INTERNATIONAL MONETARY FUND

IMF Country Report No. 25/157

NIGERIA

July 2025

2025 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR NIGERIA

In the context of the 2025 Article IV Consultation, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board and summarizing the views of the Executive Board as expressed during its June 13, 2025, consideration of the staff report on issues related to the Article IV Consultation.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 13, 2025, following discussions that ended on April 15, 2025, with the officials of Nigeria on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on May 29, 2025.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for Nigeria.

The documents listed below have been or will be separately released.

Selected Issues

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.

IMF Staff Completes 2025 Article IV Mission with Nigeria

FOR IMMEDIATE RELEASE

Washington, DC – July 2, 2025: The Executive Board of the International Monetary Fund (IMF) concluded the Article IV Consultation with Nigeria.[1]

The Nigerian authorities have implemented major reforms over the past two years which have improved macroeconomic stability and enhanced resilience. The authorities have removed costly fuel subsidies, stopped monetary financing of the fiscal deficit and improved the functioning of the foreign exchange market. Investor confidence has strengthened, helping Nigeria successfully tap the Eurobond market and leading to a resumption of portfolio inflows. At the same time, poverty and food insecurity have risen, and the government is now focused on raising growth.

Growth accelerated to 3.4 percent in 2024, driven mainly by increased hydrocarbon output and vibrant services sector. Agriculture remained subdued, owing to security challenges and sliding productivity. Real GDP is expected to expand by 3.4 percent in 2025, supported by the new domestic refinery, higher oil production and robust services. Against a complex and uncertain external environment, medium-term growth is projected to hover around 3½ percent, supported by domestic reform gains.

Gross and net international reserves increased in 2024, with a strong current account surplus and improved portfolio inflows. Reforms to the fx market and foreign exchange interventions have brought stability to the naira.

Naira stabilization and improvements in food production brought inflation to 23.7 percent year-on-year in April 2025 from 31 percent annual average in 2024 in the backcasted rebased CPI index released by the Nigerian Bureau of Statistics. Inflation should decline further in the medium-term with continued tight macroeconomic policies and a projected easing of retail fuel prices.

Fiscal performance improved in 2024. Revenues benefited from naira depreciation, enhanced revenue administration and higher grants, which more-than-offset rising interest and overheads spending.

Downside risks have increased with heightened global uncertainty. A further decline in oil prices or increase in financing costs would adversely affect growth, fiscal and external positions, undermine financial stability and exacerbate exchange rate pressures. A deterioration of security could impact growth and food insecurity.

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[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. Staff hold separate annual discussions with the regional institutions responsible for common policies in four currency unions—the Euro Area, the Eastern Caribbean Currency Union, the Central African Economic and Monetary Union, and the West African Economic and Monetary Union. For each of the currency unions, staff teams visit the regional institutions responsible for common policies in the currency union, collects economic and financial information, and discusses with officials the currency union's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis of discussion by the Executive Board. Both staff's discussions with the regional institutions and the Board discussion of the annual staff report will be considered an integral part of the Article IV consultation with each member.

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Executive Board Assessment[2]

Executive Directors agreed with the thrust of the staff appraisal. They commended the authorities on the successful implementation of significant reforms during the past two years and welcomed the associated gains in macroeconomic stability and resilience. As these gains have yet to benefit all Nigerians, and with heightened economic uncertainty and significant downside risks, Directors emphasized the importance of agile policy making to safeguard and enhance macroeconomic stability, creating enabling conditions to boost growth, and reducing poverty.

Directors agreed that the Central Bank of Nigeria is appropriately maintaining a tight monetary policy stance, which should continue until disinflation becomes entrenched. They welcomed the discontinuation of deficit monetization and ongoing efforts to strengthen central bank governance to set the institutional foundation for inflation targeting. Directors also welcomed steps taken by the authorities to build reserves and support market confidence and praised reforms to the foreign exchange market that supported price discovery and liquidity. They called for implementation of a robust foreign exchange intervention framework focused on containing excess volatility, stressing that the exchange rate is an important shock absorber. Directors also agreed with staff's call to phase out existing capital flow management measures in a properly timed and sequenced manner.

Directors called for a neutral fiscal stance to safeguard macroeconomic stabilization with priority given to investments that enhance growth. Directors also called for accelerating the delivery of cash transfers to assist the poor. They commended the authorities on advancing the tax reform bill, an important step towards enhancing revenue mobilization and creating fiscal space for development spending, while preserving debt sustainability.

Directors recognized actions to strengthen the banking system, including the ongoing process of increasing banks' minimum capital. They welcomed the authorities' efforts to boost financial inclusion and promote capital market development, while emphasizing the importance of moving to a robust risk-based supervision for mortgage and consumer lending schemes as well as the fintech and crypto sectors. Directors welcomed progress made in strengthening the AML/CFT framework and stressed the importance of resolving remaining weaknesses to exit the FATF grey list.

To lift Nigeria's growth outlook, improve food security, and reduce fragility, Directors highlighted the importance of tackling security, red tape, agricultural productivity, infrastructure gaps, including boosting electricity supply, as well as improved health and education spending, and making the economy more resilient to climate events. They noted that addressing structural impediments to private credit extension is also needed to support growth. Directors welcomed the IMF's capacity development to support authorities' reform efforts and agreed that enhancing data quality is critical for sound, data-driven policymaking.

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[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm. The Executive Board takes decisions under its lapse-of-time procedure when the Board agrees that a proposal can be considered without convening formal discussions.

Table 1. Nigeria: Selected Economic and Financial Indicators, 2023–26

	2023 Act.	2024 Est.	2025 Proj.	2026 Proj.
National income and prices	Annual percentage change (unless otherwise specified)			
Real GDP (at 2010 market prices)	2.9	3.4	3.4	3.2
Oil GDP	-2.2	5.5	4.9	2.3
Non-oil GDP	3.2	3.3	3.3	3.3
Non-oil non-agriculture GDP	3.9	4.1	3.7	3.7
Production of crude oil (million barrels per day)	1.5	1.5	1.7	1.7
Nominal GDP at market prices (trillions of naira)	234	277	320	367
Nominal non-oil GDP (trillions of naira)	221	260	303	351
Nominal GDP per capita (US$)	1,597	806	836	887
GDP deflator	12.6	14.5	11.4	11.4
Consumer price index (annual average)	24.7	31.4	24.0	23.0
Consumer price index (end of period)	28.9	15.4	23.0	18.0
Investment and savings	Percent of GDP			
Gross national savings	31.8	39.6	37.5	37.7
Public	-0.1	3.9	2.2	1.7
Private	31.9	35.7	35.3	36.1
Investment	30.0	30.4	30.5	33.1
Public	3.2	4.8	5.4	5.5
Private	26.8	25.6	25.1	27.6
Consolidated government operations	Percent of GDP			
Total revenues and grants	9.8	14.4	14.2	13.8
Of which: oil and gas revenue	3.3	4.1	5.1	4.9
Of which: non-oil revenue	5.8	9.2	8.8	8.8
Total expenditure and net lending	13.9	17.1	18.9	18.7
Overall balance	-4.2	-2.6	-4.7	-4.9
Non-oil primary balance	-4.9	-4.9	-7.2	-6.9

Public gross debt[1]	48.7	52.9	52.0	50.8
Of which: FX denominated debt	18.1	25.5	25.8	24.8
FGN interest payments (percent of FGN revenue)	83.8	41.1	47.3	49.2
Money and credit	Contribution to broad money growth (unless otherwise specified)			
Broad money (percent change; end of period)	51.9	42.7	17.9	22.3
Net foreign assets	10.5	30.4	2.1	7.2
Net domestic assets	41.3	12.3	15.8	15.1
Of which: Claims on consolidated government	20.1	-11.9	6.2	4.1
Credit to the private sector (y/y, percent)	53.6	30.1	17.9	18.2
Velocity of broad money (ratio; end of period)	2.7	3.3	2.2	2.1
External sector	Annual percentage change (unless otherwise specified)			
Current account balance (percent of GDP)	1.8	9.2	7.0	4.6
Exports of goods and services	-12.8	-4.5	-6.0	1.3
Imports of goods and services	-4.4	-0.8	-6.8	8.4
Terms of trade	-6.1	-0.6	-7.4	-3.3
Price of Nigerian oil (US$ per barrel)	82.3	79.9	67.7	63.3
External debt outstanding (US$ billions)[2]	102.9	102.2	105.9	110.2
Gross international reserves (US$ billions, CBN definition)[3]	33.2	40.2	36.4	39.1
Equivalent months of prospective imports of G&S	5.4	5.7	7.5	7.7
Memorandum items:				
Implicit fuel subsidy (percent of GDP)	0.8	2.1	0.0	0.0

Sources: Nigerian authorities; and IMF staff estimates and projections.

[1] Gross debt figures for the Federal Government and the public sector include overdrafts from the Central Bank of Nigeria (CBN).

[2] Includes both public and private sector.

[3] Based on the IMF definition, the gross international reserves were US$8 billion lower in December 2024.

INTERNATIONAL MONETARY FUND

NIGERIA

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

May 29, 2025

KEY ISSUES

Context. Nigeria has implemented major reforms over the last 2 years which have improved macroeconomic stability and enhanced resilience. The country successfully tapped the Eurobond market and earned a credit rating upgrade, pointing to improved confidence. Growth has been steady but too low in per-capita terms, and inflation remains high. Gains have yet to benefit all Nigerians. Food insecurity and poverty have risen. Half-way through its term, the government is now focused on raising growth, while adapting to the spillovers from the changing global environment.

Policy Recommendations

Fiscal Policy. The 2025 budget needs to be recalibrated to lower oil prices. A neutral fiscal stance would support macroeconomic stability. Domestic revenue mobilization can rely on recouping fuel subsidy savings and administrative gains in 2025, while staying the course on tax policy measures over the medium-term. Budget processes need strengthening to enhance the quality of spending. The cash transfer system roll-out needs to be brought to scale to support the most vulnerable households.

Monetary and Exchange Rate Policy. Maintaining a tight stance and a positive real policy rate is key to bringing down inflation and supporting stability in the foreign exchange market. The exchange rate should be allowed to play its shock-absorbing role in response to adverse shocks, while targeting foreign exchange interventions (FXIs) to contain excess volatility in line with the Integrated Policy Framework (IPF), given fx market shallowness, the large exchange rate passthrough, and increasing exposure to short-term foreign inflows. Elevated external rollover needs require nimble management.

Financial Sector Policies. Adoption of Basel III and the ongoing recapitalization program will strengthen banks. The Central Bank of Nigeria's (CBN's) stress testing and upgrading regulation and supervision, including for the fast-growing Fintech and crypto sectors, are important. Addressing structural impediments to private credit would support growth.

Structural Reforms. Further improving security and cutting red tape on trade should boost output in the near-term. Improving governance, upgrading infrastructure, addressing deep rooted problems in the power sector, increasing education and health spending, and fostering climate change adaptation would boost growth and help exit fragility. Enhancing data quality is critical for sound, data-driven policymaking.

Approved By
Costas Christou (AFR)
Jarkko Turunen (SPR)

Discussions took place during April 2–15, 2025, in Lagos and Abuja. The IMF team consisted of Axel Schimmelpfennig (head), Imen Benmohamed and Reginald Darius (all AFR), Deeksha Kale (remote) and Bo Zhao (both SPR), Salma Khalid (FAD, remote), Jose de Luna Martinez (MCM). Costas Christou joined the mission during the first week. The mission was supported by Christian Ebeke (resident representative) and Laraba Bonet, Nene Ikpechukwu, and Zainab Mangga (local office). The mission met with Minister of Finance Edun, Governor Cardoso, senior government and central bank officials, Ministry of Agriculture, Ministry of Power and Ministry of Petroleum, as well as representatives from the private sector and civil society. Joanna Delcambre, Islom Urolov and Chris Stumphius provided excellent assistance in preparing this report.

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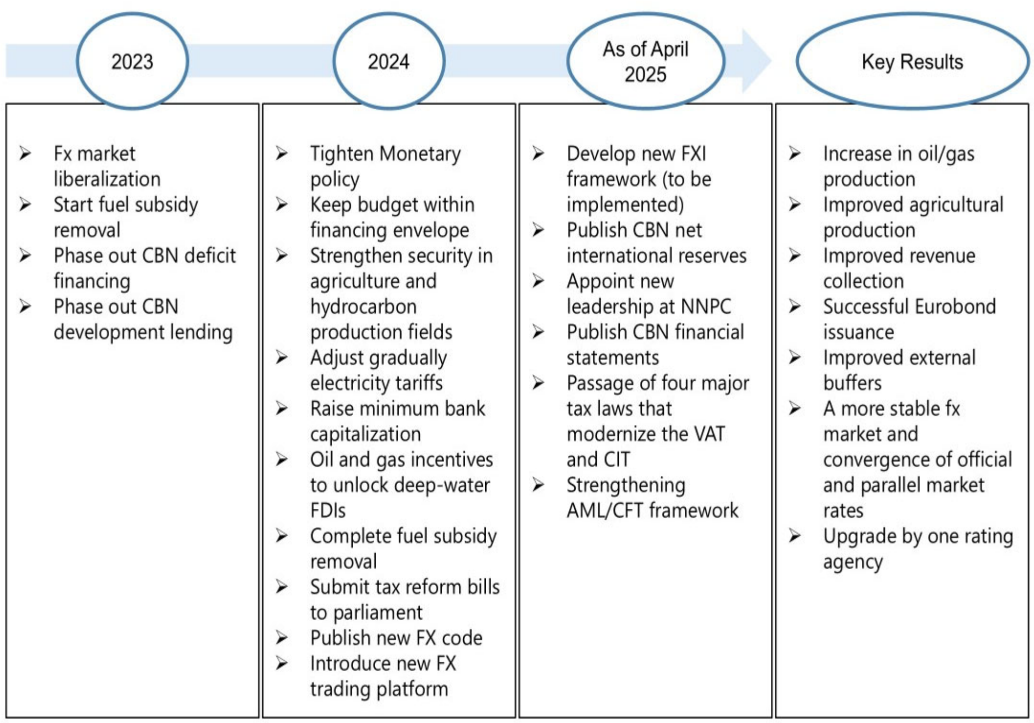
TABLES

ANNEXES

CONTEXT

1. **Sustained reforms have yielded gains, strengthening Nigeria's resilience to shocks (Figure 1)**. The authorities have implemented bold reforms since taking office in 2023, including liberalizing and strengthening the functioning of the foreign exchange market, removing fuel subsidies, and ending monetary financing. Revenue administration efforts have improved collection. Stepped up security around the critical oil infrastructure and farmland has boosted oil and agriculture output (Figure 2). The naira has become more stable, portfolio inflows have returned, Nigeria successfully tapped external financial markets in late 2024 and achieved a credit rating upgrade in April 2025. Nevertheless, reform gains have yet to benefit all Nigerians. Poverty remains high, estimated at 46 percent in 2024, with [31 million]() Nigerians deemed food insecure (Figure 2).

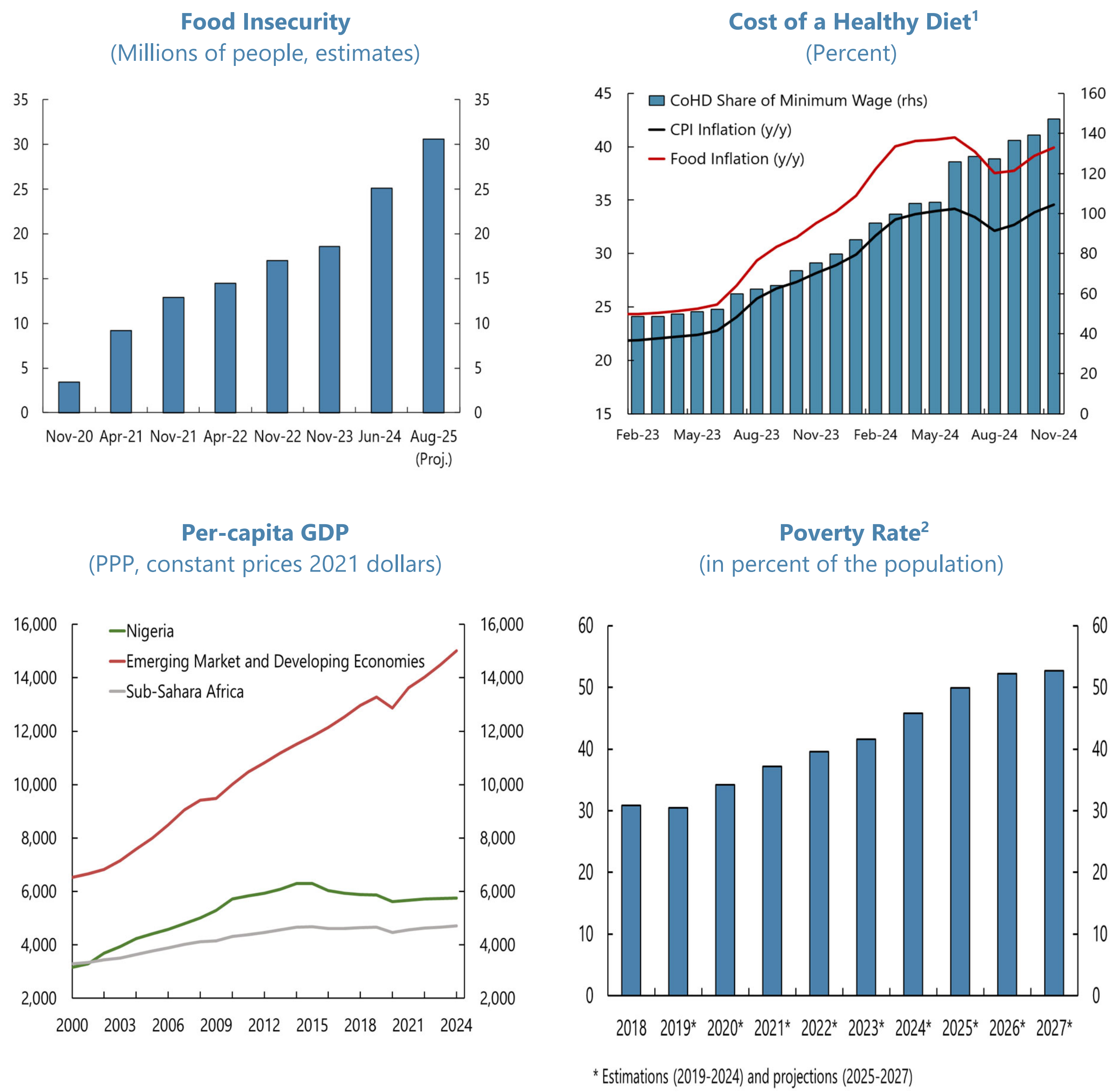
Figure 1. Nigeria: Reform Journey Since 2023



Source: Nigerian Authorities; and Fund Staff.

2. **Halfway through its term, the government is focused on raising growth.** The government maintains its majority but has faced opposition to specific policy initiatives. States opposed fundamental changes in the distribution of Value Added Tax (VAT) revenue and halted the proposed VAT rate hike. With the ongoing cost-of-living crisis, public discontent is perceptible, including over increased telecom and electricity tariffs. Insecurity remains a challenge. After frontloading difficult reforms and with the 2027 elections on the horizon, the government is focused on growth, while sustaining stabilization gains amid a challenging external environment.

Figure 2. Nigeria: Food Insecurity



1/ The least expensive combination of items that meet the needed requirements for a healthy diet.
2/ Nigerians falling below US$2.15 per day (in 2017 PPP).
Source: National Bureau of Statistics, WFP, Cadre Harmonisé, World Bank, and Fund Staff Calculations.

3. **Heightened external uncertainty weighs on the outlook.** Most of Nigeria's exports to the United States are exempt from the increased tariffs announced by the United States. However, lower oil prices and tightening global financing conditions impact Nigeria's external and fiscal positions. Official development assistance (ODA) plays a crucial role for infrastructure and health. Nigeria received $1.5 billion of bilateral ODA in 2023 (0.4 percent of GDP), of which $1 billion from the United States and $0.3 billion from the European Union.

5. The Country Engagement Strategy provides a framework to align priorities and guide policy discussions (Annex I). The strategy identifies drivers of fragility in Nigeria, including ethno-religious fragmentation, high insecurity, poverty, economic underdevelopment, and poor governance. The strategy emphasizes the need to build a broad consensus to sustain the reform momentum and exit fragility. Near-term policy priorities include improving security and scaling up social safety nets, while medium-to-long term goals involve strengthening human capital, institutions, infrastructure and economic diversification. Significant capacity constraints require careful prioritization. The surveillance dialogue continues to be open and constructive (Text Table 1).

Text Table 1. Nigeria: Implementation of Past Fund Policy Advice

Recommendations	Implementation Status
Tighten macroeconomic policies to contain inflation.	Macroeconomic policies were tightened in 2024.
Scale up targeted cash transfer system to support vulnerable households.	5½ out of 15 million households were enrolled as of March 2025 and each received up to 3 transfers of naira 25,000.
Strengthen the monetary policy framework and develop an FXI framework.	The CBN is developing a roadmap to adopt inflation targeting with Fund CD. The CBN has developed a state-of-the art FXI framework with Fund support which should now be implemented without delays.
Develop a domestic revenue mobilization agenda.	A comprehensive set of tax reform bills to modernize the VAT and company income tax laws and enhance revenue administration has been approved by parliament.
Remove costly and untargeted energy subsidies.	Implicit fuel subsidies were abolished in October 2024. However, the full savings from the reform are yet to accrue to the budget. Electricity tariffs were adjusted upward by 300 percent in April 2024 for Band A consumers (>20 hours/day). The authorities are preparing a strategy for the sector.
Enhance security to stop oil theft and protect farmers.	The government, with regulatory bodies, private security forces, and communities, worked to reduce oil theft and protect farmers.
Take sustained action to improve the effectiveness of the Anti-Money Laundering (AML) / Countering the Financing of Terrorism (CFT) framework and prevent Financial Action Task Force (FATF) listing.	The authorities are making significant progress in addressing the deficiencies identified in the 2021 assessment by the Inter-Governmental Action Group against money laundering in West Africa as part of their efforts to exit the FATF "grey list."
Strengthening governance	Annex II.

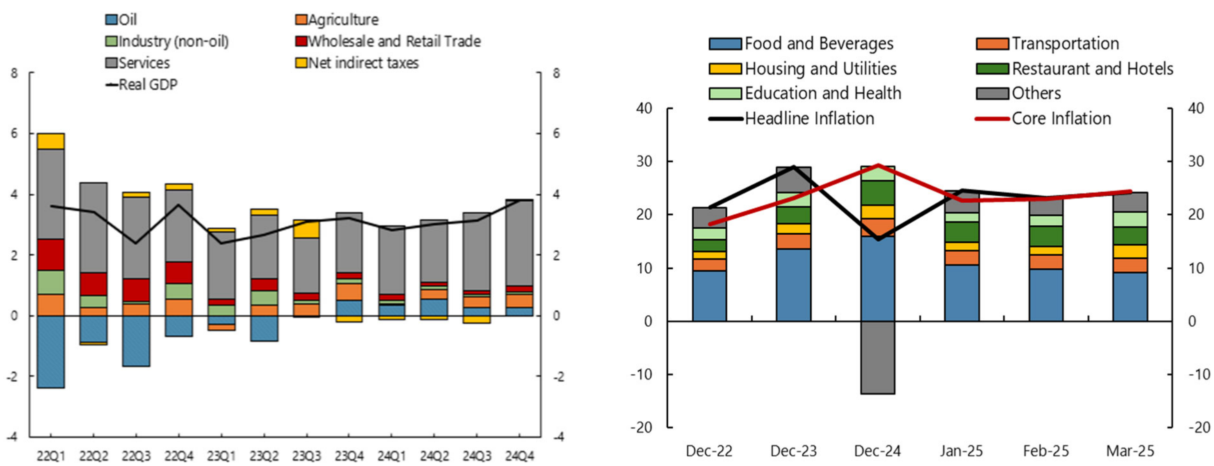
RECENT ECONOMIC DEVELOPMENTS

6. Growth accelerated in 2024, and there are signs that inflation may be easing (Figure 3). Growth reached 3.4 percent in 2024, driven mainly by hydrocarbon output and services. Per-capita growth remains too low at around 1.3 percent. Hydrocarbon GDP grew by 5.5 percent as security improved. Non-hydrocarbon GDP expanded by 3.3 percent, mainly in financial and IT services. Agriculture performance remained subdued, reflecting security challenges and sliding productivity. Naira depreciation and elevated energy costs weighed on manufacturing and trade. Annual average inflation surged to 31 percent in 2024 due to naira depreciation, food supply deficit, energy subsidy removal, and high borrowing costs.[1] Recent improvements in food production, naira stabilization, and lower fuel prices brought inflation to 24 percent year-on-year in 2025Q1. A cash transfer system—developed with the World Bank—has reached 5½ million out of 15 million targeted households in 2024.

Figure 3. Nigeria: Growth and Inflation Developments

Contribution to Growth
(In percent, year-on-year)

Contribution to Inflation[1]
(In percent, year-on-year)



1/ Based on rebased CPI, with December 2024 = 100. Backcasted headline, food and core prices are provided by NBS. Prices for sub-groups are retropolated by Fund staff.

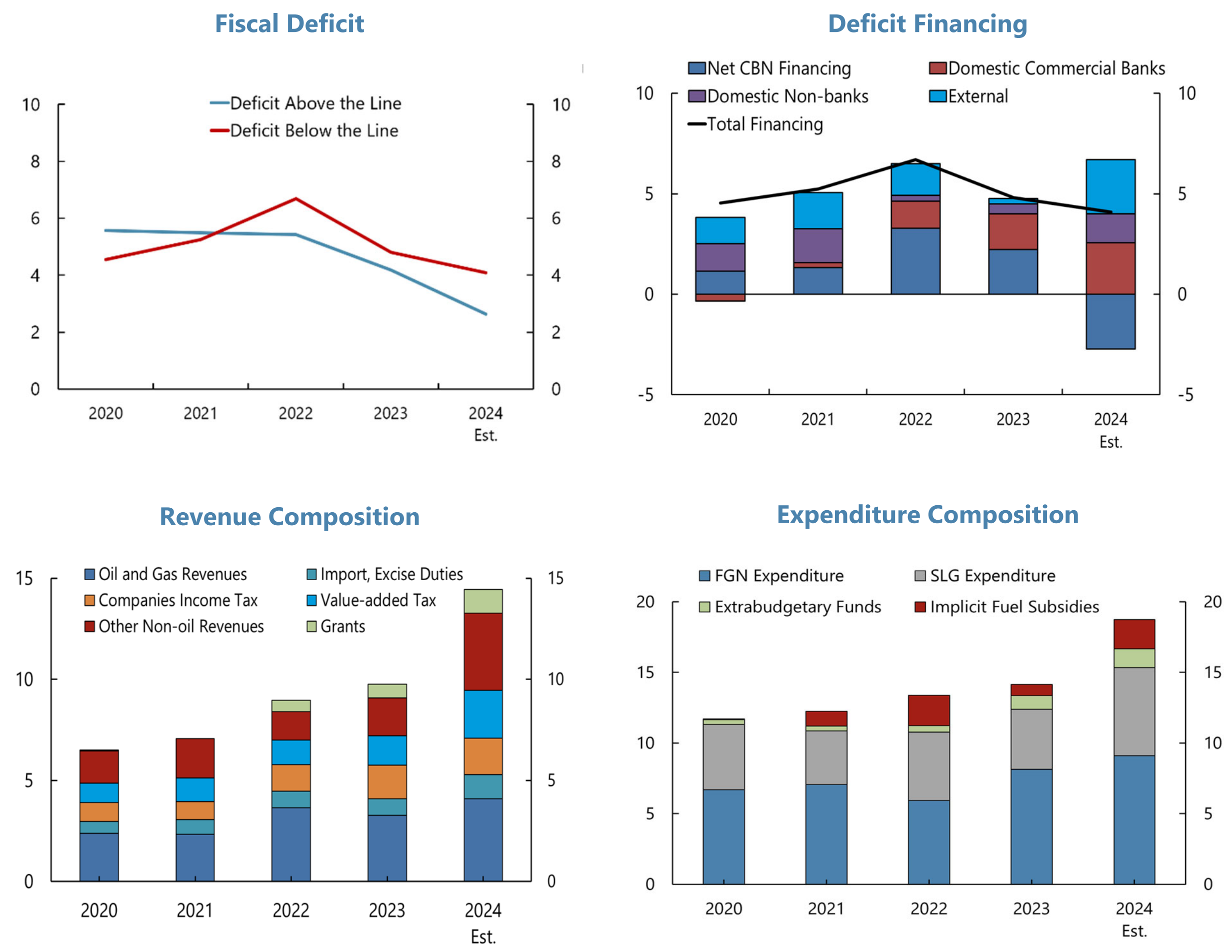
Sources: Nigerian Authorities; and Fund Staff Calculations.

7. **Fiscal performance improved in 2024 (Figure 4).** The consolidated government deficit measured from below the line improved to 4.1 percent of GDP, from 4.8 percent of GDP in 2023. Revenue collection strengthened across the board through administrative efforts, exchange rate depreciation and inflation. Together with higher grants, this more than offset higher spending on interest and overheads. Two-thirds of net fiscal financing needs were met externally, including through a $2.2 billion Eurobond issuance and from the World Bank. The remainder was raised domestically, with increased reliance on short-term paper and the new domestic fx securities. The government retired a third of its outstanding central bank "ways and means" financing through additional issuance and securitization. Fiscal data is subject to frequent and large revisions that complicate the assessment of the policy stance and could have implications for sustainability.

