



How the global energy shock could potentially reshape Nigeria's economic outlook

Macroeconomic briefing

March 2026



First published: 17 March 2026 | The data presented in this briefing are based on publicly available sources as of the date of publication and may change rapidly. This briefing will be updated as the situation evolves. Readers are encouraged to monitor the key triggers in Section 6.

Why this matters for your business

The ongoing conflict between the US-Israel and Iran has introduced shocks to the global energy market, pushing oil prices to \$102.83/bbl (Brent Crude) as of 17 March 2026, above Nigeria's \$64.85/bbl benchmark price. This has created the prospect of short-term excess revenue above fiscal targets for Nigeria through higher oil receipts. At current market conditions, the gross price premium amounts to roughly \$55.5m per day, or about \$20.2bn annually. The conflict has also taken a toll on the gas market, with the JKM (Asian Spot) benchmark rising to \$19.28/mmBtu as of 17 March 2026, up from \$10.84/mmBtu at the end of February 2026.

At the 2026 budget exchange rate of ₦1,400/\$, that is approximately ₦28.3tn before deductions, timing effects, and committed-volume constraints. However, crude-backed and refinery-linked obligations may reduce the pace and scale at which higher oil prices feed through to federation revenues. Higher oil prices also transmit rapidly into the domestic economy through fuel, logistics, and transport costs, increasing operating costs for businesses and household expenditure. This cost pass-through could reignite inflationary pressures, potentially reversing Nigeria's recent disinflation trend, where inflation declined for 11 consecutive months to 15.06% in February 2026 following recent reforms.

The ultimate impact on Nigeria will depend on several factors, including the duration and scale of the conflict, disruptions to global oil supply and shipping routes, volatility in global commodity and financial markets, exchange rate dynamics, and the effectiveness of Nigeria's fiscal and monetary policy response.

For businesses, these developments create heightened cost and operating uncertainty, particularly through energy, transport, and input prices. Firms will therefore need to anticipate potential cost increases, review exposure across supply chains and logistics, and prepare mitigation measures to manage the financial pressures that may arise if the conflict persists.

As such, this briefing sets out Nigeria's starting position, the transmission channels in both directions, a scenario framework calibrated to Nigeria's specific exposure, and the watch points that will determine the outcome.

01

Nigeria's pre-shock economic position

In our January Nigeria Economic Outlook 2026 publication, we highlighted the opportunity to turn macroeconomic stability into sustainable growth.

Key drivers of this growth are resilient non-oil sectors, particularly financial services and ICT, which underpin our projection of 4.3% real GDP growth in 2026. This outlook is reinforced by the stabilisation of the naira, easing inflation, stronger external reserves, improving oil production, and firmer non-oil revenue performance. However, the US-Israel-Iran conflict is introducing additional uncertainty into global markets, which may require us to reassess elements of the outlook as the situation evolves. Nigeria's gross foreign reserves rose to \$50.45bn in February 2026, the highest level in 13 years (surpassing \$43.61bn recorded in 2013). This increase strengthens the country's import cover and reinforces external stability. Similarly, the Central Bank of Nigeria reduced the Monetary Policy Rate to 26.5%, signalling confidence that inflationary pressures are moderating. Nonetheless, Nigeria may struggle to fully capture the upside from crude prices above \$100/bbl. January production remains below the 1.84m bpd budget assumption, while part of crude export proceeds is already linked to crude-backed and refinery-related obligations. As a result, higher prices do not fully translate into fiscal gains. Real upside depends on increasing production to generate more unencumbered barrels.

Despite these macroeconomic improvements, this conflict affects Nigeria's economy mainly through domestic energy prices. Following the removal of the fuel subsidy, pump prices now move more closely with global oil markets, increasing transport, logistics, and food distribution costs. The outlook points to continued disinflation from 15.06% in February 2026, following 11 consecutive months of decline, although higher energy prices could slow the pace of moderation. These pressures are reflected at the household and business level through higher living costs and increased operating expenses.

