



ECOWAS COMMISSION  
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# **DYNAMICS OF SOCIO-ECONOMIC PERFORMANCE, FOOD SECURITY, AND THE CHALLENGES OF REGIONAL INTEGRATION IN ECOWAS**

## **COUNTRY REPORT**



# **Nigeria**



**OGUNWALE AMOS O. & AWODE SEGUN S.**

**MARCH 2026**



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Nigerian Institute of Social and Economic Research (NISER)



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## ABSTRACT

The Nigerian economy in 2024 navigated a complex macroeconomic environment marked by prolonged high interest rates, debt sustainability concerns, ongoing geopolitical tensions, and worsening climate-related shocks affecting agricultural productivity. Additional challenges included elevated borrowing costs, persistent exchange rate pressures, and lingering security threats, particularly in food-producing regions, which have constrained economic activity and could exacerbate vulnerabilities if not addressed. Despite these headwinds, the economy achieved a growth of 4.1 percent, supported by public and private sector construction projects, improved agricultural output, a rebound in tourist arrivals, and liberalization of the communications sector. Inflation showed signs of moderation, although continued currency depreciation continued to pose a risk to macroeconomic stability.

The Country Note observed continued stability in the foreign exchange market, accentuated by improved capital flows, earnings from increased crude oil production, rising non-oil exports, and a significant reduction in aggregate imports. Despite efforts to implement policies aimed at food security, the note highlighted the need for increased and consistent funding, improved budget execution, and greater youth and women's participation in agriculture. Looking ahead, domestic growth is projected to reach 4.6 percent in 2025, though downside risks persist, including global market volatility, delays in reform implementation, the short maturity profile of domestic debt, and agricultural disruptions such as floods and droughts. To sustain growth and fiscal stability, the Government is urged to consolidate ongoing reforms, particularly in revenue mobilization and expenditure rationalization, while addressing structural challenges in agriculture, security, and food security. Strengthening these areas will support broad-based growth and safeguard economic stability in the country.



## KEY MESSAGES

Nigeria continued to face a challenging macroeconomic environment, characterised by persistent revenue shortfalls, elevated inflation, and sustained exchange rate pressures. Headline inflation reached historically high levels in 2024, driven largely by rising food and transportation costs, while the sharp depreciation of the naira considerably eroded household purchasing power. As a result, staple food prices remained well above historical averages, disproportionately constraining food access for low-income and vulnerable households.

Multiple shocks including macroeconomic instability, insecurity, and climate-related disruptions have considerably weakened livelihoods nationwide. Agriculture remains the primary source of income for most rural households; however, prolonged conflict in major food-producing regions, particularly in the North, has disrupted production, reduced yields, and constrained market access. These pressures, combined with high inflation, have accelerated the onset of the lean season and undermined the normal seasonal cycle of food availability, resulting in persistently high food insecurity throughout the year.

Food security conditions continue to deteriorate despite policy interventions, as rising prices, insecurity, and supply-chain disruptions limit access to affordable and nutritious food. Strengthening complementary mechanisms such as food banks and community-based safety nets is increasingly critical to cushioning vulnerable populations, reducing food losses and waste, and bridging gaps in formal social protection coverage.

Medium-term growth prospects are cautiously optimistic. Real GDP growth is projected to rise gradually over the period 2025-2027, driven mainly by investments in infrastructure, agriculture, telecommunications, and social services. Growth will remain largely non-oil-led, supported by expanding domestic refining capacity, crop production, and employment, although consumption will continue to play a dominant role.

Fiscal space remains constrained, as rising debt-service obligations crowd out priority spending on infrastructure and human capital development. While subsidy reforms and revenue-enhancing measures are necessary to restore fiscal sustainability, they carry



short-term distributional costs that heighten the importance of targeted social protection.

Findings from the gravity model simulations indicate that the three shocks - US tariff increases, withdrawal suspension of USAID aid, and exit of the three Sahel States from ECOWAS - significantly considerably weaken Nigeria's and ECOWAS trade flows. In contrast, regional integration measures, including tariff reductions and trade facilitation, generate substantial trade creation and welfare gains. For Nigeria, deeper intra-ECOWAS trade and value-added production offer a more resilient pathway for diversification and industrial upgrading.

Overall risks to the outlook remain tilted to the downside, reflecting inflationary pressures, external sector vulnerabilities, insecurity, and exposure to global financial and geopolitical shocks. Sustained reform implementation, strengthened regional integration, and targeted interventions in food security and social protection will be critical to stabilising the economy and supporting inclusive growth.

## 1.0 INTRODUCTION

As the largest economy and the most populous nation in West Africa, Nigeria occupies an important position in the regional integration and development agenda of ECOWAS. Over the last two years, the country's macroeconomic environment has witnessed bold and far-reaching policy reforms aimed at repositioning the economy for sustained growth and stability. The year 2024 witnessed the impact of significant important policy changes introduced in mid-2023, including the removal of the long-standing fuel subsidy, followed swiftly by the unification of the multiple exchange rate windows and an increase in electricity tariff. These reforms were introduced to address long-standing fiscal imbalances, attract investment and improve economic efficiency. However, the reforms appear to have produced mixed immediate socioeconomic outcomes. Nigeria's macroeconomic landscape experienced significant considerable disruptions driven by the continuation of major fiscal reforms, specifically the removal of the fuel subsidy and the unification of the foreign exchange market. These policies, while intended to promote long-term stability, resulted in persistently high inflation, a sharp devaluation of the naira, and reduced purchasing power for households and businesses.

The economy recorded a modest real GDP growth rate of 4.3 percent in 2022, 3.3 percent in 2023 and 4.1 percent in 2024 (NBS, 2025). The growth acceleration between 2023 and 2024 was driven by consistent growths in the services sector, particularly financial services and telecommunications, and a modest recovery in the agricultural sector during the period. Crude oil production also rebounded during the period and contributed to export revenues. However, the agricultural sector continued to struggle with insecurity and rising input costs, which undermine growth in the sector, despite its contribution to GDP increasing from 3.3 percent in 2023 to 3.4 percent in 2024 (NBS, 2025). More importantly, Nigeria's agricultural sector plays a critical role in achieving national and regional food security, and its underperformance in the face of these mounting challenges undermines the resilience of rural communities. As food prices surge amid persistent inflationary pressures, the capacity of households to access affordable and nutritious food is threatened, posing risks to human capital development and social stability.



The National Bureau of Statistics (NBS) announced that Nigeria's Gross Domestic Product (GDP) stood at N372.8 trillion in 2024, following a rebasing of the economy. At an exchange rate of N1,530 per US dollar, this translates to US\$243 billion. This represents a 29.9 percent increase over the International Monetary Fund (IMF) estimate of US\$187.6 billion. The new (rebased) data reflect a shift in the base year used to calculate GDP from 2010 to 2019. The rebasing exercise expands the scope of measurement to include fast-growing sectors such as fintech, the digital economy, and informal businesses. The rebasing also improved the country's fiscal outlook, as the public debt-to-GDP ratio fell to 39.4 percent in 2024, down from 39.8 percent in 2023. This keeps the country's debt burden below the Federal Government's 40 percent ceiling and well below the 45 percent threshold recommended by both the IMF and the World Bank for Nigeria and other lower-middle-income countries (Kidochukwu, 2015).

The removal of PMS subsidies triggered a sharp increase in the cost of transportation, energy, and food, pushing headline inflation from 28.9 percent in 2023 to 33.2 percent by the end of 2024, while food inflation rose from 33.9 percent to 39.8 percent over the same period (NBS, 2025). This price surge disproportionately affected low-income households and increased the vulnerability of both urban and rural poor populations.

As a result, the number of food-insecure Nigerians increased rapidly, from 66.2 million to 100 million people between the first quarters of 2023 and 2024 respectively, with 18.6 million facing acute hunger and 43.7 million Nigerians adopting crisis-level or above-crisis-level hunger coping strategies as of March 2024 (NESG, 2024). The exchange rate unification policy also led to a substantial depreciation of the naira due to the alignment of the official and parallel market rates. This resulted in the official exchange rate depreciating from ₦898.8/US\$ in December 2023 to ₦1553.6/US\$ in December 2024 (CBN, 2024). While the exchange rate unification policy has improved transparency in the foreign exchange market and helped attract portfolio investments, it has also increased the domestic cost of imported goods, thereby exacerbating inflationary pressures and reducing the purchasing power of households.

The electricity tariff hike in April 2024 was part of efforts to ensure cost-reflective pricing in the power sector, thereby enhancing investment and reducing reliance on government

subsidies. While this measure is necessary for long-term sectoral viability, the tariff hike added to the burden on consumers and businesses already struggling with high input costs and persistent inflation. This created a harsh operating environment, which led to the exit or relocation of some multinational companies. Foreign direct investment remained weak due to persistent challenges with capital repatriation. Despite efforts to boost revenue, the government faced significant debt-servicing obligations, with a substantial portion of revenue allocated to debt repayment.

Despite these shocks, fiscal performance improved significantly. The removal of subsidies and the depreciation of the naira eased government fiscal pressures and reduced the fiscal deficit from 5.4 percent of GDP in 2023 to 3.0 percent in 2024 (CBN, 2024). This led to an increase in federally allocated revenue to states and local governments. According to data reported by the National Bureau of Statistics (NBS), total FAAC allocations increased by about 66.2 percent in 2024, rising from about ₦9.2 trillion (US\$14.26 billion) in 2023 to an estimated ₦15.3 trillion (US\$10.34 billion) in 2024. As a result, monthly and quarterly disbursements to the three tiers of government - including states and local government areas - grew substantially throughout the year, leading to increased liquidity and fiscal space at the sub-national level. States and local governments benefited from the enhanced distributable pool, enabling higher expenditure on recurrent services and capital projects. Nonetheless, despite the significant rise in FAAC allocations, most states remained heavily dependent on these allocations as their principal source of revenue, underscoring ongoing vulnerabilities in subnational finances and the need for deeper revenue diversification and stronger fiscal management at the state level.

The trade balance also recorded a significant surplus, more than doubling from US\$3,550.4 million in 2023 to US\$9,261.7 million in 2024 (CBN, 2024). However, the social costs of adjustment have been evident. The rapid implementation of these reforms, without commensurate social protection buffers, has triggered widespread discontent and hardship. While early gains in fiscal and external balances are encouraging, the adverse social impacts highlight the need for complementary policies to protect livelihoods and sustain public support for ongoing reforms.



Nigeria's economy, the fourth-largest in Africa with a GDP of US\$243 billion (2024), continues to face significant challenges, including high inflation (24.5 percent in 2023), currency depreciation (95.6 percent in 2023), and heavy reliance on oil revenue. Compared with peers such as Ghana and South Africa, Nigeria struggles with lower economic diversification, weaker policy implementation, and slower growth, despite recent reforms aimed at stabilisation.

These domestic challenges are unfolding within a broader context of global and regional uncertainty. The temporary suspension of USAID activities in Nigeria and other West African countries may disrupt development financing and technical assistance in critical sectors such as agriculture, health, and education. Additionally, an escalating tariff war sparked by new trade restrictions from the United States threatens to slow global trade flows. At the regional level, the exit of Burkina Faso, Mali, and Niger from ECOWAS raises concerns about the weakening of regional cohesion and the effectiveness of cross-border cooperation in areas such as trade, migration, and food supply chains. These developments have significant considerable implications for Nigeria in 2025 and beyond.

Against this backdrop, the 2025 ECOWAS Regional Economic Outlook (EREO) offers a timely platform for assessing the prospects of the Nigerian economy and the broader implications of domestic reforms and external shocks for food security and sustainable development. The preparation of Nigeria's Member State Report Notes for the 2025 EREO is, therefore, highly relevant, as it will provide an assessment of the macroeconomic environment, the performance of key sectors, and the socioeconomic impacts of recent reforms, particularly as they relate to food production, access, and affordability. The report will also inform regional decision-making by highlighting Nigeria's policy choices and development trajectory, while providing evidence-based recommendations for strengthening food systems and enhancing resilience in the face of economic shocks.

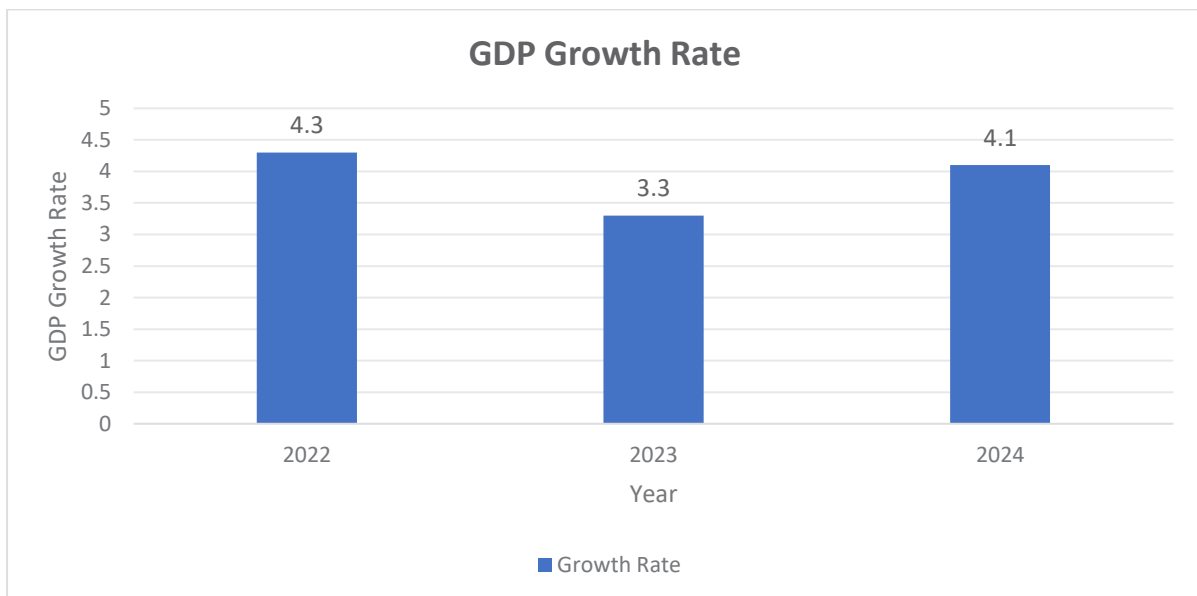


## 2. ANALYSIS OF SOCIOECONOMIC DEVELOPMENT IN NIGERIA

### 2.1 Review of Recent Socioeconomic Performance

The Nigerian economy maintained its growth trajectory in 2024 despite persistent headwinds. It continued to recover from the effects of the COVID-19 pandemic, during which output contracted by 1.92 percent in 2020. The rebased figures reveal a notable transformation in the structure of the economy compared with 2019. The services sector remains dominant, increasing its share to 53.1 percent (up from 50.2 percent), while agriculture now contributes 25.8 percent (up from 22.1 percent). The industrial sector accounted for 22.1 percent of GDP, down from 27.7 percent. The moderation in growth was attributable to persistent global headwinds, which affected the economy through higher energy and food prices.

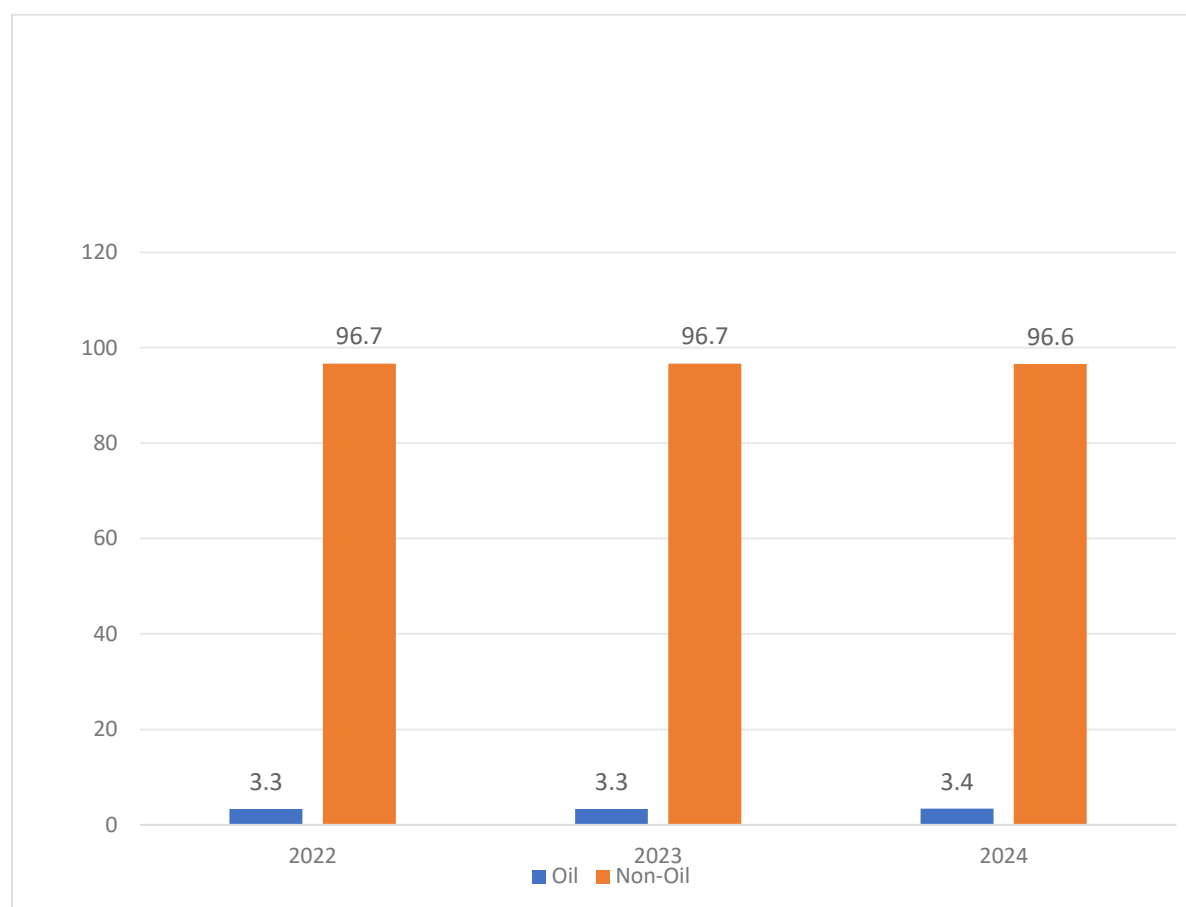
**Figure 1: Nigeria's Real GDP Growth Rate Performance: 2022-2024**



Source: National Bureau of Statistics (2025)

Challenges such as supply chain disruptions, inflationary pressures, and domestic insecurity continued to hinder the pace of Nigeria's economy recovery. According to the rebased data, the economy recorded a real GDP growth rate of 3.3 percent in 2023, which accelerated to 4.1 percent in 2024. This performance exceeded the projected growth rate of 3.5 percent for 2024. The Nigerian economy is broadly classified into the oil and non-oil sectors, a distinction that has significant implications for its long-term sustainability.



**Figure 2: Contribution of Oil and Non-Oil to GDP Growth Rate in Nigeria 2022 -2024**

Source: National Bureau of Statistics (2025)

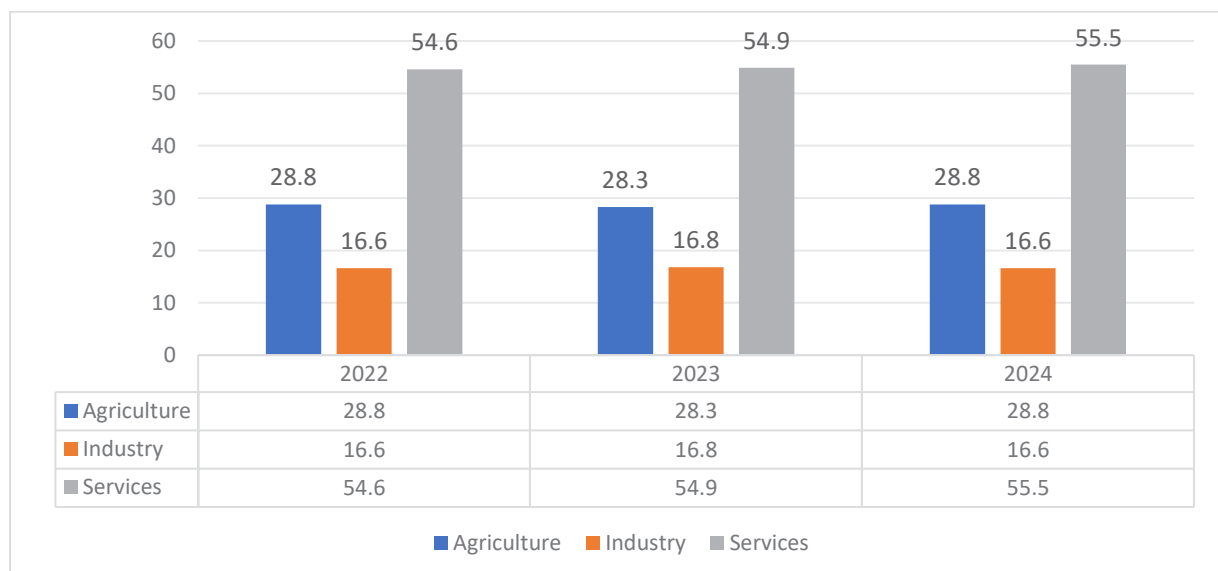
Nigeria's economic performance in 2024 was predominantly driven by the non-oil sector, which accounted for 96.6 percent of total GDP. Growth was particularly strong in agriculture (11.1 percent), as well as across key service sub-sectors. Construction expanded by 18.4 percent, trade grew by 3.0 percent, and Information and Communication Technology (ICT) recorded a remarkable growth rate of 40.7 percent. The sustained expansion of these activities positioned the services sector as the fastest-growing sector of the economy, reinforcing the gradual diversification of Nigeria's growth base.

At the same time, the oil sector showed signs of recovery, although output remained below fiscal projections. Crude oil production averaged between 1.41 and 1.655 million barrels per day (mbpd) in 2024, remaining below the 1.78 mbpd benchmark set in the Federal Government's budget and below Nigeria's OPEC quota. Nevertheless, the sector

rebounded from its contraction in 2023, recording year-on-year real GDP growth of 10.215 percent in the second quarter of 2024. This improvement reflected intensified efforts to curb crude oil theft and pipeline vandalism, particularly along the Trans-Niger Pipeline. Enhanced security operations, including strengthened surveillance arrangements in the Niger Delta and expanded community-based pipeline monitoring, contributed to improved asset protection and production stability. The Forcados Terminal, for example, recorded a 12.41 percent increase in output relative to 2023.

The 2024 budget was anchored on an oil price benchmark of US\$77.96 per barrel. The budget also assumed that improved crude oil production would strengthen revenue performance. Complementing upstream stabilization efforts, structural reforms in the downstream segment - including the commissioning of the Dangote Refinery and the rehabilitation of the Port Harcourt refinery - signal potential medium-term gains in domestic refining capacity, foreign exchange conservation, and overall energy sector resilience. Together, these developments indicate that while the non-oil sector remains the primary engine of growth, gradual improvements in oil sector stability are also contributing to broader macroeconomic recovery.

**Figure 3: Sectoral Contribution to GDP**



Source: National Bureau of Statistics (2025)



**Table 1: Percentage Growth Rate of Some Selected Sub- Sectors of the Economy 2022-2024**

|                        | 2022        | 2023       | 2024       |
|------------------------|-------------|------------|------------|
| <b>Agriculture</b>     | <b>2.5</b>  | <b>1.2</b> | <b>1.7</b> |
| Crop Production        | 2.1         | 4.0        | 2.9        |
| Livestock              | 2.7         | 2.9        | 2.1        |
| Forestry               | 6.1         | 18.0       | 2.5        |
| Fishing                | 3.0         | 2.3        | 0.6        |
| <b>Industry</b>        | <b>10.2</b> | <b>4.0</b> | <b>2.8</b> |
| Quarrying              | 2.8         | 9.3        | 26.8       |
| Manufacturing          | 6.8         | 10.8       | 0.9        |
| Construction           | 11.9        | 4.3        | 4.2        |
| <b>Services</b>        | <b>3.6</b>  | <b>3.7</b> | <b>4.4</b> |
| Telecommunications     | 3.7         | 2.2        | 6.3        |
| Financial Institutions | 2.7         | 2.3        | 2.9        |
| Insurance              | 9.0         | 2.6        | 3.4        |
| Entertainments         | 7.1         | 8.1        | 8.8        |

Source: National Bureau of Statistics (2025)

Table 1 highlights the key sub-sectors driving Nigeria's GDP growth. The relatively modest expansion of the agricultural sector, compared with other economic activities in 2024, and the sharp rise in mining output underscore the need to sustain and scale up agricultural productivity to strengthen overall economic growth. Likewise, revitalizing the industrial sector remains critical to generating employment opportunities, particularly for the country's youth population. Although the services sector continued to anchor Nigeria's post-pandemic recovery, its dominance has not been accompanied by the desired transformation in the economy's structural composition. This suggests that while Nigeria continues to record economic growth, the pace of structural transformation and economic diversification remains insufficient to achieve broad-based and inclusive progress.

On the supply side, the agricultural sector's contribution to GDP increased marginally from 28.3 percent in 2023 to 28.8 percent in 2024, despite persistent challenges, including insecurity in farming communities, policy inconsistencies, and adverse weather conditions linked to climate change. The strongest contribution to growth within the agricultural sector came from crop production, which grew by 2.9 percent and remained the anchor of sectoral performance. Livestock recorded moderate growth at 2.1 percent, while forestry growth moderated to 2.5 percent after an exceptional surge in 2023. The fishing sub-sector weakened considerably, growing by only 0.6 percent, reflecting persistent structural challenges across the value chains, insecurity in coastal communities, and climate-related disruptions.

