



Nigeria's Economic Outlook: COVID-19 and Beyond

**AMERICAN BUSINESS COUNCIL
LUNCHTIME SEMINAR,**

JULY 16, 2020

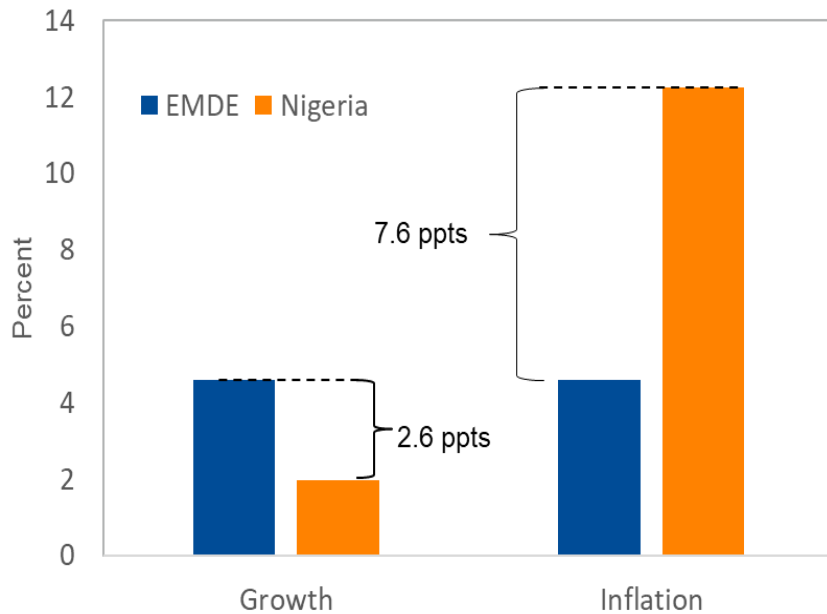
**Jesmin Rahman
IMF Mission Chief for Nigeria**

CONTEXT

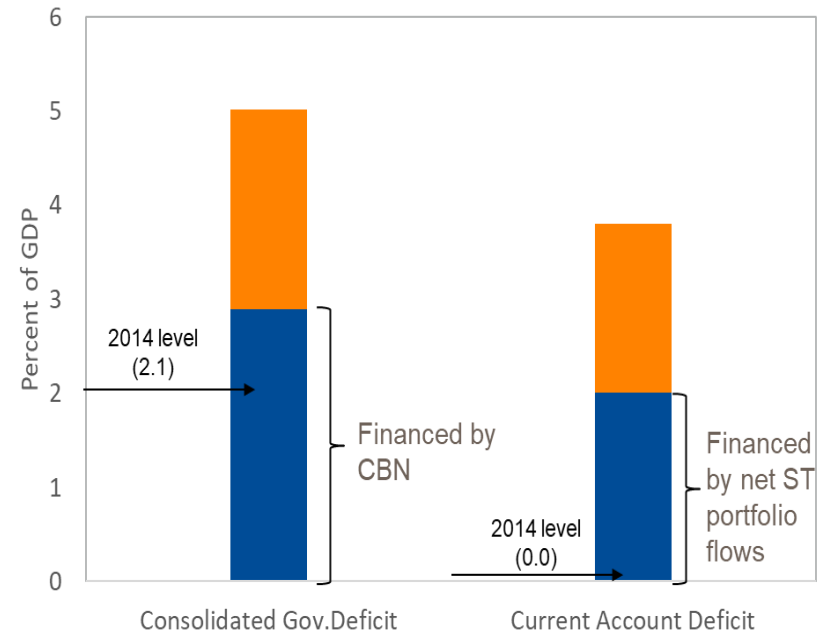
Nigeria Entered This Crisis in a Weak Position

Low growth, high inflation, sizable deficits and brittle financing

Growth and Inflation: 2017-2019 Average



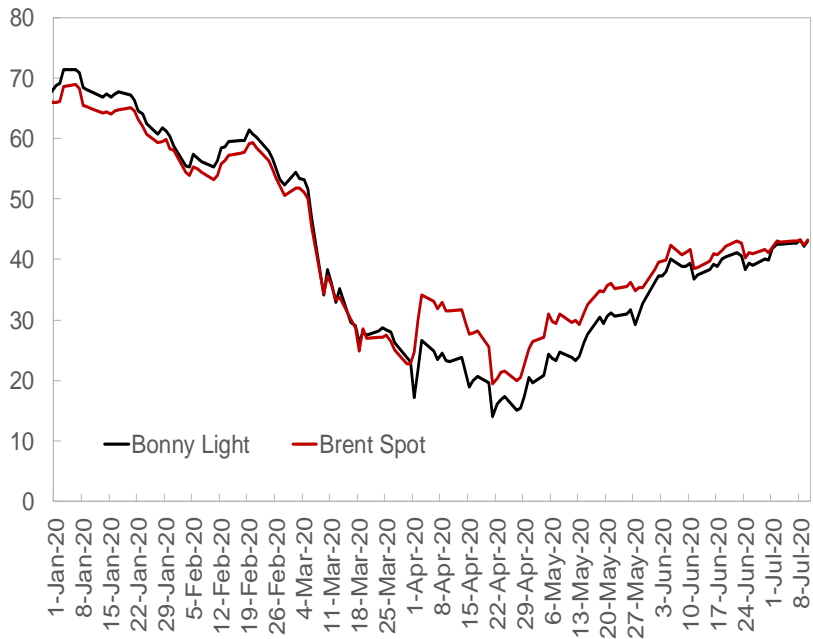
Fiscal and Current Account Deficits, 2019