[1] The National Bureau of Statistics has released a rebased CPI index starting January 2025. The methodological work for the rebasing is being supported by ongoing Fund CD.

Figure 4. Nigeria: Consolidated Government: Fiscal Developments

(In percent of GDP)



Sources: Nigerian Authorities; and Fund Staff Calculations.

8. **The external position has improved.** The current account surplus increased to 9 percent of GDP in 2024, driven by hydrocarbon exports, compressed imports, lower oil sector repatriations, and stronger remittances (Figure 5).[2] The CBN increased gross international reserves (GIR) to $40 billion at end-2024 from $33 billion at end-2023, while settling legacy overdue fx obligations and addressing other legacy issues on the liability side.[3] The CBN also published net international reserves (NIR) which strengthened to $23 billion at end-2024. Net fx inflows correspond to a resumption of portfolio inflows, largely into CBN Open Market Operations (OMOs), the Eurobond issuance, and some inflows into treasury bills. Reforms to the fx market and foreign exchange

[2] Based on official CBN provisional 2024 data that are subject to further revision.

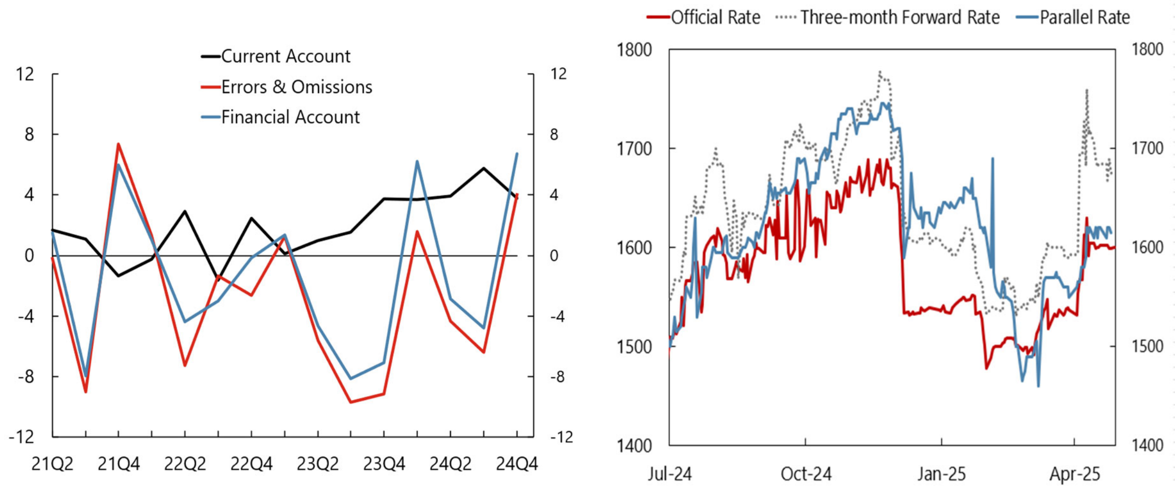
[3] Based on the IMF definition (paragraph 6.64 in IMF's Balance of Payments and International Investment Position Manual (BPM6), GIR was $8 billion lower relative to CBN's official gross reserves at end-2024.

interventions (FXIs), have brought stability to the naira. With intensifying global headwinds since April, the exchange rate depreciated by 4 percent year to mid-May 2025.

Figure 5. Nigeria: External Sector

External Position
(In billion USD)

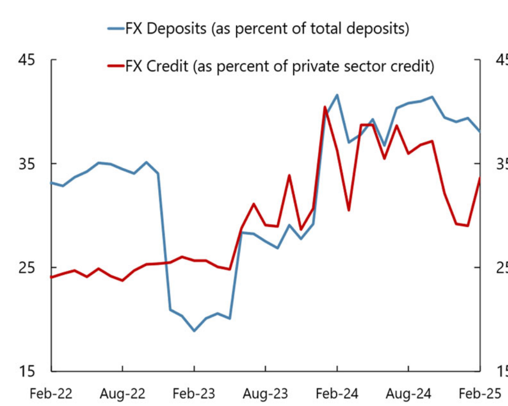
Naira-USD Exchange Rate



Sources: Nigerian Authorities; and Fund Staff Calculations.

9. The banking sector remains resilient, liquid and profitable. Banks' capital adequacy increased to 15.3 percent at end-2024, from 13.3 percent in 2023, reflecting progress to increase minimum capital required by the CBN. The liquidity ratio reached 49 percent at end-2024—above the regulatory minimum of 30 percent—and the return on assets increased to 3.5 percent, supported by high interest rates. The non-performing loans (NPLs) ratio of 4.5 percent does not include banks in liquidation and is expected to increase as borrowers face challenges in servicing their loans. Loan and deposit dollarization has increased compared to 2023, owing a valuation effect from exchange rate depreciation, but then stabilized during 2024 (Figure 6). In 2024, the CBN revoked the license of one bank and placed three others that did not meet the minimum capital requirement under a special supervisory regime.

Figure 6. Nigeria: Dollarization

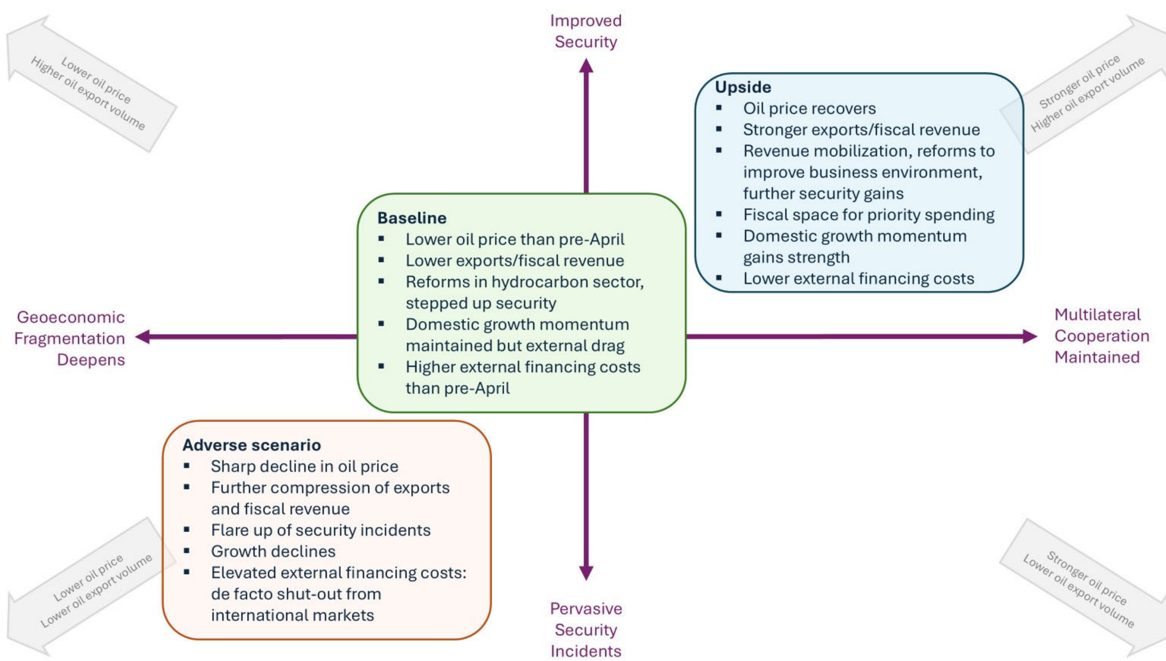


Sources: CBN; and Fund Staff Calculations.

OUTLOOK AND RISKS

10. The economic outlook is subject to large uncertainty, requiring nimble policy making based on thinking in alternatives. The [April 2025 World Economic Outlook] considers three scenarios, given the heightened global uncertainty. Similarly, also incorporating domestic factors, this staff report considers a baseline scenario alongside a downside and an upside scenario (Figure 7). The baseline scenario corresponds to the "post-April 9" WEO scenario that incorporates the 90-day pause in U.S. tariffs and subsequent improvement in global risk sentiment, with oil prices still lower than underlying Nigeria's 2025 budget. The adverse scenario considers a resurgence of global uncertainty and further downward pressure on oil prices, while the upside scenario is based on an improvement in global risk sentiment, oil prices, and stepped-up domestic reform momentum.

Figure 7. Nigeria: Economic Outlook Under Deep Global Uncertainty



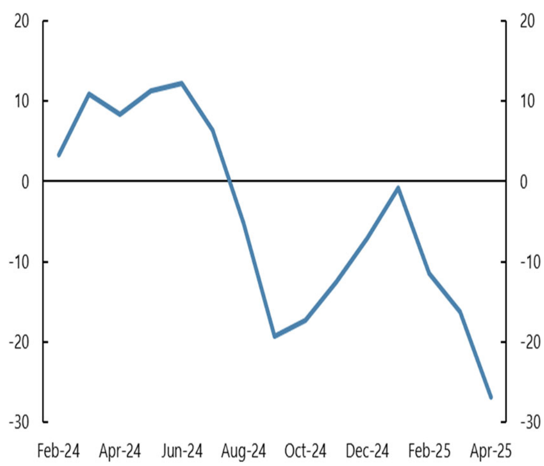
Source: IMF.

11. In the baseline scenario, growth is expected to remain resilient (Figure 8). Improvements in security, reforms at NNPCL, and hydrocarbon investments boost production, partially compensating for lower oil prices. As the new refinery ramps up and retail fuel prices fall, reform gains solidify, domestic uncertainty tapers off and private investment regains momentum.[4] As a result, GDP growth is projected at 3.4 percent in 2025, stabilizing around 3½ percent over the medium-term—about 1.3 percent in per-capita terms, short of what is needed to make fast gains on poverty reduction. The current account surplus is projected to decline gradually, reflecting higher imports and lower oil prices. Capital inflows should recover in the medium-term, bringing GIR to $46 billion by 2030.

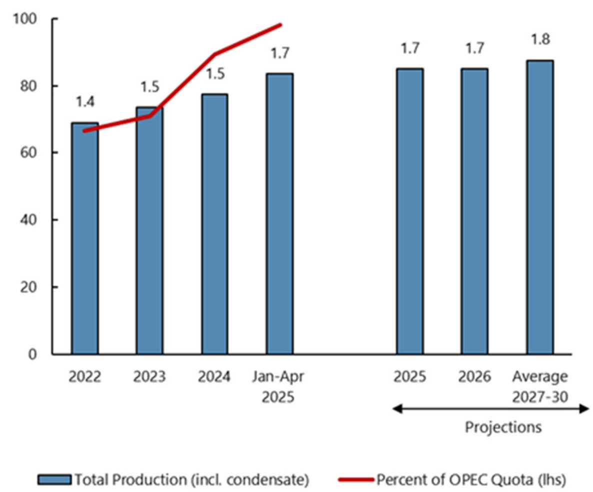
[4] The new refinery is expected to boost growth by 1½ percent in 2025 (Annex IV).

Figure 8. Nigeria: Baseline Outlook

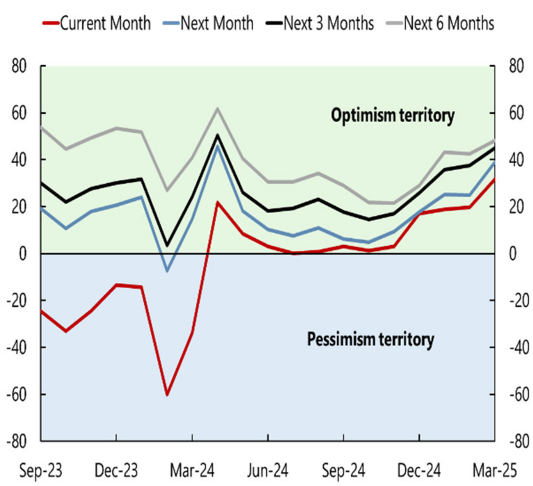
Bonny Light Crude Oil Price
(In percent, year-on-year)



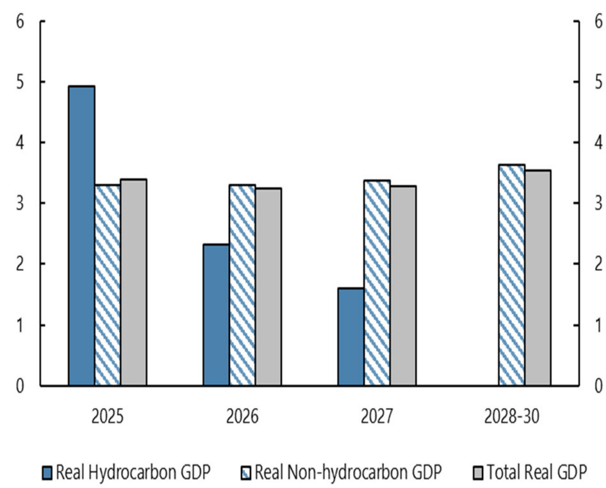
Oil Production
(In million barrels per day)



Macroeconomic Outlook[1]
(Index)



Growth Projections[2]
(In percent)



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.

12. **Given the still high global uncertainty, downside risks to the baseline are elevated (Annex V):**

- *Hydrocarbon receipts are vulnerable to price volatility and security conditions*. A prolonged and/or sharp decline in oil prices and/or a deterioration in security conditions that affects hydrocarbon production would erode exports and fiscal revenues, dampen growth, fuel exchange rate pressures, and could trigger oil-pledged contingent liabilities or loss of market access. This could also lead to delays and/or cut-backs in planned investments in the hydrocarbon sector, critical to raise output over the medium term.

- *A deterioration in global risk appetite and tighter financing conditions* would limit access to external funding and raise borrowing costs, undermining fiscal sustainability.

- *Climate shocks* affecting agriculture and infrastructure and/or *deterioration in security* could worsen food insecurity and increase fiscal pressures.

- *Delayed and/or uncoordinated policy response, increased popular resistance to reforms* could complicate macroeconomic policies or adjustment in the context of rising social hardship and the proximity of general elections.

13. **The repercussions of downside risks are illustrated in the adverse scenario (Annex VI).** This scenario considers heightened global uncertainty that depresses risk appetite and oil and gas prices. Lower oil and gas prices hit Nigeria's fiscal and external positions, requiring further policy adjustment. A risk-off sentiment could have portfolio investors look for safe havens and seek to repatriate short-term positions, putting pressures on reserves and the naira. Residents may also seek safe haven in U.S. dollars or crypto assets. Poverty and food insecurity would further deteriorate in this scenario.

14. **An upside scenario could materialize if global sentiment improves, or domestic reforms gain momentum.** On the external side, an upside scenario could materialize if hydrocarbon prices recover and financing costs return to pre-April levels, creating fiscal space and reducing external pressures. Domestically, stepping up reforms to improve the business environment, further improvements in security, and faster progress on revenue mobilization would create space for development spending and support inclusive growth.

15. **Authorities' Views.** The authorities share staff's assessment of external headwinds but are more optimistic on prospects to improve hydrocarbon production in the short-run as an offset. They see upsides in agriculture from better security and extension services, with the government's policy initiatives to support the sector.

POLICY DISCUSSIONS

Discussions focused on calibrating policies to safeguard stabilization gains and support inclusive growth in an environment of heightened global uncertainty and adverse spillovers to Nigeria. In the *baseline scenario, macroeconomic policies must remain tight, while prioritizing growth-enhancing investment and support to the most vulnerable households. If an adverse scenario plays out, further adjustment is needed to permanently lower hydrocarbon revenues, putting an even higher premium on spending quality. In an upside scenario, faster progress on revenue mobilization, including from hydrocarbon, or favorable external conditions can provide space to accelerate development spending. Effective communication is essential in this time of elevated uncertainty. Strengthening the quality of macroeconomic statistics will help inform timely assessment of developments and policy decisions.*

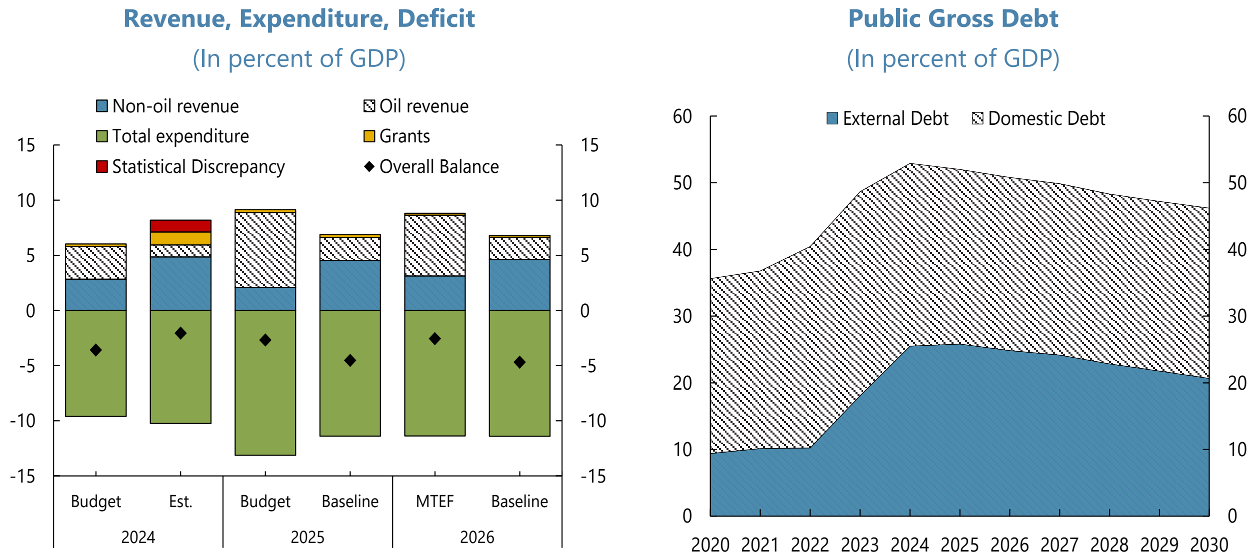
A. Calibrating Fiscal Policy in Uncertain Times

16. Absent policy actions, the fiscal deficit in 2025 would exceed budget expectations. The 2025 budget was based on optimistic hydrocarbon revenue projections, even before the price decline since April. On the spending side, budgeted capital expenditure is likely to exceed implementation capacity, given execution in previous years. The authorities have announced that they will adjust the budget to lower oil prices, while pushing for higher hydrocarbon production and continuing with administrative efforts to boost revenue. However, without a revised budget or announced budget targets, projections of the fiscal stance and financing needs are uncertain. The budget includes allocations of $200 million to partially offset $440 million cuts in USAID disbursements to the health sector

17. In the baseline, staff projects a consolidated fiscal deficit of 4.7 percent of GDP in 2025 (Figure 9). This is higher than the budget, owing to lower oil prices and production, and already reflects lower-than-budgeted capital expenditure. The baseline does not yet factor in gains from the fuel subsidy removal, as discussions continue. The baseline also reflects only administrative gains from ongoing efforts for non-oil revenue, and not yet gains from the government's reform agenda which is in the final stages of the legislative process. Staff's baseline implies an expansionary fiscal stance in 2025 relative to 2024, driven by the wage bill, transfers and capital expenditures.

18. Staff recommends a neutral fiscal stance in 2025 to safeguard macroeconomic stabilization, while prioritizing growth-enhancing investment and support to the most vulnerable. Ensuring that the fuel subsidy savings accrue to the government would yield the proposed neutral stance—the full-year savings are estimated at 2 percent of GDP. If the savings are not realized starting H2-2025 and given that tax policy reforms under consideration are not expected to deliver significant revenue gains in 2025, adjustment would have to come from the expenditure side (0.6 percent of GDP), with staff recommending to prioritize adjustments to recurrent spending to protect growth-enhancing investments, while accelerating the delivery of cash transfers to assist the poor under the cash transfer program. Capital expenditures will have to be rationalized to preserve critical projects with the highest contribution to growth and job creation. In the adverse scenario, further adjustment will be needed, while looking for opportunities to advance or pre-commit to revenue mobilization measures to create fiscal space while safeguarding debt sustainability.

Figure 9. Nigeria: Fiscal Projections and Government Debt in the Baseline



Sources: Nigerian Authorities, IMF World Economic Outlook 2024 and Fund Staff Calculations

19. Stepping up revenue mobilization efforts would create fiscal space and support an upside scenario. Recent improvements notwithstanding, Nigeria continues to have one of the lowest revenue collection ratios in the world. The tax reform bills prepared by the Presidential Committee on Fiscal Policy and Tax Reforms and approved by parliament will modernize the VAT and CIT systems which should improve compliance and facilitate enforcement. The authorities see significant medium-term revenue potential from the reforms once finalized and implemented (Text Table 2). The decision to not raise the VAT rate now is reasonable, given high poverty and food insecurity and with the cash transfer system to support the most vulnerable households not yet fully rolled out. However, this will reduce consolidated government revenue by up to ½ percent of GDP in the authorities' estimates. The impact on the federal government would be minimal as the VAT loss is offset by a gain in CIT from lower deductions. The loss would instead fall on state and local governments. Assuming no alternative financing sources, they would have to raise additional revenue or reduce spending which is assumed in the baseline. Pre-committing to an implementation timeline for further policy measures in an updated medium-term framework would support fiscal sustainability and provide guidance on available fiscal space for development spending and support for the most vulnerable households. The authorities' revenue reform agenda is being supported by IMF CD, including with a resident advisor (Annex VII).

20. The 2025 financing strategy will have to be adjusted. The envisaged financing mix is consistent with the medium-term debt strategy, with a 55-45 percent mix of domestic and external instruments, and lengthening maturities as interest rates decline. Although elevated, 2025 rollover of maturing instruments has been achieved to date. With staff's deficit projection, the legal limits for domestic and external issuance would not cover 2025 financing needs. However, the authorities still have $1.1 billion space under the 2024 authorization to issue domestic fx securities. The government is exploring other finance sources, including PPPs, privatization, and pre-export financing.[5] The government can also tap deposits at the CBN that were built over the last year. The CBN would need to internalize this liquidity injection when calibrating monetary policy. Given the still very high interest-to-revenue ratio, containing debt accumulation and reducing the average cost of funding is important to support debt sustainability.

Text Table 2. Nigeria: Authorities' Revenue Mobilization Objectives[1/]

(Percent of GDP)

Authorities' Estimate of Potential Revenue Gains	Cumulative
Potential revenue gains from permanent measures	4.2
VAT reforms (incl. VAT on fuel products, and fiscalization/e-invoicing)	1.2
CIT reforms (incl. top up tax on MNEs, rationalization of incentives, and capital gains tax reform)	1.0
Excise reforms (incl. on telecom, gaming, lotteries)	0.1
Other tax policy and administive reforms (incl. using data and cross-validation for improving compliance)	1.8
Potential revenue gains from one-off measures (incl. windfall tax and voluntary disclosure program)	1.9

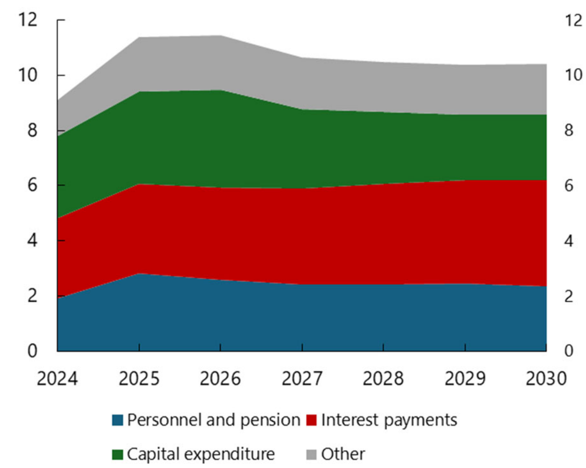
Source: Nigerian authorities' estimates; and Fund Staff calculations.

1/ Cumulative impact after full implementation.

21. The risk of sovereign stress is assessed as moderate (Annex VIII). Public debt in 2024 rose to 53 percent of GDP from 49 percent of GDP in 2023, driven by the fiscal deficit and exchange rate depreciation. Reforms to bolster resilience to shocks, strengthen the external position and improve security, combined with the domestic refinery increasing production should support growth and contain inflation in the baseline, putting debt on a downward path from 52 percent of GDP in 2025. Government arrears to NNPCL, electricity companies and pensioners—once consolidated and recognized—will add to debt, while any pre-export financing deal would reduce future revenues. Risks stem from worsening sentiment or oil prices, weak revenue mobilization, or expenditure slippages in the run-up to elections. Absent policies to safeguard macroeconomic stability, build buffers and

Figure 10. Nigeria: Composition of Federal Government Expenditure

(In percent of GDP)



Source: Nigerian authorities; and Fund staff calculations.

[5] Pre-export financing refers to potential borrowing operations currently under discussions that would be conducted by NNPCL on behalf of the government by pledging future crude oil. Any deal concluded in 2025 would likely cover mainly 2026 capital expenditure needs.

improve the fiscal position, risks increase. While the debt ratio declines in the baseline, interest costs take up a high share of revenue, and there is insufficient space to scale up development and social spending to support growth (Figure 10).

22. Delivering on the government's growth objectives would benefit from strengthening the budget process. The budget's systematic reliance on overly optimistic revenue assumptions frequently leads to intra-year revisions of capital expenditure.[6] Staff encourages the authorities to enhance the accuracy of fiscal forecasting with the 2026 budget. A budget based on reasonable revenue projections will better allow for the needed prioritization of initiatives. Integrating the development agenda as the main narrative for the budget will further support such prioritization. Conducting expenditure reviews and an evaluation of public investment management can provide a roadmap for policy reforms and enhance public investment efficiency. The quality of fiscal data is weak, complicating policy setting. Staff welcomes that the authorities have set up a committee to harmonize fiscal data across the various fiscal agencies. Fund CD provided a first diagnosis of the challenges in fiscal reform communication.

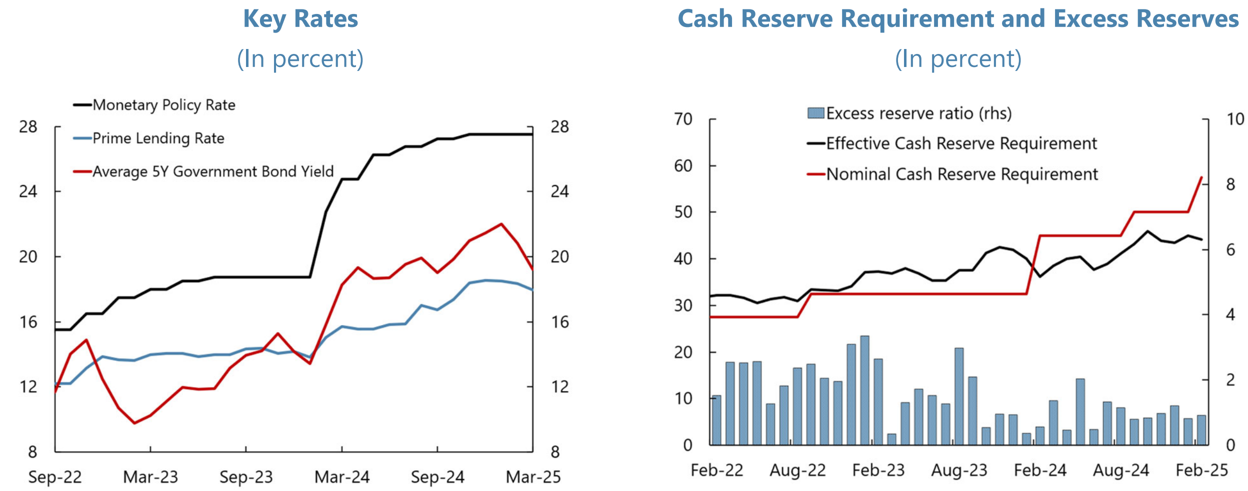
23. Authorities' Views. The authorities are confident that increased oil production and in-year adjustments will be sufficient to compensate for lower oil prices in 2025. They stressed their resolve to bring the savings from the fuel subsidy removal to the budget and staying the course with domestic revenue mobilization, while looking to diversify financing sources and relying more on private sector involvement in delivering infrastructure projects.

B. Continued Focus on Disinflation

24. The CBN has appropriately tightened monetary policy and should maintain a tight stance going forward considering still high inflation and external pressures. The Monetary Policy Committee hiked its policy rate by 875 bps in 2024, and appropriately stayed on hold in February and May 2025. The ex-post and ex ante policy rates are now positive in real terms which is appropriate to guide inflation down, while supporting external stability in the face of heightened uncertainty and external pressures. The Committee had previously widened the asymmetric corridor, increased the cash reserve requirement to 50 percent and the CBN issued OMOs to manage liquidity (Figure 11). The tightening has incentivized fx inflows and supported stability in the fx market. Transmission through the credit channel remains limited, given the low credit-to-GDP ratio. As such, and also given information gaps including from parameter uncertainty, monetary policy is subject to large uncertainty, in particular from the external side, and the CBN's data dependent approach remains appropriate, including integrating inflation expectations and further developing the modeling and forecasting toolkit. Announcing a disinflation path could help anchor inflation expectations and facilitate the transition to an inflation targeting regime. A neutral fiscal policy stance in 2025 that complements monetary policy and entrenched disinflation gains would allow reducing the nominal policy rate, while keeping the real policy rate positive.

[6] See Nigeria Selected Issues Paper (2025): Fiscal Forecasting Errors in Nigeria.