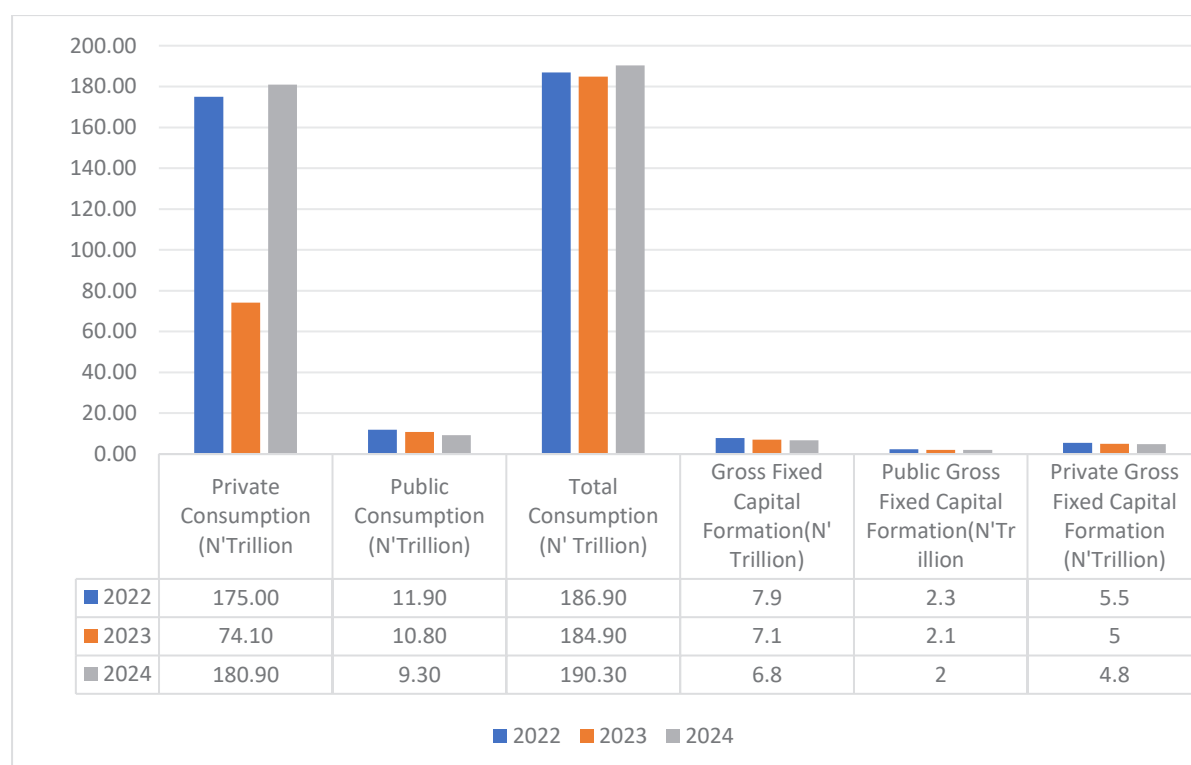
However, the industrial sector's contribution to GDP declined slightly, falling from 16.8 percent in 2023 to 16.7 percent in 2024. This downturn was largely attributable to recent macroeconomic reforms, including the removal of the petroleum subsidy, exchange rate unification, and monetary tightening measures, all of which were introduced to strengthen fiscal stability, enhance investor confidence, and curb inflation. The slowdown is also reflected in the sector's growth rate, which fell from 4.0 percent in 2023 to 2.8 percent in 2024. The sector's performance was driven primarily by quarrying, which surged by 26.8 percent, making it the fastest-growing sub-sector in the economy in 2024. Construction also maintained steady momentum, growing by 4.2 percent and supported by continued public and private infrastructure investment. By contrast, manufacturing growth declined sharply to 0.9 percent, reflecting pressures from high energy costs, exchange rate volatility, and monetary tightening.

The services sector remained the dominant driver of output, contributing more than the combined shares of agriculture and industry. In 2024, the services sector accounted for 55.5 percent of GDP, compared with 28.8 percent and 16.7 percent for agriculture and industry, respectively. Within the sector, telecommunications led growth, expanding to 6.3 percent, driven by increased digital service adoption and broadband expansion. Entertainment services also performed strongly, growing by 8.8 percent and reflecting the sustained dynamism of Nigeria's creative industries. Financial institutions (2.9 percent) and insurance (3.4 percent) recorded stable but moderate growth, supporting overall



sectoral resilience. This trend highlights the growing importance of modern service industries, particularly Information and Communications Technology (ICT), financial services, and transportation, as key drivers of Nigeria's recent macroeconomic performance.

**Figure 4: Demand Components to GDP Growth Rate in (N' Trillion)**



Source: National Bureau of Statistics (2025)

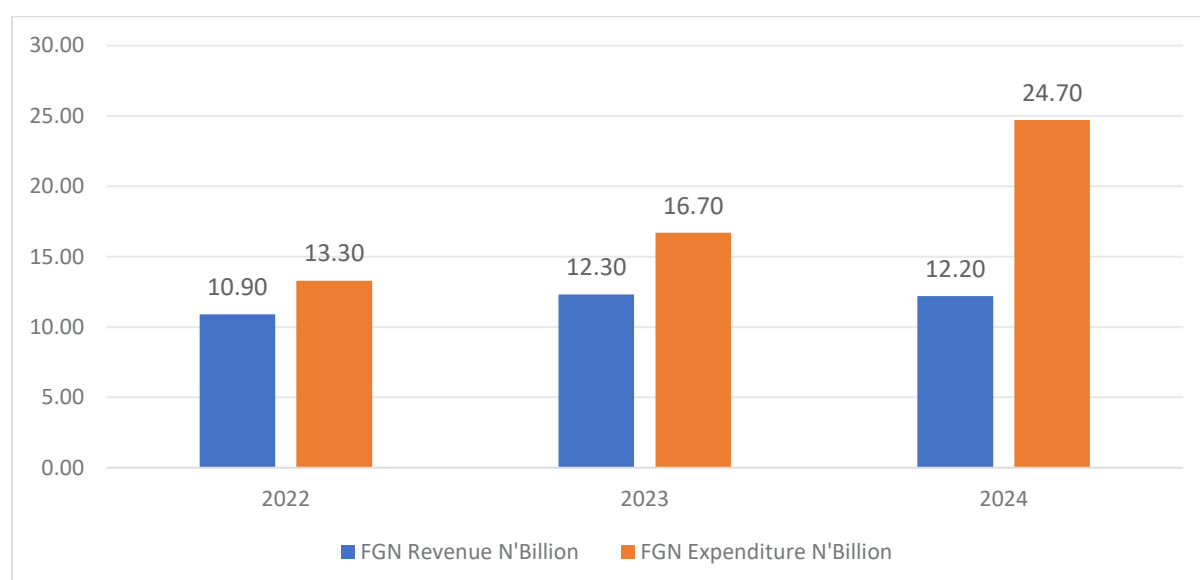
On the demand side, the structure of GDP continues to show that private consumption and investment remain the main forces driving economic activity. In 2024, private consumption rose to ₦181 trillion (US\$130 billion), accounting for 95.1 percent of total consumption and reinforcing its position as the dominant component of domestic expenditure. Public consumption, however, declined to ₦9.4 trillion (US\$5.5 billion), bringing total consumption to ₦190.3 trillion (US\$120 billion).

Investment activity also declined in 2024. Total gross fixed capital formation, which stood at ₦7.2 trillion (US\$5.3 billion) in 2023, declined to ₦6.8 trillion (US\$4.5 billion) in 2024, driven mainly by weaker private investment of ₦4.8 trillion (US\$3.1 billion) and a continued decline in public capital spending to ₦2.0 trillion (US\$1.3 billion).

While private consumption continued to account for more than 70 percent of gross domestic expenditure, its contribution to GDP growth weakened gradually. The 2024 data suggest that household spending, although remaining substantial, was increasingly constrained by inflationary pressures and rising living costs. This underscores Nigeria's continued reliance on consumption as the primary driver of economic activity, with relatively low savings and a limited shift toward productive, growth-enhancing investment.

## 2.2 Fiscal Sector

**Figure 5: Federal Government Revenue and Expenditure (N' Trillion)**



Source: National Bureau of Statistics (2025)

Nigeria registered a remarkable improvement in revenue generation during the 2024 fiscal year compared with the outturns of previous years. Gross federally collected revenue increased from ₦10.90 trillion (US\$7.1 billion) in 2022 to ₦12.5 trillion (US\$8.3 billion) in 2023 and further to ₦16.5 trillion (US\$10.8 billion) in 2024. This reflects strong performance in both oil and non-oil revenue collections during the review period.

Oil revenue performance improved significantly in the 2024 fiscal year following the removal of the Premium Motor Spirit (PMS) subsidy, a reform introduced in the second half of 2023. Gross revenue performance during the period was also boosted by strong collections from other revenue sources, amounting to ₦2.3 trillion (US\$1.5 billion).





Consequently, total inflows reached ₦28.7 trillion (US\$36 billion), representing an increase of ₦12.3 trillion (US\$8.3 billion), or 74.9 percent, over the total inflows recorded in the 2023 fiscal year.

Non-oil revenue made a significant contribution to the strong revenue performance recorded in 2024 compared with 2023. Performance across all major non-oil revenue sources improved relative to their outturns in the 2023 fiscal year. This was attributable to the continued recovery of both the global and domestic economies. It also reflected improved revenue collection efficiency and the implementation of fiscal reform initiatives spearheaded by the Presidential Committee on Fiscal Policy and Tax Reforms. In addition, the depreciation of the naira against the US dollar, together with higher inflation, contributed to stronger nominal revenue collections.

On the expenditure side, total spending, which stood at ₦16.7 trillion in 2023, increased to ₦24.7 trillion in 2024. Of this amount, recurrent non-debt expenditure accounted for ₦7.3 trillion, debt servicing for ₦11.9 trillion, capital expenditure for ₦7.8 trillion, and statutory transfers for ₦1.7 trillion. Although debt servicing remained substantial, accounting for 69 percent of total expenditure (down from 78 percent in 2023), capital expenditure increased modestly from 18 percent of total spending in 2023 to 22 percent in 2024.

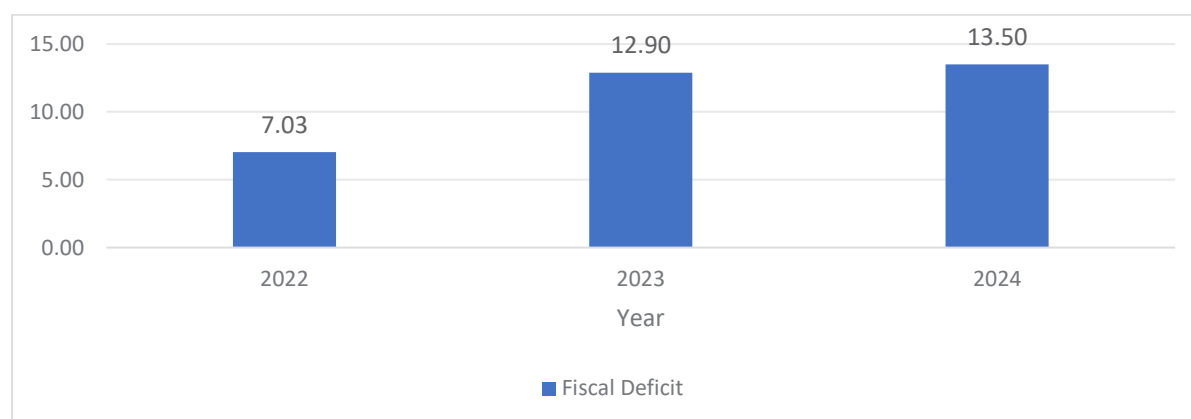
Total government expenditure rose from 10.0 percent in 2023 to 10.7 percent in 2024. The fiscal deficit-to-GDP ratio improved from 4.6 percent in 2023 to 3.5 percent in 2024, indicating gradual progress toward fiscal consolidation. Similarly, total revenue-to-GDP ratio increased from 5.4 percent in 2023 to 7.2 percent in 2024, reflecting improved domestic revenue mobilisation. The share of oil revenue in total revenue also increased from 19.0 percent in 2023 to 31.9 percent in 2024, underscoring the partial recovery of the oil sector.

Despite these fiscal improvements, performance gaps persist. Actual non-oil revenue exceeded the target by 35.0 percent, reaching ₦5 trillion (US\$3.3 billion) compared with the projected ₦3.7 trillion (US\$2.5 billion). Conversely, oil revenue underperformed its target by 15.3 percent, amounting to ₦14.2 trillion (US\$9.3 billion) against a projection of ₦16.7 trillion (US\$10.4 billion), owing to lower crude oil production and export volumes

relative to OPEC+ production quotas and budget assumptions. These trends have implications for short-term macroeconomic projections and underscore the need to strengthen revenue diversification, enhance expenditure efficiency, and maintain fiscal prudence to sustain macroeconomic stability.

Nigeria operates a federal fiscal structure comprising three tiers of government: the Federal Government, the 36 state governments and the Federal Capital Territory Administration, and 774 local government areas. Within this framework, fiscal decentralisation presents both opportunities and coordination challenges for budget implementation and macro-fiscal alignment.

**Figure 6: Annual Fiscal Deficit N' Trillion (2022-2024) in Nigeria**



Source: Underlying Data from the Office of the Accountant General of Federation (2025)

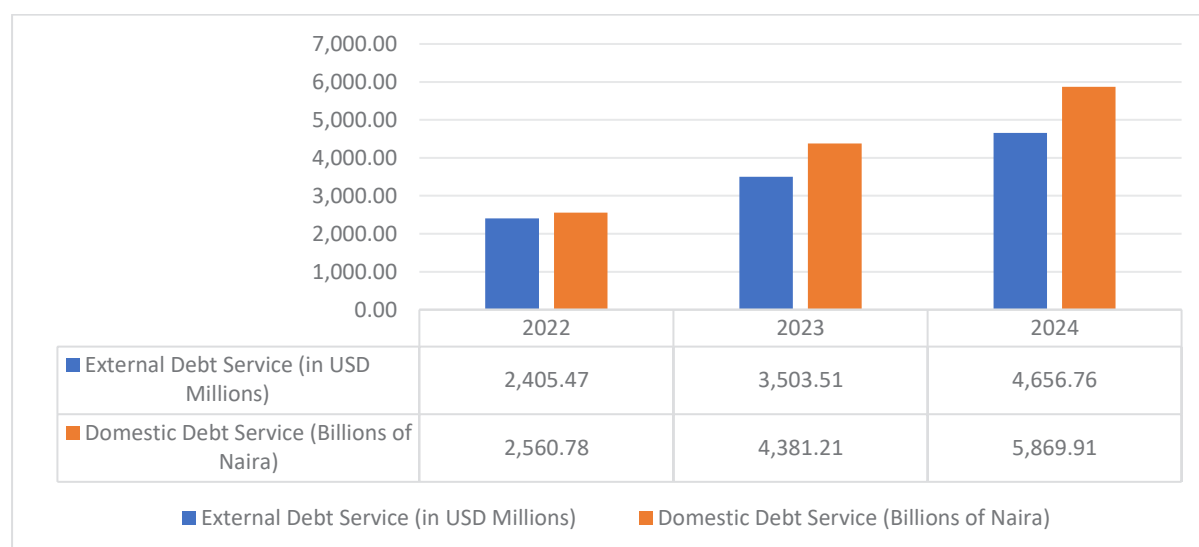
The fiscal deficit-to-GDP ratio stood at 3.7 percent, 4.6 percent, and 3.5 percent in 2022, 2023, and 2024, respectively. The 2024 ratio of 3.5 percent represented a considerable improvement over the ratios recorded in 2022 (3.7 percent) and 2023 (4.6 percent). However, all three ratios exceeded the 3.0 percent fiscal deficit ceiling prescribed under Nigeria's Fiscal Responsibility Act, 2007.

The fiscal deficit widened considerably in 2023, driven by a combination of factors, including revenue shortfalls, the continued underperformance of oil revenues, a widening gap between government revenue and expenditure, and elevated debt-servicing



obligations. Consequently, the Government's reliance on borrowing to finance the deficit remained pronounced. However, in 2024, modest improvements in crude oil production and stronger non-oil revenue performance, particularly from tax and customs collections, contributed to a narrowing of the fiscal deficit. Nevertheless, spending pressures associated with subsidy reforms, social interventions, and capital expenditure commitments continued to weigh on fiscal sustainability.

**Figure 7: The Nigeria Debt Service**

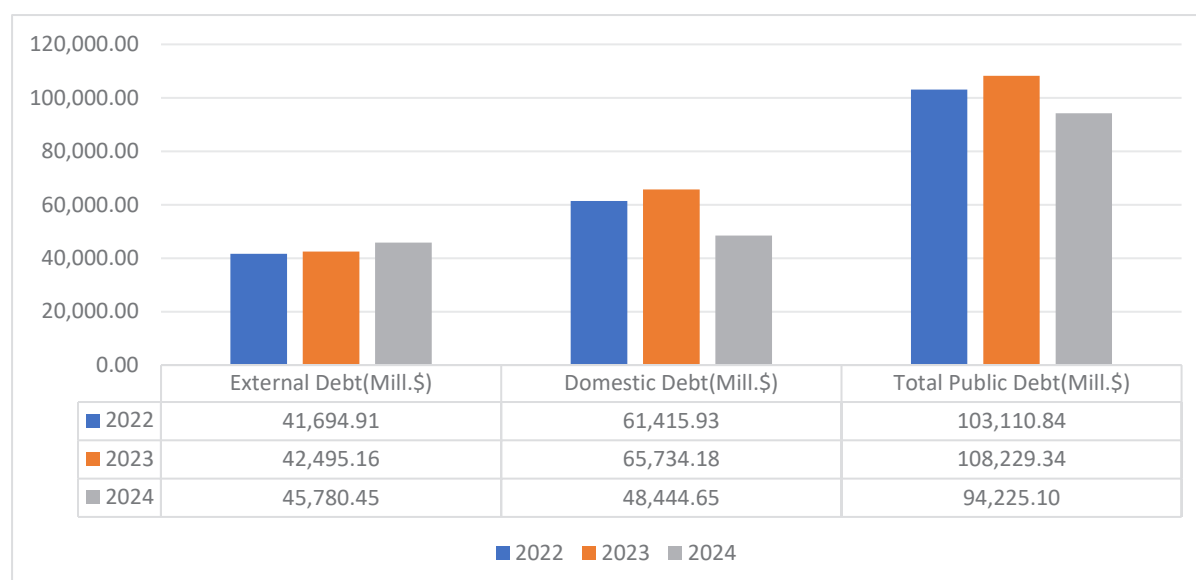


Source: Debt Management Office (2025)

Data from the Debt Management Office (DMO) indicate that the external debt service obligations of Nigeria's states and the Federal Capital Territory (FCT) increased from US\$3.5 billion in 2023 to US\$4.7 billion in 2024, representing a 33.1 percent increase over the period. The sustainability of Nigeria's public debt remains a pressing fiscal concern, as high debt-servicing obligations and limited fiscal space continue to constrain the Government's capacity to invest adequately in critical sectors such as infrastructure, healthcare, and education. In 2024, total domestic debt service amounted to ₦5.9 trillion (US\$4 billion), representing 37.0 percent of total expenditure and 69.0 percent of total revenue. The 2024 Budget Implementation Report (BIR) by the Budget Office of the Federation (BOF) further underscores this fiscal challenge, reporting that debt service consumed 69.0 percent of total revenue, thereby highlighting the Government's

continued reliance on borrowing to finance fiscal operations. Strengthening domestic resource mobilisation, enhancing tax administration and compliance, and curbing revenue leakages remain imperative to reduce the Government's borrowing needs and ensure long-term debt sustainability.

**Figure 8: Federal Government Debt Outstanding (in Millions USD)**



Source: Debt Management Office (2025)

Figure 8 shows a clear upward trend in Nigeria's public debt stock between 2022 and 2024. Total external debt increased from US\$42.50 billion in 2023 to US\$45.78 billion in 2024. By contrast, total domestic debt, comprising the debt of the Federal Government of Nigeria (FGN), the 36 states, and the Federal Capital Territory (FCT), declined in US dollar terms from US\$65,734.216 million in 2023 to US\$48,44.765 million in 2024, largely reflecting exchange rate movements rather than a reduction in the naira-denominated debt stock. Overall, total public debt increased in 2022 and 2023 but declined slightly to US\$94,225.10 million in 2024. In proportional terms, domestic debt accounted for 60.7 percent of total public debt in 2024, while external debt represented 39.3 percent, broadly consistent with the debt structure observed in 2023. The total external debt portfolio comprised of Federal Government external debt of US\$410.098 million, representing 43.5 percent of total public debt in 2024. This represented an increase of approximately 8.5 percent from US\$37.89 million in 2023. The external debt of the thirty-six (36) states and the FCT



amounted to US\$4.80 million in 2024, representing an increase of 4.1 percent from US\$4.61 million in 2023. Subnational external debt accounted for 5.109 percent of the total public debt in 2024.

The domestic debt component of the total public debt portfolio amounted to (₦74.34 trillion (US\$50.24 billion) in 2024, an increase of (₦15.22 trillion (US\$10.29 billion) or 25.8 percent when compared to (₦59.12 trillion (US\$91.34 billion) in 2023. The increase in domestic debt was driven primarily by new borrowings by the Federal Government of Nigeria (FGN), including (₦5.71 billion (US\$3.86 billion) raised to partly finance the 2024 Appropriation Act, the issuance of a US\$917.41 million Federal Government domestic US dollar bond in September 2024, and the securitization of (₦7.3 trillion (US\$4.93 billion) in Ways and Means Advances (WMAs) owed by the Federal Government to the Central Bank of Nigeria (CBN) during the first half of 2024.

Of the domestic debt portfolio in 2024, FGN's domestic debt stock stood at (₦70.41 trillion (US\$47.58 billion), representing an increase of (₦17.16 trillion (US\$11.60 billion), or 32.2 percent, from (₦53.25 trillion (US\$82.29 billion) in 2023. FGN domestic debt accounted for 48.7 percent. It also represented 48.7 percent of the total public debt in 2024. By contrast, the domestic debt of the thirty-six (36) States and the FCT declined to (₦3.97 trillion (US\$2.68 billion) in 2024, representing a decrease of (₦1.89 trillion (US\$1.28 billion) or 32.3 percent from ₦5.86 trillion (US\$9.05 billion) in 2023. Subnational domestic debt represented 2.7 percent of total public debt in 2024.

*The composition of Nigeria's public debt portfolio in 2024, including Federal Government external debt, external debt of the 36 states and the FCT, Federal Government domestic debt, and domestic debt of the 36 states and the FCT, is presented in Table 2.*

**Table 2: Nigeria's Total Public Debt Outstanding in 2023 & 2024**

| Description                                  | 2023                 | 2024                  |
|----------------------------------------------|----------------------|-----------------------|
| <b>External Debt Stock- FGN ONLY</b>         |                      |                       |
| US\$' Million                                | 37,885.10            | 40,980.01             |
| NGN' Million                                 | 34,073,593.74        | 62,917,330.60         |
| <i>% Share of Total</i>                      | <i>35.00</i>         | <i>43.49</i>          |
| <b>External Debt Stock 36States &amp;FCT</b> |                      |                       |
| US\$' Million                                | <i>4,610.06</i>      | <i>4,800.44</i>       |
| NGN' Million                                 | <i>4,146,255.69</i>  | <i>7,370,200.02</i>   |
| <i>% Share of Total</i>                      | <i>4.26</i>          | <i>5.09</i>           |
| <b>Domestic Debt Stock FGN ONLY</b>          |                      |                       |
| US\$' Million                                | 59,215.51            | 45,860.13             |
| NGN' Million                                 | 53,258,011.88        | 70,409,863.00         |
| <i>% Share of Total</i>                      | <i>54.72</i>         | <i>48.67</i>          |
| <b>Domestic Debt Stock 36States &amp;FCT</b> |                      |                       |
| US\$' Million                                | 6,518.67             | 2,584.52              |
| NGN' Million                                 | 5,862,846.93         | 3,968,057.32          |
| <i>% Share of Total</i>                      | <i>6.02</i>          | <i>2.74</i>           |
| <b>Nigeria Public Debt Stock</b>             |                      |                       |
| US\$' Million                                | <b>108,229.34</b>    | <b>94,225.10</b>      |
| NGN' Million                                 | <b>97,340,708.25</b> | <b>144,665,450.94</b> |

Source: Debt Management Office (2025)

**Notes:** The Central Bank of Nigeria (CBN) official exchange rates of NGN899.393 per US\$1 as at December 31, 2023 and NGN1,535.32 per US\$1 as at December 31, 2024, were used for the currency conversion.

The Federal Government's 2024 fiscal strategy, articulated in the "Renewed Hope" budget, is anchored on restoring fiscal sustainability through aggressive revenue mobilisation and expenditure nationalisation. The approved budget size of (₦28.8 trillion (US\$19.46)), is supported by projected revenues of (₦19.6 trillion (US\$13.25 billion)), leaving a deficit of



(₦9.2 trillion (US\$6.22 billion)). Central to the strategy is a deliberate effort to reduce the fiscal imbalance while restructuring the revenue base to reduce dependence on oil revenues.

On the revenue side, the Government intensified tax reforms and improved administrative efficiency. The Federal Inland Revenue Service (FIRS) set a revenue collection target of ₦19.4 trillion (US\$13.11 billion) for 2024, leveraging the TaxPro Max digital platform to strengthen tax compliance, expand the tax base, and improve revenue collection transparency. The reform agenda emphasises the expansion of non-oil revenue through enhanced tax administration, improved compliance, and stronger enforcement. In addition, customs modernisation and trade facilitation measures were introduced to streamline international trade processes, reduce revenue leakages, and strengthen revenue collection at the borders. The removal of petrol subsidies and the unification of the foreign exchange market further expanded federally collectible revenues by improving the transparency of oil revenues and enhancing exchange rate valuation.

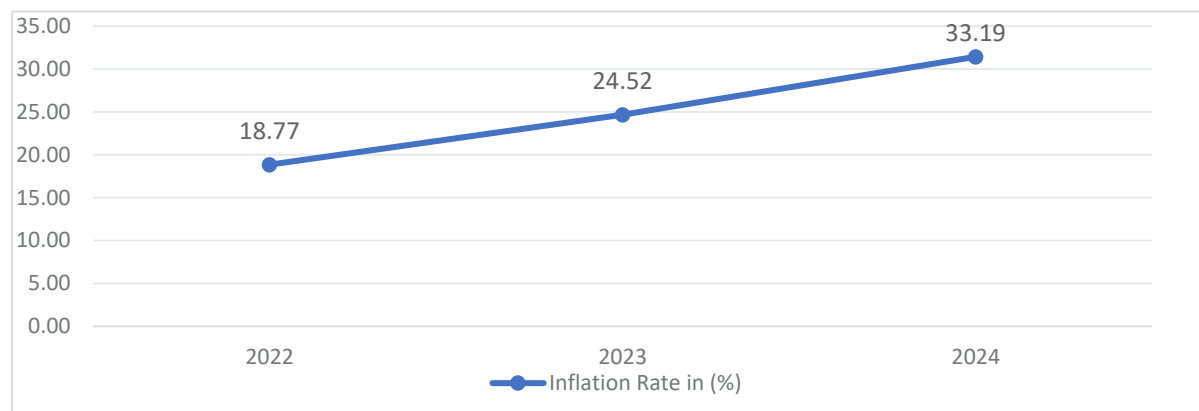
On the expenditure side, the Government aimed to reduce the fiscal deficit-to-GDP ratio from 6.1 percent in 2023 to approximately 3.9 percent in 2024. Fiscal consolidation measures included rationalising tax expenditures, reducing inefficient tax waivers, strengthening expenditure controls, and enhancing public financial management systems to promote value for money. The administration also prioritised reducing the debt service burden relative to revenue and limiting excessive borrowing through improved domestic revenue mobilisation. Public expenditure was reoriented toward security, infrastructure, and job creation, while efforts were made to contain administrative overheads and address operational inefficiencies across ministries, departments, and agencies (MDAs).

