

Nigeria macro-economic update

Battling persistent exogenous shocks

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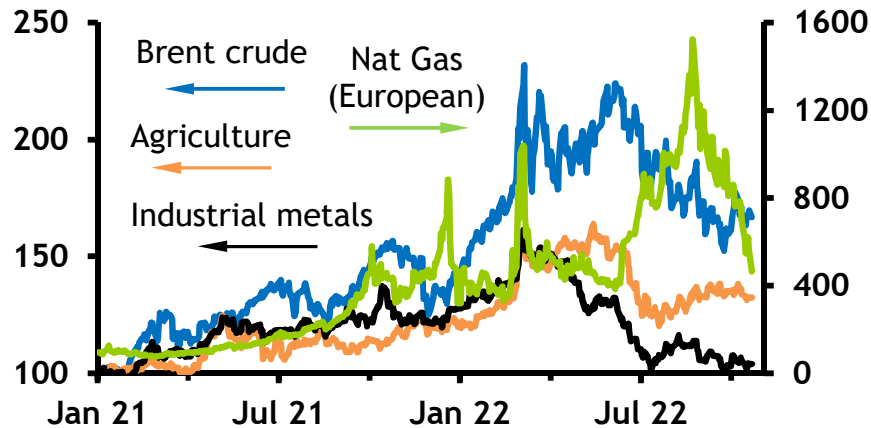
Agenda

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Multiple adverse shocks in 1H22...

Commodity prices

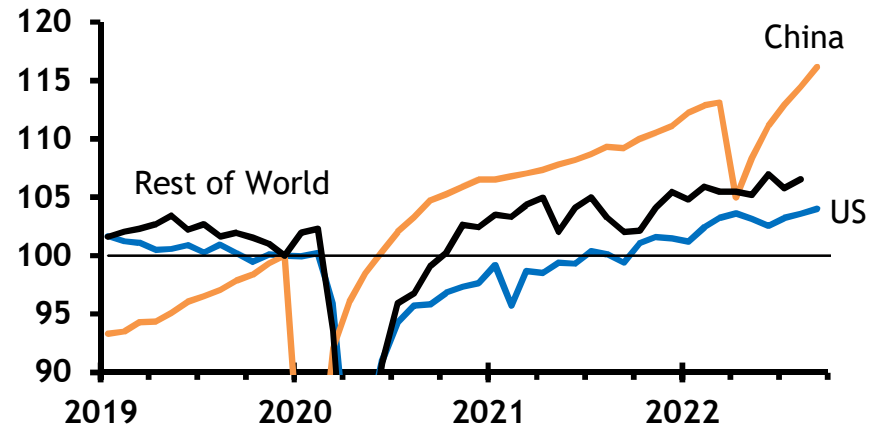
Index, Jan 2021=100; both scales



Source: J.P. Morgan Global Economics

Manufacturing output

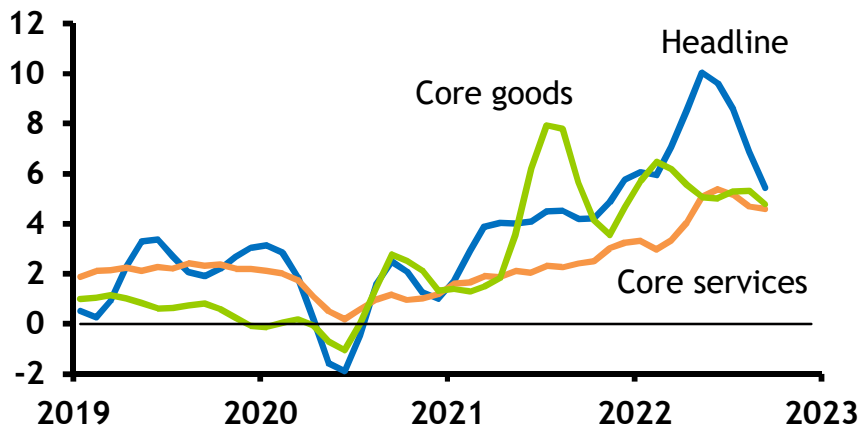
Index: Dec 2019 = 100



Source: National sources, J.P. Morgan

Global ex Turkey CPI

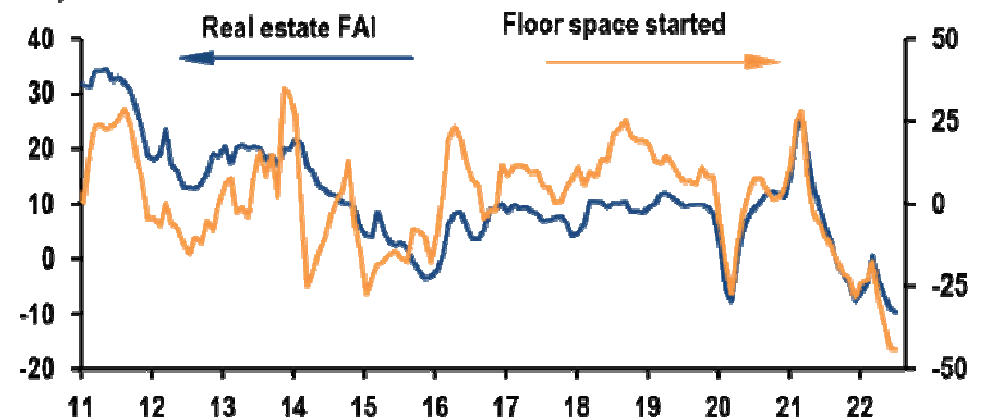
%3m3m, saar



Source: National sources, J.P. Morgan

China: real estate investment and floor space started

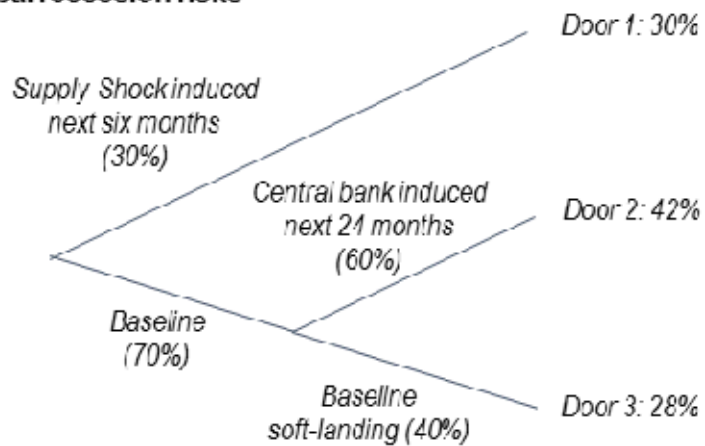
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Source: NBS, J.P. Morgan

