# Prospects for the Nigerian Economy 2026–2028


Segun Subair Awode, PhD

Research Fellow

Economic & Business Policy Department


*(On behalf of NISER Macroeconomic Modelling Team)*

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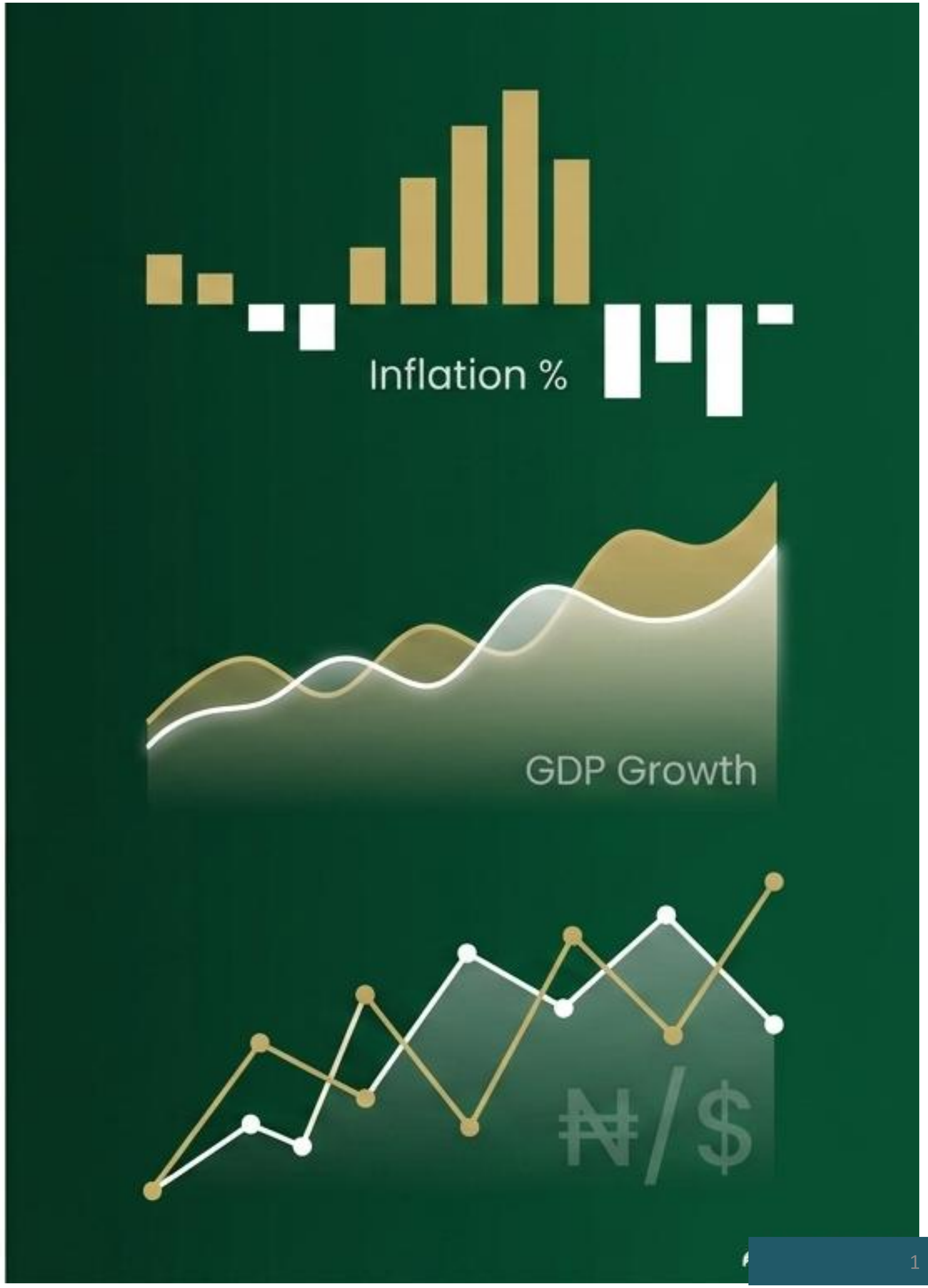


# Outline of Presentation

Context Setting

Scope and Data Inputs

Focus of Projections

Performance Review and Projections

- Output Growth
- Inflation Outlook
- Fiscal Policy Performance
- Unemployment Outlook

Conclusion & Policy Recommendations

# Context Setting

Builds on NISER's last medium-term outlook (30th May 2024)
Previous assessment evaluated reform measures
Outcome of reforms vs counterfactual?

Exchange rate liberalization
Fuel subsidy removal
Fiscal and monetary reforms

Reforms projected to yield better outcomes over time

# 2025 Projections vs Actual Outcomes

## NISER PROJECTIONS FOR 2025 IN LAST EDITION VS ACTUALS

| Year | GDP Growth Rate | Headline Inflation | Food Inflation | Debt/GDP Ratio | Debt Service/ Revenue Ratio |
|---|---|---|---|---|---|
| 2025 Projection | 3.65% | 13.48% | 16.42% | 42.24% | 94.45% |
| 2025 Actual | 3.92% | 15.15% | 10.84% | 35.5% | 71.8% |

The reforms contributed to improved investor confidence, renewed portfolio inflows, and relative stabilization in the foreign exchange market.

