

Nigeria

Recent Developments and Outlook

Women Corporate Directors

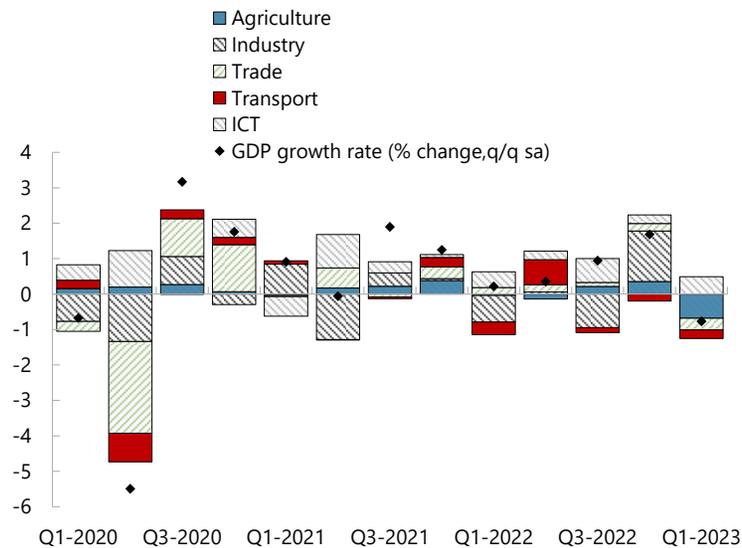
Ari Aisen

June 2, 2023

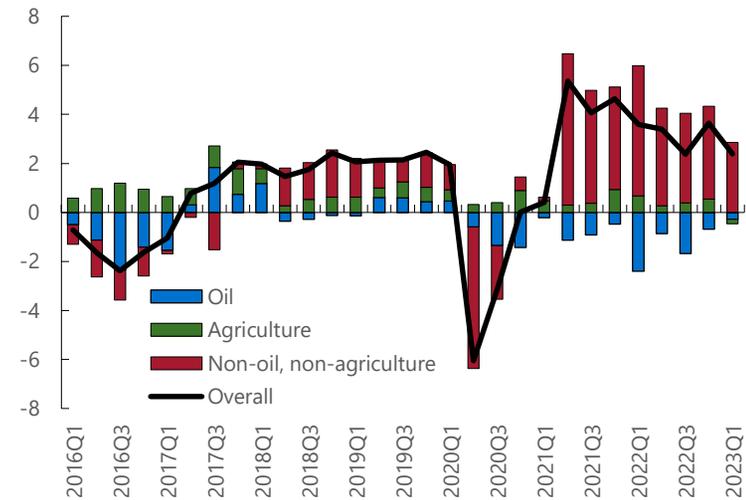
Economic activity decelerated with the currency crunch

GDP Recovery by Sector

(Percent, Contribution to q-o-q growth rate)



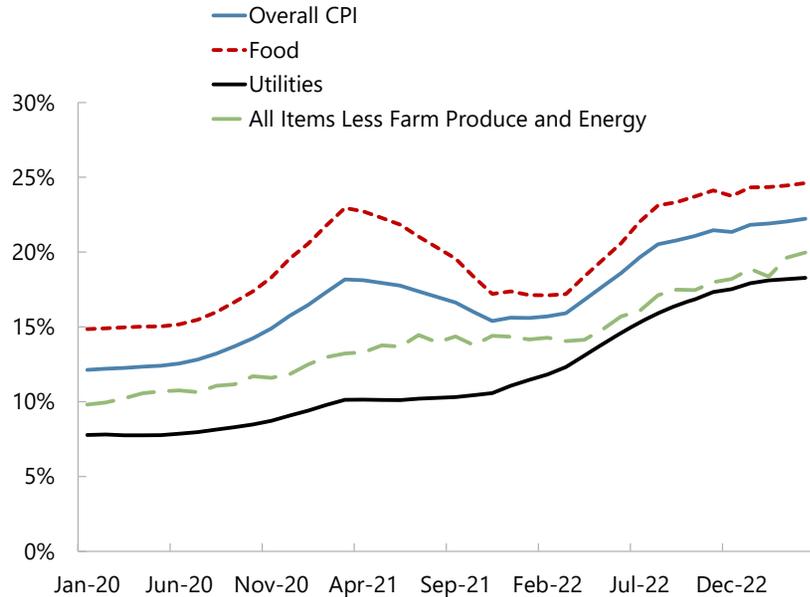
Real GDP growth and contribution (in % y/y)



