ANOTHER SHOCK AND LITTLE ROOM TO MANEUVER

ARI AISEN
IMF RESIDENT REPRESENTATIVE FOR NIGERIA

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Another Shock: Three spillover channels

Energy prices

Food prices

Financial conditions
Soaring Energy Prices and Terms-of-Trade Swings

- A sharp spike in oil prices; some pullback, but remain high
- Windfall gain for oil exporters, but sizable terms-of-trade shock for most of the region

Impact of Ukraine Conflict on Commodity Price Outlook

Food Prices
(Index, 2016=100)

Oil Prices
(USD, APSP)

Sub-Saharan Africa: Terms of Trade, Jan. GAS vs. Mar. GAS
(Percent change, 2022)

Other resource-intensive
Oil exporters
Non-resource-intensive

Sources: IMF, Primary Commodity Price System and IMF staff calculations.
Higher Fuel and Food Prices

Commodity Prices, 2005 - 2022

Global Food Prices, 2021 - 2022
(Index, February 22, 2022, = 100)

Sources: IMF, Primary Commodity Price System and IMF staff calculations.

Spillover Channels
Rising Food Prices Hurt the Vulnerable Most

**Top 10 Sources of Wheat Imports to Sub-Saharan Africa**

- Latvia
- Lithuania
- Germany
- Canada
- USA
- Ukraine
- France
- Poland
- Argentina
- Russia

Sources: UNCTAD and IMF staff calculations.

**Prevalence of Moderate or Severe Food Insecurity, 2019**

<table>
<thead>
<tr>
<th>Region</th>
<th>AE</th>
<th>EMDE</th>
<th>SSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prevalence (Percent of population, median)</td>
<td>5.8</td>
<td>23.6</td>
<td>57.7</td>
</tr>
</tbody>
</table>

Sources: United Nations, Food and Agriculture Organization and IMF staff calculations.
Notes: AE = Advanced Economies, EMDE = Emerging Market and Developing Economies, SSA = Sub-Saharan Africa.
Highly Volatile Global Financial Conditions

- **Flight to safety;** significant market volatility
- **Uncertain outlook;** commodity price shock has complicated monetary policy normalization
- Regional spreads broadly in line with global trends
- **Differentiation** between commodity importers and exporters

**Sub-Saharan Africa: Sovereign Spreads during the War in Ukraine**

(Bps)

Sources: Bloomberg, L.P. and IMF staff calculations.

Spillover Channels
A more complicated *regional outlook*

- Different commodity exposures
- Social tensions and political instability
- An ongoing pandemic
Different Commodity Exposures

Sub-Saharan Africa: 2022 Real GDP Growth
Revisions since October 2021
(Percent)

- The recovery has been held back, softening 2022 growth to 3.8 percent.
- Strong heterogeneity across the region.

Sources: IMF, World Economic Outlook Database and IMF staff calculations.
...and income regional disparities increased

Selected Regions: Real GDP Per Capita, 2019–26
(2019 = 100, dashed lines indicate pre-pandemic projections)

Sources: IMF, World Economic Outlook Database and IMF staff calculations.
• With growing food insecurity, this shock is hitting the region’s most vulnerable
• Coincides with elevated political discontent and security challenges
An Ongoing Pandemic: Growth Headwinds

**Vaccination Rates, 2021–2022**
(Percent of population, as of Apr. 30, 2021)

- The region remains exposed to new COVID-19 waves
- The pandemic harmed much-needed human capital
- Scarring may be compounded by the war in Ukraine

**Complicated Outlook**

Sources: Our World in Data; and IMF staff calculations.

Notes: AEs = Advanced Economies; EMDEs = Emerging Market and Developing Economies; SSA = Sub-Saharan Africa. Non-SSA EMDEs exclude China.
Three key priorities: **short term**

1. **Reduce Debt Vulnerabilities**
2. **Balance Inflation and Growth**
3. **Manage Exchange Rate Pressures**
Reducing Debt Vulnerabilities

Sub-Saharan Africa: Tax Revenue, 2018–25
(Percent of GDP)

Sources: World Economic Outlook database and IMF staff calculations. Note: Dotted-lines represent pre-COVID-19 projections.

Sub-Saharan Africa: Composition of Public Debt, 2000–20
(Percent of GDP)

Sources: World Bank, International Debt Statistics; and IMF, World Economic Outlook database. Note: Excludes Equatorial Guinea, Namibia, Seychelles, and South Sudan due to data availability in the World Bank debt database.

