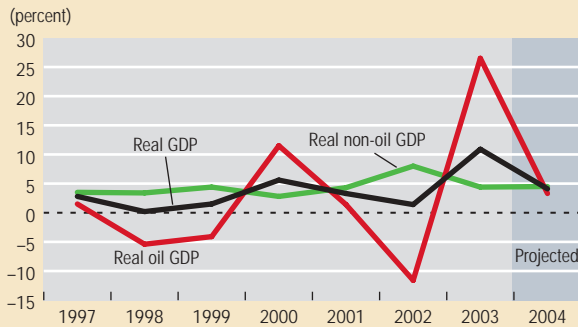


Nigeria

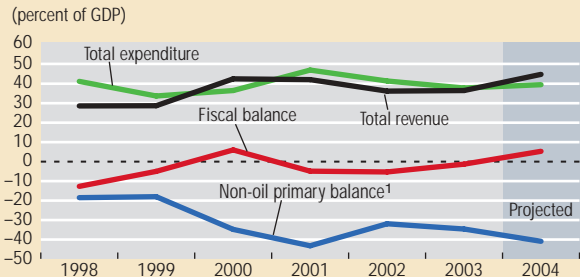


A turnaround in federal fiscal policy and higher oil revenues are projected to produce a fiscal surplus in 2004, although state and local government spending continue to grow strongly.

In 2003, the economy grew at its fastest rate in many years, thanks to sharply higher oil production. Growth in the non-oil economy slowed . . .

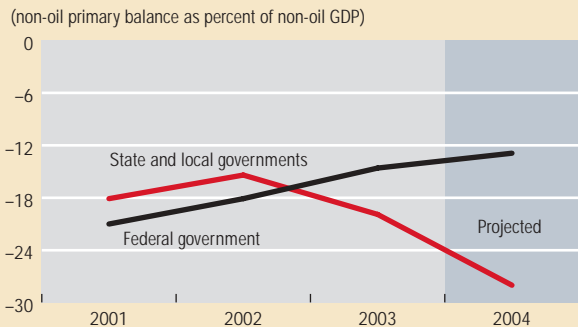


. . . in spite of an expansionary fiscal stance, indicated by the widening of the non-oil primary deficit. The overall fiscal balance improved, reflecting higher oil revenues. These trends are continuing this year, with the overall balance moving into surplus.

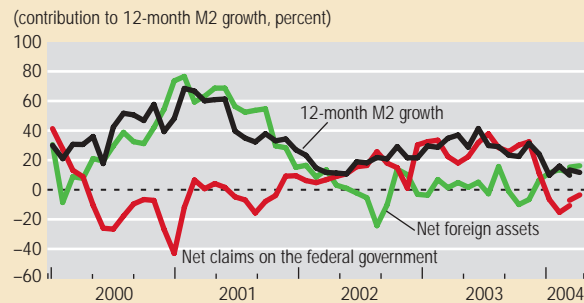


¹Non-oil primary balance as percent of non-oil GDP.

Improved fiscal discipline at the federal level contrasts with a deteriorating fiscal stance at the state and local government levels.

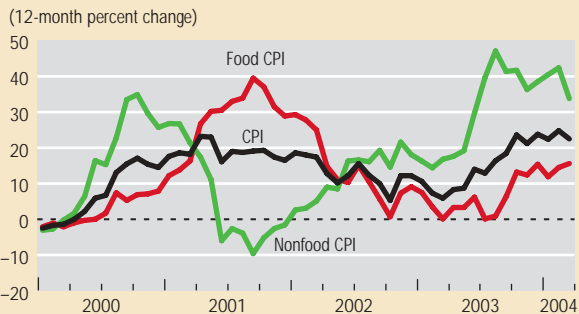


Monetary expansion peaked in mid-2003, reflecting heavy government borrowing from the banking system. It has subsequently waned, as federal government borrowing has slowed and declined, helping to generate an upturn in net foreign assets.

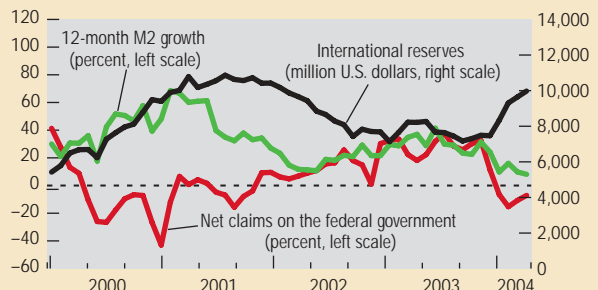


Note: M2 = broad money.

Partly associated with this rise and fall of monetary growth, inflation rose in 2003, but has recently stabilized. Fuel price liberalization boosted inflation temporarily last year.



Associated with the recent upturn in net foreign assets of the banking system, there has been a sharp increase in international reserves since late 2003.



Sources: Nigerian authorities; and IMF staff estimates and projections.