



Nigeria: Macroeconomic Developments and Outlook

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Stanbic IBTC Investors Forum



Outline

- Global Economic Developments and Outlook
- Sub-Saharan Africa: Economic Developments and Outlook
- Nigeria: Economic Developments and Outlook
- Main Policy Recommendations



Outline

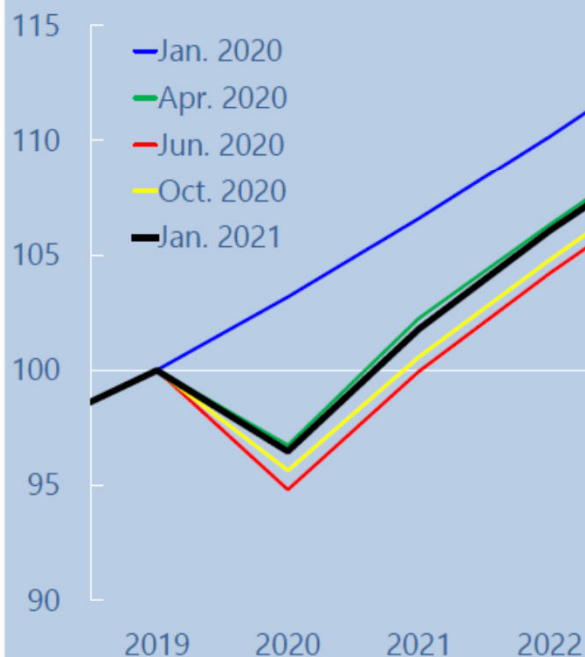
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Dark winter but light at the end of the tunnel

Output

Incomplete recovery



Risks

Tremendous uncertainty

- **Upside:** More vaccine success; additional fiscal support
- **Downside:** delays in vaccinations, virus mutations, stronger lockdowns, tighter financial conditions
- Geopolitical tensions and social unrest could escalate
- Prolonged decline in activity leads to scarring

Policies

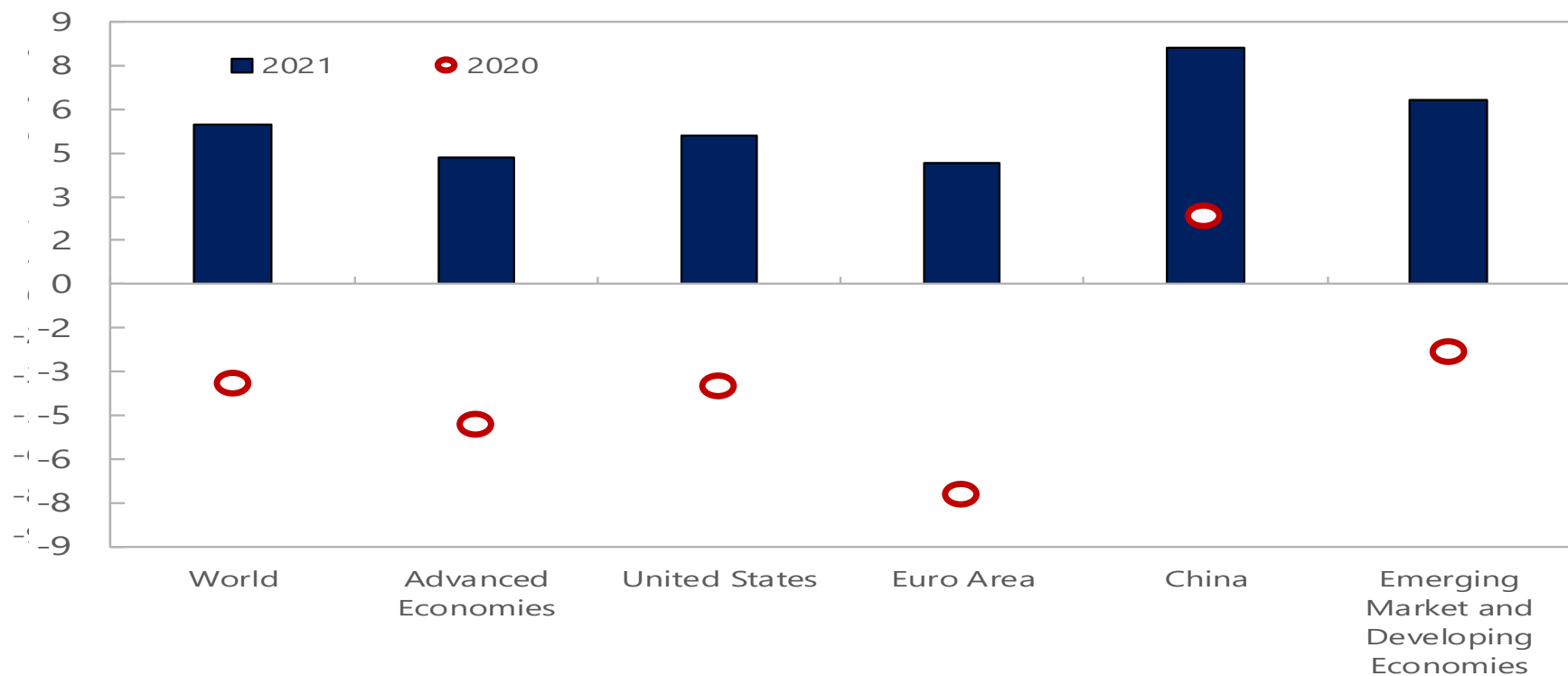
Ensure a sustained recovery

- Accelerate universal vaccine rollout
- Avoid premature withdrawal of lifelines where contagion is high. Gradually shift to support reallocation of resources.
- Fiscal and monetary support should be maintained where debt sustainability and inflation are not at risk
- Foster inclusive, green recovery
- International support for vulnerable economies



Strong rebound in global GDP growth

2021 growth projections (annual percentage change)



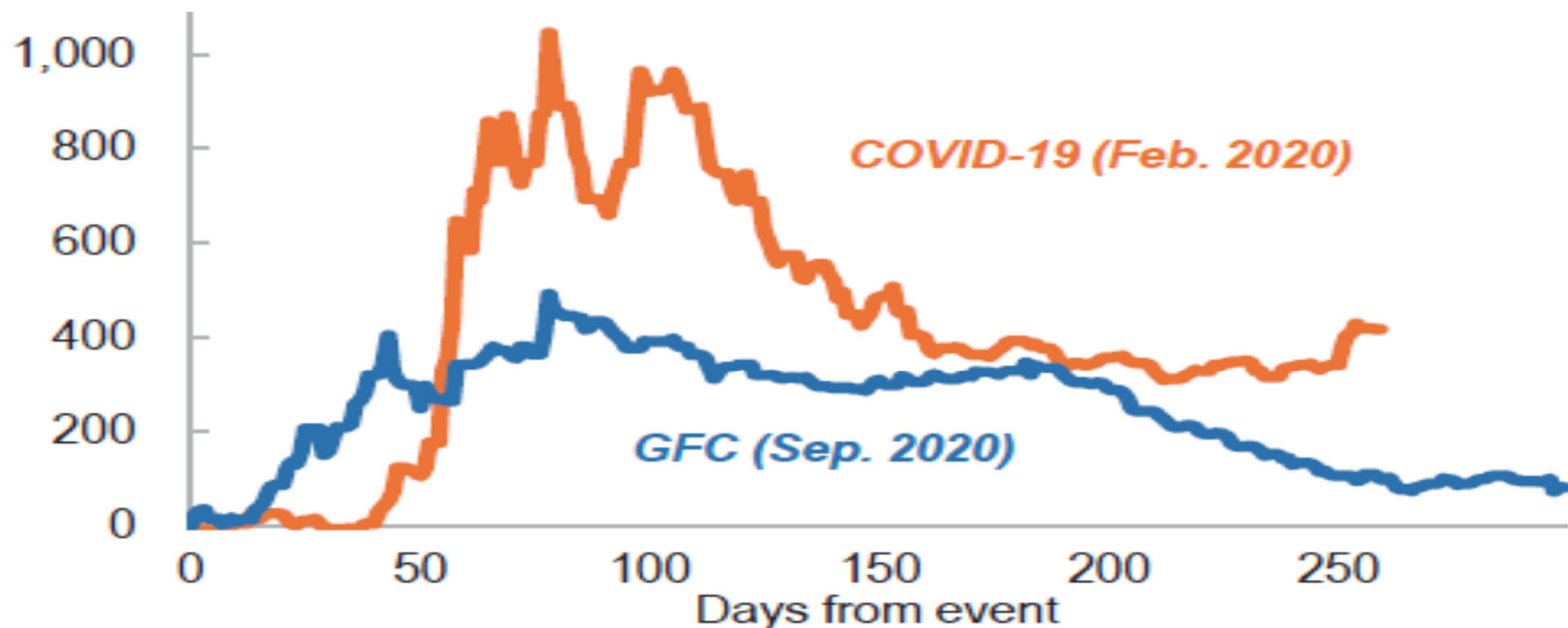


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Financial Conditions have improved (SSA Bond Index Spread vs. US Benchmark)