A rising threat from CBs: by intent or accident

Global recession risks



Source: J.P. Morgan

Table 1: US macroeconomic performance in recessions

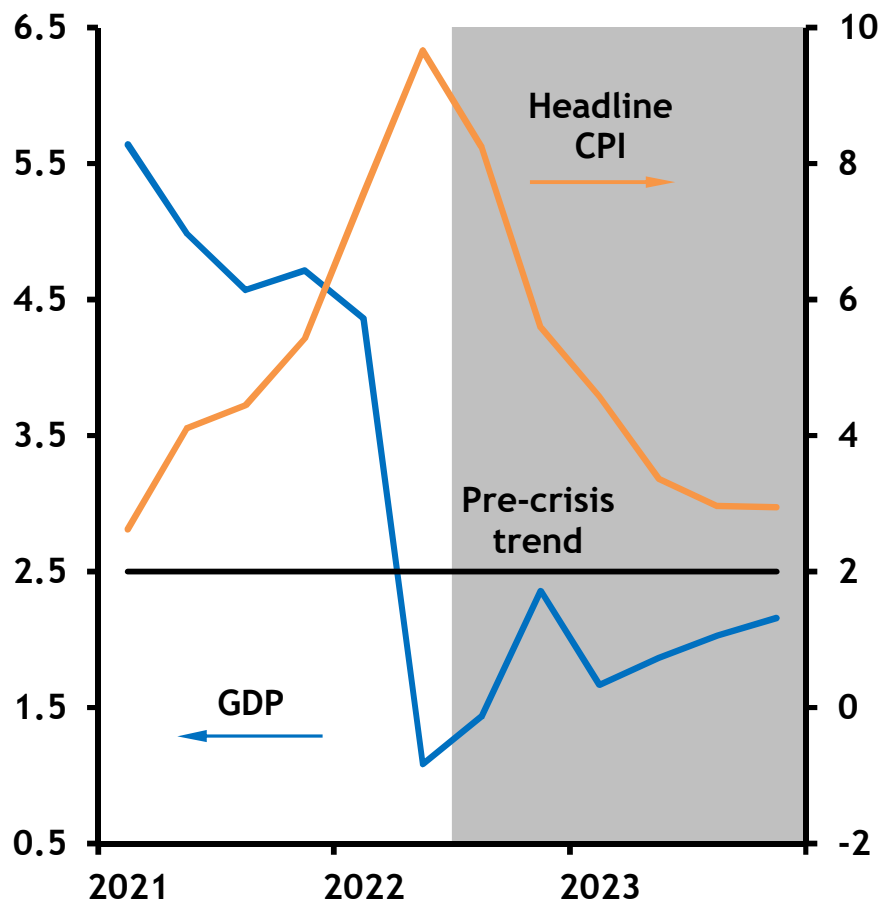
Period	Duration (months)	GDP	Unemp rate (%-pt)	Fed Rate (bp)	Memo: Global GDP
1948-49	11	-1.5	+3.0
1953-54	10	-2.4	+3.6
1957-58	8	-3.0	+3.0	-229	...
1980-81	10	-1.3	+1.9	-169	...
1989-90	11	-0.7	+2.6	-337	-0.3
1973-75	16	-3.1	+4.0	-369	-1.8
1980	6	-2.2	+1.5	-521	-1.1
1981-82	16	-2.5	+3.6	-829	-0.5
1990-91	8	-1.4	+2.6	-173	0.4
2001	8	-0.1	+2.4	-346	-0.1
2007-09	18	-3.8	+5.5	-432	-3.8
2020	2	-10.12	+7.5	-158	-7.7
Average	10	-2.7	3.4	-356	-1.8

Source: J.P. Morgan Global Economics. Note: Duration and Fed easing are calculated over recession period. GDP drop and unemployment rate is from peak to trough. This typically lasts longer than the recession period for unemployment rate.

