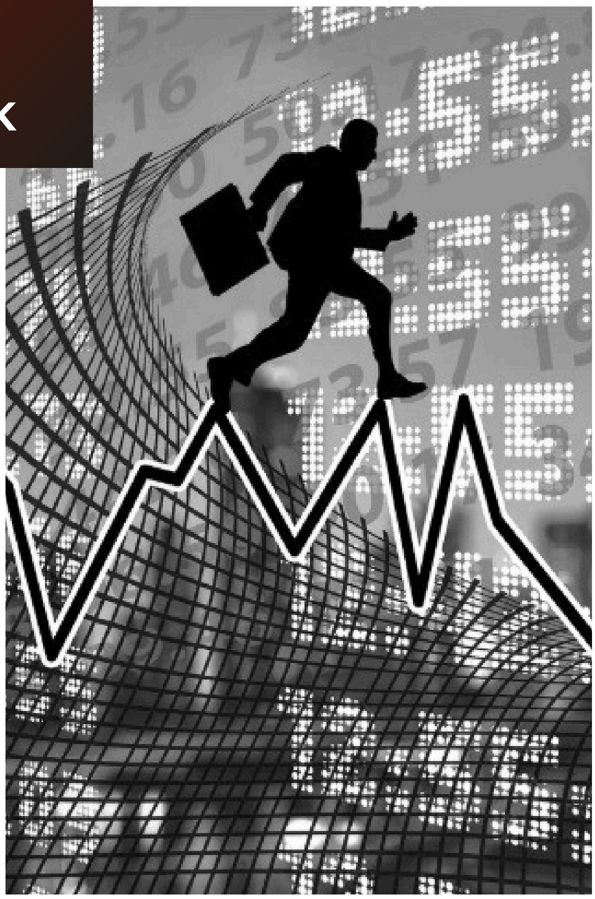
Crimson Oak
PARTNERS

ECONOMIC OUTLOOK FOR 2026

WHAT IS INSIDE

2026 NIGERIA MACROECONOMIC OUTLOOK



Nigeria enters 2026 in a much better economic position than it has been since the 2016 oil-price shock. The difficult adjustment period caused by foreign exchange liberalisation, subsidy removal, and monetary tightening in 2024 and 2025 has mostly ended. In 2026, the economy is no longer in crisis but also not entirely comfortable. It is moving from stabilisation to selective recovery.

Macroeconomic Trajectory

Inflation has peaked and is now on a downward trend, supported by a more stable exchange rate, tight liquidity, domestic fuel refining, and improving external balances. However, inflation will stay high by global standards due to ongoing food supply issues, insecurity in agricultural areas, and elevated logistics costs. Disinflation in 2026 will be gradual rather than dramatic. The Central Bank is expected to carefully reduce its emergency interest rates. While rates will remain high, they should decrease as inflation falls.

Source: CBN, NBS, NNLPC, IMF

Credit conditions will improve selectively, benefiting larger companies and key sectors such as manufacturing, agriculture, and export-oriented industries. Small and medium-sized enterprises, along with informal businesses, will continue to face limited access to finance.

Exchange Rate & External Position

Nigeria's external position is the strongest it has been in over a decade. The convergence of the foreign exchange market, reserve accumulation above $40 billion, a rising current-account surplus, and reduced fuel-import demand have created a solid foundation for the naira. While capital flows related to elections and global risks may cause some volatility, the chance of a major devaluation in 2026 is significantly lower than in past cycles.

Fiscal Reality

The government can no longer spend its way to growth due to structural constraints. Debt-service costs and election-related financial pressures mean 2026 will require tighter but more disciplined public finances. The New Tax Act represents a turning point: enforcement will increase, compliance costs will rise, and the informal economy will be drawn into the tax system. This situation may be challenging in the short term but will support long-term stability. Nigeria is shifting from a rent-based fiscal model to a rules-based system. Compliant, well-governed, and properly structured businesses will have an edge over informal competitors.

Source: CBN, NBS, NNLPC, IMF

Political & Election Risk

The upcoming 2027 elections will overshadow the economy throughout 2026. Historically, this period brings: Increased government spending and liquidity FX pressure from political demand for dollars Capital market fluctuations Policy inconsistencies These risks will not derail the economy, but they will create more volatility and lessen investor risk appetite in the latter half of the year.

Global Backdrop

On a global scale,2026 will be characterised by weak trade growth, geopolitical divisions, and low commodity prices. This environment benefits low-cost and efficient producers as well as countries with improving domestic demand and foreign exchange stability. Nigeria will gain from lower oil prices in terms of inflation but must manage declining export revenues carefully.