02

How the shock transmits to Nigeria

The seven key issues identified in our 2026 outlook provide the baseline trajectory for Nigeria's economy; however, global energy shocks from this conflict could materially alter how these dynamics unfold. The table below illustrates how alternative oil-price scenarios may amplify, dampen, or redirect these structural forces, noting that Nigeria may begin to feel the macroeconomic implications of such oil-market disruptions within the short to medium term, depending on the severity and persistence of the shock. This lag reflects the time it takes for sustained price movements to filter into FX liquidity, fiscal balances, domestic fuel pricing, and inflation expectations.



Sectoral growth dynamics

Baseline outlook

Services-led expansion supports GDP growth while agriculture and manufacturing remain constrained by insecurity, logistics bottlenecks and high energy costs.

Scenario A: Sustained high oil prices (\$100–\$120)	Higher government revenues may support infrastructure and investment; however, rising domestic energy costs weaken manufacturing and logistics-intensive sectors.
Scenario B: Moderate prices (\$80–\$85)	Balanced environment supports gradual expansion across services and selective industrial recovery.
Scenario C: Extreme price spike (Goldman Sachs Tail Risk)	Energy and transport costs rise, disrupting manufacturing supply chains and increasing production costs across sectors.
Policy-mediated scenario (Temporary humanitarian intervention)	Temporary and well-controlled policies reduce energy cost pass-through and support productive sectors.
Net strategic implication	Better prospects of macroeconomic growth but risk reinforcing Nigeria's structural dependence on extractives unless the government adopts a transparent framework that channels these revenues into productive investment.



Monetary policy momentum

Baseline outlook	Inflation gradually moderates, allowing cautious monetary easing while maintaining price stability credibility.
Scenario A: Sustained high oil prices (\$100–\$120)	A sustained improvement in net FX flows, through higher export receipts, stronger remittances, and moderated import demand, may help rebuild external reserves and could create room for monetary easing, provided inflation continues to trend downward.
Scenario B: Moderate prices (\$80–\$85)	Monetary policy remains balanced with gradual easing as inflation expectations stabilise.
Scenario C: Extreme price spike (Goldman Sachs Tail Risk)	Fuel-driven inflation pressures reverse disinflation gains, which may force prolonged monetary tightening.
Policy-mediated scenario (Temporary humanitarian intervention)	Lower energy prices help limit second-round inflation effects, which in turn increases the scope for a gradual reduction in interest rates if broader price stability is sustained.
Net strategic implication	Oil shocks create a dual policy challenge: strengthening FX buffers while simultaneously risking renewed inflation pressures.



Global dynamics and geopolitics

Baseline outlook	Global growth slows and trade remains weak, while geopolitical tensions sustain oil price volatility and external uncertainty.
Scenario A: Sustained high oil prices (\$100–\$120)	Nigeria's net FX position strengthens as higher oil export earnings more than offset elevated import costs, supporting a more stable external balance.
Scenario B: Moderate prices (\$80–\$85)	External conditions remain mixed, with modest benefits from oil revenue stability.
Scenario C: Extreme price spike (Goldman Sachs Tail Risk)	Severe geopolitical disruption amplifies oil volatility and global financial instability.
Policy-mediated scenario (Temporary humanitarian intervention)	Increased domestic policy interventions include targeted income support for vulnerable households, windfall profit taxes on energy providers, and accelerated investment in energy efficiency and renewables to reduce long-term dependence on volatile global markets.
Net strategic implication	Nigeria's macroeconomic stability remains heavily exposed to global geopolitical developments and energy market volatility.



Fiscal sustainability and reform execution

Baseline outlook	Fiscal consolidation remains critical as debt service obligations remain elevated and revenue mobilisation efforts continue.
Scenario A: Sustained high oil prices (\$100–\$120)	Potential to strengthen fiscal space and reduce deficit pressure, though reform discipline may weaken.
Scenario B: Moderate prices (\$80–\$85)	Moderate fiscal improvement with continued pressure on structural revenue mobilisation.
Scenario C: Extreme price spike (Goldman Sachs Tail Risk)	Fiscal revenues rise but higher domestic fuel costs increase social spending and subsidy pressure.
Policy-mediated scenario (Temporary humanitarian intervention)	Policy cushioning mechanisms partially reduce fiscal gains and may delay reform progress.
Net strategic implication	Potential but low probability risks of weakening fiscal reform momentum unless anchored by disciplined revenue management.



