

---

## THE IMPACT OF THE MIDDLE EAST CRISIS (IRAN) ON THE NIGERIAN ECONOMY

By

**Dr. Ijeoma Blessing Unachukwu**

Department of Economics Education

Federal College of Education (Technical), Umunze Anambra state.

[Ijeoma.unachukwu@fcetumunze.edu.ng](mailto:Ijeoma.unachukwu@fcetumunze.edu.ng)

**Anukam chidozirim Stephen**

Department of Cooperative and Rural development,

University of Agriculture and environmental sciences, umuagwo.

[chidozirim.anukam@uaes.edu.ng](mailto:chidozirim.anukam@uaes.edu.ng)

### Abstract

The ongoing Middle East crisis, with a specific focus on Iran, has had significant repercussions on global and regional economies, including Nigeria. This paper examines how the crisis affects the Nigerian economy through rising fuel prices, inflationary pressures, increased production costs, exchange rate volatility, and overall economic vulnerability. Using verified media reports and economic analyses, the study highlights both the short-term gains from rising crude oil prices and the long-term adverse effects on households, businesses, and macroeconomic stability. The findings indicate that while Nigeria may benefit from increased oil revenue, the overall impact is predominantly negative, emphasizing the nation's economic dependence on oil and imported petroleum products. The paper concludes by recommending economic diversification, stabilization policies, and proactive measures to cushion Nigeria's economy from future external shocks.

---

**Keywords: Economic Development, Middle East Crisis**

---

### 1.0 Introduction

The Middle East has historically been a center of geopolitical tension, with Iran playing a central role due to its strategic location, nuclear ambitions, and influence in regional conflicts. Recent escalations in Iran's relations with the United States and other global powers have heightened global oil market instability, disrupted supply chains, and caused surges in energy prices. Given

Nigeria's dependence on oil exports and imported refined petroleum products, the country is highly sensitive to changes in global energy markets triggered by such geopolitical crises.

The Nigerian economy is particularly vulnerable because oil accounts for a significant portion of government revenue and foreign exchange earnings. Consequently, disruptions in global oil supply or fluctuations in crude prices directly influence national income, fiscal policies, and public expenditure. At the same time, rising domestic fuel prices exacerbate inflation, increase production costs, and strain household budgets. This dual impact of global crises underscores the fragility of Nigeria's oil-dependent economy and the need for structural reforms. This paper explores the specific impacts of the Iran-related Middle East crisis on the Nigerian economy. It discusses rising fuel prices and inflation, benefits and limitations of higher oil revenue, increased business costs, exchange rate and external sector pressures, and overall economic vulnerability, drawing from verified media sources and economic analyses. The study aims to provide policymakers with evidence-based insights into mitigating the adverse effects of external shocks on Nigeria's economy.

## 2.0 Literature Review

### 2.1 Nigerian Economy and Middle East Economic

#### Nigerian Economy

Nigeria is one of Africa's largest economies with a mixed economic structure involving state and private sectors, abundant natural resources, and a growing population. The economy has historically depended on oil and gas exports, but there are ongoing efforts to diversify into agriculture, services, and digital sectors. Nigeria has faced challenges like inflation, currency volatility, and reliance on crude oil revenues, yet recent reforms aimed at fiscal stability and non-oil growth have produced modest GDP growth. Nigeria experienced continued economic expansion driven by services and agriculture, even as oil remains a critical export. (Nigeriahc.org.uk. n.d.)

- 1) Nigeria is a significant crude oil and natural gas producer. (Lloyds Bank Trade)
- 2) Economic growth is modest but positive, with non-oil sectors gaining importance. ([Lloyds Bank Trade (Lloyd's Bank Trade, 2026)
- 3) Structural reforms (currency flexibility, subsidy removal) aim to boost resilience. (Trade.gov)

#### Middle East Economies

The Middle East region includes diverse economies, from wealthy oil exporters like Saudi Arabia, Qatar, and the UAE to economies with lower GDP per capita such as Yemen. Many Middle Eastern states have strong oil and gas sectors that have historically driven high export revenues and

government income. These economies are also implementing reforms to attract foreign investment, diversify beyond hydrocarbons, and grow sectors like services, tourism, and technology. (Wikipedia)

!) Major economies include Saudi Arabia, Turkey, the UAE, and Israel by GDP (Wikipedia. n.d.).