To the **applause** of international organizations IMF, World Bank and improve credit rating by global rating agencies S&P, Moody, Fitch

# Domestic Policy Developments Since 2025

**Sustained implementation of key reforms (fiscal reforms; forex market reforms; tighter monetary policies)**

## Structural constraints in the economy persists

- Low crude oil production, limiting fiscal gains
- Infrastructure deficits
- Low Agricultural productivity
- Insecurity, despite improved international collaboration

## Key Positives

**Relative exchange rate stabilization**

**Clearer signs of macroeconomic stability**

# Global Context: Iran Conflict

## Middle East geopolitical tensions

Oil market volatility, due to disruption in shipping route with the closure of the Strait of Hormuz

Rising global energy prices

Uncertainty within global financial and commodity markets

### Opportunities

- Opportunities for higher forex earnings
- Improved government revenues
- Boosts external reserve

### Risks & Net Effect

- Risk of domestic inflationary pressures

**Expected positive net effect on Nigeria**

# Scope and Data Inputs

**Forecast horizon: 2026–2028 | Based on NISER macroeconometric model**

### Anchored on:

- Budget 2026
- MTEF 2026–2028 (signals government policy direction, fiscal intentions and macro assumptions)

### Expected effect of global developments:

(on exchange rate, Crude oil price, PMS price)

### Data Sources:

- NISER Macro model Uses annual secondary data
- Data from NBS, CBN, FMF, DMO, IMF, World Bank, FAO

# Focus of the Projections

- GDP Growth Rate
- Headline Inflation
- Food Inflation
- Fiscal Deficit/GDP Ratio
- Debt/GDP Ratio
- Debt Service/Revenue Ratio
- Unemployment Rate

# Performance Review and Projections

## Output Growth

Growth supported by reforms and infrastructure investment

### Ongoing Iran Conflict

**Positive effects**

- Higher oil prices generates windfall gains in forex inflow, government revenue, external reserve
- Support exchange rate stability, reduce cost of imports, enhance debt servicing ability
- New trade and investment opportunities in global energy market

**Negative effects**

Higher oil prices → Higher price of petroleum products → **Higher transport and logistics costs; and higher prices of goods and services**

***Effect of Dangote Refinery (domestic supply; news of Jet Fuel price slash***

Positive net effect, positive external and fiscal effects to outweigh domestic cost pressure.

# GDP Growth Trend & Projection

### Primary Drivers

Driven primarily by the transport and construction sectors.

### Expected Outcomes

Growth is projected to remain above the population growth rate (2-3%), resulting in expected modest gains in per capita income and poverty reduction.