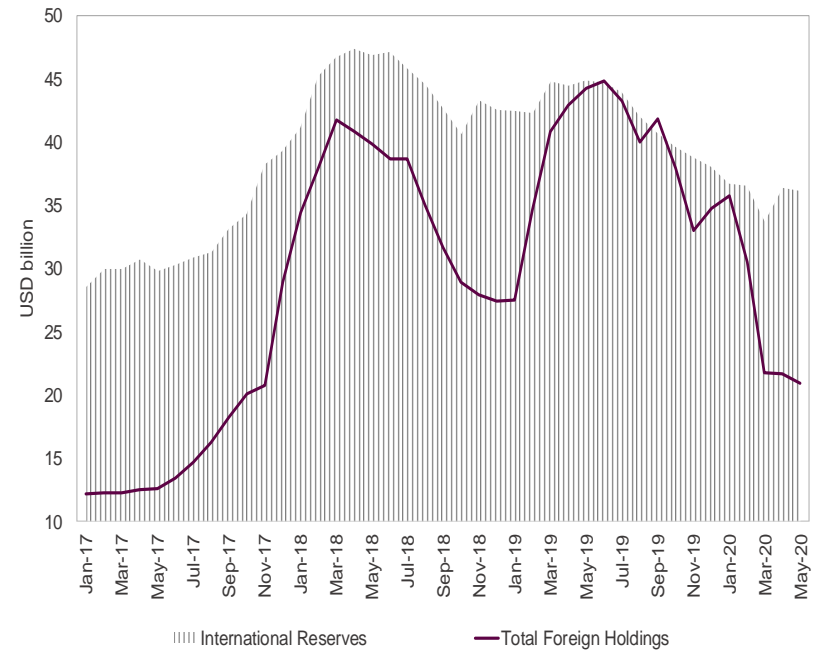
COVID-19 Nigeria Has Been Hit Hard

Plunging oil prices and sharp capital outflows

Oil Prices, USD per barrel



Gross International Reserves and Portfolio Inflow Stock, 2017-19

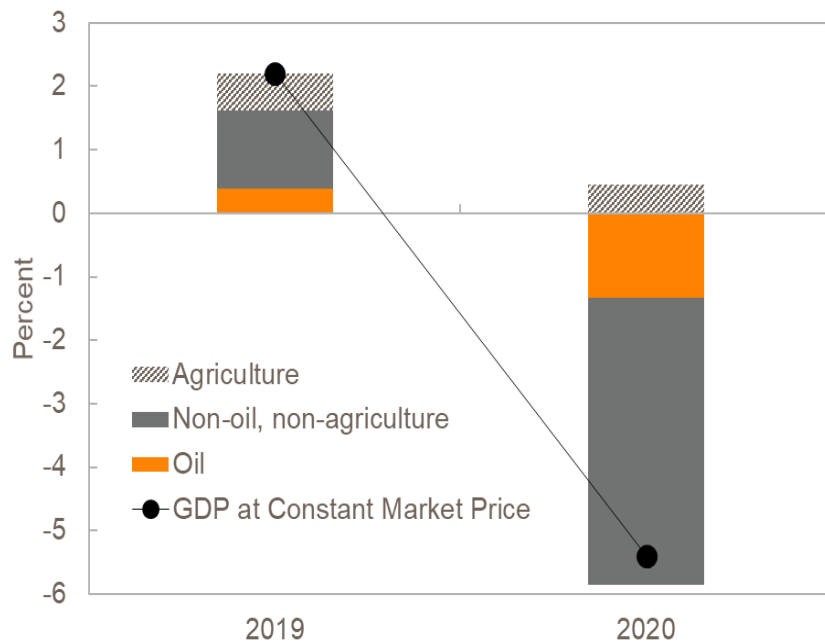


OUTLOOK

The Pandemic is Expected to Have a Heavy Toll on the Economy

Largest contraction in four decades, major downward revision in outlook

Real GDP Growth and Contributions



Nigeria: COVID-19 Macroeconomic Impact 2020

	Pre-COVID/1	2020 Latest
National income and prices (Percent increase)		
Real GDP (at 2010 market prices)	2.5	-5.4
