THE CFG ADVISORY

20 January 2026 | 11:00AM WAT

Nigeria 2026 Economic Forecast

The Urgency of Now: Reforms Gains to Productivity Led Growth

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Foreign Intervention and Security Dynamics

For the first time since gaining independence, Nigeria has witnessed direct foreign intervention in its security affairs. On Christmas Day, the United States Navy conducted a strike targeting Islamic terrorist bases in Northwest Nigeria. This unprecedented action places Nigeria firmly on the global stage in the ongoing fight against Islamic terrorism. However, it also introduces a new layer of uncertainty regarding the intentions of the US government, particularly considering recent interventions in other countries such as Venezuela. This development raises important questions about the future direction of US involvement in Nigeria's security landscape and its broader implications for regional stability.

Economic Reforms and Challenges

Against the backdrop of heightened security concerns, Nigeria is grappling with economic reform fatigue following two arduous years of adjustment. The period has been marked by the problematic removal of the fuel subsidy, which triggered substantial currency devaluation and a surge in inflation. While these pressures have since been stabilised reflected in controlled inflation, robust foreign reserves, a stable currency supported by a transparent, market-driven foreign exchange system, with foreign portfolio investment inflows amounting to US$21 billion as of October 2025, significant fiscal challenges remain. Business confidence has also improved, as evidenced by positive Purchasing Managers' Index (PMI) numbers.Nevertheless, the government continues to face hurdles on the fiscal front. Budget execution has been suboptimal, with revenue collections consistently falling short of expectations. This has resulted in record budget deficits and a government debt burden exceeding US$100 billion. Servicing this debt has become increasingly difficult, with 60% of government revenues, including US$15 billion in fuel subsidy savings, going towards debt repayments. As a result, the government has failed to prioritise expenditure that would stimulate economic growth. Revenue shortfalls have also meant that no capital projects with strong multiplier effects were funded in the previous year's budget. These fiscal constraints have raised serious doubts about the government's ability to transition from the current period of stabilisation to one of sustained economic growth and development.

GDP Performance and Comparative Analysis

In the previous year, Nigeria's GDP was rebased to approximately US$280 billion, causing the country to fall from the first to the fourth largest economy in Africa. GDP growth stood at 3.98% in the third quarter of 2025, down from 4.23% in the preceding quarter. While this growth, driven by non-oil sectors, is encouraging, it remains well below the 8–10% threshold required to support Nigeria's population of over 200 million and to lift 140 million people out of poverty.

A comparison with Indonesia's economic trajectory over the past 25 years highlights the consequences of policy choices on sustained GDP growth. In the late 1990s, Nigeria and Indonesia were similar in terms of demographics, resources, and GDP, both just under US$200 billion. By 2017, Indonesia's GDP had surpassed US$1 trillion, while Nigeria's had dropped from a peak of over US$600 billion in 2014 to US$400 billion by 2017. By 2025, Indonesia's GDP reached US$1.4 trillion, compared with Nigeria's US$280 billion. This stark contrast underscores an incremental GDP value of US$1.2 trillion for Indonesia versus a modest US$60 billion for Nigeria over the same period.

Policy Imperatives for Sustainable Economic Growth

There is a broad consensus on the need to restore economic stability. However, the Nigerian economy is now at a critical juncture, requiring deliberate and sustainable disinflation and growth-oriented policies. These must be underpinned by robust structural reforms designed to enhance productivity, create employment, and stimulate investment and industrial development. The government's persistent inability to adequately finance consecutive capital budgets, traditionally a driver of strong multiplier effects and growth has been exacerbated by spending that fails to prioritise key growth sectors. This pattern highlights the ongoing fiscal struggles facing the government.