Baseline incorporates reflationary soft-ish landing

Global real GDP and headline CPI

%chg 2Q, saar; both scales



Source: J.P. Morgan Global Economics

Global real GDP % change annualized

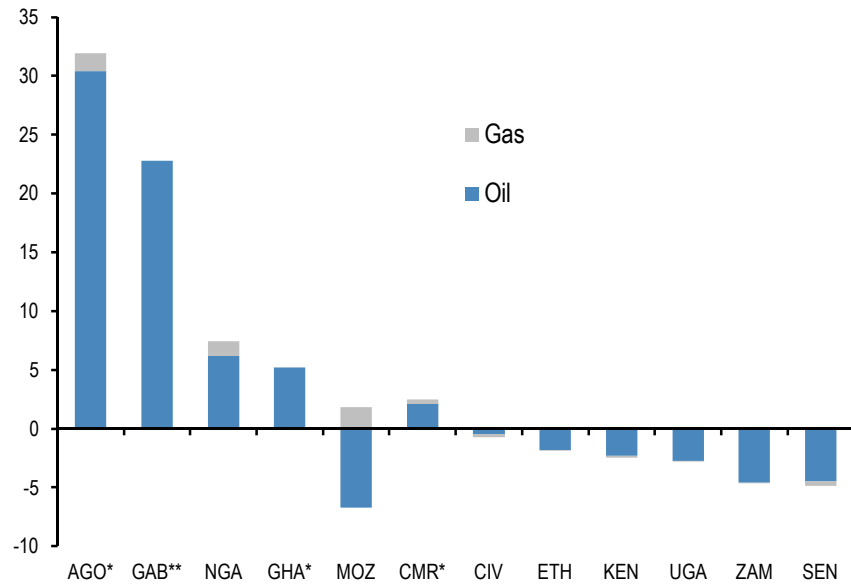
	2021		2022				2023	
	1H	2H	1Q	2Q	3Q	4Q	1H	2H
Global (2.6)	4.8	4.7	2.4	-0.1	3.0	1.5	1.8	2.1
DM (1.4)	5.1	4.7	0.4	1.4	1.8	0.6	0.8	1.1
US (1.5)	6.7	4.8	-1.6	-0.6	3.0	1.5	0.9	0.6
Euro area (1.3)	3.8	5.4	2.7	3.1	0.5	-1.8	0.5	2.0
Japan (0.8)	0.1	1.0	0.2	3.5	2.0	3.5	1.6	1.0
UK (1.0)	10.9	6.9	2.8	0.9	-1.6	-1.8	-0.2	0.4
EM (4.5)	4.4	4.7	5.4	-2.4	4.9	2.9	3.3	3.6
EM ex China (3.4)	3.4	7.0	4.5	1.7	1.6	1.0	2.1	2.9
China (5.5)	5.5	1.8	6.5	-7.3	9.0	5.2	4.7	4.5
India (6.0)	-7.0	17.7	7.9	8.0	2.5	4.0	4.2	4.5
EMAX (3.0)	4.8	4.5	4.2	2.9	2.7	2.1	3.2	3.0
Korea (2.7)	5.8	3.1	2.6	3.0	1.2	1.3	1.5	1.8
EMEA EM (2.5)	8.7	5.7	3.1	-6.4	0.2	-0.6	1.3	3.8
CEE (3.3)	11.5	5.4	10.9	-1.2	-0.3	0.8	1.2	4.7
Russia (1.5)	6.3	4.0	-1.9	-20.7	1.0	-3.0	0.2	1.7
Turkey (3.8)	9.0	8.9	2.7	8.5	-2.0	0.0	3.4	8.2
South Africa (1.3)	5.5	-0.9	7.2	-2.9	0.0	0.9	1.5	1.1
Latam (1.9)	3.4	4.4	3.9	4.1	1.0	-0.7	0.1	0.8
Mexico (2.2)	4.4	-0.4	4.6	3.7	1.5	0.2	1.4	0.7
Brazil (1.5)	2.0	1.7	4.6	5.0	0.4	-1.0	-0.9	0.8

Source: J.P. Morgan Global Economics. Pre-pandemic potential in parentheses.

Most SSA economies remain heavily reliant on energy and food imports, putting pressure on external and fiscal balances...

Most SSA economies are net importers of oil and gas

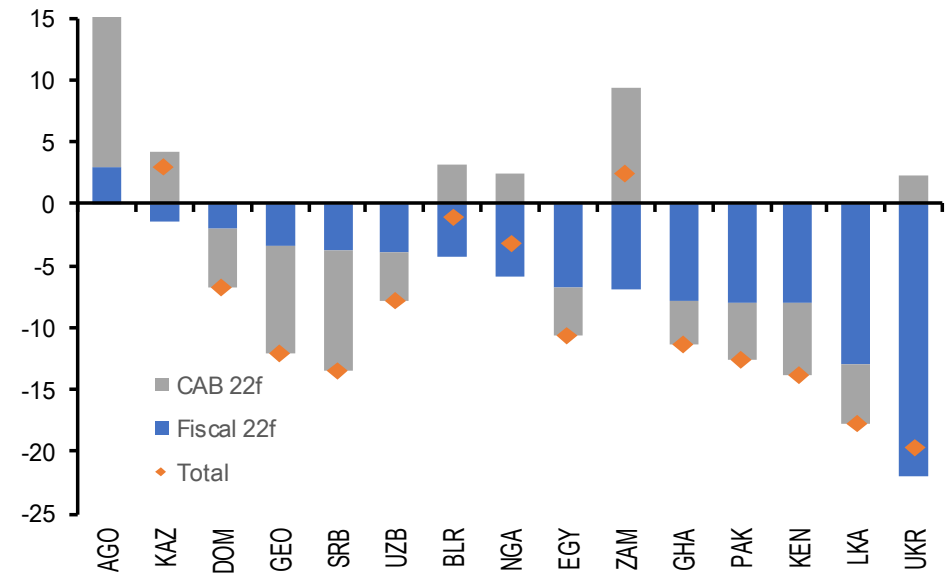
Net trade as % of GDP (avg. 2016-2020)



Source: Trademap, IMF, J.P. Morgan, IMF *GHA, AGO & CMR data for 2020 is mirrored, **GAB all data mirrored

Twin balances have deteriorated in line with frontier peers except for a Angola enjoying twin surpluses

% of GDP

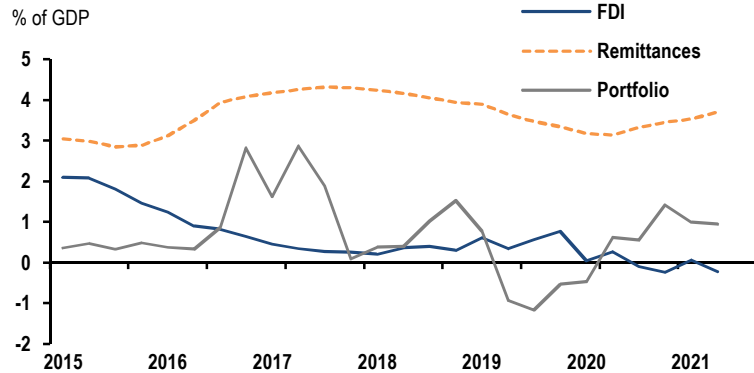


Source: J.P. Morgan forecasts, National statistics offices, IMF

...while FX flows have dwindled...

