positive on account of continued gains from broad-based structural reforms of the government, which have supported an improved business environment, increased capital flows and government revenue, as well as improved stability in the exchange rate. The easing monetary policy stance by the Bank is expected to add impetus to growth following the anticipated reduction in the cost of lending by banks.

Gains from increased investments by the private sector, especially the Dangote refinery, are expected to further brighten the growth outlook for 2026. Increased crude oil production, underpinned by improved security around oil assets, especially, with the launch of the production monitoring command centre (PMCC), and expansion of domestic crude oil refining; and stable energy prices are expected to drive growth further in 2026.

Additionally, increased fiscal and pre-election spending would further stimulate aggregate demand. Effective coordination between monetary and fiscal policies, which are expected to further stabilise the exchange rate, create jobs and curtail inflation pressures in the near term could provide further impetus to the overall output growth.

The economy is therefore expected to grow further in 2026 to 4.49 per cent, from the 3.89 per cent growth estimated for 2025.

Importantly, the outlook is contingent on the implementation of well-sequenced, consistent, fiscal and monetary policies. The fiscal policy stance is hinged on the full implementation of the 2025-2027 Medium Term Expenditure Framework (MTEF), which is expected to stimulate domestic consumption and investments and drive aggregate demand and employment in the medium term.

Box 2: Assumptions Underlying the Baseline Macroeconomic Projections

The baseline projections are predicated on the following assumptions: crude oil price at an average of US\$60pb in Q42025 and US\$55pb in 2026 (consistent with the US EIA's outlook that rising global crude oil inventories and supply glut would moderate prices); NFEM exchange rate at an average of ₦1,451.63/US\$ in Q42025 and ₦1,400/US\$ in 2026 (supported by a more efficient FX market, higher capital inflows, a current account surplus, and a broad-based improvement in economic activity).

Furthermore, domestic crude oil production is assumed at about 1.50 mbpd (excluding condensates) throughout the forecast period. PMS price is expected to hover around ₦950 per litre in 2026. Government expenditure is projected to follow the 2025–2027 MTEF/FSP path, reflecting an expansionary fiscal stance aimed at supporting the US\$1 trillion economy initiative. MPR and CRR are assumed at 27.00 and 45.00 per cent, respectively. The baseline projections were generally supported by the assumption of continued improvement in business optimism and stronger investor sentiment.

This forecast is also hinged on higher crude oil production, increased investments, enhanced security around crude oil and gas infrastructure, and increased activities in the mid-stream segment of the oil industry value chain, especially improved domestic refining capacity.

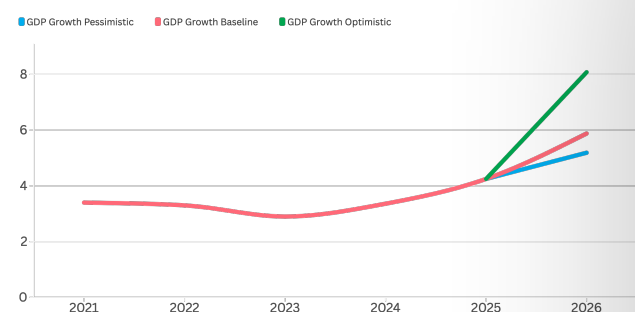
The mining & quarrying subsector is also expected to continue benefiting from ongoing reforms, aimed at improving efficiency and the business environment.

The services sector would remain a key driver of growth. The transport subsector, especially road and rail transport, and the wholesale & retail trade subsectors would continue to stimulate growth. The ICT subsector would also continue to benefit from increased investments in 5G coverage, improved internet connectivity and accelerated digital transformation nationwide for businesses.

Similarly, the real estate subsector is expected to support increased economic activities in 2026 owing to sustained government support, increasing mortgage financing and continued demand for homes by households.

The agriculture sector would also continue to contribute to growth, following sustained support by the government and increased private sector participation across the value chain. The unveiling of the Nigeria Postharvest Systems Transformation Programme (NiPHaST) is expected to further unlock the growth potential of the agriculture sector.

Figure 14: GDP Growth Projections (Per cent)



Source: CBN Staff Estimates

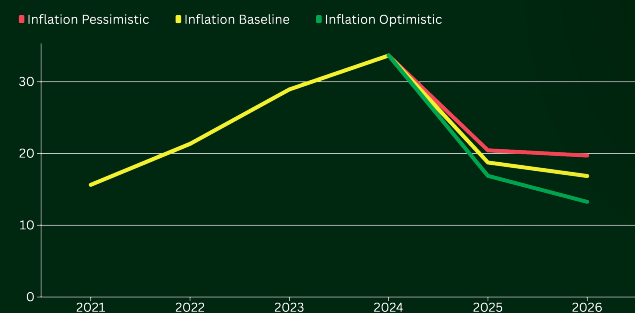
3.1.2 Inflation

Inflation is expected to continue its downward trend in 2026. The inflation outlook is predicated on continued stability in the foreign exchange and energy markets, the lagged effect of previous rate hikes, and improved policy coordination.

Headline inflation is projected to further decelerate to 12.94 per cent in 2026 from 21.26 per cent estimated for 2025. The anticipated moderation would be driven by declining food and PMS prices. The expected deceleration in PMS prices would be driven by the increasing competition within the midstream segment of the oil industry.

Furthermore, the anticipated faster decline in food prices is expected to drive the slower pace of inflation. This would be on account of the expected increase in food supply following the launch of various agriculture sector-based policies, improved security in major food-producing regions, and favourable weather conditions.

Figure 15: Projected Annual Inflation (Per cent)



Source: CBN Staff Estimates

Box 3: Medium-Term Transitional Inflation Targets

To address persistent inflationary pressures and strengthen macroeconomic stability, the Central Bank of Nigeria is advancing its transition towards an Inflation Targeting (IT) framework. Consistent with the experience of successful IT adopters, the initial phase features the introduction of transitional inflation targets designed to enhance policy credibility, reinforce the central bank's commitment, and guide expectations across government, markets, and the public.

Under this framework, coordination between fiscal and monetary authority is germane. As part of this phased approach, the transitional inflation targets are set to decline from 18.5 (± 2.0) per cent in 2025 to 13.0 (± 2.0) per cent by 2027, providing a transparent medium-term anchor while institutional and operational conditions for full IT are strengthened. Object (b) provides the baseline inflation forecast fan-chart.

