



RIDGECOUNT

— ANALYTICS —

NIGERIA 2026 MACROECONOMIC OUTLOOK

Reform Durability, Electoral Cycle Risk and the External Shock Test

Publication Type	Ridgecount Research Note
Coverage	Macroeconomics, energy, banking, capital markets and fiscal policy
Reference Year	2026 Outlook
Prepared By	Ridgecount Analytics

Professional advisory, analytics and research for energy, agriculture and finance

Executive Summary

Nigeria enters 2026 positioned between reform consolidation and electoral cycle risk. The economy has absorbed the first shock of fuel subsidy removal and foreign exchange liberalisation, but the durability of these reforms will depend on fiscal discipline, credible monetary policy, oil price resilience and the ability of institutions to resist pre election spending pressure.

The central thesis is that 2026 will test whether painful reforms can become an investment platform rather than a temporary adjustment episode. The main watchpoints are oil price weakness, election related liquidity, inflation expectations, exchange rate discipline, fiscal revenue performance, banking sector margin pressure and the quality of growth across the real economy.

Key Takeaways

Issue	Decision Meaning
Reform durability	Subsidy and FX reforms have changed incentives, but the 2027 election cycle will test institutional discipline.
Oil price risk	A \$50 to \$60 per barrel crude oil environment would pressure fiscal receipts, FX inflows and confidence.
Fiscal pressure	Revenue underperformance and election spending could weaken consolidation and increase borrowing needs.
Monetary policy	Disinflation is possible, but the CBN may need to keep policy credible to prevent inflation expectations from re accelerating.
Currency stability	The projected ₦1,400 to ₦1,500 per dollar band depends on oil receipts, reserves, remittances and confidence.
Banking sector	Banks face recapitalisation benefits but also margin compression, fintech pressure and the need to lend more productively.
Growth quality	Projected GDP growth of 4.2 percent is encouraging, but it is likely to be uneven and led by select sectors.

2026 Outlook Snapshot

Indicator	2026 Signal	Interpretation
Real GDP growth	4.2%	Moderate acceleration, led by digital economy, selected manufacturing, energy and investment linked activity
Headline inflation	c. 12.5%	Lower inflation is projected, but food prices, election liquidity and expectations remain risks
Exchange rate	₦1,400 to ₦1,500 per US\$	Relative stability depends on FX liquidity and avoidance of administrative controls
External reserves	Around US\$45 billion	Resilience depends on oil exports, remittances and export proceeds
Fiscal deficit	c. 5% of GDP	Improvement depends on non oil revenue mobilisation and expenditure restraint
Current account	c. 4.2% of GDP surplus	Supported by export receipts and import substitution effects
Oil production	1.6 mbpd	Critical to revenues, reserves and market confidence
Oil price risk	US\$50 to US\$60 per barrel	A sustained fall would create a terms of trade shock

Core Figures

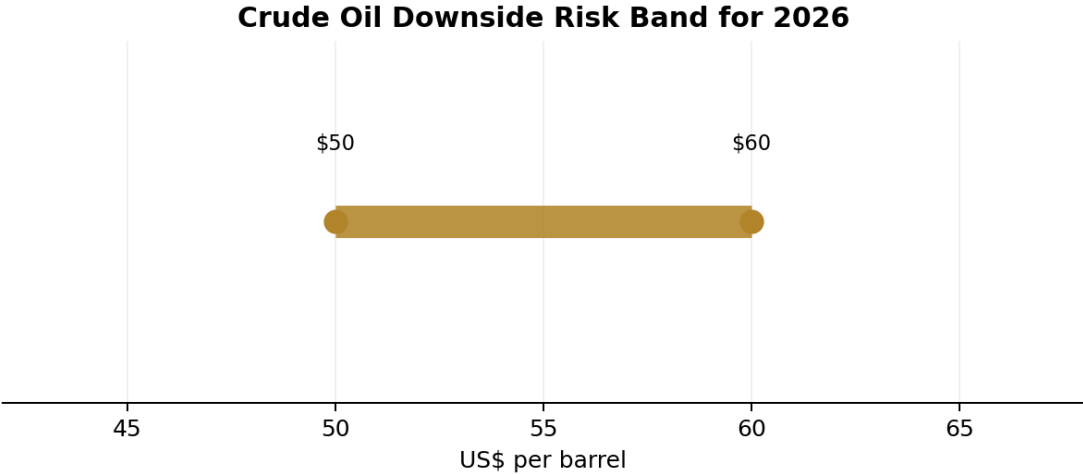


Figure 1: Crude Oil Price Risk Band

Source: OPEC outlook assumptions

Interpretation: Nigeria is exposed to lower crude prices because oil remains central to fiscal receipts, reserves and investor confidence.

