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2025 Half-Year Economic Update

Can Nigeria Transition From Economic Stability to Sustainable Growth?

Transition From Economic Stability To Sustainable Growth

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While Nigeria's 24-month-long economic reform program has yielded mixed results, there is a broad consensus that macroeconomic stability has been achieved. The last quarter of 2024 recorded GDP growth of 3.84%, compared to a full-year 2024 growth rate of 3.4%. This was largely driven by reforms in the oil and gas industry as well as the service sector. However, the momentum was not sustained, as Q1 2025 GDP growth declined to 3.1%.

Although the NBS's rebased CPI figures lowered reported inflation to 22.97% in May 2025, the most recent Monetary Policy Committee (MPC) meeting did not validate the rebased inflation data. The MPC cited rising core inflation numbers and concern about the trajectory of disinflation as reasons to maintain MPR, leading to a decision to hold off on interest rate cuts.

The most significant impact of the reforms was the over 150% devaluation of the Naira. However, the Central Bank of Nigeria's (CBN) FX policy in 2025 has helped close the gap between the official and parallel market rates. Average monthly FX inflows have risen to US$8.1 billion in 2025, compared to US$5.5 billion in 2024, with the CBN limiting its intervention to less than 2% of market turnover. External buffers have also strengthened, with reserves currently at US$40 billion. Most notably, the net FX reserve position has improved significantly—from US$3.9 billion in 2023 to US$23.11 billion in 2024, the highest level in four years.

In a May 2025 opinion paper, we questioned why, given the improved rig count, increased oil production, deeper FX markets, and a more stable naira, the currency should not be trading below ₦1,000/US$. On the fiscal side, however, challenges persist, particularly the federal government's inability to fund expenditure budgets. This has led to a cumulative four-year deficit of ₦38.3 trillion. Making matters worse, total government borrowing has hit the US$100 billion mark. Debt service costs have doubled from ₦8 trillion in 2024 to ₦16.3 trillion in the proposed 2025 budget, making debt servicing the largest expenditure item. This is unsustainable, especially as the amount surpasses the combined budgets for defence, security, infrastructure, education, and health, which total ₦14 trillion. The recent legislative approval of an additional US$21 billion in borrowing is a red flag.

The gains from subsidy removal are now being diverted to debt servicing, rather than being invested in capital expenditure capable of driving economic growth. The money supply has also increased by 20% year-on-year, reaching a historic high of ₦119 trillion. This has undermined the CBN's ability to meet its 24% year-end inflation target for 2024. While the risks of debt default remain low, the federal government has likely reached or even exceeded its borrowing limit with the most recent approval of US$21 billion by the legislature.

Nigeria's rebased GDP, currently at US$240 billion, has declined by over US$300 billion over the past decade due to currency devaluation, low productivity, and stagflation. The country is no longer Africa's largest economy, now ranking fourth behind South Africa, Egypt, and Algeria. This decline stems from inconsistent and unsustainable policy implementation following the post-COVID recession. The GDP and CPI rebasing exercises have also fallen short of their intended impact.

To restore the economy, the government must reduce its debt burden, restore Nigeria's credit rating to investment grade, and bring inflation under control. These steps would lower borrowing costs and stimulate investment, sustainable growth, productivity, and job creation.

To achieve this, the federal government must restructure its capital structure and balance sheet through equity infusion. Selling down joint venture oil assets could raise between US$30–50 billion. These funds could be used to reduce the debt burden, further strengthen the FX regime, stabilize the naira, restore the country's credit rating, and build up net reserves. After a challenging two-year reform period, Nigeria has achieved a measure of economic stability that must now be sustained through structural reforms and long-term policy implementation.

However, considering U.S. trade tariffs under President Trump and the downside risks posed by oil price volatility, the federal government must re-evaluate and aligns its trade, industry, and investment policies with current global realities. Monetary and fiscal policies must consolidate reform gains by rapidly deploying a strategy to drive sustainable GDP growth of 8–10% that will lift Nigerians out of the poverty burden.

Both the World Bank (in its May 2025 Nigeria Development Update) and the IMF (in its July 2025 Article IV Consultation) agree that Nigeria urgently needs to recalibrate budgetary expenditures to align with realistic revenue projections. They also stress that while macroeconomic reforms are necessary, they are not sufficient on their own to deliver fast, sustained, and inclusive growth.

After two years of painful reforms, the federal government must now turn its focus toward the Nigerian people, providing targeted poverty alleviation, social support, and giving the reforms a human face. Both institutions warned that the US$1 trillion economy target by 2030 is only achievable if Nigeria's growth rate increases fivefold from the current 3.1%.

Nigeria's GDP per capita, based on rebased GDP, has dropped from US$3,200 in 2012 to US$1,100 as of July 2025. As we enter the second half of the year, expectations are that the government will build upon the current economic stability by implementing policies to stimulate GDP growth back to 2014 levels of 8–10%.

Given current market conditions and Open Market Operations (OMO) activity, coupled with a downward inflation trajectory, we expect a rate cut by the end of Q3 2025, which could catalyze renewed economic activity. The Naira is expected to remain stable within the ₦1,500/US$ range, with the potential for appreciation driven by reduced government borrowing, higher oil production, and asset sales.

The oil and gas sector grew by 10.2% in 2024, with US$3 billion in investments. To sustain growth and optimize production, Nigeria must emulate the investment levels of US$22 billion seen in 2009 and 2014. Ultimately, the success of this budget cycle and the broader reform effort depends on recalibrating expenditures as advised by the World Bank and IMF, and on implementing coordinated, sustainable economic policies.

The same sincerity and commitment that delivered initial economic stability must now be applied to the unified and coherent execution of monetary, fiscal, trade, industry, and investment policies. This is the decisive factor. There is growing concern, however, that the government's focus is shifting from economic reform to re-election and political considerations.

State of The Nigerian Economy H2 2025

➢ The economy has achieved stability with key economic indicators moving in the right trajectory after 26 months of reforms. However, reforms alone cannot put the economy on the path of sustainable growth. GDP growth declined from 3.8% in Q4 2024 to 3.1% in Q12025.

➢ Reform Fatigue has led to an Economic Quagmire as the government faces the reality that reforms alone cannot pull the economy out of stagflation to the path the path sustainable growth. FGN urgently needs to revise and implement a coordinated growth strategy by the alignment of structural policies with the coordination of Trade, Industry, Investment Policies, with Monetary and fiscal policies.

➢ The outcome is an over 200% currency devaluation, debt in excess US$100 billion and an economy deep in stagflation. Households and firms are bearing the brunt of the reforms, with low purchasing power, low productivity, high interest rates and unfavourable exchange rates.

➢ Social intervention programs to cushion the effects have failed and need to be restored. Now that economic stability has been achieved, reforms need to have a human face.

➢ CBN urgently needs to commence its inflation targeting program and look to cut rates by Q3 to stimulate growth.

➢ 50% of Fuel subsidy savings are being remitted by NNPC as of January 2025, increasing revenues to FGN and States.

➢ The gap between parallel market and official rates has closed, and monthly FX inflows have increased from US$5-8 bn YOY. Net FX reserve position has also been reduced to US$23bn from US$3.3bn in 2023.

➢ FDI at all time lows of under US$29 million in H1 2024.

➢ Power transmission and distribution infrastructure is still very poor, negatively impacting industrial productivity and economic growth.

➢ Plans to rebase GDP and CPI have not yielded the desired results.

➢ Concerns with sub-optimal budget performance, fiscal and debt management, as three deficit budgets are now running concurrently. Three years cumulative deficit of =N=36.07 trillion and 2025 budget allocation of =N=16.3 trillion for debt servicing is a bright red flag. The World Bank and IMF have advised the recalibration of the current budget to be aligned with the current revenue realities.

➢ Has anyone seen a giant? The macroeconomic situation has declined over the last 8 years with a loss of US$300billion in rebased GDP, currently at US$240billion. Nigeria, despite a rebased GDP still the 4th largest economy in Africa behind Egypt, South Africa and Algeria.

