



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

Transforming Africa's Trade

The Great Recalibration: Mastering Resilience in an Era of Asynchronous Growth: Strategic Insights for Nigeria's Ascent in a Divergent Global Economy

FirstBank Group 2026 Economic Outlook Session

Dr Yemi Kale,
Group Chief Economist, Managing Director Research and Trade Intelligence
Afreximbank

January 6 2026

Outline

1

Executive Summary

2

Global Macroeconomic Environment & Outlook

3

African Macroeconomic Environment & Outlook

4

Nigeria Macroeconomic Environment & Outlook

5

Conclusion

Section 1

Executive Summary

The Big Picture

The global economy is no longer moving in sync.

Growth, inflation, policy, and capital flows are now **asynchronous**, reshaping risk, opportunity, and strategy.

Global growth resilient into 2026 despite soft landing

Inflation decelerating globally, enabling policy easing

Nigeria experiencing sustained disinflation, FX stability, Improving Trade Balance & Market Confidence

First monetary policy easing in five years underway

There is no universal policy path or investment playbook.
Resilience, credibility, and adaptability now define winners

What Does this Mean?

Section 2

Global Macroeconomic Environment & Outlook

The post-pandemic cycle has fractured into multiple growth and policy paths →

Global economy navigating an **asynchronized soft landing amid widening policy** and regional divergences

Global Growth	<ul style="list-style-type: none"> Global GDP growth moderating to ~3.0 % in 2025 (from 3.3 % in 2024) and stabilizing around 3.1 % in 2026–27. The 2023 slowdown proved milder than expected, supported by resilient U.S. consumption and strong investment momentum in India. 2024–25 transition marks normalization from post-pandemic recovery to mid-cycle equilibrium.
Advanced Economies: Controlled Deceleration	<ul style="list-style-type: none"> United States: Growth easing to ~1.8 % (2025) as fiscal support fades and monetary policy stays restrictive, yet avoiding recession. Eurozone: Recovering modestly to ~1 % after energy-price shocks; services rebound offsets industrial softness. Japan & U.K.: Limited upside amid aging demographics and weak productivity trends. Overall, policy divergence within advanced economies—Fed cautious easing vs ECB gradual normalization—creates uneven financial conditions.
Emerging & Developing Economies: Sustaining Global Momentum	<ul style="list-style-type: none"> EMDEs remain the engine of global growth (~4 %), supported by domestic demand and structural investment. India (6.4 %) continues to anchor global expansion, buoyed by digitalization, capital formation, and resilient consumption. China (4.8 %) experiences a gradual rebalancing amid property-sector deleveraging and weaker export demand. South Asia (~6 %) and Africa (~4 %) maintain a structural growth premium above the global average, aided by demographic dividends and urbanization.
Regional Differentiation & Capital Allocation Implications	<ul style="list-style-type: none"> Africa's GDP growth averaging 4.1 % through 2027, underpinned by investment in energy transition, infrastructure, and technology adoption. Latin America: Slower trajectory (~2 %), constrained by policy tightening and weak productivity gains. Policy divergence across regions is reshaping global capital flows—with investors rotating toward high-growth, low-debt EMs. Divergence underscores the importance of regional policy credibility, FX stability, and productivity reforms in sustaining investor confidence.

DRIVERS OF ASYNCHRONOUS GROWTH

- Divergent monetary policy cycles
- Geopolitical fragmentation
- Technology-led productivity gaps
- Climate and demographic pressures



Key Takeaway

The world economy is converging toward a soft landing, but not uniformly – **policy paths and growth drivers are fragmenting across regions**. Strategic agility and targeted investment will be critical to harness regional growth differentials.

Global Inflation & Interest Rate Cycle: Policy normalization under uncertainty



Inflation Landscape: Disinflation Broad-Based, but Not Yet Complete

- **Global inflation peaked in 2022–2023**, following pandemic supply shocks and energy volatility.
- **Supply chains have largely normalized**, and **energy prices remain subdued**, supporting headline disinflation across major economies.
- **Global inflation expected to fall from 5.9 % in 2024 → 4.2 % in 2025 → 3.7 % in 2026**, nearing central bank targets by mid-2026.
- **Core CPI** gradually returning toward the **2–3 % target range**, though sticky services and wage inflation persist in advanced economies.
- **Emerging markets** show slower disinflation, particularly in **food and transport costs**, reflecting local supply rigidities and currency pressures.



Global Monetary Policy Cycle: From Tightening to Gradual Easing

- Major central banks have passed the peak of tightening — the Fed, ECB, and BoE now in policy-hold or early-cut phases.
- Measured rate cuts are underway in select emerging markets and the Eurozone, reflecting confidence that inflationary pressures are receding.
- Monetary easing expected to accelerate in 2025–2027 as inflation stabilizes within target bands.
- Real interest rates are turning positive in many emerging markets, reviving carry trade attractiveness and drawing portfolio inflows.
- The “**higher-for-longer**” stance, however, continues to **restrain global liquidity** and weigh on credit-sensitive sectors.



Policy Divergence & Market Implications

- **Disinflation progress is uneven** — advanced economies are constrained by **services inflation** and **wage stickiness**, while EMs are constrained by **food and FX volatility**.
- **ECB and Latin American central banks** are leading the easing cycle, while the **Federal Reserve and Bank of England** maintain a cautious stance.
- This **asynchronous policy cycle** is creating **divergent investment windows**, where markets that ease earlier — and credibly — may experience **faster valuation recoveries**.
- Capital rotation is likely toward **regions with credible policy frameworks** and **positive real yield differentials**, particularly select EMs and frontier economies.



Key Takeaways

Central banks are not easing aggressively — they are re-anchoring credibility.

Inflation is falling, but not uniformly. Monetary easing is emerging, but not synchronized. The next phase of the global cycle will reward **macro differentiation, policy credibility, and timing precision** in investment and policy responses.

This is not a return to the pre-2020 world, but a recalibration to a higher-risk equilibrium.

