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## Nigeria Q1 2026

# Economic Reform Gains Under Threat

**Adetilewa .A. Adebajo**
+234 (0) 802-224-5404
tilewa.adebajo@cfg.ng

### Economic Performance & Challenges

Nigeria entered 2026 with early signs of macroeconomic stabilization following two years of aggressive reforms. Nigeria's economy in Q1 2026 reflects a fragile stabilization phase, as improvements in FX stability, reserves, and investor sentiment are evident. However, structural fiscal weaknesses, rising debt profile and rising global geopolitical risks threaten sustainability and loss of the reform gains, as persistent structural vulnerabilities remain.

## Nigeria's Macroeconomic Q2-4 2026 Forecast

**Region: Sub-Saharan Africa | West**

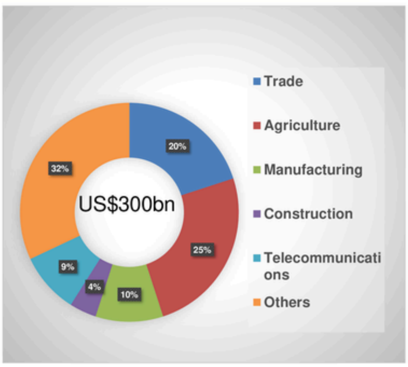
**Country Highlights**

| | |
|---|---|
| Total Area | 923,768KM² |
| Capital | Abuja |
| Population | 237m |
| Currency | Naira (₦) |
| Exchange Rate for 2025: | ₦1,454/$1 - ₦1,500/$1 (CBN) |
| Exchange Rate Forecast for 2026: | ₦1,350/$1 - ₦1,500/$1 (CFG Advisory) |
| Ease of doing business ranking | 131 |

| GDP Growth | Population | Trade Balance | Foreign Reserves | Total Debt |
|---|---|---|---|---|
| 5% | 237m | US$6b | US$48b | US$125b |

Source: CBN, IMF, NBS, DMO, Oxford Economics

**Sectoral contributions to GDP 2026 Estimates**

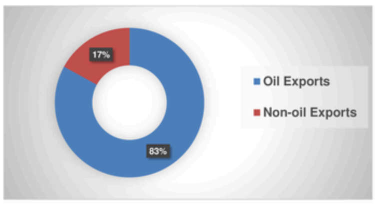



Source: The CFG Advisory Research

| Unemployment Rate (2026) | Inflation Rate (2026) | Monetary Policy OMO Rates (2025) |
|---|---|---|
| 4.5% | 21% | 26.5% |