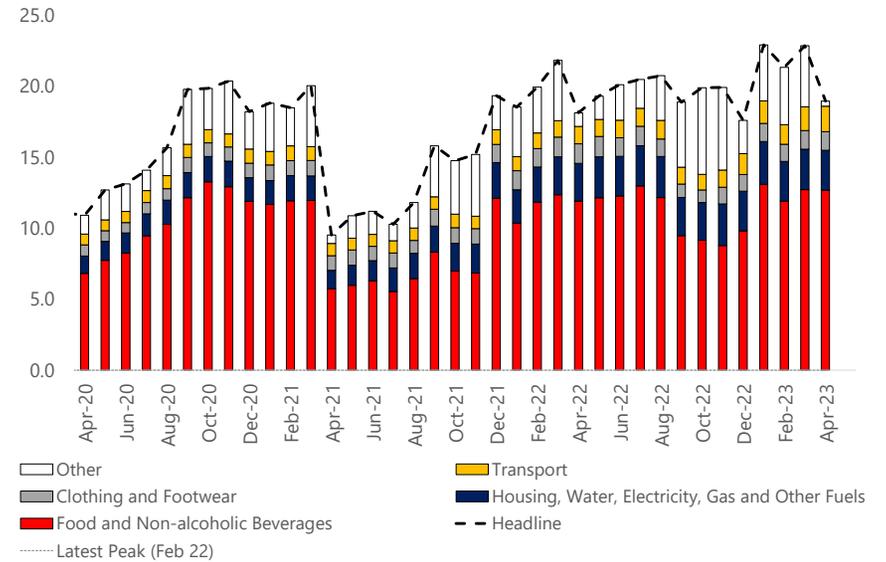
Sources: NBS, Haver Analytics.

Headline inflation remains elevated

Inflation (% change, y/y)



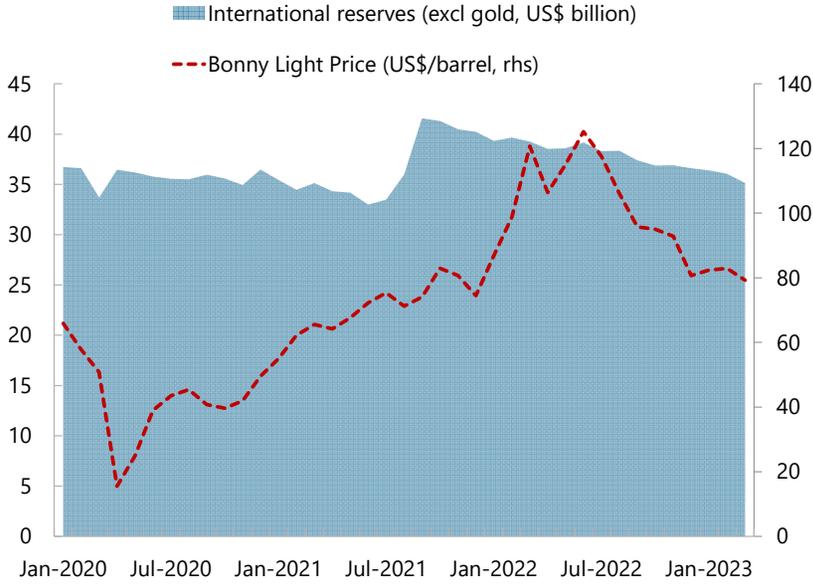
Contribution to month-on-month inflation
(%, sa change, annualized)



Sources: National Bureau of Statistics, Haver.

