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)

Favorable oil prices, forex supply and reserves constrained

**External Reserves and Bonny Light price**

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

**Exchange rate turnover and premium**

- I&E Daily Turnover
- Parallel/I&E Premium

Source: CBN, Bloomberg

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
- Angola
- Gabon
- Brazil
- Turkey
## Nigeria’s Projection, mixed impacts

<table>
<thead>
<tr>
<th></th>
<th>October 2022 WEO</th>
<th>April 2023 WEO</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2023</td>
<td>2024</td>
</tr>
<tr>
<td></td>
<td>2023</td>
<td>2024</td>
</tr>
<tr>
<td>Real GDP (at 2010 market prices, % change)</td>
<td>3.0</td>
<td>2.9</td>
</tr>
<tr>
<td>Consumer price index (annual average, % change)</td>
<td>17.3</td>
<td>12.6</td>
</tr>
<tr>
<td>Overall fiscal balance (% of GDP)</td>
<td>-5.8</td>
<td>-5.9</td>
</tr>
<tr>
<td>Public debt (% of GDP)</td>
<td>34.2</td>
<td>35.1</td>
</tr>
<tr>
<td>Current account balance (% of GDP)</td>
<td>-0.8</td>
<td>-0.6</td>
</tr>
<tr>
<td>External debt outstanding (US$ billions)</td>
<td>121.6</td>
<td>128.6</td>
</tr>
<tr>
<td>Gross international reserves (months of imports)</td>
<td>6.8</td>
<td>7.3</td>
</tr>
</tbody>
</table>

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
- 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