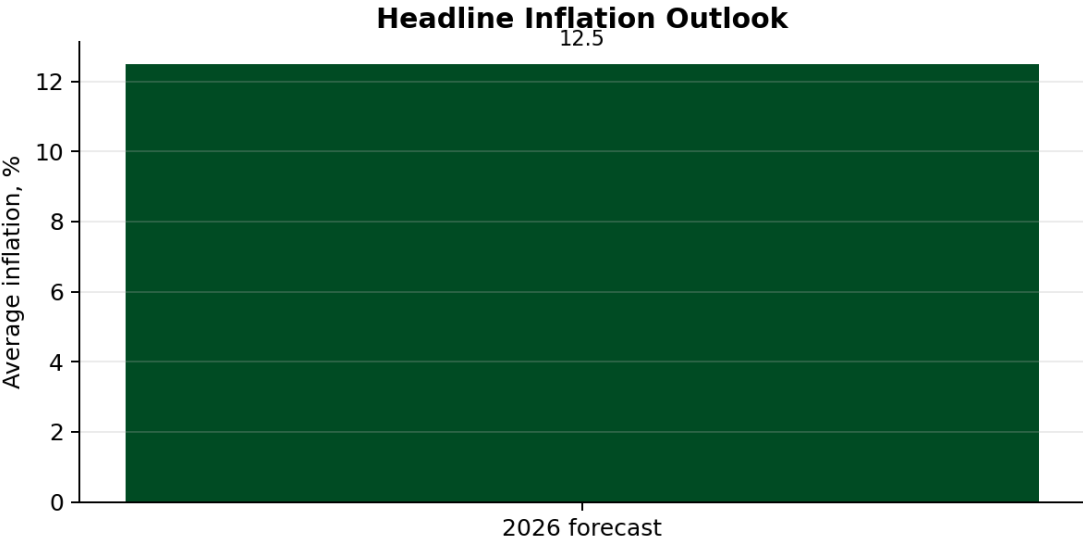


Figure 2: Headline Inflation Forecast

Source: National Bureau of Statistics

Interpretation: A lower average inflation path would support rate easing, but election spending and food supply shocks could reverse the trend.

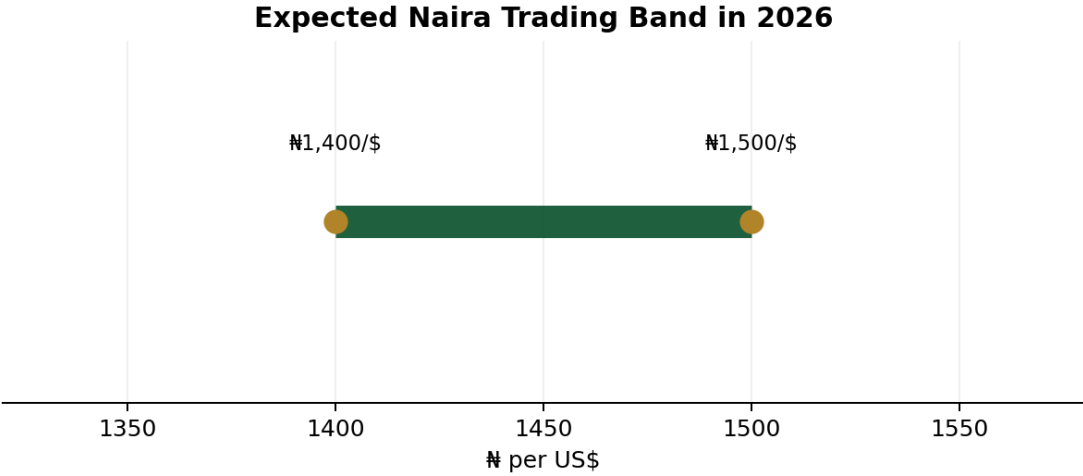


Figure 3: Exchange Rate Outlook

Source: CBN & FMDQ

Interpretation: The currency outlook assumes improved FX liquidity and credible market-based policy. A return to administrative controls would weaken confidence.

