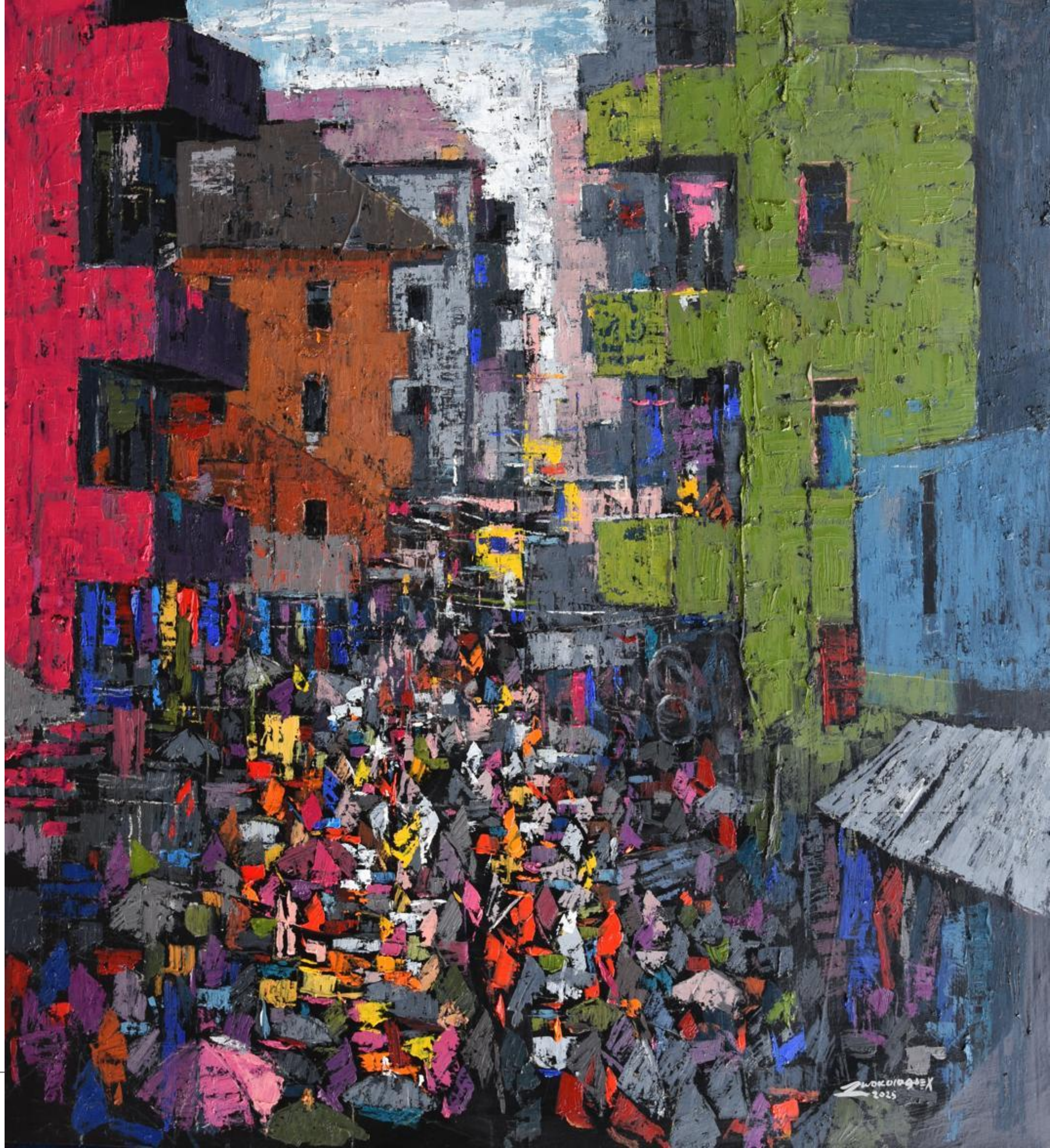
NIGERIA DEVELOPMENT UPDATE

FROM POLICY TO PEOPLE: BRINGING THE REFORM GAINS HOME

OCTOBER 8, 2025



NIGERIA
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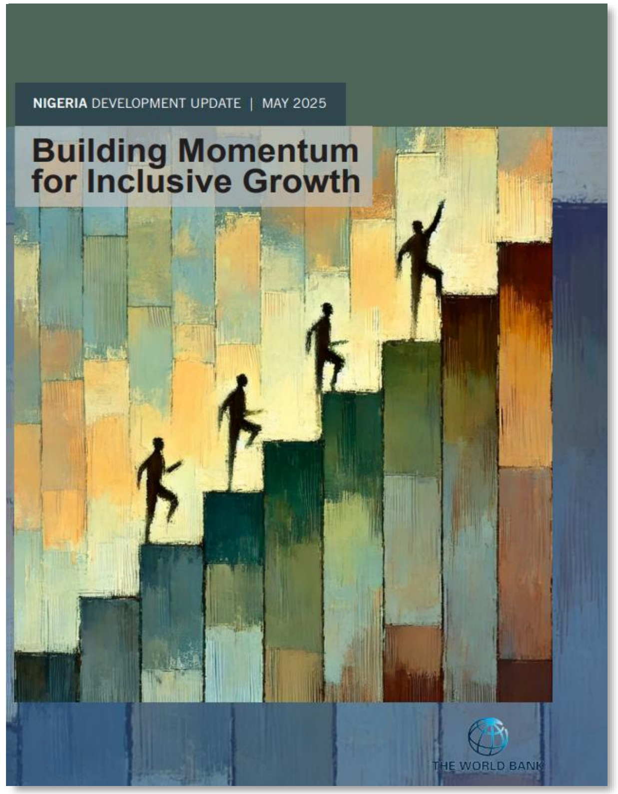
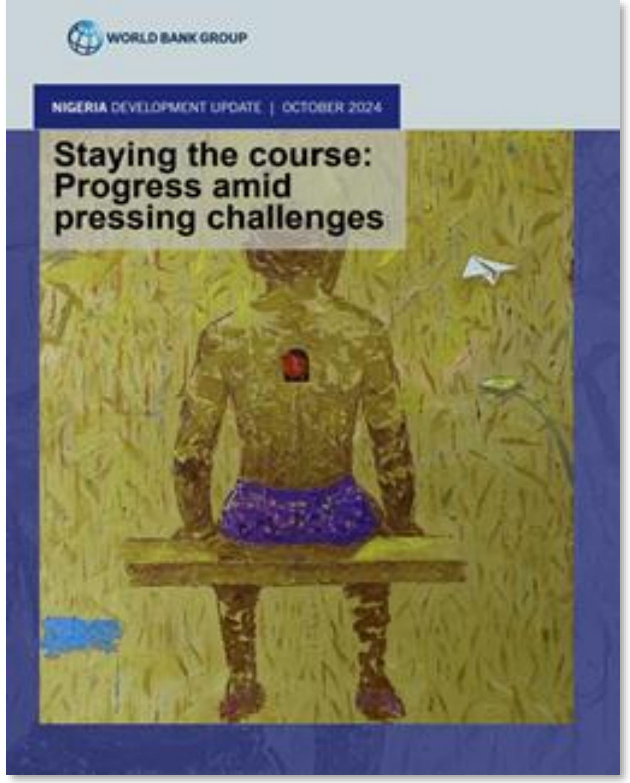
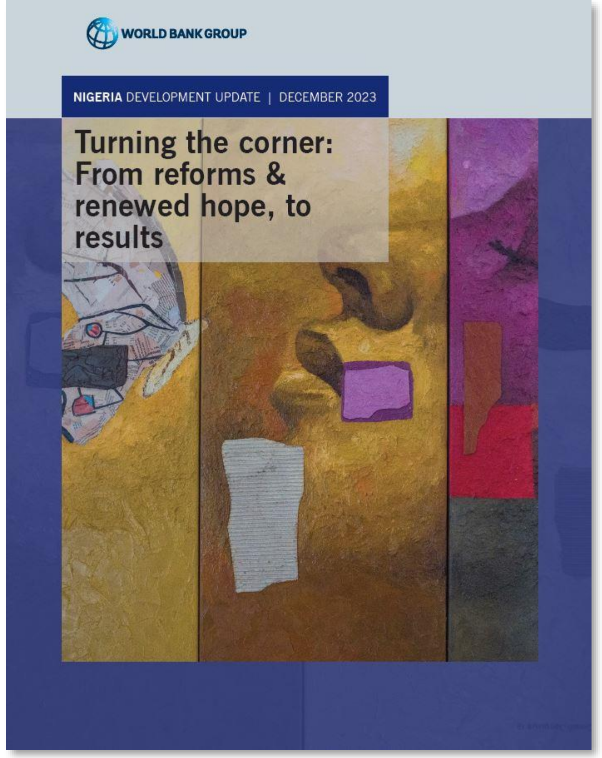
NIGERIA DEVELOPMENT UPDATES

Bi-annual assessment of recent economic and social developments in Nigeria and prospects