Figure 11. Nigeria: Key Interest Rates, Liquidity and Credit Growth



Sources: Haver Analytics, Fund Staff estimates

25. **The CBN is transitioning to inflation targeting.** Given the decision to maintain a flexible exchange rate regime, inflation targeting will help the CBN develop and implement monetary policy to maintain internal and external stability. The Fund will provide CD for moving to an interest-based monetary policy framework, strengthening the CBN's analytical toolkit, improving communication and enhancing the functioning of local currency bond markets. Continuing to strengthen CBN governance will be important to set the institutional foundation for inflation targeting. Staff welcomes CBN's efforts to strengthen governance and phase out development lending. Staff also recognizes the publication of the CBN's audited summary financial statements for 2024. The 2007 CBN Act needs to be modernized, in line with the 2021 Safeguards Assessment, to enshrine the primacy of price stability and strengthen CBN's autonomy and governance arrangements.

26. **Authorities' Views.** The authorities emphasized that they are committed to decisively tackle inflation and taming fx demand pressures. They welcomed the forthcoming Fund CD on inflation targeting.

C. Enhancing Resilience to External Shocks

27. **Nigeria's external position at end-2024 is assessed as *moderately stronger* than the level implied by fundamentals and desirable policies (Annex III).**[7] Staff's assessment is based on results of the EBA-lite quantitative models, adjusting for import compression, significantly lower hydrocarbon-related repatriations in 2024 and large errors and omissions. The CBN should continue to improve the granularity and consistency of external sector statistics (Annex IX).

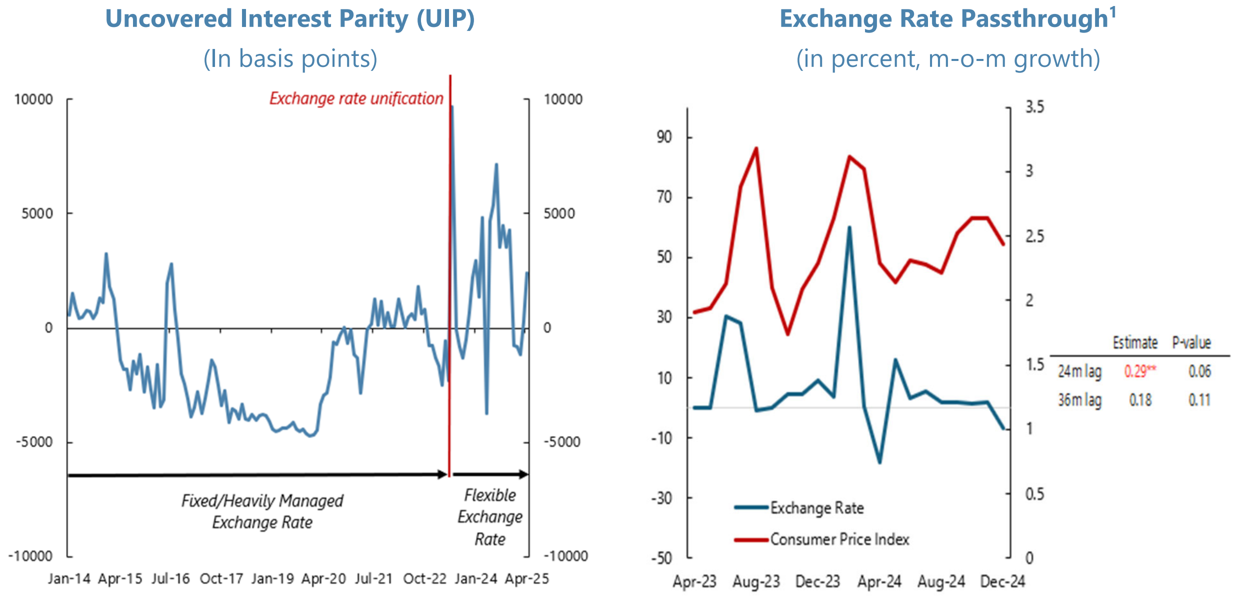
[7] This assessment is based on official CBN provisional BOP data for 2024 that are subject to revision.

28. Heightened global uncertainty exposes Nigeria to external shocks, improvements in resilience notwithstanding. The outflow of some $2 billion in portfolio investments through April with limited CBN interventions demonstrated that the foreign exchange market functions even under stress and that the authorities have built resilience in an impressive manner. At the same time, positioning of nonresident portfolio investors in OMOs (and to a lesser extent in treasury bills), exposes Nigeria to rollover risks at a time of heightened uncertainty. A sharp fall in oil prices or escalation in global uncertainty as in the adverse scenario could trigger portfolio outflows, putting pressure on reserves and, in the extreme, inducing steep exchange rate depreciation. In such circumstances, temporary capital flow measures (CFMs)—as part of a broader policy package and consistently with the Fund's Institutional View on The Liberalization and Management of Capital Flows (IMF's Institutional View)—may be warranted. Over the medium term, structural reforms to improve the business environment and attract FDI—alongside phasing out reliance on short-term portfolio inflows—will further boost external stability and resilience.

29. Recent fx market reforms have supported price discovery and liquidity, but a robust FXI framework is needed. As of 2024, Nigeria's de facto exchange rate regime is classified as *floating* from *other managed* in 2023. The CBN introduced an Electronic Foreign Exchange Matching System and an FX Code to improve transparency and market integrity. The CBN should leverage its recently-developed—with Fund staff input—FXI model and governance framework to focus FXIs on containing excess volatility.

30. The exchange rate should continue to play its role as a shock absorber, while, under certain circumstances, foreign exchange interventions may play a complementary role. Adjusting monetary and fiscal policies and allowing the exchange rate to depreciate remain the appropriate policy response to an adverse oil price—or other external—shock. In line with the IMF's Integrated Policy Framework (IPF), temporary FXIs can play a role in mitigating risks associated with large confidence swings and sharp naira depreciation, given fx market shallowness, the large exchange rate passthrough, and increasing exposure to short-term foreign inflows (Figure 12). However, FXIs should not substitute for warranted macroeconomic adjustments. Strong communication is key.

Figure 12. Nigeria: Main IPF Frictions



1/ The exchange rate passthrough is estimated using the linear monthly model developed as part of the IPF toolbox, over the period 2014-2024. The monthly CPI is the endogenous variable, while the exchange rate (NGN/USD), PMI, global food prices and oil prices are the main explanatory variables.

Sources: CBN, Refinitiv, Bloomberg, and Fund Staff computation.

31. **The authorities maintain several outflow capital flow management measures (CFMs).** Three of them are: (i) ban of fx purchases on the Nigeria fx market for the purpose of investing in fx securities abroad, (ii) payment limits on naira-denominated credit and debit cards for overseas transactions, and (iii) the requirement for International Oil Companies to hold 50 percent of repatriated export proceeds in Nigeria for 90 days before transferring offshore with the prior CBN approval. Staff recommend the phasing out of CFMs be done in a properly timed and sequenced manner. This would require considering external vulnerability risks and progress made with reforms to foster necessary institutional and financial development and in line with the IMF's Institutional View. The current fx NOP limits for banks (20 percent for short and 0 percent for long positions) are also outflow CFMs. The authorities should reintroduce symmetric NOP limits and increase them to their previous levels in a stepwise fashion as fx pressures abate and macro-financial stability improves. They should be used as a prudential measure rather than means to limit capital flows. The authorities should also be mindful of risks of unintended side-effects, in particular on banks' fx liquidity buffers and fx maturity mismatches.

32. **Authorities Views.** The authorities reaffirmed their commitment to exchange rate flexibility as a shock absorber and emphasized that FXIs are strictly confined to isolated needs to ensure the orderly functioning of the fx market. They recognize rollover risks, but stress that investors remain comfortable with Nigeria's reform story and that a share of portfolio inflows has a maturity of more than a year.

D. Safeguarding Financial Stability

33. Staff welcome the actions taken to strengthen the banking sector.[8] Large exposures to fx loans, the hydrocarbon sector, and single borrowers constitute risks for individual institutions. Banks have already raised half of the required capital to meet the new minimum capital thresholds that will become effective in March 2026. The recapitalization will enhance banks' capacity to expand lending and absorb losses. The CBN is conducting monthly stress tests and plans to apply Basel III standards in 2026. The authorities intend to phase out remaining Covid regulatory forbearance by June 2025. Staff encourage the CBN to further improve the reporting of NPLs and recognition of impaired loans—Fund CD suggests that some banks have delayed NPL recognition by granting bullet loans. Staff welcome the CBN's decision to enforce bank compliance with stricter insider-lending limits within 6 months. Staff stress the need to strengthen governance frameworks to protect credit quality. A sound regulatory regime for the new mortgage and consumer lending schemes is needed to prevent excessive risk taking. The authorities agree with the need to ensure that non-bank financial institutions (largely microfinance institutions) address the substantial increase in NPLs, while enhancing lending and credit risk management standards.

34. Credit extension leaves the private sector underserved (Figure 13). Demand for government securities from domestic banks, pension funds and asset management companies is robust. However, private sector credit remains weak with tight lending standards, high interest rates, and currency depreciation hampering borrowers' debt carrying capacity. Private credit is concentrated in the oil and gas sector, with virtually no new lending to SMEs and households. Strengthening creditor rights, expediting judicial resolution of commercial disputes and streamlining the loan recovery process would boost private sector credit.

35. Fast-growing fintech and crypto sectors require robust risk-based supervision. Fintech helped improve access to financial services and enhance inclusion—74 percent of adults had access to financial services in 2024. This rapid growth also poses risks of fraud that must be addressed through regulation. While Nigeria has pioneered crypto regulations—e.g., licensing requirements for crypto exchanges and the application of AML/CFT obligations on crypto asset service providers—enforcement has not been steady.[9] Some unlicensed crypto exchanges continue to operate in Nigeria due to enforcement challenges, as many lack a physical presence or are based overseas. The CBN plans to issue upgraded licensing requirements for fintech firms.

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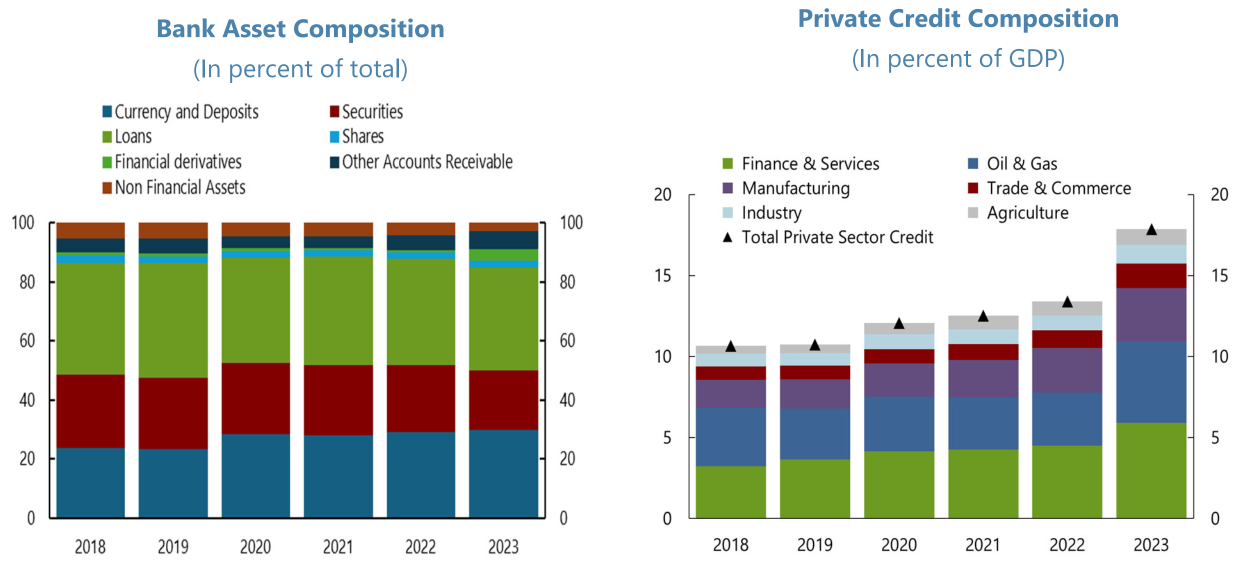
[8] Follow-up to the 2013 Financial Sector Assessment was summarized in the 2024 Article IV consultation. Since then, the authorities have further strengthened macroprudential oversight and risk preparedness and have continued to enhance Development Finance Schemes.

[9] See Nigeria Selected Issues Paper (2025): Regulating the Crypto Market in Nigeria.

Figure 13. Nigeria: Bank Assets and Private Credit Composition



Sources: CBN, Fund Staff estimates.

36. Authorities Views. The authorities recognize potential pressures in the financial sector, stressing that supervision has been effective and that they are adapting regulation and licensing as needed in line with international best practice, including for the fintech and crypto sectors.

E. Growth, Governance and Climate Resilience

37. In the near term, as the economy confronts trade-offs between adjustment and growth, reforms should target priority sectors for growth and job creation. Further enhancing security is key for hydrocarbon and agriculture production. Cutting red tape in trade—such as cumbersome procedures for exports/imports and ending the Pre-Shipment Inspection (PSI) of non-oil exports—would help make the most of the newly introduced National Single Window. The authorities announced an initiative ("Nigeria First") to prioritize locally-produced goods and services by public procurements to stimulate domestic production and strengthen fiscal multipliers.

38. Supporting longer-term growth and reducing fragility will require a productivity-led push that supports export diversification and inclusion. Improving agricultural productivity—through mechanization, developing agriculture value chains and promoting R&D in agriculture will be critical to support food security and jobs. Developing infrastructure and accelerating electricity sector reforms is key to stimulating private investment and boosting productivity. Increasing spending in education and health, facilitate access to financing and narrowing macrocritical gender gaps are also crucial for productivity growth. Addressing multifaceted governance challenges—as identified in [Annex X of 2024 Article IV Report]—would unlock Nigeria's growth potential and strengthen the social contract. Annex II documents progress on staff's recommendations.

39. Staff welcomes progress in addressing deficiencies in Nigeria's AML/CFT framework. The authorities have undertaken several measures to strengthen the effectiveness of their AML/CFT framework, in line with Nigeria's FATF action plan, including by enhancing AML/CFT risk-based supervision and improving investigations and prosecutions of money laundering and terrorism financing. Resolving remaining AML/CFT weaknesses and sustaining reform momentum is essential to achieve de-listing by the FATF and promote Nigeria as a trusted destination for business.

40. Climate events significantly impact Nigeria's growth outlook, fiscal sustainability, balance of payments and financial sector, potentially undermining macroeconomic stability.[10] Extreme weather events and their frequency have a direct effect on growth and the balance of payments. An expected sea level rise would pose significant economic cost for Nigeria, damaging infrastructure in coastal areas such as Lagos—the main commercial and financial center. While relatively small, the financial sector is exposed to spillovers to asset quality and may even be directly impacted via its physical presence in Lagos. Fiscal policy will have to address lower tax revenues from lower growth and higher demands for spending on disaster relief, infrastructure repair, and investments in climate adaptation and mitigation. As a result, Nigeria will face higher debt risk and fiscal and external financing gaps.

41. Authorities Views. The authorities agree with staff's emphasis on accelerating growth and note that the 2026 National Development Plan will set out a private-sector led growth agenda. They are confident that FATF delisting will be achieved soon. The authorities agree with staff's analysis of macroeconomic risks posed by climate events, pointing to the ongoing update of their climate strategy and efforts to access climate financing.

F. Macroeconomic Statistics

42. Data shortcomings are somewhat hampering surveillance (Annex IX). Inconsistency of fiscal data across government entities and limited coverage and granularity hamper an accurate and timely assessment of the fiscal position. Large errors and omissions, and delays in publishing balance of payments data complicate external stability analysis. Delays in publishing financial soundness indicators constrain the assessment of financial conditions and risks. Complete publication of the rebased CPI data has been delayed and setting December as the index reference period rather than following the common approach of using an annual index reference period inhibits the assessment of the inflation level and trend.

STAFF APPRAISAL

43. The authorities have implemented bold reforms that have improved stability and enhanced resilience. Liberalizing and strengthening the function of the foreign exchange market, removing fuel subsidies, ending monetary financing, strengthening revenue administration, and raising hydrocarbon production, have improved macroeconomic stability. Investor confidence has

[10] See Annex X and Nigeria Selected Issues Paper (2025): "Macroeconomic Implications of Climate Challenges."

strengthened, helping Nigeria to successfully tap international markets and leading to a resumption of portfolio inflows. However, gains have yet to benefit all Nigerians. Inflation remains high and poverty and food insecurity have risen.

44. A changing global economic environment is posing new challenges for Nigeria. Lower oil prices and heightened uncertainty provide headwinds. Elevated downside risks could give rise to an adverse scenario that would require further adjustment, while achieving additional hydrocarbon production gains and creating more fiscal space could provide an upside to growth. Nimble policy making is needed to navigate this fast-changing, volatile environment. Strong policy coordination and communication are key.

45. A recalibration of the 2025 budget and the medium-term expenditure framework is needed to adjust to lower oil prices and tighter financing conditions. A neutral fiscal stance in 2025 is appropriate to maintain fiscal sustainability and support monetary policy. This requires clearly identified measures that prioritize and protect critical investments, while scaling up cash transfers to protect the most vulnerable.

46. Sustaining revenue mobilization and enhancing public investment efficiency are essential to generate fiscal space and mitigate risks of sovereign stress. Staff welcomes the adoption of the four tax reform bills that will modernize Nigeria's tax system, incentivizing compliance and enhancing enforcement. Bringing the fuel subsidy savings on budget, and, over time as the cost-of-living crisis eases, taking further tax policy measures is needed to create fiscal space. Enhancing the budget process, expenditure reviews and a public investment management evaluation would improve spending efficiency. With the planned use of PPPs and pre-export financing, enhanced fiscal risk analysis is needed.

47. The CBN is appropriately maintaining a tight monetary policy stance. A positive real policy rate will help guide inflation down, including by easing pressures on the exchange rate with its high pass-through to domestic prices. Announcing a disinflation path could help anchor inflation expectations and facilitate the transition to an inflation targeting regime.

48. Nigeria's external position at end-2024 is assessed to be moderately stronger than the level implied by fundamentals and desirable policies. With heightened external uncertainty, managing external rollover needs has become even more important. Staff recommend eliminating the remaining legacy exchange restrictions, for which approval is not being sought, as conditions permit. Reforms to improve the business environment and attract FDI would further strengthen external resilience over time.

49. In line with the IMF's Integrated Policy Framework, the exchange rate should continue to play its role as shock absorber, while foreign exchange interventions, under certain circumstances, may play a complementary role in addressing risks to price stability. With a floating regime, allowing the exchange rate to depreciate and adjusting monetary and fiscal policies remain the appropriate policy response to adverse external shocks. Temporary FXIs can help mitigate the impact of confidence swings and the pass-through to inflation; a robust FXI framework is needed.

50. The financial system remains resilient, with pockets of vulnerabilities. Adoption of Basel III in 2026 and the ongoing recapitalization program will strengthen banks. High NPLs in several NBFIs, new mortgage and consumer lending schemes and fast-growing Fintech and crypto sectors pose potential risks to financial stability. The regular monthly stress tests and strengthening regulations and supervision are important. Addressing structural impediments to private credit extension would support growth.

51. Prioritizing measures that alleviate the adjustment-growth trade-off in the near term can pave the way for an inclusive growth acceleration over the medium term. Further improving security and cutting red tape on trade should boost output in the near-term. Improving governance, upgrading infrastructure, addressing power supply, increasing education and health spending and integrating adaptation plans to climate change into growth agenda should boost medium-and-long term growth and help exit fragility.

52. Staff recommends the standard 12-month cycle for the next Article IV Consultations.

Table 1. Nigeria: Selected Economic and Financial Indicators, 2021–30

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Act.	Act.	Act.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
National income and prices	Annual percentage change, unless otherwise specified									
Real GDP (at 2010 market prices)	3.6	3.3	2.9	3.4	3.4	3.2	3.3	3.3	3.5	3.5
Oil and Gas GDP	-8.3	-19.2	-2.2	5.5	4.9	2.3	1.6	0.0	0.0	0.0
Non-oil GDP	4.7	5.0	3.2	3.3	3.3	3.3	3.4	3.5	3.7	3.7
Non-oil non-agriculture GDP	5.7	6.2	3.9	4.1	3.7	3.7	3.7	3.8	4.1	4.1
Production of crude oil (million barrels per day)	1.51	1.4	1.5	1.5	1.7	1.7	1.7	1.7	1.7	1.7
Nominal GDP at market prices (trillions of naira)	176.1	202	234	277	320	367	422	483	552	629
Nominal non-oil GDP (trillions of naira)	166.4	190	221	260	303	351	404	464	532	607
Nominal GDP per capita (US$)	2,018	2,135	1,597	806	836	887	948	1,007	1,080	1,152
GDP deflator	10.1	11.3	12.6	14.5	11.4	11.4	11.2	10.8	10.4	10.0
Consumer price index (annual average)[1]	17.0	18.8	24.7	31.4	24.0	23.0	17.0	15.0	12.0	10.0
Consumer price index (end of period)[1]	15.6	21.3	28.9	15.4	23.0	18.0	16.0	14.0	10.0	10.0
Investment and savings	Percent of GDP									
Gross national savings	32.4	33.0	31.8	39.6	37.5	37.7	37.6	38.5	39.2	39.0
Public	-1.7	-2.3	-0.1	3.9	2.2	1.7	1.8	1.6	1.3	1.2
Private	34.0	35.3	31.9	35.7	35.3	36.1	35.8	37.0	37.9	37.8
Investment	33.1	32.2	30.0	30.4	30.5	33.1	33.9	35.7	37.3	38.1
Public	3.0	2.5	3.2	4.8	5.4	5.5	4.9	4.6	4.4	4.4
Private	30.1	29.8	26.8	25.6	25.1	27.6	28.9	31.1	32.9	33.7
Consolidated government operations	Percent of GDP									
Total revenues and grants	7.1	9.0	9.8	14.4	14.2	13.8	14.1	14.0	13.8	13.8
Of which: oil and gas revenue	2.3	3.6	3.3	4.1	5.1	4.9	4.9	4.6	4.2	4.1
Of which: non-oil revenue	4.7	4.8	5.8	9.2	8.8	8.8	9.1	9.4	9.6	9.7
Total expenditure and net lending	12.6	14.4	13.9	17.1	18.9	18.7	18.1	17.9	17.7	17.7
Overall balance	-5.5	-5.4	-4.2	-2.6	-4.7	-4.9	-4.0	-3.9	-4.0	-3.9
Non-oil primary balance	-6.0	-8.2	-4.9	-4.9	-7.2	-6.9	-5.8	-5.1	-4.6	-4.3
Public gross debt[2]	36.8	40.4	48.7	52.9	52.0	50.8	49.9	48.3	47.2	46.2
Of which: FX denominated debt	10.1	10.2	18.1	25.5	25.8	24.8	24.2	22.8	21.8	20.7
FGN interest payments (percent of FGN revenue)	79.5	61.2	83.8	41.1	47.3	49.2	50.2	53.3	56.1	58.0
Money and credit	Contribution to broad money growth, unless otherwise specified									
Broad money (percent change; end of period)	14.2	17.4	51.9	42.7	17.9	22.3	20.0	17.9	18.1	17.3
Net foreign assets	0.9	-12.3	10.5	30.4	2.1	7.2	4.8	3.2	2.9	2.6
Net domestic assets	13.3	29.7	41.3	12.3	15.8	15.1	15.2	14.7	15.2	14.7
Of which: Claims on consolidated government	7.1	24.5	20.1	-11.9	6.2	4.1	4.3	3.4	3.5	3.5
Credit to the private sector (y/y, percent)	25.9	11.0	53.6	30.1	17.9	18.2	18.4	18.5	18.6	18.4
Velocity of broad money (ratio; end of period)	3.7	3.7	2.7	3.3	2.2	2.1	2.0	2.0	1.9	1.9
External sector	Annual percentage change, unless otherwise specified									
Current account balance (percent of GDP)	-0.7	0.7	1.8	9.2	7.0	4.6	3.7	2.8	1.9	0.9
Exports of goods and services	27.3	35.9	-12.8	-4.5	-6.0	1.3	2.1	1.8	1.7	0.8
Imports of goods and services	-6.5	14.2	-4.4	-0.8	-6.8	8.4	5.2	6.0	6.0	5.5
Terms of trade	15.8	9.8	-6.1	-0.6	-7.4	-3.3	0.7	0.0	0.3	0.0
Price of Nigerian oil (US$ per barrel)	70.8	99.0	82.3	79.9	67.7	63.3	63.7	64.7	65.6	65.6
External debt outstanding (US$ billions)[3]	101	106.9	102.9	102.2	105.9	110.2	113.1	116.7	120.5	124.3
Gross international reserves (US$ billions, CBN definiton)[4]	40.5	36.6	33.2	40.2	36.4	39.1	41.1	43.2	44.8	45.8
Equivalent months of prospective imports of G&S	6.3	6.7	5.4	5.7	7.5	7.7	7.6	7.5	7.4	7.2
Memorandum items:										
Implicit fuel subsidy (percent of GDP)	-	2.2	0.8	2.1	0.0	0.0	0.0	0.0	0.0	0.0

Sources: Nigerian authorities; and IMF staff estimates and projections.

[1] Consumer price index (CPI) projections are derived based on rebased CPI data starting January 2025 and staff estimates.

[2] Gross debt figures for the Federal Government and the public sector include overdrafts from the Central Bank of Nigeria (CBN).

[3] Includes both public and private sector.

[4] Based on the IMF definition of gross international reserves (para 6.64 in IMF's Balance of Payments and International Investment Position Manual (BPM6)), GIR was $8 billion lower relative to CBN's official gross reserves at end-2024.

Table 2. Nigeria: Balance of Payments, 2021-30
(Billions of U.S. dollars, unless otherwise specified)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Act.	Act.	Act.	Act.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account balance	-3.3	3.5	6.4	17.2	14.0	9.9	8.8	7.1	5.3	2.9
Trade balance	-4.6	6.0	8.1	13.2	14.9	12.2	11.3	10.2	9.0	7.4
Exports	46.9	64.2	55.8	53.0	49.4	50.0	51.0	52.0	52.8	53.2
Crude Oil	35.2	0.0	44.0	41.7	34.5	32.3	33.7	34.2	34.7	34.7
Refined Oil	0.0	0.0	0.0	0.0	1.1	4.1	4.0	4.0	3.9	3.7
Gas	5.7	7.4	5.8	8.7	6.3	5.7	5.0	5.0	5.0	5.0
Other	6.0	7.1	6.0	7.5	7.6	7.9	8.4	8.8	9.3	9.8
Imports	-51.4	-58.2	-47.7	-39.8	-34.5	-37.8	-39.7	-41.8	-43.8	-45.9
Crude Oil	0.0	0.0	0.0	-0.9	-4.1	-6.6	-6.6	-6.7	-6.8	-6.8
Refined Oil	-15.7	-22.4	-18.3	-13.4	0.0	0.0	0.0	0.0	0.0	0.0
Other	-35.7	-35.9	-29.4	-25.7	-30.3	-31.2	-33.1	-35.0	-37.0	-39.0
Services (net)	-12.1	-14.0	-13.2	-13.4	-14.7	-15.8	-16.8	-18.4	-20.2	-21.8
Receipts	4.0	4.9	4.4	4.6	4.7	4.8	4.9	5.0	5.1	5.2
Payments	-16.1	-18.8	-17.7	-17.9	-19.4	-20.5	-21.7	-23.3	-25.2	-26.9
Income (net)	-8.6	-10.4	-10.5	-6.6	-10.6	-11.3	-11.0	-10.7	-10.3	-10.0
Oil/gas	-8.2	-9.9	-10.5	-7.8	-9.9	-10.0	-9.5	-9.1	-8.8	-8.5
Other	-0.4	-0.5	-0.1	1.2	-0.7	-1.4	-1.5	-1.6	-1.5	-1.6
Of which: Interest due on public debt	1.3	1.5	2.8	1.7	2.0	2.1	2.3	2.4	2.5	2.5
Transfers (net)	22.0	21.8	22.1	24.0	24.3	24.9	25.3	26.0	26.7	27.3
Capital and Financial account balance	6.7	2.6	15.1	-5.1	-17.8	-7.2	-6.8	-5.0	-3.6	-1.9
Capital Account (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial Account (net)	6.7	2.6	15.1	-5.1	-17.8	-7.2	-6.8	-5.0	-3.6	-1.9
Direct Investment (net)	1.5	-1.9	1.6	0.7	1.7	2.0	2.2	2.5	2.9	3.1
Portfolio Investment (net)	5.3	3.9	6.2	12.2	-2.1	1.2	1.4	2.4	2.5	2.7
Other Investment (net)	-0.1	0.6	7.3	-18.0	-17.3	-10.3	-10.4	-9.9	-9.0	-7.7
Errors and omissions	0.2	-9.9	-24.9	-5.1	...	...	...	...	...	...
Overall balance	3.6	-3.9	-3.4	7.0	-3.8	2.8	1.9	2.1	1.7	1.0
Net international reserves (increase -)	-3.6	3.9	3.4	-7.0	3.8	-2.8	-1.9	-2.1	-1.7	-1.0
Memorandum items:										
Gross official reserves, end-of-period (CBN definition)[1]	40.5	36.6	33.2	40.2	36.4	39.1	41.1	43.2	44.8	45.8
In months of next year's imports of goods and services	6.3	6.7	6.9	9.0	7.5	7.7	7.6	7.5	7.4	7.2
Current account (percent of GDP)	-0.7	0.7	1.8	9.2	7.0	4.6	3.7	2.8	1.9	0.9
Exports of goods and services (percent of GDP)	11.5	14.5	16.6	30.7	27.2	25.4	23.8	22.3	20.7	19.2
Imports of goods and services (percent of GDP)	15.3	16.2	18.0	30.8	27.1	27.1	26.1	25.5	24.7	23.9
Public external debt[2]	43.2	46.2	47.1	46.1	49.1	52.7	54.8	57.1	59.4	61.5
In percent of GDP	9.8	9.7	12.9	24.5	24.7	24.5	23.3	22.4	21.3	20.2
In percent of exports of G&S	84.9	66.8	78.2	80.0	90.7	96.3	98.1	100.4	102.6	105.3
In percent of consolidated fiscal revenues	138	108	133	170	174	178	166	161	154	147
Private external debt	57.4	60.7	55.8	56.2	56.8	57.4	58.2	59.6	61.1	62.8
Public external debt service due (percent of exports of G&S)	4.8	5.2	8.5	7.9	9.8	6.6	9.6	9.2	9.3	9.6
Real imports of goods and services (percent of real GDP)	25.9	23.7	21.3	18.4	17.5	18.7	18.9	19.3	19.3	19.6
GDP in billion U.S. dollars	441	476	364	188	199	215	235	255	279	304

Sources: Nigerian authorities; and IMF staff estimates and projections.