Source: NBS, CBN

**2026 Exports Forecast**

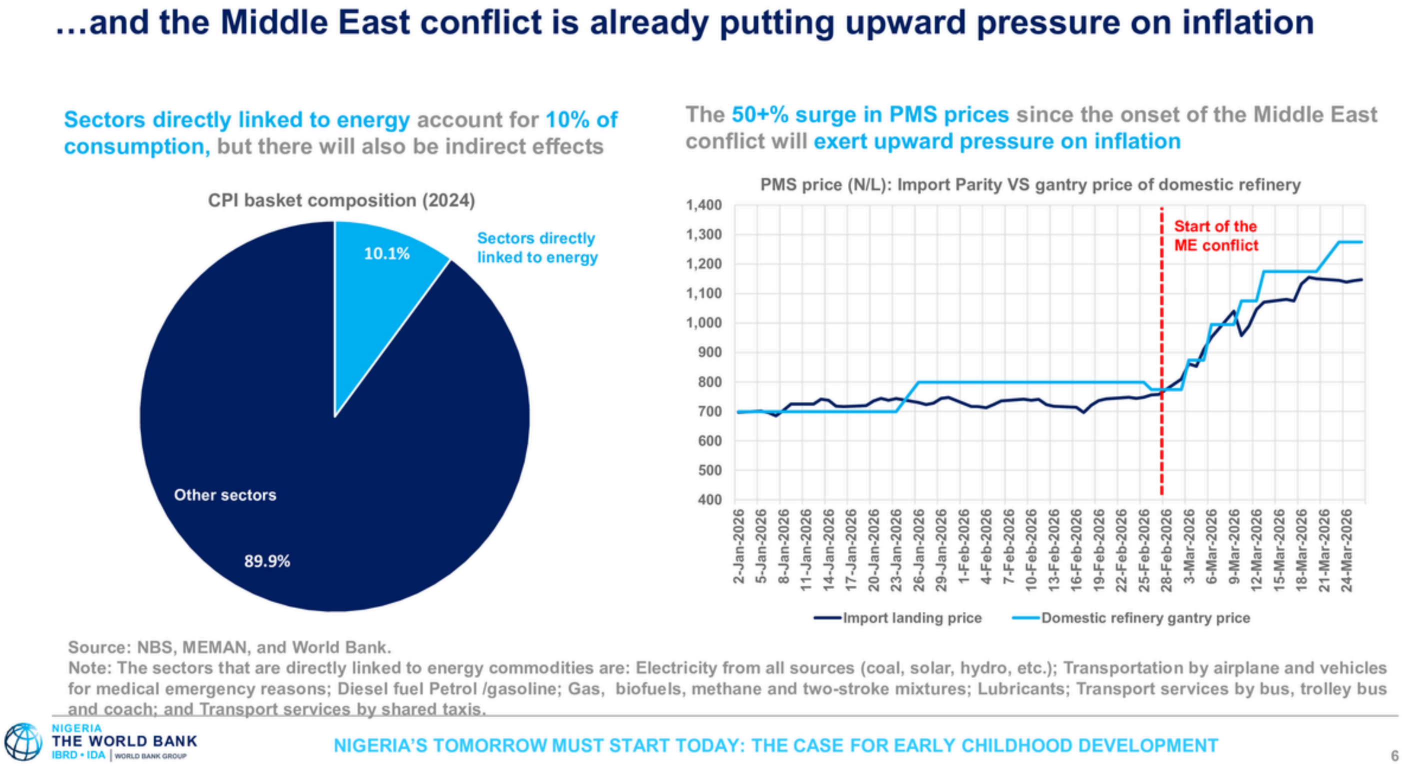



Nigeria will account for **15%** of Sub-Saharan Africa's GDP and **20%** of its population, according to 2026 projections.

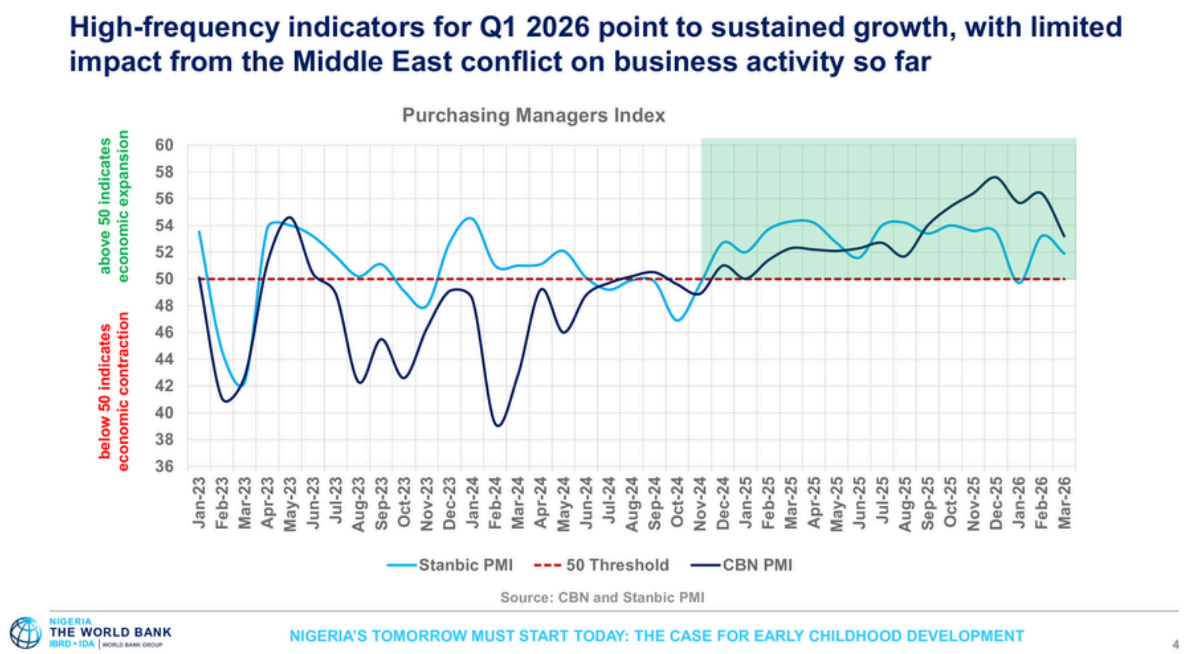
**Economic Structure:** Despite the government's diversification efforts, crude oil will likely constitute **75%** of Nigeria's exports.

