Rethinking Economic Stabilisation Reform Strategies in Nigeria

NESG Research

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Abstract

This paper examines Nigeria's economic stabilisation efforts in 2024, highlighting the challenges encountered, the progress made, and the strategic adjustments necessary for sustained stability in 2025 and beyond. It sets the stage for re-evaluating Nigeria's approach to economic stabilisation by outlining key strategic directions critical to achieving and maintaining macroeconomic balance. Particular attention is given to the importance of establishing a sustainable economic framework that aligns short-term policy actions with long-term development goals, ensuring the economy is better equipped to absorb shocks. The article also highlights essential reforms and proposes a strategic roadmap aimed at building economic resilience and promoting inclusive growth. It stresses that the proposed reform priorities, if delayed or reversed, could prolong the achievement of economic stabilisation, with significant negative impacts on households, businesses, and the government.

1. Context Setting

In mid-2023, Nigeria embarked on a bold and ambitious reform agenda aimed at addressing entrenched structural challenges and unlocking the potential for sustainable economic growth. Despite initial enthusiasm and some progress, the nation finds itself at a crossroads. To fully harness the benefits of these reforms, Nigeria requires a strategic recalibration of its approach and decisive actions to overcome economic stagnation and an escalating cost-of-living crisis.

The Economic Transformation Roadmap, as outlined in the NESG Macroeconomic Outlook for 2024, laid out an ambitious blueprint structured across three (3) phases: **Stabilisation**, **Consolidation**, and **Acceleration** (NESG, 2024). While the initial stabilisation phase yielded some macroeconomic gains, the transition to the consolidation phase was met with challenges. Stabilisation, rightly identified as the foundation for sustainable and inclusive growth, remains precarious. Despite substantial reform efforts, tangible gains have been limited, and the envisioned transformation remains elusive. The current state of critical economic indicators reveals deep-seated challenges in policy execution, stakeholder engagement, and institutional capacity to efficiently and effectively design and implement robust reform programmes without distortions.

As illustrated in the Adjusted Economic Transformation Roadmap (see Figure 2), Nigeria remains entrenched at a pivotal inflection point, unable to sustain the momentum required for the transition to the consolidation phase. This state of economic inertia reflects the difficulty of reversing decades of structural deficiencies and the absence of mechanisms to translate reforms into measurable socioeconomic improvements.

PERSISTENT CHALLENGES HIGHLIGHTED BY KEY ECONOMIC INDICATORS

Inflation: Persistently high at 33.2 percent in 2024, continues to erode purchasing power and deepen economic vulnerabilities. Despite the recent CPI rebasing, inflation remains elevated, albeit at a slower pace.

Currency Depreciation: Sustained depreciation of the Naira in 2024 introduced significant volatility and uncertainty, undermining both business and consumer confidence.

GDP Growth: At a modest 3.4 percent in 2024, Nigeria's growth rate falls below the Sub-Saharan Africa average and is insufficient to significantly address unemployment and poverty.

Welfare and Living Standards: High inflation, slow economic growth, and welfare erosion have left millions in economic distress, exacerbating socioeconomic inequalities.

Debt and Fiscal Pressures: A substantial portion of public revenue is absorbed by debt servicing, significantly constraining the government's ability to fund development initiatives

2. Renewing Focus on Economic Stabilisation in 2025

In 2025, achieving economic stabilisation will once again take centre stage in government priorities. This focus is driven by growing public disappointment in short-term economic performance and an urgent need to regain growth momentum. A stronger economic trajectory is critical for bolstering private sector participation, safeguarding living standards, and mitigating the impact of rising economic uncertainty. However, achieving robust growth presents a formidable challenge that necessitates a rethink of current and prospective reform strategies. Learning from the reform mistakes of 2024 and refining even successful policies will be pivotal in 2025. However, **"learning by doing"** in isolation may not suffice. Drawing lessons from international best practices and adapting them to Nigeria's unique socioeconomic context will be equally important. Enhancing economic performance and strengthening the macroeconomic environment will be critical to revitalising the economy and ensuring that current and prospective reforms achieve their intended outcomes.

KEY LESSONS TO SHAPE FUTURE REFORM STRATEGIES

The reform outcomes of 2024 offer critical insights that must inform how the government approaches future initiatives:

Reforms and growth must be complementary:
Short-term stabilisation efforts and long-term growth strategies need not conflict. When well-aligned, they can reinforce each other.

