THE NIGERIAN ECONOMIC SUMMIT GROUP

Nigeria's Private Sector in 2025

Adapting to Economic Uncertainty for Growth and Resilience

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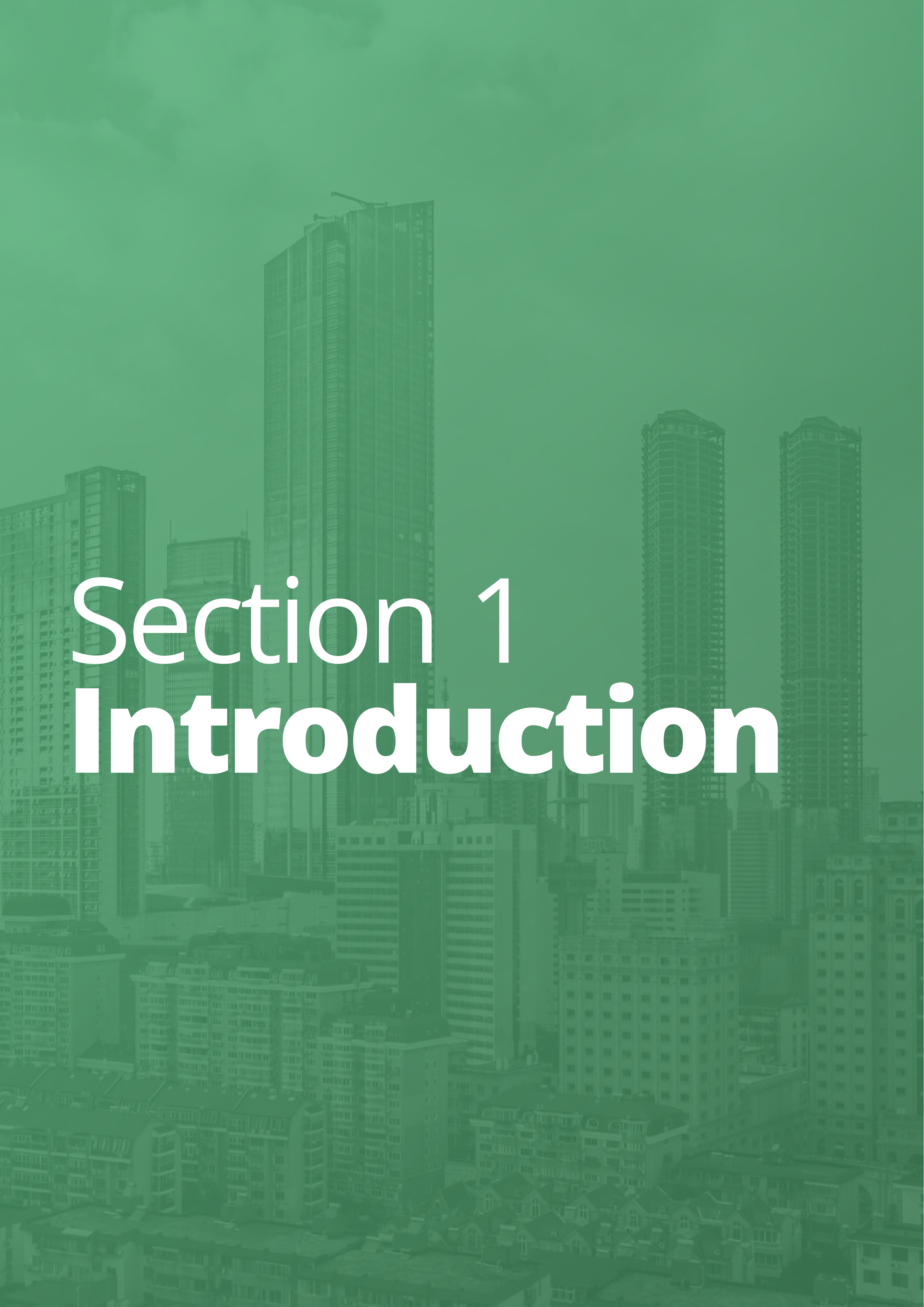
Section 1
Introduction



In 2024, Nigeria's economic growth remained fragile, reflecting deep-seated structural weaknesses and macroeconomic volatility. Despite reform efforts, investment levels remained low, productivity growth stagnated, and macroeconomic imbalances persisted, compounding the challenges in the labour market. Additionally, deteriorating living standards heightened economic distress, undermining efforts to achieve inclusive growth and poverty reduction.

A significant barrier to Nigeria's economic transformation journey[1] is the weak performance of the private sector, which has struggled to expand its productive capacity and make a substantial contribution to the economy in recent years. Businesses continue to grapple with operational inefficiencies, weak investment flows, sluggish innovation, and constrained productivity. These issues are further exacerbated by economic and structural challenges such as foreign exchange shortages, widespread insecurity, inadequate infrastructure, and limited market access. These structural constraints have escalated operating costs, reduced business competitiveness, and suppressed overall private sector performance. Consequently, the economy remains in a precarious state, fostering an uncertain business climate in 2025, which Nigeria's private sector must navigate to ensure growth and resilience.

This report presents a comprehensive analysis of the private sector's performance in 2024 and offers strategic insights for navigating the uncertainties and opportunities of 2025. It is structured into 6 key sections:

- **Section 1: Introduction** – Establishes the context for the report and defines its key objectives.
- **Section 2: Nigeria's Macroeconomic Overview in 2024 –** Analyses key economic and structural challenges that shaped the business environment and contributed to widespread underperformance across sectors.
- **Section 3: State of the Private Sector in 2024 –** Evaluates business performance trends, drawing insights from the NESG-Stanbic IBTC Business Confidence Monitor (BCM) Index.
- **Section 4: Emerging Business Risks for the Private Sector in 2025 –** Identifies critical risks and challenges businesses will face in 2025 and provides a roadmap for strategic decision-making.
- **Section 5: Key Business Opportunities for the Private Sector in 2025 –** Highlights growth prospects, including Nigeria's large consumer market, expanding digital economy, and ongoing economic reforms, which offer avenues for investment and business expansion.
- **Section 6: Adaptive Business Coping Strategies for Nigeria's Private Sector in 2025 –** Outlines key strategies businesses can adopt to mitigate risks, enhance financial resilience, strengthen customer engagement, improve employee retention, and optimise operational flexibility.

This report serves as a strategic roadmap for fostering a robust market system that empowers the private sector to drive economic transformation, ensuring Nigeria's growth remains sustainable, inclusive, and resilient.

[1] The proposed Nigeria's Economic Transformation Framework is a three-phase (Stabilisation, Consolidation, and Acceleration) reform and development agenda designed to drive long-term sustainable growth, job creation, and poverty reduction. The Stabilisation Phase, which is central to the NESG's Economic Transformation Framework, focuses on restoring macroeconomic stability, boosting business confidence, and fostering an environment conducive to private sector-led growth.

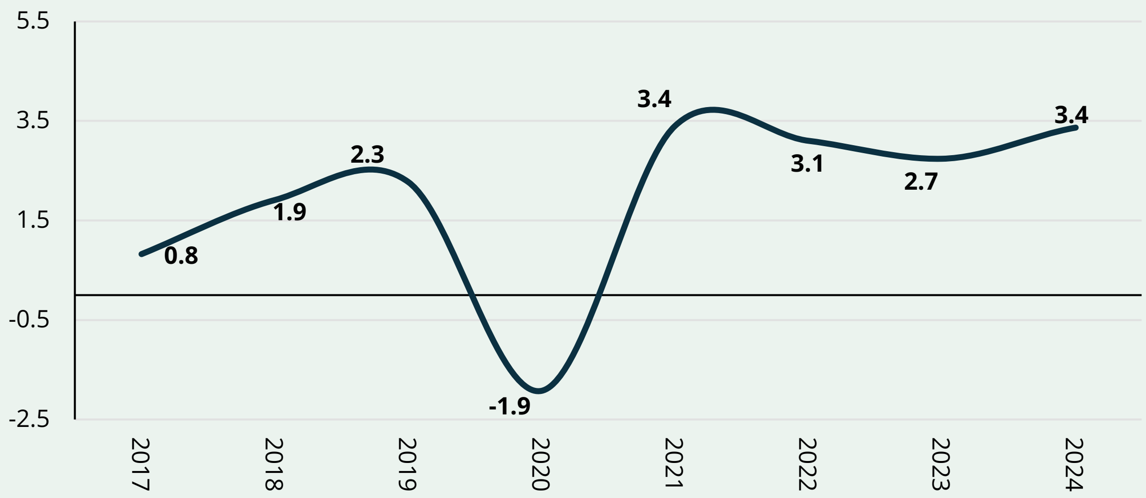
Section 2
Nigeria's Macroeconomic Overview in 2024

In 2024, the global economy grappled with mounting challenges, including geopolitical tensions, U.S. and other countries elections, climate change, trade wars, and supply chain disruptions. These factors contributed to a slowdown in economic activity, reflected in J.P Morgan's global composite Purchasing Managers' Index (PMI), which had an average of 48.9 points in 2024, showing a general contraction in global production activities. Weak manufacturing output and shrinking new orders constrained trade flows and tightened financing conditions, particularly in emerging economies.

As one of Africa's largest economies, Nigeria faced structural inefficiencies and policy inconsistencies, amplifying the effects of these global headwinds and weighing on economic growth. Despite global headwinds and persistent domestic structural inefficiencies, Nigeria's sustained improvement in economic growth supported by reforms such as subsidy removals and exchange rate unification. The economy recorded GDP growth of 3.4 percent in 2024 (Figure 1).

Nigeria's economic performance in 2024 underscored the significant contribution of the Non-Oil sectors, which now account for 94.5 percent of total output. The Services sector remained the dominant economic growth driver, contributing 56.9 percent of GDP, while industrial activity showed signs of recovery. However, Agriculture continued to lag due to persistent structural inefficiencies that require targeted policy interventions. Agriculture's growth remained subdued at 1.2 percent in 2024, slightly above the 1.1 percent recorded in 2023, reflecting ongoing productivity challenges in the sector.