[1] Based on the IMF definition of gross international reserves (para 6.64 in IMF's Balance of Payments and International Investment Position Manual (BPM6)), GIR was $8 billion lower relative to CBN's official gross reserves at end-2024.

[2] Nominal public short- and long-term debt, end of period. Guaranteed external debt not included. External public debt for the purpose of BoP is based on a residency definition and includes CBN's debt.

Table 3. Nigeria. Government Operations, 2021–30
(Percent of GDP)

	2021	2022	2023	2024	2025		2026		2027		2028	2029	2030
	Act.	Act.	Act.	Est.	Budget	Proj.	MTEF	Proj.	MTEF	Proj.	Proj.	Proj.	Proj.
Consolidated Government													
Total revenue	7.1	9.0	9.8	14.4	...	14.2	...	13.8	...	14.1	14.0	13.8	13.8
Oil revenue	2.3	3.6	3.3	4.1	...	5.1	...	4.9	...	4.9	4.6	4.2	4.1
Non-oil revenue	4.7	4.8	5.8	9.2	...	8.8	...	8.8	...	9.1	9.4	9.6	9.7
Grants	0.0	0.6	0.7	1.2	...	0.2	...	0.1	...	0.1	0.0	0.0	0.0
Total expenditure	12.6	14.4	13.9	17.1	...	18.9	...	18.7	...	18.1	17.9	17.7	17.7
Federal government expenditure	7.4	6.9	7.9	9.1	...	11.4	...	11.4	...	10.6	10.5	10.4	10.4
State and local government	3.8	4.9	4.3	6.1	...	6.8	...	6.6	...	6.8	6.7	6.7	6.6
Extrabudgetary funds/ implicit fuel subsidies	1.4	2.6	1.8	1.3	...	0.7	...	0.7	...	0.7	0.7	0.7	0.6
Implicit Fuel Subsidy (percent of GDP)[1]	1.1	2.2	0.8	0.0	...	0.0	...	0.0	...	0.0	0.0	0.0	0.0
Overall balance	-5.5	-5.4	-4.2	-2.6	...	-4.7	...	-4.9	...	-4.0	-3.9	-4.0	-3.9
Non-oil primary balance	-6.0	-8.2	-4.9	-4.9	...	-7.2	...	-6.9	...	-5.8	-5.1	-4.6	-4.3
Financing	5.2	6.7	4.8	4.1	...	4.7	...	4.9	...	4.0	3.9	4.0	3.9
External	1.8	1.6	0.3	2.7	...	1.5	...	1.7	...	0.9	0.9	0.8	0.7
Borrowing	2.0	1.8	1.1	3.2	...	3.2	...	2.4	...	2.2	2.0	1.8	1.7
Amortization	-0.2	-0.2	-0.8	-0.5	...	-1.6	...	-0.7	...	-1.3	-1.1	-1.0	-1.0
Domestic	3.4	5.1	4.5	1.4	...	3.2	...	3.2	...	3.1	3.0	3.1	3.2
Bank financing	1.6	4.6	4.0	-0.1	...	2.2	...	1.5	...	1.9	1.6	1.4	1.7
CBN	1.3	3.3	2.2	-2.7	...	0.7	...	-0.4	...	-0.3	-0.3	-0.3	-0.2
Commercial Banks	0.2	1.3	1.8	2.6	...	1.4	...	1.8	...	1.9	1.6	1.7	1.7
Nonbank financing	1.7	0.3	0.5	1.4	...	1.0	...	1.7	...	1.2	1.4	1.7	1.5
Other financing	0.2	0.2	0.0	0.0	...	0.0	...	0.0	...	0.0	0.0	0.0	0.0
Statistical discrepancy	0.2	-1.3	-0.6	-1.5	...	...	...	...	...	...	...	...	...
Memorandum items:													
Implicit Fuel subsidy (2024 onwards)		...	...	2.1	...	0.0	...	0.0	...	0.0	0.0	0.0	0.0
Federal Government													
Total revenue	2.8	3.2	4.1	7.1	10.1	6.9	8.6	6.8	8.3	6.9	6.8	6.7	6.6
Oil revenue	0.7	0.7	0.9	1.1	6.6	2.1	5.4	2.0	5.3	2.0	1.9	1.7	1.6
Non-oil revenue	1.8	1.8	2.6	4.8	3.3	4.5	3.0	4.7	2.9	4.8	4.9	5.0	5.0
Grants	0.3	0.7	0.7	1.2	0.2	0.2	0.2	0.1	0.1	0.1	0.0	0.0	0.0
Total expenditure	7.9	7.4	7.9	9.1	12.6	11.4	11.1	11.4	10.4	10.6	10.5	10.4	10.4
Recurrent expenditure	6.1	6.4	6.0	6.1	7.0	8.0	6.7	7.9	6.3	7.7	7.9	8.0	8.0
Personnel	1.9	1.9	1.9	1.9	2.7	2.8	2.3	2.6	2.1	2.4	2.4	2.4	2.4
Overheads	0.6	0.6	0.4	0.7	0.9	0.8	0.9	0.9	0.7	0.9	0.9	0.9	0.9
Interest	2.2	2.0	3.5	2.9	3.5	3.2	3.5	3.3	3.5	3.5	3.6	3.8	3.8
Transfers	0.5	0.5	0.4	0.6	1.3	1.1	1.1	1.1	1.1	1.0	1.0	1.0	1.0
Arrears clearance	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	1.9	1.0	1.9	3.0	4.2	3.3	3.3	3.5	3.0	2.9	2.6	2.4	2.4
Overall balance	-5.2	-4.2	-3.8	-2.0	-2.6	-4.5	-2.5	-4.7	-2.1	-3.7	-3.6	-3.7	-3.8
Financing	4.9	5.6	4.0	1.9	...	4.5	...	4.7	...	3.7	3.6	3.7	3.8
External	1.8	1.6	0.3	2.7	...	1.5	...	1.7	...	0.9	0.9	0.8	0.7
Domestic	3.1	4.0	3.7	-0.6	...	3.0	...	2.9	...	2.5	2.4	2.8	2.9
Bank financing	1.2	3.5	2.8	-2.2	...	1.1	...	0.9	...	1.2	1.3	1.4	1.5
CBN	1.0	3.3	2.0	-2.7	...	0.7	...	-0.4	...	-0.3	-0.3	-0.3	-0.2
Nonbank financing	1.7	0.3	0.9	1.4	...	1.9	...	0.0	...	1.7	1.2	1.0	1.3
Other financing	0.2	0.2	0.0	0.1	...	0.1	...	2.0	...	-0.4	0.0	0.4	0.1
Statistical discrepancy	0.3	-1.4	-0.2	0.1	...	...	...	...	...	...	...	...	...
Memorandum Items:													
FGN interest payments (percent of FGN revenue)	79.5	61.2	83.8	41.1	...	47.3	...	49.2	...	50.2	53.3	56.1	58.0

Sources: Nigerian authorities; and IMF staff estimates and projections.

[1] Fund staff estimate.

Table 4. Nigeria: Federal Government Operations, 2021–30

(Billions of Naira)

	2021	2022	2023		2024		2025		2026		2027		2028	2029	2030
	Act.	Act.	Budget[1]	Act.	Budget	Est.	Budget	Proj.	MTEF	Proj.	MTEF	Proj.	Proj.	Proj.	Proj.
Total Revenue and Grants	4,853	6,454	8,626	9,728	16,739	19,733	33,397	21,928	32,379	24,858	35,290	29,094	33,072	37,203	41,503
Oil revenue	1,304	1,397	2,385	2,096	8,176	3,033	21,755	6,732	20,244	7,455	22,377	8,586	9,167	9,656	10,068
Non-oil revenue	3,094	3,603	6,197	6,060	7,877	13,457	6,657	14,434	11,514	17,093	12,290	20,198	23,842	27,484	31,372
Import and excise duties	559	731	950	858	1,288	1,489	1,557	1,705	1,377	2,058	1,295	2,455	2,896	3,285	3,738
Companies' income tax	787	1,229	933	1,724	1,473	2,257	2,745	2,879	3,249	3,622	3,714	4,396	5,095	5,840	6,681
Value-added tax	404	330	383	426	513	825	973	985	1,126	974	1,273	1,133	1,367	1,630	1,882
Federal government independent reve	1,344	1,313	3,169	1,988	2,692	4,994	3,465	5,811	3,506	6,724	3,653	7,745	8,895	10,196	11,648
Education tax/custom levies/other	464	322	762	1,064	1,911	3,892	2,139	3,054	2,256	3,715	2,355	4,469	5,590	6,533	7,423
Grants	0	1,145	43	1,572	686	3,243	762	762	621	311	621	311	63	63	63
Total expenditure	13,970	14,991	22,404	18,609	26,673	25,290	41,952	36,377	41,765	42,047	44,154	44,901	50,680	57,402	65,418
Recurrent expenditure	10,653	12,967	15,282	14,122	17,499	17,054	23,483	25,719	25,218	29,060	26,961	32,684	38,196	44,325	50,359
Personnel	3,403	3,882	4,994	4,404	5,465	5,296	8,982	9,040	8,683	9,560	8,970	10,231	11,750	13,469	14,887
Overheads	1,055	1,168	2,744	1,019	2,244	1,904	3,032	2,662	3,280	3,287	3,165	3,686	4,133	4,737	5,412
Interest	3,858	3,953	6,558	8,154	8,047	8,111	11,469	10,372	13,255	12,228	14,862	14,605	17,611	20,853	24,053
Transfers[2]	797	960	985	1,035	1,743	1,743	4,436	3,645	4,166	3,986	4,526	4,162	4,702	5,266	6,007
Of which: electricity subsidies	300	150	...	500	...	0	...	0	...	0	...	0	0	0	0
Arrears Clearance	174	293	...	0	...	0	...	0	...	0	...	0	0	0	0
Capital expenditure	3,317	2,024	7,123	4,486	9,174	8,236	14,033	10,658	12,380	12,986	12,666	12,217	12,484	13,077	15,059
Overall balance	-9,117	-8,536	-13,778	-8,880	-9,934	-5,557	-8,555	-14,450	-9,386	-17,188	-8,864	-15,807	-17,608	-20,199	-23,916
Financing	9,117	8,536	...	8,880	...	5,681	...	14,450	...	17,188	...	15,807	17,608	20,199	23,916
External	3,183	3,200	...	611	...	7,476	...	4,825	...	6,302	...	3,761	4,374	4,475	4,319
Borrowing	2,460	2,495	...	1,761	...	8,964	...	10,082	...	8,806	...	9,264	9,780	10,205	10,675
Amortization	-280	-304	...	-1,343	...	-1,488	...	-5,257	...	-2,505	...	-5,503	-5,407	-5,730	-6,356
Net External Lending to SLGs	1,003	1,008	...	192	...	0	...	0	...	0	...	0	0	0	0
Domestic	5,404	8,160	...	8,710	...	-1,795	...	9,624	...	10,574	...	10,636	11,824	15,631	18,187
Bank financing	2,173	7,176	...	1,874	...	-6,093	...	3,364	...	3,271	...	5,076	6,363	7,726	9,372
CBN	1,734	6,669	...	4,771	...	-7,539	...	2,385	...	-1,410	...	-1,410	-1,410	-1,410	-1,410
Commercial Banks	439	507	...	1,679	...	1,446	...	978	...	4,681	...	6,486	7,773	9,135	10,782
Nonbank financing	2,955	600	...	2,157	...	4,000	...	5,948	...	7,303	...	5,560	5,461	7,905	8,814
Promissory notes	174	293	...	0	...	0	...	0	...	0	...	0	0	0	0
Asset Disposal	103	91	...	103	...	298	...	312	...	0	...	0	0	0	0
Statistical discrepancy	530	-2,824	...	-441	...	174	...	...	...	...	...	...	...	...	...
Memorandum items :															
FGN Total Debt	58,347	74,490	...	104,093	...	135,913	...	156,844	...	177,626	...	201,673	224,957	252,422	283,895
Domestic[3]	42,492	55,788	...	65,077	...	69,057	...	78,012	...	89,803	...	102,967	117,665	135,026	156,577
Foreign	15,855	18,702	...	39,016	...	66,856	...	78,832	...	87,822	...	98,706	107,292	117,395	127,318

Sources: Nigerian authorities; and IMF staff estimates and projections.

[1] Not including items under the supplementary budget.

[2] Includes earmarked spending for National Judicial Council, Universal Basic Education, Niger Delta Development Corporation, and Multi-Year Tariff Order subsidy.

[3] Gross debt figures for the Federal Government and the public sector include overdrafts from the Central Bank of Nigeria (CBN), promissory notes and AMCON debt.

Table 5. Nigeria: Consolidated Government, 2021–30
(Billions of Naira)

	2021 Act.	2022 Act.	2023 Act.	2024 Est.	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.	2030 Proj.
Total revenue and Grants	12,462	18,129	22,889	40,081	45,274	50,629	59,330	67,467	76,111	86,727
Oil revenue	4,111	7,360	7,686	11,344	16,234	17,977	20,705	22,107	23,286	25,780
Of which: implicit fuel subsidy[1]	1,862	4,353	1,850	0	0	0	0	0	0	0
Non-oil revenue	8,350	9,624	13,630	25,494	28,277	32,341	38,314	45,297	52,761	60,884
Import and excise duties	1,267	1,686	1,907	3,301	3,780	4,562	5,442	6,420	7,284	8,286
Companies' income tax	1,583	2,639	3,896	5,056	6,183	7,780	9,441	10,942	12,542	14,349
Value-added tax	2,043	2,462	3,397	6,564	7,599	7,515	8,744	10,550	12,577	14,525
Other (education tax and customs levies)	464	322	1,064	3,892	3,054	3,715	4,469	5,590	6,533	7,423
Federal government independent revenue	1,344	1,313	1,988	4,994	5,811	6,724	7,745	8,895	10,196	11,648
SLGs independent revenue	1,650	1,200	1,377	1,687	1,851	2,045	2,473	2,901	3,630	4,653
Grants	0	1,145	1,572	3,243	762	311	311	63	63	63
Total expenditure	22,113	29,102	32,701	47,373	60,335	68,642	76,308	86,419	97,971	111,265
Federal government	12,967	13,983	18,609	25,290	36,377	42,047	44,901	50,680	57,402	65,418
State and local government	6,703	9,846	9,968	17,292	21,813	24,154	28,532	32,468	36,905	41,772
Extrabudgetary funds and implicit fuel subsidies	2,443	5,273	4,125	3,693	2,144	2,441	2,875	3,271	3,664	4,074
Extrabudgetary funds[2]	581	920	2,275	3,693	2,144	2,441	2,875	3,271	3,664	4,074
Implicit fuel subsidy	1,862	4,353	1,850	0	0	0	0	0	0	0
Overall balance	-9,601	-10,973	-9,812	-7,292	-15,061	-18,013	-16,978	-18,952	-21,860	-24,538
Non-oil primary balance	-9,905	-15,525	-10,917	-12,669	-21,685	-24,074	-23,389	-23,510	-24,356	-26,327
Financing	9,238	13,542	11,262	11,332	15,061	18,013	16,978	18,952	21,860	24,538
External	3,183	3,200	611	7,476	4,825	6,302	3,761	4,374	4,476	4,321
Borrowing	3,592	3,644	2,571	8,964	10,082	8,806	9,264	9,780	10,205	10,675
Amortization	-409	-444	-1,960	-1,488	-5,257	-2,505	-5,503	-5,407	-5,730	-6,356
Domestic	6,005	10,342	10,651	3,856	10,236	11,712	13,217	14,578	17,385	20,218
Bank financing	2,774	9,358	9,353	-443	6,869	5,612	8,215	7,773	7,819	10,782
CBN	2,335	6,653	5,219	-7,539	2,385	-1,410	-1,410	-1,410	-1,410	-1,410
Commercial Banks	439	2,705	4,134	7,096	4,484	6,709	8,215	7,773	9,135	10,782
Nonbank financing	2,955	600	1,195	4,000	3,054	6,100	5,001	6,806	9,566	9,436
Other financing	103	91	103	298	312	0	0	0	0	0
Statistical discrepancy	414	-2,568	-1,450	-4,039	…	…	…	…	…	…
Memorandum items:										
Fuel subsidy (2024 onwards)	…	…	…	5736	0	0	0	0	0	0

Sources: Nigerian authorities; and IMF staff estimates and projections.

[1] Fund staff estimate.

Table 6. Nigeria: Central Bank of Nigeria (CBN) Analytical Balance Sheet, 2021–30
(Billions of Naira)

	2021 Act.	2022 Act.	2023 Act.	2024 Est.	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.	2030 Proj.
Net foreign assets	8,990	4,995	9,255	21,575	22,845	32,112	38,953	44,722	50,780	57,129
Foreign assets	17,262	16,452	36,983	60,023	63,012	69,571	78,203	85,177	92,533	100,156
Foreign liabilities	-8,272	-11,458	-27,728	-38,448	-40,167	-37,459	-39,250	-40,454	-41,754	-43,027
Of which: non-resident OMOs	-5,717	-6,480	-9,333	-24,836	-18,875	-15,459	-15,459	-15,459	-15,459	-15,459
Net domestic assets	4,305	11,038	15,480	11,098	14,601	13,073	9,747	7,446	5,863	7,179
Net domestic credit	22,986	32,671	41,759	25,845	31,366	30,620	29,834	29,111	29,772	33,415
Net claims on consolidated government	10,273	18,993	25,084	9,742	12,127	10,815	9,405	7,995	7,902	6,492
Net claims on federal government	9,566	17,516	23,525	8,066	10,451	9,139	7,729	6,319	6,226	4,816
Claims	19,699	27,589	45,167	37,884	37,884	35,474	34,064	32,654	31,245	29,835
Deposits	-10,133	-10,073	-21,642	-29,818	-27,433	-26,335	-26,335	-26,335	-25,019	-25,019
Net claims on state and local governments	707	1,477	1,559	1,676	1,676	1,676	1,676	1,676	1,676	1,676
Claims on deposit money banks	3,603	3,239	3,881	4,050	5,670	6,237	6,861	7,547	8,302	9,962
Other net claims	9,110	10,439	12,794	12,053	13,568	13,568	13,568	13,568	13,568	16,960
Other items net	-18,681	-21,633	-26,279	-14,747	-16,764	-17,548	-20,087	-21,665	-23,909	-26,236
Reserve money	13,295	16,033	24,736	32,673	37,447	45,185	48,701	52,168	56,643	64,308
Currency in circulation	3,325	3,012	3,653	5,258	6,026	7,271	7,837	8,395	9,115	10,349
Banks reserves with the CBN	9,970	13,021	21,082	27,415	31,421	37,913	40,863	43,773	47,527	53,959
Memorandum items:										
Reserve money y/y growth rate	1	21	54	32	15	21	8	7	9	14
Net foreign assets	-9	-30	27	50	4	25	15	12	12	11
Net claims on government	15	66	38	-62	7	-4	-3	-3	0	-2
Claims on deposit money banks	7	-3	4	1	5	2	1	1	1	3
Other claims	4	10	15	-3	5	0	0	0	0	6
OIN	-16	-22	-29	47	-6	-2	-6	-3	-4	-4
Money multiplier	3	3	3	3	4	4	4	4	5	5

Sources: Nigerian authorities; and IMF staff estimates and projections.

Table 7. Nigeria: Monetary Survey, 2021–30
(Billions of Naira)

	2021 Act.	2022 Act.	2023 Act.	2024 Est.	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.	2030 Proj.
Net foreign assets	9,320	3,843	9,338	33,439	35,838	45,481	53,315	59,637	66,412	73,451
Central Bank of Nigeria (net)	8,990	4,995	9,255	21,575	22,845	32,112	38,953	44,722	50,780	57,129
Commercial and merchant banks (net)	330	-1,152	83	11,864	12,992	13,369	14,362	14,914	15,633	16,322
Net domestic assets	35,124	48,345	69,914	79,655	97,494	117,632	142,408	171,178	206,149	246,281
Net domestic credit	48,761	66,125	96,086	99,786	119,094	139,636	164,980	194,172	230,117	271,255
Net claims on consolidated government	16,335	27,235	37,748	28,341	35,353	40,807	47,890	54,528	62,526	72,167
Net claims on FGN[1]	13,840	23,691	33,548	24,253	31,266	36,720	43,805	50,444	58,444	68,087
CBN	9,566	17,516	23,525	8,066	10,451	9,139	7,729	6,319	6,226	4,816
Commercial Banks	4,274	6,175	10,022	16,187	20,815	27,581	36,076	44,125	52,217	63,271
Claims on SLG	2,495	3,544	4,200	4,088	4,087	4,087	4,085	4,084	4,082	4,080
Claims on private sector[2]	23,736	26,221	41,371	54,366	63,608	72,597	85,856	101,603	119,986	142,046
Of which: credit to the private sector	23,328	25,883	39,747	51,708	60,951	72,065	85,324	101,072	119,856	141,916
Other Claims	8,690	12,669	16,967	17,079	20,133	26,232	31,234	38,040	47,606	57,042
Other items (net)	-13,637	-17,780	-26,172	-20,131	-21,600	-22,003	-22,572	-22,994	-23,968	-24,974
Broad money[3]	44,444	52,187	79,252	113,093	133,332	163,113	195,723	230,814	272,562	319,732
Currency outside banks	2,938	2,569	3,434	5,125	5,682	6,856	7,389	7,916	8,595	9,758
Demand deposits	15,117	18,177	26,688	33,457	39,645	48,500	58,196	68,630	81,043	95,069
Time and savings deposits	26,387	30,565	48,709	74,494	88,840	102,186	118,961	135,538	155,430	206,227
CBN Bills held by resident nonbank sector	1	394	421	17	0	0	0	0	0	0
Memorandum Items:										
Broad money (y-o-y, percent)	14.2	17.4	51.9	42.7	17.9	22.3	20.0	17.9	18.1	17.3
Credit to the private sector (y-o-y, percent)	25.9	11.0	53.6	30.1	17.9	18.2	18.4	18.5	18.6	18.4
Velocity (non-oil GDP/broad money)	3.7	3.6	3.2	3.3	2.2	2.1	2.0	2.0	1.9	1.9
Gross international reserves (US$ billions)	40.5	36.6	33.2	40.2	36.4	39.1	41.1	43.2	44.8	45.8
Foreign currency deposits (as percent of total deposits)	22.5	21.5	29.2	39.0	…	…	…	…	…	…
Foreign currency credits (as percent of total private sector credit)	19.7	25.5	30.7	41.2	…	…	…	…	…	…

Sources: Nigerian authorities; and IMF staff estimates and projections.

[1] The SLGs share of the ECA is included under the Net Claims on the FGN, as the FGN is the signatory of the ECA in the CBN. It is assumed that the domestic portion of sovereign wealth fund will have similar accounting treatment.

[2] Does not include AMCON bonds.

[3] Broad money is based on an M3 definition.

Table 8. Nigeria: Financial Soundness Indicators. 2021 - 2024Q4

(Percent, End of Period)

	2021	2022	2023	2024Q1	2024Q2	2024Q3	2024Q4
Regulatory Capital to Risk-Weighted Assets	14.6	13.8	13.3	11.0	12.5	14.0	15.3
Regulatory Tier 1 Capital to Risk-Weighted Assets	12.5	11.9	10.9	9.0	10.6	12.0	12.9
Non-Performing Loans to Total Gross Loans	4.9	4.2	4.0	5.4	4.1	4.9	4.9
Return on Assets	1.5	1.2	2.0	3.4	3.9	3.5	3.5
Return on Equity	16.3	14.1	28.5	44.3	50.3	43.2	40.0
Interest Margin to Gross Income	45.5	55.7	36.5	47.3	50.1	54.3	54.7
Non-interest Expenses to Gross Income	63.2	71.4	33.1	44.5	47.7	47.2	46.1
Liquid Assets to Total Assets (Liquid Asset Ratio)	20.5	19.8	14.4	16.5	19.3	19.6	18.3
Liquid Assets to Short Term Liabilities	29.9	28.7	23.4	25.0	29.3	…	…

Source: Central Bank of Nigeria.

Annex I. Country Engagement Strategy Summary

A. Fragility in Nigeria and Policies

1. Nigeria gained independence in 1960, to start a tumultuous journey to democracy. The British colonial administration had amalgamated northern and southern protectorates in 1914 and employed indirect rule, particularly in the north, where its support to the political dominance of the northern region sowed seeds of ethno-religious division and political polarization. Post-independence, Nigeria experienced political crises, a civil war (1967-1970), and a series of military coups and violence. The country returned to democracy in 1999, marking the beginning of the Fourth Republic, the longest period of uninterrupted democratic governance. Nigeria's political system is based on a federal and presidential framework established in 1963, with significant autonomy for states and local governments.

2. Fragility in Nigeria is multidimensional, with insecurity and economic underdevelopment feeding on each other on top of historical ethno-religious fragmentation. Spillovers from regional neighbors further complicate security. Drivers include ethno-religious fragmentation and regional divides, high insecurity and weak rule of law, high demographic and social pressures, economic and financial constraints, a continuous brain drain, food insecurity, climate change and poor governance and corruption. Ethno-religious fragmentation and regional divides have led to social exclusion and unrest in several regions. This resulted in waves of internally displaced persons, facing severe humanitarian and socio-economic challenges. Political instability and weak institutions have undermined governance, trust and prevented the emergence of an “elite consensus” on needed social and economic policies to promote development. A fast-growing population, poor human development, limited economic opportunities, and growing inequalities have exacerbated brain drain and turned Nigeria’s youthful population into a driver of fragility. High insecurity, lack of economic diversification, limited fiscal space and financial constraints have worsened food insecurity, heightened poverty and exacerbated fragility.

3. Policies to exit fragility will have to break the adverse feedback loop of poor socio-economic outcomes and drivers of fragility. A key challenge is to forge a broad consensus around reforms which is intricately linked with the primacy of building trust. Reform design and sequencing will have to be done with trust-building as an overarching goal that has to be prioritized. Fairness and equal treatment across regions and groups, accountability, and demonstrated spending quality and transparency will be essential to regain trust over time:

- **In the short term, improving security conditions and scaling up social safety nets are critical.** Enhancing farmers’ security and tackling oil theft will reduce food insecurity and boost fiscal space for development. Equally important, expanding the cash transfer system to cover more households and ensuring continuous social support are essential.

- **In the medium and long term, strengthening human capital, institutions and infrastructure, enhancing revenue mobilization and accelerating economic**

diversification are key for a strong and sustainable growth. Expanding access to affordable healthcare, improving education quality, and promoting technical and vocational training, while improving economic opportunities for women, are crucial. Improving digital infrastructure and literacy is critical to empower people and support growth. Public and private investment in electricity and transport are key to reduce infrastructure gaps that hold back Nigeria's competitiveness. Well-designed tax policy and administration reforms and strengthening governance and transparency in the hydrocarbon industry will generate the needed resources for development. Strengthening trade and competition policies, eliminating business barriers to SMEs and maintaining the now flexible exchange rate should support non-oil exports competitiveness. Reforms in agriculture and investments in manufacturing would offer major opportunities for growth and boost job creation.

B. Fund Engagement and Risks

4. **Nigeria has access to all channels of IMF support.** The IMF prepares an annual Article IV report on Nigeria and engages in a continuous policy dialogue between consultations, including through the office of the resident representative. The IMF provides capacity development, through country visits and resident experts. At present, Nigeria has not requested financial assistance through an IMF lending facility; Nigeria accessed the rapid financing instrument facility during the Covid-19 crisis in 2020.

5. **The IMF will continue to collaborate and coordinate on the ground and at headquarters with development partners, in particular the World Bank.** IMF and World Bank collaborate closely on domestic revenue mobilization, social spending, financial sector issues, and macroeconomic and financial statistics. The IMF liaises closely with the World Food Program on food security. Through the office of the resident representative, the IMF participates in Nigeria's development partner group.

6. **IMF surveillance will focus on safeguarding macroeconomic stability, strengthening policy frameworks, the appropriate macroeconomic policy mix, and structural reforms to raise growth and foster development.** The surveillance dialogue will cover macroeconomic policies to safeguard external and price stability, including reducing inflation, enhancing the functioning of the foreign exchange market, strengthening domestic revenue mobilization and social safety nets. Topics will include the design of a foreign exchange intervention, inflation targeting and macro- and micro-prudential frameworks, developing and regulating the crypto asset and fintech sector, and assisting the authorities in strengthening their Anti-Money Laundering / Countering the Financing of Terrorism framework to exit the Financial Action Task Force's grey list. The surveillance dialogue will continue to engage on public financial management and public debt management. The IMF will support the authorities in their efforts to address the impact of and mitigate climate change. Future surveillance cycles will advise on policies to strengthen sustainable and inclusive growth and fiscal federalism. The IMF will also continue to advise on policies to strengthen governance which will be key to build trust; a critical ingredient to progress in these areas. IMF surveillance will be underpinned by analytical work in these areas.

