

Global Research Briefing

Nigeria economic outlook

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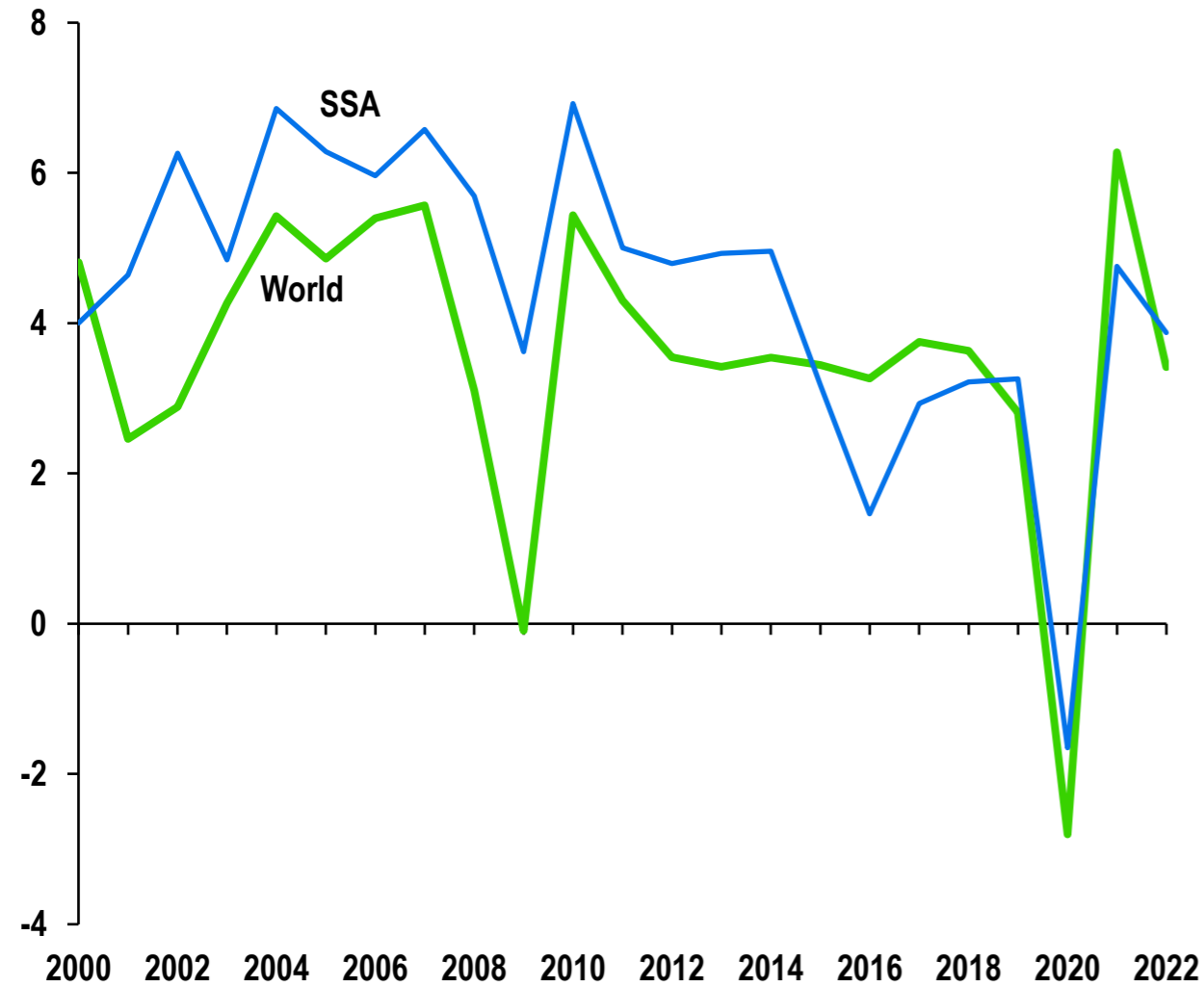
**Africa – Tighter global financial conditions
have a negative impact**



