



**AFRICAN  
DEPARTMENT**

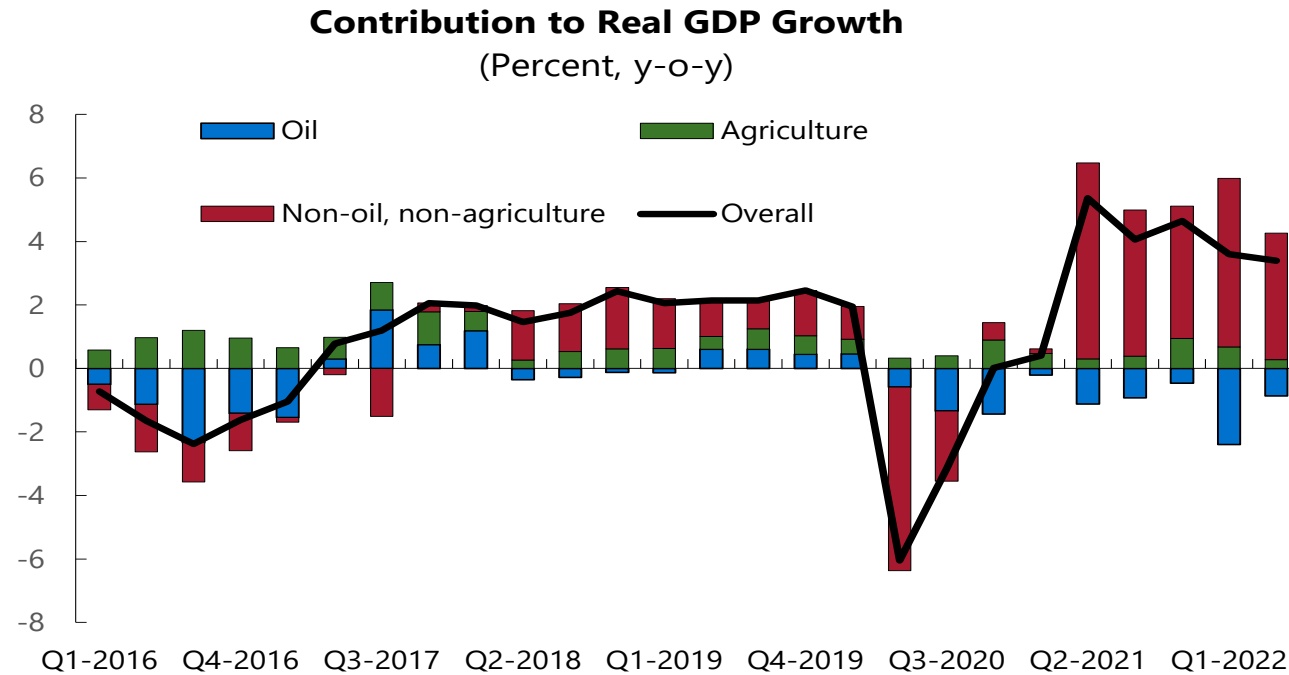
# **NIGERIA MACROECONOMIC DEVELOPMENTS AND OUTLOOK: IMF VIEWS**

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

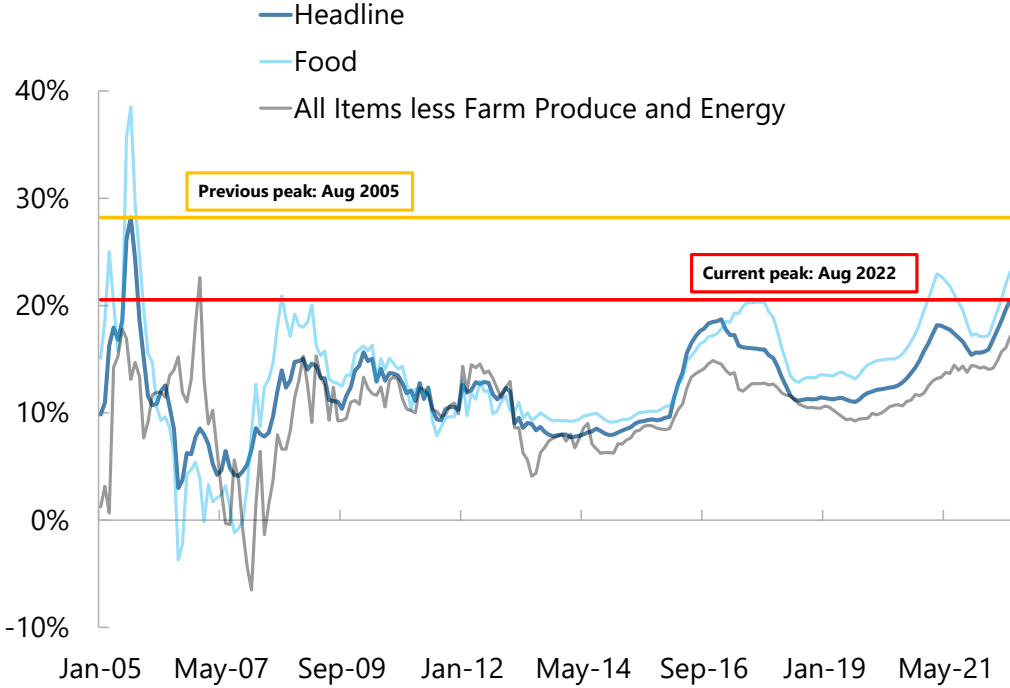
## Real GDP growth and contribution (in %)