7. Capacity development will focus on developing and strengthening policy frameworks to strengthen macroeconomic policy implementation and enhance institutions that can deliver a growth and development agenda. Capacity development will prioritize domestic revenue mobilization, public financial management, public debt management, inflation targeting, financial sector regulation and supervision, policy and reform communication and macroeconomic and financial statistics. Delivery will be through a mix of headquarter missions, short-term experts from the Regional Technical Assistance Center in Ghana, and resident experts as appropriate.

8. The political economy context creates challenges for IMF engagement in Nigeria. The IMF continues to be viewed negatively in much of the Nigerian public debate; the media is regularly running stories accusing the Fund of providing anti-people advice. The authorities remain concerned that any reform that is seen as being consistent with IMF advice is automatically opposed. In this environment, it becomes even more important to explain the rationale and objectives of the IMF's policy advice and emphasize how the advice is designed in a manner that protects the poor and vulnerable.

9. Strong communication will thus be important to improve the IMF's public image in Nigeria to build traction. The IMF will leverage high-level visits, the office of the resident representative, visiting missions, as well as multilateral surveillance products to explain the role of the IMF and advocate for its policy advice. The IMF will continue to engage with civil society, academia, parliament, the youth, labor unions, parliamentarians, and the media to build and strengthen alliances, identifying influencers ("third party validators") who can help strengthen the IMF's public image.

10. Risks to the success of the IMF's engagement with Nigeria are substantial. Limited traction of policy advice, fear of reforms, or reform fatigue can put macroeconomic stability or growth at risk. The IMF's policy advice can also be misconstrued or misunderstood, creating obstacles to needed reforms. Low data quality or a failure to anticipate key risks can hamper providing the appropriate policy advice. Weak or ineffective coordination among development partners can send conflicting signals, reduce traction, or result in sub-optimal policy outcomes. Lastly, the prevailing stigma can keep the authorities from requesting IMF support in a timely manner.

11. To mitigate these risks, the IMF will prioritize communication, building networks, and identifying allies. Policy advice will emphasize that proposed reforms are well sequenced and well-calibrated to Nigeria's fragile context, including protecting the vulnerable; and ensure that advice is grounded in sound analytical work that is widely shared as well as the IMF's cross-country experiences. Capacity development, in particular to strengthen policy frameworks, will enhance ownership, and help build strong macroeconomic policy institutions.

Annex II. Status of 2024 Governance Recommendations

Recommendations	Status
Transparency	
Amending the NEITI Act to allow for enforcement measures of the transparency requirements under the Petroleum Industry Act.	*In Progress*. Stakeholders' consultations are underway.
Implementing measures for public access to the asset declarations of public servants.	*In progress*. The Code of Conduct Bureau launched the digital system for submission of public officers' asset declarations (Online Asset Declaration System).
Anti-corruption Enforcement	
Amending the Economic and Financial Crimes Commission law to assure the independence of the agency.	*Pending*. Bill was not passed in the previous Assembly and needs to be filed again.
Expanding the capacity of the Code of Conduct Tribunal to sit in multiple locations, including using technology.	*Pending*.
Passing of the Whistle-Blower and Witness Protection Bill.	*In progress*. Bill has gone through first reading in the legislature.
Passing the Federal Audit Service Act and improve the funding to the Auditor General's office.	*Pending*. Bill was not passed in the previous Assembly and needs to be filed again.
Rule of Law	
Securing the independence of the judiciary by strengthening the National Judicial Council and conducting a review of the terms and conditions of employment of judges.	*In progress*. The conditions of service of judges have been reviewed.
Including in the revised National Justice Policy, consideration of measures to improve the institutions and mechanisms that support the justice system, including further use of alternate resolution processes, and digitalization of registries for property, copyright and court registries.	*In progress*. The new Supreme Court Rules came into effect in August 2024, allowing for electronic filing and service of court documents, simplifying procedures for filing appeals and enhancing powers of court registrar with respect to custody of records.

Annex III. External Sector Assessment

Overall Assessment: *The external position of Nigeria at end- 2024 is assessed as moderately stronger than the level implied by fundamentals and desirable policies.*[1] *Staff's assessment is based on EBA-lite models with staff judgement after considering temporary factors including the large import compression and significantly lower hydrocarbon-related repatriations, and large net errors and omissions, especially as the Nigerian economy adjusts to the recently liberalized fx regime.*[2] *The current account surplus rose significantly in 2024 (9 percent of GDP) on the back of significantly lower imports, both in the oil and non-oil sector, while gross reserves increased to close to $40 billion in 2024 from $33 billion in 2023, supported by the central bank's short-term borrowing in naira denominated Open Market Operations securities from non-resident investors and the Eurobond issuance.*[3]

Potential Policy Responses: *Structural reforms aimed at improving the business climate to support FDI in both the hydrocarbon and non-hydrocarbon sector are essential for the stability of the external sector. Expanding and diversifying the export basket, continuing to improve the fx market infrastructure and deepening the capital markets remain critical for long-term external sustainability.*

Foreign Assets and Liabilities: Position and Trajectory

Background. Nigeria is a net debtor country with heavy reliance on oil exports. The net international investment position (NIIP) deteriorated to –32 percent of GDP at end-2024 relative to –25 percent of GDP at end-2023, due to a depreciation decline in GDP in USD. An increase in gross assets during 2024 was driven by rising reserve assets (currency and deposits) of the central bank as well as that of the banking system, and the decline in gross liabilities was driven primarily by reduction in the central bank's short-term loans and lower FDI-linked outflows relative to 2023. Exchange rate movements, the changing composition of reserve assets, and repatriation from oil companies are expected to remain key determinants of NIIP over the medium term.

Assessment. The external balance sheet is expected to be relatively robust as oil and non-oil exports pick up, oil imports decline, and confidence improves in the short to medium term, containing investor outflows. Risks from the gross external liabilities are mitigated by the longer-term maturity of primarily official debt and by the accumulation of non-borrowed reserve assets by the central bank during the next five years when the trade balance remains in surplus.

2024	**NIIP:**	**Gross Assets:**	Debt Assets:	**Gross Liabilities:**	Debt Liabilities:
(% GDP)	-32.2	61.5	54.8	93.7	71.6

[1] This assessment is based on available, published CBN balance of payments data for 2024 that is subject to revision.

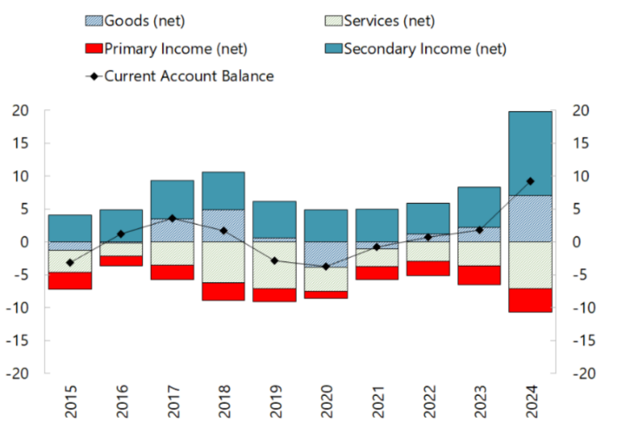
[2] The magnitude of net errors and omissions continues to constrain the external sector assessment for Nigeria. In 2023, net errors and omissions were close to -$25 billion (around 7 percent of GDP), and for 2024 errors are around -$5 billion (around 3 percent of GDP), subject to future revisions. This is reflected in the ratings of External Sector Statistics in the Data Issues Annex (Annex IX).

[3] Based on the IMF's definition of gross international reserves, reserves pledged under a securities lending agreement (close to $8 billion at end-2024) as well as any reserves backed by short-term borrowing by the CBN, would be excluded from the official reserves figure reported by the central bank (Paragraph 6.64 in the IMF's Balance of Payments and International Investment Position Manual (BPM6)).

Current Account

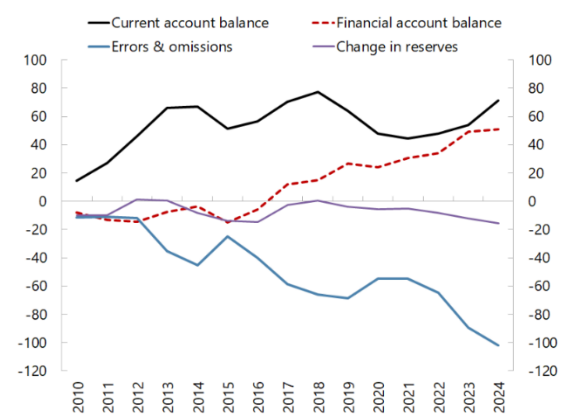
Background. The current account (CA) significantly improved in 2024, with a $17 billion surplus (9 percent of GDP) mainly owing to an improved trade balance with higher gas exports, lower refined oil imports, compressed non-oil imports, slightly higher non-oil exports, alongside a significantly less negative primary account due to lower IOC repatriations. Non-oil import compression was accelerated by naira depreciation. Remittances persistently improved since June 2023 and during 2024 due to a higher offered fx conversion rate, i.e., the official fx market exchange rate. The goods trade balance increased to close to $13.2 billion in 2024 from $8.1 billion in 2023. The net services balance remains roughly flat in 2024 relative to 2023 at a deficit of close to 7 percent of GDP. In the medium term, the macroeconomic impact of the Dangote refinery is expected to stabilize the net oil balance with both exports of crude oil and imports of refined oil set to decline. Overall, the increase in non-oil imports is expected to outpace the increase in non-oil goods exports and services and remittances, narrowing the CA surplus to close to 1 percent of GDP.

Figure 1. Nigeria: Current Account Balance



Source: Central Bank of Nigeria.

Figure 2. Nigeria: Balance of Payments Accounts and Errors and Omissions



Sources: Haver, CentralBank of Nigeria, and IMF staff calculations.

Assessment. The mechanical results based on the EBA-lite quantitative models would suggest that the external position is *substantially stronger than the level implied by fundamentals and desired policy settings*. However, after considering temporary factors including the large import compression and significantly lower hydrocarbon-related repatriations, and large net errors and omissions, staff assess the external position as *moderately stronger* than the level implied by fundamentals and desirable policies.

Table 1. Nigeria: EBA-lite Model Results, 2024

(in percent of GDP)

	CA model 1/	REER model 1/
	(in percent of GDP)	
CA-Actual	**9.2**	
Cyclical contributions (from model) (-)	0.3	
Additional temporary/statistical factors (-) 2/	4.0	
Natural disasters and conflicts (-)	0.6	
Adjusted CA	**4.3**	
CA Norm (from model) 3/	**-2.0**	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	**-2.0**	
CA Gap	**6.3**	**5.5**
o/w Relative policy gap	3.6	
Elasticity	-0.1	
REER Gap (in percent)	**-54.4**	**-47.4**

1/ Based on the EBA-lite 3.0 methodology

2/ Additional adjustment to account for the non-oil imports compression during 2024 (close to 2.5 percent of GDP) and one-off decline in oil sector repatriations (close to 1.5 percent of GDP) due to significant currency depreciation and pressures as the Nigerian economy transitioned to the floating exchange rate regime.

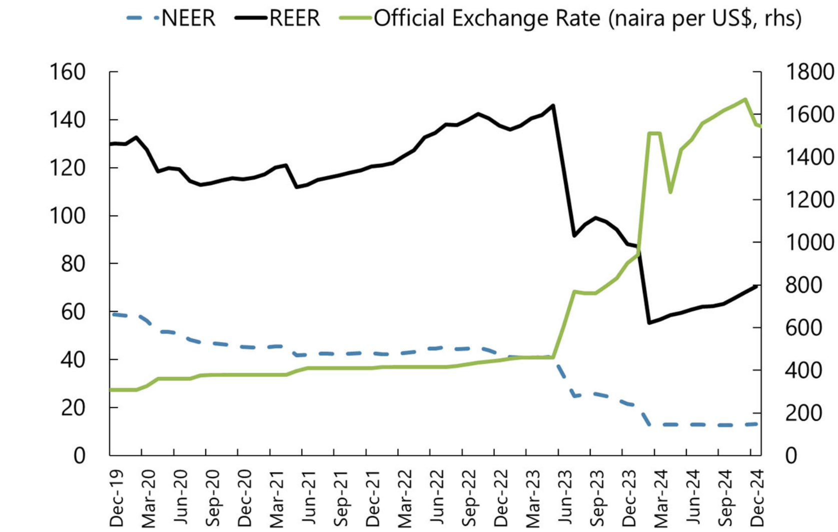
3/ Cyclically adjusted, including multilateral consistency adjustments.

The quantitative assessment, informed by the CA model, indicated a CA gap in the range of 6.3. The EBA-lite cyclically adjusted CA surplus of 4.3 incorporates cross-country consistent adjustors, additional temporary factors including the import compression, one-off increase in gas exports, one-off decline in repatriations and natural disasters and conflict adjustments in 2024. The adjusted CA is compared with a CA norm of -2. Relative policy gaps explain more than half of this CA gap. Policy contributions to the CA gap mainly stem from the fiscal balance and underspending on public health expenditures relative to the rest of the world. Considering the significant share of errors and omissions for 2024 which may increase further once final balance of payments data has been provided and the lack of clarity on the composition of gross reserves of the central bank, staff assess the external position as *moderately stronger than the level implied by fundamentals and desired policy settings*.

Real Exchange Rate

Background. Nigeria's real effective exchange rate (REER) depreciated by 45 percent in 2024, and the nominal effective exchange rate (NEER) depreciated by 58 percent. On an annual average basis, the official naira/US dollar exchange rate depreciated by 130 percent from 645 naira/US dollar in 2023 to 1,479 naira/US dollar in 2024. On an end-of-period basis, the official naira/US dollar exchange rate depreciated by 71 percent from 899 naira/US dollar at end-2023 to 1,536 naira/US dollar at end-2024. As of end-April 2025, the nominal exchange rate further depreciated to 1,597 naira/US dollar. As of end-March 2025, REER and NEER appreciated by 9 and 1 percent, respectively, relative to end-December 2024.

Figure 3. Nigeria: Real and Nominal Effective Exchange Rate (Index)



Sources: STA data and IMF staff calculations.

Assessment. The EBA-lite REER gap model indicates a REER gap of 47 percent, suggesting a REER depreciation that was much larger than expected for the period. Undertaking consistent macroeconomic policy adjustments while staying the course with reforms to enhance fx market functioning and improving confidence would help close the gap.

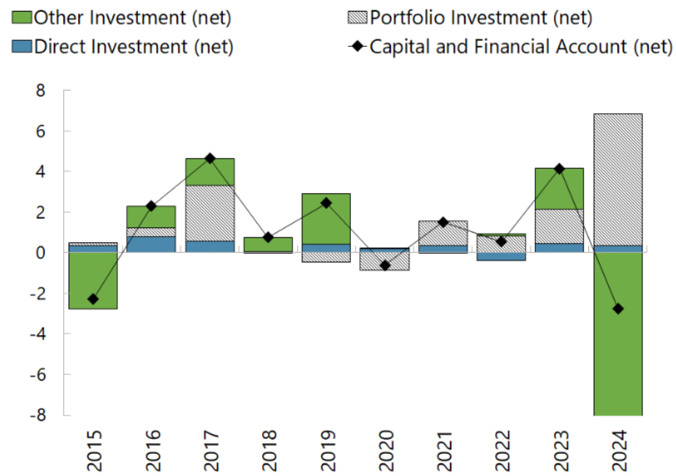
Capital and Financial Accounts: Flows and Policy Measures

Background. The financial account recorded a net inflow in 2024 of $5 billion (3 percent of GDP), with FDI inflows tepid, net portfolio inflows almost doubling since 2023, and net inflows in the other investments large net negative. Net FDI fell in 2024 to $700 million (under 0.5 percent of GDP), mainly reflecting reduced inflows amidst exit of several international companies from Nigeria, and stronger outflows. Portfolio flows increased on the back of the $2.2 billion Eurobond issuance as well as portfolio inflows into central bank OMOs (close to $10 billion). Outflows from the other investments account rose significantly ($18 billion for end-2024), mainly due to a large central bank net repayments of $11 billion, and private sector net loan repayments.

Assessment. Lower FDI inflows reflect the exits of several multinational and oil companies from onshore businesses due to challenges to the business environment in Nigeria. Significant net loan repayments from the CBN reflect gradual phasing out of short-term borrowing instruments. Reforms should be targeted towards a more diversified non-oil export base and making the business environment more conducive for growth of the oil and gas sector.

Figure 4. Nigeria: Financial Account Balance

(In percent of GDP)



Source: Central Bank of Nigeria

Nigeria maintains several outflow capital flow management measures to support reserves accumulation. Staff recommend phasing out CFMs in a properly timed and sequenced manner, which would require considering external vulnerability risks and progress made with reforms to foster necessary institutional and financial development and in line with the IMF's Institutional View.

FX Intervention and Reserves Level

Background. Nigeria has embarked on a path towards a market-based exchange rate. The fx market functioning is improving, supported by occasional FXI by the central bank. Gross reserves (end of period) in 2024 were $40 billion (21 percent of GDP in 2024), equal to 9 months of imports.[4] This is a significant increase from reserves of $33 billion at end-2023 (9 percent of GDP), close to 7 months of imports. The increase in gross reserves in 2024 was supported by the central bank's short-term borrowing in naira denominated Open Market Operations securities from non-resident investors as well as the Eurobond issuance.

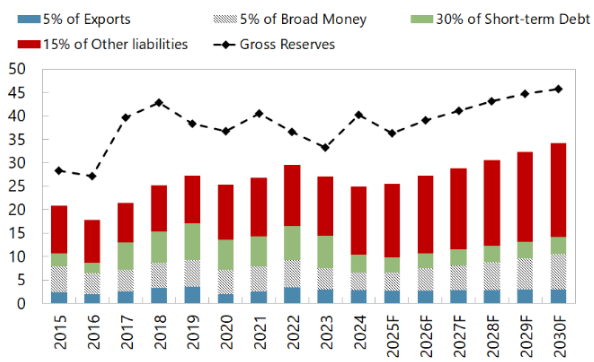
Staff's de facto exchange rate regime classification changed to 'floating' in 2024 from 'other managed' in 2023. The lack of clarity on maturities of CBN's short-term fx liabilities and swap lines, as well as the significant increase in naira liabilities to non-resident portfolio investors in 2024, poses a challenge in projecting the gross and net reserves position.

[4] Following the IMF's definition of GIR and based on information provided by the authorities for end-2024, securities of around $8 billion are considered pledged collateral that are not readily available to the CBN, reducing GIR under the IMF's definition to $32 billion at end-2024, still corresponding to 129 percent of the ARA metric.

Assessment. Gross international reserves are at 161 percent of the Assessment of Reserve Adequacy (ARA) metric based on floating exchange rate regime.[5] While gross reserves are projected to decrease in 2025, reserves start rising again thereafter and continue to remain above the ARA metric. In the medium-term, the projected current account surplus, slight improvements in FDI, portfolio flows as well as borrowing from official and multilateral creditors, despite repayments on various public and private sector loans, will help gradually raise reserves to around $46 billion in 2030. However, the lack of clarity regarding the composition of the central bank's gross reserves hinders staff's ability to conduct a more detailed assessment.

Figure 5. Nigeria: Contributions to Reserve Adequacy Metric

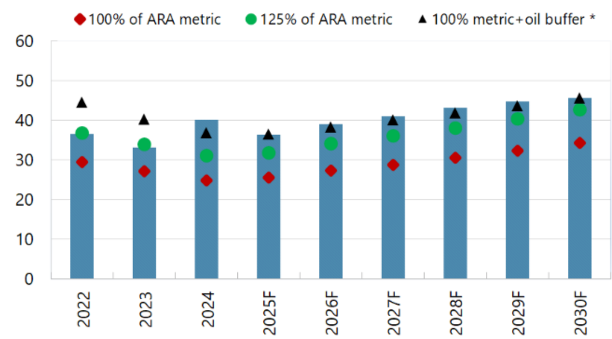
(Billion U.S. dollars)



Note: Data for 2024 are end-year official reserves and thereafter forecasts.
Sources: Central Bank of Nigeria; and IMF staff estimates.

Figure 6. Nigeria: Reserve Adequacy Measures

(Billion U.S. dollars)



Note: * The oil price gap multiplied by oil exports, following the 2016 IMF ARA paper. Data for 2025-2030 are forecasts. Based on the IMF definition, the gross international reserves were $8 billion lower in end-2024.

Sources: Central Bank of Nigeria; and IMF staff estimates.

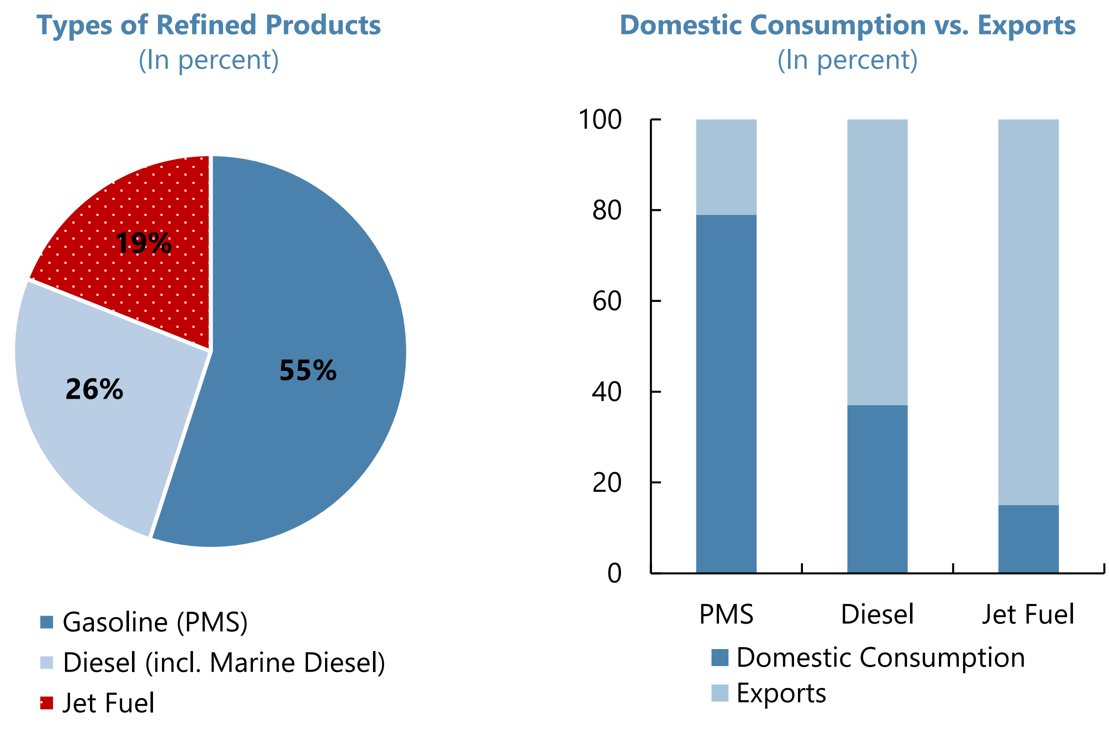
FXI trends and policy in 2024. The CBN intervenes in the fx market with the objective of easing fx liquidity pressures and supporting market confidence. To manage volatility more effectively, the CBN should implement its recently developed intervention model and governance framework which aligns well with international best practices. In line with IMF's IPF, FXIs can play a role in mitigating risks associated with large confidence swings and sharp exchange rate depreciation, especially given Nigeria's exposure to foreign flows, shallow FX market, and large exchange rate passthrough. However, the use of FXIs should be temporary, should not substitute for warranted macroeconomic adjustment, and accompanied by well-coordinated communication.

[5] For reference see "Guidance Note on the Assessment of Reserve Adequacy and Related Considerations"; "Assessing Reserve Adequacy–Specific Proposals"; and "Assessing Reserve Adequacy—Further Considerations".

Annex IV. Macroeconomic Impact of the Domestic Refinery

1. **The Dangote Refinery—the largest refinery in Africa—started production in January 2024.** With a total investment of $20 billion (5.5 percent of 2023 GDP), the Refinery has a production capacity of 650,000 barrels/day, where gasoline—commonly called premium motor spirit (PMS) in Nigeria—accounts for 55 percent, diesel for 26 percent and jet fuel for 19 percent of the total production. Once operating at full capacity, 79 percent of gasoline production is expected to fully meet domestic PMS demand—estimated at 45 million liters of gasoline per day—with the remainder being exported. Similarly, 37 percent of diesel production will be able to cover domestic demand—estimated at 10 million liters per day—and the remaining 63 percent can be exported (Figure 1). Around 85 percent of the production of jet fuel is expected to be exported. While diesel and jet fuel production started in January 2024, PMS was produced for the first time in September 2024, due to delays in reaching an agreement with the Nigerian National Petroleum Company Limited (NNPCL) on the crude oil allocation for the refinery.

Figure 1. Nigeria: Dangote Refinery: Production Capacity



Source: Dangote Refinery Press Conference.

2. **The assessment of the macroeconomic impact of the refinery is sensitive to assumptions (Table 1).** In the steady state, the refinery is assumed to operate at 90 percent of capacity to allow for routine maintenance or operational contingencies, including crude supply

disruptions. The analysis assumes that the refinery meets 50 percent of required crude oil from domestic sources such as NNPCL—the national oil company—and international oil companies (IOCs) operating in Nigeria. The remaining needed crude oil is assumed to be imported. Market-determined exchange rates and prices are used for crude oil, refined products, and fx transactions. In the steady state, domestic demand for PMS, diesel, jet fuel and polypropylene are expected to be fully met by domestic production. All refined products' export receipts are assumed to be fully repatriated; thereby there is no expected direct impact on primary income. The analysis assumes a net zero impact on the financial account.[1] The results are reported in percent of 2026 projected GDP as 2026 is the year when the Dangote Refinery is projected to reach full capacity.

Table 1. Nigeria: Main Assumptions

Production as Share of Capacity (%)	90
Domestic Crude Oil Supply (% of needed crude oil)	50
PMS domestic demand (million liters/day)	45
Diesel domestic demand (million liters/day)	10
Jet fuel domestic demand (million liters/day)	3
Coverage of PMS, Diesel, Fuel Domestic and Polypropylene Demand (%)	100
Crude Oil Price ($, 2026)	62

Source: IMF

3. **The refinery is expected to strengthen Nigeria's external position** (Table 2). The current account is expected to improve by around $5.5 billion (2.6 percent of 2026 GDP) with the refinery moving value-added onshore. All else equal, official reserves increase by around $5.5 billion annually. This critically assumes that the value-added generated by the refinery is kept onshore and not relocated offshore. The positive impact on the current account and official reserves reflects the positive balance of two opposite effects:

Table 2. Nigeria: Impact on the Current Account and Reserves

	Billion of USD	Percent of 2026 GDP
Positive effect	**18.7**	**11.5**
Decrease of refined fuel and Polypropylene imports	11.4	5.3
Increase in refined fuel, Polypropylene, Carbon Black and Sulfur exports	7.3	3.4
Negative effect	**13.2**	**6.1**
Increase in import of crude oil by Dangote	6.6	3.1
Decrease in export of crude oil by NNPCL and IOCs	6.6	3.1
Current account change	**5.5**	**5.3**
Gross reserves change	**5.5**	**5.3**

Source: IMF staff calculations.

- ***Positive effects***:
  - An import substitution effect as imports of refined fuel and polypropylene stop since domestic demand of these products is now being met by a domestic refinery ($11.4 billion).
  - Higher exports as the remaining refined products is now exported ($7.3 billion)

[1]This approach is quite conservative as large-scale industrial projects with substantial international investment component, including large-scale refineries, tend to attract FDI due to the positive signal to foreign investors about business climate. This effect is not modelled in the note.

- ***Negative effects***:
  - Lower crude oil exports as the refinery purchases 50 percent of its crude oil input from NNPCL and IOCs, which reduces crude exports ($6.6 billion).
  - Higer imports of crude oil since only half of the refinery's crude needs is met from domestic production ($6.6 billion).

The negative effect is more-than-offset by the positive one, given that the refinery produces more than domestic demand ($7.3 billion).

4. The refinery is expected to have a direct limited impact on the fiscal position. The new refinery is located in an industrial Free Trade Zone (FTZ), where companies benefit from duty-free imports and exports, tax exemptions (corporate income tax, value-added tax, dividend withholding tax and other government, state and local taxes). However, it has a potential positive indirect impact of fiscal revenues through growth spillovers to various sectors, which is expected to more-than-offset the revenue loss due to lower customs duties that used to be collected on PMS imports (0.2 percent of GDP).

5. The refinery is expected to boost employment, investment, and growth, as well as support regional economic integration. In addition to the external and fiscal effects, the refinery has triggered the development of large infrastructure around the facility and created around 150,000 direct and indirect jobs in connected sectors.[2] Taken together, the refinery should increase non-oil GDP by around 1½ percent by 2026. Moreover, the intensive international training program that the refinery is offering to its engineers—60,000 beneficiaries so far—would support knowledge and technological transfer and boost productivity. At the regional level, the refinery is expected to support energy security in neighboring countries, strengthen intra-regional supply chains and facilitate regional economic integration.

[2] See Ogunbukola, M. (2024). Transforming Nigeria's Economy: The Economic Impact of the Dangote Refinery and Policy Recommendations for Sustaining Private Sector Growth and Foreign Investment.