Remittances remain the main source of US\$ inflows to SSA economies

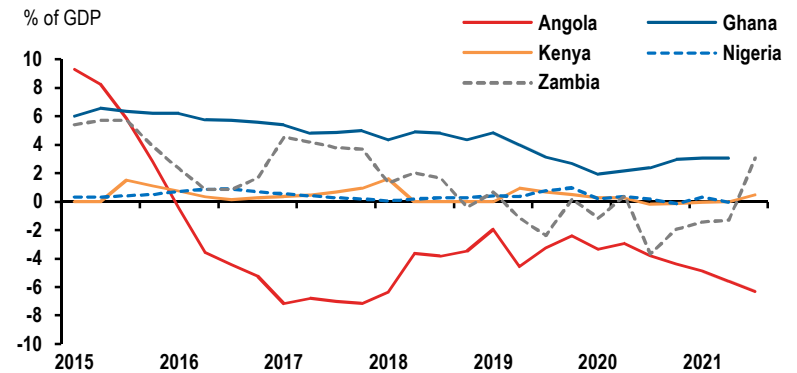
Key FX flows in SSA, 4Q rolling



Source: J.P. Morgan. GDP weighted aggregate (AGO, GHA, KEN, NGA, ZAM)

SSA is seeing a long-term trend of sharp decline in FDIs...

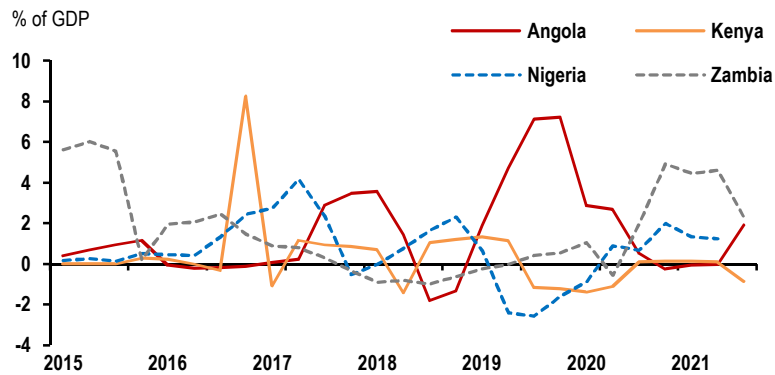
FDI flows in SSA, 4Q rolling (+ is inflow)



Source: National statistics, J.P. Morgan

... while portfolio flows have broadly declined against the backdrop of tight financing conditions

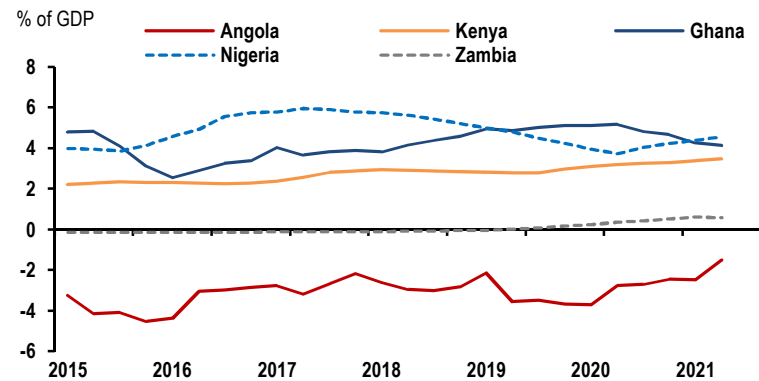
Portfolio flows in SSA, 4Q rolling (+ is inflow)



Source: National statistics, J.P. Morgan

Nigeria and Ghana lead the remittance flow in SSA

Remittances flows in SSA, 4Q rolling

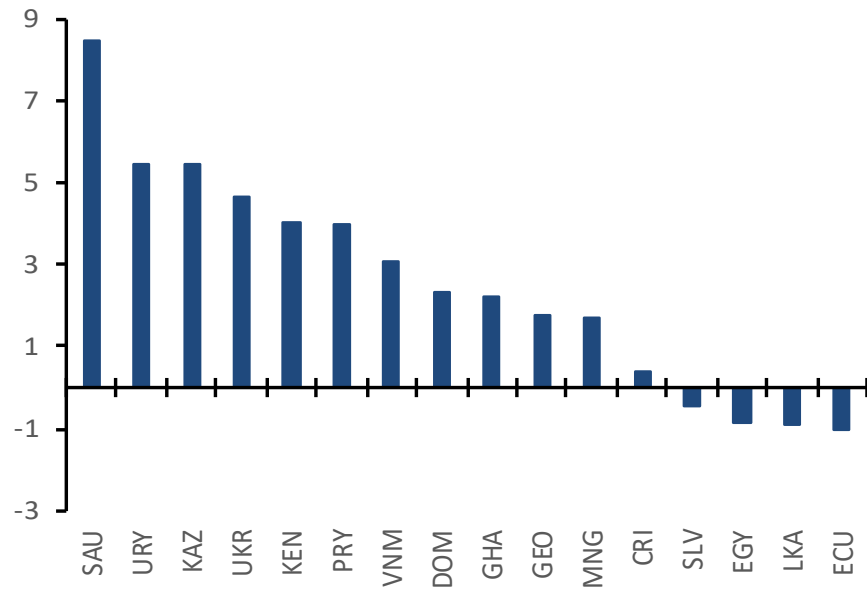


Source: J.P. Morgan. Aggregates are GDP weighted

... exacerbating currency and external pressures in some...

