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The Nigeria's Strategic Sectors Report:

From Stabilisation to Transformation

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Table of Content

	Executive Summary	3
1.0	**Macroeconomic Context**	5
2.0	**Strategic Sector Assessments**	8
	Agriculture	9
	Manufacturing	15
	Construction	20
	Energy	25
	Telecommunications and Information Services	30
	Trade	38
3.0	**Cross-Sector Competitiveness Assessment**	45
	Common Constraints	46
	Cross-Sector Opportunities	47
	Sector Interdependencies	48
4.0	**Strategic Takeaways for Economic Transformation**	49
5.0	**Strategic Policy Priorities**	51
6.0	**Conclusion**	56

Executive Summary

Nigeria is in an important phase in its economic adjustment. The macroeconomic environment has improved, but stabilisation has yet to translate fully into productive transformation. The NESG Macroeconomic Condition Index improved from negative 2.7 points in 2024 to negative 1.7 in 2025 and negative 1.2 in H1-2026, while real Gross Domestic Product (GDP) growth rose from 3.4 percent in 2024 to 3.9 percent in 2025 and 3.9 percent in H1-2026. The key question this report addresses is whether stability is translating into productive transformation.

Building on the six (6) strategic sectors, Agriculture, Manufacturing, Trade, Telecommunications and Information Services, Energy, and Construction, identified by the NESG Firing Up Nigeria Economic Growth series, the evidence points to a differentiated recovery. Business conditions have improved in most sectors, but investment has not responded proportionately. This creates a central transmission gap between improved macroeconomic conditions and expansion of productive capacity. The binding challenge across sectors is increasingly the conversion of improved macroeconomic stability and stronger business expectations into productive capital formation, productivity and competitiveness.

The four (4) key messages from the evidence are:

- **Macroeconomic stabilisation is gaining traction:** inflation has declined, foreign exchange conditions have improved and external liquidity has strengthened.
- **Sector recovery is uneven:** telecommunications and construction lead growth, while agriculture, manufacturing and trade remain strategically important but comparatively growing slower.
- **Investment is the missing transmission mechanism:** manufacturing, agriculture and telecommunications all show large gaps between current investment conditions and future expectations.
- **The constraint structure is becoming more domestic:** power, finance, commercial costs, infrastructure and regulatory uncertainty increasingly matter alongside macroeconomic constraints.

The next policy phase should be judged by whether stability produces investment, productivity, value addition, exports and quality employment. The outlook is cautiously optimistic. Over the next 12–24 months, the test will be whether business conditions translate into higher investment, productivity, productive capacity, employment, and exports. Nigeria has made progress in stabilisation, but the next phase must be judged by the quality of the transmission from stability to production. The opportunity is to convert improved conditions and investment appetite into a more productive and diversified economy; the risk is that financial market recovery outpacing the productive base. Stabilisation must become the foundation for transformation.


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MACROECONOMIC CONTEXT

MACROECONOMIC CONTEXT

Nigeria is entering a potentially important phase in its economic adjustment. The NESG Firing Up Nigeria Economic Growth analysis series established a fundamental problem in Nigeria's development trajectory: economic growth has remained modest and insufficiently connected to productivity, employment and broad-based improvements in welfare. The first report, therefore, developed an evidence-based framework for identifying sectors with the greatest potential to contribute to transformative growth, combining economic significance, growth potential, employment intensity, Nano, Micro, Small and Medium Enterprises (NMSMEs) presence, global market access and alignment with government priorities. This subsequent deep-dive examined the structural constraints and opportunities within the six (6) priority sectors and identified infrastructure, financing, skills, policy environment and market development as critical cross-cutting enablers. This Strategic Sectors Report builds directly on that foundation but addresses a different question: what has changed since the economy moved through the current reform and stabilisation cycle, and is the improvement in macroeconomic conditions beginning to translate into stronger productive capacity and sectoral competitiveness?

The macroeconomic evidence points to gradual but incomplete improvement. The NESG Macroeconomic Condition Index rose from -2.7 points in 2024 to -1.7 points in 2025 and -1.2 points in H1-2026 (see Table 1), indicating a meaningful improvement in overall economic conditions, although the index remains in negative territory. The economy has, therefore, achieved relative stability without reaching a macroeconomic environment that can be considered fully supportive of broad-based productive expansion. This distinction is central to the report. Over the last two years, exchange rate adjustment, monetary tightening, fiscal correction, and other reforms have improved price signals, strengthened external balances, and restored some policy credibility; Table 1 provides a snapshot. Nevertheless, stabilisation is a transition point rather than an end state. The next phase must be anchored in investment, productivity and large-scale job creation. The purpose of the sectoral analysis that follows is, therefore, to examine the transmission from macroeconomic stabilisation to structural transformation.

The original Firing Up Nigeria Economic Growth framework selected Agriculture, Trade, ICT, Construction, Energy and Manufacturing based on a combination of criteria. The current report retains these sectors because their strategic rationale remains valid, but updates the diagnosis using current output data, business sentiment, constraint rankings, investment conditions and forward expectations. The analytical emphasis consequently shifts from why these sectors were selected to whether they are now responding to the improved macroeconomic environment and what is preventing that response from becoming transformational. Moreover, this deep dive report identifies infrastructure, skills, the policy environment, and market development as common enablers.

1. . NESG (2025). Firing up Nigeria's Economic Potentials for Inclusive and Sustainable Growth. Retrieved from https://www.nesgroup.org/research/publication/firing-up-nigeria%E2%80%99s-economic-potentials-for-inclusive-and-sustainable-growth
2. . NESG (2025). Firing Up Nigeria Economic Growth - Volume 2. Retrieved from https://www.nesgroup.org/research/publication/firing-up-nigeria-economic-growth---volume-2
3. . NESG (2026). NESG Macroeconomic Condition Monitor for 2025. Retrieved from https://www.nesgroup.org/research/publication/nesg-macroeconomic-condition-monitor-for-2025

Table 1: Macroeconomic Conditions at a Glance

Shading shows relative magnitude within each indicator's own row (darker = higher)

Indicator	2024	2025	H1 2025	H1 2026
Real GDP growth (%)	3.38	3.87	3.69	4.16
Inflation (Annual Average, %)	33.18	23.33	26.57	15.51
Food Inflation (Annual Average, %)	39.10	22.46	26.08	14.31
Core Inflation (Annual Average, %)	27.06	23.66	25.74	16.40
Exchange rate (Official, N/US$)	1486.35	1517.94	1550.05	1384.45
Exchange rate (Parallel Market)	1494.02	1556.80	1556.80	1412.12
FX reserves (US$'Billion, End of Period)	40.88	45.50	37.21	51.46
Monetary policy rate (Annual Average, %)	25.54	27.29	27.50	26.58
Prime lending rate (Annual Average, %)	16.28	17.87	18.22	19.19
Max lending rate (Annual Average, %)	29.17	29.73	29.99	34.36
Credit to private sector (End of Period, N'Billion)	78,022.46	75,834.21	76,125.86	83,256.69
Credit to private sector (% of GDP)	20.93	17.18	17.24	18.86
Total Capital Importation (US$'Million)	12,322.32	23,220.83	10,762.58	20,039.82
FDI (US$'Million)	674.71	923.01	268.96	300.08
Portfolio flows (US$'Million)	8,378.77	19,764.13	9,404.64	19,111.67
Public investment (% of GDP)	3.50	2.70	—	—
Private investment (% of GDP)	12.70	14.50	—	—
Macroeconomic Condition Index (Points)	-2.70	-1.70	-2.40	-1.20

Low High

Data: NBS, CBN, IMF, NESG

The overall macroeconomic picture is, therefore, one of improving stability without yet achieving full productive transformation. Most importantly, the transmission from stabilisation to productive capacity remains incomplete. The central policy challenge over the next 12–24 months is, therefore, to move from stabilisation to investment, productivity, employment and competitiveness. The sectoral analysis that follows test this transition directly across Agriculture, Manufacturing, Trade, Telecommunications and Information Services, Energy, and Construction, asking whether improved macroeconomic conditions are translating into stronger business performance, investment, productive capacity and competitive capability.

4. NBS (2026). Nigerian Gross Domestic Product Report Q4 2025. Retrieved from https://microdata.nigerianstat.gov.ng/index.php/catalog/147
5. NBS (2024). Nigeria Labour Force Survey Annual Report 2023. Retrieved from https://www.nigerianstat.gov.ng/pdfuploads/Annual_Nigerian_Labour_Force_Survey_Report.pdf

STRATEGIC SECTOR ASSESSMENTS

STRATEGIC SECTOR ASSESSMENTS

This section presents the full sector-level evidence for each of the six strategic sectors: sector overview and structural performance, business conditions, top constraints, strategic opportunities and sector outlook.

Agriculture Sector

Sector Overview and Structural Performance

Agriculture remains central to Nigeria's economic transformation because of its scale, employment intensity and potential linkages with manufacturing, trade and rural enterprise. The sector accounted for 27.6 percent of GDP in 2025 (see Table 2) and approximately 30.1 percent of employment, making it the economy's largest employment-generating sector. Its transformation, therefore, has implications well beyond agricultural output, particularly for rural incomes, food security, domestic industrial inputs, agro-processing, and export diversification. Yet growth remains modest relative to its structural importance, making the central challenge one of moving agriculture from a predominantly employment-intensive activity towards a more productive, commercially integrated and value-adding sector.

Agricultural growth improved from 1.7 percent in 2024 to 2.9 percent in 2025 and 3.2 percent in H1-2026, more than doubling the 1.5 percent recorded in H1-2025. Its contribution to aggregate GDP growth also increased substantially, from 10.5 percent in H1-2025 to 26.5 percent in H1-2026 (see Table 2). Thus, although agriculture is growing more slowly than several of the economy's fastest-expanding sectors, its large economic weight means that even moderate improvements have a significant effect on aggregate economic growth.

The productivity challenge, however, remains substantial. Agricultural value added per worker increased only from US$3,434.66 in 2024 to US$3,489.94 in 2025 (see Table 2), an increase of approximately 1.6 percent. With almost one-third of employment concentrated in the sector, substantially faster productivity growth is required for agriculture to become a stronger driver of incomes and structural transformation. Its external contribution also remains limited as the sector accounted for 6.0 percent of total exports in 2025, compared with 7.1 percent of imports (see Table 2). The relatively modest export contribution, compared with the sector's domestic footprint, points to considerable unrealised potential in processing, aggregation, storage, quality upgrading, and higher-value agricultural exports.

Table 2: Agriculture Sector Performance

Shading shows relative magnitude within each indicator's own row (darker = higher)

Indicator	2024	2025	H1 2025	H1 2026
GDP growth (%)	1.69	2.92	1.53	3.82
Contribution to GDP (%)	27.81	27.55	24.77	24.69
Contributions to GDP growth	14.12	20.95	10.48	22.70
Exports (% of total exports)	5.73	5.96	6.83	5.54
Import (% of total import)	6.25	7.07	6.70	6.08
Agricultural productivity (value added per worker, US$)	3,434.66	3,489.94	—	—

Low High

Data: NBS, World Bank

Business Conditions

Agricultural business conditions have improved significantly from 2024, although the recovery has moderated. The Overall Index rose from 94.9 in 2024, indicating contraction, to 105.2 in 2025, then eased to 100.0 in H1-2026, effectively returning to neutral. Agriculture has moved out of contraction, but current business conditions have not yet established a sustained expansionary trajectory. Nevertheless, individual operating indicators remain positive with General Business Situation, Production and Demand indices stood at 112.7, 110.9 and 112.9, respectively, in H1- 2026 (See Table 3)

Table 3: Business Sentiment in the Agriculture Sector

Shading centred on 100 (neutral) — green = expansion, red = contraction; scale shared across all sectors

Indicator	2024	2025	H1 2025	H1 2026
Overall Index	94.88	105.23	104.21	100.02
General Business Situation Index	102.50	114.24	114.22	112.73
Production Index	116.08	115.84	118.77	110.90
Demand Condition Index	109.48	120.52	124.12	112.86
Investment Index	106.67	94.62	89.60	95.16
Export/Supply Order Index	87.94	103.73	105.53	95.24
Cost of Doing Business Index	37.32	79.72	71.01	77.46
Operating Profit Index	104.17	107.02	105.33	95.76
Access to Credit	103.73	120.32	118.11	111.42
Cash Flow	106.71	97.81	97.13	78.22
Prices	62.00	89.11	82.22	94.91
Employment	119.49	106.51	108.69	100.99

0 100 200

Data: NESG Business Confidence Monitor

The operating indicators explain part of this gap. Operating Profit declined from 105.3 in H1-2025 to 95.8 in H1-2026, moving into contraction, while Cash Flow fell sharply from 97.1 to 78.2. Access to Credit remained above the neutral threshold at 111.4 in H1-2026 declining from 118.1 in H1-2025 and 120.3 in FY-2025 suggesting that the issue is increasingly the affordability, adequacy and structure of finance rather than simply its availability.