Digital economy expansion

Baseline outlook	Digital economy growth continues, but AI adoption remains limited due to infrastructure gaps, regulatory uncertainty and talent constraints.
Scenario A: Sustained high oil prices (\$100–\$120)	Stronger fiscal capacity may support digital infrastructure, AI programmes and creative economy investments.
Scenario B: Moderate prices (\$80–\$85)	Digital expansion continues gradually, driven by private sector innovation and demographic demand.
Scenario C: Extreme price spike (Goldman Sachs Tail Risk)	Macroeconomic instability reduces technology investment and venture funding for digital innovation.
Policy-mediated scenario (Temporary humanitarian intervention)	Targeted public investment may protect digital infrastructure and AI initiatives despite economic shocks.
Net strategic implication	Although digital transformation is driven by policy and technological readiness, the oil market remains a major determinant because it influences government revenue, budget priorities, and the resources available for long-term investment in digital infrastructure.



Domestic security and social stability

Baseline outlook	Persistent insecurity, insurgency, and land-use conflict continue to disrupt agriculture, logistics, and food supply chains.
Scenario A: Sustained high oil prices (\$100–\$120)	Increased fiscal capacity enables higher security spending and stabilisation initiatives.
Scenario B: Moderate prices (\$80–\$85)	Limited fiscal improvements restrict the scale of security interventions because the government has less room to expand personnel recruitment, fund equipment procurement, or finance sustained operations across high-risk regions.
Scenario C: Extreme price spike (Goldman Sachs Tail Risk)	Rising inflation and energy costs intensify social pressures and political risk.
Policy-mediated scenario (Temporary humanitarian intervention)	Price stabilisation policies may reduce cost-of-living pressures and mitigate unrest risks.
Net strategic implication	Economic shocks may amplify social instability if rising fuel and food prices exacerbate household hardship.



Consumer affordability and household spending

Baseline outlook	Real incomes gradually recover as inflation moderates, though poverty and cost pressures remain elevated.
Scenario A: Sustained high oil prices (\$100–\$120)	Rising energy costs, and their effects on transport and food prices, may absorb a larger share of household budgets, limiting the recovery in consumer demand.
Scenario B: Moderate prices (\$80–\$85)	Moderation in fuel prices reduces the pressure on transport and food costs, helping households plan better and easing the strain on real incomes. This stability improves consumers' sense of financial predictability, which gradually restores confidence and supports a slow recovery in discretionary spending.
Scenario C: Extreme price spike (Goldman Sachs Tail Risk)	Sharp increases in transport and food costs erode purchasing power by raising the share of household income spent on essentials, leaving less room for discretionary purchases and consequently delaying any broad-based recovery in consumption.
Policy-mediated scenario (Temporary humanitarian intervention)	Policy buffers reduce inflation pass-through and support household demand.
Net strategic implication	Household consumption recovery remains highly sensitive to fuel price dynamics and inflation expectations.



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Implications of various scenarios on Nigeria's macroeconomic indicators

Key:

Positive

Moderate

Negative

Scenario	Scenario description	Oil price range	Fiscal impact	FX-/Naira impact	Inflation impact	Strategic risks	Implications
Scenario A: Sustained high oil prices	Oil prices remain elevated due to this conflict and tight global supply. Nigeria benefits from higher export prices, but the realised fiscal upside depends on raising crude output toward 1.8 to 2.0 mbpd and expanding the share of production that is not already committed to crude-backed financing and domestic supply obligations.	\$100–\$120 Brent				Production shortfalls and pre-committed crude volumes may significantly reduce the share of the oil-price windfall that reaches the federation account.	Stronger fiscal position and improved FX inflows create fiscal space. Businesses face short-term energy cost pressures but benefit from stronger government revenues over time.
Scenario B: rapid de-escalation	The conflict eases and global supply improves, causing oil prices to decline but remain above Nigeria's budget benchmark. Nigeria still benefits from moderate oil revenues but with less upside.	\$80–\$85 Brent				Reduced fiscal excess revenues compared to high-price scenario.	Balanced macroeconomic outcome. Inflation pressures moderate while the government retains moderate fiscal gains.

