NIGERIA

Table 1	2023
Population, million	223.8
GDP, current US$ billion	362.8
GDP per capita, current US$	1621.1
International poverty rate ($2.15)[a]	30.9
Lower middle-income poverty rate ($3.65)[a]	63.5
Upper middle-income poverty rate ($6.85)[a]	90.8
Gini index[a]	35.1
School enrollment, primary (% gross)[b]	86.7
Life expectancy at birth, years[b]	52.7
Total GHG emissions (mtCO2e)	401.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ Most recent WDI value (2021).

Nigeria has initiated bold reforms to restore macroeconomic stability, but further efforts are needed. The Government has moved forward on normalization of monetary policy, revenue-driven fiscal consolidation, and liberalization of the foreign exchange (FX) market. Translating oil proceeds into fiscal revenues and FX inflows, and taming inflation are still major challenges. Nominal earnings have not kept up with inflation, pushing 10 million additional Nigerians into poverty in 2023. Risks to the outlook include weaker reform momentum and popular discontent.

Key conditions and challenges

Nigeria's economic growth has been insufficient to raise living standards, weighed down by weak macroeconomic fundamentals and several structural constraints. Overreliance on the oil sector for fiscal revenues, exports, and FX inflows led macro stability to erode with the sector's deteriorating performance in recent years. Low revenues—including due to a costly petrol subsidy, low tax rates, and weak tax administration—have limited state capacity and public service delivery. Inflation has remained high and escalating on the back of a relatively loose monetary policy and exchange rate depreciation. Structural factors holding back the country's growth potential include lack of adequate energy and transport infrastructure, high domestic trade costs and foreign trade protectionism, widespread insecurity, weak institutions, and low levels of human capital development.

The new administration has initiated bold reforms to reestablish the macroeconomic conditions for stability and growth. The petrol fiscal subsidy was eliminated, more than trebling petrol prices. FX reforms have been undertaken, leading to the unification of FX markets and to a market-reflective exchange rate. To alleviate the inflationary effects of these reforms on the most vulnerable, the government has been implementing temporary cash transfers to reach 15 million households. Efforts are also being made to tighten monetary policy and refocus the Central Bank of Nigeria (CBN) on its core mandate of maintaining price stability.

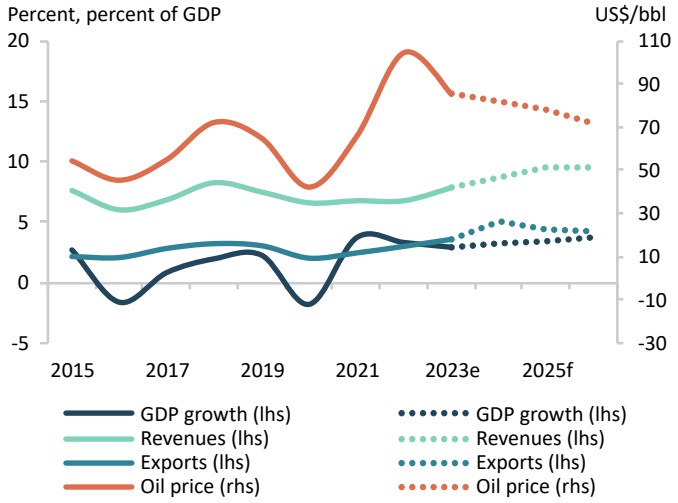
Recent developments

Real GDP growth slowed from 3.3 percent in 2022 to 2.9 percent in 2023. Agricultural output decreased due to higher input costs, sustained impact of floods, and insecurity. Services continued to hold up non-oil sector growth, especially in finance and information and communication. The oil sector contracted for the fourth consecutive year, albeit at a lower rate.

Nigeria's chronically high inflation reached an all-time high of 29.9 percent year-on-year in January 2024, driven by rising food and energy prices, loose monetary policy, and naira depreciation. Nominal earnings have not kept up with inflation, pushing another 10 million Nigerians into poverty in 2023. CBN has started tightening monetary policy by raising the monetary policy rate (MPR) by 400 basis points to 22.75 percent in February 2024 and by unclogging some of its transmission channels. CBN has restarted open market operations (OMOs) at yields closer to the MPR, halted new development finance schemes, committed to stop monetization of fiscal deficits, removed the Standing Deposit Facility cap, raised the cash reserve ratio to 45 percent, and improved communication.

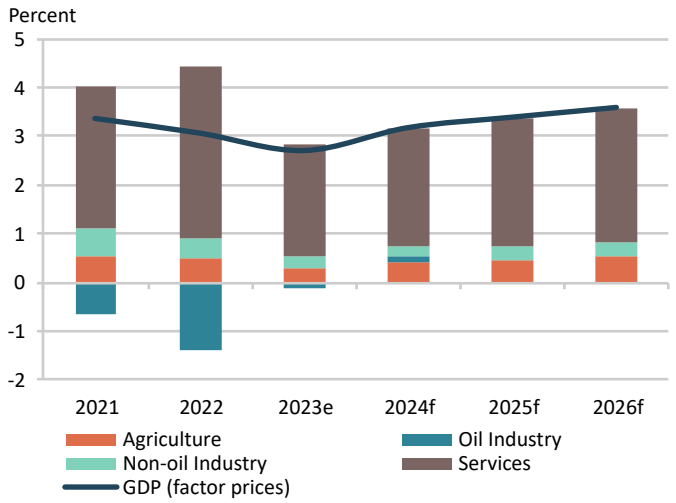
Fiscal pressures remained high despite the removal of fuel subsidy in the budget and naira devaluation. General government

FIGURE 1 **Nigeria** / Oil price, exports, government revenues, and real GDP growth



Sources: Nigerian National Bureau of Statistics, WDI, and World Bank.

