Nigeria
Country Brief

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AFREXIMBANK

Transforming Africa's Trade

African Export-Import Bank
Banque Africaine d'Import-Export

Disclaimer

Nigeria

The Federal Republic of Nigeria is situated in West Africa, encompassing an area of 923,768 square kilometers. With an estimated population of 235 million, Nigeria is the most populous country in Africa. It shares borders with Niger to the north, Chad to the northeast, Cameroon to the east, and Benin to the west.

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INTRODUCTION

The Federal Republic of Nigeria is situated in West Africa, encompassing an area of 923,768 square kilometers. With an estimated population of 235 million, Nigeria is the most populous country in Africa. It shares borders with Niger to the north, Chad to the northeast, Cameroon to the east, and Benin to the west. The country is renowned for its rich multiculturalism, comprising more than 250 ethnic groups and nearly 500 languages. English is the official language and serves as a unifying medium of communication across the country's 36 states. Abuja is the capital city, while Lagos is the commercial epicenter.

According to the IMF's World Economic Outlook database, Nigeria's economy is the fourth largest in Africa, with nominal GDP estimated at US$186.64 billion in 2024. Despite its size, the country continues to grapple with deep-rooted structural challenges and remains vulnerable to both domestic and external shocks. The services sector continues to be the largest contributor to the national economy, accounting for about 50 percent of GDP, followed by industry (29.7 percent) and agriculture (20.3 percent). The sectoral distribution underscores the country's gradual but steady diversification away from oil dependence.

Despite diversification efforts, Nigeria is still Africa's largest oil producer. While the oil sector's direct contribution to GDP has declined to around 6 percent, it continues to play an outsized role in the economy—accounting for more than 70 percent of export earnings and over 50 percent of government revenues. Crude oil exports are also a critical source of foreign exchange for financing essential imports, including food and industrial inputs.

In recent years, Nigeria has faced significant macroeconomic challenges, including the lingering effects of the COVID-19 downturn, global oil price volatility, and persistent currency depreciation. These pressures have underscored the urgency of accelerating reforms aimed at macroeconomic stabilization, improving competitiveness, and fostering sustained growth. Fiscal strains remain pronounced, with the debt-to-GDP ratio estimated at 44.9 percent and the debt service-to-revenue ratio still elevated, highlighting the need for continued fiscal consolidation and stronger domestic revenue mobilisation.

POLITICAL ENVIRONMENT

Nigeria is a federal republic comprising 36 states and the Federal Capital Territory of Abuja. The system allocates powers among federal, state, and local governments, with the president serving as both Head of State and Head of Government. The executive branch is supported by a cabinet that includes representatives from all 36 states. The legislature, known as the National Assembly, comprises a 360-member House of Representatives and a 109-member Senate, with members elected for four-year terms.

Since the return to democratic rule in 1999, Nigeria has upheld a consistent record of regular, peaceful elections, reflecting its commitment to democracy. The political landscape is dominated by two major parties: the All-Progressives Congress (APC) and the People's Democratic Party, alongside smaller parties with representation in the National Assembly.

President Bola Ahmed Tinubu of the APC was sworn into office on May 29, 2023, after winning the February 2023 presidential election. Now in its third year, his administration is focused on implementing economic reforms and strengthening national institutions. The APC currently holds the executive branch and a majority in both chambers of the National Assembly.

As Nigeria looks ahead to the 2027 general elections, 2025 is marked by heightened political engagement and growing reform momentum. The Independent National Electoral Commission (INEC) continues to play a pivotal role in upholding credible and transparent electoral processes and general elections, reinforcing Nigeria's democratic framework. Civil society and the media remain vital contributors to ensuring accountability and promoting good governance.