Months of imports of cover

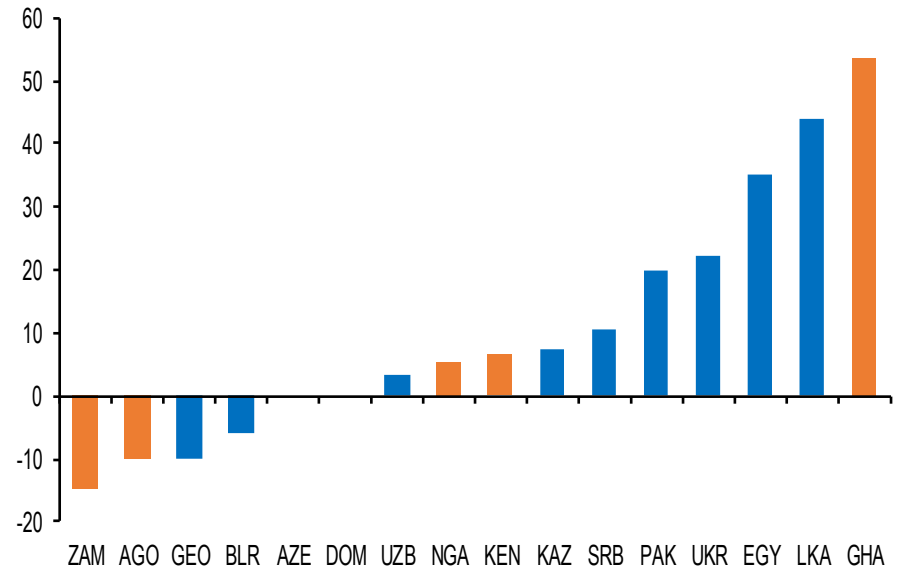
US\$bn net reserves stock / US\$bn 12-m-avg imports



Source: National statistics, IMF, J.P. Morgan *Ecuador and El Salvador are dollarized

FX movements since January 2022

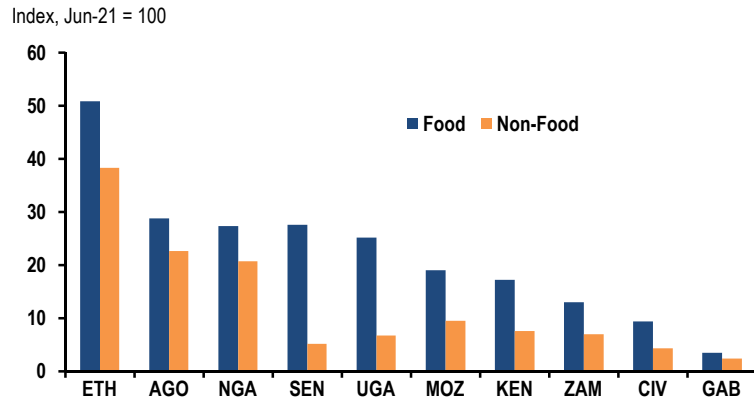
Vs USD,



Source: Haver Analytics, (-) = appreciation

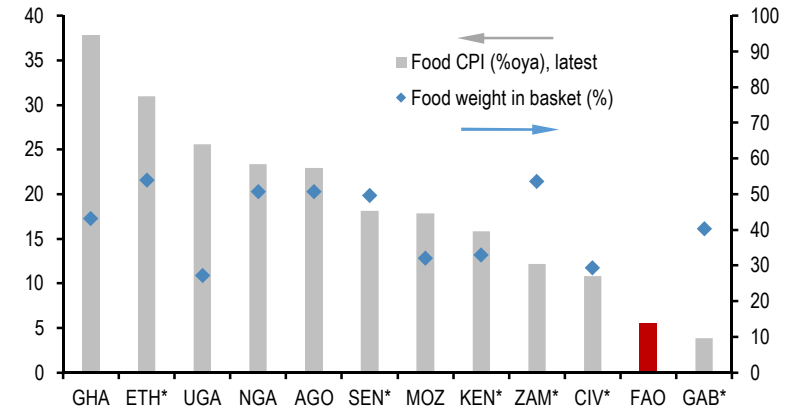
... forcing aggressive monetary tightening amid incessant inflationary pressures

Food inflation has been the dominant driver in CPI growth throughout the region



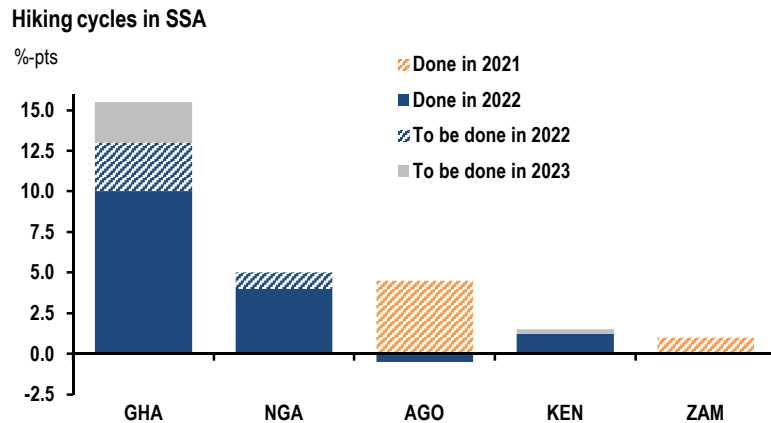
Source: National statistics, J.P. Morgan. Latest data is Sep/Oct-22, ex. Gabon: Apr-22

The weight of food in CPI basket is large, but international food prices (FAO) have come off



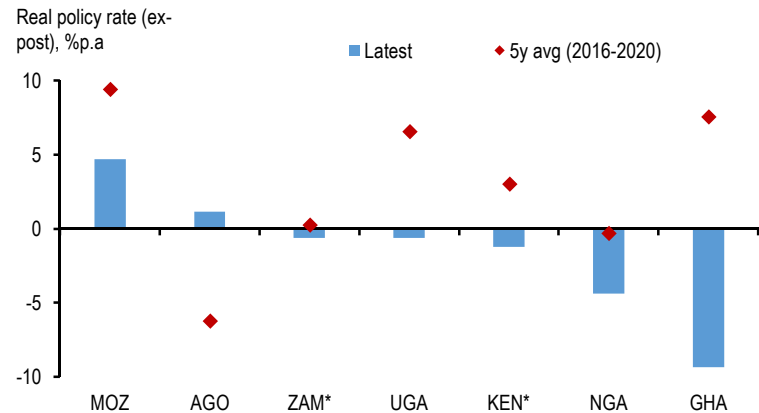
Source: J.P. Morgan, National statistics *includes non-alcoholic beverages. FAO is UN food price index

