



**AFRICAN  
DEPARTMENT**



# **An Unprecedented Threat to Development**

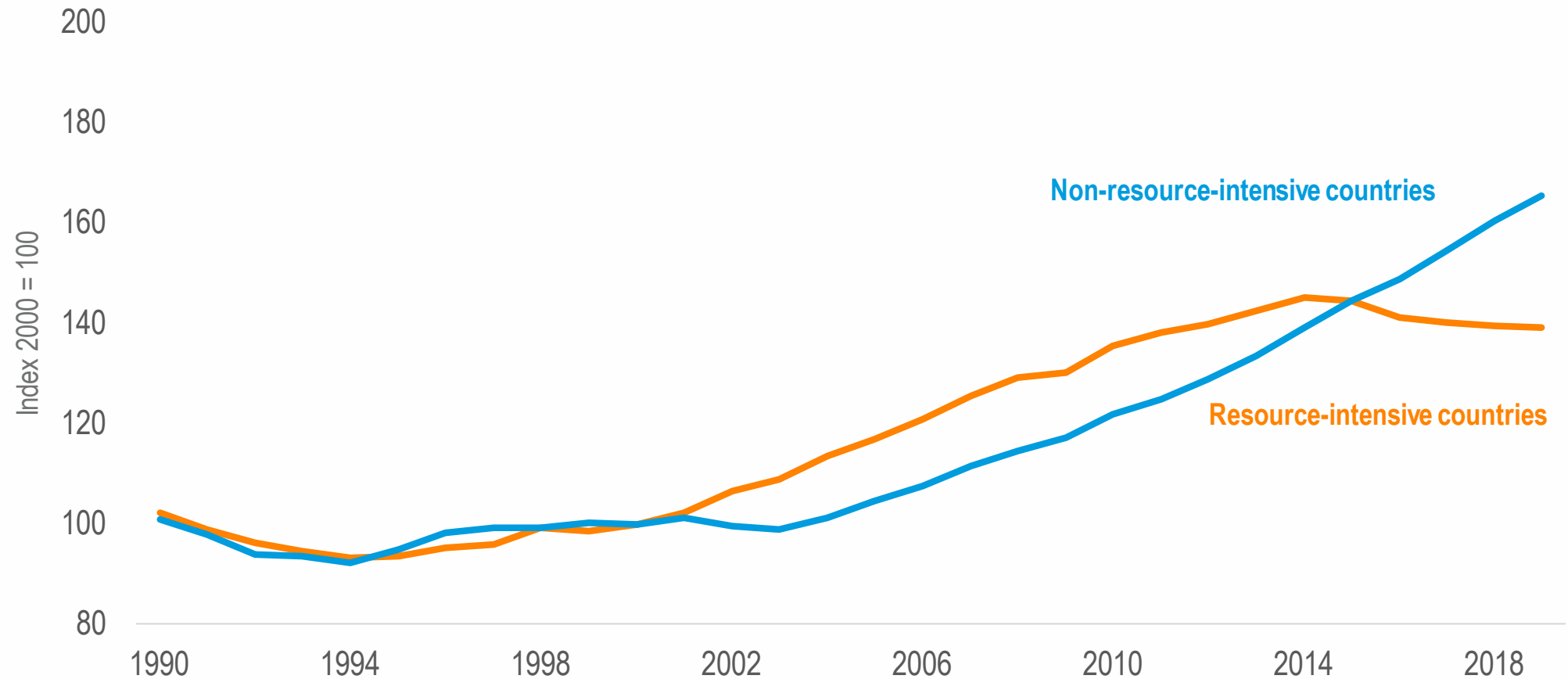
**AFRICA INSTITUTE WEBINAR**

**MAY 13 2020**

Jesmin Rahman  
IMF Mission Chief for Nigeria

# Prior to the crisis, steady progress with some bifurcation since 2014

## Real GDP per Capita

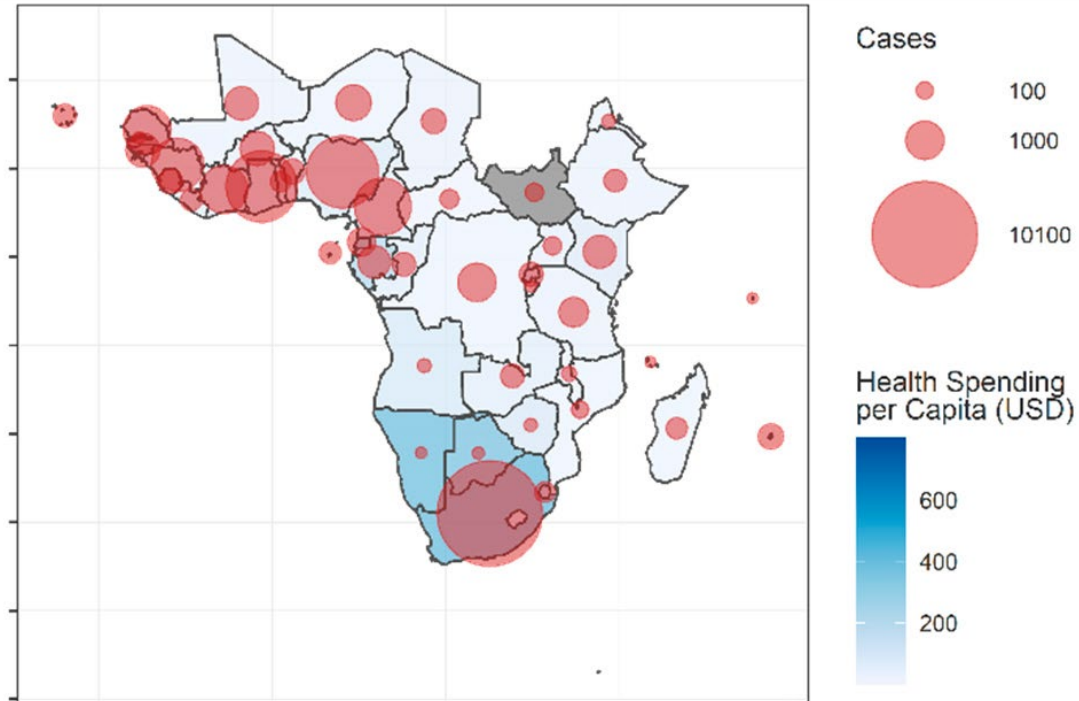


Source: IMF, World Economic Outlook database.