Figure 1: Nigeria's GDP growth rate in 2024



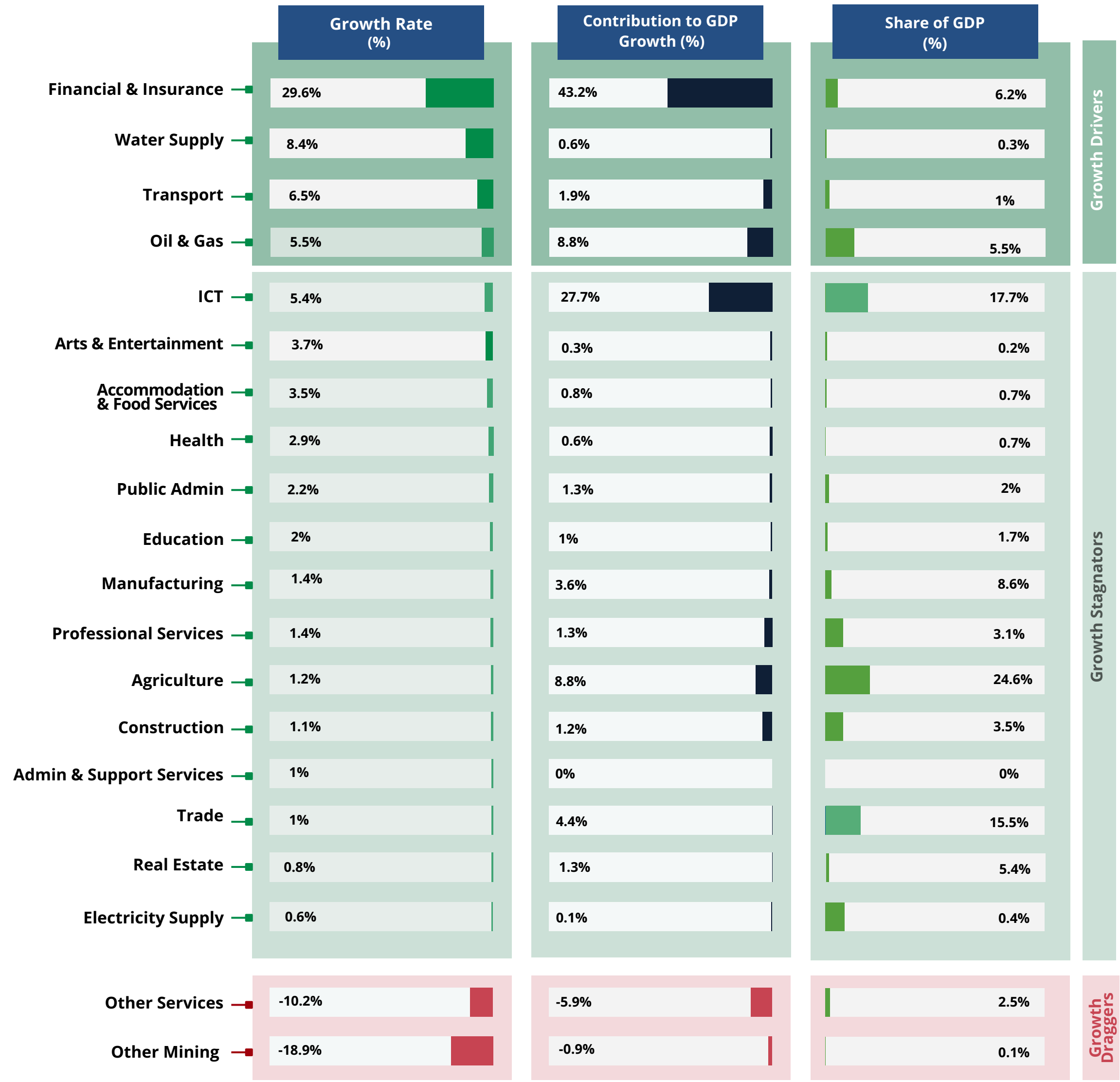
Data: NBS, Quarterly GDP report | Chart: NESG Research

The Services sector was the primary driver of Nigeria's economic growth during the review period, recording an impressive 4.7 percent expansion. Additionally, the Industrial sector rebounded with a 2.5 percent growth rate, a significant improvement from the 0.7 percent recorded a year earlier. This recovery helped sustain the country's overall economic momentum in 2024, largely due to improved performance in the Oil sector as other segments of the industrial sector experienced weak performance in 2024.

A sectoral analysis shows that most critical sectors (sectors accounting for more than 10 percent of the GDP), apart from Information and Communications (ICT), Oil and Gas, and Financial and Insurance, failed to achieve growth rates above 4 percent during the review period (see Figure 2). Large employment-generating sectors such as Agriculture, Manufacturing, Trade, and Construction recorded growth rates below 2 percent in 2024 , largely reflecting the lingering effects of exchange rate depreciation, fuel subsidy removal in mid-2023 and high interest rate, amid other structural challenges like power shortages and a challenging business environment.

On a brighter note, the Financial and Insurance sector expanded significantly by 29.6 percent, while the ICT and Oil & Gas sectors posted growth of 5.4 percent and 5.5 percent, respectively in 2024 . These sectors played a pivotal role in sustaining overall GDP growth in 2024. To maintain this momentum, the government must strengthen and deepen ongoing reforms to ensure these gains translate into sustainable growth and enhance productivity across key sectors of the economy.

Figure 2: Sectoral Performance in Nigeria (2024)



Data: National Bureau of Statistics (NBS); Computation: NESG Research

The government pursued bold reforms, including fuel and electricity subsidy removals, exchange rate unification, aimed at stabilising the economy and creating a more sustainable fiscal environment. These measures significantly boosted government revenues and helped strengthen external reserves, which increased to US$40.9 billion in 2024. However, they also introduced new challenges for the private sector. The removal of fuel and electricity subsidies led to higher operating costs for businesses, particularly in energy-intensive industries such as manufacturing, logistics, and retail. The increased cost of transportation and production put pressure on profit margins, leading some firms to scale down operations, while others resorted to layoffs or passed costs onto consumers, exacerbating inflationary pressures.

The Central Bank of Nigeria (CBN) steadily raised the Monetary Policy Rate (MPR) to 27.5 percent in 2024 from 18.75 percent at the start of the year in an effort to curb inflation, which peaked at 34.8 percent in December 2024. While these hikes in the MPR are necessary to stabilise prices, the aggressive monetary tightening made credit more expensive for businesses, particularly small and medium-sized enterprises (SMEs), which rely heavily on bank loans for expansion and working capital. The high cost of borrowing dampened private-sector investment, slowing business expansion and job creation. Additionally, tighter financing conditions reduced liquidity in the market, constraining consumer demand and weakening overall economic activity.

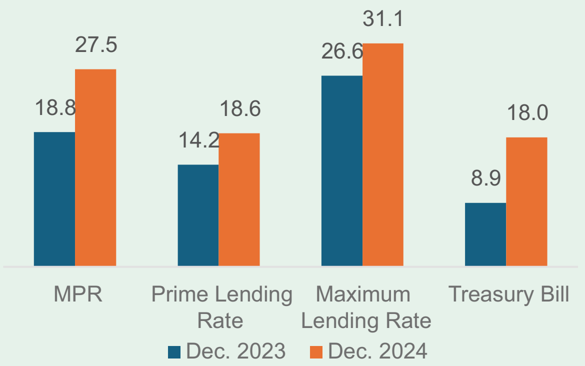
To improve transparency in foreign exchange (FX) transactions, the CBN introduced the Electronic Foreign Exchange Matching System (EFEMS), designed to create a more efficient and predictable currency market. While this reform was a step towards restoring investor confidence, businesses continued to struggle with FX volatility, as the Naira remained unstable in the parallel markets, trading above the official rate of ₦1,500–₦1,600 per dollar range. Import-dependent businesses, especially in the Manufacturing and Trade sectors, faced difficulties in securing foreign exchange for raw materials and capital goods, leading to supply chain disruptions and cost-push inflation.

Foreign capital inflows rebounded strongly, reaching US$10.8 billion by November, a 175 percent year-on-year increase, primarily driven by a surge in Foreign Portfolio Investment (FPI). However, Foreign Direct Investment (FDI) remained weak at US$0.6 billion, underscoring concerns about Nigeria's long-term investment climate. While the increase in FPI provided short-term liquidity, its volatile nature meant that sustained economic growth required deeper structural reforms to attract long-term, stable investments. The weak FDI inflows reflected ongoing concerns about policy uncertainty, security risks, and infrastructure deficits, which continue to deter global firms from establishing a permanent presence in Nigeria.

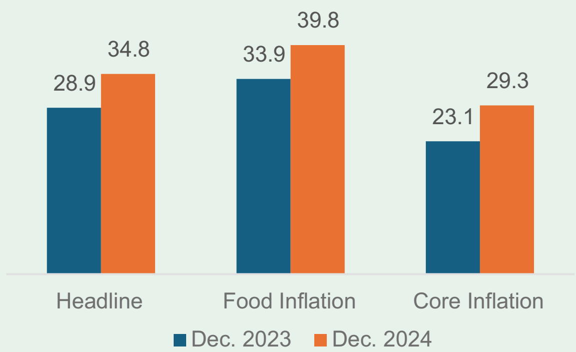
Overall, while these reforms contributed to macroeconomic stabilisation, they also placed significant strain on the performance and growth of the private sector in 2024. High inflation, currency volatility, and elevated borrowing costs created a hostile business environment and amplified the level of uncertainty associated with business activities, forcing many firms to adopt cost-cutting measures, delay investment decisions or finally shut down.

Snapshot of Nigeria's Macroeconomic Environment in 2024

Nigeria's Interest Rates Environment in 2024



Performance of Consumer Price Indices in 2024



Trend of Nigeria's Exchange Rate (US/NGN) Performance – Period Average

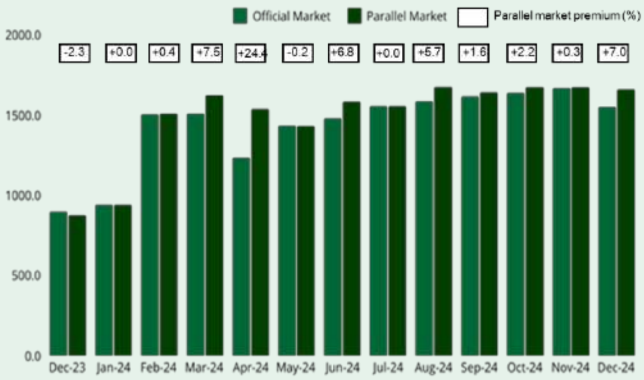
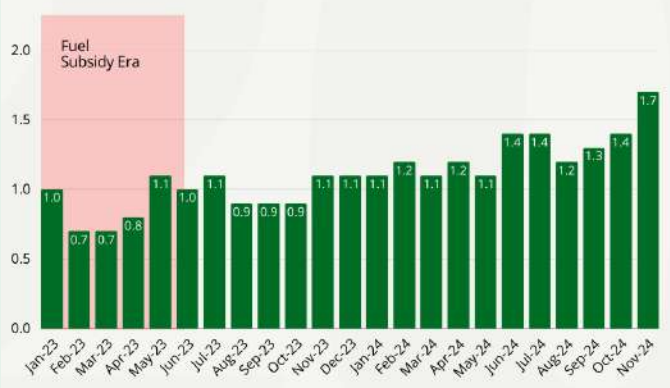
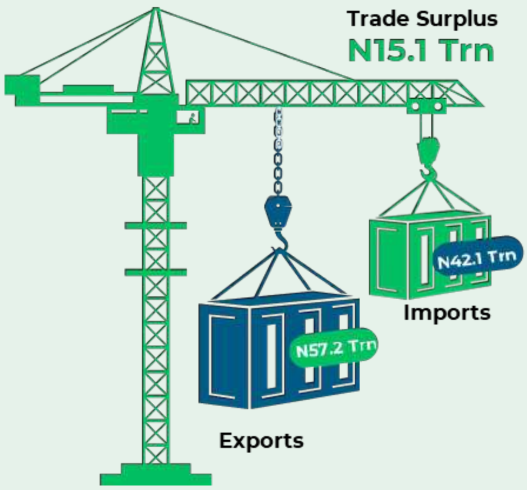


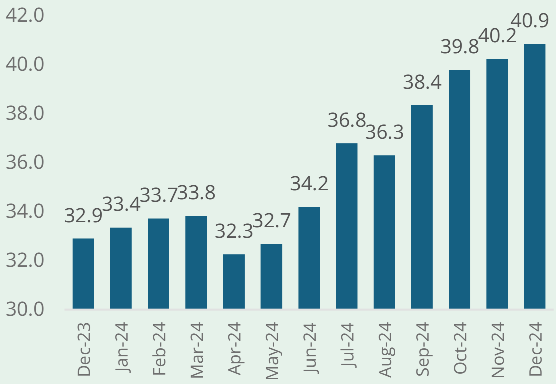
Figure 9: Monthly FAAC Allocation by Governments in Nigeria (NGN Trillion)