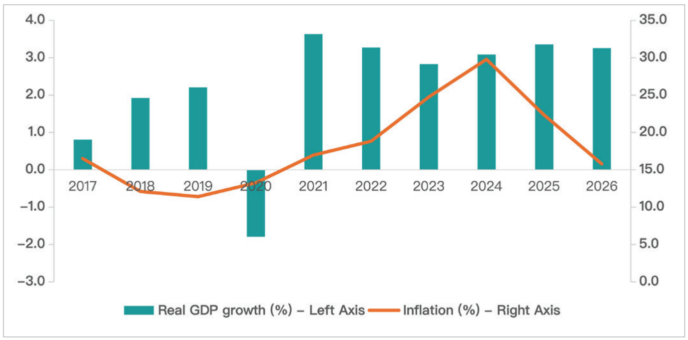
MACROECONOMIC ANALYSIS

Gross Domestic Product

Nigeria's economy showed strength in the aftermath of the global recession triggered by the COVID-19 pandemic in 2020. Real GDP grew by 3.6 percent in 2021, the highest rate since 2014, driven by higher crude oil prices, robust performance in non-oil sectors such as agriculture and services, and a rebound in household consumption. Growth moderated to 3.3 percent in 2022 and slowed further to 2.8 percent in 2023, reflecting challenges such as oil sector disruptions and the impact of major reforms, including foreign exchange rate adjustments and fuel subsidy removal. Despite these headwinds, the economy expanded by 3.1 percent in 2024. Growth is projected to strengthen further to 3.4 percent in 2025 and 3.3 percent in 2026, supported by rising global oil prices, improved oil production and gains in the agriculture and services sectors.

However, as structural constraints persist, achieving inclusive and poverty-reducing growth will require targeted interventions, particularly to address inflation and the high cost of living.

Figure 1: GDP Growth and Inflation Trend (Annual change, %)



Source: IMF World Economic Outlook, Afreximbank research

Inflation

Nigeria has faced mounting inflationary pressures that have eroded consumer purchasing power and dampened business confidence. Headline inflation rose from 18.8 percent in 2022 to 24.7 percent in 2023, and reaching 33.2 percent in 2024, reflecting higher food and energy costs, currency depreciation, and ongoing supply chain disruptions. Food inflation is an ongoing central concern, exacerbated by domestic security challenges, logistical bottlenecks, and climate-related shocks. Core inflation has also remained elevated, fueled by rising costs of gas, electricity, and transportation. Tackling inflation, therefore, requires a combination of monetary tightening and structural reforms to ease supply-side constraints. Inflation is projected to ease to 26.5 percent in 2025, but projected to rise again at an estimated 37.0 percent in 2026

Exchange Rate

The Nigerian Naira has experienced significant volatility in recent years, on account of high demand for U.S. dollars to finance imports, low foreign reserves, weak investment inflows, and a strong U.S. dollar. These have contributed to a steady depreciation of the Naira against the U.S. dollar.

The official exchange rate averaged ₦423.3 to US$1 in 2022, compared with ₦398.9 in 2021. The Naira weakened further in 2023, averaging ₦644.0, reflecting ongoing currency pressures. Depreciation accelerated in 2024 following the unification of official and parallel market rates in June 2023, which led to a substantial adjustment in the exchange rate. By the end of February 2024, the Naira had weakened to ₦1,544 before stabilising somewhat at ₦1,470 by mid of 2024.

In response, the Central Bank of Nigeria (CBN) undertook several policy measures, including raising the Monetary Policy Rate to 26.25 percent, removing the cap on the Standing Deposit Facility, and maintaining the Cash Reserve Ratio at 45 percent. The CBN also consolidated all foreign exchange transaction windows into the Investors and Exporters window, reintroduced Bureau de Change operators, and took steps to clear the existing foreign exchange backlog and improve liquidity.

These measures, alongside high yields on fixed-income securities, have improved market liquidity. However, the Naira remains sensitive to external shocks and structural weaknesses in the economy, particularly oil price volatility and foreign reserves adequacy.

Looking ahead, the Naira is expected to remain under pressure in 2026, with the average official exchange rate projected at around ₦1,520 to the U.S. dollar. Achieving currency stability will depend on continued efforts to strengthen foreign reserves, attract investment, and address fundamental structural imbalances in the economy. Tackling these challenges is crucial for ensuring long-term exchange rate stability and broader macroeconomic resilience.

Fiscal Balance

Nigeria's fiscal position reflects both underlying fragility and progress on reforms. The revenue-to-GDP ratio declined from 6.5 percent in 2020 to 4.2 percent in 2021 but has since recovered gradually to 6.2 percent in 2024. It is projected to improve further to 6.7 percent in 2025 and 7.1 percent in 2026, supported by ongoing efforts to enhance tax collection, broaden the revenue base, and implement fiscal reforms.