# The fast spreading COVID-19 looks set to upend progress

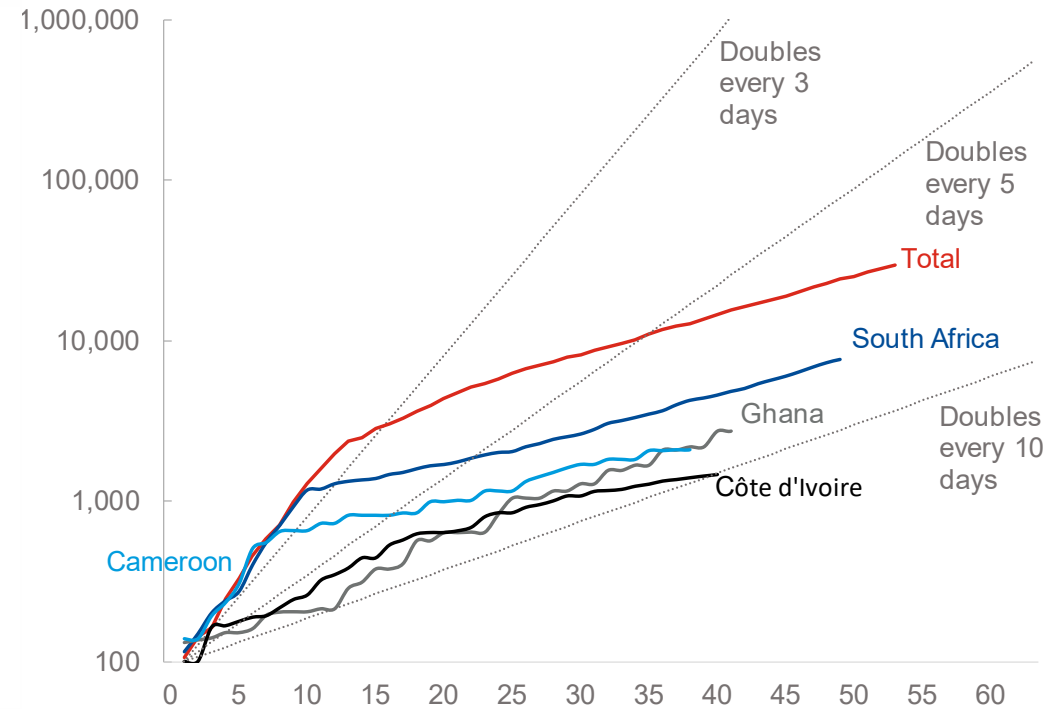
## Confirmed COVID-19 Cases

Monday May 10, 2020. Total Cases: 37,368



## Cumulative Cases. Select Countries

(log scale)

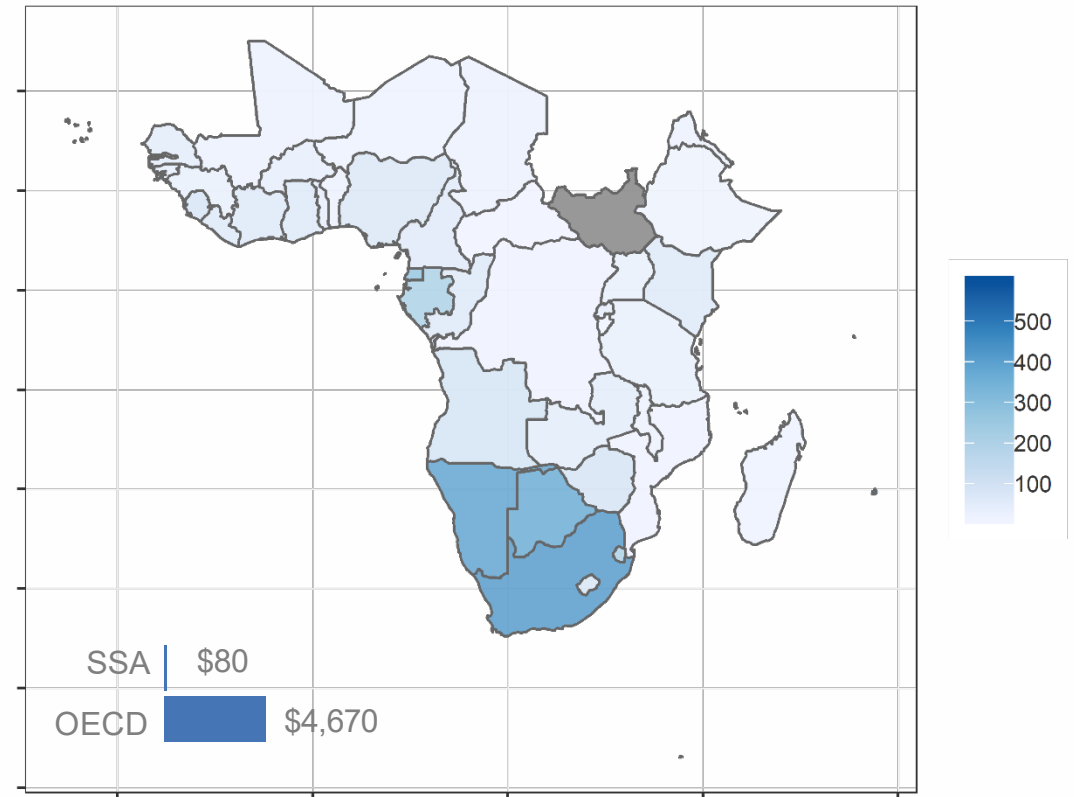


Source: WDI, Johns Hopkins CSSE Website, IMF staff calculations.