Consumer price index (end of period)	13.0	13.3
Consolidated government operations (Percent of GDP)		
Total revenues and grants	8.5	4.7
Total expenditure and net lending	13.1	12.0
Overall balance	-4.6	-7.3
External sector		
Current account balance (Percent of GDP)	-1.1	-3.9
Merchandise exports (US\$ billions)	67.4	27.3
Merchandise imports (US\$ billions)	53.0	41.2
Gross international reserves (US\$ billions)	36.0	22.3
(equivalent months of imports of G&Ss)	4.8	4.0

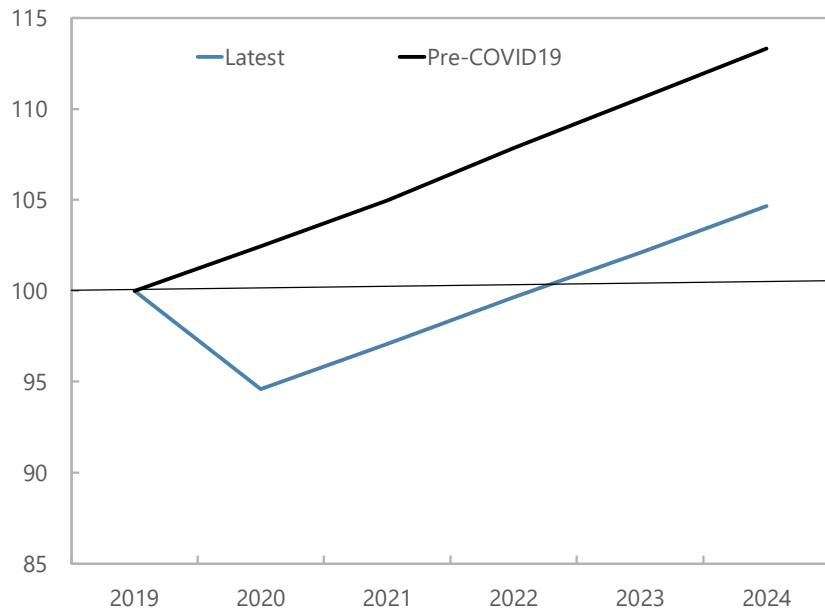
Sources: Nigerian authorities; and IMF staff estimates.