## 2.3 Monetary Sector

The Monetary policy in 2024 was guided by developments in both the global and domestic economic and financial environments. Globally, economic growth remained resilient, while inflation in most advanced economies continued to moderate towards target levels

following the policy rate increases implemented to contain persistent inflationary pressures.

**Figure 9: Nigeria's Inflation Rate in Percentages (2022-2024)**



Source: National Bureau of Statistics (2025)

Figure 9 shows that Nigeria experienced heightened inflationary pressures in 2024, as consumer prices continued to be affected by persistent global inflationary pressures and domestic macroeconomic challenges. The persistence of inflation was driven largely by the pass-through effects of exchange rate depreciation, elevated energy costs, and supply chain disruptions on food and energy prices. In 2024, for example, Nigeria's headline inflation rate rose to 33.2 percent. This increase was driven by several factors, including food supply shortages, exchange rate depreciation, high interest rates, rising transportation and energy costs, and other structural constraints that weakened macroeconomic stability. The implementation of recent economic reforms was accompanied by rising consumer prices, a depreciating naira, elevated borrowing costs and volatile oil prices.

## 2.4 The Broad Money Supply (M2 and M3)

The broad money supply (M2 and M3) maintained an upward trajectory during the review period. Broad money (M3) grew by 29.9 percent to ₦103 trillion (US\$69.61 billion) as at 2024 from ₦79.3 trillion (US\$122.51 billion) in 2023. The growth in M3 exceeded the 2024 annual growth target of 15.6 percent. Similarly, broad money (M2) increased by 29.7 percent to ₦102.8 trillion (US\$69.47 billion) at end-December 2024 from ₦79.3 trillion

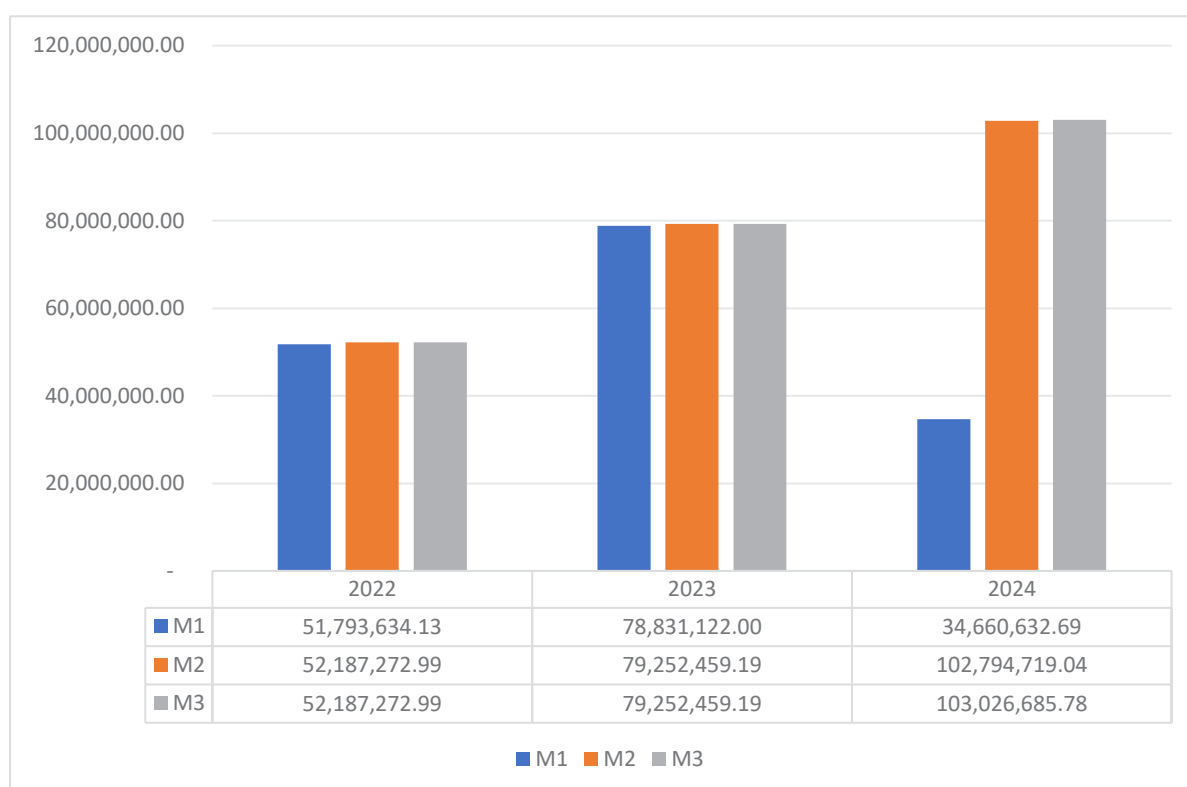




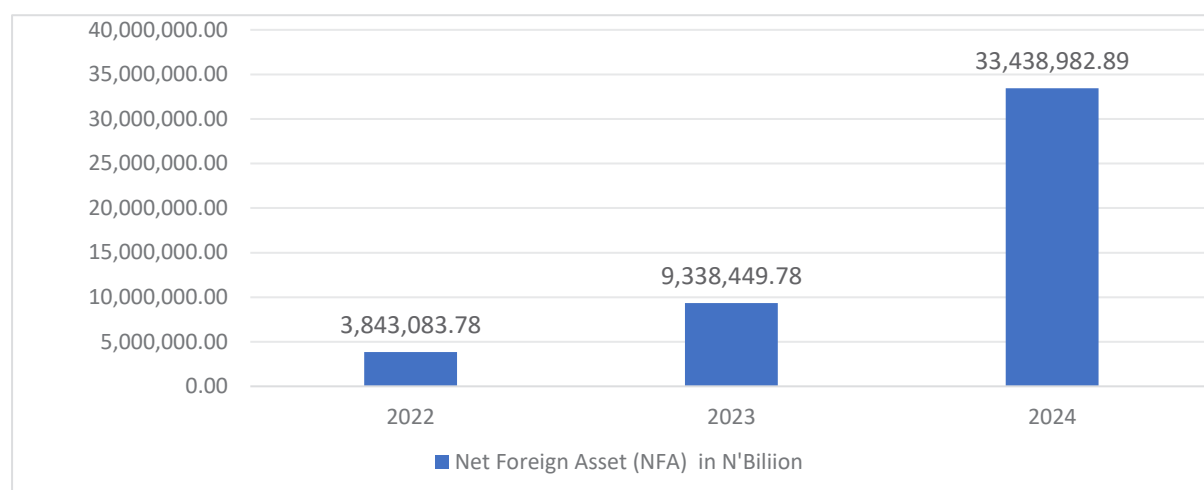
(US\$122.51 billion) in the corresponding period of 2023. The growth in M2 also exceeded the annual target of 15.6 percent.

The expansion in money supply during 2024 was driven largely by development on both the asset and liability sides of the banking system's balance sheet. drivers. On the assets side, net foreign assets (NFA) increased by 258.1 percent, reflecting stronger exchange inflows, particularly through increased foreign currency deposits held by Other Depository Corporations (ODCs). This was complemented by a 13.9 percent increase in net domestic assets (NDA) over the same period.

**Figure 10: Money Supply in Nigeria: 2022-2024**

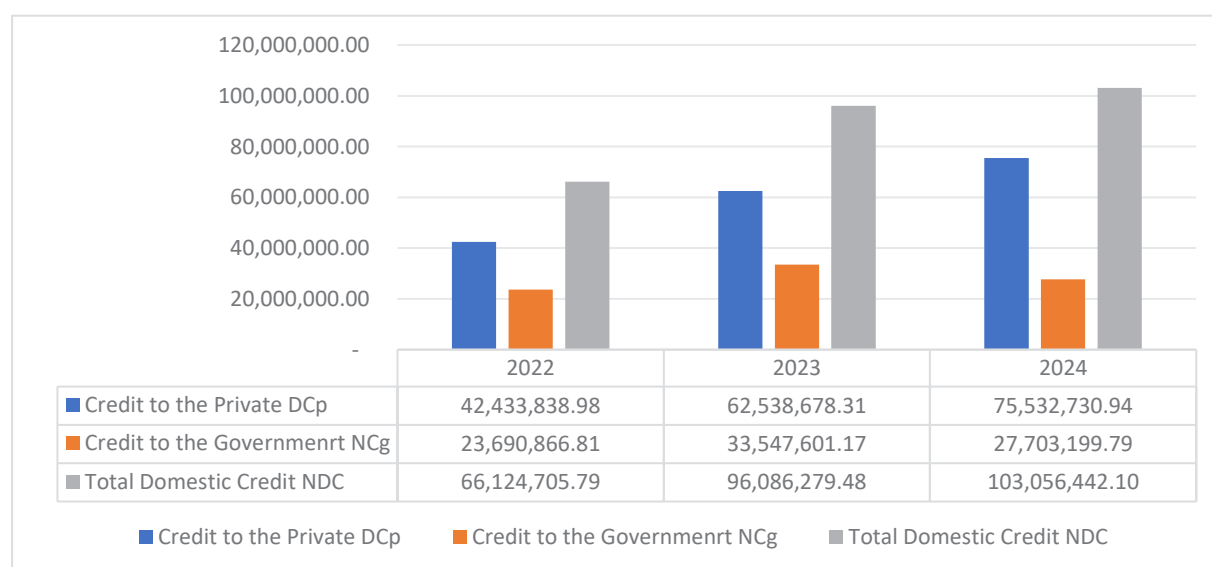


Source: Central Bank of Nigeria (2025)

**Figure 11: Net Foreign Assets of Nigeria: 2022-2024**

Source: Central Bank of Nigeria (2025)

Net Foreign Assets (NFA) increased to (N33.4 trillion (US\$22.57 billion) at end-December 2024, representing a growth of 258.1 percent compared with end-December 2023. This year-to-date growth exceeded the 2024 target of 49.0 percent. The sharp increase in NFA was attributable in part to stronger capital inflows arising from higher interest rates, as well as the exchange rate revaluation effect. Consequently, the Central Bank of Nigeria's (CBN) foreign asset holdings increased significantly during the review period.

**Figure 12: Credit to the Government and Credit to the Private Sector in Nigeria: 2022-2024**

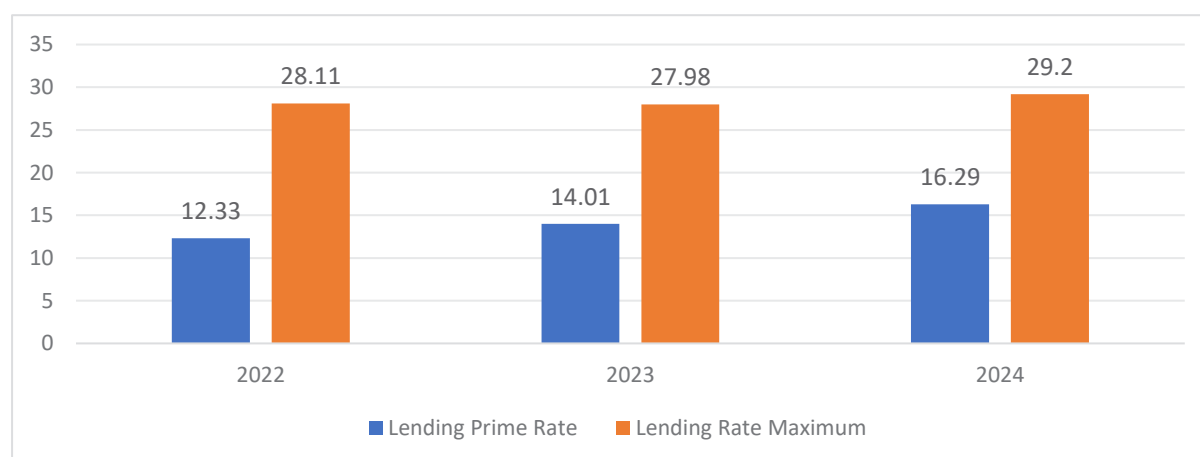
Source: The Central Bank of Nigeria (2025)



Net Credit to the Government (NCG) experienced a mixed trend during the review period. It declined to (N27.7 trillion (US\$18.72 billion) at end-December 2024, from (N33.6 trillion (US\$51.91 billion) in the corresponding period of 2023, representing a decline of 4.5 percent. The decline in NCG exceeded the 2024 target of 15.0 percent, reflecting improved fiscal financing conditions. This outturn was supported by the securitisation of Ways and Means Advances (WMAs) to the Federal Government.

Credit to the Private Sector (CPS) increased by 20.6 percent to (N75.5 trillion (US\$51.02) at end-December 2024, from (N62.5 trillion (US\$96.56 billion) in the corresponding period of 2023. The growth in CPS was marginally below the 2024 target of 22.7 percent. A major component of CPS is credit to the core private sector, which increased from (N41.4 trillion (US\$63.96 billion) at end-December 2023 to (N54.4 trillion (US\$36.76 billion) at end-December 2024, representing a growth of 31.4 percent. The expansion in credit to the private sector indicates increased access to financing for the real sector, which is expected to stimulate investment, support aggregate demand and promote growth.

**Figure 13: Interest Rates Development in Nigeria: 2022-2024**



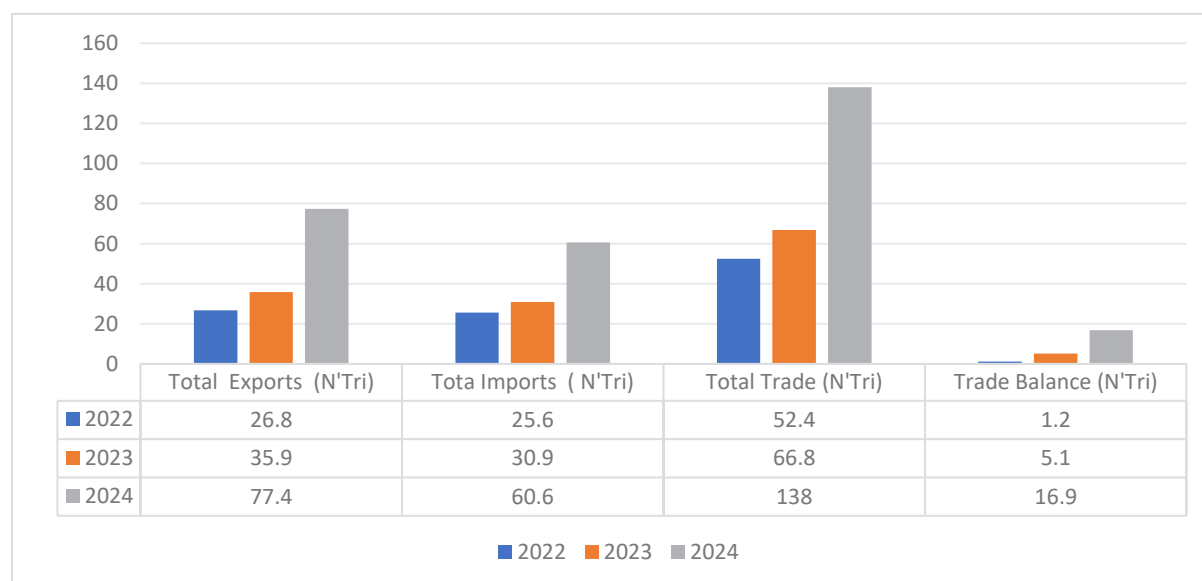
Source: The Central Bank of Nigeria, 2025

The average prime lending rate increased by 2.3 percentage points to 16.3 percent during January-December 2024, from 14.0 percent during January-December 2023. Similarly, the maximum lending rate increased by 1.2 percentage points to 29.2 percent during January-December 2024, from 28.0 percent during January-December 2023. Furthermore, the

average yields on 91-day, 182-day, and 364-day Treasury bills increased from 3.7 percent, 5.7 percent, and 10.0 percent, respectively, in January 2024 to 18.0 percent, 18.5 percent, and 22.9 percent, respectively, in December 2024. Similarly, the average savings deposit rate rose from 5.3 percent in January 2024 to 7.5 percent in December 2024.

## 2.5 External Sector

**Figure 14: External Trade of Nigeria (N' Trillion): 2022-2024**



Source: Central Bank of Nigeria (2025)

Nigeria's total foreign trade in 2024 reached ₦138.0 trillion (US\$93.26 billion), surpassing the ₦100 trillion mark for the first time. This represented an increase of (₦71.2 trillion (US\$48.12 billion), or 106.6 percent, from (₦66.8 trillion (US\$103.20 billion) recorded in 2023. It also reflected a continuation of the strong trade expansion observed in 2023, when total trade grew by 27.6 percent. The sustained growth in trade was supported by the continued recovery in global economic activity, including international trade and travel, as well as the impact of the Central Bank of Nigeria's (CBN) foreign exchange reforms. The overall expansion in trade was driven by strong growth in both exports and imports, with export growth outpacing import growth during the review period.

Exports increased to (₦77.4 trillion (US\$52.31 billion) in 2024, representing an increase of (₦41.5 trillion (US\$28.05 billion), or 115.3 percent, from (₦36.0 trillion (US\$55.62 billion) recorded in 2023. Imports also increased by (₦29.7 trillion (US\$20.07 billion), or 96.3

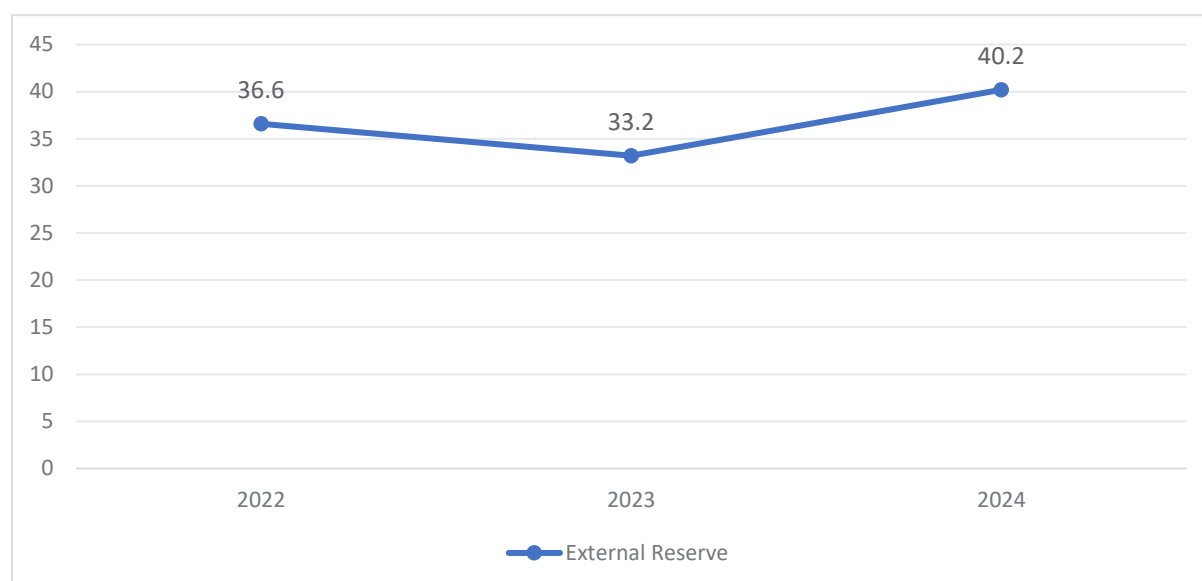


percent, to ₦60.6 trillion (US\$40.95 billion) in 2024, from ₦30.9 trillion (US\$47.74 billion) recorded in 2023.

Nigeria's trade balance therefore, remained in surplus for the third consecutive year, expanding significantly as export growth continued to outpace import growth. The trade balance was ₦16.85 trillion (US\$26.03 billion) indicating an increase of ₦11.75 trillion (US\$7.94 billion) or 230.547 percent, from ₦5.10 trillion (US\$7.88 billion) recorded in 2024. The improvement in the trade balance can be attributed to the current Administration's trade policies, particularly efforts to boost exports, including increased crude oil production during the review period.

Analysis of export components indicates that the Government's efforts to diversify Nigeria's export base yielded positive results, as non-crude oil and non-oil exports recorded stronger growth than crude oil exports during the review period. Consequently, the share of crude oil in Nigeria's total exports declined by 9.3 percentage points to 71.4 percent, from 80.6 percent in 2023.

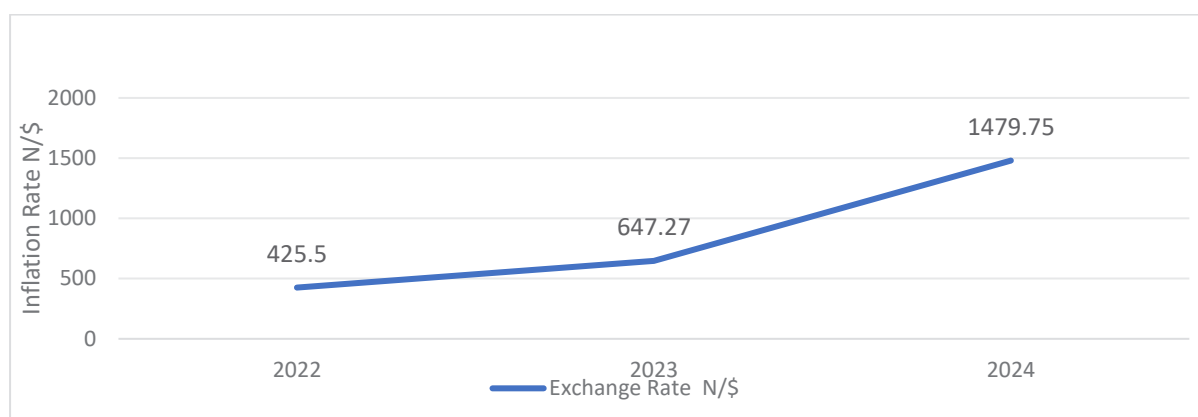
Non-crude oil exports increased by ₦15.2 trillion (US\$10.27 billion) or 218.3 percent to ₦22.2 trillion (US\$15 billion) in the review period, from ₦7.0 trillion (US\$10.81 billion) in 2023. Similarly, non-oil exports increased by ₦5.9 trillion (US\$3.99 billion) or 189.3 percent to ₦9.1 trillion (US\$6.15 billion) in 2024, from ₦3.1 trillion (US\$4.79 billion) in 2023. These developments were consistent with trends in both the global and domestic economies, including higher commodity prices and improved external demand. As a result, the contribution of non-oil exports to total exports increased by 3.0 percentage points to 11.7 percent during the review period. Crude oil exports also recorded strong growth, increasing by ₦26.3 trillion (US\$17.77 billion), or 90.6 percent, to ₦55.3 trillion (US\$37.37 billion) during the review period.

**Figure 15: External Reserves of Nigeria (USD' Billion): 2022-2024**

Source: Central Bank of Nigeria (2025)

Nigeria's external reserves stood at US\$40.2 billion as at December 31, 2024, up from US\$33.2 billion as at December 31, 2023, despite fluctuations during the year. As presented in Figure 15, the trend during the review period was characterised by short-term fluctuations but an overall upward trajectory. The increase in external reserves was attributable to stronger foreign exchange inflows from both the oil and non-oil sectors, including the services sector and increased diaspora remittances, supported by the sustained implementation of foreign exchange policy reforms by the Central Bank of Nigeria (CBN). These reforms included, among others, the consolidation of multiple foreign exchange windows into the Nigerian Foreign Exchange Market (NFEM), strengthened interbank market operations through designated market makers, and the discontinuation of approvals for requests to extend the repatriation period for export proceeds, which reinforced compliance with export proceeds repatriation requirements and supported the accumulation of external reserves.



**Figure 16: Trends in Exchange Rates in Nigeria**

Source: Central Bank of Nigeria (2025)

Nigeria operates a dual foreign exchange market, comprising the official and the parallel markets. Figure 16 shows that the depreciation of the naira was one of the most significant developments over the last 16 months in 2024. At the official window (the Nigerian Foreign Exchange Market (NFEM)), the average naira-to-US\$ exchange rate depreciated by 73.4 percent, falling from ₦645.19/US\$ to ₦1,478.97/US\$ between December 2023 and December 2024. Similarly, the average exchange rate in the Bureau de Change (BDC) segment depreciated from ₦1,203.42/US\$ to ₦1,660.15/US\$, representing a 37.9 percent depreciation.

The depreciation was largely attributable to the exchange rate unification policy announced in June 2023. The policy resulted in a depreciation of the naira as the official exchange rate gradually adjusted towards the parallel market rate, with the objective of eliminating rate distortions, reducing opportunities for arbitrage and round-tripping, and improving price discovery in the foreign exchange market. This sharp depreciation significantly increased the domestic cost of imported goods and services, thereby contributing to higher inflation and increasing the cost of doing business. Although the exchange rate unification policy resulted in a substantial initial depreciation of the naira, it has laid the foundation for a more transparent and market-driven foreign exchange system. Over the medium to long term, this improved transparency is expected to enhance market efficiency, improve investor confidence, and attract greater foreign capital inflows.

The performance of the external sector is expected to improve beyond 2023, supported by a favourable trade balance, increased domestic crude oil production, favourable international crude oil prices, and the expansion of domestic refining capacity, particularly through the Dangote refinery. Further improvements in global economic conditions and the continued moderation of inflationary pressures in advanced economies are also expected to support trade and investments and bolster external sector performance.

