2026 Nigeria Budget & Fiscal Strategy Insights

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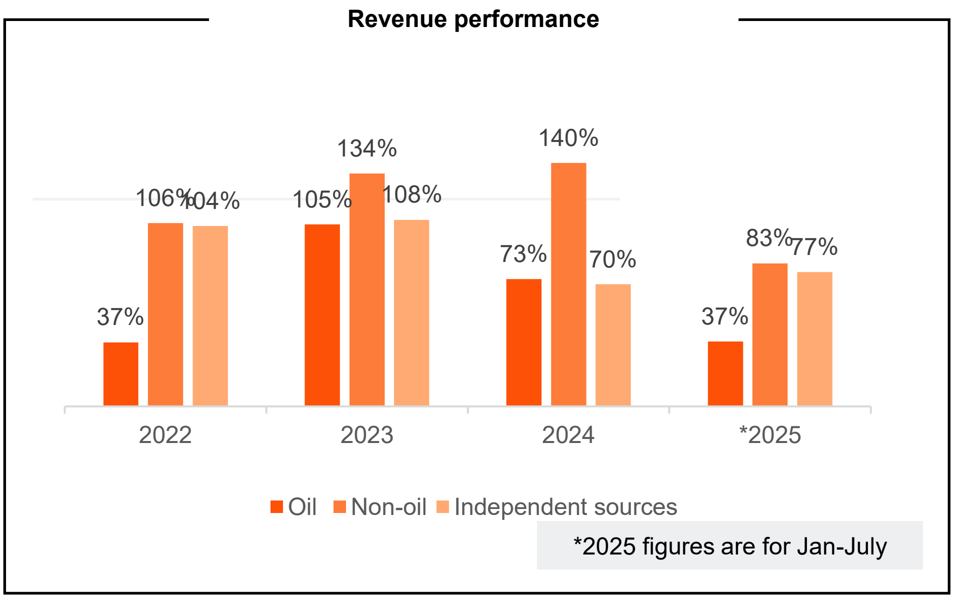
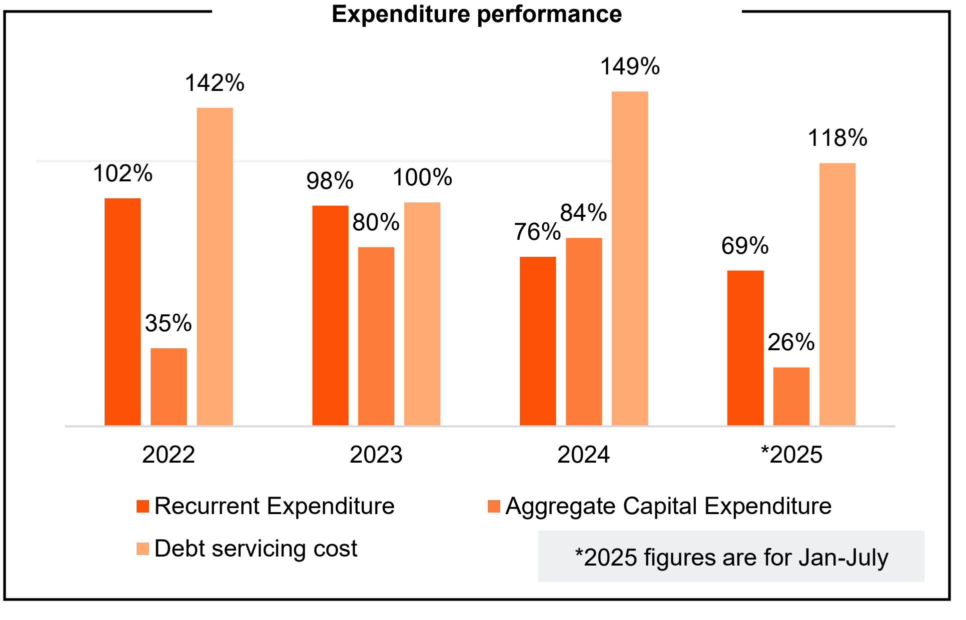
2025 Budget Performance & Fiscal Strategy Insights

Non-oil revenue consistently outperforming other revenue sources in budget performance. However, the aggregate capital expenditure was consistently under implemented.