Africa – After 2021 ‘outperformance’, new growth headwinds to SSA

Global slowdown may put SSA recovery at risk

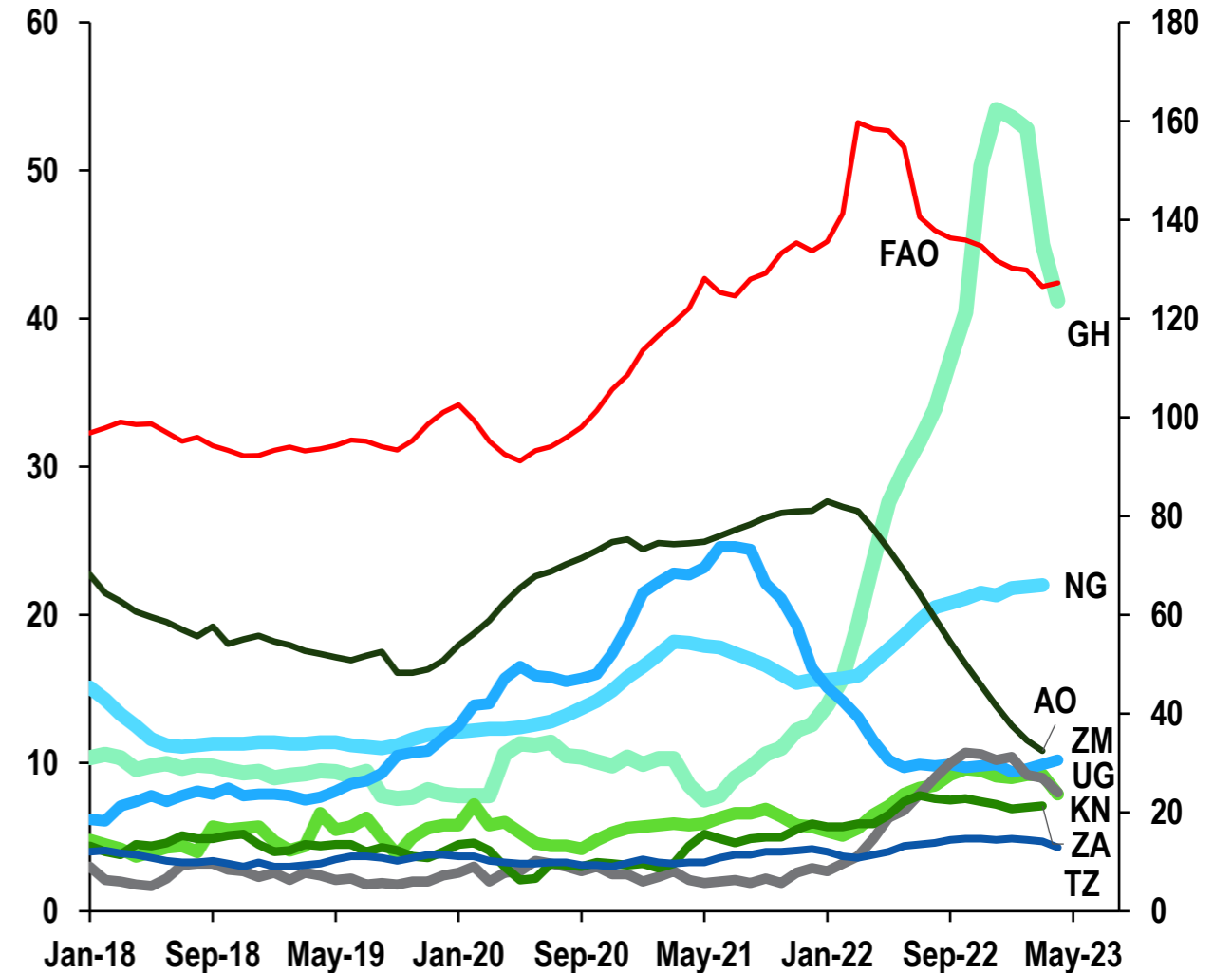
GDP, % y/y



Source: IMF WEO April 2023, Standard Chartered Research

Inflation has come off highs, but is still elevated

CPI, % y/y (LHS); FAO food price index (RHS)