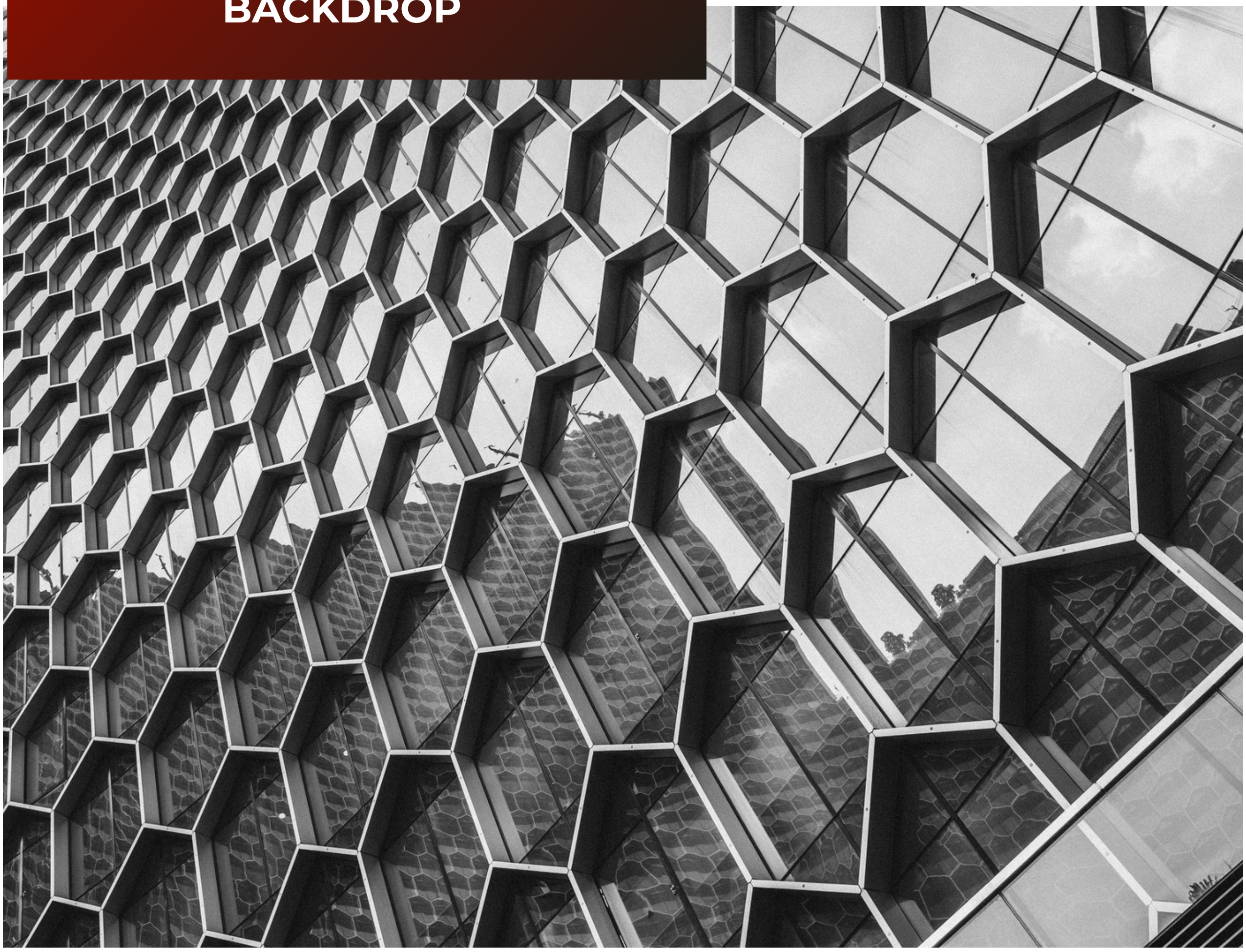
Nigeria in 2026 is no longer in a state of economic freefall. It is entering a phase of fragile but genuine recovery. Growth will be moderate. Inflation will decrease but remain high. Interest rates will decline slowly. The naira will show more stability but also experience volatility. The government will increase taxes while spending more selectively. Political factors will create noise but not cause a collapse.

Source: CBN, NBS, NNLPC, IMF

For investors and businesses, this presents a selective opportunity economy. Those with strong financial positions, local supply chains, formal compliance, and discipline in foreign exchange will thrive. Those depending on cheap credit, subsidies, and arbitrage will face difficulties.

Source: CBN, NBS, NNLPC, IMF

2025 MACROECONOMIC BACKDROP



Despite high food prices, the Nigerian economy in 2025 was characterized by the ongoing implementation of significant policy reforms (FX market liberalization and subsidy removal), which resulted in a period of economic stabilization, strong growth in the non-oil sector, and a notable slowdown in the headline inflation rate.