## 2.6 Social Sector

### 2.6.1 Poverty and Welfare

**Table 3: Poverty and inequality indicators in Nigeria: 2022-2024**

| Socio Economic Data        | 2022 | 2023 | 2024 |
|----------------------------|------|------|------|
| Poverty rates (Absolute) % | 40.5 | 40.3 | 39.8 |
| Dietary Diversity Score    | 5.2  | 5.3  | 5.7  |
| Gini Coefficient           | 0.3  | 0.3  | 0.3  |

Source: National Bureau of Statistics (2025)

Nigeria's poverty indicators show only marginal improvements between 2022 and 2024. The incidence of absolute poverty declined slightly from 40.5 percent in 2022 to 40.3 percent in 2023, and further to 39.8 percent in 2024. Although the decline was modest, it suggests gradual improvements in household welfare despite persistently high inflation and challenging macroeconomic conditions. Nevertheless, the continued prevalence of poverty reflects the limited capacity of households to absorb economic shocks, particularly those arising from rising food prices and energy costs.

Dietary diversity, however, followed an encouraging trend. The Dietary Diversity Score increased from 5.2 in 2022 to 5.7 in 2024, suggesting gradual improvements in access to a more diverse range of food groups. This development is important for improving nutrition outcomes, even as many households continue to face reduced purchasing power.

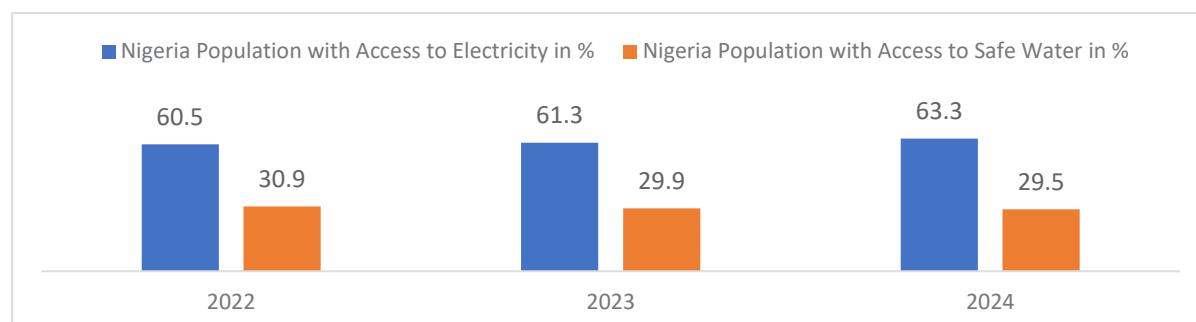




Income inequality also increased over the review period. Nigeria's Gini coefficient rose from 0.31 in 2022 to 0.34 in 2024, indicating a widening disparity in income distribution. This trend underscores the need for more inclusive and broad-based economic growth, alongside well-targeted social protection interventions to reduce inequality and strengthen household resilience.

### 2.6.2 Access to Basic Services

**Figure 17: Share of population with access to electricity and safe water in Nigeria**

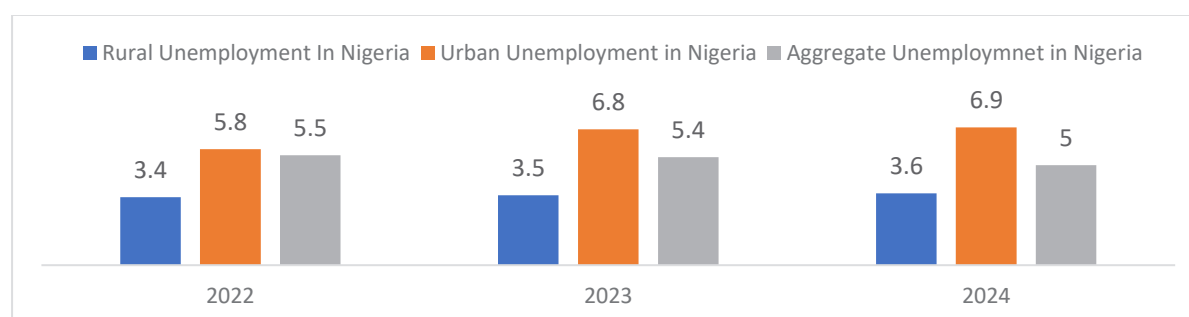


Source: National Bureau of Statistics (2025)

Access to electricity improved steadily, increasing from 60.5 percent in 2022 to 63.3 percent in 2024. Despite these gains, access to safe water declined slightly from 30.9 percent in 2022 to 29.5 percent in 2024, highlighting persistent gaps in water infrastructure and service delivery. The contrasting trends underscore the uneven progress in the provision of essential public services and the need for sustained investment in water infrastructure to improve access and service quality.

### 2.6.3 Labour Market Indicators

**Figure 18: The Unemployment rates in Nigeria**



Source: National Bureau of Statistics (2025)

Labour market conditions remained broadly stable, with a modest decline in the national unemployment rate based on the available dataset from the NBS. The national unemployment rate fell from 5.4 percent in 2023 to 5.0 percent in 2024. However, trends across location differed. Urban unemployment increased slightly from 6.8 percent in 2023 to 6.9 percent in 2024, while rural unemployment also edged up from 3.5 percent to 3.6 percent over the same period. These contrasting trends suggest that the overall decline in the national unemployment rate masked slight increases in both urban and rural unemployment, reflecting differences in labour market dynamics across locations.

## 2.6.4 Education and Human Development

**Table 4: Education and human development indicators in Nigeria: 2022-2024**

|                         | 2022 | 2023 | 2024 |
|-------------------------|------|------|------|
| Literacy rate           | 55.3 | 60.9 | 61.7 |
| Male literacy rate      | 63.3 | 65.8 | 66.1 |
| Female literacy rate    | 55.3 | 56.0 | 56.2 |
| Human development index | 0.5  | 0.5  | 0.6  |
| Life expectancy         | 56.2 | 56.6 | 61.7 |

Source: National Bureau of Statistics (2025)

Nigeria's literacy outcomes improved over the period under review. The national literacy rate rose from 60.9 percent in 2022 to 61.7 percent in 2024. Male literacy remained consistently higher, increasing from 65.8 percent to 66.1 percent, while female literacy also increased slightly from 56.0 percent to 56.2 percent. Despite the persistent gender gap, both male and female literacy rates improved, indicating gradual progress in educational attainment.



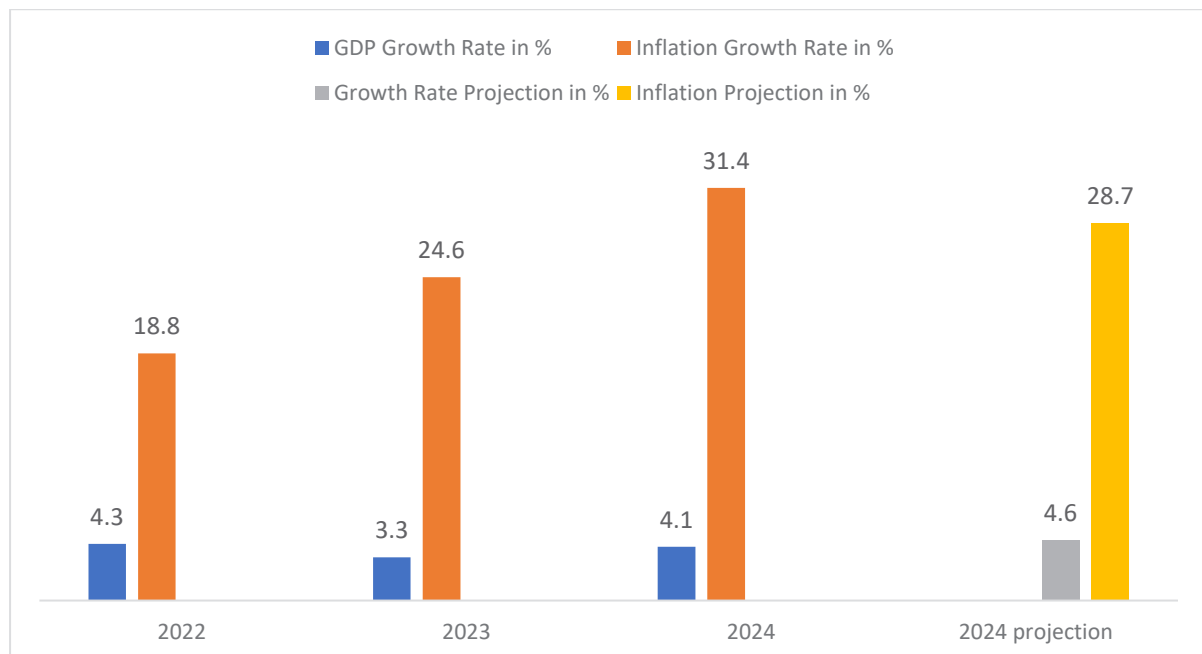
Human development indicators also recorded notable gains. Nigeria's Human Development Index (HDI) increased from 0.54 in 2023 to 0.64 in 2024, driven in part by rising life expectancy, which improved from 56.6 years in 2023 to 61.7 years in 2024. These improvements suggest that key dimensions of well-being, including health, education, and living standards, continued to strengthen gradually.

### 3.0 THE ANALYSIS OF POLICY DIMENSION AND MACROECONOMIC JUSTIFICATION OF THE DIVERGENCE AND CONVERGENCE OF 2024

This section undertakes a systematic assessment of the extent to which key macroeconomic variables in 2024 converged with, or diverged from, their projected targets. It evaluates observed outcomes against official projections and examines the underlying policy, structural, and external factors that explain these deviations. By distinguishing between variables that broadly aligned with policy assumptions and those that fell short, the analysis identifies the transmission channels through which fiscal and macroeconomic policies influenced economic performance during the year. The section further situates these outcomes within Nigeria's evolving policy environment, highlighting the role of reform sequencing, implementation capacity, and exogenous shocks in shaping patterns of convergence and divergence across macroeconomic indicators.

#### 3.1 The Real Sector

**Figure 19: Nigeria Real Sector Performance in Nigeria**

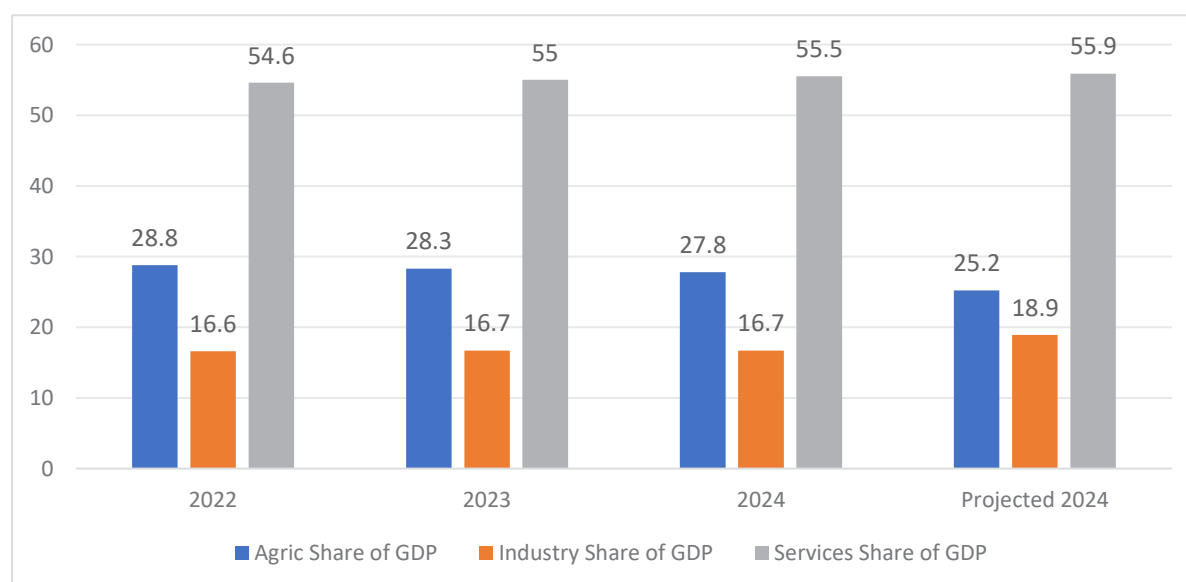


Source: National Bureau of Statistics (2025)



Despite macroeconomic challenges and insecurity, Nigeria's economy remained resilient. The economy's growth trajectory in 2024 continued to set the stage for renewed growth and development. However, real GDP grew at a slightly slower pace than projected in 2024. Compared with a projected growth rate of 4.6 percent, real GDP grew by 4.1 percent, largely owing to weaker-than-expected performance in the industrial sector. This lower growth rate reflected the impact of stronger-than-anticipated fiscal and monetary expansion, as both the fiscal deficit and money supply growth exceeded their projected levels by significant margins.

**Figure 20: Sectoral Contributions to Real GDP growth: 2022-2024**



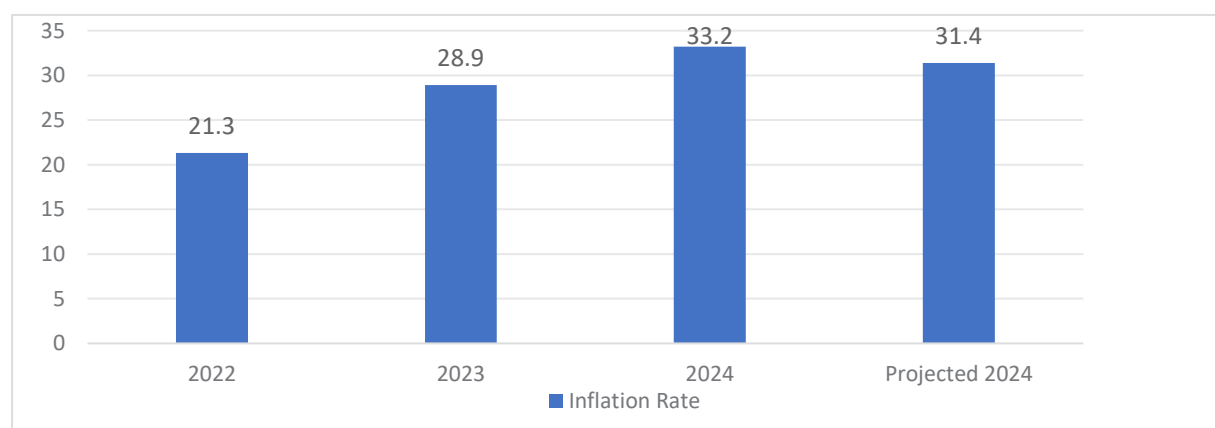
Source: National Bureau of Statistics (2025)

Economic activities in 2024 were dominated by the services sector, which contributed 55.5 percent of aggregate real GDP, compared with the projected share of 55.9 percent. The agricultural sector ranked second, contributing 27.8 percent of total real GDP, exceeding the projected share of 25.2 percent. The industrial sector, by contrast, recorded the smallest contribution, accounting for 16.7 percent of total real GDP, against a projected 18.9 percent, representing a shortfall of 2.2 percentage points. The lower-than-projected performance of the industrial and services sectors was largely attributable to high energy costs, which constrained economic activity. Conversely, the stronger

performance of the agricultural sector may be attributed to the government's reform initiatives in the sector.

### 3.2 Inflation

**Figure 21: Inflation Rate in Nigeria**



Source: National Bureau of Statistics (2025)

Headline inflation exceeded earlier projections for 2024. The initial projection of 31.4 percent reflected the expected continued effects of heightened insecurity, foreign exchange instability, and the withdrawal of the PMS subsidy. By the end of 2024, headline inflation had risen to 34.9 percent, reflecting the sustained impact of these shocks on the economy. Despite a series of monetary policy interventions introduced by the CBN to rein in inflationary pressures, inflation remained elevated, exceeding the projected level in 2024. Persistent insecurity in key food-producing regions, rising transportation costs linked to higher energy prices following subsidy removal, the influence of intermediaries within food supply chains, and longstanding infrastructural constraints continued to exert upward pressure on prices. These structural challenges underscore the need for sustained and coordinated policy actions to achieve durable price stability.



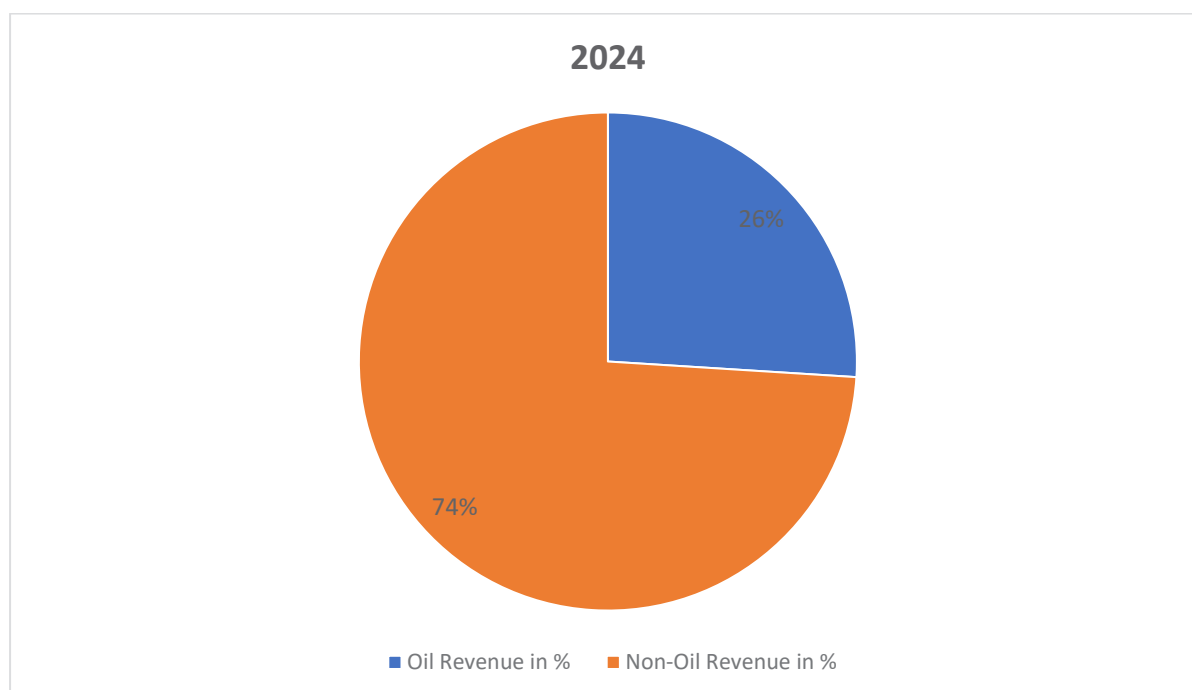
### 3.3 Fiscal Sector Development

**Table 5: Nigeria Federal Government Total Revenue and Expenditure Performance of 2024**

| Fiscal Performance in N' Trillion               |                |                   |                              |                |                   |
|-------------------------------------------------|----------------|-------------------|------------------------------|----------------|-------------------|
| ITEMS                                           | 2024<br>Actual | 2024<br>Projected | ITEMS                        | 2024<br>Actual | 2024<br>Projected |
| <b>Gross Federal Govt<br/>collected Revenue</b> | 26.4           | 25.1              | <b>Total<br/>Expenditure</b> | 24.7           | 35.1              |
| <b>Oil Receipts</b>                             | 6.5            | 8.2               | <b>Debt Service</b>          | 11.5           | 8.1               |
| <b>Non-oil Receipts</b>                         | 19.9           | 17.7              | <b>Fiscal Deficit</b>        | 16.51          | 9.2               |

Source: Central Bank of Nigeria (2025)

The fiscal performance of the Nigerian economy in 2024 reflected continued resilience, despite persistent domestic challenges and an evolving global economic environment. Improved revenue outcomes were supported by enhanced tax collection efficiency and exchange rate depreciation associated with foreign exchange reforms. Total Federal Government of Nigeria (FGN) revenue stood at N26,390.27billion (US\$17.83 billion) in 2024, compared with the projected N25,084.07 billion (US\$16.95 billion). This indicates that actual revenue exceeded the projected level. Total FGN expenditure followed a similar trajectory. Actual expenditure amounted to N30,712.42 billion (US\$20.76 billion), compared with the projected N35,055.54 billion (US\$23.69 billion). While this represents lower-than-projected spending, it also underscores the constrained fiscal space during the review period.

**Figure 22: Actual Federation Oil and Non- Oil Receipts for 2024**

Source: Office of the Accountant General of the Federation (2025)

The price of crude oil at the international market weakened during the period as the recovery in the global economy slows. Provisional data from the Nigerian National Petroleum Corporation (NNPC) revealed that the average oil production increased to 1.49 mb/day as against 1.43 mb/day recorded in 2023.

However, federally collected revenue under-performed relative to projections for 2024. Oil revenue was considerably below target at N6, 468.40billion (US\$4.37 billion), compared with the projected N8,176.28 billion (US\$5.53 billion), reflecting continued challenges in crude oil production and export performance. Non-oil revenue also fell short of expectations, with N17,700.33 billion (US\$11.96 billion) realized against a projected N19,921.75 billion (US\$13.46 billion). The combined shortfall reflects both the severe under performance of the oil sector and missed targets in the non-oil sector.

Nigeria's debt profile continues to demand close attention. The total public debt rose to 39.4 percent of GDP, although below the Federal Government's 40.0 percent ceiling and well under the 55 percent benchmark recommended by the World Bank and IMF. Domestic debt accounts for 20.8 percent, while external debt constitutes 18.6 percent of GDP. By

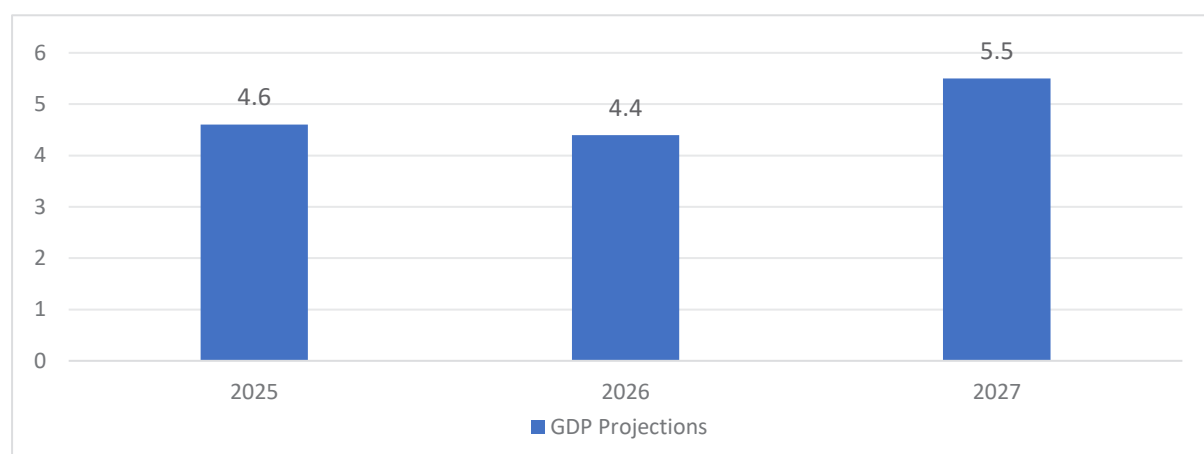




the last quarter of 2024, total public debt stood at N144.7 trillion (US\$97.79 billion), comprising N74.4 trillion (US\$50.28 billion) in domestic debt and N70.3 trillion (US\$47.51 billion) in external liabilities. Debt service obligations also continued to exert pressure on fiscal sustainability. A total of N11.5 trillion (US\$7.77 billion) was spent on debt servicing in 2024, considerably higher than the projected N8.1 trillion (US\$5.47 billion), due largely to additional borrowing for critical projects.

## 4. MACROECONOMIC PERFORMANCE AND OUTLOOK OF 2025 TO 2027 (A FOCUS ON KEY SOCIOECONOMIC DEVELOPMENT DRIVERS)

**Figure 23: Nigeria GDP Growth Rate Projections: 2025-2027**



Source: National Bureau of Statistics (NBS) and National Development Plan (2025)

The Nigerian economy is projected to grow by 4.6 percent in 2025, up from the projected growth rates of 2.7 percent in 2023 and 3.8 percent in 2024. The projected GDP growth rate for the upcoming fiscal year is based on expected global economic conditions and the current administration's overall development policy agenda. Nominal GDP is projected to increase from N293.7 trillion (US\$198.48 billion) in 2024 to N352.4 trillion (US\$232.43 billion) in 2025. However, in dollar terms, the size of the economy is projected to decline significantly, from US\$348.4 billion in 2023 to US\$218.3 billion in 2024, reflecting the effects of exchange rate depreciation despite growth in nominal output measured in naira.

The economy is expected to strengthen further in 2026 and 2027, subject to sustained reform implementation and favourable global conditions. This outlook reflects expectations of improved macroeconomic stability, a gradual moderation in inflationary pressures, and stronger performance in the non-oil and services sectors, supported by ongoing structural reforms. These medium-term growth projections are underpinned by assumptions of a recovery in private investment, improved efficiency of public capital spending, and enhanced revenue mobilisation to support infrastructure development. However, these projections remain sensitive to policy implementation capacity, security challenges, and external shocks.

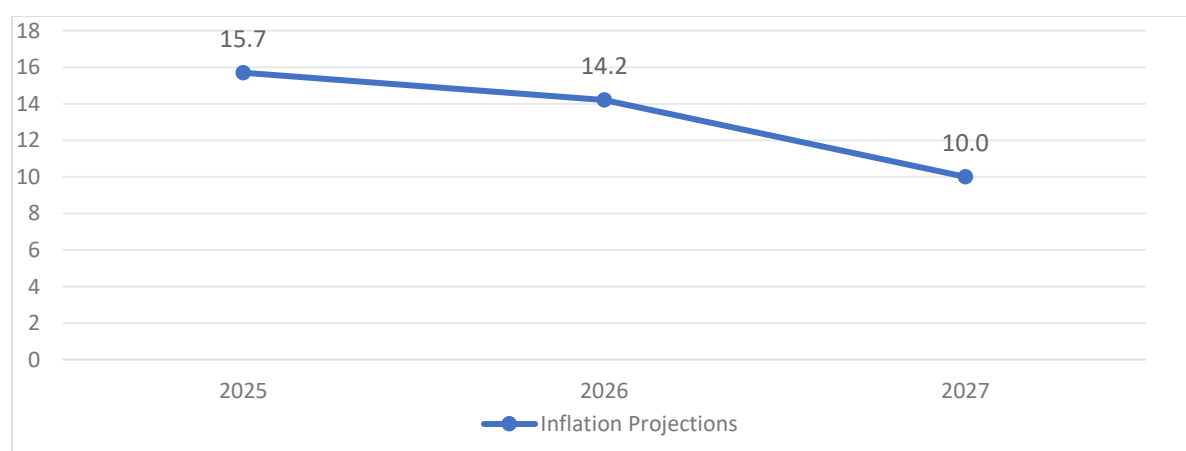


The projected economic growth rate under the 2025-2027 Medium-Term Expenditure Framework (MTEF) indicates a gradual expansion of economic activity over the next three years. Real GDP is projected to grow by 4.6 percent in 2025, ease slightly to 4.4 percent in 2026, and accelerate to 5.5 percent in 2027. The principal drivers of growth are expected to include increased investment in infrastructure, agriculture, and social services. Although the economy remains largely consumption-driven, growth over the medium term is expected to be supported by increased domestic oil refining capacity, expansion in telecommunications, higher agricultural output, and employment growth, with the non-oil sector accounting for the largest share of projected output growth. Targeted investments under the Renewed Hope Infrastructure Development Fund are also expected to provide additional support for economic expansion.