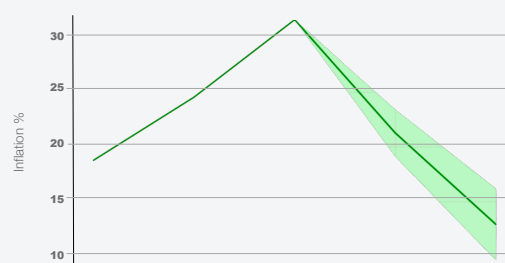
Object (a): Inflation Forecasts and Targets

Year	Baseline Inflation Forecast	Inflation Target	Target Range
2025	21.26%	18.50%	± 2.00
2026	12.94%	16.50%	± 2.00
2027	10.75%	13.00%	± 2.00

Source: CBN Staff Estimates

In the transition phase, monetary policy will be flexible to balance price stability and growth objectives. Hence, the Monetary Policy Rate (MPR), the Cash Reserve Ratio (CRR) and other instruments would be adjusted appropriately to manage the growth in money supply and attain a non-accelerating inflation growth path.

Object (b): Baseline Inflation Forecast Fan-Chart



Source: CBN Staff Estimates

3.2 The Financial Sector

3.2.1 Monetary and Financial Conditions

Monetary conditions in 2026 are expected to be relatively loose in view of macroeconomic stability observed in 2025, as inflation and exchange rate risks pressures continue to subside. In line with its price stability mandate, the Bank will deploy appropriate tools to anchor expectations, foster financial stability, and promote confidence in the economy.

The trajectory of monetary aggregates in 2026 is expected to be influenced by external conditions and fiscal operations. Changes in the naira value of foreign currency deposits, arising from exchange rate movements, will continue to influence monetary aggregates. Nevertheless, the Bank's policy stance, complemented by measures to stabilise the foreign exchange market, is expected to moderate the growth rate of monetary aggregates in 2026.

Table 4: Projected Growth Rate of Selected Monetary and Credit Aggregates

Monetary Aggregates	Actual	Estimate	Projection
	2024	2025	2026
Net Foreign Assets (%)	242.25	42.14	52.90
Net Domestic Assets (%)	16.42	-5.18	-9.47
Broad Money, M3 (%)	43.03	8.16	8.12
Narrow Money, M1 (%)	28.86	1.88	8.12
M3 Velocity	2.38	3.65*	4.30*
M1 Velocity	6.94	11.11*	13.08
Domestic Claims (%)	9.45	-8.84	15.52
Claims on Other Sectors (%)	24.76	-4.21	17.86
Net Claims on Central Government (%)	-19.10	-22.15	8.81
Monetary Base (%)	32.09	13.81	12.56

Source: Central Bank of Nigeria
Note: * - Based on estimated GDP for 2026

3.2.1.1 Nigerian Capital Market

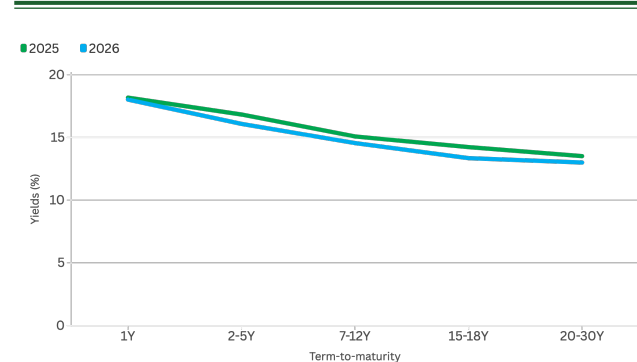
The capital market is expected to remain bullish in 2026, as the completion of the banks' recapitalisation exercise and recent policy measures would enhance access and liquidity, encourage participation, and spur growth in the market.

Key measures include the technology strategy and collaborations between the NGX and Federal Ministry of Industry, Trade & Investment, the zero per cent capital gains tax (CGT) for small businesses, and the ₦150 million exemption for retail investors. However, unanticipated shocks and uncertainties in the global economy may dampen investor confidence.

3.2.1.2 Yield Curve

The outlook for 2026 reflects a relatively lower trend of the yield curve compared with 2025. However, the short-end of the curve is projected to rise consistently above the long-end of the horizon in 2026, driven by a lower interest rate environment, liquidity conditions, risk appetite of the government, as well as the stability of the economy. The forecast portrays an inverted yield curve owing, largely to expectations of lower interest rates in the future, following the projected disinflationary path of the price level, consistent with economic growth.

Figure 16: GDP Growth Projections (Per cent)



Source: CBN Staff Estimates

Table 5 Bond Yield Forecast for 2025 | 2026f

Period	Average Term-to-Maturity				
	1Y	2Y – 5Y	7Y – 12Y	15Y – 18Y	20Y – 30Y
2025	18.17	16.83	15.08	14.23	13.51
2026	18.02	16.08	14.55	13.35	13.06

Source: CBN Staff Forecast
Note: 2026 figures are projections

3.3 The Fiscal Sector

The fiscal outlook for 2026 is broadly positive, buoyed by sustained improvements in domestic crude oil production and the phased implementation of the Nigeria Tax Act, 2025, which is expected to strengthen non-oil revenue mobilisation.

However, downside risks persist. A sustained decline in global oil prices below the budget benchmark and an unexpected reduction in oil production could undermine projected oil revenues. Elevated debt service obligations, extra-budgetary spending, and a potential rise in statutory transfers due to pre-election spending could further constrain the fiscal space

Table 6: Fiscal Operations of the FGN (₦ Billion)