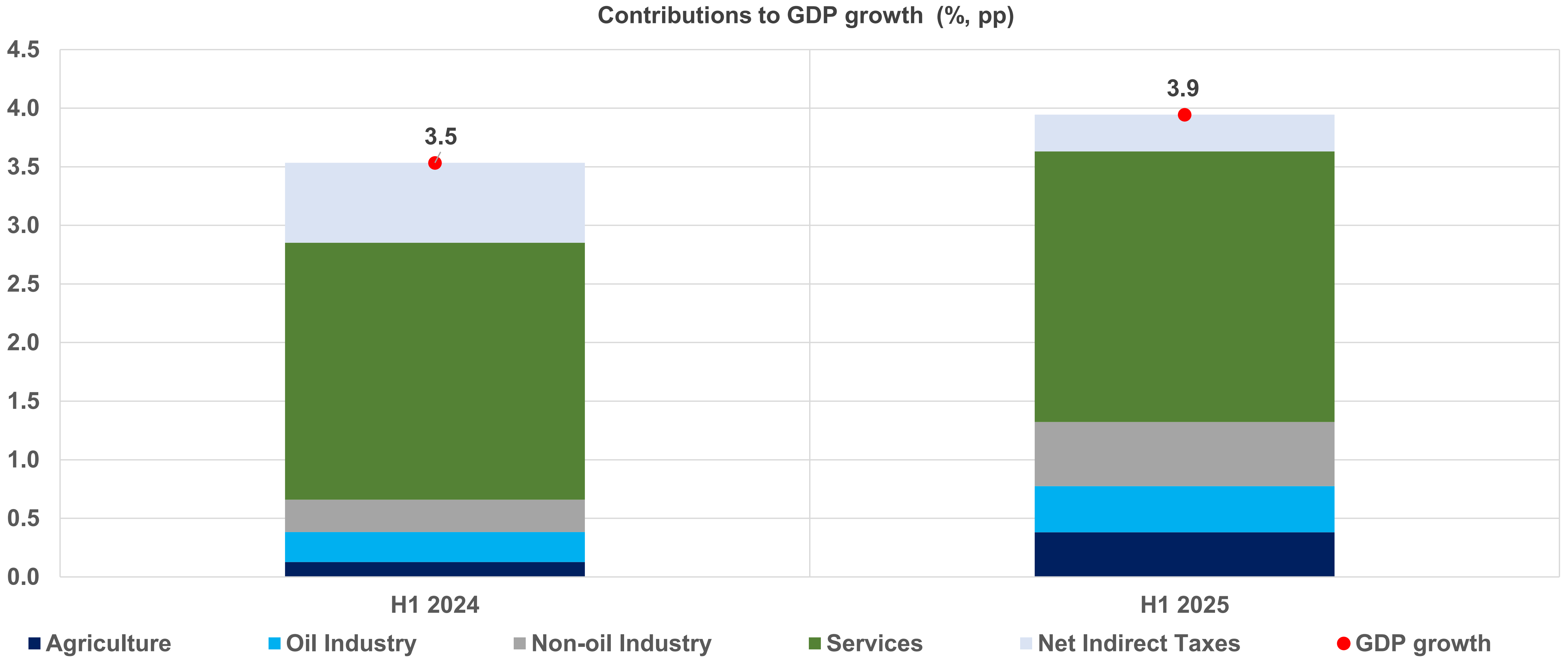






Nigeria has made substantial progress on macroeconomic stabilization

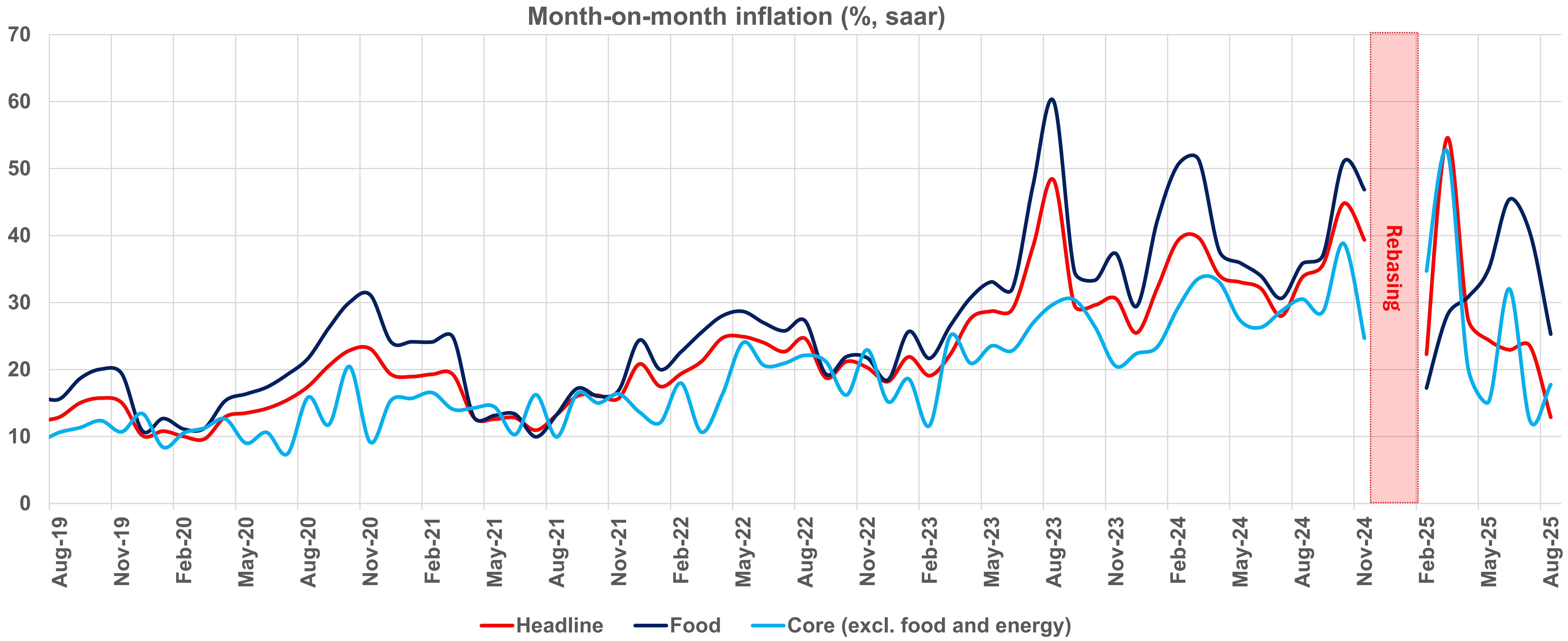
Growth picked up in 2024 and was sustained into H1-2025, driven by services but with improvement across all sectors



Source: NBS, World Bank

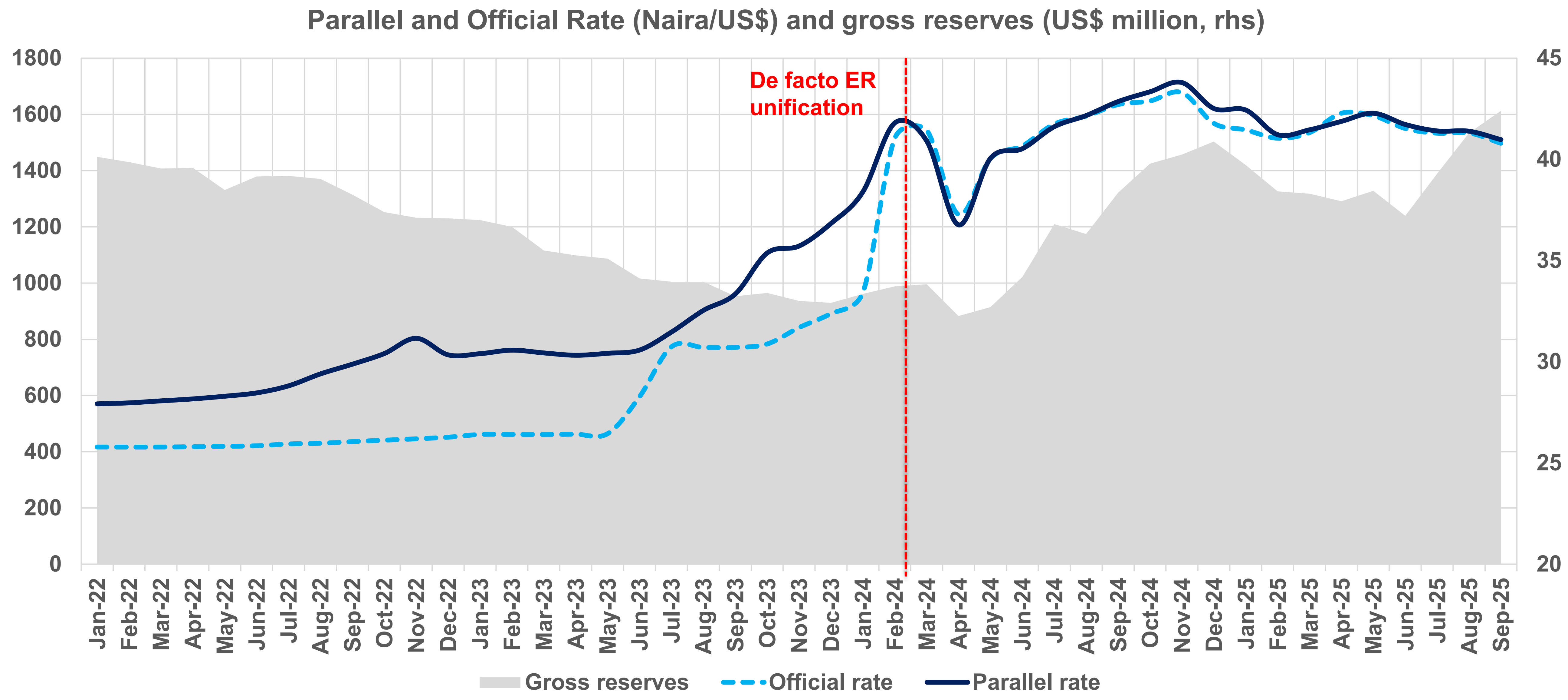
Supported by a tighter monetary policy stance, inflation has started trending down, though food inflation is still high

The disinflation process has started, but **food inflation remains stubbornly high and volatile**, highlighting the need for continued monetary tightening and measures to ease supply constraints



Source: NBS and World Bank

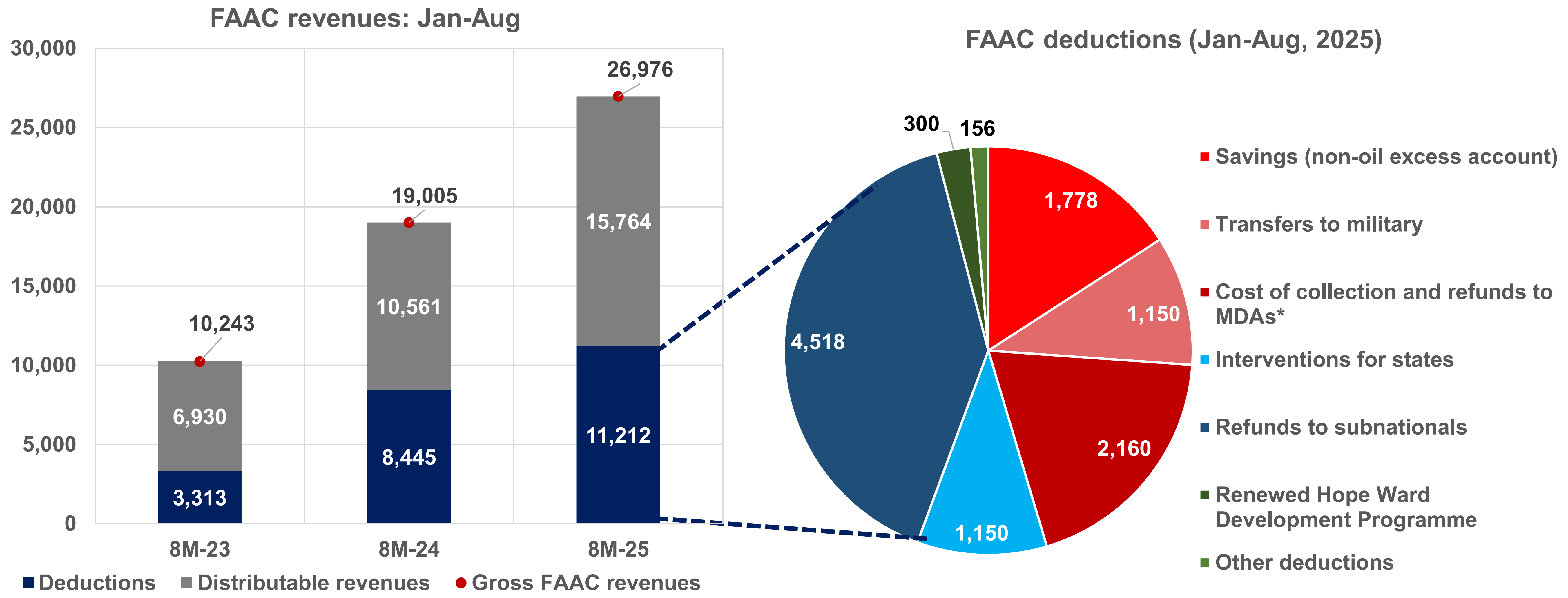
Reforms have consolidated the foreign exchange market, decreased exchange rate volatility, and strengthened the external position



Source: CBN, FMDQ, market surveys

Gross revenues collected at FAAC kept rising, despite the drop in oil prices

FAAC revenues rose from 7.6% of GDP in 8M-2024 to 9.5% in 8M-2025, **driven by improved tax administration, revenue gains from PMS subsidy removal, and higher oil production**; however, **deductions also increased.**



Source: FAAC and World Bank
Note: * The MDAs/GOEs that received FAAC funding are FIRS, NCS, NMDPRA, NUPRC, NEDC, FEF, and RAMFAC

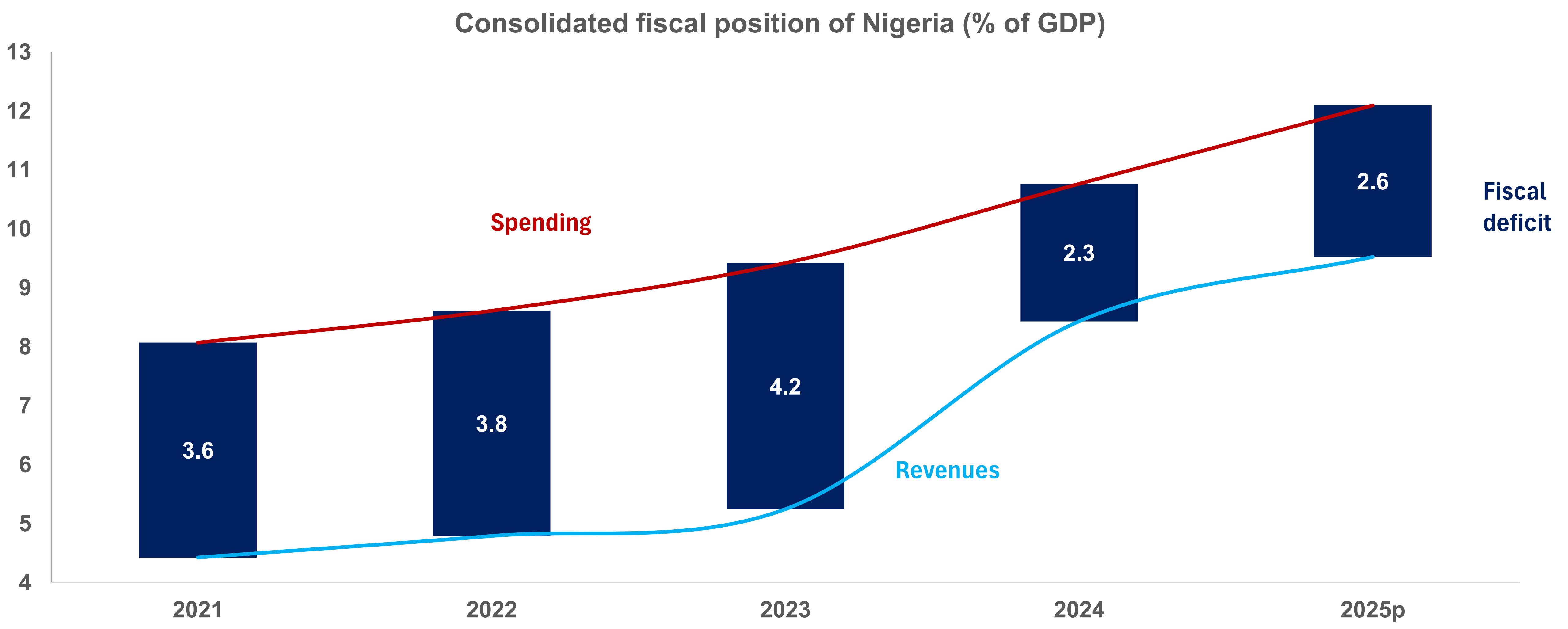
The rise in revenues helped Nigeria largely absorb the increase in spending

Spending in 2025 increased due to **(i) a higher wage bill** following the minimum wage adjustment, **(ii) rising interest payments at the federal level**, and **(iii)** an increase in **capital spending by subnational governments**