The inability to implement growth policies, lack of fiscal discipline, a =N=35 trillion 2026 budget deficit that lacks a financing plan and debt to revenue service ratios heading towards 90% are of particular concern. The global geopolitical tensions with the trade wars and ongoing conflict in the Strait of Hormuz have exacerbated the situation and created significant economic headwinds that are negatively impacting the Nigerian Economy.

As a result of the Gulf war, oil price increases have spiked petrol pump prices by 50%, diesel by 85% and Aviation fuel by over 100%. The cost-push inflationary impact on logistics and supply chain has been immediate, as month-on-month inflation rose by 4.2% in March 2026, the steepest monthly increase since early 2025, after 11 successive months of decline. Due to forward contracts covering most of its 1.5mbpd oil production, the Nigerian government cannot use the oil price windfall to boost fiscal balances or cut its deficit.

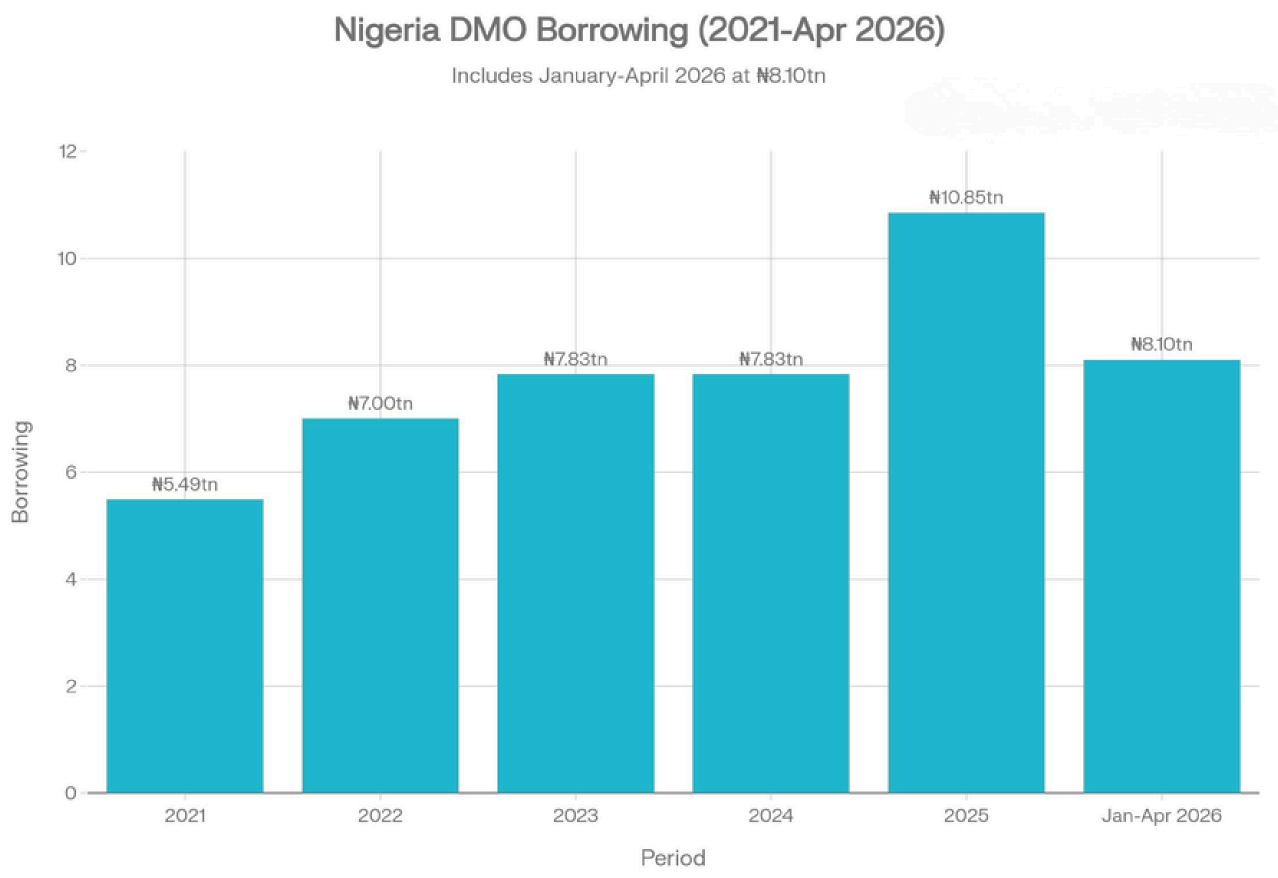



While the NBS has not released GDP and sectoral growth numbers for Q1 2026, the CBN PMI reveals a concerning trend. After an expansion in January 2026 (55.7), the PMI moderated in March (53.2) and contracted in April (49.4) after a 16-month expansion rally. In the absence of official growth numbers, this is not a positive indicator, as it highlights the government's inability to transform reform gains into productivity and sustainable growth.



Nigeria’s debt profile is becoming unsustainable. From June 2023 to December 2025, domestic debt increased from =N=54 trillion to =N= 90 trillion. By April 2026, it is closing in on the =N=100 trillion mark. External debt also increased from US$ 41 billion to US$ 60 billion within the same period. What is of particular concern is the use of dollar loans from foreign commercial banks, over-collateralized by domestic FGN securities, to fund recurrent expenditures and projects that cannot pay back the loans. Nigeria, because of its mounting budget deficit, has also entered a