Hiking cycles are well developed, but some SSA Central Banks have further to go



Source: Central Banks and J.P. Morgan forecasts

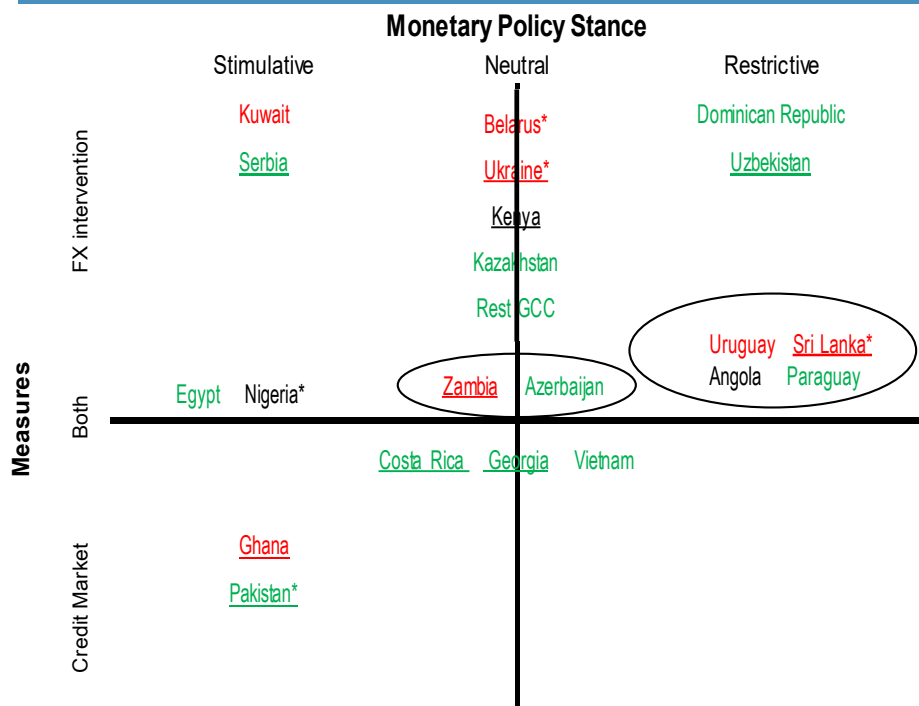
Real ex-post policy rates are below historical averages, except for Angola



Source: J.P. Morgan, National statistics

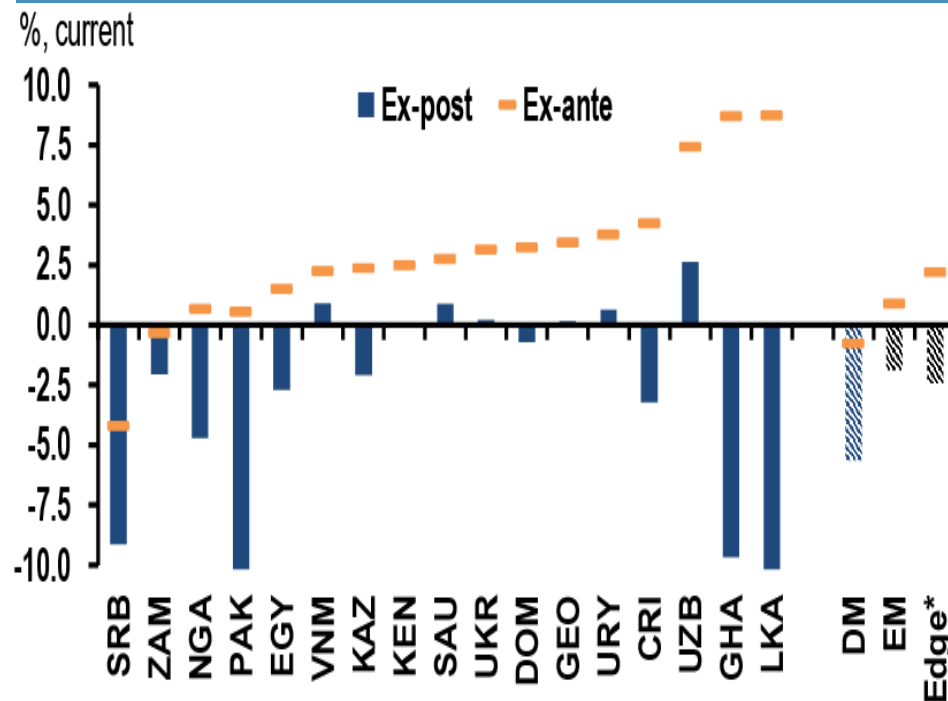
But overall monetary conditions in most of SSA still remain loose compared to peers

SSA Monetary policy still stimulative amid large output gaps



Red positive output gap; Blue negative output gap; * for countries with capital controls; underline for countries with IMF program
 Inside the shaded box no credit/FX intervention measures
 Source: J.P. Morgan