Macro Dashboard and KPIs

Region: Sub-Saharan Africa | West Africa

Country Highlights

Total Area	923,768KM²
Capital	Abuja
Population	200m
Currency	Naira (₦)
Exchange Rate Forecast	**₦1,500/$1 - ₦1,600/$1**
Ease of doing business ranking	131

Nigeria Headline Economic KPIs Q2 2025

GDP Growth (2025 Q1)	Population (2025)	Trade Balance (2025)	Foreign Reserves (2025)	Total Debt (2025)
3.1%	200m	US$2.5b	US$40b	US$100b

Source: CBN, NBS, DMO, Oxford Economics

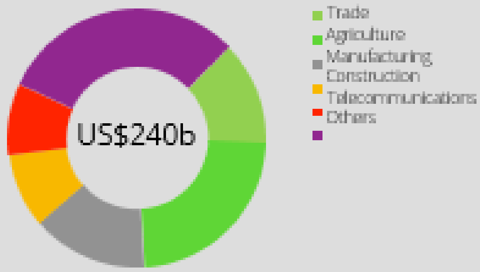
Unemployment Rate (2025)	Inflation Rate (2025)	Monetary Policy OMO Rates (2025)
40.5%	22.97%	27.50%

Source: NBS, CBN

Nigeria accounts for **10%** of Sub-Saharan Africa's GDP, as well as **20%** of the region's population.

The Nigerian economy is still largely a monolithic economy dependent on crude oil exports for the majority of its foreign exchange earnings - **95%**

Sectoral contributions to GDP 2025 Estimates

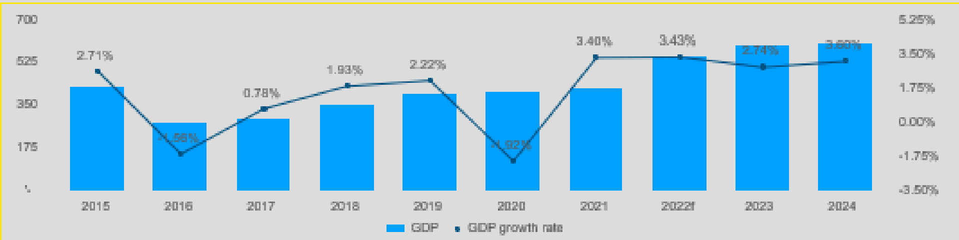


Source: The CFG Advisory Research

Credit Rating

Moody's	Caa1	positive	Dec 08 2023
S&P	B-	stable	Aug 04 2023
S&P	B-	negative	Feb 03 2023
Moody's	B3	stable	May 30 2025

Trend in nominal GDP (US$bn) vs. real GDP growth rate (%)

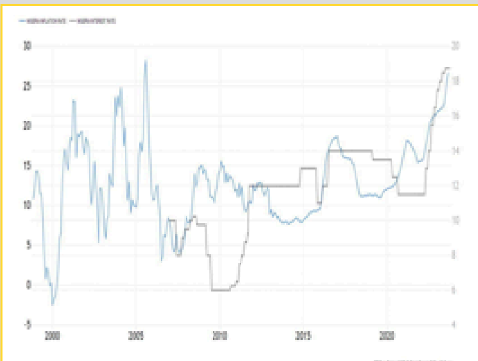


Source: IMF, Oxford Economics, CBN

Total Public Debt March 2025

Debt Category	Amount Outstanding (US$Bn)	Amount Outstanding (NTn)	% of Total
Total External Debt	**45,975/02**	**70,632,122.85**	**47.28%**
Total Domestic Debt	**51,263.50**	**78,756,883.94**	**52.72%**
FGN Only	48,745.05	74,887,744.97	50.13%
States & FCT	2,518.45	3,896,138.97	2.59%
Total Public Debt (A+B)	**97,238.52**	**149,388,996.79**	**100%**

Inflation & Interest Rates (%)

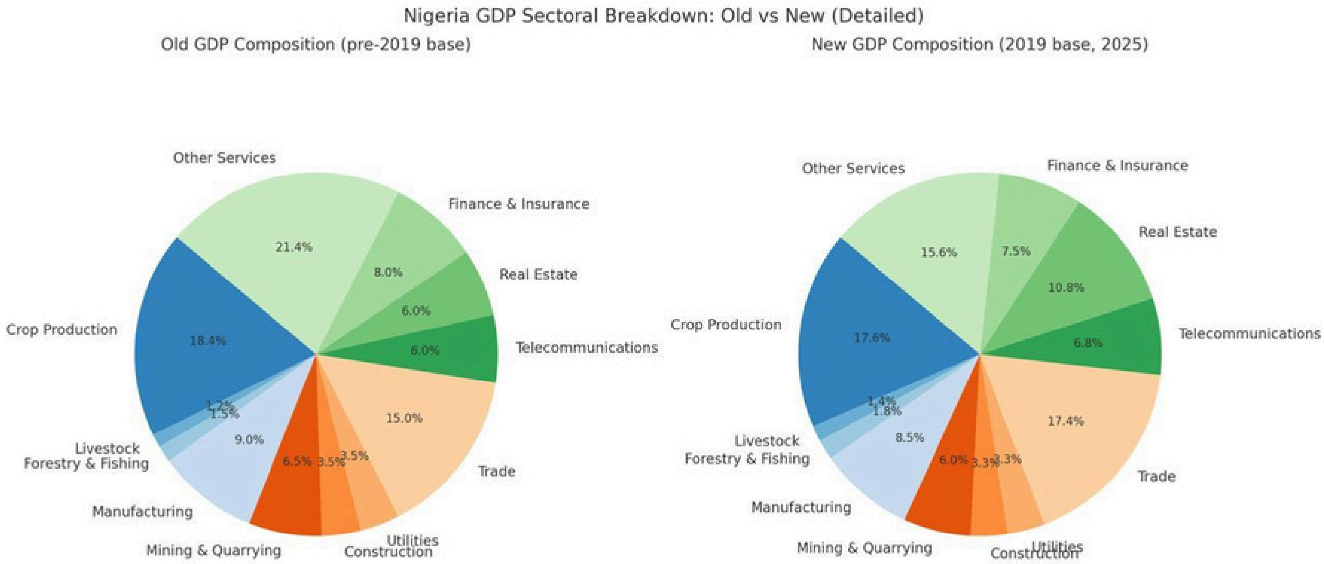


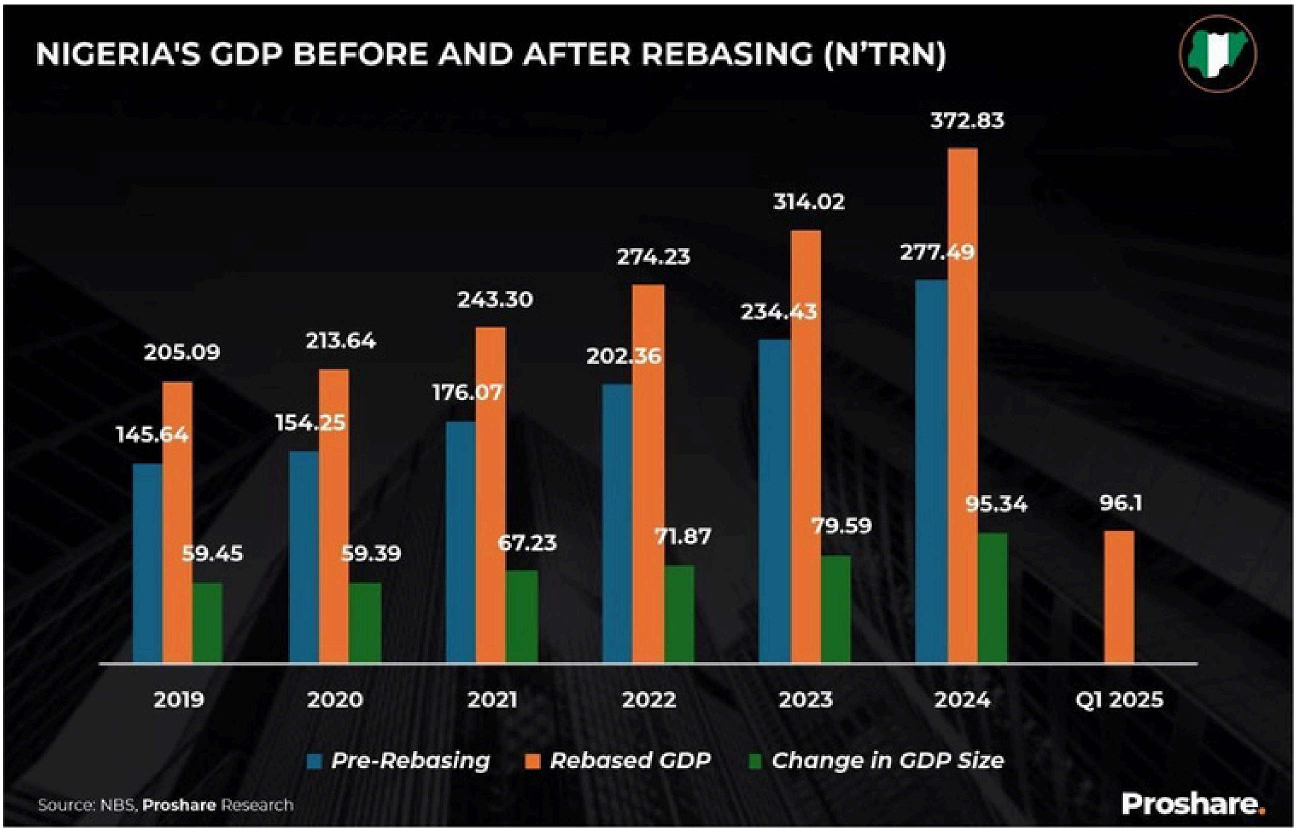
NFEM Foreign Exchange Rate

Nigeria Rebased 2024 GDP USD240 Billion

The detailed comparison of Nigeria's GDP sectoral composition—old (pre-2019 base) vs. new (2019 base, 2025 figures)—with expanded categories across agriculture, industry, and services.

