NIGERIA MACROECONOMIC DEVELOPMENTS AND OUTLOOK: IMF VIEWS

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Led by services, economic activity continues to recover...

Real GDP growth and contribution (in %)

Sources: NBS, Haver Analytics.
But inflation is accelerating and remains elevated

Inflation (% change, y/y)

- Headline
- Food
- All Items less Farm Produce and Energy

Contribution to month-on-month inflation
(%, 3-month rolling average, annualized)

Favorable oil prices but limited impact on foreign exchange supply and international reserves

**External Reserves and Bonny Light price**

- International reserves (excl gold, US$ billion)
- Bonny Light Price (US$/barrel, rhs)

Source: CBN, Bloomberg

**Exchange rate turnover and premium**

- I&E Daily Turnover (in US$ million)
- Parallel/I&E Premium (in %, rhs)

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

Source: OAGF, Haver Analytics

Source: Staff Estimates
Public debt projected to edge up slightly (as a share of GDP)

Source: DMO IMF Staff Estimates
Successful return to capital markets but higher spreads

**2021 and 2022 Eurobond issuances**

- **2021 issuance**
- **2022 issuance**

**Nigeria: Weighted Average Spread**

Sources: Bloomberg, L.P; IMF, World Economic Outlook Database
### Nigeria’s Projection, mixed impacts

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

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

Upside:
• Broadening growth and steady private sector recovery
  ➢ The country’s PMI stood at 52.3 in August, slight moderation from 53.2 in July, signaling expansion in business conditions in Nigeria’s private sector (Stanbic)
• Starting operations of Dangote Refinery in 2023
• Effective implementation of the Finance Act, 2021 and the Strategic Revenue Growth Initiative.
Policy Recommendations

Fiscal:

More domestic revenue mobilization is needed to reduce fiscal vulnerabilities and create policy space.

- Permanent removal of fuel subsidies in line with the Petroleum Industry Act
- Compensatory measures for the poor – social spending.

Exchange Rate:

Establish a unified and market-clearing exchange rate to strengthen the external position.

- Clear communications
- Complementary macroeconomic and structural policies to preserve competitiveness gains from any exchange rate adjustment.
Policy Recommendations

Monetary & Financial Sector:

- **To combat structurally high inflation**, a stronger operational framework and a focus on price stability are needed.
- **To safeguard financial stability,**
  - Need for regulatory vigilance
  - Timely actions against undercapitalized banks
  - The introduction of additional macroprudential instruments are essential.

Structural:

- **More efforts are needed to reduce corruption vulnerabilities:**
  - Improving government efficiency
  - Initiating civil service reforms, and
  - Ensuring complete transparency and accountability of COVID-19 spending.
- **To bolster business confidence and public trust in reforms,** improved transparency and governance would help
- **To ensure a job-rich, inclusive recovery,** bold trade and agricultural reforms are needed.
Nigeria-IMF Cooperation

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