

BACITI ECONOMIC INSIGHT



The Bashir Adeniji Centre for International Trade and Investment (BACITI) of The Nigerian Institute of International Affairs (NIIA)

Nigeria's new Industrial Policy represents a timely and strategically significant framework for accelerating economic transformation and advancing the country's ambition of becoming a \$1 trillion economy. Beyond the expansion of industrial capacity, the policy signals a deliberate shift from commodity dependence toward value addition, export competitiveness, and productivity-led growth. While its vision is compelling and economically necessary, its ultimate success will depend on the effectiveness and discipline of implementation.

In this edition of BACITI Economic Insight, we critically examine the Nigeria Industrial Policy (NIP), assessing its implications for economic growth, trade performance, and non-oil export expansion. The analysis highlights key policy levers underpinning the strategy, as well as the structural risks and execution challenges that will shape its outcomes.

NIGERIA INDUSTRIAL POLICY 2025: WHAT IT MEANS FOR GROWTH, TRADE, AND THE \$1 TRILLION ECONOMY AMBITION

In February 2026, the Nigerian government launched its first comprehensive Nigeria Industrial Policy 2025-2030, to serve as a coordinated framework for economic diversification and domestic production. The policy sets ambitious targets to increase manufacturing's contribution to GDP to 15% by 2030 and 25% by 2035, while aiming to raise the mining sector's share to 8% by 2030 and 10% by 2035. To achieve these goals, the government has committed to channeling up to 5% of GDP annually into industrial development financing and recapitalizing the Bank of Industry to N3 trillion by 2026.



The framework identifies four priority sectors for immediate focus, metals and solid minerals, oil and gas, construction, and manufacturing. It also introduces performance-linked incentives, including the Economic Development Incentive that ties tax relief to measurable outcomes such as investment levels and employment generation. Additionally, the policy aims to reduce trade costs by 15% and increase export volumes by 30% by 2028, positioning Nigeria as a competitive industrial hub within the African Continental Free Trade Area.

The Structural Challenge: What the Industrial Policy Seeks to Address

The Federal Government has consistently anchored its reform agenda and medium-term development strategy on the ambition of building a \$1 trillion economy by 2030. Achieving this scale of economic transformation requires a fundamental shift in Nigeria's growth model. No country attains and sustains such output levels on the basis of consumption-driven growth, import dependence, low productivity, limited value addition, and weak integration into global and regional value chains.

The central challenge, therefore, is not simply to grow the size of the economy, but to transform its composition. This involves expanding productive capacity in tradable sectors, deepening domestic value chains, and strengthening the link between production and exports.

In this context, industrial policy becomes essential. It provides the framework to shift the economy toward productivity-led growth, sustained investment, export complexity, and technological upgrading, all of which are necessary for durable and inclusive economic transformation.

Key Policy Levers and Their Transmission Channels

The effectiveness of Nigeria's Industrial Policy will ultimately depend on how well its core policy levers translate into measurable economic outcomes. Industrial policy is not merely a statement of intent; it operates through specific mechanisms that influence firm behavior, investment decisions, productivity, and trade performance.

The Nigeria Industrial Policy (NIP) adopts a multi-pronged approach, combining value-chain development, MSME integration, infrastructure alignment, skills and technology upgrading, and regulatory reforms to address structural constraints within the economy. Each of these levers functions through distinct transmission channels, but their effectiveness lies in their interaction, collectively driving industrial deepening, export competitiveness, and inclusive, productivity-led growth. Table 1 outlines the key policy levers embedded in the framework, the economic mechanisms through which they operate, and the likely implications for industrial and trade outcomes.