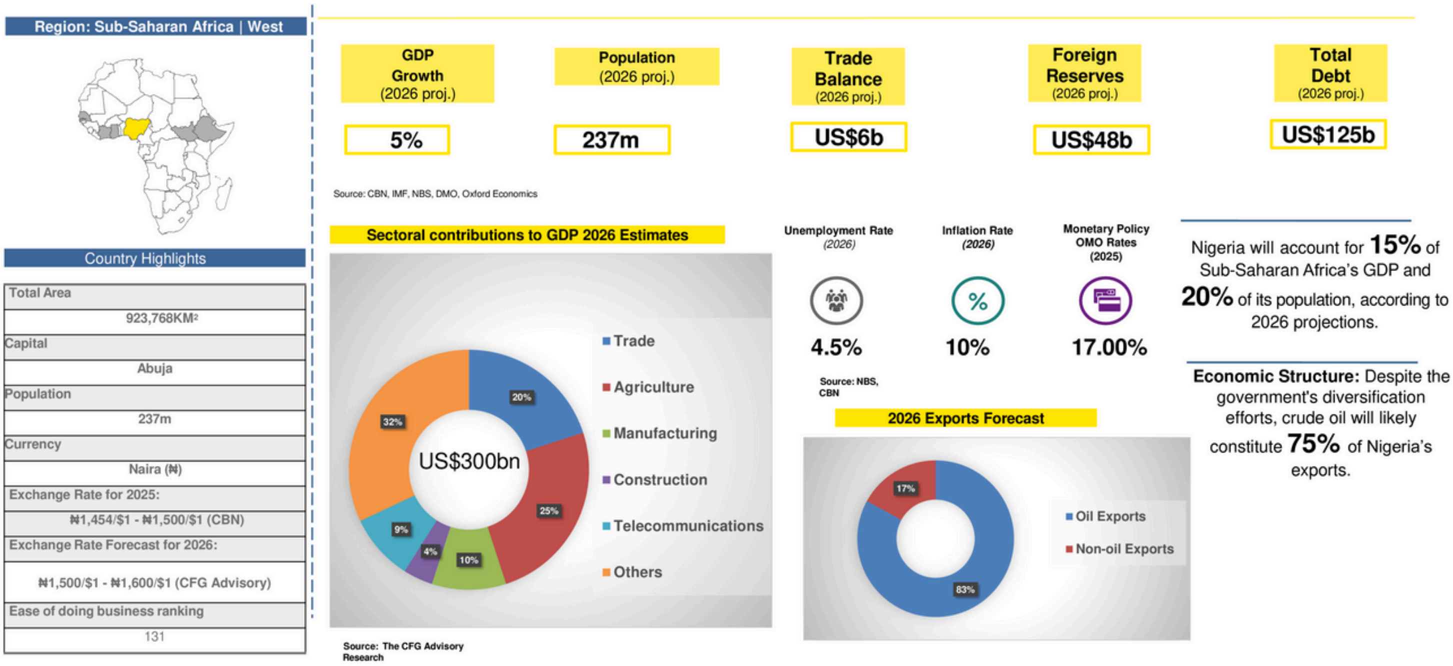
Recent assessments by the World Bank and the International Monetary Fund have warned the Federal Government of Nigeria against maintaining its current pace of budgetary expansion, which stands at 56% year-on-year. Instead, these institutions recommend aligning budget growth with realistic revenue projections. Given the increasing security threats and evolving fiscal realities, there is now an urgent need for comprehensive fiscal reforms. This includes the alignment of the Fiscal Responsibility Act with Nigeria's current debt profile and fiscal deficit to ensure long-term debt sustainability. Restructuring the Federal Government's balance sheet is essential, focusing on optimising equity within its capital structure. This can be achieved through the sale of oil and gas joint venture assets, as well as through privatisation and concessions. Such measures are necessary to raise capital for reducing debt to sustainable levels and to encourage a transition towards a private sector-led economy, recognising that the Federal Government no longer has the capacity to fund its capital budget independently.