Sources: NBS, Haver Analytics.

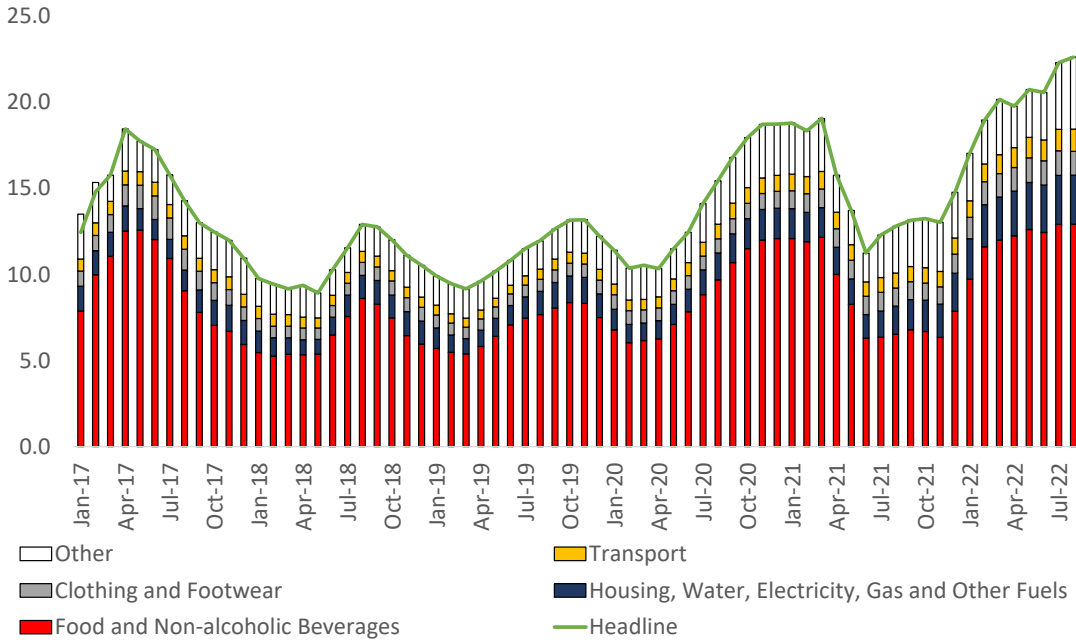
# But inflation is accelerating and remains elevated