Real rates

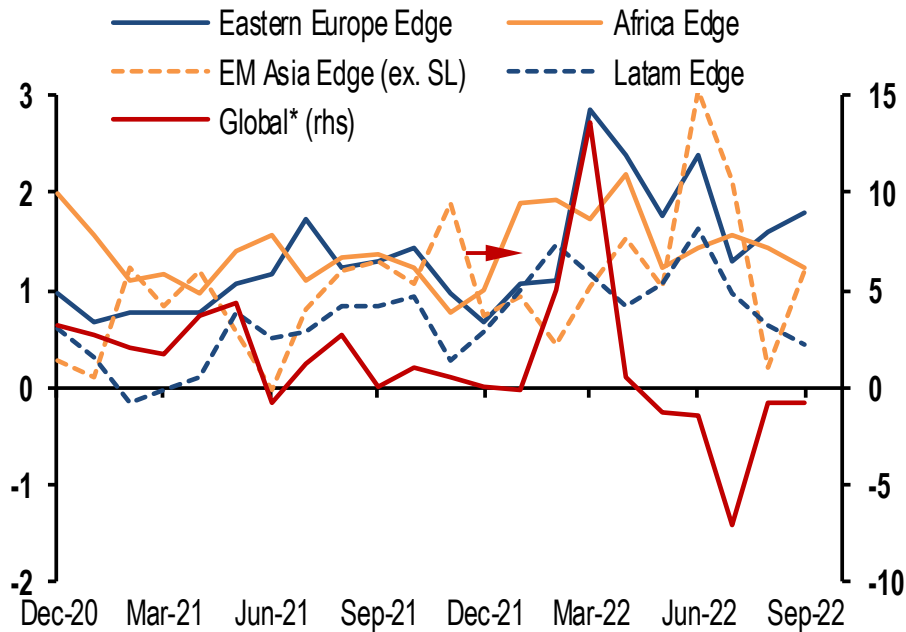


Source: J.P. Morgan forecasts, National statistics offices, IMF

Food inflation remains the key driver of headline inflation in the region

Food inflation starting to ease amid harvest seasons and lower international prices

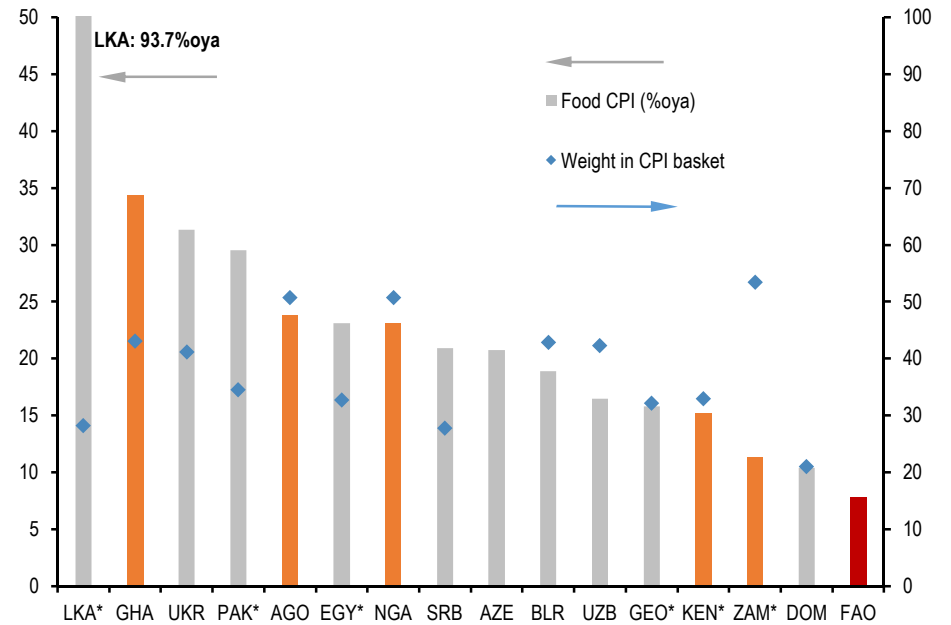
3m/3m saar



Source: National statistics, J.P. Morgan, Haver *Avg. World Bank and FAO indices

The weight of food in CPI basket is large, but international food prices (FAO) have come off