Political Developments and the Path Forward

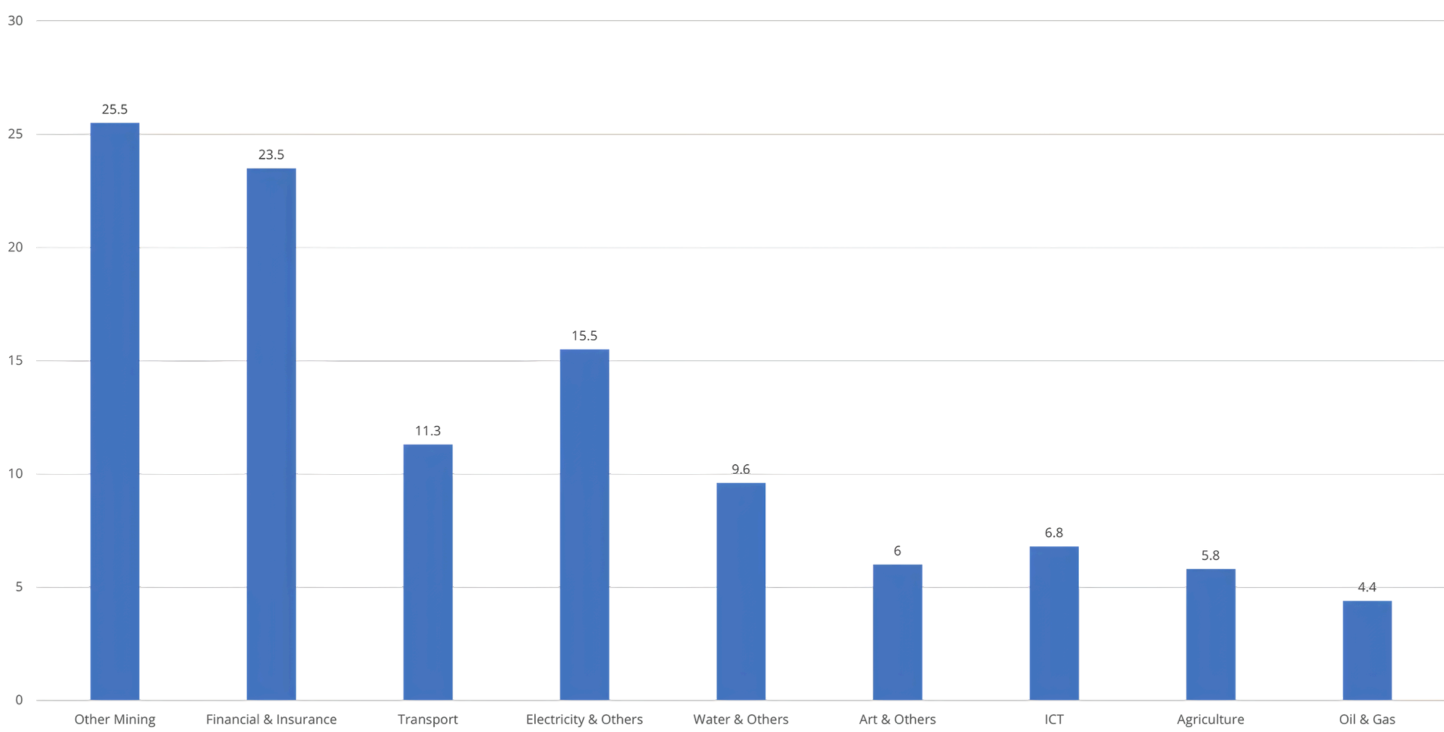
The prospect of upcoming elections in 2026 adds another layer of uncertainty, with concerns that political considerations may overshadow economic priorities. Nonetheless, enhanced military cooperation with the United States is viewed in some circles as a positive step in addressing Nigeria's persistent security challenges. The alignment and coordination of monetary, fiscal, investment, trade, and industrial policies remain central to achieving sustainable growth and development. The effectiveness of these strategies will depend on the Federal Government's political will and its ability to empower its economic management team to implement deliberate Growth Policies to achieve the desired outcomes.

The CFG Advisory in 2026, projects a 5% GDP growth for Nigeria with single digit official inflation numbers, sub 20% MPR and =N=/$ trading 1,400-1,500 band.

Nigeria's Macroeconomic 2026 Forecast



2026 Sector Growth Rate Projection (%)



2023 – 2025 Sectoral Performance in Nigeria.

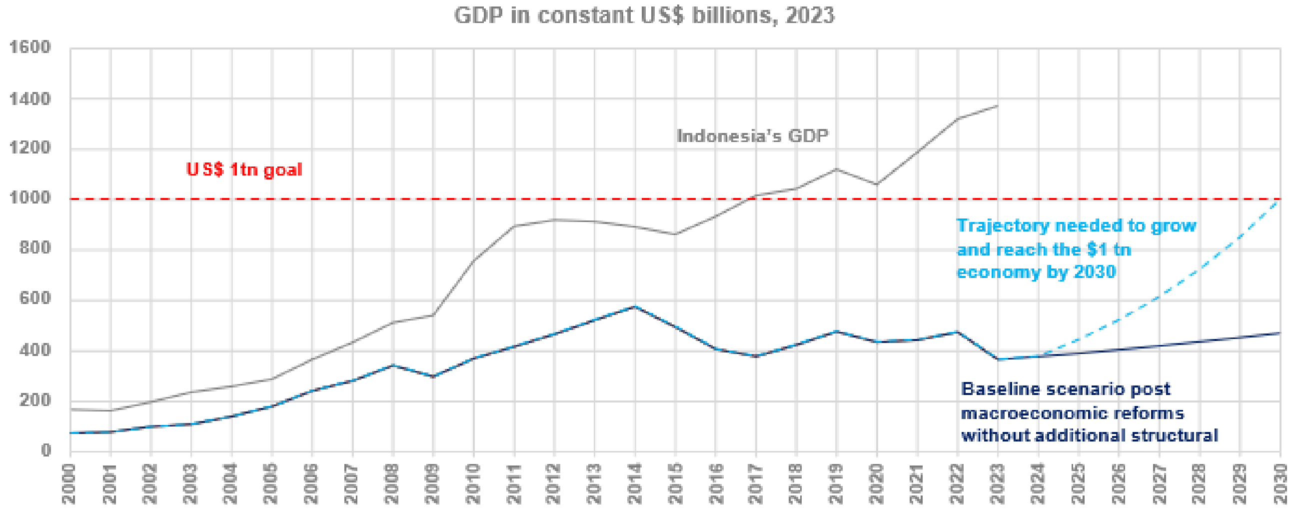
Sector	Growth Rate (%) 2023	Growth Rate (%) 2024	Growth Rate (%) 2025 (Q1-Q3)	Category	Contribution to GDP Growth (%) (2025)	Share of GDP (%) (2025)
Other Mining	14.10	21.50	19.90	High Growth	1.20	0.20
Financial & Insurance	26.50	31.20	12.90	High Growth	13.50	3.50
Transport	10.10	12.40	11.30	High Growth	2.30	0.80
Electricity & Others	12.50	15.30	18.60	High Growth	1.80	0.80
Water & Others	8.20	9.80	10.70	High Growth	4.60	0.60
Oil & Gas	-2.20	5.70	9.60	High Growth	4.80	5.30
Art & Others	5.10	6.20	6.60	High Growth	6.60	0.80
ICT	11.30	8.40	0.60	High Growth	12.80	10.50
Construction	3.20	3.60	3.90	High Growth	0.80	0.60
Real Estate	2.10	4.50	6.80	High Growth	13.70	13.50
Admin. Service	2.40	2.90	3.60	Low Growth	1.60	1.50
Accom. & Food Service	1.80	2.50	3.30	Low Growth	8.30	0.20
Professional Service	1.90	2.20	2.60	Low Growth	1.60	0.60
Education	1.40	2.10	2.60	Low Growth	8.60	0.30
Human & Health	2.00	2.50	2.90	Low Growth	3.30	3.80
Agriculture	1.10	2.40	3.50	Low Growth	17.60	23.60
Public Admin.	1.20	1.60	1.90	Low Growth	1.30	2.30
Trade	1.50	1.40	1.30	Low Growth	3.80	17.40
Manufacturing	1.20	1.50	1.70	Low Growth	3.60	1.30
Other Services	-0.90	-1.20	-1.60	Negative	-0.60	1.20