**Inflation (% change, y/y)**



**Contribution to month-on-month inflation**

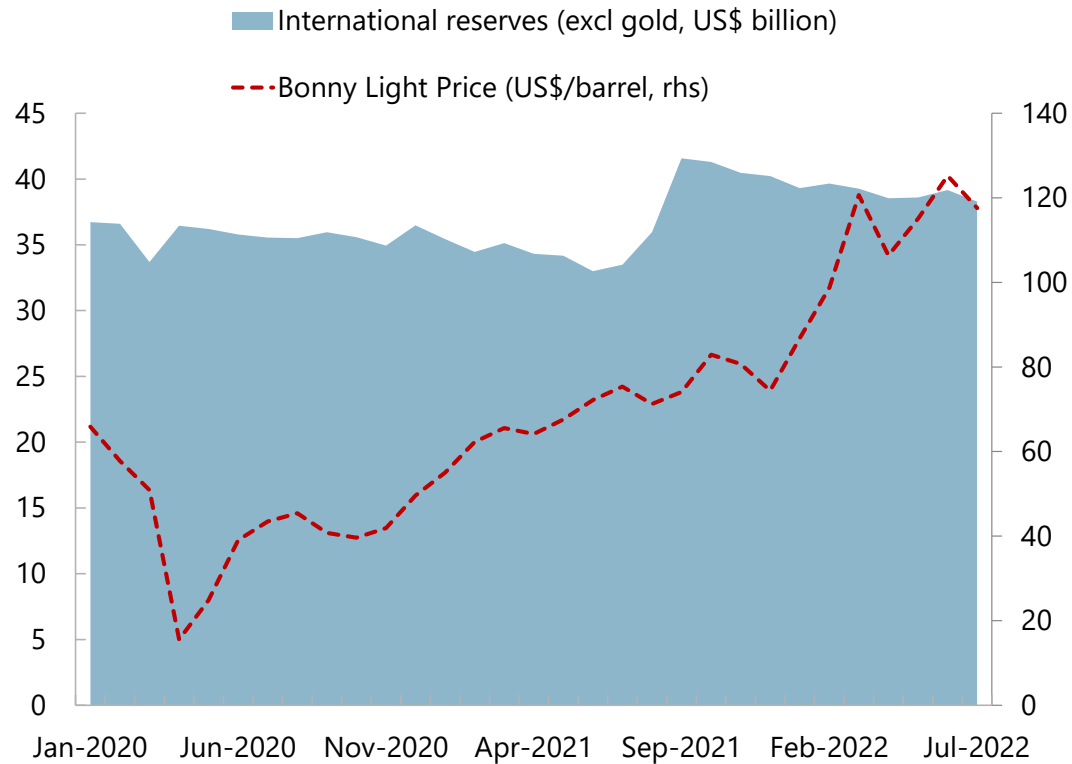
(%, 3-month rolling average, annualized)



Sources: National Bureau of Statistics, Haver.

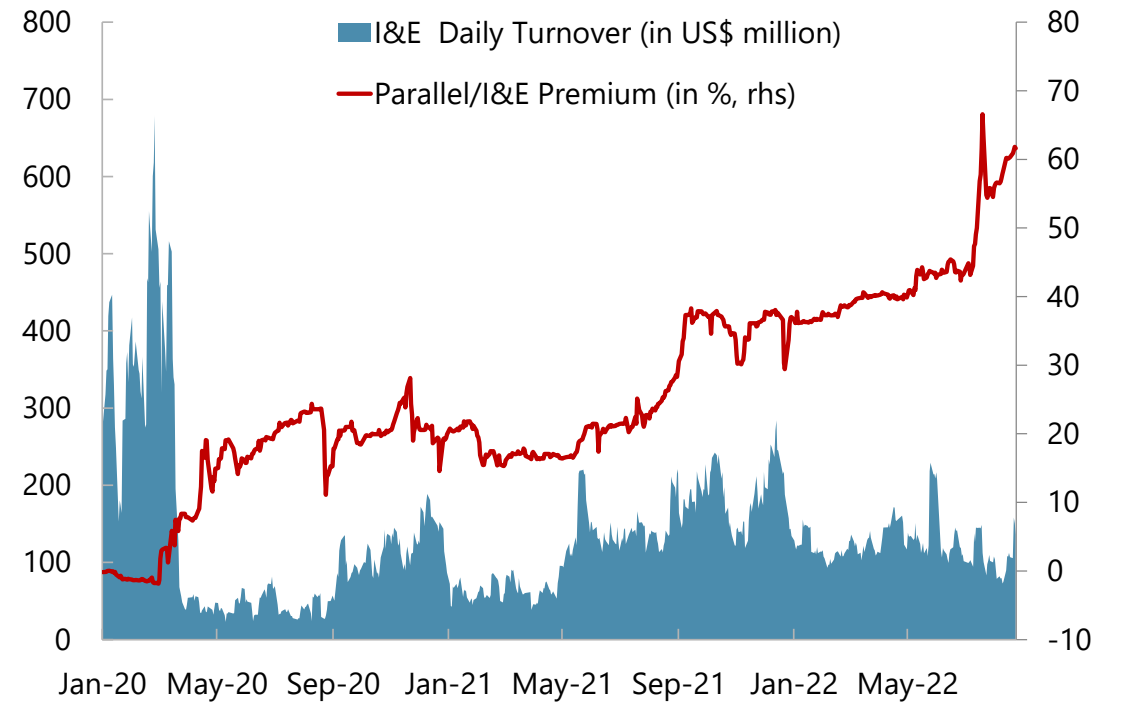
# Favorable oil prices but limited impact on foreign exchange supply and international reserves