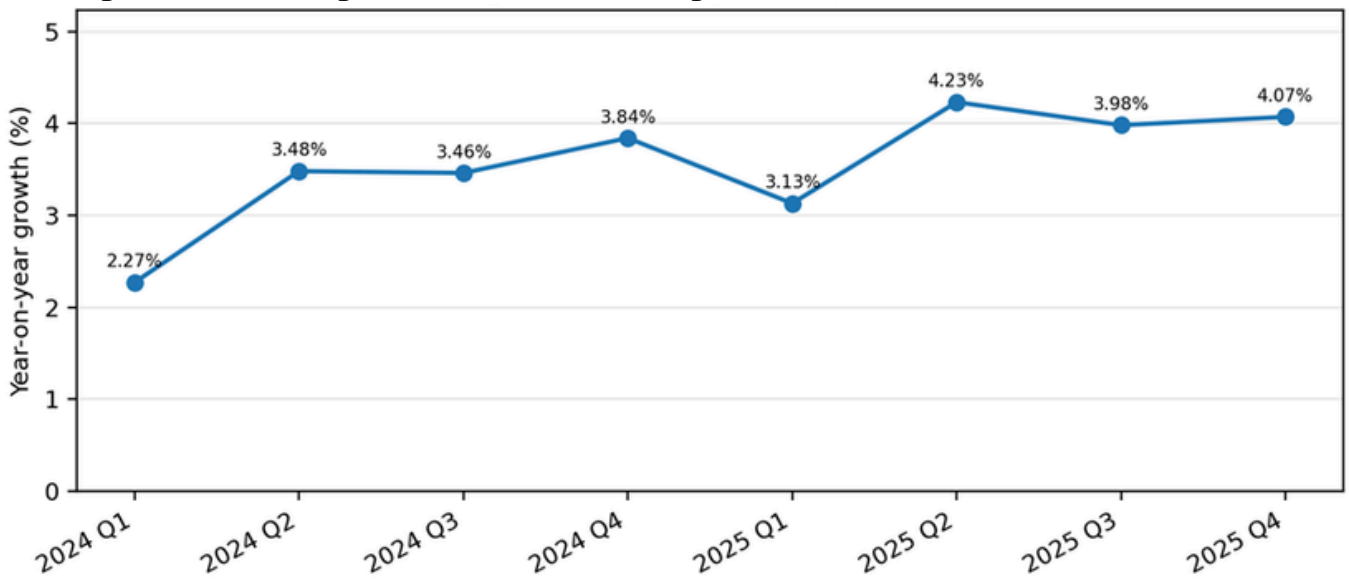
Policy Lever	Economic Mechanism	Implications
Value-chain Development	Move from raw material exports to processed and finished goods	Higher domestic value addition, better export earnings quality, more industrial jobs
MSME integration	Link smaller firms to industrial supply chains	Broader participation in industrial growth and stronger local sourcing
Energy and infrastructure alignment	Reduce unit production and logistics costs	Improved competitiveness against imports and export market entry
Skills, technology, innovation	Raise productivity and product quality	Better compliance with export standards and reduced rejection rates
Regulatory efficiency and incentives	Lower transaction costs and investment uncertainty	Higher private investment response and faster factory scale-up

Data Overview: Why the Policy Arrives at a Critical Juncture

Current macroeconomic indicators do not yet point to a full-scale industrial take-off. However, they suggest that the Nigeria Industrial Policy is being introduced in a relatively more stable and less fragile macroeconomic environment than prevailed during the peak of exchange rate dislocation and import compression.

Growth has shown signs of recovery, external buffers have improved, and trade surpluses have been sustained, while non-oil exports are gradually expanding, albeit from a low base. Taken together, these trends indicate a window of opportunity: the policy is being launched at a moment when macroeconomic conditions are sufficiently stabilized to support industrial scaling, but not yet strong enough to guarantee it.

Figure 1: Nigeria's Real GDP Growth by Quarter



Source: National Bureau of Statistics

Figure 2: Nigeria's Goods Trade: Export, Import, and Surplus



Source: National Bureau of Statistics

Nigeria's trade balance in the period highlights transition from deficits to sustained surpluses, reflecting improved external positioning.

The table below presents selected macroeconomic and industrial indicators that underscore both the opportunities and structural constraints shaping Nigeria's industrialisation trajectory.

Table 2: Key Indicators Underscoring the Case for Industrial Policy

Indicator	Latest Figure	Why It Matters
Real GDP growth (Q4 2025)	4.07%	Indicates improving macroeconomic momentum, but still below the threshold required for rapid structural transformation.
Manufacturing real growth (Q4 2025)	1.13%	Highlights persistent weakness in manufacturing, underscoring the urgency of targeted industrial support.
Industry growth (Q4 2025)	3.88%	Reflects moderate recovery in industrial activity, though not yet indicative of broad-based industrial expansion.
Non-oil GDP share (Q4 2025)	97.13%	Reveals a structural paradox: production is largely non-oil, yet export earnings remain heavily oil-dependent.
2025 non-oil exports	US\$6.1bn	Signals progress in export diversification, but remains low relative to Nigeria's economic size and trade potential.
2025 GDP after rebasing (Q1 level)	₦372.822tn (~US\$243.7bn)	Emphasizes the scale gap to the \$1 trillion target, reinforcing the need for sustained, high-quality growth.

The data reinforce that Nigeria is at an inflection point, but not yet at an industrial take-off stage. While macroeconomic conditions have improved, structural constraints within the industrial base remain significant.