OUTLOOK

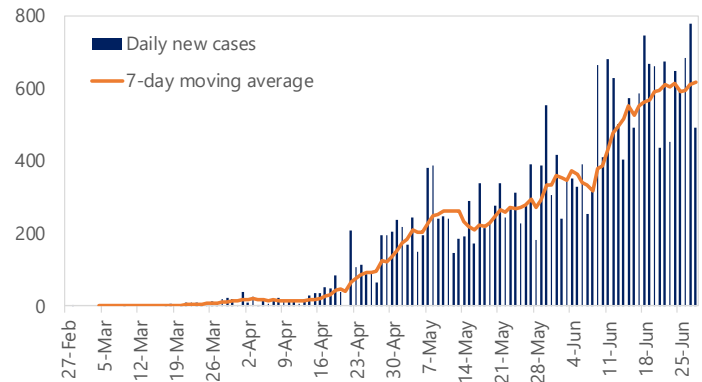
Protracted Recovery, Risks of Delay

Pandemic cases still on the rise, low testing, possible global re-surge

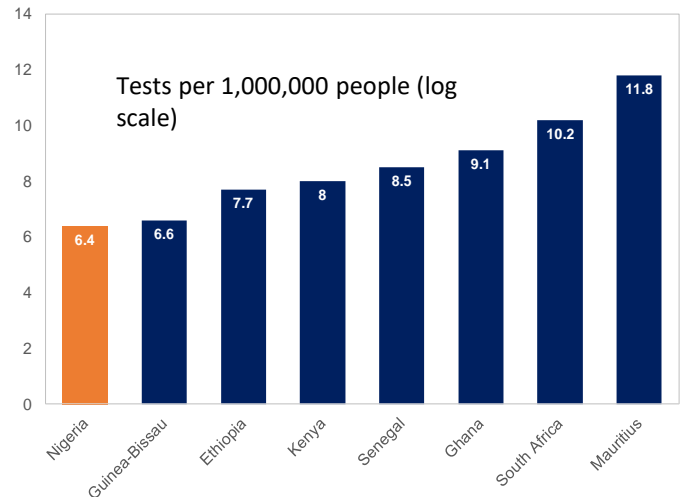
Real GDP Level, 2019-2024



Daily New Cases



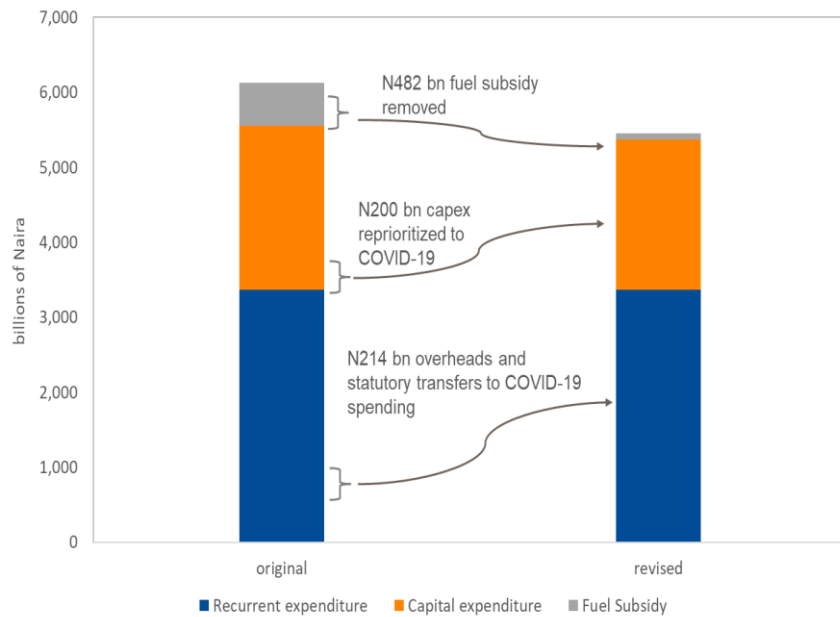
Tests per 1,000,000 people (log scale)



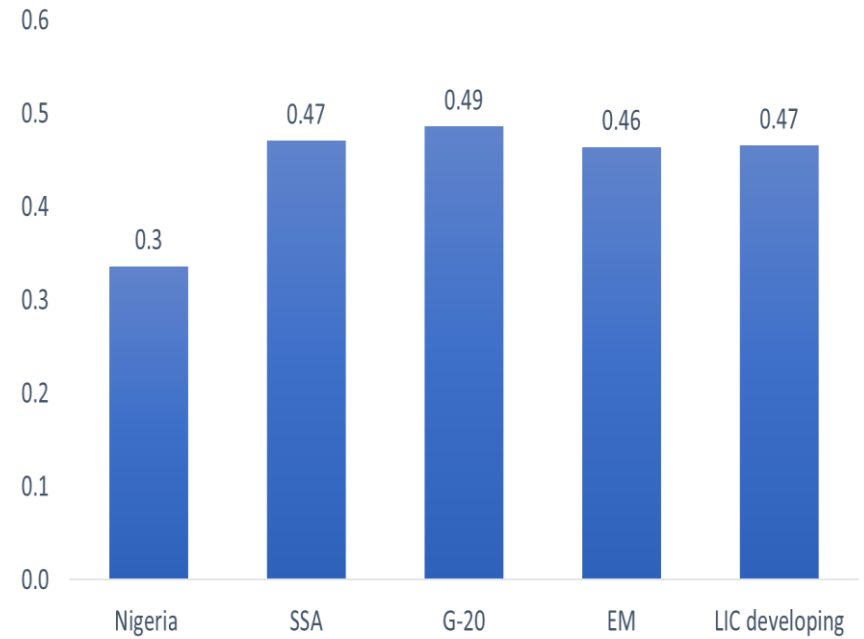
POLICY SUPPORT FOR COVID-19

Budget Has Been Revised to Make Room for Priority Spending

Budget Expenditure: Original and Revised



Announced Additional Health Spending (percent of GDP)