## External Reserves and Bonny Light price



Source: CBN, Bloomberg

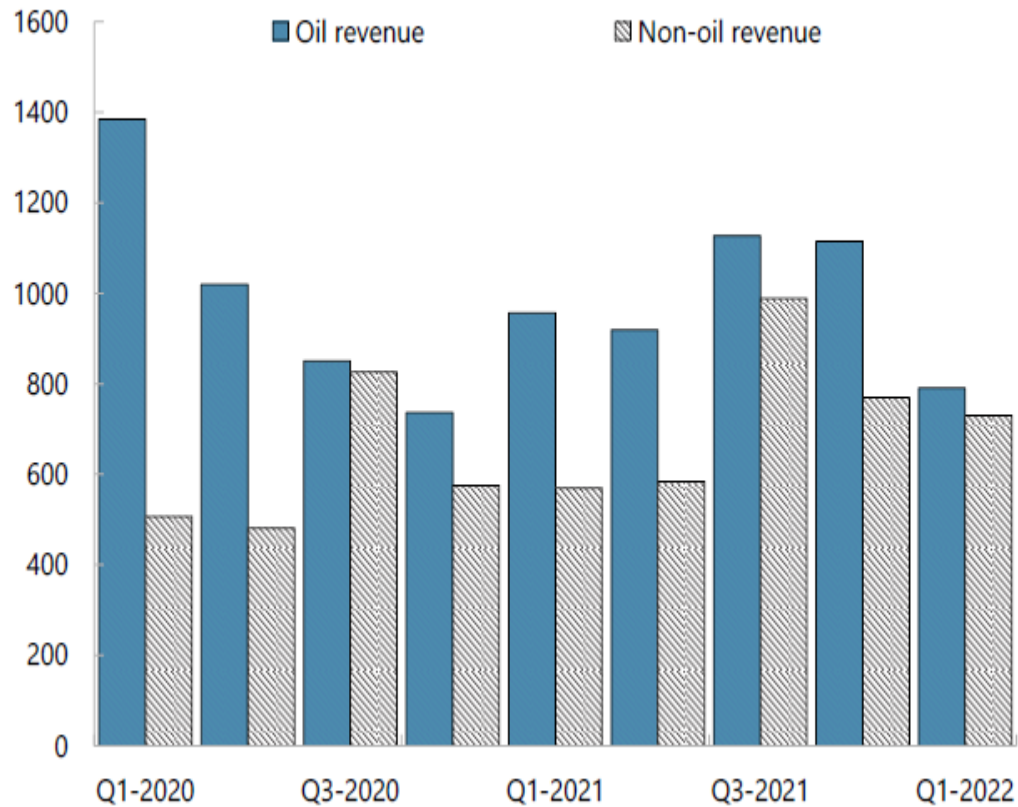
## Exchange rate turnover and premium



Sources: Staff Estimates

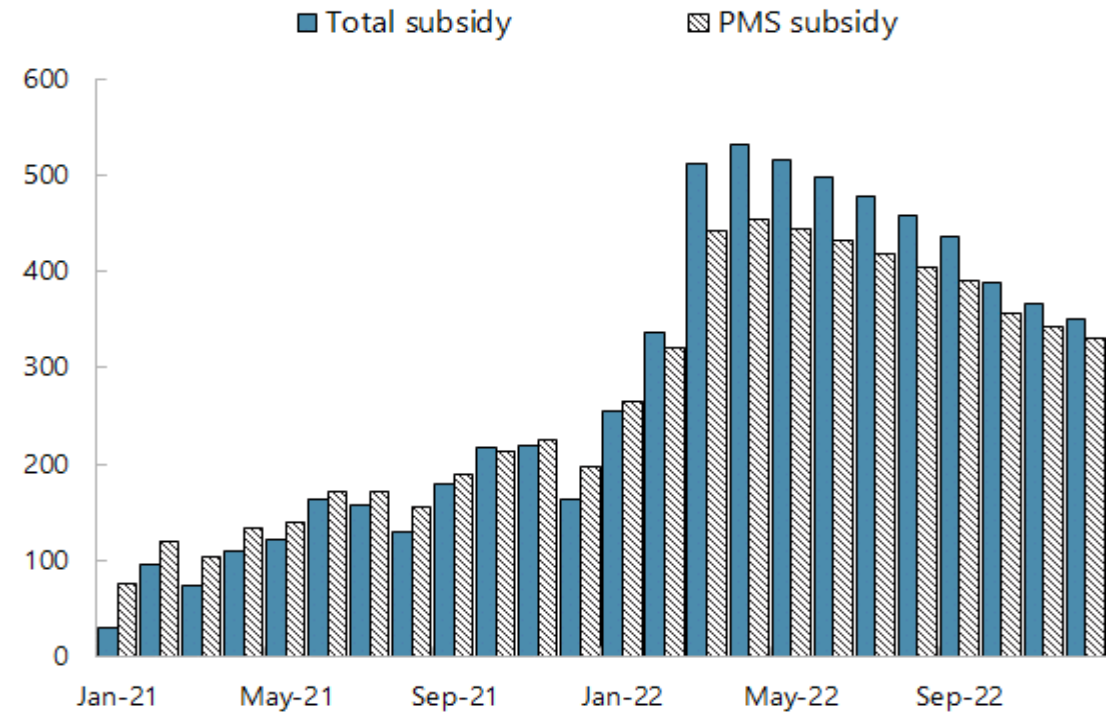
# Fiscal position is yet to benefit from higher oil prices