Currency & Capital-Flow Dynamics: From USD Peak to EM Revival



1. Emerging-market capital flows turning positive — but selectively

- USD softening after 2024 peak as global rate differentials narrow
- FX pressures easing across EM currencies, including the naira
- Selective risk appetite returning to EM debt and equities



3. Liquidity is not the constraint — credibility is

- Investors prioritising transparent FX regimes and unified market systems
- Preference for economies with credible monetary anchors
- Sustainable debt profiles increasingly a differentiator

2. Clear improvement in capital-flow indicators

- Portfolio inflows reversing 2023–24 outflows
- Eurobond market gradually reopening for frontier issuers
- Markets rewarding countries with coherent, credible policy frameworks



4. Implications for Nigeria and peer economies

- Policy consistency now has amplified impact on flows and spreads
- Reform follow-through drives investor confidence
- Stronger global backdrop supports potential narrowing of sovereign spreads



Global capital is returning to emerging markets, but in a **highly selective pattern driven by credibility** rather than geography. Countries with **transparent FX regimes, disciplined fiscal frameworks, and consistent reforms** are attracting the bulk of new inflows. For Nigeria, the extent to which it benefits from this selective capital-flow cycle will depend entirely on **the clarity and credibility of its policy signals**. This selective opportunity is real, but the scale of benefit will depend on the strength and continuity of its policy signals.

Global Commodity Markets in Flux: Volatility with Selective Opportunity



1. Energy: Stabilization within a Wide Band

- Brent crude averaging **USD 65–80/bbl**, with **OPEC+ supply discipline** offsetting soft global demand.
- **Natural gas** prices normalized as European inventories remain high and mild winters temper demand.
- Energy volatility remains tied more to **geopolitical supply risks** than to consumption swings.



2. Metals: Divergent Dynamics Across Segments

- **Precious metals:** Gold up **+15 % YTD** (\approx USD 3 700/oz) on sustained **safe-haven demand**; silver above USD 43/oz.
- **Industrial metals:**
 - **PGMs** (platinum, palladium) under pressure from weaker auto demand.
 - **Rhodium** and **iridium** supported by supply constraints and green-tech applications.
- **Copper** prices stable (~USD 9 000/t) as renewable-sector demand offsets slower Chinese construction.



3. Agriculture: Weather-Driven Corrections

- **Cocoa** corrected over **35 %** (USD 11 000 \rightarrow USD 7 000 per tonne) as El Niño effects eased in West Africa.
- **Grains** remain volatile due to Black Sea logistics and shifting climate patterns.



4. Structural Trend

- Commodity price volatility now driven more by **geopolitics and climate shocks** than by traditional demand cycles.



Key Takeaway

Volatility is not uniform — opportunity lies in commodities linked to the **green transition, energy storage, and resilient food supply chains**.

Global Risk Matrix 2026: Persistent Headwinds



Structural Risk Landscape

1

Geopolitical conflicts:
Russia–Ukraine war,
Middle East flashpoints
disrupting energy and
shipping routes.

2

**US–China strategic
rivalry:** Fragmenting
trade, technology, and
investment flows.

3

Debt vulnerabilities:
Elevated post-COVID
public debt meeting
higher real rates, straining
fiscal space.

4

Climate shocks:
Rising frequency and cost
of extreme events eroding
insurance and fiscal
buffers.

5

Financial markets:
Potential for valuation
corrections if policy
missteps or growth
disappointments occur.

Global risks are **persistent and structural**, not cyclical — demanding **resilient portfolios** and **long-term policy anchors**.



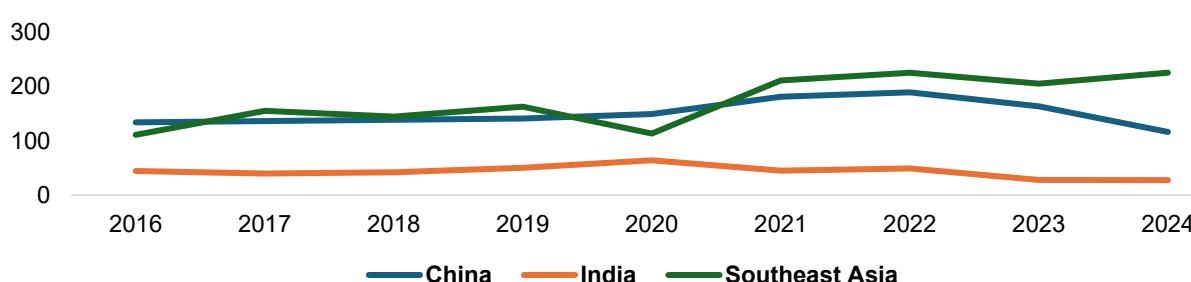
Investors and policymakers must **prioritize macro stability, institutional credibility, and diversification**
to navigate a more fragile global system.

Global Technological Shifts Reshaping Growth & Investment (1/2)

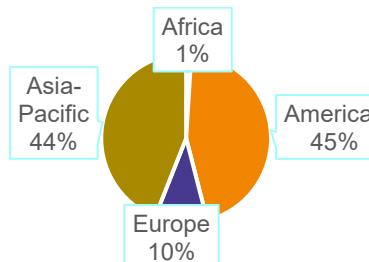
Global Corporate AI Adoption (2019–2025)



FDI Flows — China vs. Southeast Asia vs. India (2016–2024), US\$'B



Africa's Share of Global Data-Center Capacity



1. Generative AI & Automation — Structural Productivity Shift

- AI is now *scaling*, not experimental.
- McKinsey: \$2.6–4.4 trillion annual productivity impact globally.
- Adoption accelerating:
 - 180M+ workers use AI-augmented tools.
 - 60% decline in model-training costs (2 years).
 - 20–30% of routine workflows automated in Fortune 500 firms.
- Winners: economies & companies integrating AI → faster growth, wider productivity gaps

2. Supply-Chain Reconfiguration — “China + 1” / Friend-shoring

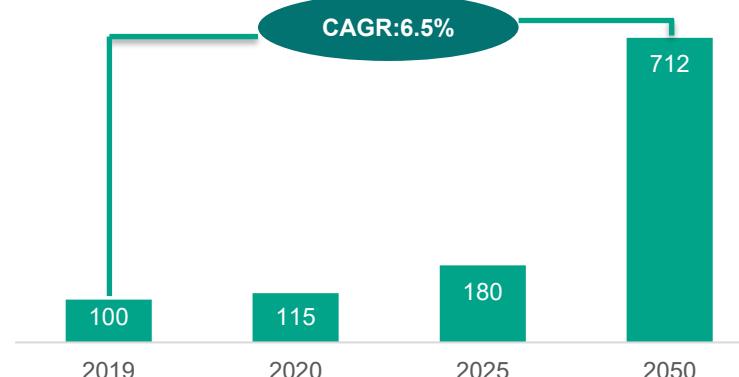
- Largest supply-chain reset since the 1990s.
- Key drivers: (i) U.S.–China strategic rivalry; (ii) Rising labour costs in Asia; (iii) Geopolitical & shipping shocks; (iv) Shift from cost efficiency → resilience
- Outcomes: (i) FDI into China down ~50% since 2016; (ii) FDI into India & SE Asia up 35–40%; (iii) U.S./EU now classify 160+ sectors as “strategic”.
- Africa's opening: low-cost labor, large markets, proximity to Europe.