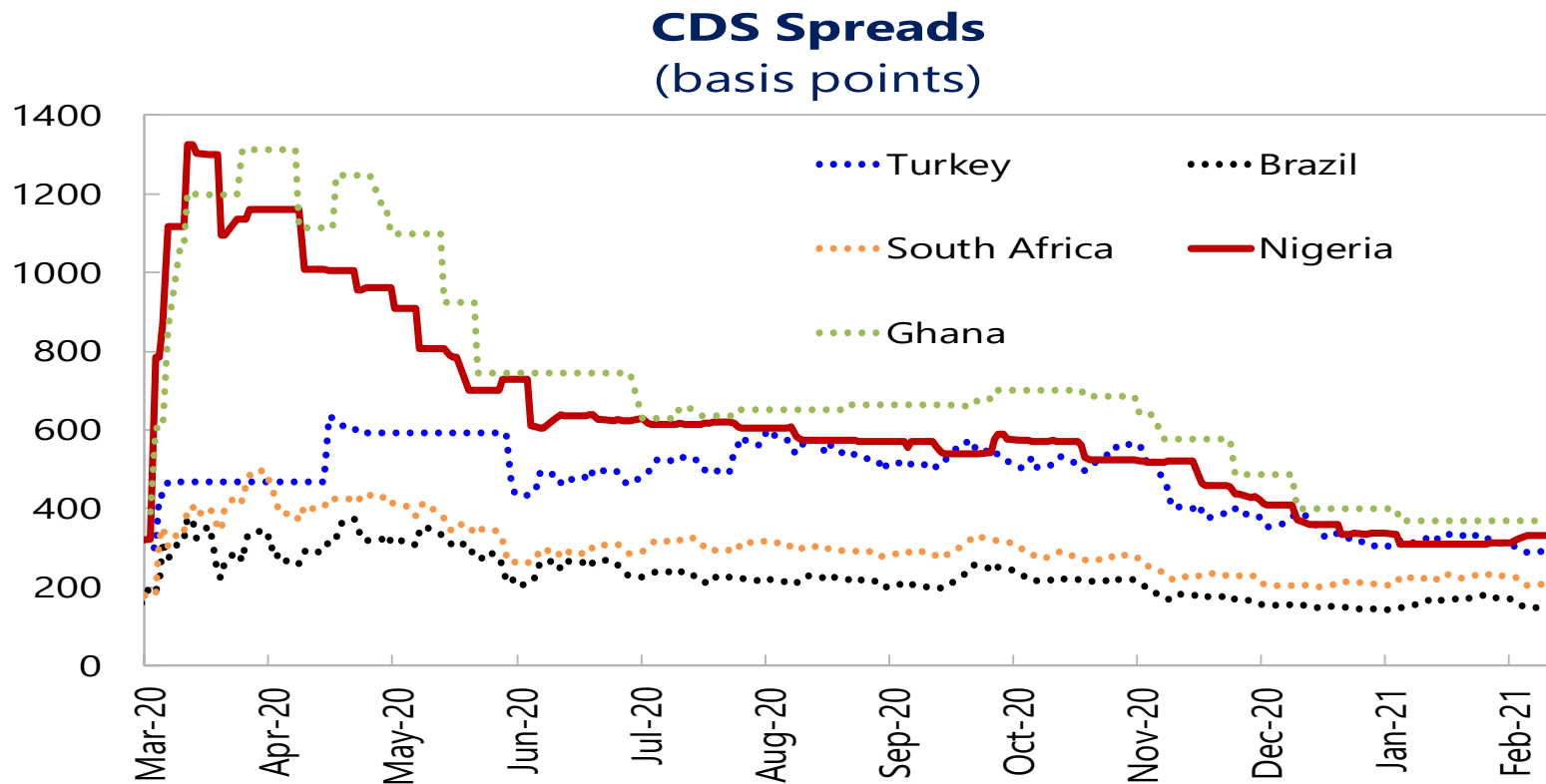


Sources: Bloomberg LLC; and IMF staff calculations.

Note: GFC = global financial crisis.

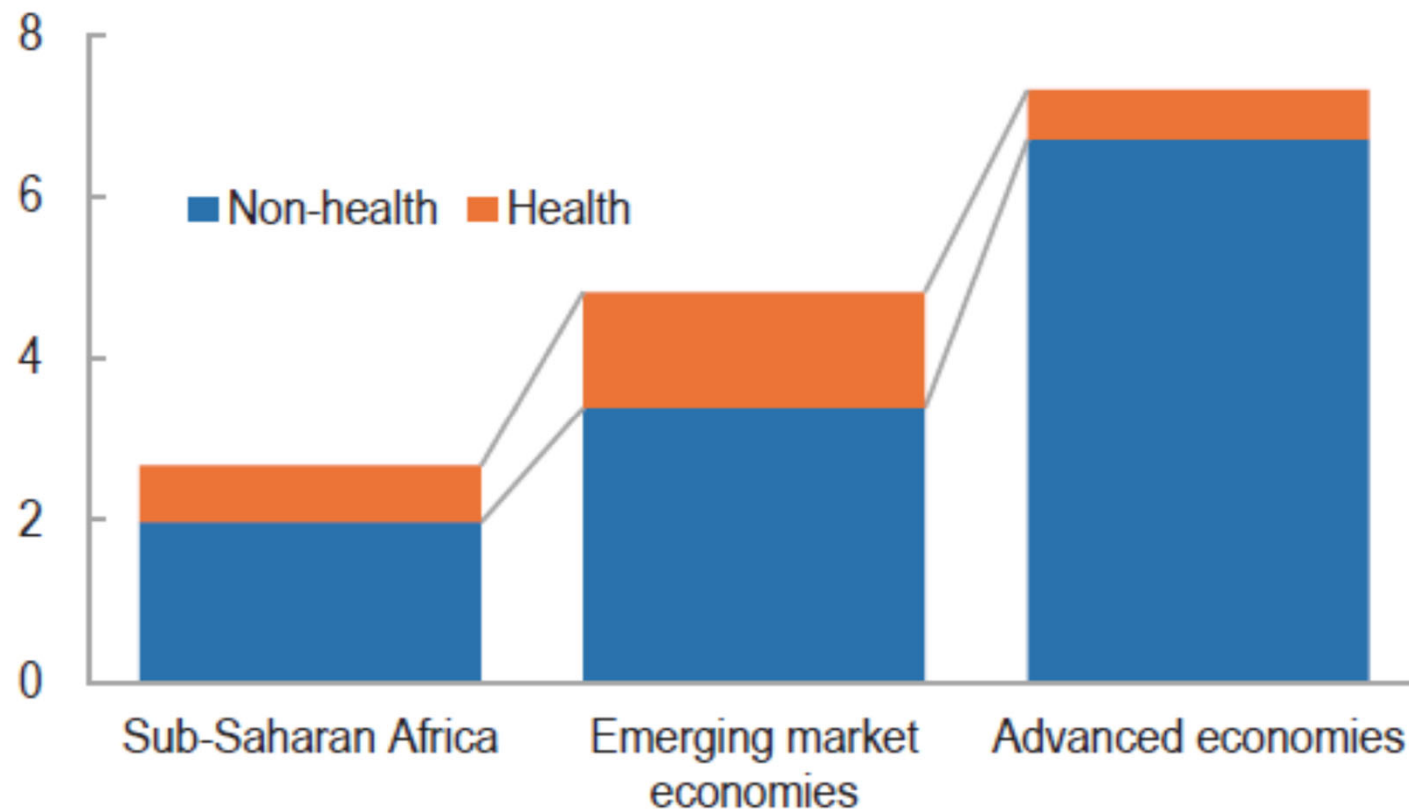


...especially in the largest SSA economies



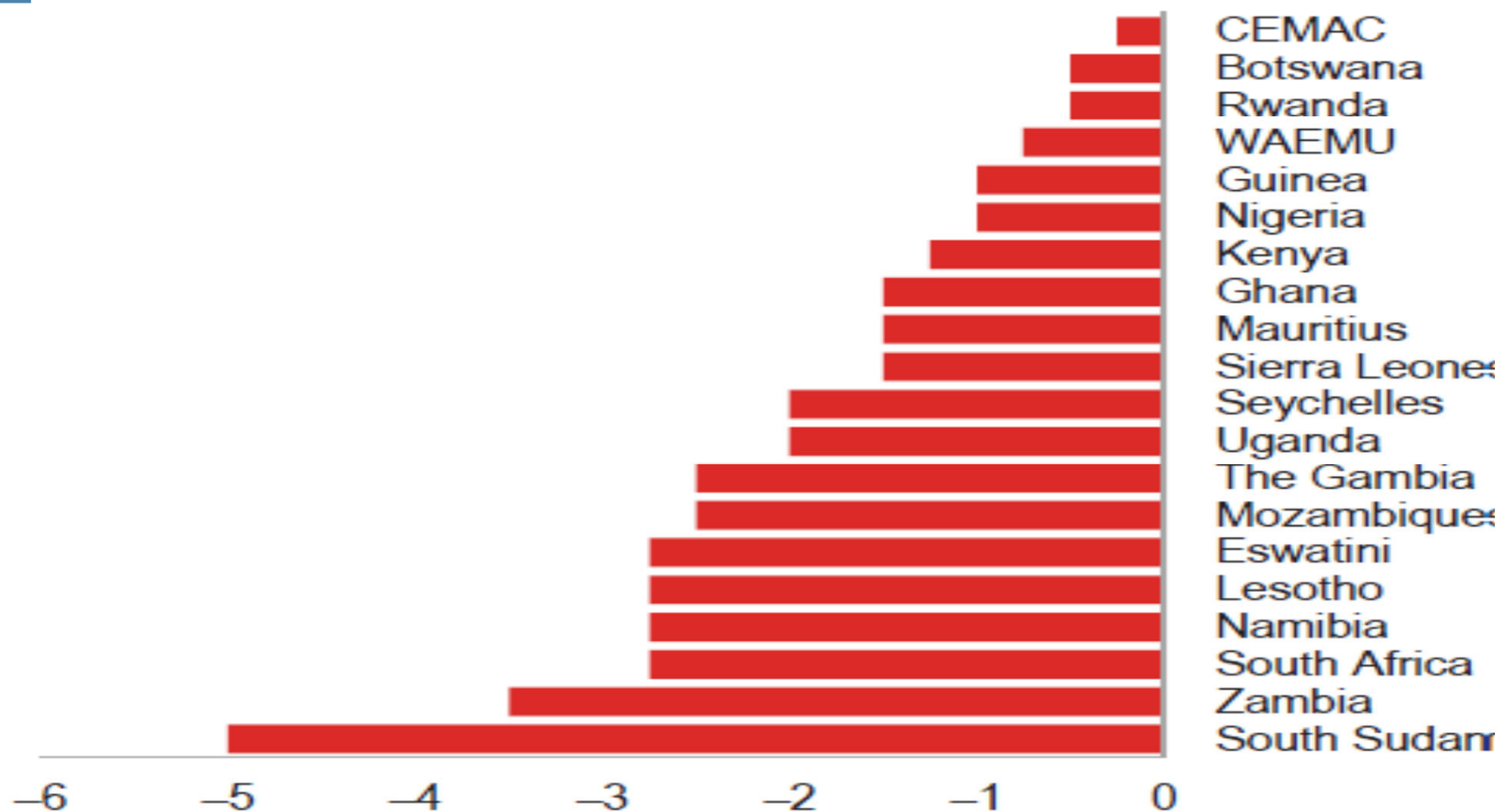


Fiscal Policy Responded to Covid-19 (in 2020, as % GDP)...