Coordinated and consistent reforms:
Evidence demonstrates that coherent and internally consistent reforms are essential for achieving better outcomes.

Public support is crucial:
Economic reforms, especially structural adjustments, require a broad public buy-in to ensure sustainability and mitigate resistance.

Reforms must address equity concerns:
High unemployment, a strained business environment, and income inequality can undermine reform efforts. Policies must be designed to minimise adverse effects on the most vulnerable populations.

Timeliness is critical:
Delays in implementing reforms exacerbate economic uncertainty, which affects private sector investment and prolongs the recovery.

Reforms must be inclusive:
While reforms may not automatically benefit the poor, they can be designed to ensure equity and minimise unintended consequences.

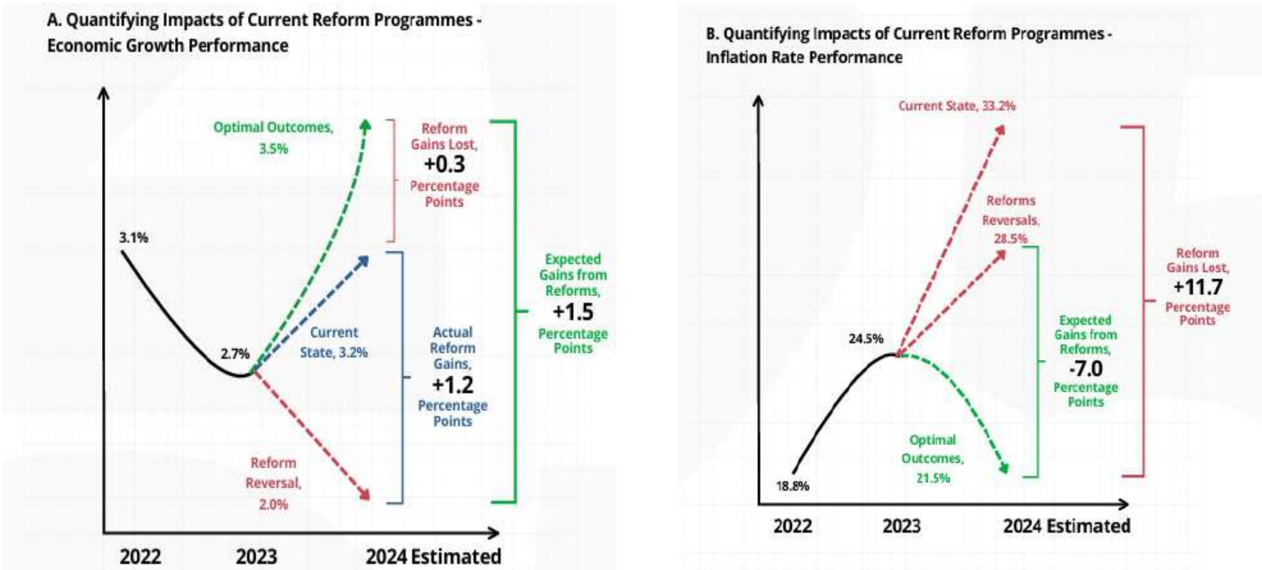
3. Assessing Current Economic Stabilisation Reforms

Nigeria's bold macroeconomic reforms, initiated in mid-2023, aimed to tackle deep-rooted challenges and lay the foundation for inclusive, sustainable growth. Key actions included the removal of fuel and electricity subsidies, exchange rate unification, and Naira flotation. The government also introduced tax reforms such as withholding VAT at source and digital tax collection to boost revenue, avert a fiscal crisis, and stabilise the economy.

These market-driven reforms have delivered tangible fiscal and external gains. Government revenues rose markedly across oil and non-oil sectors. The current account recorded its strongest surplus since 2014, while external reserves surpassed US$40 billion in 2024—though they dipped below this level in 2025 due to frequent forex interventions by the Central Bank. The elimination of the parallel market premium also improved transparency and reduced FX distortions.

Despite these achievements, the broader stabilisation goals outlined in the 2024 NESG Macroeconomic Outlook Report—such as sustaining growth, lowering inflation, stabilising the currency, easing fiscal pressures, and encouraging competition—remain unmet. Implementation setbacks and emerging socio-economic challenges have limited reform impact, extended the stabilisation phase and led to missed opportunities from delayed policy actions.