Annex V. Risk Assessment Matrix

Risk Assessment Matrix[1]				
Sources of Risk	**Likelihood**	**Time Horizon**	**Impact on Nigeria**	**Policy Responses**
		External Risks		
Trade policy and investment shocks. Higher trade barriers or sanctions reduce external trade, disrupt FDI and supply chains, and trigger further U.S. dollar appreciation, tighter financial conditions, and higher inflation.	**High**	**Short Term**	**Medium**	• **Diversify external financing sources**, including from IFIs. **Prioritize fiscal intervention** to relieve food insecurity. Mobilize revenues to reduce dependence on external financing. • **Tighten monetary policy** to contain inflation. • Maintain **exchange rate flexibility** to preserve **external buffers**.
Commodity price volatility. Supply and demand volatility (due to conflicts, trade restrictions, OPEC+ decisions, AE energy policies, or green transition) increases commodity price volatility, external and fiscal pressures, social discontent, and economic instability.	**Medium**	**Short Term**	**High**	• **Prioritize fiscal intervention** to relieve food insecurity and non-oil revenue based fiscal consolidation to mitigate against oil/gas price volatility. • **Tighten monetary policy** to contain inflation. • Maintain **exchange rate flexibility** to preserve **external buffers**.
Deepening geoeconomic fragmentation. Persistent conflicts, inward-oriented policies, protectionism, weaker international cooperation, labor mobility curbs, and fracturing technological and payments systems lead to higher input costs, hinder green transition, and lower trade and potential growth.	**High**	**Short Term**	**Medium**	• **Structural reforms** to boost internal competitiveness and growth and build regional trade links. • **Revenue mobilization** to support infrastructure and social spending. • Accelerate implementation of energy transition plan.
Sovereign debt distress. Higher interest rates, stronger U.S. dollar, and shrinking development aid amplified by sovereign-bank feedback result in capital outflows, rising risk premia, loss of market access, abrupt expenditure cuts, and lower growth in highly indebted countries	**High**	**Short to Medium Term**	**High**	• **Tighten monetary policy.** • Maintain **flexible exchange rate** as the first line of defense, while also deploying full range of **Integrated Policy. Framework** tools for both secondary and contingency responses. •**Mobilize fiscal revenues** to reduce financing needs.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon. **February 2025 edition of the RAM**.

Risk Assessment Matrix (Concluded)				
Climate change. Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability.	Medium	**Medium to Long Term**	High	• Strengthen **fiscal buffers** and expand ex-ante risk financing instruments to improve speed and efficiency of disaster response. • Expand delivery mechanisms for relief aid to mitigate impact on the most vulnerable. • Integrate **climate resilience** into public investment management.
Sources of Risk	**Likelihood**	**Time Horizon**	**Impact on Nigeria**	**Policy Responses**
Nigeria-specific Risks				
Negative oil price shock or reduction in oil production due to deteriorating security. Lower oil receipts would reduce fiscal revenues and put pressure on reserves and the naira, resulting in higher inflation, lower domestic demand, and higher fiscal deficits. Increase uncertainty could dampen investor confidence, reduce portfolio inflows and loss of market access.	High	**Short to Medium Term**	High	•Decisively **tighten monetary policy** to deter capital outflows, stabilize the exchange rate and reduce inflation. •**Tighten fiscal policy** by accelerating steps to boost fiscal revenues and streamlining fiscal spending while prioritizing support for the vulnerable. •Strengthen **security and investment** environment in the oil and gas sector.
Food insecurity. Agricultural sector weakness or renewed high global commodity prices leading to higher food inflation could worsen food security.	High	**Short to Medium Term**	High	•**Increased support to the vulnerable** by accelerating the pace of rolling out **cash transfers** to all targeted households. •**Strengthen the agricultural sector**. Increase supply of inputs, particularly fertilizer, and reduce high transport losses.
Sustained inclusion in the FATF "grey list" due to failure to make sufficient progress in addressing strategic AML/CFT deficiencies could impact correspondent banking relationships and transnational financial flows and diminish international confidence in the Nigerian financial system.	Medium	**Short Term**	Medium	**Strengthen the AML/CFT regime,** including implementing past Fund recommendations as well as recommendations of the 2021 Mutual Evaluation Report.

Annex VI. Adverse Scenario

This hypothetical scenario considers the repercussions of intensifying external pressures in the context of heightened global uncertainty that further depress risk appetite, and oil and gas prices.

A. Potential Crisis Triggers

- **A significant deterioration in risk appetite.** Global uncertainty spikes again and portfolio investors would look for safe havens and seek to repatriate short-term positions, putting severe pressures on reserves and the naira. As a result, residents would also seek safe haven in U.S. dollars, gold, or crypto assets, leading to a self-reinforcing adverse feedback loop.

- **A further decline in oil and gas prices.** With the heighted global uncertainty, global demand for commodities would be further curtailed, while some commodity producers would seek to increase supply to meet revenue targets. As a result, global commodity prices would decline even further compared to the baseline.

B. Impact on the Economy

1. The crisis triggers would lead to a rapid naira depreciation and a loss of market confidence. The two parallel, external shocks would reduce Nigeria's fx inflows and increase outflow pressures. The CBN would seek to stem naira depreciation, but reserves, though stronger, would be insufficient to meet the rapidly growing fx demand. Once a threshold of reserve losses would be reached, the CBN would be forced to stop intervening, and naira depreciation would accelerate further, overshooting the market clearing equilibrium in an environment of a complete loss of market confidence from residents and non-residents alike. Residents would have difficulties accessing dollars in the official market, and the parallel market premium would widen substantially. Residents would turn to crypto channels to find safety, which could put further pressure on the Naira.

2. Naira depreciation would exacerbate inflation. Year-on-year inflation would accelerate, despite the fall in global oil prices, as the depreciation effect dominates. This would erode purchasing power, hitting poor and vulnerable households particularly hard. Poverty and food insecurity would rise. Together, this would depress domestic demand and non-oil growth compared to the baseline.

3. Naira depreciation would accelerate import compression. This would provide some offset in the trade balance that would reduce the external deficit and thus the drain on reserves. However, there is a risk that importation of critical foods or medical supplies would be impacted, further exacerbating food insecurity and undermining critical health services.

4. GDP growth would decline. With rising uncertainty and high inflation, consumption would be depressed, and business would put on hold investment. Unemployment and underemployment would rise, pushing up poverty and food insecurity in addition to the direct impact from inflation.

Insecurity would also increase as economic opportunities decline. Some smaller firms may be forced out of business, while larger and highly leveraged corporates could run domestic or external arrears. At low oil prices, planned investment in additional production capacity would be paused.

5. The financial sector would face pressures. Given the high credit concentration and large exposure to oil and gas companies, asset quality would suffer where clients have a currency mismatch or see their fx earnings decline as a result of the external shocks. While banks would meet or exceed minimum capital requirements, some smaller institutions may need to be resolved. Lending standards, already tight, would be tightened further, reducing the scope for investment even for large corporates that currently have access to credit. Where individual institutions become non-viable and need to be resolved, large depositors that are above the deposit insurance threshold would face losses. In case of multiple institutions becoming insolvent, the deposit insurance may be strained. In case a significant single exposure defaults, larger institutions could come under pressure or fail, in the extreme giving rise to a banking crisis.

C. Implications for Macroeconomic Policies

6. Fiscal financing would rise. Fx spending needs, in particular debt service, would remain unchanged while fx revenues decline. Inflation and depreciation would boost nominal revenue collection in naira, but naira spending needs would also rise as the government seeks to offset the impact of a deteriorating economy and shortages of key staples or medicines. In addition, over time, business losses and failures would reduce tax revenues, and the government may resort to temporary suspension of customs levies or VAT on specific products to limit the inflationary impact as done before. This would lead to a higher deficit and financing needs that would erode debt sustainability. Domestic banks would remain willing to absorb government issuance, but maturities would shorten, and yields rise. The government could be de facto shut out from external financing as widening spreads make borrowing prohibitive. Higher domestic yields would feed into higher interest spending that is another factor pushing up expenditures and adding to fiscal pressures. The government would be forced to cut priority spending and fx-denominated outlays; and may be forced to take recourse to CBN reserves for its debt servicing needs. This would further constraint space to provide support for the vulnerable, exacerbating poverty and food insecurity.

7. Monetary policy would be tightened. With accelerating inflation and naira depreciation, monetary policy would aim to keep the policy rate positive in real terms. The CBN would continue using OMOs to mop up excess naira liquidity as part of tightening financial conditions. OMO issuance at high yields would weigh on CBN profitability, and it would be important to ensure that the liquidity injection from losses remains contained.

D. Policy Response

8. Responding with a coherent and consistent policy and reform agenda would be key to maintaining stability and restoring growth. A successful short-term policy response that includes temporary emergency measures has to be set within a coordinated macroeconomic policy framework that generates overall confidence and in particular investor confidence. Mobilizing external financing from development partners could be important to smooth the adjustment and build confidence.

9. The objective of the policy response would be to restore external balance, while maintaining fiscal sustainability together with monetary and financial stability. Given that the deterioration is considered permanent, this would require an adjustment to lower dollar inflows through expenditure switching and, over the long-term, through export diversification. While exchange rate flexibility would be an integral part of the adjustment, the authorities would have to prevent a large overshooting or a destabilization of the market.

10. The CBN may have to consider temporary outflow capital flow measures (CFMs) to support external stability. In the event of an imminent crisis or crisis situation, temporary CFMs can be appropriate as part of a broader policy package and in line with the IMF's Institutional View. They should be gradually lifted once conditions for safe withdrawal are met, including instituting the necessary supporting reforms. The IMF can advise on the design of such CFMs as part of a broader policy package.

11. A medium-term fiscal framework can anchor confidence and safeguard sustainability. Ultimately, fiscal adjustment would be needed given the loss of external revenue as a result of the changed environment. This requires strong and credible fiscal institutions, a strong medium-term budget process, and reliable and timely fiscal data. While revenue measures would be difficult to take during the initial adjustment period, the government can pre-commit to future measures that put revenue on a path that supports sustainability. There is scope to grow revenues through administrative efforts, though the yield may be slow to come. There is scope to reduce expenditure compared to the approved budget, and the authorities are already undertaking an expenditure review. Securing low-cost financing, including concessional borrowing from official creditors, can help contain debt servicing costs.

12. Financial sector policies would have to safeguard stability. Supervision would have to be intensified to detect problems early and work with banks to address challenges in a timely manner. It would be important to ensure that banks provision appropriately for problem loans. Non-viable institutions would need to be resolved promptly, limiting any systemic impact. The ongoing capital increase may have to be paused as a regulatory forbearance measure if investor appetite becomes muted.

E. Policies to Mitigate Crisis Risks Ex-ante

13. While the authorities do not control external shocks, they can take measures now to strengthen resilience and have emergency responses ready to deploy if needed. The crisis teams set up at the federal government level and the CBN are well placed to develop scenarios and policy responses.

- *For fiscal policy,* this requires presenting a credible revised 2025 budget that reflects current developments and their implications for revenue as well as the government's expenditure execution capacity. Demonstrating that the budget is fully financed, even with tightening global financial conditions will be important. Exploring and securing development partner support to lower average borrowing costs can support credibility and create space for priority needs. The authorities should also accelerate the roll-out of the social safety net.

- *For monetary and exchange rate policy*, this requires implementing the new FXI framework and determining the FXI budget.

Annex VII. Capacity Development Strategy FY 2026

A. Context

1. President Tinubu's government has implemented bold and long-overdue reforms to address macroeconomic imbalances. The initial steps of unifying the foreign exchange windows and eliminating fuel subsidies have helped address deep macroeconomic imbalances. The macroeconomic environment remains challenging with still high inflation, low revenue mobilization, increased public sector financing needs, and acute food insecurity. Monetary policy tightening to reduce inflation, exchange rate liberalization and reforms to fx market functioning have helped strengthen Nigeria's external position. A credible and coherent exchange rate intervention framework should complement these efforts. On the fiscal front, domestic revenue mobilization is needed to create space for urgent social and development spending. In the near-term, balancing elevated poverty and food insecurity levels, this will require tax administration measures and additional efforts to raise hydrocarbon revenues. Improved budget planning and prioritization will be key to strengthen spending quality and efficiency. The financial sector appears stable but faces asset quality risks amid high inflation and a weaker naira exchange rate. Authorities will need to continue strengthening the quality of financial sector regulation and supervision to mitigate credit and market risks. Full implementation of Basel III regulation should be a short-term priority.

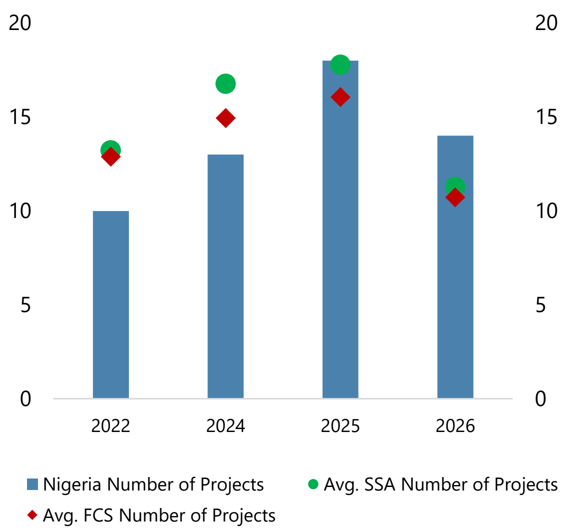
2. The challenge for 2025 is therefore to solidify macroeconomic stabilization gains and pivot to an inclusive growth agenda, with Fund CD playing a supporting role. The Capacity Development (CD) strategy outlined below is consistent with Nigeria's needs and would support the achievement of key macroeconomic objectives in a challenging domestic and global environment. The window for additional reforms is narrowing as the next presidential elections come into focus (Q1 2027). The most critical CD needs should be carefully prioritized and sequenced to preserve the gains from previous reforms and help the economy manage rising risks and achieve inclusive growth. To increase buy in, the communication around reforms would be critical.

B. CD Strategy and Priorities

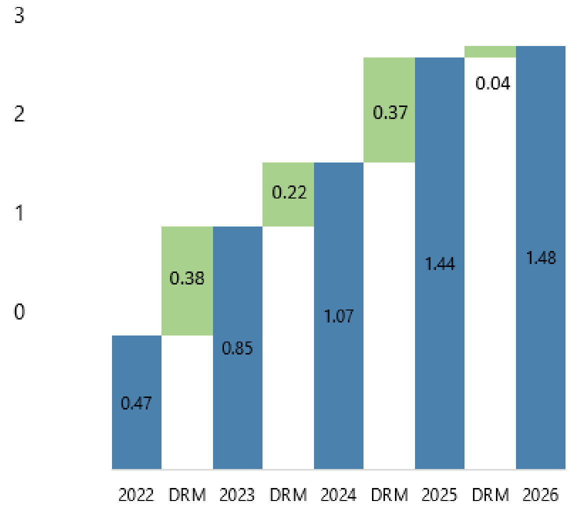
3. IMF's surveillance in Nigeria calls for continuing policy reforms. CD in Nigeria is aligned closely with staff's policy recommendations and the authorities' macroeconomic objectives. CD will continue to focus on enhancing revenue mobilization, inflation targeting, exchange rate policy, financial stability, and macroeconomic statistics. The authorities frequently request Fund CD but coordination challenges within the government make follow up and implementation tricky (Figure 1). Looming presidential elections in early 2027 could imply waning reform momentum past 2025. Staff will continue to assess the government's appetite for further reforms and tailor CD provision, accordingly, prioritizing those that are high on the government's own agenda.

Figure 1. Nigeria: IMF Capacity Development Plan (FY 2022-26)

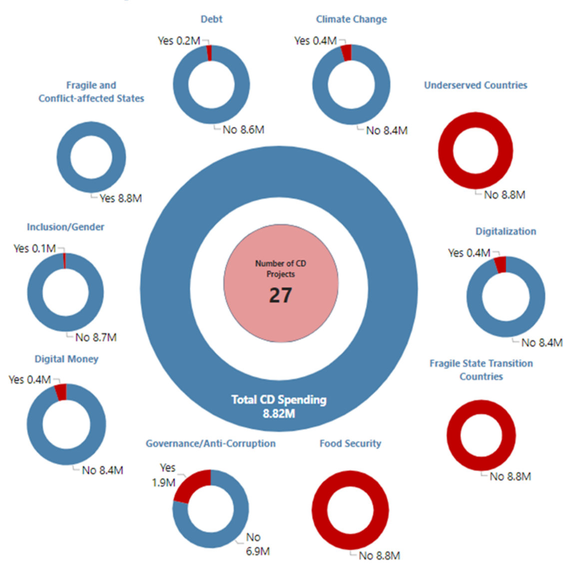
a. Capacity Development Spending (Million USD, FY 2022-26)



b. Spending on Domestic Revenue Mobilization (Million USD, FY 2022-26)

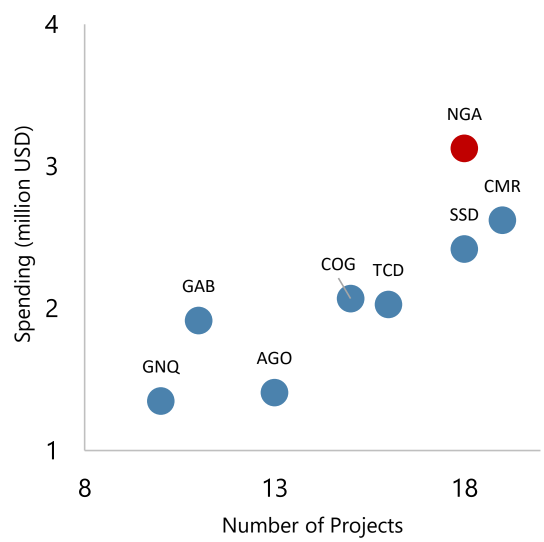


c. Capacity Development Projects for Nigeria by Growth Area (FY 2022-26)



Note: "Yes" refers to the amount used for the project implementation out of the allocated funds to the area of growth.

d. Capacity Development for SSA Oil-Exporting Countries in FY 2025



Source: CDMAP; and IMF CD Dashboard.

4. The proposed CD strategy will focus on the priorities outlined in the 2025 Article IV consultation. This includes domestic revenue mobilization, public financial management, monetary and exchange rate policy frameworks, banking supervision, and macroeconomic statistics. Domestic revenue mobilization is crucial given elevated public sector roll-over needs and pressing social and development spending. Efforts would be needed in several areas including tax administration (drawing on TADAT assessments and the VAT gap analysis), petroleum taxation, and customs. Challenges to budget planning and implementation hamper the full realization and impact of revenue gains. A successful transition to inflation targeting must be complemented by a credible exchange rate intervention framework. Support in supervision and prudent provisioning in the banking system is timely in a context of high domestic interest rates and credit quality risks. Nigeria needs to significantly upgrade its macroeconomic data, especially in fiscal, monetary, and balance of payment statistics to better inform policies and Fund surveillance.

5. The current mix of HQ/RTAC missions (about 1:2) is appropriate, leveraging continuous regional engagement while also benefiting from strategic support from the HQ. Training activities should gradually expand—both as standalone ones and a part of TA missions. The ongoing resident advisor program on revenue administration should be maintained given its criticality for Nigeria.

C. Key Overall CD Priorities Going Forward

Priorities	**Objectives**
Tax policy and revenue administration	**Traction:** Tax policy CD advise provided on strengthening petroleum industry tax policy regime implementation and transitioning to new legislation. Support was provided in expanding the development of industry knowledge and technical skills required to effectively administer the oil and gas sector. Help was also provided to advance tax administration reforms drawing on the recent post-TADAT mission (national level) and the Lagos State subnational TADAT assessment. CD support also recently assisted with the RA gap analysis. Progress was made in advancing compliance risk management practices with CD support on the implementation of a compliance improvement plan pilot project focusing on VAT. Additional support has been provided in portfolio management of projects focusing on digitalization, human resource performance management system, the development of the strategic management framework including the medium-term and corporate plans. Traction on CD to customs CD requires improvement, however, assistance was provided on the control and enforcement on rules of origin will help in implementation of the African Continental Free Trade Area (AfCFTA). Advice was also provided on the redesign and optimization of cargo control and customs clearance processes, and upcoming CD will help assess and propose solutions to implement single window system for foreign trade. CD support has

	also assisted the NCS to develop intelligence packages and to conduct investigations into non-compliance and fraud as part of a risk-based compliance program. **Going forward:** Revenue mobilization efforts should continue advancing compliance risk management by developing compliance improvement plans, ongoing CD on revenue gap analyses, building capacity in audit and compliance in specialized sectors, delivering CD on effective administration of the oil and gas sector, and assessing the AfCFTA implementation. Additional progress would be needed in improving taxpayer services with a focus on behavioral insights, enhancing portfolio management of projects, strengthening strategic management framework (cascading of plans).
Monetary and Exchange Rate Policies	**Traction:** Significant traction in implementing policy advice. While the CBN remains committed to moving towards inflation targeting, internal progress has been slow, given the criticality of first resolving the many legacy issues. This has delayed the start of CD on moving towards inflation targeting. The CBN in line Fund advice has appropriately tightened monetary policy to curb inflation, using a combination of instruments (policy rate, open-market operations). The CBN transitioned to a flexible exchange rate regime, with sporadic interventions in the fx market. Multiple fx windows have been unified. Gross reserves have also increased, allowing for the repayment of overdue fx obligations. **Going forward:** Focus on enhancing the effectiveness of monetary policy and establishing a robust exchange rate and foreign exchange intervention policy framework. Within the context of Fund CD on transitioning to an inflation targeting regime, work should include support to amend the central bank law to make price stability the primary objective of monetary policy; and revamping the monetary policy toolkit to make effective use of the range of instruments to manage liquidity and achieve monetary policy goals, and using a credible fx intervention framework aimed at smoothing excess volatility while allowing for further reserves build up.
Public financial management	**Traction:** Progress has been made in establishing a Treasury Single Account and enhancing debt management. However, the budget process is still characterized by poor credibility, a lack of transparency, and insufficient accountability. Little uptake so far of staff's TA advice on proper monitoring and classification of Government-Owned Enterprises.

	Going forward: TA could focus on strengthening the budget process from planning to execution and controls, transparency, and fiscal risk management. Greater focus on public sector spending reviews, public investment management and improving asset liability management can help rationalize public expenditures.
Enhance Financial Stability	**Traction**: Positive response from the authorities to IMF policy advice on bank regulation and supervision, including Basel III implementation, cross-border supervision, and surveillance of emerging risks in the crypto-asset/Fintech space. **Going forward:** TA should focus on helping the CBN mitigate vulnerabilities in the financial sector resulting from high inflation, high interest rates, and low economic growth. This will require assistance to tighten loan classification and provisioning rules and issue pending Basel III regulations**.** Simultaneously, the authorities should continue to strengthen regulation and supervision of non-bank financial institutions, including the growing crypto-asset and Fintech industries.
Strengthen macroeconomic statistics compilation	**Traction:** Release of the full data for the rebased CPI and GDP have been delayed over concerns about public perception. Progress is urgently needed on BOP statistics (very large errors and omissions), and monetary statistics which suffer from frequent, large revisions/corrections. The authorities have shown interest in reconciling GFS statistics between the budget office and the Office of the Accountant General, which significantly impairs the regular monitoring of fiscal implementation and risk assessments. **Going forward:** Support for macroeconomic statistics should be maintained with a sense of urgency, but subject to ownership by the authorities.
AML/CFT compliance	**Traction:** LEG is providing TA to help Nigeria implement its FATF action plan to exit the "grey list" and is in discussions with the authorities on providing TA to aid Nigeria's efforts to implement the FATF standards on virtual assets**.** **Going forward:** Fund TA will help Nigeria strengthen its frameworks to combat money laundering and terrorism financing and minimize any consequences from sustained inclusion in the FATF grey list
Strengthen communication around macro-fiscal reforms	**Traction:** Fund CD provided a first diagnosis of the challenges in fiscal communication Follow up support is being provided from a development partner to provide more hands-on guidance.

D. Main Risks and Mitigation

6. Progress has been made in implementing TA recommendations, albeit at a slow pace. Political commitment, absorptive capacity, and technical skills have been key risk factors. Ensuring top-level buy-in, regularly liaising at the principal level, and close follow-up until reform delivery is completed are key to improving CD traction. This will include a willingness to step away from CD areas where traction and reform progress are too limited. Relying on hands-on and regular support from AFRITAC West and the resident advisor will help address risks from limited absorptive capacity.

Annex VIII. Sovereign Risk and Debt Sustainability Analysis

Figure 1. Nigeria: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	**Moderate**	The overall risk of sovereign stress is moderate. The assessment is supported by the long maturity structure of Nigeria's debt stock and improvements in macroeconomic conditions, including increased hydrocarbon production, improved external position, enhanced resilience, and declining inflation, which mitigate risks.
Near term 1/			
Medium term	**High**	**High**	Staff assesses medium-term risks as high, in line with the mechanical signal of high risk. The fan-chart module points to high medium-term risks, driven by the width of the fan and an elevated probability of debt non-stabilization, which both reflect high historical volatility, arising from global oil price fluctuations and the uncertainty related to recent reforms. However, the GFN mechanical signal indicates moderate medium-term risks, supported by a relatively low average GFN over the medium-term and a large potential space for domestic banks to step in if a funding shock were to materialize. The weighted average of both signals points to an overall high medium-term risk assessment. Triggered stress tests underscore the importance of staying the course on domestic revenue mobilization, building buffers, enhancing fiscal risk management and diversifying exports and fiscal revenues away from hydrocarbons to contain liquidity risks and mitigate uncertainty.
Fanchart	**High**	...	
GFN	**Moderate**	...	
Stress test	Comm. Prices Cont. Liabty. FX rate	...	
Long term	...	**Moderate**	Long-term assessment (moderate): Staff assesses long-term risks as moderate. Under the three considered alternatives, risks related to large amortization are high. Scaling up private investment, addressing security challenges and increasing domestic revenues would help mitigate these risks. However, based on updated estimates of adaptation costs and growth gains for Nigeria, risks from climate adaptation are low, while risks from natural resource depletion highlight the need for economic diversification over time, in line with the authorities' growth agenda.
Sustainability assessment 2/	...	...	Not required for surveillance-only countries
Debt stabilization in the baseline			Yes

DSA Summary Assessment

Nigeria's public debt continued to rise in 2024, reaching 53 percent of GDP from 49 percent of GDP in 2023. The fiscal deficit and exchange rate depreciation were the main drivers. Reflecting reforms over the last 2 years, the external position and investor confidence have strengthened, the exchange rate has stabilized and security has improved. This, along with the domestic refinery ramping up production and private investment regaining momentum, should support growth in the medium-term and put debt on a declining path, as reflected in the baseline. Staff assess Nigeria's risk of sovereign stress as moderate, but flag risks, including from worsening global sentiment or oil prices, still weak domestic revenue mobilization and potential expenditure slippages in the run-up to elections. Government arrears to NNPCL, electricity companies and pensioners—once consolidated and recognized—will add to debt, while any pre-export financing deal would reduce future revenues. Absent policies to safeguard macroeconomic stability, enhance fiscal risk management and improve the fiscal position, risks would increase.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure 2. Nigeria: Debt Coverage and Disclosure

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					n.a.	
2. Subsectors included in the chosen coverage in (1) above:						

CPS / NFPS / GG: expected / CG		Subsectors captured in the baseline	Inclusion	Comments
CG	1	Budgetary central government	Yes	
CG	2	Extra budgetary funds (EBFs)	No	Not applicable
CG	3	Social security funds (SSFs)	No	
GG: expected	4	State governments	Yes	
GG: expected	5	Local governments	Yes	
NFPS	6	Public nonfinancial corporations	No	
CPS	7	Central bank	No	
CPS	8	Other public financial corporations	No	

3. Instrument coverage:	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/
4. Accounting principles:	Basis of recording		Valuation of debt stock		
	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/
5. Debt consolidation across sectors:		Consolidated		Non-consolidated	

Color code: chosen coverage; Missing from recommended coverage; Not applicable

Reporting on Intra-government Debt Holdings

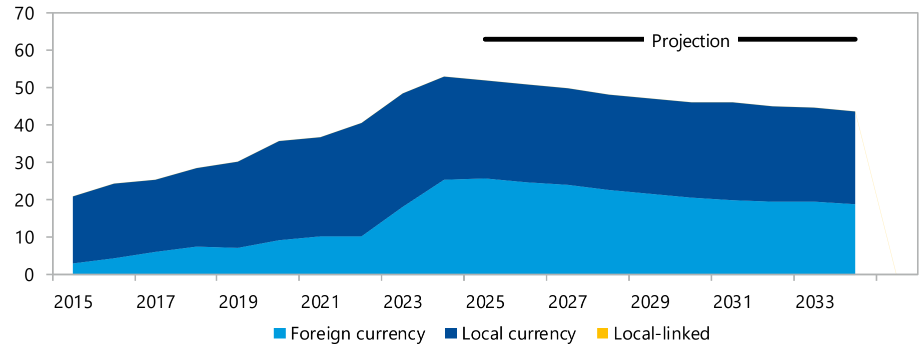
CPS / NFPS / GG: expected / CG		Issuer \ Holder	Budget. central govt	Extra-budget. funds (EBFs)	Social security funds (SSFs)	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
CG	1	Budget. central govt									0
CG	2	Extra-budget. funds									0
CG	3	Social security funds									0
GG: expected	4	State govt.									0
GG: expected	5	Local govt.									0
NFPS	6	Nonfin pub. corp.									0
CPS	7	Central bank									0
CPS	8	Oth. pub. fin. corp									0
		Total	0	0	0	0	0	0	0	0	0

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

The perimeter of the public debt in this SRDSA includes general government debt—namely central government debt and state and local government debt—as well as the government's CBN overdraft facility (ways and means). The government is currently undertaking a consolidation of potential arrears to the national oil company, electricity companies, and pensioners. Once recognized, these arrears will be included in the public debt.

