

**EXECUTIVE
BOARD
MEETING**

SM/21/210
Supplement 2

January 27, 2022

To: Members of the Executive Board

From: The Secretary

Subject: **Nigeria—Staff Report for the 2021 Article IV Consultation—Revised Draft Press Release**

Board Action: Executive Directors' **consideration** (Formal)

Tentative Board Date: **Monday, January 31, 2022**

Additional Information: The press release has been revised to reflect the updated information provided in staff's statement (BUFF/22/1, 1/24/22).

Publication: Yes*

Questions: Ms. Rahman, AFR (ext. 36649)
Mr. Thomas, AFR (ext. 30350)

***Unless an objection from the authorities is received prior to the conclusion of the Board's consideration, the press release will be published.**



IMF Executive Board Concludes 2021 Article IV Consultation with Nigeria

FOR IMMEDIATE RELEASE

Washington, DC – [January dd, 2022]: The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation¹ with Nigeria.

The Nigerian economy is recovering from a historic downturn benefitting from government policy support, rising oil prices and international financial assistance. Nigeria exited the recession in 2020Q4 and output rose by 4.1 percent (y-o-y) in the third quarter, with broad-based growth except for the oil sector, which is facing security and technical challenges. Growth is projected at 3 percent for 2021. Headline inflation rose sharply during the pandemic reaching a peak of 18.2 percent y-o-y in March 2021 but has since declined to 15.6 percent in December helped by the new harvest season and opening of land borders. Reported unemployment rates (end 2020) are yet to come down but more recent COVID-19 monthly surveys show employment back at its pre-pandemic level.

Despite the recovery in oil prices, the general government fiscal deficit is projected to widen in 2021 to 5.9 percent of GDP, reflecting implicit fuel subsidies and higher security spending. Moreover, the consolidated government revenue-to-GDP ratio at 7.5 percent remains among the lowest in the world. After registering a historic deficit in 2020, the current account improved in 2021 and gross FX reserves have improved, supported by the IMF's SDR allocation and Eurobond placements in September 2021.

Notwithstanding the authorities' proactive approach to contain COVID-19 infection rates and fatalities and the recent growth improvement, socio-economic conditions remain difficult. Levels of food insecurity have risen and the poverty rate is estimated to have risen during the pandemic.

The outlook faces balanced risks. On the downside, low vaccination rates expose Nigeria to future pandemic waves and new variants, including the ongoing Omicron variant, while higher debt service to government revenues (through higher US interest rates and/or increased borrowing) pose risks for fiscal sustainability. A worsening of violence and insecurity could also derail the recovery. On the upside, the non-oil sector could be stronger, benefitting from its recent growth momentum, supportive credit policies, and higher production from the new Dangote refinery. Nigeria's ratification of the African Continental Free Trade Agreement could also yield a positive boost to the non-oil sector while oil production could rebound, supported by the more generous terms of the Petroleum Industry Act.

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

Executive Board Assessment²

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² At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.IMF.org/external/np/sec/misc/qualifiers.htm>.

Table 1. Nigeria: Selected Economic and Financial Indicators, 2018-22¹

	2018	2019	2020	2021	2022
	Projections				
(Annual percentage change, unless otherwise specified)					
National income and prices					
Real GDP (at 2010 market prices)	1.9	2.2	-1.8	2.6	2.7
Oil and Gas GDP	1.0	4.6	-8.9	-0.7	3.2
Non-oil GDP	2.0	2.0	-1.1	2.9	2.6
Non-oil non-agriculture GDP	2.0	1.8	-2.4	3.5	2.8
Production of crude oil (million barrels per day)	1.93	2.00	1.83	1.65	1.70
Nominal GDP at market prices (trillions of naira)	129.1	145.6	154.3	183.0	212.1
Nominal non-oil GDP (trillions of naira)	115.7	133.2	144.1	166.9	195.2
Nominal GDP per capita (US\$)	2,153	2,230
GDP deflator	10.2	10.4	7.8	15.6	12.9
Consumer price index (annual average)	12.1	11.4	13.2	15.9	14.3
Consumer price index (end of period)	11.4	12.0	15.8	14.9	13.8
Investment and savings					
(Percent of GDP)					
Gross national savings	20.5	21.4	24.7	26.8	26.2
Public	-1.1	-1.2	-2.2	-2.1	-2.3
Private	21.6	22.6	26.9	28.9	28.5
Investment	19.0	24.6	28.6	29.5	28.5
Public	3.0	3.0	2.5	3.2	3.1
Private	16.0	21.7	26.2	26.3	25.4
Current account balance	1.5	-3.3	-4.0	-2.8	-2.3
Consolidated government operations					
(Percent of GDP)					
Total revenues and grants	8.5	7.8	6.3	7.4	7.0
<i>Of which:</i> oil and gas revenue	2.8	4.4	2.2	3.0	2.6
Total expenditure and net lending	12.8	12.5	12.0	13.7	13.4
<i>Of which:</i> fuel subsidies	0.5	0.4	0.1	1.0	0.5
Overall balance	-4.3	-4.7	-5.7	-6.3	-6.4
Non-oil primary balance	-7.2	-6.7	-5.8	-7.3	-6.7
Non-oil revenue	4.0	4.1	4.1	4.3	4.3
Public gross debt ²	27.7	29.2	34.5	36.0	37.5
<i>Of which:</i> FGN debt	25.0	26.5	31.0	32.1	33.4
<i>Of which:</i> External debt	6.4	6.2	8.2	8.8	8.8
FGN interest payments (percent of FGN revenue)	60.8	54.9	88.8	85.5	92.6
Interest payments (percent of consolidated revenue)	19.9	21.4	33.5	29.0	32.8
Money and credit					
(Change in percent of broad money at the beginning of the period, unless otherwise specified)					
Broad money (percent change; end of period)	15.0	6.4	13.5	16.5	18.3
Net foreign assets	3.0	-18.0	3.4	1.4	-0.2
Net domestic assets	12.0	24.5	10.2	15.1	18.5
o/w Claims on consolidated government	5.1	16.2	7.2	16.1	17.3
Credit to the private sector (y-o-y,%)	-11.9	23.5	15.8	21.6	8.6
Velocity of broad money (ratio; end of period)	3.5	3.8	3.6	3.6	3.5
External sector					
(Annual percentage change, unless otherwise specified)					
Exports of goods and services	29.9	5.9	-42.9	41.8	-1.2
Imports of goods and services	40.6	40.7	-28.4	18.5	0.1
Terms of trade	13.3	-5.9	-20.0	20.7	-1.9
Price of Nigerian oil (US dollar per barrel)	71.6	64.0	42.3	66.9	65.9
External debt outstanding (US\$ billions) ³	99.9	102.3	105.5	111.6	117.8
Gross international reserves (US\$ billions)	42.8	38.1	36.5	36.4	35.5
(equivalent months of imports of G&S)	5.1	6.3	5.1	5.1	5.1

Sources: Nigerian authorities; and IMF staff estimates and projections.

¹ Historical data up to date as of December 15, 2021.

² Gross debt figures for the Federal Government and the public sector include overdrafts from the Central Bank of Nigeria (CBN). External debt figures are based on currency of issuance.

³ Includes both public and private sector.