Government expenditure has remained elevated, rising from 12.1 percent of GDP in 2019 to 12.5 percent in 2020, moderating to 8.8 percent in 2021 following fiscal tightening. Spending rebounded to 11.7 percent of GDP in 2024 and is projected to decline gradually to 11.5 percent in 2025 and 11.2 percent in 2026. This reflects ongoing investment in infrastructure and social sectors, although recurrent expenditures remain substantial.

As a result, the fiscal deficit widened from 4.7 percent of GDP in 2019 to 5.6 percent in 2024, reflecting the impact of revenue shortfalls and elevated spending. However, the deficit is projected to narrow to 4.8 percent in 2025 and 4 percent in 2026, signalling gradual fiscal consolidation and improved revenue performance. To support this trajectory, the government has implemented key fiscal reforms, including the removal of the fuel subsidy, which are expected to generate fiscal savings and allow for greater developmental spending. The removal of electricity subsidies for select consumers and improvements in non-oil revenue collection are also strengthening fiscal sustainability.

Table: Nigeria's Fiscal Position

	2017	2018	2019	2020	2021	2022	2023	2024	2025 (f)	2026 (f)
General government revenue (% of GDP)	6.6	8.5	7.8	6.5	4.2	4.8	5.0	6.2	6.7	7.1
General government expenditure (% of GDP)	12.0	12.8	12.5	12.1	8.8	9.0	9.4	11.7	11.5	11.2
Fiscal balance (% of GDP)	-5.4	-4.3	-4.7	-5.6	-4.6	-4.2	-4.4	-5.6	-4.8	-4.0

Source: Afreximbank research

Note: f=forecast

OVERVIEW OF TRADE, RESERVES, AND THE FINANCIAL SECTOR

Total Trade

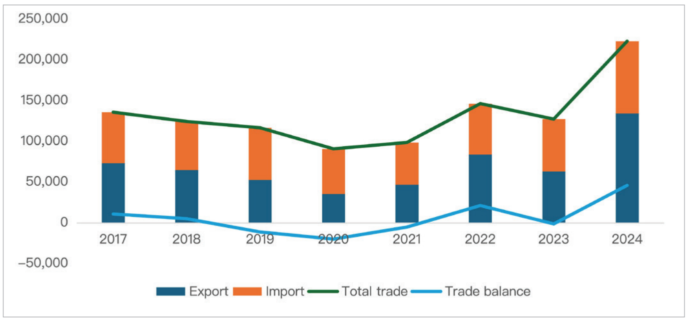
Nigeria's trade structure is heavily reliant on oil and gas, which account for the majority of export earnings. However, there is a discernible shift toward a more diversified export profile, with rising contributions from agriculture, manufactured goods, and services. The trend reflects ongoing efforts to broaden the economic base and reduce vulnerability to global commodity price shocks.

Following a downturn in 2019 and 2020 due to global economic headwinds, Nigeria's trade sector rebounded strongly, with total trade reaching US$194.7 billion in 2024 —the highest in eight years. The recovery was led by a surge in exports which more than doubled from US$63.2 billion in 2023 to US$134.7 billion in 2024. Imports also rose from US$64.3 billion to US$88.5 billion during the same period. As a result, the trade balance swung from a deficit of US$1.1 billion in 2023 to a surplus of US$46.2 billion in 2024.

The country's top export destinations in 2024 were India (9.6 percent of exports), Canada (9.2 percent), the United States (8.9 percent), Indonesia (8 percent), and Italy (5 percent). On the import side, China was the leading source, accounting for 27.4 percent of total imports, followed by India (8.9 percent), the United States (6.8 percent), the United Arab Emirates (5.4 percent), and the Netherlands (3.9 percent).

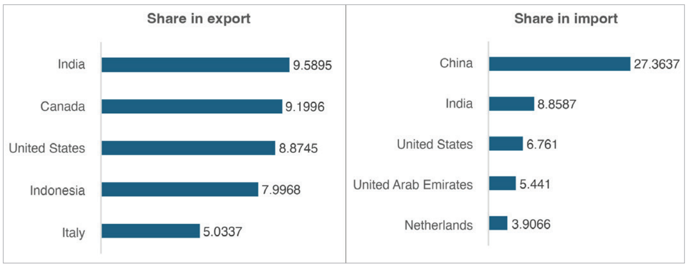
Despite the improved trade balance and export performance, Nigeria's external trade is highly exposed to global oil price volatility and the narrow composition of its export base. Long-term sustainability will requires accelerating structural transformation, expanding non-oil exports, strengthening value chains, and deepening industrial capacity. Reducing reliance on imported refined petroleum products through increased domestic refining—including from the Dangote Refinery—could significantly boost trade resilience and support macroeconomic stability.