Key Priorities
Reducing Debt Vulnerabilities

Sub-Saharan Africa: Debt Risk Status for PRGT Eligible Low-Income Developing Countries, 2015 - 2021
(Number of countries)

<table>
<thead>
<tr>
<th>Year</th>
<th>Low</th>
<th>Moderate</th>
<th>High</th>
<th>Distress</th>
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<tbody>
<tr>
<td>2015</td>
<td>6</td>
<td>15</td>
<td>14</td>
<td>1</td>
</tr>
<tr>
<td>2016</td>
<td>6</td>
<td>15</td>
<td>14</td>
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<td>2017</td>
<td>5</td>
<td>14</td>
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<td>2018</td>
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<td>2019</td>
<td>4</td>
<td>15</td>
<td>16</td>
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<tr>
<td>2020</td>
<td>16</td>
<td>14</td>
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<td>1</td>
</tr>
<tr>
<td>2021</td>
<td>15</td>
<td>14</td>
<td>15</td>
<td>1</td>
</tr>
</tbody>
</table>

Key Priorities
Revenue is limited and fiscal deficits remain large...

Sub-Saharan Africa: Revisions to Fiscal Projections for 2022
(Percent of GDP, difference from October 2021 forecast)

Revenue Excluding Grants
- Other resource-intensive countries
  - Oil exporters
- Non-resource-intensive countries

Overall Balance Excluding Grants
- Other resource-intensive countries
- Oil exporters
- Non-resource-intensive countries

Sources: IMF, World Economic Outlook Database and IMF staff calculations.
...requiring financing when yields are higher and debt service is rising

**Sub-Saharan Africa: Sovereign Yields, 2019 - 2022**

(Percent)

<table>
<thead>
<tr>
<th>Month</th>
<th>SSA Average</th>
<th>EMBIG</th>
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<tbody>
<tr>
<td>Jan-19</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Jul-19</td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>Jan-20</td>
<td></td>
<td>8</td>
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<tr>
<td>Jul-20</td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>Jan-21</td>
<td></td>
<td>12</td>
</tr>
<tr>
<td>Jul-21</td>
<td>340bps</td>
<td>14</td>
</tr>
<tr>
<td>Jan-22</td>
<td></td>
<td>16</td>
</tr>
</tbody>
</table>

**Sub-Saharan Africa: External debt service, 2010 - 21**

(Percent of exports of goods and services)

Source: Bloomberg Finance L.P. and IMF staff calculations

Notes: EMBIG = J.P. Morgan Emerging Market Bond index Global, SSA = sub-Saharan Africa
Balancing Inflation and Growth

Sub-Saharan Africa: Inflation, 2021–22
(Percent, e.o.p., fragile countries in red)

Sub-Saharan Africa: GDP response to U.S. Monetary Tightening
(Average growth response to 25bps U.S. rate increase)

Sources: Haver Analytics and IMF staff estimates.
Note: Dots show PPP GDP-weighted-average estimates; lines denote 95 percent confidence intervals.
Managing Exchange Rate Pressures

Sub-Saharan Africa: Exchange Rates, 2019–22
(vs. US$; Index, end 2019=100)

Sub-Saharan Africa: International Reserves, 2021
(Months of imports)

Key Priorities

Sources: Bloomberg, L.P; IMF, World Economic Outlook Database, and IMF staff calculations

Sources: IMF, World Economic Outlook Database and IMF staff calculations
Three essential reforms: medium term

Enhance resilience and lift medium-term growth

- Energy transition
- Diversification
- Boost private investment
Cleaner, Greener Growth

- Unrivalled potential for renewable energy and an abundance of minerals
- A successful transition offers opportunities for diversification and job creation
- Ensuring the green transition is also a just transition

Vulnerability to Climate Change
(Index, 2019; red = sub-Saharan Africa)

Per capita GDP (USD, PPP)

Sources: Notre Dame Global Adaptation Initiative; IMF, World Economic Outlook Database; and IMF staff calculations.

Essential Reforms
Promoting Diversification

**Export Concentration, 2020**

(Index)

Sources: UNCTAD, UN Comtrade Database, and IMF staff calculations.
Note: AE = Advanced Economies; EMDE = Emerging Market and Developing Economies; LIC = Low Income Countries; SSA = Sub-Saharan Africa

**Selected Regions: Role of Primary Exports**

(Percent, share of exports)

Sources: UNCTAD, UN Comtrade Database, and IMF staff calculations.

**Essential Reforms**
Unleashing the Private Sector

- Strengthening trade integration
- Mobilizing private financing
- Enhancing financial inclusion through digital innovation

Sources: UN Population Division and IMF staff calculations.

Essential Reforms
International Support Remains Crucial

An ongoing emergency

- Fragile and conflict-affected states at risk of falling further behind
- $23 billion SDR allocation
- $100 billion SDR rechanneling
- Swift movement on the Common Framework is essential

Financing needs remain sizable

- $425 billion needed to recover from the pandemic
- $30–50 billion per year for climate adaptation
- For commodity importers, the war in Ukraine will add $6–10 billion to financing needs each year
Nigeria

Recent Developments and Outlook
Led by services, the economy has now fully reversed the COVID-19 output shock...