high-frequency borrowing model with monthly auctions now the backbone of fiscal financing. Domestic borrowing has quadrupled in the last 5 years, and the 2026 borrowing of =N=8.1 trillion from January to April is already 80% of the =N=10 trillion borrowing for 2025. We have also seen a structural shift with higher offer sizes of long tenor bonds increasing by over 60% year on year, and treasury bills declining by 15%.

The year-end 2026 trajectory at this run rate suggests the borrowing will more than double YOY to =N=24 trillion, which is clearly unsustainable, worsen the revenue-to-debt service ratios, violate both the fiscal responsibility and appropriations acts, crowd out private sector credit, stunt growth and lead to further inflationary pressures.



While the monetary side has remained stable with a healthy real rate of return premium with inflation at 15.38% against an MPR rate of 26.50%, gross reserves have fallen slightly from US$50 billion mark. The monetary authorities, because of the fiscal deficit, incremental borrowing, external shocks, and the upcoming elections will face significant pressures Q2-4 2026. Managing the FX market regime, the US$25 billion in FPI, inflationary pressures and economic growth will test their resolve. The global and domestic headwinds might force them to compromise, by maintaining high interest rates at the expense of economic growth, productivity and restoring purchasing power.

Elections early next year suggest that the government might have taken its eye of the economic reform ball, with the resignation and replacement of the Minister of Finance and Coordinating Minister of The Economy it signals a major policy shift. With significant fiscal imbalances, disconnect with Investment, Trade, and Industrial policies, two hundred, American troops in Nigeria amidst persistent and rising domestic insecurity, external shocks and rising unemployment and poverty levels, the government needs to ensure it can stay the course and implement policies that can safeguard the reform gains.