- Capital expenditure for 2025 had a low performance due to delays in release of funds from the government leading to protests from contractors.
- Implementation for 2024 budget was extended twice. Firstly, till the month of June 2025, and later till 31 December 2025 leading to the concurrent run of two budgets.
- Debt as a proportion of revenue for the 2025 7-month period was 71.8%, implying a squeeze in funds available for critical spending.
- FGN share of oil revenue was slightly below 40% of its prorated target.
- Customs collection for the period represents 57% of its prorated target..

Source: BoF, PwC Analysis

Our assessment of 2025 budget performance reveal a mixed outcome

2025 actual outcomes relative to the budgeted expectations

Scorecard	Positive	Limited	Negative

Key Assumptions	Actual Outcome	Scorecard
$75 per barrel benchmark oil price	• $71.35 per barrel benchmark oil price	Limited
2.06 mbpd crude oil production	• 1.46 mbpd crude oil production	Limited
N1500/US$ exchange rate	• N1520/US$ exchange rate	Positive
15% Inflation Rate	• 15.15% Inflation Rate (as at Dec 2025)	Positive
4.6% GDP growth rate	• 3.78% GDP growth rate	Limited

Figures shown are the annual averages for the specified years.

Source: CBN, NBS, BoF, Strategy& Analysis

The MTEF was developed around key pillars with clear objectives and strategies.

Theme	Pillars	Objective	Strategies
Macro-economic Stability & Monetary Resilience	**Stability and Resilience**	• Consolidate macroeconomic stability • Moderate inflation • Stabilise exchange rate • Strengthen external buffers. • Ensure debt sustainability	• Coordinate fiscal and monetary policy to maintain stability and use conservative assumptions to build buffers • Sustain market-reflective FX reforms and strengthen external reserves. • Transition to an inflation-targeting regime and manage money supply with MPR/CRR tools. • Maintain transparent FX market rules and expand non-oil FX inflows. • Optimise borrowing with more domestic, concessional, and longer-tenor financing.
Monetary Stability & Inflation Targeting	**Fiscal Efficiency**	• Enhance government revenue • Improve expenditure management • Promote fiscal prudence and transparency • Expand infrastructure financing via PPPs • Strengthen the business and investment environment	• Implement new tax laws, unify tax administration, and expand the tax net with digital systems • Modernise customs operations with automation, stronger audits, and anti-smuggling technology. • Improve oil-revenue performance through anti-theft technology and stronger upstream security. • Expand PPPs for roads, power, digital infrastructure, and other high-impact projects. • Use concessional and donor financing to support health, education and human-capital programmes. • Implement regulatory reforms (Investment & Securities Act, new tax system)
Risk Mitigation & Economic Resilience	**Inclusive Growth**	• Achieve high, sustained and inclusive GDP growth • Accelerate job creation • Improve human capital development • Strengthen social protection • Promote sector-wide reforms	• Channel capital to agriculture, industry and services, focusing on value-chains. • Scale national youth-skills and job programmes (3MTT, LEEP, CEDF, vocational schemes). • Scale digital cash transfers to 15 million households using an improved national registry. • Implement HOPE for education and PHC quality; expand Education Loan Fund. • Scale digital cash transfers to 15 million households using an improved national registry. • Fund community-level enterprises through ward-based economic development.

Source: BoF, PwC Analysis

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2026 Budget Assumptions and Insights

The proposed 2026 budget is set at ₦58.18 trillion, with a deficit of ₦23.85 trillion

Revenue projection — **₦ 34.3 trillion**

₦12.24 trillion	₦22.10 trillion	₦4.31 trillion
Oil	Non-Oil	Other sources

Planned expenditure — **₦ 58.18 trillion**

₦15.25 trillion	₦ 15.5 trillion	₦26.08 trillion
Recurrent Non-Debt	Debt service	Capital expenditure
₦ 3.2 trillion	**₦0.4 trillion**	
Statutory transfer	Sinking fund	

Key assumptions

Assumption	Value
Exchange rate	₦1,400/$
Oil price	$64.85 per barrel
Oil production	1.84 mbpd
Target inflation	15%
GDP growth rate	4.68%