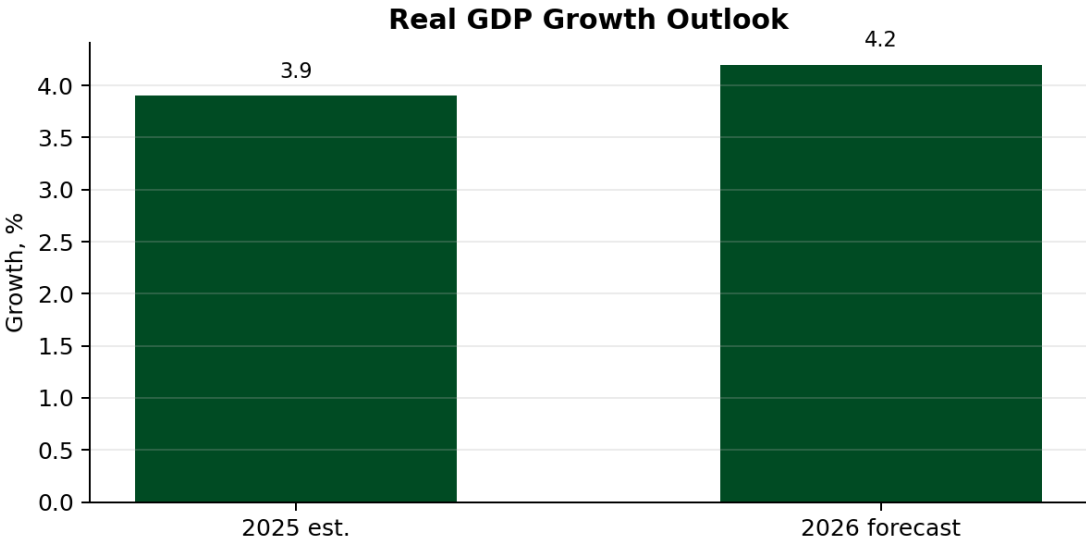


Figure 4: GDP Growth Outlook

Source: NBS forecast as cited in the source draft

Interpretation: Growth is projected to improve modestly, but the expansion is expected to be uneven rather than broad based.