Growth is recovering, but not at a transformative pace. The 4.07% GDP growth rate signals momentum, yet remains insufficient for achieving a \$1 trillion economy within the current timeframe.

Manufacturing remains the weak link, continuing to underperform due to persistent constraints in productivity, infrastructure, and investment. Industrial activity is stabilising rather than accelerating, pointing to early recovery rather than sustained expansion.

A key structural gap persists between production and exports. Although the economy is largely non-oil in GDP terms, export earnings remain oil-dominated, highlighting the urgency of building competitive non-oil export sectors.

While non-oil exports are rising, their scale remains limited. The record US\$6.1 billion reflects progress, but falls short of Nigeria's trade potential.

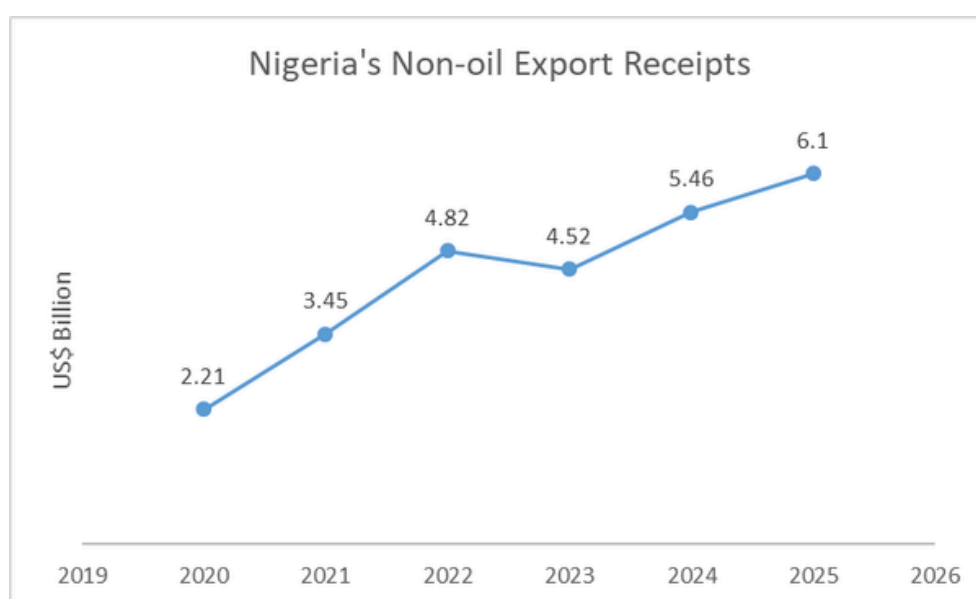
Ultimately, the scale challenge remains significant. With GDP at approximately US\$243.7 billion, reaching \$1 trillion will require sustained, productivity-driven growth anchored on investment, macroeconomic stability, and structural transformation.

Implications for Trade and Non-Oil Exports

The strongest economic case for the new industrial policy lies in trade transformation. Nigeria has long produced value but captured too little of it. A policy that successfully links industrialisation to export strategy can improve the composition—not just the volume—of trade. That means less reliance on unprocessed commodity exports, lower import intensity in domestic production, and stronger regional competitiveness under AfCFTA.

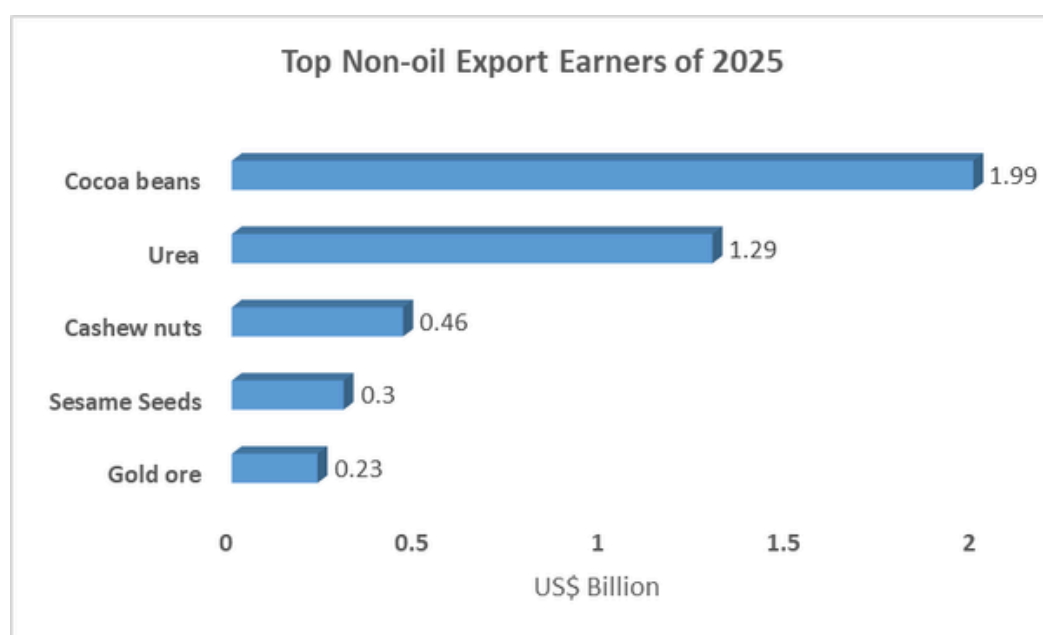
The non-oil export data point in the same direction. NEPC reports that non-oil export receipts reached a record US\$6.1 billion in 2025, up from US\$5.46 billion in 2024, while first-half 2025 exports rose 19.6% year-on-year to US\$3.225 billion. The composition remains concentrated, but it also reveals where industrial upgrading can begin: cocoa and derivatives, urea, cashew, sesame, metals, and adjacent agro-processing and light manufacturing value chains.