Indicator Real GDP	Key Performance Data (2025)
Real GDP Growth (YoY)	Full Year Projection: 3.8% – 4.2%
	Q3 2025: 3.98%
	Q1 2025: 3.13%
Headline Inflation Rate (YoY)	End-of-Year: Trimmed to 27%
	November 2025: 14.45% (Lowest since Oct 2020)
November 2025: 14.45% (Lowest since Oct 2020)	Start-of-Year: 27.5% End-of-Year: Trimmed to 27%
Fiscal Deficit	Projection: 2.6% of GDP
Public Debt	Projection: Expected to decline to 39.8% of GDP (first decline in over a decade)
External Reserves	Exceeded $42 Billion (as of October 2025)
Current Account	Surplus rising to 6.1% of GDP

Source: CBN, NBS, IMF, World Bank, NNPCL

Macroeconomic Review

1. **Economic Growth (GDP)**:The non-oil sector, which accounted for roughly 96.56% of the total GDP in Q3 2025, was the main driver of Nigeria's steady development throughout 2025.

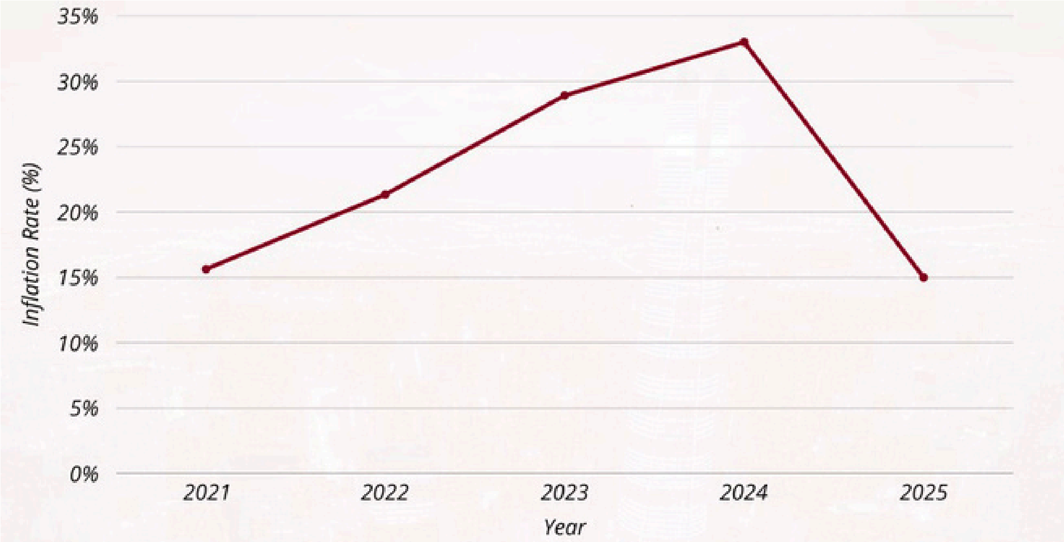
- Growth Drivers: Information and Communication (ICT), Financial Services, and Real Estate all performed well, and the Services Sector continued to be the biggest contributor. A better harvest season helped agriculture report higher growth (3.79% in Q3).
- Oil Sector: In Q3 2025, the oil sector grew by 5.84%, with average crude oil output increasing to 1.64 mbpd. Improved security and fewer disruptions, new development projects like Akpo West, Ikike, and Utapate fields, and Nigeria's dedication to fulfilling or above its OPEC quota are all responsible for this rise. A stronger external position was a result of this increased output.

2. P**rice stability and inflation**: A combination of persistent monetary tightening, relative exchange rate stability, and base effects from the early rebasing of the Consumer Price Index (CPI) contributed to the year's sharp decline in the headline inflation rate.

- **Headline Inflation:** For the first time in six years, the rate dropped below the government's 15% budget estimate, from almost 24% at the start of the year to 14.45% in November 2025

Source: CBN, NBS, IMF, World Bank, NNPCL

- **Food Inflation:** Although it decreased to 11.08% in November, structural problems, supply chain bottlenecks, and insecurity in areas that produce food continued to be major obstacles.



Headline Inflation Rate

3.Monetary Policy and Interest Rates

- The Central Bank of Nigeria (CBN) maintained a restrictive monetary policy stance throughout 2025 to anchor inflation expectations and stabilize the foreign exchange market.
- The First Rate Cut: In September 2025 (the 302nd MPC meeting), the CBN trimmed the rate by 50 basis points (from 27.5% to 27.0%). This was the first cut since the tightening cycle began in 2024, signaling that the "worst" of the inflationary surge was over.
- The November 2025 Stance: At the final meeting of the year (Nov 24-25), the committee chose to hold the rate at 27.0%. While inflation had dropped significantly (to 16.05% in October), the CBN wanted to avoid "premature celebration" and ensure liquidity remained managed.

Source: CBN, NBS, IMF, World Bank, NNPCL

- **Liquidity Management (Non-TSA CRR):** Even as they eased the interest rate, they introduced a 75% Cash Reserve Ratio (CRR) on non-TSA public sector deposits. This means they are trying to support growth with lower rates while still mopping up "excess" government money to prevent it from fueling new inflation.

