

CareEdge Global assigns 'Positive' outlook to the rating of the Federal Republic of Nigeria

Reaffirms Long-Term Foreign Currency Rating of 'CareEdge B' (Unsolicited)

Issuer rating	CareEdge B/Positive (Unsolicited)
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Rating Action

CareEdge Global has assigned a 'Positive' outlook to the rating of the Federal Republic of Nigeria (Nigeria), while reaffirming the Long-Term Foreign Currency rating of **'CareEdge B (Unsolicited)'**.

Rationale

The Positive outlook indicates CareEdge Global's view that ongoing government reforms are likely to lead to fiscal consolidation and external rebalancing in the medium term. Although we anticipate lower oil revenues than the government's budgeted figures, the reduction of subsidies and new tax initiatives should support the overall fiscal path over this period. Additionally, the Dangote oil refinery's production is expected to reduce the country's import expenses. This, along with increased inflows, renewed access to the Eurobond market, and limited risks from US protectionist policies, should help ease imbalances.

The recent sweeping policy reforms such as the removal of the oil subsidy, the liberalization of the Naira, and the securitization of domestic debt have contributed significantly towards strengthening both the fiscal and external profiles. The momentum and effectiveness of these policies will be closely observed in the medium term.

Nigeria's credit profile is underpinned by its large economic size and a moderate external profile, which relies on the oil sector for exports and foreign exchange reserves. Nonetheless, this dependence makes the economy vulnerable to commodity cycles. Additionally, Nigeria has one of the lowest revenue-to-GDP ratios globally and is dependent on the oil sector for revenues. There have also been concerns relating to pipeline theft and vandalism, which have in the past, weighed on growth outcomes.

Upside scenario

The rating could be upgraded if the momentum for reform is maintained and results in clear improvements in economic growth, fiscal performance, and external buffers. A decrease in the gross general government debt-to-GDP ratio, combined with stronger foreign exchange inflows and reserve accumulation, would support an upward movement in the rating.

Downside scenario

The rating outlook could be revised to Stable if inflationary pressures re-emerge or the pace of external or fiscal rebalancing slows. This could result from delays in reform implementation

or a sharp decline in oil prices, which would weigh on Nigeria's macroeconomic resilience.

Key Rating Drivers

Economic Structure & Resilience

Nigeria is one of Africa's largest economies by size (USD 188 billion in 2024) and the most populous economy on the continent. With limited investment in job-creating growth, income levels stay low, and the economy remains heavily dependent on the oil sector for exports and foreign currency.

Although concerns persist about declining oil prices, oil production has significantly improved after tightening security measures aimed at stopping pipeline theft. The Dangote oil refinery has also boosted domestic output. Overall, these developments are starting to show in the growth figures, with GDP growth in Q2 2025 reaching 4.2% YoY from 3.2% in Q1 2025, the highest quarterly growth rate in four years. The oil sector expanded by 20.42% in Q2 2025, compared with 10.08% in the same quarter last year. Crude oil production averaged 1.68 million bpd in Q2 2025, up from 1.41 million bpd in Q2 2024. Growth in the non-oil sector was supported by modest gains in agriculture and services.

Looking ahead, strong oil production is expected to continue. The Dangote refinery is projected to boost growth by 1.5% in 2025, as domestic demand for fuel is fully met by the refinery, with the excess production being exported. Additionally, investment in the refinery has triggered the development of other infrastructure projects around the facility, creating approximately 150,000 direct and indirect jobs in related sectors. Domestic policy reforms have also improved the inflation outlook, which is expected to support growth. Meanwhile, the services sector is expected to remain robust. Overall, growth in 2025 is forecasted at 3.4% and around 3.5% over the medium term.

While we don't anticipate significant risks from US protectionist policies, increased global uncertainty and sharp declines in oil prices may pose downsides to the growth outlook. Domestically, any flare-ups in security incidents could also threaten both oil and agricultural production, potentially hindering growth. Over the medium term, infrastructure development across the country, as outlined in the National Infrastructure Master Plan—particularly in roads, ports, and electricity—may also support growth.

Fiscal Strength

The securitization of cash advances from the Central Bank of Nigeria (CBN) and the depreciation of the Naira (following the FX reform) have contributed to a spike in gross general government (GGG) debt to 52.9% of GDP in 2024, up from 48.7% in 2023. Nonetheless, policy reforms are starting to create some fiscal space. The country's revenue-to-GDP ratio increased to 7.1% in 2024 from 4.1% in 2023, due to strengthened collection and administrative efforts, as well as exchange rate depreciation and inflation. However, this was not enough to fully cover expenditures of around 9% of GDP in 2024, partly due to an increase in pro-poor spending in response to cost-of-living pressures. Nigeria continues to have one of

the lowest revenue-to-GDP ratios globally, with 41% of this channelled towards servicing debt.

For 2025, there is limited upside for revenue growth, and expenditure is expected to remain elevated due to continued grants, as well as lower official development assistance from the US. Overall, the fiscal deficit is expected to be at 4.7% of GDP in 2025.

Over the medium term, we note an improvement in the fiscal balance to 3.6% in 2027. This is due to gains from the elimination of fuel subsidies, which should result in a decline in the expenditure-to-GDP ratio. The improvement will also see GGG's debt-to-GDP ratio below 50% by 2027. While revenue is not expected to improve significantly over the medium term, the IMF notes that there is considerable potential for revenue mobilization if efforts to increase revenue measures in the hydrocarbon sector are successful and the corporate income tax (CIT) and value-added tax (VAT) systems are modernized.

