Nigeria 2026 Economic Outlook

Deepening Reform Gains, Maneuvering Exogenous Uncertainty

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"Forecasting is an inexact science. This lesson has been made clear time and time again, which is why views to the future are often framed as scenarios. Scenario analysis allows one to construct a series of "what ifs" that can be useful for assessing risks and opportunities when the world theater changes the script."

— Kenneth B. Medlock III

The 2025 Retrospective

Macroeconomic Stabilization Gains: The Foundation for 2026 Growth

3.89%
GDP Growth
↑ +0.51pp YoY acceleration

₦1,436
NAFEX Rate (YE)
↑ 6.9% appreciation YoY

21.26%
Average Inflation
↓ 10.34pp decline from 2024

1.67
Oil Production (mbpd)
↑ +7.1% recovery, lowest theft since 2009

15.15%
Inflation (December 2025)
↓ Below 15% target band

$45.0B
FX Reserves
↑ +11.1% YoY growth

Key Insight: 11-month consecutive disinflation (24.48% Jan → 14.45% Nov) from genuine monetary tightening, not base effects. Naira appreciation reflects restored FPI confidence: capital importation surged to $18.7B (+103% YoY), diaspora remittances hit $20.6B (vs $3.9B in 2023). Oil discipline: daily theft fell to 9,000 bpd (lowest since 2009), enabling production recovery and export discipline.

Capital Flows

Foreign Investor Confidence Restored via Index Upgrade Catalysts

Indicator	2024	2025
Capital Importation	$9.2B	**$18.7B**
FPI Inflows	$5.5B	**$13.3B**
FDI Inflows	$0.6B	**$0.7B**
FX Reserves	$40.2B	**$45.9B**
Reserve Months of Imports	10.1	**13.6**
Remittances (YTD)	$10.2B	**$20.6B**
Parallel Premium	18%	**2.11%**

Index Re-Rating Catalysts

✓ **Fitch:** Upgraded Nigeria outlook (stable)

✓ **FTSE Russell:** Watchlist for Frontier re-inclusion (Review Mar 2026, possible Sept reinclusion)

✓ **JPMorgan:** Government bond index re-inclusion under discussion

New Revenue Lines

LNG Export Growth: In December 2025, Nigeria's LNG exports reached a five-year high of 2.1 billion cubic meters

LNG Partnerships: New gas export channels

Global Headwinds & Exogenous Transmission Channels

Trade Slowdown, Geopolitical Risk, Capital Volatility

Oil Price Volatility

HIGH IMPACT

Brent fell 14.2% (Jan-Sep); 2026F: $55/bbl vs ₦2-3T fiscal revenue shortfall per $5 miss. Risk: Israel-Iran tensions, Red Sea shipping.

Trade Policy Risk

MEDIUM IMPACT

Global merchandise trade: 0.5% growth (down from 2.8%). US tariff uncertainty 25% universal. ECOWAS instability (6 coups, 2023+).

Capital Flow Reversal

HIGH RISK

EM hard currency spreads 202bps vs 166bps historical. US yields 4.57%. Risk: Trump tariffs trigger EM outflow; China slowdown 4.2%.

Global Metric	2024	2025	2026 Forecasted
Global GDP Growth	3.3%	3.2%	**3.1% ↓**
Merchandise Trade Growth	2.8%	2.4%	**0.5% ↓**
Brent Crude (Average)	$78/bbl	$70/bbl	**$55/bbl ↓**

Domestic Risk Landscape

Reform Fatigue, Fiscal Dominance, Security Challenges

High Likelihood, High Impact

Food Insecurity & Climate Risk: 30.6M acute insecurity, 50% post-harvest loss, 1.6M hectares flood-affected.

Fiscal Slippage: 2026 deficit 23.85T (4.28% GDP). Debt service 45.2% of revenue. Risk: ₦2-5T additional borrowing, yield spike, liquidity tightening.

Oil Production Miss: Budget assumes 1.84 mbpd; current 1.67. 0.1 mbpd miss = ₦0.8-1.0T revenue shortfall.

Medium Likelihood, High Impact

Currency Depreciation Shock: 10% depreciation → ₦1,550-1,600. Impact: 2-3pp inflation, debt metrics worsen, reserve depletion.

Monetary Transmission Lag: Credit to private sector flat despite MPR cuts. Lending rates elevated 28-29%. Risk: Rate cuts fail to stimulate; growth disappoints.

Policy Response Required: CBN should maintain credible forward guidance on 300-400bps cuts. Fiscal authority enforce expenditure discipline, ring-fence pre-election spending. Food security intervention is critical to prevent probable supply-side inflation.

2026 Multi-Scenario Forecast

Base Case (70%), Best Case (15%), Worst Case (15%)

2026 Indicator	Base Case	Best Case	Worst Case
GDP Growth	4.49%	5.2%	1.8%
Inflation (Ave.)	12.94%	10.2%	18.5%
NAFEX Rate	₦1,400	₦1,350	₦1,550
MPR Path	300-400bps cuts	500-600bps cuts	0bps (hold/hike)
Oil Production	1.75 mbpd	1.85 mbpd	1.45 mbpd
FX Reserves (YE)	$51.0B	$54.5B	$38.0B
Poverty Rate	60.0%	57.0%	65%+

Base (70%): Reforms continue, oil stable $55/bbl, fiscal discipline moderate, CBN cuts 350bps. Outcome: steady growth, managed disinflation, currency stability.