The cost and price indicators are consistent with this interpretation. The Prices Index increased from 82.2 in H1-2025 to 94.9 in H1-2026, while the Cost of Doing Business Index increased from 71.0 in H1-2025 to 77.5 in H1-2026 (see Table 3 above). Both indicators remain below 100 indicating improvement, however, movement towards 100 represents a deterioration in the degree of improvement. Thus, the agricultural business environment remains better than the neutral benchmark, but some of the earlier gains in prices and operating costs are weakening.

The stronger signal comes from the gap between current conditions and expectations. The Future Business Expectation Index remained expansionary at 125.5 in H1-2026 (see Table 4), compared with the current Overall Index of 100.0. Future expectations for Production, Investment and Employment stood at 133.9, 134.2 and 135.7, respectively (see Table 4). This suggests that businesses continue to see significant expansion opportunities, but current conditions are constraining their realisation. The investment gap is particularly important as the current Investment Index stood at 95.2, indicating contraction, compared with a future investment index of 134.2 (see Table 4).

Table 4: Future Business Expectation in the Agriculture Sector

Shading centred on 100 (neutral) — green = expansion, red = contraction; scale shared across all sectors

Indicator	2024	2025	H1 2025	H1 2026
Overall Index	130.44	126.48	129.28	125.50
General Business Situation Index	126.54	131.47	132.25	127.44
Production Index	129.16	135.35	144.91	133.89
Demand Condition Index	131.11	109.76	107.46	117.86
Investment Index	128.10	132.57	138.60	134.20
Export/Supply Order Index	136.45	128.08	126.98	123.39
Cost of Doing Business Index	137.01	128.26	135.05	130.41
Operating Profit Index	124.71	119.86	119.70	111.15
Access to Credit	100.00	100.00	100.00	100.00
Cash Flow	122.56	131.46	139.94	127.10
Prices	121.24	123.24	127.54	125.86
Employment	128.08	139.15	148.45	135.65

0 100 200

Data: NESG Business Confidence Monitor

Top Constraints facing Agriculture

The constraint rankings point to a changing structure of business pressures. The rankings represent average monthly rankings, with higher scores indicating that businesses referenced the constraint more frequently. In H1-2026, **limited access to financing** ranked first with a score of 12, followed by cost of commercial lease/rental property at 10 and unclear economic policies at 10. **Uncertainty in the economic environment and inadequate power supply** followed, each with a score of 8 (see Table 5). Financing has become the most prominent constraint, consistent with the wider high-interest-rate environment. The combination of Access to Credit Index above 100 and financing as the leading constraint suggests that credit is available to some extent but may remain insufficient in scale, tenor or cost for productive investment. This is particularly relevant to agriculture, where mechanisation, irrigation, storage and processing require longer-term capital and must accommodate seasonal cash flows.

The emergence and persistence of **commercial lease/rental costs** as the second-ranked constraint also deserves attention. Rising commercial property costs increase fixed operating expenses and can constrain aggregation, storage, processing and distribution activities. For a sector seeking to deepen value addition, the cost of the infrastructure surrounding production can become an important constraint on competitiveness.

Unclear economic policies remain a significant concern, indicating that policy predictability continues to influence investment decisions despite improving macroeconomic conditions. Furthermore, foreign exchange availability has become less prominent, having ranked fourth in 2024 but falling out of the top five in H1-2026 providing firm-level evidence of the improving macroeconomic environment and suggests that the constraint structure is increasingly shifting towards domestic financing, operating costs and policy predictability.

Table 5: Agriculture sector: top business constraints

Average ranking of the top 5 constraints cited by businesses, 2024 – 2026 H1

Rank	2024	2025	2025 H1	2026 H1
#1	Inadequate Power Supply Score: 12	Limited Access to Financing Score: 11	Inadequate Power Supply Score: 11	Limited Access to Financing Score: 12
#2	Limited Access to Financing Score: 10	Cost of Commercial Lease/Rental Property Score: 10	Limited Access to Financing Score: 10	Cost of Commercial Lease/Rental Property Score: 10
#3	Insecurity Score: 10	Unclear Economic Policies Score: 9	Unclear Economic Policies Score: 9	Unclear Economic Policies Score: 10
#4	Availability of Foreign Exchange Score: 9	Inadequate Power Supply Score: 9	Cost of Commercial Lease/Rental Property Score: 9	Uncertainty of the Economic Environment Score: 8
#5	Multiplicity of Tax Regulations Score: 8	Uncertainty of the Economic Environment Score: 7	Availability of Foreign Exchange Score: 7	Inadequate Power Supply Score: 8

Constraint key

Inadequate Power Supply | Limited Access to Financing | Insecurity | Availability of Foreign Exchange

Multiplicity of Tax Regulations | Cost of Commercial Lease/Rental Property | Unclear Economic Policies | Uncertainty of the Economic Environment

Data: NESG Business Confidence Monitor

Also, insecurity and inadequate power supply have similarly become less prominent in the rankings, although they remain material risks.

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Unclear economic policies remain a significant concern, indicating that policy predictability continues to influence investment decisions despite improving macroeconomic conditions. Furthermore, foreign exchange availability has become less prominent, having ranked fourth in 2024 but falling out of the top five in H1-2026 providing firm-level evidence of the improving macroeconomic environment and suggests that the constraint structure is increasingly shifting towards domestic financing, operating costs and policy predictability. Also, insecurity and inadequate power supply have similarly become less prominent in the rankings, although they remain material risks.

Strategic Opportunities

1. **Accelerate productivity-enhancing investment.** Strong future Production and Investment indices of 133.9 and 134.2 (see Table 4 above) indicate considerable expansion potential in mechanisation, irrigation, improved inputs, storage and climate-resilient production which can 1. have economy-wide effects by raising output per worker and improving farm-level commercial viability.
2. **Deepen agro-processing and domestic value-chain integration.** Agriculture's large domestic footprint contrasts with its modest export contribution, creating substantial scope to capture more value from the link between primary production and final markets. Strong future Demand and Export/Supply Order indices of 117.9 and 123.4 (see Table 4 above) indicate continued commercial opportunities. Better integration among producers, aggregators, processors, logistics providers, and formal markets could increase domestic value addition, reduce post-harvest losses, and strengthen the competitiveness of processed agricultural products.
3. **Develop finance and commercial infrastructure suited to agricultural value chains.** The gap between current Investment of 95.2 and future expectations of 134.2 (see Table 4 above) indicates a substantial unrealised investment appetite that financing instruments aligned with agricultural production cycles, alongside risk-sharing and value-chain finance, could help close. Investment in storage, aggregation, and processing should be part of the same strategy, with an emphasis on crowding in commercially viable private investment rather than broad-based subsidies.

Agriculture Sector Outlook

Agriculture enters the next 12–24 months with a positive but still fragile outlook. Growth has accelerated to 3.2 percent in H1-2026, macroeconomic conditions have improved, and business expectations remain strongly expansionary. The key indicator to monitor is the gap between current business conditions and future expectations. If the Overall Index moves decisively above 100 alongside a recovery in investment and cash flow, agriculture would have stronger evidence of entering a genuine expansionary phase. The strategic priority is to convert improvements in macroeconomic stability and strong business expectations into higher productivity, stronger value addition, and commercially sustainable investment across agricultural value chains.



Manufacturing Sector

Sector Overview and Structural Performance

Manufacturing is central to Nigeria's industrialisation because it provides a channel for converting capital, technology and labour into higher-productivity production, domestic value addition and export capacity. In 2025, the sector accounted for 8.1 percent of GDP and 12.7 percent of employment while its contribution to aggregate GDP growth increased sharply in H1-2026 (see Table 6). Manufacturing accounted for only 2.9 percent of total exports in 2025, compared with 47.5 percent of imports, with the import share rising further to 62.3 percent in H1-2026.

Manufacturing growth accelerated from 1.2 percent in 2024 to 1.4 percent in 2025 and 3.3 percent in H1-2026, compared with 1.7 percent in H1-2025. Its contribution to aggregate GDP growth rose from 4.0 percent in H1-2025 to 7.6 percent in H1-2026 (see Table 6) while its GDP share increased from 8.7 percent in H1-2025 to 9.6 percent. However, its export share declined from 2.5 percent of total exports in H1-2025 to 1.4 percent in H1-2026, while its import share increased substantially. This recovery is, therefore, yet to translate into stronger external competitiveness or reduced dependence on imported manufactured products.

Table 6: Manufacturing Sector Performance

Shading shows relative magnitude within each indicator's own row (darker = higher)

Indicator	2024	2025	H1 2025	H1 2026
GDP growth (%)	1.20	1.41	1.65	3.27
Contribution to GDP (%)	8.24	8.05	8.70	8.63
Contributions to GDP growth	2.98	3.01	3.96	6.83
Exports (% of total exports)	2.95	2.94	2.53	1.43
Import (% of total import)	44.18	47.47	46.46	62.30
Manufacturing capacity utilisation (%)	49.41	56.58	—	—

Low High

Data: NBS, CBN

Business Conditions

Manufacturing has recorded a pronounced improvement in business conditions. The Overall Index rose from 88.4 in 2024 to 109.6 in 2025 and 109.9 in H1-2026 (see Table 7), moving from contraction to sustained expansion with the General Business Situation Index at 144.9, Production at 145.5 and Demand Conditions at 108.7 in H1-2026. Production has been particularly strong, rising from 104.1 in 2024 to 147.4 in 2025 before moderating slightly to 145.5 in H1-2026. Demand has similarly recovered from 77.6 in 2024 to 108.7, while the Export Order Index reached 104.2, indicating modest expansion in export-related activity.

Profitability and cash flow reinforce the evidence of an improving operating environment as Operating Profit Index increased from 84.8 in 2024 to 126.9 in H1-2026, while Cash Flow remained strongly expansionary at 133.4. Employment also remained firmly above the neutral benchmark at 128.4. Access to Credit improved from 82.1 in 2024 to 102.9 in H1-2026, suggesting some easing in credit conditions. These movements indicate that manufacturers are currently experiencing stronger production, demand, profitability, cash flow and employment conditions than in 2024.

The critical weakness, however, is investment. The Investment Index fell from 118.0 in 2024 to 89.5 in 2025 and to 81.6 in H1-2026, a sustained contraction despite improvements in other business conditions. This creates a significant divergence between operating performance and capital formation as Manufacturers are producing more, reporting stronger profitability and maintaining positive cash flow, but are not yet translating these conditions into new investment at the same pace.

Table 7: Business Sentiment in the Manufacturing Sector

Shading centred on 100 (neutral) — green = expansion, red = contraction; scale shared across all sectors

Indicator	2024	2025	H1 2025	H1 2026
Overall Index	88.40	109.57	110.79	109.92
General Business Situation Index	104.51	142.80	146.43	144.93
Production Index	104.14	147.39	150.60	145.50
Demand Condition Index	77.60	108.31	107.39	108.65
Investment Index	118.01	89.48	92.63	81.58
Export Order Index	92.72	103.10	102.92	104.16
Cost of Doing Business Index	37.03	62.99	59.55	57.75
Operating Profit Index	84.79	112.91	116.04	126.90
Access to Credit	82.10	97.41	96.07	102.85
Cash Flow	105.29	132.79	135.82	133.35
Prices	47.74	75.68	75.80	69.95
Employment	96.75	126.19	130.39	128.44

0 100 200

Data: NESG Business Confidence Monitor

The expectations data make this divergence even more significant. The Future Business Expectation Index reached 158.9 in H1-2026 (see Table 8), compared with the current Overall Index of 109.9. Expectations for general business conditions, production and investment stood at 171.4, 165.7 and 162.0, respectively, while future export orders reached 163.6. Manufacturers, therefore, anticipate considerably stronger conditions ahead, including a substantial expansion in investment. The gap between the current Investment Index of 81.6 and the future Investment Index of 162.0 suggests that the constraint is more likely to be the ability to invest under current conditions than a lack of commercial opportunity.

The cost environment has also improved. The Cost of Doing Business Index declined from 59.6 in H1- 2025 to 57.8 in H1- 2026. Given the inverse interpretation of cost indices, the movement further below the 100 benchmark represents an improvement. The Prices Index also remained well below 100 at 70.0. Together with the broader decline in inflation and improved exchange-rate conditions, these indicators suggest that macroeconomic stabilisation is beginning to translate into better firm-level operating conditions. The central issue is, therefore, increasingly whether this improved operating environment can be converted into capital formation and productive capacity.