Spending category	N billion					% GDP				
	2021	2022	2023	2024	2025p	2021	2022	2023	2024	2025p
Federation	19,639	23,618	29,591	40,139	51,791	8.1	8.6	9.4	10.8	12.1
Personnel cost	6,359	7,247	8,580	10,878	15,165	2.6	2.6	2.7	2.9	3.5
Overhead cost	1,629	1,975	2,319	3,395	3,903	0.7	0.7	0.7	0.9	0.9
Interest expense	4,656	6,082	8,158	8,873	12,702	1.9	2.2	2.6	2.4	3.0
Other recurrent	1,601	2,144	2,327	4,286	2,879	0.7	0.8	0.7	1.1	0.7
Capital expenditure	5,394	6,170	8,207	12,708	17,141	2.2	2.2	2.6	3.4	4.0
Federal government	11,698	14,645	18,629	22,924	28,136	4.8	5.3	5.9	6.1	6.6
Personnel cost	3,502	3,896	4,404	5,218	7,595	1.4	1.4	1.4	1.4	1.8
Overhead cost	405	423	422	668	292	0.2	0.2	0.1	0.2	0.1
Interest expense	4,221	5,657	7,626	8,368	12,240	1.7	2.1	2.4	2.2	2.9
Other recurrent	1,048	1,535	1,691	3,676	2,244	0.4	0.6	0.5	1.0	0.5
Capital expenditure	2,522	3,134	4,486	4,994	5,765	1.0	1.1	1.4	1.3	1.3
Subnational governments	7,941	8,974	10,962	17,215	23,655	3.3	3.3	3.5	4.6	5.5
Personnel cost	2,857	3,351	4,176	5,659	7,571	1.2	1.2	1.3	1.5	1.8
Overhead cost	1,224	1,552	1,897	2,726	3,612	0.5	0.6	0.6	0.7	0.8
Interest expense	435	425	532	504	462	0.2	0.2	0.2	0.1	0.1
Other recurrent	554	609	637	610	636	0.2	0.2	0.2	0.2	0.1
Capital expenditure	2,872	3,036	3,721	7,715	11,375	1.2	1.1	1.2	2.1	2.7

Source: OAGF, BIRS, NBS, World Bank.
Note: Subnational governments includes SGs+FCT+LGs. We only account for interest payments and not debt service as expenditure, in line with international standards. The data for 2025 is projected based on the first half data from OAGF for FG and BIRs for states.

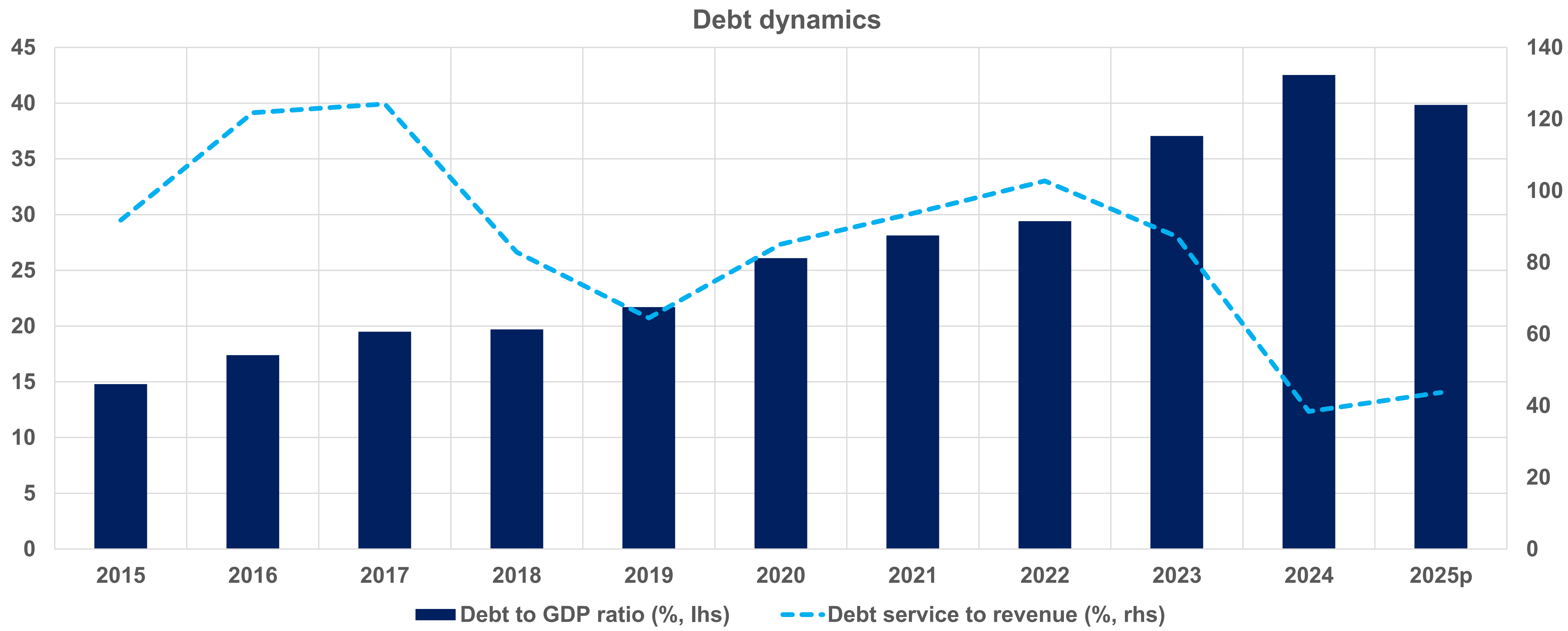
As a result, the fiscal position of the entire Federation (FG+SG+LG) remained largely unchanged



Source: Source: OAGF, BIRs, DMO, World Bank.
Note: The consolidated fiscal position (FGN, States, and LGs) for 2025 is projected based on 6 months actual data from the Federal Government and states based on the individual BIRs of states. It includes only interest payment as debt expenditure as amortization is below the line.

Fiscal resilience, stronger growth, and exchange rate appreciation have helped ease debt pressures

The debt to GDP ratio is projected to decline from 49.2 percent in 2024 to 39.8 percent in 2025, the first decline in more than a decade; and the debt service to revenue dropped significantly to levels not seen in many years



Source: Source: DMO, NBS and World Bank.
Note: Public debt includes the remaining stock of ways and means, AMCON liabilities, explicit guarantees, and the electricity subsidy arrears.

The outlook is cautiously optimistic, supported by steady growth, easing inflation, fiscal stability, and a strong external position amid ongoing risks

- **GDP growth** is projected to **rise modestly from to 4.4% in 2027**, driven by strong services, a rebound in agriculture, and improved industrial activity amid a more stable environment.
- **Inflation is expected to ease** to 15.8% in 2027, supported by tight monetary policy and easing supply pressures.
- The **current account will remain in a large surplus of more than 6% of GDP**, supported by lower imports and rising non-oil exports.
- The fiscal deficit will average 2.7% of GDP in 2026–27, **supported by rising revenues from tax reforms and lower interest payments**, keeping debt stable in the low 40s percent of GDP.
- **The outlook is subject to several risks:** growth and disinflation remain vulnerable to oil price shocks, reform fatigue, election uncertainties, and climate shocks.

Advances and suggested next steps to deepen macroeconomic reforms

(A) Monetary and FX policy

KEY REFORMS	REFORM PROGRESS HEATMAP						MEASURES TO SUSTAIN AND DEEPEN THE REFORMS
	NDU Dec-22	NDU June-23	NDU Dec-23	NDU Oct-24	NDU Apr-25	NDU Oct-25	
Maintain a tight monetary policy stance until inflation reduces sustainedly							• Maintain sufficiently positive real ex-ante policy rates • Uphold commitment of not monetizing the fiscal deficit
Improve monetary policy implementation							• Increase reliance on the MPR to control naira liquidity, implemented with open market operations (OMOs) and standing facilities • Narrow the corridor (SDF/SLF) around the MPR • Gradually reduce the cash reserve ratio (CRR) to support financial sector development • Reduce market segmentation between OMOs and NTBs
Improve balance sheet transparency							• Publish monthly statements of assets and liabilities, in particular to indicate no monetization of fiscal deficits
Maintain a unified, market-reflective exchange rate							• Maintain naira flexibility as a shock absorber • Progressively lower remaining constraints to deepen FX market (e.g. holding long net open positions) • Implement and communicate a clear exchange rate policy and a systematic framework for FX intervention, outlining when and how the CBN may buy or sell FX

Legend Weak | Semi-weak | Average | Semi-strong | Strong

(B) Fiscal policy

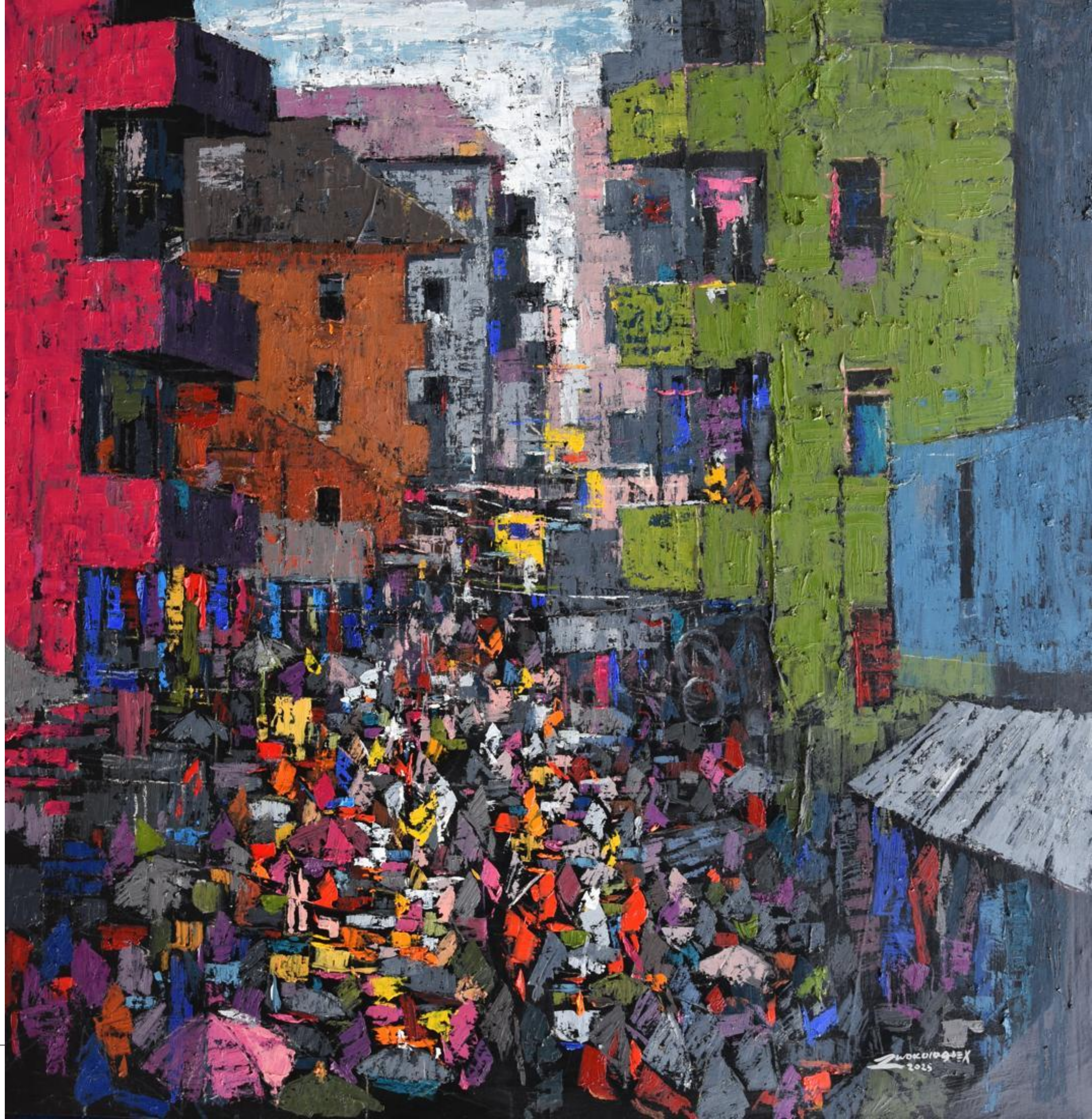
KEY REFORMS	REFORM PROGRESS HEATMAP						MEASURES TO SUSTAIN AND DEEPEN THE REFORMS
	NDU Dec-22	NDU June-23	NDU Dec-23	NDU Oct-24	NDU Apr-25	NDU Oct-25	
Eliminate the PMS subsidy							• Ensure the PMS market remains de-regularized • Strengthen antitrust measures to ensure no market players can manipulate prices
Eliminate the FX subsidy							• Ensure that all FX-related transactions continue to occur at the market-determined exchange rate
Eliminate the electricity subsidy							• Finance the electricity subsidy arrears. • Adopt cost-reflective electricity tariffs, while providing a universal subsidy
Strengthen non-oil revenues							• Improve tax administration by implementing e-invoicing and strengthening tax audits. • Adopt modern property tax frameworks at the subnational level • Increase health taxes and gradually increase the VAT rate in line with ECOWAS
Increase fiscal governance							• Clear the backlog of FGN audits for 2022-2024 • Publish monthly reconciled fiscal data • Conduct a forensic audit of NNPCL • Adopt new audit and procurement laws
Improve budget credibility							• Have realistic budget assumptions • Publish all details of the FGN budget and MTEF in a user-friendly format
Reduce the cost of governance							• Cut non-essential spending (vehicles, trainings) • Curb ad-hoc deductions at FAAC • Reduce the cost of collection of GOEs (FIRS, NCS, NMDPRA, NUPRC, NNPCL, etc.)

