

CareEdge Global Upgrades the rating of the Federal Republic of Nigeria to 'CareEdge B+ /Stable'

Issuer rating (Long-Term Foreign Currency)

CareEdge B+/Stable (Unsolicited)
[Upgraded from CareEdge B/Positive]

CareEdge Global has upgraded the Long-Term Foreign Currency Rating of the **Federal Republic of Nigeria** to '**CareEdge B+ /Stable**' (Unsolicited) from '**CareEdge B /Positive**'.

Rationale

Nigeria's rating upgrade reflects broad-based and tangible improvements in its credit profile driven by reform momentum. These reforms have fostered an improved business environment, increased capital inflows, and enhanced exchange rate stability.

Growth came in higher at 3.9% in 2025, versus 3.4% in 2024, driven by foreign exchange (FX) stability along with investment in priority sectors such as electricity, agriculture and transport. Security measures to curb pipeline theft and vandalism, launch of the Production Monitoring Command Centre (PMCC), and expansion of domestic crude oil refining boosted oil production. The reform momentum is expected to continue to enhance productive capacity. Growth is projected at 4.4% in 2026.

On the fiscal side, the 2026 budget projects fiscal deficit narrowing to 3.6% of GDP in 2026 from 4.2% in 2025. While new tax laws aim to lift non-oil revenue and reduce dependence on oil revenues, debt servicing costs and public-sector wages continue to dominate recurrent expenses. Nonetheless, persistent under-execution of capital expenditure (budgeted at 40% of total expenditure in 2026) may lower the overall expenditure. Further, the gross general government (GGG) debt-to-GDP is expected to peak at 38.4% in 2026 before declining to 36.7% in 2027.

On the external front, Nigeria has benefitted from a strengthening goods trade surplus due to slower import growth. petrol imports nearly halved in 2025, reflecting expansion in domestic refining capacity of the Dangote Refinery. Remittances also grew, supported by FX reforms. Foreign capital inflows more than doubled YoY in 2025, largely due to portfolio inflows as investors capitalised on higher real rates and Nigeria's removal from the Financial Action Task Force (FATF) greylist. Reserves reached a seven-year high of USD 45.5 billion in 2025, driven by a successful Eurobond issuance, reduced FX market pressure, and higher export earnings and remittances.

The Middle East (ME) conflict presents both headwinds and tailwinds for Nigeria. The government is prioritising domestic crude allocation to local refineries to reduce its reliance on imported crude. This move conserves FX, boosts local value addition, and mitigates global

supply risks. Further, given the conflict-induced higher oil prices, Nigeria stands to earn more per barrel (p/b) in oil revenue than assumed in its 2026 budget framework (USD 65 p/b for oil). Rising oil prices could also boost external reserves.

Concurrently, the rise in oil prices could intensify inflationary pressures because domestic fuel pricing references international market dynamics, and the Dangote Refinery still needs to import heavier crude variant not produced locally to blend into its refining input. The 35-47% rise in petrol prices during Q1 2026 is expected to drive domestic inflation higher, worsening household welfare.

Nigeria's credit profile is constrained by structural weaknesses in daily production capacity, revenue capture, regulatory coordination, and institutional performance. These weaknesses are partially offset by the reform momentum-led improved business sentiment and overall investment. High oil prices have positioned the government to effectively harness tailwinds from the ME conflict. However, its ability to convert these opportunities into higher fiscal revenues, strong external reserves, and better growth is a key monitorable.

Outlook: Stable

Nigeria's stable outlook reflects CareEdge Global's expectation that sustained reform momentum will support its credit profile. We note that the ME conflict presents an opportunity for the government to strengthen its institutional capacity by harnessing possible windfalls in terms of oil GDP, fiscal revenue, and FX gains. Parallely, the government would need to take effective measures to ensure that they are better placed to deal with the possibility of a cost-of-living crisis, while still adhering to the reform agenda.

Upside scenario

The rating could be upgraded if there is an acceleration in reform execution, resulting in better-than-expected growth, fiscal and external outcomes, while ensuring effective monetary policy management.

Downside scenario

The rating outlook could be downgraded if the reform momentum slows, inflationary pressures re-emerge, or if fiscal or external rebalancing stalls.

Key rating drivers

Economic structure & resilience

Nigeria is one of Africa's largest economies by size (USD 285 billion in 2025) and its most populous one. With limited investment in job-creating growth, income levels are low (GDP per capita estimated at USD 8,137 in constant PPP terms in 2025). The economy remains heavily dependent on the oil sector for exports (65% of total exports in 2025) and FX.

Nonetheless, FX stability together with investment in priority sectors such as electricity, agriculture and transport supported higher growth of 3.9% in 2025 versus 3.4% in 2024. For instance, reforms in the electricity sector include the decentralisation of the electricity regulatory framework and improved efficiency within the electricity value chain. Further, the operationalisation of the 180MW AFAM II power plant in Rivers State expanded the generation capacity. The services sector also showed better growth in 2025, following improvements in rail and road transport.