2) Oil and hydrocarbon exports remain central, but diversification is a priority (Wikipedia n.d)

### **Economic Linkages Between Nigeria and the Middle East**

Nigeria's economic connections with the Middle East are emerging and multifaceted, involving trade agreements, investment partnerships, diaspora remittances, trade chambers, and energy market linkages.

#### **Main points of relationship:**

##### **1. Bilateral Trade and Partnership Agreements**

a) Nigeria and the UAE signed a Comprehensive Economic Partnership Agreement (CEPA) to boost trade, investment access, and logistics cooperation (Turn1search8, 2026)

b) Nigeria is recognized as a key trading partner for the Gulf Cooperation Council (GCC), reflecting growing interregional trade. (Businessday NG)

##### **2. Central Bank Initiatives and Financial Cooperation**

The Central Bank of Nigeria (CBN) has actively called for stronger economic ties with Middle Eastern economies, focusing on infrastructure, tourism, banking reforms, remittances, and financial market integration. (Daily Post Nigeria. (2025)

##### **3. Chambers and Business Networks**

The Nigerian-Arabian Gulf Chamber of Commerce exists to promote trade and investment between Nigerian and Arab Gulf businesses. ([nigeriaarabgulf.com][9])

##### **4. Energy and Global Market Effects**

Nigeria's energy exports, especially liquefied natural gas (LNG), are gaining international interest, partly due to disruptions in Middle Eastern energy supplies (Reuters. (2026,)

Nigerian policymakers view the nation as a potential complementary energy partner to Gulf producers. (Investors King 2025).

### 3.0 Methodology

This study adopted a systematic review approach to examine the impact of the Middle East crisis, with a focus on Iran, on the Nigerian economy. A structured search of verified newspapers, online media, and scholarly articles published between 2020 and 2026 was conducted. Key search terms included: *“Iran crisis Nigeria economy”*, *“Middle East conflict oil prices Nigeria”*, *“fuel price inflation Nigeria”*, and *“economic impact of Iran war”*.

**Inclusion criteria** were:

- 1) Sources reporting on economic indicators in Nigeria linked to the Middle East crisis.
- 2) Verified and reputable outlets (e.g., Punch, Reuters, The Guardian, Business Insider Africa).
- 3) Focus on aspects such as fuel prices, inflation, production costs, exchange rates, and economic growth.

**Exclusion criteria** were:

- 1) Opinion articles without empirical or data-supported content.
- 2) Sources lacking verifiable publication details.

Data extracted from the selected sources were synthesized thematically, focusing on five major economic impacts: fuel prices and inflation, government revenue, production costs, exchange rate volatility, and overall economic vulnerability. The synthesis followed a narrative framework to integrate findings across sources and highlight patterns, trends, and policy implications.

## 4.0 Result and Discussion on impact of Middle East Crisis (Iran) on the Nigerian Economy

### Surge in Fuel Prices and Domestic Inflation

One of the most immediate impacts of the Iran-related Middle East crisis on Nigeria is the sharp rise in fuel prices, which directly fuels inflation (Ogunode, 2026). Disruptions in global oil supply especially around the Strait of Hormuz have pushed crude oil prices upward, increasing the cost of refined petroleum products imported into Nigeria. Reports indicate that petrol prices in Nigeria have surged significantly, with some locations recording prices above ₦1,200 per litre, and projections suggesting further increases if the crisis persists. Similarly, Business Insider Africa reports that fuel prices have risen by nearly 40% since the outbreak of the Iran conflict. This increase has cascading effects across the economy: transportation costs rise, food prices increase, and overall inflation worsens. As noted in recent reporting, higher fuel prices are already driving up the cost of living and deepening economic hardship for households.