# The region is ill-prepared to cope with this shock

- Limited health care capacity
- Social distancing often not feasible
- High share of informal day-workers
- Stretched safety nets

**SSA Health Care Capacity**  
(health spending per capita, US dollars)

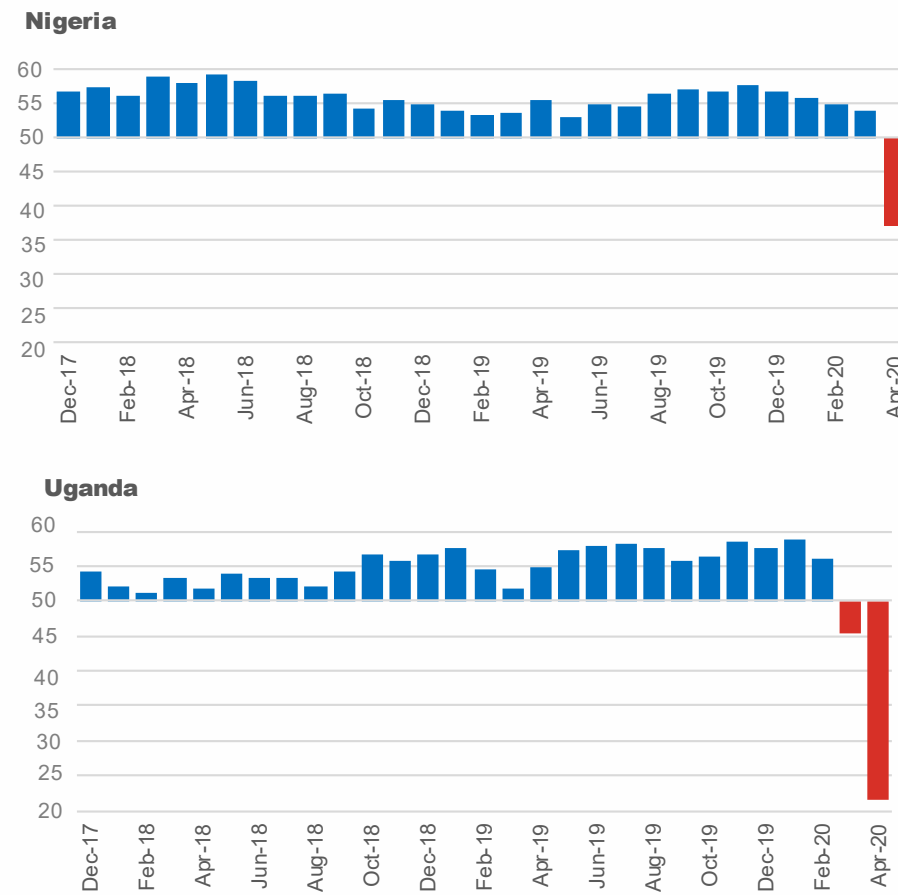
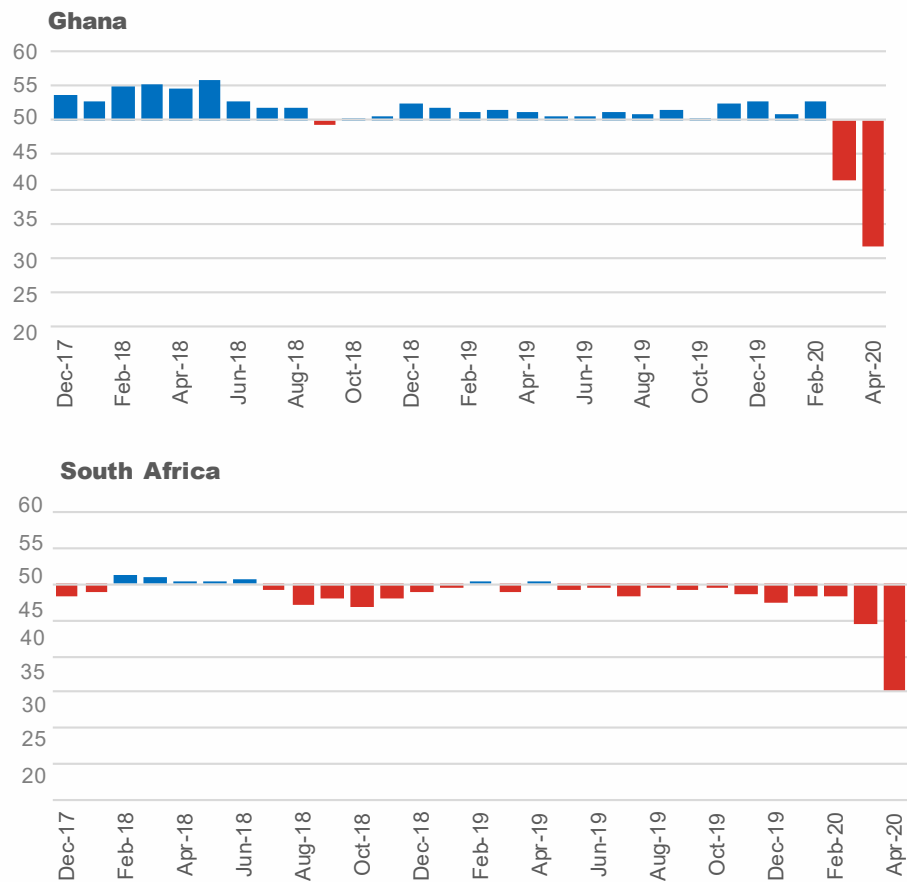


Source: World Bank WDI Indicators, latest available; IMF staff calculations.