	2022	2023	2024	2025	2026
FGN Revenue	7,756.09	12,484.98	20,980.07	34,823.99	35,505.69
Resource-based	781.09	2,383.58	6,272.15	20,303.58	20,243.53
Oil revenue	776.35	2377.31	6260.82	19601.65	20161.65
Minerals & Mining	4.74	6.27	11.33	701.93	81.88
Taxes	2717.59	4031.85	6649.1	6,727.75	7,398.75
CIT	2717.59	4031.85	6649.1	6727.75	7398.75
VAT	1289.69	1923.38	2605.39	2745.31	3249.25
Customs	327.87	476.11	868.86	972.93	1125.66
Federation Levies	59.36	107.47	144.63	430.14	379.44
Stamp duty (EMTL)	17.58	23.65	31.22	32.04	36.91
Education tax (TETFUND)	328.67	719.44	1637.85	990	1230.18
Grants and donor funding	1145.11	1572.5	1206.95	711.11	621.4
Other Revenue	3112.3	4497.03	6851.87	7081.55	7242.01
Independent revenue	1402.44	1841	3675.88	3465.34	3505.6
Transfers from Special revenue accounts	175.79	159	1177.5	300	300
Signature bonus/renewals	280.86	256.99	369.58		
Domestic recoveries+assets+finances	7.15		519.16	82.7	107.5
Oil price royalty				360.8	309.76
Dividend (NLNG)	101.7	46.22			
Share of excess ppt/forex equalization	-	-	9.45	-	-
Exchange rate difference	-	-	-	-	-
Revenues from GOEs	1,144.36	2,193.82	1,100.30	4,069.57	4,387.48
GOEs operating surplus (80% which is captured in independent revenue)	-	-	-	1,196.86	1,368.33
Aggregate Expenditure	14,786.27	23,036.40	34,494.25	47,900.66	47,641.57
Recurrent	11,773.08	15,635.87	21,162.29	30,026.81	30,291.34
Recurrent (non-debt)	6,116.50	5,458.25	7,193.89	14,212.74	14,381.98
Recurrent (debt)	5,656.58	8,556.93	12,630.88	15,814.07	15,909.36
GOEs recurrent	-	1,620.69	1,337.52	2,955.10	2,956.10
Aggregate Capital Expenditure	2,203.07	6,365.86	11,589.17	13,614.70	13,183.85
Capital Expenditure (MDAs & Others)	1,893.50	5,792.73	11,234.18	12,793.80	12,379.78
Capital expenditure of GOEs	309.57	573.13	354.99	820.91	804.07
Transfers	-	-	-	-	-
Statutory transfers*	810.12	1,034.67	1,742.79	4,259.15	4,166.38
Total expenditure (excl. GOEs)	14,476.70	23,036.40	32,801.74	44,124.66	43,881.40
Deficit (with GOEs)	-7,030.18	-10,551.42	-13,514.18	-13,076.67	-12,135.88
Deficit-to-GDP	-2.56%	-3.36%	-3.62%	-3.87%	-3.05%
Financing	7,030.21	10,551.42	13,514.18	13,076.68	12,135.88
Sale of Government Property	-	-	-	-	-
Privatization proceeds	-	-	-	312.33	400
Multilateral/bilateral project-tied loans	-	973.96	1,981.36	3,546.00	2,960.06
Restructured loans	-	-	-	-	-
Foreign borrowing	510.21	3,634.79	3,371.87	1,843.67	1,755.16
Domestic borrowing	6,520.00	5,943.47	6,060.92	7,374.68	7,020.66
Budget Support	-	-	2,100.03	-	-
Pool Funding for Extended 2024 Budget	-	-	1,086.47	-	-
Sub-total financing (excl. project-tied loans)	7,030.21	9,578.26	11,532.82	-	1
Net deficit/surplus (excluding GOEs budget & project-tied loans)	-834.76	-3,166.98	-1,389.15	-13,370.23	-12,762.19
Grand total (revenue+financing)	14,786.30	23,036.40	34,494.25	47,900.67	47,641.57

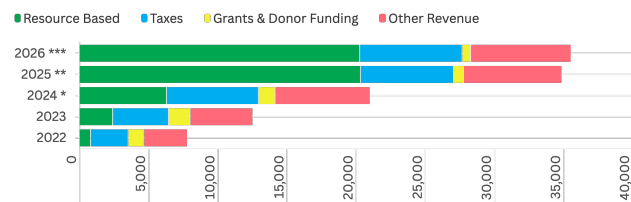
Source: Budget Implementation Report and Medium-Term Expenditure Framework (2025-2027).
Note * Actual ** Estimates/ forecasts

3.3.1 Government Revenue

The retained revenue of the FGN in 2026 is projected at ₦35.51 trillion, with resource-based revenue (including oil and minerals & mining) accounting for 57.01 per cent, while 20.84 per cent is anticipated from taxes, comprising company income tax, value-added tax, customs duties, and Federation Account levies. Grants & donor funding is expected to contribute 1.75 per cent, while 'other revenue' is expected to account for 20.40 per cent.

The projection for oil revenue in 2026 is anchored on the continued implementation of the PIA 2021 and increased domestic crude oil production. For non-oil revenue, improvement in CIT, VAT, Customs duties, and Independent FGN revenue in the last three years is expected to be sustained in 2026 on the back of current tax effort and the prospect of a successful implementation of the Nigeria Tax Act, 2025. Also, increased remittances by MDAs to the Consolidated Revenue Fund (CRF) is expected to continue, following sustained measures aimed at promoting transparency and accountability in government operations.

Figure 17: FGN Revenue and Components (₦ Billion)



Source: Staff compilation using data from the Budget Office of the Federation, Office of the Accountant-General of the Federation, Budget Implementation Report and Medium-Term Expenditure Framework (2025-2027).

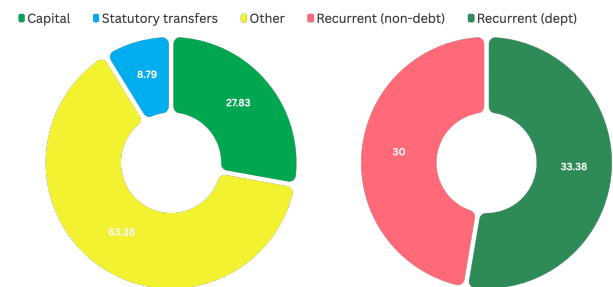
Note: Based on Fourth Quarter 2024 Budget Implementation Report; **Estimates based on 2025-2027 MTEF; ***- forecasts based on the 2025-2027 MTEF

3.3.2 Government Expenditure

Aggregate FGN expenditure for 2026, including Government-Owned Enterprises (GOEs) and project-tied loans, is projected at ₦47.64 trillion. The projection is ₦0.26 trillion (0.54%) lower than ₦47.90 trillion budgeted for 2025, suggesting a marginal fiscal consolidation effort. Of the total expenditure, recurrent spending is expected to constitute 63.58 per cent, of which non-debt is 30.19 per cent, and debt service is 33.39 per cent. Capital expenditure is

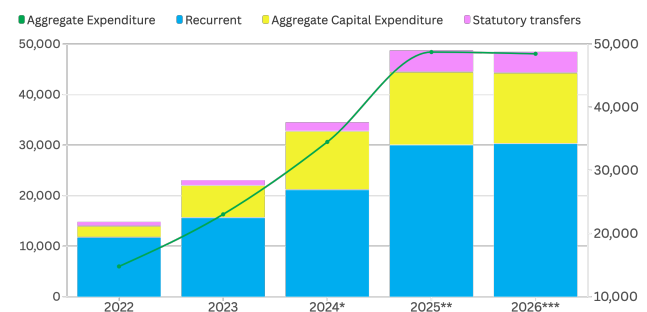
expected to account for 27.67 per cent of total expenditure and statutory transfers, 8.75 per cent.