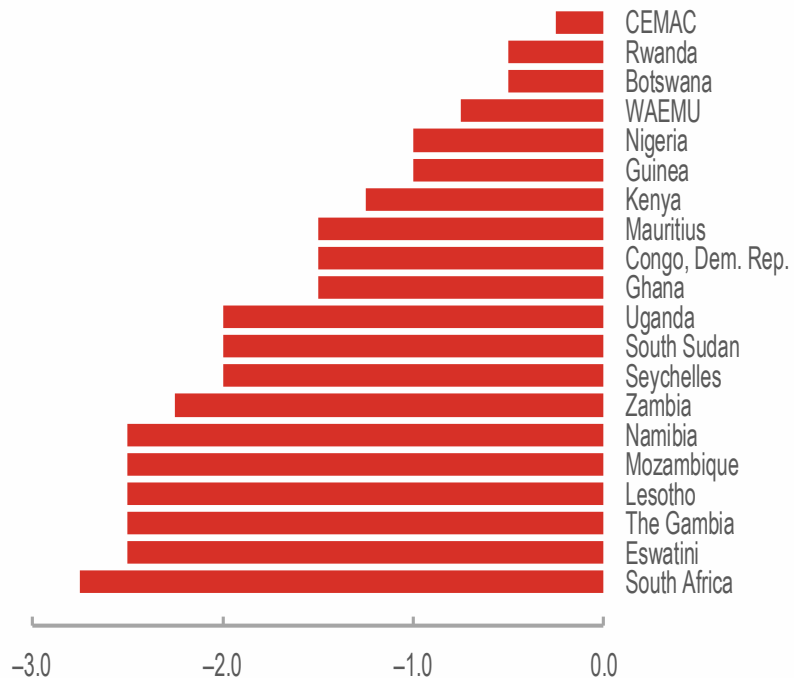
POLICY SUPPORT FOR COVID-19

MPR Cut by 100 bps, Lower OMO Rollover to Keep Government Borrowing Costs Low

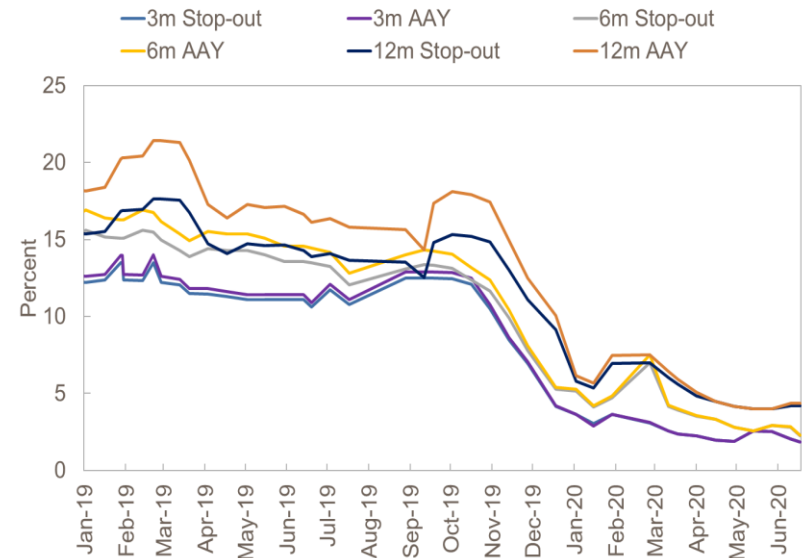
Liquidity injection, SME support, regulatory forbearance, interest reduction

SSA: Policy Rates

(Change between end 2019; percent)



Treasury Bills Yields At Auction, 2019-2020¹



¹AAY is the accepted average yield and stop-out is the auction clearance rate.

IMF's RAPID FINANCING FACILITY (RFI)

Nigeria requested assistance facing immediate BOP needs from an exogenous shock

RFI: Key Characteristics

- **Emergency financing window** available to all members
- **Low access limit**, maximum annual access 100 percent of quota
- **Flexible instrument**, addresses a broad range of urgent BOP needs without a full-fledged IMF program
- **No ex-post conditionality**, but policy commitments

Nigeria RFI

- **\$3.4 billion**: 100 percent of quota
- **Policy commitments:**
 - Exchange rate unification and greater flexibility
 - Resume domestic revenue mobilization after COVID-19 passes
 - Transparent use of emergency funds
 - Safeguards assessment of the Central Bank

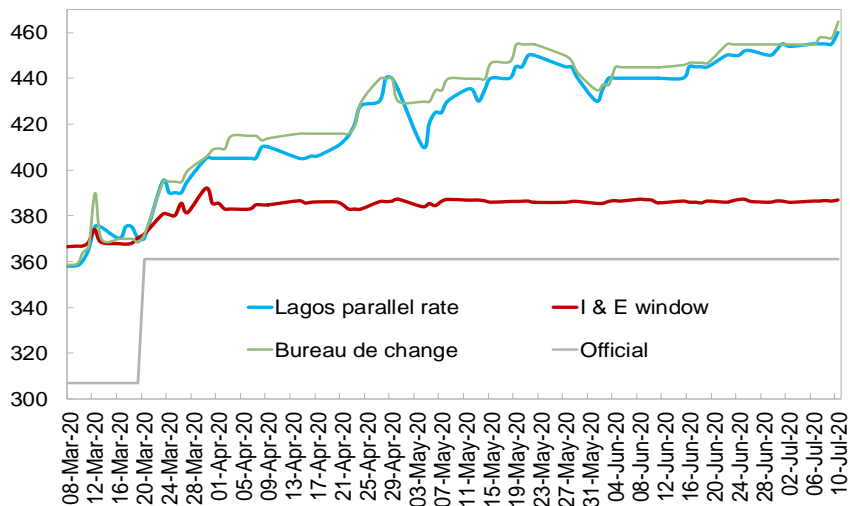
RFI: <https://www.imf.org/en/About/Factsheets/Sheets/2016/08/02/19/55/Rapid-Financing-Instrument>