3. Digital Infrastructure Boom

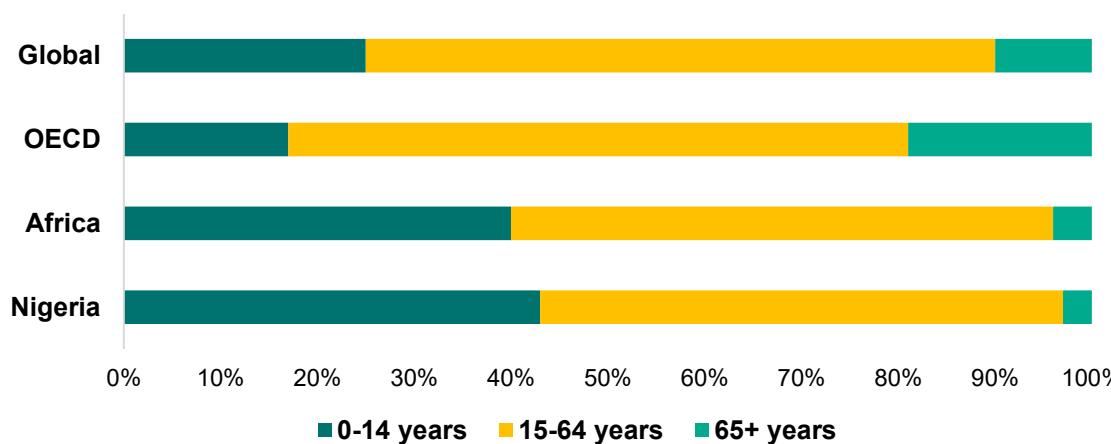
- Digital infrastructure becoming the backbone of competitiveness.
- Global trends:
 - Data-center capacity to double by 2030.
 - Cloud spending \$700B+ annually.
 - Cross-border digital payments → \$5T by 2030.
 - Cybersecurity spend growing 12% annually.
- Africa's position:
 - Only 1% of global data-center capacity (huge gap).
 - Mobile broadband 64%+.
 - Fintech scale driven by Nigeria, Kenya, South Africa.
 - Digital economy → \$180B by 2025.
 - Fastest-growing developer population (Google 2023).

Global Technological Shifts Reshaping Growth & Investment (2/2)

Africa's Digital Economy Growth Projection igdp (\$ billions) (2020–2025)



Population Distribution, 2024



4. What This Means for Africa — Opportunity Spaces

- **A. Digital Infrastructure Buildout**
 - Demand for 700+ MW new data-center capacity.
 - Expansion in cloud zones & cybersecurity.
 - Digital payments now \$100B+ annually.
- **B. Manufacturing Diversification (“China + Africa”)**
 - Africa's wages are 10–20% of Asia's.
 - Youngest workforce globally (median age 19).
 - Automotive & pharma hubs already emerging.
- **C. Human-Capital Arbitrage**
 - Africa = 1/3 of global youth labor force by 2035.
 - Rapid rise in outsourcing: IT, BPO, finance, creative digital work.
 - Nigeria, Kenya, Egypt → expanding talent hubs.

5. Strategic Implications (Africa & Nigeria)

- Opportunity to leapfrog traditional development paths.
- Key implications:
 - Strong digital regulation → attracts cloud & data-center investors.
 - Skill development (AI/STEM/fintech) → captures outsourcing boom.
 - Aligning manufacturing zones with friend-shoring → boosts FDI.
 - Competitiveness depends on skills, connectivity, regulatory agility.
- Nigeria: youthful population + fintech strength → potential regional leader.

6. Africa is Responding

- Digital Capabilities are Improving
- Mobile & Digital Already Macro Relevant
- Digital payments are Mainstream
- Ecosystem infrastructure is deepening
- Policy Frameworks are catching up
- Firms are Digitizing

Section 3

African Macroeconomic Environment & Outlook

Africa's Growth Outlook & Resilience Drivers (2024–2026)

Growth Snapshot

Outlook

- Sub-Saharan Africa growth rising **from ~4.1% (2024)** to **~4.4% (2025)** — outperforming the **~3% global average**.
- Output remains below the pre-pandemic **5%+ trend**, but the recovery direction is firmly positive.

Drivers

- Momentum supported by reforms in Cote d'Ivoire, Nigeria & Ethiopia** and strong infrastructure expansion across East Africa.
- Significant divergence persists**: diversified economies are gaining, while resource-dependent and fragile/conflict-affected states continue to drag regional averages.

Vulnerabilities

- Growth remains highly sensitive to **FX stability, debt sustainability, and climate vulnerabilities**.

Core Resilience Drivers

Trade & Market Integration

- AfCFTA-driven trade integration**, expanding regional value chains and market access.

Structural & Policy Drivers

- Infrastructure build-out in transport, energy, logistics** — crowding in private capital and lifting productivity.
- Macroeconomic reforms** (fiscal consolidation, tighter monetary frameworks) stabilising expectations.

Growth Fundamentals

- Demographic momentum**: a young workforce and rapid urbanisation fueling medium-term consumption growth.
- Commodity tailwinds** supporting select exporters with favourable terms of trade



Key Takeaway

Africa maintains a **structural growth premium**, but superior investment returns will accrue to markets with **policy credibility, consistent reforms, and sustained infrastructure investment**.

Africa's Inflation & Policy Outlook (2024–2026)



Disinflation Trend

- Regional inflation continues to moderate sharply: from **~20% in 2024** to **13–14% in 2025**, and toward **10–11% in 2026**.
- Disinflation is driven by **tight monetary policy, more stable exchange rates, and easing food and fuel prices** as global supply-chain pressures subside.
- Despite the progress, **inflation remains above pre-pandemic norms**, preventing rapid or aggressive policy reversal.