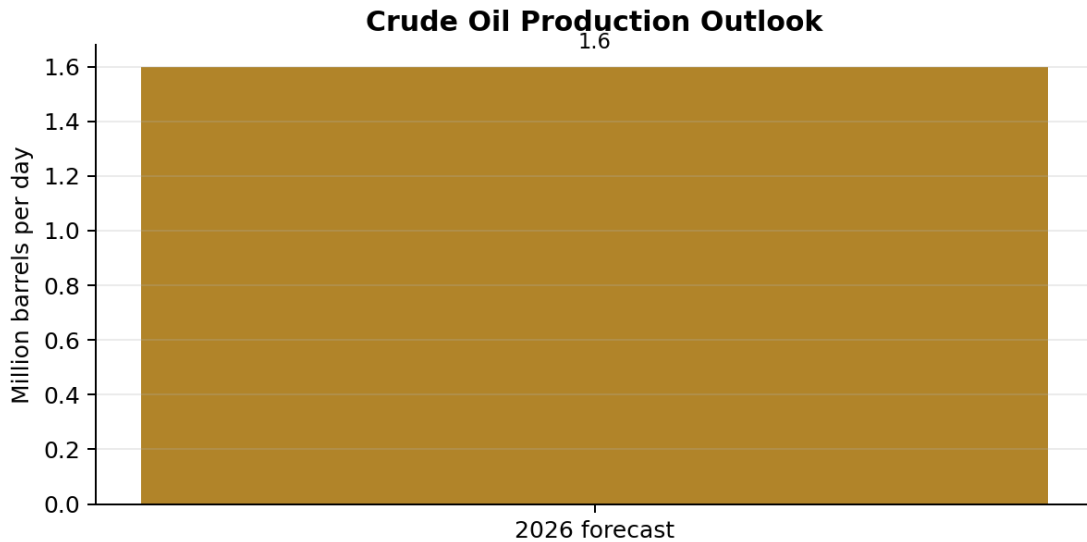


Figure 5: Crude Oil Production Forecast

Source: OPEC forecast

Interpretation: A production level around 1.6 mbpd would support fiscal and external accounts, but output disruptions remain a material risk.

Market Context

As Nigeria marches towards 2026, the macroeconomic outlook appears delicately poised between the gradual consolidation of recent structural reforms and the gravitational pull of the 2027 electoral cycle. Having weathered the "shock therapy" of petrol subsidy removal and foreign exchange unification in prior years, the economy now faces a pivotal test: can the institutionalisation of these market-liberalising policies withstand the exigencies of a pre-election political cycle and global commodity price uncertainty?

The Global Backdrop: Headwinds from Afar

The global operating environment in 2026 presents an array of "fault lines", ranging from divergent economic growth paths to heightened geopolitical fragmentation, that threaten to undermine fragile recovery in frontier markets. Global GDP growth is projected to remain subdued, weighed down by the lingering effects of monetary tightening in advanced economies and structural deceleration in China. For Nigeria, the external temperature is set by three critical variables: the trajectory of global liquidity, trade fragmentation, and, crucially, the direction of commodity prices.

While the aggressive monetary tightening cycle may have concluded, the "higher-for-longer" interest rate environment in developed markets will keep the cost of external capital elevated, necessitating a pivot from volatile portfolio flows to stickier Foreign Direct Investment (FDI). Nigeria must compete for capital in an era where global investors are increasingly selective, favouring jurisdictions with clear policy frameworks and credible structural reforms. Of critical concern is the outlook for commodity markets. Energy prices remain the principal transmission mechanism of external shocks to the Nigerian economy. Forecasts suggests a bearish outlook for crude oil, with prices potentially testing the \$50-\$60 per barrel range in 2026, driven by non-OPEC supply expansion and tepid demand growth in Asia, leading to a build-up of global oil inventories at a faster pace than during the COVID-19 pandemic, creating a surplus of approximately 4 million barrels per day. For Nigeria, a high-cost producer with significant fiscal dependence on hydrocarbon revenues, a sustained dip in oil prices constitutes a severe terms-of-trade shock.

The 2027 Shadow: Politics, Prudence and the Structural Reform Trajectory

The overarching theme for Nigeria's political economy in 2026 will undoubtedly be the looming 2027 general elections. Historically, the penultimate year of the electoral cycle has been associated with weakened fiscal discipline, delayed reforms, and the expansion of politically motivated spending. This cycle is unlikely to be an exception. Electioneering is expected to unleash substantial liquidity, potentially amounting to several trillion naira, into the economy, posing clear risks to inflation dynamics just as the effects of recent monetary tightening begin to materialise.

The central risk lies in fiscal dominance. Elevated election-related spending could undermine price stability, particularly if monetary policy accommodation is forced upon the Central Bank of Nigeria (CBN). Insecurity-linked disruptions, which often intensify during election periods, present an additional inflationary channel. Heightened tensions in food-producing regions and renewed risks in the Niger Delta could exacerbate food inflation and threaten the fragile recovery in oil production. Collectively, these factors are likely to widen Nigeria's political risk premium in 2026, reinforcing investor sensitivity to institutional credibility and policy consistency.

That said, this electoral cycle differs materially from previous episodes. Structural reforms implemented since 2023, most notably the removal of fuel subsidies and the

liberalisation of the foreign exchange market, have altered incentive structures within the political economy. These reforms have reduced the scope for rent-seeking through administered prices and arbitrage, making a full policy reversal both costly and operationally complex. The durability of these gains will depend largely on the independence and resolve of key institutions, particularly the CBN, in resisting fiscal pressure and maintaining a focus on price stability.