## Federal Government Revenue (in naira trn)



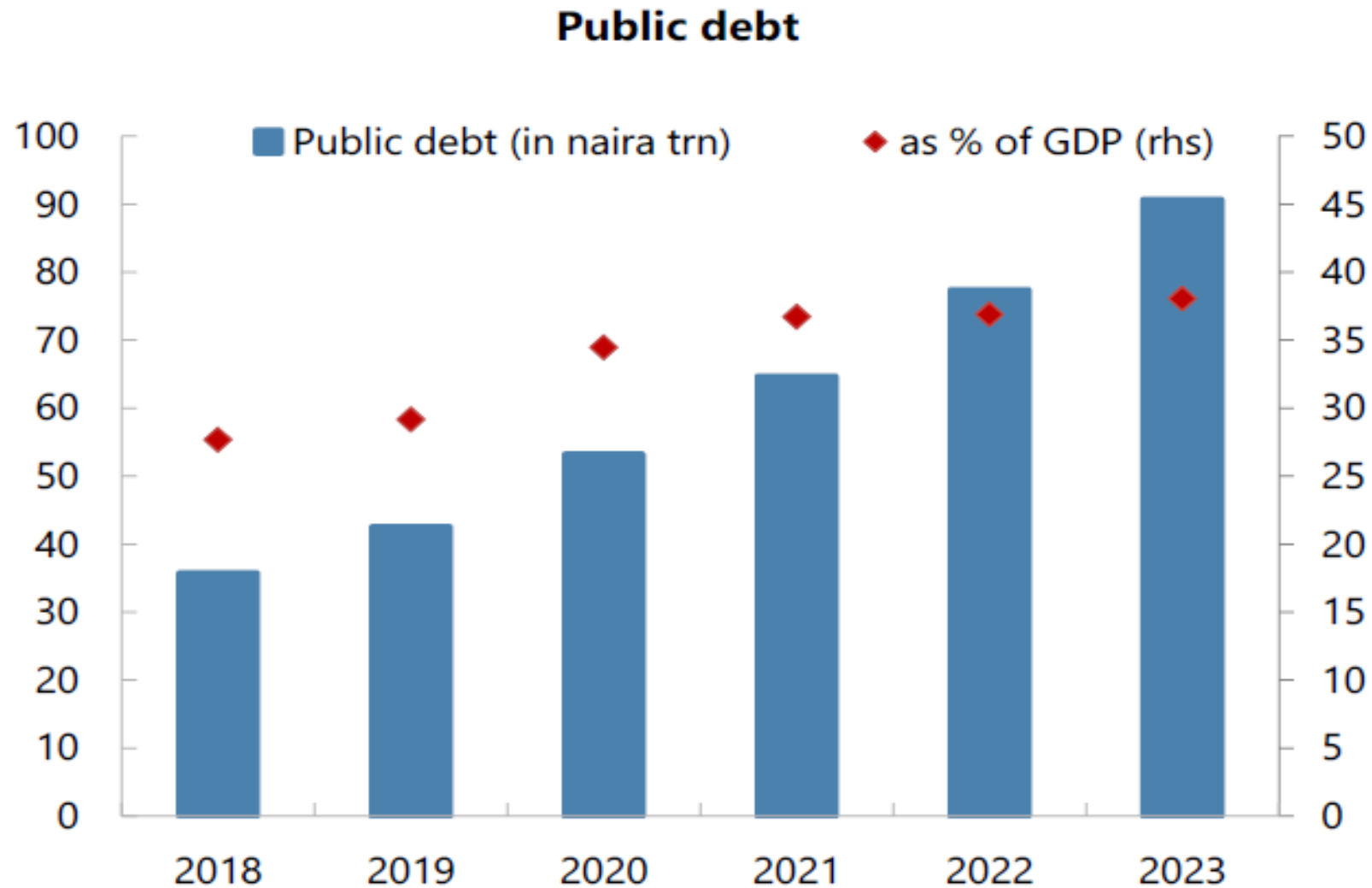
Source: OAGF, Haver Analytics

## Implicit Fuel Subsidies (in