Policy Space Opening Up

- The sustained tightening cycle since 2022 is **restoring policy credibility**, enabling several African central banks to consider cautious, data-dependent easing in 2025.
- Early movers—including **Ghana, Kenya, and Zambia**—are already signaling gradual rate cuts.
- Lower policy rates will help stimulate **private-sector credit, support equity market valuations, and provide fiscal relief** for high-debt economies through reduced domestic borrowing costs.
- As inflation falls, positive real-rate differentials **strengthen investor appetite and attract capital** toward credible, reform-oriented markets.



Key Takeaways

Africa's inflation is easing but uneven. As policy space gradually opens, **well-timed rate cuts could unlock bond and equity re-rating** — but investor confidence will hinge more on **stability than on the speed** of disinflation.

Africa's FX, Fiscal & Debt Market Outlook (2025–2026)

1. FX Dynamics: The Primary Signal of Policy Credibility

- FX stability now the **clearest litmus test** of reform strength.
- Strengthening/ firming FX:** Ghana (cedi), Zambia (kwacha), Nigeria (naira), Kenya (shilling) — driven by **better reserves, tighter coordination, and market-based reforms**.
- Stable FX:** Liberia, Rwanda — supported by **targeted interventions and conservative FX management**.
- Weaker FX:** highly dollarized economies with **large external debts**; remain vulnerable to global rate volatility.
- Investor behaviour:
 - Stable/ appreciating FX** → lower hedging costs, stronger real returns.
 - Weak FX** → hedged exposure, hard-currency instruments, short duration.
 - Local-currency bonds only attractive** where inflation anchors + FX frameworks are credible.

2. Fiscal Health & Debt Sustainability: From Crisis Toward Selective Recovery

- Regional **debt-to-GDP** stabilizing around **70–72% in 2025**; deficits narrowing toward **~3.5% by 2026**.
- Declining global interest rates **lowering external borrowing costs**; market access reopening.
- Successful Eurobond re-entries: **Côte d'Ivoire, Kenya, Benin**; spreads tightening on reform momentum.
- Improved restructuring outcomes: **Ghana, Kenya & Zambia** restoring confidence through clearer processes.
- Concessional/blended finance improving** via G20 Common Framework & SDR reallocations.
- Fiscal space remains tight** due to:
 - High debt-service ratios
 - Low tax-to-GDP (mostly **<17%**)
 - SOE liabilities & contingent risks

3. Debt Market Outlook (2025–2026): Reopening with Opportunity & Risk

- Eurobond issuance projected to rise to **USD 25–30bn in 2025** (vs. **~USD 12bn in 2024**).
- Spreads tightening fastest for front-runners — **Côte d'Ivoire, Kenya, Benin** — where reforms are most credible.
- Default resolutions improving** but slow outside formal frameworks.
- Persistent risks:**
 - FX liquidity shortages
 - Political/slippage risks
 - Climate-driven fiscal pressures
- Investor implications: Yield opportunities are real, but **credit selection & timing** are critical as capital prices reform strength, not geography.

A rising “**policy-credibility premium**” is directing inflows toward early reformers.

Fiscal credibility depends on **sustained revenue mobilisation + disciplined expenditure**.

FX differentiation, fiscal credibility, and reform momentum—not geography—will define Africa’s return profile through 2026.

AfCFTA & Intra-African Trade: Integration Gaining Traction



Intra-African trade is rising strongly: USD 18.4bn (Apr 2025) → 20.3bn (May 2025)
+14% YoY, supported by harmonised customs processes, rules of origin, and improved logistics corridors.



Early value-chain gains emerging in: **Agro-processing, Pharmaceuticals, Automotive, Textiles, Digital services.**



AfCFTA is shifting Africa's growth model toward regional value creation, reduced external dependence, and greater resilience to global demand shocks.



Integrated markets are enabling scale in **manufacturing, distribution, logistics, and digital trade**, strengthening competitiveness.



Investor Implication: Countries aligning with AfCFTA reforms are **attracting more FDI, expanding SME scalability, and creating logistics and infrastructure opportunities across trade corridors.**



Key Takeaway

AfCFTA is **operationalizing regional value chains** — transforming Africa from **raw-material exporter to integrated, competitive economic blocs** with clear upside for early-moving investors.

Climate Risks & Green Opportunities

Climate shocks are becoming a central macro risk for Africa

Recent events:

- **East Africa** — severe flooding
- **Sahel** — extreme heat
- **Southern Africa** — drought conditions

These shocks translate into:

- Food-inflation spikes
- Productivity losses
- Infrastructure damage
- Fiscal strain

But climate is also a growth frontier

- Africa has world-class renewable potential: **solar, hydro, geothermal**
- **Adaptation, sustainable agriculture & green infrastructure** attracting significant concessional financing

Leading countries: Morocco, Egypt, Kenya, South Africa; **Nigeria emerging** through energy-transition initiatives



Key Takeaway

Climate finance will be **one of Africa's largest capital inflow channels** over the next decade.

Regional Performance Snapshot



- **Africa's performance is diverse**, revealing targeted investment opportunities.
- **West Africa**: **Nigeria, Ghana, Côte d'Ivoire** leading recovery
- **East Africa**: **Kenya, Tanzania, Ethiopia** growing above 5%
- **Southern Africa**: **South Africa** subdued; **Zambia & Mozambique** outperform via mining/energy exports
- **North Africa**: **Egypt** stabilizing with IMF support; **Morocco** expanding on strong exports



Key Takeaways

: Reformers are outperformers.
Countries aligning policy with fundamentals attract capital faster.
Nigeria's reforms — particularly FX and subsidy reforms — are now **restoring investor credibility**.

Section 4

Nigeria Macroeconomic Environment & Outlook

Nigeria – Macro Overview



Growth Momentum

- ✓ Services and industry sectors driving growth
- ✓ Agriculture stabilizing after weather disruptions
- ✓ Post-COVID growth settling at 3-4% trend



Inflation Control

- ✓ Headline CPI down to 18% (Sep 2025)
- ✓ Better food supply and FX stability measures
- ✓ First policy rate cut in 5 years signals regained traction



FX Reform

- ✓ Unification improving liquidity and transparency
- ✓ Price discovery narrowing arbitrage opportunities
- ✓ Monthly volatility < 4% in 2025



Structural Reforms

- ✓ Domestic refining reducing import dependence
- ✓ BoP pressure reduction through export scale
- ✓ FX/fiscal sensitivity to oil receipts remains material



Key Takeaways

Rising policy credibility + structural savings from refining anchor the 2026 outlook.