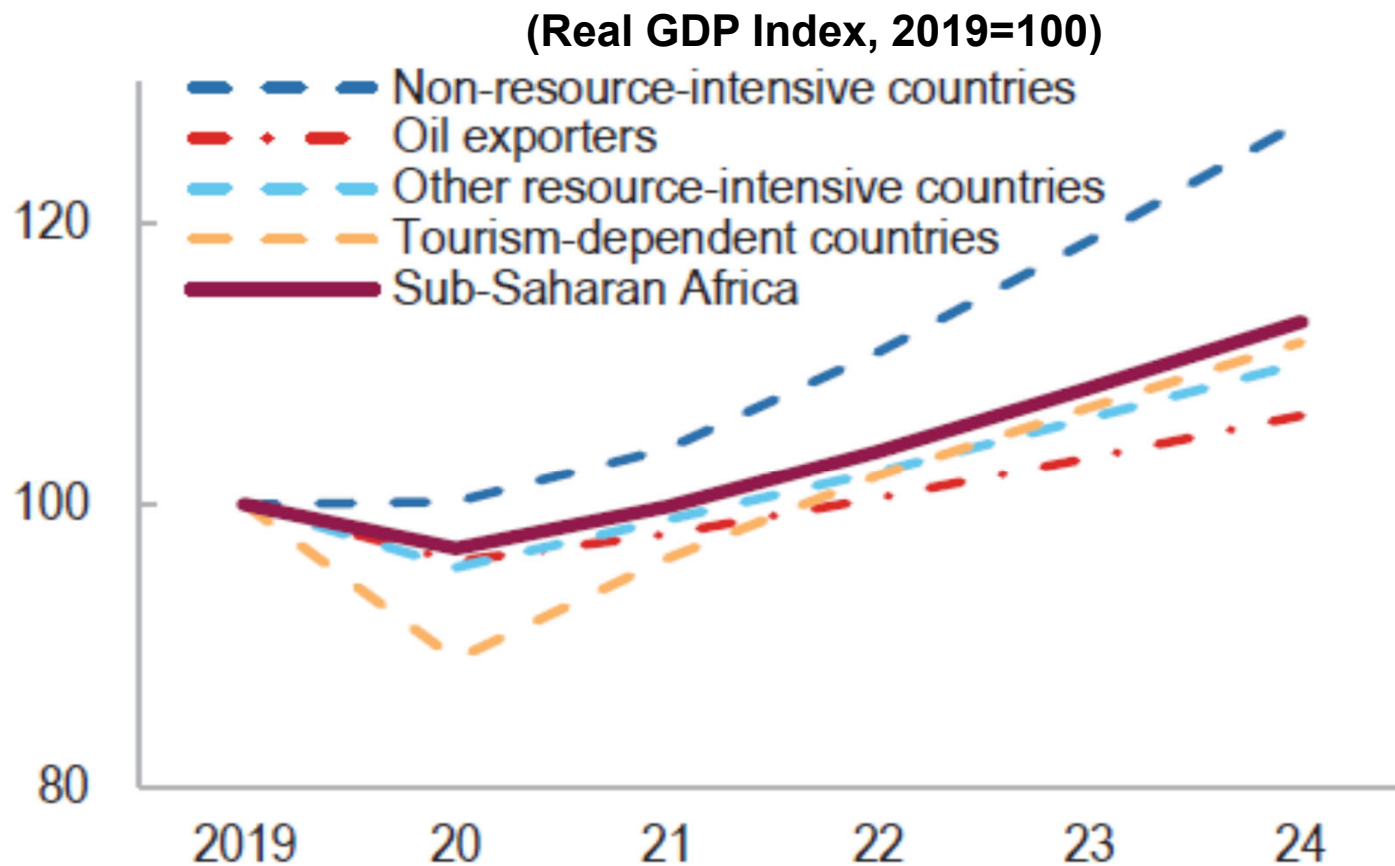


... as did monetary policy (change in rates since January 2020)...





...helping in some cases to mitigate the impact of the crisis





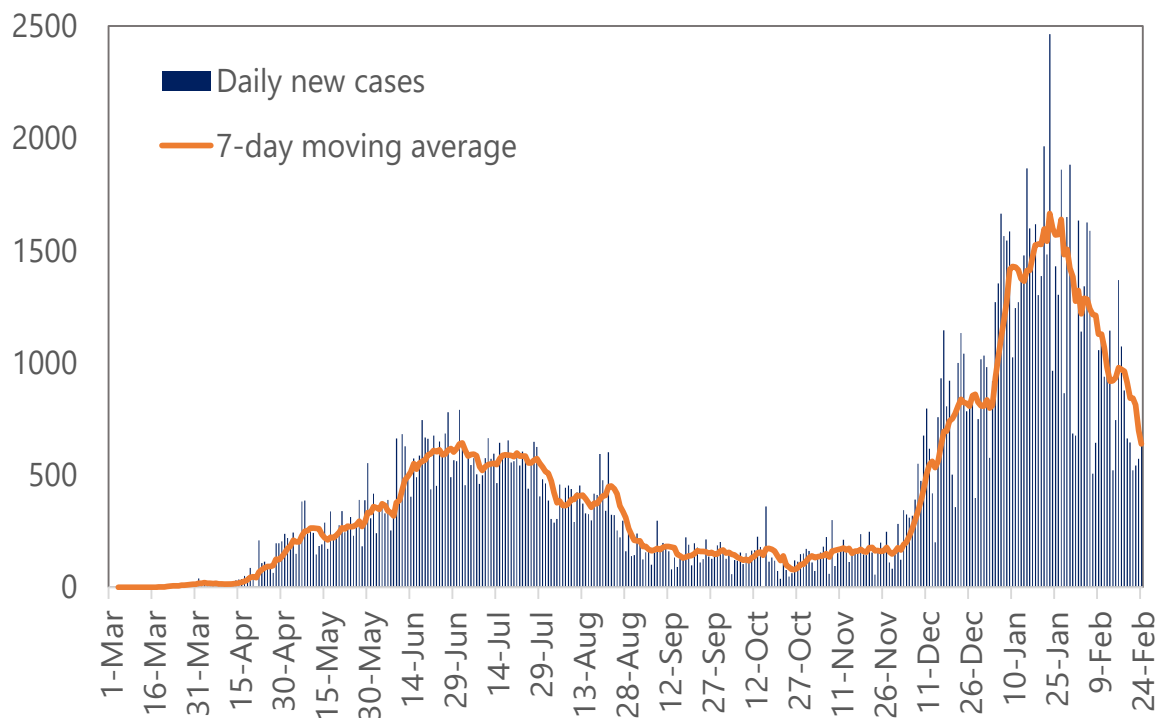
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The pandemic is moderating from the historic second round and likely to abate further with ongoing vaccination...

Nigeria: Daily new cases of COVID-19



Vaccination plan

- National Vaccine Deployment Plan in place
- Goal is to vaccinate 40% of population in 2021 and 70% by 2022
- Two main platforms: WHO's COVAX and AU's COVID-19 Vaccine Deployment and Access Strategy