Nigeria's Trade Performance in 2024 (Q1-Q3)



Trend of Nigeria's External Reserves – End Period Value (US$ Billion)



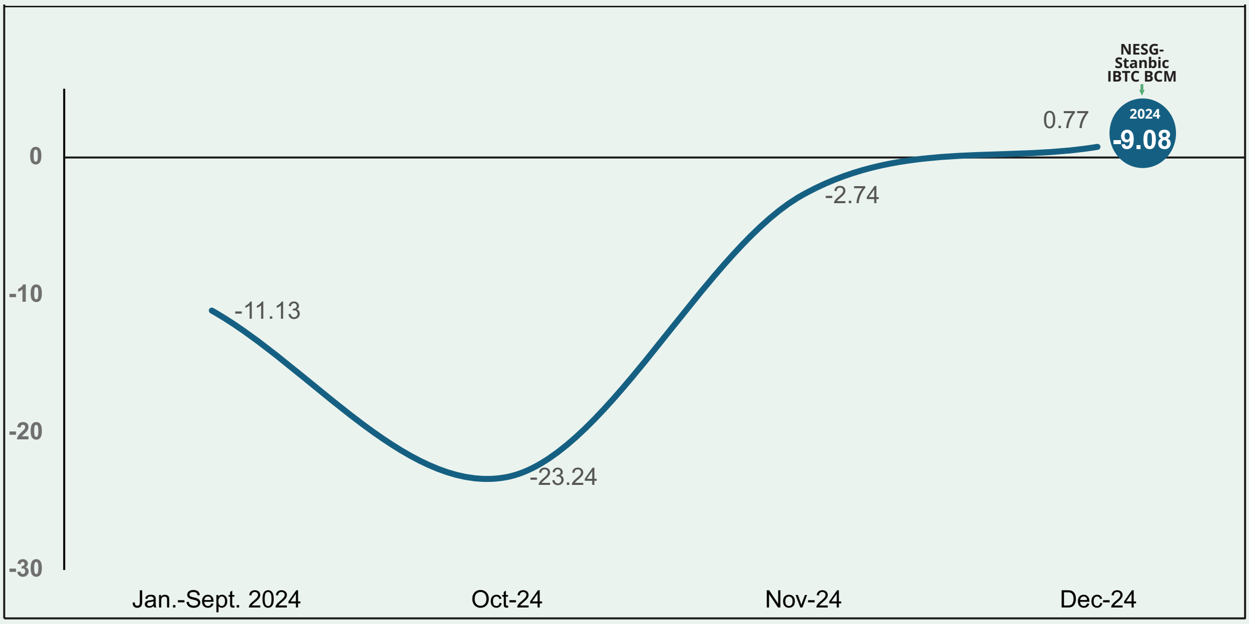
Section 3
State of the Private Sector in 2024

Nigeria's business environment was predominantly negative, shaped by intensifying economic and structural challenges in 2024. Across various sectors, the private sector faced significant obstacles that contributed to widespread underperformance. While pockets of resilience were observed in the Services and Agriculture sectors, the persistent burden of structural bottlenecks, financing constraints, and high operational costs severely curtailed the private sector's contribution to economic growth.

Throughout the year, most businesses in Nigeria exhibited lacklustre performance, as shown by the NESG-Stanbic IBTC Business Confidence Monitor (BCM) index. The index, which measures business sentiment, reflected weak negative conditions with a net balance of -9.08 for the full year 2024, indicating a fragile operating environment. Business conditions deteriorated sharply in October 2024, as the BCM index dropped to -23.24. Although November saw a slight recovery, the year concluded with a subdued performance, with the index registering a marginally positive 0.77 in December 2024 (see Figure 3).

The business climate in 2024 was characterised by significant challenges stemming from rising prices, high operational costs, and limited access to financing, which significantly affected business operations, cash flows, and employment levels. Weak production output and subdued demand further constrained economic activities, compounding the challenges faced by businesses throughout the year.

Figure 3: Nigeria's Private Sector Performance in 2024 (NESG-Stanbic IBTC BCM)



Current Business Performance Index

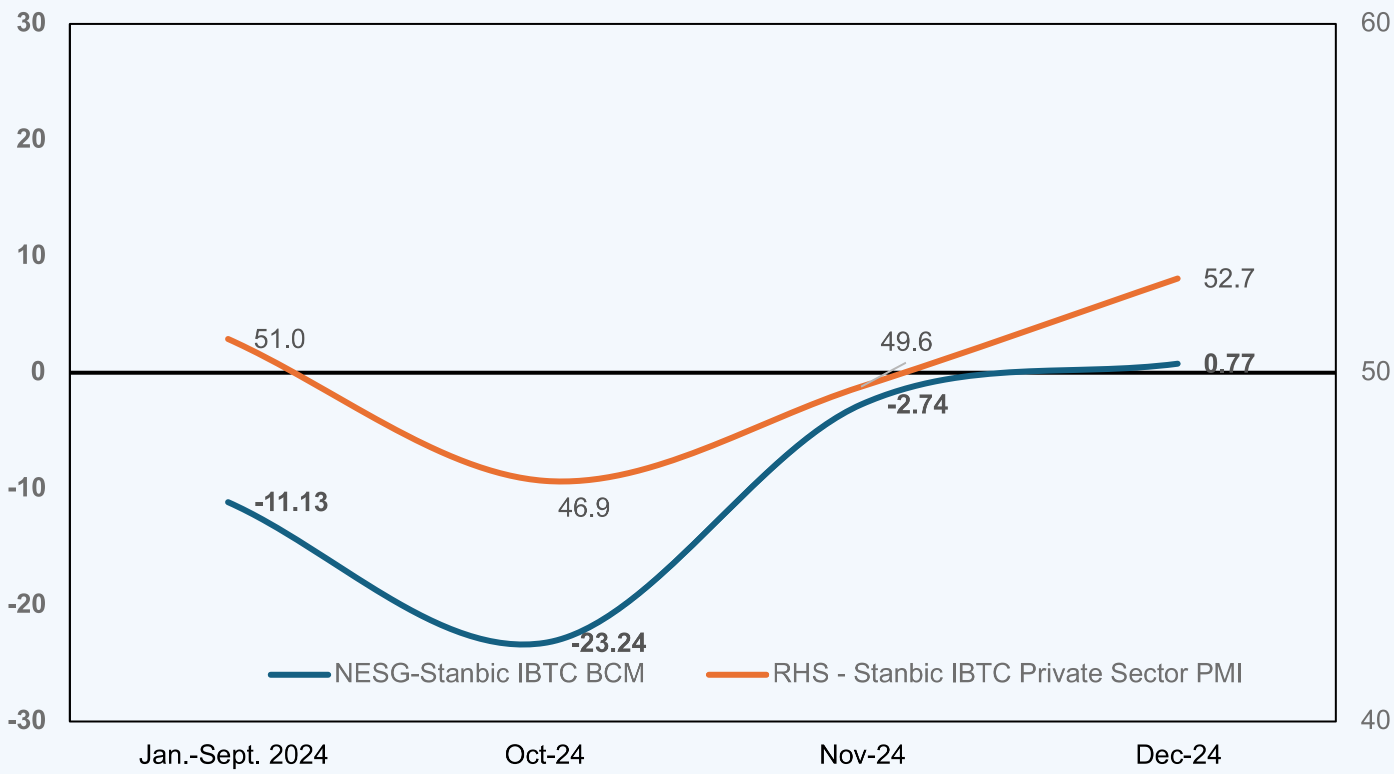
-100	-60	-30	0	+30	+60	+100
Negative Performance			Positive Performance			
Severe	Significant	Mild	Weak	Moderate	Strong	

The Stanbic IBTC Private Sector Purchasing Managers Index (PMI) provided further evidence of the private sector's underperformance in 2024, reinforcing the trends captured by the NESG-Stanbic IBTC Business Confidence Monitor (BCM). The PMI, a key indicator of business conditions, reflected weak and declining activity across multiple sectors, underscoring the mounting pressures faced by businesses. Rising production costs emerged as a primary driver of this underperformance, stemming from escalating input prices, high energy costs, and currency volatility.

These challenges significantly disrupted operational efficiency and profit margins, leading to reduced investments, weaker output levels, and constrained growth potential. Furthermore, the elevated costs of doing business adversely impacted cash flows and limited the ability of firms to expand or innovate. This unfavourable environment also hindered employment creation, as many firms opted for cautious hiring strategies or workforce reductions to manage overheads.

Overall, the PMI's findings highlighted the persistent struggles of Nigeria's private sector in navigating the challenging economic climate, with rising costs and subdued demand acting as significant barriers to sustained growth and recovery (see Figure 4).

Figure 4: Nigeria's Private Sector Performance in 2024 (NESG-Stanbic IBTC BCM and Stanbic PMI)



Perfomance of Key Segments of the Nigerian Private Sector

Using the business segmentation of the NESG-Stanbic IBTC BCM, the performance of all business sub-sectors in Nigeria during 2024 exhibited significant disparities, with Agriculture (-9.04), Trade (-10.48), and Manufacturing (-10.22) emerging as the most affected segments (see Figure 5). Non-manufacturing industries (-7.80) and Services (-3.58) displayed fewer negative outcomes, yet businesses in these sectors struggled under persistent economic challenges. Across the board, most business sectors faced immense pressure to sustain growth amid an adverse operating environment.

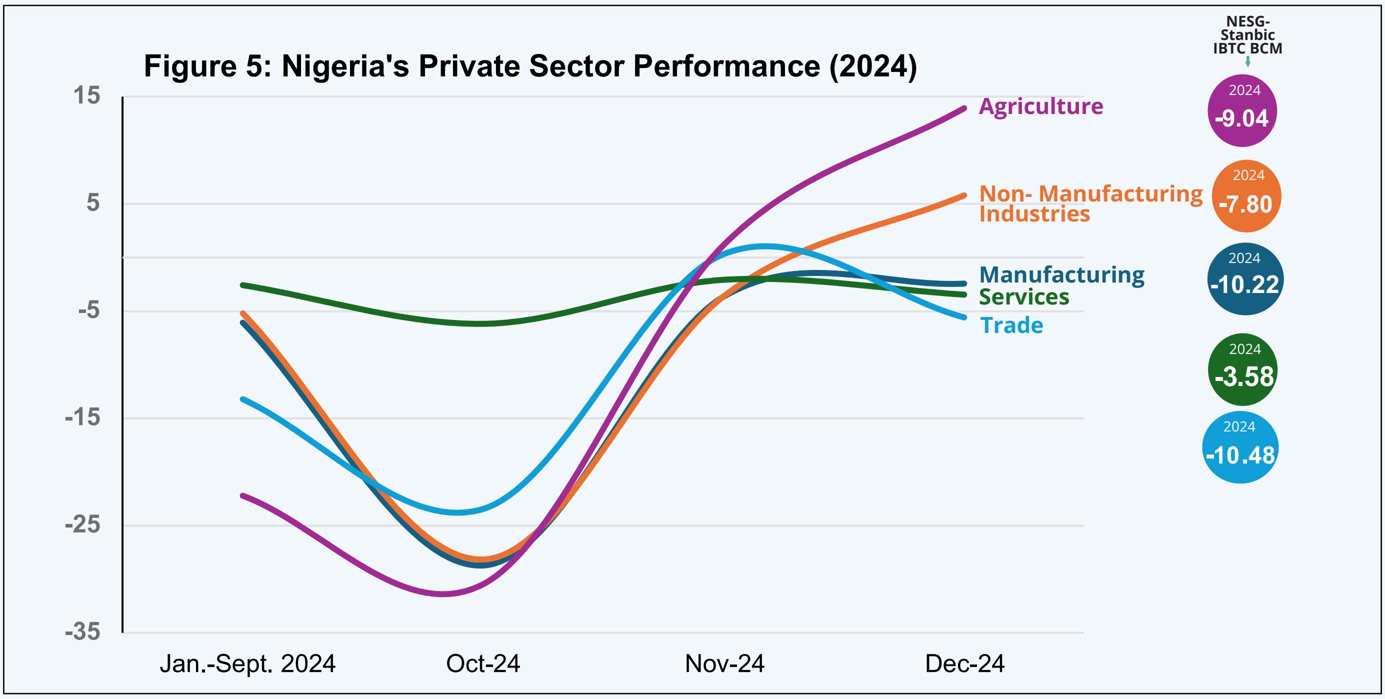


Figure 5: Nigeria's Private Sector Performance (2024)