Nominal consumption is projected to increase to N206.83 trillion (US\$147.74 billion) in 2025 and N233.31 trillion (US\$166.65 billion) and N263.95 trillion (US\$188.54 billion) in 2026 and 2027, respectively, driven by expected wage increases following the implementation of the new national minimum wage and continued cash transfers to households. These developments are also expected to influence inflation dynamics. Although headline inflation is projected to decline to 15.8 percent in 2025, it is expected to remain in the lower double-digit range throughout the medium term.

#### 4.1 Inflation

**Figure 24: Inflation Rate Projections: 2025-2027**



Source: Medium Term Expenditure Framework (2025)

The inflation rate is projected to decline from an average of 31.0 percent in 2024 to 15.9 percent in 2025. As of June 2024, headline inflation stood at 34.2 percent, while the average inflation rate for the period from January to June was 32.8 percent. The projected inflation rate has been incorporated into the estimates of nominal GDP and budget expenditures for 2025.

A further decline in inflation is expected in 2026 and 2027, reflecting the lagged effects of tight monetary policy on aggregate demand, lower fiscal deficit financing, and the anticipated easing of supply-side constraints. Accordingly, the medium-term outlook points to continued improvements in key macroeconomic indicators, suggesting a gradual strengthening of the Nigerian economy. While the oil price benchmark is projected to moderate over the period, the exchange rate is expected to average ₦1,400/US\$1 over the medium term.

## 4.2 Exchange Rate

The exchange rate plays a critical role in shaping Nigeria's macroeconomic projections, with significant implications for oil revenues, non-oil foreign trade, and foreign currency expenditures. In addition, it influences foreign currency-denominated obligations, including foreign missions, immigration attaché, defence missions, and counterpart funding. The Central Bank of Nigeria (CBN) projects that the naira will stabilise at ₦1,400 per US\$ over the medium term, based on the expected rebound of economic activity. While this projection appears attainable, its realisation will require critical policy and operational adjustments to improve the performance of the oil sector.

## 4.3 Oil Revenue Assumptions

### 4.3.1 Crude Oil Price Benchmark

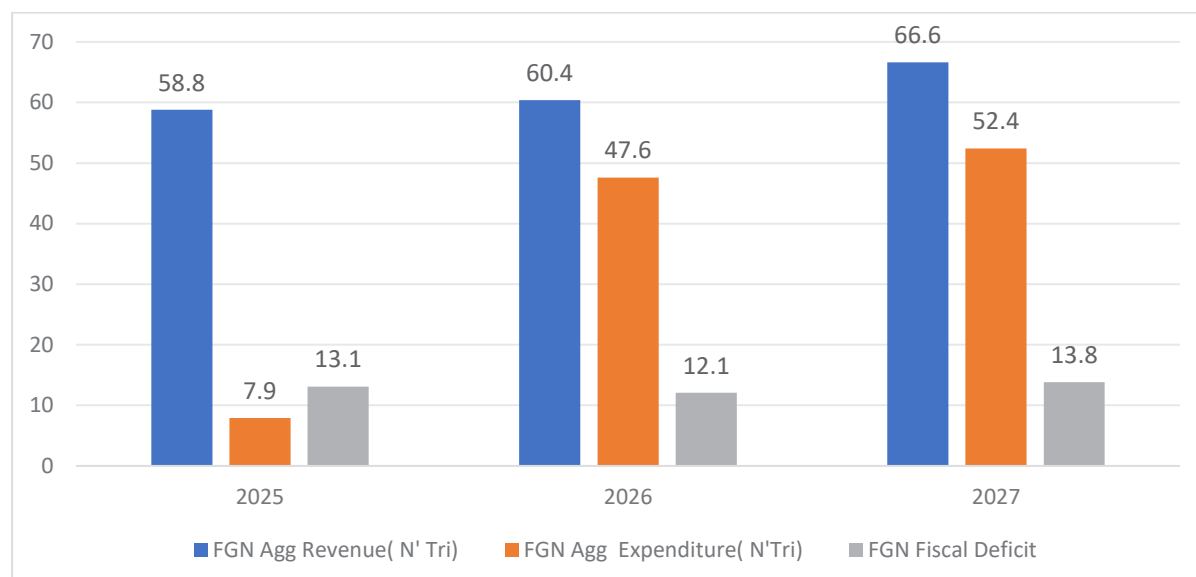
Assumptions regarding the prices of key commodities, including crude oil, natural gas, minerals, and agricultural products, have important implications for export revenues. In consultation with relevant stakeholders, a benchmark crude oil price of US\$75 per barrel has been proposed for 2025. This represents a decline of approximately 3.8 percent from the 2024 benchmark of US\$78 per barrel.



### 4.3.2 Crude Oil Production Volume

The importance of crude oil and gas production to the Nigerian economy has declined considerably in recent years. The sector's contribution to real GDP increased only marginally from 3.3 percent in 2023 to 3.4 percent in 2024. Crude oil production rose from 1.28 million barrels per day (mbpd) in 2022 to 1.50 mbpd in 2024, according to data from the Nigerian Upstream Regulatory Commission (NUPRC). However, output remained below the budget benchmark of 1.78 mbpd, reflecting persistent challenges in achieving full production capacity.

**Figure 25: Nigeria FGN Revenue & Expenditure Projections in N' Trillion: 2025-2027**



Source: National Bureau of Statistics & National Development Plan (2025)

The assumptions underlying the non-oil revenue forecasts for the 2025-2027 period are outlined below. Given the relatively low contribution of crude oil revenues, the Government intends to implement a range of reform measures to broaden the revenue base, modernise and further improve tax administration, and enhance non-oil revenue mobilisation. The medium-term non-oil revenue forecasts are based on the effective implementation of these reform measures, which are expected to strengthen the contribution of non-oil revenue sources to financing the FGN budget.

**Table 6: Key Parameters and other Macroeconomic Projections in Nigeria**

| Description                 | 2024<br>Budget | 2025      | 2026      | 2027      |
|-----------------------------|----------------|-----------|-----------|-----------|
| Oil Price Benchmark         | 77.9           | 75.0      | 76.0      | 75.3      |
| Oil Production (mbpd)       | 1.8            | 2.1       | 2.1       | 2.4       |
| Exchange Rate               | 800.00         | 1,400     | 1,400     | 1,400     |
| Inflation (%)               | 21.4           | 15.8      | 14.2      | 10.1      |
| Non-Oil GDP (N' bn)         | 223,989.2      | 301,225.1 | 356,743.3 | 409,255.4 |
| Oil GDP (N' bn)             | 12,316.0       | 36,783.7  | 40,744.5  | 48,667.5  |
| Nominal GDP (N' bn)         | 236,305.2      | 338,038.8 | 397,487.9 | 457,923.0 |
| GDP Growth Rate (%)         | 3.8            | 4.6       | 4.4       | 5.5       |
| Nominal Consumption (N' bn) | 163,277.8      | 206,826.6 | 233,311.7 | 263,946.2 |

Source: Ministry of Budget and Economic Planning & National Bureau of Statistics (2025)



## 5.0 RISKS TO ECONOMIC PROSPECTS

The feasibility of Nigeria's medium-term macroeconomic projections is subject to significant risks arising from both domestic and external factors. Domestically, persistent inflationary pressures, elevated public debt, and challenges in the oil sector, including production inefficiencies and oil theft, continue to constrain revenue generation. The country's heavy reliance on oil exports leaves it vulnerable to fluctuations in global oil prices, while efforts to diversify the economy have not yet produced the desired outcomes. In addition, structural challenges, including inadequate infrastructure, the large informal sector, and persistent insecurity across parts of the country, continue to undermine economic stability. Fiscal space also remains constrained by the rising cost of debt servicing, which crowds out critical investments in infrastructure, healthcare, and education. Furthermore, while the ongoing subsidy reforms are necessary to improve fiscal sustainability, they may generate short-term socioeconomic pressures, particularly for vulnerable populations. On the external front, Nigeria faces risks associated with a stronger U.S. dollar, which could lead to exchange rate volatility and increased pressure on foreign exchange reserves. Against this backdrop, Nigeria's medium-term fiscal framework will need to remain sufficiently flexible to address both short-term macroeconomic pressures and long-term structural challenges, thereby safeguarding fiscal sustainability and promoting inclusive growth.

Over the medium term, emerging geopolitical tensions are also expected to influence the global economic landscape, with potential implications for economic stability, international trade, and investment flows. As these developments evolve, they are likely to have both direct and indirect effects on fiscal policy, global financial markets, and investor confidence. Accordingly, governments, businesses, and financial markets will need to remain vigilant and adaptable in responding to these evolving dynamics.

### 5.1 U.S.-China Strategic Rivalry

Over the medium term, emerging geopolitical tensions are also expected to influence the global economic landscape, with potential implications for economic stability, international trade, and investment flows. As these developments evolve, they are likely

to have both direct and indirect effects on fiscal policy, global financial markets, and investor confidence. Accordingly, governments, businesses, and financial markets will need to remain vigilant and adaptable in responding to these evolving dynamics.

## 5.2 Russia-West Relations

The protracted conflict between Russia and Ukraine remains a critical geopolitical flashpoint. The continued imposition of sanctions on Russia by Western countries, coupled with Russia's countermeasures, is expected to further strain global energy markets, particularly in Europe. The conflict also has broader geopolitical implications for security alliances, energy prices, and global food supply chains. Any escalation or potential spill over into other regions could further destabilise global markets and pose significant risks to the global economic recovery.

## 5.3 Instability in the Middle East

The Middle East remains a volatile region, with several flashpoints that could exacerbate geopolitical tensions. Ongoing conflicts in Syria and Yemen, together with tensions between Iran and Western powers, particularly over nuclear negotiations, continue to pose significant risks to regional and global stability. In addition, the strategic rivalry between Saudi Arabia and Iran continues to shape the region's geopolitical landscape. Any major conflict could disrupt global oil supplies, resulting in energy price shocks with widespread economic repercussions. Maintaining stability in the Middle East remains critical, given the region's strategic importance to global energy markets.

## 5.4 Africa's Political Stability and Conflict Zones

Across Africa, political instability, insurgencies, and cross-border conflicts continue to pose significant risks, particularly in the Sahel, the Horn of Africa, and parts of Central and West Africa. Key areas of concern include the rise of violent extremism, governance challenges, and electoral disputes, all of which have the potential to destabilise fragile states and hinder economic progress. The growing involvement of external powers in Africa, particularly in relation to natural resources and strategic partnerships, further adds to the complexity of the continent's geopolitical landscape.





## 5.5 International Oil Market Developments

International oil prices have historically been characterised by significant volatility, driven by both external and domestic factors. Key drivers of these price movements include geopolitical tensions, production decisions by OPEC+, supply chain disruptions, and changes in global economic conditions. Average crude oil prices are forecast at US\$78.15 per barrel in 2025, US\$76.17 per barrel in 2026, and US\$75.33 per barrel in 2027. These projections are based on historical price trends, forecasts from selected international institutions, prevailing market fundamentals, the pace of global economic recovery, government policy expectations, and market sentiment. Overall, oil prices are expected to remain broadly stable in 2025 before moderating gradually over the medium term. Although downside risks remain, current forecasts suggest that prices are likely to remain above the conservative benchmark adopted in the medium-term fiscal framework.

## 5.6 Oil Demand & Supply Risks

The international oil market is expected to navigate a complex landscape shaped by geopolitical developments, energy transition policies, and the supply management strategies of OPEC and OPEC+. Ongoing efforts to balance supply with recovering global demand will remain central to stabilising oil prices. OPEC+ is expected to continue using strategic production adjustments to address market imbalances and support price stability while responding to external pressures to increase output and moderate global energy costs. Although the global transition to renewable energy may moderate long-term demand growth, emerging markets and developing economies are expected to remain the primary drivers of oil consumption. Against this backdrop, the Federal Government of Nigeria (FGN) assumes an average Brent crude oil price range of US\$75 – US\$90 per barrel over the medium term, reflecting expectations of continued OPEC+ interventions to maintain market stability.

## 5.7 Exchange Rate Risks

The ability of the Central Bank of Nigeria (CBN) to maintain adequate foreign exchange reserves remains critical to stabilising the naira. Any depletion of reserves resulting from

external debt servicing, import financing, or capital flight could increase exchange rate risks. Accordingly, policies aimed at attracting foreign investments and boost non-oil exports should remain policy priorities over the medium term in shoring up forex reserves.

Over the medium term, exchange rate risk will remain a critical factor influencing economic stability and fiscal policy. Monitoring and managing this risk remain important for the Central Bank of Nigeria (CBN) to promote economic stability and attract investment. Implementing policies that support diversification, boost export competitiveness, attract foreign investment, and ensure prudent monetary management can help mitigate exchange rate risks and enhance Nigeria's resilience to external shocks.

Furthermore, recent exchange rate reforms, including the unification of multiple exchange rate windows, have contributed to an improvement in the country's external reserve position. For an economy such as Nigeria, which remains heavily dependent on oil exports and has substantial foreign exchange requirements, effective management of exchange rate volatility is essential for containing inflation, maintaining external stability, and fostering investor confidence.



## 6.0 RISKS TO THE FEDERAL GOVERNMENT OF NIGERIA'S REVENUE OUTLOOK

The medium-term revenue outlook for the Federal Government of Nigeria (FGN) is subject to several risks that could impact fiscal sustainability. Key concerns include volatility in global oil prices, which exposes government revenues to significant fluctuations, and the persistent challenges associated with broadening the revenue base. While oil revenues remain a critical source of government income, potential disruptions to production or adverse price movements could result in substantial revenue shortfalls. In addition, the non-oil revenue base continues to face structural constraints, including limited tax compliance, a narrow tax base, and inefficiencies in revenue administration. External risks, including a potential global economic downturn or shifts in international trade dynamics, could further constrain revenue performance, placing pressure on government expenditure programs.

To mitigate these risks, the FGN has embarked on strategic reforms aimed at strengthening revenue resilience and enhancing fiscal stability. The implementation of the Petroleum Industry Act (PIA) is expected to optimize oil sector revenues by creating a more favourable investment environment and strengthening regulatory oversight. Concurrently, ongoing efforts to enhance non-oil revenue, including broadening the tax base through the proposed tax reform bills, digitalising tax administration, and strengthening tax compliance and enforcement, are expected to play a critical role in increasing domestic revenue mobilisation. Structural reforms aimed at diversifying the economy, particularly through increased investment in agriculture, mining, security and manufacturing, are also expected to reduce dependence on oil revenue. At the same time, continued efforts to rationalise public expenditure will help contain fiscal risks and improve the efficiency of public spending. Collectively, these measures are expected to strengthen revenue mobilisation, improve fiscal resilience, and support sustainable public finance management over the medium term.

## 6.1 Sensitivity of Budget aggregates to macroeconomic conditions

Over the medium term (2025-2027), Nigeria's budget aggregates will remain highly sensitive to key macroeconomic variables. Fluctuations in global crude oil prices pose a critical risk, given the economy's continued reliance on oil revenues; a sustained decline in oil prices could exacerbate revenue shortfalls and widens fiscal deficits. Exchange rate stability will also remain a key determinant of fiscal performance, as depreciation of the naira could increase debt servicing costs and the cost of imports, thereby placing additional pressure on the budget. Persistent inflationary pressures could further increase the cost of government programmes while eroding the real value of revenues, thereby weakening overall fiscal performance.

Debt servicing costs and economic growth will also significantly influence budgetary outcomes. Rising public debt levels leave fiscal sustainability increasingly vulnerable to changes in domestic and global interest rates, which could further constrain expenditure on capital projects. Similarly, economic growth assumptions will shape revenue projections, with slower-than-expected growth likely to result in revenue underperformance. To mitigate these risks, the Government will prioritise economic diversification, strengthen non-oil revenue mobilisation, and implement policies aimed at enhancing resilience to external shocks throughout the medium term.

## 6.2 Balance of Payments Outlook

The external sector is expected to remain under pressure due to growing domestic absorption. The current account is expected to remain in deficit, averaging 4.8 percent of GDP in the medium term. The prolonged conflict between Russia and Ukraine, together with regional insecurity and geopolitical tensions, including uncertainties within the ECOWAS Member States and the activities of Boko-Haram, are expected to exert additional pressure on the balance of payments and the foreign exchange market. Growth in remittance inflows and oil export receipts is also expected to remain modest, limiting the scope for improvements in the external position.



### 6.3 The 3 Key risk factors

**A) USAID aid cuts:** The United States, through United States Agency for International Development (USAID), is a major bilateral donor to Nigeria. In FY2023/2024 (October 2023–September 2024), USAID support to Nigeria amounted to approximately US\$150 million, financing programmes in health, economic growth, governance, agriculture, and education. These interventions were implemented in partnership with both government institutions and non-governmental organisations. USAID has played an important role in supporting malaria and HIV/AIDS prevention programmes, water, sanitation and hygiene (WASH) initiatives, emergency health responses, nutrition, basic education, and institutional strengthening for civil society and human rights organisations. The recent suspension of a significant proportion of U.S. foreign assistance has disrupted many of these programmes. In the humanitarian sector, funding reductions have also affected logistics and emergency operations, limiting access to vulnerable populations in conflict-affected areas. These disruptions are expected to have significant consequences for the millions of Nigerians requiring humanitarian assistance, particularly for those living in areas controlled by Boko Haram.

Concerns have also emerged regarding the effectiveness, transparency, and traceability of some donor-funded projects. Although Nigeria reportedly received US\$1 billion in 2023 and US\$780 million in 2024 under USAID-supported activities, particularly for school construction, WASH interventions, and health, questions have been raised about the visibility and sustainability of some completed projects. Ongoing reviews and investigations are expected to provide greater clarity regarding the utilisation of these resources and their development outcomes.

At the macroeconomic level, the suspension of USAID funding is unlikely to generate significant macroeconomic instability, as official development assistance accounts for only a small share of Nigeria's GDP. In 2024, USAID assistance represented only 0.21 percent of Nigeria's GDP, one of the lowest ratios among major African recipients. Nevertheless, the 2025 suspension of most U.S. foreign assistance prompted the Federal

Government to allocate US\$200 million (approximately ₦300 billion) in the 2025 Budget to address financing gaps in the health sector.

The implications of the USAID funding suspension are therefore expected to be more pronounced at the microeconomic and community levels. Programmes supporting maternal and child health, malaria prevention, HIV/AIDS treatment, agriculture, education, and governance are likely to contract, with the greatest impact expected in underserved communities, particularly in northern Nigeria where donor-supported interventions have historically complemented public service delivery.

While the Government's efforts to mitigate these effects through increased domestic budgetary allocations are encouraging, the episode underscores the importance of strengthening domestic resource mobilisation, reducing dependence on external development assistance, and improving transparency and accountability in the utilisation of development finance.

**B) U.S. tariff hikes:** The recent changes in United States tariff policy have altered Nigeria's trading environment. Nigerian exports that previously entered the U.S. market duty-free under the African Growth and Opportunity Act (AGOA) and other preferential trade arrangements are now subject to a 10 percent tariff, which was subsequently increased to 15 percent in August 2025. This development has important implications for Nigeria's export competitiveness, particularly for non-oil and value-added exports.

In 2024, bilateral trade between Nigeria and the United States expanded, with the United States importing US\$5.7 billion worth of goods from Nigeria and exporting US\$4.3 billion to Nigeria. Nigeria's principal exports to the United States include crude oil, fertilizers, cocoa and cocoa preparations, and cashew nuts, while U.S. exports to Nigeria consist largely of industrial supplies, chemicals, plastics, and agricultural commodities such as wheat and corn. The broader trade relationship remains significant, with total goods and services reaching approximately US\$13 billion in 2024. However, the United States recorded a US\$221 million trade surplus with Nigeria in 2024, reversing the US\$1.64 billion trade deficit recorded in 2023.



The tariff increases are expected to place downward pressure on Nigeria's export earnings by raising the cost of accessing the US market and reducing the competitiveness of Nigerian exports, particularly manufactured and other value-added products. Over time, this could weaken efforts to promote industrialisation and export diversification beyond the oil sector. Consequently, Nigeria is increasingly exploring alternative export markets, including China, India, and the United Arab Emirates, while accelerating efforts to broaden its export base and reduce dependence on a single export destination.

In 2024, Nigeria's exports to the U.S. amounted to US\$3.8 billion, representing 7.3 percent of total exports (US\$52.436 billion). This proportion declined further during the first half of 2025, signalling the early effects of the revised tariff regime and underscoring the need for sustained policy measures to strengthen Nigeria's external trade position and diversify export markets.

**C) Withdrawal of Alliance of Sahel States (AES) from ECOWAS:** The formal withdrawal of the Alliance of Sahel States (Burkina Faso, Mali, and Niger) from ECOWAS on 29 January 2025 has important economic, political, and security implications for Nigeria and the wider West African region. Nigeria maintains substantial trade linkages with the Sahel, particularly in agricultural products, livestock, manufactured goods, and petroleum products. Niger is Nigeria's principal trading partner within the Sahel, importing significant volumes of staple foodstuffs and other essential commodities that contribute to its food security. At the same time, Niger serves as an important transit corridor for goods re-exported into Nigeria, including second-hand vehicles, textiles, and electronics that are otherwise subject to high tariffs or import restrictions.

These trade relations, traditionally supported by ECOWAS protocols and increasingly influenced by the African Continental Free Trade Area (AfCFTA), already face longstanding structural constraints. These include non-tariff barriers, inadequate transport and logistics infrastructure, and policy uncertainty, all of which have been compounded by the political instability associated with military-led transitions in parts of the Sahel. Such conditions disrupt cross-border trade, and encourage economic nationalism, and constrain efforts to deepen regional markets and accelerate industrial development. The

implications for food security are particularly important, as cross-border trade in grains, livestock, and other agricultural commodities from Nigeria plays an important role in stabilising supply in landlocked Sahelian countries facing persistent production deficits. Regional integration initiatives, including the Hand-in-Hand Initiative and other ECOWAS-supported programmes, continue to promote market connectivity, investment in agricultural value chains, and stronger economic cooperation among member states.

The withdrawal of AES countries introduces a new layer of complexity to regional economic relations. It has the potential to weaken established trade networks, increase transaction costs, and slow progress towards deeper regional integration in West Africa. Nevertheless, continued growth in intra-African trade, including expanding trade within ECOWAS, demonstrates that there remains considerable potential for stronger regional economic cooperation, provided that sustained political dialogue, institutional collaboration, and coordinated policy reforms are maintained.

#### 6.4 The Gravity Model Results of the 3 Risk Factors

**Table 7: Comparative Summary of Scenario Results**

| Scenario | Shock/Policy                 | ECOWAS Trade ( $\Delta\%$ ) | Nigeria's intra-ECOWAS Trade ( $\Delta\%$ ) | Main Effect              | Policy Implication                                                                                     |
|----------|------------------------------|-----------------------------|---------------------------------------------|--------------------------|--------------------------------------------------------------------------------------------------------|
| 0        | Baseline (Status quo)        | –                           | –                                           | Normal trade equilibrium | –                                                                                                      |
| 1        | 15 percent World Tariff Rise | –20                         | –20                                         | Trade contraction        | Diversify export markets and deepen regional integration to cushion global protectionist shocks        |
| 2        | USAID Withdrawal             | –34                         | –45                                         | Severe trade decline     | Reduce aid dependency by strengthening domestic revenue mobilization and regional financing mechanisms |





|   |                                                     |       |      |                                                                             |                                                                                                                                           |
|---|-----------------------------------------------------|-------|------|-----------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| 3 | ECOWAS Exit (BFA, MLI, NER)                         | -2.7  | -3.0 | Corridor disruption                                                         | Preserve regional cohesion and secure trade corridors to sustain intra-bloc trade stability                                               |
| 4 | Intra-ECOWAS Free Trade (Zero intra-ECOWAS tariffs) | +13.1 | +8.0 | Significant regional trade gain; Nigeria experiences slight trade expansion | Accelerate full tariff liberalization alongside trade facilitation reforms to consolidate regional trade creation and economic resilience |

Source: Author's Computation (2025)

The gravity model scenario analyses reveal clear differences in both the direction and magnitude of trade effects across the simulated shocks and policy responses, as summarised in Table 6. Under the baseline (Scenario 0), trade flows remain at their equilibrium levels, serving as the benchmark against which the effects of external shocks and regional policy adjustments are assessed.

Scenario 1, which simulates a 15 percent increase in global tariffs, results in a uniform 20 percent contraction in trade for both ECOWAS and Nigeria. The outcome reflects broad-based trade compression arising from higher external trade costs. Although limited trade diversion occurs as countries reorient sourcing towards alternative markets, the dominant effect is a contraction in overall trade. The policy implication is clear: ECOWAS economies should diversify export markets and deepen regional integration to reduce their vulnerability to rising global protectionism.

Scenario 2, which assumes a complete withdrawal of USAID's support, produces the most severe downturn. ECOWAS trade declines by 34 percent, while Nigeria's trade contracts more sharply by 45 percent, reflecting the country's relatively greater exposure to aid-related financing and trade-support mechanisms. The collapse in trade creation under this scenario highlights the risks associated with dependence on external development financing. Strengthening domestic revenue mobilisation, expanding regional

development financing mechanisms, and building more self-sustaining trade-support systems therefore emerge as critical policy priorities.

Scenario 3, which assumes the withdrawal of Burkina Faso, Mali, and Niger from Economic Community of West African States, generates relatively modest declines of 2.7 percent for ECOWAS and 3.0 percent for Nigeria. The limited magnitude of these declines suggests that, although disruptions to regional trade corridors and reductions in intra-regional trade would occur, a systemic breakdown of regional trade is unlikely. Nevertheless, the scenario underscores the importance of preserving regional cohesion and safeguarding strategic trade corridors to maintain the stability of intra-ECOWAS trade.