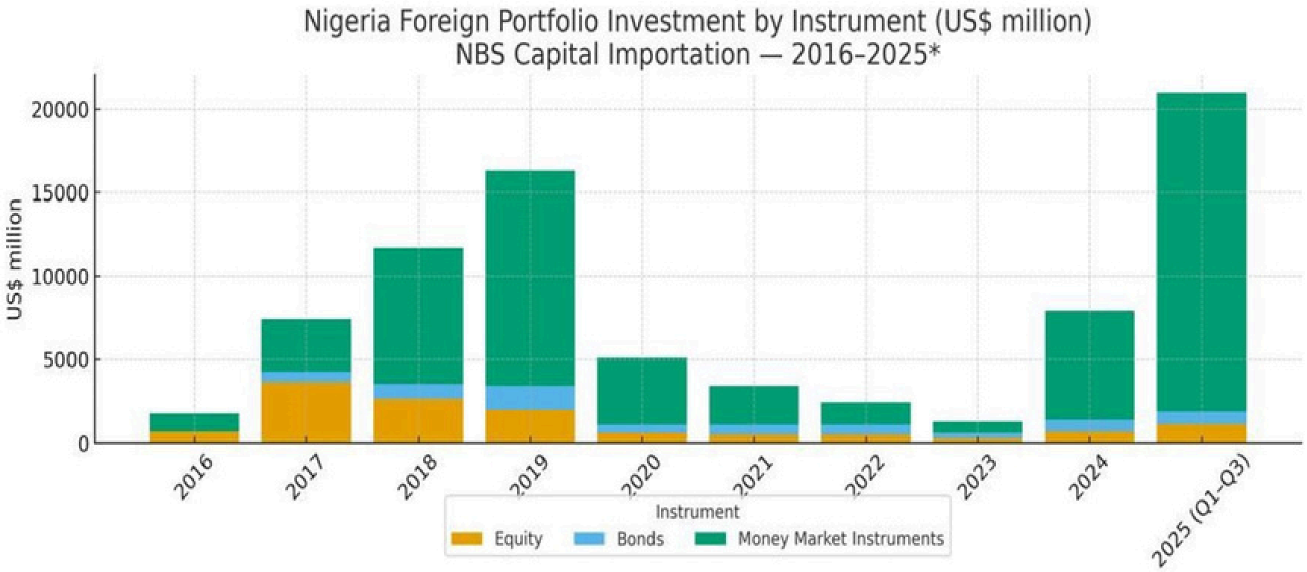
2026 Sector Performance Projection

Sector	2026 Sector Growth Rate Projection (%)	Contribution to GDP Growth (2026) Projection (%)	Share of GDP (2026) Projection (%)
Other Mining	25.50	1.80	0.23
Financial & Insurance	23.50	18.30	4.14
Transport	11.30	2.00	0.85
Electricity & Others	15.50	2.80	0.88
Water & Others	9.60	1.30	0.63
Art & Others	6.00	1.10	0.81
ICT	6.80	15.90	10.73
Agriculture	5.80	30.41	23.89
Oil & Gas	4.40	5.20	5.29
Construction	3.60	0.50	0.59
Real Estate	3.50	13.50	13.50
Admin. Service	3.00	1.00	1.48
Accom. & Food Service	2.50	0.10	0.20
Professional Service	2.20	0.30	0.59
Education	2.00	0.10	0.29
Human & Health	2.50	2.10	3.73
Public Admin.	1.60	0.80	2.24
Trade	1.40	5.40	16.88
Manufacturing	1.50	0.40	1.26
Other Services	-1.20	-0.30	1.13