Source: BoF, PwC Analysis

Key takeaways

- Expenditure projection include – debt service(27%), capital expenditure (40%), recurrent expenditure (26%), statutory transfers (7%).
- Deficit of **₦23.8 trillion (69.5% of total FGN revenues & 4.28% of estimated GDP)** to be financed by borrowing (91%), asset sale (1%) & multilateral loan (8%).
- The national budget per capita is $288, slightly above the 2025 figure of $206.
- Nigeria continues to rank low among emerging market economies. Countries such as South Africa ($2,325), Kenya ($563), Mexico ($4,105), Indonesia ($802) and Turkey ($5,136), have a higher budget to GDP figure.
- Nigeria's 2025 budget-to-GDP ratio of 12% remains notably lower than that of many African peers, including South Africa (33%), Egypt (23%), and Kenya (23%).

Feasibility assessment of 2026 budget assumptions reveal a mixed outcome

S/N	Assumption	Feasibility Outcome	Insight and Implication
1.	**$64.85 per barrel benchmark oil price**		• The global average oil price is forecasted to remain in the $60 - $70 range through 2026, driven by underlying supply-and-demand fundamentals. • The benchmark reflects a conservative estimate suitable for revenue planning in 2026.
2.	**1.84 mbpd crude oil production**		• Lower than 2025 target and reflects a more conservative and realistic outlook. • Shortfall in production can tighten FX inflows thereby making naira stability harder. • Achievable through improvements in security, investment and regulatory frameworks. E.g. Expansion of output via the Bonga Southwest project.
3.	**N1,400/US$ exchange rate**		• The target is optimistic but not detached from market conditions. • The benchmark rate influences import prices. If the naira weakens beyond the target, it can generate inflationary pressure through higher import cost. • Any weakening of the naira (above NGN1400) increases the naira cost of servicing foreign currency debt.
4.	**15% inflation rate**		• CBN may use interest rate and market interventions to moderate inflation, especially considering the year precedes an election year. • Structural pressures like insecurity which impact on food prices, FX volatility and supply constraints remain potential obstacles. Addressing insecurity and transportation network can address the challenges of food inflation.
5.	**4.68 GDP growth rate**		• The target is quite optimistic and exceeds the projection of the CBN (4.49%) and World Bank (4.4%) projections. • ICT and Financial services sector, critical growth drivers, are likely to receive a boost due to the broader digital adoption, increase in tariff and stronger credit growth.

Outcomes rating

- Most Likely
- Likely
- Unlikely

Critical sector spending

Defense (NGN5.41trn)

9%

% change

+10%

Health (NGN2.48trn)

4.3%

% change

0%

Education (NGN3.52trn)

6%

% change

0%

Infrastructure(NGN3.56trn)

6%

% change

12%

Source: BoF, PwC Analysis

Key takeaways

- Security is the government’s top operational priority which is positive for business stability.
- Health & education flat budgets open major PPP and private investment gaps in talent, skills, and care systems.
- Infrastructure cut could imply aggressive PPP expansion, concessions and private-financed builds.
- Reform-led growth, not spending-led growth, is expected to shape investment opportunities in 2026.
- There stands to be opportunities and advantages for businesses to align with government policy reforms (FX, taxes, PPPs, power reforms, digital infrastructure).

Drivers that will shape the dynamics of the key sectors in short to medium term

Works, Infrastructure & Construction

- NGN3.56 trillion allocated for nationwide infrastructure—covering bridges, barracks, jetties, public buildings, hospitals, schools, housing, and trunk “A” roads.
- NGN23.21 trillion capital spending opens opportunities in rural roads, erosion/flood-control works, and expanded water infrastructure (boreholes, dams, treatment plants, irrigation).

Defense & Security

- NGN3.15 trillion in defence funding creates PPP openings in barracks, housing, hospitals, bases, jetties and logistics infrastructure across Army, Navy and Airforce formations.
- Capital spending on surveillance, drones, defence equipment, communications and research facilities enables PPPs in local manufacturing, maintenance, and dual-use ICT/AI solutions.

Power & Energy

- NGN1.10 trillion for the Ministry of Power (NGN1.096 trillion capital) opens PPP opportunities in grid expansion, transmission upgrades, substations, rural electrification, and renewable-energy projects.
- Capital spending also supports PPP investment in hybrid mini-grids, metering systems, embedded generation and long-term O&M concessions across the national grid.