Figure 2: Trade Accounts, Exports, Imports, Total Trade, and Trade Balance (US$ millions)



Sources: IMF Direction of Trade and Statistics. And Afreximbank research

Figure 3: Nigeria's Top 5 Trade Partners (%), 2024



Sources: IMF Direction of Trade and Statistics, Afreximbank research

Intra-African Trade

Nigeria's intra-African trade saw a strong rebound in 2024, with total trade rising to US$18.4 billion from US$8.1 billion in 2023, a 127 percent year-on-year increase – reflecting improved market access across the African Continental Free Trade Area (AfCFTA) and a surge in both exports and imports with other African countries. Intra-African exports reached US$15.7 billion in 2024, up from US$6.5 billion in 2023, while imports rose to US$2.7 billion from US$1.6 billion over the same period.

The share of intra-African trade in Nigeria's total trade also improved, rising from 6.4 percent in 2023 to 8.3 percent in 2024, though it is below the regional average of 14 percent. This increase reflects higher export volumes—particularly from improved oil prices, production gains, and the January 2024 commencement of operations at the Dangote Refinery—

as well as a notable rise in imports, driven by growing demand for consumer goods and the effects of fuel subsidy removal, which has reshaped domestic price dynamics and incentivised regional trade.

Key African export destinations included Côte d'Ivoire, South Africa, and Senegal, while Ghana, South Africa, and Togo were the main import sources. Petroleum oils continued to dominate Nigeria's intra-African exports, accounting for more than 84 percent of intra-African exports in Q2 2024.

The implementation of the African Continental Free Trade Agreement is beginning to yield tangible benefits for Nigerian businesses, particularly in the cement, beverages, and processed food sectors. However, sustaining and expanding this momentum will require diversifying the export basket beyond hydrocarbons, strengthening regional value chains, and improving logistics and trade facilitation infrastructure.

Reserves

Nigeria's foreign exchange reserves have fluctuated considerably in recent years, shaped by global oil market dynamics, volatile capital flows, and domestic policy reforms. After peaking at US$40.5 billion in 2021, reserves declined to US$35.6 billion in 2022 and US$26.2 billion in 2023, reflecting lower crude oil production, rising foreign exchange demand, and weak investment inflows.

The trend reversed in 2024, with reserves rebounding to US$32.7 billion, supported by foreign exchange reforms, higher oil receipts, and improved investor confidence. However, this recovery was partially offset in early 2025 by increased external debt servicing, with reserves falling from US$40.9 billion in January to US$38.3 billion in March. Reserves are projected to stabilise at US$33.6 billion by the end of 2025 and rise modestly to US$34 billion in 2026.

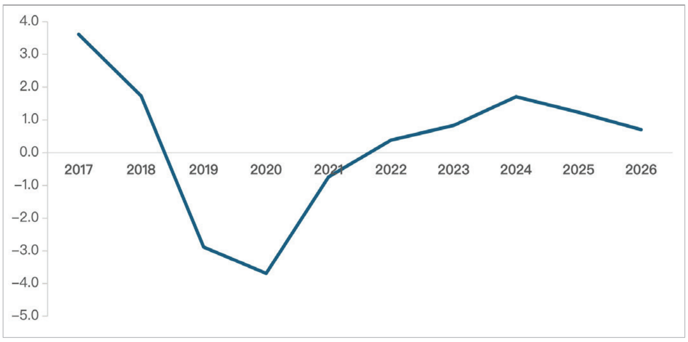
The CBN's ongoing reforms, including clearing the foreign exchange backlog, attracting investment, and managing external obligations, have helped bolster reserve levels. Nevertheless, the reserve position remains vulnerable to global oil price volatility, external debt servicing, and capital flow dynamics. Sustained growth in reserves will depend on continued fiscal and external sector reforms, higher oil production, and diversification of foreign exchange sources.

Current Account Balance

Nigeria's current account has followed a mixed but generally improving trajectory in recent years. After deficits of -2.9 percent and -3.7 percent of GDP in 2019 and 2020, respectively, the deficit narrowed sharply to -0.7 percent in 2021, supported by a recovery in exports and modest import growth amid stronger external demand and improved competitiveness of Nigerian goods and services.