Legend

Weak	Semi-weak	Average	Semi-strong	Strong

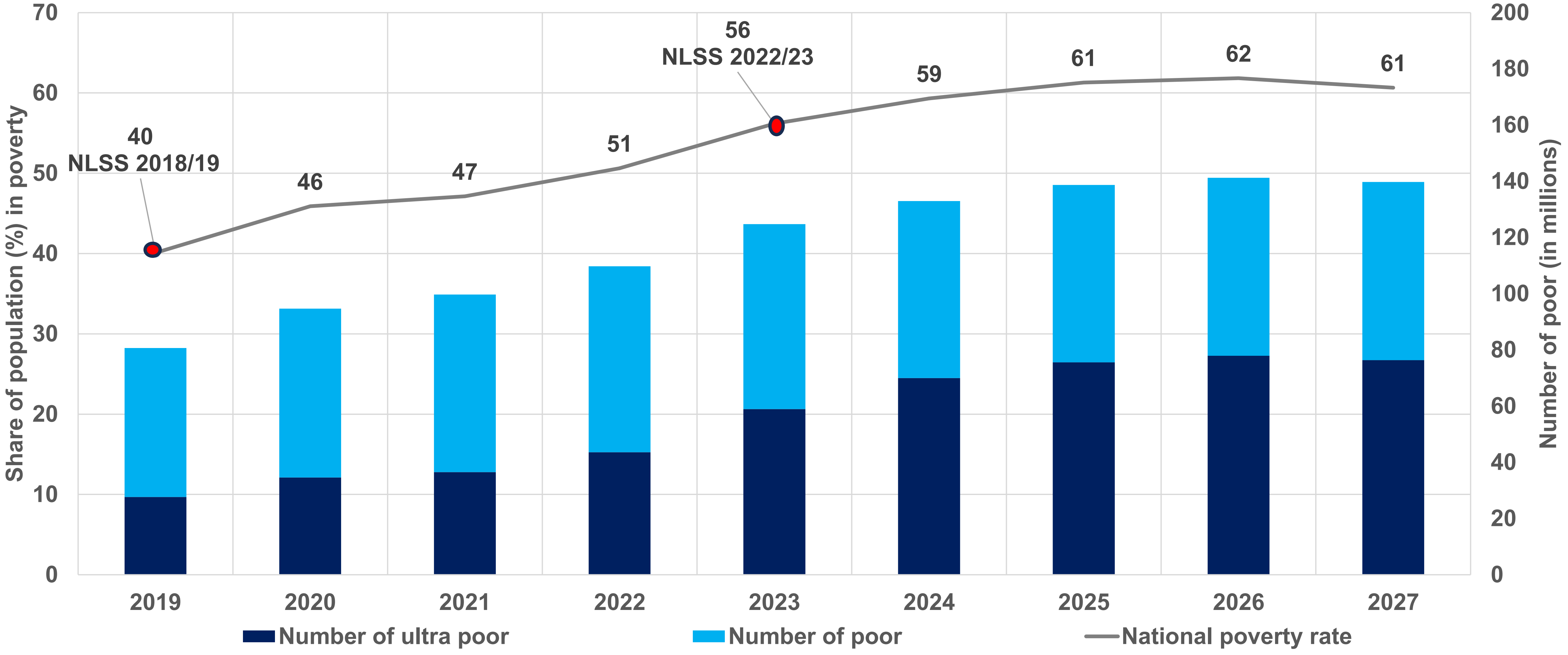
Where do we go from here?

Reform gains need to better translate into living conditions



Poverty levels have yet to stabilize

Poverty has risen sharply since 2019 due to past policy missteps and external shocks, compounded by recent adjustment costs; it **is expected to stabilize only by 2026**, supported by faster growth and lower inflation

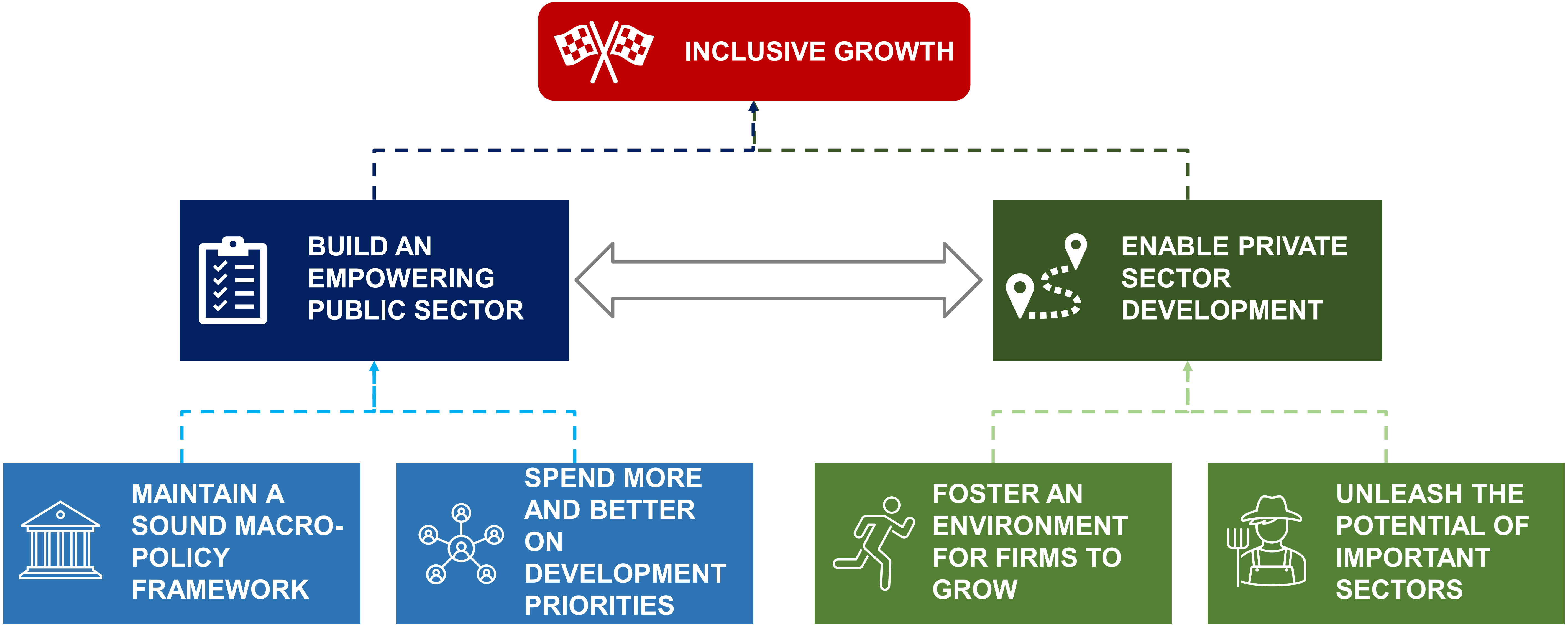


Source: NLSS 2018/19 and 2022/23, and World Bank

Note: Straight lines indicate projections using NLSS 2018/19 and NLSS 2022/23 and macroeconomic data from NBS; and red dots are survey estimates. Ultra-poor are defined as those unable to meet basic caloric needs even if all income is spent on food.

Macro stability is necessary but not sufficient to deliver fast, inclusive growth and job creation; Nigeria needs an empowering and enabling public sector…

The last NDU outlined a **private sector-led, public sector-facilitated growth agenda**



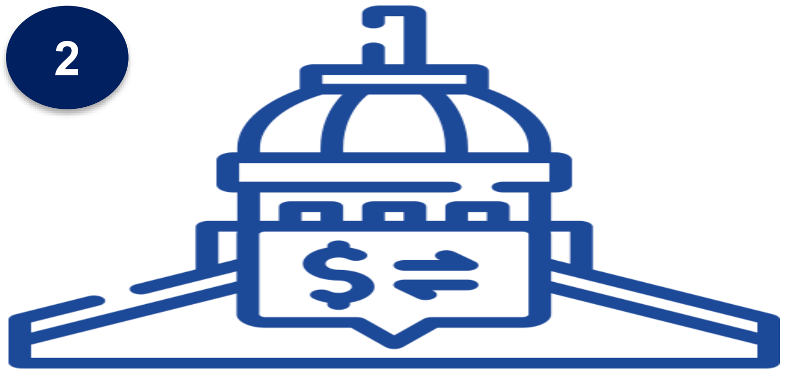
…which requires people-centered actions to turn recent reform gains into direct benefits for Nigerians

1

REDUCE FOOD INFLATION

- Remove import bans and Import Adjustment Tariffs (IAT)
- Improve transport, power, and storage infrastructure
- Lift interstate fees/roadblocks
- Facilitate coordination in food value chain
- Reduce conflict

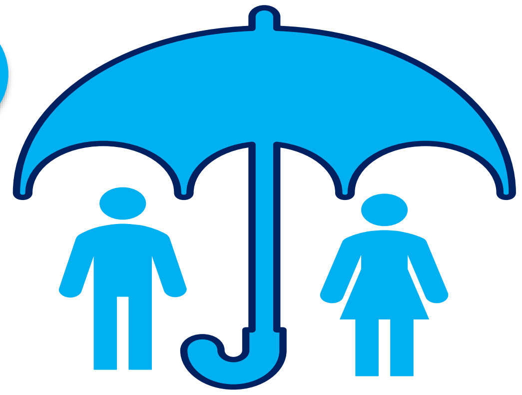
2



IMPROVE THE USE OF PUBLIC RESOURCES FOR DEVELOPMENT

- Reduce the cost of collection of revenue agencies
- Increase fiscal transparency
- Anchor the Ward Development Program on a spending pact to guide resource use

3

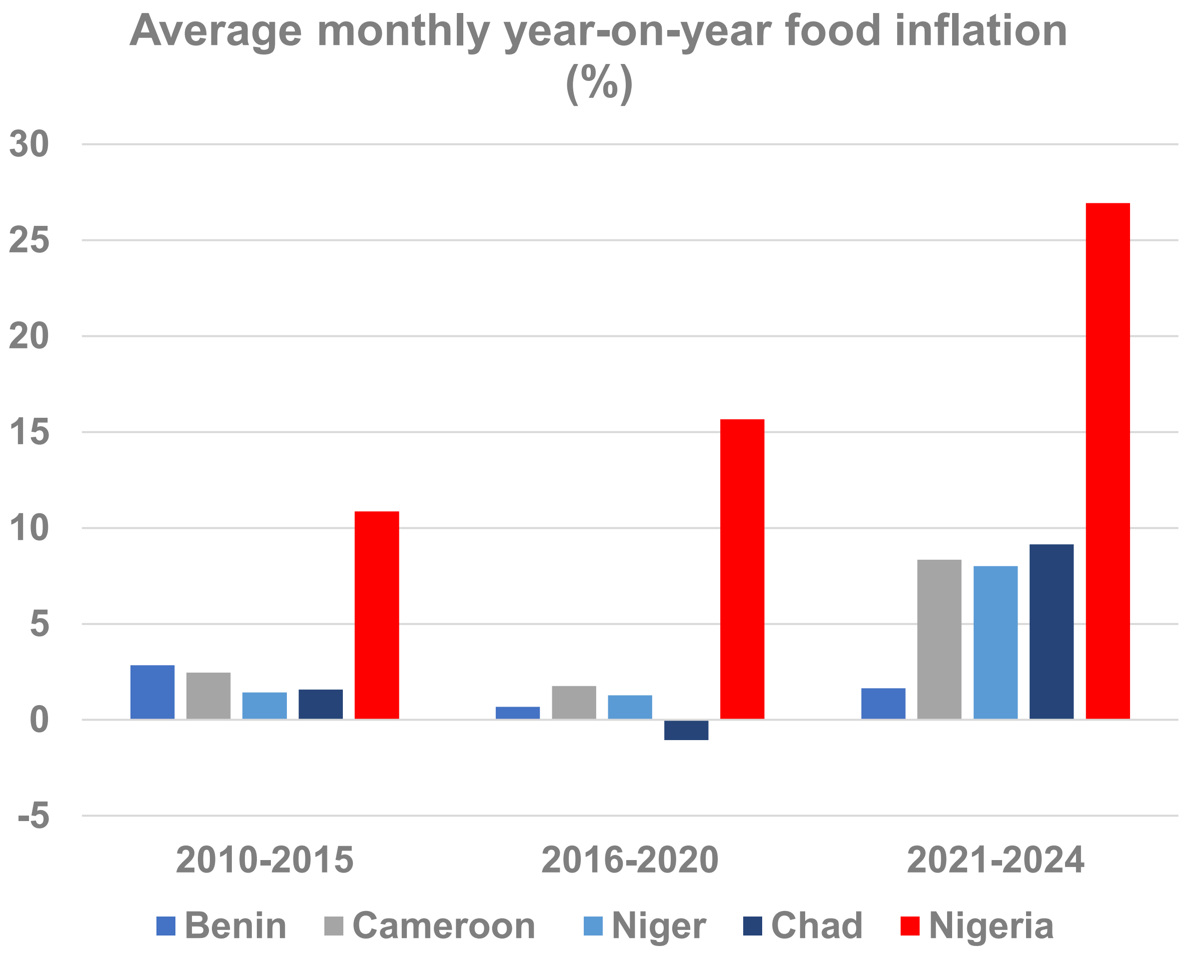


STRENGHTEN THE SOCIAL SAFETY NET

- Domestically fund safety nets program for ultra-poor households
- Rely on and update the National Social Registry as the primary tool for targeting