# The economic impact is already being felt

## Purchasing Managers Index. Selected Countries, 2017-20

(Diffusion Index, <50 = contraction)

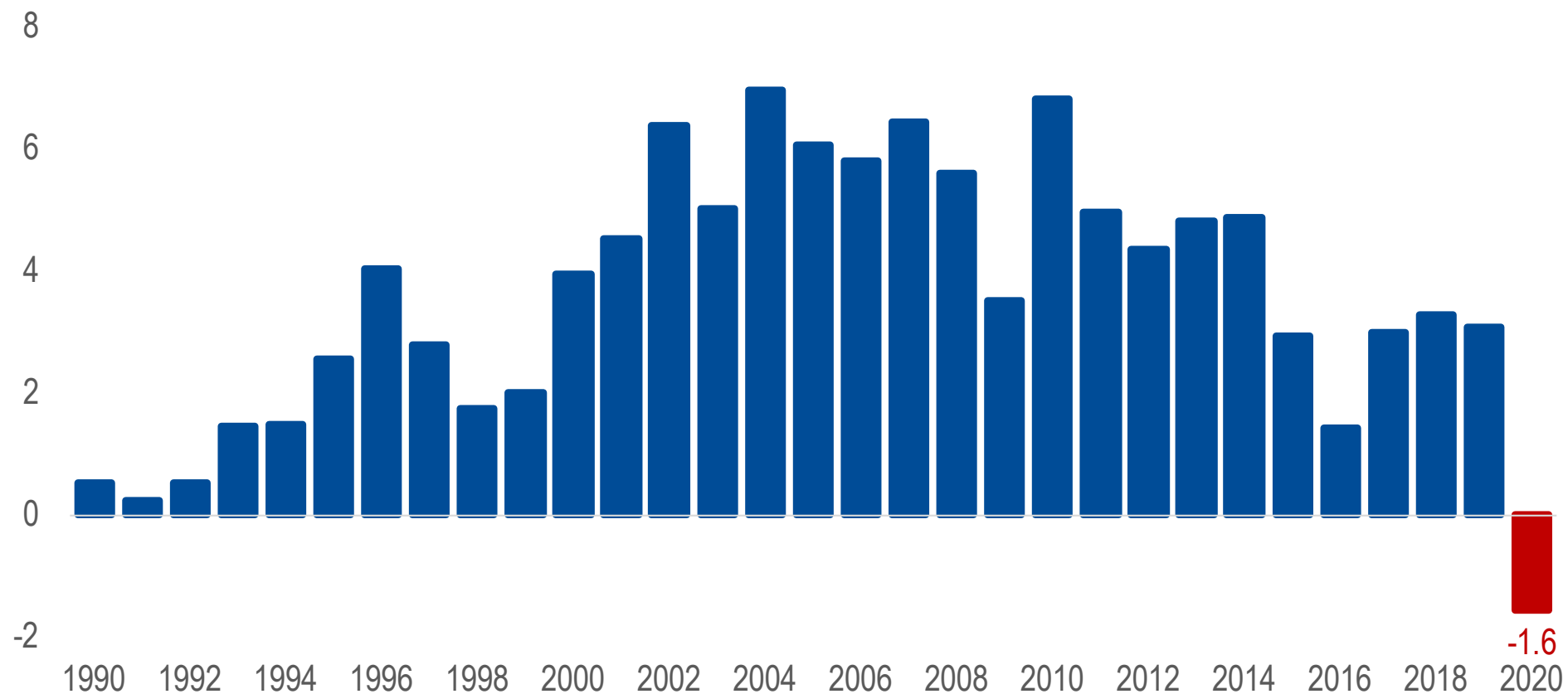


Source: Haver, IMF staff calculations.