Current Business Performance Index

-100	-60	-30	0	+30	+60	+100
Negative Performance			Positive Performance			
Severe	Significant	Mild	Weak	Moderate	Strong	

Agriculture, a critical pillar of Nigeria's economy, was particularly hard-hit, bearing the brunt of longstanding structural deficiencies and compounding external pressures. As a sector responsible for driving employment, ensuring food security, and providing raw materials for industries, the businesses in the Agriculture sector faced exacerbated challenges in 2024. These included inadequate infrastructure, the intensifying effects of climate change, widespread insecurity, and limited access to affordable financing. These barriers translated into a negative performance of -9.04 on the BCM index, indicating a steep decline in agricultural activity. National accounts data further reflected this grim reality, with agricultural growth stagnating at 0.9 percent in the first three quarters of the year—a figure considered abysmal given the sector's pivotal role in the economy. The impact of these struggles reverberated across rural communities and agro-industrial value chains, highlighting the urgent need for targeted interventions.

The Manufacturing sector, encompassing 13 sub-sectors, also experienced significant setbacks, posting a BCM performance of -10.22 index points. Core sub-sectors such as food, beverages & tobacco, cement, and textiles—together accounting for over 70 percent of the Manufacturing sector's GDP—were severely hampered by structural bottlenecks. Inadequate infrastructure, soaring production costs, multiple layers of taxation, and acute foreign exchange shortages were some of these key impediments. These issues not only drove up operational expenses but also constrained the ability of businesses to scale production, meet demand, or invest in innovation. Consequently, the sector's overall contribution to GDP and employment growth remained subdued, underscoring the urgent need for policy reforms to address its systemic challenges.

Non-manufacturing industries, including Oil & Gas and Construction, were not spared either, recording a decline of -7.80 index points in 2024. These industries faced considerable headwinds, such as volatile global oil prices, inconsistent policy frameworks, and project financing difficulties. For the Oil & Gas sector, foreign exchange constraints further complicated the importation of critical inputs, while the construction industry grappled with high material costs and delayed public infrastructure projects. These challenges undermined the performance and profitability of businesses operating within these segments, dampening their growth potential.

The Services sector, Nigeria's largest contributor to GDP, also struggled with growth-limiting challenges, ending the year with a BCM performance of -3.58 index points. Although the financial services segment demonstrated some resilience due to its pivotal role in stabilising the economy, other sub-segments—including Telecommunications, Professional Services, and Ancillary businesses—reported mildly negative outcomes. Rising operational costs, subdued consumer demand, and an unstable policy environment further compounded the difficulties faced by the sector. Given its significance as a driver of urban employment and innovation, the sector's struggles posed significant implications for the broader economy.

In closing, the Nigerian business operating environment in 2024 was marked by widespread challenges across key business sectors. While certain sub-sectors exhibited resilience, these were overshadowed by the pervasive underperformance observed across Agriculture, Manufacturing, Non-manufacturing, and Services sectors. Business growth and productivity remained subdued throughout the year, emphasising the critical need for comprehensive policy interventions to address systemic issues and unlock the country's economic potential.

Performance of Key Components of Private Sector Activities in 2024

The Nigerian business environment remains predominantly negative as deep-seated economic and structural challenges have intensified. Key constraints include rising prices, limited access to finance, and unfavourable demand conditions, which have significantly hampered business activities across sectors.

Inflationary pressures have continued to erode purchasing power, driving up operational and input costs. Similarly, the Central Bank of Nigeria's (CBN) hike in the Monetary Policy Rate (MPR) has raised borrowing costs, making access to credit a major constraint (-38.04 index points). This has stifled business cash flows (-15.61) and exacerbated weak employment levels (-17.30), further worsening the cost of doing business.

The Manufacturing sector, in particular, has been hit hard. High financing costs, exchange rate instability, and rising import expenses have constrained production (-26.39) and employment (-27.69). Key indicators such as export (-19.98), access to credit (-49.26), and cash flow stability (-51.01) highlight the challenges faced by manufacturers.

The energy sector's inefficiencies compound these issues. Frequent power shortages have forced businesses to rely on expensive alternative energy sources, while surging fuel prices have further increased operational costs, particularly for small and medium-sized enterprises (SMEs).

Sectoral Performance Highlights

- **Agriculture**: All sub-sectors reported significant negative performance across key indicators. The livestock sub-sector suffered the most due to rising feed costs, reduced grazing areas from flooding, and insecurity. High input costs, flooding, and insecurity similarly affected crop production and fishing. Cost of doing business (+60.31) and cashflow (-3.16) were the most significant constraints.

- **Manufacturing**: The sector saw a sharp decline in all major indicators, with the cost of doing business rising to +76.67 points. Exchange rate volatility and inflationary pressures led to higher input costs and reduced profitability, limiting investment and operational capacity. Despite the investment index showing slight optimism (+30.23), overall sector performance remained weak.

- **Non-manufacturing industries:** The key segments of Non-manufacturing industries include Construction, Oil & Gas Services, Natural Gas, and Crude Production (see Table 1 for disaggregated numbers on these sectors). Performance was mixed, with employment (+13.11) and cash flow (+18.05) making positive contributions. However, access to credit (-17.37) remained a critical barrier. The cost of doing business surged (+46.66), driven by inflation, regulatory bottlenecks, and high energy costs.

- **Trade and Services**: Businesses in these sectors faced similar constraints, including multiple taxation, exchange rate depreciation, and infrastructure deficiencies. Although operating profit (-3.33) was slightly negative for Trade, while most indicators, such as demand conditions, supply orders, and access to credit, were deeply negative.

Table 1: Sectoral Performance Across Key Business Sectors in 2024

	General Business Situation	Production	Demand Condition	Investment	Export	Cost of Doing Business	Operating Profit	Access to Credit	Cash Flow	Prices	Employment
Agriculture	-4.19	8.53	4.66	-0.14	-15.59	+60.31	1.27	1.95	-3.16	1.95	-3.16
Crop Production	-2.24	14.91	11.10	4.43	-19.98	+67.86	7.93	6.55	3.74	-43.48	21.15
Livestock	-9.68	-0.40	-0.45	3.89	4.81	+67.41	-9.25	0.82	-13.58	-19.51	0.09
Agro-Allied	-12.36	-13.83	-18.73	-19.21	-7.97	+28.58	-20.19	-16.84	-23.83	28.05	-8.93
Forestry	16.67	10.31	9.19	-0.83	-13.54	+35.00	0.21	11.15	-15.00	-18.02	9.27
Fishing	9.38	17.41	7.35	3.18	4.00	+78.60	-1.67	12.41	-16.66	-42.04	15.64
Manufacturing	10.63	18.12	-5.14	30.23	-12.21	+68.21	-5.31	-21.55	16.72	-65.99	-16.77
Construction	28.44	16.21	-7.08	-19.58	-0.67	+24.75	14.43	-11.70	17.63		6.39
Crude Petroleum	17.50	10.94	-6.56	-28.33	5.83	+35.00	-19.06	-23.75	15.31		2.19
Natural Gas	3.54	1.88	-16.25	-11.67	-12.50	+40.00	4.38	-25.21	3.33		-0.75
Oil & Gas Services	32.47	18.54	-14.88	-56.13	-0.85	+75.88	11.82	-8.24	36.22		40.51
Broadcasting	-4.17	-25.00	-13.96	-20.42	-7.50	+58.75	-50.63		0.63		-4.38
Financial Institution	24.30	-1.02	17.09	46.75	6.77	+22.35	6.15		18.17		11.79
Real Estate	-10.00	-24.86	-12.91	7.99	-18.84	+38.04	-23.00		-1.53		-2.12
Professional, Scientific & Technical Services	11.87	-6.21	14.97	-9.48	9.83	+49.50	-8.06		-0.64		5.31
Telecommunications & Information Services		-14.71	-0.79	15.67	-7.99	+36.29	-5.99		-2.72		-5.00
Trade	7.66	-16.32	-11.85	-12.29		+20.60	8.52	-19.67	-4.34	-12.08	-4.70
Others Services	3.48	30.01	4.10	12.92	-9.81	+35.63	-3.33		1.07		1.07

Computation: Average of Monthly NESG-Stanbic IBTC BCM indices in 2024.

Data: Monthly NESG-Stanbic IBTC BCM

Deterioration						Improvement
-60>	-30>	-10>	0	>+10	>+30	>+60

Structural Barriers and Challenges of Nigeria's Private Sector in 2024

The Nigerian private sector in 2024 faced a range of structural and operational challenges that continued to constrain and undermine business growth and expansion. These challenges, spanning multiple industries, include inadequate power supply, limited access to finance, foreign exchange volatility, insecurity, regulatory inefficiencies, and infrastructure deficits, posed as key contributors to escalating costs, further discouraging investment and limiting competitiveness.

Electricity shortages ranked as the most critical issue hindering private sector development, affecting industries such as Manufacturing, Agriculture, Construction, and Financial services (see Table 2). The high reliance on alternative power sources, such as generators, significantly increases production costs and reduces competitiveness. For the Manufacturing sector, an unstable power supply inflates operational costs, making locally produced goods less competitive compared to imports. In agriculture, post-harvest losses are exacerbated by the lack of reliable electricity to the scarcely available storage facilities and processing plants. Similarly, financial institutions and telecommunications companies suffer from disruptions in digital transactions and communication services, which depend on stable electricity.[2]

Access to financing remained a significant challenge in the year, particularly for small and medium-sized enterprises (SMEs) and sectors such as Manufacturing, Agriculture, and Trade. High lending rates, stringent collateral requirements, and restrictive banking regulations hinder business expansion and job creation. Limited financing options have constrained the ability of SMEs to scale operations, resulting in slower economic diversification and reduced employment opportunities. The challenge also affects Foreign Direct Investment (FDI), as investors perceive higher risks in an environment where access to capital is restricted. Furthermore, the Central Bank of Nigeria's (CBN) inflation control measures, including high interest rates, have made borrowing more expensive for businesses.[3]

Exchange rate volatility and the difficulty in accessing foreign exchange created significant challenges for manufacturers, telecommunications companies, and the oil and gas sector. Many manufacturers depend on imported raw materials, and the foreign exchange crisis has led to production slowdowns, rising costs, and reduced profit margins. In the trade sector, import-dependent businesses have faced increased costs, translating into inflationary pressures on consumer goods. Even within the oil and gas industry, which generates foreign exchange earnings for the country, forex management challenges have affected oil servicing firms that require foreign currency for procurement and asset maintenance.

The Manufacturing and Agriculture sectors were also significantly affected by raw material shortages due to forex restrictions and supply chain disruptions. Many manufacturers struggle to source local alternatives, creating supply shortages which led to price volatility, further straining consumers and businesses.