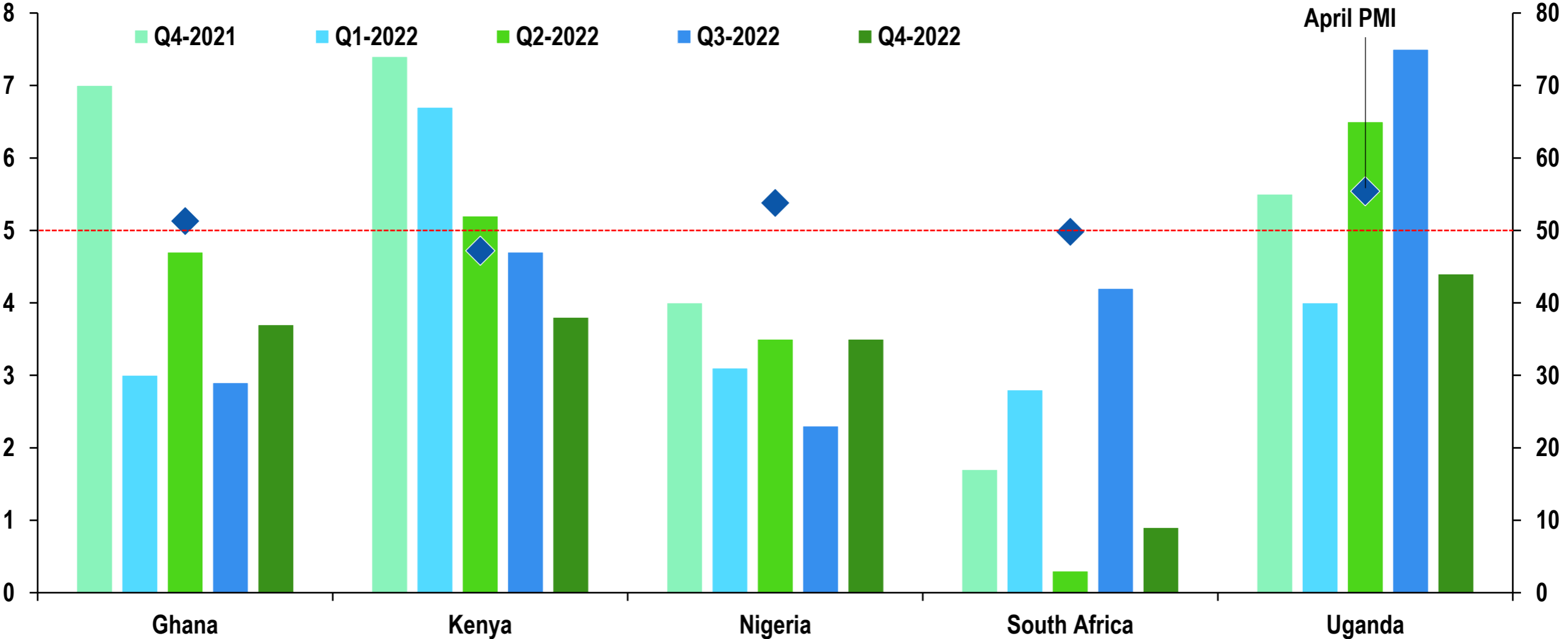
Source: Bloomberg, Standard Chartered Research