Figure 3:



Source: National Bureau of Statistics, Nigerian Export Promotion Council (NEPC)

Figure 4:



Source: National Bureau of Statistics, Nigerian Export Promotion Council (NEPC)

The Trade Implications are Fourfold

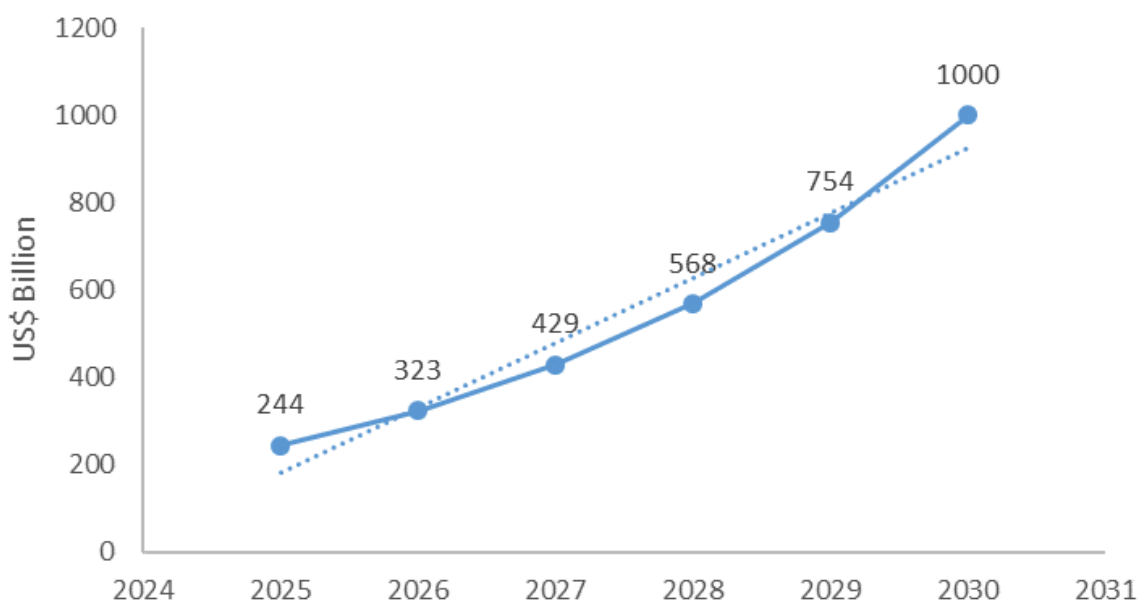
First, industrial policy can enhance export resilience by diversifying the range of products and firms generating foreign exchange. Second, it can deepen domestic value addition, shifting the focus from gross export volumes to the quality and composition of exports. Third, it can strengthen Nigeria's regional competitiveness, enabling firms to more effectively leverage opportunities under the AfCFTA. Fourth, it can ease pressure on the naira by broadening the base of foreign exchange earnings, reducing reliance on oil receipts.

Implications for the \$1 Trillion Economy Ambition

The federal government has repeatedly linked current reforms and the medium-term development plan to a \$1 trillion economy target by 2030. Industrial policy matters because no country reaches that scale sustainably on consumption, imports, and raw commodity exports alone. The route runs through productivity, investment, export sophistication, and technology adoption.