The weight of sectors like real estate, trade, and telecommunications has shifted, as well as the continued dominance of crop production in agriculture

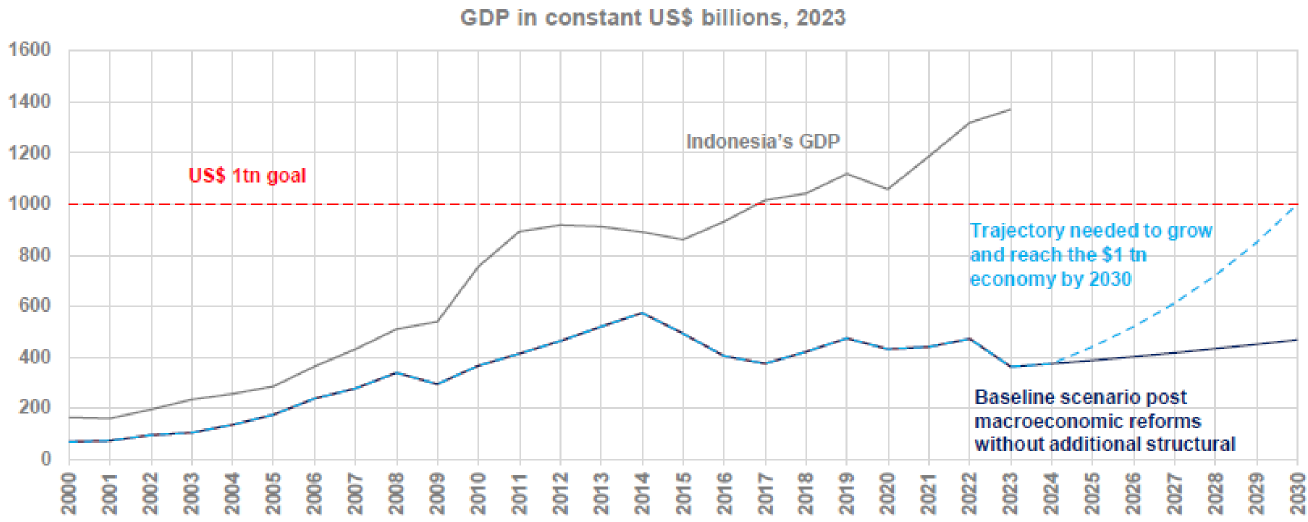




Inflation Vs GDP Growth

Macroeconomic reforms are necessary but insufficient on their own to achieve fast, sustained, and inclusive growth

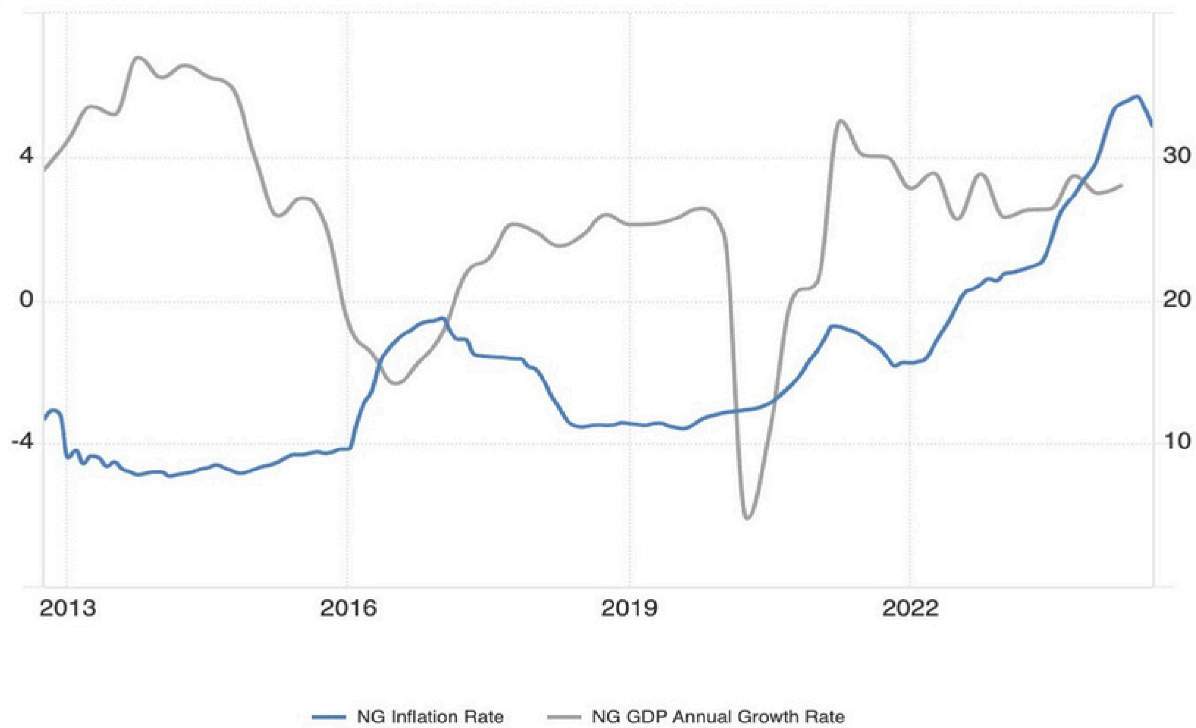
To achieve the government's ambition of a US$ 1tn economy by 2030, Nigeria needs to grow 5x faster…