Scenario 4 models full intra-ECOWAS free trade through the elimination of regional tariffs. Under this arrangement, ECOWAS trade expands by 13.1 percent, while Nigeria records an 8.0 percent increase. These gains reflect net trade creation resulting from enhanced price competitiveness and deeper market integration within the region. Although Nigeria's expansion is more modest than the regional average, the results confirm that tariff liberalisation strengthens intra-regional economic linkages and enhances resilience to external shocks. The findings further suggest that accelerating tariff liberalisation should be complemented by trade facilitation reforms, particularly improvements in customs efficiency, transport infrastructure, and regulatory harmonisation, to consolidate and sustain regional trade gains.

## 6.5 The State of Food Security in Nigeria

Agriculture remains a vital pillar of Nigeria's economy and food system. The sector contributes nearly one-quarter of the country's GDP and provides employment for almost half of the labour force, while supporting millions of additional livelihoods across the broader agri-food value chain. Smallholder farmers, who account for approximately 80.0 percent of all farmers, produce nearly 90.0 percent of the country's food. Livestock production, particularly cattle rearing in northern Nigeria, also remains an important component of the agricultural economy. Major staple crops, including cassava, maize, millet, rice, sorghum, and yam, dominate agricultural production and account for approximately two-thirds of cultivated arable land. Of Nigeria's estimated 32 million



hectares of cultivated agricultural land, less than 1 percent is under irrigation (Xie, You and Takeshima, 2017). Agriculture contributes approximately 25.0 percent to Nigeria's GDP, making it the second-largest sector after services. However, growth in the sector slowed from an average of 4.4 percent during the 2010–2015 period to 2.7 percent during the 2016–2021 period, representing less than half of the Comprehensive Africa Agriculture Development Programme (CAADP) target of 6.0 percent and indicating persistent stagnation in agricultural productivity and output growth. In terms of sub-sectoral contributions, crop production dominates, accounting for 90.0 percent of agricultural output, followed by livestock (7.0 percent), fisheries (2.0 percent), and forestry (1.0 percent).

Nigeria is the world's largest producer of cassava and ranks among the leading global producers of rice, the country's most widely consumed staple food. Other major food crops include cowpea, maize, sorghum, and yam, while cocoa and cashew remain important agricultural export commodities. Despite this strong production base, yields for many crops remain well below both their agronomic potential and the productivity levels achieved by comparable peer countries.

**Table 8: Production trends in key crops in Nigeria: 2013-2022**

| Crop     | Production growth (%) | Yield growth (%) | Nigeria yield 2022 (mt/ha) | Nigeria potential yield (mt/ha) | Asia yield 2022 (mt/ha) |
|----------|-----------------------|------------------|----------------------------|---------------------------------|-------------------------|
| Cashew   | -12.9                 | -8.5             | 0.5                        | -                               | 0.8                     |
| Cow peas | 1.7                   | -2.5             | 0.9                        | 2.3                             | 1.2                     |
| Cassava  | 2.1                   | -1.3             | 6.1                        | 28.4                            | 22.2                    |
| Cocoa    | -1.8                  | -0.9             | 0.3                        | 2.0                             | 0.4                     |
| Maize    | 4.6                   | 4.2              | 2.2                        | 4.0                             | 5.7                     |
| Rice     | 6.3                   | 0.7              | 1.9                        | 7.0                             | 4.9                     |
| Sorghum  | 2.0                   | 1.1              | 1.2                        | 3.2                             | 1.6                     |
| Yam      | 6.8                   | 1.8              | 8.2                        | 18.0                            | 19.2                    |

Source: FAO 2024 FAOSTAT Crops and Livestock Products (2025)

In some cases, both yields and production levels have declined. Agricultural exports accounted for only 1.6 percent of Nigeria's total exports in 2018, compared with 82.0 percent for crude oil (PwC, 2019). The country continues to rely heavily on food imports to meet domestic demand, recording a food trade deficit of US\$ 4.8 billion, equivalent to 5.0 percent of agriculture GDP. This dependence exposes Nigeria not only to global food price volatility but also to fluctuations in international oil prices.

Between 2013 and 2022, production trends across major crops in Nigeria presented a mixed picture (Table 1). Yam and rice recorded the strongest production growth, increasing by 6.8 percent and 6.3 percent, respectively, while maize also performed strongly, with growth of 4.6 percent. In contrast, production of cocoa and cashew declined, with cashew recording the steepest decline (12.9 percent), largely attributable to an 8.5 percent reduction in yield. A comparison of Nigeria's actual crop yields with both their agronomic potential and average yields in Asia highlights substantial productivity gaps. For example, Nigeria's cassava yield in 2022 was 6.1 tonnes per hectare, compared with a potential yield of 28.4 tonnes per hectare and the Asian average of 22.2 tonnes per hectare. Similarly, rice and yam production continue to exhibit considerable scope for yield improvement.

The agricultural sector continues to face longstanding structural constraints. Insecurity across major food-producing regions has disrupted farming activities and limited access to agricultural land. Rising production and transportation, partly driven by recent policy reforms such as the removal of the petrol subsidy, have placed additional pressure on both producers and consumers. Climate-related shocks, including recurrent flooding and drought, remain significant threats to productivity. Low levels of mechanisation and irrigation, inadequate storage and processing facilities, and weak transport and cold-chain infrastructure further undermine productivity, market efficiency, and food availability. Meanwhile, public spending on agriculture remains well below continental commitments, limiting the scale of investment required to strengthen the country's food systems.



Nigeria's food trade position reflects these structural vulnerabilities. Although the country continues to depend on food imports to supplement domestic production, agricultural exports have expanded in recent years, supported by improved exchange rate competitiveness and stronger international demand for products such as cocoa, cashew and soybean cake. Trade restrictions remain an important feature of agricultural policy, including import bans, relatively high tariffs, and foreign exchange restrictions on selected goods. Although recent policy measures have temporarily reduced import levies on selected staples, constrained access to foreign exchange and persistently high logistics costs continue to keep domestic food prices elevated.

Institutional reforms have also reshaped agricultural governance. The newly established Ministry of Marine and Blue Economy now oversees fisheries and aquaculture, while the Ministry of Livestock Development, created in 2024, is expected to strengthen policy attention to the livestock sub-sector. These institutional changes reflect ongoing efforts to improve sector coordination and harness wider economic opportunities within the agricultural economy.

Despite these interventions, food insecurity has continued to intensify. Food inflation remained close to 40.0 percent for much of 2024, reducing household purchasing power and widening nutrition gaps, particularly among vulnerable populations. Recognising the severity of the challenge, the Bola Ahmed Tinubu administration declared a state of emergency on food security in July 2023, elevating food security to a national priority and calling for urgent measures to stabilise food supplies and improve affordability. This situation underscores the urgent need to strengthen Nigeria's food security architecture. Given Nigeria's central role in regional agricultural trade, particularly within ECOWAS, prolonged disruptions to domestic food supply could not only intensify socio-economic pressures within the country but also weaken regional food systems and undermine broader economic integration efforts.

## 7.0 SITUATION ANALYSIS OF FOOD SECURITY IN NIGERIA

Nigeria's food security landscape over the past decade reflects a growing disconnect between the country's agricultural potential and the reality faced by millions of households. While domestic food output, as measured by the Food Production Index (FPI), increased from 97.7 in 2015 to an estimated 127.4 in 2024, reflecting steady gains in national production capacity, these improvements have not translated into commensurate gains in food security and nutrition. Notably, the strongest growth in domestic production occurred after 2015, coinciding with periods of targeted government interventions aimed at boosting staple crop production and strengthening local agricultural value chains. Despite these gains, the country's food import bill remained high and increased between 2023 and 2024, indicating continued reliance on external food supplies to meet domestic demand.

Meanwhile, the prevalence of moderate or severe food insecurity increased markedly from 34.7 percent in 2015 to 77.9 percent in 2024, while the prevalence of severe food insecurity rose from 11.0 percent in 2015 to 25.7 percent over the same period. Similarly, the prevalence of undernourishment increased from 9.2 percent of the population in 2010 to 21.0 percent in 2024. These figures imply that, by 2024, nearly four out of every five Nigerians experienced moderate or severe food insecurity, while approximately one in four faced severe food insecurity. Collectively, these indicators suggest a transition from persistent chronic food insecurity to a more widespread and acute food security crisis.

This divergence demonstrates that increases in national food production do not automatically translate into improved household food security or nutritional outcomes. Persistent distribution inefficiencies, insecurity-induced displacement, weak household purchasing power, and sustained increases in food prices continue to limit access to food, particularly among vulnerable populations.



**Table 9: Trend of food security indicators in Nigeria**

| Year | Food Production Index | Food imports (% of merchandise imports) | Food exports (% of merchandise exports) | Prevalence of moderate or severe food insecurity (% of pop) | Prevalence of severe food insecurity (% of pop) | Prevalence of undernourishment (% of pop) |
|------|-----------------------|-----------------------------------------|-----------------------------------------|-------------------------------------------------------------|-------------------------------------------------|-------------------------------------------|
| 2015 | 97.7                  | 16.9                                    | 2.8                                     | 34.7                                                        | 11                                              | 10.5                                      |
| 2016 | 106.7                 | 12.8                                    | 1.9                                     | 38.7                                                        | 12.3                                            | 10.7                                      |
| 2017 | 109.1                 | 16.3                                    | 1.8                                     | 42.8                                                        | 13.6                                            | 11.3                                      |
| 2018 | 114.1                 | 10.9                                    | 1.9                                     | 47.1                                                        | 15.1                                            | 11.8                                      |
| 2019 | 109.7                 | 9.9                                     | 1.8                                     | 53.5                                                        | 17.3                                            | 13.6                                      |
| 2020 | 112.6                 | 14.6                                    | 2.9                                     | 62.9                                                        | 19.8                                            | 15.1                                      |
| 2021 | 117.3                 | 14.2                                    | 3.3                                     | 69.7                                                        | 21.3                                            | 17                                        |
| 2022 | 119.8                 | 11.4                                    | 2.7                                     | 73.9                                                        | 22.6                                            | 18                                        |
| 2023 | 123.8                 | 10.6                                    | 3.7                                     | 74.8                                                        | 24.3                                            | 19.6                                      |
| 2024 | 127.4                 | 11.0                                    | 6.0                                     | 77.9                                                        | 25.7                                            | 21.1                                      |

Source: World Bank (2025)

Trade-related indicators further reflect the structural imbalance between domestic food requirements and supply chain performance. Although food imports declined from US\$ 30.657 billion in 2011 to US\$ 11.02 billion in 2024, this reduction does not necessarily indicate improved resilience. Rather, it reflects reduced import capability resulting from the depreciation of the naira, foreign exchange constraints, and weakened household demand arising from declining purchasing power. At the same time, food exports increased from US\$ 1.8 billion in 2011 to US\$ 6.0 billion in 2024, driven largely by export-oriented crops like cocoa, cashew and sesame. While this trend has strengthened foreign exchange earnings, it also highlights a misalignment between export-oriented agricultural value chains and domestic food security priorities.

These structural weaknesses demonstrate that Nigeria's food security challenge extends beyond agricultural production to encompass broader systemic constraints affecting markets, livelihoods, logistics, governance and household purchasing power. The persistent deterioration in food insecurity indicators, particularly since 2016, suggests that agricultural growth has been neither sufficiently inclusive nor nutrition sensitive. Without targeted interventions to improve value chain inefficiency, strengthen market access, and enhance food affordability, further increases in agricultural production alone are unlikely to substantially reduce hunger and food insecurity.

In 2003, the African Union's Assembly of Heads of State and Government adopted the Comprehensive Africa Agriculture Development Programme (CAADP) in Maputo, Mozambique, establishing a landmark framework for revitalizing agriculture across the continent. With a strategic focus on food security, poverty reduction, and economic growth, CAADP established ambitious commitments for member states, including allocating at least 10 percent of national budgets to agriculture and achieving a minimum annual growth rate of 6.0 percent in agricultural GDP.

Despite the critical role of agriculture in Nigeria's economy and livelihoods, data for the 2020 - 2024 period reveal a persistent shortfall in budgetary allocations to the sector, with spending consistently remaining below the Maputo Declaration target of 10percent.

**Table 10: Nigeria Budgetary Allocation to Agriculture: 2020-2024**

| Year | Amount N' Billion | Share (percent) |
|------|-------------------|-----------------|
| 2020 | 183               | 1.8             |
| 2021 | 179.5             | 1.5             |
| 2022 | 479               | 2.8             |
| 2023 | 228.4             | 1.05            |
| 2024 | 362.9             | 1.3             |
| 2025 | 826.5             | 1.5             |

Source: Budget office (2025)





The analysis presented in Table 10 indicates that Nigeria's public expenditure on agriculture remains well below the target. Between 2020 and 2024, the share of agriculture in total federal public expenditure fluctuated between 1.1 percent and 2.8 percent, with an annual average standing at 1.7 percent. This finding suggests that the agricultural sector continues to receive relatively low budgetary priority compared with other sectors of the economy. This is further reflected in the low ratio of public expenditure on agriculture to agricultural GDP, indicating persistent underinvestment in the sector.

This underinvestment has coincided with persistently high levels of food poverty. Although the food poverty rate declined slightly from 42.7 percent in 2023 to 40.8 percent in 2024, the level remains high, underscoring the need for continued policy recalibration and stronger public investment to improve agricultural productivity, strengthen food systems, and reduce food inflation. The gap between Nigeria's CAADP commitments and actual performance not only threatens food security but also constrains broader development objectives, including employment creation, rural development, and climate resilience.

To reverse this trend, Nigeria must prioritise agricultural financing, strengthen institutional capacity, and foster public-private partnerships capable of accelerating innovation and scaling up sustainable agricultural practices. Without decisive policy action, the transformative potential of CAADP may remain unrealised, limiting its contribution to sustainable agricultural development and national food security.

## 7.1 Review of Past National Agricultural Investment Plan

### 1. NAIP 1, 2011–2014

NAIP 1 represented Nigeria's inaugural attempt to develop a comprehensive agricultural investment strategy under the CAADP framework. Developed through a broad multi-stakeholder process involving actors from the agriculture and water sectors, NAIP 1 sought to catalyse private sector-led growth, with government assuming a facilitative role

through the provision of enabling infrastructure, supportive policies, and institutional coordination.

The plan covered the major agricultural sub-sectors such as crops, livestock, and fisheries and integrated flagship programmes such as the National Programme for Food Security (NPFS), Fadama III, and the NERICA rice initiative. Its objectives were ambitious, including doubling crop productivity, increasing fish production to 3 million tonnes, expanding irrigated land to 10 percent of total arable land, and reducing food imports by 50 percent. These targets reflected Nigeria's aspiration to reposition agriculture as a central driver of economic development, food security and agricultural transformation.

However, the expected reduction in food imports was not realised. Nigeria's total food imports reached approximately US\$2.5 billion in 2024, representing a 16.0 percent increase from US\$2.13 billion in 2023. On a quarterly basis, food imports increased by 15.7 percent to US\$633 million in the third quarter of 2024 and by a further 3.9 percent to US\$658.54 million in the fourth quarter. Compared with the fourth quarter of 2023, food imports rose by 40.0 percent to US\$689.88 million (NBS, 2025). The continued reliance on food imports reflects persistent structural weaknesses in domestic agricultural production, compounded by high inflation, depreciation of the naira, and foreign exchange constraints. Consequently, food poverty and undernourishment have remained elevated despite successive policy interventions.

Despite a budgetary commitment of ₦235 billion, NAIP I was constrained by a significant financing gap, fragmented implementation across federal and sub-national institutions, and weak institutional coordination. Limited technical capacity at the state level, together with underdeveloped monitoring and evaluation systems, further undermined implementation and constrained effective performance tracking.

External shocks which include oil price volatility, climate change impacts, and macroeconomic instability further constrained implementation and exposed vulnerabilities across the agricultural value chain. Nevertheless, NAIP 1 laid an important foundation for subsequent agricultural reforms. It underscored the importance of inclusive stakeholder engagement, clearly defined institutional mandates, effective



intergovernmental coordination, and robust monitoring, evaluation, and accountability mechanisms for the successful implementation of future agricultural investment plans

## 2. National Agricultural Investment Plan 2, 2016–2020

NAIP 2 built upon the foundations established under NAIP 1, serving as Nigeria's second-generation agricultural investment framework under the CAADP. The plan was designed to operationalise the Agricultural Promotion Policy (APP) while aligning with the objectives of the Malabo Declaration, particularly those relating to ending hunger, reducing poverty, and promoting intra-African trade in agricultural commodities. It sought to modernise Nigeria's agricultural sector through targeted public investment, infrastructure development, and increased private sector participation. Structured around three core programmes and ten priority sub-programmes, NAIP 2 focused on improving food security, nutrition, and agricultural productivity.

Notable achievements included the expansion of agro-dealer networks to strengthen agricultural input distribution, the implementation of mechanisation initiatives to improve farm productivity, and enhanced donor coordination to improve the effectiveness of development assistance. The plan also facilitated greater private sector participation in strategic areas such as seed production, fertilizer supply, and agro-processing. In addition, collaboration with sub-national governments became more structured, contributing to improved alignment between federal and state agricultural priorities.

Despite these achievements, NAIP 2 was constrained by a substantial funding gap of approximately ₦600 billion (US\$428.57 million) against a projected ₦844 billion (US\$602.86 million) budget, which significantly limited its implementation. Although agricultural production continued to increase in absolute terms, growth remained insufficient to keep pace with rapid population growth. Consequently, Nigeria continued to experience a widening per capita food production deficit, exacerbated by insecurity, inflation, climate-related shocks, and other structural constraints affecting agricultural productivity.

Data from the NBS indicate that the agricultural sector continued to record relatively modest growth. Real agricultural GDP expanded by 1.14 percent in the third quarter of 2024, compared with 1.41 percent in the corresponding quarter of 2023, reflecting the sector's continued vulnerability to domestic and external shocks.

Persistent implementation challenges included weak integration with broader national development strategies, fragmented governance arrangements, and inadequate attention to cross-cutting issues such as gender equality, climate resilience, and nutrition. Monitoring and evaluation systems also remained underdeveloped, with limited performance indicators aligned to the Malabo Declaration commitments, thereby constrained effective implementation monitoring and performance assessment.

The continued prevalence of food poverty and persistently high rates of child stunting underscore the need for more targeted, inclusive, and evidence-based agricultural interventions. The experience of NAIP 2 demonstrate that achieving sustainable agricultural transformation requires adequate financing, stronger policy coherence, effective intergovernmental coordination, robust monitoring and evaluation systems, and greater emphasis on inclusiveness and resilience. These lessons should inform the design and implementation of future agricultural investment plans to accelerate progress towards national food security and sustainable agricultural development.

### **3. Agricultural Sector Food and Nutrition Security Strategy (AFSNS) 2016–2025**

The AFSNS serves as Nigeria's flagship policy framework for leveraging the agriculture to improve food and nutrition outcomes nationwide. Developed by the Federal Ministry of Agriculture and Rural Development (FMARD), the strategy is aligned with Nigeria's national development priorities and global commitments, including the Sustainable Development Goals (SDGs). Its overarching objective is to improve food and nutrition security for all Nigerians, with particular emphasis on gender inclusion, equity, and resilience to economic, climatic, and other external shocks.



The AFSNS adopts a multidimensional approach by integrating nutrition considerations into agricultural policies and programmes to ensure that sectoral growth translates into improved nutrition and health outcomes. The strategy is anchored on five strategic pillars:

1. **Food Availability and Accessibility:** Expanding the production, distribution, and availability of diverse, safe, and nutrient-rich foods to improve year-round access to adequate nutrition. **Nutrition-Sensitive Agriculture:** Promoting nutrition-sensitive agricultural practices, including biofortification, crop diversification, improved post-harvest management, and value addition to enhance dietary quality.
2. **Capacity Building:** Strengthening the capacities of farmers, extension workers, policymakers, and other stakeholders to implement nutrition-responsive agricultural programmes and interventions. **Research and Development:** Promoting research, technological innovation, and evidence-based approaches to support improved food security, nutrition, and agricultural productivity.
3. **Monitoring and Evaluation:** Establishing robust monitoring and evaluation systems to assess implementation progress, inform policy decisions, and support reporting against the Malabo Declaration commitments.

Implementation of the AFSNS has involved broad stakeholder engagement, including government ministries, departments and agencies (MDAs), development partners such as the Food and Agriculture Organization of the United Nations (FAO) and the International Food Policy Research Institute (IFPRI), civil society organisations, research institutions, and private sector stakeholders. This collaborative, multisectoral approach is intended to strengthen policy coordination and maximise the effectiveness of food and nutrition interventions.

The strategy seeks to achieve the following key outcomes:

- a) Reducing the prevalence of malnutrition and child stunting to below 33.2 percent.
- b) Improving household dietary diversity and nutritional outcomes.
- c) Enhancing agricultural productivity, food availability, and food energy supply.
- d) Strengthening resilience to climate-related, economic, and public health shocks.

#### 4. National Rice Development Strategy II (2020–2030)

NRDS II is Nigeria's 10-year strategic framework (2020–2030) for transforming the rice sub-sector into a self-sufficient, competitive, and export-oriented industry. Building on the achievements of NRDS I (2009–2019), the strategy is aligned with national priorities for food security, economic diversification, and rural development. It envisages a rice sector capable of producing 34 million metric tonnes annually by 2030, with the objective of eliminating import dependence, improving food and nutrition security, generating employment, and expanding regional and global trade opportunities.

Implementation is supported through a broad partnership involving the federal and state governments, development partners such as GIZ and CARP, agribusinesses, and farmer cooperatives. In 2024, Nigeria's intra-ECOWAS agrifood exports reached 123 tonnes, signalling emerging opportunities for regional agricultural trade (NASIP, 2024).

Despite these developments, rice imports remain significant, indicating that domestic production has yet to meet rapidly growing demand. During the 2020–2024 period, domestic rice production declined, largely as a result of severe flooding, rising insecurity in major producing areas, and other structural production constraints. At the same time, tighter border controls, the continued prohibition of rice imports through land borders, and foreign exchange restrictions contributed to an average 26 percent decline in formal rice imports. As both domestic production and imports contracted, aggregate rice supply tightened, placing sustained upward pressure on domestic prices.

The decline in formal imports also encouraged greater informal cross-border trade and smuggling despite existing border restrictions. In addition, the depreciation of the naira during 2020 and 2021 substantially increased the cost of imported rice, further reducing import volumes and contributing to higher domestic market prices. Consequently, the Nigeria Rice Price Index (NRPI) increased by 105.0 percent in 2021, compared with an average increase of approximately 33.0 percent in previous years.

Expected outcomes under NRDS II include increased domestic rice production, reduced dependence on imports, expanded employment opportunities across the rice value chain,



and improved export competitiveness. However, achieving these objectives will require complementary policies to strengthen market stability, improve access to quality inputs and finance, expand irrigation and climate-resilient production systems, and ensure that productivity gains are inclusive of smallholder farmers, women, and other vulnerable groups.

## 5. ECOWAS Agricultural Policy (ECOWAP)

The ECOWAP, adopted in 2005, serves as the principal regional framework for agricultural development across the 15 ECOWAS member states. Closely aligned with the Comprehensive Africa Agriculture Development Programme of the African Union, ECOWAP seeks to strengthen food and nutrition security, promote agricultural transformation, stimulate economic growth, and reduce poverty through inclusive, sustainable, and climate-resilient agricultural development.

Nigeria's National Agrifood Systems Investment Plan (NASIP) was developed to operationalise the strategic objectives of ECOWAP by improving agricultural productivity, deepening regional market integration, and strengthening resilience across agrifood systems. However, Nigeria's agricultural performance between 2020 and 2024 indicates that significant structural and implementation challenges remain. The value of food production per capita declined slightly from ₦329 (US\$0.8) in 2021 to ₦3,325.9 (US\$2.25) in 2024 while undernourishment increased from 18.0 percent in 2020 to 22.0 in 2024 and food poverty remained alarmingly high at 46.0 percent in 2024 (FAO, 2024).

## 6. National Agricultural Technology and Innovation Policy (NATIP) 2022–2027

The NATIP, launched by the Federal Ministry of Agriculture and Rural Development (FMARD), provides a comprehensive framework for transforming Nigeria's agricultural sector through technology, innovation, and sustainable productivity growth. Anchored in the National Development Plan (2021–2025), NATIP builds on the lessons of early policy initiatives, including the Agricultural Promotion Policy (APP) and the Agricultural Transformation Agenda (ATA), while responding to emerging national priorities relating to

food security, economic diversification, climate resilience, and agricultural competitiveness.

The policy was developed through an inclusive and participatory process involving federal and state government institutions, leading research institutions such as IFPRI and Bayero University, development partners, private sector stakeholders, and civil society organisations. This broad stakeholder engagement has strengthened policy ownership and improved alignment between national priorities and implementation strategies.

By 2027, NATIP is expected to achieve several strategic outcomes, including:

- a) Creating approximately 12 million jobs across the agrifood value chain.
- b) Strengthening national food security and strategic food reserve management.
- c) Increasing agricultural exports while reducing dependence on food imports.
- d) Enhancing climate resilience through expanded infrastructure, technological innovation, and climate-smart agricultural practices.

## 7.2 Assessment of the pillars of food and nutritional security in Nigeria.

This subsection presents a comprehensive assessment of Nigeria's food and nutritional security landscape, structured around four foundational pillars: availability, accessibility, utilisation, and stability. These dimensions provide a practical framework for evaluating progress, identifying systemic gaps, and guiding targeted policy interventions and investments (Abbade, 2017).

1. **Availability:** Food availability refers to the physical presence of sufficient, safe, and nutritious food to meet the population's dietary needs. In Nigeria, food availability is determined by domestic agricultural production, food imports, and external support, including food aid. According to Table 12, between 2021 and 2024, Nigeria's average daily food energy availability declined marginally from 326.0 to 325.8 kcal per person per day, remaining well below the FAO recommended minimum of 2,400 kcal per person per day. This slight decline suggests that improvements in agricultural production and





food supply have not been sufficient to significantly enhance per capita food availability. In addition, regional disparities and seasonal fluctuations continue to constrain equitable access to food across different income groups and geographic zones.