Oil production improved in 2025 following concerns around pipeline theft and vandalism. Average production inched up to 1.6 mbpd from around 1.5 mbpd in 2024, supported by security measures to curb pipeline theft and vandalism, launch of the PMCC, and expansion of domestic crude oil refining capacity.

The outlook for 2026 is based on the government's ability to maintain its reform momentum, while harnessing gains from higher oil prices due to the ME conflict. Additionally, increased fiscal and pre-election spending would further stimulate aggregate demand and provide supportive measures to households amid high inflation, stemming from higher food and oil prices due to the ME conflict. Importantly, this is contingent on the implementation of well-sequenced fiscal and monetary policies. Overall, GDP growth is projected at 4.4% in 2026 and the government's response to the current global environment remains a key monitorable.

Fiscal strength

Government finances face multiple challenges, including a strained revenue base and rising expenditure pressures, driven by a bloated public sector wage bill and high debt servicing costs. Interest to revenue payments is estimated at 47% in 2025, while the public sector wage bill is projected at 20% of total expenditure in 2026.

In a bid to increase revenue, the 2026 budget introduces new tax laws, including a more progressive personal income tax for high-income earners, a 4% development levy on the assessable profits of larger companies, and tighter compliance enforcement for companies and individuals. However, weak governance, a large informal sector, capacity gaps and enforcement challenges could weigh on the implementation of these laws. Consequently, execution risk remains key and will be an important monitorable in the near to medium term.

On the other hand, there is a potential upside to revenue, stemming from the 2026 budget projection of oil prices at USD 65 p/b. Given that oil prices are significantly higher due to the ongoing ME conflict, the government stands to gain more than the 2026 budgeted estimate for oil revenue (37% of total revenue).

On the recurrent expenditure side, following USAid cuts, the government has also had to outlay money to the Basic Health Care Provision Fund and the Malaria Vaccination of Infants initiative. Allocations were also made for expenses ahead of the 2027 general elections. The aggregate capital expenditure is budgeted at 40% of total expenditure in 2026. This is 14.6%

lower than the 2025 budget allocation, reflecting a more conservative approach to capital planning and the focus on ongoing projects.

Overall, the fiscal deficit is projected to decrease to 3.6% of GDP in 2026 from 4.2% in 2025. Further GGG debt-to-GDP is expected to peak at 38.4% in 2026 before declining to 36.7% in 2027. Channelling revenue windfalls (stemming from higher oil prices) towards more productive uses such as debt reduction would strengthen the fiscal profile.

External position & linkages

Nigeria's goods trade surplus has strengthened thanks to petrol imports nearly halving in 2025, as domestic refining capacity expanded. This along with FX reform-led increase in remittances pushed the current account surplus to an estimated 5.7% of GDP in 2025. In 2026, we expect the surplus to continue with additional support from higher oil prices and the introduction of a new light, sweet crude grade called Cawthorne for exports from March 2026. Further, the potential upside gain from higher oil prices will support the current account. For the non-oil sector, the sustained increase in agricultural commodity and fertiliser exports is anticipated to boost receipts. The recently launched National Export Trading Company (to address persistent gaps in export value chain) and National Intellectual Property Policy (to boost creative exports) are expected to further boost non-oil receipts.

Foreign capital inflows more than doubled YoY in 2025, due to portfolio inflows as investors capitalised on higher real rates and Nigeria's removal from the FATF greylist. Reserves are at seven-year highs (USD 45.5 billion in 2025), driven by a successful Eurobond issuance, reduced pressure on the FX market, as well as higher export earnings and remittances.

The government projects reserves to increase to USD 51.04 billion in 2026, supported by reduced pressure in the FX market based on the anticipated rise in oil earnings, sovereign bond issuance, and sustained diaspora remittance inflow. Additionally, Dangote Refinery's expansion of its nameplate capacity to 700,000 bpd from 650,000 bpd in 2025 and eventually to 1.4 million bpd in the medium term will further support growth in external reserves. This positions Nigeria aptly to meet its external financing obligations.

Monetary & financial stability

The FX reform initiated by the government in 2024 has improved the exchange rate regime to a floating exchange rate.

Inflation slowed in 2025, due to the effect of the tight monetary policy stance of the Central Bank of Nigeria (CBN), stability in the FX market, and the base effect. Additionally, pressure on prices eased due to the waning effects of policy-induced shocks that were introduced in 2023, such as the unification of the exchange rate.