Sources: WDI and WB

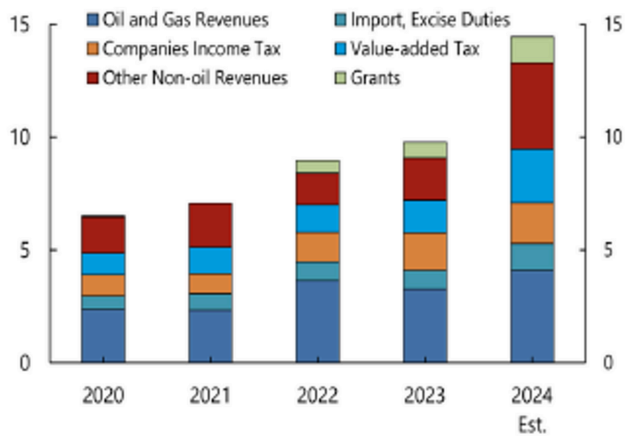
Source: tradingeconomics.com

Chart II: Inverse Correlation between GDP Growth and Inflation

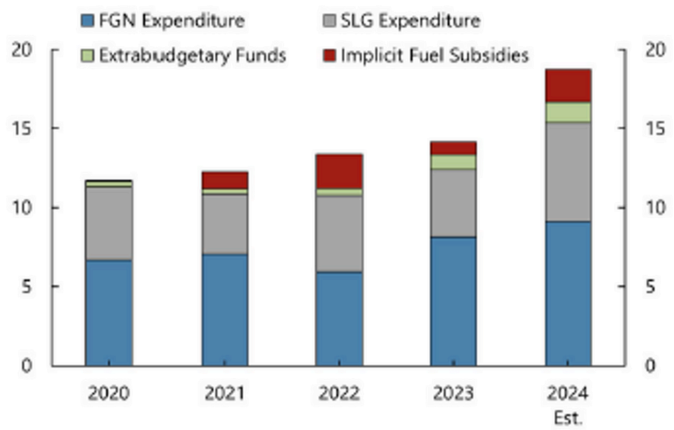


Revenue Vs Expenditure

Revenue Composition



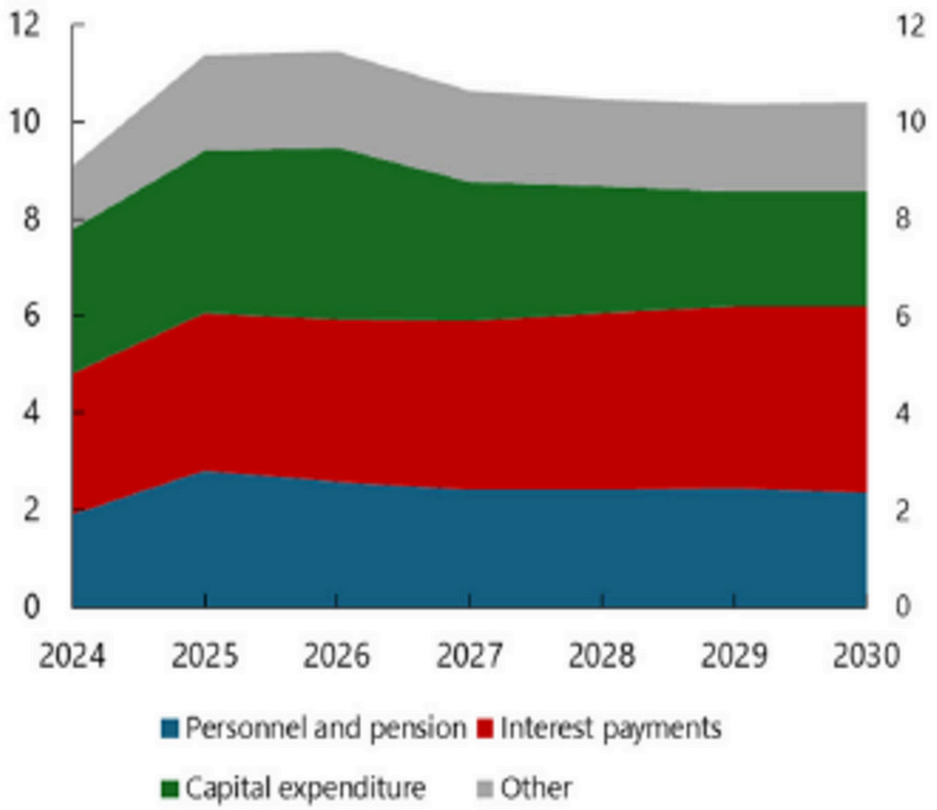
Expenditure Composition



Sources: Nigerian Authorities; and Fund Staff Calculations.

Nigeria: Composition of Federal Government Expenditure

(In percent of GDP)



Source: Nigerian authorities; and Fund staff calculations.

Fiscal Regime

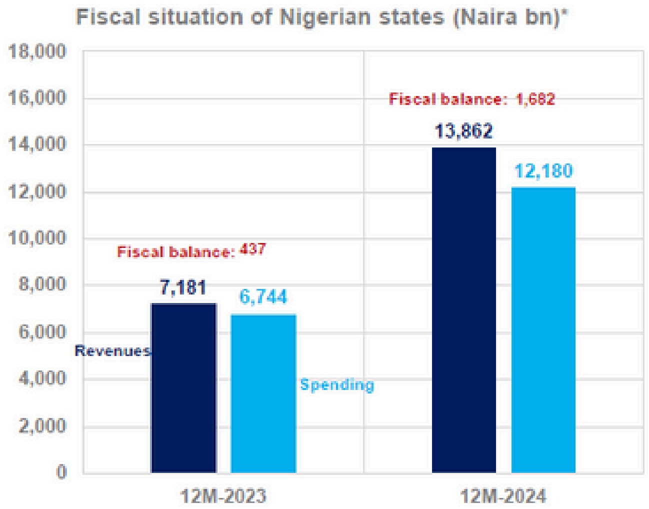
N billions	FY 2022 Budget	FY 2022 Actual	FY 2023 Budget	FY 2023 Actual	2024 Budget	2024 Actual	2025 Budget
Revenues and Grants							
Oil Revenue	2.2	0.8	2.2	2.4	8.2	6.3	21.0
Non-oil revenue	7.7	7.0	8.8	10.1	17.6	14.5	19.9
FGN Retained Revenue	**9.9**	**7.8**	**11.0**	**12.5**	**25.8**	**20.8**	**40.9**
Expenditures							
Statutory Transfers	0.8	0.8	0.9	1.0	1.7	1.7	3.7
Debt Service	4.0	5.7	6.6	8.6	8.3	11.0	14.3
Recurrent Non-Debt Expenditure	7.1	6.1	9.3	7.0	11.3	8.6	13.5
Capital Expenditure	6.2	2.2	8.0	6.4	13.8	6.2	23.4
Total Expenditure	**18.1**	**14.8**	**24.8**	**23.0**	**35.1**	**27.5**	**55.0**
Government Overall Deficit	**(8.2)**	**(7.0)**	**(13.8)**	**(10.6)**	**(9.2)**	**(6.6)**	**(14.1)**
% of GDP	**(4.4)**	**(3.4)**	**(6.1)**	**(4.6)**	**(3.4)**	**(2.1)**	**(3.87)**

*Non-oil revenue includes share of dividends, minerals & mining revenue, CIT, VAT, customs revenue, federation account levies, NPTF levy, share of EMTL, share of oil price royalty, FGN independent revenue, FGN drawdowns from special accounts/levies, signature bonus/renewals/early renewals, domestic recoveries + assets + fines, grants and donor funding, education tax (TETFUND), GOEs retained revenue, copyright levy and additional revenue from windfall tax, exchange rate differential etc.

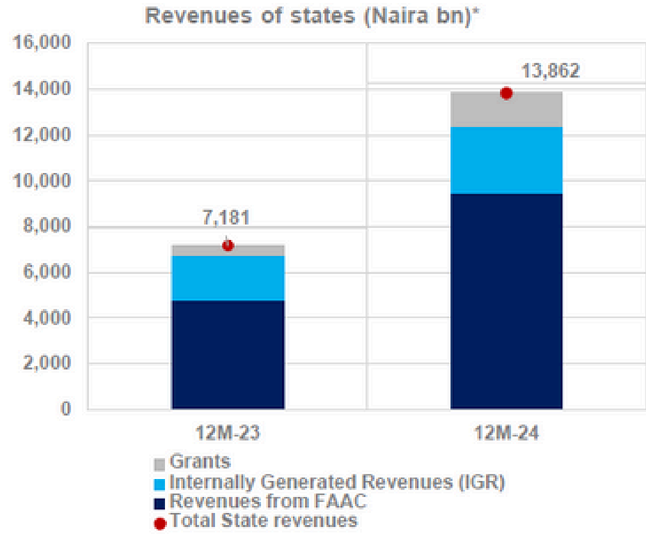
Sensitivity: Public

The fiscal improvement was more pronounced at the state level...

On aggregate, the fiscal situation of Nigerian states improved in 2024…



… due to a revenue surge from FAAC inflows



Source: State Budget Implementation Reports (BIRs) and World Bank calculations.
Note: *Excludes Sokoto, Rivers because BIRs are not available for all quarters. Revenues exclude new borrowing which are considered as debt.

Debt Profile

FGN Total Debt March 2025

Debt Category	Amount Outstanding (US$Bn)	Amount Outstanding (NTn)	% of Total
Total External Debt	**45,975/02**	**70,632,122.85**	**47.28%**
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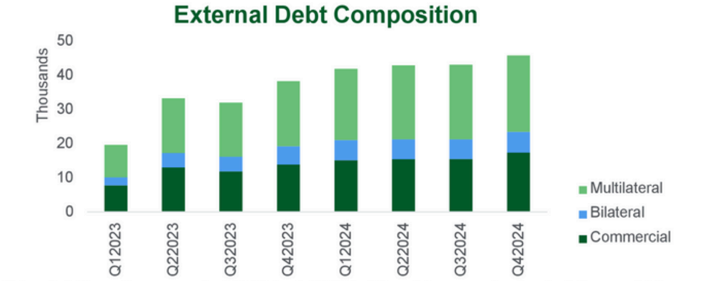
Total Public Debt	**97,238.52**	**149,388,996.79**	**100%**

IMF, Non-oil revenue includes grants

Composition of Debt Stock

- FGN Bonds dominate domestic debt composition with deep local appetite
- External debt mostly composed of Multilateral (48.7%), followed by a growing trend of Commercial loans (currently at 37.9%)



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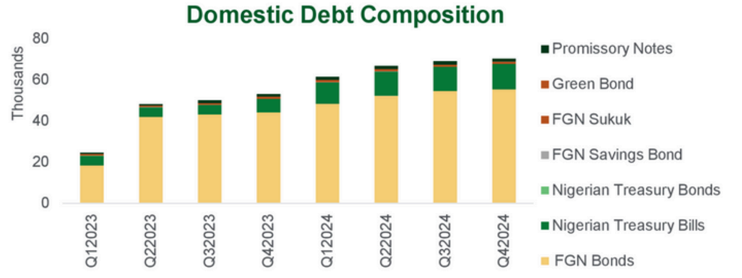