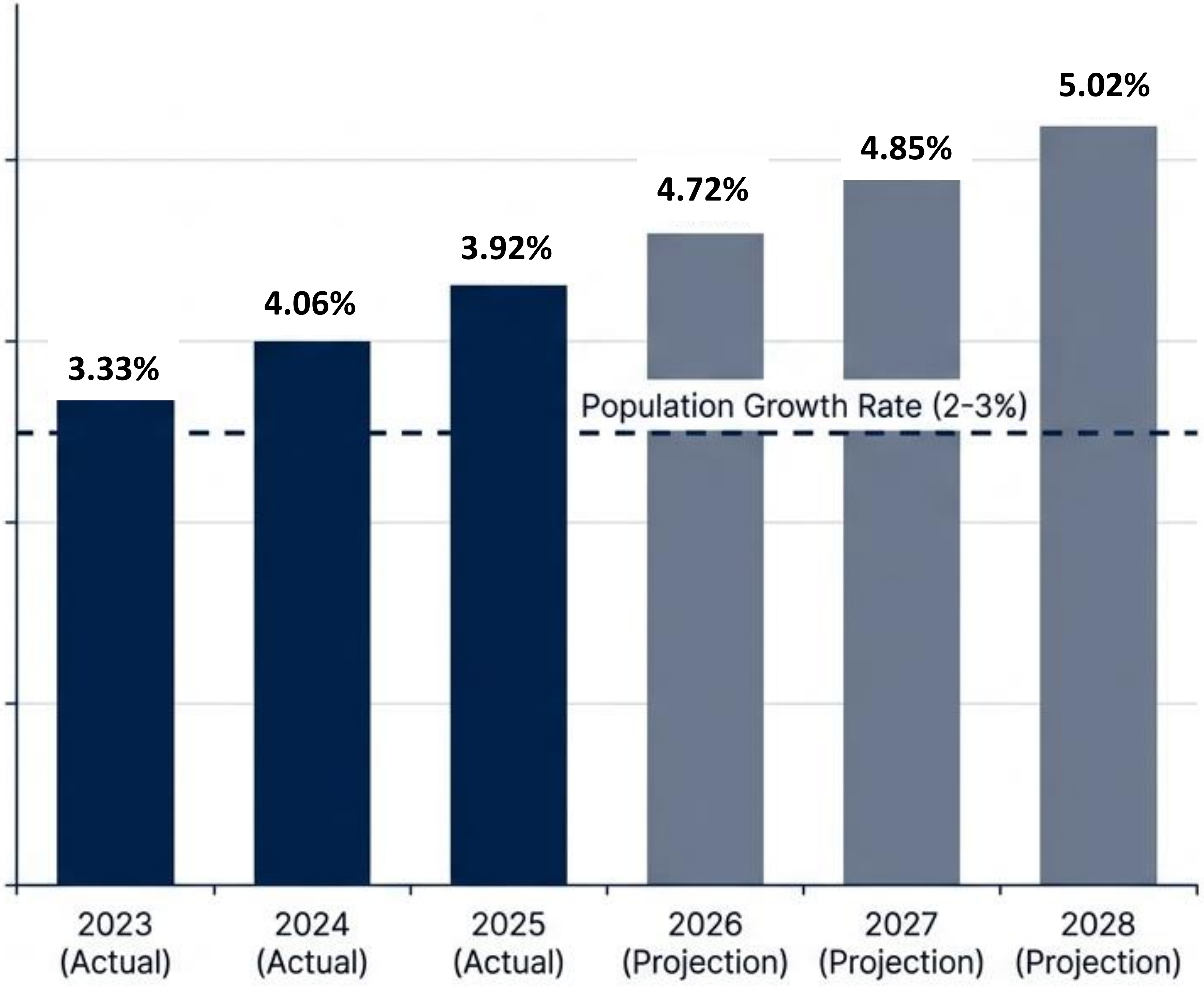
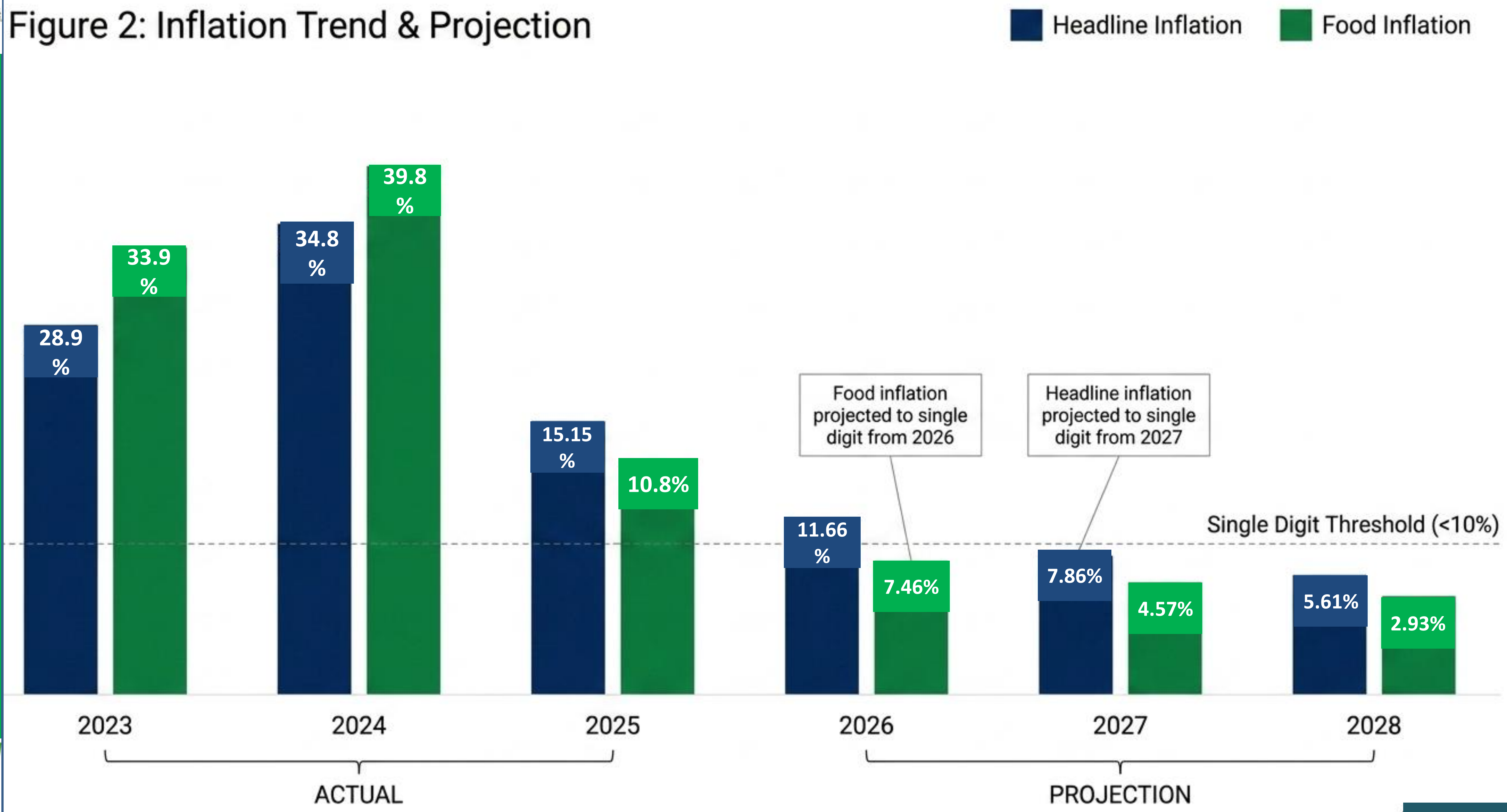