Table 8: Future Business Expectation in the Manufacturing Sector

Shading centred on 100 (neutral) — green = expansion, red = contraction; scale shared across all sectors

Indicator	2024	2025	H1 2025	H1 2026
Overall Index	126.34	154.89	153.57	158.86
General Business Situation Index	120.97	169.32	168.37	171.35
Production Index	105.85	159.01	156.60	165.68
Demand Condition Index	125.26	123.95	120.18	128.51
Investment Index	129.72	158.86	161.08	162.03
Export/Supply Order Index	141.86	157.17	155.37	163.61
Cost of Doing Business Index	100.00	100.00	100.00	100.00
Operating Profit Index	134.35	161.02	159.81	161.96
Access to Credit	100.00	100.00	100.00	100.00
Cash Flow	131.68	158.53	157.55	162.87
Prices	110.44	130.68	128.73	140.40
Employment	125.49	150.73	149.08	147.01

0 100 200

Data: NESG Business Confidence Monitor

Top Constraints

Inadequate power supply remains the dominant manufacturing constraint, with an average ranking of 12 in H1-2026 (see Table 9), the highest possible score and the top constraint in every period. Its persistence reflects the greater energy intensity of manufacturing and the direct effect of unreliable electricity on production costs, capacity utilisation and competitiveness.

The cost of commercial lease and rental property has become an increasingly important constraint, ranking second in H1-2026 with an average ranking score of 11, after ranking second in 2025 (see Table 9). Rising industrial and commercial property costs add to firms' fixed operating expenses and can constrain expansion or relocation. When combined with energy, logistics, and financing costs, this creates a broader domestic cost disadvantage that can erode the competitiveness gains from improved macroeconomic conditions.

Limited access to financing ranked third (score 8), consistent with the contraction in current investment. The evidence suggests an important distinction between financing ongoing operations and financing expansion. Strong cash flow and profitability indicate that many firms can sustain current production, while the Investment Index shows that long-term capital formation remains constrained. **Shortage of raw materials and unclear economic policies** (consistently score 8 since 2025), reinforce the challenge. Raw-material shortages are particularly important, given the sector's high import dependence, and they point to weak domestic supply-chain linkages.

Table 9: Top Five Business Constraints in Manufacturing Sector (Average ranking)

Average ranking of the top 5 constraints cited by businesses, 2024 – 2026 H1

Rank	2024	2025	2025 H1	2026 H1
#1	Inadequate Power Supply Score: 12	Inadequate Power Supply Score: 12	Inadequate Power Supply Score: 12	Inadequate Power Supply Score: 12
#2	Multiplicity of Tax Regulations Score: 10	Cost of Commercial Lease/Rental Property Score: 10	Limited Access to Financing Score: 9	Cost of Commercial Lease/Rental Property Score: 11
#3	Limited Access to Financing Score: 10	Multiplicity of Tax Regulations Score: 8	Cost of Commercial Lease/Rental Property Score: 9	Limited Access to Financing Score: 8
#4	Insecurity Score: 9	Limited Access to Financing Score: 8	Multiplicity of Tax Regulations Score: 8	Shortage of Raw Materials Score: 8
#5	Availability of Foreign Exchange Score: 8	Availability of Foreign Exchange Score: 8	Availability of Foreign Exchange Score: 8	Unclear Economic Policies Score: 8

Constraint key

- Inadequate Power Supply
- Multiplicity of Tax Regulations
- Limited Access to Financing
- Insecurity
- Availability of Foreign Exchange
- Cost of Commercial Lease/Rental Property
- Shortage of Raw Materials
- Unclear Economic Policies

Data: NESG Business Confidence Monitor

The declining prominence of **foreign exchange availability** is nevertheless encouraging. It ranked fifth in 2024 and remained among the leading constraints through 2025, but no longer appears among the top five in H1-2026. This provides additional firm-level evidence that improving foreign exchange conditions are reducing one of the acute constraints previously facing manufacturers. The constraint structure is, therefore, shifting towards energy, domestic operating costs, finance, and supply chain weaknesses.

Strategic Opportunities

- **Unlock investment in productive and energy-efficient manufacturing capacity.** The gap between the current Investment Index (81.58) and future investment expectation (162.0) indicates strong latent investment appetite that reliable, lower-cost energy and long-term finance could unlock.

- **Pursue deeper domestic value-chain development.** The combination of a 62.3 percent import share and only 1.4 percent export share in H1-2026 exposes both the vulnerability and the opportunity for selective and competitiveness-driven import substitution with strategic focus on product where Nigeria has sufficient market, input availability and potential for economies of scale.

- **Pursue export-oriented manufacturing and regional market expansion.** Export orders have remained above the 100-benchmark since 2025 with future export expectations exceptionally strong indicating significant unrealised export potential. Converting this potential into sustained exports will require competitive production costs, reliable power supply, quality standards, trade facilitation, and stronger integration into regional markets.

Sector Outlook

Manufacturing enters the next 12–24 months with stronger momentum than its recent historical performance. Output growth has accelerated; current business conditions are expansionary; profitability and cash flow are strong; and expectations for production, investment, exports, and employment are highly positive. The key indicator to monitor is the gap between current and **expected investment.** If the Investment Index moves above 100 while production, profitability, employment and export orders remain expansionary, manufacturing would have stronger evidence of moving from recovery towards genuine industrial expansion. If investment remains contractionary despite exceptionally strong expectations, Nigeria risks a manufacturing recovery without the corresponding expansion in productive capacity. The immediate strategic priority is to convert improved business conditions into investment, deeper domestic value chains and stronger export competitiveness.

Construction Sector

Sector Overview and Structural Performance

Construction is becoming an increasingly important contributor to Nigeria's economic recovery and investment cycle, linking public infrastructure provision, private real estate development, housing and commercial activity with employment and domestic demand. The sector accounted for 4.0 percent of GDP in 2025, while its growth accelerated from 4.2 percent in 2024 to 5.5 percent in 2025 and 6.4 percent in H1-2026 (see Table 10). Its contribution to aggregate GDP growth increased from 6.4 percent in H1-2025 to 9.7 percent in H1-2026, indicating that construction is becoming a more important source of overall economic expansion. The acceleration is particularly significant because construction is capital-intensive and has substantial linkages with manufacturing, real estate, transport. The structural performance points to a sector moving beyond recovery towards stronger expansion.

Construction's GDP share increased from 3.9 percent in 2024 to 4.9 percent in H1-2026, alongside the acceleration in output growth (see Table 10). However, the available data do not provide measures of employment, productivity, or investment, limiting the assessment of whether the expansion is accompanied by improvements in labour productivity and durable capital formation. These indicators should be incorporated in subsequent assessments given the sector's importance to infrastructure delivery.

Table 10: Construction Sector Performance

Shading shows relative magnitude within each indicator's own row (darker = higher)

Indicator	2024	2025	H1 2025	H1 2026
GDP growth (%)	4.16	5.53	5.79	6.55
Contribution to GDP (%)	3.93	4.00	4.16	4.25
Contributions to GDP growth	4.81	5.62	6.40	6.54

Low High

Data: NBS, CBN



Business Conditions

Construction recorded one of the most significant improvements in business conditions among the sectors assessed. The Overall Business Conditions Index increased from 93.7 in 2024, indicating contraction, to 122.5 in 2025 and remained strongly expansionary at 117.7 in H1-2026 (see Table 11). The General Business Situation Index stood at 166.2 and the Production Index at 142.7 in H1-2026, both well above the 100 benchmark. Although both moderated from an exceptionally high levels of 178.2 and 160.6 in H1-2025, they continue to indicate strong expansion in construction activity.

Demand conditions present a more mixed picture as the Demand Condition Index declined from 106.8 in H1-2025 to 97.3 in H1-2026, moving slightly into contraction, while the Supply Order Index also fell to 97.4 (see Table 11). This suggests that the strong growth in construction activity is not being matched uniformly by current demand and new orders. The distinction matters because sustained construction expansion requires a continuing pipeline of projects rather than temporary increases in activity. Nevertheless, the investment dimension has strengthened significantly. The Investment Index increased from 85.0 in H1-2025 to 113.9 in H1-2026, moving from contraction to expansion. This is an important contrast with agriculture and manufacturing, where current investment remains below the 100 benchmark.

Table 11: Business Sentiment in the Construction Sector

Shading centred on 100 (neutral) — green = expansion, red = contraction; scale shared across all sectors

Indicator	2024	2025	H1 2025	H1 2026
Overall Index	93.71	122.46	118.70	117.68
General Business Situation Index	118.33	177.54	178.24	166.16
Production Index	99.81	159.77	160.61	142.73
Demand Condition Index	97.22	104.25	106.77	97.33
Investment Index	50.00	104.75	84.98	113.93
Supply Order Index	102.03	103.50	104.59	97.43
Cost of Doing Business Index	78.81	72.58	60.73	79.47
Operating Profit Index	109.79	134.81	134.96	126.70
Access to Credit	86.90	113.53	106.24	107.55
Cash Flow	102.67	156.64	158.25	156.33
Employment	101.72	133.54	137.08	123.38

0 100 200

Data: NESG Business Confidence Monitor

The improvement in investment is supported by strong profitability and liquidity. The Operating Profit Index stood at 126.7 in H1-2026, while Cash Flow remained exceptionally strong at 156.3. Employment also remained firmly expansionary at 123.4, although below the 137.1 recorded in H1-2025 (see Table 11). Access to Credit remained above the neutral benchmark at 107.6, indicating continued expansion in access despite the broader high-interest-rate environment. The combination of investment, profitability, cash flow, credit and employment suggest that construction's current expansion has a stronger financial base than the sector experienced in 2024.

Cost conditions have also remained favourable. The Cost of Doing Business Index stood at 79.5 in H1- 2026, below the 100 benchmark and, therefore, indicating an improvement in cost conditions, although the movement from 60.7 in H1-2025 towards 100 represents some erosion of that improvement. This is consistent with the broader macroeconomic picture in which inflationary and exchange-rate pressures have eased but accumulated cost pressures remain significant.

The expectations data reinforce the sector's positive outlook. The Future Business Expectation Index reached 158.8 in H1-2026, substantially above the current Business overall Overall Index of 117.7 (see Table 12). Expectations for general business conditions and production remained exceptionally strong at 176.7 and 174.8, while future investment stood at 141.0. Future export orders were particularly strong at 172.8, while expectations for operating profit and cash flow reached 180.7 and 180.1 (see Table 12). The gap between current and expected conditions suggests that businesses anticipate further expansion, even though current demand and orders remain close to the neutral threshold. The sector, therefore, combines strong current operating performance with an even stronger forward pipeline.

Top Constraints

Inadequate power supply remains a persistent structural constraint ranking first in 2025 and H1-2026, with a score of 10 (see Table 13). The second major issue in H1-2026 is the **regulatory and tax burden.** Multiplicity of Tax Regulations ranked second with a score of 9, while Regulatory Requirements also scored 9, a shift from earlier periods, when insecurity, uncertainty and financing featured more prominently. **Limited access to financing** ranked third with a score of 8, alongside unclear economic policies. Financing remains important because construction projects typically require substantial upfront capital and depend on predictable payment schedules. The declining prominence of **insecurity and foreign exchange availability,** no longer among the top five in H1-2026 is encouraging. Foreign exchange availability has similarly fallen out of the leading constraints reinforcing the broader evidence that some of the acute macroeconomic pressures affecting businesses have eased.