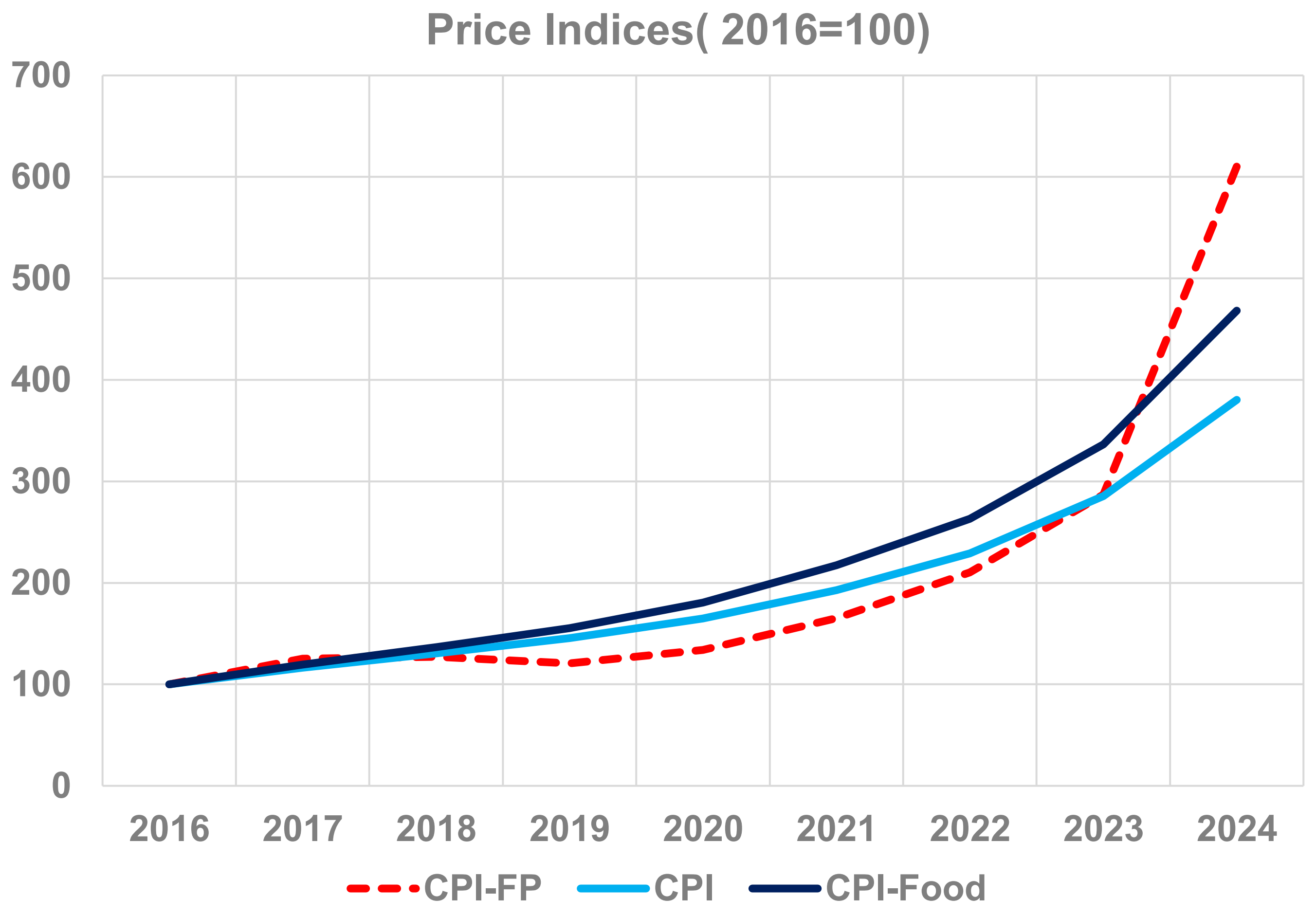
(1) Reduce food inflation: Historically, food prices have been soaring in Nigeria, especially for food items most consumed by the poor

Food prices have increased over **5 times faster in Nigeria** than in peer countries since 2010



Source: WDI

The average price of the **food products most consumed by the poor (CPI-FP) increased fivefold (2020-2024)**, faster than headline and food inflation



Source: NBS and World Bank. Note: CPI-FP is a weighted average of the price of the eight food items most consumed by poor households (rice, palm oil, groundnut oil, white beans, bread, beef, maize flour, and yam), indexed to average 2016=100

(1) Reduce food inflation: Remove trade barriers on food, intermediates, capital

Import bans and high duties apply to essential food items and inputs…

Products	Import Ban	Import Duties (2021)
Meat and Animal Products	Live or dead birds(=>185g), including fresh or frozen meat of bovine animals, swine, lamb, sheep, goat and offal of listed animals	5% - 35%
Cooking Oils	Groundnut oil, refined palm oil and palm kernel oil	20% - 35%
Tomatoes	Tomatoes, tomatoes sauces and concentrates, including ketchup.	35% - 45%
Beverages	Water, fruit juices (tomatoes, guava, tamarind, mango, other) including natural or artificial water	20% - 35%
Sugar	Cane or beet sugar and chemically pure sucrose in any form, except for raw sugar for refineries	70%
Medicaments	Medicaments containing vitamins excluding medicaments prepared with human and animal blood for therapeutic, prophylactic or diagnostic uses	20%
Grains		5% - 25% - including durum wheat
Rice		5% - 60%
Flour		20% -70% (wheat or meslin flour and bulgar wheat)
Cement	All cement, excluding white cement	50%

…leading to higher food prices

- **Trade restrictions have failed to sufficiently boost domestic output, leading to undersupply** (e.g. sugar, rice, sorghum, and wheat) as domestic production fell short of targets, and with some decrease in yields.
- **Selected import waivers also restrict supply**, as they were granted only to a few players, undermining competition.
- Trade barriers increase smuggling and **widen "evasion gaps"; tariff revenues could be approximately two-thirds higher** without such evasion.
- **Import bans raise firms' input costs** by 6.2% on average, reaching 10% in manufacturing and 13% in food production; **this also undermines export competitiveness**

→ Removing import restrictions could **lift 1.3 million Nigerians** (0.6% of the population) **out of poverty.**

(1) Reduce food inflation: Tackle domestic, structural constraints, which also raise food prices

1. **Increase public and private infrastructure investments:** Poor infrastructure (transport, power, storage, cold-chains) and multiple fees and roadblocks hinder access to markets, cause large food losses (up to 76% for tomatoes), and lower productivity.

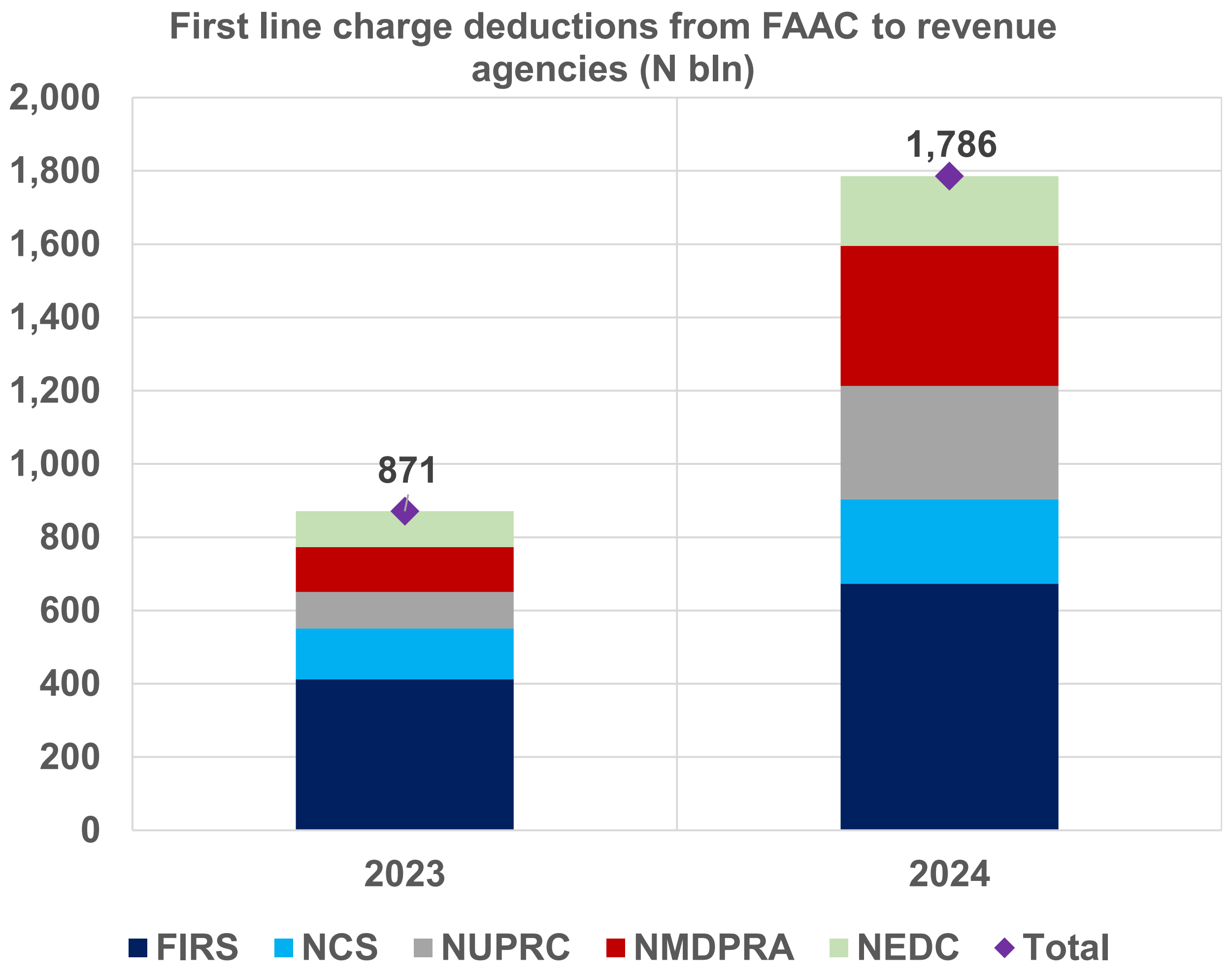
2. **Lower insecurity and strengthen land tenure**: Conflict, farmer–herder clashes, and limited land titling (only 3%) constrain production and investment.

3. **Improve coordination and information flows along agricultural supply chains:** Institutional gaps difficult the transition from subsistence farming to modern, commercial operations.

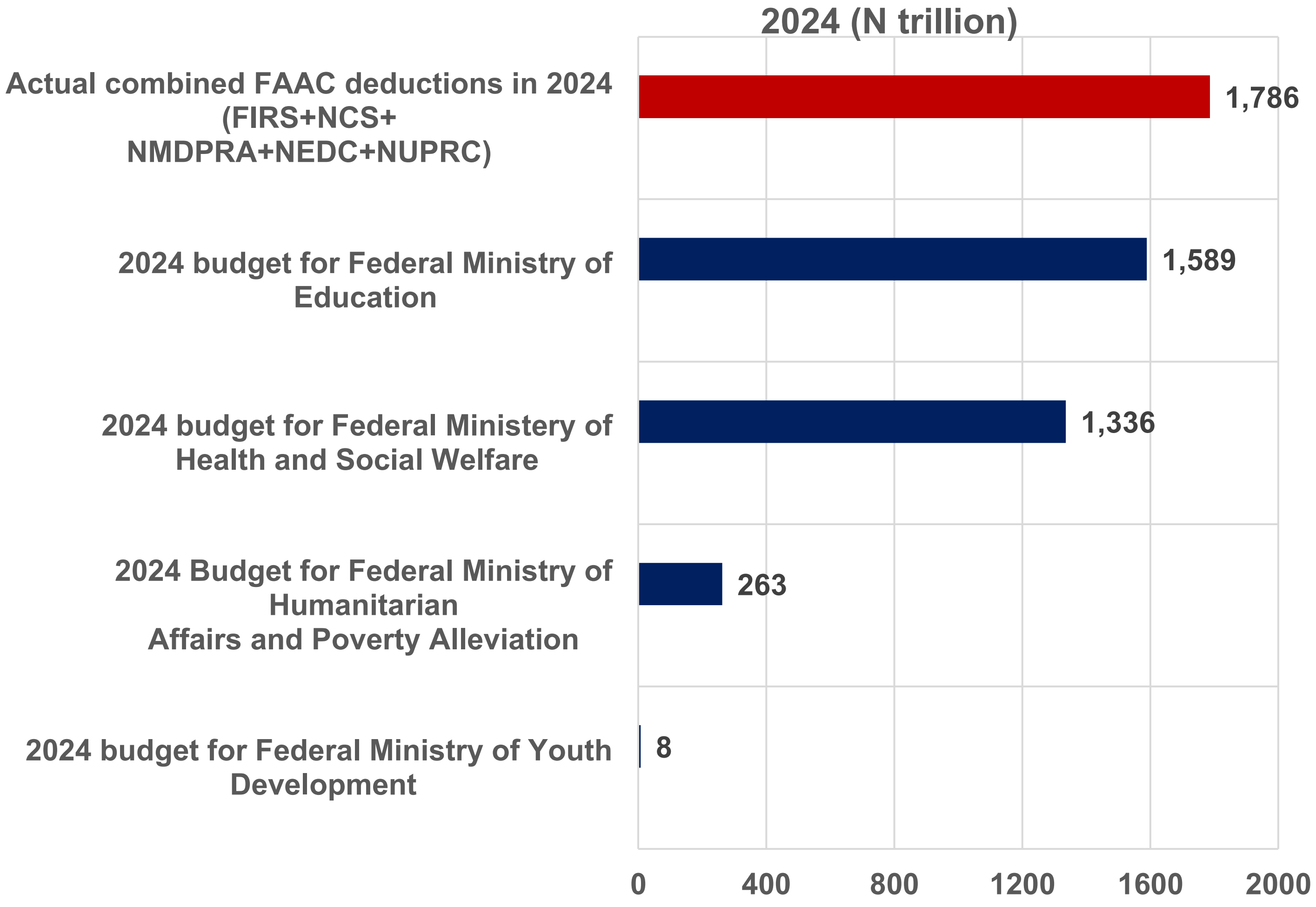
4. **Improve climate resilience:** Droughts, floods, and other extreme weather events further disrupt production.

