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The Restructuring of the Nigerian Economy (2018–2026): Impacts on Low- and Middle-Income Earners and Pathways to Vibrant Growth

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Abstract
This journal article examines the restructuring of the Nigerian economy from 2018 to 2026, with particular focus on the attendant effects on low and middle-income earners. Drawing on recent data and official government scorecards, the analysis traces Nigeria's transition from a fragile, subsidy-dependent economy to one undergoing profound fiscal and monetary reforms. The study finds that while macroeconomic indicators including GDP growth, foreign reserves, and inflation have shown significant improvement by 2026, the human cost of adjustment has been substantial for ordinary citizens. Using a mixed methods approach that incorporates quantitative data, policy analysis, and qualitative assessment of lived experiences, this article argues that the reforms have created a dual economy: one of fiscal consolidation and external stability, and another of household distress and widening inequality. The article concludes with evidence-based recommendations for achieving inclusive, vibrant economic growth that benefits all Nigerians.

Keywords:
Nigerian Economy, Economic Restructuring, Low-Income Earners, Middle-Income Earners, Tax Reform, Fuel Subsidy Removal, Inclusive Growth, Fiscal Policy

Introduction

Nigeria stands at a critical juncture in its economic history. The period from 2018 to 2026 has witnessed perhaps the most ambitious and consequential economic restructuring since the country's independence. Driven by the recognition that Nigeria's oil-dependent, subsidy-laden economic model was unsustainable, successive administrations have pursued reforms aimed at fiscal consolidation, revenue diversification, and macroeconomic stabilization.

The human dimension of these reforms, however, has been profound and, at times, painful. For millions of low- and middle-income Nigerians, the restructuring has meant higher prices, currency devaluation, and increased cost of living, even as the government asserts that these measures were necessary to prevent a deeper crisis -2. This paradox of macroeconomic improvement coexisting with household distress lies at the heart of this inquiry.

This article addresses three central questions: (1) What has been the trajectory of Nigeria's economic restructuring from 2018 to 2026? (2) How have these reforms affected low- and middle-income earners? (3) What policy pathways can foster vibrant, inclusive economic growth that benefits all segments of society?

The significance of this study lies in its human centred approach to economic analysis. While macroeconomic indicators matter, the ultimate test of any economic policy is its impact on the well-being of ordinary citizens. By centering the experiences of low- and middle-income earners, this article contributes to a more nuanced understanding of Nigeria's economic transformation and offers practical recommendations for a more equitable future.

2. Literature Review and Theoretical Framework

2.1 The Political Economy of Reform in Nigeria

Nigeria's economic challenges are deeply rooted in its history. Decades of dependence on oil revenues created what scholars have termed a "rentier state," where the government's fiscal capacity became tethered to volatile global commodity prices -14. This dependence discouraged economic diversification, fostered corruption, and created a subsidy regime that disproportionately benefited rent-seekers rather than ordinary citizens -2.

The Collaborative Africa Budget Reform Initiative (CABRI) has documented Nigeria's macroeconomic volatility, with GDP growth rates fluctuating between -1.79% and 3.65% during the 2018–2022 period, while inflation averaged between 11.4% and 24.66% -4. These figures underscore the fragility of Nigeria's pre-reform economy.

2.2 Theoretical Perspectives on Economic Restructuring

This study draws on several theoretical frameworks to understand Nigeria's economic restructuring.

Structural adjustment theory provides a lens for understanding the neoliberal logic underpinning the reforms the belief that market liberalization, fiscal discipline, and removal of subsidies are necessary for long-term growth. However, critics of this approach have highlighted its distributional consequences, particularly for vulnerable populations.

Inclusive growth theory offers a counterpoint, emphasizing that economic growth must be broad-based and benefit all segments of society -5. This framework is particularly relevant for assessing whether Nigeria's reforms have achieved their stated objectives of shared prosperity.

Institutional theory highlights the importance of strong institutions in implementing reforms effectively. The Nigerian Economic Summit Group has argued that "reforms are as effective as the institutions implementing them," noting that weak institutions have historically undermined Nigeria's development efforts -5.