Best (15%): Accelerated reforms, oil $65/bbl, tax Act drives 2.5-3pp non-oil revenue, CBN cuts 500bps, $18-20B FPI inflows, FTSE re-inclusion. Outcome: 5.2% growth, 3pp poverty decline.

Worst (15%): Oil shock $40/bbl, fiscal indiscipline, No CBN MPR cuts, EM reprieve triggers outflow, security crisis escalates. Outcome: 1.8% stagflation, 3-4M additional poor.


OMO
NIDO
Asepso

Scenario Comparison: GDP Growth Path

Quarterly Trajectory 2026 | Sectoral Contribution Mix

2026 Quarterly Growth Projections:

BEST CASE: Q1 3.5% → Q2 4.2% → Q3 5.0% → Q4 5.5%

BASE CASE: Q1 2.9% → Q2 3.8% → Q3 4.5% → Q4 5.2%

WORST CASE: Q1 -0.8% → Q2 0.5% → Q3 1.2% → Q4 1.8%

Sectoral Growth Contribution (Base Case):

Oil & Gas: +6.6% contribution

Services: +5.2% contribution

Manufacturing: +2.6% contribution

Agriculture: +3.0% contribution

Aggregate GDP: 4.49%

Base case assumes: *Oil $55/bbl, production 1.75 mbpd; fiscal discipline with 3.0% deficit-to-GDP; CBN 350bps cuts allowing credit expansion 8-10%; external environment stable (no major capital flight, no geopolitical escalation). Seasonal weakness Q1 (post-holiday spending drop, agricultural off-season), strength Q3-Q4 (harvest season, year-end demand surge, election-related spending).*

Inflation Dynamics & MPR Policy Path

Disinflation Scenario vs Food/Energy Shock Risks

2026 Inflation Trajectory:

BEST CASE: 10.2% avg → 8.5% Q4

BASE CASE: 12.94% avg → 11.2% Q4

WORST CASE: 18.5% avg → 22% Q4

CPI Components (Base Case):

Food Inflation	16.5%
Energy Inflation	8.2%
Core Inflation	10.8%

CBN Monetary Policy Rate (MPR):

BASE CASE Path:

27.0% (Current) → 26.5% (Q1) → 25.0% (Q2) → 23.5% (Q4) | 350bps cumulative cuts

BEST CASE Path:

27.0% → 26.0% (Q1) → 24.0% (Q2) → 22.0% (Q4) | 500bps cumulative cuts

WORST CASE Path:

27.0% (Hold Q1-Q3) → 28.0-29.0% (Q4 hike) | Possible reversal

Transmission Assumption: Each 100bps rate cut takes 3-4 months to materialize in credit growth; inflation lag typically 6-9 months. Base case assumes food insecurity remains manageable (drought averted, imports available). Worst case assumes regional supply shock (insecurity worsens, post-harvest loss spikes 50%+).

Naira Path & FX Reserve Dynamics

Capital Flows, Current Account, and Downside Protection

2026 NAFEX Rate Scenarios (YE Projection):

BEST: ₦1,350 (appreciation from 1,436)
BASE: ₦1,400 (stable, slight appreciation)
WORST: ₦1,550 (7.9% depreciation)

FX Reserves YE 2026

Best Case	$54.5B
Base Case	$51.0B
Worst Case	$38.0B

Key Drivers by Scenario:

Base Case

Current account surplus $18.8B. FPI inflows $12-14B. Oil $55/bbl steady. CBN credibility maintained. Naira trading 1,400-1,420 band throughout 2026.

Best Case

Asset recapitalization attracts $18-20B FPI. FTSE re-inclusion, JPM index entry. Carry trade revival. Naira strengthens to 1,350 on capital inflow momentum.

Worst Case

Oil shock. EM repricing triggers $8-10B FPI outflow in weeks. Reserves deplete from $45B → $38B. Naira drops to 1,550 on capital flight + forced CBN intervention.

Inclusive Growth Impact: Poverty & Employment

2026 Scenario Outcomes on Job Creation and Poverty Headcount

Poverty Rate Projection (2026):

BEST: 57.0% (↓3pp from 60% baseline)

BASE: 60.0% (stable, no regression)

WORST: 65%+ (↑5pp, 3-4M additional poor)

Employment Dynamics (2026):

Jobs Created (Best)	2.0M+
Jobs Created (Base)	0.5-1.0M
Jobs Lost (Worst)	0.5-1.0M

Sectoral Employment Drivers (Base Case):

Oil & Gas: **+45K jobs** (production ramp-up)

Manufacturing: **+150K jobs** (expansion, capex)

Services & Retail: **+250K jobs** (highest elasticity)

Agriculture: **+100K jobs** (mechanization)

Digital Economy: **+80K jobs** (fintech, e-commerce)

Safety Net Role: Conditional Cash Transfers (CCT), National Poverty Reduction Programme funding critical in worst-case scenario to prevent 5pp poverty surge.