Agriculture, Warehousing & Food Systems

- NGN1.448 trillion for Agriculture enables PPPs in farm infrastructure, storage, irrigation, agro-processing, and rural roads.
- NGN25 billion for NALDA creates PPP openings in warehousing, cold-chain, boreholes, erosion control, farm housing, and on-farm processing.

Digital Economy & ICT

- NGN84.56 billion for the ministry (NGN50.65bn capital) opens PPP opportunities in broadband expansion, digital infrastructure build-out, data centres, ICT hubs, and national connectivity projects.
- Strong allocations across ICT-related MDAs create openings for private developers in digital skills centres, device assembly, enterprise systems, and research/innovation labs, backed by funded ERGP ICT projects.

Drivers that will shape the dynamics of the key sectors in short to medium term

Health & Education Infrastructure

- Health: NGN2.149 trillion total (NGN924.22 billion capital) — PPP openings in hospital build/rehab (tertiary & specialist), PHC networks, diagnostics & imaging centres, medical equipment, oxygen plants, digital health/EMR, and supply-chain & labs.
- Education: NGN2.399 trillion total (NGN591.58 billion capital) — PPP opportunities in school construction/rehab, hostels, TVET & teacher-training centres, labs & libraries, campus power/ICT, and nationwide EdTech connectivity.

Trade, Investment, and Private-Sector Dynamics

- NGN87.44 billion for the Federal Ministry of Industry, Trade & Investment (NGN55.40 billion capital) creates PPP opportunities in industrial zones, SME parks, trade corridors, warehouse clusters, export facilities, and investment-promotion infrastructure nationwide.
- Capital spending supports private-sector participation in value-chain development, standards & quality infrastructure, innovation centres, enterprise support hubs, FDI attraction systems, and digital platforms that enable business formalization and market access.
- Resources for validation of applications for Economic Development Incentive in "priority sectors".

Solid Minerals

- NGN156.3 billion in solid minerals funding unlocks opportunities in geo-data digitisation, exploration services, mine-site infrastructure, environmental remediation and extractive-sector transparency systems.
- The inclusion of NEITI-backed audit projects strengthens openings for ESG compliance platforms, mineral traceability tools and capacity-building partnerships for responsible mining.

Drivers that will shape the dynamics of the key sectors in short to medium term

Climate & Sustainable Agriculture

- NGN1.47 trillion in agriculture and climate funding opens avenues in climate-smart farms, solar irrigation systems, precision agriculture, biodiversity projects, agro-processing hubs and rural agricultural infrastructure.
- Extensive allocations to soil-mapping, UAV-enabled monitoring, and digital farm systems create new demand for ag-tech solutions, remote-sensing analytics and data-driven farm management platforms.

Creative Industries

- NGN59.82 billion in creative economy funding creates room for investments in cultural tourism assets, creative hubs, digital media studios, vocational training centres and community-level creative infrastructure.
- Digital archiving, creative-sector automation and cultural content platforms receive support, creating openings for tech–creative collaborations, multimedia IP development and creative export ecosystems.

Digital Economy

- NGN84.56 billion in digital economy funding generates openings in broadband rollout, ICT parks, innovation hubs, software systems, digital skills academies and national e-government platform.
- Large-scale digital literacy programmes, AI-focused training and nationwide digital backbone expansion create opportunities for private EdTech partners, cloud service providers and cybersecurity firms.

These key sectors have also been identified and targeted in some form of incentives under the ongoing tax reforms. Incentives such as a 5-year tax exemption, 5% tax credit, zero-rating VAT, etc.

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Tax Reforms and Sectoral Implications

Tax Reforms: Impact of changes on sectors

Impact area:

Consumer, Industry, & Production

- Claim of input VAT extended to services and fixed assets allowing for reduction in prices of supplies.
- Dividend payments by wholly export-oriented businesses are tax exempt.
- Introduction of 5% Economic Development Tax Incentive (EDTI) credit.
- Research & development deductible expense capped at 5% of turnover.

Oil & Gas

- Operators are required to deposit 15% decommissioning and abandonment cost to a Nigerian Bank.
- Operators in the mining sector to file monthly royalty returns.
- Upstream Petroleum and Midstream LNG operators to pay their annual tax in monthly instalments.
- Removal of hydrocarbon tax exemption for deep offshore operations.