2.3 The Reform Imperative

By 2023, Nigeria faced a confluence of challenges that made reform unavoidable. The government inherited an economy with "one of the world's lowest revenue-to-GDP ratios" and "limited fiscal capacity relative to Nigeria's population and developmental needs" -12. The fuel subsidy had become a fiscal drain, consuming resources that could have been invested in infrastructure and social services. The foreign exchange system had become "a source of arbitrage, destruction, and corruption" -2.

The reforms, initiated in June 2023, focused on two key pillars: the removal of the petrol subsidy and the unification and liberalization of the foreign exchange market -2. These measures were complemented by tax reforms aimed at creating a fairer, more efficient revenue system.

3. Methodology

3.1 Research Design

This study employs a mixed-methods approach, combining quantitative analysis of economic data with qualitative assessment of policy impacts. The research design is longitudinal, tracing economic indicators from 2018 to 2026 and assessing the human dimension of reform through analysis of government reports, policy documents, and stakeholder accounts.

3.2 Data Sources

The study draws on multiple data sources:

Quantitative data: World Bank indicators (Gini index, poverty measures), Trading Economics data (GDP, inflation, unemployment), CABRI budget indicators, and Nigeria's official Reform Scorecard -2-4-7.

Policy documents: Nigeria's Reform Scorecard (2026), reports from the Presidential Committee on Fiscal Policy and Tax Reforms, and industrial policy documents -1-2-7.

Qualitative sources: Government announcements, stakeholder interviews cited in media reports, and expert analyses from institutions such as the Nigerian Economic Summit Group -5-10.

3.3 Analytical Framework

The analysis proceeds in three stages. First, document the trajectory of key economic indicators to assess the macroeconomic impact of reforms. Second, examine specific reform measures and their

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implications for low- and middle-income earners. Third, synthesize findings to identify pathways for inclusive growth.

4. The Trajectory of Economic Restructuring: 2018–2026

4.1 The Pre-Reform Context (2018–2023)

The period 2018–2023 was characterized by economic volatility and mounting fiscal pressures. Nigeria experienced multiple recessions, stagnating growth, and rising inflation. The CABRI data reveals GDP growth of only 1.92% in 2018, followed by negative growth (-1.79%) in 2020, reflecting the impact of the COVID-19 pandemic -4. Inflation averaged 16.95% in 2021, rising to 18.85% in 2022 and 24.66% in 2023 -4.

The fiscal situation was equally concerning. Fuel subsidies consumed a significant portion of government revenue, leaving limited resources for investment. Twenty-seven states struggled to pay salaries and pensions -2. The foreign exchange system, with its multiple exchange rates, had become a source of arbitrage and corruption -2.

4.2 The Reform Era (2023–2026)

The Tinubu administration, which took office in May 2023, initiated sweeping reforms designed to address these structural weaknesses. The removal of the fuel subsidy and the unification of the foreign exchange market represented the most significant policy shifts -2.

Table 1: Key Economic Indicators, 2023 vs. 2026

Indicator	May 2023	June 2026	Change
Real GDP Growth	2.31%	3.89%	+1.58 pp
Headline Inflation	22.41%	15.91%	-6.50 pp
Food Inflation	24.82%	17.52%	-7.30 pp
Gross Foreign Reserves	$35 billion	$52.5 billion	+$17.5 billion
Net Foreign Reserves	$3 billion	$34.8 billion	+$31.8 billion
Stock Market Capitalization	₦31 trillion	₦150 trillion	+384%
Monetary Policy Rate	18.5%	26.5%	+8.00 pp

Source: Nigeria's Reform Scorecard, 2026 -7-9

The scorecard shows significant improvement across key macroeconomic indicators. GDP growth strengthened from 2.31% to 3.89%, while inflation fell from 22.41% to 15.91% -7-9. Foreign reserves increased substantially, and the stock market capitalization grew by an extraordinary 384%.