SSA – Still a tough growth outlook

Tighter financing conditions weigh on the outlook

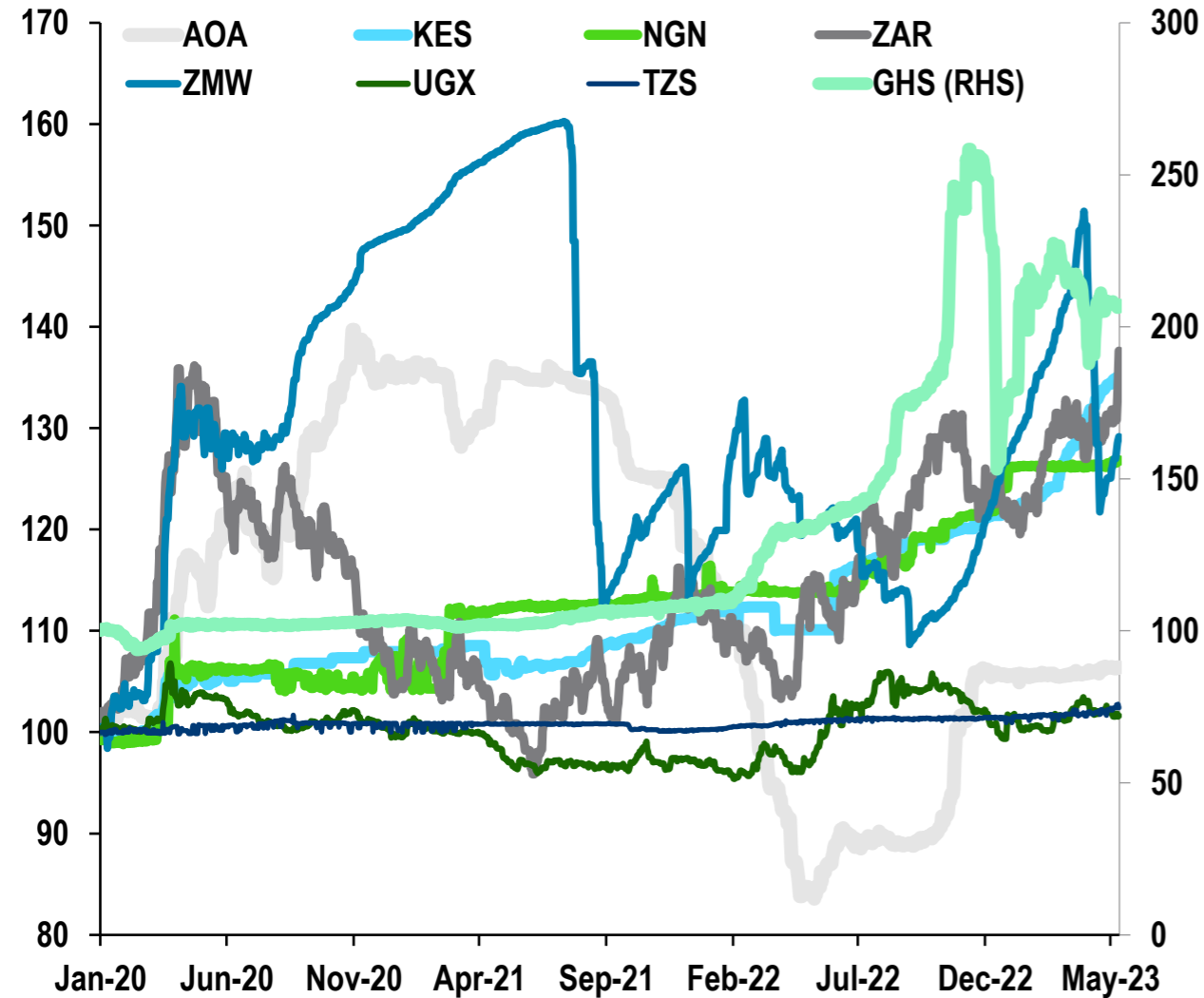
Real GDP growth, % y/y (LHS); April PMI (RHS, PMI above 50 denotes expansion)