4. External Sector and Exchange Rate

Improved foreign exchange availability helped reduce imported inflation, and the external sector exhibited indications of growing stability.

The external sector in 2025 shifted from a period of volatility to one of strengthening stability. This was underpinned by a significant improvement in foreign exchange liquidity, which played a crucial role in easing imported inflation. A landmark achievement of the year was the near-total convergence of the exchange rate markets; by Q3 2025, the "premium" between the official (NAFEM) and parallel markets dropped to less than 3%. Throughout the second half of the year, the Naira maintained a stable range between N1,450 and N1,550/$1.

This stability was mirrored in the nation’s external buffers. Foreign reserves grew to exceed $42 billion, providing a robust defence against external shocks. Consequently, the current account surplus rose significantly, supported by a twin-engine strategy: the aggressive promotion of non-oil exports and a sharp reduction in oil-related outflows. The latter was primarily driven by the scaling of domestic refining capacity, particularly the Dangote Refinery, which aimed to drastically reduce Nigeria's historical dependence on imported refined petroleum.

Source: DMO, FIRS, NBS

5. Fiscal Policy, Public Finance, and Structural Reforms

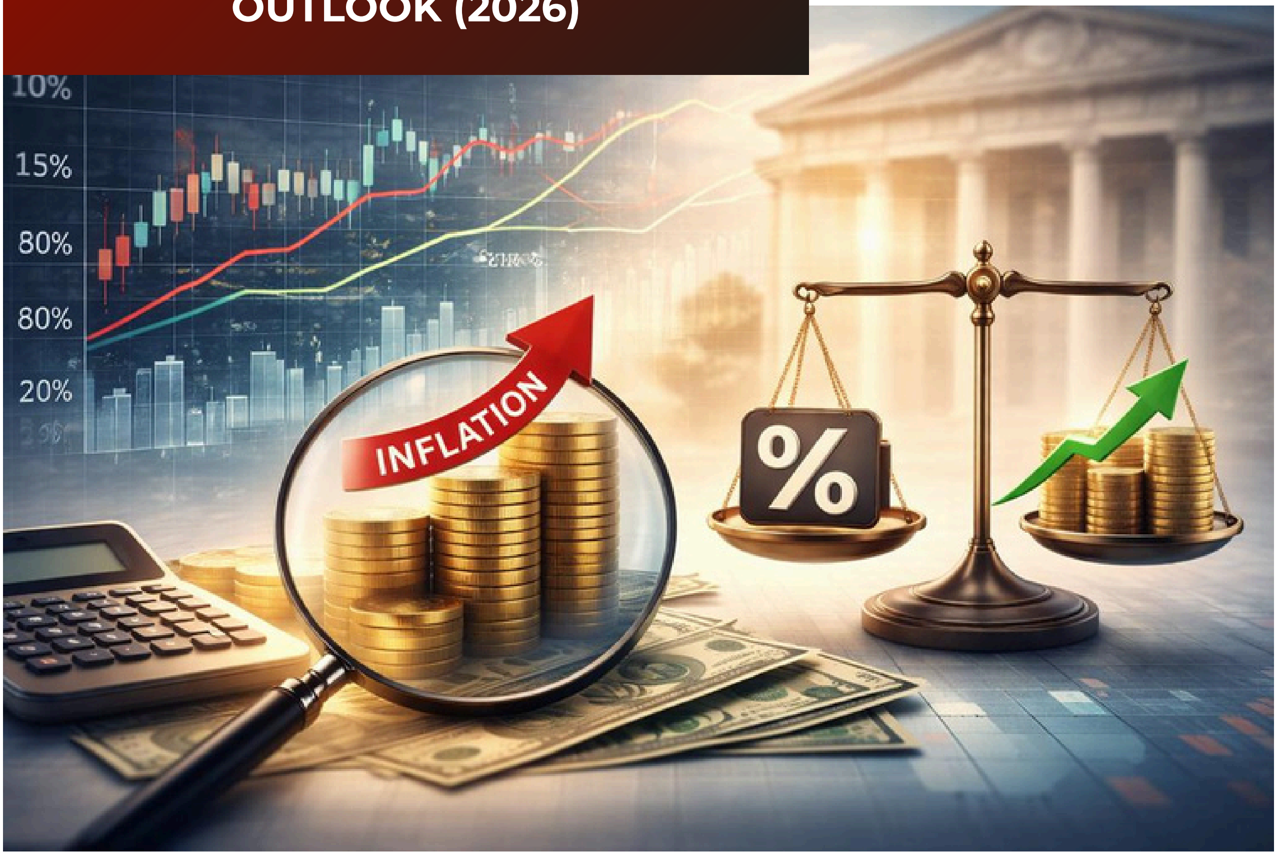
Fiscal policy in 2025 was defined by a rigorous focus on domestic revenue mobilization and a strategic pivot in debt management. For the first time in over a decade, the public debt-to-GDP ratio showed a meaningful decline, with projections placing it at 39.8%. This fiscal space was created by the definitive removal of the "fiscal subsidy" on petrol, which was replaced by the "Crude-for-Naira" initiative. By allowing domestic refineries to purchase local crude in the national currency, the government effectively eliminated the need for the Central Bank (CBN) to provide billions of dollars monthly for fuel imports, further preserving foreign reserves.