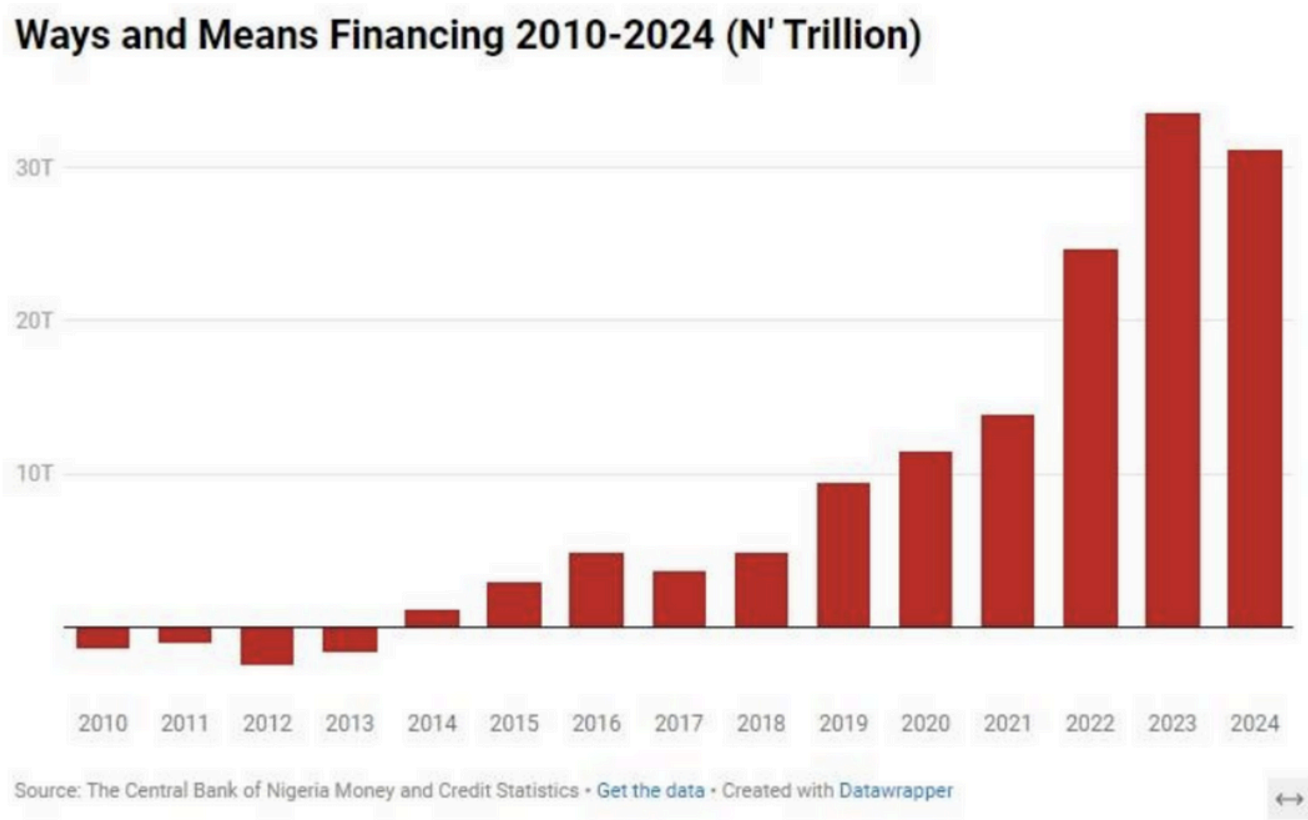
Safe FGN Bonds consistently dominate domestic debt composition with deep local appetite

Source: Research Department CBN/ DMO

Sensitivity: Public

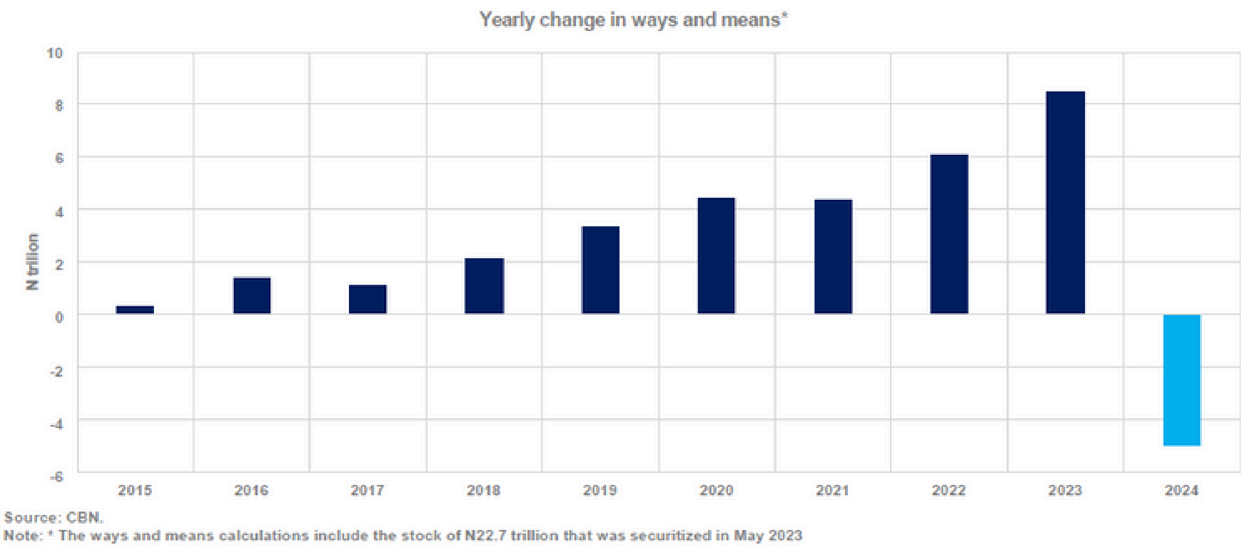
Debt Profile

FGN Ways and Means

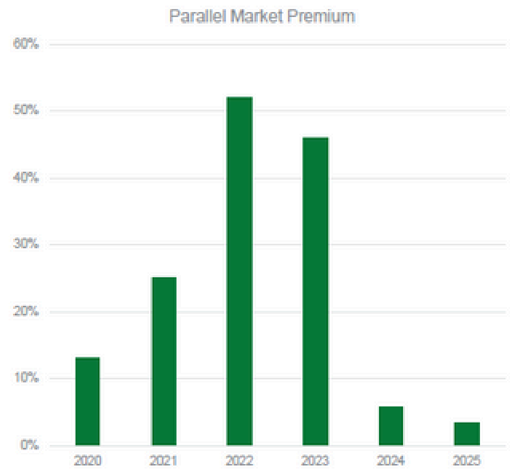


In addition to the fiscal improvement, the fiscal and monetary authorities are breaking with the past by avoiding reliance on ways and means financing

The authorities are using **market-based debt instruments** to finance the deficit,