Insecurity, induced by emboldened activities of armed bandits in Northern Nigeria[4] and a spiral of kidnapping activities in the Southern hemisphere of Nigeria, became a major deterrent to business activities, particularly in agriculture, construction, and trade. Banditry, farmer-herder conflicts, and kidnappings have forced many farmers to abandon agricultural production, leading to food supply shortages and rising food inflation. The construction sector has also been affected by security concerns, with attacks on project sites delaying infrastructure development and discouraging investment. In the trade sector, insecurity along major transportation routes has disrupted supply chains and increased logistics costs.

[2] https://www.voanews.com/a/nigeria-power-shortages-strain-businesses-public-services/7684694.html
[3] https://businessday.ng/news/article/rising-interest-rates-threatening-nigerias-productive-sector-man-warns/
[4] https://nairametrics.com/2024/05/19/man-says-60-of-manufacturers-in-north-east-shut-down-by-insecurity/

Table 2: Ranking of Key Business Challenges of Nigeria's Private Sector in 2024

	Overall Private Sector	Agriculture	Agriculture Sub-sectors: Agro Allied	Agriculture Sub-sectors: Crop Prod	Agriculture Sub-sectors: Fishing	Agriculture Sub-sectors: Forestry	Agriculture Sub-sectors: Livestock	Manufacturing	Construction	Crude Petroleum	Natural Gas	Oil & Gas Services	Broad-casting	Financial Institution	Real Estate	Professional, Scientific & Technical Services	Telecommunications & Information Services	Trade	Other Services
Inadequate Power Supply	12	12	11	12	10	10	12	12	12	5	10	12	12	11	10	12	12	12	12
Limited Access to Financing	11	11	9	11	12	11	11	9	9	9	6	9	5	9	9	5	9	10	11
Availability of Foreign Exchange	10	10	10	9	3	12	10	11	10	4	12	11	4	12	12	11	11	11	10
Insecurity	9	9	12	10	7	7	8	8	8	10	7	10	6	1	8	9	10	9	8
Multiplicity of Tax Regulations	8	8	7	6	11	8	9	10	11	12	11	7	7	3	5	7	8	8	7
Infrastructure Challenges	7	7	8	4	6	9	2	5	6	6	1	2	1	7	2	1	7	4	2
Cost of Commercial Lease/Rental Property	6	1	5	3	1	5	4	3	5	1	2	8	8	6	3	6	6	6	3
Staff Turnover	5	6	6	1	4	6	7	1	1	7	8	6	2	4	7	8	1	1	5
Unclear Economic Policies	4	4	2	5	5	2	6	6	4	11	9	5	3	10	1	4	4	7	4
Uncertainty of the Economic Environment	3	5	1	8	9	1	5	7	2	8	5	3	11	8	11	10	5	5	6
Regulatory Requirements	2	2	4	2	8	3	1	4	7	2	3	4	9	5	6	3	3	2	1
Shortage of Raw Materials	1	3	3	7	2	4	3	2	3	3	4	1	10	2	4	2	2	3	9

Ranking of Business Challenges in 2024

12	11	10	9	8	7	6	5	4	3	2	1

The predominance of the multiplicity of tax regulations at the federal, state, and local levels has led to increased business costs and discouraged compliance. Excessive taxation is reported to be a major bottleneck for businesses, with many SMEs opting to remain informal to avoid burdensome tax requirements.[5]

Inadequate infrastructure, particularly in transport and logistics, continues to undermine private sector performance. Poor road networks, congested ports, and unreliable rail services have constrained the movement of goods and services, increasing operational costs and reducing efficiency. The oil and gas sector faced export constraints due to insufficient port infrastructure. In agriculture, poor rural roads hindered farmers from accessing urban markets, exacerbating food distribution challenges and increasing post-harvest losses.

The high cost of commercial properties has placed financial strain on businesses in telecommunications, real estate, and financial services. Rising rental prices have particularly affected FinTech and startups, limiting their ability to expand operations and contribute to economic diversification.

Employee turnover has emerged as a critical issue in sectors such as banking, telecommunications, and professional services. Poor working conditions, lack of career advancement opportunities, and the lure of better prospects abroad have contributed to significant human capital flight. The resulting brain drain has weakened productivity and innovation, further constraining growth of businesses in Nigeria.

While the government's efforts to reform the FX market have improved liquidity, businesses remain burdened by high financing costs and limited credit access, hindering production, export performance, and employment generation. These challenges have fostered an environment of uncertainty, deterring both local and foreign investments.

[5] https://www.orangecorners.com/new-report-fate-foundation-state-of-entrepreneurship-in-nigeria-2024/

Nigeria's Private Sector: Multinational Exits, Business Closures, and Economic Impact

Between 2023 and 2024, Nigeria's private sector witnessed a significant wave of multinational divestments and business closures, reflecting the challenging economic environment. Several global firms either partially or fully exited the Nigerian market, including:

- **Shell** (Oil & Gas) – Divesting onshore assets
- **Procter & Gamble** (FMCG) – Exiting local production
- **GlaxoSmithKline (GSK)** (Pharmaceuticals) – Transitioning to third-party distribution
- **Diageo** (Beverages) – Selling its Guinness Nigeria stake
- **Sanofi-Aventis** (Pharmaceuticals) – Restructuring operations
- **Equinor** (Oil & Gas) – Full exit from Nigeria
- **Kimberly-Clark** (FMCG) – Ceasing operations
- **Jumia** (E-commerce) – Exiting food delivery services
- **Heineken B.V.** (Brewing) – Divesting shares in Nigerian Breweries

Simultaneously, Nigeria's **Micro, Small, and Medium Enterprises (MSMEs)** faced mounting economic pressures, including rising costs, currency volatility, and weakened consumer demand. The National Association of Small-Scale Industrialists (NASSI) estimates that **30 percent of the country's 24 million registered MSMEs shut down between 2023 and 2024** (Egole, 2024).

Key Drivers of Multinational Exits and Business Closures

The widespread divestments and closures have been driven by persistent economic and structural challenges, including:

Foreign exchange scarcity & currency devaluation – Increasing difficulty in repatriatin profits and managing import costs.

Rising energy costs – Surging petrol and diesel prices, frequent fuel shortages, and electricity tariff hikes.

Poor infrastructure – According to the African Development Bank (AfDB), poor transport infrastructure adds **25-30 percent to the cost of goods in Nigeria** (Stren & Blan Partners,2024).

Unpredictable regulatory environment
Inconsistent policies create uncertainty for businesses

Security concerns – Heightened risks affecting supply chains and businesscontinuity.

High interest rates & inflation – Increasing borrowing costs and eroding purchasing power.

Economic Impact and the Future of Local Businesses

The exit of multinational companies and widespread business closures have had **significant economic consequences**, including:

Job losses – Worsening unemployment levels, particularly in manufacturing and services.

Decline in investment confidence
Weakened investor sentiment, affecting foreign direct investment (FDI) inflows.

Estimated 94 trillion loss in economic output – According to Stren & Blan Partners (2024), multinational exits over the past five years have resulted in a **massive reduction in economic activity**.

While these exits create opportunities for **local and indigenous businesses**, many struggle with **limited technical expertise, skill shortages, and technological gaps** left by departing multinationals. Addressing these challenges will be crucial for ensuring a more resilient and competitive private sector in Nigeria.

Section 4
Emerging Business Risks for the Private Sector in 2025

A complex mix of economic, political, and regulatory uncertainties will shape the Nigerian business environment in 2025. Ongoing government reforms, shifting global economic dynamics, and internal structural challenges will continue to influence market conditions, investment decisions, and business operations.

Key policy changes, such as the removal of fuel and electricity subsidies, exchange rate harmonisation, and tax reforms, are aimed at stabilising the economy and addressing fiscal deficits. However, these measures have also introduced inflationary pressures, currency volatility, and rising borrowing costs, complicating the operating landscape for businesses. Additionally, regulatory unpredictability and security concerns further add to the risks facing the private sector.

This section examines the critical factors shaping Nigeria's business environment in 2025, highlighting key risks, emerging opportunities, and strategic considerations for businesses navigating this evolving landscape.

Key Risks for the Private Sector in 2025

The year 2025 presents the Nigerian private sector with a mix of persistent challenges and emerging risks, requiring businesses to navigate in an increasingly complex operating environment. While some risks stem from long-standing structural issues, others arise from recent economic policies, global market shifts, and evolving socio-political dynamics. These risks, if not adequately managed, could undermine business sustainability, investment confidence, and overall economic growth.

Broadly, these risks are categorised into **macroeconomic, political and security, structural and infrastructure, financial and credit, social, and global economic and trade**, with each having distinct implications for private sector operations (see Table 3). Macroeconomic risks include inflationary pressures, high exchange rates, high borrowing costs, and fiscal uncertainties, all of which influence business performance and investment decisions in the year. A combination of political, security and social risks encompass labour market disruptions, rising unemployment, security concerns, and demographic shifts that affect workforce stability and consumer demand. Structural and infrastructure risks such as energy (power) crises, and logistics and transport bottlenecks pose long-term threats to business continuity and resilience. Lastly, the emerging risks from global economic and trade dynamics are also creating some level of uncertainty for businesses in Nigeria in 2025.

Given the interconnected nature of these risks, Nigerian businesses must assess their potential impact and develop effective mitigation strategies. This section provides an in-depth analysis of these risk categories, highlighting their implications for businesses in 2025.

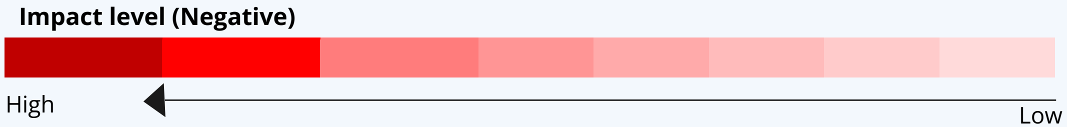
MACROECONOMIC RISKS

Nigeria's exchange rate stability in 2025 will largely depend on foreign exchange liquidity. While the Central Bank of Nigeria's (CBN) policy clarity and communication may bolster investor confidence, foreign portfolio investors—favouring short-term money market instruments—will likely dominate the market, adding to currency volatility. To stabilise the Naira, the CBN will continue its interventions, but this will come at the cost of depleting external reserves. Depreciation of the local currency will raise operating costs, particularly for sectors reliant on imported inputs, including Mining & Quarrying, Manufacturing, Construction, Transport, Trade, Real Estate, and Health.

Table 3: 2025 Emerging Business Risks and Impact on Businesses in Nigeria

Cost Channel				Demand Channel			Overall Impacts of Business	
Raw Materials	Inventory	Overhead Cost	Distribution Cost	Discretionary	Essential	Long-term	SMEs	Large corporations
High Exchange Rates								
		Persistently High Inflation						
	High Interest Rate							
	Fiscal Policy Uncertainty (FPU)							
	Insecurity & Organised Crime							
		Political & Regulatory Inst.						
	Energy and Power Challenges							
	Transport and Logistics Bottlenecks							
		High Cost of Credit						
		High Non-Performing Loans						
		Brain Drain and Talent Shortages						
				Rising Unemployment and Labour Market Disruptions				
Global Supply Chain Disruptions								
	Foreign Investment Risks							
			Market Access Risks					

Macroeconomic Risks | Political and Security Risks | Structural and Infrastructure Risks | Financial and Credit Risks | Social Risks | Global Economic and Trade Risks



Beyond exchange rate concerns, macroeconomic risks such as persistent inflation, high interest rates, and rising public debt will shape Nigeria's economic landscape. Inflation is expected to remain elevated, with its trajectory depending on the effectiveness of policy measures. Higher inflation will drive up production costs and erode profit margins, necessitating a coordinated fiscal and monetary response. Sectors with strong consumer demand but weak productivity—such as Agriculture, Manufacturing, Accommodation & Food Services, Transport, Real Estate, Health, and Public Administration—will likely face demand-pull inflation, further exacerbating cost pressures (see Table 4). Additionally, exchange rate depreciation and supply chain disruptions will weaken consumer purchasing power, increase operational expenses, and squeeze business profitability.