The government also implemented extensive tax reforms in 2025 as part of its domestic revenue mobilization strategy with the goals of increasing compliance, streamlining administration, and expanding the tax base. The revisions, which were mostly phased until 2026 to alleviate short-term cost-of-living concerns, reinforced enforcement procedures, improved digital tax administration, and integrated several tax acts. The revisions are anticipated to provide more predictable and non-oil income growth over the medium term, but with greater compliance and operating costs for firms, even though the immediate revenue impact in 2025 was minor.

Despite these macroeconomic gains, the policy focus remained balanced toward social stability. Aligning with recommendations from the World Bank, the government emphasized improving the efficiency of public spending and expanding social protection programs. This was designed to ensure that the benefits of fiscal realignment and debt sustainability translated into tangible welfare improvements for the poor and vulnerable, who had been most affected by the transition away from subsidies.

Source: DMO, FIRS, NBS

MONETARY POLICY AND INFLATION OUTLOOK (2026)



In order to control inflation and stabilise the foreign exchange market, the CBN adopted a strict monetary policy throughout the majority of 2025. The MPR was lowered to 27.0% in September 2025, reflecting early indications of disinflation while still being sufficiently restrictive to underpin inflation expectations. This marked the culmination of a cautious policy reversal. The CBN's dedication to price stability was demonstrated by the strict management of liquidity conditions through a 45% CRR for Deposit Money Banks, a 75% CRR on non-TSA public sector deposits, and a 30% Liquidity Ratio.

Expectations for 2026 Inflation

Nigeria's inflation forecast for 2026 is influenced by conflicting structural factors.

On the disinflationary side, it is anticipated that increasing local sourcing of industrial raw materials and the growth of domestic refining capacity, spearheaded by the Dangote Refinery, will lower the need for foreign currency, promote more exchange-rate stability, and mitigate imported inflation. Additionally, increased domestic fuel supply should reduce energy-related cost pressures in industry, services, and transportation, supporting headline inflation's declining trajectory.

However, ongoing food inflation brought on by structural supply bottlenecks, logistical difficulties, and instability in important agricultural regions is likely to substantially offset these improvements. As a result, while headline inflation is expected to continue moderating in 2026, the pace of disinflation is likely to be gradual, keeping inflation above historical averages despite improved macroeconomic fundamentals

Monetary Conditions and Credit Trends in 2026

The CBN may gently move toward a less restrictive stance as inflation pressures progressively lessen, allowing interest rates to stay high but gradually drop. A gradual increase in bank lending may be supported by this climate, especially as confidence grows and CRR circumstances return to normal.

However, it is anticipated that liquidity management will continue to be a policy priority, which might limit credit to riskier groups, such as SMEs and early-stage companies, unless it is supplemented by targeted intervention or loan-guarantee programs.

Business Implications

Even though interest rates might drop a bit, the cost of borrowing is likely to stay high in 2026. This situation could allow for selective investment in capital-heavy areas like manufacturing and agriculture, particularly for companies with solid cash flows and access to structured financing.

Businesses should prepare for a careful lending environment, as banks are expected to stick to strict credit standards that focus on profit and risk.

Consumer credit growth may slowly bounce back, which could help demand improve a little. However, borrowing is not likely to return to the high levels seen before the tightening, so consumer spending will probably stay cautious instead of becoming aggressive.

FISCAL POLICY OUTLOOK FOR NIGERIA (2026)

Nigeria's New Tax Act 2025

Nigeria's New Tax Act 2025 is expected to play a central role in shaping the country's financial and economic landscape by 2026. The reforms aim to strengthen revenue collection, expand the tax base, and lessen Nigeria's long-standing reliance on unpredictable oil revenues. In 2025, the Federal Inland Revenue Service (FIRS) collected N22.59 trillion in tax revenue within nine months, which is about 90% of its N25.2 trillion target. This figure highlights the progress in tax administration.

A major part of the reform is the expansion of digital compliance systems. These systems include better taxpayer identification, data matching, and electronic filing and payment platforms. These measures are meant to improve efficiency, cut revenue losses, and increase transparency in both federal and state tax systems.

By clarifying assessment rules and aligning tax responsibilities among different levels of government, the Act also seeks to lessen confusion, duplication, and jurisdictional disputes that have historically raised the cost of doing business.

