

Nigeria's tariff shake-up targets production boost and consumer relief



Financial Market Dealers Association (FMDA)

Summary

The recent shake-up in Nigeria's trade policy reflects a deliberate effort to strengthen domestic production, ease consumer pressures, and discourage the importation of finished goods. Industrial, food, and transport sectors recorded the largest tariff reductions, with the industrial sector alone posting a net cut of 569 percent. In contrast, manufactured goods saw a 30 percent tariff increase. Given that industrial imports account for nearly half of FX demand, the policy is likely to reshape the composition of imports and sustain FX utilisation rather than significantly reduce overall demand.

Introduction

A consolidated assessment of Nigeria's revised ECOWAS Common External Tariff (CET) framework reveals a deliberate restructuring of trade incentives aimed at stimulating domestic production, easing consumer pressures, and discouraging the importation of finished goods.

Industrial imports recorded the largest cumulative tariff reduction of about 568.75 percentage points, followed by food products and transport-related goods with reductions of 227.5 and 120 percentage points respectively. In contrast, manufactured goods posted a net tariff increase of 30 percentage points, making them the only sector to experience tightening.

The scale and direction of these adjustments point to a coordinated policy design, lowering the cost of production inputs while maintaining protection against finished imports.

Implications for FX demand

Understanding the implications for foreign exchange (FX) demand requires examining how Nigeria allocates FX across import categories. According to the Central Bank of Nigeria (CBN), import-related FX demand is broadly classified into seven sectors: industrial, food products, manufactured goods, transport, agriculture, minerals, and oil.

Between 2023 and 2025 (9M), Nigeria spent a cumulative \$44.42 billion on imports across these sectors. The industrial sector alone accounted for approximately 49 percent of total import spending, with average annual imports of about \$7 billion, far exceeding other categories such as food products, which accounted for about 14 percent.

This distribution is critical. The sector receiving the most -

significant tariff reduction is also the largest driver of FX demand.

Industrial sector: Lower costs, sustained FX pressure

The 568.75 percentage point reduction in tariffs on industrial goods is expected to lower the cost of imported inputs across manufacturing, construction, and infrastructure-related activities. In theory, this could stimulate production and improve supply-side capacity.

However, empirical evidence suggests that the FX impact may be more nuanced. A study by Uchekwue Nwogwugwu and Anne Maduka finds that Nigeria's import demand is largely price-inelastic, with estimated price elasticity as low as 0.03. This implies that even significant changes in import prices may not materially reduce or increase import volumes.

As a result, while tariff reductions may not trigger a sharp surge in import volumes, they are likely to sustain or gradually increase FX utilisation, particularly in a sector that already dominates import demand.

Food and manufactured goods: Inflation relief vs protection

Beyond industrial inputs, tariff adjustments also extend to consumption-sensitive sectors. Food imports, which account for about 14 percent of

total import spending, recorded cumulative tariff reductions of 227.5 percentage points. This suggests a parallel policy objective of easing food prices, especially in light of recent supply constraints and inflationary pressures.

Category	Net Tariff Change (%)	Average FX Demand (2023–2025, \$)*
Industrial Sector	-569%	7.29 bn
Food Products	-228%	2.13 bn
Transport Sector	-120%	461.72 m
Minerals	-59%	438.31 m
Agricultural Sector	-46%	216.21 m
Oil Sector	-15%	2.38 bn
Manufactured Products	30%	1.90 bn

Source: FGN 2026 tariff policy doc, CBN, FMDA

In contrast, manufactured goods recorded a net tariff increase of 30 percentage points, reinforcing a protectionist stance aimed at discouraging the importation of finished goods and promoting domestic production.

However, the effectiveness of this approach may be limited. Weak substitution between imported and locally produced goods, also highlighted in the same study, suggests that higher tariffs on finished products may not necessarily translate into increased domestic consumption.

Offsetting factors: Oil exports and FX stability

While tariff adjustments could sustain FX demand, developments in Nigeria’s oil sector may provide some offset. The expansion of the Dangote Refinery, with capacity expected to rise from 650,000 to 1.4 million barrels per day, alongside increased crude oil production, is likely to boost refined petroleum exports.

According to CBN balance of payments data, Nigeria recorded approximately \$6.13 billion in refined petroleum export earnings in 2025. This could help cushion FX pressures arising from increased import demand.

Outlook

Taken together, the tariff framework reflects a dual strategy, reducing the cost of production inputs and easing consumer pressures, while maintaining protective barriers against -

finished imports.

With a more stable, market-driven exchange rate environment, alongside complementary policies such as the Economic Development Incentives (EDI) under the new tax framework, the tariff adjustments promises to support production over the long term.

However, because Nigeria relies heavily on imports due to weak domestic production, changes in tariffs are more likely to alter the type of goods imported rather than significantly reduce total import