**GDP Recovery by Sector**
(Percent, Contribution to q-o-q growth rate (SA))

- **Agriculture**
- **Industry**
- **Trade**
- **Transport**
- **ICT**
- **Other Services**
- **GDP**

- Subsequent recovery to date
- COVID-19 GDP shock

**Real GDP growth and contribution (in %)**
Headline inflation is accelerating and high

Favorable oil prices, forex supply and reserves constrained

**External Reserves and Bonny Light price**

- International Reserves (excl. gold, US$ bn)
- Bonny Light price ($/b; rhs)

**Exchange rate turnover and premium**

Sources: CBN, Bloomberg

Sources: Staff Estimates
Fiscal position is yet to benefit from higher oil prices

Federal Government Revenue (in naira trn)

- Oil revenue
- Non-oil revenue

Source: OAGF, Haver Analytics

Implicit Fuel Subsidies (in Naira billion)

- Total subsidy
- PMS subsidy

Source: Staff Estimates
Public debt projected to edge up slightly (as a share of GDP) while interest payments as a share of revenues are large.

**Public debt**

- Source: DMO, IMF Staff Estimates

**Macro-Fiscal Stress Tests**

**Interest Payments**
- Baseline
- Real GDP Growth Shock
- Primary Balance Shock
- Real Exchange Rate Shock
- Real Interest Rate Shock

**Interest Payments**
- Source: IMF Staff Estimates
Successful return to capital markets but higher spreads

2021 and 2022 Eurobond issuances

<table>
<thead>
<tr>
<th>2021 issuance</th>
<th>2022 issuance</th>
</tr>
</thead>
<tbody>
<tr>
<td>B, B, B+</td>
<td>B, B, B+</td>
</tr>
<tr>
<td>B+, BB, BBB+</td>
<td>BB, BBB, BBB+</td>
</tr>
</tbody>
</table>

Nigeria: Weighted Average Spread

![Graph showing Nigeria's weighted average spread compared to Gabon, Angola, and Côte d'Ivoire over time.](image)

1 Weighted Average Spread is the par-value weighted spread across all of a country's bonds with more than one year remaining maturity.
## Nigeria’s Projection, mixed impacts

| Source: IMF Staff projections |

<table>
<thead>
<tr>
<th></th>
<th>January 22 WEO</th>
<th>April 22 WEO</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2022</td>
<td>2023</td>
</tr>
<tr>
<td>Real GDP (at 2010 market prices, % change)</td>
<td>2.7</td>
<td>2.6</td>
</tr>
<tr>
<td>Consumer price index (annual average, % change)</td>
<td>12.8</td>
<td>11.7</td>
</tr>
<tr>
<td>Overall fiscal balance (% of GDP)</td>
<td>-5.4</td>
<td>-5.7</td>
</tr>
<tr>
<td>Public debt (% of GDP)</td>
<td>37.6</td>
<td>39.1</td>
</tr>
<tr>
<td>Current account balance (% of GDP)</td>
<td>-1.8</td>
<td>-1.4</td>
</tr>
<tr>
<td>Gross international reserves (US$ billions)</td>
<td>38.3</td>
<td>38.9</td>
</tr>
<tr>
<td>External debt (% of GDP)</td>
<td>20.8</td>
<td>19.7</td>
</tr>
</tbody>
</table>
Nigeria: Risks to Outlook

**Downside:**
- High food & energy prices
- Spending pressures within *narrow fiscal space*
  - Persisting *insecurity*, particularly banditry and kidnapping
  - Elections
- Low vaccination rates (Covid-19)
- Monetary tightening in Advanced Economies
- Muted foreign investment inflows and exchange rate pressures.

**Upside:**
- Broadening growth and steady private sector recovery
  - The country’s PMI stood at 55.8 in April, up from 54.1 in March signaling improvement in business conditions in Nigeria’s private sector (Stanbic)
- Dangote Refinery is expected to have a processing capacity of 540,000 barrels per day in later 2022.
- Effective implementation of the Finance Act, 2021 and the Strategic Revenue Growth Initiative.
**Financial Assistance**

**Emergency financing**

**Special Drawing Rights Allocation**
- US$3.35 Billion (August 2021)

**Policy Advice**

Economic Surveillance Article IV Consultations - Annually

**Capacity Building – Technical Assistance and Training**

Extensive training on macroeconomics to Nigerian public servants

**MOF, FIRS, & NCS, OAGF**
- Tax administration & policy, public financial management

**CBN**
- Monetary policy, banking & financial reforms

**NBS**
- Statistical reforms – national account, standards & codes
Thank you

Additional Information