External Position & Linkages

There has been significant rebalancing on the external side. The current account (CA) surplus increased to 9.2% of GDP in 2024 from 1.8% in 2023. The increase in the CA has been driven by the FX reform, which successfully bridged the gap between the official and parallel market exchange rates. This allowed for enhanced hydrocarbon exports, lower oil sector repatriation, and stronger remittances. There was also some compression in imports. The CA also gained on the back of an improvement in investor sentiment following the government's bold reforms. There has been substantial net foreign direct investment (FDI) and foreign portfolio inflows (FPI). The country was also able to raise USD 2.2 billion in the Eurobond market.

Looking ahead, we believe that policy reform measures will be maintained, continuing to support external rebalancing. The Dangote refinery is expected to fully satisfy domestic demand for refined oil and export the surplus of its production. There may be a negative effect on the CA, if Dangote imports crude oil for its production; however, we believe that the positive effects will outweigh the negative ones.

The CA is projected to reach 7% of GDP by 2025. The country's reserves have strengthened, rising to cover 5.7 months of imports in 2024 from 5.4 months in 2023. This upward trend is expected to persist, with reserves anticipated to increase to 7.5 months in 2025. Additionally, reserves are forecasted to stay ample enough to meet external obligations, including the principal repayment of a Eurobond maturing in 2025.

Monetary & Financial Stability

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

Inflation has persisted in double-digit territory, rising to 31.4% in 2024 from 24.6% in 2023, partly due to the recent FX reform. In response, the CBN increased the policy rate by 875 bps in 2024 and remained on hold in 2025, with real rates now in positive territory. There have

also been caps on private sector growth (although these are now lower), and the government has eliminated deficit monetisation. As a result, inflation is projected to follow a downward trajectory and is projected to average 24% in 2025. Lastly, the government's decision to maintain a flexible exchange rate regime now paves the way for inflation targeting, for which the CBN has expressed interest in pursuing.

Banks are still well-capitalized, with a capital adequacy ratio of 13.2%, surpassing the 10% industry standard. Effective governance by the CBN has further bolstered the sector. However, the banking industry still faces risks from foreign currency loans, the hydrocarbon sector, and large individual borrowers. In 2024, non-performing loans (NPLs) rose to 4.8% from 4% in 2023.

Institutions & Quality of Governance

Widespread corruption, combined with strained financial resources, underpins the poor management of natural resources and the failure to diversify the economy. Notably, oil theft in the Niger Delta, coupled with the lack of effective methods to prevent it, has constrained the region's economic growth prospects. Nonetheless, bold policy reforms bode well for the quality of governance, and developments in this area will be closely watched.

Nigeria – Select Indicators									
	Unit	2019	2020	2021	2022	2023	2024	2025 F	2026 F
Economic Indicators									
Nominal GDP	USD Billion	474.5	432.3	441.1	476.5	363.8	187.6	199.0	215.0
GDP Per Capita	USD	5866.8	5616.9	5676.9	5716.9	5736.6	5789.0	5821.0	5836.3
Real GDP Growth	%	2.2	-1.8	3.7	3.3	2.9	3.4	3.4	3.2
GFCF/ GDP	%	24.6	26.7	33.1	32.2	30.0	30.4	30.5	33.1
Gross Domestic Savings/ GDP	%	-	26.7	32.4	33.0	31.8	39.6	37.5	37.7
Exports (G&S)/GDP	%	15.6	9.3	11.5	14.5	16.6	30.7	27.2	25.4
Working-Age (15-64) Population (% Share in Total)	%	53.8	54.2	54.6	55.0	55.5	55.9	56.4	56.9
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	%	-4.7	-5.6	-5.5	-5.4	-4.2	-2.6	-4.7	-4.9
Revenue/ GDP	%	7.8	6.5	7.1	9.0	9.8	14.4	14.2	13.8
Expenditure/ GDP	%	12.5	12.1	12.6	14.4	13.9	17.1	18.9	18.7
GG Gross Debt/ GDP	%	30.2	35.6	36.8	40.4	48.7	52.9	52.0	50.8
GG External Debt (by Creditor)/ GG Gross Debt	%	34.6	40.6	41.9	42.9	37.5	49.2	50.3	49.4
Interest/ Revenue	%	25.0	37.2	79.5	61.2	83.8	41.1	47.3	49.2
External Indicators									
Current Account Balance/ GDP	%	-2.9	-3.7	-0.7	0.7	1.8	9.2	7.0	4.6
FDI, Net Inflows/ GDP	%	0.5	0.6	0.8	-0.04	0.5	0.6	-	-
Outstanding FII Liabilities/ GDP	%	6.9	6.5	7.5	7.6	8.7	20.2	-	-
NIIP/ GDP	%	-16.4	-19.5	-17.5	-19.7	-25.3	-33.5	-	-
Foreign Exchange Reserves	USD Billion	38.1	36.5	40.5	36.6	33.2	40.2	36.4	39.1
Import Cover	Months	4.6	6.1	6.3	6.7	5.4	5.7	7.5	7.7
External Debt/GDP	%	17.2	20.3	22.9	22.4	28.3	54.5	53.2	51.3
Monetary and Financial Indicators									
CPI Inflation	%	11.4	13.3	17.0	18.9	24.7	31.4	24.0	23.0
Exchange Rate (Average)	LC per USD	306.4	356.3	398.9	423.3	644.0	1478.3	-	-
Non-Performing Loans/ Total Gross Loans	%	6.1	6.0	4.9	4.2	4.0	4.8	-	-
Private debt, loans and debt securities/ GDP	%	10.1	11.0	11.9	12.6	-	-	-	-

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; 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/Positive	September 25, 2025
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge B	October 3, 2024

Criteria Applied

[CareEdge Sovereign Rating Methodology](#)

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