Since 2022, the current account has recorded a surplus of 0.4 percent of GDP in 2022 and 0.8 percent in 2023, rising to 1.7 percent in 2024. However, it is projected to moderate to 1.2 percent in 2025 and 0.7 percent in 2026 due to increasing import demand and normalisation of capital flows. Sustaining external stability will depend on continuing reforms to boost trade competitiveness, deepen domestic production, and diversify export earnings beyond oil and gas.

Figure 4: Current Account Balance (% of GDP)



Source: Afreximbank research.

Financial Sector

Nigeria's financial sector is one of the most diversified and systemically important in Africa. It comprises 24 commercial banks, more than 800 microfinance institutions, and thousands of bureaus de change, finance companies, primary mortgage banks, and development finance institutions, all regulated by the CBN. Despite inflation, currency volatility, and regulatory tightening, the sector remained resilient in 2024.

Commercial banks delivered strong financial performance in 2024, with average returns on equity ranging 20–25 percent. However, asset quality pressures persisted, with credit loss ratios projected to remain elevated at about 2.5–3.0 percent in 2025. Bank capitalisation is expected to improve as institutions work to meet the new, higher minimum capital requirements set by the CBN, with a compliance deadline of March 2026. This recapitalisation drive is fueling a wave of mergers, acquisitions, and equity investments, particularly among smaller banks seeking to meet regulatory thresholds. Strengthened capital bases will enable the sector to expand credit and support economic growth.

Microfinance banks continue to advance financial inclusion, especially for low-income earners and micro-entrepreneurs. As of June 2024, total assets of microfinance banks reached ₦2.8 trillion, an increase of 91.3 percent year-on-year, while deposit liabilities grew to ₦1.3 trillion, from ₦0.47 trillion during the same period. The expansion was driven by forceful deposit mobilisation and increased use of technology to boost savings and demand deposits. Net loans and advances in the microfinance sector rose to ₦1.3 trillion, up 27.5 percent year-on-year. Nonetheless, the sector faces challenges, including high interest rates, over-indebtedness, liquidity risk, and heightened competition from financial technology companies (fintechs) and traditional banks.

Digital transformation is reshaping the financial landscape, with mobile banking, AI-driven tools, and digital platforms expanding access to financial services, especially in underserved areas. The fintech sector continues to attract substantial investment, with further growth and cross-border consolidation expected in 2025. The CBN is also set to introduce a comprehensive regulatory framework for cryptocurrency to support the development of compliant crypto-based products and digital payments.

Regulatory oversight has intensified, focusing on recapitalisation, anti-money laundering compliance, and risk-based capital adequacy. The minimum capital requirement for international commercial banks has been raised to ₦500 billion, with similar increases for other bank categories. The CBN has also revoked licenses of non-compliant microfinance banks to protect depositors and maintain system integrity. The adoption of International Financial Reporting Standards has further enhanced transparency and accountability.

Looking ahead, the financial sector is expected to remain resilient though inflation and exchange rate volatility will continue to pose risks. Continued implementation of CBN reforms, including recapitalisation, enhanced supervision, and digital innovation, will be critical to strengthening financial stability, enhancing market transparency, and fostering greater financial inclusion. The government's efforts to diversify the economy and attract foreign investment will play a crucial role in shaping the sector's trajectory. Sustained policy certainty and sound risk management will be key to ensuring the sector's long-term growth and resilience.

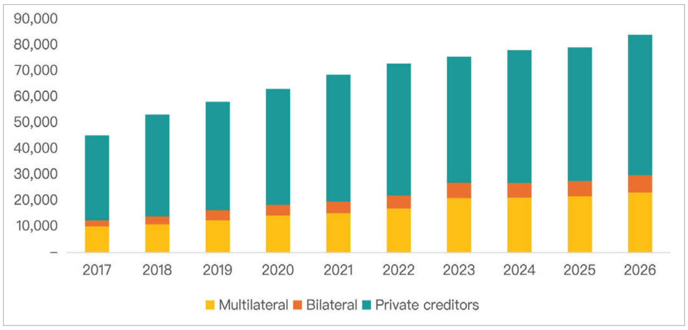
Debt Sustainability

Nigeria's debt sustainability profile has shifted considerably in recent years, shaped by rising borrowing needs and evolving economic conditions. The country's external debt stock has grown sharply, with the debt-to-GDP ratio rising from 17.3 percent in 2017 to a projected peak of 55.4 percent in 2024, moderating to an expected 44.9 percent in 2025 and 42.2 percent in 2026. This expansion has been driven by increased government financing requirements and exchange rate depreciation.