Disinflation Credibility — Trend & Trigger

Nigeria Inflation Performance (Oct 2022- Sept 2025), %



1



Disinflationary journey

- Headline inflation has declined from **34.8%** to approximately **18%**, establishing a credible disinflation path.
- Marked improvement reflects the combined impact of **tighter monetary policy, improved foreign exchange liquidity, and a gradual easing of supply-side pressures**.

2



Policy Rate Cut

- First policy rate cut in five years** signals **restored credibility** and provides forward guidance consistency.
- Lower borrowing costs are **expected to stimulate lending to productive sectors** such as manufacturing, agriculture, and SMEs, reinforcing the shift from stabilization toward inclusive economic growth.

3



Economic Benefits (Income Effect)

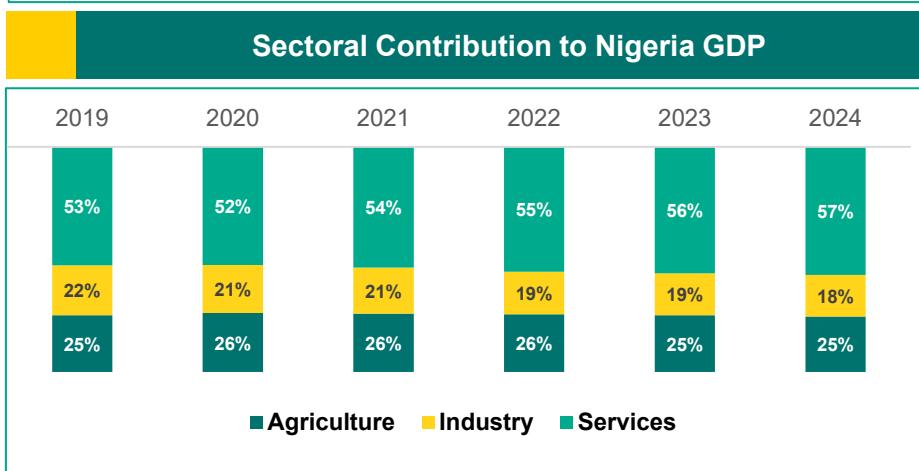
- Lower inflation improves real incomes** and retail liquidity; supports duration.
- A more **predictable macro environment supports** duration extension, **secondary market liquidity**, and portfolio rebalancing toward **longer-tenor instruments**—strengthening Nigeria's investment climate.



Key Takeaway

Disinflation is established; that credibility enabled the first cut in five years and anchors our 2026 forecasts.

Real GDP — Level, Mix, and Volatility



1 Post-COVID Growth Normalizing Around 3–4% with Reduced Volatility

- Nigeria's GDP growth is now stabilizing in the 3–4% range**, a significant moderation from the sharp fluctuations of 2021–2023 driven by oil price shocks, exchange-rate realignments, and pandemic after-effects.
- Improved fiscal coordination, tighter monetary discipline**, and gradual **structural reforms** have reduced macro volatility - positioning Nigeria for steadier, more predictable expansion.

2 Services Sector Driving Structural Transformation (~55% of GDP)

- Services now anchor Nigeria's growth momentum** - payments, digital trade, ICT, logistics, and wholesale/retail segments are expanding rapidly on the back of financial inclusion, mobile penetration, and urban demand recovery.
- Rising digitalization and fintech integration** are deepening transaction efficiency, lifting productivity across commerce, transport, and communication subsectors.

3 Industry and Agriculture Providing Output Balance

- Manufacturing, cement, and construction** are benefiting from infrastructure investment and import substitution, though energy reliability remains a constraint.
- Agriculture remains the largest employer** and a key food-security anchor, with improved mechanization and storage systems **mitigating supply shocks and rural inflation**.



Key Takeaways

Nigeria is more diversified than the oil narrative suggests; Oil's macro weight is small in GDP but big for FX and the budget.

Scenario-based analysis of 2026 GDP growth prospects for Nigeria

1. Baseline Scenario

Forecast: Real GDP growth of ~ 3.5 % – 4.5 % by 2026

Key assumptions:

- Oil revenues modestly recover, but not dramatically; non-oil sectors grow steadily but not explosively.
- Policy reforms continue at a moderate pace—some improvements in fiscal/monetary discipline and structural reforms, but bottlenecks (infrastructure, governance, human capital) persist.
- External conditions are neither highly supportive nor catastrophic—global oil price volatile but satisfactory; global demand modest.

2. Optimistic Scenario

Forecast: Real GDP growth of ~ 5.0 % – 6.0 % by 2026

Key assumptions:

- A strong rebound in oil production and export revenues (boosting government investment and foreign-exchange inflows).
- Deep structural reforms carried out efficiently (improvements in tax mobilisation, public investment, infrastructure, regulatory environment) leading to stronger non-oil sector expansion.
- External conditions supportive (stable global oil prices, favourable global demand, improved investor confidence).
- Under this scenario, Nigeria leverages its reform momentum and resource endowments to break out of its growth constraints—productive investment rises, private sector activity expands more rapidly, productivity gains accelerate.