Figure 1: GDP Growth Trajectory, 2018–2026 (Projected)

```
GDP                    Growth                    Rate                    (%)
  |
 5.0|                                               *  *  *  (2026:  3.89%)
  |                                                          *   *    *
 4.0|                                                      *    *     *
  |                                                    *      *       *
 3.0|                                          *         *            *
  |                                                                   *
 2.0|*
  |
 1.0|
  |
 0.0|                                    *           (2020:        -1.79%)
  |
-1.0|
  |
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```
-2.0|*
    |
    +-----+-----+-----+-----+-----+-----+-----+-----+-----+
    2018  2019  2020  2021  2022  2023  2024  2025  2026
```

Data sources: CABRI, Trading Economics, Reform Scorecard -4-7-9

4.3 The Fiscal Impact of Subsidy Removal

The removal of the fuel subsidy generated significant fiscal savings. Between June 2023 and December 2025, subsidy savings mobilized ₦15.8 trillion for the Federation, with ₦5.4 trillion accruing to the Federal Government and ₦10.4 trillion shared among states and local governments -7-11.

The government used these resources for multiple purposes:

Table 2: Utilization of Incremental Federal Government Resources

Category	Amount (₦ trillion)	Purpose
Subsidy Savings	5.40	General revenue
Additional Independent Revenue	3.10	Government operations
Incremental Borrowing	11.90	Infrastructure and development
Total Incremental Resources	**20.40**	
Incremental Expenditure	30.64	
Wage adjustments, minimum wage, allowances	*9.39*	*Worker welfare*
External debt servicing	*9.37*	*Debt obligations*
Strategic infrastructure	*6.50*	*Economic development*

Source: Nigeria's Reform Scorecard, 2026 -7

The government also reported that "the reforms had improved the ability of state governments to meet salary and pension obligations, with 27 states previously struggling with such payments now able to meet their obligations" -2.

5. Impacts on Low- and Middle-Income Earners

5.1 The Cost of Adjustment

While macroeconomic indicators have improved, the human cost of adjustment has been significant. The government has acknowledged that "the reforms triggered higher prices, a sharp adjustment in the naira, and increased borrowing costs" -2. For low- and middle-income earners, these effects have been particularly acute.

Inflation and Purchasing Power

Despite the decline in headline inflation from 22.41% to 15.91%, prices remain significantly higher than pre-reform levels. The Consumer Price Index has increased substantially, with food inflation a critical concern for low-income households remaining elevated -9.

Figure 2: Inflation Trends, 2023–2026

```
Inflation Rate (%)
    |
35.0|*  (May 2023: 22.41%)
    |
30.0|*
    |
25.0|*
    |*                          *   (2025 peak)
20.0|        *          *    *   (June 2026: 15.91%)
    |                 *                        *
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```
15.0|                                                              *
   |
10.0|
   |
 5.0|
   |
 0.0|                  *           (Food         Inflation:        17.52%)
   +-----+-----+-----+-----+-----+-----+-----+-----+-----+
   Q2      Q3      Q4      Q1      Q2      Q3      Q4      Q1      Q2
   2023    2024    2025    2026
```

Data source: Trading Economics -9

The Monetary Policy Rate (MPR) has climbed from 18.5% to 26.5%, making borrowing more expensive for households and small businesses -7. Petrol prices have risen "from roughly ₦185 to between ₦1,100 and ₦1,400 per litre," representing a six-fold increase -7. For low-income earners who rely on petrol for transportation and small businesses, this has been a severe blow.

The Currency Adjustment

The unification and liberalization of the foreign exchange market led to a sharp depreciation of the naira. The government has acknowledged that "the naira's depreciation has substantially increased the naira cost of servicing foreign currency debt" -2. For households, the weaker naira has meant higher prices for imported goods, including food, medicines, and consumer products.

5.2 The Tax Reform Response

Recognizing the burden placed on low and middle-income earners, the government introduced significant tax reforms designed to protect vulnerable populations -1-6.

Personal Income Tax Reforms

Under the new tax regime, workers earning up to ₦800,000 annually will be exempt from Pay-As-You-Earn deductions -6. From January 2026, individuals earning ₦100,000 or less per month will no longer be required to pay personal income tax -1. This exemption will affect roughly one in every three workers nationwide -1.

The reforms also reduce the tax burden on middle-income workers. Individuals earning between ₦100,000 and about ₦2 million per month will pay less tax, effectively increasing their disposable income -1. High-income earners, who constitute approximately two percent of the working population, will shoulder a slightly higher share of the tax burden, with a top rate of 25% applying to individuals earning ₦120 million or more annually -1.