Monetary policy will continue to influence business conditions. While the CBN is expected to pause its tightening cycle in response to accommodative policies in advanced economies, the high Monetary Policy Rate (MPR) of 27.5 percent has already increased borrowing costs, restricting credit expansion to the private sector. Deposit money banks, favouring safer investments in money market instruments over real-sector financing, will extend limited credit. This will disproportionately impact Mining & Quarrying (especially Oil and Gas), Agriculture, Trade, and Manufacturing, given their heavy reliance on bank loans. Conversely, the Financial & Insurance sector will benefit from higher interest income.

Table 4: Possible Impact of Some Identified Risks on Economic Sectors

	Persistent Inflation	Exchange Rate Volatility	Interest Rate	Huge Budget Deficit
Agriculture	High impacted	Moderately impacted	Moderately impacted	Moderately impacted
Mining & Quarrying	Moderately impacted	High impacted	High impacted	High impacted
Manufacturing	High impacted	High impacted	High impacted	High impacted
Electricity	Moderately impacted	High impacted	Moderately impacted	High impacted
Water supply & sewage Mgt.	Moderately impacted	Weakly impacted	Weakly impacted	High impacted
Construction	High impacted	High impacted	Moderately impacted	High impacted
Trade	High impacted	High impacted	Moderately impacted	High impacted
Accommodation & Food Services	High impacted	Weakly impacted	Weakly impacted	High impacted
Transport	High impacted	High impacted	Weakly impacted	Weakly impacted
Information & Communication	Moderately impacted	Moderately impacted	Weakly impacted	High impacted
Arts & Entertainment	Moderately impacted	Moderately impacted	Weakly impacted	High impacted
Financial & Insurance	High impacted	High impacted	High impacted	Moderately impacted
Real Estate	High impacted	High impacted	Moderately impacted	Moderately impacted
Professional Services	Weakly impacted	Weakly impacted	Weakly impacted	Moderately impacted
Admin. & Support Services	High impacted	Moderately impacted	Weakly impacted	High impacted
Public Admin.	High impacted	Moderately impacted	Weakly impacted	High impacted
Education	Moderately impacted	Weakly impacted	Weakly impacted	High impacted
Health	High impacted	High impacted	Weakly impacted	High impacted

Weakly impacted Moderately impacted High impacted

Public debt remains a critical challenge, reaching a record N142.3 trillion in Q3 2024. With an approved budget of N54.99 trillion for 2025, additional borrowing will likely be required to finance fiscal deficits if revenue targets are missed. This will heighten competition for funds between the public and private sectors. In a high-interest-rate environment, the government may offer more attractive yields on fixed-income securities, further crowding out private investment. While credit to the private sector could impove if the CBN pauses monetary tightening, the overall impact may be limited due to the government's aggressive domestic borrowing. These challenges may dampen investor confidence, complicate financial planning, and raise operational costs, further constraining Nigeria's economic growth in 2025.

POLITICAL AND SECURITY RISKS

In 2025, Nigeria's escalating insecurity—marked by banditry, kidnapping, and insurgency—will severely impact businesses across sectors. Supply chain disruptions, particularly in transportation and agriculture, will lead to higher costs, delays, and inflationary pressures. Farmers in conflict-prone areas will struggle with restricted access to farmlands, worsening food shortages while Manufacturing and Trade sectors will face raw material shortages and increased production costs.

Businesses will divert significant resources to security, raising operational expenses. SMEs, in particular, will struggle with the financial burden of hiring private security, securing supply chains, and mitigating extortion risks. Some businesses may scale down or relocate, further weakening local economies of scale.

Rising insecurity will also deter domestic investment and discourage potential foreign direct investment, with concerns over asset protection and workforce safety reducing investor confidence. Sectors such as tourism, real estate, and hospitality—already weakened by economic uncertainties—will see further declines.

In addition, political unrest fueled by economic hardships could heighten instability and further disrupting business activities in the year. In addition, early heat-up by political activities in preparation for the 2027 General Elections will induced some level of social and political risks for the private sector. Small businesses, often lacking insurance, will be particularly vulnerable. This will lead to reduced investor confidence, unpredictable business planning, and heightened policy risks.

STRUCTURAL AND INFRASTRUCTURE RISKS

Nigeria's unreliable power supply remains one of the most pressing threats to business sustainability (World Economic Forum, 2025), with frequent outages, rising electricity tariffs, and dependence on costly alternatives severely straining operations. In 2024 alone, the national grid collapsed 12 times, forcing businesses, particularly SMEs, to rely heavily on expensive fuel and diesel-powered generators. According to PwC's 2024 MSME survey, 74 percent of businesses depend on the national grid, while 68 percent and 21 percent supplement with petrol and diesel, respectively. The removal of fuel subsidies in mid-2023 further exacerbated the situation, driving up energy costs and eroding profit margins. In 2024, Band A consumers experienced a staggering 300 percent tariff increase, making electricity even more unaffordable for businesses.

Without urgent reforms in the power sector, energy-intensive industries—including Manufacturing, ICT, Construction, and Trade—will continue to grapple with escalating production costs, reduced competitiveness, and declining profitability (see Table 5). The high cost of alternative energy sources, coupled with inefficient power distribution, will likely force some businesses to downsize or relocate.

Beyond power challenges, Nigeria's struggling transport and logistics sector further compounds business difficulties. Poor road infrastructure, severe port congestion, and skyrocketing logistics costs disrupt supply chains and significantly inflate business expenses. With road networks handling over 90 percent of domestic freight movement, inadequate maintenance and infrastructure decay have led to prolonged travel times, increased vehicle maintenance expenses, and operational inefficiencies. Manufacturers and retailers bear the brunt of these delays, as unreliable transportation networks drive up procurement costs, fuel inflation, and shrinking profit margins—particularly for SMEs with limited financial buffers.

Table 5: Possible Impact of Some Identified Risks on Economic Sectors

	Energy Cost	Transport & Logistics Costs
Agriculture		
Mining & Quarrying		
Manufacturing		
Electricity		
Water supply & sewage Mgt.		
Construction		
Trade		
Accommodation & Food Services		
Transport		
Information & Communication		
Arts & Entertainment		
Financial & Insurance		
Real Estate		
Professional Services		
Admin. & Support Services		
Public Admin.		
Education		
Health		

Weakly impacted | Moderately impacted | High impacted

At the ports, inefficiencies at key terminals such as Apapa and Tin Can Island remain a critical bottleneck. Lengthy customs procedures, outdated infrastructure, and limited automation cause prolonged delays in clearing imported goods, often extending for weeks. These inefficiencies contribute to exorbitant demurrage charges and rising storage costs, putting immense pressure on businesses reliant on imported raw materials and finished products. Exporters face similar hurdles, as sluggish port operations and high shipping fees reduce the competitiveness of Nigerian goods in global markets by increasing lead times and transaction costs.

The growing e-commerce sub-sector of Trade also faces significant challenges, as poor infrastructure and rising fuel prices drive up last-mile delivery expenses. Online retailers and logistics firms struggle with delayed shipments and escalating transportation costs, undermining customer satisfaction and profitability. SMEs leveraging digital platforms to reach customers are particularly vulnerable, as inefficiencies in logistics could lead to revenue losses, reduced sales, and an erosion of market share. In urban centres like Lagos and Abuja, worsening traffic congestion further complicates delivery timelines, forcing businesses to explore alternative transportation methods and options that come with their own regulatory and cost-related challenges.

FINANCIAL AND CREDIT RISKS

The rising cost of credit will remain a significant challenge for businesses in Nigeria, primarily due to the Central Bank of Nigeria's (CBN) sustained policy posture aimed at curbing inflation and stabilising the currency. This policy approach will substantially increase the cost of capital, making it more difficult for enterprises—especially small and medium-sized enterprises (SMEs)—to secure affordable credit for expansion, working capital, and overall operational sustainability.

As businesses struggle with expensive credit, many will be forced to delay expansion plans or downsize operations to navigate liquidity constraints. A similar situation unfolded in 2024 when the Monetary Policy

Rate (MPR) was raised multiple times to control inflation, pushing commercial bank lending rates to over 30 percent in some cases. This surge in borrowing costs led to a slowdown in investment across key sectors, including construction, real estate, manufacturing, agriculture, and trade, where businesses rely heavily on credit for production and procurement.

Another major concern is the rising level of non-performing loans (NPLs) within the banking sector. As economic uncertainty persists, an increasing number of businesses and individuals are struggling to meet their debt obligations, resulting in a surge in loan defaults. The growing volume of NPLs poses a serious threat to banking sector stability, as it erodes profitability and reduces the capacity of financial institutions to extend further credit.

By 2024, some banks were already showing signs of financial stress due to mounting bad loans, raising concerns about the overall health of the sector. If this trend continues into 2025, banks may adopt a more conservative lending approach, further tightening credit conditions. This would lead to restricted access to credit, increased financial instability, and heightened systemic risks across the economy, ultimately constraining business activities and economic growth.

SOCIAL RISKS

Nigeria's labour market will face significant disruptions in 2025 due to persistent economic challenges, automation trends, and structural weaknesses. Rising business costs have already led to job losses in multiple sectors, with businesses downsizing to survive the harsh economic climate. The Manufacturing, Trade, and Services industries have witnessed declining employment levels, as reduced consumer spending and high operating costs force companies to cut expenses.

Automation and digitalisation will result in the displacement of traditional jobs, especially in sectors such as banking, telecommunications, and customer service. Many businesses will increasingly be adopting automated solutions to streamline operations, reducing the demand for low- and mid-skilled labour. However, this transition has not been matched by adequate retraining programmes, leaving many workers struggling to adapt to the changing job market.

As unemployment rises, reduced consumer purchasing power will weaken overall demand in the economy, creating a negative feedback loop for businesses. Companies relying on domestic consumption—such as those in retail, real estate, and hospitality—will struggle with declining sales, further exacerbating economic stagnation. Additionally, rising unemployment could lead to increased labour unrest as workers push back against layoffs, wage stagnation, and deteriorating working conditions. Strikes and protests may become more frequent, disrupting business operations and adding to economic uncertainty.

Another major challenge facing the labour market is talent retention, as businesses struggle to keep skilled workers in an increasingly volatile economy. Many professionals are seeking alternative employment opportunities abroad due to rising living costs, limited career advancement, and poor working conditions. The migration of skilled professionals from Nigeria has intensified in recent years, with more workers relocating to countries with better economic stability, improved working conditions, and higher wages. This "brain drain" is particularly evident in critical sectors such as healthcare, construction, ICT, and education, where the loss of experienced professionals is severely impacting service delivery and innovation.

GLOBAL ECONOMIC AND TRADE RISKS

Nigeria's business environment in 2025 will continue to face significant challenges due to global supply chain disruptions driven by geopolitical tensions, trade restrictions, and rising shipping costs. These disruptions will lead to supply shortages, price volatility, and production delays, placing additional pressure on businesses across various industries.