Table 12: Future Business Expectation in the Construction Sector

Shading centred on 100 (neutral) — green = expansion, red = contraction; scale shared across all sectors

Indicator	2024	2025	H1 2025	H1 2026
Overall Index	140.56	157.57	158.43	158.75
General Business Situation Index	139.33	179.09	179.89	176.69
Production Index	131.59	174.37	175.38	174.75
Demand Condition Index	100.00	100.00	100.00	100.00
Investment Index	152.48	141.24	142.92	140.98
Export Order Index	132.65	170.05	168.15	172.79
Spare Capacity Index	115.38	105.80	109.59	106.54
Operating Profit Index	171.91	174.84	174.66	180.74
Access to Credit	100.00	100.00	100.00	100.00
Cash Flow	133.12	176.62	176.40	180.05
Employment	125.46	148.23	152.05	142.00

0 100 200

Data: NESG Business Confidence Monitor

Table 13: Top Five Business Constraints in Construction Sector (Average ranking)

Average ranking of the top 5 constraints cited by businesses, 2024 – 2026 H1

Rank	2024	2025	2025 H1	2026 H1
#1	Cost of Commercial Lease/Rental Property Score: 11	Inadequate Power Supply Score: 10	Inadequate Power Supply Score: 10	Inadequate Power Supply Score: 10
#2	Inadequate Power Supply Score: 10	Uncertainty of the Economic Environment Score: 8	Insecurity Score: 9	Multiplicity of Tax Regulations Score: 9
#3	Insecurity Score: 10	Insecurity Score: 7	Uncertainty of the Economic Environment Score: 8	Regulatory Requirements Score: 9
#4	Limited Access to Financing Score: 8	Multiplicity of Tax Regulations Score: 7	Multiplicity of Tax Regulations Score: 7	Limited Access to Financing Score: 8
#5	Availability of Foreign Exchange Score: 7	Cost of Commercial Lease/Rental Property Score: 7	Limited Access to Financing Score: 7	Unclear Economic Policies Score: 8

Constraint key

- Cost of Commercial Lease/Rental Property
- Inadequate Power Supply
- Insecurity
- Limited Access to Financing
- Availability of Foreign Exchange
- Uncertainty of the Economic Environment
- Multiplicity of Tax Regulations
- Regulatory Requirements
- Unclear Economic Policies

Data: NESG Business Confidence Monitor

Strategic Opportunities

- **Scale construction investment alongside Nigeria's infrastructure and urbanisation needs.** The sector's growth of 6.38 percent in H1- 2026, expansionary investment conditions and strong future investment expectations indicate a favourable environment for continued capital formation. Infrastructure, housing, commercial property and associated urban development provide significant potential demand, provided projects are supported by credible financing and predictable implementation.

- **Strengthen construction-industry linkages with domestic manufacturing.** Construction demand can create markets for locally produced cement, steel, fabricated materials, machinery and other inputs. Given Nigeria's broader industrialisation objective, construction should increasingly function as a source of domestic demand for manufactured inputs rather than relying excessively on imported materials and equipment. This would allow the sector's expansion to generate wider productivity and value-addition effects across the economy.

- **Develop more efficient project-financing and delivery systems.** Strong future expectations for investment, profitability, cash flow and export orders suggest considerable commercial confidence. Converting this confidence into sustained project execution will depend on improving access to long-term finance, reducing regulatory delays and strengthening the predictability of public and private project pipelines. Better project preparation, transparent procurement and more reliable payment mechanisms could crowd in additional private investment.

Sector Outlook

Construction has one of the strongest near-term outlooks among the strategic sectors. Growth has accelerated to 6.4 percent in H1-2026, current business conditions remain strongly expansionary; investment has moved above the 100 benchmark. The key issue to monitor is the relationship between **strong supply-side activity and relatively weak current demand and new orders.** If demand and supply orders recover above 100 while investment remains expansionary, the sector would have stronger evidence of a durable expansion. If current demand remains weak despite high expectations, the sector's growth could become increasingly dependent on existing projects rather than a sustained pipeline. The immediate policy priority should, therefore, be to convert the sector's strong current momentum into durable investment, efficient project delivery and stronger linkages with domestic productive capacity.

Energy Sector

Sector Overview and Structural Performance

The crude petroleum and natural gas sector remain strategically important to Nigeria because of its contribution to foreign exchange earnings, fiscal revenues, investment and the wider energy system. However, sector's role in the economy is changing. Real sector growth accelerated strongly from 5.5 percent in 2024 to 8.5 percent in 2025, reaching 10.7 percent in H1-2025, before slowing sharply to 2.6 percent in H1-2026. Its contribution to aggregate GDP growth similarly declined from 10.9 percent in H1-2025 to 2.6 percent in H1-2026. The sector's GDP share remained relatively modest at 3.9 percent in H1-2026, compared with 4.0 percent in H1-2025.

The moderation in output growth is occurring despite relatively stronger crude production. Crude oil production increased from 1.53 million barrels per day (mbpd) in 2024 to 1.64mbpd in 2025, reaching 1.68mbpd in H1-2025 before moderating slightly to 1.63mbpd in H1-2026. This suggests that the sharp slowdown in sector growth is not simply explained by a collapse in production volumes. Rather, the sector's recent performance should be understood in light of the changing composition of petroleum exports. Crude oil's share of total exports declined from 71.4 percent in 2024 to 55.7 percent in 2025 and 52.9 percent in H1-2026, while non-crude oil exports increased from 16.9 percent to 29.8 percent and subsequently to 32.0 percent. The full operation of the Dangote refinery appears to be an important factor behind this shift, with the petroleum trade structure increasingly reflecting processed petroleum products alongside crude exports. This represents an important transition in the sector's external profile, although the available data do not establish the extent to which this shift reflects additional domestic value addition versus changes in export composition.

Table 14: Energy Sector Performance

Shading shows relative magnitude within each indicator's own row (darker = higher)

Indicator	2024	2025	H1 2025	H1 2026
GDP growth (%)	5.54	8.50	10.65	5.01
Contribution to GDP (%)	3.38	3.53	4.01	4.04
Contributions to GDP growth	5.43	7.42	10.85	4.04
Crude Oil Production (mbpd)	1.53	1.64	1.68	1.63
Crude Oil Export (% total export)	71.39	55.72	57.49	52.92
Oil (Non-crude) Export (% total export)	16.87	29.77	28.18	32.03

Low High

Data: NBS, CBN

Business Conditions

Despite the moderation in macroeconomic sector growth, energy-sector businesses continue to report expansionary operating conditions. The Overall Business Conditions Index increased from 93.5 in 2024 to 113.2 in 2025 and remained at 108.6 in H1-2026. The General Business Situation Index stood at 132.6, while Production and Demand Conditions were 124.7 and 102.8, respectively. All remain above the 100 benchmark, although each has moderated from H1-2025. The evidence, therefore, points to continued expansion, but with weakening momentum.

The strongest current indicators are profitability, cash flow and access to credit. The Operating Profit Index reached 119.3 in H1-2026, while Cash Flow remained strongly expansionary at 130.5. Access to Credit also remained high at 120.9. Employment increased to 114.6, indicating continued expansion in sectoral employment. Export/Supply Orders improved from 99.7 in H1-2025 to 104.3 in H1-2026, moving back above the neutral benchmark. These indicators suggest that businesses remain financially and operationally positive despite the moderation in production growth.

Investment, however, remains a significant weakness. The Investment Index declined from 95.7 in H1-2025 to 92.7 in H1-2026, remaining below the 100 benchmark and, therefore, indicating contraction. This is particularly important given the sector's capital intensity and the scale of investment required to increase production, expand gas utilisation, and develop downstream capacity. The divergence between strong profitability and cash flow, on the one hand, and weak current investment, on the other, suggests that improved operating performance has yet to fully translate into new capital formation.

Table 15: Business Sentiment in the Energy Sector

Shading centred on 100 (neutral) — green = expansion, red = contraction; scale shared across all sectors

Indicator	2024	2025	H1 2025	H1 2026
Overall Index	93.47	113.21	113.79	108.56
General Business Situation Index	119.44	142.88	152.35	132.58
Production Index	107.29	136.54	144.33	124.71
Demand Condition Index	101.46	109.08	106.78	102.78
Investment Index	57.50	110.30	95.72	92.72
Export/Supply Order Index	100.00	101.14	99.70	104.34
Cost of Doing Business Index	62.50	70.14	68.39	84.24
Operating Profit Index	93.13	122.37	129.22	119.26
Access to Credit	71.53	120.21	120.63	120.87
Cash Flow	108.26	138.74	140.03	130.47
Employment	99.71	121.42	126.03	114.58

0 100 200

Data: NESG Business Confidence Monitor

The cost environment has also deteriorated relative to H1-2025. The Cost of Doing Business Index increased from 68.4 to 84.2. Since cost indices are interpreted inversely, a movement towards 100 indicates a deterioration in the degree of improvement, even though the index remains below the neutral benchmark. This suggests that businesses continue to experience better cost conditions than the neutral position, but some of the earlier gains are being eroded.

Future expectations remain strongly expansionary. The Future Overall Index stood at 125.3 in H1-2026, well above the current Overall Index of 108.6. Expectations for general business conditions and production were 134.6 and 132.5, respectively, while future investment remained strongly expansionary at 114.5. Export/Supply Order expectations were particularly strong at 128.4, while future profitability and cash flow stood at 139.0 and 129.0. The gap between current and expected conditions suggests that energy businesses continue to see opportunities for expansion, although expectations have moderated from H1-2025. The sector, therefore, retains positive momentum, but the weakening current investment position warrants attention.

Table 16: Future Business Expectation in the Energy Sector

Shading centred on 100 (neutral) — green = expansion, red = contraction; scale shared across all sectors

Indicator	2024	2025	H1 2025	H1 2026
Overall Index	119.26	131.81	134.38	125.27
General Business Situation Index	112.64	144.51	146.56	134.64
Production Index	115.93	145.03	147.91	132.52
Demand Condition Index	100.00	100.00	100.00	100.00
Investment Index	113.19	112.13	115.58	114.46
Export/Supply Order Index	113.61	138.06	138.50	128.39
Spare Capacity Index	120.14	107.61	112.47	102.63
Operating Profit Index	140.07	143.50	145.24	138.97
Access to Credit	100.00	100.00	100.00	100.00
Cash Flow	113.82	145.81	152.40	128.99
Employment	108.06	134.72	132.97	128.25

Data: NESG Business Confidence Monitor

Top Constraints

The constraint structure has shifted considerably over the review period. In H1-2026, **inadequate power supply** emerged as the leading constraint, with a score of 9. This is notable given that the sector itself is central to Nigeria's energy system. The result points to the operational significance of reliable electricity and related energy infrastructure even for petroleum and gas businesses, particularly those involved in processing, storage, transportation and downstream activities.

Uncertainty of the economic environment ranked second with a score of 8, continuing a pattern evident since 2024 when it was the sector's leading constraint with a score of 11. Regulatory requirements, shortage of raw materials and unclear economic policies each scored 7 in H1-2026. Their persistence suggests that the sector's constraints are increasingly concentrated around the predictability and efficiency of the operating and regulatory environment rather than access to foreign exchange or finance.

The continued prominence of regulatory requirements is particularly important given the structural changes taking place across the petroleum value chain. The expansion of domestic refining and downstream processing creates opportunities for greater value addition, but also increases the importance of clear, predictable and efficiently implemented regulatory frameworks. Similarly, the persistence of raw-material constraints suggests that supply-chain weaknesses remain relevant even as the sector's broader operating conditions improve.

Notably, **limited access to financing**, which ranked fifth in 2024, no longer appears among the top five constraints in H1-2026. This is consistent with the Access to Credit Index remaining strongly expansionary at 120.87 and provides additional evidence that financing access has become less acute than in the earlier period. The changing constraint structure, therefore, points towards a sector where regulatory certainty, infrastructure and operational inputs are becoming relatively more important.

Table 17: Energy sector: top business constraints

Average ranking of the top 5 constraints cited by businesses, 2024 – 2026 H1

Rank	2024	2025	2025 H1	2026 H1
#1	Uncertainty of the Economic Environment Score: 11	Uncertainty of the Economic Environment Score: 7	Uncertainty of the Economic Environment Score: 8	Inadequate Power Supply Score: 9
#2	Cost of Commercial Lease/Rental Property Score: 10	Shortage of Raw Materials Score: 6	Unclear Economic Policies Score: 7	Uncertainty of the Economic Environment Score: 8
#3	Shortage of Raw Materials Score: 8	Unclear Economic Policies Score: 6	Shortage of Raw Materials Score: 7	Regulatory Requirements Score: 7
#4	Unclear Economic Policies Score: 8	Regulatory Requirements Score: 6	Regulatory Requirements Score: 6	Shortage of Raw Materials Score: 7
#5	Limited Access to Financing Score: 7	Staff Turnover Score: 5	Cost of Commercial Lease/Rental Property Score: 6	Unclear Economic Policies Score: 7

Constraint key

Uncertainty of the Economic Environment; Cost of Commercial Lease/Rental Property; Shortage of Raw Materials; Unclear Economic Policies; Limited Access to Financing; Regulatory Requirements; Staff Turnover; Inadequate Power Supply

Data: NESG Business Confidence Monitor

Strategic Opportunities

- **Deepen domestic value addition across the petroleum value chain:** The declining share of crude exports alongside the increasing share of non-crude oil exports indicates a changing export structure. The expansion of domestic refining capacity provides an opportunity to retain more value within Nigeria through processing, refining and associated downstream activities. The strategic objective should be to ensure that this transition develops into a broader domestic industrial ecosystem rather than simply changing the composition of petroleum exports.

- **Pursue gas-based industrial development:** The sector's future Production and Investment indices remain above 100, while the broader operating environment is expansionary. Greater utilisation of Nigeria's natural gas resources could support electricity generation, fertiliser production, petrochemicals and other energy-intensive industries, strengthening linkages between the energy sector and manufacturing. This would increase the sector's contribution to economic transformation beyond its traditional role as a source of crude exports.