# Consequently, output is set to contract by around 1½ percent in 2020—the worst reading on record

## Real GDP Growth

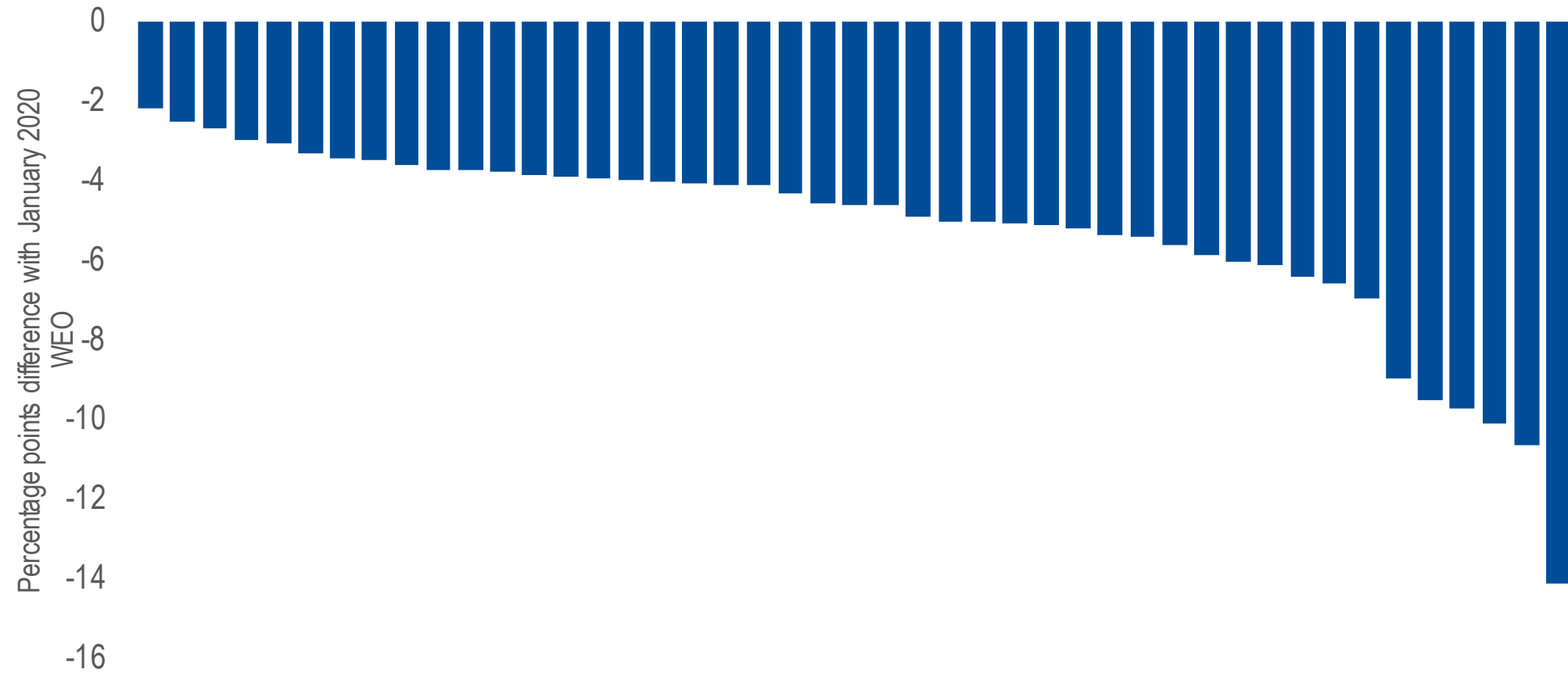
(percent)



Source: IMF, World Economic Outlook database.

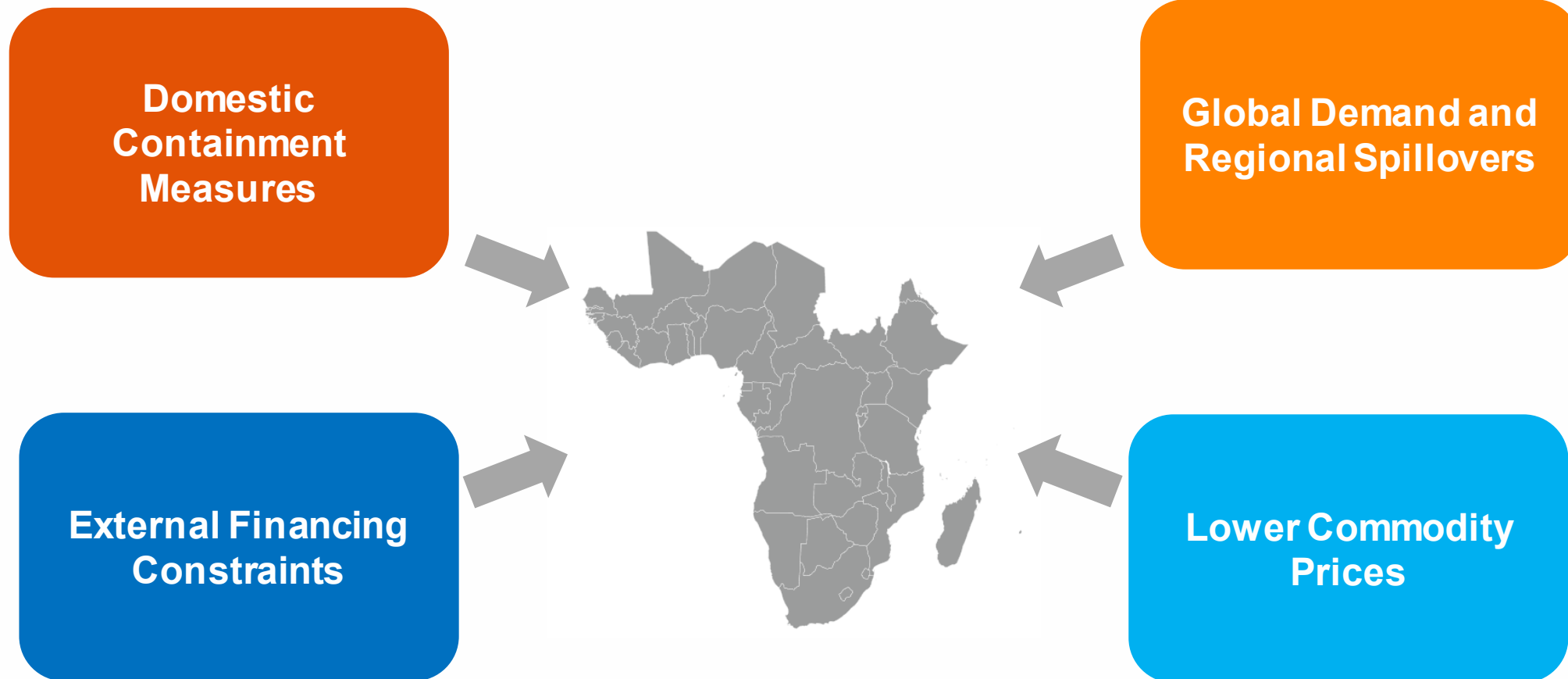
# Unlike previous crises, no country will be spared this time

## Real GDP Growth Revisions



Source: IMF, World Economic Outlook database.