Business Tax Reforms

The corporate income tax rate has been reduced from 30% to 25%, while small businesses with annual turnover below ₦100 million now enjoy a zero percent corporate tax rate -1-6. These measures are intended to encourage informal enterprises to formalize, expand operations, and gain access to credit -1.

Addressing Multiple Taxation

The reforms also seek to address the persistent challenge of multiple taxation. Although about 63 taxes and levies are officially recognized, businesses often face many more in practice, including informal and unconstitutional charges imposed by various agencies -6. The reforms aim to "repeal several major existing tax laws and replace them with a streamlined framework" -1.

5.3 Social Protection Measures

The government has introduced several measures to cushion the effects of reforms on vulnerable Nigerians:

Table 3: Social Protection and Support Measures

Measure	Description
National Minimum Wage	Increased from ₦30,000 to ₦70,000
Student Loans	NELFUND programme providing student loans
Cash Transfers	Support for 15 million households
Subsidized Mortgages	Affordable housing schemes
Agricultural Support	Interventions strengthening food security
Consumer/SME Credit	Affordable credit programmes

Source: Reform Scorecard and government announcements -2-7-11
The government also highlighted "wealth creation for millions of Nigerians through capital market gains," noting the significant increase in stock market capitalization -11.

6. The Inequality Dimension

6.1 Measuring Inequality

Inequality has been a persistent challenge in Nigeria, and the reforms appear to have had mixed effects. World Bank data shows the Gini index for Nigeria at 45.5% in 2025, up from 29.4% in 2020 -3-13. This suggests a significant increase in income inequality during the reform period.

Figure 3: Gini Index Trends, Nigeria

```
Gini                         Index                              (%)
   |
50.0|
   |                                              *  (2025:  45.5%)
45.0|
   |                                                              *
40.0|
   |
35.0|
   |
30.0|*                      (2020:                          29.4%)
   |
25.0|
   |
20.0|
   |
15.0|
   |
10.0|
   |
 5.0|
   |
 0.0|
   +-----+-----+-----+-----+-----+-----+-----+-----+-----+
   2020  2021  2022  2023  2024  2025
```

Data source: World Bank, Gini Index -3-13
The proportion of people living below 50% of median income has also increased, from 9.6% in 2020 to 20.0% in 2025 -8. This indicates that a larger share of the population is falling into relative poverty.

6.2 The Middle Class Under Pressure

The reforms have placed significant pressure on the middle class. While the government argues that Nigeria still has a middle class that must be protected, it acknowledges that "the segment has shrunk over the years" -1. The middle class is described as "a critical pillar of economic stability that must be

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protected" because "if you destroy the middle class, you weaken consumption, savings, and long-term growth" -1.

7. Charting a Path to Vibrant Growth

7.1 Economic Diversification

Despite improvements in macroeconomic indicators, Nigeria remains a mono-economy dependent on oil. Oil and gas continue to dominate foreign exchange earnings, accounting for "over 88% of FX receipts and about 5.5% of GDP in 2024" -10. The manufacturing sector contributes only 8.9% to GDP, though it is projected to rise to 10% in 2025 -10.

The Manufacturing and Agro-Allied Opportunity

Manufacturing and agro-allied industries have been identified as "the primary drivers of Nigeria's long-term economic transformation under Agenda 2050" -10. The industrial policy framework aims to:

• Expand manufacturing's contribution to GDP
• Deepen industrial linkages through agro-processing
• Reduce import dependence
• Improve competitiveness
• Accelerate inclusive economic growth -10

The agro-allied sector has particular potential. Agriculture and agro-processing account for an average of 25% of real GDP and provide employment for approximately 35% of the workforce -10. Nigeria's cassava bio-ethanol initiative offers a concrete example of value addition, with the government aiming to "convert cassava from a subsistence crop into an industrial and energy asset" -15.

Regional Strengths and the AfCFTA

Nigeria's regions possess distinct economic strengths that can be leveraged for diversification. Benue State is known as the "Food Basket of the Nation," Nasarawa State is the "Home of Solid Minerals," Anambra State is emerging as a manufacturing hub, and Lagos has become a regional tech hub -5. The African Continental Free Trade Area (AfCFTA) offers a market of 1.4 billion people, positioning Nigeria to become "a gateway to the continent" -5.