IMF's work in Nigeria: <https://www.imf.org/en/Countries/NGA>)

RFI POLICY COMMITMENT

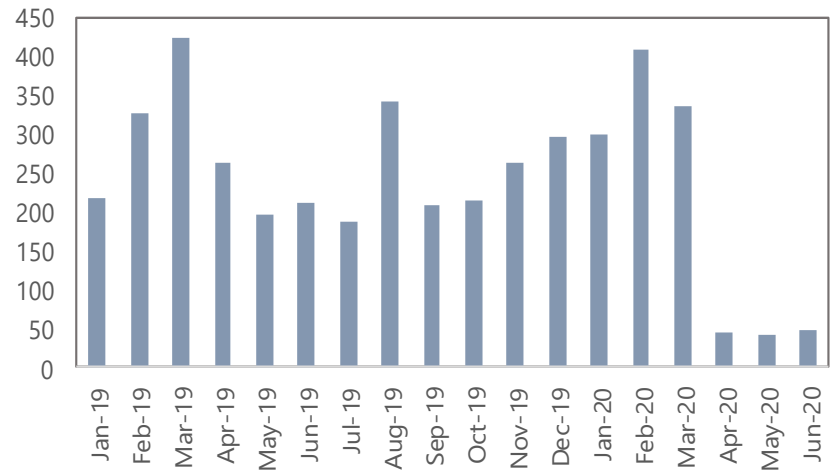
Unify the Exchange Rate and Move toward Greater Flexibility

Various Official and Parallel Market Rates



Turnover in the I&E Window

I&E Window Turnover
(USD million, monthly average)

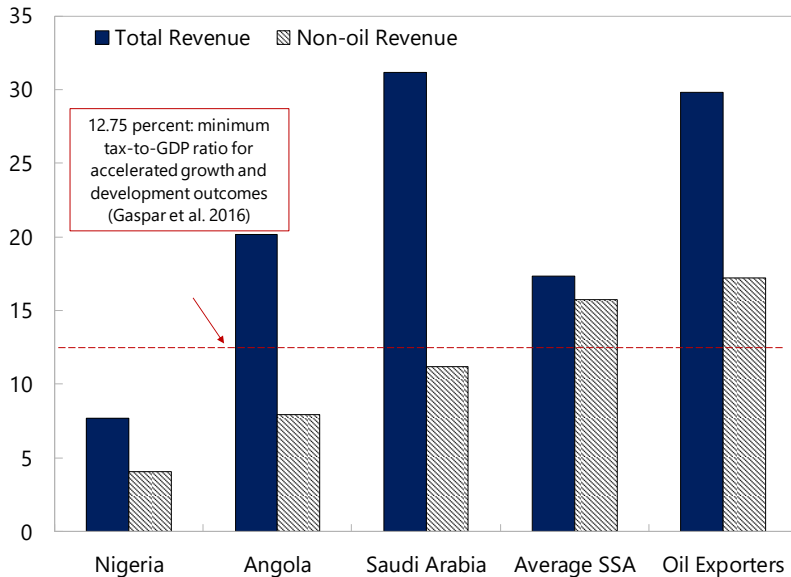


RFI POLICY COMMITMENT

MT Domestic Revenue Mobilization once COVID-19 Passes

One of the lowest revenue/GDP ratio, measures needed on multiple fronts

Nigeria and Selected Comparators: Revenue, 2019 (Percent of GDP)



Nigeria: Revenue Measures and Illustrative Gains in the Medium term (in percent of GDP)