Figure 18: Classification of Expenditure



Source: Medium-Term Expenditure Framework (2025-2027)

Figure 19: Trend in Expenditure and Forecast



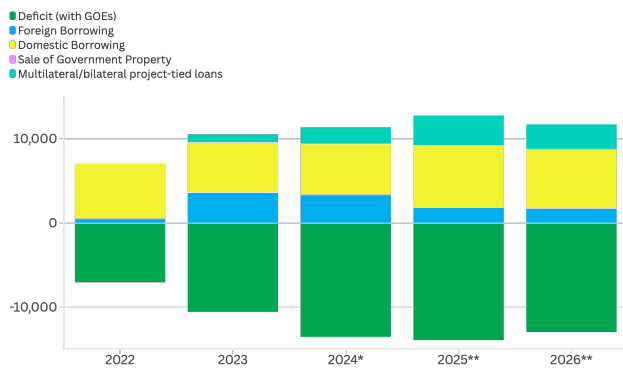
Source: Staff compilation using data from the Budget Office of the Federation, Office of the Accountant-General of the Federation and Medium-Term Expenditure Framework.

Note: * estimates; f – forecasts

3.3.3 Fiscal Balance

Overall fiscal deficit for 2026 is projected at ₦12.14 trillion, representing 3.01 per cent of GDP. The deficit is expected to be financed by new borrowings from domestic sources (₦7.02 trillion), external (₦1.76 trillion), asset sales & privatisation proceeds (₦0.40 trillion), and multilateral and bilateral project-tied loans (₦2.96 trillion). The financing mix indicates a

preference for local debt markets, which may tighten private sector liquidity, raise domestic interest rates, and minimise exposure to foreign exchange risk.

Figure 20: Fiscal Balance (₦ Billion)

Source: Staff compilation using data from the Budget Office of the Federation, Office of the Accountant-General of the Federation, Budget Implementation Report and Medium-Term Expenditure Framework (2025-2027).
 Note * Based on Fourth Quarter 2024 Budget Implementation Report; **Estimates based on 2025-2027 MTEF; ***- forecasts based on the 2025-2027 MTEF

3.3.4 Government Debt

3.3.4.1 Debt Strategy

The extant debt strategy of the Federal Government is the Medium-Term Debt Management Strategy 2024-2027 (MTDS), which targets a debt portfolio mix of 55:45 for domestic and external debt, respectively, and favours long-term domestic financing options (75%) over short-term domestic loans (25%).

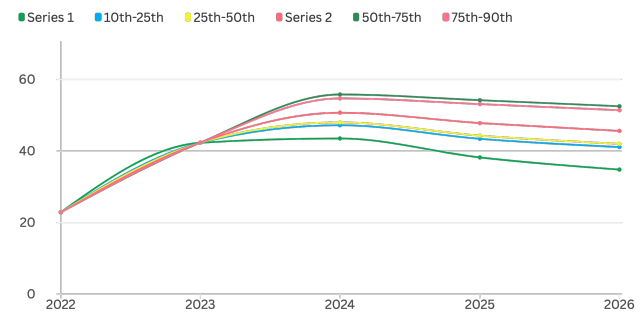
Table 7: Medium-Term Debt Management Strategy 2024 – 2027

Indicator	Targets 2020-2023	Targets 2024-2027
Fiscal Sustainability: Total Public Debt as % of the GDP	Max. 40%	Max. 60%
Portfolio Composition:	Max.70:	Max.55
Domestic: External Debt Mix	Min.30	Min.45
Refinancing Risk: Average Tenor of Debt Portfolio	Min. 10years	Min. 10years
Long-Term: Short-Term	Min.75:	Min.75:
Domestic Debt Mix	Max.25	Max.25

Source: MTDS 2024-2027

3.3.4.2 Public Debt Outlook

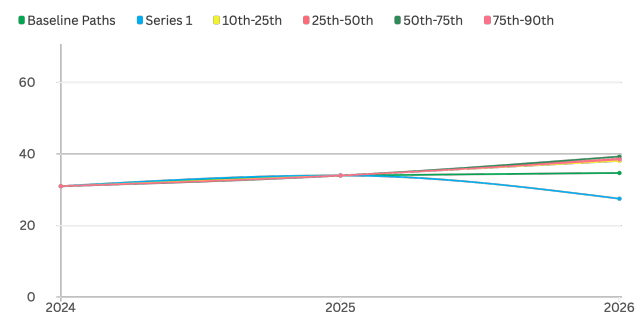
The impact of exchange rate changes on public debt, which was the main driver of debt growth from 2023 to 2025, is expected to reduce significantly in 2026 as the exchange rate stabilises. With these valuation losses easing, debt growth will rely less on one-off adjustments and more on traditional factors like the primary balance, supported by the Tax Act of 2025 and real economic growth.

Figure 21: Debt-to-GDP Ratio

Source: CBN Staff projections

3.4.4.3 Recent Debt Dynamics and Outlook

The public debt is anticipated to remain on a sustainable path in 2026. It is projected at 34.68 per cent of GDP by end-2026 compared with 33.98 per cent at end-June 2025. The development is predicated on expected new borrowings, as discretionary fiscal policy actions remain a major driver of debt dynamics. The revaluation effect on public debt, which dominated debt dynamics in 2023-2025, is expected to narrow in 2026 owing to exchange rate stability.