Our job creation estimate applies standard World Bank/ILO labor elasticity coefficients (0.15x-1.20x by sector) to our 2026 sectoral growth forecasts (+6.6% oil, +5.2% services, +2.6% manufacturing). This yields a base case range of 0.5-1.0M jobs, with upside to 1.5-2.0M if informal sector absorption accelerates, and downside to 0.5M losses if worst-case stagflation scenario materializes. The range reflects uncertainty in capex composition (automation vs labor intensity), informal sector multiplier effects, and fiscal stimulus timing

Sectoral Risk Hedging Framework

Positioning Against Potential 2026 Macro Shocks

Sector	Risk Type	Hedging Tactic	Cost
Oil & Energy	Commodity price (↓$50), FX	Oil futures floor ($50/bbl), natural hedges (dollar revenue)	2-3%
Manufacturing	Input cost (FX), margin squeeze	FX forwards (30-60 days rolling), pricing escalation clauses	1-2%
FMCG & Retail	Inflation (↑18.5%), volume shock	Commodity hedges (key raw materials), inventory control (40-day optimal)	1.5-2.5%
Banking & Finance	NPL spike, rate shock, capital adequacy	Diversified revenue, stress-test portfolios, capital buffers, recapitalization	0.5-1% (capital cost)
Real Estate & Construction	Credit crunch, cost inflation	Contract price locks, off-take agreements, tariff escalation clauses	1-2%
Agriculture	Climate shock, insecurity	Crop insurance, irrigation capex, commodity hedges, storage infrastructure, K&R Insurance	2-3%
Telecoms & ICT	Regulatory risk, competitive intensity	Digital revenue diversification (fintech, digital services), cost control	0-1%

Currency risk remains the single largest unhedged exposure. Firms with FX liabilities (debt or input costs) and FX revenue mismatches should implement rolling forward contracts at 1,420-1,450 NAFEX. Inflation risk requires both input sourcing diversification and pricing discipline (3-5% quarterly escalation clauses acceptable by consumer). Oil sector should lock in price floors at $50/bbl for 2026 production via futures or swaps.

Sectoral Growth Champions 2026

Market Decisions Recommendations | SEC Recapitalization Catalyst

🟢 **STRONG BUY**

Energy (Upstream Oil & Gas, Refining): Production recovery + refinery export upside. 20-30% return potential base case; 40%+ best case.

🔵 **BUY**

Tier-1 Banks: Recapitalization consolidation beneficiaries. 20-35% appreciation + 4-6% yield. SEC Circular 26-1 advantage.

🔵 **BUY**

FMCG & Consumer: Inflation moderation drives margin recovery. Pricing power + cost pass-through. 15-25% appreciation potential.

HOLD

Power & Downstream Energy: Tariff policy clarity needed. Reduced to 1-2% allocation until off-take receivables improve. Wait H1 2026 for pass-through confirmation.

🔴 **SELL**

Weak Regional Banks & Discretionary: Consolidation dilution risk. Equity wipeout potential. Exit before Q2 merger announcements. Reduce to <2%.

🔵 **BUY**

Insurance & Asset Mgmt: Recapitalization boom + banking system growth. 25-40% appreciation potential. 2-3% yield.

SEC Circular 26-1 Impact: ₦50B international, ₦200B national capital requirements (10x & 8x increases) forcing consolidation. Tier-1 banks become systemically critical with regulatory support. Expected merger close timeline: 18-24 months. Regional bank consolidation creates M&A opportunity window Q2-Q3 2026. Banking sector becomes 15-20% of NSE weight.

Conclusion

Truva Intelligence

"All models are wrong, but some are useful." — George E. P. Box

Macro reform gains are real, durable, and deepening. Geopolitical and fiscal risks are also real, and require active hedging. Prepare for anything, and everything.

Our Three Core Theses:

1. Macro Stability is Durable (Not Lucky): Inflation moderation reflects genuine policy tightening + reform impact. Naira appreciation (first in 13 years) signals restored confidence. FX reserves growth ($40B → $45B) anchored by sustainable flows (remittances, non-oil exports). **Implication:** 4.49% 2026 growth achievable without oil price boost; upside exists if Brent holds $55-$65/bbl.

2. Structural Reforms are Multiplying: Tax Act 2025, PIA implementation, banking recapitalization, energy transition initiatives hitting critical mass. Dangote refinery scaling, NLNG partnerships, digital economy policy convergence. **Risk:** Pre-election spending could slow execution. **Implication:** If momentum sustained, potential GDP upside to 5%+ by 2027-2028.

3. Capital Reallocation Favors EM Outperformers: Global rate cuts 2026 reduce cost of EM capital. Nigeria's 15.5% carry trade (highest in Africa) sustains FPI. FTSE upgrade (March 2026) + JPM index entry potential = $5-10B capital flows. **Implication:** Equities +20-30%, fixed income +10-15% potential in base case.