- **Mobilise investment into downstream and supporting infrastructure:** Future investment expectations remain expansionary at 114.5 despite current investment at 92.7. This indicates continued investment appetite that could be directed towards refining, gas processing, storage, transportation and associated infrastructure. The strength of future export, profitability and cash-flow expectations provides a favourable commercial basis for such investment if regulatory uncertainty and infrastructure constraints can be reduced.

Sector Outlook

The energy sector enters the next 12–24 months with a **positive but moderating outlook.** Production remains relatively high at 1.63mbpd; current business conditions are expansionary; profitability and cash flow remain strong; and future expectations remain comfortably above the neutral benchmark. The base case is, therefore, for continued expansion, supported by relatively stable production, increasing domestic processing capacity and improving downstream activity.

The upside scenario would involve sustained oil production, stronger gas development and greater utilisation of domestic refining capacity, allowing Nigeria to capture more value within the petroleum chain and strengthen linkages with manufacturing and other productive sectors. The downside scenario would involve renewed production disruptions, regulatory uncertainty, infrastructure constraints or weakening investment that prevents the sector from sustaining its current expansion.

The key strategic issue is, therefore, the **quality and composition of energy-sector growth.** The declining share of crude exports and rising share of non-crude petroleum exports suggest an emerging shift towards greater domestic processing and value addition. If this transition is accompanied by stronger investment, particularly in refining, gas processing and supporting infrastructure, the sector could increasingly contribute to industrialisation rather than primarily generating export earnings. The policy priority should consequently be to consolidate the shift from crude extraction towards a more integrated, investment-led and value-adding petroleum and gas sector.



Telecommunications & Information Services Sector

Sector Overview and Structural Performance

Telecommunications and information services have become an increasingly important driver of Nigeria's economic transformation, given their role in connectivity, digital transactions, business productivity, innovation and the diffusion of technology across virtually every sector of the economy. The sector's importance has strengthened materially during the review period. Real GDP growth accelerated from 6.3 percent in 2024 to 7.5 percent in 2025, before reaching 12.2 percent in H1-2026, making telecommunications and information services one of the fastest-growing components of the economy. Its contribution to GDP increased from 8.1 percent in 2024 to 8.3 percent in 2025 and 9.2 percent in H1-2026. More significantly, its contribution to aggregate GDP growth increased from 14.5 percent in 2024 to 26.8 percent in H1-2026. The sector, therefore, accounted for more than one-quarter of the increase in aggregate economic activity in H1-2026, underscoring its growing role in the current expansion.

The acceleration is particularly important from a structural transformation perspective because digital infrastructure increasingly serves as a general-purpose input to productivity across agriculture, manufacturing, trade, finance, logistics, and services. Yet it accounted for only an estimated 0.6 percent of total employment. This divergence is economically significant. It suggests that the sector generates substantial output and growth with relatively limited direct employment absorption, reflecting its high capital- and technology-intensity. The strategic challenge is, therefore, to maximise the wider employment and productivity spillovers from digital infrastructure and services by strengthening linkages with other sectors, expanding digital adoption among businesses and workers, and developing the skills required for a more technology-intensive economy.

Table 18: Telecoms & Information Services Sector Performance

Shading shows relative magnitude within each indicator's own row (darker = higher)

Indicator	2024	2025	H1 2025	H1 2026
GDP growth (%)	6.25	7.47	7.59	11.26
Contribution to GDP (%)	8.06	8.34	8.86	9.46
Contributions to GDP growth	14.48	15.54	17.56	23.95

Low High

Data: NBS, CBN

Business Conditions

Business conditions have improved materially, although the sector exhibits a striking divergence between strong operating performance and weak current investment. The Overall Business Conditions Index rose from 95.5 in 2024, indicating contraction, to 105.0 in 2025, and reached 106.6 in H1-2026, indicating continued expansion. The improvement is supported by strong general business conditions, production and demand. The General Business Situation Index reached 144.8 in H1-2026, while Production stood at 108.7 and Demand at 127.2. The demand indicator is particularly notable because it recovered from 94.2 in H1-2025 to 127.2, suggesting a substantial strengthening of market conditions.

The export and supply-order index also remained strongly expansionary, rising from 113.2 in H1-2025 to 126.2 in H1-2026. Operating profitability similarly remained positive at 121.2, while the Financial Results Index reached 126.2. Cash flow strengthened further to 135.9, up from 132.8 in H1-2025, and employment rose to 124.7 from 105.7. Together, these indicators suggest the sector's current expansion is broad-based, with firms reporting stronger demand, production, profitability, liquidity, and employment.

The principal weakness is investment. The current Investment Index stood at only 59.2 in H1-2026, compared with 58.4 in H1-2025 and 53.8 in 2025. With the 100 benchmark representing neutrality, this indicates a sustained contraction in current investment conditions despite the sector's strong output growth. This is strategically important. Telecommunications is capital-intensive, and sustained expansion ultimately requires continued investment in network capacity, infrastructure, spectrum-related assets, data centres, fibre networks and other digital infrastructure. The current data therefore suggest that output growth is outpacing investment conditions.

The Future Business Expectations Index reached 141.5 in H1-2026, more than 34 points above the current Overall Index. Future expectations for general business conditions and demand were exceptionally strong at 158.4, while export/supply orders stood at 146.3 and operating profitability at 160.7. Importantly, the future Investment Index was 105.9, moving into expansionary territory even though current investment remained contractionary. This points to an important latent investment opportunity: firms appear to anticipate stronger conditions and some improvement in investment, but the current operating environment has yet to translate those expectations into sufficiently strong capital formation.

The Cost of Doing Business Index declined from 64.0 in H1-2025 to 59.0 in H1-2026. Because cost indices are interpreted inversely, values below 100 indicate improvement, and a movement further below 100 represents a stronger improvement relative to the neutral benchmark. The sector, therefore, reports a relatively favourable cost environment. This is consistent with the broader macroeconomic stabilisation, although the persistence of infrastructure and regulatory constraints indicates that lower general macroeconomic pressures have not eliminated sector-specific operating costs.

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Table 19: Business Sentiment in the Telecoms & Information Services Sector

Shading centred on 100 (neutral) — green = expansion, red = contraction; scale shared across all sectors

Indicator	2024	2025	H1 2025	H1 2026
Overall Index	95.45	105.03	99.83	106.61
General Business Situation Index	100.09	139.65	136.58	144.82
Production Index	96.64	117.72	112.50	108.74
Demand Condition Index	102.00	113.91	94.22	127.20
Investment Index	101.36	53.80	58.39	59.19
Export/Supply Order Index	99.75	120.89	113.18	126.15
Cost of Doing Business Index/Spare Capacity Index	68.67	66.31	63.99	58.96
Operating Profit Index	99.64	122.92	119.93	121.20
Financial Results Index	99.75	120.89	113.18	126.15
Access to Credit	100.00	100.00	100.00	100.00
Cash Flow	100.00	129.31	132.77	135.86
Prices	100.00	100.00	100.00	100.00
Employment	100.00	108.90	105.71	124.74

0 100 200

Data: NESG Business Confidence Monitor

Table 20: Future Business Expectation in the Telecoms & Information Services Sector

Shading centred on 100 (neutral) — green = expansion, red = contraction; scale shared across all sectors

Indicator		2024	2025	H1 2025	H1 2026
Overall Index		96.18	140.43	141.16	141.53
General Business Situation Index		99.09	151.11	153.40	158.43
Production Index		98.05	126.77	130.01	119.47
Demand Condition Index		96.50	154.38	153.60	158.43
Investment Index		80.80	102.03	107.35	105.92
Export/Supply Order Index		100.55	147.29	144.61	146.28
Cost of Doing Business Index		100.00	100.00	100.00	100.00
Operating Profit Index		102.09	161.03	157.99	160.67
Financial Results Index		100.55	147.29	144.61	146.28
Access to Credit		100.00	100.00	100.00	100.00
Cash Flow		102.09	154.52	151.23	156.47
Prices		100.00	100.00	100.00	100.00
Employment		99.18	124.77	130.33	126.57

0 100 200

Data: NESG Business Confidence Monitor

Top Constraints

The available BCM constraint data identify a clear hierarchy of structural pressures. The rankings represent the average monthly ranking of constraints, with higher scores indicating that a constraint was referenced more frequently by businesses. Inadequate power supply ranks first with a score of 11, making energy reliability the most prominent constraint reported by the sector. This is significant for a sector whose infrastructure increasingly depends on reliable electricity for network equipment, data infrastructure and digital service delivery. The prominence of power supply indicates that improvements in macroeconomic stability alone cannot eliminate the infrastructure bottlenecks affecting digital-sector competitiveness.

Regulatory requirements rank second with a score of 9, highlighting the importance of regulatory efficiency as the sector expands rapidly. Telecommunications and information services operate in a technology-intensive environment where regulatory processes need to provide effective oversight without unnecessarily increasing the cost or time required to deploy infrastructure and introduce new services. The prominence of regulatory requirements, therefore, points to the need for greater predictability, coordination and efficiency in sector regulation.

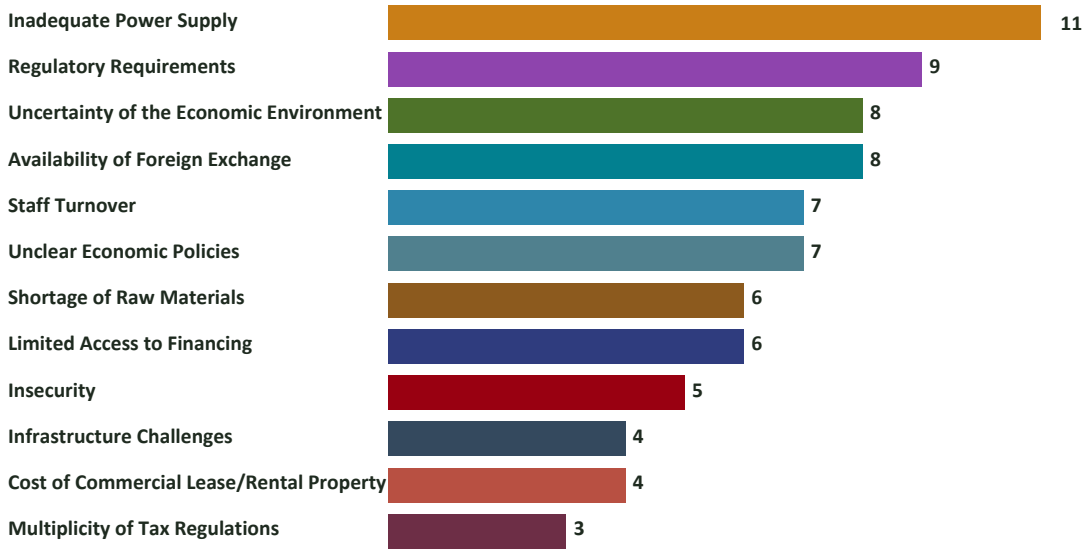
Uncertainty of the economic environment and availability of foreign exchange jointly rank third, each with a score of 8. Their presence is important but should be interpreted alongside the broader macroeconomic evidence. Foreign exchange availability has improved considerably at the economy-wide level, and the fact that exchange-rate

conditions remain a reported constraint suggests that businesses continue to face residual exposure to imported equipment and foreign currency costs. At the same time, the prominence of economic uncertainty indicates that firms remain sensitive to changes in the wider policy and macroeconomic environment.

Other constraints, including staff turnover and unclear economic policies, score 7, while shortage of raw materials and limited access to financing score 6. These are relevant but currently less prominent than power, regulation, macroeconomic uncertainty and foreign exchange availability. The constraint structure, therefore, suggests that the sector's principal challenge is increasingly the quality and predictability of the operating environment required to sustain digital infrastructure investment.

Table 21: Top Business Constraints in Telecommunications & Information Services Sector (Average ranking)

Average ranking score (single latest snapshot — no period breakdown provided)



Data: NESG Business Confidence Monitor

Strategic Opportunities

- **Accelerate investment in digital infrastructure:** The sector is growing at 12.2 percent, contributes 26.80 percent of aggregate GDP growth, and has future investment expectations above the neutral benchmark at 105.9. The central opportunity is, therefore, to convert strong demand and growth into expanded network capacity, fibre infrastructure, data infrastructure and other productive digital assets. The current investment index of 59.2 indicates substantial room for improvement.