Beyond macro-stabilisation, 2026 will serve as a critical test of Nigeria's broader reform trajectory. The operational ramp-up of the Dangote Refinery represents a structural hedge against external shocks, with the potential to reduce refined fuel imports, conserve foreign exchange, and support domestic industrial capacity. Further upside lies in capital market deepening, particularly if large-scale corporate listings materialise, most notably from the Dangote Refinery, which is currently valued in excess of \$30 billion (and targeting a market capitalisation exceeding \$200 billion). This could catalyse a tripling of the Nigerian Stock Exchange's market capitalisation (~~₦~~95.2 trillion), potentially elevating it from roughly 25% to nearly 75% of GDP - (~~₦~~279.6 trillion), enhancing liquidity and investor participation.

The Fiscal Conundrum: Revenue Ambitions vs. Expenditure Realities

Nigeria's fiscal outlook for 2026 reflects a cautious consolidation trajectory tempered by significant structural challenges and recent empirical disappointments. The federal government's significant revenue underperformance in 2025, where projected revenues of approximately ₦40.8 trillion failed to materialise, with actual receipts likely to close near ₦10.7 trillion, reveals a ₦30 trillion shortfall that has materially stressed fiscal planning and heightened concerns about sustainability. This substantial divergence underscores persistent weaknesses in both oil and non-oil revenue mobilisation, particularly with collections from Petroleum Profit Tax and company levies underperforming. The shortfall has forced the government to borrow an estimated ₦14.1 trillion to bridge funding gaps and maintain essential outlays compounding debt service pressures (with the debt service ratio now estimated at under 50% as at mid-2025).

Against this backdrop, we expect the fiscal deficit to widen to c.8% of GDP in 2025, but narrow to c5% of GDP in 2026 - conditional on improved non-oil revenue performance amid digitisation-enabled tax administration. The recent rebasing of GDP

has optically improved the debt-to-GDP ratio to roughly 30.7% for 2026, providing some optical relief but not altering the fundamental debt service burden. We recognise the ambitious targets set by the new tax reform bills to raise the revenue-to-GDP ratio to circa 18% by 2030. However, Agosto & Co. is of the opinion that revenue mobilisation efforts may be crowded out by expenditure rigidities. This is in addition to the political economy of the approaching election cycle may delay politically sensitive measures such as VAT adjustments, accentuating reliance on efficiency rather than rate increases.

Monetary Policy: A Fragile Anchoring?

The monetary policy environment in 2026 is expected to be characterised by a cautious easing bias, conditional on the trajectory of inflation. We project a moderation in headline inflation to an average of c. 12.5% in 2026. This disinflationary trend is predicated on the waning of base effects and the lagged impact of orthodox monetary tightening.

However, the path to price stability is fraught with risks. "Anticipated inflation", driven by public expectations of future price rises, remains a powerful force. If economic agents expect the election cycle to trigger a liquidity surge, they may price these expectations into wages and contracts, creating a self-fulfilling inflationary spiral. The CBN's commitment to inflation targeting will be tested; maintaining high real interest rates to anchor expectations will be politically unpopular but economically vital.

In the banking sector, a dynamic of simultaneous consolidation and fragmentation is emerging. The industry is witnessing a divergence: while traditional banks are recapitalising and consolidating to withstand external shocks, a wave of fintech disruptors is aggressively capturing market share in the payments and retail segments. This intensity of rivalry suggests a squeeze on margins for traditional money deposit banks, compelling them to innovate or risk obsolescence. For the broader economy, this competition is beneficial, driving financial inclusion and reducing the cost of intermediation.

In 2025, we anticipate a tightening of profitability as net interest margins compress and banks transition from risk-free yields to real-sector lending. The absence of revaluation gains will also be a moderating factor for profitability. We believe that this softer bottom line and the significantly expanded capital base post-recapitalisation, will result in the dilution of the industry's Return on Equity (ROE) to 27.3%. However, by 2026,

as banks aggressively leverage their new war chests to underwrite large-ticket real sector transactions and reap the efficiency dividends of digital investments, we anticipate a surge in ROE to a robust 44.6%.