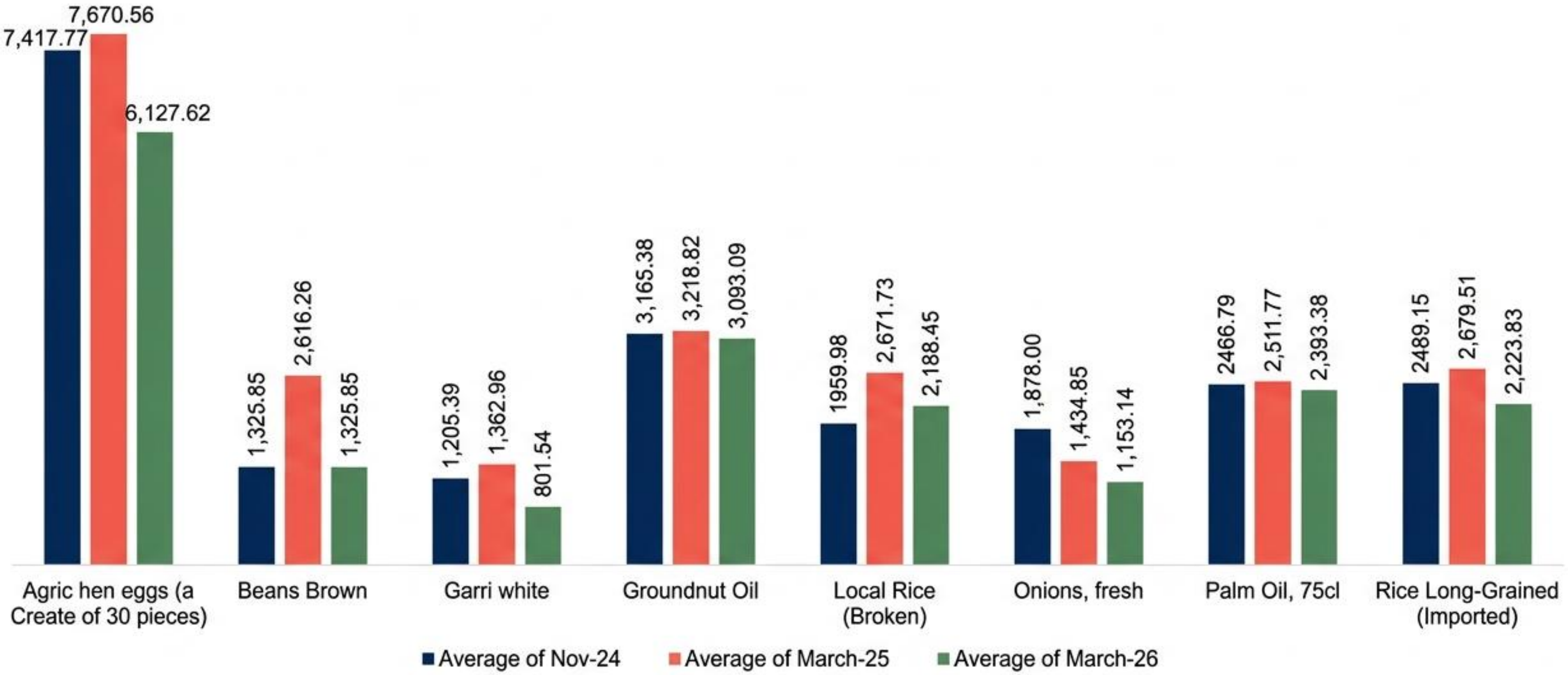

Figure 1: GDP Growth Trend & Projection

Growth remains below 7% associated with transformational development

## Figure 2: Inflation Trend & Projection



# Average Price Movements Across Commodities




**Macro Trend: The market exhibits a systemic price peak in March 2025 across nearly all staples, followed by a broad market correction and cooling by March 2026.**