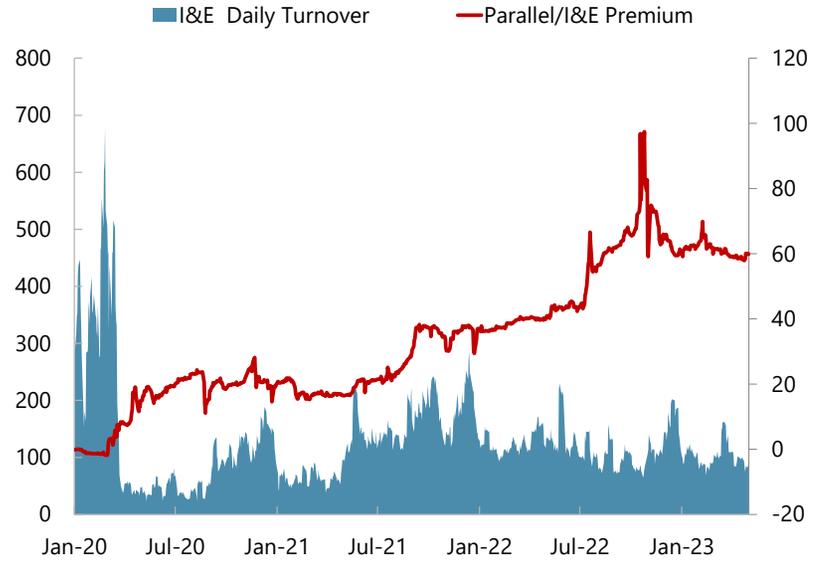
Favorable oil prices, forex supply and reserves constrained

External Reserves and Bonny Light price



Source: CBN, Bloomberg

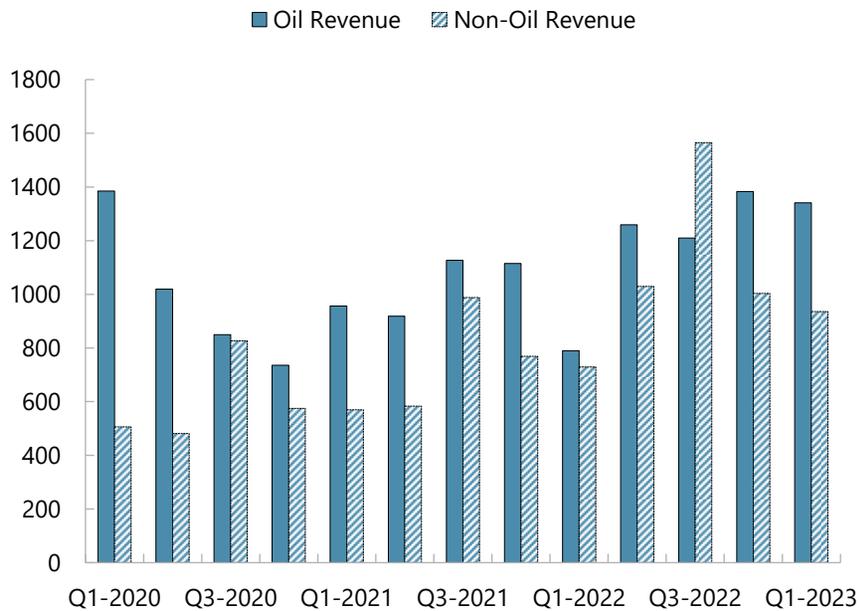
Exchange rate turnover and premium



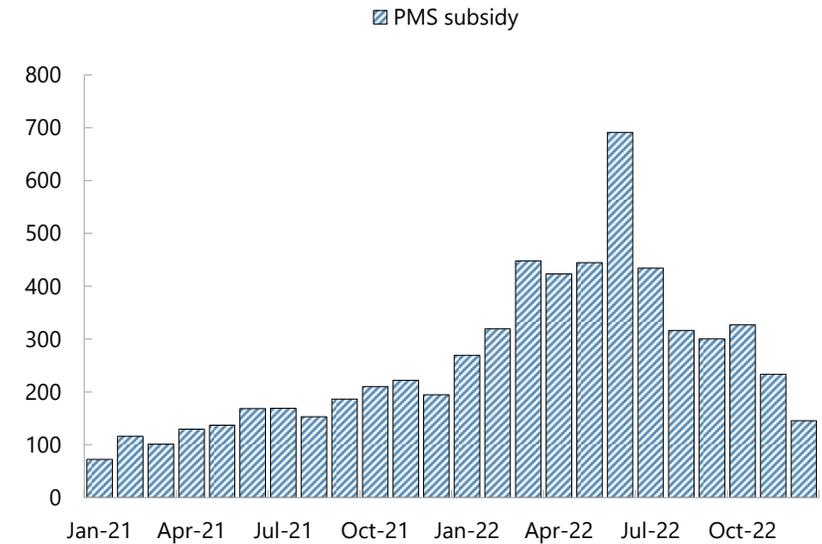
Sources: Staff Estimates

Fiscal position is yet to benefit from higher oil prices

Federal Government Revenue (in Naira Trillion)