NIGERIA Vs INDONESIA GDP

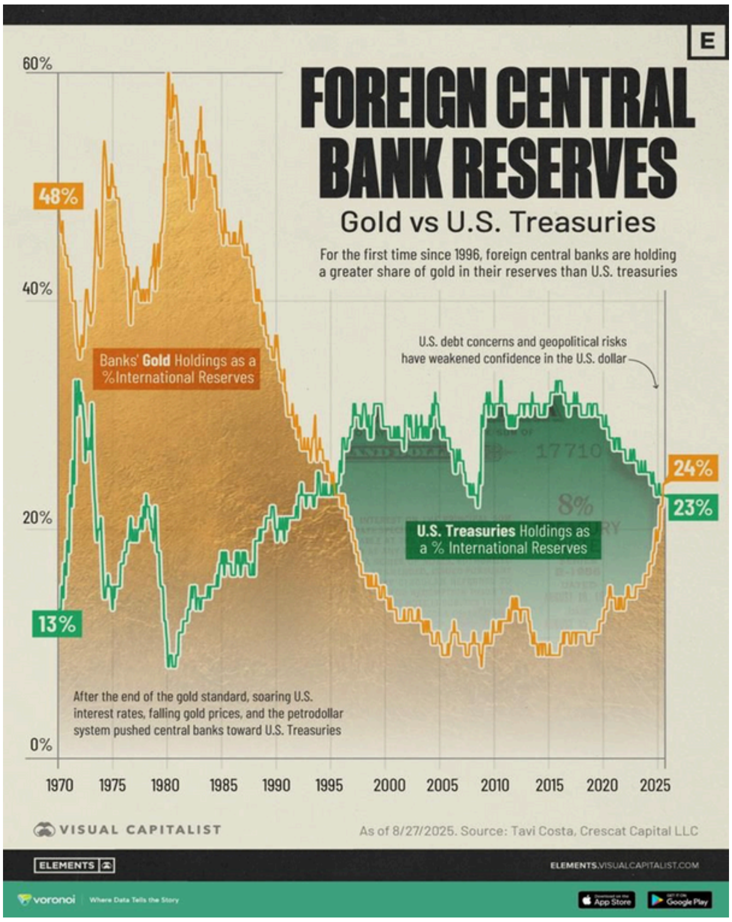
To achieve the government's ambition of a US$ 1tn economy by 2030, Nigeria needs to grow 5x faster...