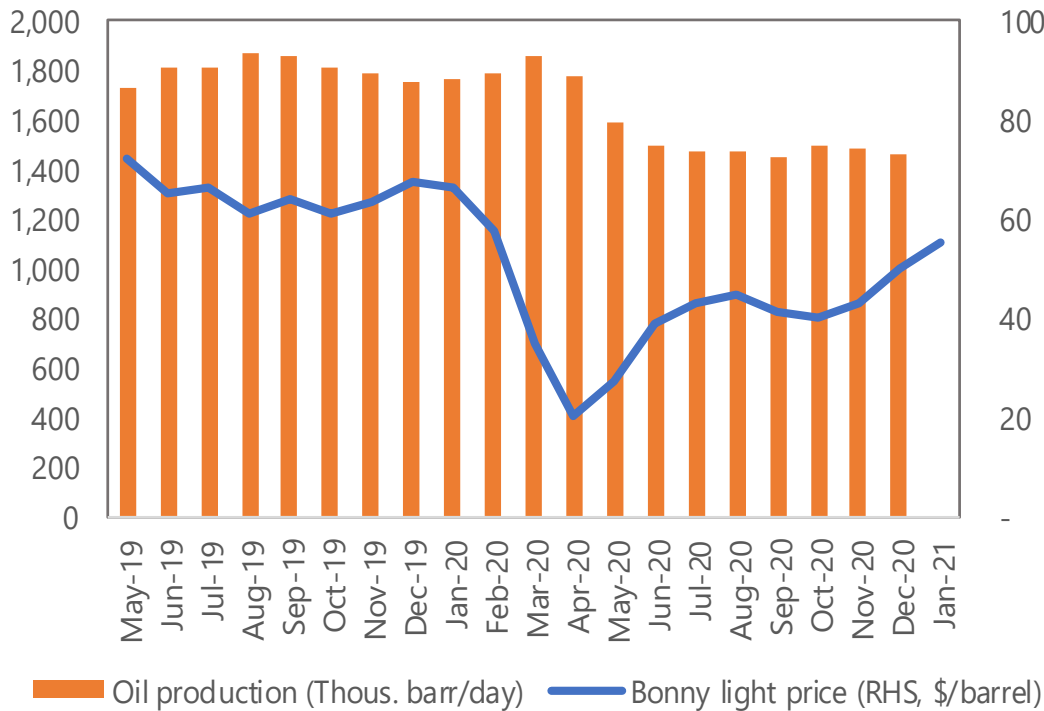
Challenges

- Securing adequate doses
- Operational difficulties
- Financing



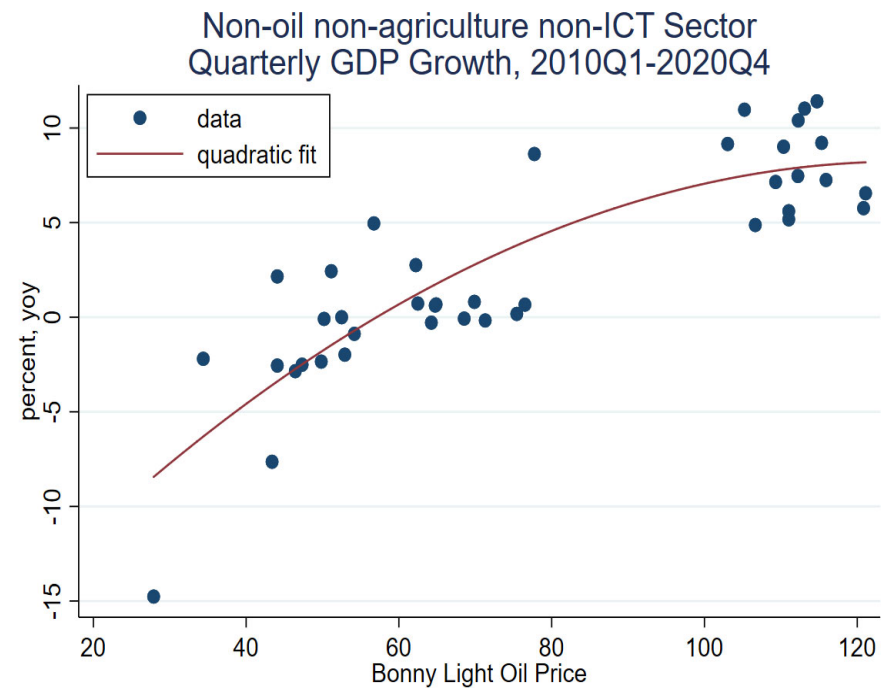
...although oil production remains subdued, rising oil prices will help...

Crude Oil Production and Price



Sources: IMF Global Assumptions database.

Nigeria: Oil price and growth

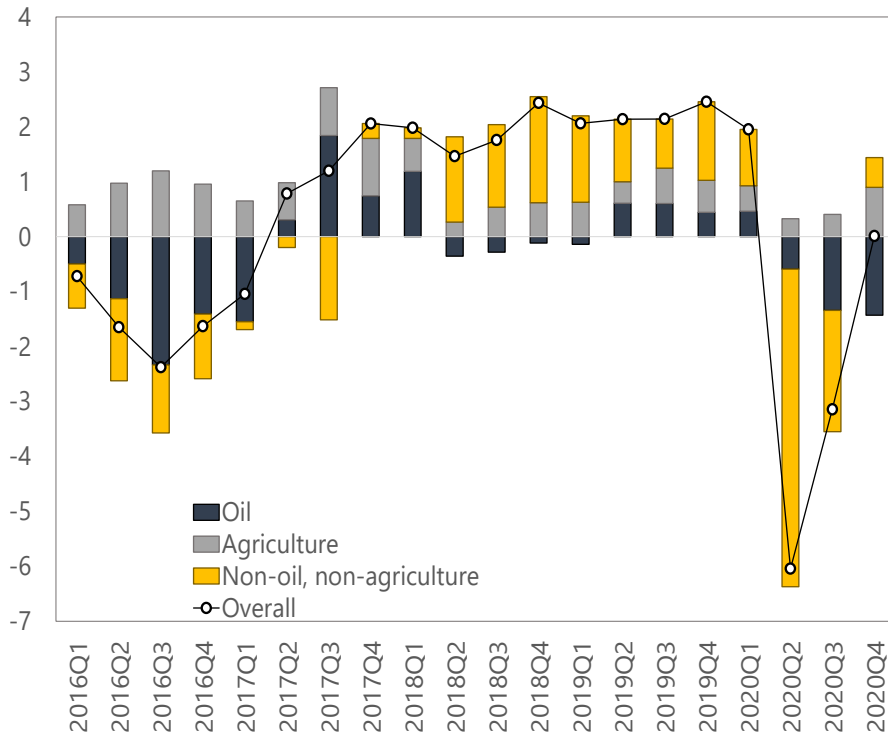


Sources: IMF staff calculation..

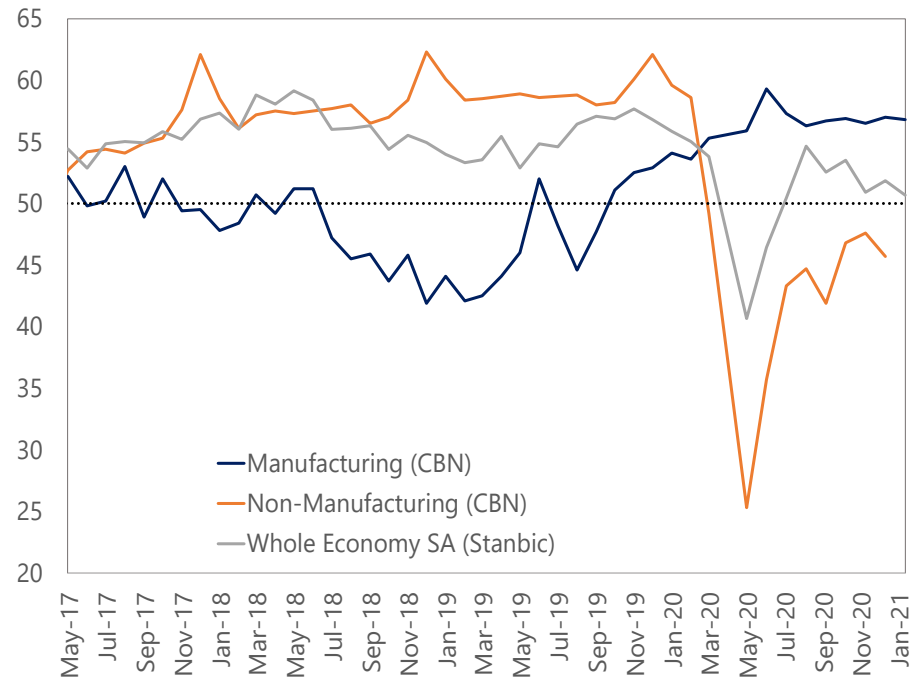


...supporting a moderate recovery in 2021

Nigeria: Quarterly real GDP growth by sector
(percent, y-o-y)



Nigeria: Purchasing Manager Index
(index number, <50 indicates contraction)

