

GEOPOLITICAL RISK OBSERVATORY

Nigeria

An overview

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GRO Country Profile: Nigeria

GRO Country Profiles are neither extensive analyses nor news updates. Rather, they provide a general perspective on selected areas and issues, identifying a set of factors and variables that organizations should monitor in order to anticipate risks.

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Summary

- Nigeria is a presidential, federal republic. Its political system formally endorses pluralism, but this is hampered by a weak rule of law. Heavy clientelism and ethnic-regional fragmentation undermine the quality of governance and the effectiveness of public policy.
- Nigeria suffers from important security challenges. The jihadist threat looms in the northeastern regions, where terrorist groups Boko Haram and Islamic State – West Africa Province (ISWAP) operate. These and other organizations fuel organized crime, including widespread kidnappings. Armed militant groups foment violence in the Niger Delta region.
- An ongoing process of tax reform and currency exchange liberalization are increasing short-term uncertainty. Inflation is a major concern. Systemic corruption further undermines governance.

Basic Parameters

Indicator	2020	Latest value
GDP (PPP, USD bn)	1,586.7	2,264.8 (2025)
Population (mn)	214.0	237.5 (2025)
Population under 25 (%)	62.0	60.8 (2024)
Population over 65 (%)	2.8	3.0 (2024)
Urban population (%)	52.0	54.2 (2024)
Unemployment rate (%)	33.3	4.3 (2024)
Youth unemployment 15–24 (%)	53.4	6.5 (2024)
CPI inflation (% annual average)	13.2	23.0 (2025)
General government debt (% of GDP)	35.2	52.9 (2024)
FDI inward flows (USD mn)	2,385	1,600 (2024)

Sources:

IMF – World Economic Outlook, October 2025 and April 2026 (GDP PPP, CPI inflation); World Bank – World Development Indicators (population, demographics, urban population); National Bureau of Statistics (Nigeria) – Nigeria Labour Force Survey, Q4 2020 and Q2 2024 (unemployment and youth unemployment, pre- and post-methodology revision); IMF Fiscal Monitor and Central Bank of Nigeria (general government debt); UNCTAD – World Investment Report 2025 (FDI flows).

Historical context

On October 1, 1960, Nigeria gained independence from the United Kingdom. Initially, it took the form of a parliamentary system. Political, regional, and ethnic tensions led to a coup d'état in January 1966 and another one a few months later. Then, in 1967, the southeast of Nigeria seceded and founded the Republic of Biafra. The Nigerian Civil War (1967-1970) began. It ended in a victory for the federal government but caused significant social and human losses and contributed to further regional divisions.

For more than thirty years, Nigerian politics remained under military control. General Ibrahim Babangida ruled from 1985 to 1993; he was succeeded by Sani Abacha, in power from 1993 to 1998. Abacha's regime was characterized by severe repression, human rights violations, and international isolation. After his death in 1998, the return to elected rule materialized in May 1999 with the inauguration of Olusegun Obasanjo. The 1999 Constitution reestablished the current federal presidential system and the formal separation of powers.

From 1999 Nigeria has had two decades of uninterrupted civilian rule, but its democracy remains fragile. The 2015 elections witnessed the first-ever peaceful transfer of power from one political party to the opposition. Bola Ahmed Tinubu of the All Progressives Congress won the presidency in May 2023 after a contested election in which both the opposition and election observers accused his rival of voter fraud and irregularities. The result, however, largely reflected the regional distribution of the vote.

Tinubu has launched an economic reform program focused on eliminating the costly fuel subsidy system, reorganizing and further unifying the foreign exchange market, and broadening the tax base. These measures have had a significant impact on the nation's budget, attracted investment, and created vulnerabilities in the short run. Consequently, there have been increases in prices, extreme fluctuations in the value of the naira, and significant pressure on many people. Fuel subsidies have not been completely eliminated; instead, targeted palliative measures – including a monthly conditional cash-transfer programme for low-income households, a minimum-wage increase, and subsidized compressed natural gas (CNG) buses – have been introduced to cushion the effects of inflation. On the other hand, the operation of the Dangote refinery also represents a potential factor in reducing dependence on imported refined products, but it does not eliminate the energy sector's fragilities in the short term.

The federal government has managed protests over the cost of living and the quality of governance, including those in August 2024, through a combination of social concessions, such as raising the minimum wage, repression by security forces, and political co-optation. The next presidential election, scheduled for January 16, 2027, could be a major source of tension, especially against a backdrop of mounting economic pressure and regional polarization.

Institutional Set-Up and Structural Challenges

Nigeria is a presidential federal republic consisting of 36 states and the Federal Capital Territory (Abuja). The head of state and government is the President. The constitution of Nigeria provides for a multi-party system, separation of powers, and jurisdiction of the federal government, while also stipulating the existence of 774 local government authorities.

Political competition is highly dependent on informally established networks, patronage, and interpersonal relationships, as well as the balance of different regional groups within the state. There

are more than 250 ethnic groups in Nigeria, among which the most influential are the Hausa-Fulani in the north, the Yoruba in the southwest, and the Igbo in the southeast. Thus, the principle of federalism and the idea of the separation of powers are not always effective in the country, and many rely on informal mechanisms and patronage networks. Criteria of geographic representation and regional balance can also foster stability, but they fuel divisions between "indigenous" and "resident" from other states.

Nigeria continues to face significant weaknesses in the rule of law, the fight against corruption, and administrative capacity. Patronage networks can influence public procurement, government employment, and access to resources. The courts suffer from shortages of personnel and resources, delays, and inconsistent application of the law; as a result, the outcome of commercial disputes and the enforcement of contracts can be unpredictable.