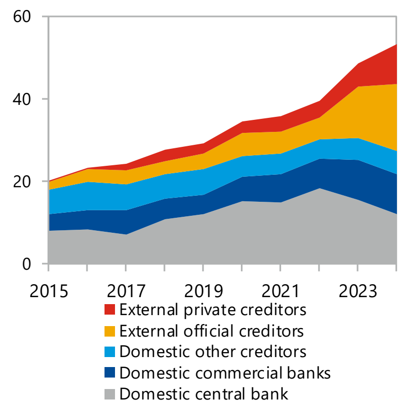
Figure 3. Nigeria: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



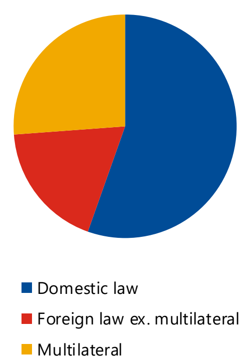
Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)



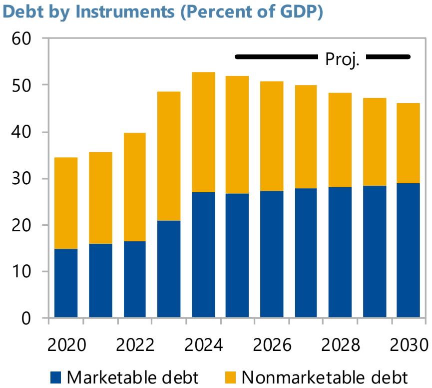
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2024 (Percent)



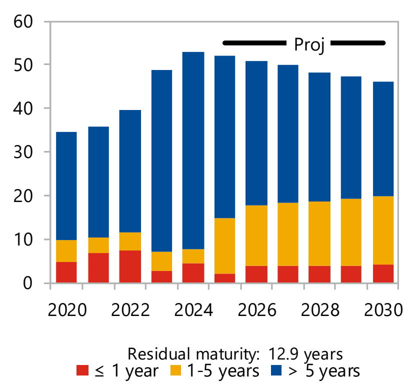
Note: The perimeter shown is general government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)



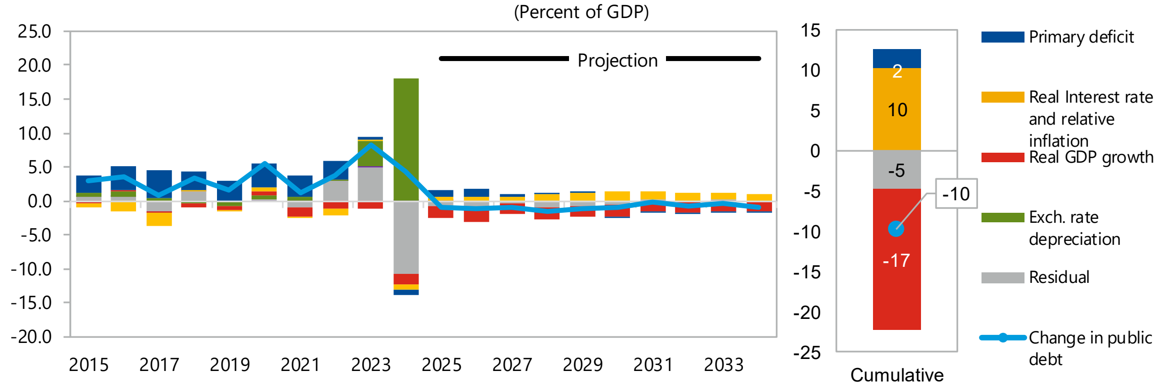
Note: The perimeter shown is general government.

The Eurobond issuance, World Bank disbursements, and large exchange rate depreciation in 2024 brought the share of foreign debt in total debt to 48 percent, leading to a higher share of marketable and long-term debt in 2024. Increased reliance on non-bank and medium-and long-term domestic debt—particularly pension funds' borrowing—is expected over the medium-term as per the government's medium-term debt strategy. Although this would increase pension funds' exposure to the sovereign, the long-term nature of their investment would mitigate this risk.

Figure 4. Nigeria: Baseline Scenario
(Percent of GDP unless indicated otherwise)

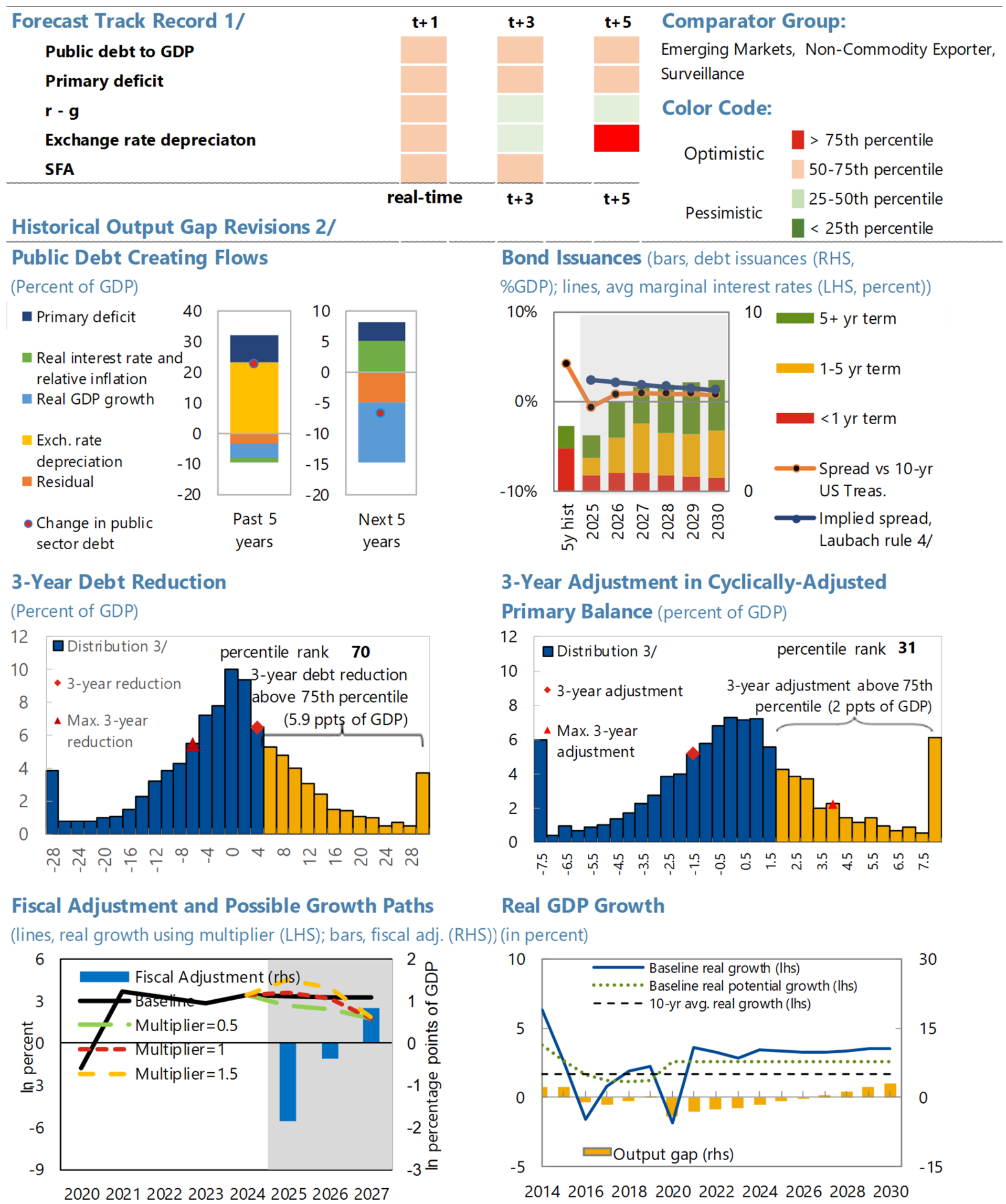
	Actual	Medium-term projection						Extended projection			
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Public debt	52.9	52.0	50.8	49.9	48.3	47.2	46.2	46.0	45.1	44.8	43.9
Change in public debt	4.2	-0.9	-1.2	-0.9	-1.6	-1.1	-1.0	-0.3	-0.9	-0.4	-0.9
Contribution of identified flows	15.0	-0.1	0.2	-0.6	-0.5	-0.4	-0.3	-0.4	-0.7	-0.5	-0.8
Primary deficit	-0.7	1.0	1.3	0.4	0.1	0.1	0.0	-0.1	-0.2	-0.1	-0.2
Noninterest revenues	14.4	14.2	13.8	14.1	14.0	13.8	13.8	13.6	13.6	13.5	13.0
Noninterest expenditures	13.8	15.2	15.1	14.5	14.1	13.9	13.8	13.5	13.4	13.4	12.9
Automatic debt dynamics	15.5	-1.2	-1.1	-0.9	-0.7	-0.5	-0.3	-0.3	-0.4	-0.5	-0.6
Real interest rate and relative inflation	-0.8	0.5	0.6	0.7	0.9	1.2	1.3	1.2	1.1	1.0	0.9
Real interest rate	-2.6	-1.6	-1.5	-1.3	-0.9	-0.5	-0.2	-0.3	-0.3	-0.3	-0.5
Relative inflation	1.8	2.1	2.1	2.0	1.9	1.7	1.5	1.5	1.4	1.4	1.4
Real growth rate	-1.6	-1.7	-1.6	-1.6	-1.6	-1.6	-1.6	-1.6	-1.6	-1.5	-1.5
Real exchange rate	18.0	...	...	...	...	...	...	...	...	...	...
Other identified flows	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	-10.7	-0.8	-1.4	-0.3	-1.0	-0.7	-0.7	0.2	-0.2	0.2	-0.1
Gross financing needs	3.5	6.6	6.6	7.3	7.4	7.4	7.4	7.6	7.7	7.3	7.2
of which: debt service	4.2	5.5	5.3	6.9	7.3	7.3	7.4	7.7	7.9	7.4	7.4
Local currency	2.7	2.8	3.7	4.6	5.2	5.4	5.6	5.8	6.1	5.6	5.4
Foreign currency	1.5	2.7	1.7	2.3	2.1	1.9	1.8	2.0	1.9	1.7	2.0
Memo:											
Real GDP growth (percent)	3.4	3.4	3.2	3.3	3.3	3.5	3.5	3.5	3.5	3.5	3.5
Inflation (GDP deflator; percent)	14.5	11.4	11.4	11.2	10.8	10.4	10.0	10.2	10.2	10.2	10.0
Nominal GDP growth (percent)	18.4	15.2	15.0	14.8	14.5	14.3	13.9	14.1	14.1	14.1	13.8
Effective interest rate (percent)	8.1	8.0	8.0	8.2	8.7	9.2	9.5	9.6	9.5	9.3	8.8

Contribution to Change in Public Debt
(Percent of GDP)



Debt accumulation is expected to moderate in the medium-and-long term, owing to favorable growth dynamics, lower inflation and borrowing costs. GFN are expected to continue increasing in the medium-and-long-term, reflecting the increasing deficit and share of 1-to-5 years maturity debt. Residuals in the debt dynamics equation reflect exchange rate assumptions that move the real exchange rate towards its equilibrium level over the medium-term (Annex III: External Sector Assessment).

Figure 5. Nigeria: Realism of Baseline Assumptions



The realism analysis suggests optimism in growth . Growth forecasts exceed both its potential and historical averages in the baseline, which seems achievable with sound macroeconomic policies and a pro-growth agenda. Average per-capita growth in the projections is still only 1.2 percent over the next 5 years. The 3-year fiscal adjustment seems to be ambitious in comparison to its own history. However, the expected debt path does not show any realism issues as the 3-year debt reduction seems to be within normal range in a cross-country comparison and compared to Nigeria's own experience.

Source : IMF Staff.

1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates

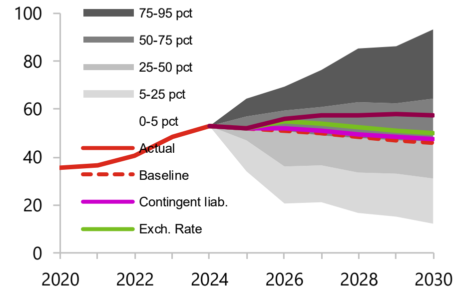
3/ Data cover annual obervations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

Figure 6. Nigeria: Medium Term Risk Assessment

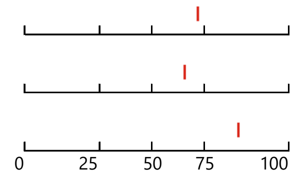
	Value	Contrib 1/	Percentile in peer group 2/

Final Fanchart (Pct of GDP)

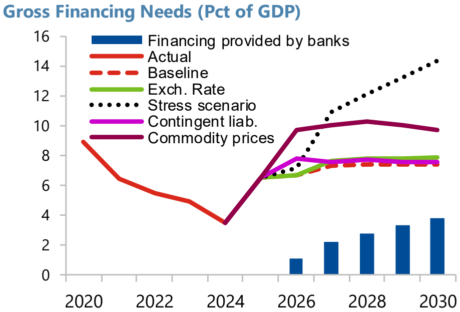


Debt Fanchart Module

	Value	Contrib 1/
Fanchart width *(percent of GDP)*	80.9	1.2
Probability of debt non-stabilizaiton *(percent)*	78.6	0.7
Terminal debt-to-GDP x institutions index	39.5	0.9
Debt Fanchart Index (DFI)		2.7
Risk Signal: 3/		**High**

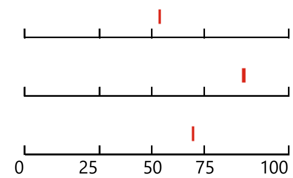


Gross Financing Needs (Pct of GDP)



Gross Financing Needs (GFN) Module

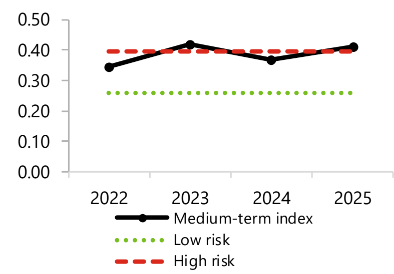
	Value	Contrib 1/
Average baseline GFN *(percent of GDP)*	7.1	2.4
Initial Banks' claims on the gen. govt *(pct bank assets)*	13.5	4.4
Chg. In banks' claims in stress *(pct banks' assets)*	14.5	4.9
GFN Financeability Index (GFI)		11.7
Risk Signal: 4/		**Moderate**



Triggered Stress Tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-term Index (Index Number)



Medium-term risk analysis

	Value	Value (normalized)	Weight	Contribution
Debt fanchart index	2.7	0.6	0.5	0.3
GFN finaceability index	11.7	0.2	0.5	0.1
Medium-term Index		0.4		
Risk Signal: 5/		**High**		
Final Assessment:		**High**		

Prob. of missed crisis, 2025-2030, if stress not predicted: 54.5 pct.
Prob. of false alarms, 2025-2030, if stress predicted: 9.1 pct.

The fanchart module indicates a high level of risk of sovereign stress, owing to the uncertainty around the baseline (width of chart) and the probability of debt non-stabilization. Both reflect high historical volatility, driven mainly by recent reforms and global oil prices. While still indicating a moderate liquidity risk, the GFN module shows a worse GFN score than at 2024 AIV DSA, due to deteriorating primary balance and large maturities coming due over the medium-term. The final mechanical assessment—the weighted average of both modules—points to a high medium-term risk of sovereign stress, from a previous moderate assessment. This mainly reflects higher uncertainty and lower oil prices. Accumulated government arrears to NNPCL, electricity companies and pensioners—which would add to debt once consolidated and recognized—and potential new pre-export financing deals that would reduce future revenues are heightening downside risks. Triggered stress tests underscore the importance of staying the course on domestic revenue mobilization, building buffers, enhancing fiscal risk management and diversifying the economy to contain liquidity risks.

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is emerging markets, non-commodity exporter, surveillance.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Figure 7. Nigeria: Long-term Risk Assessment: Large Amortization

Nigeria: Triggered Modules

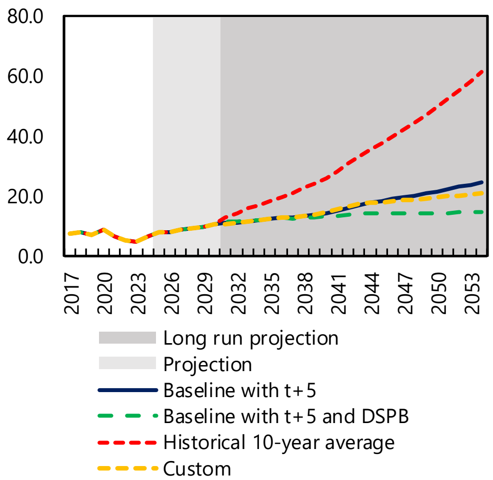
Large Amortizations	Pensions	**Climate Change: Adaptation**	**Natural Resources**
	Health	Climate change: Mitigation	

Nigeria: Long-term Risk Assessment: Large Amortization incl. Custom Scenario

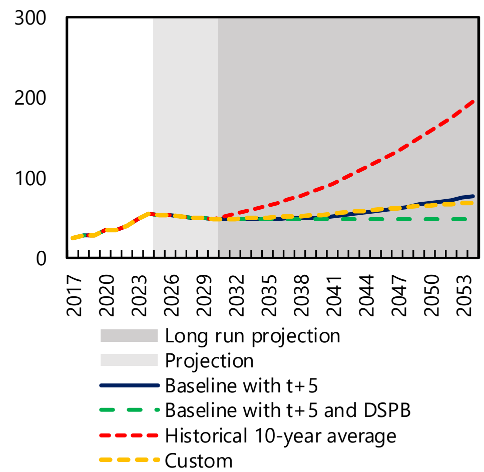
Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Historical average assumptions	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Overall Risk Indication		

Variable	2030	2034 to 2038 Average	Custom Scenario
Real GDP growth	3.5%	3.5%	3.5%
Primary Balance-to-GDP ratio	0.0%	0.1%	-0.2%
Real depreciation	-4.9%	-2.1%	0.0%
Inflation (GDP deflator)	10.0%	10.1%	9.0%

GFN-to-GDP Ratio



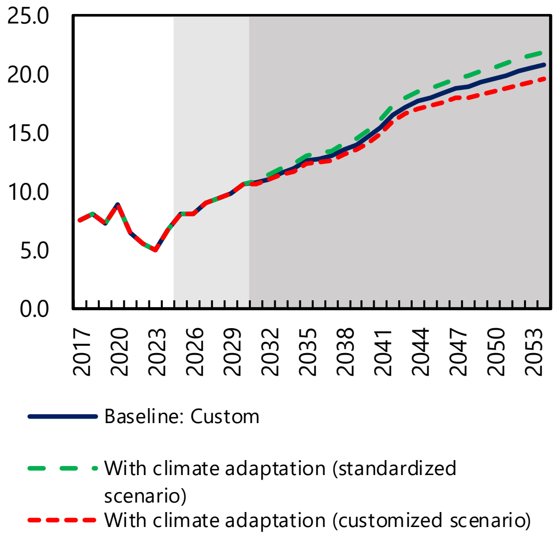
Total Public Debt-to-GDP Ratio



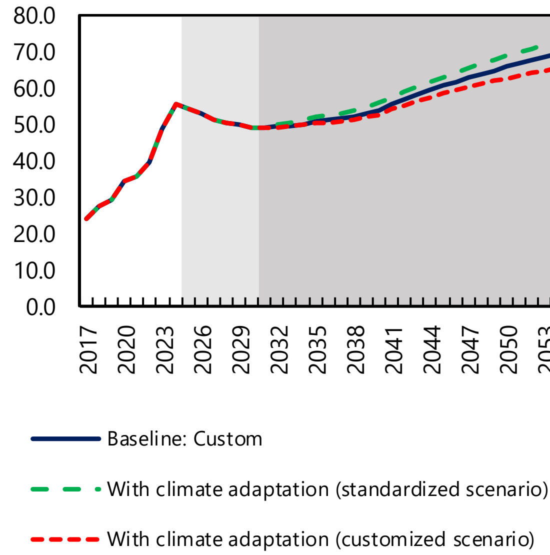
The long-term risk assessment indicates high risks from large amortization under all considered alternatives. GFN and debt stabilize in the "medium-term extrapolation with debt stabilizing primary balance" scenario and the "customized" scenario which broadly corresponds to an active scenario with domestic revenue mobilization measures that involve rate increases. The results underscore the importance of staying the course on revenue mobilization reforms.

Figure 8. Nigeria: Climate Change: Adaptation

GFN-to-GDP Ratio

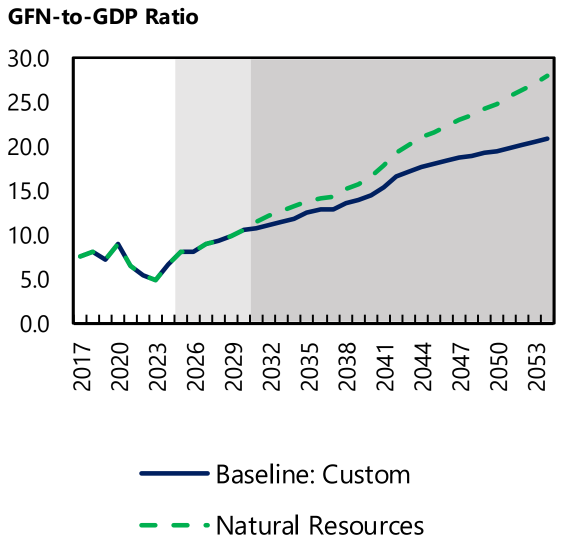


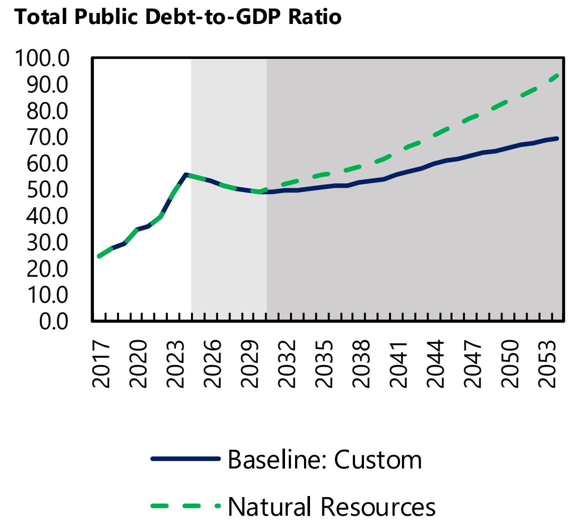
Total Public Debt-to-GDP Ratio



In a customized climate adaptation scenario that uses estimates of adaptation costs and growth gains for Nigeria, the debt trajectory could be slightly improved relative to the baseline. These estimates are documented in the selected issues paper on climate adaptation and mitigation in Nigerian that accompanies the 2025 Article IV staff report. The debt trajectory in the "standardized scenario" which uses standardized cost estimates, follows closely the one in the baseline.

Figure 9. Nigeria: Natural Resources





In the absence of new discoveries, an exhaustion of hydrocarbon production would lead to lower oil revenues, exports and GDP, potentially yielding higher GFN, a higher debt path and lower buffers. These simulations highlight the importance of the authorities' growth agenda that seeks to diversify exports and fiscal revenues, though hydrocarbon exports and revenues remain important for the balance of payments and government revenues for the foreseeable future.

Annex IX. Data Issues

Table 1. Nigeria: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/

C

Questionnaire Results 2/

Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	C	C	C	C	C	B	C

Detailed Questionnaire Results

Data Quality Characteristics						
Coverage	C	C	D	B	B	
Granularity 3/	C		D	C	B	
			B		D	
Consistency			C	D		B
Frequency and Timeliness	A	B	A	B	C	

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.
1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.
2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance* , January 2024, Appendix I).
3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund are adequate for surveillance.
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. **National accounts:** Lack of expenditure data and difficulties in reconciling the GDP deflator with CPI and terms of trade. **Prices:** Rebasing exercise is described as setting 2024 as the base year, while the published data shows December 2024 as the base month; backcasted data published with a long delay without detailed data on sub-components. **Fiscal data:** Inconsistent data from different sources in government, limited coverage and delays are hampering accurate and timely assessment of the fiscal position. **External data:** Large errors and omissions, lack of granularity of reserves composition and delays in balance of payments data. **Monetary data**: Long delays in publishing financial soundness indicators that also lack granularity complicate the assessment of financial conditions and risks.

Changes since the last Article IV consultation. The same longlasting weaknesses continue to affect staff's assessment accuracy and potentially policy recommendations. With the CPI rebasing, staff analysis is now based on new CPI data starting January 2025, with new weights for the consumption basket's components, but with a non-standard approach to defining the base period. A fiscal coordination committee was created to review, harmonize fiscal data and strengthen fiscal forecasting capacities.

Corrective actions and capacity development priorities. The team raised data issues with the authorities. Staff are liaising with STA to help build capacities and provide technical assistance to improve data quality. Staff will assess improvement in data quality after the GDP rebasing that was done with the support of ongoing CD from the Fund for the real sector since 2022. There is ongoing CD on prices for both CPI and PPI to close existing and new data gaps. In addition, there is an immediate need for authorities to take up CD from STA for external sector statistics (ESS) and government finance statistics (GFS) as these sectors show persistent material gaps that hamper surveillance since 2018.

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff does not use any data and/or estimates in the staff report in lieu of official statistics.

Other data gaps. Labor data are suffering from severe shortcomings given frequent changes in employment statistics and methodology--including definition of employment/unemployment. Economic data on states and localities are inexistent. Nation-wide sex-disaggregated data are very limited. Data on climate adaptation and mitigation are very limited as well.

Table 2. Nigeria: Data Standards Initiatives

Nigeria participates in the Enhanced General Data Dissemination System (e-GDDS) and publishes the data on its National Summary Data Page since March 2016.

Table 3. Nigeria: Common Indicators Required for Surveillance

As of May 16, 2025

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Nigeria[8]	Expected Timeliness[6,7]	Nigeria[8]
Exchange Rates	Apr-25	Apr-25	D	D	D	M	...	1M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	2024Q4	Mar-25	M	M	M	M	1M	2M
Reserve/Base Money	Mar-25	Apr-25	M	M	M	M	2M	6W
Broad Money	Mar-25	Apr-25	M	M	M	M	1Q	6W
Central Bank Balance Sheet	Mar-25	Apr-25	M	M	M	M	2M	6W
Consolidated Balance Sheet of the Banking System	Aug-24	Oct-24	M	M	M	M	1Q	6W
Interest Rates[2]	Apr-25	Apr-25	M	M	M	M	...	1M
Consumer Price Index	Dec-24	Apr-25	M	M	M	M	2M	2W
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	Jan-25	Mar-25	M	Q	A	A	3Q	12M
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	Jan-25	Mar-25	M	Q	Q	M	1Q	1M
Stocks of Central Government and Central Government-Guaranteed Debt[5]	2024Q4	Apr-25	Q	Q	Q	Q	2Q	1M
External Current Account Balance	2024Q4	Mar-25	Q	A	Q	A	1Q	6M
Exports and Imports of Goods and Services	2024Q4	Mar-25	Q	Q	M	M	12W	50D
GDP/GNP	2024Q4	Feb-25	Q	Q	Q	Q	1Q	50D
Gross External Debt	2024Q4	Apr-25	Q	Q	Q	Q	2Q	1M
International Investment Position	2024Q4	Mar-25	Q	Q	A	A	3Q	3M

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[3] Foreign, domestic bank, and domestic nonbank financing.

[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

[5] Including currency and maturity composition.

[6] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

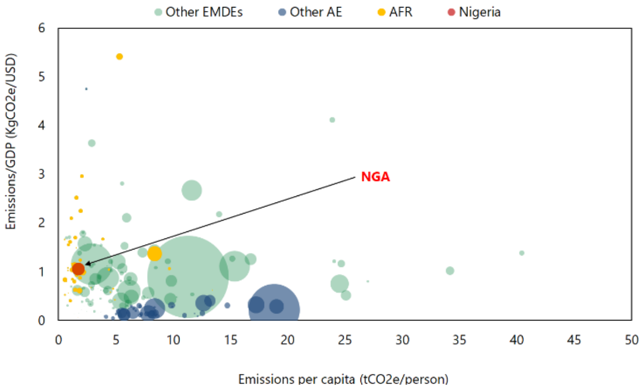
[7] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

[8] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "..."

Annex X. Climate Trends

M1. GHG Emissions Intensity Vs. Total Emissions (2023)

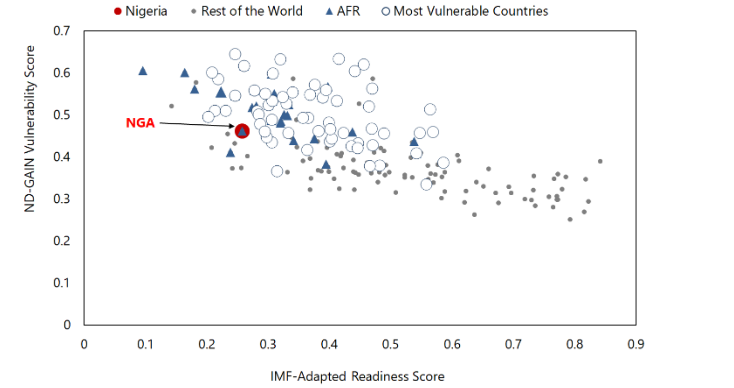
Despite accounting for only 0.02% of global GHG emissions, Nigeria's emissions intensity (Emissions/GDP) is relatively high.