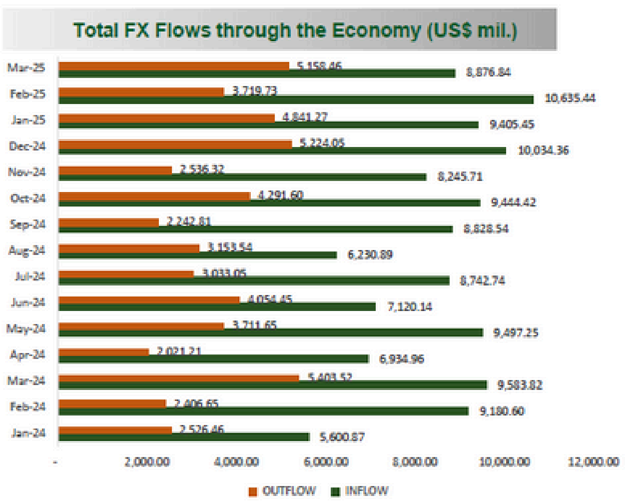
The Naira Has Stabilized

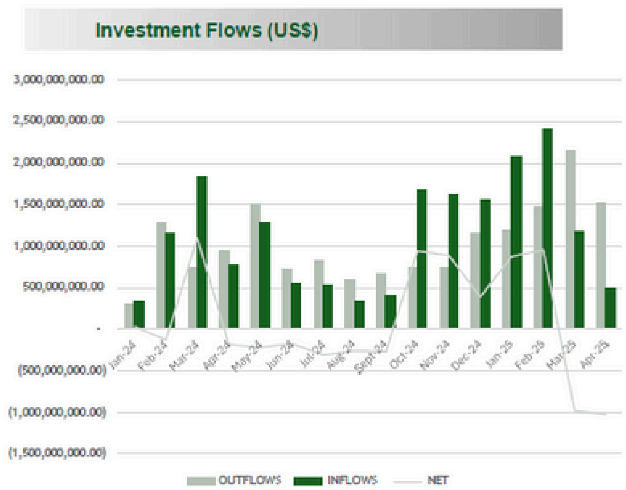


Source: CBN, Bloomberg

Sensitivity: Public

Foreign Exchange Flows Have Increased





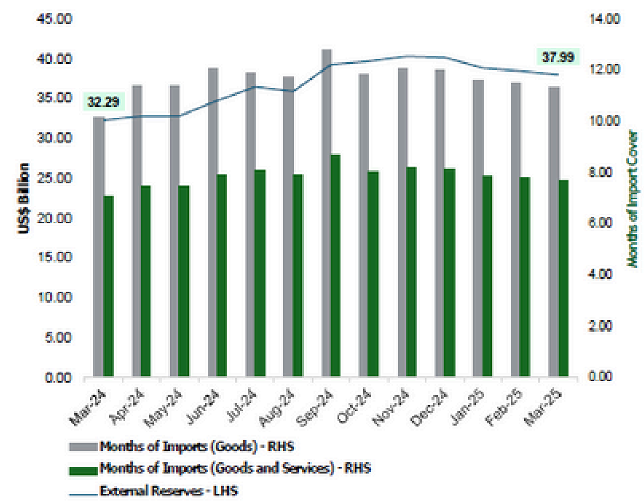
Source: CBN

Sensitivity: Public

The Naira Has Stabilized

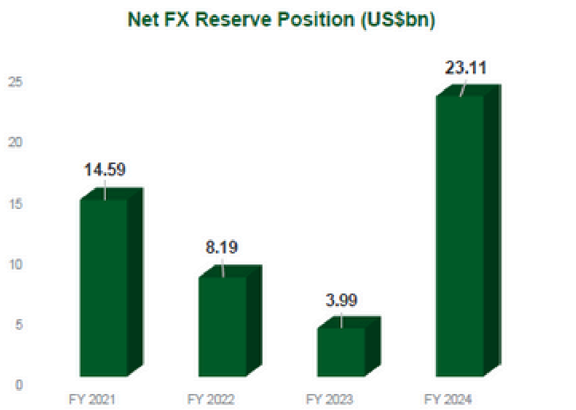
External Buffers Are Growing

Strong external reserves bolstering Nigeria's external buffer



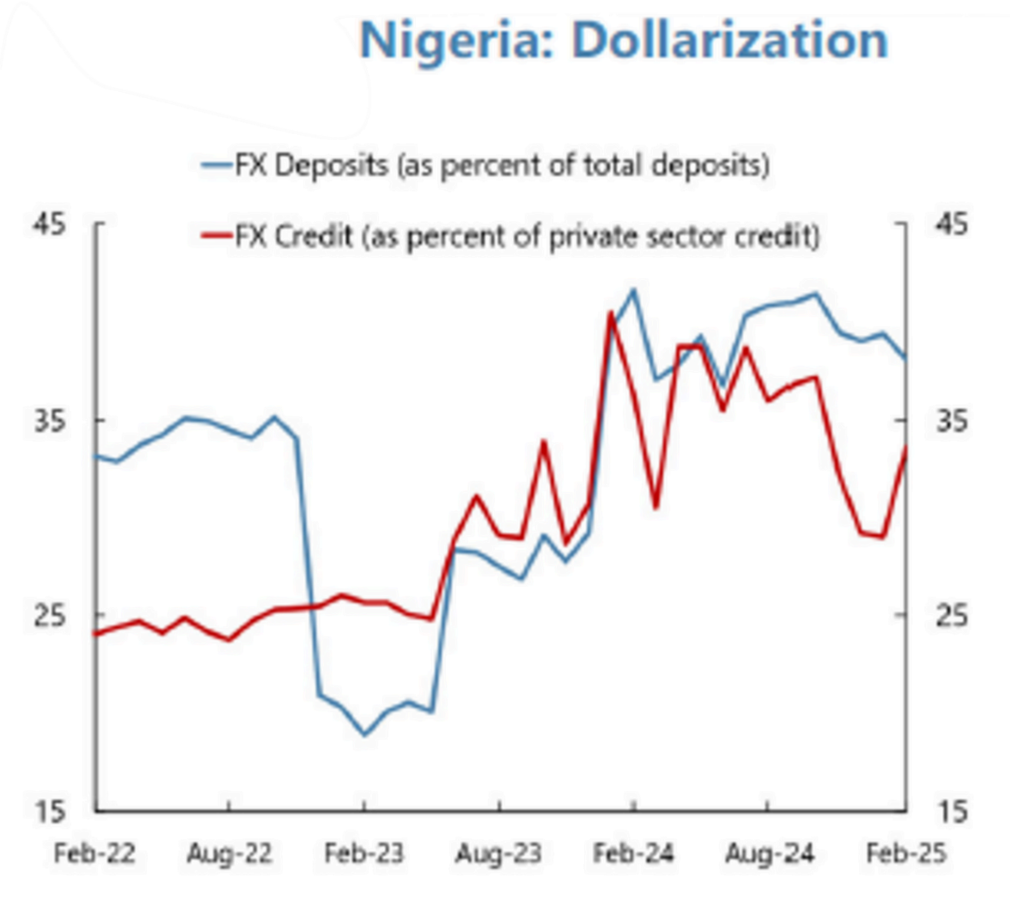
Source: Statistics/Reserve/Research Department. CBN

Strategic improvement in Net FX Reserve position



- The publication of Nigeria's net FX reserve position reflects substantial improvements in data availability and commitment to investors' confidence
- Implementing strategies to further improve structure of reserves position

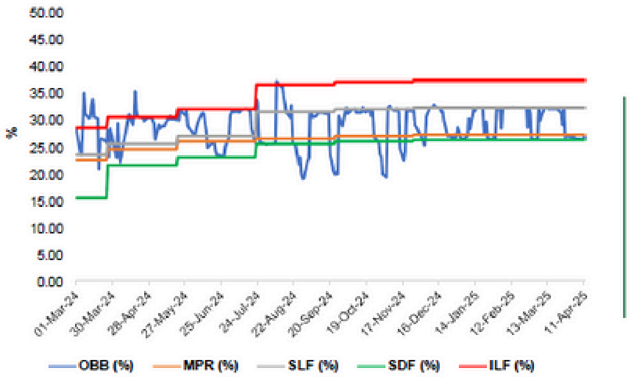
Sensitivity: Public



Sources: CBN; and Fund Staff Calculations.

Interest Rate Dynamics

Overnight rates contained within policy asymmetric corridor



Improvement of monetary policy transmission is observable in yield curve.

	Inflation	Real Interest Rates		
		Policy Rate	O/N Rates	364-Day NTBs
Mar-24	33.20	-10.15	-4.75	-6.04
Apr-24	33.69	-8.94	-4.30	-7.61
May-24	33.95	-8.59	-4.02	-7.87
Jun-24	34.19	-7.94	-7.55	-8.24
Jul-24	33.40	-7.00	-3.22	-5.75
Aug-24	32.15	-5.40	-3.98	-4.95
Sep-24	32.70	-5.82	-4.91	-8.98
Oct-24	33.88	-6.63	-3.46	-8.49
Nov-24	34.60	-7.30	-5.24	-4.33
Dec-24	34.80	-7.30	-5.05	-5.22
Jan-25	24.48	3.02	4.66	4.06
Feb-25	23.18	4.32	8.59	0.85
Mar-25	24.23	3.27	6.44	-0.86

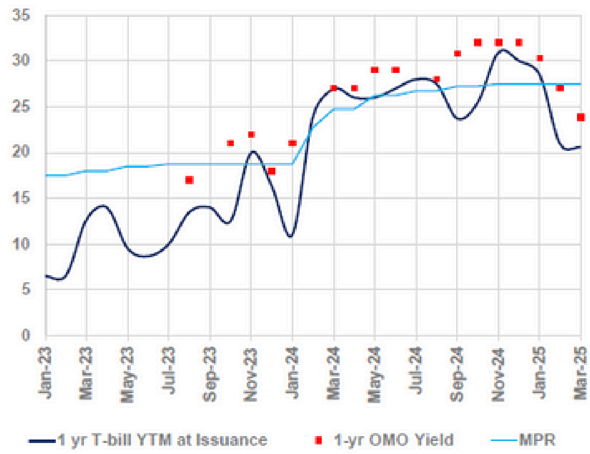
Source: Statistics | Research Departments

- Yields on government securities reflective of market view of interest rate trajectory
- Benchmark o/n rates continue to demonstrate tight policy stance and positive real rates on liquid balances

Price pressures remain high, and re-anchoring inflation expectations requires sustained monetary policy efforts and coordination with fiscal policy.