# Structural forces and policy measures influencing the disinflation trajectory

**Exchange Rate**
Stability in FX markets.

**Supply Chain**
Improved food and agricultural supply conditions.

**Energy**
Broad moderation in energy costs.

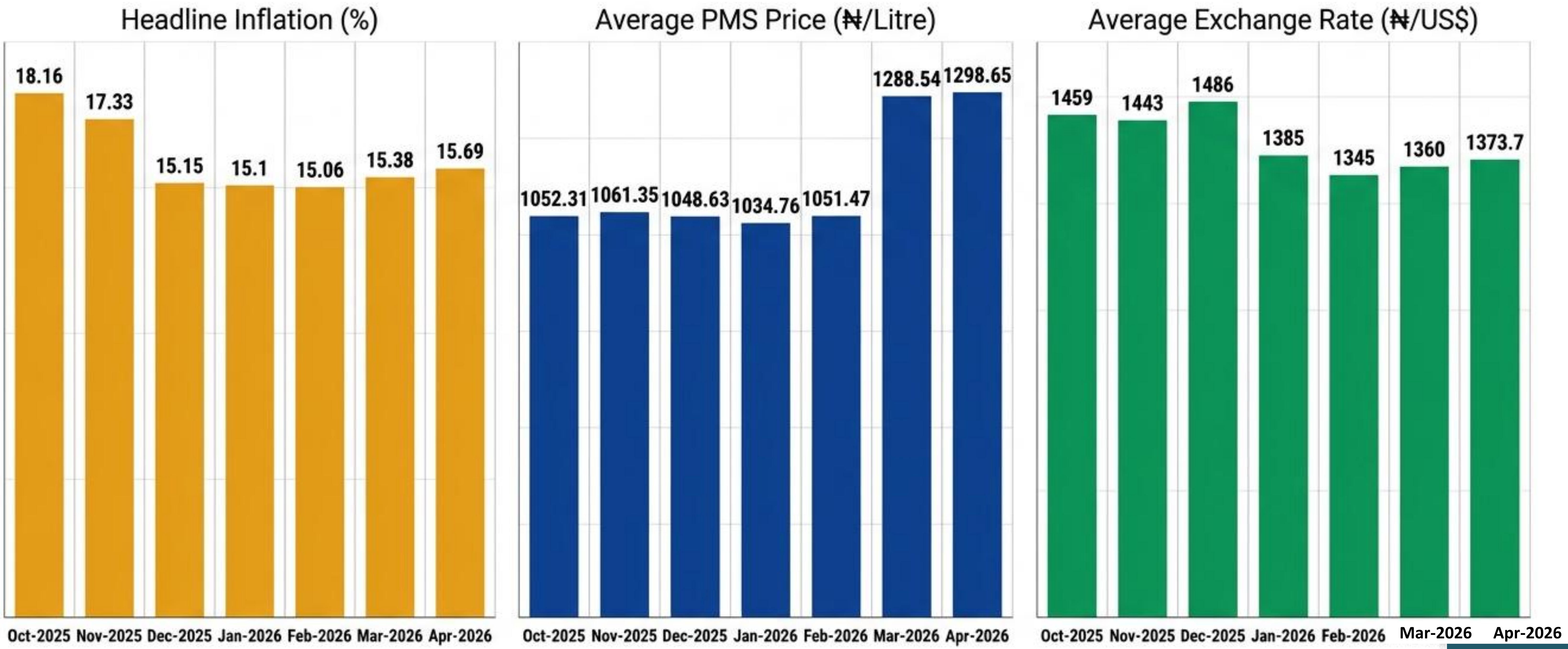
**Monetary Policy**
Tighter macroeconomic policy supporting moderation.

**Fuel/PMS**
Volatility in PMS (Premium Motor Spirit) prices.

**Trade Policy**
Immediate impacts of evolving trade regulations.

**Geopolitics**
Elongation of the Iran conflict threatening the pace of disinflation.

# Headline Inflation (%), Average PMS Price (₦/Litre) & Average Exchange Rate (₦/US$)



# Fiscal Policy Performance

**Key drivers:** revenue, GDP growth, FX earnings, borrowing

Indicators assessed:

Fiscal Deficit/GDP Ratio

Debt/GDP Ratio

Debt Service/Revenue Ratio

# Fiscal Deficit/GDP Ratio

### Historical Performance & Drivers

Declined from 6.1% in 2023 to 4.17% in 2025, supported by improved revenue performance and reforms.

### Medium-Term Projections

Projected at 4.25% (2026), 4.19% (2027), 4.10% (2028).

### Benchmark Status

Crucially, the deficit is **still above the Fiscal Responsibility threshold of 3%.**