Geopolitical tensions—including conflicts in key global trade regions, economic sanctions, and trade disputes between major economies—have increased uncertainty in global supply chains. Given Nigeria's heavy reliance on imports for raw materials, machinery, and consumer goods, periodic supply shortages are expected as trade bottlenecks persist. For instance, conflicts affecting major oil-producing nations could disrupt crude oil supply, leading to heightened energy price and rising production costs for businesses.

Trade restrictions imposed by major economies, such as the European Union, the United States, and China, also pose risks to Nigerian industries. As key trading partners enforce stricter policies or tariffs, Nigerian businesses will face limited access to essential goods and increased import costs. This would be particularly challenging for Manufacturing, Pharmaceuticals, and Agriculture, where production depends heavily on imported inputs.

Rising shipping costs remain another major concern, as escalating fuel prices, container shortages, and port congestion continue to drive up the cost of international trade. Shipping delays—further compounded by inefficiencies at Nigerian ports—will disrupt business operations, slowing the movement of goods and causing supply chain bottlenecks. Companies relying on just-in-time inventory management will struggle to maintain stable production cycles, potentially leading to revenue losses and job cuts.

Restricted market access due to trade barriers, foreign exchange constraints, and inconsistent government policies further complicate Nigeria's investment climate. Many foreign businesses encounter difficulties repatriating profits due to forex shortages, discouraging reinvestment and long-term commitments. Additionally, bureaucracy and regulatory inefficiencies significantly increase operational costs, making it more difficult for investors to navigate Nigeria's business landscape.

Reduced Foreign Direct Investment (FDI) inflows limit job creation, hinder infrastructure development, and restrict access to global markets. Without sustained investment, local businesses will struggle to scale operations, slowing economic recovery and weakening industrialisation efforts. Addressing these challenges will require targeted policy reforms, improved ease of doing business, and strategic efforts to restore investor confidence in the Nigerian economy.

Trump 2.0: Implications And Opportunities For Nigeria

The return of Donald Trump to the U.S. presidency, often termed "Trump 2.0," holds significant implications for businesses operating in Nigeria. His proposed policies would impact various aspects of emerging market economies, including Nigeria's economic landscape. Given Nigeria's integration into the global financial system, any major shift in U.S. economic policy under a renewed Trump administration would have consequences on business operations, government revenues, and overall economic growth.

Table 6: Highlights of Trump 2.0 Executive Orders (Economic) and Pronouncements

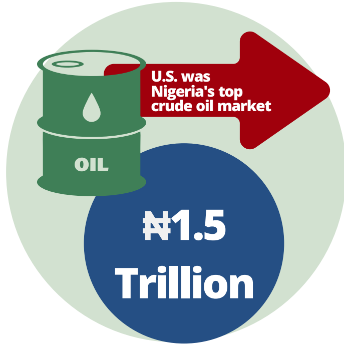
Policy Actions	Explanations	Impact on the Nigerian Economy	Sectors of High Impacts
Escalation of Tariffs	• The administration imposed a 25 percent tariff on Canada and Mexico and 10 percent on China. • Planned a universal 10–20 percent tariff, with 60 percent on Chinese goods. • Imposed a 25 percent tariff on all steel and aluminium imports into the U.S with no exceptions or exemptions.	Neutral	Manufacturing | Agriculture | Trade | Transport |
Shift in Trade Philosophy	• The administration prioritises the U.S.'s interests in a zero sum trade approach, shifting away from free-trade principles.	Negative	External Trade | Oil & Gas
Immigration	• Suspended refugee program. • Signs order to end birthright citizenship for undocumented immigrants and for people with temporary status in the U.S	Neutral	Financial (Remittance)
Withdrawals	• Pulls out of World Health Organisation & Paris Climate Accord.	Negative	Health |Agriculture
Energy	• Declared a "National Energy Emergency". • Revoked Biden EV mandates and restarted the LNG exports application.	Negative	Oil & Gas

POSITVE NEUTRAL NEGATIVE

For business leaders in Nigeria, understanding these potential impacts is essential for informed decision-making, as shifts in global trade policies, U.S.-Nigeria relations, and financial markets could present both challenges and opportunities. Sectors such as Manufacturing, Oil and Gas, agriculture, and ICT must adapt to potential changes in tariffs, financing access, and geopolitical dynamics. Additionally, households reliant on remittances from the Nigerian diaspora in the U.S. may face financial constraints if stricter immigration policies are reinstated.

Specific Implications on Nigerian Economy

A potential decline in oil revenue: With Nigeria's economy heavily reliant on crude oil exports, potential US policy shifts—such as reduced imports—could significantly impact revenues. In 2024 Q3, the U.S. was Nigeria's top crude oil market, accounting for 11.2 percent of exports (N1.5 trillion). Increased US shale production could lower global oil prices, though OPEC+ supply cuts may offset this. However, Nigeria's vast natural gas reserves offer a viable alternative, positioning the country to attract U.S. investment in Liquified Natural Gas (LNG) infrastructure.

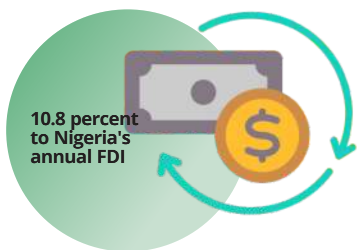


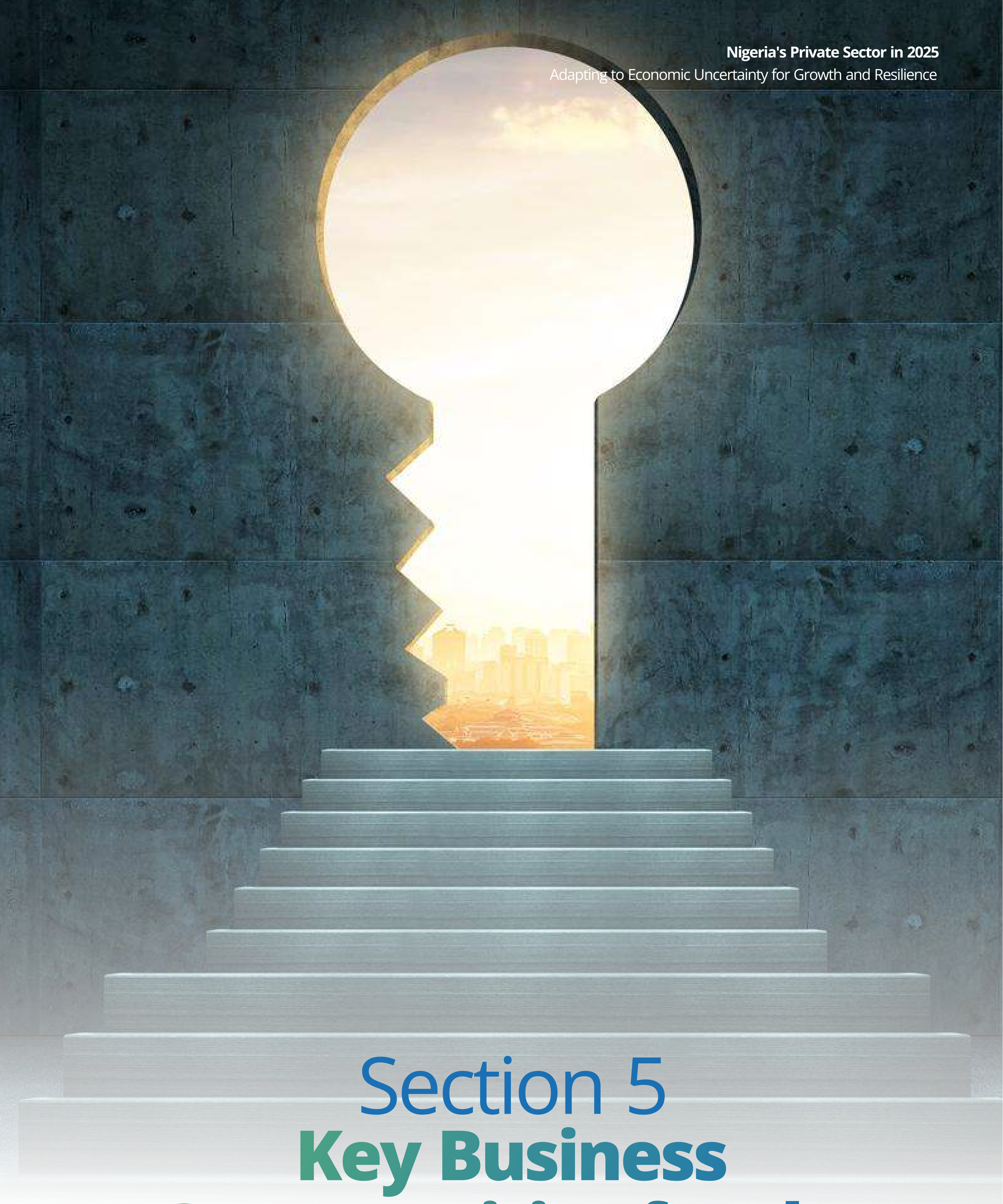
Possible Renegotiation or Discontinuation of the African Growth and Opportunity Act (AGOA): Under AGOA, Nigeria enjoys duty-free access to the US market, but Trump's scepticism toward preferential trade deals may lead to renegotiations or reduced benefits. In 2024Q3, the US accounted for 2.8 percent (N195 billion) of Nigeria's non-crude oil exports. Non-oil exports like cocoa, rubber, and textiles could face new tariffs or stricter standards under the new protectionist policies. However, this also presents an opportunity to expand agricultural exports to cover processed cocoa, sesame seeds, and cashew nuts by meeting U.S. trade regulations.

A prohibitive tariff on Nigeria's major trading partners poses global supply chain disruptions. US President Donald Trump has warned that BRICS nations could face 100 percent tariffs if they continue with their de-dollarisation bid, potentially triggering retaliatory tariffs and disrupting global trade. China and India, Nigeria's top import partners, jointly accounted for 36 percent of its total imports in 2024Q3. If these tariffs take effect, reduced U.S. demand may push China and India to raise prices, increasing Nigeria's import costs despite stable exchange rates. With machinery and pharmaceuticals as key imports, from these countries, this could fuel inflation, worsening Nigeria's already high price levels.

Stricter immigration policies will affect remittances inflows: According to the World Bank (2025), Nigeria received about US$19.5 billion in remittances in 2023, with a large share from the United States. Trump's stricter immigration policies, including tighter visa rules and potential deportations, could reduce Nigerians in the US workforce, leading to lower remittance inflows and a slower accretion to Nigeria's external reserves.

A decline in capital inflows from the United States: Trump's 'America First' policy prioritised domestic investment through protectionist measures like tariffs, tax incentives for U.S. companies, and reduced foreign investment commitments. This could shrink U.S. Foreign Direct Investment (FDI) in Nigeria, with the U.S. historically contributing 10.8 percent to Nigeria's annual FDI since 2021, and result in a slowdown in technological growth, job creation, and infrastructure projects.





Section 5
Key Business Opportunities for the Private Sector in 2025

Nigeria's private sector, if well-positioned, could capitalise on key opportunities that enhance productivity, improve efficiency, reduce costs, and boost profitability. These opportunities—ranging from cost-effective tax reforms and increased Foreign Direct Investment (FDI) to productivity-enhancing technologies and the revitalisation of local oil refineries—span critical sectors of the economy, albeit with varying levels of impact.

Notably, six of the twenty economic sectors—Agriculture, Manufacturing, Construction, Trade, Transport, and Financial & Insurance Services—are exposed to at least three direct impacts of these opportunities. These high-impact sectors collectively accounted for about 59 percent of Nigeria's real GDP, recorded positive growth rates, and contributed about 91 percent to total real GDP growth in 2024.