(2) Improve the use of public resources for development: deductions from FAAC to revenue agencies are very high

Combined FAAC deductions to revenue agencies **more than doubled**, from N871 bln in 2023 to N1,786 bln in 2024



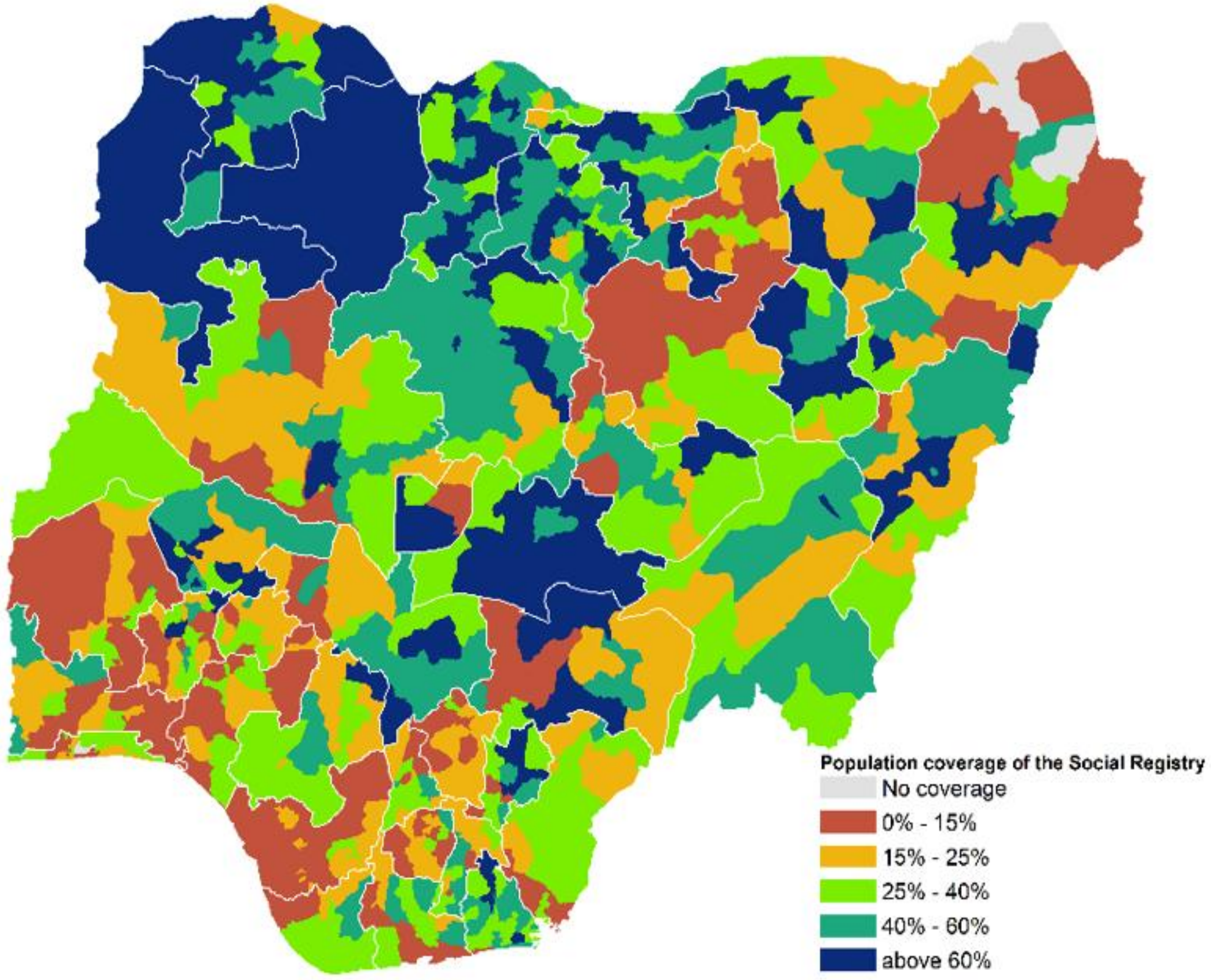
In 2024, FAAC **deductions to revenue agencies** also **exceeded** the budgeted amounts allocated to **pro-poor ministries at the Federal level**



Source: BOF; OAGF monthly fiscal reports, FAAC documents, Budget Implementation Reports (BIRs)
Note: First line charges include cost of collection of FIRS, NUPRC, NCS as well as refunds to FIRS, NCS, NMDPRA and NUPRC, and the statutory deduction for NEDC

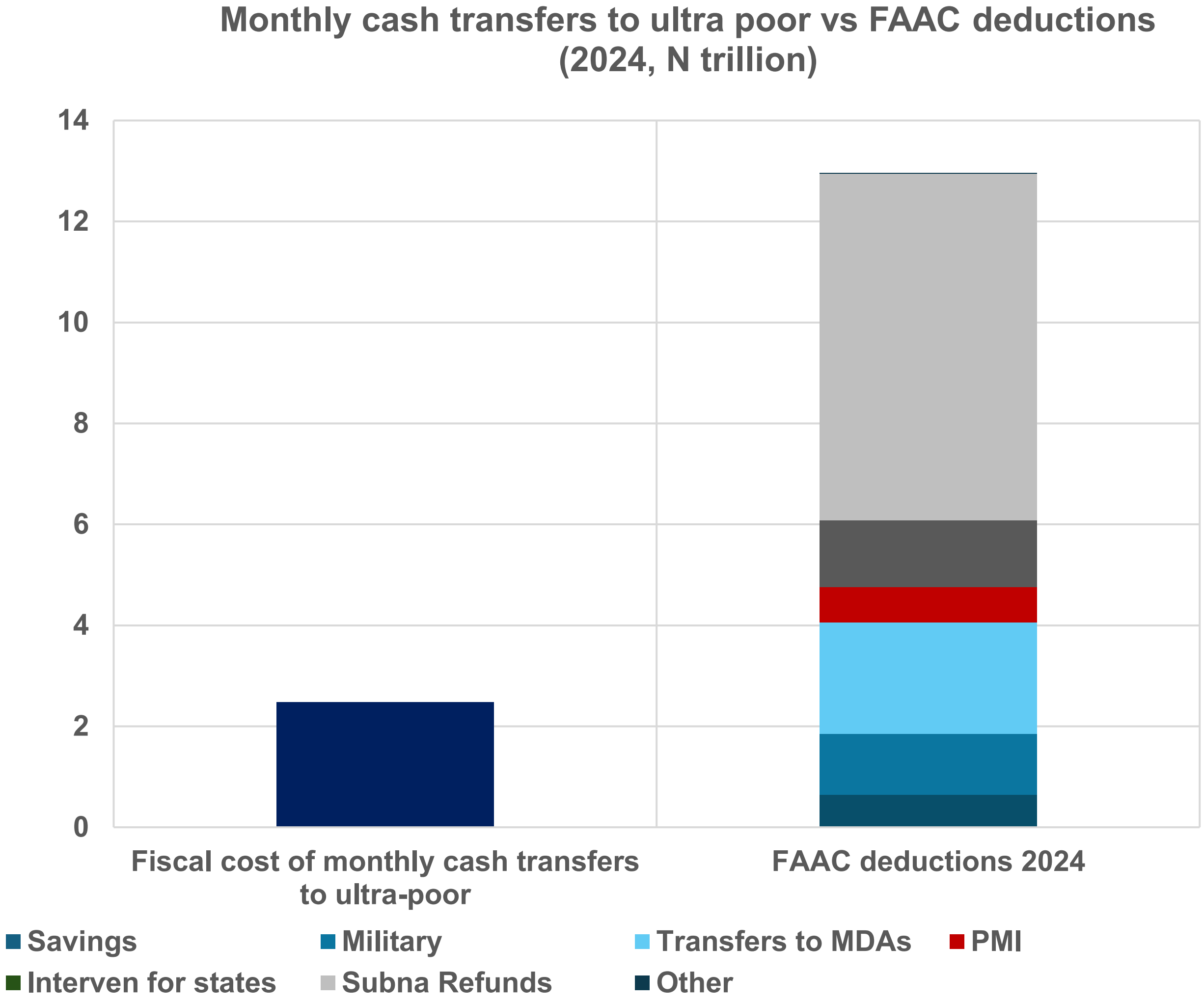
(3) Adopt stronger social safety nets domestically financed

The social registry credibly identifies poor and vulnerable households across Nigeria and has wide spatial coverage

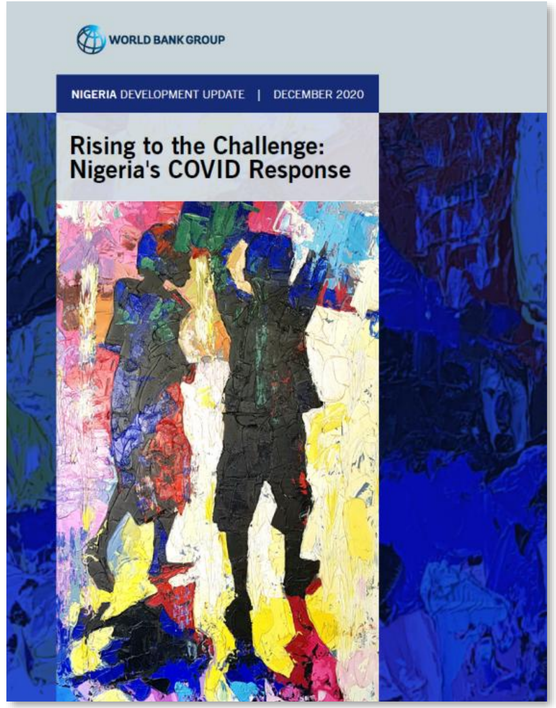


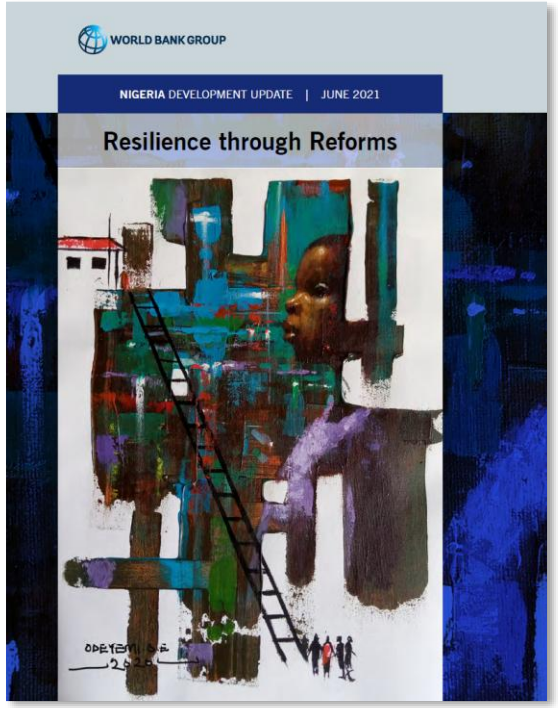
Source: World Bank estimates based on administrative data from NASSCCO

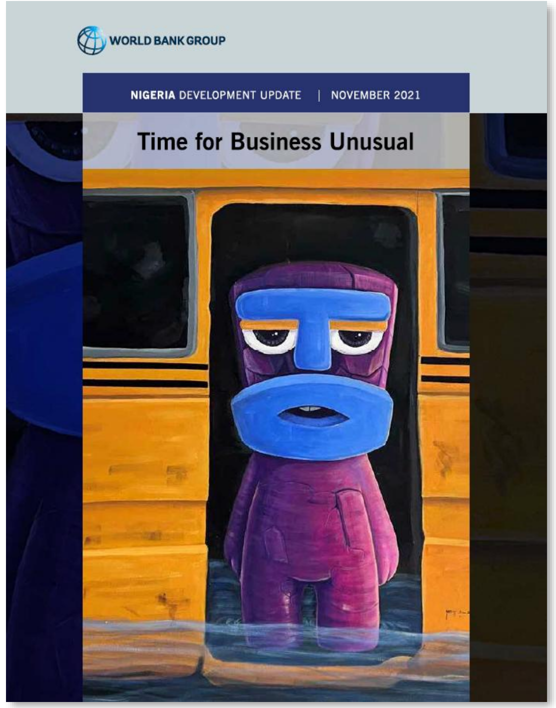
The fiscal cost of monthly cash transfers (₦22,500) to the ultra-poor would amount to just 19.1% of FAAC deductions in 2024