<p>Scenario C: Extreme price Spike (Goldman Sachs Tail Risk)</p>	<p>Severe geopolitical disruptions push global oil prices sharply higher. Nigeria could record excess oil revenues from the price shock, but domestic fuel prices would also rise significantly.</p>	<p>\$140– \$150 Brent</p>		<p>Social pressure and political risk due to higher pump prices.</p>	<p>Government revenues may improve, helping to stabilise public finances. However, elevated domestic energy costs still place significant pressure on household budgets and SMEs' operating expenses.</p>
<p>Scenario D: Policy-Mediated Scenario (Temporary humanitarian intervention)</p>	<p>Oil prices spike, but the government introduces a temporary humanitarian intervention to moderate domestic fuel prices. Similarly, the government supports the development of local refining capacity.</p>	<p>\$140– \$150 Brent</p>		<p>Fiscal leakage risk if the government's temporary humanitarian intervention persists.</p>	<p>Helps cushion households and businesses from extreme fuel prices while supporting domestic refining capacity, though fiscal benefits are partially reduced.</p>

In this scenario, Nigeria could face the worst asymmetry: higher domestic fuel, freight, and inflation pressures, while only part of the oil-price upside is captured fiscally if output does not rise above already committed barrels.

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Navigating the global energy shock: Business implications



Energy and extractives (oil & gas)

Production is increasing steadily, and any rise toward allowed quotas could enable producers to better capitalise on high global prices. For Nigeria, one immediate formal constraint is its crude-only OPEC production target of 1.5mbd, although operational disruptions and committed crude volumes also limit how much upside can be captured. However, part of current production and receipts is already tied to crude-backed prepayment and refinery-linked obligations, limiting the share of output that can benefit fully from higher prices. This reinforces the need to raise production to generate more unencumbered barrels.

The broader OPEC+ decision to begin unwinding voluntary cuts from April 2026 signals a return of supply to market, which could moderate prices if the conflict de-escalates, reinforcing the urgency of production ramp-up while the price environment remains favourable.⁷ Downstream operators managing feedstock costs should model pass-through carefully, as the removal of subsidies means there is no broad fiscal subsidy buffer between higher global crude prices and domestic pump prices. The main effects for the sector are higher revenue sensitivity to sustained price shifts, tighter downstream margins due to full crude-price pass-through, and increased urgency to accelerate production and asset integrity investments.



Manufacturing and industrial sector

Manufacturers face inflation predominantly through diesel and logistics costs, raising production expenses and squeezing margins. With weak consumer purchasing power, firms have limited room to pass costs forward, which pressures profitability and delays new investment. This environment heightens the importance of supply-chain optimisation, alternative energy solutions, and operational efficiency to manage volatility.



Consumer goods and retail sector

Consumer-facing businesses continue to operate in a demand-constrained environment as real income remains weak. Transport-linked cost increases feed directly into shelf prices, reducing affordability and lowering volumes. As a result, margins tighten because firms must balance price increases against the risk of losing customers, making pricing discipline and product mix optimisation critical.



Financial services

CBN's 50 bps cut to 26.5% in February signals cautious easing, but if inflation reverses in Q2, the central bank may tighten policy. Rising transport and energy costs weaken credit quality in logistics, consumer goods, and manufacturing portfolios, while high funding costs suppress corporate borrowing appetite.



Agriculture

Rising fuel and transport costs increase the cost of moving inputs and produce, squeezing margins for farmers and agribusinesses. Limited purchasing power among consumers may constrain demand for higher-value products, while fiscal support or targeted subsidies could ease some cost pressures. Supply chain optimisation and mechanisation adoption become critical to maintain efficiency and profitability.



ICT

Elevated government revenues may support investment in digital infrastructure and public-private ICT initiatives, creating opportunities for software, telecom, and AI-driven projects. However, higher operating costs can limit private-sector venture funding and slow adoption of new technologies. Firms with strong operational efficiency and diversified revenue streams are best positioned to benefit.



Construction

Higher energy and materials costs increase project expenses, potentially delaying infrastructure investments. Public sector projects may benefit if government channels higher oil revenues into infrastructure spending, while private developers face margin pressure. Effective cost management, energy-efficient building practices, and supply chain planning are key to maintaining project viability.