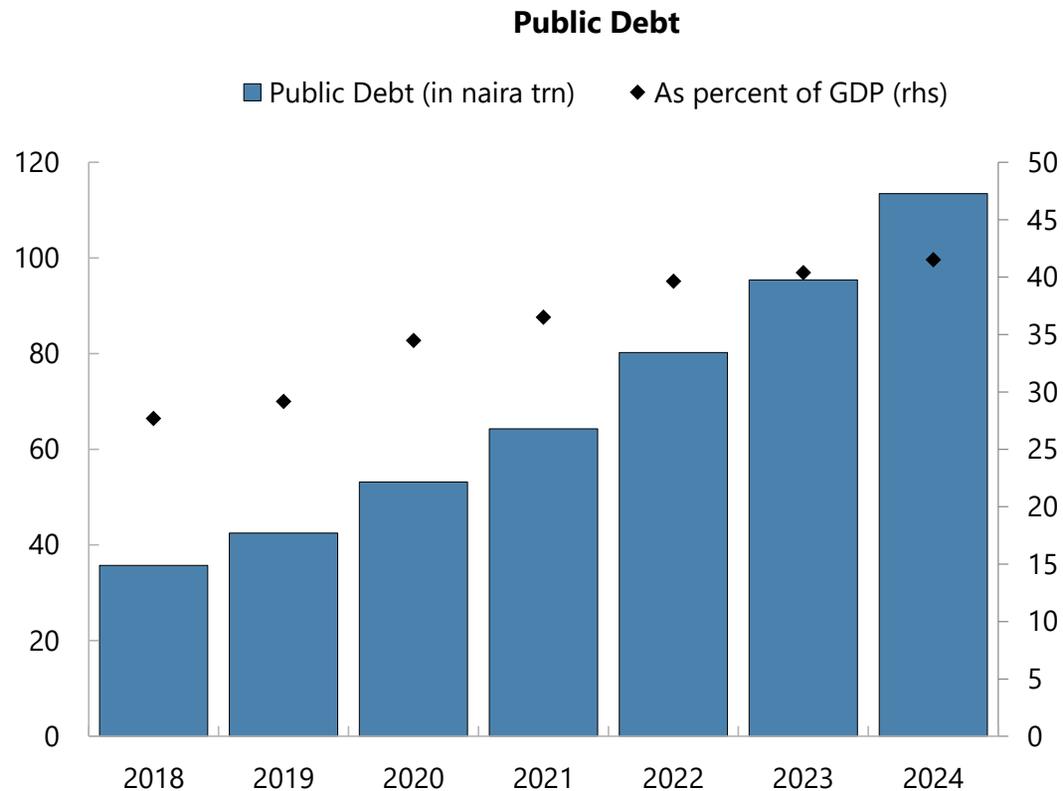
Implicit Fuel Subsidies (in Naira billion)