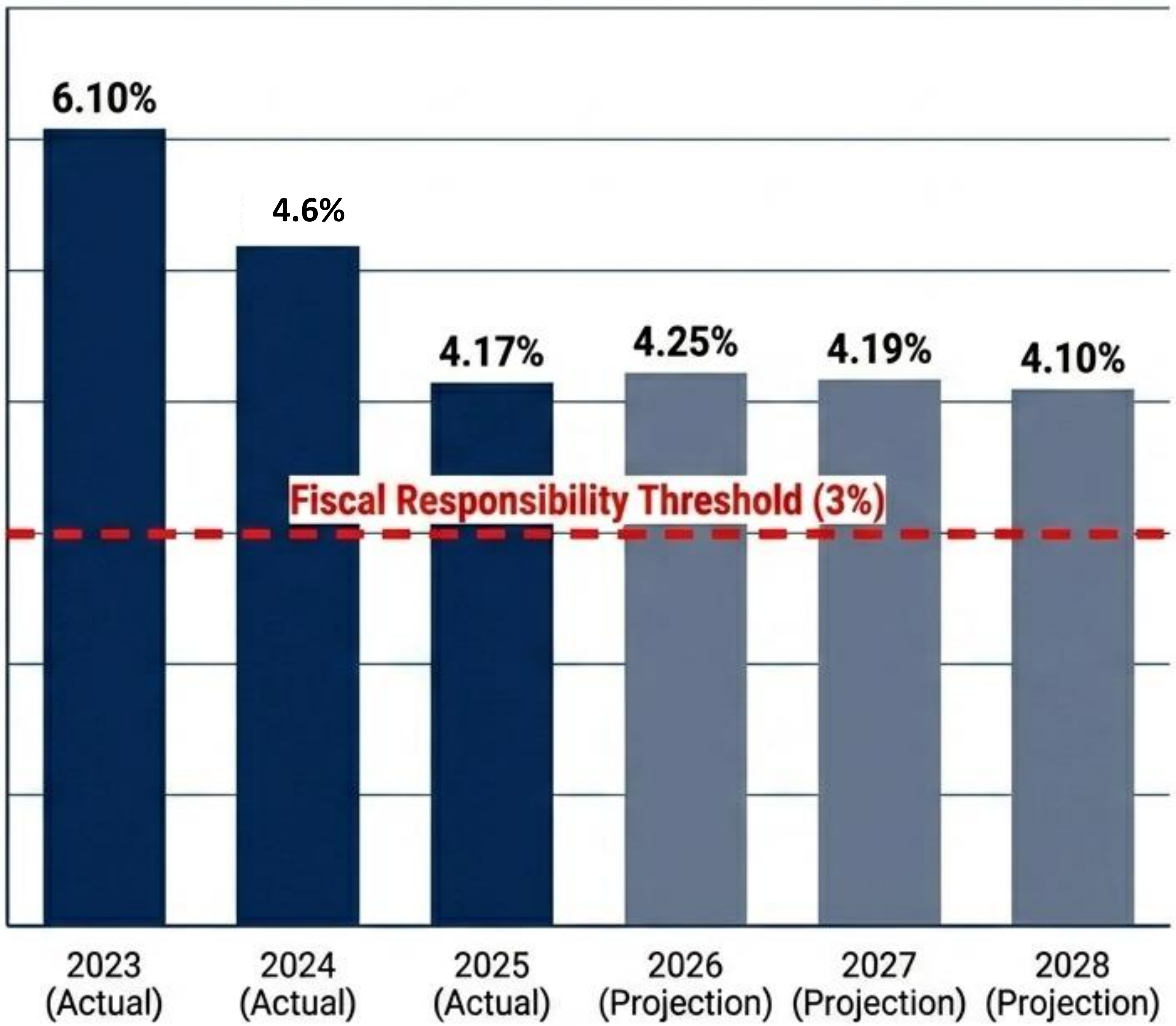



**Figure 3:** Trend & Projection for Deficit/GDP Ratio

**Persistent fiscal overrun means more debt, risks inflationary pressure, constrains fiscal space for infrastructural investment.**

# Debt/GDP Ratio

### Recent Trajectory

Rose sharply in 2024 before declining to 35.5% in 2025.

### Medium-Term Outlook

Projected relatively stable between 35–37%.

### Underlying Dynamics

Growth expected to outpace debt accumulation, suggesting improved debt sustainability.