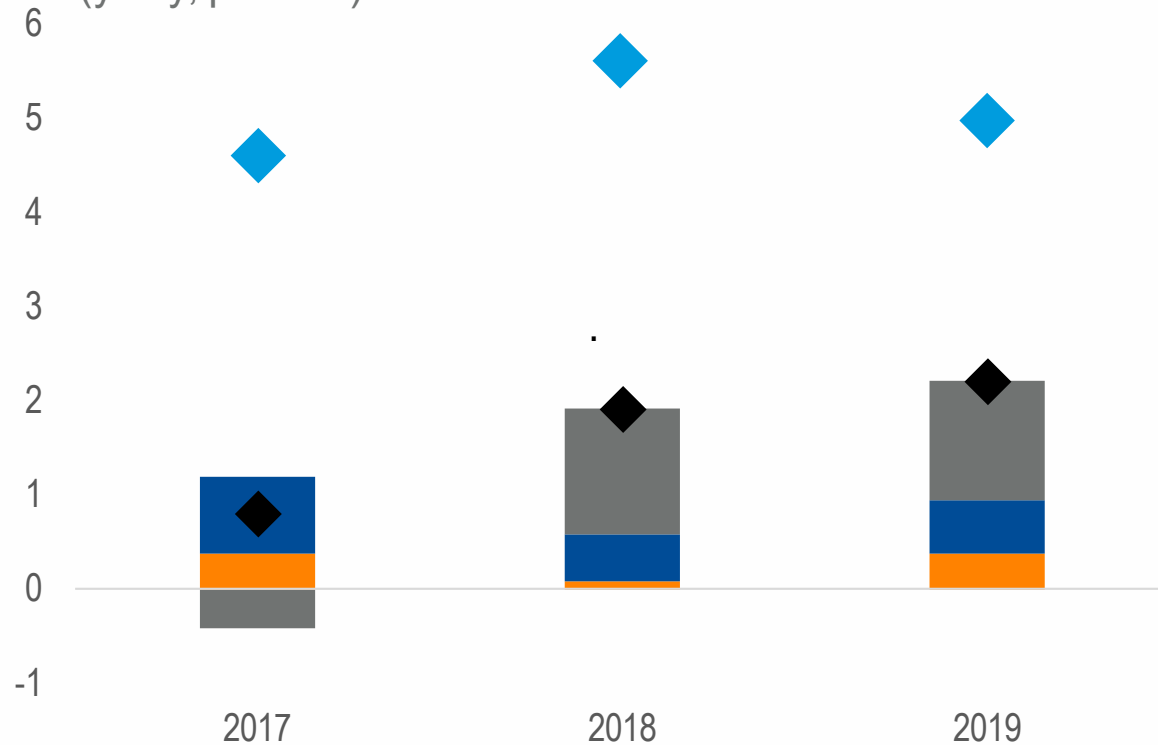
# Four main channels through which the region's economies are being impacted