- **Deepen digital economy linkages across the wider economy:** The sector's rapidly increasing contribution to aggregate GDP growth demonstrates that digital services are becoming an important source of economic activity. Expanding reliable and affordable connectivity can improve productivity in agriculture, manufacturing, trade, finance, logistics and public services. The strategic objective should, therefore, extend beyond telecoms output itself towards using digital infrastructure to reduce transaction costs, improve market access and enable technology adoption across productive sectors.

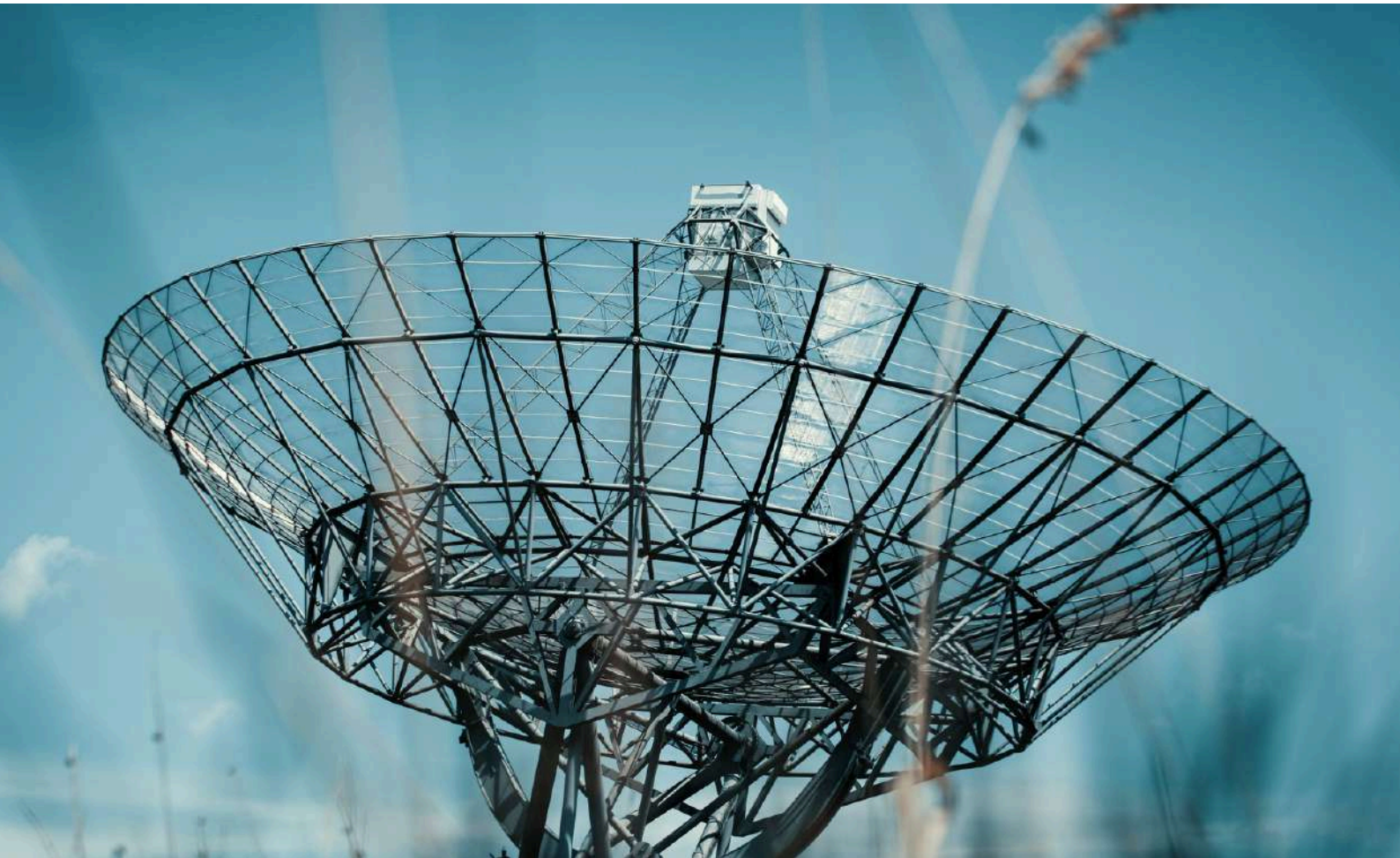
- **Pursue export-oriented digital and information services:** Export and supply-order conditions were expansionary at 126.2 in H1- 2026, while future expectations reached 146.3. This suggests scope for Nigeria to capture a larger share of regional and international markets for digitally delivered services, business-process services and other information-intensive activities. Realising this opportunity will require reliable infrastructure, competitive costs, appropriate skills and predictable regulation.

Sector Outlook

The telecommunications and information services sector enters the next 12–24 months with strong momentum. The base case is for continued expansion, supported by robust demand, improving profitability, strong cash flow and exceptionally positive business expectations. The H1-2026 GDP growth rate of 12.2 percent provides a strong starting point, while the Future Business Expectations Index of 141.5 indicates that firms remain confident about the sector's prospects.

The key issue is whether this growth can be accompanied by sufficient capital formation. The upside scenario would involve stronger investment, improved power reliability and more predictable regulation, allowing firms to expand digital infrastructure and deepen linkages with the wider economy. The downside scenario would involve renewed macroeconomic uncertainty, foreign exchange pressures, persistent power constraints or regulatory bottlenecks that discourage investment.

The most important signal to monitor is, therefore, the large gap between current investment conditions and future investment expectations. If investment rises above 100 while production, demand, profitability, cash flow and employment remain expansionary, the sector would have stronger evidence of moving from rapid output growth towards sustained capacity expansion. If investment remains deeply contractionary, the sector may continue to grow rapidly while accumulating infrastructure and capacity constraints. The strategic priority is consequently to convert the sector's exceptional growth momentum into sustained digital infrastructure investment and broader economy-wide productivity gains.



Trade Sector

Sector Overview and Structural Performance

Trade is a critical component of Nigeria's economic structure because of its scale, employment intensity and role in connecting domestic production with consumers, businesses and international markets. It accounted for 17.4 percent of GDP in 2025, making it the second-largest contributor to output among the strategic sectors considered, and its contribution to aggregate GDP growth remained substantial at 9.7 percent in H1-2026. However, the sector's output performance remains relatively weak, especially as its contributions to growth grossly underwhelmed is share of GDP. Real trade GDP growth declined from 2.0 percent in 2024 to 1.8 percent in 2025, before recovering modestly to 2.1 percent in H1-2026, compared with 1.5 percent in H1-2025. The combination of a very large GDP footprint and low growth is important for the transformation agenda: stronger trade performance can support market integration and domestic value chains, but persistent low productivity in commerce can also constrain the transmission of economic recovery to businesses and households.

Table 22: Trade Sector Performance

Shading shows relative magnitude within each indicator's own row (darker = higher)

Indicator	2024	2025	H1 2025	H1 2026
GDP growth (%)	1.97	1.77	1.53	2.24
Contribution to GDP (%)	17.73	17.37	18.25	17.91
Contributions to GDP growth	10.45	8.11	7.73	9.82

Low High

Data Sources: NBS, CBN



Business Conditions

Business conditions in trade have improved substantially from 2024, but the pace of expansion has moderated during H1-2026. The Overall Business Conditions Index increased from 93.6 in 2024, indicating contraction, to 115.2 in 2025, before declining to 102.6 in H1-2026. The sector, therefore, remains marginally expansionary, but the strength of current conditions has weakened considerably. This moderation is evident in production and demand. The Production Index declined from 131.2 in H1-2025 to 108.4 in H1-2026, while the Demand Condition Index fell from 126.7 to 105.7. Both remain above the 100 benchmark, indicating expansion, but the narrowing margin suggests that the strong recovery recorded in 2025 has lost momentum.

General business conditions remain considerably stronger, with the General Business Situation Index at 136.9 in H1-2026. Export and supply-order conditions also remained expansionary at 107.2, while the Trade Stockpiling Index stood at 105.9. The latter is particularly important because stockpiling can reflect expectations of stronger future demand, supply uncertainty or attempts by businesses to protect against price and availability risks. Its sharp moderation from 138.5 in H1-2025 suggests that the exceptional inventory accumulation observed previously has eased as macroeconomic and supply conditions have become more stable.

Financial indicators remain relatively supportive. Access to Credit stood at 112.0 in H1-2026, while Cash Flow remained strongly expansionary at 121.9, although below 129.1 in H1-2025. Employment also remained above the expansion threshold at 105.9, but substantially below 121.3 in H1-2025. Profitability presents a weaker picture: the Operating Profit Index fell to 98.1, moving marginally into contraction from 102.9 in H1-2025. This divergence between positive cash flow and marginally negative profitability suggests that traders continue to generate transactions and maintain liquidity, but margins are under greater pressure.

The cost and price indicators provide an important counterpoint. The Cost of Doing Business Index increased from 61.7 in H1-2025 to 75.2 in H1-2026. Because cost indices are interpreted inversely, the index remains below 100 and, therefore, indicates an improved cost environment, although the movement towards 100 means that the degree of improvement has weakened. The Prices Index similarly increased from 63.3 to 75.0, remaining below the neutral benchmark and, therefore, indicating improvement in price conditions relative to neutrality. The movement towards 100 nevertheless indicates that the favourable price environment has moderated. These developments are broadly consistent with the wider macroeconomic stabilisation, but the weakening of profitability suggests that lower price pressures have not necessarily translated into stronger trader margins.

Table 23: Business Sentiment in the Trade Sector

Shading centred on 100 (neutral) — green = expansion, red = contraction; scale shared across all sectors

Indicator	2024	2025	H1 2025	H1 2026
Overall Index	93.55	115.20	113.57	102.61
General Business Situation Index	97.70	142.77	138.30	136.91
Production Index	91.96	128.40	131.24	108.40
Demand Condition Index	98.78	125.25	126.74	105.72
Investment Index	84.79	84.07	79.82	83.40
Export/Supply Order Index	98.94	125.40	129.30	107.24
Cost of Doing Business Index	72.67	64.19	61.66	75.24
Operating Profit Index	103.77	103.44	102.93	98.06
Supply Order Index	98.94	125.40	129.30	107.24
Trade Stockpilling Index	99.81	148.06	138.54	105.87
Access to Credit	92.97	114.69	109.95	112.03
Cash Flow	95.16	129.86	129.06	121.88
Prices	91.58	56.59	63.32	75.01
Employment	99.78	120.05	121.26	105.93

0 100 200

Data: NESG Business Confidence Monitor

The contrast between current performance and expectations is particularly striking. The Future Business Expectations Index reached 156.1 in H1-2026, compared with the current Overall Index of 102.6. Expectations for general business conditions, demand and production stood at 160.3, 154.8 and 133.7, respectively. Future operating profitability and cash flow were similarly strong at 158.1 and 158.6, while employment expectations reached 157.0. The future Trade Stockpiling Index of 159.2 also suggests that businesses anticipate substantially stronger commercial activity. Yet future investment remains neutral at 100, matching the current absence of an expansionary investment signal. This distinction matters: traders are highly optimistic about future turnover and operating conditions, but the expectations data do not yet indicate a corresponding increase in capital formation.



Table 24: Future Business Expectation in the Trade Sector

Shading centred on 100 (neutral) — green = expansion, red = contraction; scale shared across all sectors

Indicator	2024	2025	H1 2025	H1 2026
Overall Index	101.90	157.87	152.13	156.10
General Business Situation Index	96.78	164.67	159.79	160.25
Production Index	105.24	134.90	129.52	133.66
Demand Condition Index	105.14	150.78	145.43	154.76
Investment Index	100.00	100.75	101.50	100.00
Export/Supply Order Index	106.87	153.52	148.15	149.41
Cost of Doing Business Index	100.00	100.00	100.00	100.00
Operating Profit Index	106.14	160.63	154.91	158.12
Supply Order Index	106.87	153.52	148.15	149.41
Trade Stockpilling Index	90.10	164.26	161.06	159.19
Access to Credit	100.00	100.00	100.00	100.00
Cash Flow	107.66	160.77	157.58	158.58
Prices	100.00	102.68	105.36	100.00
Employment	87.14	154.24	155.55	156.96

0 100 200

Data: NESG Business Confidence Monitor

Top Constraints

The H1-2026 constraint rankings identify limited access to financing as the most frequently cited constraint, with a score of 12, followed by **inadequate power supply, unclear economic policies, and the cost of commercial lease/rental property,** each with a score of 10. Availability of foreign exchange ranked fifth with a score of 8. The rankings represent average monthly rankings within each period, with higher scores indicating that businesses referenced the constraint more frequently.