The External Ledger: Fragile Stability?

We forecast the naira to trade within the ₦1,400/\$ to ₦1,500/\$ band in 2026. This relative stability is underpinned by improved foreign exchange liquidity from oil exports and the commencement of refined product exports. We project the current account to remain in surplus at c.4.2% of GDP in 2026, bolstered by a trade surplus that reflects both improved export receipts and import substitution.

External reserves are expected to remain resilient, hovering around the \$45 billion mark. However, we caution that the gross figure masks underlying vulnerabilities, particularly when net reserves are adjusted for short-term swaps and encumbrances. The accretion of reserves will depend heavily on the sustained inflow of diaspora remittances, bolstered by the "brain drain" of skilled labour, and the repatriation of export proceeds.

A critical success factor will be the CBN's resistance to reverting to administrative controls. The temptation to "defend" the Naira during periods of volatility must be weighed against the cost of eroding market confidence. The expected improvement in the net export position, driven by the hydrocarbon sector's shift from crude exports to refined product exports, should theoretically provide a structural support level for the currency, reducing the volatility associated with crude oil price cycles.

GDP Growth Outlook and Sectoral Drivers

We forecast real GDP growth to accelerate moderately to 4.2% in 2026, up from an estimated 3.9% in 2025. The expansion is likely to be uneven, anchored in select investment-led sectors rather than broad-based momentum.

Telecommunications and the digital economy will continue to lead growth, supported by 5G rollout, rising data consumption, and deeper integration of fintech into everyday transactions. Manufacturing may stage a cautious rebound, conditional on lower and more reliable energy costs, particularly for energy-intensive subsectors such as cement. Agriculture will remain constrained by structural inefficiencies and insecurity, though agro-processing offers upside. In energy, operational reforms and

improved oil production (to an average of 1.6 mbpd), as well as gas development should stabilise contributions despite softer oil prices.

Strategic Risks and Watchpoints

Risk	Transmission Channel	Likely Effect	Severity
Oil price decline	Lower export receipts and fiscal revenue	FX pressure, weaker reserves and higher borrowing	High
Election spending	Liquidity injection and fiscal slippage	Inflation expectations and higher risk premium	High
Administrative FX controls	Reduced market confidence	Portfolio outflows and lower FDI appetite	High
Food insecurity	Supply disruptions in food producing areas	Sticky inflation and social pressure	High
Bank margin compression	Lower revaluation gains and tighter competition	Reduced ROE and pressure to grow quality lending	Medium High
Oil production disruption	Niger Delta risk and operational constraints	Lower revenue and weaker current account support	Medium High

Management and Investor Implications

Stakeholder	Priority Interpretation
Federal fiscal authorities	Protect reform credibility by restraining election cycle spending and improving non oil revenue collection.
CBN and FX managers	Maintain market based FX discipline, protect monetary credibility and resist politically driven easing.
Banks	Prepare for weaker windfall gains, higher competition, stronger risk selection and real sector credit discipline.
Investors	Prioritise sectors with reform backed cash flows and exposure to digital economy, energy infrastructure, agribusiness value chains and import substitution.
Energy firms	Track refined product exports, crude production, gas development and local energy cost advantages.
State governments	Use decentralised electricity and investment frameworks to attract infrastructure and productive sector capital.

Outlook Scenarios

Scenario	Description
Base case	Reforms broadly hold, inflation moderates, FX remains within projected band and GDP growth reaches about 4.2 percent.
Upside case	Oil production improves, refinery exports strengthen FX supply, capital market listings deepen liquidity and investor confidence rises.
Downside case	Election spending rises sharply, oil prices fall, inflation expectations worsen, FX controls return and reform credibility weakens.

Conclusion

The defining issue for 2026 is not whether Nigeria can grow, but whether it can grow without sacrificing the credibility of reforms that were achieved at significant social cost. The market will reward consistency, institutional discipline and execution. It will punish fiscal drift, administrative reversals and policy uncertainty.

For decision makers, the practical focus should be on oil price resilience, FX credibility, fiscal restraint, banking sector adaptation, state level investment reforms and the speed with which macro stabilisation translates into productive capital formation.