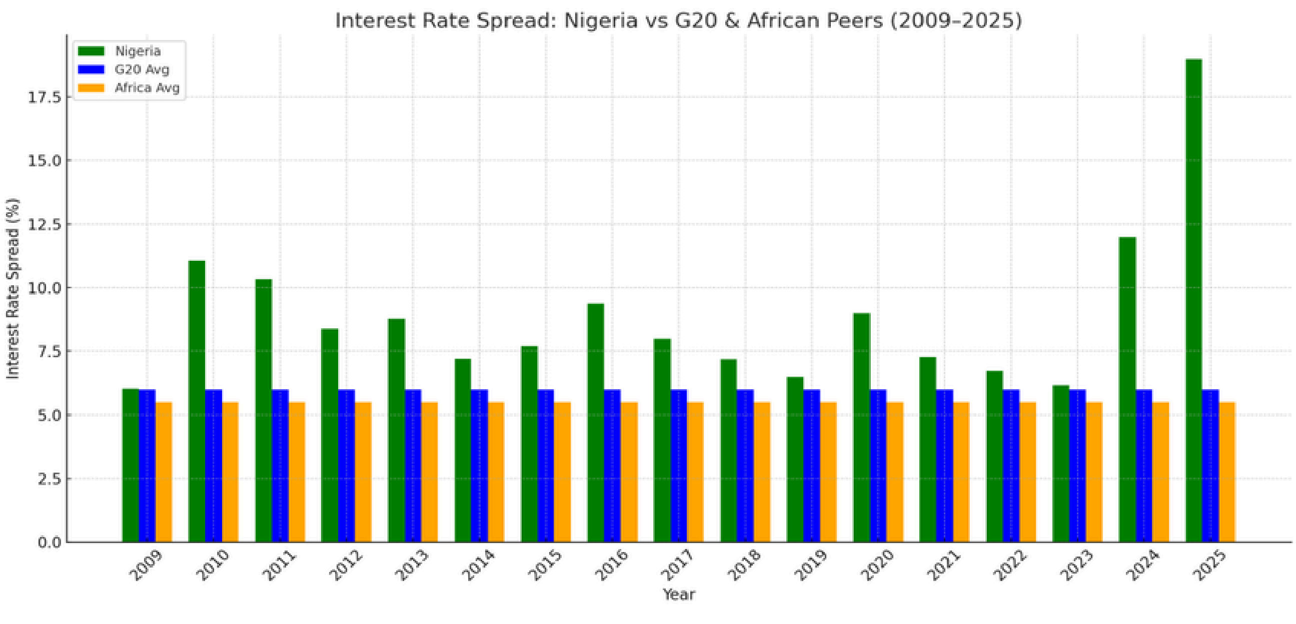
Q2-Q4- 2026 will be decisive in determining whether Nigeria transitions to sustainable, productivity-led growth. 2026 reflects an economic transition phase for Nigeria. The nation has exited crisis stabilization but has not yet achieved sustainable growth, productivity, and restored purchasing power. Nigeria is stabilized but not transformed. Sustained growth and productivity depend on fiscal discipline, structural reform, and coordinated policy implementation. Failure to address these fiscal constraints and structural weaknesses will reverse the reform gains.

### Key Drivers of Investor Confidence and Growth Outlook

#### Banking Sector Recapitalization

The Nigerian banking sector has successfully completed a significant recapitalization exercise, raising approximately =N='4.5' trillion. This achievement strengthens the financial system, enhances stability, and positions banks to better support economic growth. The recapitalization has contributed to renewed investor and market confidence, laying the foundation for increased lending and financial activity in the broader economy.