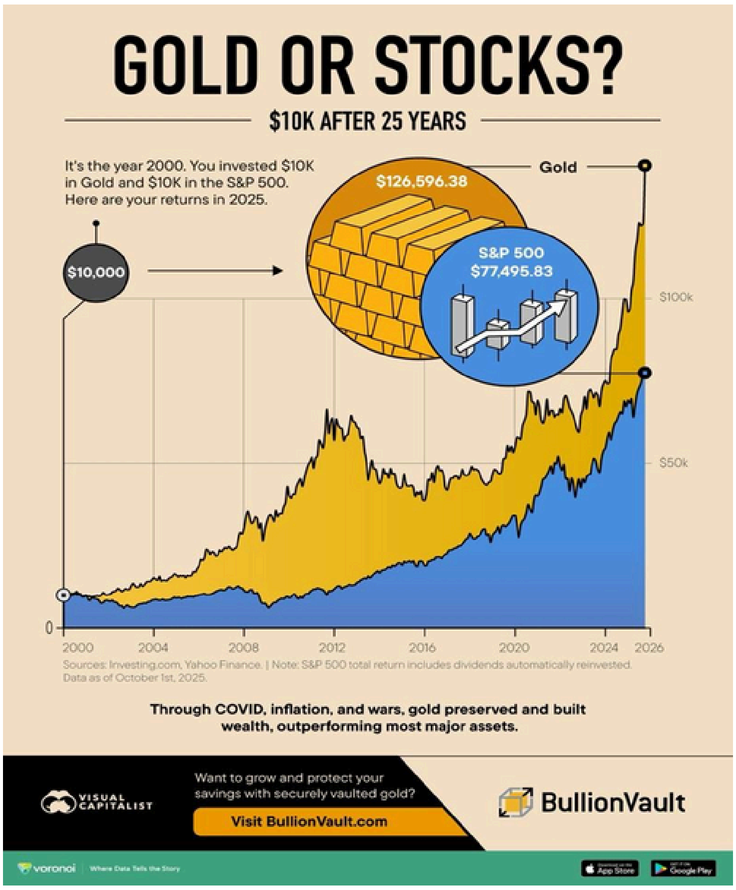


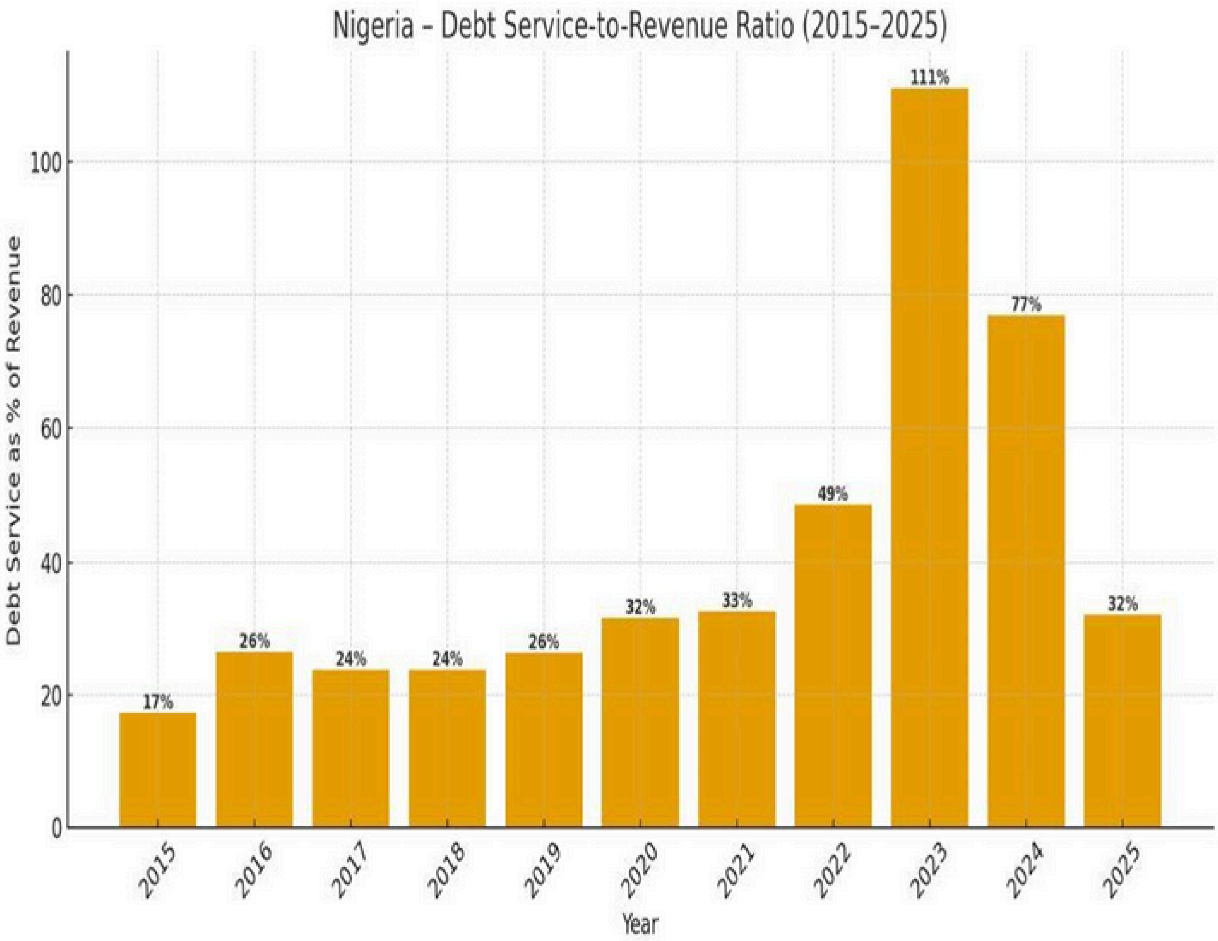


*2025 is Q1-Q3 only. 2024 is full-year with Q4 proxied using Q3 mix.