The separation of state and religion is formally guaranteed; nevertheless, religion has a strong political influence. Although the population is split between Muslims and Christians, twelve northern states – Bauchi, Borno, Gombe, Jigawa, Kaduna, Kano, Katsina, Kebbi, Niger, Sokoto, Yobe, and Zamfara – have since 2000 extended Sharia (Islamic law) to criminal matters for their Muslim residents, in addition to the personal-status and civil issues it had long covered.

With over 235 million people, Nigeria is Africa's largest country by population and one of its major markets. The Nigerian economy is highly dependent on hydrocarbons; oil and gas account for a significant share of the state's budget and exports, making it vulnerable to swings in world prices and production disruptions. Meanwhile, Nigeria's oil production is significantly hampered by sabotage, theft, and inefficiency.

Currency liberalization has increased transparency but at the expense of a significant devaluation of the naira and increased risks for importers, investors, and those holding foreign currency.

Inflation is high in Nigeria, and the overall cost of living is rising. Although the Nigerian economy grows steadily, and the non-oil sector develops, its impact is not high enough to offset the risks to the national economy.

The Nigerian technology and telecommunications sectors, as well as financial technologies and fintech, are growing rapidly and developing hubs in Lagos. At the same time, a high percentage of the workforce is engaged in the informal sector, and there are inadequate electrical infrastructure, reliable transport, and diversified industry. A huge number of young people are unemployed or work in non-productive jobs, and their absorption into the economy requires a corresponding increase in the business and investment environment.

The Nigerian government's control of the territory is far from absolute. Armed groups such as Boko Haram and ISWAP retain a degree of autonomy in the northeast region of the country, particularly in the Borno, Yobe, and Adamawa states. Banditry, kidnaps for ransom, organized crime, and farmer-herder clashes are also common in the northwest and north-central areas. New jihadist organizations, such as Lakurawa, emerged in the northwest and increased regional insecurity.

Separatist factions, including IPOB, still engage in violence within the southeast region, while the security forces respond with often indiscriminate force.

Militant and criminal groups pose a significant threat to the Niger Delta's oil and gas installations, seafarers, and offshore workers. In addition, cult gangs, extortion, and local piracy have plagued the south-south region and coastal waters. The southwest region is generally the least dangerous of Nigeria's macro regions, although sporadic incidents of criminal violence and kidnaps occasionally occur.

The outlined security concerns pose a significant risk to civilians and international business operations. Displacement of people, disruption of transportation routes, increased premium rates by insurance companies, safety and security of expatriates, and disruption of business and economic activities are some of the possible consequences. The risk of the complete breakdown of the government and law enforcement is low, while the danger of local-level violence, protests, and economic damage is moderately high. Despite these pressures, Nigeria retains significant regional weight in West Africa through ECOWAS, where it participates in regional policymaking and has historically contributed to peacekeeping missions and security initiatives, although this role remains conditioned by internal difficulties, budget constraints, and the need to manage crises along its borders and in the Lake Chad basin.

Business implications

Opportunities

Nigeria offers significant investment opportunities, driven by a population of over 235 million, rapid urbanization, and a middle class concentrated in major urban centers that is fueling demand for consumer goods, services, and digital solutions. Lagos has emerged as a regional technology hub, with digital payments, inclusive financial services, e-commerce, and data infrastructure offering further growth prospects. Agriculture, food processing, energy, logistics, mobility, healthcare, education, and essential goods offer scope for investment and skill transfer, while persistent deficits in roads, electricity, water treatment, ports, and urban development are creating additional demand, although projects require careful regulatory and policy evaluation. Reforms such as removing or reducing subsidies, currency liberalization, strengthening tax collection, and implementing the Petroleum Industry Act can improve sustainability in the medium term, but they entail volatility and transition costs in the short term.

Challenges

Security challenges: Terrorist threats, kidnappings, and organized crime directly impact the location of facilities, route selection, freight transportation, and personnel management. The risk is particularly high in the northeast, northwest, central-northern regions, and some areas of the Niger Delta. Companies must implement security plans, supplier vetting, logistics tracking, evacuation procedures, and adequate insurance coverage.

Religious tensions add a further dimension to the security landscape: attacks against Christian communities in the northern and Middle Belt states have increased markedly since 2020, alongside a broader increase in violence affecting all faiths and ethnic groups, feeding an intense and contested international debate over the scale and nature of anti-Christian violence in Nigeria, which the Nigerian government and several independent analysts characterize as overlapping banditry, insurgency, and land and resource disputes rather than systematic religious persecution. Regardless of interpretation, the rising casualties and the reputational and operational risks stemming from this debate warrant close monitoring by companies operating in the affected areas.

Nigeria's security risk is assessed as Band 5 (very high challenges).

Regulatory challenges: The broadening of the tax base and the strengthening of controls are increasing reporting, record-keeping, and compliance obligations. Banks and businesses involved in the financial system must also take into account stricter anti-money laundering and counter-terrorist financing requirements.

The naira remains volatile; this affects imports, prices, profit repatriation, working capital, and financial planning. Indexation clauses, currency hedges where available, stress testing, and prudent management of currency exposures are recommended.

Nigeria's regulatory risk is assessed as Band 4 (high challenges).

Governance challenges: Corruption, administrative discretion, patronage, and political influence over procurement can distort competition. Contract protection and dispute resolution are affected by judicial delays and uneven institutional capacity. In strategic sectors, particularly energy and infrastructure, rules can change rapidly, and public intervention remains significant.

Foreign companies are exposed to compliance risks related to intermediaries, local partners, public procurement, and informal payments. It is advisable to conduct enhanced due diligence, implement anti-corruption procedures, verify beneficial ownership and conflicts of interest, document authorizations, and establish independent audit mechanisms.

Nigeria's governance risk is assessed as Band 4 (high challenges)

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