Africa FX – Global risk appetite, USD strength are both key to outlook

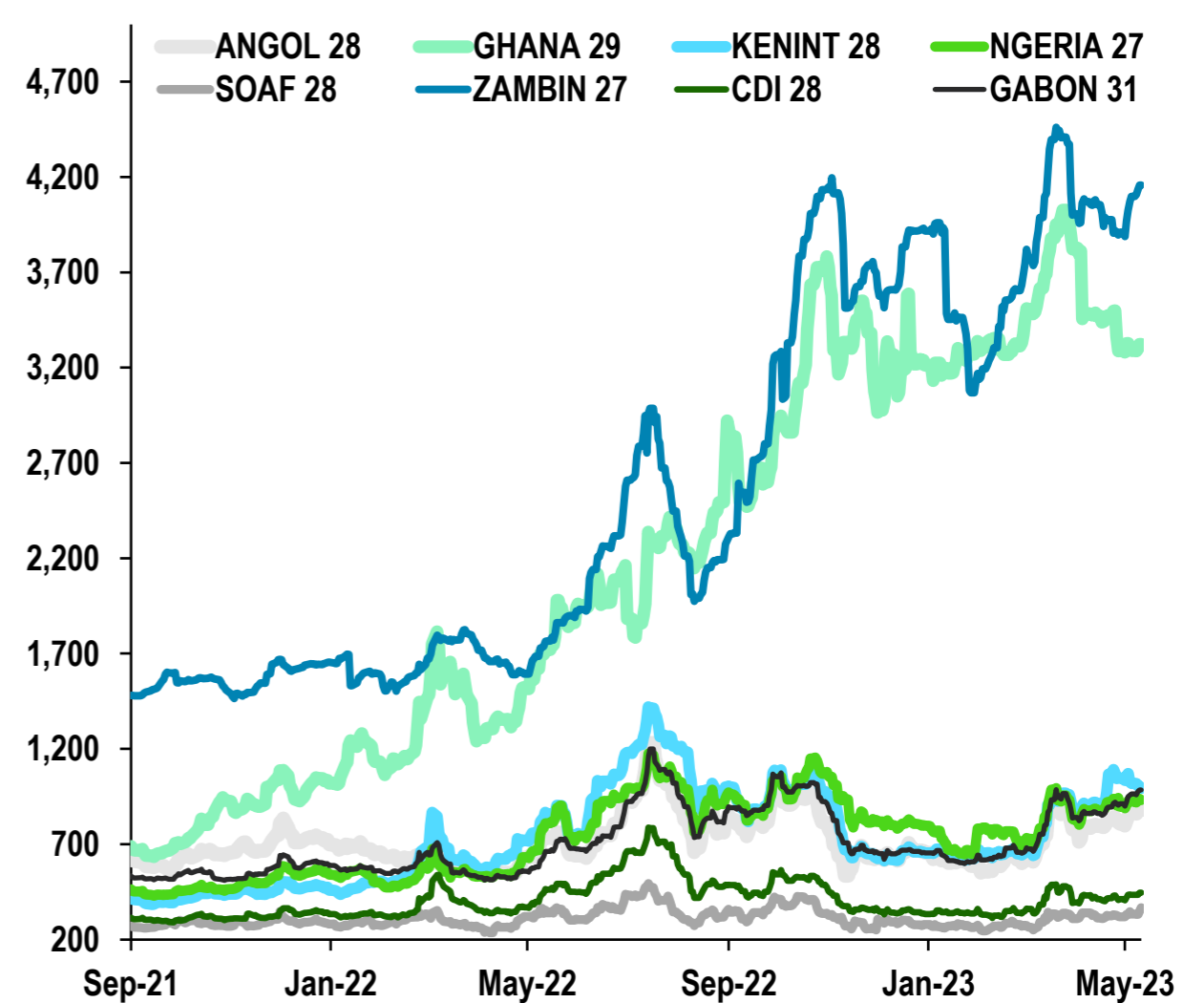
SSA FX – Still pressured

SSA FX, rebased (Jan 2020 = 100), USD-LCY



Eurobond spreads – gauged for market access