Financial Services

- Consolidation of TET, NITDA, NASENI and Police Trust levies into a single Development Levy.
- Requirement to deliver to NRS monthly cumulative transactions of NGN50m and NGN250m for individuals and companies to NRS.
- Virtual Assets Service Providers to register and comply with tax laws.

Specialised Sectors

- Free Trade Zone (FTZ) entities enjoy tax exemption and can enjoy tax-free sales to customs territory if the sales are below 25% of total sales.
- From 1 Jan 2028, sales by FTZ to the customs territory will be taxable even if less than 25% of total sales.
- Non-resident airline and shipping companies to file monthly tax returns.
- Solid mineral royalties payable to NRS between 7.5% and 15% on official selling price or price quoted on an international platform/market.

Source: PwC Analysis

Tax Reforms: Specific taxes and their implications

Impact area:

Companies Income Tax

- Increased threshold for exemption of small companies from NGN25m to NGN100m. This allows for tax savings for companies that paid taxes at 20% under the old tax law.
- Prospect of income taxes being lowered to 25% from 30% thereby incentivising growth.

Personal Income Tax

- Taxable income ranging from NGN800k to over NGN50m is taxed under a new rate between 0% - 25%. This is aimed at making income tax more progressive.
- Rent relief allowance replaces the consolidated relief allowance. It is intended to offer some measure of relief to the urban poor.

Value Added Tax

- Expanded input VAT claims on services and fixed assets designed to allow for a true VAT system and lower cost of supplies.
- Large businesses to adopt real-time reporting of transactions and the applicable VAT for promotion of transparency.
- Removal of implicit VAT contained in essentials supplies making them more affordable. i.e. basic food items, medicines, educational services, agricultural seeds, e.t.c.

Capital Gains Tax

- Increase in CGT rate from 10% to 30% for companies to make the rate aligned with CIT.
- Individuals now pay CGT at progressive PIT rates (up to 25%).
- CGT now applies to indirect shares transfer.
- Increase in exemption threshold for taxation of compensation for loss of office and for transfer of shares to NGN50m and NGN150m respectively. This is aimed at reflecting market realities of inflation.

Withholding Tax

- Withholding tax not applicable on businesses earning turnover of NGN100m and below.
- Income earned from collective investment schemes not liable to WHT. This allows for individual recipients to account for these taxes.

Stamp Duties

- Persons responsible for paying duties have been clearly stated to ease compliance and certainty.
- Introduction of thresholds below which duties would not apply. i.e. lease agreements with an annual value of less than NGN10 million etc.

Development Levy

- Consolidates all earmarked taxes such as TET, IT levy, NASENI and NPTF with the aim to reduce multiple taxation.

Tax Reforms: Impact on economic agents

Impact area:

Government

- The expanded input VAT claims functions as a quasi-subsidy for production.
- There is a risk of a shortfall in government revenue from updates to input VAT, but this could be balanced by measures aimed at ensuring transparency of VAT accounting.
- Risk of decline in revenue of state governments that rely heavily on PAYE.
- Increased inflows expected from issuance of tax-exempt federal and state bonds.

Business

- Businesses can now claim input VAT on services and fixed assets leading to lower costs of doing business.
- Removal of minimum tax for businesses with turnover below NGN5b removes punitive requirement to pay taxes regardless of profit made and enhances business survival.
- Increase in exemption threshold for small businesses from NGN25m to NGN100m allows businesses to expand and scale up production.
- Ability to enjoy tax deductions on expenses incurred 6 years prior to commencement.
- Mandatory use of Electronic Fiscal System (EFS) of the NRS for reporting sales will require more investment of resources towards compliance.

Individuals

- Increase in disposable income via reduction in income taxes for low-income earners, exemption from taxes on sale of homes and motor vehicles under specific conditions.
- Inclusion for persons with disability by making expenses incurred on disability related products deductible.
- Access to essential commodities via their reclassification from VAT exempt to zero-rate.
- Increased opportunity to obtain employment from foreign companies without creating a tax presence for those foreign companies.

Source: PwC Analysis

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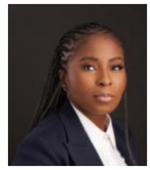

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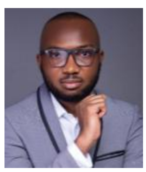

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