By 2026, the business environment is likely to become more enforcement-driven. This means tighter reporting standards, more audit activities, and less tolerance for informal practices. Companies that have previously operated outside the formal tax system may see higher compliance costs and effective tax burdens, especially in the informal and semi-formal sectors. While this may create short-term challenges, it will support long-term economic formalization and fair competition.

From a broader economic viewpoint, stronger revenue collection should enhance fiscal sustainability by reducing the need for borrowing and supporting better debt management. Nigeria's tax-to-GDP ratio, which was about 9.4% in 2023, is aimed to rise toward 18% by 2026. This should strengthen the government's ability to fund infrastructure, social services, and economic development programs.

Overall, the New Tax Act is likely to lead to a more transparent, disciplined, and predictable financial environment by 2026. While businesses will face higher compliance requirements, the reforms should foster improved investor confidence, stronger public finances, and a more solid foundation for sustainable economic growth.

African Continental Free Trade Area (AfCFTA)

Nigeria's involvement with the AfCFTA continues to impact its fiscal policy choices. While AfCFTA provides long-term growth prospects through greater market access, it also brings immediate fiscal challenges, particularly from gradual tariff cuts and possible revenue losses from customs duties (African Union, 2023).

By 2026, fiscal policy is expected to shift more towards domestic tax reforms to address these revenue challenges, which will lessen dependence on trade taxes. The government may also increase support for sectors focused on exports, trade-related infrastructure, and policies aimed at boosting competitiveness.

These changes should encourage greater domestic production, create jobs, and promote regional trade integration over time. Even though short-term revenue pressures may continue, effective cooperation between fiscal policy and AfCFTA implementation should enhance Nigeria's economic diversification, boost non-oil revenue collection, and promote more sustainable growth by 2026..

Debt Management and Targeted Expenditure

Nigeria's high public debt and rising debt-service-to-revenue ratio will continue to limit fiscal flexibility in 2026. With more government revenue used to service debt, there will be less space for large-scale public spending, which may slow the pace of economic expansion. However, the focus on concessional borrowing and longer debt maturities should help reduce financial pressure and support greater stability.

The shift toward domestic revenue mobilisation is expected to strengthen fiscal sustainability over time, reducing Nigeria's dependence on new borrowing. This supports macroeconomic confidence and improves the government's ability to fund priority sectors.

Targeted spending on infrastructure, healthcare, education, social protection, and security is likely to support productivity, job creation, and human capital development.

By linking capital expenditure more closely to growth outcomes, fiscal policy in 2026 may deliver stronger economic impact even under tight budget conditions (Federal Government of Nigeria, 2024).

Overall, while debt constraints will limit fiscal expansion, smarter spending and improved revenue mobilisation should help support steady, more sustainable economic growth in 2026.

GLOBAL ECONOMIC OUTLOOK FOR 2026

The consensus among global analysts points to a moderation in economic momentum as the world moves into 2026. The International Monetary Fund projects global GDP growth of approximately 3.1%, down from 3.3% in 2024, reflecting a gradual cooling rather than a sharp downturn. Growth across advanced economies is expected to remain subdued at around 1.5%, while emerging markets continue to outperform, expanding at just over 4%.

Inflationary pressures are easing across most regions, with global headline inflation projected to settle into the mid-single digits. That said, inflation in the United States is expected to remain above the Federal Reserve's long-term target, underscoring persistent structural pressures in labour markets and services.

Source: FIRS, Business Day, African Union

Despite this broadly stable baseline, risks remain clearly skewed to the downside. Trade fragmentation, geopolitical conflict, and policy uncertainty continue to weigh on confidence. The World Trade Organization warns that elevated U.S. tariffs are materially constraining global trade, with trade volume growth projected at just 0.5% in 2026, shaving an estimated 0.1 percentage point off global GDP. The IMF similarly notes that rising protectionism and economic fragmentation have already dampened growth, with the temporary boost from pre-emptive demand ahead of tariff hikes now largely exhausted.

Overall, most forecasts converge around moderate global growth of roughly 3% in 2026, characterised by underperformance in advanced economies and relatively stronger expansion among emerging markets. However, the global economy remains vulnerable to shocks, particularly from geopolitics and renewed trade disruptions.

Geopolitical Risks and Policy Uncertainty

Geopolitical developments remain one of the most significant sources of uncertainty heading into 2026. Elevated tensions, shifting alliances, and increasingly unpredictable policy environments continue to undermine global confidence. The Economist Intelligence Unit (EIU) expects global growth to slow further to around 2.4%, driven in part by a more protectionist U.S. stance and strained international relationships.

A second Trump administration is reshaping U.S. trade and security policy, accelerating geopolitical and economic realignments. According to the EIU, this shift is likely to place sustained pressure on long-standing alliances and contribute to a more fragmented global order.

Source: EU, IMF

Ongoing instability in the Middle East and other flashpoints continues to cast a long shadow over global markets. These tensions, combined with the residual effects of recent trade disputes, are expected to keep global risk premia elevated. The IMF cautions that prolonged uncertainty, protectionism, and labour-market disruptions could further restrain growth.