Source: OAGF, Haver Analytics

Source: Staff Estimates

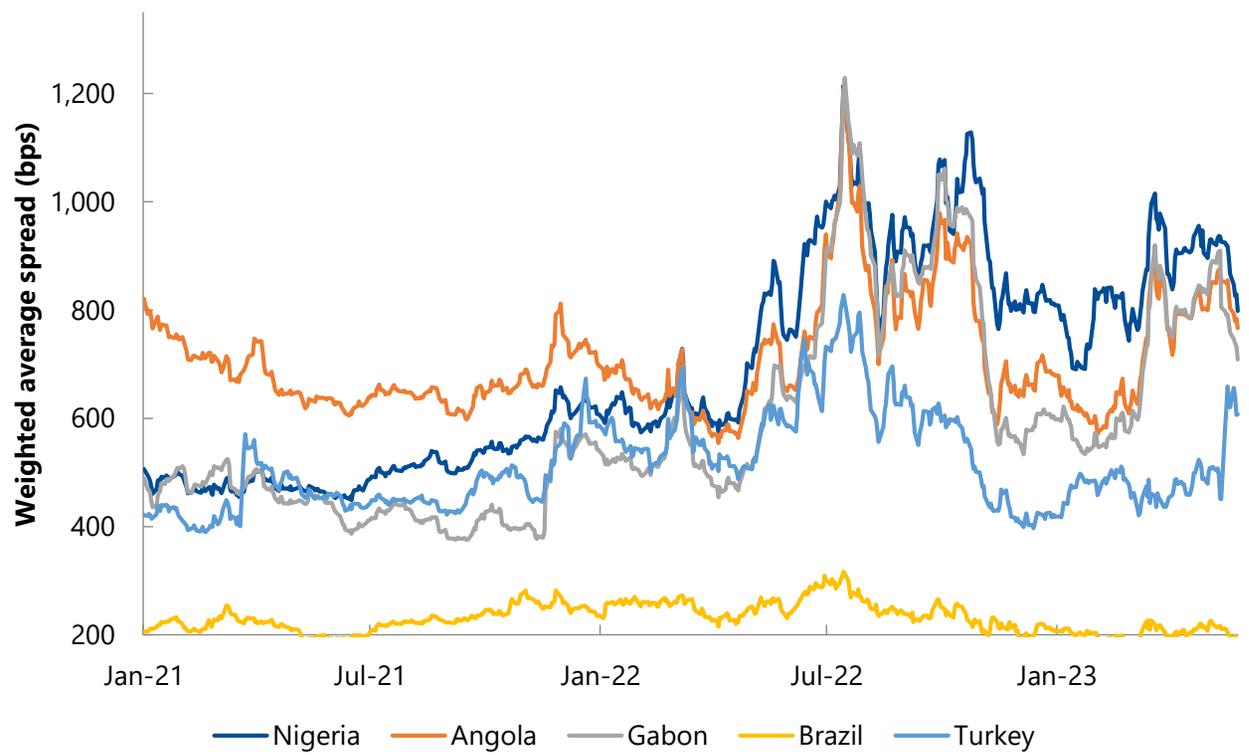
Public debt projected to edge up slightly (as a share of GDP) while interest payments as a share of revenues are large



Source: DMO. IMF Staff Estimates

Sovereign spreads have increased straining access to Eurobonds

Cross-Country evolution Weighted Average Spreads



Nigeria's Projection, mixed impacts

	October 2022 WEO		April 2023 WEO	
	2023	2024	2023	2024
Real GDP (at 2010 market prices, % change)	3.0	2.9	3.2	3.0
Consumer price index (annual average, % change)	17.3	12.6	20.1	15.8
Overall fiscal balance (% of GDP)	-5.8	-5.9	-5.3	-5.4
Public debt (% of GDP)	34.2	35.1	38.8	39.0
Current account balance (% of GDP)	-0.8	-0.6	-0.6	-0.5
External debt outstanding (US\$ billions)	121.6	128.6	118.2	124.3
Gross international reserves (months of imports)	6.8	7.3	6.0	6.3

Sources: IMF Staff projections

Nigeria: Risks to Outlook

Downside:

- High food & energy prices
- Financing pressures within **narrow fiscal space**, central bank financing
 - Persisting **insecurity**, particularly banditry and kidnapping
 - Oil theft, oil price and volume volatility
- Low vaccination rates (Covid-19)
- Monetary tightening in Advanced Economies
- Muted foreign investment inflows and exchange rate pressures and volatility.

Upside:

- Dangote Refinery is expected to gradually start operations in 2H 2023.
- Rebound in **oil production and investments** in the gas sector
- Effective implementation of the Finance Acts, 2021-22 and the Strategic Revenue Growth Initiative.

Nigeria: Policy Recommendations

- Immediate priority to fight inflation
 - Tightening monetary policy
 - ❑ Rising MPR
 - ❑ Phase out credit to the private sector
 - ❑ Reduce quasi-fiscal activities and financing of the fiscal deficit
 - ❑ Fully sterilize liquidity
 - ❑ Focus on the primacy of price stability
 - Fiscal Consolidation
 - ❑ Strengthen revenue mobilization in line with SRGI
 - ❑ Increase compliance through tax administration reforms
 - ❑ Reduce tax exemptions
 - ❑ Raise VAT and excise rates
 - ❑ Eliminate fuel subsidies
- Exchange rate policy reform (unification and more ER flexibility)
- Structural Reforms (agriculture, trade, governance)

Nigeria-IMF Cooperation

Financial Assistance

Emergency financing

- Rapid Financing Instrument – US\$3.4 Billion (April 2020)
- 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, NBS

- Tax administration & policy, public financial management, CBN
- Monetary policy, banking & financial reforms
- Statistical reforms – national accounts, prices, standards & codes