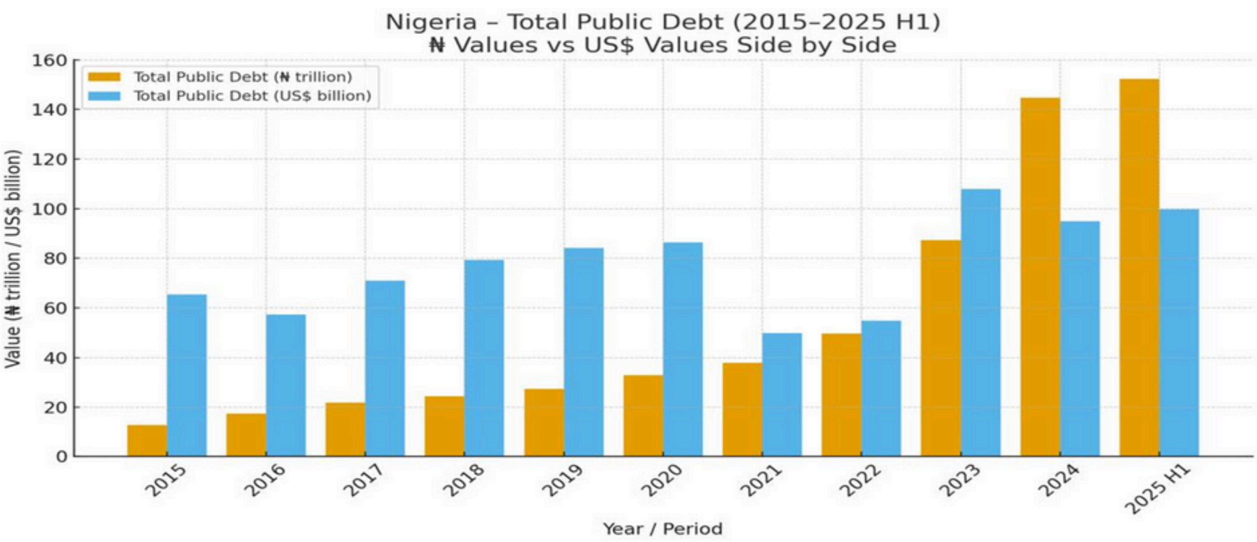
Global Markets Gold Rush



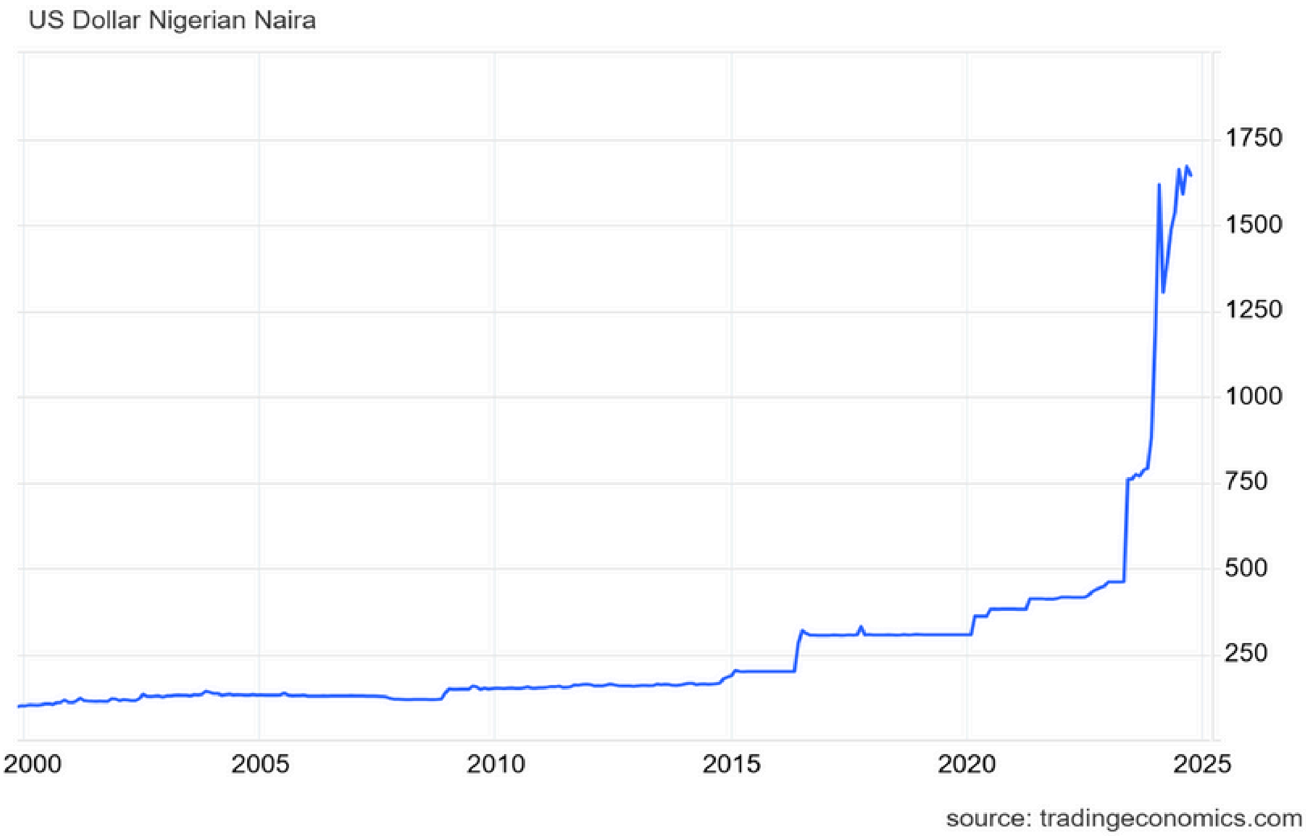




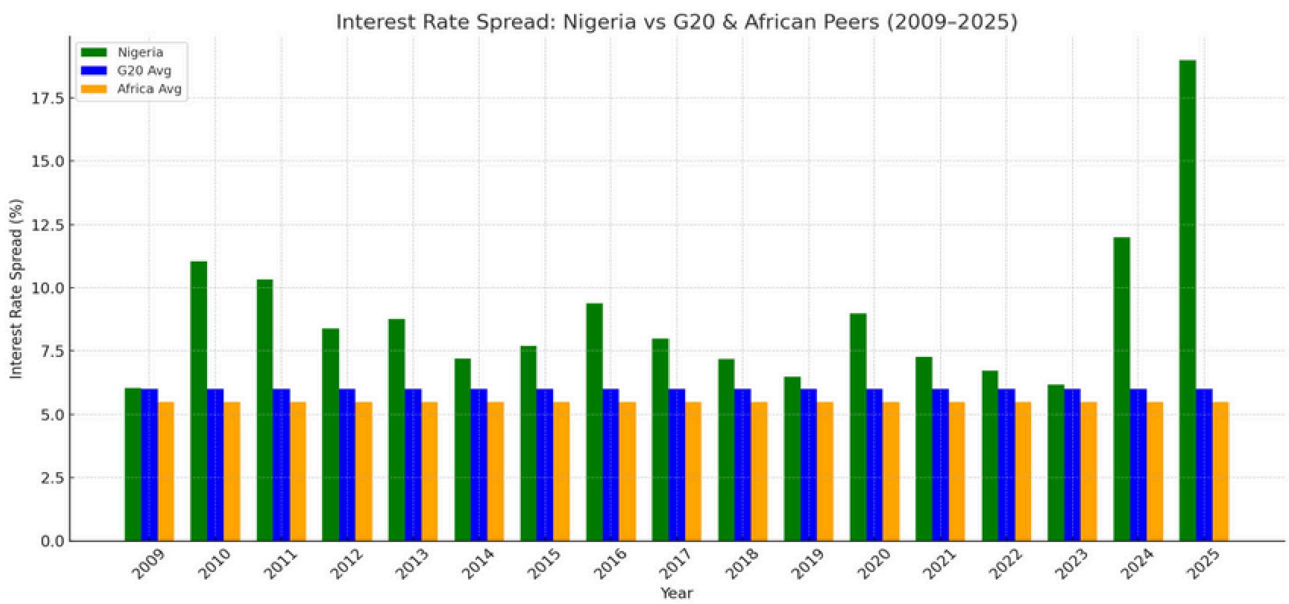
Public debt timeline and recommended asset sales to relieve fiscal pressure



US Dollar Vs Nigerian Naira



Nigeria Interest Rate Spreads Highest's Globally



2026 EXPECTATIONS

→ The current debt profile at over us$100 billion with 2026 budget =N=15.52 trillion in debt service is unsustainable. This figure is higher than the combined budgets of security, defence, education and health at =N=14.97 trillion. All the gains from fuel subsidy removal now going towards debt service. 2026 Budget also need to be urgently revied downwards for realistic implementation.

→ Excessive fiscal spending, a massive deficit and failure of the social intervention program has left Nigerian households and firms despondent with an economy struggling with stagflation. Time to restore the social intervention program and give the reforms a human face.

→ FGN needs to urgently sell down to at least 49%, of its interest in the 74 Licensed Concession Assets in a bid to raise US$50 billion to improve government revenues, restructure and recapitalize NNPC balance sheet. It must also consolidate all of NNPC oil forwards contracts into a structured debt instrument for ease of management, better rates, transparency and accountability.

→ With this in place and other bottlenecks removed, Nigeria can restore investments into the Oil and Gas industry, which has declined from the highs of US$22 billion in 2009 and 2014 to less than US$3billion in 2024. This in a bid to ramp up production to 2.5mbpd for revenue sustainability and FX availability and rate reduction.

→ The CBN should look to cut rates to create the necessary stimulus for growth. Official Inflation rates should reach single by end of Q2. Government needs to articulate and implement deliberate Disinflation and Growth policies, target 8-10% GDP growth to support and foster productivity, employment, exchange rate stability, industry and investment.

Chart References

The CFG Advisory Research
World Bank Nigeria Development Update May 2025
Trading Economics Online Data Platform