The composition of external debt is dominated by private creditors, whose holdings have grown from US$32.7 billion in 2017 to a projected US$54.2 billion in 2026. Multilateral debt has also expanded, from US$10.1 billion in 2017 to US$23.3 billion in 2026, while bilateral borrowing is relatively modest but increasing.

Despite the overall rise in debt, Nigeria's risk of external debt distress remains below critical thresholds. However, key indicators, particularly the ratios of debt service to exports and to government revenue, have reached elevated levels, highlighting growing pressures on the country's fiscal and external accounts. Ensuring debt sustainability will require improved fiscal discipline, enhanced revenue mobilisation, and continued efforts to diversify exports and manage external obligations more effectively.

Figure 5: Decomposition of External Debt by Creditors (US$ millions)



Sources: Economic Intelligence Unit, Afreximbank research

External debt as a share of GDP

Nigeria's external debt-to-GDP ratio has increased significantly over the past decade, driven by rising borrowing needs and fiscal pressures. After holding steady at 17.3 percent in 2017 and remaining relatively stable through 2019, the external debt-to-GDP ratio began to climb in 2020, reaching 20.2 percent, and 28.5 percent in 2023. A sharp spike to 55.4 percent is estimated for 2024, easing to a projected 44.9 percent in 2025 and 42.2 percent in 2026. This trajectory reflects the growing debt burden relative to economic output, underscoring the urgency of sound fiscal management and growth-oriented reforms to ensure long-term debt sustainability.

External debt as a share of exports

The external debt-to-export ratio highlights Nigeria's dependence on external borrowing relative to its export earnings. The external debt-to-export ratio rose from 131.6 percent in 2017 to a peak of 249.4 percent in 2020, reflecting the effects of pandemic-related shocks and weaker export receipts. Although the ratio has since moderated to 151.3 percent in 2023, it is projected to rise again to 158 percent in 2025 and 165.8 percent in 2026. These elevated levels underscore continued vulnerability to external shocks and the need to diversify export earnings.

External debt service as a share of exports

Debt service as a share of exports has also risen steadily, from 7.1 percent in 2017 to 16.3 percent in 2021 and 17.9 percent in 2023. The ratio is projected to remain elevated, at 19.5 percent in 2025 and 15.9 percent in 2026, highlighting the growing strain of debt repayments on export earnings. This trend reinforces the need to expand export capacity and adopt more cautious borrowing practices.

External debt service as a share of revenue

The debt service to government revenue ratio has increased markedly in recent years, reflecting heightened fiscal pressures. The ratio rose from 36.1 percent in 2017 to 65.7 percent in 2021, surging to 92.4 percent in 2023. It is estimated to peak at 184.4 percent in 2024, moderating to an expected 138.8 percent in 2025 and 92.6 percent in 2026. These elevated levels highlight the growing difficulty of meeting debt obligations from limited government revenues and underline the urgency of expanding domestic revenue mobilisation and improve expenditure efficiency.

Appendix: Selected Macroeconomic and Financial Indicators

	2017	2018	2019	2020	2021	2022	2023	2024	2025 (f)	2026 (f)
Real GDP, %	0.8	1.9	2.2	-1.8	3.6	3.3	2.8	3.1	3.4	3.3
Inflation, annual average, %	16.5	12.1	11.4	13.2	17.0	18.8	24.7	29.8	22.3	15.8
Exports of goods and services, % y/y	8.2	0.1	17.8	-16.7	-21.4	-2.1	4.5	-5.2	5.1	-1.8
Current account, % of GDP	3.6	1.7	-2.9	-3.7	-0.7	0.4	0.8	1.7	1.2	0.7
Total reserves ex gold, US$ million	39,609	42,839	38,336	36,730	40,476	35,564	26,228	32,666	33,646	33,982
Gross reserves, months of imports	6.953	9.332	7.176	4.563	6.107	7.198	5.539	5.9	8	8.2

Sources: IMF Direction of Trade and Statistics, 2025; Economic Intelligence Unit, 2025, Afreximbank research

Note: f=forecast

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