**Table 11: Food Availability Trends 2021-2024 in Nigeria**

| Year | Food Availability<br>Kcal/person/day<br>USD | Energy<br>Production per<br>Capita USD | Intra-ECOWAS<br>Agricultural Food<br>Imports | Intra-ECOEAS<br>Agricultural Food<br>Exports |
|------|---------------------------------------------|----------------------------------------|----------------------------------------------|----------------------------------------------|
| 2021 | 2543                                        | 329                                    | 5,850.075                                    | 128                                          |
| 2022 | 2504                                        | 329.5                                  | 6,694,719                                    | 118                                          |
| 2023 | 2532                                        | 322.4                                  | 6,534,777                                    | 131                                          |
| 2024 | 2517                                        | 325.8                                  | 6,552,658                                    | 123                                          |

Source: Food and Agriculture Organisation (2025)

Food availability remained relatively stable in 2024, with cultivated cropped areas increasing by approximately 0.53 percent nationwide. Although output for major staple crops recorded modest growth, ranging from 0.01 percent to 2.0 percent, more than 50.0 percent of farming households reported below-average increases in overall farm output from the 2024 wet-season harvest. This raises concerns about the adequacy of household food stocks as the lean season approaches. In addition, the loss of at least 20.0 percent of agricultural cropland to insecurity and climate-related events in several major food-producing communities and states likely contributed to the marginal increase in national food output during the 2024 production year. While global food stocks may have improved following favourable green harvests, approximately 75.0 percent of the rural population assessed had either exhausted their food reserves or were expected to do so before the onset of the lean season. During the projection period, food availability is expected to remain relatively stable but will continue to face significant risks from insecurity, declining household and global food stocks, limited access to farmland, and the rising cost of agricultural inputs, including certified seeds, fertilisers, labour, and irrigation. These

constraints are likely to reduce farmers' participation in the 2024/2025 dry-season farming activities (FAO, 2025).

Food energy availability declined from 2,543 kcal per person per day in 2021 to 2,504 kcal in 2022 before recovering to 2,532 kcal in 2023 and easing slightly to 2,517 kcal in 2024. These data indicate modest fluctuations rather than sustained improvement over the review period. The decline in 2022 coincided with supply-side pressures, while the partial recovery in subsequent years suggests some stabilisation in food supply. Nevertheless, food energy availability in 2024 remained below its 2021 level, indicating that improvements in food availability have remained fragile, particularly for populations most vulnerable to price and supply shocks.

The value of food production per capita remained broadly stable although it exhibited mild fluctuations over the review period. It increased marginally from USD 3298.1 in 2021 to USD 329.5 in 2022, before declining to USD 322.4 in 2023, and recovering to USD 325.9 in 2024. Despite the rebound in 2024, the value of food production per capita remained below its 2021–2022 levels, suggesting limited improvements in agricultural productivity relative to population growth. This pattern indicates that domestic food production has struggled to keep pace with rising food demand.

Regional trade also played an important role in supporting domestic food availability. Intra-ECOWAS agricultural food imports increased sharply from 5,850.1 in 2021 to 6,694.7 in 2022, reflecting greater reliance on regional markets to supplement domestic food supply. Imports declined slightly to 6,534.8 in 2023 before stabilising at 6,552.8 in 2024, remaining well above the 2021 level. This trend underscores the continued importance of regional trade in addressing domestic food supply gaps, even as import growth moderated after 2022.

By contrast, Intra-ECOWAS agricultural food exports declined from 128 in 2021 to 118 in 2022 before rebounding to 131 in 2023 and easing to 123 in 2024. The recovery recorded in 2023 suggests improved export performance or stronger regional demand, while the slight decline in 2024 reflects continued volatility in regional agricultural trade. Overall, export



volumes in 2024 remained below the 2023 peak but were broadly comparable to those recorded in 2021.

**2. Accessibility:** Accessibility refers to the economic and physical ability of individuals to obtain sufficient, safe, and nutritious food. It is influenced by factors such as household income, purchasing power, market infrastructure, and food prices. Despite improvements in food availability, Nigeria continues to face significant challenges in ensuring equitable access to food. The proportion of the population living below the food poverty line increased from 44.6 percent in 2021 to 47.7 percent in 2024, while the prevalence of undernourishment rose from 18.0 percent in 2021 to 19.0 percent in 2024. These trends indicate that improvements in food supply have not translated into better access to food for many households. They underscore the need for targeted policy interventions to improve food affordability, strengthen market infrastructure, enhance household incomes, and expand livelihood opportunities, particularly for women, youth, and rural communities.

**Table 12: Food Accessibility Trends 2021-2024**

| Year | Undernourishment (%) | Food Poverty Rate | Agric Product Price Index | Consumer Price Index (CPI) |
|------|----------------------|-------------------|---------------------------|----------------------------|
| 2021 | 18.0                 | 44.6              | 125.1                     | 411.5                      |
| 2022 | 17.0                 | 43.3              | 141.4                     | 499.4                      |
| 2023 | 18.0                 | 45.9              | 119.8                     | 643.8                      |
| 2024 | 19.0                 | 47.7              | 115.3                     | 867.8                      |

Source: Food and Agriculture Organisation (2025)

Between 2021 and 2024, Nigeria's food and nutrition indicators reflected a complex interplay of economic, policy, and structural factors. The prevalence of undernourishment declined slightly in 2022, likely reflecting the effects of increased food assistance and temporary import relief measures. However, this improvement proved short-lived, as undernourishment rose steadily from 2022 to 2024, driven by rising inflation, persistent insecurity, and declining household purchasing power. Despite policy initiatives such as

the National Food Security Council and temporary import duty waivers, weak implementation and persistent structural constraints limited their overall effectiveness.

The food poverty rate exhibited a similar pattern. It declined in 2022, possibly due to emergency food assistance programmes and donor support, but increased sharply in 2023 and 2024 amid accelerating inflation and worsening food affordability. Although a modest decline is projected for 2025, this is expected to reflect the impact of targeted nutrition interventions and cash transfer programmes. While the National Social Investment Programme (NSIP) and conditional cash transfers provided some relief to vulnerable households, their coverage and implementation remained insufficient to address the scale of food insecurity.

Agricultural producer prices reached their highest levels in 2022, reflecting supply chain disruptions, rising fuel costs, and widespread insecurity. Prices moderated gradually through 2024 as government import interventions and weaker consumer demand helped ease market pressures. Nevertheless, continued price volatility reflects inadequate support for farmers, fragile market infrastructure, and limited access to essential agricultural inputs.

The Consumer Price Index (CPI) followed a similar trajectory, rising steadily to a peak in 2023, driven by the removal of the petrol subsidy, exchange rate depreciation, and global inflationary pressures. Although inflation moderated slightly in 2024 following temporary import duty waivers and government grain distribution initiatives, these measures were largely short-term and reactive. At the same time, broader macroeconomic reforms, particularly subsidy removal, increased food prices and further reduced food affordability for many households.

The combined effects of rising consumer prices and higher agricultural producer prices significantly reduced household access to food, particularly among low-income populations. Access disparities also persisted, with rural communities and conflict-affected areas facing greater constraints due to insecurity, weak transport networks, and limited market infrastructure. Consequently, rising levels of undernourishment and food poverty indicate a deterioration in access to sufficient, safe, and nutritious food.



Nigeria's food system therefore remains under considerable pressure from the combined effects of insecurity, inflation, and policy inconsistency. Insecurity continues to disrupt agricultural production and food distribution across major farming regions, while inflation has eroded household purchasing power and reduced access to nutritious food. These challenges have been compounded by frequent changes in trade and subsidy policies, creating uncertainty for producers, traders, and investors and weakening long-term investment and planning within the agricultural sector.

Strengthening food accessibility will require a coordinated policy response. Priority actions include stabilising food prices through strategic buffer stocks and improved market regulation, expanding targeted input support, irrigation, and mechanisation to raise agricultural productivity, strengthening social protection programmes to protect vulnerable households from food poverty, and investing in rural infrastructure to improve market access and reduce post-harvest losses. Ensuring policy consistency and effective implementation will also be essential for strengthening resilience across Nigeria's food system.

**3. Utilisation:** Utilisation refers to the extent to which individuals are able to convert available food into improved nutritional and health outcomes. It encompasses dietary diversity, food safety, health status, access to clean water and sanitation, and equitable intra-household food distribution. Nigeria has recorded modest progress in this dimension, with the Food Diversification Index increasing from 117.3 in 2021 to 123.6 in 2024, indicating greater dietary diversity and broader access to different food groups.

Despite this improvement, nutritional outcomes remain weak. The prevalence of stunting among children under five years of age increased from 34.5 percent in 2021 to 36.9 percent in 2024, suggesting that improvements in dietary diversity have not translated into better nutritional status. This divergence highlights the influence of other determinants of nutrition, including poor maternal and child health, inadequate water, sanitation and hygiene (WASH) services, limited nutrition knowledge, and unequal access to quality healthcare.

Addressing these challenges will require integrated interventions that combine nutrition-sensitive agriculture with improved maternal and child healthcare, nutrition education, enhanced water and sanitation services, food safety measures, and sustained behaviour change communication. Such a multisectoral approach is essential to ensure that improvements in food availability and access translate into meaningful gains in nutrition and human development.

**Table 13: Food Utilisation Trends: 2021-2024**

| Year | Consumer Price Index (CPI) | Food Diversification | Stunting in Children (%) |
|------|----------------------------|----------------------|--------------------------|
| 2021 | 411.5                      | 117.3                | 34.5                     |
| 2022 | 499.4                      | 119.9                | 34.1                     |
| 2023 | 643.8                      | 118.5                | 35.2                     |
| 2024 | 867.8                      | 123.6                | 36.9                     |

Source: Food and Agriculture Organisation (2025)

Table 13 presents key indicators of food utilisation in Nigeria between 2021 and 2024. The Consumer Price Index (CPI) increased sharply from 354.3 in 2021 to 421.1 in 2022 and further to 524.9 in 2023, reflecting sustained inflationary pressure on household consumption, particularly food expenditure. Although the CPI declined to 452.1 in 2024, it remained significantly above its 2021 level, indicating that food affordability challenges persisted despite the moderation in inflation. Elevated food prices during the review period likely constrained households' ability to access diverse and nutritious diets, particularly among low-income populations.

The Food Diversification Index generally improved over the period, rising from 117.3 in 2021 to 120 in 2022, declining slightly to 118.6 in 2023, and increasing significantly to 123.6 in 2024. This trend suggests a gradual expansion in dietary diversity, with the most notable improvement occurring in 2024. However, the fluctuations observed during the period indicate that progress in dietary diversification remained uneven and was likely influenced by changes in food prices and household incomes.



In contrast, the prevalence of stunting among children under five years of age followed a deteriorating trend in the latter part of the review period. After declining marginally from 34.5 percent in 2021 to 34.1 percent in 2022, the prevalence increased to 35.2 percent in 2023 and further to 36.9 percent in 2024. This trend points to worsening child nutrition outcomes despite the observed improvement in dietary diversity at the national level. The divergence between increasing dietary diversity and rising stunting rates highlights persistent deficiencies in nutrient adequacy, food quality, healthcare, sanitation, and the effective utilisation of available food, particularly among vulnerable households.

Overall, the data suggests that while some progress was achieved in expanding dietary diversity by 2024, persistently high food prices and worsening child nutrition outcomes continued to undermine food utilisation. These findings underscore the need for integrated policies that improve food affordability, promote nutritious diets, strengthen maternal and child nutrition programmes, expand access to healthcare and water, sanitation and hygiene (WASH) services, and ensure that improvements in food availability translate into better nutritional outcomes, particularly for children and other vulnerable groups.

**4. Stability:** Stability refers to the ability of food systems to ensure consistent food availability, accessibility, and utilisation over time, particularly in the face of shocks such as climate change, economic volatility, conflict, and other external disruptions. It reflects the resilience of households and food systems to withstand and recover from these shocks while maintaining adequate food security.

**Table 14: Agricultural Product Price and Consumer price Index 2020-2024**

| Year | Agricultural Product Price Index | Consumer Price Index (CPI) |
|------|----------------------------------|----------------------------|
| 2020 | 121.4                            | 302.9                      |
| 2021 | 125.1                            | 411.5                      |
| 2022 | 141.4                            | 499.4                      |
| 2023 | 119.8                            | 643.8                      |
| 2024 | 115.3                            | 867.8                      |

Source: Food and Agriculture Organization (2025)

In Table 14, Nigeria's agricultural price index fluctuated considerably over the review period, increasing from 125.1 in 2021 to a peak of 141.4 in 2022 before declining to 119.8 in 2023 and further to 115.3 in 2024.

Meanwhile, the Consumer Price Index (CPI) increased sharply from 302.9 in 2020 to 452.1 in 2024, reflecting persistent inflationary pressures that continued to erode household purchasing power, threaten food affordability, and weaken household resilience. The coexistence of elevated consumer prices and fluctuations in agricultural prices indicates that Nigeria's food system remains vulnerable to economic shocks, underscoring the need for policies that enhance market stability, strengthen agricultural productivity, and improve the resilience of households to future food security risks.

**Table 15: Nigeria's Food Security Trends:2021–2024**

| Year | Food Dependency Rate | Food Aid (\$Billion) | Imports (\$ Billion) | Exports (\$ Billion) |
|------|----------------------|----------------------|----------------------|----------------------|
| 2021 | 102.1                | 3.5                  | 96.0                 | 94.0                 |
| 2022 | 132.5                | 4.4                  | 11.0                 | 83.0                 |
| 2023 | 128.9                | 5.0                  | 107.0                | 83.0                 |
| 2024 | 131.7                | 5.5                  | 112.0                | 99.2                 |

Source: Food and Agriculture Organization, 2025

Table 15 highlights Nigeria's food security trends between 2021 and 2024, revealing persistent pressures on domestic food systems and an increasing reliance on external support to meet national food requirements. The Food Dependency Rate increased significantly from 102.13 in 2021 to a peak of 132.53 in 2022, indicating a widening gap between domestic food production and consumption needs. Although the rate moderated slightly to 128.9 in 2023 before rising marginally to 131.7 in 2024, it remained substantially above the 2021 level. This trend points to persistent structural constraints in the agricultural sector, including inadequate domestic production capacity and limited ability to meet growing food demand. The sharp increase in food dependency in 2022 likely reflected the combined effects of supply chain disruptions, insecurity in major farming





areas, inadequate infrastructure, and climate-related shocks such as flooding and drought.

The growing dependence on external food sources is further reflected in the steady increase in food aid, which rose from US\$3.5 billion in 2021 to US\$5.5 billion in 2024. This sustained increase suggests that food insecurity intensified during the review period, prompting both government and development partners to expand humanitarian and food assistance programmes. While such support helped cushion vulnerable households against worsening food insecurity, the trend indicates that external assistance has increasingly become a structural component of Nigeria's food system rather than a temporary emergency response.

The Food Imports Index reinforces this pattern. The index increased from 96.0 in 2021 to 107.0 in 2023 and rose further to 112 in 2024, reflecting continued pressure on domestic food supply. The upward trend indicates increasing reliance on imported food commodities as domestic agricultural production struggled to keep pace with rising consumption demand. Although higher food imports may have contributed to stabilising domestic food supplies and temporarily moderating price pressures, they also increased Nigeria's vulnerability to global food price volatility, exchange rate fluctuations, and external supply disruptions.

By contrast, the Food Exports Index declined from 94.0 in 2021 to 83.0 in both 2022 and 2023 before recovering to 99.2 in 2024. This rebound suggests a partial recovery in agricultural production and improved export performance during the latter part of the review period. However, given the simultaneous increase in food dependency and import reliance, expanding food exports should be carefully balanced with domestic food security objectives to ensure that export growth does not compromise local food availability.

Overall, the evidence from 2021 to 2024 portrays a food system under considerable pressure, characterised by high dependence on external food sources, rising food aid requirements, increasing import reliance, and only a modest recovery in agricultural exports. These trends underscore the need for sustained investment in climate-resilient agriculture, improved rural infrastructure, enhanced agricultural productivity, and

stronger domestic food value chains to improve long-term food system resilience and stability. Strengthening food stability will require a comprehensive policy approach that includes investments in climate-smart agriculture, early warning and disaster risk management systems, agricultural insurance, strategic food reserves, and expanded social protection programmes to cushion vulnerable households against future shocks.

More broadly, achieving sustainable food and nutrition security will require a coordinated, multisectoral strategy that integrates agriculture, health, education, water and sanitation, and social protection. Prioritising inclusive policies, investing in rural infrastructure, and accelerating the adoption of climate-resilient and digital agricultural technologies will be critical to strengthening all four pillars of food and nutrition security in Nigeria. Taken together, the four pillars of food and nutrition security - availability, accessibility, utilisation, and stability - present a comprehensive picture of Nigeria's food security landscape. While the country has made measurable progress in improving food availability and expanding dietary diversity, reflecting gains in agricultural production and food supply, significant challenges remain in ensuring equitable access, improving nutritional outcomes, and strengthening the resilience of the food system. Addressing these challenges requires more than sector-specific interventions; it calls for a coordinated, multisectoral approach that integrates agriculture, health, education, infrastructure, water and sanitation, and social protection.

Such an approach should be evidence-based, responsive to regional disparities, and inclusive of all stakeholders, particularly women, youth, and vulnerable populations. Building a resilient, inclusive, and sustainable food system will require stronger policy coordination, increased investment in climate-smart agriculture and digital innovations, improved rural infrastructure, enhanced governance and accountability, and greater private sector participation. Through sustained policy commitment and coordinated action, Nigeria can strengthen all four pillars of food and nutrition security and ensure that all citizens have reliable access to safe, nutritious, and affordable food, both now and in the future.



## 8. SWOT ANALYSIS OF FOOD SECURITY IN NIGERIA

The strategic importance of food security and the agricultural sector to Nigeria's economy cannot be overstated. Agriculture remains a key driver of economic activity, with its contribution to real GDP declining only marginally from 28.7 percent in 2022 to 27.8 percent in 2024, underscoring its continued significance despite broader macroeconomic challenges.

Nigeria is endowed with substantial agricultural resources, including approximately 70.8 million hectares of agricultural land spread across diverse agroecological zones capable of supporting the production of a wide variety of food and cash crops (IFPRI, 2021). The country also benefits from a large domestic market and access to the wider West African market of over 400 million people, presenting significant opportunities under the African Continental Free Trade Area (AfCFTA). In addition, Nigeria has a vibrant ecosystem of small and medium-sized enterprises (SMEs) engaged in agricultural production, agro-processing, storage, and distribution, which provides a strong foundation for value addition and employment creation. In 2024, the agricultural sector accounted for approximately 28.0 percent of Nigeria's GDP, reaffirming its central role in supporting economic growth, livelihoods, and national food security.

**Table 16: SWOT Analysis of Food Security in Nigeria**

| Strengths                                                                                                                                                                                                                                                                                                                                                                                                                        | Weaknesses                                                                                                                                                                                                                                                                                                                                                                               |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Diverse agricultural land and suitable climate.</li> <li>• Nigeria's commitment to the Maputo declaration -Comprehensive Africa Agriculture Development Programme (CAADP) in Maputo.</li> <li>• Existence of National Agricultural Investment Plan (NAIP1 and NAIP2), developed through a multi-stakeholder process involving actors from the agriculture and water sectors.</li> </ul> | <ul style="list-style-type: none"> <li>• Low productivity and dominance of subsistent agriculture characterised by traditional farming methods and low adoption of modern technology, leading to low crop yields. High post-harvest losses, inefficient infrastructure and processing lead to significant losses after harvesting.</li> <li>• Insecurity in Nigeria farmlands</li> </ul> |

- |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• NAIP 2 brought about increased private sector engagement in critical areas like seed production, fertilizer supply, and agro processing.</li> <li>• Existence of National Agricultural Sector Food Security and Nutrition Strategy serving as a flagship roadmap for leveraging agriculture to improve food and nutrition outcomes nationwide.</li> <li>• The Agricultural Sector Food Security and Nutrition Strategy (AFSNS, 2016–2025), aligns with national development priorities and global commitments, including the Sustainable Development Goals (SDGs).</li> </ul> | <ul style="list-style-type: none"> <li>• Persistent shortfall in budgetary allocation, consistently falling below the 10% of national budgets to agriculture.</li> <li>• Inadequate institutional capacity on food security.</li> <li>• public-private partnerships that can unlock innovation and scale sustainable farming practices.</li> <li>• Significant financing gap of the NAIP, compounded by fragmented implementation across federal and sub-national institutions. Weak inter-agency coordination limited technical capacity at the state level, and underdeveloped monitoring and evaluation systems undermined the plan's effectiveness and obscured progress tracking.</li> <li>• Substantial ₦600 billion funding gap of NAIP 2 out of a projected ₦844 billion budget, which significantly limited its implementation scope.</li> <li>• NAIP 2 experienced weak integration with other national development strategies, fragmented governance frameworks, and inadequate attention to cross-cutting issues such as gender equity and nutrition. Monitoring and evaluation systems remained underdeveloped, lacking clear benchmarks and indicators tied to Malabo performance targets, which hindered effective tracking of progress.</li> </ul> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|



| Opportunities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Threats                                                                                                                                                                                                                                                                                                                                                                                                                          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Comparative advantage in the production of staple crops like cassava, yam, rice, and cocoa as well as oil palm, which can be a source food for the region.</li> <li>• Existence of Regional Agricultural programmes - the African Union's Comprehensive Africa Agriculture Development Programme (CAADP), and the ECOWAS Agricultural Policy (ECOWAP), adopted in 2005, serves as the cornerstone for regional agricultural development across member states.</li> <li>• Modernization and mechanization: There is a significant opportunity to increase productivity through modern technologies, mechanization, and improved processing.</li> <li>• Value addition: Modernization and investment in post-farm activities like processing, can create new economic opportunities.</li> <li>• Technological advancement: The application of digital technologies like AI, remote sensing, and greenhouse technology can</li> <li>• boost yields and efficiency. Market access: Strengthening the entire value chain from pre-farm to post-farm segments presents opportunities for growth.</li> </ul> | <ul style="list-style-type: none"> <li>• Food import levels remain high. Heavy reliance on food imports to bridge domestic supply gaps.</li> <li>• Climate change impact.</li> <li>• Regional insecurity, especially from the Sahel area directly undermine agricultural production and stability.</li> <li>• Economic hardship: Economic shocks and high food inflation make food less accessible to many Nigerians.</li> </ul> |

Source: Author's Computation (2025)

## 9. CONCLUSION AND RECOMMENDATION

### 9.1 Conclusion

Macroeconomic developments during the review period were shaped by a heightened risk environment, characterised by downside risks to the global economic recovery, persistent inflationary pressures, and renewed trade and geopolitical tensions. These external headwinds were compounded by domestic challenges, notably rising insecurity in parts of the country, which disrupted food production and supply chains, as well as short-term macroeconomic dislocations associated with recent policy reforms implemented by the current administration.

Despite these constraints, the Nigerian economy expanded by 4.1 percent in 2024, with the oil sector recording robust year-on-year real growth of 7.7 percent. Growth prospects are expected to strengthen over the near term, supported by ongoing domestic efforts aimed at addressing long-standing structural bottlenecks, particularly fiscal subsidies and exchange rate distortions that have constrained economic performance.

The fiscal position remained broadly stable but continued to face pressures from rising public debt and debt-servicing obligations resulting from elevated fiscal deficits. Meanwhile, the external sector remained under strain as strong demand for foreign exchange continued to exert pressure on external reserves. Consequently, downside risks to the macroeconomic outlook remain significant over the near to medium term.

Overall, although the Nigerian economy showed signs of stabilisation in 2024, it remained vulnerable after several years of overlapping domestic and external shocks, compounded by persistent structural constraints, including insecurity, weak infrastructure, and limited productive capacity. Risks to growth remain tilted to the downside, with inflationary pressures, external sector vulnerabilities, and security challenges continuing to constrain economic activity. Accordingly, medium-term policy priorities should focus on deepening fiscal reforms, strengthening fiscal resilience, ensuring debt sustainability, and accelerating real GDP growth. These efforts should be complemented by prudent monetary and external sector policies aimed at reinforcing macroeconomic stability,



expanding government revenue, easing fiscal pressures, creating fiscal space for infrastructure investment, enhancing transparency and fiscal discipline, and strengthening national security.

## 9.2 Recommendations

Against the backdrop of Nigeria's macroeconomic outlook in 2024, there is a compelling need to strengthen the policy framework required to place the economy on a path of sustainable, inclusive, and resilient growth. Achieving this objective will require decisive policy actions to moderate inflation, stabilise the exchange rate, expand fiscal space, remove structural bottlenecks, and improve productivity across all sectors of the economy. Collectively, these measures are essential for restoring macroeconomic stability and laying the foundation for sustained economic transformation. To achieve broad-based welfare improvements and place the economy on a sustainable growth trajectory, policy actions should be anchored on stronger economic governance, deeper structural reforms, and enhanced macroeconomic stability.

The Federal Government should consolidate recent fiscal reforms by fully institutionalising the removal of the PMS subsidy while ensuring that the resulting fiscal savings are transparently redirected towards critical infrastructure, targeted social protection programmes, and human capital development. In addition, the recommendations of the Presidential Committee on Fiscal Policy and Tax Reforms should be fully implemented to strengthen fiscal governance, broaden the non-oil revenue base, and improve the efficiency, equity, and administration of the tax system.

On the monetary and external fronts, macroeconomic policy should prioritise price stability through the containment of quasi-fiscal activities, the maintenance of an appropriately tight monetary policy stance where necessary, and stronger coordination between fiscal and monetary authorities. The ongoing liberalisation of the foreign exchange market should be sustained by maintaining a unified and market-reflective exchange rate regime, eliminating residual market distortions, and strengthening regulatory oversight to enhance investor confidence and increase foreign exchange inflows. Together, these measures are expected to improve revenue mobilisation,

moderate inflationary pressures, enhance external competitiveness, and support inclusive and resilient economic growth.

ECOWAS member states should intensify efforts to strengthen trade partnerships with other ECOWAS member states, particularly neighbouring members that remain fully committed to regional integration. Diversifying trade toward these markets will reduce dependence on the AES and help cushion the effects of new tariffs, border restrictions, and geopolitical uncertainties. In addition, Member States should deepen bilateral trade cooperation, accelerate trade facilitation initiatives, and invest in alternative transport and trade corridors to enhance regional connectivity, improve supply chain resilience, and sustain intra-ECOWAS trade.

To strengthen debt sustainability amid elevated fiscal risks, the Federal Government should pursue a prudent debt management strategy focused on optimising the debt portfolio, containing debt-service costs, and strengthening domestic revenue mobilisation through comprehensive tax reforms. Borrowing should remain consistent with the provision of the Fiscal Responsibility Act, particularly the fiscal deficit ceiling of 3 percent of GDP, while public expenditure should be prioritised towards productive investments that expand the economy's revenue-generating capacity.