Looking ahead to 2025, despite global economic uncertainties, Nigeria remains an attractive destination for investment and business expansion. The country's large consumer market, expanding digital economy, and ongoing economic reforms create a conducive environment for growth. Businesses that embrace localisation, technological innovation, and trade diversification will be best positioned to navigate challenges and seize emerging opportunities. Entrepreneurs and investors should strategically align with Nigeria's evolving economic landscape, leverage government incentives and reform programmes, adopt emerging technologies, and explore both domestic and international markets to drive sustainable growth and long-term profitability.

1. Import Substitution & Local Manufacturing

With the Naira facing depreciation risks and U.S. tariffs potentially increasing the cost of imports, expanding local manufacturing is crucial. Key areas include Fast Moving Consumer Goods (FMCG), construction materials, and pharmaceuticals.

Direct Impact:	Indirect Impact:
Manufacturing - Consumer Goods, Pharmaceuticals, & Construction	Energy, Logistics, Retail

Businesses can also explore existing government initiatives supporting Special Economic Zones (SEZs) and industrial clusters, which provide tax incentives and infrastructure, making local production more viable. Given Nigeria's electricity supply challenges, demand is rising for solar-powered manufacturing setups, creating investment opportunities in energy-efficient production systems.

2. Energy & Resource Development

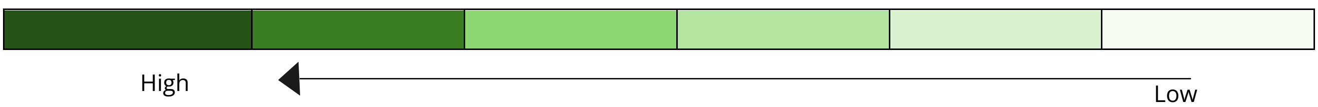
The government's push for gas as a transition fuel opens opportunities in gas processing, distribution, and Liquefied Petroleum Gas (LPG) expansion.
The Dangote Refinery presents new supply chain opportunities in crude processing, petrochemicals, and distribution.
Also, there is increasing potential for modular refineries and alternative energy solutions such as biofuels, reducing reliance on fuel imports and improving energy security.

Direct Impact:	Indirect Impact:
Oil & Gas, Renewable Energy, Manufacturing	Transportation, Finance, Industrial Services

Table 7: Exposure of Sectors to Key Business Opportunities in 2025

	Import Substitution & Local Manufacturing	Energy & Resource Development	Agro-Processing & Export Growth	Technology & Digital Transformation	Infrastructure & Real Estate Development	Healthcare & Medical Innovations	Logistics & Supply Chain Expansion	Tourism & Hospitality Growth
Agriculture								
Mining & Quarrying								
Manufacturing								
Electricity								
Construction								
Trade								
Accommodation & Food Services								
Transport								
Information & Communication								
Arts & Entertainment								
Financial & Insurance								
Real Estate								
Professional Services								
Health								

Degree of Potential Impact (Positive)



3. Agro-Processing & Export Growth

Rising food prices and inflation highlight the need for value-added processing in agriculture, including packaged foods, dairy processing, and grain milling. Agri-tech solutions such as precision farming, smart irrigation, and digital farm-to-market linkages, present significant growth opportunities. With uncertainty around African Growth and Opportunity Act (AGOA), diversifying export markets for cocoa, sesame, and cashews to Asia and Europe is crucial for revenue stability.

Direct Impact:	Indirect Impact:
Agriculture, Food Processing, Export Trade	Logistics, Technology, Retail

4. Technology & Digital Transformation
With increasing digital transactions, fintech solutions in payment processing, lending platforms, and blockchain applications are thriving. Companies are integrating AI for automation, customer engagement, and supply chain efficiency. Rising demand for cybersecurity services, particularly in banking and telecommunications, presents growth opportunities. Health tech & telemedicine are expanding, driven by AI-driven diagnostics and digital health services, impacting healthcare, AICT, and professional services.

Direct Impact:	Indirect Impact:
Financial Services, ICT, E-Commerce, Telecommunications	Retail, Healthcare, Manufacturing

5. Infrastructure & Real Estate Development
Government investment in roads, ports, and transport infrastructure creates opportunities in engineering, project management, and financing, especially through Public-Private Partnerships (PPPs). Affordable housing remains a key business opportunity, with demand for mid-income and low-cost housing driving expansion in prefabricated housing solutions and mortgage financing innovations.

Direct Impact:	Indirect Impact:
Construction, Engineering, Real Estate	Finance, Manufacturing, Logistics

6. Healthcare & Medical Innovations
Foreign exchange constraints on imported drugs are driving the growth of local pharmaceutical manufacturing activities, supported by government incentives. Nigeria's reliance on imported medical equipment creates opportunities for local assembly, repair services, and distribution networks.

Direct Impact:	Indirect Impact:
Pharmaceuticals, Medical Equipment, Healthcare Services	Manufacturing, Logistics, ICT

7. Logistics & Supply Chain Expansion
The rise of online retail increases the demand for warehousing, last-mile fulfilment, and logistics services. Growth in agribusiness drives demand for cold storage facilities for perishable goods, presenting opportunities in cold chain logistics. Businesses engaged in regional logistics and customs facilitation can leverage the African Continental Free Trade Area (AfCFTA) for cross-border trade and export-focused supply chains.

Direct Impact:	Indirect Impact:
Transportation, Warehousing, E-Commerce, Cold Chain Logistics	Retail, Agriculture, Manufacturing

8. Tourism & Hospitality Growth
With Naira depreciation making international travel expensive, demand for domestic tourism and eco-tourism is rising, creating business opportunities in resorts, adventure tourism, and local travel agencies. Increased foreign investment and business travel are fueling demand for high-end hospitality services in major cities including Lagos, Abuja, and Port Harcourt.

Direct Impact:	Indirect Impact:
Travel & Hospitality, Entertainment, Real Estate	Transportation, Retail, Food & Beverage

Section 6

Adaptive Business Coping Strategies for Nigeria's Private Sector in 2025

Running a business, regardless of industry, always comes with challenges. In 2025, economic uncertainties make preparedness and adaptability more crucial than ever. Market fluctuations, inflation, interest rate volatility, and currency depreciation present risks that can affect business productivity, efficiency, and profitability.

These uncertainties present challenges, but they also offer opportunities for businesses willing to adapt, innovate, and plan strategically. Businesses can build long-term sustainability and remain competitive in Nigeria's evolving economic landscape by focusing on risk mitigation, financial resilience, customer retention, employee engagement, and operational flexibility.

STRATEGIES FOR MACROECONOMIC RISKS MITIGATION

1. MITIGATING INFLATION RISKS

Persistently high inflation increases operational costs and reduces purchasing power. Businesses can mitigate inflation risks through the following strategies:

- **Localising Supply Chains:** Import-dependent businesses should explore local resources and alternatives to reduce exposure to currency depreciation and imported inflation.
- **Backward Integration**: Expanding operations to include activities or services provided by suppliers and external parties helps control supply chains, reduce costs, and improve efficiency.
- **Sachetisation Strategy**: Offering smaller, more affordable product sizes ensures continued consumer access despite rising prices.
- **Supplier Diversification**: Avoiding reliance on a single supplier minimises risks associated with inflation-prone regions.
- **Long-Term Contracts**: Securing long-term and fixed-price contractual agreements with suppliers can help stabilise costs.
- **Outsourcing Non-Core Functions:** Businesses can reduce costs by outsourcing operations that are expensive to manage in-house.

2. MITIGATING INTEREST RATE RISKS

High interest rates increase borrowing costs, making financing more expensive for businesses. Strategies to manage interest rate risks include:

- **Diversifying Financing Sources:** Instead of relying solely on loans, businesses should explore equity financing, bonds, or convertible debt.
- **Current Loan Restructuring**: Negotiating extended repayment periods and terms can ease financial pressure.
- **Reducing Borrowing:** Businesses should prioritise retained earnings and strategic partnerships over excessive debt financing.

3. MITIGATING EXCHANGE RATE RISKS

Exchange rate volatility can disrupt supply chains and profitability for businesses engaged in foreign trade. Strategies to hedge against currency risks include:

- **Using Currency Futures**: Locking in exchange rates for future transactions and service agreements with suppliers can minimise uncertainty.
- **Natural Hedging**: Matching **foreign currency revenues with foreign currency expenses** can help neutralise exchange rate risks.
- **Diversifying Revenue Streams**: Expanding income sources ensures stable cash flow despite currency fluctuations.
- **Transacting in Local Currency**: Prioritising payments in Naira and sourcing raw materials locally reduces exposure to forex volatility.

BUILDING RESILIENT BUSINESS OPERATIONS IN 2025

Beyond macroeconomic risk mitigation, businesses must adopt strategic approaches to enhance growth, build resilience and long-term success in 2025. Key focus areas include diversification, financial reserves, customer loyalty, and workforce engagement.

1. PRODUCTS & MARKET DIVERSIFICATION

Relying on a single revenue source or market can leave businesses exposed to sudden disruptions. A business should periodically evaluate its offerings, discontinuing unprofitable products and focusing resources on high-performing areas.

Products & market diversification strategies include:

- **Broadening Offerings:** Expanding product or service lines to meet additional customer needs.
- **Exploring New Markets:** Identifying new customer segments or geographical regions to serve.
- **Strategic Partnerships:** Collaborating with complementary businesses to create new opportunities.

2. ENHANCING CUSTOMER LOYALTY

Retaining existing customers is more cost-effective than acquiring new ones. Strategies to strengthen customer relationships include:

- **Personalised Customer Experience:** Actively seeking and responding to customer feedback.
- **Loyalty Rewards:** Offering discounts or exclusive deals to repeat/existing customers.
- **Constant Communication:** Keeping customers informed about product updates and business changes.

3. WORKFORCE ENGAGEMENT

A motivated workforce is essential for business success. Strategies to strengthen employee engagement include:

- **Involving Staff in Decision-Making:** Employees often have valuable insights on process improvements and cost-saving measures.
- **Investing in Employee Development:** Training and professional growth opportunities enhance productivity and job satisfaction.
- **Open Communication:** Keeping employees informed about business performance and future plans fosters a sense of ownership.

Conclusion

As Nigeria navigates an era of economic uncertainty in 2025, the private sector remains a crucial driver of growth, resilience, and long-term transformation. Despite the persistent macroeconomic challenges—ranging from foreign exchange volatility and inflationary pressures to infrastructure deficits and regulatory inefficiencies—Nigeria's business environment continues to offer untapped opportunities for investment and expansion. The ability of firms to adapt, innovate, and implement strategic risk-mitigation measures will determine their capacity to thrive in an evolving economic landscape.

The Stabilisation Phase of Nigeria's Economic Transformation Framework provides a foundation for addressing structural weaknesses, restoring investor confidence, and fostering an enabling business environment. However, achieving these objectives requires policy consistency, regulatory clarity, and sustained public-private collaboration to enhance competitiveness and unlock the private sector's full potential.

To remain resilient, businesses must embrace digital transformation, supply chain diversification, and workforce development while leveraging emerging opportunities in sectors such as technology, agriculture, renewable energy, and financial services. At the same time, government policies should focus on improving access to finance, strengthening market governance, and enhancing ease of doing business to support private sector growth.

Ultimately, Nigeria's economic progress in 2025 will depend on how effectively the private sector adapts to uncertainty, capitalises on opportunities, and contributes to sustainable and inclusive development. By fostering a dynamic and competitive business environment, Nigeria can transition from economic fragility toward a path of long-term resilience and prosperity.

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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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