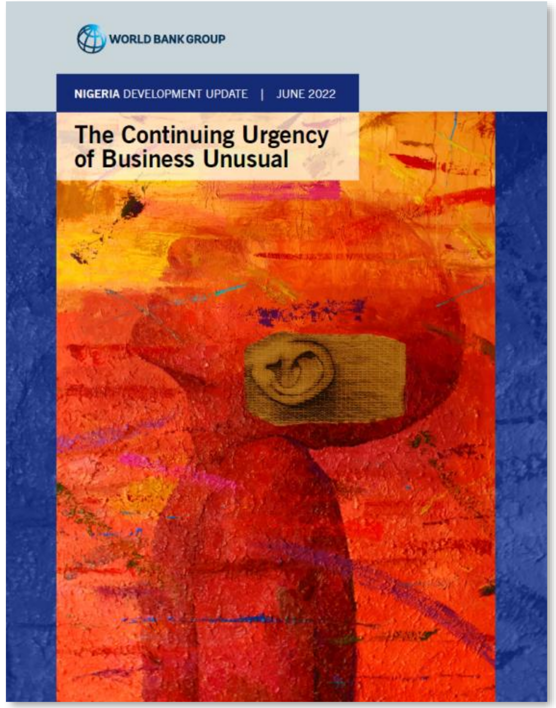


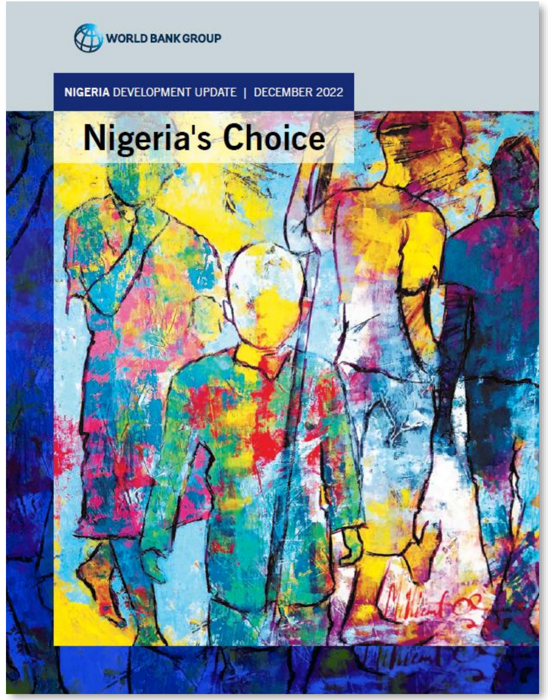
Source: NLSS, FAAC documents, and World Bank. Note: Transfers to MDAs, includes cost of collection, as well as refunds to FIRS, NCS, NUPRC, NMDPRA, FEF, MDGIF. Suba refunds refers to the refunds that subnational governments received. PMI stands for the Presidential Metering Initiative. Interven for states refers to the security and infrastructure intervention to states.











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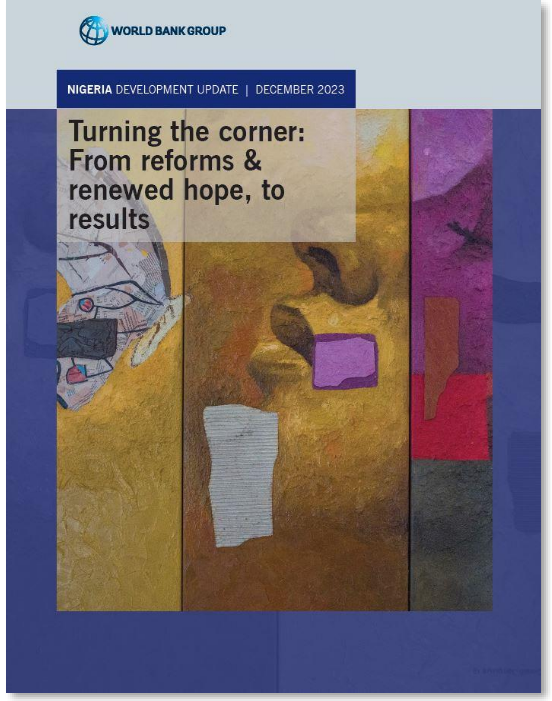

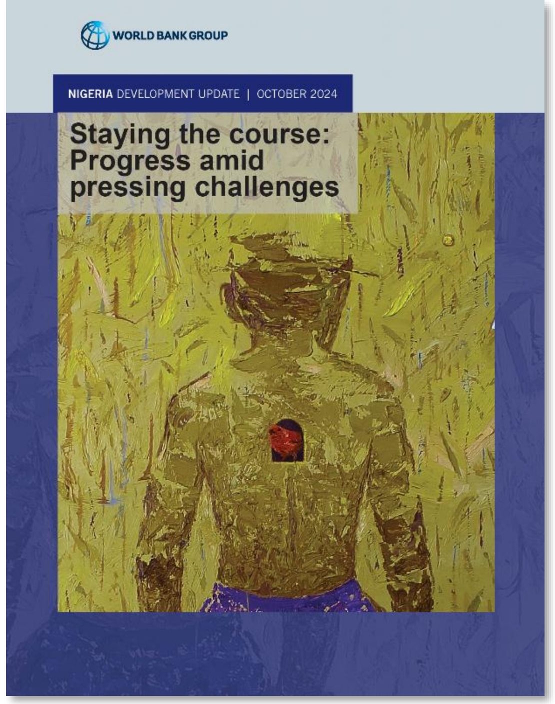

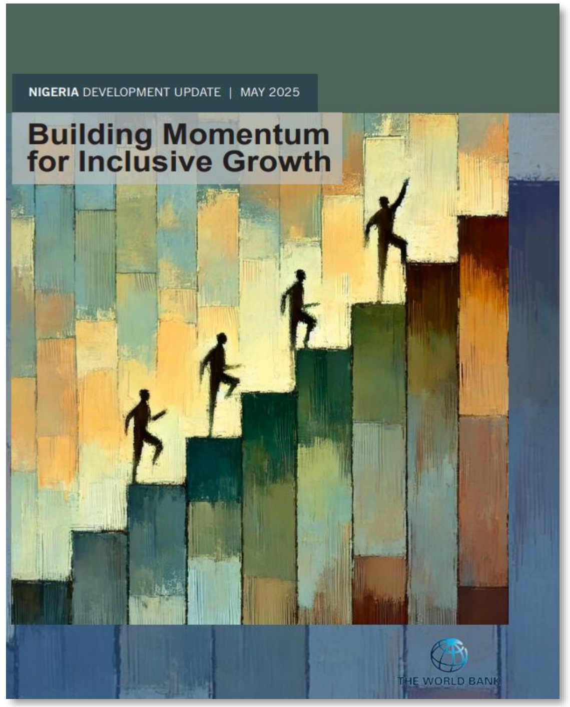

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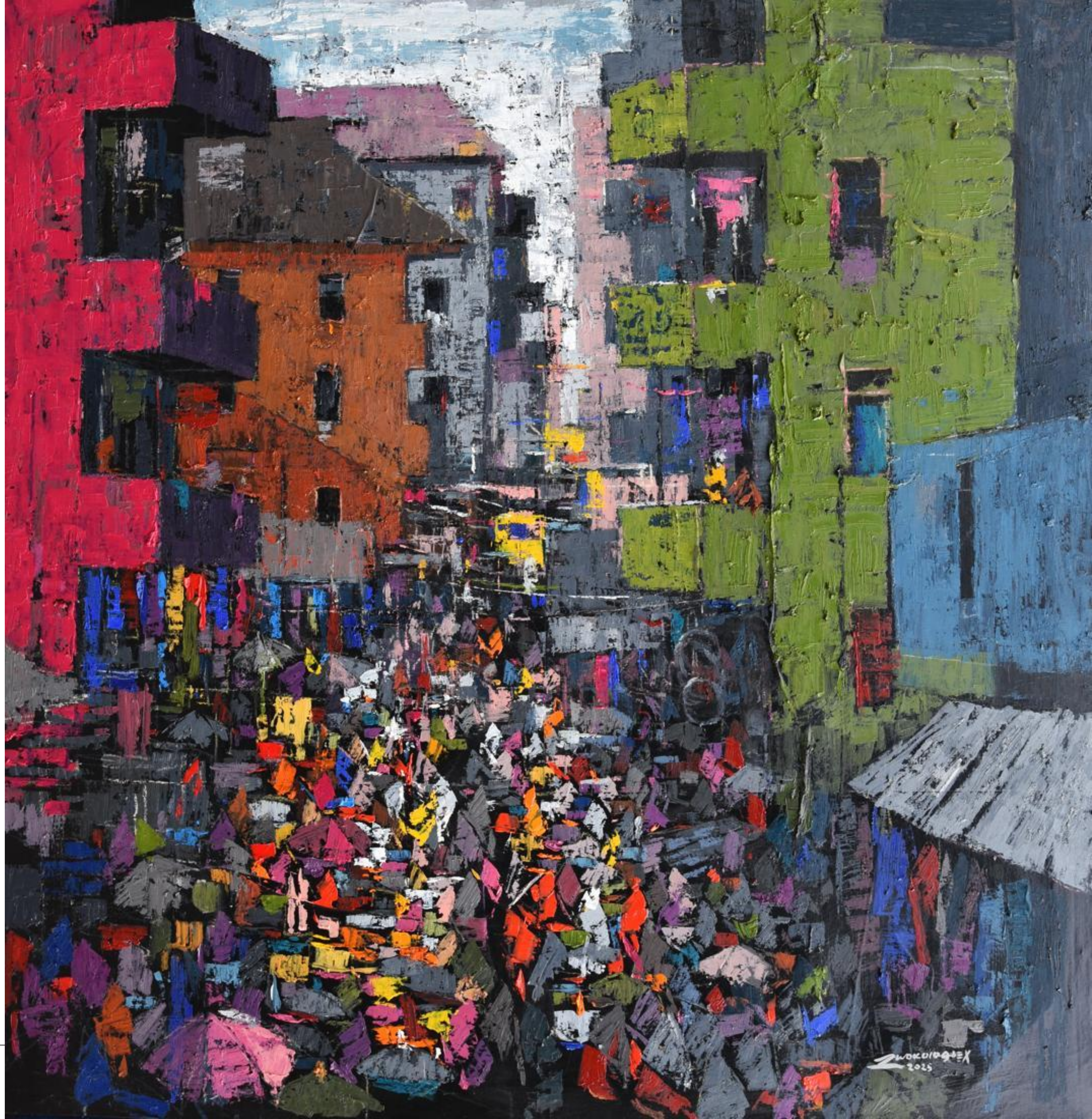
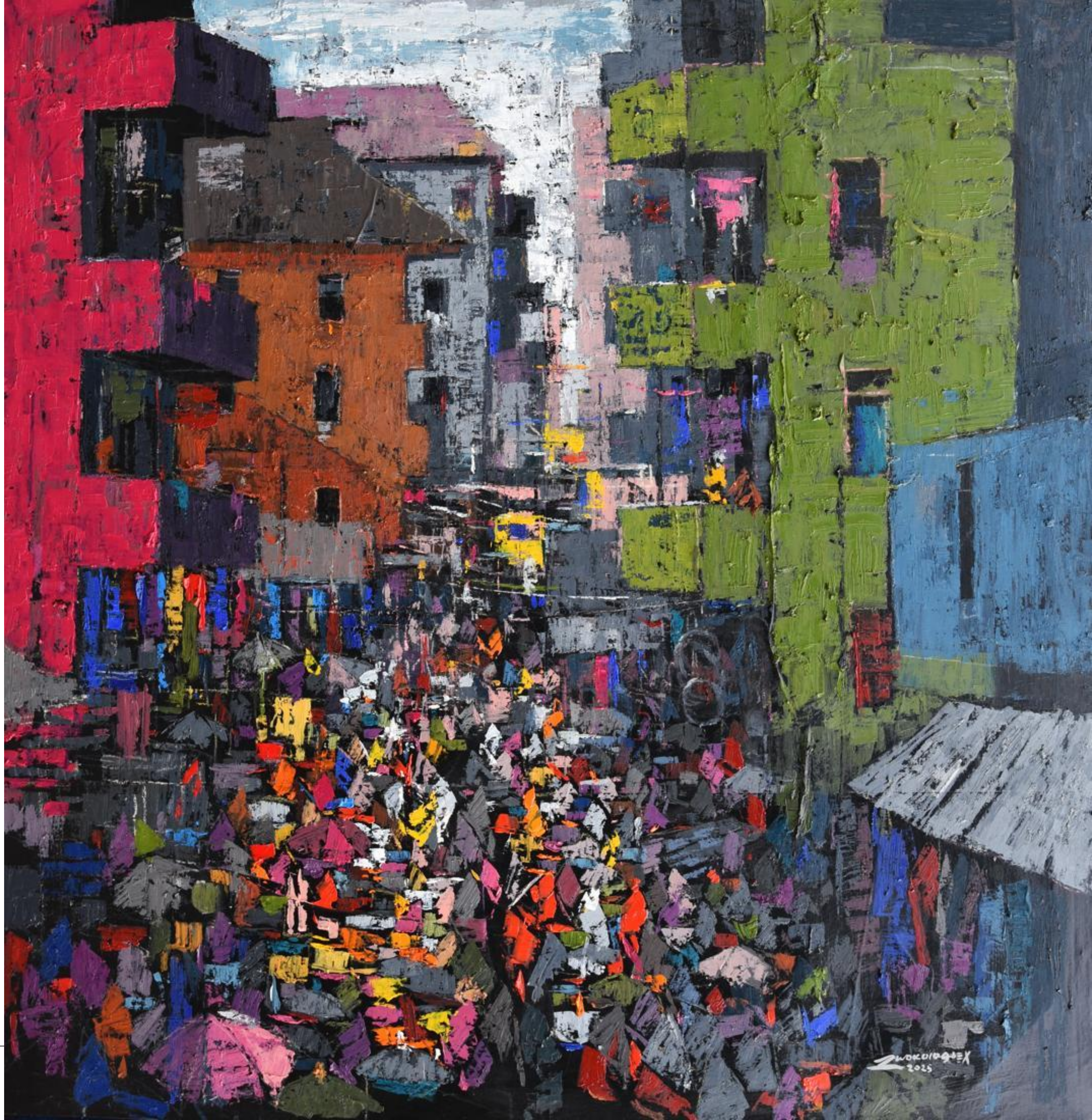