Following the rebasing of the Consumer Price Index (CPI) by the National Bureau of Statistics (NBS) in December 2024, inflation was recalibrated to reflect updated household consumption patterns and a new base year. As such, a direct YoY comparison with pre-rebased figures is

inappropriate. Nonetheless, headline inflation eased from 24.5% in January 2025 to 15.2% in December 2025, averaging 21% in the year. Notably, the reduction in producer and business cost pressures underscores the effectiveness of ongoing macroeconomic reforms in stabilising the operating environment.

Inflation is expected to face renewed pressure in 2026, due to the spike in wheat and oil prices stemming from the ME conflict. However, CBN has displayed a commitment to adhering to its monetary policy framework and this remains a key monitorable.

The Nigerian banking sector remained stable in 2025, as key financial soundness indicators broadly aligned with prudential benchmarks.

The liquidity ratio stood at 65%, significantly above the 30% regulatory minimum and 48.94% as of December 2024, reflecting the banking sector's ability to meet maturing obligations. The capital adequacy ratio, at 11.6%, remained above the regulatory minimum of 10%, underscoring the sector's capacity to absorb credit and market shocks. The sector's resilience was anchored by strong net interest income, accelerated digital transformation, and ongoing recapitalisation, positioning it to mitigate emerging risks and uphold financial stability.

Nonetheless, the non-performing loan (NPL) ratio was an estimated 7% relative to the prudential limit of 5%. This level reflects the withdrawal of the regulatory forbearance granted to banks during the COVID-19 pandemic.

Institutions & quality of governance

Widespread corruption, financial constraints, and oil theft on the Niger Delta remain significant barriers to effective management of natural resources and economic diversification. Nonetheless, bold policy reforms bode well for governance quality. The ME conflict presents an opportunity for Nigeria to display its reform momentum and institutional capability to capitalise on green shoots, while simultaneously addressing headwinds. Evolving developments will bear watching.

Nigeria – Select indicators									
	Unit	2020	2021	2022	2023	2024	2025	2026 F	2027F
Economic indicators									
Nominal GDP	USD billion	598.7	609.5	645.7	487.3	252.1	285.0	334.3	359.3
GDP per capita (constant-PPP)	USD	7664.2	7588.5	7752.3	7843.8	7994.2	8137.2	8307.4	8460.6
Real GDP growth	%	-6.4	1.1	4.3	3.3	3.4	3.9	4.4	4.1
GFCF/GDP	%	26.7	33.1	24.3	26.9	24.5	30.5	33.1	33.9
Gross domestic savings/GDP	%	26.7	32.4	33.0	31.8	39.6	37.5	37.7	37.6
Exports (G&S)/GDP	%	9.3	11.5	14.5	16.6	30.7	27.2	25.4	23.8
Working age (15-64) population (% share in total)	%	54.2	54.6	55.0	55.5	55.9	56.4	56.9	57.4
Old age (65+) population (% share in total)	%	3.0	3.0	3.0	3.0	3.0	3.1	3.1	3.1
Fiscal indicators – general government									
Fiscal balance/GDP	%	-4.0	-4.0	-4.0	-3.1	-1.6	-2.9	-3.7	-2.8
Revenue/GDP	%	4.7	5.1	6.6	7.3	10.8	9.6	9.1	9.3
Expenditure/GDP	%	8.7	9.1	10.6	10.4	12.3	12.5	12.8	12.2
GG gross debt/GDP	%	25.7	26.6	29.8	36.3	44.0	42.4	50.0	35.3
GG external debt (by creditor)/GG gross debt	%	40.6	26.6	24.0	26.6	46.5	47.3	45.0	43.2
Interest/revenue	%	37.2	79.5	61.2	83.8	41.1	47.3	49.2	50.2
External indicators									
Current account balance/GDP	%	-2.7	-0.5	4.1	1.3	6.8	5.7	3.6	3.0
FDI, net inflows/GDP	%	0.6	0.8	0.0	0.5	0.6	-	-	-
Outstanding FII liabilities/GDP	%	4.7	5.4	5.6	6.5	15.9	-	-	-
NIIP/GDP	%	-13.5	-12.1	-14.1	-18.4	-27.2	-	-	-
Foreign exchange reserves	USD billion	36.7	40.5	35.6	32.0	38.6	-	-	-
Import cover	Months	5.6	6.2	4.7	4.9	6.8	-	-	-
External debt/GDP	%	14.6	16.6	16.6	21.1	40.5	37.2	33.0	31.5
Monetary and financial indicators									
CPI inflation	%	13.2	17.0	18.8	24.7	31.4	23.0	22.0	17.0
Exchange rate (average)	LC per USD	356.3	398.9	423.3	644.0	1478.6	1517.9	-	-
Non-performing loans/total gross loans	%	6.0	5.4	4.5	4.4	4.1	7.0	-	-
Private debt, loans and debt securities/GDP	%	10.9	11.9	12.6	16.7	-	-	-	-