3. Pessimistic Scenario

Forecast: Real GDP growth of ~ 2.0 % – 3.0 % (or possibly lower) by 2026

Key assumptions:

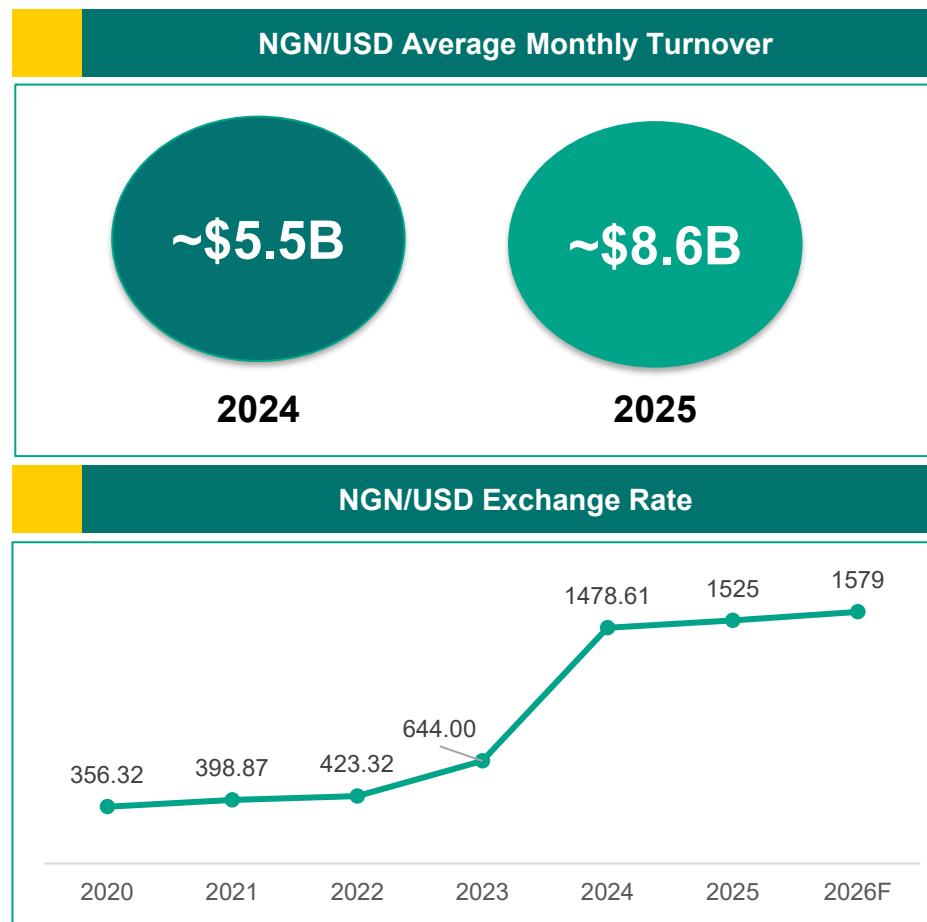
- Oil revenues disappoint (due to production shocks, weaker global prices, or export disruptions). Reforms stall or reverse: weak fiscal discipline, governance problems, infrastructure bottlenecks worsen, private investment remains sluggish.
- External environment negative: global growth weakens, investor confidence falls, commodity price shocks, currency/financial instability.
- Under this scenario, Nigeria's growth remains stuck or even declines in real terms, with persistent inflation, FX/monetary pressures, and structural constraints undermining potential.

Interpretation: In this scenario the economy remains on a modest growth path, improvements occur but structural drag remains significant. Growth is positive, but insufficient to rapidly accelerate improvements in living standards or absorb large numbers of unemployed youth.

Interpretation: This scenario would mark a meaningful acceleration relative to recent years and bring Nigeria closer to the growth rates needed to significantly reduce unemployment and improve living standards.

Interpretation: This would represent a reversal of progress and return to of under-performance, meaning the country fails to capitalize on its potential; unemployment remains high, human-capital gaps widen, and growth fails to drive inclusive improvement in living standards.

FX Regime Evolution (2018–2027) — From Distortion to Discovery



1 **FX Unification Strengthens Market Efficiency and Price Discovery**

- Market-driven rate formation has replaced administrative pricing, improving transparency and investor trust.
- Arbitrage spreads have narrowed sharply as multiple windows were consolidated, channeling flows back to formal markets.

2 **Liquidity Gains Driving Lower Volatility and Credible Price Bands**

- Monthly FX volatility now trending below 4% in 2025, reflecting stronger inflows and better liquidity management.
- The ₦1,390–₦1,550/USD corridor provides a realistic and credible trading range for 2026, stabilizing planning for corporates and investors.

3 **Forward/spot turnover up; administrative windows simplified**

- Forward and spot FX turnover are rising as interbank activity and hedging instruments deepen liquidity.
- Simplified administrative windows cut processing delays, lower compliance costs, and enhance transaction predictability.



Key Takeaways

FX unification reduced distortions; liquidity + consistent signaling lowered volatility and tightened the trading range.

Scenario-based forecasts for the Nigerian naira (NGN) in relation to the United States dollar (USD) in 2026

1. Baseline Scenario

Forecast: ~ USD 1 = ₦1,350 - ₦1,450 by end of 2026

Key assumptions:

- Moderate improvement in Nigeria's foreign-exchange reserves and oil export revenues.
- Some stability in FX policy from the Central Bank of Nigeria (CBN) and gradual inflation decline.
- No major external shock (e.g., oil price collapse or abrupt global dollar surge).

Model Results:

- USD/NGN is projected to be about ₦1,313 by June 2026 & ~₦1,340 by December 2026.
- Currency risks in Nigeria are high, which supports a cautious baseline rather than strong appreciation.

Interpretation: The naira would remain under pressure, but without a severe collapse — moderate depreciation or mild recovery from a worse state.

2. Optimistic Scenario

Forecast: USD 1 ≈ ₦1,200 - ₦1,300 by end of 2026

Key assumptions:

- Strong oil price recovery or successful diversification of exports boosting FX inflows.
- CBN implements effective FX reforms, improves liquidity, and narrows official-vs-parallel rate spreads.
- Inflation falls significantly, bringing investor confidence and stabilisation of the currency.

Why this might occur:

- If Nigeria leverages its resource exports (oil, gas) and remittances, FX pressure might ease.
- A weaker US dollar globally could help emerging-market currencies, including the naira.

Caveats: Even in this scenario, ₦1,200 is still considerably weaker than historical benchmarks — reflecting structural challenges.