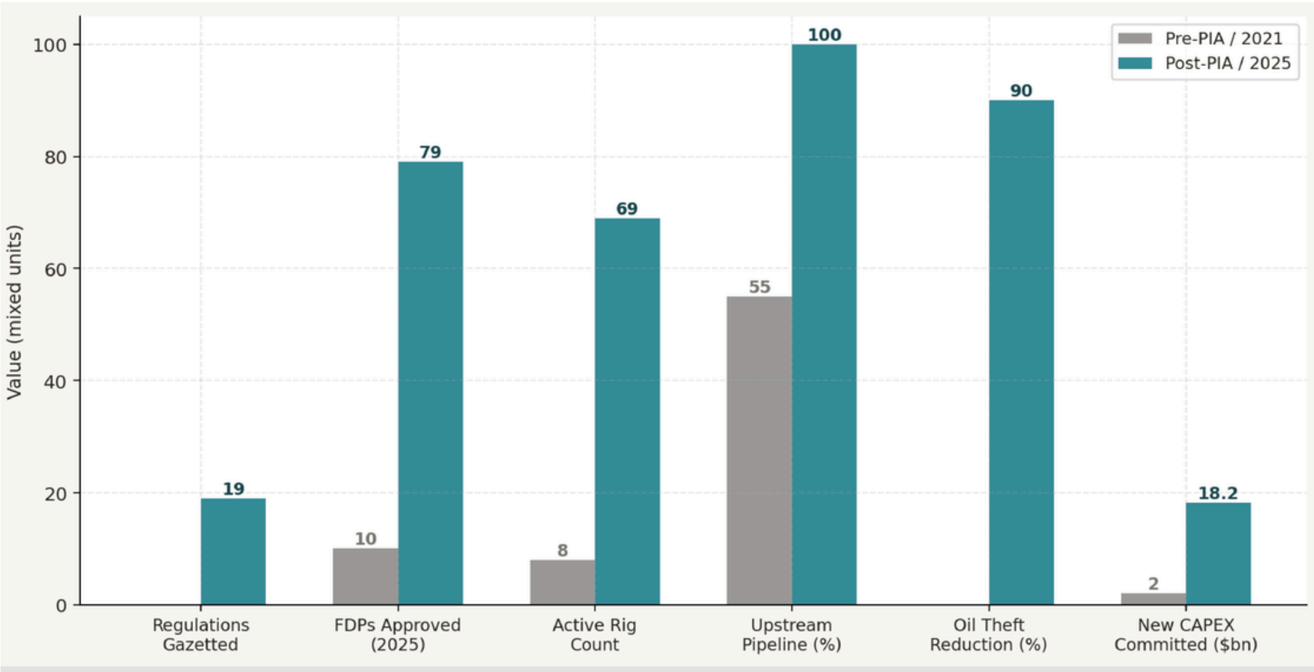
## Nigeria Interest Rate Spreads Highest's Globally



### Oil and Gas Sector Reforms

Reforms in the oil and gas sector are actively boosting both investment and production. These sectoral changes have helped attract new capital inflows and improve operational efficiencies. Operational activity is on the rise, as reflected in the tripling of rig counts.

## PIA Reform Scorecard: Pre-PIA (2021) vs Post-PIA (2025)




### Equity Market Performance

The Nigerian Exchange (NGX) has experienced a remarkable bull run, with year-to-date gains of 55.69%. This surge has been largely driven by restored corporate earnings and the effects of ongoing economic reforms. Market capitalization has soared, surpassing the US$100 billion record high. Key sectors have contributed to these gains: Oil and Gas rose by 128% year-to-date, Industrial Goods by 99%, and Banking by 51%. The performance reflects strong investor confidence and robust growth across multiple sectors.

