EXECUTIVE BOARD MEETING

SM/18/33
Supplement 2

February 28, 2018

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Nigeria—Staff Report for the 2018 Article IV Consultation—Supplementary Information**

Board Action:	Executive Directors' **consideration** (Formal)
Tentative Board Date:	**Friday, March 2, 2018**
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Questions:	Mr. Mati, AFR (ext. 37797)
Document Transmittal in the Absence of an Objection and in accordance with Board policy:	Forthwith—WTO After Board Consideration—African Development Bank, Organisation for Economic Cooperation and Development

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

INTERNATIONAL MONETARY FUND

NIGERIA

February 28, 2018

STAFF REPORT FOR THE 2018 ARTICLE IV CONSULTATION—SUPPLEMENTARY INFORMATION

Prepared By The African Department

This supplement reports on the latest economic and policy developments since the Staff Report was issued to the Board. These developments do not alter the thrust of the staff appraisal.

1. **GDP growth outturn in 2017 was in line with expectations, albeit with some change in composition.** The latest estimates from the National Bureau of Statistics, published on February 27, indicate that real GDP expanded by 1.9 percent y-o-y in the fourth quarter of 2017, mainly driven by the oil sector (+8.4 percent) and agriculture (+4.2 percent). During the same period, the non-oil non-agricultural sector grew by 0.4 percent y-o-y, the first quarter of positive y-o-y growth after seven quarters of contraction. Based on these outcomes, real GDP grew by 0.8 percent in 2017 (in line with staff projections), although the composition differed somewhat, with non-oil growth coming in stronger (0.5 percent vs. 0.2 in staff's estimate), and oil growth lower (from 7.6 to 4.8 percent). These revisions have no significant impact on staff's projections for 2018 and beyond.

2. **Headline inflation continues to decline**, easing to 15.1 percent year-on-year in January, from 15.4 percent in December 2017. The decline was mostly the result of lower food inflation, which fell to 18.9 percent from 19.4 percent in December 2017. Looking at the rest of the inflation basket, most sub categories reported slightly higher inflation, except for clothing, utilities and restaurants.

3. **The authorities successfully launched a $2.5 billion Eurobond issuance on February 15, 2018**. The issuance was undertaken in dual tranches, each comprising $1.25 billion with 12-year and 20-year maturity and attracted significant interest from leading global institutional investors with a peak order book of over $11.5 billion (4.5 times oversubscribed). Pricing was favorable compared with a year ago, with the 12 year and 20 year pricing 435 and 455 basis points (bps) above US Treasuries, respectively, in comparison to the 15 year note issued February 2017 that priced at a spread of 548 bps.

4. Reserve accumulation is continuing apace. Foreign exchange reserves amount today to $45.2 billion, after receipt of the Eurobond proceeds. This accumulation follows regular CBN purchase of foreign exchange in the Investor and Exporters window, with CBN purchases in that window since August amounting to $6 billion. Foreign investors' purchases in debt markets have picked up, with non-resident holdings now amounting to $10 billion (from $6 billion at end-December 2017).

5. The CBN issued a new circular prohibiting banks with low solvency ratios or high NPLs from paying a dividend, which is in line with staff advice. This will be necessary to help prop up banks' capital buffers in an environment of rising non-performing loans.

6. The Economic Recovery and Growth Plan is attracting investors' interest. Workshop labs in various sectoral areas have resulted in expressions of interest that already amount to $25 billion in possible investments.