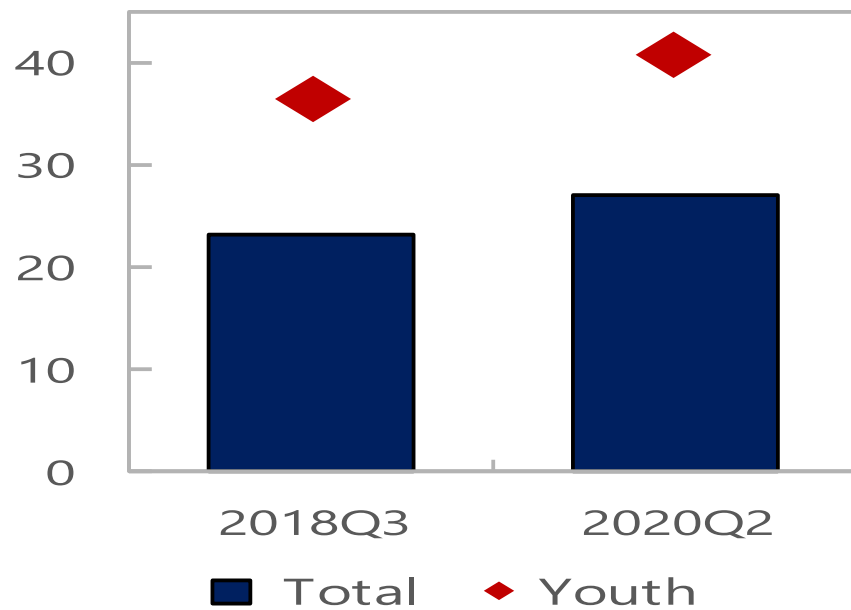




Inflation is high amidst worsening unemployment

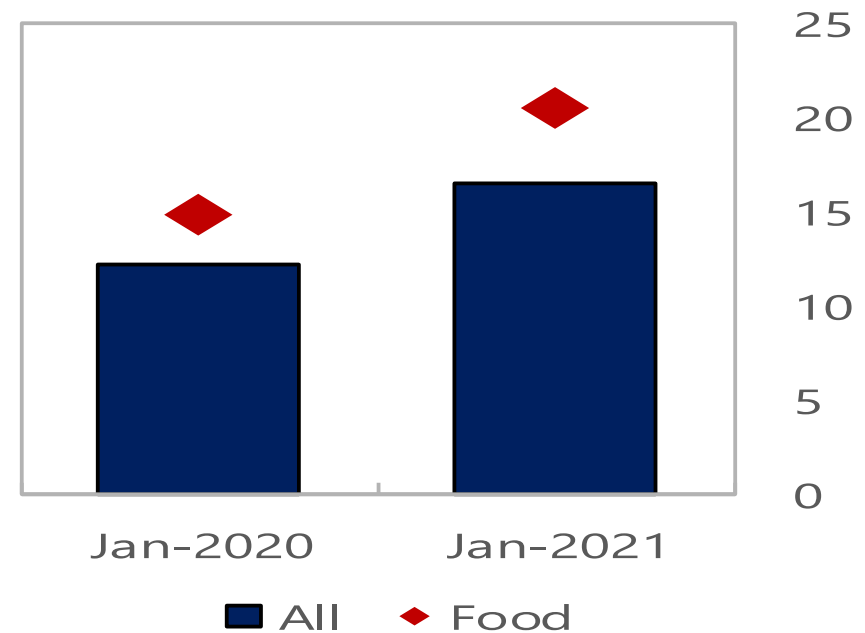
Unemployment

(percent of labor force)



Inflation

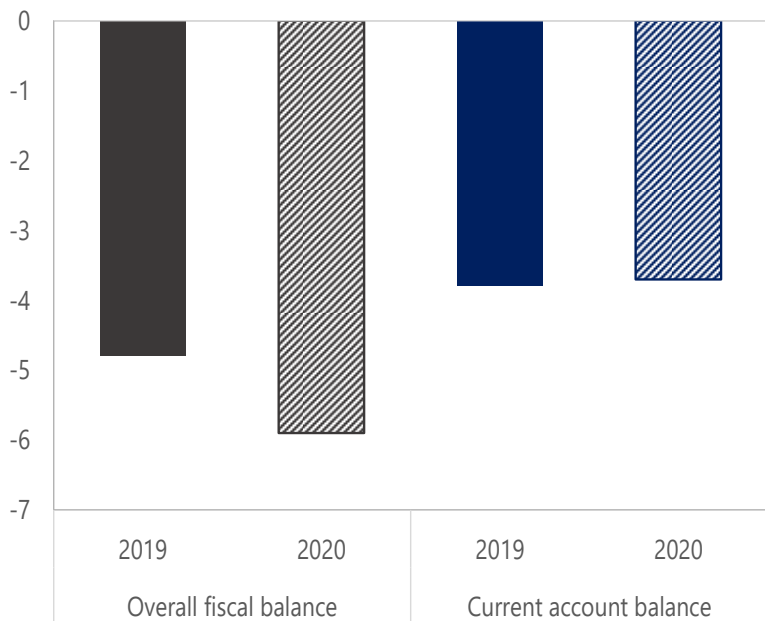
(annual percentage change)



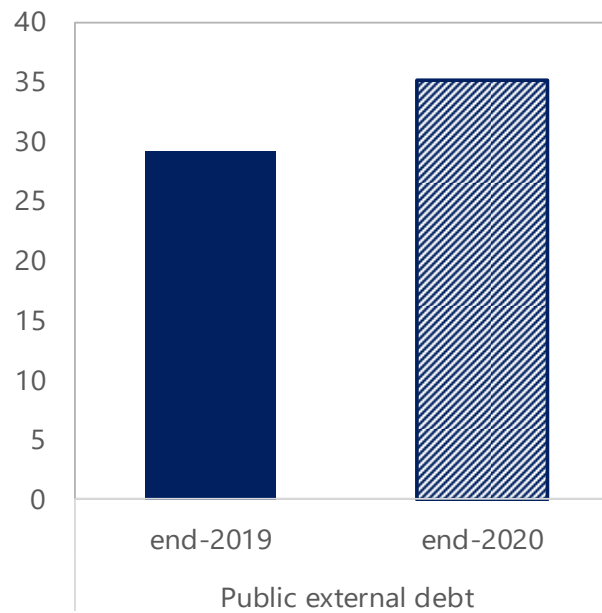


Sizable deficits, higher debt and rating downgrade

Fiscal and current account deficits (percent of GDP)



Public debt (percent of GDP)



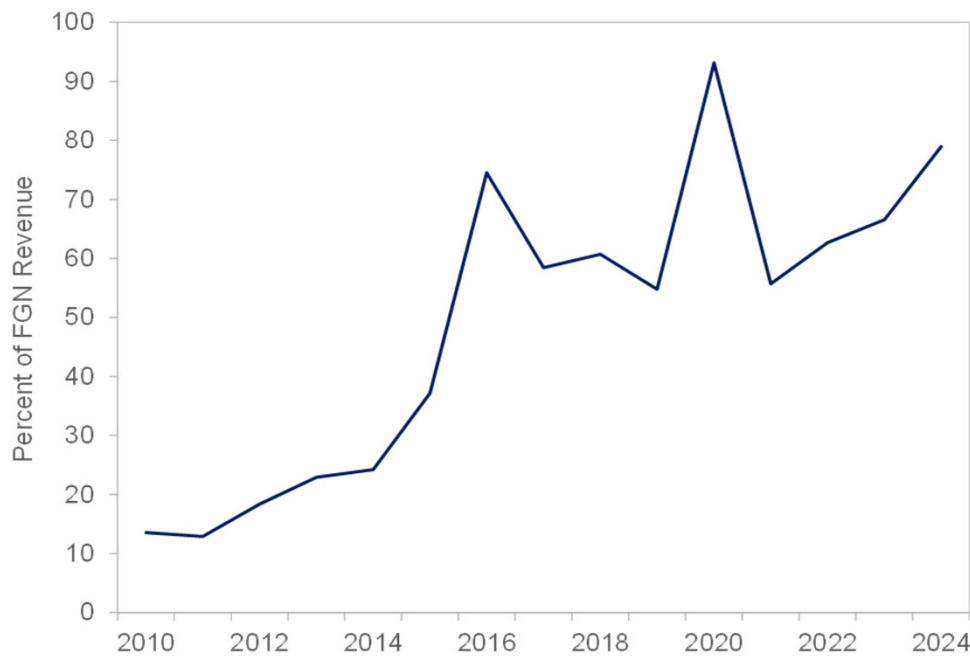
2020 Sovereign rating actions



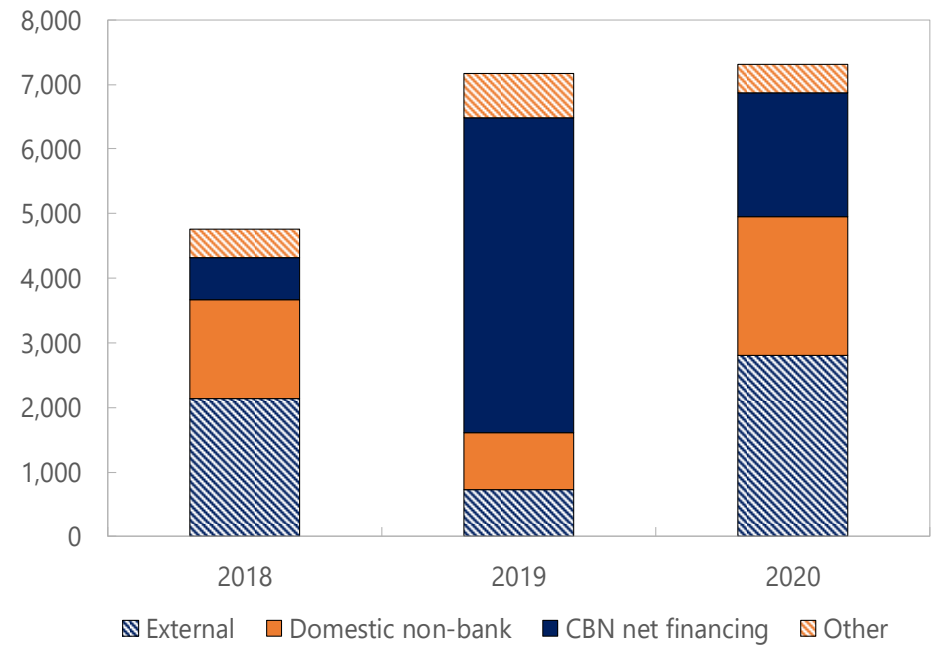


Limited Policy Space

Nigeria: FGN interest payments to revenue



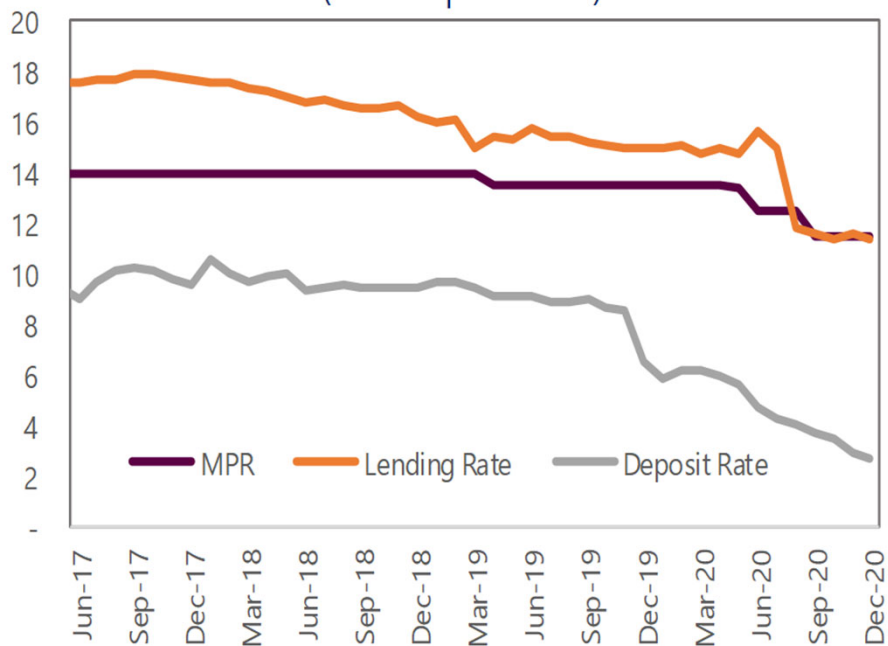
Fiscal financing and sources (billions of Naira)