3. Pessimistic Scenario

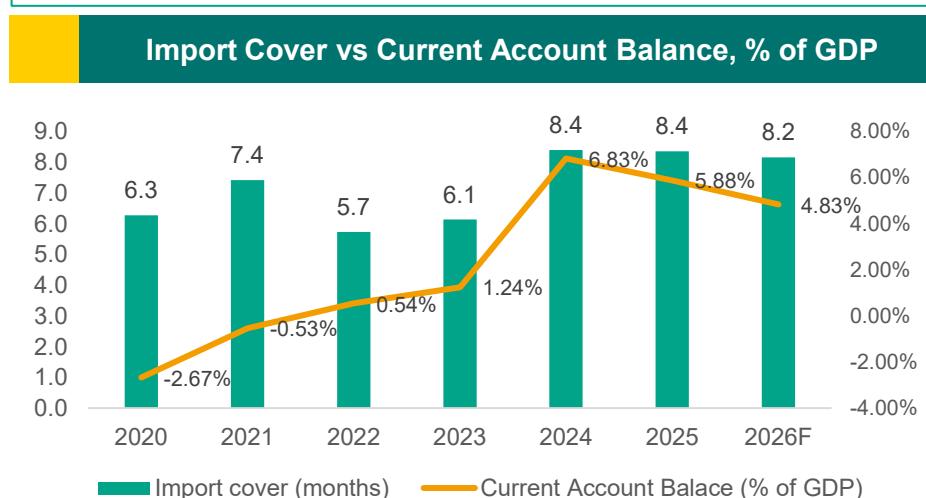
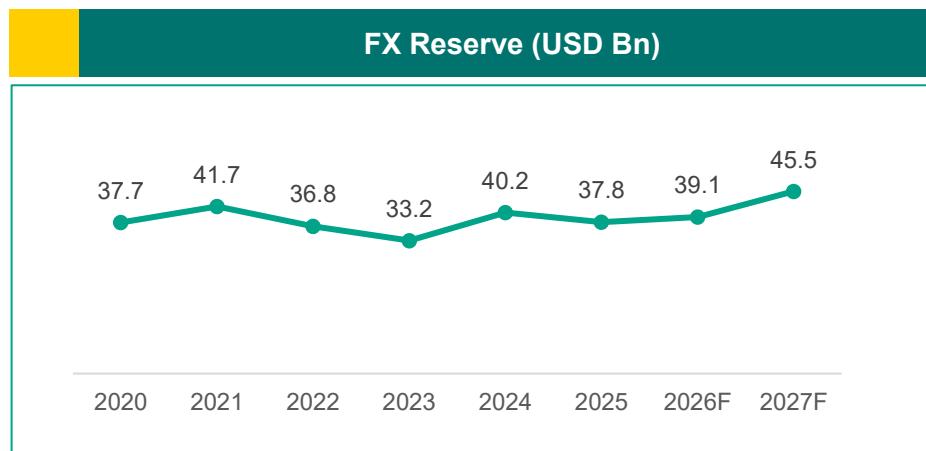
Forecast: USD 1 ≈ ₦1,550 - ₦1,650+ by end of 2026

Key assumptions:

- Oil prices remain weak or Nigeria's oil production suffers disruptions, reducing FX inflows.
- FX liquidity crisis deepens, CBN is forced to devalue further or restrict access to foreign currency.
- Inflation accelerates, fiscal deficits widen, and investor confidence collapses, increasing outflows.

Interpretation: This is a worst-case but plausible scenario given Nigeria's structural vulnerabilities (high import dependence, FX mismatch, inflation pressures).

External Reserves & Balance of Payment — Rebuild Mechanics



1
Gradual rebuild toward ~\$45bn by 2027 on reform credibility + flows

- Sustained FX and fiscal reforms** are attracting higher remittance inflows, oil receipts, and portfolio re-entries, rebuilding reserves from current lows **toward the ~\$45 billion mark** by 2027
- Policy consistency**—especially transparent rate management and fiscal discipline—continues to anchor investor confidence and **strengthen Nigeria's balance-of-payments outlook**.

2
Refining gains cut FX outflows and reinforce stability as non-oil exports accelerate through deepening AfCFTA Corridors

- Local refining capacity** is cutting the need for petroleum imports, **saving billions in FX demand** annually.
- Rapid growth in **agribusiness, manufacturing, and service exports** under the AfCFTA is expanding Nigeria's tradable base beyond hydrocarbons, as **deeper regional trade corridors open new markets across West and Central Africa** and boost non-oil foreign-exchange inflows.

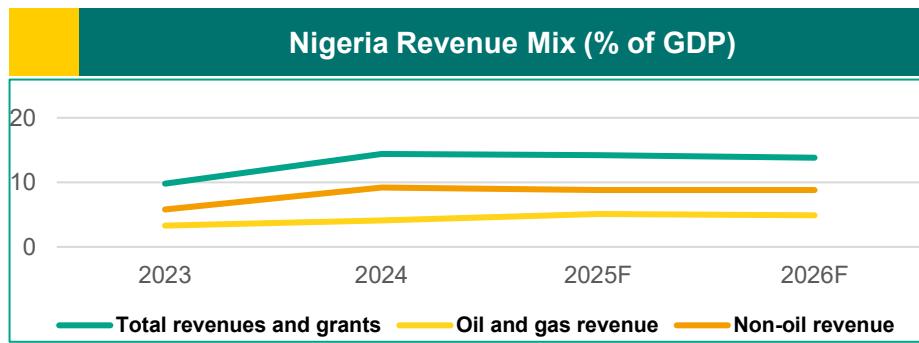
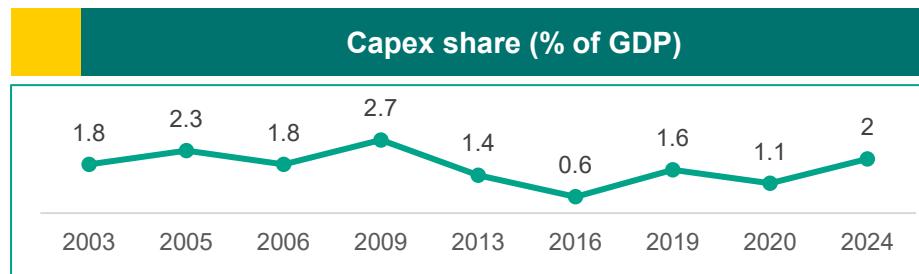
3
Portfolio/FDI access improves as policy anchors hold

- Improved FX transparency, unified windows, and predictable macro policy** are restoring access to offshore capital—spurring renewed interest in equities, fixed income, and direct investments
- Global funds and DFIs view reform momentum as **credible, enabling medium-term participation** in Nigeria's sovereign and private investment pipelines.

 **Key Takeaway**

Reserves rebuild is structural: import compression + export scale + renewed access."