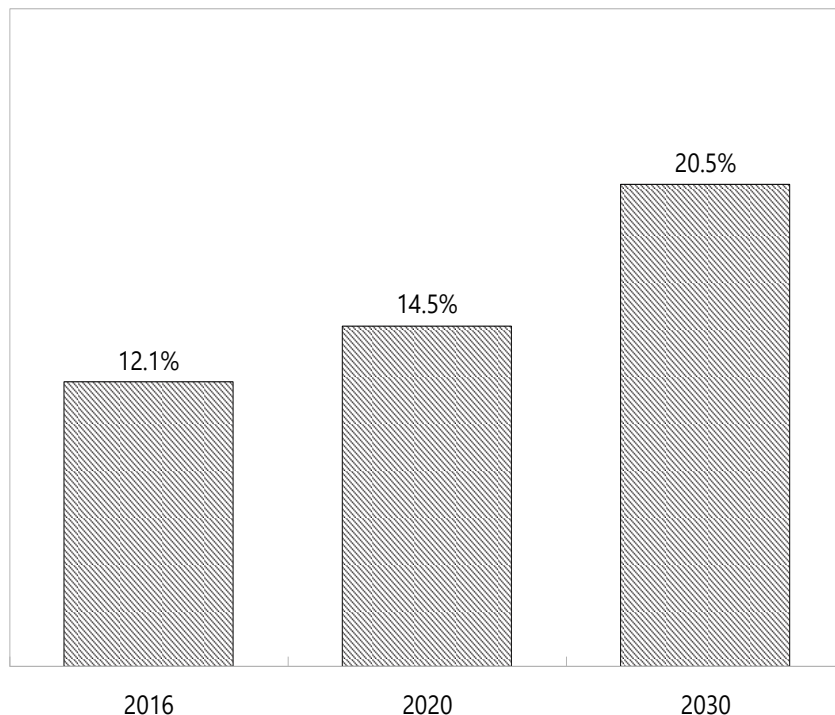
VAT	3.4
Increase rate to 15 percent	1.6
Remove exemptions and improve compliance	1.8
CIT and custom duties	0.9
Rationalize tax incentives	0.6
Improve efficiency	0.3
Excises (rate increase and base broadening)	1.0
Property tax	0.5
Other (education tax, FGN internal revenue)	0.7
Total	6.6

CHALLENGE

Turning A Growing Population into Human Capital

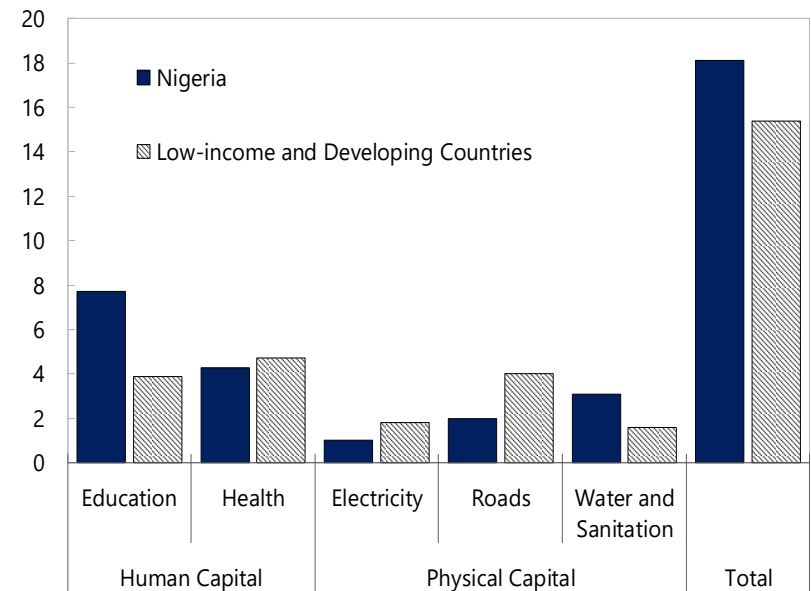
Create job-rich inclusive growth, invest in human capital

Nigeria: Share of World's Poort



Source:

Nigeria and Peers: Additional Spending Needed for SDG (Percent of GDP)¹



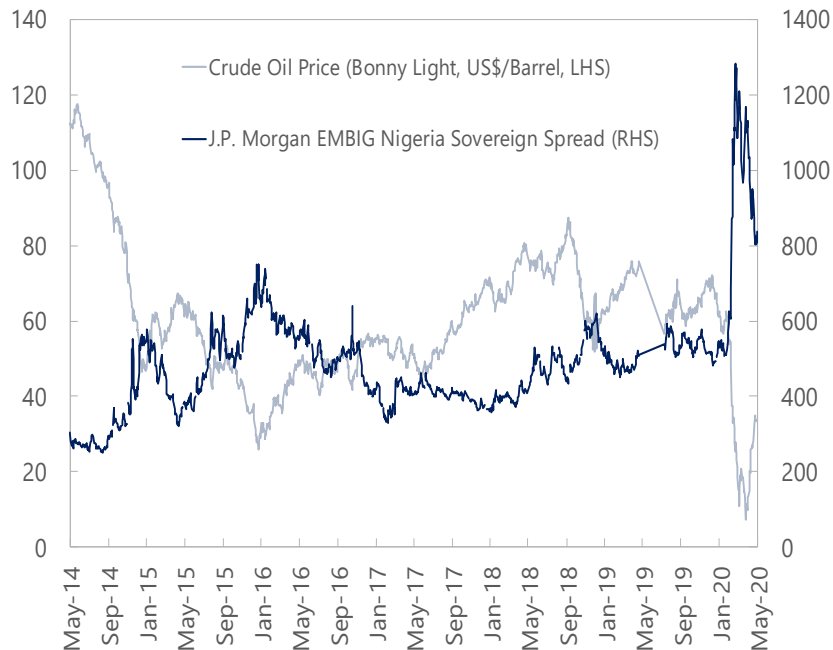
1/ Increase in annual spending needed by 2030 (education and health); or annual average spending needed to be accumulated until 2030 (physical capital)