Figure 1: Stabilisation Reforms' Gains & Losses in 2024



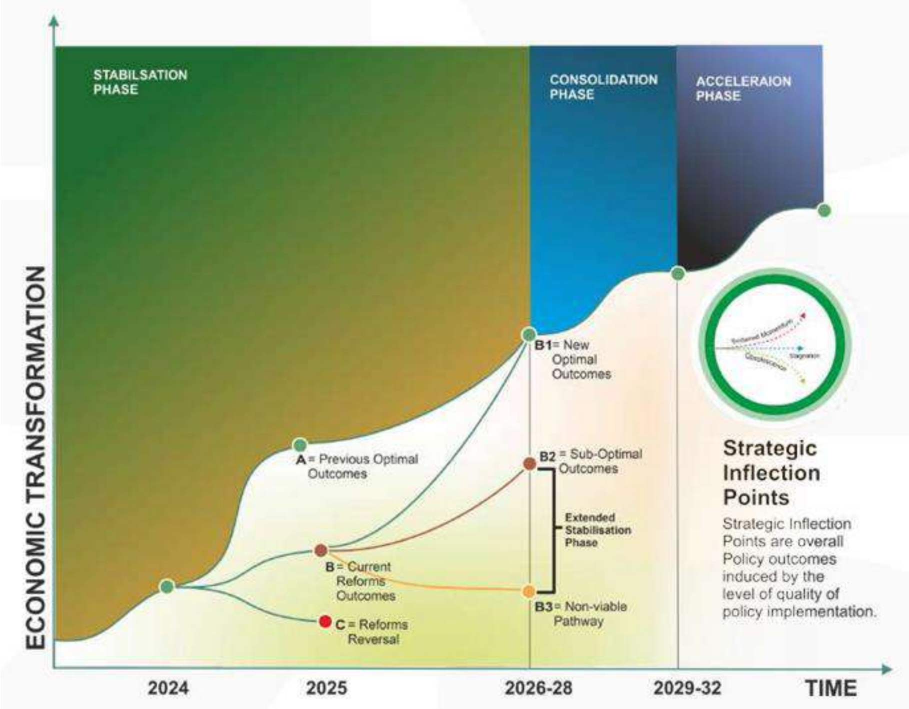
Source: NESG (2025)

4. Adjusted Economic Transformation Roadmap

True economic transformation in Nigeria requires more than well-crafted plans; it demands a clearly articulated and consistently applied economic philosophy. The urgency of achieving economic stabilisation in 2025 is not merely aspirational; it is imperative for unlocking the nation's vast potential and securing a prosperous future for all citizens.

As illustrated in the Adjusted Economic Transformation Roadmap (see **Figure 2**), Nigeria currently finds itself at a critical inflection point (Point B), struggling to sustain the momentum needed to transition towards a phase of sustained economic growth. This economic inertia reflects the challenges of overcoming decades of structural deficiencies and the lack of effective mechanisms to translate reform efforts into tangible socioeconomic improvements for Nigerians.

Figure 2: Adjusted Economic Transformation Roadmap for Nigeria



Source: NESG (2025)

From an impact perspective, the success of the stabilisation phase will significantly impact the trajectory of Nigeria's economic transformation journey. Achieving stabilisation goals will deliver immediate and short-term benefits. At the same time, suboptimal performance will lead to significant development delays and poor economic outcomes, hindering the transition to subsequent phases of the roadmap (as illustrated by points B1 and B3 in **Figure 2**).

Pathways to Nigeria's Economic Stabilisation: A Three-Pronged Approach

The roadmap identifies three potential outcomes based on the quality of policy implementation and level of private-sector engagement:

• **Pathway 1 (B to B1):** The optimal pathway entails a swift transition to the Consolidation Phase within a year, driven by three key actions: attracting investments in growth sectors, strengthening the policy environment through better regulation and institutional efficiency, and sustaining high growth via strategic infrastructure and innovation investments.