### **Increased Government Revenue from Higher Oil Prices (Mixed Blessing)**

Nigeria, as an oil-exporting country, benefits from higher global oil prices triggered by the Iran crisis. Rising crude prices above budget benchmarks increase government revenue and foreign exchange inflows (Ogunode, Ayoko, Ukozor, & Devi, 2026). According to *The Punch*, analysts note that oil prices rising to \$95–\$105 per barrel translate into stronger earnings for Nigeria's government. *The Guardian Nigeria* reports that Nigeria could earn an extra \$1.3 billion from crude sales due to supply disruptions linked to Middle East tensions. This benefit is paradoxical. While government revenue increases, domestic fuel prices also rise because Nigeria still depends on imported refined products. Thus, the economic gains at the macro level do not necessarily translate into improved welfare for citizens, creating what analysts describe as a “double-edged effect” on the economy.

### **Rising Cost of Production and Business Operations**

The Iran crisis has significantly increased the cost of doing business in Nigeria. Higher energy prices particularly petrol and diesel raise production and logistics costs for firms. According to *The Punch*, diesel prices have risen sharply, increasing operational expenses for businesses that rely heavily on generators due to unreliable electricity supply. Economic analysts warn that escalating energy costs are squeezing business margins and threatening enterprise sustainability. This is especially critical in Nigeria, where many firms depend on self-generated power. As energy costs rise, companies may reduce production, increase prices, or shut down operations, thereby slowing economic growth and increasing unemployment.

### **Pressure on Exchange Rate and External Sector Stability**

The Middle East crisis also affects Nigeria's external sector through exchange rate volatility and capital flow pressures (Ogunode, Ukozor, Ayoko, & Devi, 2026). The Nigerian government has acknowledged that global energy market instability driven by tensions involving Iran can affect exchange rates, foreign reserves, and investor confidence. Although higher oil prices may increase foreign exchange earnings, the overall uncertainty in global markets can lead to capital flight and reduced foreign investment. Additionally, increased import costs for fuel and other goods exert pressure on the naira, contributing to currency depreciation. This weakens purchasing power and increases the cost of imported goods, further worsening inflation.

### **Slower Economic Growth and Increased Vulnerability to Global Shocks**

The broader macroeconomic effect of the Iran crisis is the risk of slower economic growth and increased vulnerability to global shocks. The International Monetary Fund (IMF) has warned that the conflict is disrupting global economic recovery, increasing inflation, and slowing growth across many countries. For developing economies like Nigeria, these global shocks are transmitted

through trade, energy prices, and financial markets. Rising global oil and gas prices, combined with supply chain disruptions, contribute to a stagflationary environment characterized by high inflation and low growth. For Nigeria, this means reduced real income, declining consumer demand, and weakened economic performance. The economy becomes more fragile, especially given its dependence on oil and exposure to external shocks.

#### 4.1 Conclusion and Recommendations

The Middle East crisis, with Iran at its center, has profound implications for the Nigerian economy. Rising global oil prices resulting from supply disruptions have paradoxically increased government revenue while simultaneously driving domestic inflation and increasing the cost of living. The crisis has heightened production and operational costs for businesses, disrupted exchange rate stability, and exposed Nigeria's vulnerability to external economic shocks. While higher oil prices present short-term fiscal gains, these are overshadowed by inflationary pressures, currency depreciation, and overall economic fragility. Based on the findings, the study recommend the following:

- 1) Nigeria should reduce its dependence on crude oil by developing alternative sectors such as agriculture, manufacturing, technology, and renewable energy to stabilize government revenue and employment.
- 2) The government should implement measures to cushion households from sharp fuel price increases, including targeted subsidies, strategic reserves, and local refining capacity development.
- 3) Policies aimed at controlling inflation, stabilizing the exchange rate, and ensuring adequate foreign exchange supply are essential to mitigate the economic impact of global crises.
- 4) Incentives such as tax breaks, low-interest loans, and energy efficiency programs should be provided to reduce the burden of rising production and operational costs.
- 5) Expanding domestic refining capacity and modernizing energy infrastructure will reduce Nigeria's dependence on imported petroleum products, limiting vulnerability to global oil shocks.
- 6) Establish systems to monitor geopolitical developments in the Middle East and other critical global regions to provide timely responses and policy adjustments.