The Debt Management Office (DMO) should continue to closely monitor debt sustainability indicators and prevailing market conditions to ensure that borrowing remains consistent with long-term fiscal sustainability. To address persistently high inflation, the Government should strengthen policy coordination between fiscal and monetary authorities to ensure coherent demand management and effective control of inflationary pressures. Priority should be given to prudent money, supply management, sustained exchange rate stability, and structural reforms that expand domestic productive capacity and reduce import dependence.

At the same time, targeted interventions to improve agricultural productivity and food supply, alongside expanded and well-targeted social protection programmes, will be essential to moderate food inflation while protecting vulnerable households. The gravity model simulation results demonstrate that external trade shocks, particularly higher





tariffs and reductions in development assistance, significantly weaken trade flows within ECOWAS and Nigeria. By contrast, deeper regional integration through tariff liberalisation generates substantial trade creation and welfare gains.

For Nigeria, whose economy accounts for the largest share of ECOWAS output, expanding intra-regional trade offers the most sustainable pathway to economic diversification, industrialisation, and resilience against external shocks. Accordingly, policies should promote value addition in key sectors, including agro-processing, textiles, and manufacturing, to reduce dependence on imported intermediate goods and strengthen regional value chains. This objective should be supported through targeted industrial policies, strengthened public-private partnerships, expanded special economic zones, and incentives that encourage export-oriented production.

Furthermore, ECOWAS member states should intensify efforts to strengthen trade partnerships with other ECOWAS member states that remain committed to regional Diversifying trade towards these markets will reduce dependence on the AES countries and mitigate the effects of emerging tariffs, border restrictions, and geopolitical uncertainties. This objective should be supported through strengthened bilateral trade negotiations, accelerated trade facilitation measures, and strategic investments in alternative transport and trade corridors to improve regional connectivity and enhance the resilience of intra-ECOWAS trade.

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## APPENDIX

### The Gravity Model Results

#### Methodology

Following Yotov et al. (2016), the **Structural Gravity Model with Trade Policy Variables** was employed to forecast ECOWAS trade flows. This model allows for the integration of both **macroeconomic fundamentals** (such as GDP and distance) and **policy-specific variables** (such as tariffs). The model was used because it is suitable **for counterfactual scenarios** (what-if analysis with different scenarios). It is beneficial to forecast future exports subject to new trade dynamics. The **Poisson Pseudo-Maximum Likelihood (PPML)** estimation was employed to guarantee robustness against heteroscedasticity and zero trade flows (Silva & Tenreyro, 2006).

To calculate the predicted trade flows, the **gravity model equation** was used. For each scenario, the values of the coefficients and variables (including manipulated variables) of the estimated Gravity Model for ECOWAS member countries and their 10 major trade partners were plugged in to compute the predicted trade flows.

**Table 1: Scenario Simulations**

| Scenario                                  | Description                                                | Key Variable(s) Manipulated                       | Objective                                         |
|-------------------------------------------|------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| <b>Scenario 0: Baseline (Status Quo)</b>  | None of the three shocks applied                           | None                                              | Serve as the basis of the simulations             |
| <b>Scenario 1: Escalated Tariff War</b>   | Increase average global tariffs by 15%                     | Tariff <sub>ij,t</sub> , TariffShock <sub>t</sub> | Estimate trade contraction and diversion patterns |
| <b>Scenario 2: Total USAID Withdrawal</b> | Set USAID flows to zero for all affected countries in 2025 | Aid <sub>it</sub> , AidShock <sub>it</sub>        | Assess aid dependency risks on trade and growth.  |

|                                            |                                                                  |                                                                       |                                                              |
|--------------------------------------------|------------------------------------------------------------------|-----------------------------------------------------------------------|--------------------------------------------------------------|
| <b>Scenario 3: Full Disintegration</b>     | Assume a complete economic exit of Burkina Faso, Mali, and Niger | Set ECOWAS <sub>ij,t</sub> = 0 for all dyads involving exiting states | Simulate effects on intra-ECOWAS trade volume and cohesion   |
| <b>Scenario 4: Intra-ECOWAS free Trade</b> | Assume no tariff on intra-ECOWAS trade                           | Tariff <sub>ij,t</sub> ,                                              | Simulate effects of intra-ECOWAS free trade on trade volume. |

### *Model Specification*

The gravity model traditionally explains trade flows between countries based on their economic sizes and distance. The gravity model suggests that exports from country to country are proportional to the “economic mass” of each country (usually GDPs) and inversely related to the “distance” between them (geographic, policy, or cultural frictions). The gravity model posits that the bilateral trade flows,  $T_{ij}$ , between two distinct countries,  $i$  and  $j$ , is directly proportional to the economic sizes,  $M_i$  and  $M_j$ , while being inversely proportional to the distance,  $D_{ij}$ , separating them. The model also has a gravitational constant ( $G$ ), and its basic equation is expressed as:

$$T_{ij} = GM_i M_j D_{ij}^{-1} \quad (1)$$

Equation (1) indicates that trade partners’ economic size and distance are directly and inversely proportional to their trade flows, respectively. Distance, which determines transaction costs, is a critical factor in the gravity model

To make equation (1) estimate, it is transformed to a log-linear form by expressing it in natural logarithms:

$$\ln T_{ij} = \ln G + \ln M_i + \ln M_j - \ln D_{ij} \quad (2)$$

To enable econometric estimation and account for other factors affecting trade (such as common border, common official language, and membership of the same regional economic communities), equation (2) is augmented as follows:



$$\ln \text{logtrade}_{ijt} = 0 + 1 \log \text{GDP}_{it} + 2 \log \text{GDP}_{jt} - 3 \log \text{Distance}_{ijt} + 4 \text{Border}_{ijt} + 5 \text{Colony}_{ij} + 6 \text{LCommolanguage}_{ij} + 7 \text{ECOWASmembership}_{ij} + 8 \text{Politicalstability}_{it} + 9 \text{Tariff}_{it} + 10 \text{Tariff}_{jt} + 11 \text{USAID}_{it} + 12 \text{ECOWASexit}_{it} + 13 \text{Aidshock}_{it} + 14 \text{Tariffshock}_{it} + 15 \text{ECOWASTariffshock}_{it} + \mu + \gamma + \epsilon_{ijt} \quad (3)$$

Where:  $\text{Trade}_{ijt}$ : Trade flow between country  $i$  and  $j$  at time  $t$ ;  $\log \text{GDP}$ : log of GDP of country  $i$  or  $j$ ;  $\text{Distance}_{ij}$ : Geographic distance between country capitals;  $\text{Border}_{ij}$  (Dummy = 1 if countries share a border and 0 otherwise);  $\text{ECOWAS membership}_{ij}$  (Dummy = 1 if both are in ECOWAS and 0 otherwise);  $\text{Tariff}_{ij}$ : Applied tariff rate on bilateral trade;  $\text{USAID}_{it}$ : USAID received by country  $i$  (to test USAID effect);  $\text{Political Stability}$ : WGI index for stability;  $\text{Tariff Shock}_{t}$ : Dummy = 1 for 2025 onward;  $\text{ECOWAS Exit}_{ij,t}$ : Dummy = 1 if either  $i$  or  $j$  is Burkina Faso, Mali, or Niger post-2025;  $\text{Aid Shock}_{it}$ : Dummy = 1 in 2025 for countries with high USAID dependence, and  $\text{ECOWAS Tariffshock}_{ij,t}$ : Interaction term to capture compound effects ( $\text{Tariff Shock} \times \text{ECOWAS}_{ij,t}$ ).

### ***Scope of the Analysis and Data Sources***

The study covers the period between 2010 and 2025, while the base year (Status quo) for forecasting is 2024. Ten major trading partners to ECOWAS member countries, which accounted for more than seventy percent (70%) of ECOWAS trade flows, were selected. Bilateral trade data were obtained from the International Trade Centre (ITC) database; Economic Indicators, Institutional Quality, and Tariffs are derived from World Bank World Development Indicators (WDI); Foreign Aid is from USAID Foreign Aid Explorer; and CEPII Gravity Dataset. CEPII is the source of distance, border, common language, and colonial ties.

### **Empirical Results**

After the results of the preliminary tests (Descriptive Statistics and Correlation matrix), regression and scenario analysis are presented in this section.

## The Gravity Model Results

Most traditional Gravity Model variables have the expected results, except for the distance and aid shock. Though under normal conditions, trade decreases with distance and withdrawal of USAID funding. But in empirical ECOWAS trade analyses, it is not unexpected to find a positive coefficient on distance or a positive coefficient for aid withdrawal, owing to the economic and institutional realities that differ from the “classical” model assumptions. A positive distance coefficient in ECOWAS gravity models may arise for several valid economic and econometric reasons: Re-export and hub effects - Some ECOWAS countries (such as, Nigeria, Ghana, Côte d'Ivoire) serve as regional trade hubs, hence goods produced far away (for instance, from the EU, China, or USA) are imported into these hubs and then re-exported to nearby countries. Thus, longer distances may correspond to higher total recorded trade values, especially when re-exports are counted. Quality and specialization effects - Longer-distance trade partners often supply higher-value goods, such as refined fuels, vehicles, or electronics. Hence, trade value (in USD) rises with distance because distant partners tend to export more sophisticated goods (Disdier & Head, 2008); Infrastructure and trade corridors effects - Improvements in corridors and ports (for instance, Abidjan-Lagos Corridor, ECOWAS Highway) have reduced the effective impact of distance. This makes physical distance less relevant and may even flip the sign positive when trade costs fall but trade volumes increase for longer routes.

Similarly, the aid shock variable can be positive owing to the following: Aid substitution and self-reliance response - When USAID funding is withdrawn, affected countries may respond by boosting intra-ECOWAS trade to fill financing and import gaps, seeking regional investment and trade partnerships to compensate for lost U.S. support. Thus, intra-regional trade intensity can increase after aid stoppage (contrary to expectations); Trade diversion effects - the stoppage of USAID can divert trade flows away from the U.S. towards intra-African partners or non-traditional markets. This diversion results in higher ECOWAS-to-rest-of-Africa trade, though total aid fell; Temporal or lagged aid-trade relationship - some aid-financed projects (such as transport, trade facilitation, customs reforms) have long-term impacts. Even with aid withdrawal, the infrastructure remains, so





trade continues to rise, creating a positive lagged effect. The tariff negatively affects ECOWAS trade flows to major trade partners, while the real Gross Domestic Products (GDP) of the countries and membership of ECOWAS have a positive impact on the trade flows.

The positive and significant relationship between  $\text{loggdp}_i$  (0.200) and  $\text{loggdp}_j$  (0.055), confirms that larger economies trade more. Exporter GDP has a stronger effect, reflecting the production-side dominance in regional trade flows. The positive and significant relationship between Border (0.021) and Colony (0.056) indicates that historical and geographic ties enhance trade. The results suggest that linguistic proximity fosters bilateral trade (Common Language, 0.019). ECOWAS Membership (0.105) has highly significant and strong positive effects, highlighting the positive effect of regional integration on trade intensity. Political Stability (0.010) in the exporter economy marginally boosts trade, underscoring the governance-trade linkage. Tariff $_i$  (-1.264) is large and strongly negative, indicating that higher exporter tariffs drastically reduce trade flows. tariff $_j$  is negative but insignificant ( $p = 0.145$ ), implying that importer tariffs play a smaller role in regional trade. USAID $_i$  (0.007) is significant, suggesting aid enhances export competitiveness, possibly through trade infrastructural financing. ECOWAS Exit (-0.003) is insignificant, implying that the limited number of exit cases has not yet significantly altered trade patterns. Aid shock, Tariff shock $_i$ , and ECOWAS Tariff shock are all statistically insignificant, suggesting that the immediate effects of these shocks are either lagged or moderated by regional compensatory mechanisms. The R-squared value of 0.623 indicates that the model explains approximately 62% of the variation in bilateral trade flows - high for cross-country trade data.

The results confirm the validity of the gravity model and highlight the importance of economic size, regional integration, stability, and low tariffs in driving intra-African trade. The negative aid effect and insignificant exit/tariff shock dummies suggest resilience of ECOWAS trade networks, though further dynamic analysis (For instance, policy simulations) is needed to capture long-run adjustments.

**Table 4: The Gravity Model Results**

| logtrade_ij                     | Coefficient | Robust std. err. | Z       | P>z   | [95% interval] | conf.  |
|---------------------------------|-------------|------------------|---------|-------|----------------|--------|
| loggdp_i                        | 0.200       | 0.004            | 44.720  | 0.000 | 0.191          | 0.209  |
| loggdp_j                        | 0.055       | 0.004            | 13.790  | 0.000 | 0.047          | 0.063  |
| distance                        | 0.033       | 0.010            | 3.360   | 0.001 | 0.014          | 0.052  |
| border                          | 0.021       | 0.010            | 2.180   | 0.029 | 0.002          | 0.039  |
| colony                          | 0.056       | 0.010            | 5.870   | 0.000 | 0.037          | 0.075  |
| Common language                 | 0.019       | 0.005            | 3.840   | 0.000 | 0.009          | 0.028  |
| Ecowas membership               | 0.105       | 0.013            | 8.240   | 0.000 | 0.080          | 0.130  |
| political_stability_i           | 0.010       | 0.004            | 2.580   | 0.010 | 0.002          | 0.017  |
| tariff_i                        | -1.264      | 0.276            | -4.580  | 0.000 | -1.805         | -0.723 |
| tariff_j                        | -0.149      | 0.102            | -1.460  | 0.145 | -0.349         | 0.051  |
| usaid_i                         | 0.007       | 0.001            | -6.220  | 0.000 | -0.009         | -0.005 |
| Ecowas exit                     | -0.003      | 0.021            | -0.130  | 0.899 | -0.044         | 0.038  |
| Aid shock                       | 0.028       | 0.025            | 1.140   | 0.253 | -0.020         | 0.077  |
| Tariff shock_i                  | -0.014      | 0.024            | -0.580  | 0.560 | -0.061         | 0.033  |
| Ecowas tariff shock             | -0.006      | 0.020            | -0.280  | 0.776 | -0.046         | 0.034  |
| _cons                           | -0.990      | 0.081            | -12.230 | 0.000 | -1.149         | -0.831 |
| Number of parameters: 16        |             |                  |         |       |                |        |
| Number of observations: 2400    |             |                  |         |       |                |        |
| Pseudo log-likelihood: -4271.03 |             |                  |         |       |                |        |
| R-squared: .62288519            |             |                  |         |       |                |        |



## The Scenario Results for ECOWAS and Nigeria

Table 5 presents the scenario analysis results. The estimated ECOWAS and Nigeria trade flows at the baseline scenario when there was no shock are about \$9,005,859.00 and \$6,306,961.00, respectively. This baseline presents normal trade conditions under current tariff levels, USAID support, and full ECOWAS membership. It portrays the equilibrium benchmark for comparing subsequent shocks.

At this stage, trade flows capture existing ECOWAS trade creation effects, which include moderate tariff preferences, cross-border project financing, and peacekeeping cooperation that sustain regional integration.

Scenario one implies an escalated tariff war (with a 15% Tariff increase). The forecasted trade flows from ECOWAS and Nigeria to trade partners reduced to about \$7,202,119.00 (↓ 20.0%) and \$5,043,771.00 (↓ 20.1%), respectively. A global tariff escalation raises the cost of exports and imports across all members, reducing trade competitiveness and overall trade volumes. The roughly 20% decline in both ECOWAS and Nigeria's trade flows suggests reduced external demand and higher import costs. Nigeria relies on imported inputs for manufacturing, higher tariffs abroad lower export competitiveness, and increased production costs domestically. The intra-ECOWAS trade experiences mild trade diversion, as some partners are expected to shift away from costly global imports toward regional suppliers, but overall demand contracts, so net trade creation is limited. The Global tariff shocks weaken ECOWAS export growth, particularly in countries with less diversified production bases. A coordinated ECOWAS trade facilitation response is required to absorb such shocks.

Scenario two projects the USAID withdrawal going forward. The simulation results of scenario two implied that ECOWAS and Nigeria trade flows further declined to about \$5,955,766.00 (↓ 33.9%) and \$3,466,411.00 (↓ 45.0%), respectively. The withdrawal of USAID has a large contractionary effect, particularly on Nigeria, which is the highest beneficiary of USAID in West Africa. USAID supports trade-related infrastructure, border modernization, and regional energy/transport corridors. The sharp fall for Nigeria (–45%) suggests strong aid–trade complementarity, as USAID-funded programs historically

reduce logistical bottlenecks. The ECOWAS-level decline (–34%) also indicates the loss of development financing that supports intra-regional investment and institutional cooperation. The loss of aid reduces trade facilitation capacity, logistics efficiency, and technical support for exporters (Portugal-Perez & Wilson, 2012). Reduced aid-related imports and lower donor-financed projects undermine demand for Nigerian exports of construction and services. Aid is a critical enabler of regional integration; without it, transaction costs rise sharply and intra-regional trade networks weaken.

Scenario three represents full disintegration - exit of Burkina Faso, Mali, and Niger from ECOWAS. Scenario three forecasted trade flows for ECOWAS and Nigeria were reduced compared with the baseline scenario to about \$8,762,962.00 (↓ 2.7%), and \$6,120,562.00 (↓ 3.0%). The exit of these three Sahel states causes a modest but significant decline in total trade flows. While their economies are relatively small, their strategic location as transit and landlocked partners magnifies the systemic effect. ECOWAS total trade reduces by about 2.7%, but corridor disruptions cause regional supply-chain frictions. Nigeria's bilateral trade with the exit states declines directly (loss of ECOWAS membership premium), while indirect effects arise from disrupted re-exports and logistics routes through Niger. Reduced trade creation is caused by the loss of tariff preferences and coordination mechanisms. Trade diversion can be derived from some flows rerouting through coastal ECOWAS members (for instance, Ghana, Côte d'Ivoire), increasing transport costs. The disintegration undermines both intra-regional connectivity and cross-border market access. This underscores the fragility of ECOWAS integration and the need for redundancy in corridor infrastructure.

Scenario four evaluates a full intra-ECOWAS free trade arrangement under which all tariffs on intra-regional trade are eliminated. Relative to the 2024 baseline, total ECOWAS trade increases to approximately \$10.19 billion, representing a 13.1 percent expansion, while Nigeria's trade rises to about \$6.81 billion, reflecting an 8.0 percent gain. These outcomes indicate clear net trade creation across the region under zero intra-regional tariffs. The results suggest that eliminating tariff barriers strengthens price competitiveness of regional goods, stimulates intra-bloc sourcing, and deepens production linkages. Lower transaction costs encourage firms to reorient trade toward neighbouring markets, expand



the extensive margin of trade, and improve capacity utilisation within the region. For ECOWAS as a whole, the gains reflect enhanced market integration and improved allocative efficiency, with regional demand absorbing a larger share of output.

Nigeria's positive but comparatively moderate expansion underscores its dual role as both a dominant regional supplier and a major extra-regional trader. While tariff elimination supports export growth, structural bottlenecks, such as logistics inefficiencies and infrastructure constraints, may temper the scale of expansion. The findings therefore imply that full free trade within ECOWAS can serve as a stabilizing mechanism against external shocks, but its long-term effectiveness depends on complementary reforms in trade facilitation, corridor development, and regulatory harmonization to consolidate welfare and growth gains.

Tariff wars and aid withdrawal expose ECOWAS's dependence on global demand and external financing, which depicts the region's external vulnerability. The relatively small losses from disintegration compared to gains from facilitation show that regional policies can restore lost trade capacity - Regional integration buffers shocks. As both a regional hub and an external trade player, Nigeria is particularly affected by global shocks but also stands to benefit most from regional liberalization - Nigeria's dual role. Transport corridors, digital trade systems, and logistics reforms amplify the benefits of tariff reduction and promote genuine trade creation - Infrastructure leverage.

**Table 5: The Scenarios Results (2024 as base year, in million USD)**

|                                                                                         | Forecasted Trade Flows |              |
|-----------------------------------------------------------------------------------------|------------------------|--------------|
|                                                                                         | ECOWAS                 | Nigeria      |
| <b>Scenario 0 (Baseline: None of the three shocks in place)</b>                         | 9,005,859.00           | 6,306,961.00 |
| <b>Scenario 1 (Escalated Tariff War, 15% increase)</b>                                  | 7,202,119.00           | 5,043,771.00 |
| <b>Scenario 2 (Total USAID Withdrawal)</b>                                              | 5,955,766.00           | 3,466,411.00 |
| <b>Scenario 3 (Full Disintegration - exit of Burkina Faso, Mali, Niger from ECOWAS)</b> | 8,762,962.00           | 6,120,562.00 |
| <b>Scenario 4 (Intra-ECOWAS free Trade - No tariff on intra-ECOWAS trade)</b>           | 10,188,455.07          | 6,814,045.13 |

Source: Author's computed Scenarios Results (2025)

The scenario analyses indicate clear differentiation in the magnitude and direction of trade effects across the different scenarios as shown in Table 6. These results are further represented in Figures I and II for ECOWAS and Nigeria respectively. Under the baseline (Scenario 0), trade flows remain at their normal equilibrium levels, providing a reference point for assessing subsequent shocks and policy responses. Scenario 1, which models a 15 percent increase in global tariffs, produces a uniform contraction of 20 percent in both ECOWAS-wide and Nigeria's trade flows. This reflects broad-based trade compression driven by higher external trade costs, with only mild trade diversion as regional economies adjust sourcing patterns but remain constrained by elevated global barriers.

Scenario 2, representing a total USAID withdrawal, generates the most severe decline. ECOWAS trade falls by 34 percent, while Nigeria experiences a sharper 45 percent contraction. The disproportionate effect on Nigeria is consistent with its relatively higher exposure to aid-linked trade and financing channels. The result reflects a collapse in trade



creation, with reduced liquidity, weakened demand, and constrained trade-support mechanisms amplifying the downturn.

Scenario 3, which assumes the exit of Burkina Faso, Mali, and Niger from ECOWAS, leads to comparatively modest declines of 2.7 percent for ECOWAS and 3.0 percent for Nigeria. The results suggest corridor disruptions and some loss of intra-regional trade creation, but limited systemic destabilization of overall trade flows.

Scenario 4, modelling full intra-ECOWAS free trade through zero regional tariffs, produces positive trade effects across the bloc. ECOWAS trade expands by 13.1 percent, while Nigeria records an 8.0 percent increase. The gains reflect net trade creation driven by improved regional price competitiveness and deeper market integration. Although Nigeria's expansion is moderate relative to the regional aggregate, the outcome confirms that tariff elimination within ECOWAS enhances trade resilience and strengthens intra-bloc economic linkages.

**Table 6: Comparative Summary of Scenario Results**

| Scenario | Shock/Policy                                        | ECOWAS Trade ( $\Delta\%$ ) | Nigeria Trade ( $\Delta\%$ ) | Main Effect                                                                 | Trade Creation vs Diversion                                                |
|----------|-----------------------------------------------------|-----------------------------|------------------------------|-----------------------------------------------------------------------------|----------------------------------------------------------------------------|
| 0        | Baseline (Status quo)                               | –                           | –                            | Normal trade equilibrium                                                    | –                                                                          |
| 1        | 15% World Tariff Rise                               | –20                         | –20                          | Trade contraction                                                           | Mild diversion                                                             |
| 2        | USAID Withdrawal                                    | –34                         | –45                          | Severe trade decline                                                        | Reduced creation                                                           |
| 3        | ECOWAS Exit (BFA, MLI, NER)                         | –2.7                        | –3.0                         | Corridor disruption                                                         | Lost creation                                                              |
| 4        | Intra-ECOWAS Free Trade (Zero intra-ECOWAS tariffs) | +13.1                       | +8.0                         | Significant regional trade gain; Nigeria experiences slight trade expansion | Trade creation regionally; moderate increase in trade creation for Nigeria |

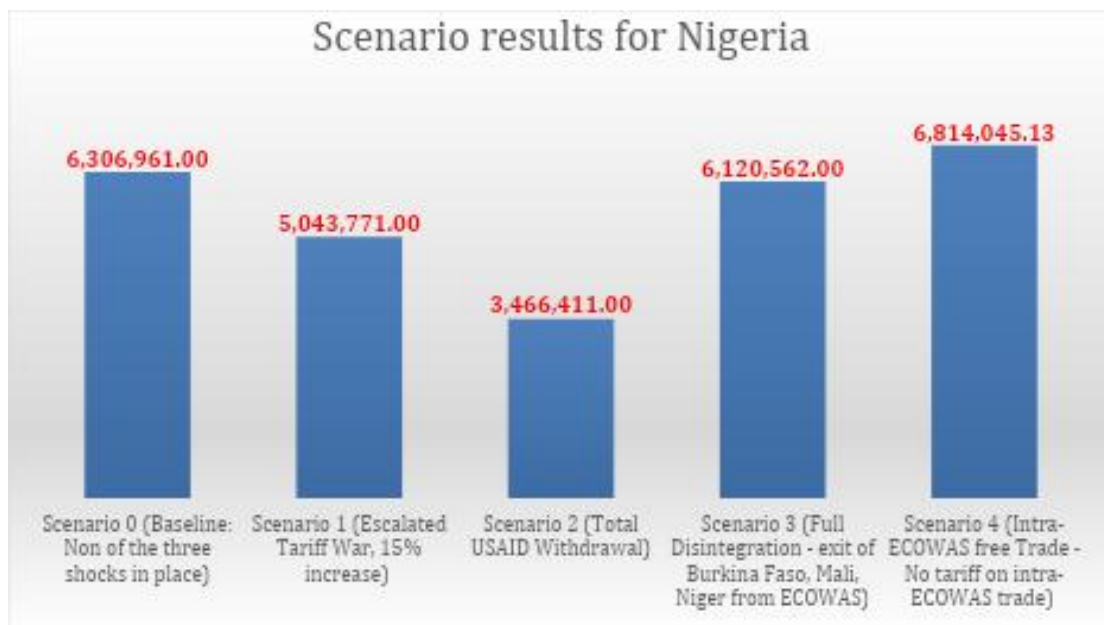
Source: Author's Compilation of the Comparative Summary of Scenario Results (2025)

Figure 1: Scenario Analysis for ECOWAS Trade Flows (in Million USD)



Source: Author's Computation Results (2025)

Figure 2: Scenario Analysis for Nigeria's Trade Flows (in Million USD; 2024 as base year)



Source: Author's Computation (2025)





101, Yakubu Gowon Crescent,  
Asokoro District, P.M.B 401,  
Abuja, Nigeria

[www.ecowas.int](http://www.ecowas.int)

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