Financing has become increasingly important. It ranked second in 2024, first jointly in 2025 and third in H1-2025, before becoming the clear leading constraint in H1-2026. This is notable because the Access to Credit Index remains expansionary at 112.0. The apparent contradiction suggests that the issue is not simply whether credit is available. Traders may have access to some financing while still facing constraints around cost, scale, tenor or suitability for working capital and business expansion. The persistence of strong cash flow alongside weak investment also points towards a financing environment that may support transactions better than longer-term business expansion.

Inadequate power supply remains a significant constraint, ranking second in H1-2026. While electricity is less directly associated with trade than manufacturing, unreliable power increases the operating costs of shops, warehouses, cold storage, logistics and digitally enabled commerce. Its persistence, therefore, represents a wider infrastructure constraint affecting the efficiency of the distribution system.



The **cost of commercial lease/rental property,** also scoring 10, deserves particular attention. Its emergence among the leading constraints reflects the growing fixed-cost burden facing businesses across commercial segments. For trade, where margins can be relatively sensitive to operating costs and turnover, rising rents can directly reduce profitability or force businesses into less commercially viable locations. Its increasing prominence reinforces the broader finding that the nature of the business constraint is shifting from acute macroeconomic instability towards domestic operating costs.

The declining prominence of foreign exchange is nevertheless encouraging. FX availability ranked third in 2024 and first in H1-2025, but fell to fifth in H1-2026 with a score of 8. This is consistent with the improving exchange-rate conditions discussed in the macroeconomic chapter and provides evidence that the easing of acute FX pressures is reaching businesses. The constraint structure is, therefore, increasingly dominated by domestic financing, infrastructure, operating costs and policy predictability.

Table 25: Trade sector: top business constraints

Average ranking of the top 5 constraints cited by businesses, 2024 – 2026 H1

Rank	2024	2025	2025 H1	2026 H1
#1	Inadequate Power Supply Score: 12	Limited Access to Financing Score: 10	Availability of Foreign Exchange Score: 11	Limited Access to Financing Score: 12
#2	Limited Access to Financing Score: 11	Unclear Economic Policies Score: 10	Inadequate Power Supply Score: 10	Inadequate Power Supply Score: 10
#3	Availability of Foreign Exchange Score: 10	Inadequate Power Supply Score: 10	Limited Access to Financing Score: 9	Unclear Economic Policies Score: 10
#4	Insecurity Score: 9	Cost of Commercial Lease/Rental Property Score: 9	Unclear Economic Policies Score: 9	Cost of Commercial Lease/Rental Property Score: 10
#5	Multiplicity of Tax Regulations Score: 8	Availability of Foreign Exchange Score: 9	Cost of Commercial Lease/Rental Property Score: 9	Availability of Foreign Exchange Score: 8

Constraint key

Inadequate Power Supply · Limited Access to Financing · Availability of Foreign Exchange · Insecurity

Multiplicity of Tax Regulations · Unclear Economic Policies · Cost of Commercial Lease/Rental Property

Data Sources: NESG Business Confidence Monitor

Strategic Opportunities

- **Improve the productivity and efficiency of domestic distribution networks.** Trade's large GDP contribution means that even modest productivity improvements can have significant economy-wide effects. Better logistics, warehousing, inventory management, digital payments and market information can reduce transaction costs and improve the connection between producers and consumers. The strong future demand and business-condition expectations suggest that the market exists for such improvements.

- **Strengthen linkages between trade and domestic production.** Trade's future Supply Order Index of **149.4** and Stockpiling Index of **159.2** indicate strong expectations of future commercial activity. Greater integration between traders, manufacturers, agricultural producers and logistics providers could improve market access for domestic products and reduce distribution bottlenecks. This is particularly important for the wider industrialisation agenda because productive capacity generates limited transformation if domestic distribution systems cannot efficiently connect producers to markets.

- **Advance digitalisation and formalisation of commerce.** The strong outlook for demand, cash flow and employment creates an opportunity to expand digital inventory management, payments, market platforms and business intelligence across the trade ecosystem.

Sector Outlook

Trade enters the next 12–24 months with a cautiously positive outlook. The base case is for continued moderate expansion, supported by improving macroeconomic conditions, strong future business expectations and easing FX pressures. However, the current Overall Index of 102.6 indicates that the sector is only marginally expansionary, while production, demand, employment and profitability have all weakened relative to H1-2025. A rapid acceleration should, therefore, not be assumed.

The upside scenario would involve lower financing constraints, improved power supply, greater digitalisation and stronger integration between domestic producers and distribution networks. This could raise trade productivity and strengthen the transmission of growth across the wider economy. The downside scenario would involve renewed inflation or exchange-rate pressures, persistent high financing costs, rising commercial rents or renewed policy uncertainty, which could further compress margins and weaken demand.

The key signal to monitor is the large gap between current business conditions and future expectations. If production, demand, profitability and employment recover towards the strength implied by the future indices, trade could become a stronger transmission mechanism for economic expansion. If the gap persists, the sector may remain a large contributor to GDP while operating with relatively weak productivity and investment dynamics. The strategic priority should, therefore, be to shift trade from a high-volume, low-productivity activity towards a more efficient, digitally enabled and better-integrated distribution system that strengthens domestic value chains and supports broader economic transformation.

CROSS-SECTOR COMPETITIVENESS ASSESSMENT

CROSS-SECTOR COMPETITIVENESS ASSESSMENT

The sector assessments point to a clear conclusion: Nigeria's macroeconomic stabilisation is beginning to improve business conditions, but the transmission from stabilisation to productive capacity, investment and competitiveness remains incomplete. This distinction is central to the report. Inflation has fallen substantially, foreign-exchange conditions have improved and external buffers have strengthened, while real GDP growth reached 3.9 percent in Q1 2026. Yet the pattern across the strategic sectors shows that firms continue to face binding constraints in electricity, finance, infrastructure, regulatory predictability and domestic supply chains.

The cross-sector evidence, therefore, suggests that Nigeria has moved from a period dominated by macroeconomic instability towards a more complex phase in which sector-level productivity and competitiveness constraints increasingly determine whether stabilisation can produce structural transformation. This is consistent with the IMF's assessment that the next stage of reform needs to focus on electricity, infrastructure, agriculture, human capital, financing and productivity-enhancing structural reforms.

Common Constraints

Energy remains the most pervasive competitiveness constraint. Inadequate power supply appears among the leading constraints in agriculture, manufacturing, construction, trade and telecommunications, and has become the leading reported constraint in manufacturing and telecommunications. Its significance is greater than the individual sector rankings suggest because unreliable electricity raises costs simultaneously across production, storage, logistics, construction and digital infrastructure. For manufacturing, where energy is a direct production input, the constraint is particularly binding. For telecommunications, inadequate electricity increases the cost of maintaining network and digital infrastructure. The result is a common productivity penalty that cannot be resolved through sector-specific interventions. Recent evidence continues to show that electricity supply remains a major structural bottleneck to private investment and productivity.

Finance is the second major cross-sector constraint, but its nature has changed. Limited access to financing was the leading constraint in agriculture and trade and remained among the top constraints in manufacturing and construction. This occurs despite improvements in some sectoral Access to Credit indices. The evidence suggests that the problem is increasingly about the **cost, tenor, scale and suitability of finance for productive investment**, rather than simply the physical availability of credit. This distinction is important. Businesses can maintain working capital and current operations while remaining unable to finance machinery, irrigation, processing facilities, networks, warehouses or other long-lived productive assets. The high-interest environment has, therefore, supported financial-market stability and portfolio inflows, but continues to constrain domestic capital formation.

Domestic operating costs are becoming more prominent as macroeconomic pressures ease. Commercial lease and rental costs emerged repeatedly among the leading sectoral constraints, ranking particularly highly in agriculture, manufacturing, construction and trade. This represents a new layer of competitiveness pressure. As acute FX instability and inflationary pressures moderate, firms are increasingly confronting the accumulated domestic cost structure associated with premises, energy, logistics, labour and compliance. The implication is important: further macroeconomic stabilisation will have diminishing effects on competitiveness unless accompanied by measures that reduce the cost of operating and expanding productive businesses.

Policy and regulatory uncertainty remains a cross-sector investment constraint. Unclear economic policies, regulatory requirements and uncertainty about the economic environment feature prominently across the BCM rankings. The problem is less the absence of policy activity than the predictability, coordination and implementation of policy. For investment decisions with long payback periods, uncertainty raises the option value of waiting and, therefore, weakens the translation of positive business expectations into actual capital formation.

Cross-Sector Opportunities

- **Convert macroeconomic stabilisation into productive investment:** Several sectors report a striking gap between current conditions and expectations. Manufacturing's current Investment Index was 81.6 against future expectations of 162.0; agriculture recorded 95.2 against 134.2; while telecommunications recorded 59.2 against 106.0. These gaps indicate that businesses see commercial opportunities but remain constrained from translating them into capital formation. Closing this investment gap should, therefore, be treated as a core competitiveness objective.

- **Develop domestic value-chain:** Agriculture provides the upstream base for food and agro-processing; manufacturing converts inputs into higher-value products; trade and logistics connect production to markets; construction supplies productive infrastructure; and telecommunications enables coordination, payments, information and market access. This creates an opportunity to design interventions around value chains rather than administrative sectors. The objective should be to identify high-potential chains where simultaneous improvements in finance, infrastructure, technology, standards and market access can generate larger productivity effects.

- **Treat digitalisation as a cross-sector productivity technology:** Telecommunications and information services grew by 12.2 percent in H1-2026 and accounted for 26.8 percent of aggregate GDP growth. Its importance, therefore, extends well beyond the ICT sector itself. Digital payments, inventory systems, e-commerce, precision agriculture, supply-chain management, digital financial records and data-driven production can improve productivity across the other strategic sectors. The opportunity is to treat digital infrastructure as productive infrastructure.

IMF (2026). Nigeria: 2026 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Nigeria. Retrieved from https://doi.org/10.5089/9798229048286.002

- **Pursue regional and export-market integration through AfCFTA.** Nigeria's weak manufactured export share alongside high manufactured imports demonstrates the scale of the competitiveness gap. AfCFTA provides a potential market of 1.3 billion people and a platform for expanding exports, services and regional value chains, but domestic productive capacity must first become sufficiently competitive. The priority should, therefore, be to link AfCFTA implementation directly to sector-specific export capabilities, standards, logistics and investment.

- **Pursue energy transition and decentralised energy solutions:** Distributed renewable energy, gas-based solutions and productive-use energy systems can reduce dependence on unreliable grid supply for firms while creating new investment opportunities. The broader energy transition should be viewed through a competitiveness lens, rather than treated solely as an environmental agenda.

Sector Interdependencies

The most important finding from the sector analysis is that the sectors are economically interdependent and their constraints cannot be solved independently. Below are three (3) pathways of sectoral interdependencies. These relationships imply that the highest-return interventions may occur at the points of connection between sectors rather than within sectors themselves.

- **Agriculture to Manufacturing to Trade to Exports is one of the clearest transformation pathways**. Higher agricultural productivity increases the availability and quality of domestic raw materials. Manufacturing converts these inputs into higher-value products. Efficient trade and logistics connect producers to domestic and regional markets. Export competitiveness then provides the scale and foreign exchange needed to sustain further investment.

- **From Energy through Manufacturing and Digital Infrastructure to Productivity**. Reliable and affordable energy reduces production costs, enables investment in machinery and technology, and improves the viability of digital infrastructure thereby creating economy-wide productivity gains rather than benefits confined to the electricity sector.

- **From Construction through Productive Infrastructure to Private Investment**. Construction is already growing at 6.4 percent and contributed 9.7 percent of aggregate GDP growth in H1-2026. Efficient construction of industrial parks, logistics infrastructure, warehouses, energy facilities and digital infrastructure can reduce constraints facing other sectors and crowd in private investment.

STRATEGIC TAKEAWAYS FOR ECONOMIC TRANSFORMATION



STRATEGIC TAKEAWAYS FOR ECONOMIC TRANSFORMATION

Five messages emerge from the cross-sector evidence.

Stabilisation is necessary but insufficient. Nigeria has created a more stable macroeconomic platform, but the next challenge is to convert that stability into productivity and investment. The World Bank similarly identifies the current transition as one from restoring macroeconomic stability towards accelerating inclusive growth.

Nigeria's competitiveness problem is increasingly a cost-and-capability problem. As FX instability and inflation pressures ease, electricity, finance, logistics, infrastructure, regulation and domestic supply capacity become more binding.

Investment is the critical transmission mechanism. The divergence between strong future expectations and weak current investment in several sectors suggests that Nigeria has an opportunity to unlock a substantial investment pipeline if financing and operating constraints are addressed.

Sector policy must become more integrated. Agriculture policy should connect to agro-processing; industrial policy to energy and trade; digital policy to economy-wide productivity; and infrastructure policy to productive investment. A siloed approach will leave binding constraints intact elsewhere in the system.