Sources: International Monetary Fund, World Bank, Bank for International Settlements, National Sources, CareEdge Global

Note: F - forecast; PPP – purchasing power parity; GFCF – gross fixed capital formation; exports (G&S) – exports of goods and services; GG – general government; FDI – foreign direct investment; FII – foreign institutional investment; NIIP – net international investment position. Data refers to fiscal/calendar year and actual/estimate as reported by the source. Where general government data is unavailable, central government data is used. The latest available data for 2024

Solicitation status

The rating is unsolicited

Rating history

Instrument	Type	Rating	Date
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge B+/Stable	April 08, 2026
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge B/Positive	September 25, 2025
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge B	October 03, 2024

Criteria applied

[CareEdge Sovereign Rating Methodology](#)

Analytical contacts

Kiran Kavala

kiran.kavala@careedgeglobal.com

Zaakirah Ismail

zaakirah.ismail@careratingsafrica.com

Girisha Algoo

girisha.algoo@careratingsafrica.com

Media contact

Mradul Mishra

mradul.mishra@careedge.in

About Us

CareEdge Global IFSC Limited (CareEdge Global) is a full-service Credit Rating Agency (CRA) with a mission of **Empowering Global Capital Market Participants Through Unrivalled Insights and Expertise**. As the first CRA registered and authorized by the International Financial Services Centres Authority (India), CareEdge Global is uniquely positioned to provide comprehensive ratings on a global scale. A part of the CareEdge Group, which is a knowledge-based analytical organisation offering a wide range of services in Credit Ratings, Analytics, Consulting, and Sustainability. Established in 1993, our parent company, **CARE Ratings Limited (CareEdge Ratings)**, stands as India's second-largest rating agency.

Disclaimer

This disclaimer applies to each credit rating report and/ or credit rating rationale ('report') that is provided by CareEdge Global IFSC Limited ('CareEdge Global').

Ratings from CareEdge Global are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities/ instruments or to make any investment decisions. The report is not a solicitation of any kind to enter into any deal or transaction with the entity to which the report pertains. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CareEdge Global assumes no obligation to update its opinions following publication in any form or format although CareEdge Global may disseminate its opinions and analysis. The rating contained in the report is not a substitute for the skill, judgment and experience of the investor, user, its management, employees, advisors and/ or clients when making investment or other business decisions. The recipients of the report should rely on their own judgment and take their own professional advice before acting on the report in any way. Therefore, the report is not intended to and does not constitute an investment advice. The report should not be the sole or primary basis for any investment decision. CareEdge Global is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CareEdge Global. CareEdge Global does not act as a fiduciary by providing the rating.

Any unsolicited ratings assigned by CareEdge Global are based on publicly available information as CareEdge Global may or may not have access to documents / information or participation from management of such issuers. While CareEdge Global has obtained information from sources it believes to be reliable, CareEdge Global does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and/ or relies on in its reports. CareEdge Global ratings are subject to a periodic review, which may lead to revision in ratings. CareEdge Global has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CareEdge Global has in place a ratings code of conduct and policies for managing conflict of interest.

Neither CareEdge Global nor its affiliates, third-party providers, as well as their directors, officers, shareholders, employees or agents guarantee the accuracy, completeness or adequacy of the report, and shall not have any liability for any errors, omissions or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the report. CareEdge Global DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CareEdge Global or its associated entities or persons be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the report even if advised of the possibility of such damages.

This report does not constitute an offer of services. This report is solely for use in the jurisdiction of IFSCA, GIFT City in Gandhinagar. Without limiting the generality of the foregoing, nothing in the report is to be construed as CareEdge Global providing or intending to provide any services in jurisdictions where CareEdge Global does not have the necessary licenses and/ or registration to carry out its business activities referred to above. Access or use of this report does not create a client relationship between CareEdge Global and the user.

For latest rating information on any instrument of any company rated by CareEdge Global, you may visit our website www.careedgeglobal.com.

This report should not be reproduced or redistributed to any other person or in any form without prior written consent from CareEdge Global.

© 2026, CareEdge Global IFSC Limited, a wholly owned subsidiary of CARE Ratings Limited. All Rights Reserved.

This content is being published for the purpose of dissemination of information required as per applicable law and regulations and CareEdge Global IFSC Limited holds exclusive copyright over the same. Any reproduction, retransmission, modification, derivative works or use or reference to the contents, in whole, in part or in any form, is prohibited except with prior express written consent from CareEdge Global IFSC Limited.

CareEdge Global IFSC Limited
(A subsidiary of CARE Ratings Ltd.)
501, FlexOne, GIFT SEZ, Block 15, Gandhinagar, Gujarat – 382050, India. Phone: +91-79-6519 0701 | www.careedgeglobal.com
CIN-U66190GJ2024PLC151103