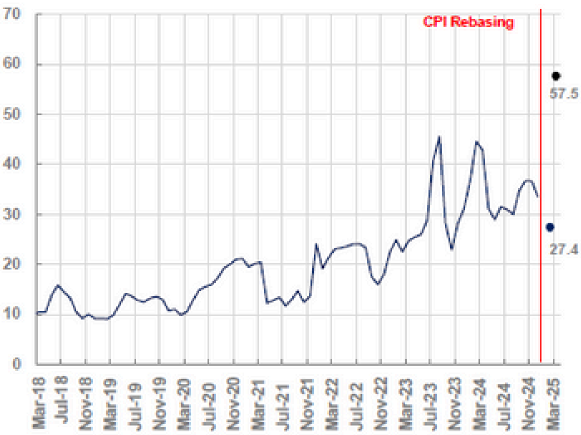
Monetary policy reforms have anchored market rates, and helped contain the inflation surge…

Treasury bills-YTM, OMO Yield, MPR (%)



… but, price pressures remain elevated, although recent dynamics are difficult to gauge due to the CPI rebasing

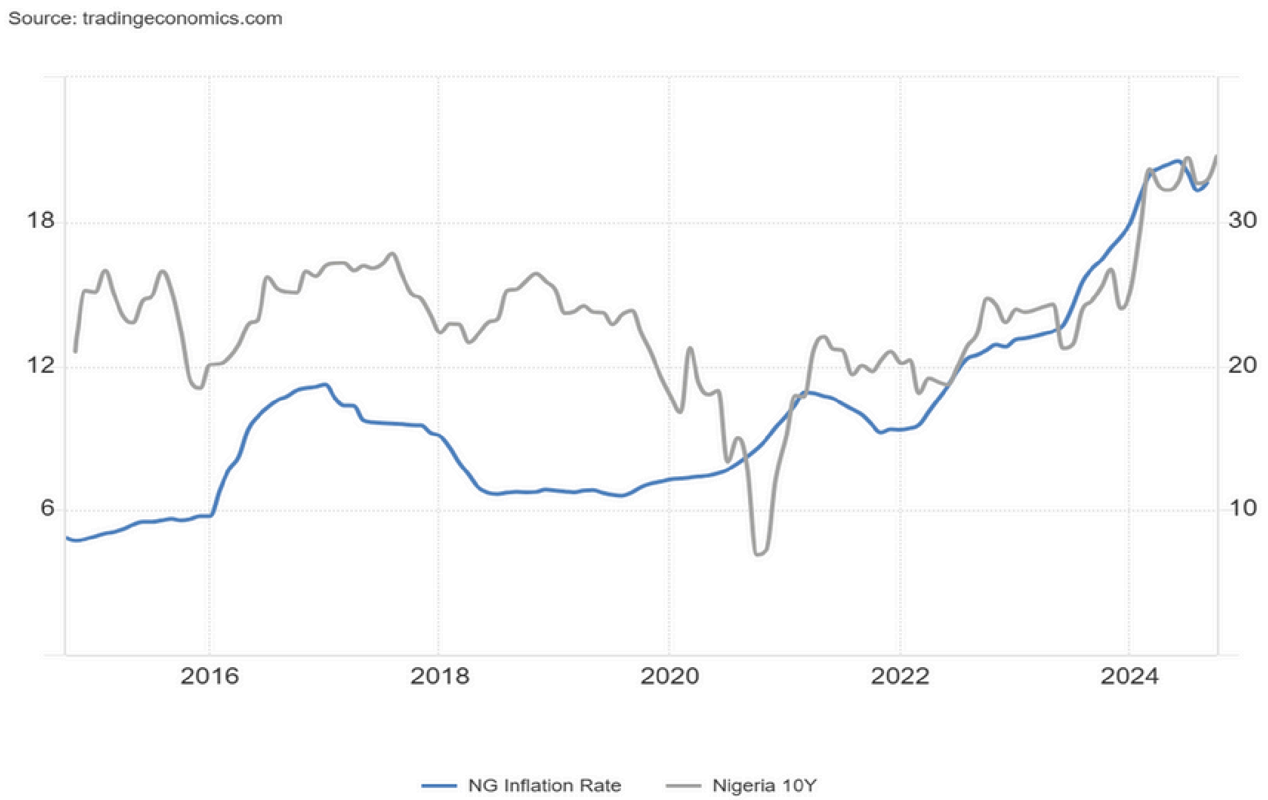
CPI (month-on-month, annualized rate, %)



