

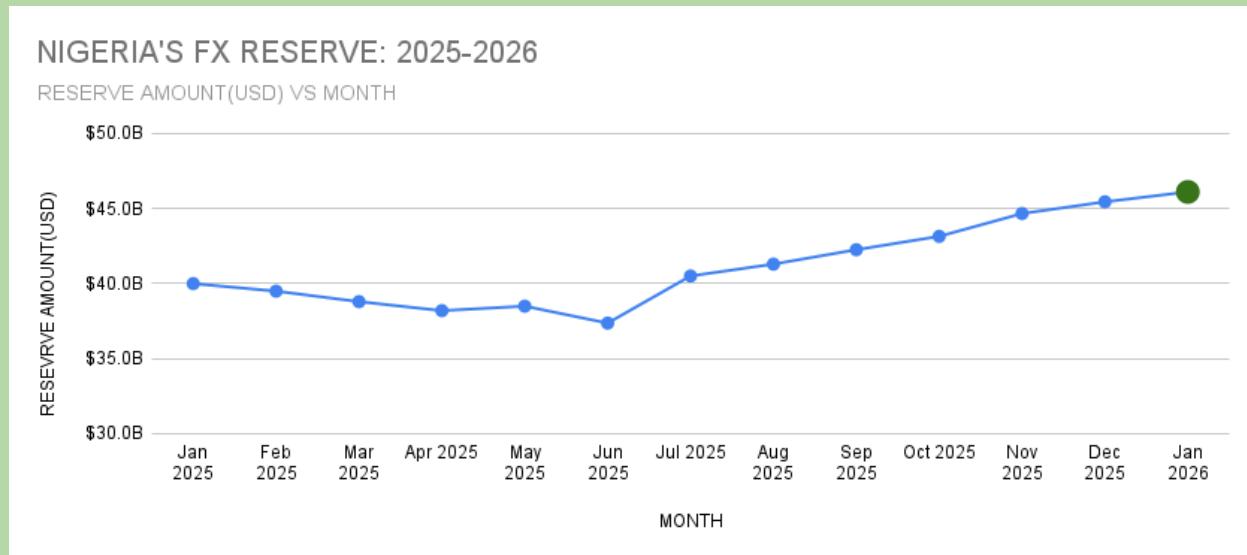
...Creating Wealth for the Future

NIGERIAN FOREIGN EXCHANGE REPORT (2025-2026): A YEAR OF STRATEGIC RECOVERY

The Nigeria economy entered 2025 at a critical crossroads defined by the aggressive “Renewed Hope” reforms aimed at correcting years of structural imbalances. By the start of 2026, these efforts yielded a period of stabilization and recovery, shifting the narrative from extreme volatility to cautious optimism.

The Year 2025 served as a “reset” period where the Central Bank of Nigeria (CBN) moved to a fully market-determined exchange rate through the implementation of the Foreign Exchange Matching System (EFEMS). This transition was bolstered by high global oil prices and improved domestic crude production, which collectively pumped life back into the nation’s External Reserves.

While inflation remained a persistent challenge for the average household, the macro-environment by January 2026 reflected a significant win for fiscal authorities: the Naira’s first annual gain in over a decade and a reserve buffer at an eight-year high. This stability has set the stage for Nigeria to re-emerge as a top destination for Foreign Portfolio Investment (FPI) within the emerging markets.



Source: Central Bank of Nigeria (CBN), National Bureau of Statistics (NBS)

Key Drivers of Growth

- **Oil Production:** Crude output recovered toward the 1.7 million barrels per day (mbpd) mark, increasing dollar inflows.
- **Refining Impact:** The Dangote Refinery's expansion reduced the Central Bank's need to supply FX for petroleum imports.
- **Policy Reforms:** Tight monetary policy and FX market transparency helped attract foreign portfolio investments and narrow the gap between official and parallel market rates.
- **Future Outlook:** The Central Bank of Nigeria (CBN) has projected that reserves could reach \$51.04 Billion by the end of 2026 if current trends in oil exports and fiscal discipline hold.

Note: These figures represent "Gross" reserves as reported by the Central Bank of Nigeria.

The growth in Nigeria's foreign exchange reserves throughout 2025 acted as a powerful "shock absorber" for the Naira. As reserves climbed from the \$37 billion lows in mid-2025 to over \$46 billion by January 2026, the currency moved from a period of high volatility to one of relative stability and gradual appreciation.

Impact of Reserves on the Naira (2025–2026)

The relationship between the rising reserves and the exchange rate can be broken down into three distinct phases:

1. The Volatility Phase (January – June 2025)

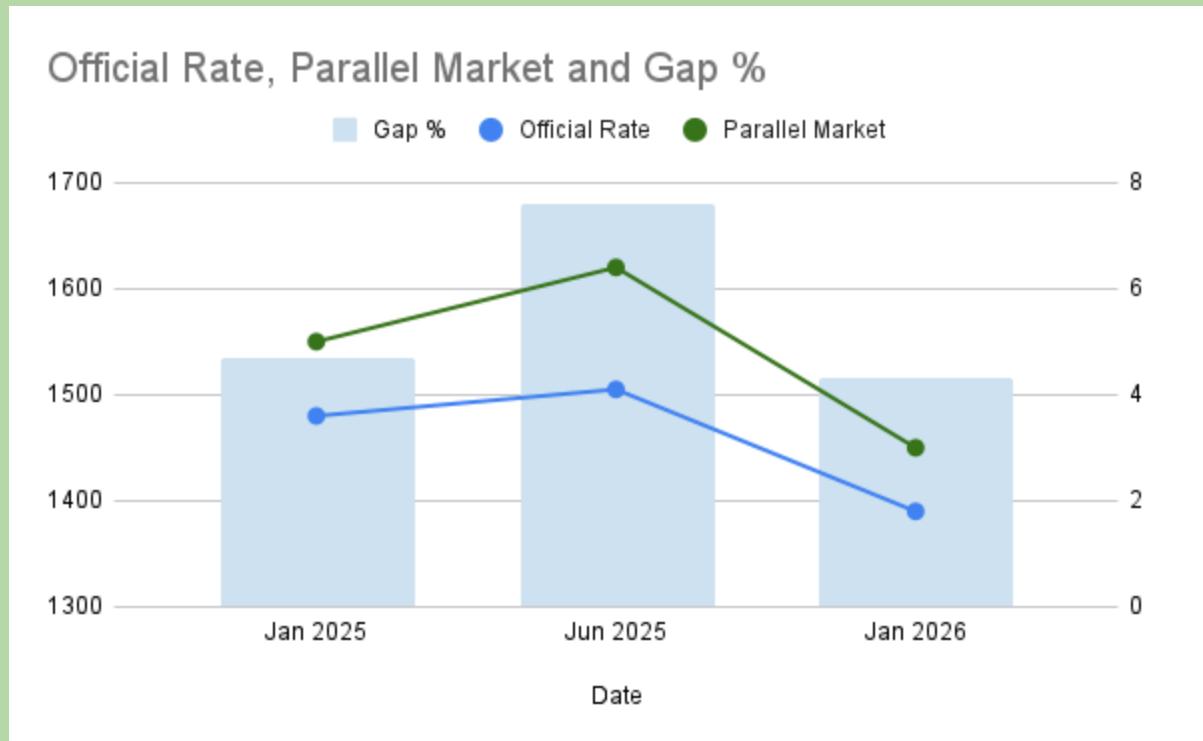
- **Currency Status:** High volatility; the Naira faced significant pressure, often fluctuating between ₦1,500 and ₦1,600/\$1 in the parallel market.
- **Reserve Impact:** Lower reserve levels (dipping to \$37.37B) limited the CBN's ability to intervene in the market. Speculative demand was high because investors feared the bank lacked the "firepower" to defend the currency.

2. The Recovery Phase (July – November 2025)

- **Currency Status:** Stability began to take hold. The gap between the official and parallel markets narrowed significantly.
- **Reserve Impact:** As reserves surged past \$40B, investor confidence returned. The \$2.4 billion Eurobond issuance in November provided a major liquidity boost, allowing the CBN to clear FX backlog and settle obligations to foreign portfolio investors (FPIs).

3. The Appreciation Phase (December 2025 – January 2026)

- **Currency Status:** The Naira reached a two-year high, strengthening to approximately ₦1,390/\$1 (official) and ₦1,450/\$1 (parallel) by early February 2026.
- **Reserve Impact:** With reserves at an 8-year high (\$46.11B), the CBN successfully anchored market expectations. The increased "import cover" (now over 12 months) signaled to the market that the country could comfortably meet its foreign obligations, effectively killing off speculative "hoarding" of dollars.



Source: Official rates via Central Bank of Nigeria (CBN) and NAFEM; Parallel markets rates compiled from independent BDC market surveys (Jan 2025-Jan 2026)

In conclusion, the period from January 2025 to January 2026 marked a pivotal economic turnaround for Nigeria. After years of reserve depletion and extreme currency volatility, the country successfully transitioned into a phase of macroeconomic consolidation.

Summary of the 2025–2026 Economic Shift

- **From Crisis to Stability:** The year 2025 began with reserves near \$40 billion and high market anxiety. By January 2026, reserves reached an eight-year high of \$46.11 billion, providing enough "firepower" to cover over 12 months of imports.
- **The Power of Structural Reform:** The growth was not just a result of high oil prices, but of fundamental shifts—specifically the Dangote Refinery drastically reducing the need for foreign exchange for fuel, and the CBN's "Willing Buyer, Willing Seller" model restoring investor trust.
- **Naira Resilience:** The increased buffers allowed the Naira to stabilize and eventually strengthen from the ₦1,600/\$1 range down toward ₦1,400/\$1, significantly narrowing the gap between official and parallel markets.

The Path to \$51 Billion

Looking ahead, the Central Bank has set an ambitious target of \$51.04 billion by the end of 2026. While the momentum is strong, analysts agree that sustaining this trajectory will depend on three key factors:

1. **Fiscal Discipline:** Avoiding excessive government spending during the upcoming election cycle.
2. **Oil Security:** Maintaining crude production levels at or above 1.7 mbpd.
3. **Policy Consistency:** Ensuring that FX market reforms are not reversed in the face of political pressure.

Ultimately, the data suggests that Nigeria has moved from "emergency management" to a more predictable and rules-based economic environment, placing the country in its strongest external position since 2018.