Figure 22: The Dynamics of Public Debt

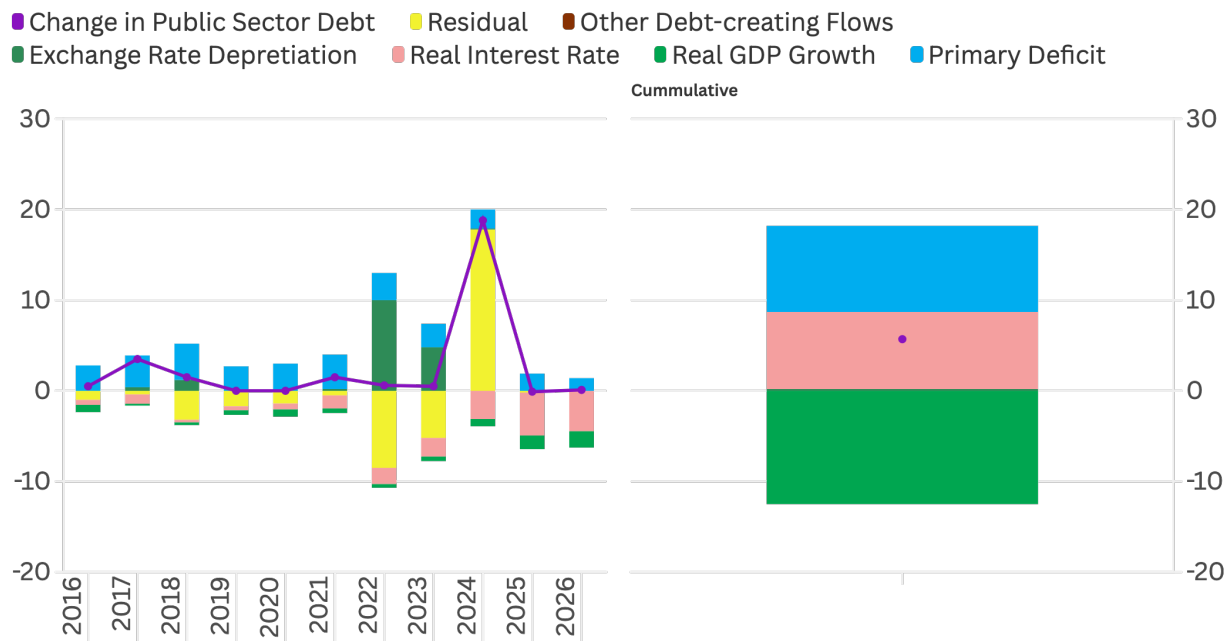
Source: CBN Staff projections

3.3.4.3 Public Debt Dynamics

The impact of exchange rate changes on public debt, which was the main driver of debt growth from 2023 to 2025, is expected to taper in 2026. With these valuation losses easing, debt growth will rely less on one-off

adjustments and more on traditional factors like the primary balance, supported by the Tax Act of 2025 and real economic growth.

Figure 23: Debt-Creating Flows (Per cent of GDP)



Source: CBN Staff projections

3.4 The External Sector

The external balance is expected to remain positive in 2026, spurred by robust export growth and steady remittances inflow. The projected rise in export earnings hinges on the anticipated increase in crude oil and gas output, as infrastructure and security at oil installations continue to improve. Overall, the external position will be driven by a potential rise in demand in the economies of major trading partners and reinforced by an expected increase in foreign investments.

3.4.1 Balance of Payments

The current account balance is projected to attain a higher surplus of US\$18.81 billion (11.16% of GDP) in 2026

compared with US\$16.94 billion (10.94% of GDP) in 2025, hinged on steady diaspora remittances and increased export receipts.

In the goods account, export receipts is projected to increase to US\$58.26 billion in 2026, from US\$54.59 billion in 2025, driven by higher oil and non-oil exports. The growth in oil export earnings is based on the expected increase in domestic crude oil production, as security around oil installations and investments in the sector continue to improve. Furthermore, the commencement of petroleum products export in 2025 is expected to boost export earnings. For non-oil, the sustained increase in agricultural commodity and fertilizer exports is anticipated to boost receipts. The recently launched National Export Trading Company (to address persistent gaps in export value chain) and National Intellectual Property Policy

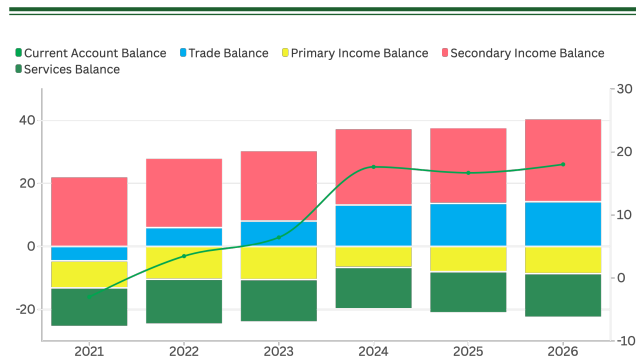
(to boost creative exports) are expected to further buoy non-oil receipts.

Import is projected to rise to US\$43.27 billion from US\$39.92 billion in 2025, driven by the anticipated increases in demand for capital goods and intermediate inputs.

The service account deficit is expected to widen to US\$13.68 billion in 2026 from US\$12.80 billion in 2025, hinged on anticipated increases in payments for business and transport services. The expected rise in business services follows Nigeria's increasing appetite for research and development services. Payment for transport services could be influenced by the anticipated increase in freight charges in line with higher import of non-oil merchandise.

The primary income account is projected to remain in deficit, at US\$8.62 billion, due to higher investment income payments to non-resident investors, as relatively attractive yields spur foreign portfolio inflows.

Figure 24: Current Account Position (US\$ Billions)

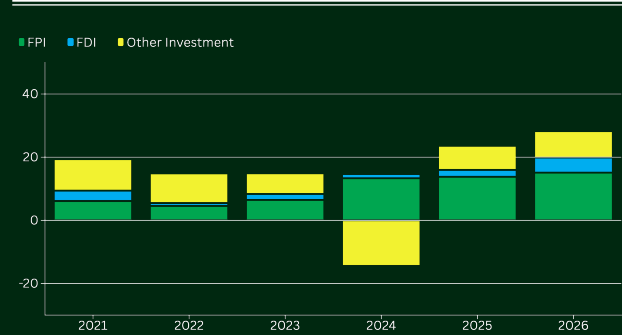


Source: Central Bank of Nigeria

The positive performance of the secondary income account is anticipated to be sustained in 2026, with a projected surplus of US\$26.13 billion, compared with US\$23.82 billion in 2025. This outlook is predicated on the expected increase in diaspora remittances through formal channels. In addition, higher inflow of general transfers is expected, particularly to support the country election preparation.

The financial account is expected to maintain a net borrowing position of US\$10.15 billion, on account of higher portfolio inflows and new external borrowings by the government.

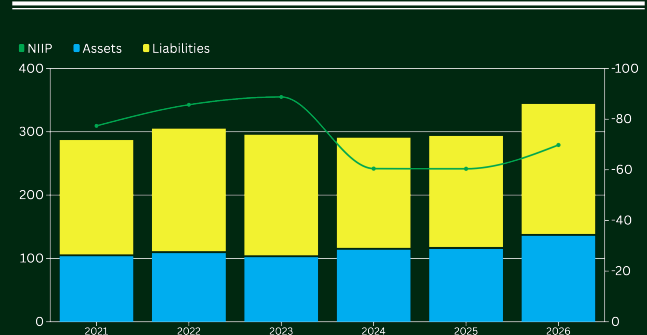
Figure 25: Capital Inflows (US\$ Billions)



Source: Central Bank of Nigeria

The international investment position is projected to record a net borrowing of US\$69.58 billion in 2026. The outlook reflects expectations of higher capital inflows, as reforms continue to improve the domestic business environment.