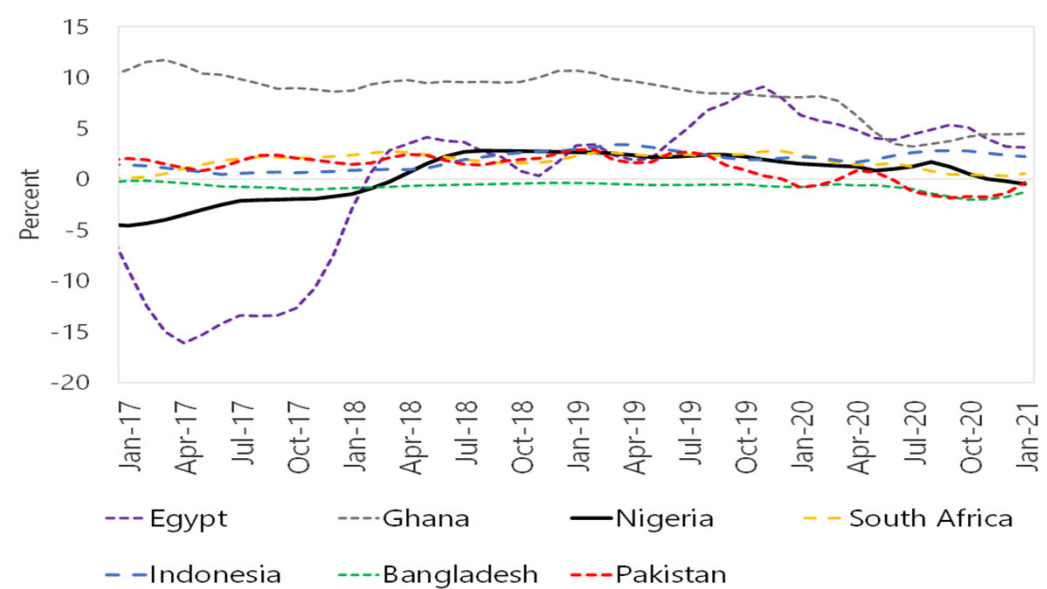


Accommodative monetary policy stance

MPR and Lending & Deposit Rates
(Percent per annum)



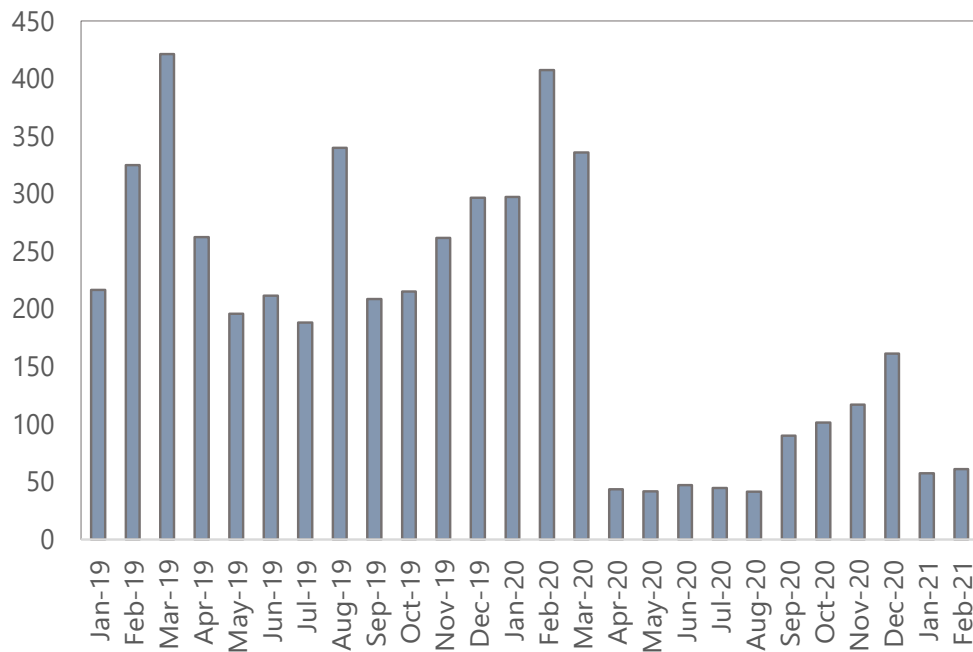
Nigeria and peers: Real policy rates
(3-month moving average, end of period)



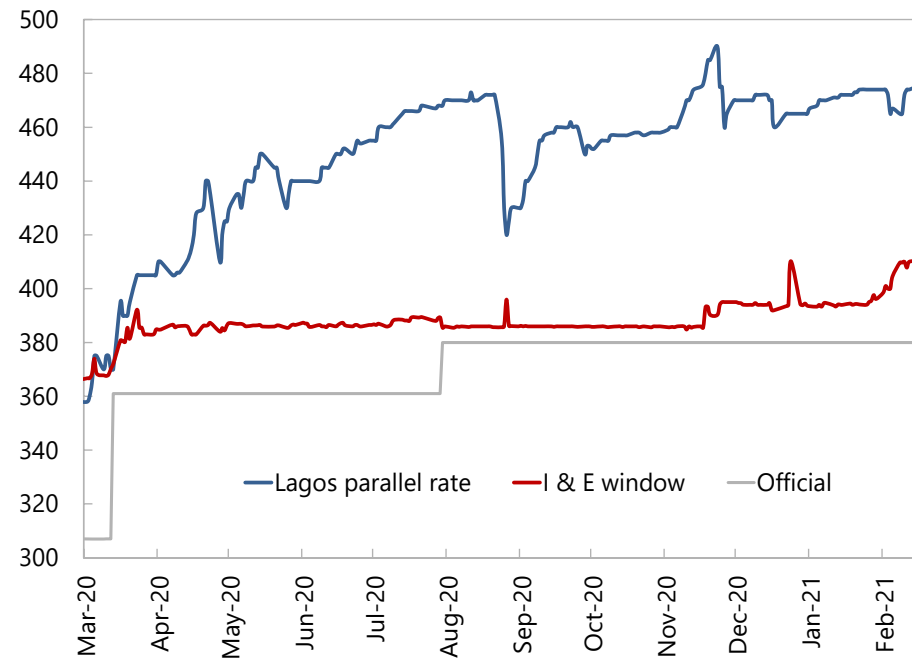


Persistent exchange market pressure...

Nigeria: Daily turnover in the I&E FX window
(USD million, monthly average)



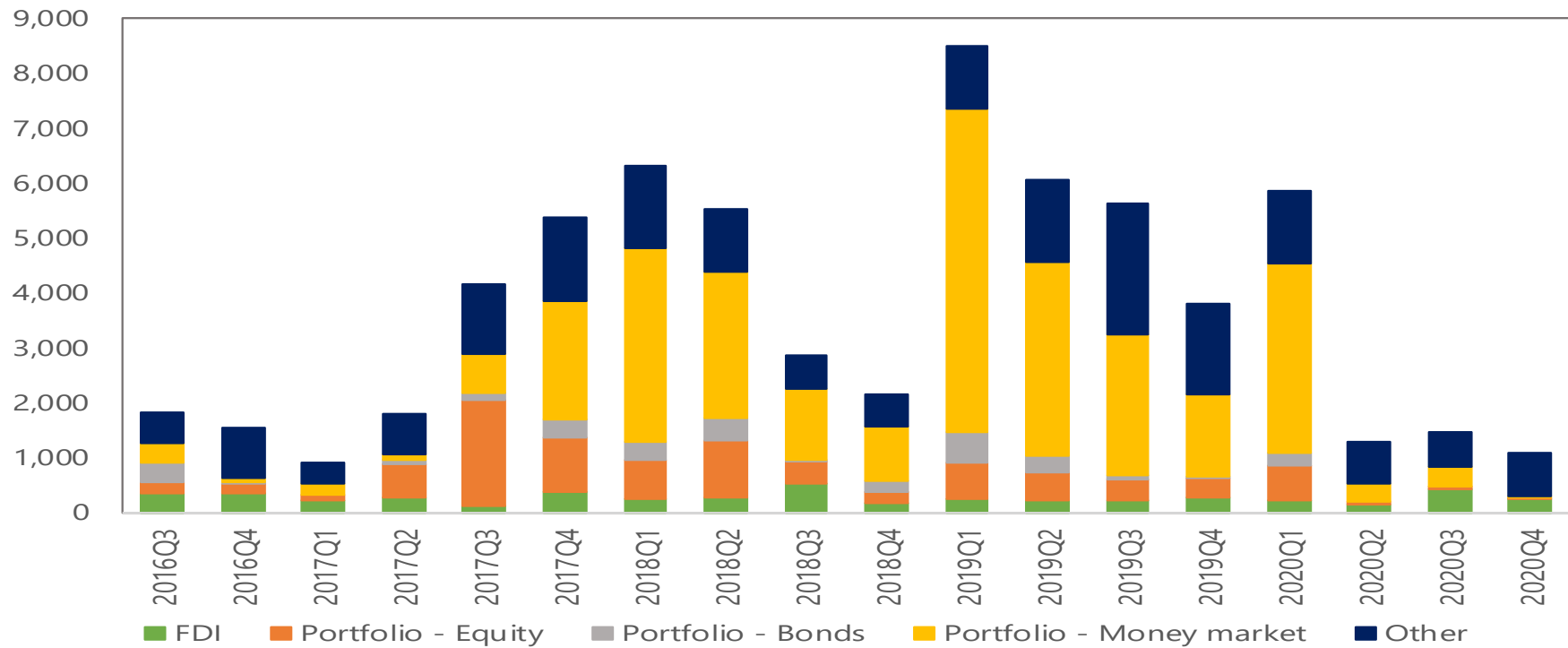
Nigeria: Exchange rates
(Naira per USD, daily)