In practical terms, this environment is likely to translate into greater policy volatility, more pronounced swings in commodity prices, and less predictable regulatory outcomes across major economies. While inflation is gradually cooling, conflict-related commodity shocks remain a material risk.

In sum, 2026 is shaping up as a year that will test the resilience and adaptability of both sovereigns and corporates, as they navigate an increasingly complex and fragmented global landscape

Trade Policy and the Impact of U.S. Tariffs

Trade tensions remain a central drag on the global outlook. U.S. tariff levels are at their highest in nearly a century. While some of the most aggressive proposed increases have been paused or partially reversed, the overall tariff regime is expected to persist through 2026.

For the U.S. economy, the direct growth impact is expected to be relatively modest. Major forecasters, including Goldman Sachs, anticipate that resilient household incomes and continued fiscal support will help sustain domestic demand.

The global consequences, however, are more pronounced. The WTO notes that the earlier surge in advance imports into the U.S.-as firms sought to avoid higher tariffs-is now unwinding, resulting in a sharp deceleration in trade flows. Global trade growth is projected to remain near 0.5% in 2026.

Source: EU, IMF

In effect, the tariff environment functions as a negative demand shock. Reduced U.S. imports leave foreign producers facing excess capacity, while higher import prices suppress consumer demand within the U.S. Research from the U.S. Federal Reserve indicates that periods of elevated tariff uncertainty typically prompt firms to delay investment decisions and reassess supply-chain structures.

For businesses, this implies continued supply-chain disruption, deferred capital expenditure, and heightened uncertainty. While labour markets may gradually normalise, inflationary pressures could re-emerge intermittently.

Taken together, persistently high U.S. tariffs in 2026 are likely to dampen global trade, force strategic shifts in sourcing and production, and contribute to ongoing price volatility-even if the U.S. economy itself remains relatively resilient.

Oil and Commodity Price Dynamics

Commodity markets are expected to face downward pressure in 2026. The World Bank projects a growing global oil surplus, with Brent crude averaging approximately $60 per barrel, down from $68 in 2025. Overall energy prices are forecast to decline by about 10%, driven by rising supply from both OPEC+ and non-OPEC producers amid slowing demand growth.

The International Energy Agency warns of a potential supply surplus of nearly 4 million barrels per day in 2026-around 4% of global demand-absent additional production cuts. Consequently, the World Bank expects broad commodity prices to decline by approximately 7% year-on-year.

Lower energy prices should help ease input costs and moderate inflation, providing short-term relief for energy-intensive

Source: EU, IMF

industries. However, volatility remains a defining feature of the outlook. Any escalation in geopolitical tensions or expansion of sanctions could quickly reverse price trends. For instance, renewed sanctions targeting a significant share of Russian oil exports could temporarily tighten supply and drive prices materially higher.

Firms should therefore plan for continued oil-price volatility in 2026, with a generally softer average range of $55-$65 per barrel, punctuated by episodic spikes driven by geopolitical events.

Ukraine-Russia War: Ongoing Economic Effects

The war in Ukraine will continue to influence the global economic environment through 2026. Despite periodic optimism around ceasefire discussions, the conflict remains protracted, with no clear resolution in sight.

Ukraine's economy remains fragile, with the World Bank projecting GDP growth of only around 2% in 2025-26, constrained by damaged infrastructure, disrupted exports, and elevated defence spending. European economies remain indirectly exposed, particularly through energy and food markets. Prior to the war, Russia accounted for approximately 11% of the EU's energy consumption and 23% of its oil imports.

Additional sanctions targeting major Russian energy firms could further disrupt supply. Analysts estimate that Russia could lose up to 25% of its oil and gas revenue in 2026, placing pressure on both output and fiscal stability.

Source: EU, IMF

For businesses, the implications are clear: persistent supply risks in energy, metals, agricultural products, and fertilisers. Firms with exposure to Eastern Europe or Russia must continue to hedge against disruptions and sanctions risk. While defence and reconstruction spending may support selected sectors in Europe, broader consumer demand is likely to remain constrained by inflation and tighter household budgets.

Overall, the conflict continues to elevate uncertainty, weigh on European growth, and reshape global trade and energy flows.

Implications for Emerging Businesses in 2026

For businesses-particularly fast-growing firms in emerging markets-the 2026 environment presents a combination of modest growth and elevated volatility. Key considerations include:

- **Supply-chain resilience and investment discipline**: Tariff uncertainty continues to suppress demand and delay investment. Emerging corporates should prioritise supply-chain diversification, including near-shoring and friend-shoring strategies, to mitigate exposure to abrupt policy shifts.
- **Energy costs:** relief with caveats: Lower oil prices may ease operating costs, particularly for manufacturing and logistics-intensive businesses. However, firms should balance short-term cost optimisation with flexibility, recognising the ongoing risk of geopolitical-driven price spikes.
- **Moderate demand conditions:** With global growth hovering around 3%, firms should not rely on broad-based demand expansion. Competitive advantage will increasingly come

Source: EU, IMF

from operational efficiency, cost control, and targeted innovation. While high-growth pockets-such as parts of Asia and Africa-offer opportunity, competition will intensify.