Using the rebased Q1 2025 GDP level of about US\$243.7 billion as a rough anchor, reaching US\$1 trillion by 2030 implies multiplying dollar GDP by just over four times in five years. That translates to an illustrative compound annual expansion of roughly 32.6% in nominal US-dollar terms. This is far above current real growth rates, which means the target requires not only faster real output growth, but also macro stability, lower inflation, stronger investment, and exchange-rate credibility.

Figure 5: Estimated Nominal growth path to \$1 trillion by 2030.



Source: BACITI team computation

In this context, **the industrial policy should be understood as a foundational instrument rather than a standalone solution.** It has the potential to increase the share of output generated by tradable, productivity-enhancing sectors, thereby strengthening the structure of the economy. However, its effectiveness will depend on complementary reforms. Without reliable power supply, efficient logistics, trade facilitation, access to long-term finance, and credible, investment-friendly regulation, Nigeria risks achieving incremental growth without meaningful structural transformation.

Key Risks to Watch

Despite the promise of the Nigeria Industrial Policy, several structural risks could constrain its effectiveness if not proactively addressed:

- **Execution risk:** Nigeria has historically produced well-articulated policies, but outcomes have often been undermined by weak implementation discipline, coordination gaps, and policy discontinuity.
- **High power and logistics costs:** Industrial firms continue to face elevated electricity, transport, and port-related costs, which erode competitiveness and limit scale.
- **Finance mismatch:** Manufacturing requires long-term capital, yet prevailing financing conditions remain costly, short-tenored, and risk-averse, constraining industrial investment.
- **Import dependence in production:** Many domestic firms rely heavily on imported machinery, intermediate inputs, and packaging materials, exposing production to exchange rate volatility and supply chain disruptions.
- **Weak standards and quality infrastructure:** Gaps in standards enforcement, quality assurance, and certification systems contribute to export rejections, informal production, and the proliferation of substandard goods, undermining market access.

Policy Recommendations for Effective Industrial Transformation

- **Adopt a cluster-based implementation model:** Industrial policy is more effective when infrastructure, energy, logistics, finance, and standards are coordinated within priority corridors and sector-specific clusters, enabling scale and efficiency.
- **Tie incentives to performance:** Fiscal and regulatory incentives must be tied to verifiable outcomes, including export growth, local content development, job creation, technology transfer, and compliance, rather than upfront investment commitments. Public support should reward performance, not promises.
- **Develop an export-industrial performance dashboard:** Establish a system for the regular and transparent tracking of key indicators, including factory output, job creation, export volumes, local value addition, and turnaround times, to strengthen accountability, inter-agency coordination, and timely policy adjustment.
- **Leverage AfCFTA strategically:** Support should be concentrated in sectors with demonstrated regional demand and competitive advantage, avoiding fragmentation of resources across too many industries.
- **Expand access to long-term industrial finance:** Industrial expansion requires long-term capital aligned with the investment cycles of manufacturing and processing activities. Dedicated financing windows, credit guarantees, and blended finance mechanisms are essential to de-risk private investment and crowd in capital for machinery acquisition, processing capacity, storage infrastructure, and certification systems. Without access to affordable and appropriately structured finance, firms are constrained to short-term, high-cost borrowing, which limits scale, delays investment, and undermines industrial competitiveness.
- **Reduce trade costs at the border:** Efficient trade facilitation, through the National Single Window, port reforms, and risk-based customs processes, is essential to improve competitiveness and support export growth.
- **Strengthen standards and quality infrastructure:** Investments in testing laboratories, certification systems, packaging, and traceability are vital to reduce export rejections and enable scale in non-oil exports.

Conclusion

Nigeria's new industrial policy is a welcome shift toward production-centred economic strategy. Its conceptual direction is sound: value addition, domestic capability, coordinated implementation, and export orientation. The data also suggest that the country now has a better macro platform from which to attempt industrial upgrading than it did a year earlier. Yet the central question is not whether the policy is desirable; it is whether we can execute with speed, discipline, and measurable accountability. Industrialisation is no longer a sectoral aspiration. It is the bridge between growth that looks better on paper and growth that creates tradable value, quality jobs, and durable foreign exchange. If implemented credibly, the policy can strengthen non-oil exports, deepen Nigeria's competitiveness in African markets, and move the economy closer to the scale required for long-term transformation. If implemented weakly, it will join the long archive of well-written intentions.

Data Sources include:

National Bureau of Statistics (NBS)

National Export Promotion Council (NEPC)

Nigeria Federal Ministry of Industry, Trade and Investment

TradingEconomics.com

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