ANNEX



Gross revenues collected at FAAC kept rising, despite the drop in oil prices

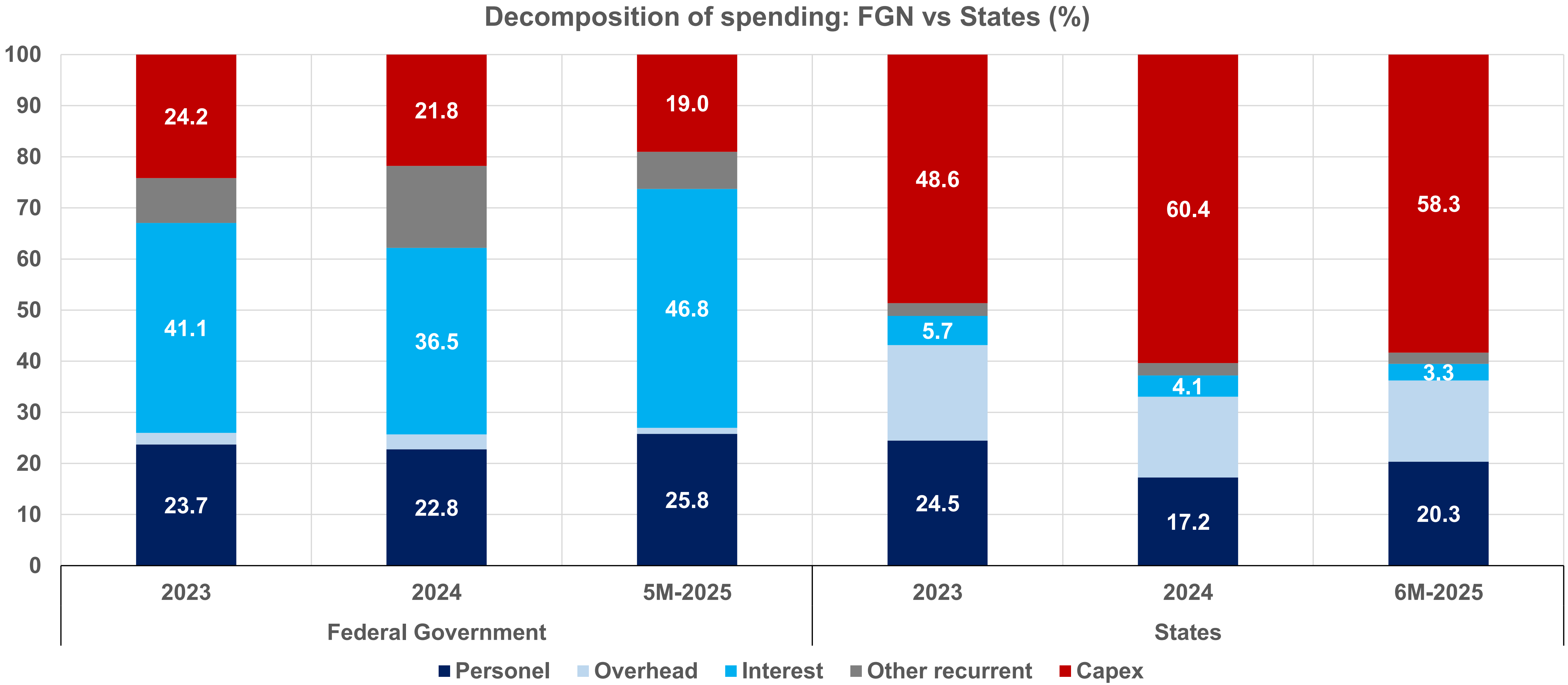
Gross FAAC revenues increased from 7.6% of GDP in 8M-24 to 9.5% in 8M-25, but deductions increased too

FAAC revenue flows: gross revenues, deductions, distributed revenues		N bln			% GDP		
		8M-23	8M-24	8M-25	8M-23	8M-24	8M-25
Total gross revenues (A)	Revenue type	10,243	19,005	26,976	4.9	7.6	9.5
Oil and gas revenues		3,790	8,388	10,737	1.8	3.4	3.8
NUPRC	Oil and gas royalties	1,071	3,480	4,881	0.5	1.4	1.7
NUPRC	Gas flaring penalties	72	265	380	0.0	0.1	0.1
NUPRC	Rentals	4	18	30	0.0	0.0	0.0
NUPRC	Miscellaneous	9	25	33	0.0	0.0	0.0
NNPCL	Federation share of NNPC PSC	214	97	424	0.1	0.0	0.1
NNPCL	Interim dividends from NNPCL	244	325	0	0.1	0.1	0.0
FIRS	Oil and gas taxes	2,177	4,179	4,989	1.0	1.7	1.7
Non oil and gas revenues		6,453	10,617	16,240	3.1	4.3	5.7
FIRS	CIT, SDT, and CGT	3,015	4,131	7,754	1.4	1.7	2.7
FIRS	VAT	2,135	4,191	5,538	1.0	1.7	1.9
FIRS	EMTL	111	134	257	0.1	0.1	0.1
NCS	Custom revenues	1,191	2,161	2,691	0.6	0.9	0.9
Total deductions (B)	Deduction type	3,313	8,445	11,212	1.6	3.4	3.9
Savings (non-oil excess account)		990	250	1,778	0.5	0.1	0.6
Transfers to military	Intervention program and allowances	0	800	1,150	0.0	0.3	0.4
Transfers to MDAs	Cost of collection and refunds to FIRS, NCS, MNDPRA, NUPRC, NEDC	698	1,524	2,160	0.3	0.6	0.8
PMI		0	520	0	0.0	0.2	0.0
Interventions for states	Infrastructure and security	0	915	1,150	0.0	0.4	0.4
Refunds to subnationals	NLNG, ECA, JVC, 13% derivation, etc.	883	4,420	4,518	0.4	1.8	1.6
Renewed Hope Ward Development Programme		0	0	300	0.0	0.0	0.1
Other deductions	Refunds on Priority Projects, recovery of WHT taxes to states, etc.	742	16	156	0.4	0.0	0.1
Distributed revenues (C=A-B)		6,930	10,561	15,764	3.3	4.2	5.5

Source: FAAC, OAGF, BIRS, NBS, World Bank.

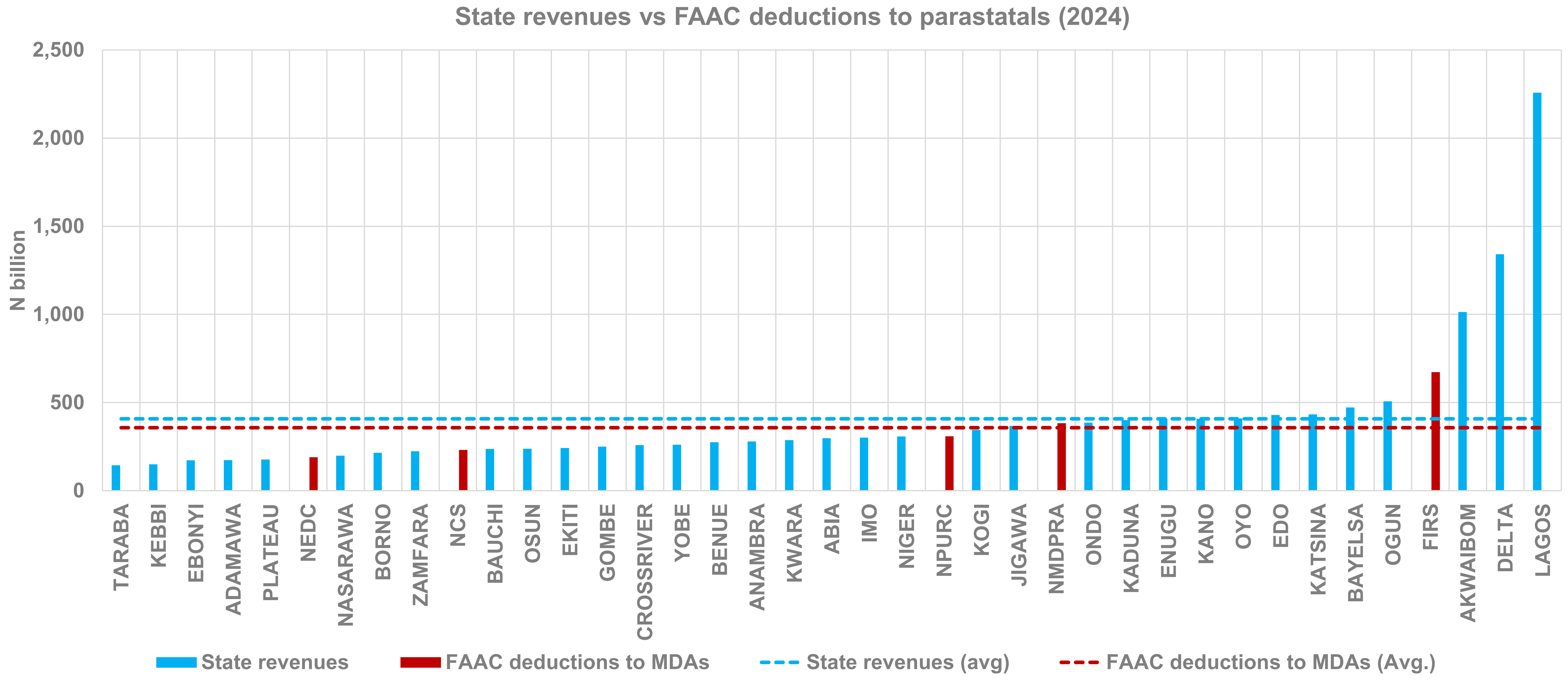
The nationwide fiscal position masks a growing fiscal dichotomy

FGN is affected by rigid costs (interest and wages >70%), shrinking its capital space; States, by contrast, devote nearly 60% of spending to capital investment



Source: Source: OAGF, BIRs, DMO, World Bank.

With the large revenue deductions from FAAC thanks to the removal of the FX subsidy, federal MDAs became better funded than many states



Source: BOF; OAGF monthly fiscal reports, FAAC documents, Budget Implementation Reports (BIRs)
Note: First line charges include cost of collection of FIRS, NUPRC, NCS as well as refunds to FIRS, NCS, NMDPRA and NUPRC, and the statutory deduction for NEDC

The funding allocated to Nigerian revenue agencies is high relative to their peers

COUNTRY	AGENCY	FUNDING MODEL
Nigeria	1. FIRS 2. NCS 3. RAMFAC 4. NEDC 5. NUPRC 6. Frontier Exploration Fund 7. NNPCL	1. 4% of non-oil gross revenues (VAT, corporate taxes, EMTL) and oil revenues (expect royalty). 2. 7% custom and excise revenues it collects +2% on VAT collection 3. 0.5% of non-oil revenues 4. 3% of gross VAT revenues 5. 4% royalties for upstream petroleum operations 6. 30% of PSCs 7. 30% of PSCs
Kenya	Kenya Revenue Authority	• 1 percent or such amount not exceeding 2 percent of revenue estimate (target) given at budget period. • Should KRA exceed the set targets, then they can get an extra 3 percent of the excess collection or difference between initial estimated collection and actual collection
Uganda	Uganda Revenue Authority	Funds Appropriated by Parliament in the annual budget.
Ghana	Ghana Revenue Authority	• Funds Appropriated by Parliament • Fees for services rendered by GRA.
South Africa	South Africa Revenue Service	Funds Appropriated by Parliament in the annual budget.

Source: Nigeria Revenue Service (Establishment) Act 2025; Kenya Revenue Agency Act, CAP 469 Section 15 and 16; Uganda Revenue Agency Act, CAP 196, section 15 and 16; Ghana Revenue Agency Act, No 791 Section 22; South Africa Revenue Service ACT, 34 of 1997 .