Naira billion)



Source: Staff Estimates

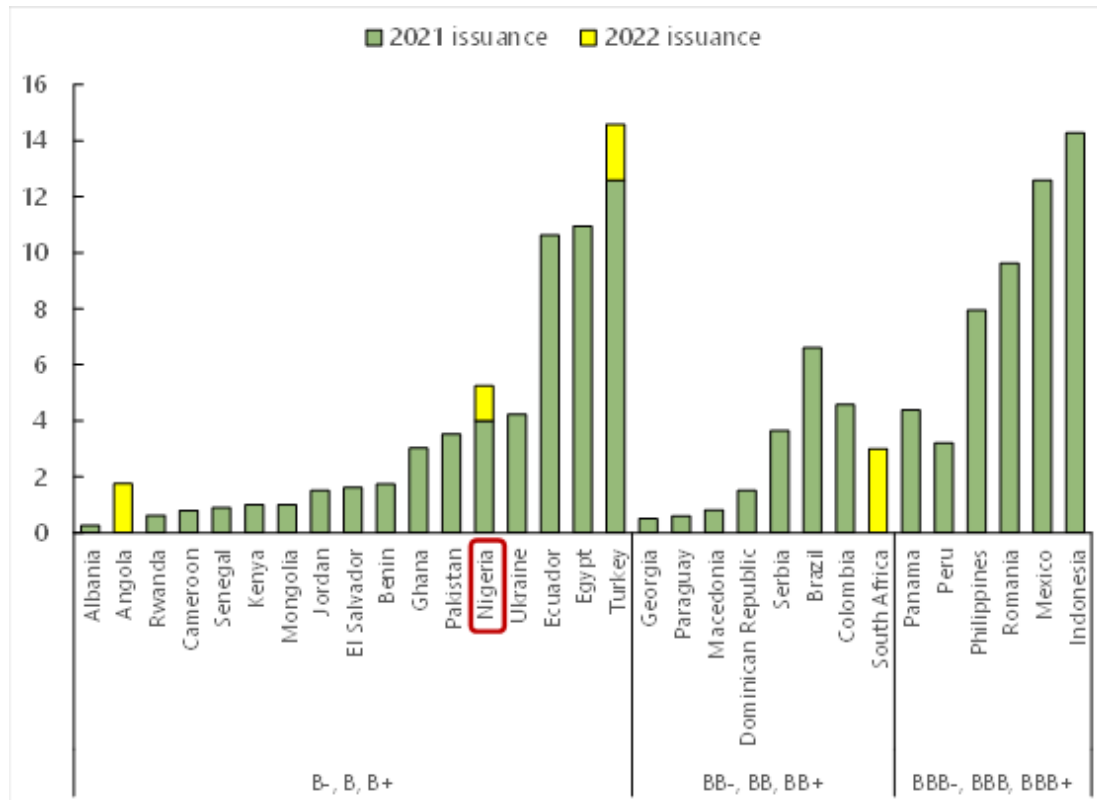
# Public debt projected to edge up slightly (as a share of GDP)