#### References

Business Insider Africa. (2026). *Nigeria records one of highest global fuel price increases as Iran conflict disrupts oil markets.* Retrieved

from [https://africa.businessinsider.com/local/markets/nigeria-records-one-of-highest-global-fuel-price-increases-as-iran-conflict-disrupts/v18j6ll?utm\\_source=chatgpt.com](https://africa.businessinsider.com/local/markets/nigeria-records-one-of-highest-global-fuel-price-increases-as-iran-conflict-disrupts/v18j6ll?utm_source=chatgpt.com)

BusinessDay NG. (2025, July 11). \*Nigerian economy resilient amid global trade tensions, Middle East war – Report\*. [<https://businessday.ng/news/article/nigerian-economy-resilient-amid-global-trade-tensions-middle-east-war-report/>](<https://businessday.ng/news/article/nigerian-economy-resilient-amid-global-trade-tensions-middle-east-war-report/>) ([Businessday NG][12])

Business Insider Africa. (2026). *Nigeria records one of highest global fuel price increases as Iran conflict disrupts oil markets.*

Daily Post Nigeria. (2025, February 17). \*CBN seeks robust economic ties with Middle East\*. [<https://dailypost.ng/2025/02/17/cbn-seeks-robust-economic-ties-with-middle-east/>](<https://dailypost.ng/2025/02/17/cbn-seeks-robust-economic-ties-with-middle-east/>) ([Daily Post][8])

Investors King. (2025, February 18). \*Cardoso pushes for Nigeria-Middle East collaboration on tourism, remittances, and economic growth\*. [<https://investorsking.com/2025/02/18/cardoso-pushes-for-nigeria-middle-east-collaboration-on-tourism-remittances-and-economic-growth/>](<https://investorsking.com/2025/02/18/cardoso-pushes-for-nigeria-middle-east-collaboration-on-tourism-remittances-and-economic-growth/>) ([Investors King][13])

Lloyd's Bank Trade. (2026). \*The economic context of Nigeria\*. [<https://www.lloydsbanktrade.com/en/market-potential/nigeria/economical-context/>](<https://www.lloydsbanktrade.com/en/market-potential/nigeria/economical-context/>)

Nigeriahc.org.uk. (n.d.). \*About Economy\*. [<https://www.nigeriahc.org.uk/economy/>](<https://www.nigeriahc.org.uk/economy/>)

Ogunode, N., J (2026) Geopolitical Conflict and Educational Development: The Impact of the Iran-Centred Middle East Crisis on Tertiary Education in Nigeria

Ogunode, N, J, Ukozor, C, U, Ayoko, V., O & Devi, S. (2026). The Impact of the Middle East Crisis on Global Tertiary Education. *Int'l Research Journal of Transdisciplinary Perspectives (IRJTP)*, 1(1),72-79

Ogunode, N, J, Ayoko, V., O, Ukozor, C, U, & Devi, S. (2026). Implications of the Middle East Crisis on tertiary education development In Nigeria. *Int'l Journal Of Education Management And Global Development*, 2(1), 225-232