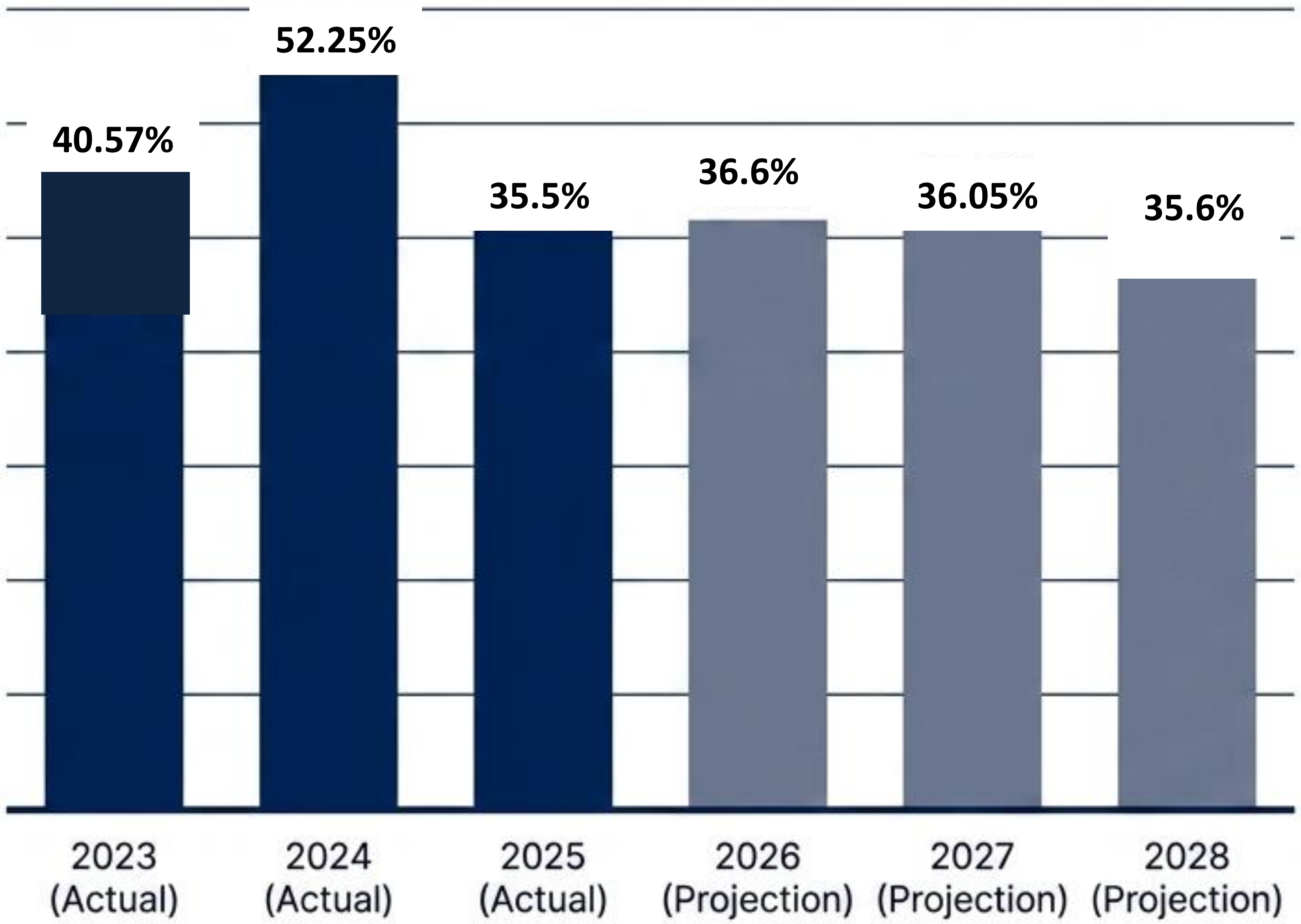



**Figure 4:** Trend & Projection for Debt/GDP Ratio

# Debt Service/Revenue Ratio

## Improvement in Fiscal conditions

**Current Trend:** Declined from 97% in 2023 to 71.8% in 2025. Projected between 74–76% over medium term.

### Opportunities

Revenue reforms and oil windfalls are improving fiscal space. Smaller share of revenue devoted to debt servicing provides greater room for infrastructure financing.

### Downside Risks

Low oil production remains a risk. Additional pressure from multiple budgets and delay in expenditure releases.

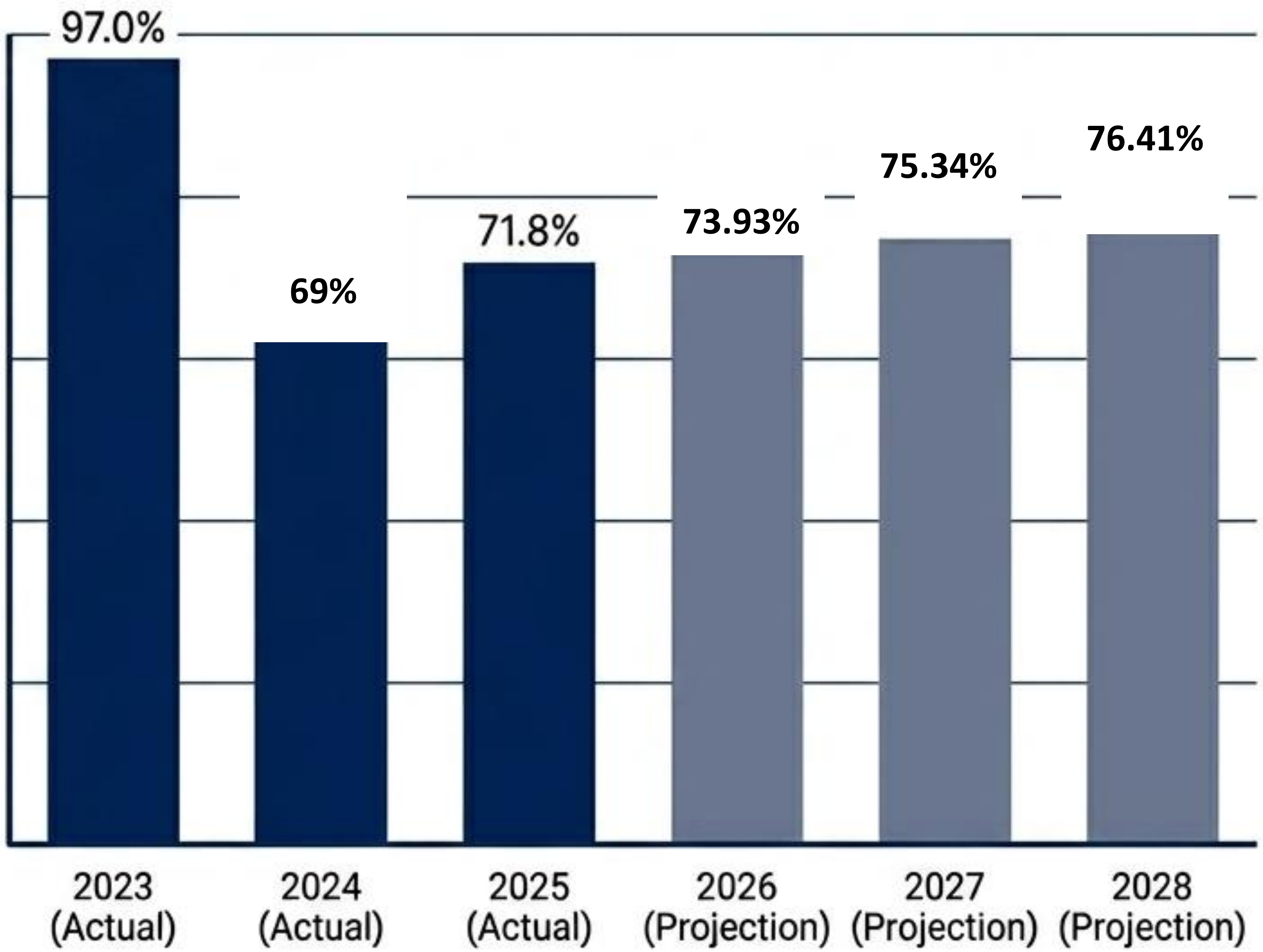



**Figure 5:** Trend & Projection for Debt Service/Revenue Ratio

# Unemployment

## Based on new methodology: >1hr/week

### Macro Forecast

Projected steady decline in unemployment with improved labour absorption expected. Driven by growth, infrastructure, security and agriculture.

### Persistent Realities & Requirements

Concerns over underemployment, job quality and poverty persist.

Already high poverty level requires double-digit growth to significantly lift people out of poverty.