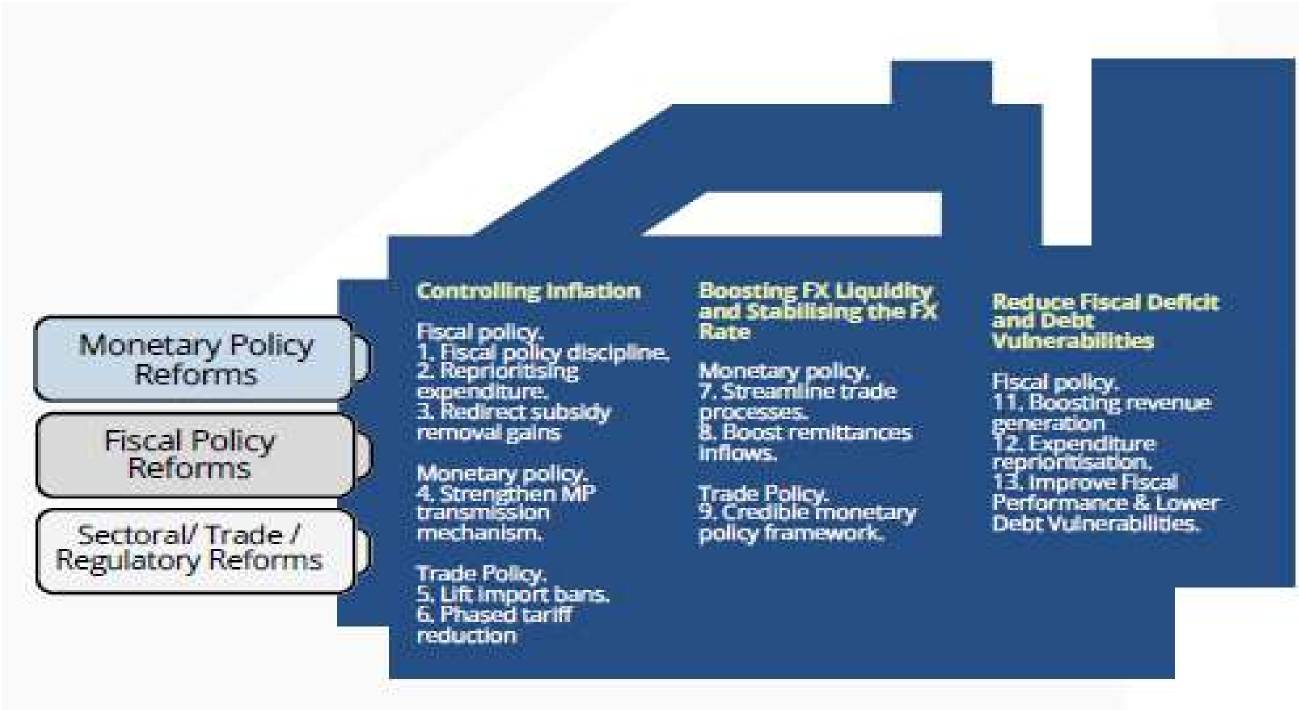
• **Pathway 2 (B to B2):** The sub-optimal pathway reflects a continuation of existing trends, marked by only limited progress. This scenario is characterised by recurring constraints on key drivers of economic growth, persistent infrastructure deficits, and a reversal of earlier gains in industrialisation and economic expansion. As a result, the economy remains stuck in the Stabilisation Phase, with its extension beyond one fiscal year.

• **Pathway 3 (B to B3):** Nonviable Pathway: This worst-case scenario depicts a decline in key economic indicators, with Nigeria burdened by persistent challenges that hinder growth and exacerbate economic deterioration. Following this pathway would extend the period for the Stabilisation Phase beyond the short-term horizon.

5. Strategies for Achieving Economic Stabilisation in 2025

Achieving monetary and fiscal stability is crucial in the Stabilisation Phase to foster a stable price environment and rectify monetary and fiscal imbalances that could obstruct broader economic stabilisation goals. This stability will require targeted measures aimed at reducing inflation, boosting foreign exchange liquidity, and improving fiscal performance. Implementing these measures will improve macroeconomic stability, creating a conducive environment for domestic and foreign investments to thrive.

Low and stable inflation reduces uncertainties, making it easier for businesses to plan and expand operations, while improved foreign exchange liquidity facilitates access to capital and supports trade activities. Improved fiscal performance will promote increased public investment in infrastructure and social programmes, stimulating economic activity, creating jobs and alleviating poverty. Together, these efforts in the Stabilisation Phase lay the groundwork for sustainable macroeconomic reforms and mitigate risks of prolonged volatility.



In conclusion, while the landmark reforms introduced in 2024 are bold and necessary, their success in 2025 and beyond will hinge on strategic implementation. Addressing the gaps associated with current reform strategies is critical to fostering sustainable economic growth, reducing poverty, and improving the economy's resilience. Additionally, Nigeria's stabilisation journey is a defining phase of its economic transformation. Strategic execution, private sector collaboration, and unwavering commitment to reform will determine how quickly and effectively the country achieves economic stabilisation.

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