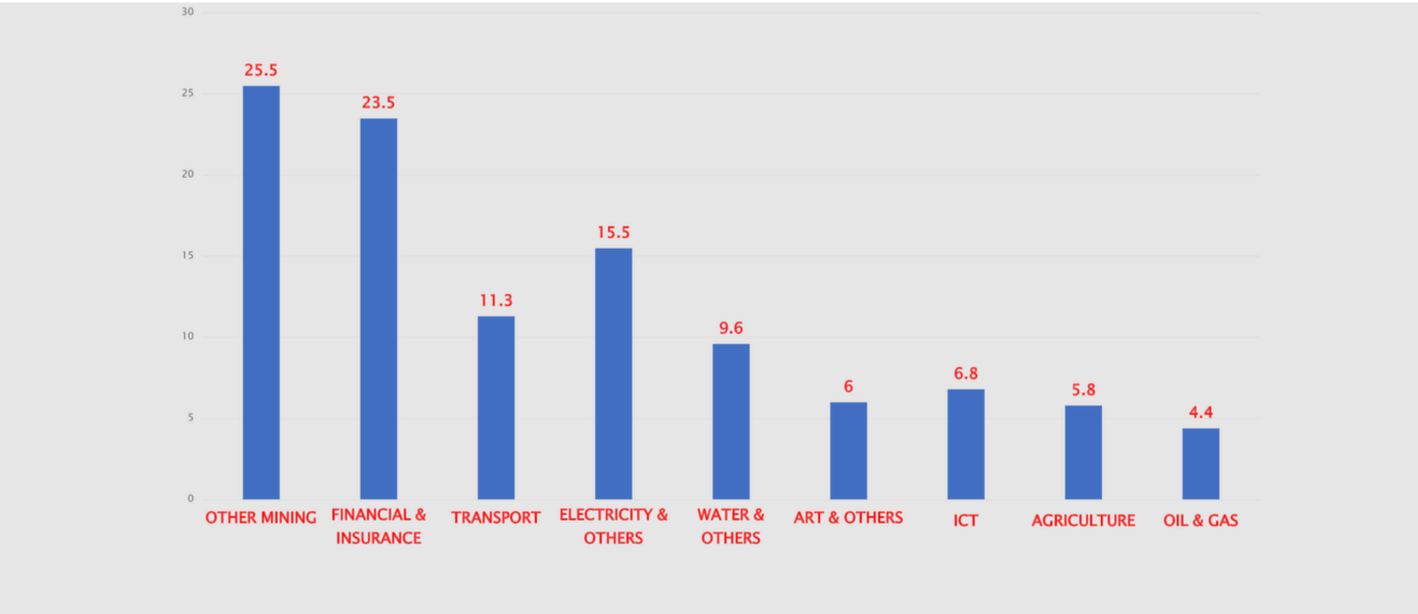
### Economic Outlook and Projections

The CFG Advisory, consistent with its earlier projections, maintains a GDP growth forecast above 5% for Nigeria in 2026. This outlook is supported by the mining, oil and gas, and financial services sectors, which are expected to drive economic expansion. However, inflation is projected to rise to the 20% level as the pass-through effects of fuel prices begin to manifest, and exchange rates are anticipated to fluctuate within the 1,350-1,500/$ band. These forecasts highlight both the opportunities and challenges facing Nigeria's economy Q2-Q4 2026.

## 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** | **7.20** | **8.29** |
| 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 |

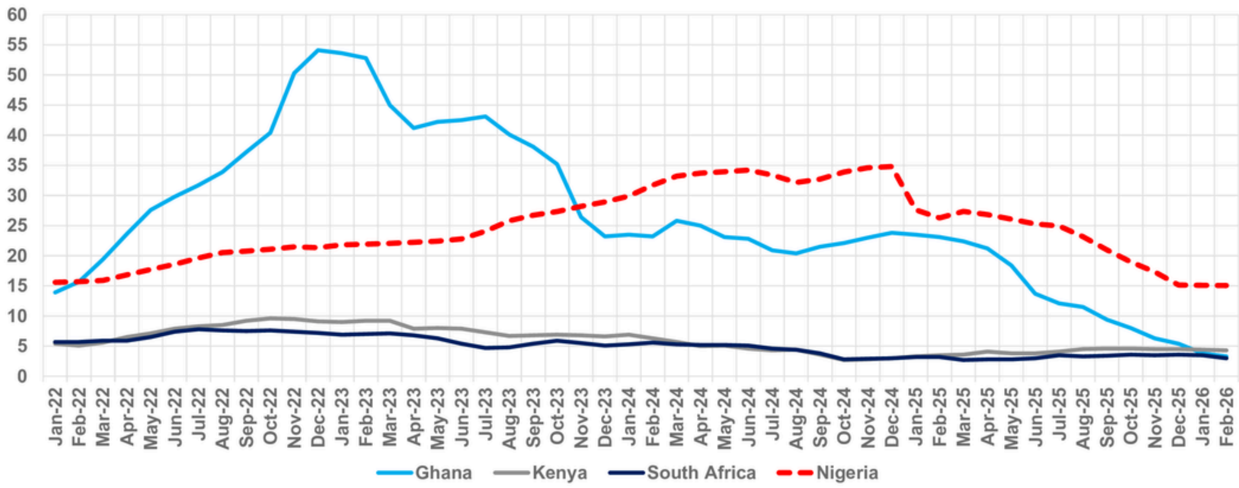
## 2026 Sector Growth Rate Projection (%)



## Although inflation declined in 2025, at 15% it remains very high; the fight is not over

**In 2025, inflation declined**—reflecting tight monetary policy, reduced exchange rate volatility, and stronger agricultural output—**but it remains high compared to Kenya, Ghana, and South Africa**

CPI inflation (yoy, %)




Source: NBS, KBS, GSS, and World Bank

## Chart References

The CFG Advisory Research
World Bank Nigeria Development Update April 2026
Trading Economics Online Data Platform