The objective should shift from recovery to competitiveness-led transformation. The strategic task is to build firms and value chains capable of producing more efficiently, investing at scale, integrating domestic inputs, adopting technology and competing in regional and global markets. That is the point at which macroeconomic stabilisation begins to translate into genuine economic transformation.

STRATEGIC POLICY PRIORITIES



STRATEGIC POLICY PRIORITIES

The sector assessment suggests that Nigeria's central policy challenge is changing. The immediate objective of restoring macroeconomic stability remains important, but the evidence increasingly points towards a second-order challenge: how to convert improved macroeconomic conditions into productive investment, higher productivity and stronger competitiveness. Inflation and exchange-rate pressures have moderated, foreign-exchange availability has improved, and business conditions have strengthened across most strategic sectors. Yet investment remains weak in several sectors, while electricity, financing, commercial costs, regulatory uncertainty and domestic supply constraints continue to limit the translation of improved confidence into productive capacity.

The policy response should, therefore, be organised around six mutually reinforcing priorities. These priorities are deliberately cross-sectoral. The objective is to address the constraints that repeatedly appear across the Agriculture, Manufacturing, Construction, Energy, Telecommunications and Trade assessments rather than create another set of sector-specific interventions.

Priority 1: Consolidate Macroeconomic Stability and Improve Policy Predictability

The persistence of unclear economic policies and economic uncertainty across sectoral rankings indicates that stability must increasingly be understood as predictability, not simply lower inflation or exchange-rate volatility. Immediate actions (0 to 12 months) should focus on maintaining a credible disinflation path, strengthen fiscal-monetary coordination, preserve exchange-rate transparency and establish clearer communication protocols for major policy changes. Medium term (1 to 3 years) should focus on strengthening the institutional framework for predictable macroeconomic management, including fiscal credibility and debt management. Long term (3 to 5 years) should embed macroeconomic stability within a broader productivity-oriented policy framework. Expected outcomes are lower investment uncertainty and a more predictable environment for long-term capital formation.

Priority 2: Reduce the Cost of Productive Infrastructure

Inadequate power supply remains among the leading constraints in manufacturing, agriculture, construction, trade and telecommunications, while infrastructure and logistics costs affect the movement of goods and services across the economy. Immediate actions should prioritise electricity reliability for productive users, accelerate repairs to critical transmission infrastructure and expand viable distributed energy solutions. Medium term should accelerate electricity-sector reforms and strengthen market-based pricing while protecting vulnerable consumers. Long term should establish integrated productive infrastructure corridors connecting production centres, industrial clusters, ports and digital infrastructure. Expected outcomes include lower unit production costs, higher capacity utilisation and stronger incentives for private investment.

Priority 3: Accelerate Industrialisation and Domestic Value Addition

Manufacturing accounted for only 2.9 percent of exports in 2025, while manufactured products represented 47.5 percent of imports, rising to 62.3 percent in H1-2026 and agriculture though employing approximately 30.1 percent of the workforce remains low-productivity. The policy objective should, therefore, be to build stronger connections between domestic production, processing and markets. Immediate actions should identify priority value chains where Nigeria has a realistic comparative advantage and remove specific investment bottlenecks. In the Medium term focus should be to develop competitive industrial and agro-processing clusters linked to reliable energy, logistics and finance, with incentives tied to measurable outcomes such as investment, productivity, domestic value addition and exports. Long term target should be to shift industrial policy towards productivity, technology adoption and export competitiveness, with stronger integration into regional and global value chains. Expected outcomes are a higher domestic value addition, reduced import dependence and increased non-oil exports.

Priority 4: Mobilise Productive Investment and Expand Appropriate Finance

Manufacturing's current Investment Index was 81.6 compared with future expectations of 162.0; agriculture recorded 95.2 against 134.2; and telecommunications recorded only 59.2 against 105.9 shows that businesses see opportunities that current financing and operating conditions are preventing them from exploiting. Immediate actions should expand risk-sharing mechanisms, credit guarantees and blended finance for productive investment, distinguishing working-capital requirements from long-term capital investment. Medium term should deepen long-term local-currency financing, strengthen development-finance institutions and mobilise pension and insurance capital towards productive assets with financing products more reflective agricultural cycles, manufacturing investment horizons and infrastructure requirements. Long term should establish a deeper domestic capital market capable of financing productive investment at longer tenors and lower risk premiums. Expected outcomes are a higher private investment and greater conversion of business confidence into physical and intangible capital.

Priority 5: Strengthen Trade Competitiveness and Export Diversification

Nigeria's trade structure continues to reveal a major competitiveness gap. The strategic objective should, therefore, move beyond increasing trade volumes towards improving the capacity of Nigerian firms to compete in domestic, regional and international markets. Immediate actions should reduce avoidable trade and logistics costs, improve customs efficiency, address critical port and border bottlenecks and strengthen export-support services. Medium term should modernise trade infrastructure and deliberately connect industrial and agricultural value chains to AfCFTA markets. Long term should develop export-oriented clusters capable of achieving scale, quality and cost competitiveness in

regional and global markets. Expected outcomes are to lower trade costs, strengthen non-oil exports, deepen regional value chains and improve external competitiveness.

Priority 6: Build Skills, Technology and Innovation Capacity

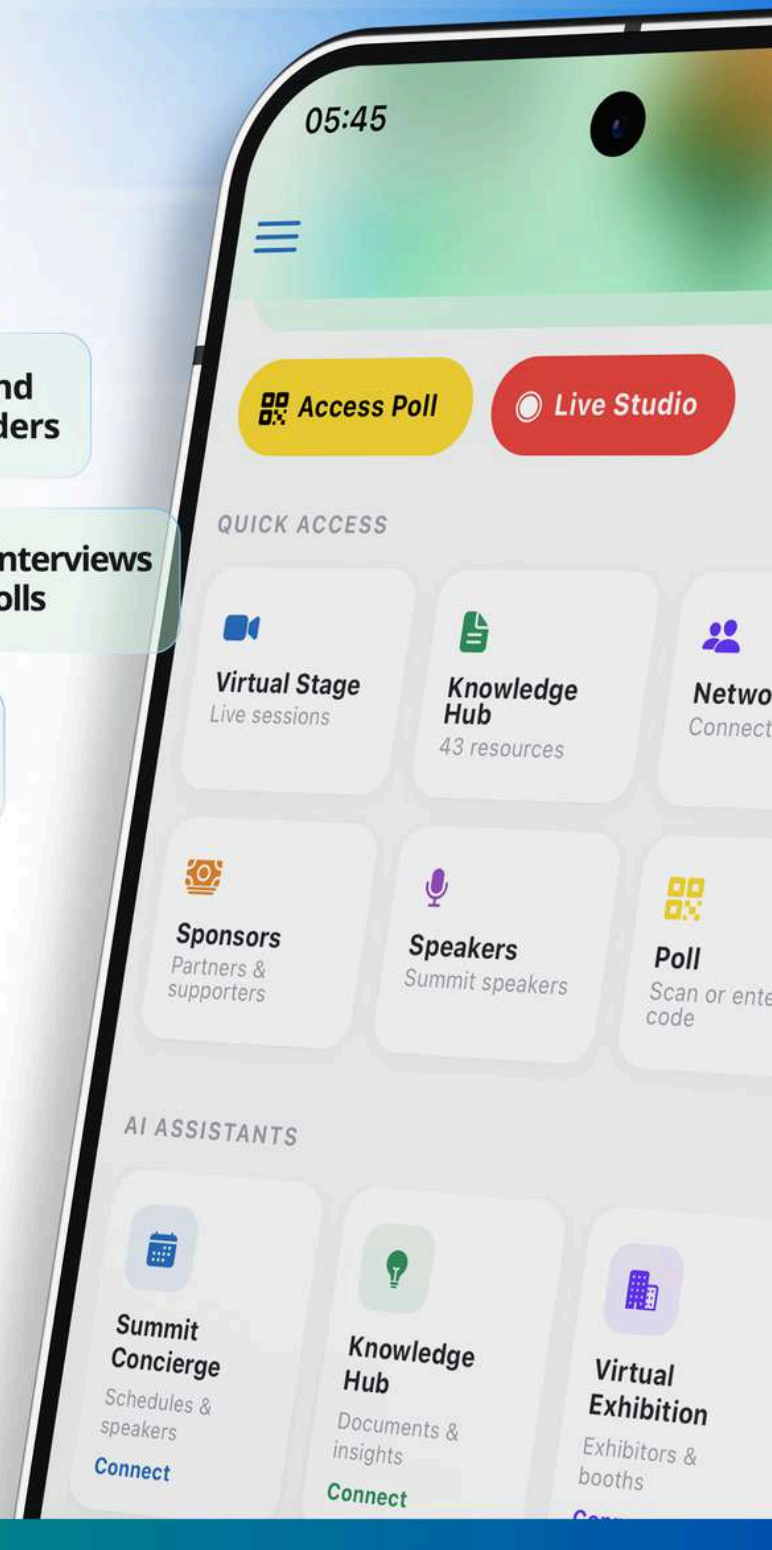
Capital investment alone will not generate sustained productivity growth without workers and firms capable of adopting, operating and improving new technologies. Immediate actions should align technical and vocational training more closely with identified sector skills gaps and expand industry-led training, apprenticeships and digital skills programmes. Medium term should strengthen industry-academia partnerships, expand applied research and development, and support technology adoption among SMEs and productive firms. Long term should establish an innovation ecosystem linking universities, firms, finance and government around commercialisation, productivity-enhancing technologies and higher-value exports. Expected outcomes are higher labour productivity, faster technology adoption, stronger innovation capacity and improved competitiveness of Nigerian firms.

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CONCLUSION

CONCLUSION

Nigeria's strategic sectors are entering a potentially important phase of economic adjustment. The evidence presented in this report suggests that macroeconomic stabilisation is beginning to translate into improved business conditions across several sectors, but the transition from stabilisation to structural transformation remains incomplete. The central issue is whether this improvement can be converted into sustained investment, higher productivity, stronger domestic value addition and greater competitiveness.

The sectoral evidence points to a differentiated recovery. The identified strategic sectors recorded improved growth and contribution to aggregate GDP in H1-2026, indicating that growth is becoming increasingly supported by activities with stronger potential for productivity, infrastructure and productive-capacity effects.

However, the breadth of the recovery should not be confused with the depth of transformation. Agriculture and trade continue to account for large shares of GDP and employment, yet their productivity and growth performance remain relatively modest. Manufacturing is expanding, but its export share remains extremely low relative to its import dependence. The energy sector continues to face structural constraints despite improved production and changing export composition. Telecommunications is generating strong growth and increasingly contributing to aggregate output, but current investment conditions remain contractionary. Across sectors, the evidence points to a common challenge: Nigeria is recovering faster than it is transforming.

The constraints have also evolved. Foreign exchange availability has become less prominent across several sectors, providing firm-level evidence of the improving macroeconomic environment. The binding constraints are increasingly domestic including inadequate power supply, limited access to appropriate finance, rising commercial property costs, regulatory burdens, policy uncertainty and shortages of productive inputs. These constraints directly affect the cost, scale and risk of investment and, therefore, determine whether macroeconomic stabilisation produces a durable supply response.

The policy challenge is consequently to move from stabilisation to productive-capacity building. This requires maintaining macroeconomic stability while improving the conditions under which firms invest, expand and compete. Reliable energy, longer-term and appropriately structured finance, predictable regulation, stronger domestic value chains, improved infrastructure and targeted support for productivity-enhancing investment should form the core of this transition. Policy should increasingly be judged by its capacity to crowd in private investment, reduce the cost of production and strengthen competitiveness rather than simply by its effect on short-term economic activity.

The next 12–24 months will, therefore, be decisive. If improving macroeconomic conditions are accompanied by a sustained recovery in investment, productivity and export capacity, Nigeria can begin converting cyclical recovery into structural transformation. If investment remains weak despite improving business expectations, the economy risks settling into a low-productivity recovery in which output expands without sufficient expansion of productive capacity. The strategic priority is clear: consolidate stabilisation, unlock investment and convert sectoral recovery into productivity-led, competitive and inclusive economic transformation.

About the NESG

The NESG is an independent, non-partisan, non-sectarian organisation committed to fostering open and continuous dialogue on Nigeria's economic development. The NESG strives to forge a mutual understanding between leaders of thought to explore, discover and support initiatives to improve Nigeria's economic policies, institutions and management.

Our views and positions on issues are disseminated through electronic and print media, seminars, public lectures, policy dialogues, workshops, specific high-level interactive public-private sessions and special presentations to the executive and legislative arms of government.

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