CHALLENGE

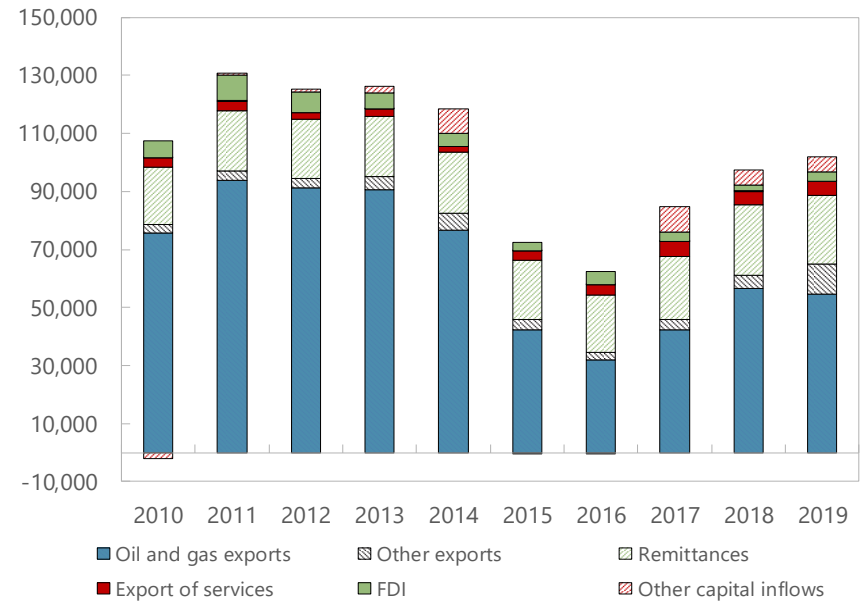
REDUCE DEPENDENCE ON OIL

Improve policy certainty and regulatory regime to help diversification

Oil price and sovereign spread



Nigeria: Sources of FX Inflows (in millions of USD)

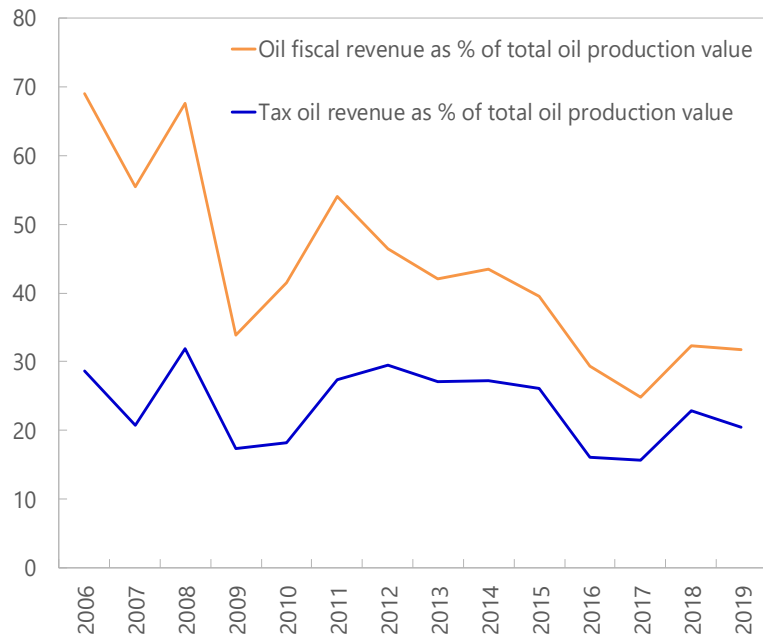


CHALLENGE

SAFEGUARD OIL WEALTH

Improve transparency, Reform oil fiscal regime

Fiscal revenues from oil production



Share of oil/gas exports in FX earnings

Country	Purpose	Size (\$bil)	Size per capita (\$/per person)	% of Budget (2020)	Pop (mil)
Norway	Stabilisation, Savings	1,186	228,076	3720	5.2
Angola	Savings, Development	3.49	135	17.8	25.8
Botswana	Stabilisation, Savings	4.1	1,782	80.1	2.3
Russia	Stabilisation, Saving	171.9	1,198	61.8	143.4
Kuwait	Stabilisation, Savings	592	148,000	718.7	4
Nigeria	Stabilisation, Savings, Development	1.5	8	2.9	186.9

THANK YOU