Figure 26: Nigeria's International Investment Position (US\$ Billions)



Source: Central Bank of Nigeria

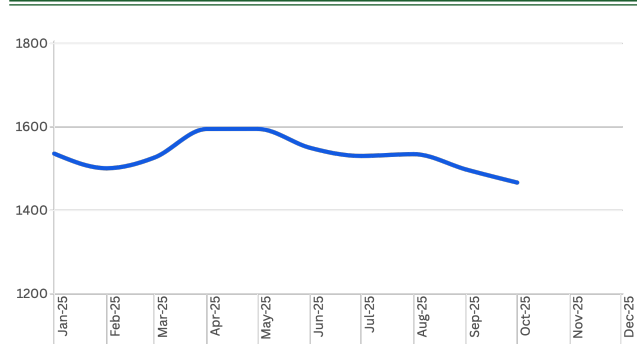
3.4.2 External Reserves

The external reserves is projected at US\$51.04 billion in 2026, compared with US\$45.01 billion in 2025. The external reserves is expected to be boosted by reduced pressure in the FX market based on the anticipated rise in oil earnings, sovereign bond issuance, and diaspora remittance inflow. Additionally, Dangote refinery's expansion of its nameplate capacity to 700,000 bpd from 650,000 bpd in 2025 and eventually to 1.4 million bpd in the medium term would further support the growth in external reserves.

3.4.3 Exchange Rate

The reforms in the FX market are expected to further enhance efficiency and transparency, narrow the premium between the NFEM and BDC rates, and sustain exchange rate stability. In addition, improved domestic oil refining capacity is expected to reduce FX demand for fuel imports.

Figure 27: Exchange Rate (N/US\$)



Source: Central Bank of Nigeria

RISKS TO THE OUTLOOK AND VULNERABILITIES IN THE DOMESTIC ECONOMY

Real Sector Output

Various downside risks could impact the economic outlook for 2026. For instance, if the projected deceleration in inflation is not attained, the monetary easing could be discontinued, thereby lowering growth prospects.

While the ongoing reforms are expected to boost productivity, stimulate private sector activity, and support a more competitive and diversified economy, the realisation of these gains could be lower than expected, as high cost of doing business, poor infrastructure, and insecurity could undermine business operations. Cost-saving measures by businesses may heighten the risk of unemployment, further narrow the formal sector, and constrain growth.

In the event of unfavourable climatic conditions, the ensuing shocks may lead to the destruction of crops, disruption of businesses and transportation services, thereby dampening growth prospects in 2026.

In addition, negative shocks to crude oil production owing to force majeure and unanticipated security breaches around oil installations could reduce expected crude oil output, thereby constraining growth.

Inflation

Unanticipated headwinds may reverse the expected inflation trajectory in 2026. In the global commodity market, higher prices may crystallise if geopolitical crises in some parts of Europe and the Middle East persist, thereby elevating domestic prices.

Rising protectionism may increase the cost of trade, exacerbate supply chain disruptions and elevate domestic prices in importing countries.

Higher-than-expected increases in pre-election spending and extra-budgetary outlays could pose a risk to the inflation outlook for 2026.

An unexpected rise in security challenges in food-producing regions and adverse weather conditions could impact food prices and undermine the projected disinflation.

Table 8: Real Sector Risk Assessment Matrix

Event	Risk	Likelihood	Impact
Unresolved geopolitical tensions	Higher global commodity prices could elevate the domestic price level.	Medium	High
Pre-election and extra-budgetary outlay	Increased pre-election spending and extra-budgetary outlay could increase inflationary pressures	Medium	Medium
Security challenges	Disruption in economic activities, force majeure, lower productivity and growth prospects, and elevated inflation.	Low	High
Rising protectionism	Supply chain and trade disruptions, elevated domestic prices.	Medium	Medium
Unresolved supply-side constraints (legacy infrastructure deficit etc)	Lower output, higher input costs and increased price pressures.	Low	Medium

Source: CBN Staff compilation

Financial Sector

Rising NPLs pose a direct threat to banks' profitability, credit availability, and overall risk-bearing capacity. This underscores the need to sustain measures to ensure that, worsening NPLs do not weaken banks' balance sheets, impair asset quality, and trigger systemic contagion. Although recent gains in capital adequacy and liquidity ratios provide a buffer, these indicators remain susceptible to unforeseen macroeconomic shocks.

An increase in credit losses or foreign exchange illiquidity could erode capital reserves, breach prudential thresholds, and strain liquidity coverage. These conditions, could disrupt financial intermediation, diminish market confidence, and amplify vulnerabilities across the banking sector.

A sharp depreciation in the value of the naira, though unlikely, could impact banks' balance sheet and liquidity positions, leading to a significant expansion in monetary aggregates and heightened inflation.

Despite the bullish momentum, the capital market could face higher concentration risk from the banking sector, as the ongoing recapitalisation could trigger investor fatigue and crowd-out other issuers.

The high degree of interconnectedness among financial institutions creates a systemic susceptibility, where cyberattacks on systems, propagate data breaches that compromise confidential information and erode public confidence in the financial system.

Table 9: Financial Sector Risk Assessment Matrix

Event	Risk	Likelihood	Impact
Ongoing Banks Recapitalisation	Higher concentration risk from the banking sector could crowd-out other issuers.	Low	Low
Asset Quality Deterioration (Rising NPLs)	Weakened bank earnings and higher credit risk may trigger systemic crisis.	Medium	High
Exchange rate volatility	Significant naira depreciation could impact banks' balance sheet and monetary aggregates, thereby heightening inflationary pressure.	Low	High
Cybersecurity breaches	Increased data breaches and financial fraud could undermine financial system stability	Low	High

Source: CBN Staff compilation

Fiscal Sector

The fiscal outlook for 2026 is vulnerable to various risk factors. Notably, a budget risk could crystallise if crude oil prices and domestic production fall below benchmarks, thereby dampening the optimism about oil revenue contribution (57.01%) to the total revenue outcome in 2026. Although, crude oil production is expected to ramp up in the near-term, the domestic oil sector remains sensitive to global shocks.

The expectation of a strong non-oil revenue performance in 2026 is hinged on the successful implementation of the Nigeria Tax Act, 2025, and the sustenance of the ongoing tax effort. However, low tax awareness and compliance levels, as well as gaps in tax administration systems, remain significant risks to tax revenue projections.

In addition, the directive for MDAs and GOEs to remit a portion of their gross internally generated revenue to the CRF upfront, has improved the non-oil revenue of the FGN. Nonetheless, fiscal revenue could be undermined by a weak public finance management system.

On the expenditure side, new spending needs and realignment of priorities may arise if delays in implementing capital budgets lead to cost overrun or if unanticipated exogenous shocks warrant unplanned fiscal spending. This could further widen the fiscal deficit, necessitate new borrowing and elevate debt servicing.