FIGURE 2 **Nigeria** / Real GDP growth and sectoral contributions to real GDP growth



Sources: Nigerian National Bureau of Statistics and World Bank.

fiscal deficit in 2023 is estimated at 5.3 percent of GDP, 0.4 percentage points (pp) higher than in 2022. While oil revenues improved on the back of the naira unification, gains from the removal of subsidy did not materialize as expected due to low remittances from the Nigerian National Petroleum Corporation (NNPC) to the federation and the emergence of an implicit FX petrol subsidy. Non-oil revenues increased by 0.7 percentage points to 5.6 percent of GDP in 2023, but expenditures picked up too, especially on capital goods and interest payments. The current account balance (CAB) is estimated to have recorded a surplus of 0.7 percent of GDP in 2023, driven by lower interest payments and imports. Gross reserves dropped by 11 percent to US$ 33bn in 2023 and net errors and omissions remained high.

Outlook

The continuation of an ambitious reform program centered around macroeconomic stabilization is essential for Nigeria to reap the reforms' benefits. The economy is projected to grow by 3.5 percent on average between 2024 and 2026, 0.9 pp higher than the population growth. The dissipation of the reforms' initial shock and the stabilization of macroeconomic conditions will instill a sustained but still slow growth in the non-oil economy, while the oil sector is expected to stabilize with some recovery in production and slightly lower prices. Higher growth rates will require structural reforms. Inflation will remain elevated at 24.8 percent on average in 2024 but is expected to progressively moderate to 15.1 percent by 2026 on the back of monetary policy tightening and exchange rate stabilization. As a result, poverty rates are expected to increase in 2024 and 2025 before stabilizing in 2026.

Exchange rate liberalization is expected to contribute to both fiscal and external balances. Fiscal pressure is expected to moderate over the outlook due to higher dollar-denominated revenues and improved non-oil revenues. The fiscal deficit is expected to drop to 4.3 percent of GDP on average between 2024-2026, and debt servicing to fall from 97 percent of revenues in 2024 to 61 percent of revenue in 2026. Exchange rate depreciation will also reduce imports, including gasoline, leading to a CAB of 1.2 percent of GDP on average between 2024-2026. Foreign investments will follow macroeconomic stabilization.

Risks to Nigeria's outlook are substantial, especially if reforms lose momentum or are reversed. Relatively weak monetary policy tightening would be insufficient to rein in inflation and attract foreign capital inflows, raising the risks of an inflation-exchange rate depreciation spiral. Failure to address imbalances in petrol pricing and to raise non-oil revenues would jeopardize the reforms' revenue gains, which, in turn, would lead to continued high fiscal deficit and risks of its monetization. Rising insecurity, adverse climate shocks, and popular discontent with inflation would dent economic recovery.

TABLE 2 **Nigeria** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	3.6	3.3	2.9	3.3	3.5	3.7
Real GDP growth, at constant factor prices	3.4	3.1	2.7	3.2	3.4	3.6
Agriculture	2.1	1.9	1.1	1.7	1.9	2.2
Industry	-0.5	-4.6	0.7	1.8	1.6	1.7
Services	5.6	6.7	4.2	4.4	4.7	4.9
Inflation (consumer price index)	17.0	18.8	24.7	24.8	18.5	15.1
Current account balance (% of GDP)	-0.7	0.2	0.7	2.2	0.9	0.5
Net foreign direct investment inflow (% of GDP)	-0.3	0.0	-0.1	-0.4	-0.5	-0.5
Fiscal balance (% of GDP)	-6.6	-4.9	-5.4	-4.6	-3.7	-3.8
Revenues (% of GDP)	6.7	6.7	7.8	8.7	9.6	9.6
Debt (% of GDP)	39.0	40.0	48.9	50.9	46.6	45.1
Primary balance (% of GDP)	-3.9	-1.5	-1.9	-1.0	-0.1	-0.1
International poverty rate ($2.15 in 2017 PPP)[a,b]	34.6	35.3	38.9	40.7	42.3	42.5
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	66.2	67.1	69.8	70.9	71.7	71.4
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	90.6	91.3	91.9	91.9	91.8	91.2
GHG emissions growth (mtCO2e)	2.3	3.0	3.1	3.4	3.2	3.5
Energy related GHG emissions (% of total)	35.1	35.4	35.6	36.1	36.5	37.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Calculations based on 2018-LSS. Actual data: 2018. Nowcast: 2019-2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.