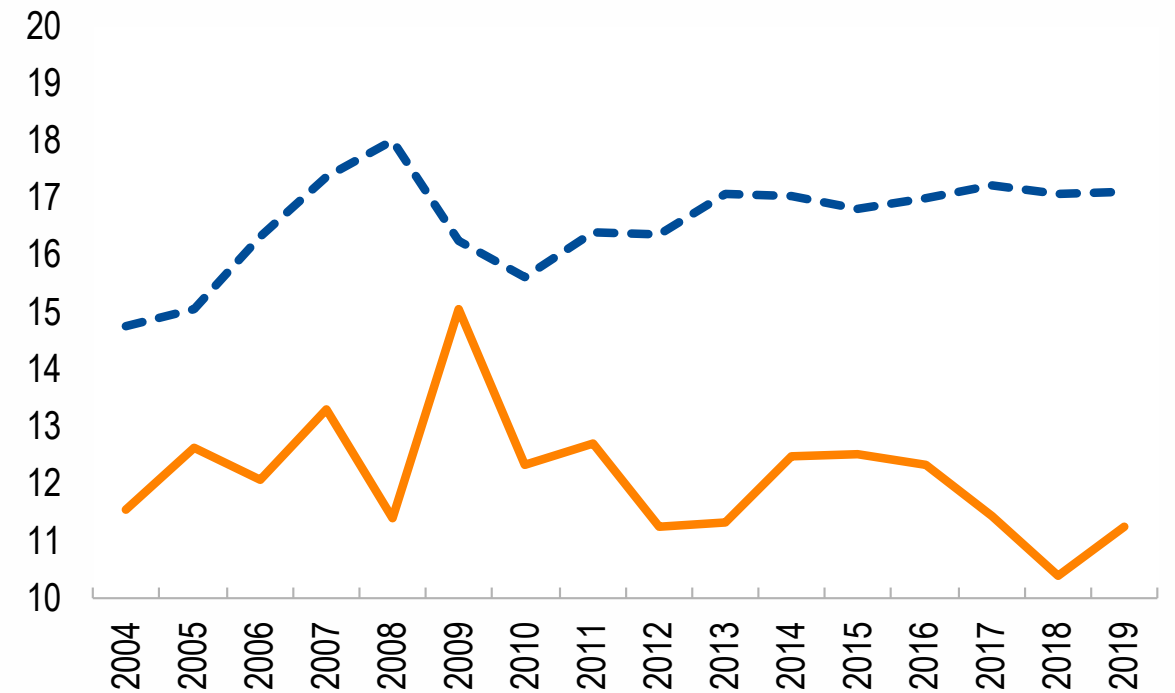


# Nigeria entered the crisis with pre-existing vulnerabilities: low growth, low private investment...

**Real GDP Growth: Supply Side Decomposition**  
(y-o-y, percent)



**Selected Emerging Economies: Private Investment**  
(Percent of GDP)



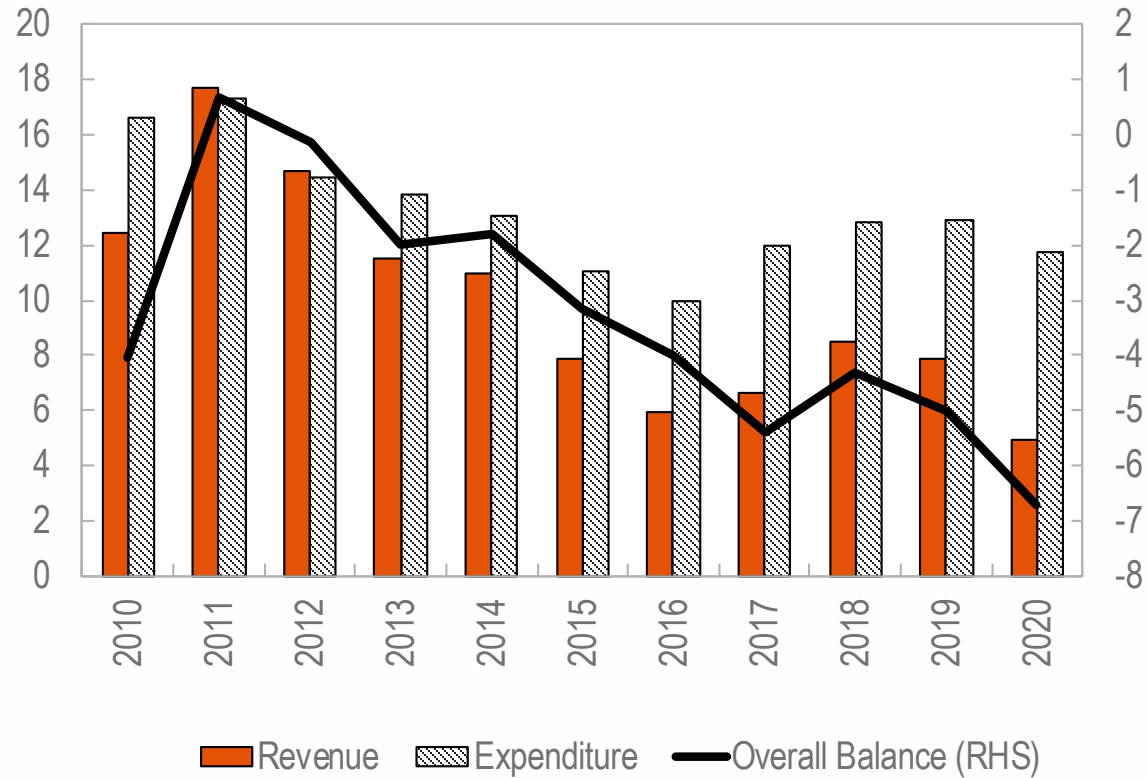
Oil Agriculture Non-oil, non-agriculture Overall EM Average Growth

Nigeria Emerging Markets median

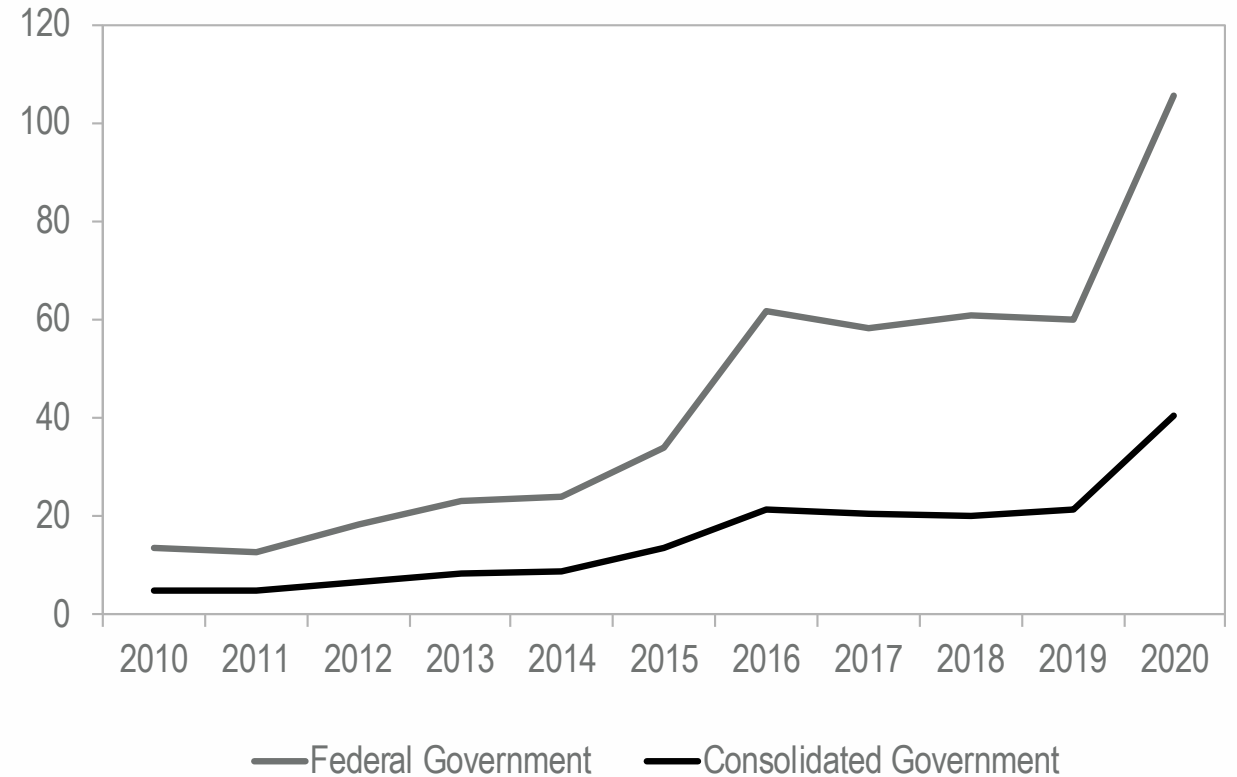
Sources: IMF World Economic Outlook. Emerging economies include: Argentina, Brazil, Chile, China, Colombia, Egypt, Hungary, India, Indonesia, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Russia, South Africa, Thailand, Turkey, United Arab Emirates

# ...and severely constrained fiscal space

**Consolidated Government Fiscal Aggregates**  
(Percent of GDP)



**Interest to Revenue Ratios, 2010-2020**  
(Percent)



Sources: Nigerian Authorities, Debt Management Office and IMF staff calculations.