Table 10: Fiscal Sector Risk Assessment Matrix

Event	Risk	Likelihood	Impact
Global shocks leading to decline in oil revenue below budget benchmark	Budget implementation risk and inadequate revenue to finance government programmes	Low	High
Weak public finance management systems in MDAs and GOEs	Undermined revenue generation and expenditure efficiency	Low	Medium
Low tax compliance levels	Reduced revenue outturn and budget implementation risk	Medium	Medium
High debt service	Increased fiscal sustainability concerns	Medium	Medium
Unanticipated global/ domestic shocks	Extra-budgetary spending, and widened fiscal deficit	Medium	High

Source: CBN Staff compilation

External Sector

The external sector remains vulnerable to escalating global trade frictions and geopolitical tensions, which could disrupt supply chains. However, a potential increase in crude oil supply in 2026, as predicted by the IEA, could exert downward pressure on crude oil prices, thereby reducing export receipts and weakening external sector performance.¹¹ Similarly, an unanticipated deterioration in global financial market conditions, resulting in sudden

capital reversal, could re-ignite exchange rate volatility, and exacerbate inflationary pressures.

On the domestic scene, an unlikely re-emergence of security challenges in oil-producing regions poses downside risks to crude oil production and export performance. Such disruptions, while reducing export receipts, could also undermine investor confidence in the oil and gas sector.

Table 11: External Sector Risk Assessment Matrix

Event	Risk	Likelihood	Impact
Global trade frictions and geopolitical tensions	Dampened global demand and disrupted supply chains, which could trigger volatility in commodity prices	Medium	High
Security challenges in oil-producing regions	Reduced crude oil production and weakened export performance	Low	High
Sudden shift in capital flows	Re-ignited exchange rate volatility and elevated inflationary pressures	Low	High

Source: CBN Staff compilation

¹¹ International Energy Agency (IEA) World Energy Outlook, July 2025.



Table 12: Risk Scenario Analysis

Scenario	Sources of Shock(s)	Macroeconomic Outcome
Downside Scenario (moderate shock)	<ul style="list-style-type: none"> • Moderation in domestic crude oil production. • Decline in international crude oil prices. • Increase in domestic prices of premium motor spirit (PMS) 	<ul style="list-style-type: none"> • Softening of real GDP growth as oil sector activity weakens. • Depletion of external reserves due to lower FX inflows. • Depreciation of the exchange rate. • Upward pressure on inflation, driven by fuel costs and pass-through effects.
Severe Risk Scenario (severe shock)	<ul style="list-style-type: none"> • Concurrent adverse oil-price and oil-production shock. • Significant capital outflows amid heightened global risk aversion. 	<ul style="list-style-type: none"> • Sharp economic downturn. • Significant depletion of external reserves and reduced external buffers. • Pronounced exchange rate depreciation. • Emergence of stagflation—high inflation alongside contracting output. • Deterioration in public debt dynamics and higher refinancing risks.

Source: CBN Staff compilation



POLICY PRIORITIES

The Bank will prioritise four strategic pillars to achieve monetary and price stability, financial sector resilience, and external sector strengthening, to sustain a market-determined exchange rate, strengthen reserves, and support stable and predictable growth in 2026–2027. Additionally, the Bank would partner with fiscal authorities to ensure fiscal sustainability and structural transformation of the Nigerian economy.

Pillar 1: Strengthening Monetary Policy Effectiveness and Communication for Price Stability

- Sustain commitment to price stability by continued deployment of orthodox monetary policy measures.
- Enhance forward guidance and policy transparency through improved monetary policy communication to anchor market expectations.
- Strengthen monetary–fiscal coordination to foster a predictable economic climate, ensure price stability and engender sustainable growth.

Expected Outcomes (2026–2027)

- 1. Sustained disinflation** Headline and core inflation would decelerate steadily as policy tightening transmits more effectively.
 - Inflation expectations would be more anchored, with reduced volatility in food and energy price dynamics.
- 2. More credible and better understood Monetary policy signals.**
 - Effective forward guidance would anchor expectations for economic agents including investors, banks, and businesses.
 - Policy decisions generate fewer speculative reactions, reduce prediction bias and improve market stability.
- 3. Significant Decline in Exchange rate volatility.**
 - A more coordinated fiscal–monetary environment would reduce speculative pressures on the naira.
 - FX market reactions to policy announcements become more predictable as communication improves.

4. Stronger transmission of monetary policy.

- Lending and deposit rates would respond more efficiently to MPR adjustments.
- Interbank rates stay within the policy corridor more consistently, reducing liquidity shocks.

5. Improved policy synchronisation to reduce conflicting signals.

- Fiscal operations (borrowing, spending, taxation) become less inflationary.
- Sovereign risk premium moderates due to increased fiscal discipline.

6. Improved investor confidence and capital inflows.

- Greater clarity in communication and stronger policy coherence would spur domestic and foreign investments in the economy.
- Yield curves stabilise and become more reflective of market fundamentals rather than uncertainty.

7. Strengthened fiscal buffers due to better inflation and exchange-rate outcomes.

- Lower inflation and stable exchange rate reduce government's interest burden on debt.
- More predictable macroeconomic conditions enhance public revenue performance.

8. Enhanced credibility of the Bank

- The CBN is seen as executing a coherent, transparent, and coordinated policy stance.
- Increased confidence and trust in the banks policies resulting in better-anchored market expectations.
- Greater CBN credibility contributes to investor confidence and stronger sovereign ratings for the economy.

Pillar 2: Safeguarding Financial Stability and Deepening Domestic Financial Markets

- Real-time monitoring of FSIs by sector, geography, and institution to support early warning systems and policy response.
- Automation of comprehensive stress-testing and asset quality reviews across banks to enhance the identification of hidden impairments and sectoral vulnerabilities.
- Deepen the operational integration of the GSI framework across all financial institutions to enhance loan recovery efficiency and credit discipline.
- Strengthen adherence to data privacy laws across banks and fintech operators to safeguard digital financial ecosystems from breaches and systemic risks.
- Strengthen regional integration and cross-border capital flows to facilitate cross-border listings, investment, and regulatory harmonisation.

Expected Outcomes (2026–2027)

1. Enhanced resilience of banks and financial institutions.
 - Banks' balance sheets and asset quality accurately reflect underlying risks.
 - Stress-testing and automated asset reviews allow early detection and mitigation of latent impairments.
 - Precautionary recapitalisation or restructuring prevents systemic distress.
2. Reduction in non-performing loans (NPLs) and improved credit discipline.
 - Operational integration of the GSI framework increases loan recovery efficiency.
 - Improved repayment would strengthen MSME and retail credit performance.
 - Banks experience lower operational losses and higher capital buffers.
3. Strengthened operational and cyber-resilience across financial institutions.
 - Banks and fintechs experience fewer cyber incidents, fraud cases, or systemic outages.
 - Consumers gain greater confidence in digital banking and payment channels.

- Nigeria's digital financial ecosystem achieves stronger international ratings for AML/CFT and resilience.