Demands sustained investment in productive sectors and HCD.

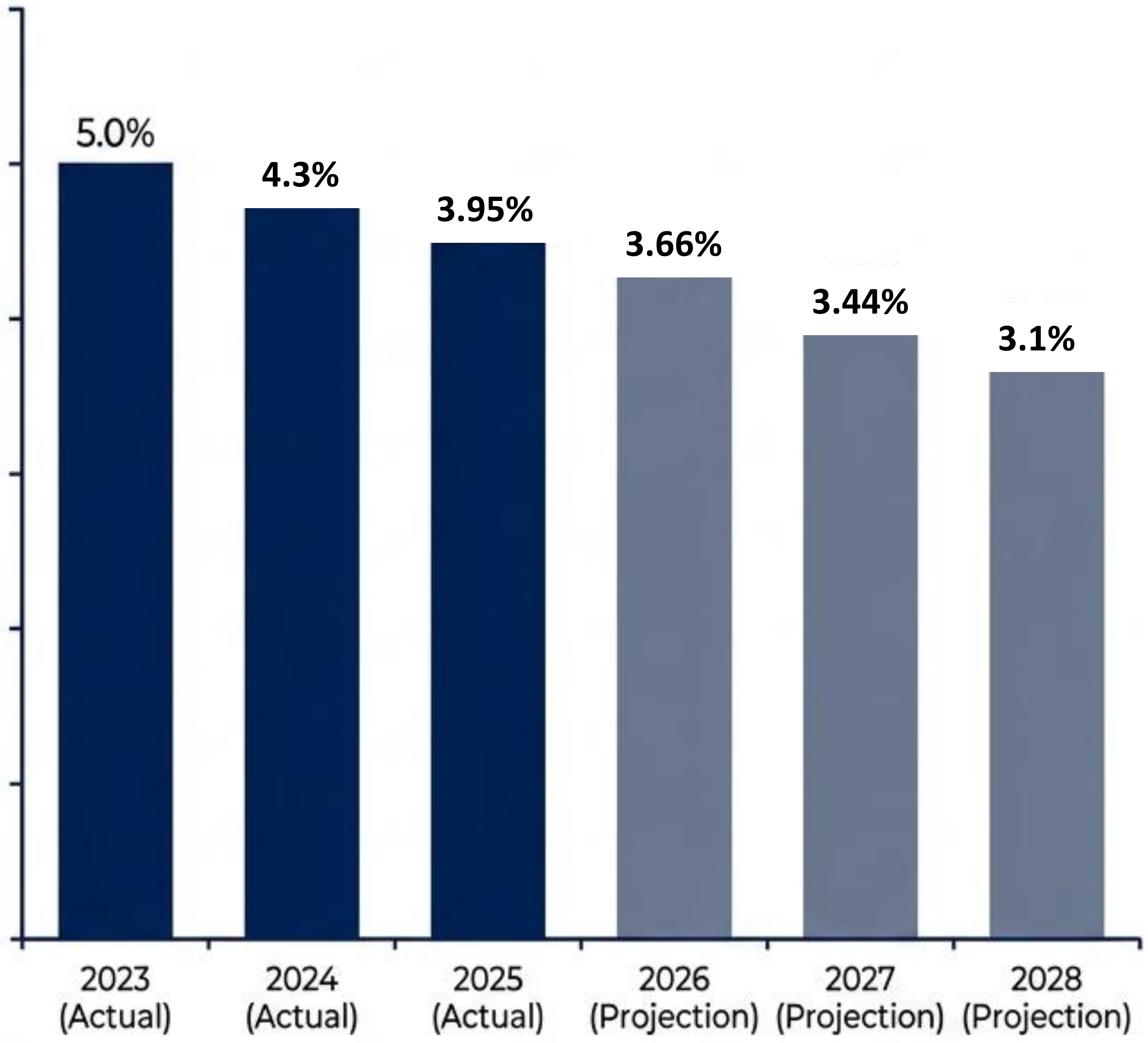



**Figure 6:** Trend & Projection of Unemployment

# PROJECTIONS FOR 2026 – 2028 AT A GLANCE

| Year | GDP Growth Rate | Headline Inflation | Food Inflation | Deficit/GDP Ratio | Debt/GDP Ratio | Debt Service/ Revenue Ratio | Rate of Unemployment |
|---|---|---|---|---|---|---|---|
| 2026 (Projection) | 4.72 | 11.66 | 7.46 | 4.25 | 36.6 | 73.93 | 3.66 |
| 2027 (Projection) | 4.85 | 7.86 | 4.57 | 4.19 | 36.05 | 75.34 | 3.44 |
| 2028 (Projection) | 5.02 | 5.61 | 2.93 | 4.1 | 35.6 | 76.41 | 3.1 |

# CONCLUSION

- Stable and moderate growth. Expectedly higher than population growth rate.
- Inflationary spiral will be curtailed.
- Improved fiscal policy performance.
- Considerable reduction in unemployment.

Prospects for the economy inspires optimism and hope for 2026-2028

# Policy Recommendations

- Sustain macroeconomic reforms
- Increase infrastructure investment
- Enhance agricultural productivity
  Promote greenhouse and irrigation farming (reduce rain-fed agriculture)
- Strengthen tax reforms and non-oil revenues
- Improve security and investment climate

# Thank You for listening