# Not surprisingly, the crisis has had a major impact

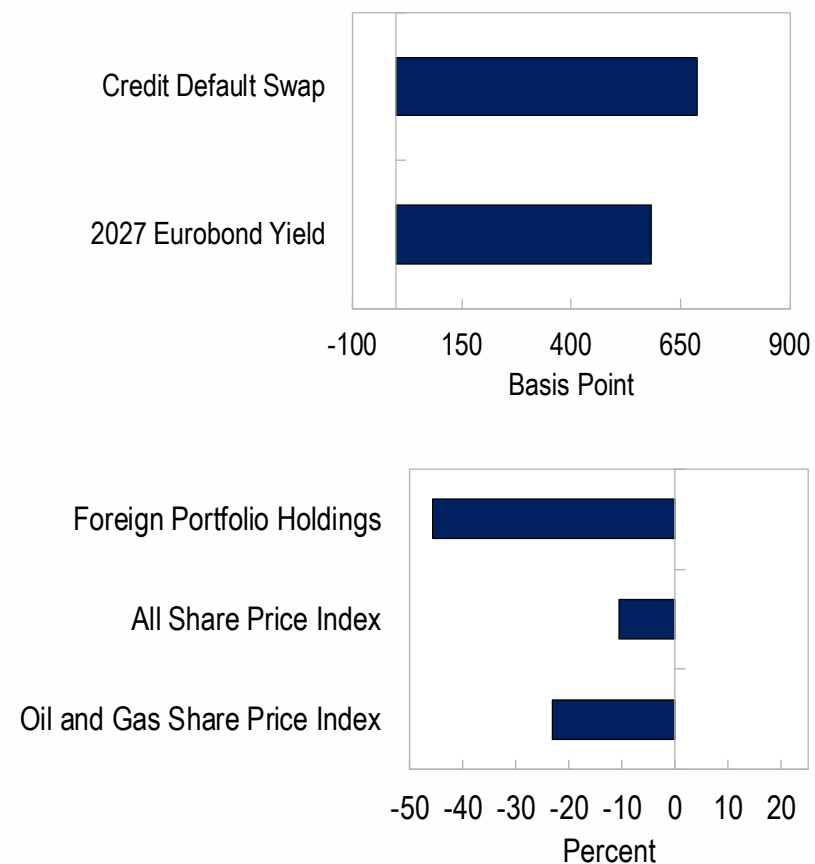
## Nigeria: COVID-19 Macroeconomic Impact 2020

	Pre-COVID/1	RFI
<b>National income and prices</b> (Percent increase)		
Real GDP (at 2010 market prices)	2.5	-3.4
Consumer price index (end of period)	13.0	13.9
<b>Consolidated government operations</b> (Percent of GDP)		
Total revenues and grants	8.5	4.9
Total expenditure and net lending	13.1	11.7
Overall balance	-4.6	-6.8
<b>External sector</b>		
Current account balance (Percent of GDP)	-1.1	-3.3
Gross international reserves (US\$ billions)	36.0	25.3
(equivalent months of imports of G&Ss)	4.8	3.8

Source: Nigerian authorities; and IMF staff estimates.

1/ January 2020 WEO Update

## Nigeria: Selected Market Indicators (Cumulative change since January 1, 2020)



Sources: Central Bank of Nigeria, Bloomberg, Datastream, FMDQ.

# The government has taken significant measures

<b>Nigeria: Federal Fiscal Measures in Response to COVID-19)</b>		
	(Billion Naira)	(% GDP)
<b>Health spending</b>	500	0.22
FG current spending	180	0.12
Medical supplies for health facilities and isolation centers		
Testing kits and training of medical personnel		
Grant to pharmaceutical companies to increase production		
FG support to States for medical supplies		
FG capital spending (medical facilities and equipment)	170	0.11
Upgrade of healthcare facilities		
Expansion of isolations centers		
COVID-19 Fund support for health spending in States	150	0.10
<b>Fiscal relief measures</b>		
Import duty waivers for medicines and medical goods		
Income tax relief equal to a 50% rebate on PAYE payments		
Conditional cash transfer to the households on the social register	72	0.05
Expansion of social register from 2.6m to 3.6m households		
Continuation of school feeding programs even with school closures		
IDPs to receive 2 months' food rations		
Creation of the Special Public Works Program		

# The country is facing large fiscal financing needs

- Revenues projected to be little more than half of pre-COVID-19 projections
- Large increase in deficit despite removal of fuel subsidies
- Financing coming from domestic sources and IFIs
- May need more measures/support if weak outlook for oil continues

## Nigeria: Gross Fiscal Financing Needs 2020

(Billions of Naira)

	Pre-COVID/1	RFI
Total revenue and Grants	13,790	7,722
Total expenditure	21,242	18,279
Overall balance	-7,452	-10,557
Principal repayment	-3,866	-3,933
Gross financing needs	-11,318	-14,490

Sources: Nigerian authorities; and IMF staff estimates.

1/ January 2020 WEO Update

**Thank You**