4. Improved financial system supervision and early warning capability.

- Real-time monitoring of FSIs by sector, geography, and institution enables faster and more effective regulatory interventions.
- Supervisory agility reduces systemic vulnerabilities and the probability of bank distress.
- Data-driven policy calibration ensures proactive rather than reactive measures.

5. Stronger cross-border and regional financial integration.

- Nigerian banks and corporates participate more actively in regional capital markets.
- Increased cross-border investment inflows would diversify the sources of funding for businesses.
- Harmonised regional regulatory frameworks would reduce market fragmentation and boost investor confidence.

6. Greater stability in domestic credit markets.

- Effective supervision and robust financial infrastructure would reduce volatility in short-term lending markets.
- Improved liquidity management by banks would support stable credit flows to productive sectors.

7. Higher stakeholder confidence.

- Stakeholders, including investors and depositors, perceive the financial system as safe, resilient, and well-regulated.
- Financial institutions can expand services without compromising system stability.

Pillar 3: Enhancing External Sector Stability and International Competitiveness

- Sustain enforcement of the Nigerian FX Code (2025) to maintain price discovery and discourage illicit FX trades.
- Strengthen local-currency settlement in intra-African trade through improved documentation and PAPSS initiative to reduce dependence on the dollar.
- Fast-track harmonisation of documentation standards in collaboration with the Nigerian Customs Service, Nigerian Ports Authority and Nigerian Maritime Administration and Safety Agency after the launch of the National Single Window in Q12026.
- Strengthen oversight of e-Form M, import duty remittance, and foreign-payment documentation to curtail leakages.
- Sustain collaboration with fiscal authorities to implement the "Nigeria First" initiative promoting local content, import substitution, and self-sufficiency.
- Leverage the AfCFTA, by broadening trade finance instruments to bolster intra-Africa trade, and insulate the economy against the impact of global geo-economic fragmentation.

Expected Outcomes (2026–2027)

1. **More stable and transparent FX market.**
 - Narrower FX premium between the NFEM and BDC rates and lower speculative attacks on the naira.
 - Market-determined exchange rates reflect fundamentals more closely and improves price discovery.
 - Increased investor and business confidence in the FX market.
2. **Reduced leakages and improved trade integrity.**
 - Lower illicit FX outflows due to strengthened oversight of e-Form M and payment documentation.
 - Export and import processes are more streamlined and compliant.
3. **Increased use of local currency for regional trade.**
 - PAPSS and other local-currency settlement mechanisms reduce reliance on the US dollar.
4. **Improved trade facilitation and ease of doing business.**
 - The National Single Window platform and harmonised documentation standards reduce clearance times.
 - Coordination among Customs, ports, and maritime agencies strengthens efficiency and compliance.
 - Sustained transparency and stability in the foreign exchange market would enhance ease of doing business and trade.
5. **Expanded access to regional markets under AfCFTA.**
 - Nigerian firms gain more competitive access to African markets.
 - Non-oil export base expands, reducing vulnerability to global commodity shocks.
 - Trade finance instruments support more consistent intra-African trade flows.
6. **More stable crude oil production and energy supply.**
 - Security and community engagement initiatives reduce pipeline vandalism and theft.
 - Oil revenue volatility declines, strengthening external buffers.
 - Domestic energy supply stabilises, mitigating FX pressures from fuel imports.
7. **Enhanced domestic refining capacity and import substitution.**
 - Reduced importation of refined petroleum products lowers FX demand pressure.
 - Domestic fuel prices become more stable, limiting cost-push inflation.
 - Nigerian refiners can better meet local demand, supporting energy security.

Pillar 4: Supporting Sustainable Growth and Structural Transformation.

- Ensure effective implementation of the Nigeria Tax Act, 2025, to deliver sustainable fiscal outcomes supporting productive activity and social services.
- Sustain security surveillance and deepen community engagement (PIA, 2021) to stabilise crude oil production, boost revenues, and strengthen fiscal buffers.
- Implement cost control measures and prioritise capital expenditure that supports growth (infrastructure, energy, transport).
- Accelerate investment in roads, rail, and inland waterways through PPPs to reduce logistics bottlenecks.
- Promote the issuance of Green Bonds and climate-aligned financial products to attract climate-resilient investment.
- Enhance support for domestic refining capacity to stabilise energy supply and reduce vulnerability to global oil market volatility.

Expected Outcomes (2026–2027)

- 1. Improved fiscal sustainability and revenue mobilisation.**
 - Effective implementation of the Nigeria Tax Act, 2025 increases non-oil revenues and reduces fiscal deficits.
 - Government finances become more predictable, supporting medium- to long-term planning.
 - Enhanced capacity for social spending and capital investment, boosting inclusive growth.
- 2. More efficient public expenditure and resource allocation**
 - Cost control measures reduce recurrent spending, freeing resources for priority capital projects.
 - Public-sector operations become more efficient, lowering debt service.
 - Strategic capital investments (infrastructure, energy, transport) improve productivity and economic competitiveness.
- 3. Expanded domestic production and industrialisation**
 - “Nigeria First” initiatives promote local content, import substitution, and self-sufficiency.
 - Increased domestic manufacturing and agribusiness output reduces reliance on imports.
 - Industrial jobs and utilisation of local raw materials increase, strengthening domestic supply chains.

- 4. Enhanced infrastructure and logistics efficiency**
 - Accelerated investment in roads, rail, and inland waterways reduces transport bottlenecks.
 - Connectivity across states and trade corridors improves, lowering logistics costs.
 - Public-private partnerships mobilise additional resources for growth-enabling infrastructure.
- 5. Improved access to sustainable finance and green investment**
 - Issuance of Green Bonds and climate-aligned financial products attracts long-term capital.
 - Investments in climate-resilient infrastructure and corporate transition projects increase.
 - Nigeria strengthens its position as a hub for sustainable finance in West Africa.
- 6. Stronger domestic energy supply and reduced import dependence**
 - Support for domestic refining capacity stabilises fuel availability and prices.
 - Reduced importation of refined petroleum products lowers FX demand and external vulnerability.
 - More predictable domestic energy supply mitigates cost-push inflation pressures.
- 7. Better alignment between fiscal, monetary, and structural policies**
 - Enhanced monetary–fiscal coordination reinforces disinflation and macroeconomic stability.
 - Monetary policies complement fiscal policy, reducing sovereign risk and borrowing costs.
 - Coherent economic reforms provide clearer medium-term direction for private-sector investment.
- 8. Broader regional integration and cross-border investment**
 - Nigerian businesses expand operations across Africa, leveraging the AfCFTA.
 - Cross-border investment inflows diversify beyond extractive sectors.
 - Expanded market access supports competitiveness of Nigerian goods and services in regional markets.



Central Bank of Nigeria