- **Financial conditions**: Easing inflation outside the U.S. is expected to allow for gradual monetary easing. Some forecasts suggest U.S. policy rates could decline toward 3.25-3.5% by late 2026. This should support borrowing conditions, although elevated risk premia mean financing costs are likely to remain structurally higher than pre-2020 norms.
- **Geopolitical risk management:** Heightened geopolitical risk necessitates a more deliberate approach to currency, political, and operational risk. Diversified geographic exposure, digital enablement, and stronger balance-sheet buffers will be critical to navigating policy volatility.

Source: EU, IMF

NIGERIA SOCIO-POLITICAL IMPACTS ON THE NIGERIAN ECONOMY (NOW AND 2026)

Nigeria's social and political environment continues to affect economic performance, investment choices, and policy implementation. Two main factors, insecurity and the upcoming 2027 general elections, are likely to shape the economic landscape in 2026.

Insecurity

Ongoing security issues, such as banditry, insurgency, and local conflicts, disrupt economic activity in affected areas. These interruptions raise business costs, limit agricultural and industrial production, and lower investor confidence. By 2026, even if security measures improve in some regions, businesses and households will likely still consider insecurity in their investment, supply chain, and pricing decisions, especially in agriculture, energy, and logistics.

Source: EU, IMF

2027 Elections

Historical patterns from Nigeria's election cycles show that political transitions have meaningful economic effects, both before and after voting years:

Large Fiscal and Opportunity Costs

Nigeria's election costs have risen sharply over time. Since the return to civilian rule in 1999, the government has spent nearly N981.5 billion on seven general elections, with the cost increasing from N32 billion in 1999 to N355 billion in 2023. Reports suggest the 2027 polls could cost up to N700 billion, representing a significant diversion of public funds from development priorities.

These costs include logistics, voter registration, legal disputes, and potential postponements, with past election delays (e.g., 2019) estimated to have cost Nigeria $2.23 billion (about 2 % of GDP) due to suspended economic activity and uncertainty.

Capital Market Volatility

Past elections have also influenced investor behaviour. In the years surrounding the 2015 and 2019 general elections, Nigeria's stock market experienced sharp declines (equities down about 17–23 % in some periods) as political uncertainty and risk aversion grew among both foreign and domestic investors.

This pattern suggests markets may become more cautious in 2026, with potential short-term declines in investment flows as investors await clearer policy direction ahead of the 2027 polls.

Sources: The Nigerian Inquirer, The Guardian Nigeria, The Nation Newspaper, Reuters, Vanguard News

Money Circulation and Currency Pressures

Economists tracking electoral spending since 1998 have observed that campaign periods often coincide with increased money circulation, including the use of foreign currency, particularly dollars, in political financing. According to these analyses, this surge in liquidity has, in several election cycles (notably 2010, 2014, and 2023), preceded post-election currency instability and economic downturns, as reserves are depleted and exchange rate pressures intensify.

While direct inflation effects from election spending have been debated, there is broad concern that unrestrained pre-election cash flows and foreign currency use can undermine monetary policy gains, weaken the naira, and complicate inflation control efforts.

Policy Shifts and Government Spending

In past election cycles, governments have tended to adjust fiscal behaviour, including recurrent expenditures, in ways that may reflect political priorities. Some analysts link much of the increase in recurrent spending ahead of the 2023 elections (e.g., a significant rise in the federal government's wage and overhead bill) to election-related spending pressures.

In 2026, similar pressures may lead to targeted policy shifts or short-term incentives aimed at winning political support, such as subsidies, cash transfers, or sector-focused relief measures. While these can temporarily boost consumption or household welfare, they can also strain fiscal balances if not carefully managed.

Sources: The Nigerian Inquirer, The Guardian Nigeria, The Nation Newspaper, Reuters, Vanguard News

Implications for 2026

Collectively, these historical dynamics suggest that the lead-up to the 2027 elections will likely introduce:

- Heightened economic uncertainty, which may dampen private investment and capital market performance.
- Increased liquidity and consumption in specific sectors tied to political spending, potentially distorting normal demand patterns.
- Pressure on reserves and monetary conditions if political financing resorts to foreign currency or accelerates credit growth.
- Shifts in fiscal policy and expenditure priorities, reflecting political incentives that may not align with long-term economic goals.
- For businesses and policymakers, this means planning for volatile macroeconomic conditions in 2026, with an emphasis on risk management, scenario planning, and flexibility in investment and operational strategies.

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