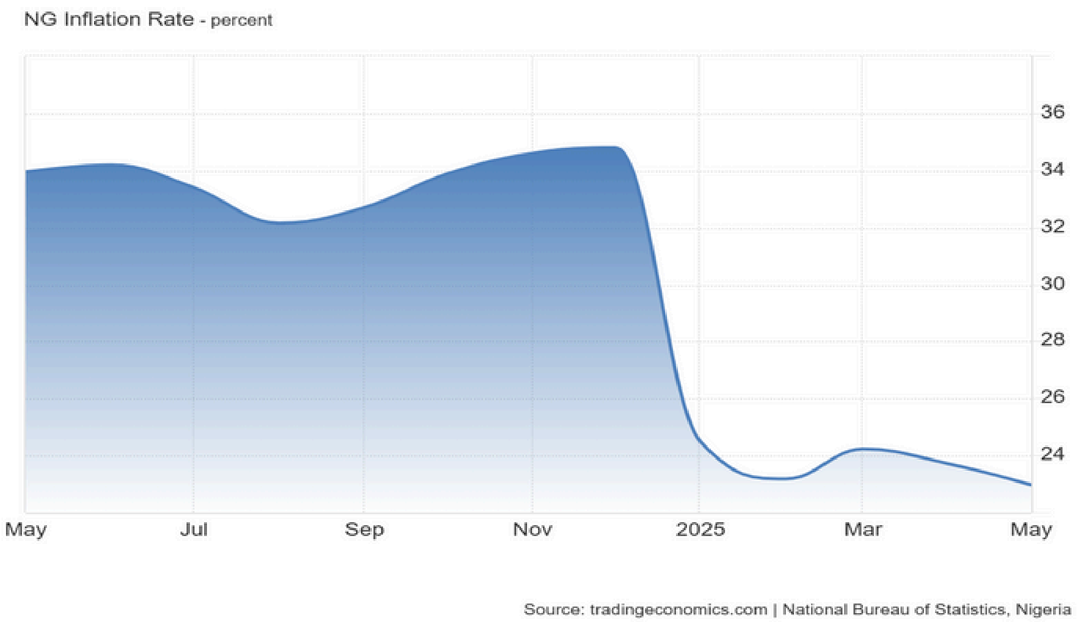
Source: NBS, WB

Interest Rate Dynamics

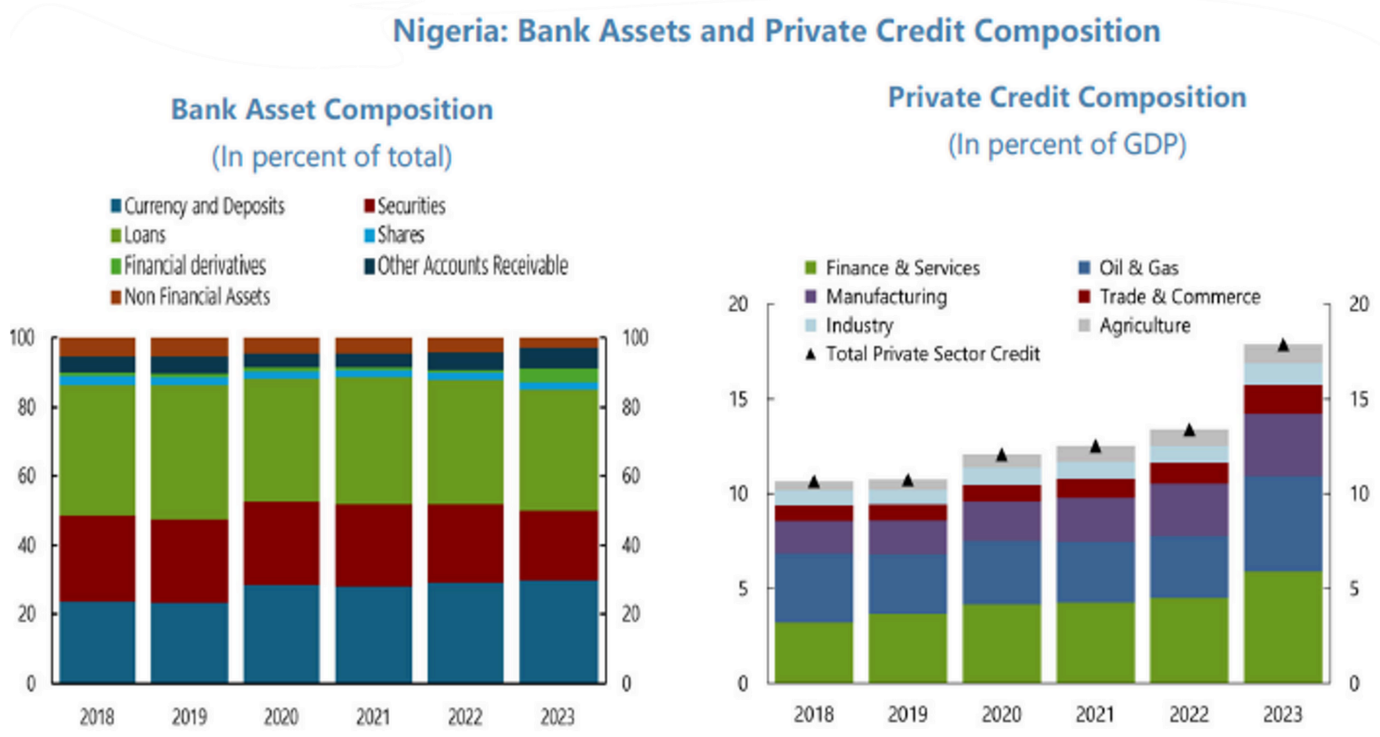
Inflation Rate Vs FGN 10 Year Bond Yield



Inflation Rate H2 2025

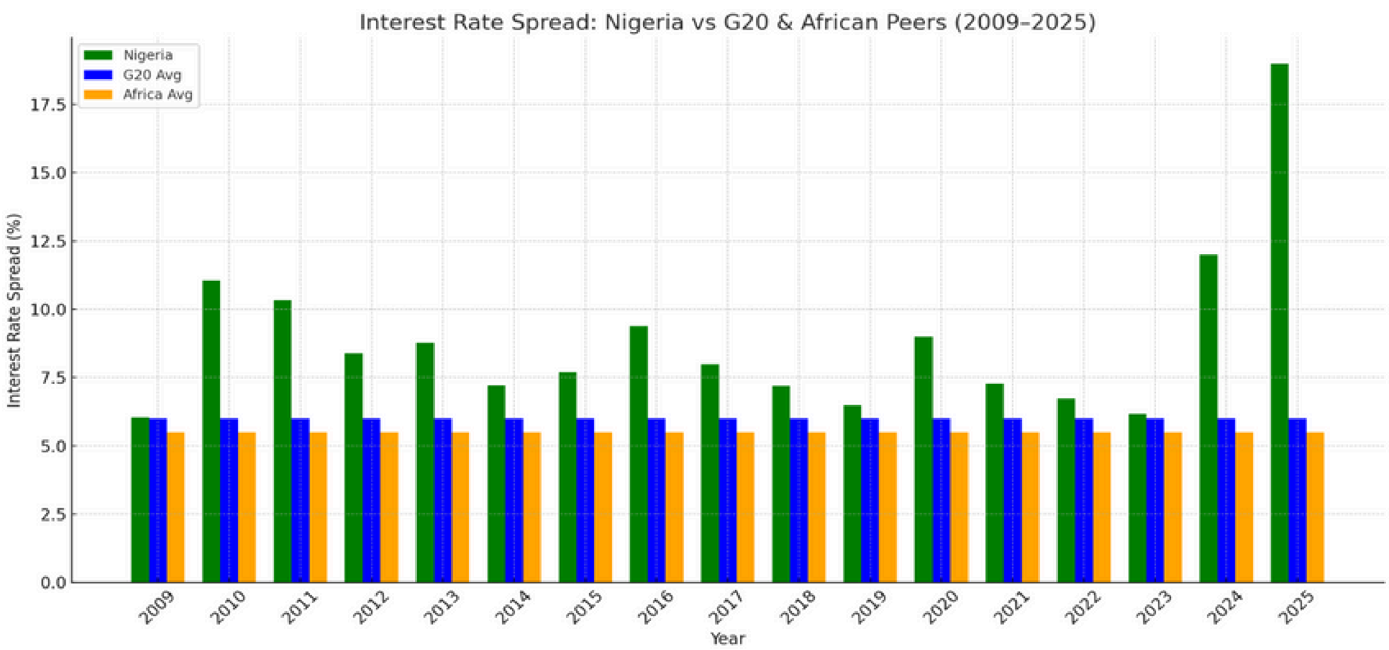


Interest Rate Dynamics

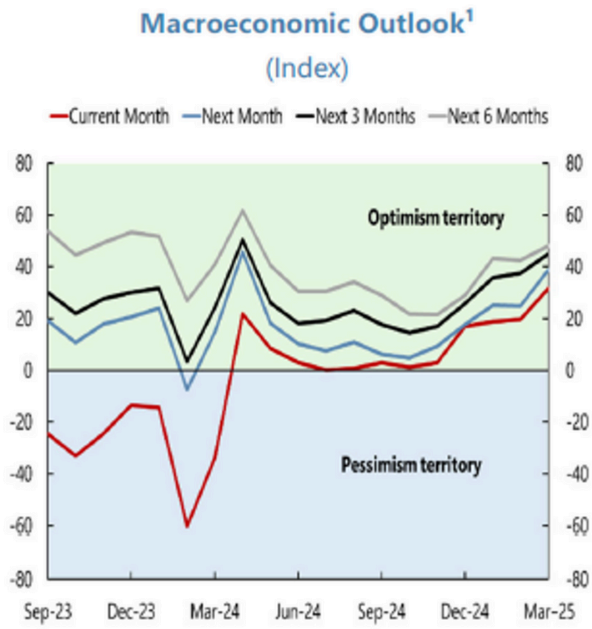


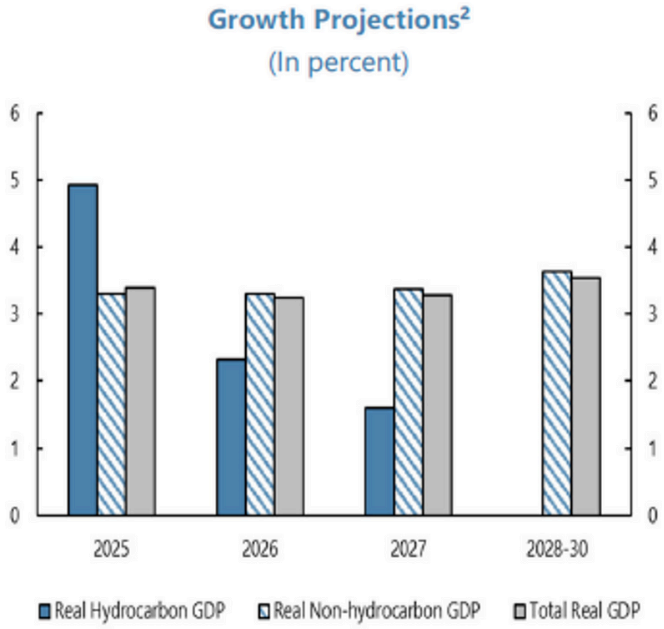
Sources: CBN. Fund Staff estimates.

Nigeria Interest Rate Spreads Highest's Globally



Macroeconomic Outlook and Projections





1/ Based on the Business Expectations Survey produced by the CBN. A perception-based survey, conducted monthly with a sample of 1050 companies operating in hydrocarbon, agriculture, services, trade and industrial sectors. A positive index reflects optimistic macroeconomic outlook.
2/ Staff assumes that projected increase in oil production will be fully offset by declining output from mature fields and gas production remains flat starting in 2028, resulting in a flat oil production.

Sources: Nigerian Authorities; and Fund Staff Calculations.

Nigerian Stock Exchange All Share Index H2 2025
16% ^ H2 202526% ^ YTD

2025 Q3-4 Expectations

➢ The current debt profile at over US$100 billion with =N=16trillion in debt service is unsustainable. All the gains from fuel subsidy removal are now going towards debt service. The 2025 Budget also needs to be urgently reviewed downwards.

➢ Excessive fiscal spending, a massive deficit and failure of the social intervention program have 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 finances, restructure and recapitalize NNPC balance sheet. It must also consolidate all of NNPC oil forward 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 is 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 by the end of Q3 2025 to support implementation of polices to foster productivity, growth, exchange rate stability, lower inflation and investment.

Chart References

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