Sources: IMF Climate Change Indicators Dashboard (2023) and World Economic Outlook (2023).
Note: Bubble size indicates total GHG emissions excluding land-use and land-use change and forestry. Outlier Palau is excluded.

A1. Climate Risks and Readiness (NDGAIN, 2022)

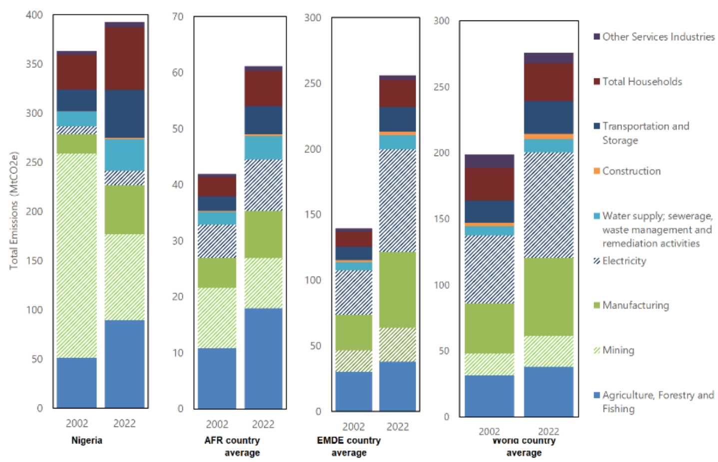
Nigeria's vulnerability to climate is near the global median, but its readiness to address these risks is significantly lacking.



Sources: IMF Climate Change Indicators Dashboard (2022).
Note: The Vulnerability Score assesses a country's current vulnerability to climate reflecting exposure, sensitivity, and adaptive capacity. The Readiness Score assesses a country's readiness to leverage public and private sector investment for adaptative actions.

M2. Emissions by Sector

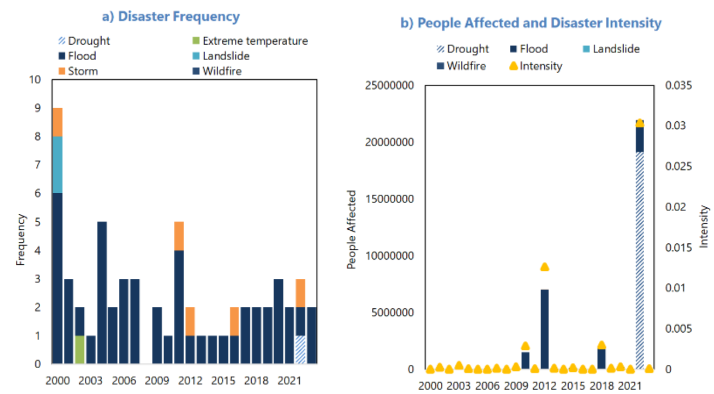
Nigeria's emissions increased at a slower pace relative to other AFR countries.



Sources: OECD Air Emission Accounts; UNFCCC; EDGAR; IMF staff calculations.
Note: GHG emissions excluding land-use and land-use change and forestry are shown. Rather than presenting the air emission by UNFCCC sector, the chart above classifies emissions by economic activity.

A2. Key Natural Hazard Statistics

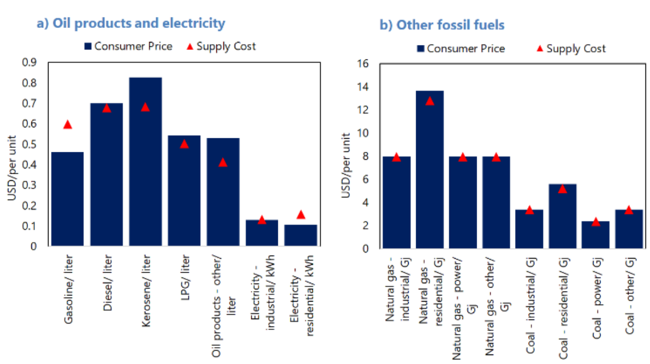
The country is mainly vulnerable to storm, droughts and floods. Historically, it is common for Nigeria to be faced with multiple natural hazards in a single year. However, there is no evidence of increased intensity of these disasters yet.



Sources: EMDAT and Staff calculations using Pondi and others (2022).
Note: Intensity is defined as (Total death+30% Total Affected)/Total population.

T1. Explicit Consumer Fuel Subsidies, 2024

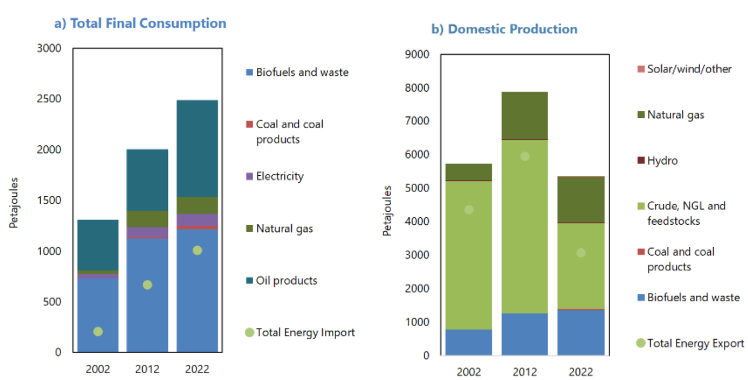
Gasoline price is below supply cost in 2024. Implicit petrol subsidies were removed in 2023, while explicit subsidies were abolished in October 2024.



Sources: IMF Climate Change Dashboard (2021) and IMF Fossil Fuel Subsidies database.

T2. Energy Mix

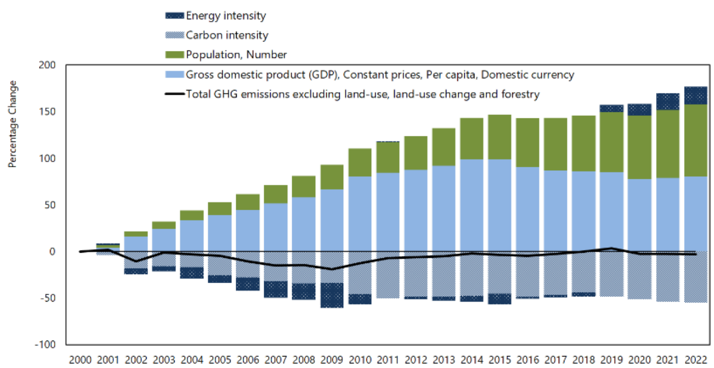
Nigeria is a net exporter of coal and natural gas. Renewable energies make up for only a small share in the domestic energy mix.



Source: IEA World Energy Balances.

T3. Kaya Identity

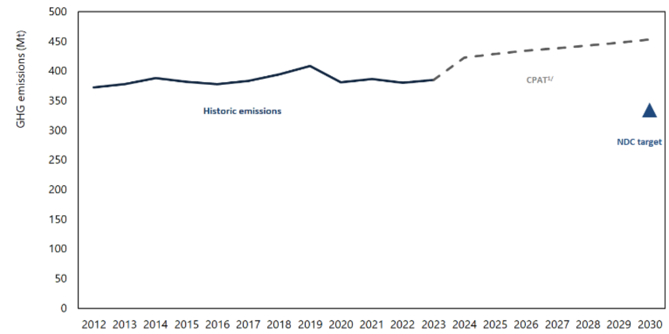
Rising GDP per capita fueled GHG emissions in the early 2000s but stagnated with GDP per capita and improved carbon intensity but energy intensity (Kaya identity) has increased.



Sources: IMF Climate Change Dashboard with data from the UNFCCC, EDGAR, FAO, WEO, Our World in Data and IMF staff estimates.
Note: The Kaya identity is a mathematical identity illustrating that total GHG emissions can be expressed as the product of population, GDP per capita, energy intensity and carbon intensity. Base year is 2000.

M3. GHG Emissions vs. NDC Targets

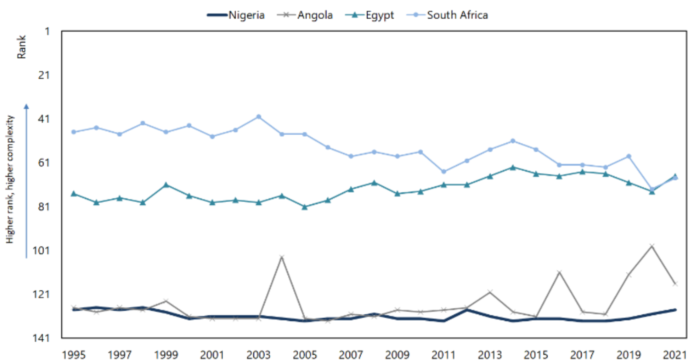
To achieve its Nationally Determined Contribution (NDC) targets additional mitigation efforts are needed as projected emissions of the Climate Policy Assessment Tool (CPAT) diverge from the NDC target.



Sources: IMF Climate Change Dashboard with data from the UNFCCC, EDGAR, FAO and IMF Staff-calculations.
Note: GHG emissions exclude Land Use, Land-Use Change and Forestry.
1/ CPAT estimations are indicative as they are based on uniform assumptions across all countries across the globe (i.e., no new mitigation policies, 50% reduction in explicit subsidies if applicable, energy prices based on average IMF-WB forecasts, and macroeconomic projections from the latest WEO).

T4. Oil Dependency, Diversification and Economic Complexity

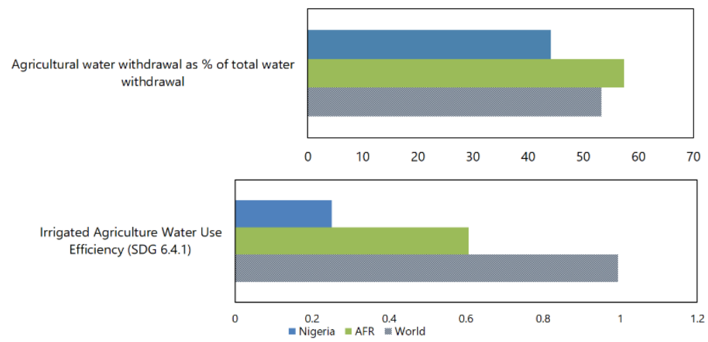
While oil dependency remains large, Nigeria has added 25 new export products since 2006, which have contributed to an improved economic complexity.



Sources: Index of Economic Complexity.

A3. Water Use Efficiency, 2021

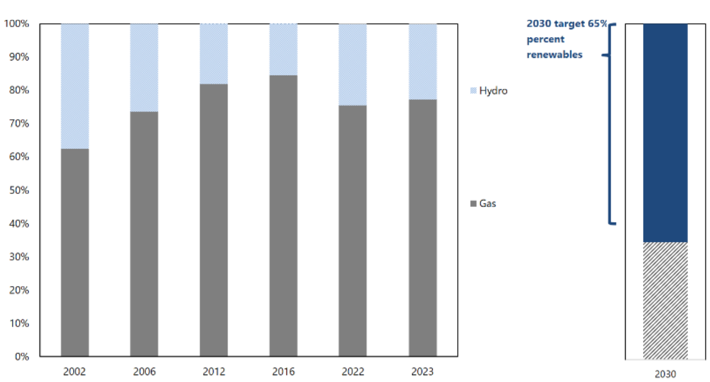
Water availability and efficiency of use are significantly lower than the world average and regional peers.



Source: IMF staff estimates based on FAO Aquastat.

T5. Electricity Generation Mix

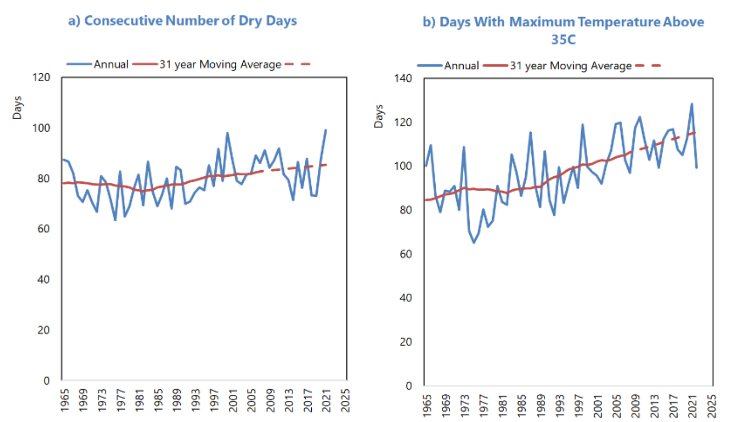
Fossil fuel based generation constitutes around three-fourths of the total electricity supply. The share of hydropower has declined over time. Substantial efforts will be required to achieve target for renewable energy



Source: IEA World Energy Balances; IMF staff calculations.

A4. Historical and Simulated Number of Hot Days

The number of hot days with maximum temperatures surpassing 35 degrees Celsius has increased.



Sources: FADCP Climate Dataset (Massetti and Tagklis, 2024), using CMIP6 data (Copernicus Climate Change Service, Climate Data Store, 2021).

INTERNATIONAL MONETARY FUND

NIGERIA

May 29, 2025

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By	The African Department

CONTENTS

FUND RELATIONS

(As of April 30, 2025)

Membership Status: Joined: March 30, 1961; Article XIV

General Resources Account:	**SDR Million**	**%Quota**
Quota	2,454.50	100.00
IMF's Holdings of Currency (Holdings Rate)	2,279.09	92.85
Reserve Tranche Position	175.47	7.15

SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	4,027.90	100.00
Holdings	3,164.21	78.56

Outstanding Purchases and Loans:	None	None
Emergency Assistance [1/]		

[1/] Emergency Assistance may include ENDA, EPCA, and RFI.

Latest Financial Commitments:

Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
Stand-By	Aug 04, 2000	Oct 31, 2001	788.94	0.00
Stand-By	Jan 09, 1991	Apr 08, 1992	319.00	0.00
Stand-By	Feb 03, 1989	Apr 30, 1990	475.00	0.00

Outright Loans:

Type	Date of Commitment	Date Drawn	Amount Approved (SDR million)	Amount Drawn (SDR million)
RFI	Apr 28, 2020	Apr 30, 2020	2,454.50	2,454.50

Projected Payments to Fund[1/]
(SDR Million; based on existing use of resources and present holdings of SDRs):

	2025	2026	2027	2028	2029
Principal	…	…	…	…	…
Charges/Interest	22.35	25.91	25.91	25.92	25.90
Total	22.35	25.91	25.91	25.92	25.90

[1/] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative: Not Applicable

Implementation of Multilateral Debt Relief Initiative (MDRI): Not Applicable

Implementation of Catastrophe Containment and Relief (CCR): Not Applicable

Exchange Rate Arrangement

The de jure exchange rate arrangement is described as floating by the authorities. The main objectives of the exchange rate policy in Nigeria are to ensure adequate fx liquidity, contain exchange rate volatility, maintain a favorable external reserves position and ensure external balance without compromising the internal balance and the overarching goal of macroeconomic stability. Considering exchange rate developments over the last two years, staff proposes to reclassify Nigeria's de facto exchange rate arrangement from "other managed" to "floating", effective October 17, 2023.

Nigeria continues to avail itself of the transitional arrangements under Article XIV, but it does not maintain restrictions under Article XIV.[2] However, Nigeria maintains five exchange restrictions subject to Fund approval under Article VIII, Section 2(a) of the IMF's Articles of Agreement:

i. An exchange restriction arising from (i) absolute limits on the amounts of foreign exchange available when traveling abroad (Business Travel Allowance (BTA) and Personal Travel Allowance (PTA)), and (ii) the monthly absolute limit on the availability of FX for the making of payments in respect of foreign mortgages. All such limits cannot be exceeded even upon verification of the bona fide nature of the transaction.
ii. An exchange restriction arising from the unavailability of fx as a PTA for persons aged under 18 years when traveling abroad.
iii. An exchange restriction arising from the requirement to use only own funds to pay for certain current international transactions.
iv. An exchange restriction arising from the unavailability of fx for resident Nigerian nationals to purchase and transfer abroad moderate amounts for family living expenses.
v. An exchange restriction arising from the CBN discretionary approval to access FX to make payments for certain current international transactions.

Safeguards Assessment

Nigeria has successfully cleared its outstanding financial obligations to the Fund. Consequently, the safeguards policy, including the monitoring of the Central Bank of Nigeria (CBN), will no longer be applicable moving forward. In relation to the outstanding 2021 safeguards recommendations, the CBN has made some progress in enhancing its audit mechanisms; and plans are underway to phase out developmental lending and strengthen governance mechanisms. While the CBN has published its 2024 summary financial statements, the full publication and adoption of International Financial Reporting

[2] As of May 30, 2025, staff continue to work with the authorities on the exchange rate data necessary to assess implications under Article VIII.

Standards (IFRS) remain critical to improving transparency and reinforcing the CBN's credibility. Additionally, other key outstanding safeguards recommendations include legal reforms to the 2007 CBN Act to further strengthen the central bank's autonomy.

Article IV Consultation

Nigeria is on the standard 12-month Article IV consultation cycle. The previous Article IV consultation was concluded on April 29, 2024.

Mr. Axel Schimmelpfennig has been the IMF's Mission Chief since August 2023.

Mr. Christian Ebeke has been the IMF's Resident Representative since October 2023.

Technical Assistance (TA) since January 2023		
Department	Purpose of TA Mission	Duration
FAD	Customs administration	February 19 - 28, 2023 April 12 – 21, 2023 (regional) May 15 – 26, 2023 July 17- 28, 2023 (regional) September 18 – 29, 2023 September 25 – October 6, 2023 (regional) November 27 – December 8,2023
FAD	Tax administration	May 2, 2022 – April 28, 2023 (regional) January 9 – 13, 2023 (regional) January 16 – 27, 2023 January 19 – February 1, 2023 January 21 – February 8, 2023 January 26 – February 8, 2023 February 9 – February 20, 2023 April 12 – 14, 2023 (regional) April 17 – May 2, 2023 May 1, 2023 – May 31, 2023 (regional) May 1, 2023 – April 30, 2024 (regional) May 15 – 26, 2023 September 1 – 13, 2023 September 6 – 19, 2023 (regional) September 6 – 22, 2023 November 13 – 17, 2023 (regional) March 26 – April 4, 2024 March 26- April 09, 2024 April 24 – May 7, 2024 July 10 – 23, 2024 August 26 – September 13, 2024 (regional) October 7 – 11, 2024 October 14 – 29, 2024 October 28 – November 8, 2024 (regional) November 4 – 19, 2024 November 18-22, 2024 November 25 – 29, 2024 January 27 – February 7, 2025 (regional) February 10 - 21, 2025 February 12 – 25, 2025 April 7 – 18, 2025 (regional)
FAD	Tax policy	August 1 - December 31, 2022
FAD	Public Finance Management	January 13 – 17, 2023 March 20 – 31, 2023 October 11 – 24, 2023 November 13 – 22, 2023 January 10 – 17, 2024 April 8 – 12, 2024 January 16 – 27, 2025 January 27 – 31, 2025
MCM	Banking Supervision	February 7-10, 2023 March 20-24, 2023 May 22 to June 2, 2023 July 30-August 4, 2023 (regional) November 20-21, 2023 December 4 to 15, 2023 February 20-21, 2024 (regional) January 20-24, 2025
	Monetary Policy	July 27-31, 2023 (regional) March 27-31, 2024 (regional) March 10-14, 2025 (regional)
	Debt Management	March 4 to 8, 2024

Technical Assistance (TA) since January 2023 (Concluded)		
STA	National Accounts	July 24-August 4, 2023 May 02-16, 2024 July 08-19, 2024 September 16-27,2024
	Price statistics	June 19-30, 2023 April 8-19, 2024 July 1-12, 2024 September 9-20, 2024 April 15-25, 2025

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

World Bank

https://www.worldbank.org/en/country/nigeria

African Development Bank

https://www.afdb.org/en/countries/west-africa/nigeria/

Statement by Mr. Ouattara Wautabouna, Executive Director for Nigeria and Mr. Afolabi Olowookere, Alternate Executive Director, and Mr. Patterson Chukwuemeka Ekeocha, Senior Advisor to Executive Director
June 13, 2025

Introduction

Our Nigerian authorities highly value the IMF engagement and constructive discussions with staff during the 2025 Article IV consultation. They broadly share the staff assessment on the country's macroeconomic challenges and key policy priorities. The selected topical issues papers are also appreciated.

Nigeria's economy is navigating a complex landscape marked by inflationary pressure, structural challenges, including infrastructural deficits. However, notable economic reforms and growth have led to significant progress. The Nigerian federal government has implemented a series of significant economic measures aimed at stabilizing the economy, enhancing fiscal sustainability, and promoting inclusive growth. The measures include fuel subsidy removal and exchange rate unification, tax reforms and domestic revenue mobilization, monetary policy tightening, infrastructure development, agricultural and food security initiatives, social welfare programs, and oil sector reforms. While many of these initiatives were challenging, they reflect the government's commitment to addressing economic challenges through structural reforms, fiscal discipline, and targeted social interventions. In the light of these ongoing reforms, Nigeria's macroeconomic conditions have shown gradual signs of improvement in 2024 and further into the first quarter of 2025. This was reaffirmed by the recent improved Sovereign ratings by Fitch and Moody's Credit Rating Agencies.

Recent Economic Developments and Outlook

Growth is projected to slightly moderate at 3.3 percent in 2025 after increasing to 3.4 percent in 2024, with the services sector being the major driver and supported by improved policy coordination between the monetary and fiscal authorities. The non-oil sector is expected to continue to drive output growth in the near term, and sustaining the increase in oil production will enhance the contribution of the sector to GDP growth. Based on the new base year and reconstituted consumption basket, inflation for 2024 was estimated at 15.4 percent and it is expected to level at 23.0 percent in 2025 and decline gradually to 18.0 percent in 2026 and 16. 0 percent in 2027.

On the external sector, the external reserves remained robust at US$39.4 billion as of February 14, 2025, translating to an import cover of 9.6 months for goods and services. In addition to this, the balance of payments has remained strong, with a positive current account balance position in 2024 supported by improved foreign exchange (FX) inflows from portfolio investors and diaspora remittances. Staff baseline scenario analysis shows that Nigeria will experience consistent growth, characterized by a decrease in inflation and enhanced external stability. However, increased tariffs and decline in oil prices could affect world economic growth, and Nigeria's oil income and foreign exchange reserves. The government has therefore made economic diversification a key focus to lessen the country's dependence on oil income and to encourage growth in non-oil industries. The authorities are committed to initiatives aimed at boosting agricultural output, fostering industrial development, and promoting the digital economy to enhance economic diversification and improve resilience against external shocks.

Fiscal Policy

The authorities are committed to reforming revenue and expenditure to bolster public finances and ensure sustainable debt in the medium-term. They are focusing on increasing revenue generation for priority spending by improving tax administration and compliance, particularly in improving corporate income tax (CIT), and broadening the tax base. In 2024, the government undertook a 50 percent automated deduction of MDAs' revenues, direct contractor payments to boost tax remittances, and a Federal Inland Revenue Services (FIRS) pilot for fiscalization to enhance compliance. In the medium-term, the authorities are implementing measures to rationalize incentives, including pioneer status, free trade zone tax regimes, and import duty waivers. Moreover, capital gains on chargeable assets will be included in income tax, and the top marginal personal income tax rate will be increased from 18.6 percent to 25.0 percent. Other administrative reforms include the modernization of FIRS, improving public procurement, fixing tax leakages, and integrating technology with identity management. Beyond the medium term, proposed measures include tax agent regulation, electronic invoicing, an increase in VAT from 7.5 percent to 10.0 percent, adoption of a data-driven system for tax intelligence, a harmonized revenue administration, introduction of a carbon tax on fossil fuels, and a voluntary disclosure program to generate revenue and expand the tax net.

The government is also working on aspects of capital expenditure that can be financed through private capital (domestic and foreign investment) under robust public-private-partnership (PPP) arrangements – attracting private capital from institutional investors such as the Pension Funds, among others. For example, implementation of the Highway Development and Management Initiative (HDMI) is one of several opportunities for private sector funding for critical infrastructure. Further, they are reallocating funds for social protection and addressing governance issues while working with the World Bank Group to expand the social protection system for a significant number of the population. In addition, they prioritize spending for inclusive growth, improve irrigation, and use of improved seeds and fertilizers. Meanwhile, they are addressing conflict and insecurity in farming communities to boost food supply and reduce prices.

To ensure debt sustainability, the authorities are committed to adhering to the Fiscal Responsibility Act 2007, limiting borrowing to capital and human development. Despite revenue challenges, the government has met debt service commitments and is exploring reasonable borrowing options to keep public debt under 40 percent of GDP. They aim to align the debt service-to-revenue ratio with the 30 percent threshold and will focus on optimal borrowing supported by improved revenue mobilization to address financing gaps while considering borrowing costs and risks.

Monetary and Exchange Rate Policy

The Central Bank of Nigeria (CBN) is committed to ensuring monetary and financial stability amidst evolving domestic and external challenges. In this regard, the CBN maintains its strategic focus on ensuring price stability, fostering a credible exchange rate regime, and laying the groundwork for an inflation-targeting framework. To address the ongoing price pressures, the CBN has maintained a tight policy stance since 2024. To this end, the CBN commenced an aggressive monetary policy, cumulatively raising its policy rate by 875 basis points, to address inflation, stabilize the exchange rate, and restore positive real interest rates. To address structurally high inflation, the CBN is transitioning to an inflation targeting monetary policy, enhancing forecasting tools, communication, and coordination with fiscal authorities. This transparency and guidance have boosted its credibility with investors. To manage excess liquidity, the CBN aggressively recovered outstanding development finance injections and maintained statutory limits on advances in coordination with fiscal authority. Other initiatives included increased open market operations and net open position (NOP) limits to contain FX exposure.

In line with the Fund's advice, the CBN has fully unified the foreign exchange (FX) market windows. To demonstrate its drive towards improved credibility, the Bank cleared all verified FX backlogs and removed administrative limits on FX rates quoted by International Money Transfer Operators (IMTOs). Monitoring and managing exchange rate risks remains essential for the CBN to promote economic stability and attract investment. In this regard, the adoption of the willing-buyer, willing-seller model introduced in 2023 was further reinforced by additional reforms. The measures include the introduction of the B-Match system and FX Code which revolutionized interbank trading by improving transparency and discipline to the pricing of FX transactions. The FX Code was structured around six key principles: Ethics, Governance, Execution, Information Sharing, Risk Management & Compliance and Confirmation & Settlement processes. These reforms have resulted in improved market sentiment, enhanced FX liquidity, and narrowed the premium between the official and parallel market rates.

Financial Sector Policy

The financial sector remains broadly resilient, as key financial soundness indicators stayed within regulatory limits. To ensure the continued stability and resilience of the financial sector, the Bank has remained steadfast in its regulatory oversight of the banking system. The CBN has commenced implementation of Basel III capital standards and has directed Deposit Money Banks to increase their minimum capital requirements to address concerns about the adequacy of capital buffers and their ability to absorb shocks. With the phase-out of pandemic-era related forbearance measures, the CBN has strengthened its supervisory framework to ensure continued stability of the financial system. This has resulted in the overall stability and resilience of banks in the review period. Further resilience is expected as banks work towards meeting their new recapitalization deadline. Further, the CBN is working in collaboration with other key stakeholders to address concerns associated with the FATF grey-listing, improve compliance with international standards, strengthen AML/CFT supervision and address risk associated with innovation in the Fintech space.

Structural Reforms

The government is committed to good governance and transparency and is enforcing public disclosure of contracts, licenses, permits, and revenue. Government aims to pass laws for access to Public Officers' Asset Declarations. The Technical Unit on Governance and Anti-Corruption Reforms (TUGAR) issues reports on governance improvements and guides reforms.

To ensure accurate fiscal forecasts, the Ministry of Finance is coordinating efforts with other agencies to harmonize fiscal data across agencies. This reflects the authorities' increased emphasis on the quality and accuracy of fiscal data to guide decision-making and strengthen fiscal operations. Similar emphasis is placed on the production and release of data on production, prices, financial and external sectors by relevant government agencies, using standard and comparable methods to generate consistent data.

The authorities are pursuing regulatory reforms to make Nigeria an attractive investment destination despite the current security and global uncertainty challenges. They emphasize stakeholder consultation and consistent policies while supporting growth sectors for job creation and exports. Additionally, the government is prioritizing reforms to enhance competition, innovation, and productivity, and is strengthening frameworks for concessions and public-private partnerships by tackling legal barriers to private investment in key sectors. The government has also embarked on several initiatives targeted at improving food supply to improve food security and address inflationary pressure. In its continued drive to enhance fiscal space, the government has sustained efforts at several reforms embarked upon in 2023 such as the full implementation of fuel subsidy removal and efforts to improve revenue mobilization through tax reforms.

The authorities adjusted energy policies to combat climate change and promote sustainability, prioritizing stricter emission standards, carbon pricing, and renewable energy targets to reshape the oil market. To this end, they will review governance reforms and expedite energy transition plans, reaffirming its commitment to a sustainable future.

Conclusion

The authorities reaffirm their commitment to implement policy reforms to improve the economic and social landscape, attract capital, enhance the business environment, and diversify away from oil dependency. They value Fund advice and support and seek Directors' support for concluding 2025 Article IV consultation.