- Punch Newspapers. (2026, March 16). *US-Iran war: Petrol price surge sparks relief calls*. Retrieved from [https://punchng.com/us-iran-war-petrol-price-surge-sparks-relief-calls/?utm\\_source=chatgpt.com](https://punchng.com/us-iran-war-petrol-price-surge-sparks-relief-calls/?utm_source=chatgpt.com)
- Punch Newspapers. (2026, March 16). *US-Iran war: Petrol price surge sparks relief calls*. Retrieved from <https://punchng.com>
- Reuters. (2026, March 30). *Nigeria's giant oil refinery fails to prevent record gasoline prices*. Retrieved from [https://www.reuters.com/sustainability/boards-policy-regulation/nigerias-giant-oil-refinery-fails-prevent-record-gasoline-prices-2026-03-30/?utm\\_source=chatgpt.com](https://www.reuters.com/sustainability/boards-policy-regulation/nigerias-giant-oil-refinery-fails-prevent-record-gasoline-prices-2026-03-30/?utm_source=chatgpt.com)
- Reuters. (2026, March 30). *Iran war "shock" is dimming outlook for many economies, IMF says*. Retrieved from [https://www.reuters.com/world/middle-east/iran-war-is-dimming-outlook-many-economies-imf-says-2026-03-30/?utm\\_source=chatgpt.com](https://www.reuters.com/world/middle-east/iran-war-is-dimming-outlook-many-economies-imf-says-2026-03-30/?utm_source=chatgpt.com)
- Reuters. (2026, March 30). *Nigeria's giant oil refinery fails to prevent record gasoline prices*.
- Reuters. (2026, March 30). *Iran war "shock" is dimming outlook for many economies, IMF says*.
- Reuters. (2026, March 30). *Global bond prices fall as Iran war fuels inflation fears*.
- Reuters. (2026, March 11). *Nigeria reviews oil market exposure amid rising Middle East tension*.
- The Guardian Nigeria. (2026, March 2). *Markets jittery as Iran conflict fuels supply chain crisis*.
- Reuters. (2026, March 25). *Nigeria sees more interest from LNG buyers for cargoes, NNPC says\**. [<https://www.reuters.com/business/energy/ceraweek-nigeria-has-seen-spike-interest-buyers-its-lng-cargoes-nnpc-says-2026-03-25/>](<https://www.reuters.com/business/energy/ceraweek-nigeria-has-seen-spike-interest-buyers-its-lng-cargoes-nnpc-says-2026-03-25/>) ([Reuters][10])
- The Guardian Nigeria. (2026, March 2). *Markets jittery as Iran conflict fuels supply chain crisis*. Retrieved from [https://guardian.ng/news/markets-jittery-as-iran-conflict-fuels-supply-chain-crisis-100-barrel-oil-rally/?utm\\_source=chatgpt.com](https://guardian.ng/news/markets-jittery-as-iran-conflict-fuels-supply-chain-crisis-100-barrel-oil-rally/?utm_source=chatgpt.com)
- Turn1search8. (2026, January 20). *\*Nigeria-UAE: A Strategic Agreement to Strengthen African Trade, Logistics, and Investment\**. [<https://logistafrica.com/en/highlights/nigeria-uae-a-strategic-agreement-to-strengthen-african-trade-logistics-and-investment/>](<https://logistafrica.com/en/highlights/nigeria-uae-a-strategic-agreement-to-strengthen-african-trade-logistics-and-investment/>) ([logistafrica.com][6])

Wikipedia. (n.d.). Economy of the Middle East.  
[[https://en.wikipedia.org/wiki/Economy\\_of\\_the\\_Middle\\_East](https://en.wikipedia.org/wiki/Economy_of_the_Middle_East)]([https://en.wikipedia.org/wiki/Economy\\_of\\_the\\_Middle\\_East](https://en.wikipedia.org/wiki/Economy_of_the_Middle_East))

Wikipedia. (n.d.). \*Middle East.  
[[https://en.wikipedia.org/wiki/Middle\\_East](https://en.wikipedia.org/wiki/Middle_East)]([https://en.wikipedia.org/wiki/Middle\\_East](https://en.wikipedia.org/wiki/Middle_East))