...amid limited investor appetite

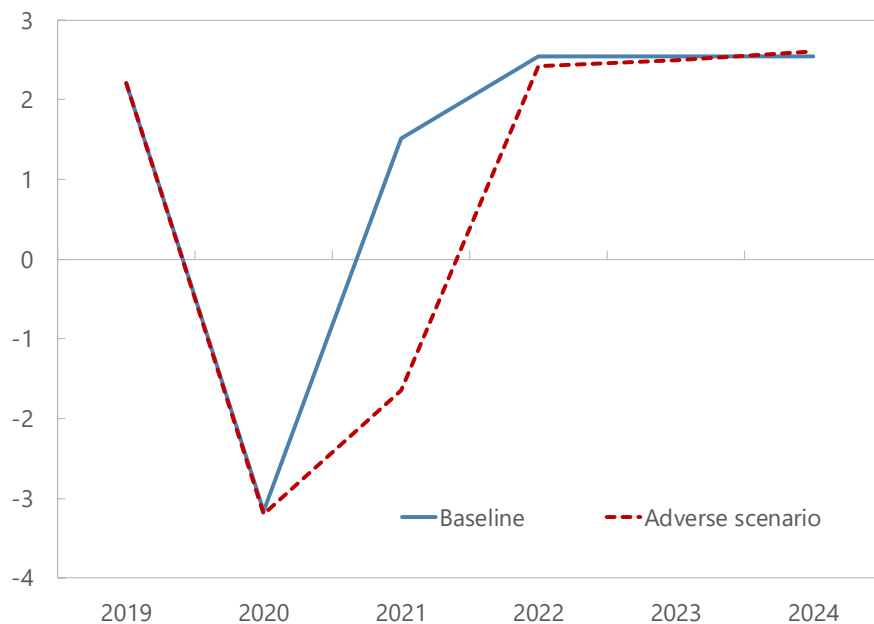
Capital Importation by Type (USD million)



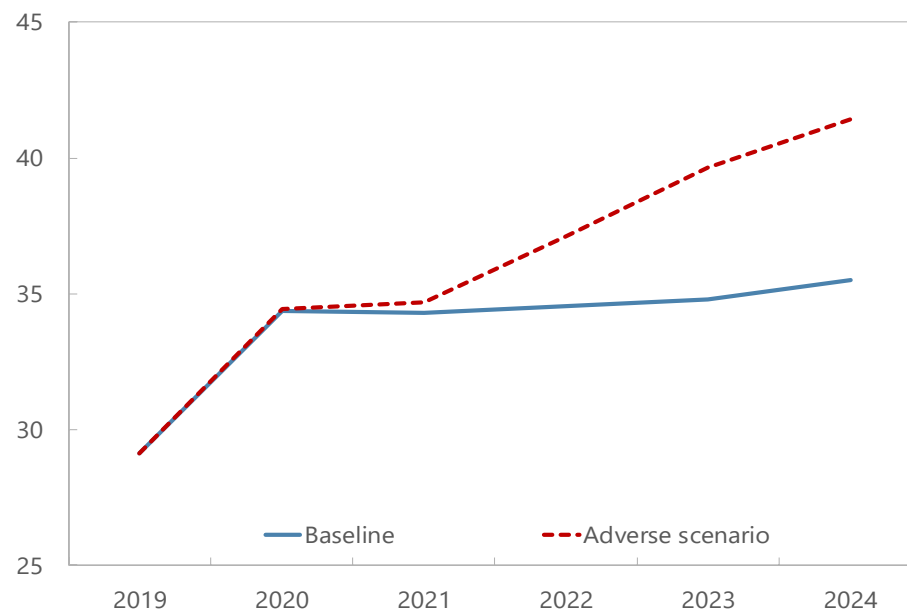


Risks from the COVID-19 pandemic clouds the outlook

Real GDP
(Annual percentage change)



Public Debt
(percent of GDP)





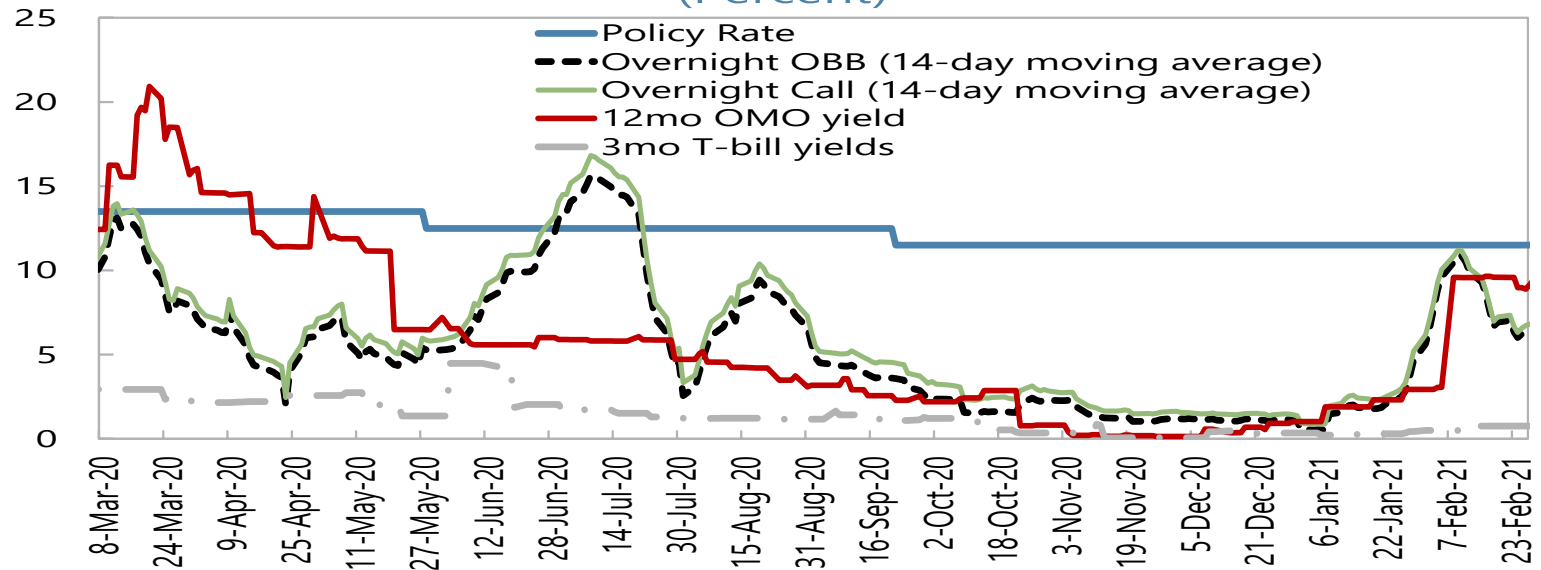
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Containing inflation should be a top priority...

Policy and Overnight Interbank Rates
(Percent)

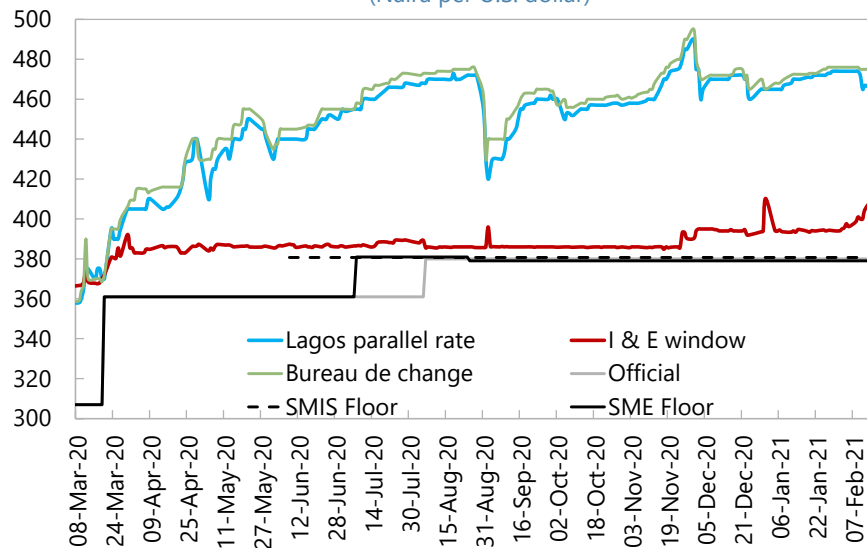




...as should be unifying the various exchange rates into one market-clearing rate...