Fiscal Balance — Repair with Growth Protection



1 Fiscal Deficit on a Steady Consolidation Path (–5.5% → –3.4% of GDP by 2027)

- Improving Fiscal Discipline:** Nigeria's fiscal deficit is projected to narrow from about –5.5% of GDP in 2024 to –3.4% by 2027, reflecting stronger revenue performance and expenditure control.
- Reform Payoff:** Ongoing tax reforms, subsidy rationalization, and digital compliance tools are improving the fiscal balance without undermining growth momentum.

2 Revenue Gains from Subsidy Reforms and VAT Efficiency

- Full removal of fuel subsidies and gradual reduction of implicit energy subsidies** are freeing significant fiscal space, redirecting savings toward **infrastructure and social spending**.
- Enhanced collection systems**, expanded coverage of the formal sector, and tech-enabled compliance (e-invoicing, digital tax platforms) are **boosting non-oil revenues sustainably**.

3 Expenditure Quality and Capital Preservation Drive Growth Multipliers

- Despite consolidation pressures, **capital expenditure remains prioritized to sustain public investment multipliers**—particularly in transport, energy, and digital infrastructure.
- Focus efforts on **SOE rationalization, procurement transparency, and expenditure audits** to improve spending efficiency, ensuring that limited fiscal resources translate into measurable economic outcomes.



Key Takeaway

Fiscal repair is real—revenue quality is improving while growth-critical capex is protected.”

Debt & Market Access — Sustainability & Terming

Debt Sustainability

- **Debt/GDP stabilizes about 40% through 2027**, aided by domestic financing and tenor extension.
- **Interest-to-revenue ratio > 70%** underscores affordability pressures despite stable debt size.
- **Rapid debt accumulation (2022–2024)** outpacing revenue and GDP growth raises medium-term fiscal risk.

Liability Management

- **Liability management smooths near-term maturities**, lowers rollover risk, and improves debt profile quality.
- **Selective Eurobond re-entry** planned only under favorable pricing and market conditions.

Strategic Focus

- **Focus shifting from headline ratios** to debt efficiency, affordability, and revenue capacity.
- **New borrowing to prioritize growth-linked projects** (infrastructure, energy, productivity), not recurrent spending.



Key Takeaway

Debt sustainability is **about affordability, not just size** — stable ratios mask service-cost risks. Ongoing **revenue growth and prudent borrowing** are essential to preserve fiscal space.

Oil Production & Refining Transformation

Upstream Recovery & Integrity



- **Output recovery:** Production has climbed to about 1.45 million barrels/day, up from the lows of 1.2 million, and is projected to reach 1.6 mbpd by 2027.
- **Security & governance gains:** Niger Delta stability, pipeline surveillance, and JV reforms are restoring confidence in upstream operations.
- **Integrity measures:** Enhanced metering accuracy and pipeline repairs are reducing theft and improving realized fiscal receipts.
- **Condensate buffer:** Provides export flexibility even under OPEC caps — supporting FX liquidity.

Downstream Transformation & Macroeconomic Payoff



- **Refining revolution:** Dangote Refinery and modular plants will meet over 50% of domestic fuel demand by 2026, cutting fuel imports by ≈ \$7 billion annually.
- **FX & fiscal impact:** Frees up external reserves, narrows the current-account deficit, and strengthens fiscal resilience.
- **Industrial spillovers:** Sparks new ecosystems in petrochemicals, logistics, retail, and exports — broadening industrial linkages.
- **Policy anchor:** Sustaining gains requires transparent pricing, logistics reform, and market discipline.

Strategic Outlook



- **The refining shift** — complemented by renewable-energy investments — positions hydrocarbons as both a growth catalyst and a stability cushion.



Key Takeaway

Volumes are rising, losses are falling, and Nigeria is turning its energy corridor from a pressure point into a macro stabilizer.

Outlook-12–18M Macro Scenarios — What Moves the Needle

Scenario	GDP %	CPI %	MPR %	FX (₦/US\$)	Oil (mbpd)	Brent (\$/bbl)	Comments
1. Base	3.7	14.0	22.5	1,400	1.45	78	Moderate growth, steady disinflation, cautious easing
2. Upside	4.3	12.8	20.0	1,250	1.80	90	Faster oil & reform payoff, lower yields, FDI inflows
3. Downside	2.8	17.2	26.0	1,650	1.20	60	Food/oil shocks or policy delay; tighter liquidity

Macro Scenarios

- **Base:** GDP ~3.7%, CPI 13–16%, MPR 24–25%, NFEM stable.
- **Upside:** Faster oil normalization; CPI ~12–13%; lower yields, stronger inflows.
- **Downside:** Food/oil shocks or FX slippage; slower easing.



Key Insights

- **Oil → GDP:** +1% oil output ≈ +0.3ppt GDP.
- **FX → CPI:** ₦50 move ≈ ~0.7ppt CPI via import costs.
- **Policy mix:** Faster disinflation = space to cut without FX stress.
- **Treasury:** Base = 3–5yr sweet spot; Upside = extend duration selectively.

Section 5

Conclusion

Macroeconomic Stabilization

- Falling inflation trend
- Gradual monetary easing
- Improved external reserves
- Managed FX flexibility

Structural Challenges

- Infrastructure gaps
- Energy constraints
- Skills mismatch
- Security and governance risks

Strategic Growth Opportunities

- Economic diversification
- Digital economy and fintech
- Agro-industrial value chains
- Creative and service exports

Policy Priorities for Resilience

- Fiscal discipline and revenue mobilization
- Infrastructure investment
- Human capital development
- Institutional reform

Role of the Private Sector

- Capital formation
 - ✓ Innovation and productivity
 - ✓ Regional value chain integration
 - ✓ ESG and sustainable finance

What Asynchronous Growth Means for Nigeria

- No one-size-fits-all policy path
- Need for adaptive strategies
- Importance of domestic resilience
- Strategic positioning in global shifts

Strategic Questions for 2026

- How do we sustain reform momentum?
- How do firms hedge volatility?
- How do we unlock long-term capital?
- How do we translate growth into jobs?



Thank you

Headquarters Offices

72B El-Maahad El-Eshteraky Street
Roxy, Heliopolis, Cairo 11341, Egypt

P.O. Box 613
Heliopolis, Cairo 11757, Egypt
T. +(202) 2456 4100/1/2/3/4
F. +(202) 2456 4110
ykale@afreximbank.com

afreximbank.com