

January 24, 2022

**Statement by the Staff Representative on Nigeria
Executive Board Meeting
January 31, 2022**

- 1. This statement provides a factual update on developments since the issuance of the staff report on December 16, 2021.** The additional information does not change the thrust of the staff appraisal.
- 2. Since its first detection in Nigeria in November, the Omicron variant of the COVID-19 pandemic appears to have passed its peak** with new cases falling to below 300 per day as of January 17 compared to a peak of over 6000 on December 22 (Johns Hopkins University data). The authorities are actively encouraging increased vaccination and are considering producing the vaccine domestically. As of January 11, less than 3 percent of the population have been vaccinated, compared to a median of 8 percent in Sub-Saharan Africa.
- 3. More robust than projected non-oil growth, notwithstanding lower oil output, has led to an upward revision in real GDP growth for 2021 to 3 percent.** Nigerian oil output continued to decline through the fourth quarter of 2021, with daily oil production excluding condensates at 1.2 million barrels per day, down from a peak of 1.4 million barrels in the first quarter, and below the Organization of Petroleum Exporting Countries (OPEC) quota of 1.67 million barrels. Including condensates, oil and gas production amounted to 1.5 million barrels per day in the last quarter compared to 1.6 million barrels in the previous quarter. The decline in petroleum production is associated with continued security issues, especially in the Niger delta area. The non-oil sector continued to show robust growth through 2021Q4. The Stanbic purchasing manager's index rose by 1.4 units in December to 56.4 with manufacturing recording the strongest improvement and all 8 output indicators in expansion territory. The index is now at its highest level since late 2019. The staff projection of 2022 real growth remains unchanged at 2.7 percent, balancing possible higher non-oil growth from the current momentum against ongoing weaknesses in the oil sector.
- 4. Lower than projected fiscal expenditures (January-November data) and imports (Q1-Q3 data) are likely to result in lower fiscal and current account deficits for 2021.** Staff estimates the 2021 overall fiscal deficit to be 5.9 percent of GDP compared to 6.3 percent in the staff report, mostly reflecting lower current spending. The current account deficit is estimated to be around 2.4 percent of GDP compared to 2.8 percent in the staff report although there are considerable uncertainties regarding the revised estimate given diverging trade statistics between the Central Bank of Nigeria and the National Bureau of Statistics. These developments do not alter staff's assessment of Nigeria's external position presented in the report.

5. End-December 2021 CPI inflation at 15.6 percent (year over year) was higher than anticipated in the staff report (14.9 percent). The higher inflation is mostly due to food inflation experiencing an uptick in December possibly reflecting higher demand during the holiday season as well as further uptick in some sub-components of the index (alcoholic beverages and housing and utilities).