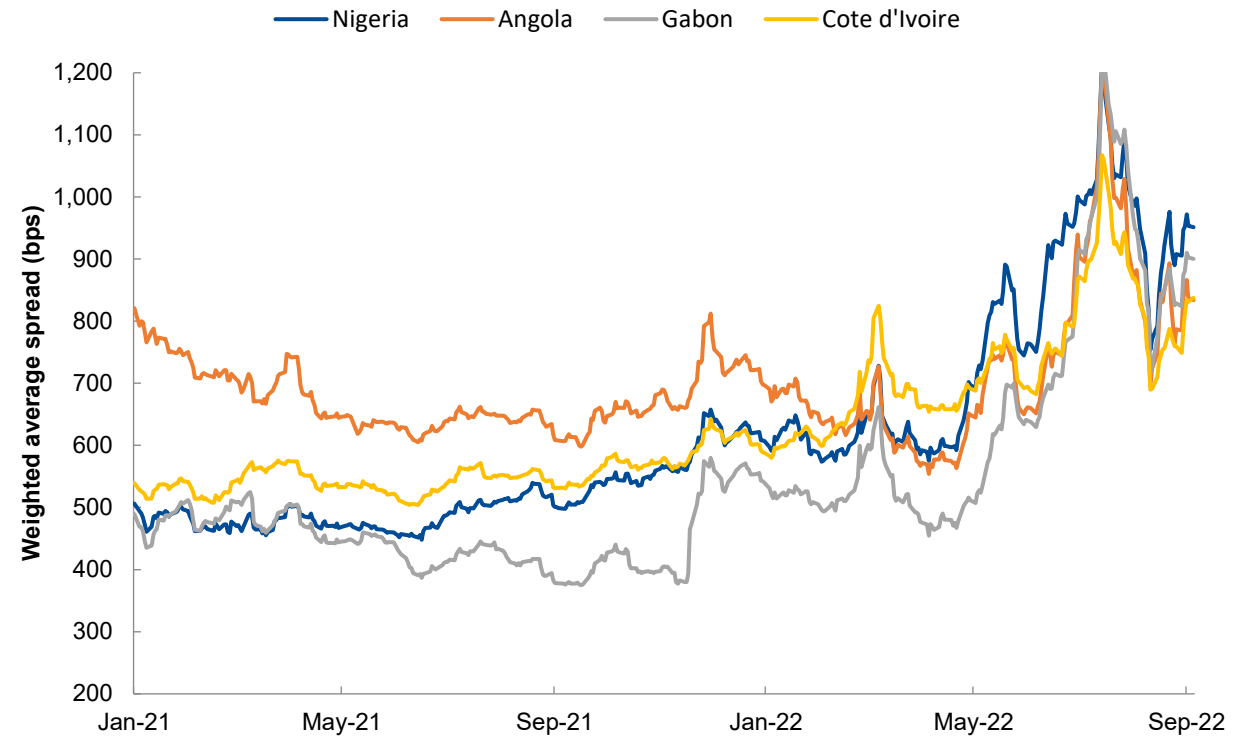
Source: DMO IMF Staff Estimates

# Successful return to capital markets but higher spreads

## 2021 and 2022 Eurobond issuances



## Nigeria: Weighted Average Spread



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

# Nigeria's Projection, mixed impacts

	January 22 WEO		July 22 WEO	
	2022	2023	2022	2023
Real GDP (at 2010 market prices, % change)	2.7	2.6	3.4	3.2
Consumer price index (annual average, % change)	12.8	11.7	16.1	13.1
Overall fiscal balance (% of GDP)	-5.4	-5.7	-6.4	-5.9
Public debt (% of GDP)	37.6	39.1	37.4	38.8
Current account balance (% of GDP)	-1.8	-1.4	-1.1	-1.1
Gross international reserves (US\$ billions)	38.3	38.9	41.0	41.2
External debt (% of GDP)	20.8	19.7	22.5	20.8

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.

## 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**

- Tax administration & policy, public financial management

### **CBN**

- Monetary policy, banking & financial reforms

### **NBS**

- Statistical reforms – national account, standards & codes

**Thank you**

**Additional Information**

**<https://www.imf.org/en/Countries/ResRep/NGA>**