%

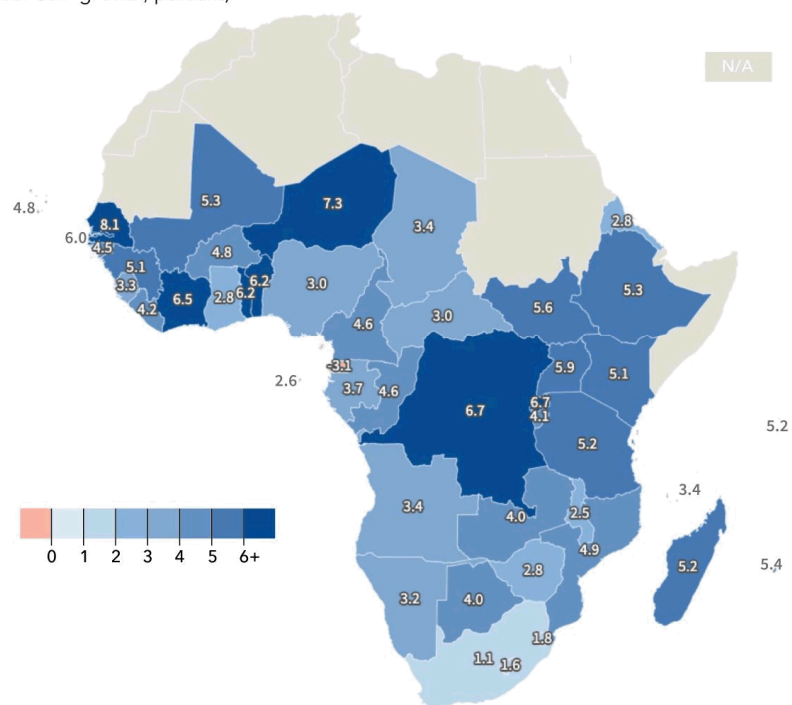


Source: J.P. Morgan forecasts, National statistics offices, IMF

Growth outcomes will be divergent across the region

Economic forecasts: 2023

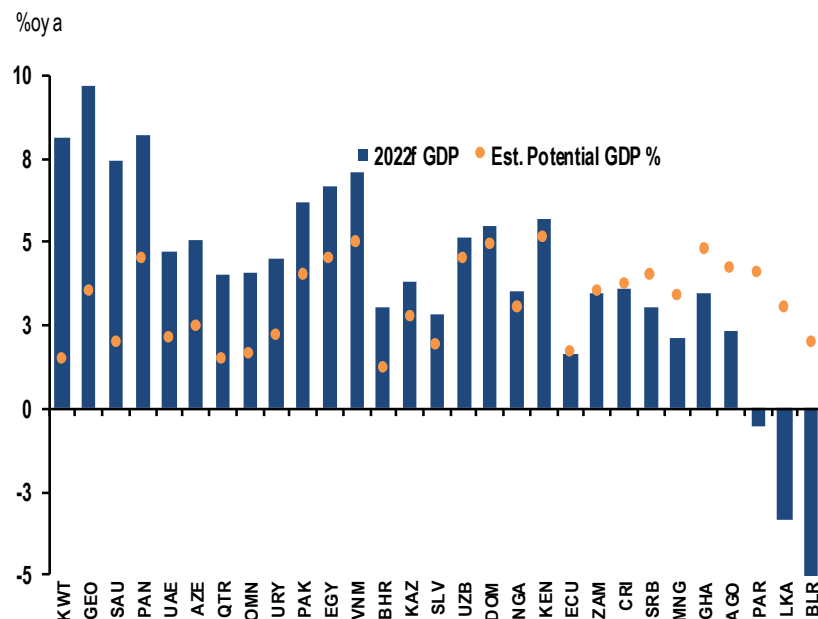
Sub-Saharan Africa's growth will remain subdued at 3.7%.
(real GDP growth, percent)



Source: World Economic Outlook Database, October 2022.



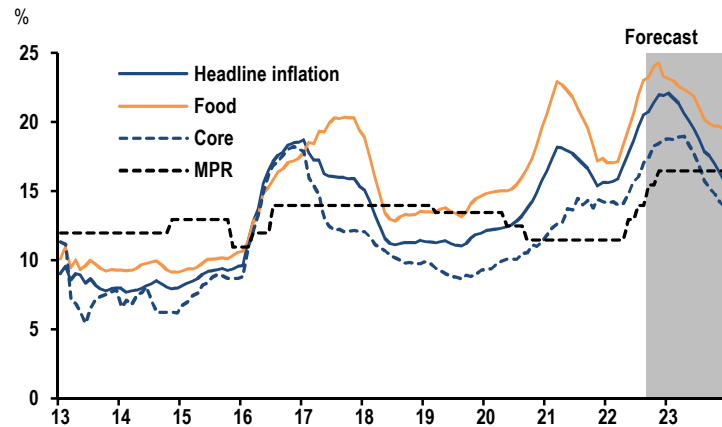
GDP growth forecasts and potential growth



Source: J.P. Morgan and IMF forecasts

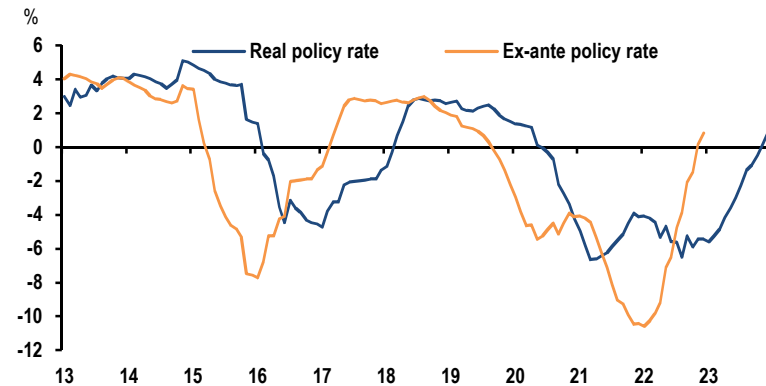
Nigeria: Eyes on 2023 elections for signs of fiscal and monetary policy reforms

CBN to continue price tightening as inflationary pressures are likely to be sustained into year-end...



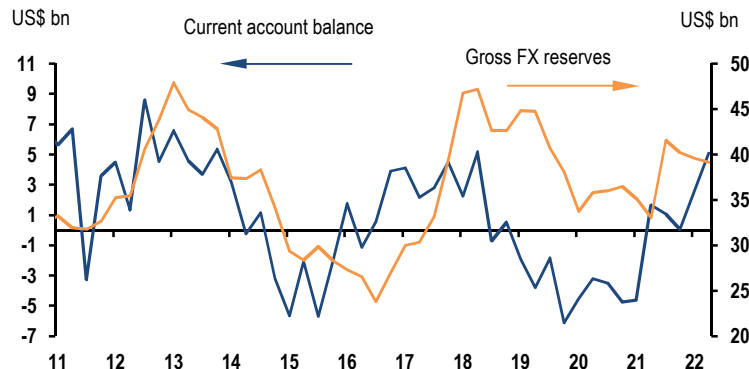
Source: National Bureau of Statistics; CBN; J.P. Morgan

...with ex-ante policy rate to turn positive by year-end



Source: National Bureau of Statistics; CBN; J.P. Morgan

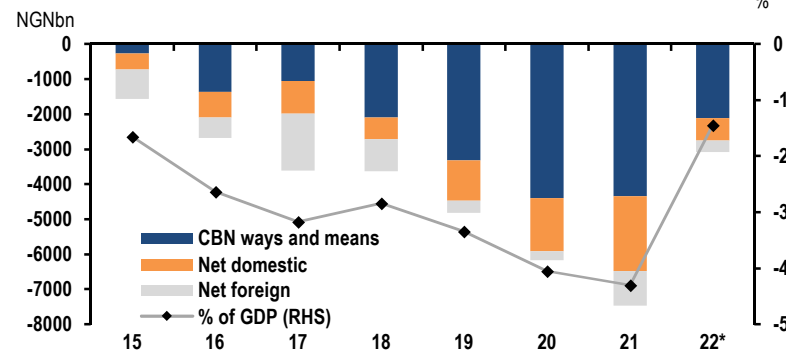
Pressure on FX reserves despite current account surplus amid supportive oil prices



Source: National Bureau of Statistics, CBN, J.P. Morgan, 2Q18 FX reserves is the average of April and May monthly figures

Persistent revenue pressures leaves CBN as major source of fiscal financing

FGN's fiscal deficit



Source: Nigeria budget Office, CBN, J.P. Morgan, *Jan-Apr

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