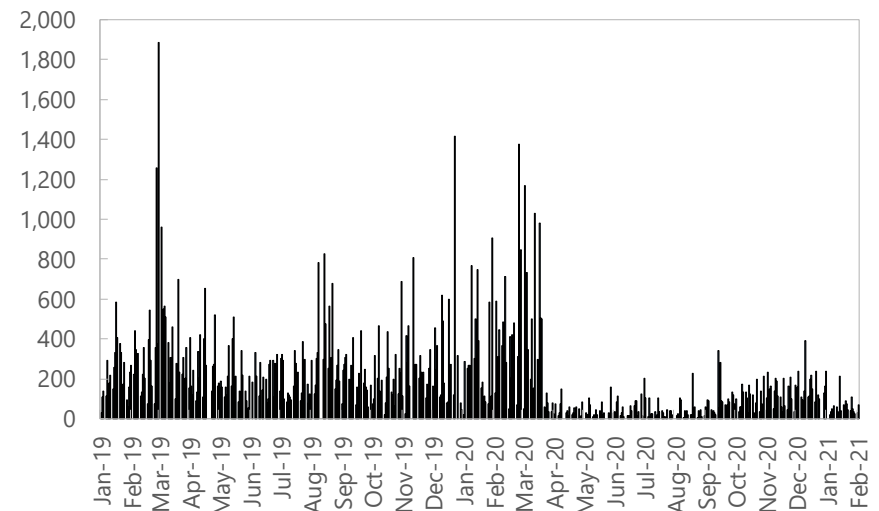
Nigeria: Exchange Rates

(Naira per U.S. dollar)



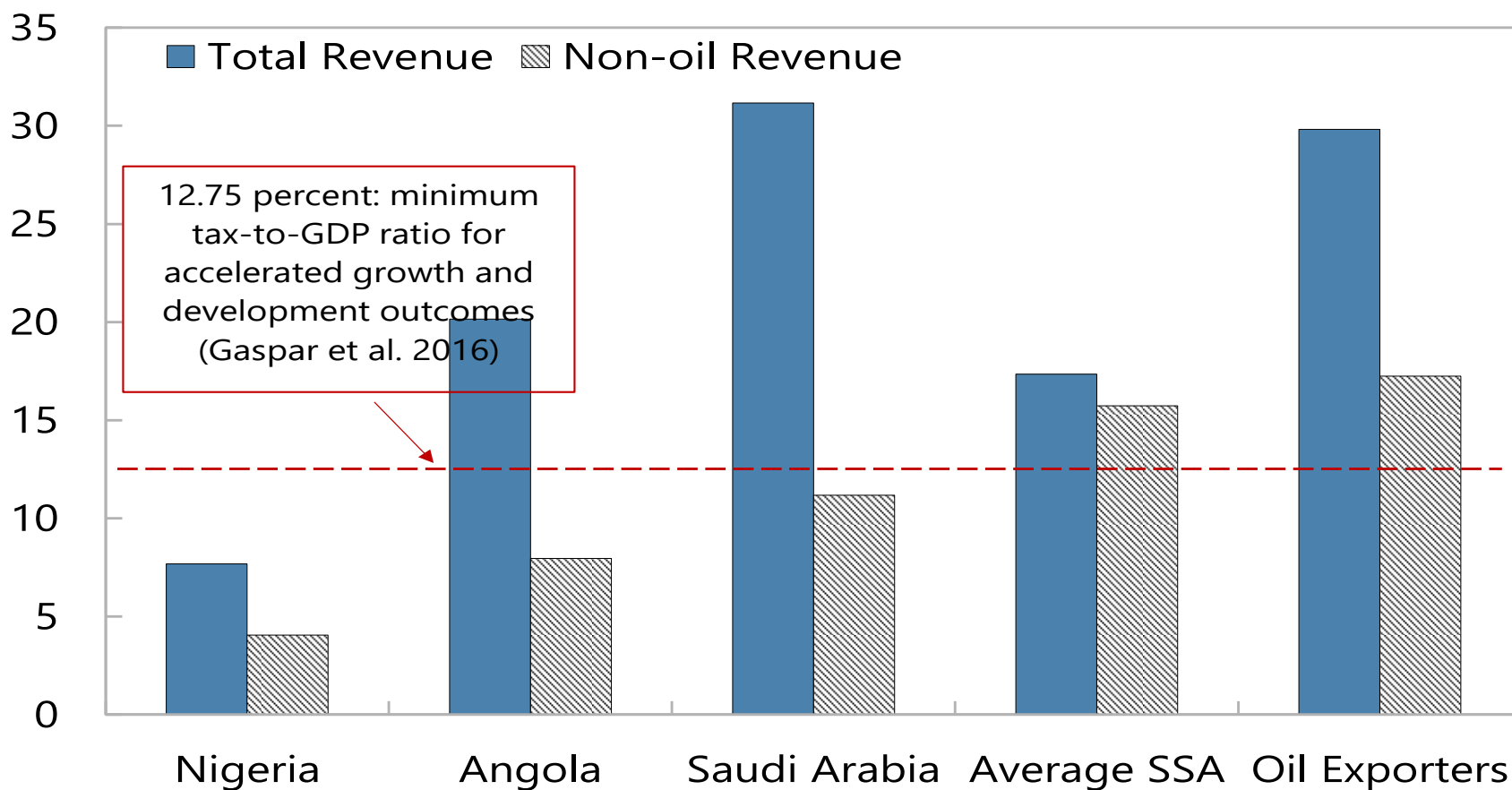
I&E Window Turnover

(millions of U.S. dollars)



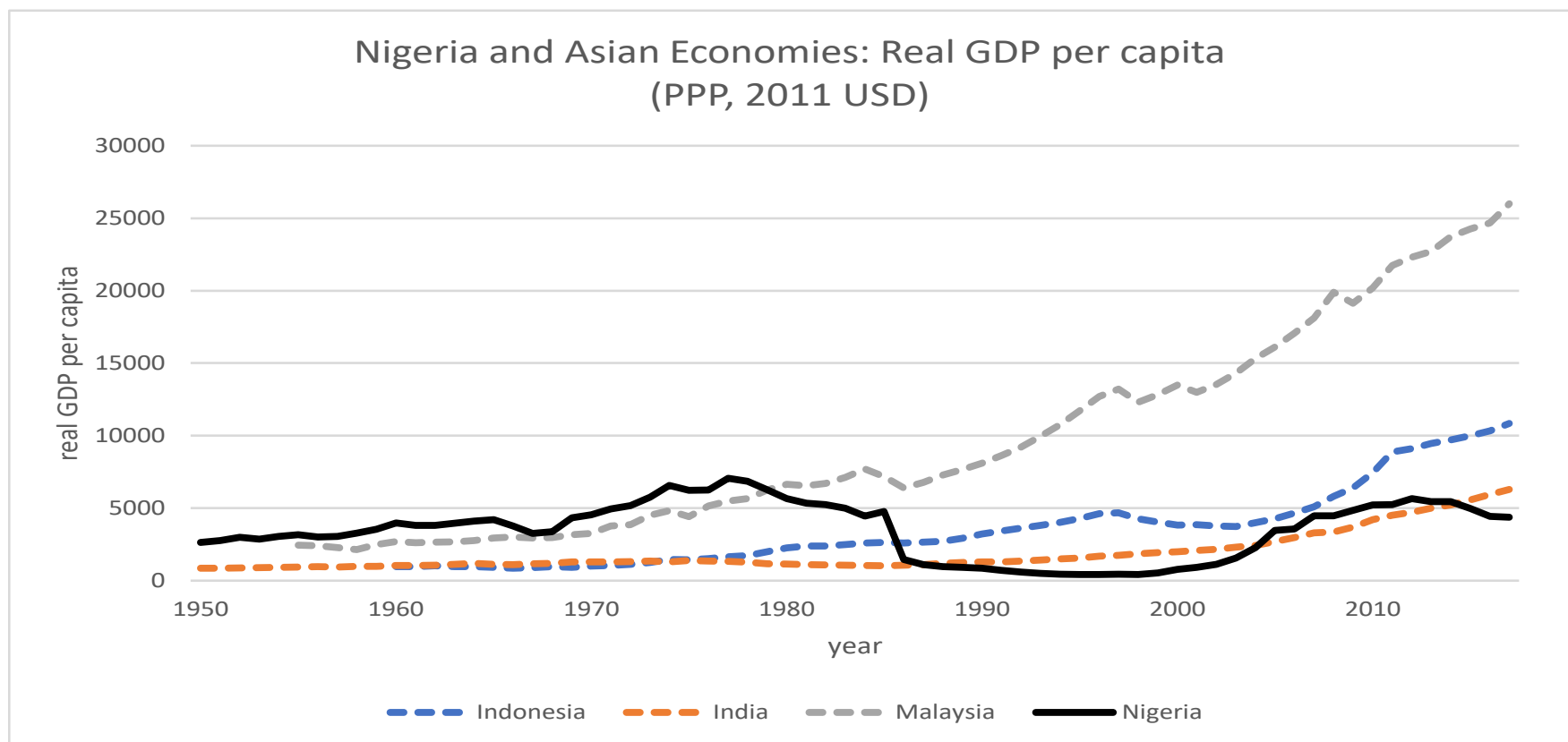


...mobilizing revenue...





... and fostering structural reforms to enhance competitiveness and instill confidence





Nigeria and the IMF

Cooperation under 3 main pillars:

- Surveillance and economic policy advice through annual Article IV consultations
- Financial emergency assistance (RFI, April 2020)
- Capacity Development Activities:
 - ✓ Budget
 - ✓ PFM
 - ✓ Revenue
 - ✓ Statistics
 - ✓ Financial sector supervision
 - ✓ Monetary policy and operations



Thank you

Additional information on IMF activities can be found at

<https://www.imf.org/en/Countries/ResRep/NGA>