7.2 Institutional Strengthening

The Nigerian Economic Summit Group has emphasized that "reforms are as effective as the institutions implementing them" -5. Weak institutions have historically undermined Nigeria's development efforts, and concerns about the legal system described by the Sultan of Sokoto as "a purchasable commodity available only to the rich" have deterred investment -5.

Key institutional priorities include:

• Judicial reform to ensure impartiality and timeliness
• Strengthening regulatory agencies
• Improving policy consistency
• Enhancing transparency and accountability -5

7.3 Household Welfare as Policy Priority

The government has acknowledged that "poverty and household welfare remain areas requiring urgent attention" -7. As the Minister of Finance stated, "On food and household welfare, our own assessment is candid: this remains work in progress" -7.

Recommendations for strengthening household welfare include:

Expanding Cash Transfers and Safety Nets

The government has committed to "expanding cash transfers, deepening agricultural interventions, improving the quality of public spending, and ensuring that states and local governments deliver greater benefits to citizens" -7. The success of these measures will depend on effective implementation and targeting.

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Investing in Human Capital

Long-term inclusive growth requires investment in education, healthcare, and skills development. The industrial policy framework recognizes this, aiming for "improved access to healthcare, education, and critical infrastructure" as part of the National Development Plan -10.

Supporting Small Businesses

Small businesses are vital for job creation and inclusive growth. The zero percent corporate tax rate for businesses with annual turnover below ₦100 million is a positive step -1-6. However, this must be accompanied by improved access to credit, infrastructure, and markets.

Strengthening Social Dialogue

The reforms have generated significant hardship, and some of the government's messaging has been criticized. The Minister of Finance has argued that "sentiment and perception play a powerful role in shaping economic outcomes, alongside the technical details of policy" -6. More effective communication and engagement with affected populations can build trust and support for reforms.

8. Conclusion

Nigeria's economic restructuring from 2018 to 2026 represents a watershed moment in the country's development trajectory. The reforms have delivered significant macroeconomic gains: GDP growth has strengthened, inflation has declined, foreign reserves have increased, and investor confidence has improved. The tax reforms have provided relief for low and middle-income earners, and the fiscal savings from subsidy removal have been redirected to infrastructure and social protection.

Yet the human cost of adjustment has been substantial. Prices have risen sharply, the naira has depreciated, borrowing costs have increased, and households have faced significant hardship. Inequality has widened, with the Gini index rising from 29.4% to 45.5%. The middle class has come under pressure, and many families are struggling to meet basic needs.

This dual reality macroeconomic improvement alongside household distress represents the central challenge facing Nigeria's economic transformation. The reforms were necessary and have prevented a deeper crisis, but they have also created new vulnerabilities that require urgent attention.

The path to vibrant, inclusive growth lies in accelerating economic diversification, strengthening institutions, investing in human capital, and making household welfare a central policy priority. Nigeria's vast potential in agriculture, manufacturing, technology, and creative industries can be unlocked through strategic investment and effective governance. As the government has acknowledged, "We are not here to pretend these reforms were painless. We are here to show you, honestly and with the numbers, what they cost, the benefits they delivered, and the harm they prevented" -2.

The next phase must focus on translating macroeconomic gains into tangible improvements in household welfare. Only then can Nigeria truly achieve the vision of Agenda 2050: a prosperous, inclusive, and vibrant economy that works for all Nigerians.

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Appendices

Appendix A: Methodology Notes

Data Sources and Limitations

This study relies on officially reported data, which may be subject to revision and may not fully capture informal economic activity. The Gini index data from the World Bank reflect the latest available estimates and may not be strictly comparable across years due to methodological changes.

Figure Construction

Figures were constructed using data from multiple sources as cited. GDP growth projections for 2024 – 2026 are based on official estimates and may be revised.

Appendix B: Key Reform Timeline

Date	Reform
May 2023	Tinubu administration assumes office
June 2023	Fuel subsidy removal announced
June 2023	Foreign exchange market unification
2023–2024	Tax reform committee deliberations
January 2026	New tax regime takes effect (low-income exemption)
August 2026	Reform Scorecard released