Mining and quarrying

Energy-intensive operations face rising fuel costs, which can compress margins for mining and quarrying firms. High global commodity prices could offset some domestic cost pressures, but logistical bottlenecks and transport inflation remain significant risks. Investment in fuel-efficient equipment and local sourcing of inputs can improve operational resilience.



Real estate

Rising construction and energy costs can slow property development and affect affordability, while increased fiscal spending may stimulate demand in government-backed housing or urban projects. Market growth remains sensitive to inflation and interest rate movements, so strategic project selection and cost control are critical.



Creative sector

Growth may be supported by fiscal capacity to fund digital and cultural initiatives, but higher operating costs and consumer price sensitivity can constrain discretionary spending on creative products.

05

What businesses should do

The evolving geopolitical environment reflects the need for Nigerian businesses to build resilience against global energy price volatility. While the trajectory of oil markets remains uncertain, firms can take several proactive steps to manage potential fluctuations and protect their operating performance.



Strengthen cost and energy resilience

Energy and logistics costs remain the most immediate transmission channel through which oil price volatility affects businesses. Companies should prioritise energy efficiency initiatives, evaluate alternative power sources where feasible, and optimise transport and distribution networks to reduce fuel intensity.



Strengthen supply chain flexibility

Potential disruptions to global shipping routes and higher transport costs increase the importance of resilient supply chains. Companies should explore supplier diversification, local sourcing opportunities, and improved inventory management to reduce exposure to international logistics volatility.



Adopt scenario-based financial planning

Oil market movements can quickly influence inflation, exchange rates, and interest rates. Businesses should therefore stress test financial plans under different oil price scenarios, reassessing working capital requirements, capital expenditure timing, and cost management strategies.



Manage foreign exchange exposure carefully

Although the Naira has stabilised in recent months, global energy market volatility can influence FX liquidity and capital flows. Firms with import exposure should maintain prudent FX liquidity buffers and monitor currency risk closely.



Refine pricing and product strategy

In an environment where household purchasing power remains constrained, firms have limited room to fully pass cost increases to consumers. Businesses may need to review product portfolios, packaging formats, and pricing structures to maintain affordability while protecting margins.



Monitor fiscal and policy signals

Nigeria's economic trajectory will depend significantly on how the government manages oil revenues if prices remain elevated. Businesses should monitor fiscal policy signals, budget execution data, and foreign reserve trends as leading indicators of the macroeconomic environment.

Ultimately, the current geopolitical environment highlights Nigeria's continued exposure to global energy markets. For businesses, resilience will depend less on predicting oil prices and more on building operating models that can withstand periods of volatility while remaining positioned to benefit if stronger oil revenues translate into broader economic stability.

06

What to watch

Monthly oil production.

This is arguably the single most important variable. Any sustained movement toward 1.8 to 2.0 mbpd, requiring progress on Niger Delta security and upstream investment, is a major positive signal. January 2026 total output (crude + condensate) was 1.64 mbpd; crude-only was 1.46 mbpd per OPEC.

CBN monetary policy.

Whether the central bank can maintain naira stability while managing re-emerging inflation risks. February 2026 cut to 26.5% signals cautious optimism while the next MPC decision remains a priority watch point.

FAAC Allocations.

The most reliable early indicator of the impact of increase in oil revenues due to the shocks is the direction of FAAC allocations.

Global demand outlook.

The global demand outlook remains a critical factor, as conflict-induced slowdown in the world economy could depress oil prices before Nigeria resolves its production challenges. It is therefore important to monitor IMF assessments for indications of a potential global downturn that may limit Nigeria's prospective oil earnings.

OPEC+ Production Strategy and Compliance.

OPEC's response to the unfolding supply disruptions because of the US-Israel-Iran conflict. While Nigeria's current quota is set at 1.5million bpd through 2026, the country's crude-only output recently declined to 1.31 mbpd in February 2026 from 1.46 mbpd in January 2026 due to the ongoing maintenance at the Bonga field. If OPEC+ maintains high prices through restricted supply while Nigeria struggles with these domestic production gaps, the government may miss the critical benefits of potential additional revenues.



Sources

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Scenario oil price ranges draw on published research from Goldman Sachs, Afrinvest, and the Centre for the Promotion of Private Enterprise (CPPE). These represent a range of plausible outcomes, not point forecasts.

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