FOR INFORMATION

SM/23/16
Supplement 2

February 7, 2023

To: Members of the Executive Board

From: The Secretary

Subject: **Nigeria—Staff Report for the 2022 Article IV Consultation—Revised Draft Press Release**

Board Action:	Executive Directors' **information**
Additional Information:	The text and table have been revised to ensure consistency with the updates in the staff statement (BUFF/23/5, 1/31/23) and incorporate some minor editorial changes.
Publication:	Yes, after Tuesday, February 7, 2023
Questions:	Ms. Rahman, AFR (ext. 36649)

PRESS RELEASE

PR[23/XX]

IMF Executive Board Concludes 2022 Article IV Consultation with Nigeria

FOR IMMEDIATE RELEASE

Washington, DC: On February 6, 2023, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with Nigeria.

Nigeria's economy has recouped the output losses sustained during the COVID-19 pandemic supported by favorable oil prices and buoyant consumption activities. Gross domestic product (GDP) adjusted for inflation has already reached its pre-crisis level and the third quarter of 2022 marked the eighth consecutive quarter of positive growth—despite continued challenges in the oil sector. Growth is estimated at 3 percent for 2022.

Headline inflation declined in December 2022 for the first time in 11 months, but at 21.3 percent remains high—driven by elevated international food prices, large parallel market premiums and monetary policy accommodation. While the Central Bank of Nigeria raised the Monetary Policy rate (MPR) by a cumulative 500 basis points in 2022 and another 100 bps in January 2023, inflation remains above the MPR.

Despite rising oil prices, the general government fiscal deficit is estimated to have widened further in 2022, mainly due to high fuel subsidy costs. While the current account is estimated to have improved in 2022, foreign currency reserves declined amidst capital outflow pressures.

Notwithstanding the authorities' success in containing and managing the COVID-19 infections, socio-economic conditions remain difficult. The spillover effects of the war in Ukraine, which have been transmitted mainly through higher domestic food prices, worsened the scarring effects of the pandemic, particularly on the most vulnerable—with Nigeria being among the countries with the lowest food security.

The near-term outlook faces downside risks, while there are upside risks in the medium term. Higher international food and fertilizer prices and continued widening of the parallel market premium could culminate in the de-anchoring of inflation expectations. The oil sector faces downside risks from possible production and price volatility, while climate-related natural disasters (e.g., floods) pose the same risks to agricultural production. Further widening in sovereign premia could increase debt servicing costs. In the medium term, there are upside risks from a potential stronger reform momentum and a larger-than-expected rebound in oil and gas production.

[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 Assessment[2]

<   >

[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, 2020–23[1]

	2020	2021	2022	2023
			Projections	
(Annual percentage change, unless otherwise specified)				
National income and prices				
Real GDP (at 2010 market prices)	-1.8	3.6	3.0	3.2
Oil and Gas GDP	-8.9	-8.3	-8.2	5.6
Non-oil GDP	-1.1	4.7	3.8	3.0
Non-oil non-agriculture GDP	-2.4	5.7	4.5	3.7
Production of crude oil (million barrels per day)	1.77	1.62	1.42	1.51
Nominal GDP at market prices (trillions of naira)	154.3	176.1	206.6	235.8
Nominal non-oil GDP (trillions of naira)	144.1	166.4	193.7	223.8
Nominal GDP per capita (US$)	...	...	...	...
GDP deflator	7.8	10.1	14.0	10.6
Consumer price index (annual average)	13.2	17.0	18.8	17.4
Consumer price index (end of period)	15.8	15.6	21.3	15.1
Investment and savings	(Percent of GDP)			
Gross national savings	23.0	25.2	23.4	21.3
Public	-2.1	-2.4	-2.7	-1.7
Private	25.2	27.6	26.1	23.0
Investment	26.7	25.6	23.3	21.6
Public	2.5	3.2	3.0	3.4
Private	24.3	22.4	20.2	18.2
Current account balance	-3.7	-0.4	0.1	-0.3
Consolidated government operations	(Percent of GDP)			
Total revenues and grants	6.5	7.3	8.4	8.9
Of which: oil and gas revenue	2.4	2.8	3.6	4.0
Total expenditure and net lending	12.1	13.3	14.6	14.5
Of which : fuel subsidies	0.1	1.1	2.2	1.3
Overall balance	-5.6	-6.1	-6.2	-5.6
Non-oil primary balance	-5.9	-6.4	-7.5	-7.2
Non-oil revenue	4.1	4.5	4.8	4.9
Public gross debt2	34.5	36.5	37.3	38.2
Of which : FGN debt	31.0	32.5	32.9	33.6
Of which: External debt	8.2	9.0	8.7	8.2
FGN interest payments (percent of FGN revenue)	86.1	87.8	96.3	82.0
Interest payments (percent of consolidated revenue)	32.5	32.7	28.2	27.4
Money and credit	(Change in percent of broad money at the beginning of the period, unless othewise			
Broad money (percent change; end of period)	11.6	14.2	20.3	20.5
Net foreign assets	8.7	0.9	-4.0	1.0
Net domestic assets	3.0	13.3	24.4	19.5
o/w Claims on consolidated government	4.6	7.1	16.8	14.9
Credit to the private sector (y-o-y,%)	15.8	25.9	25.0	13.8
Velocity of broad money (ratio; end of period)	3.7	3.7	3.6	3.4
External sector	(Annual percentage change unless otherwise specified)			
Exports of goods and services	-42.9	27.1	39.5	-9.6
Imports of goods and services	-28.4	-8.4	21.0	-3.3
Terms of trade	-19.6	22.6	13.9	-7.1
Price of Nigerian oil (US dollar per barrel)	43.3	70.8	100.5	88.6
External debt outstanding (US$ billions) [3]	105.0	111.9	115.8	121.6
Gross international reserves (US$ billions)	36.5	40.2	36.9	37.5
(equivalent months of imports of G&Ss)	6.6	6.0	5.7	6.2

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

1 Historical data up to date as of January 15, 2023.

[2]Gross debt figures for the Federal Government and the public sector include overdrafts from the Central Bank of Nigeria. External debt is based on currency of issuance.

[3]Includes both public and private sector.