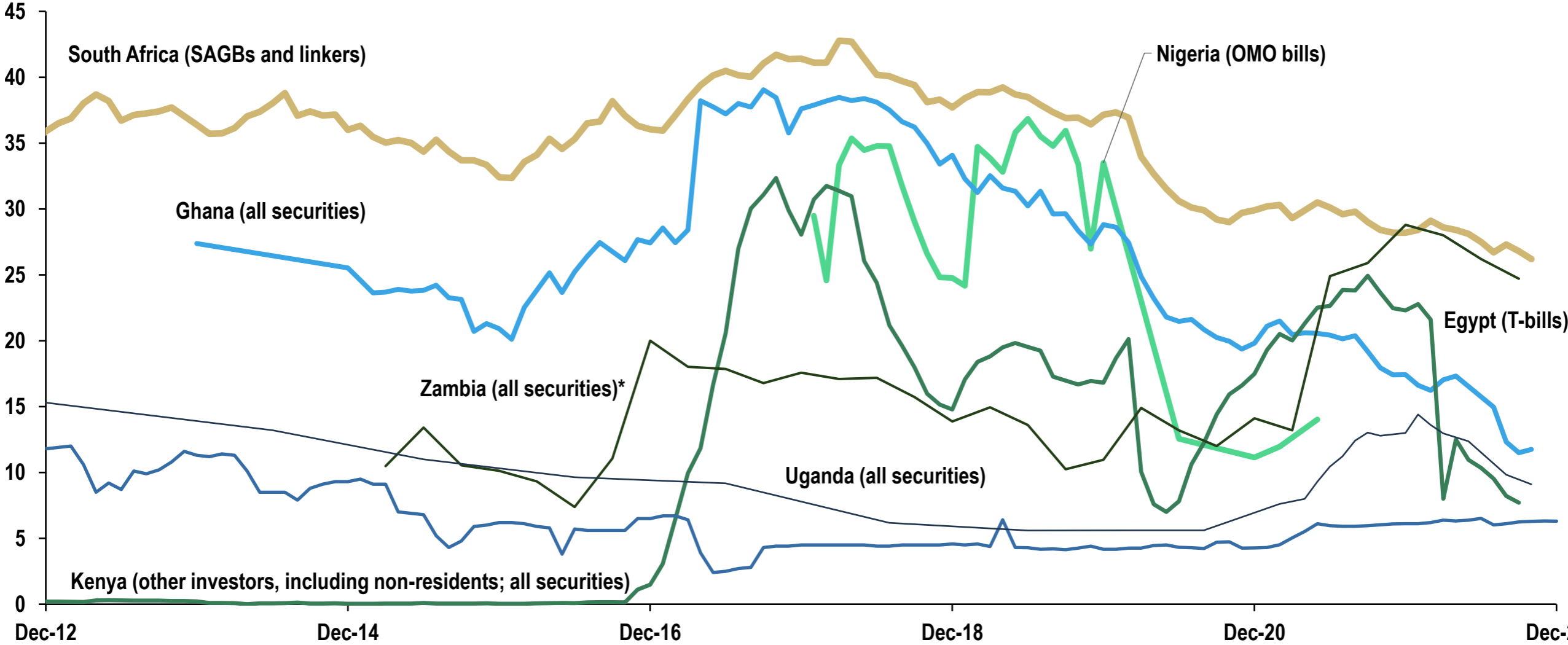
SSA Eurobonds, mid Z-spread, bps



Lightened offshore investor positioning in local currency markets

Foreign investor participation in African LCY debt markets and securities

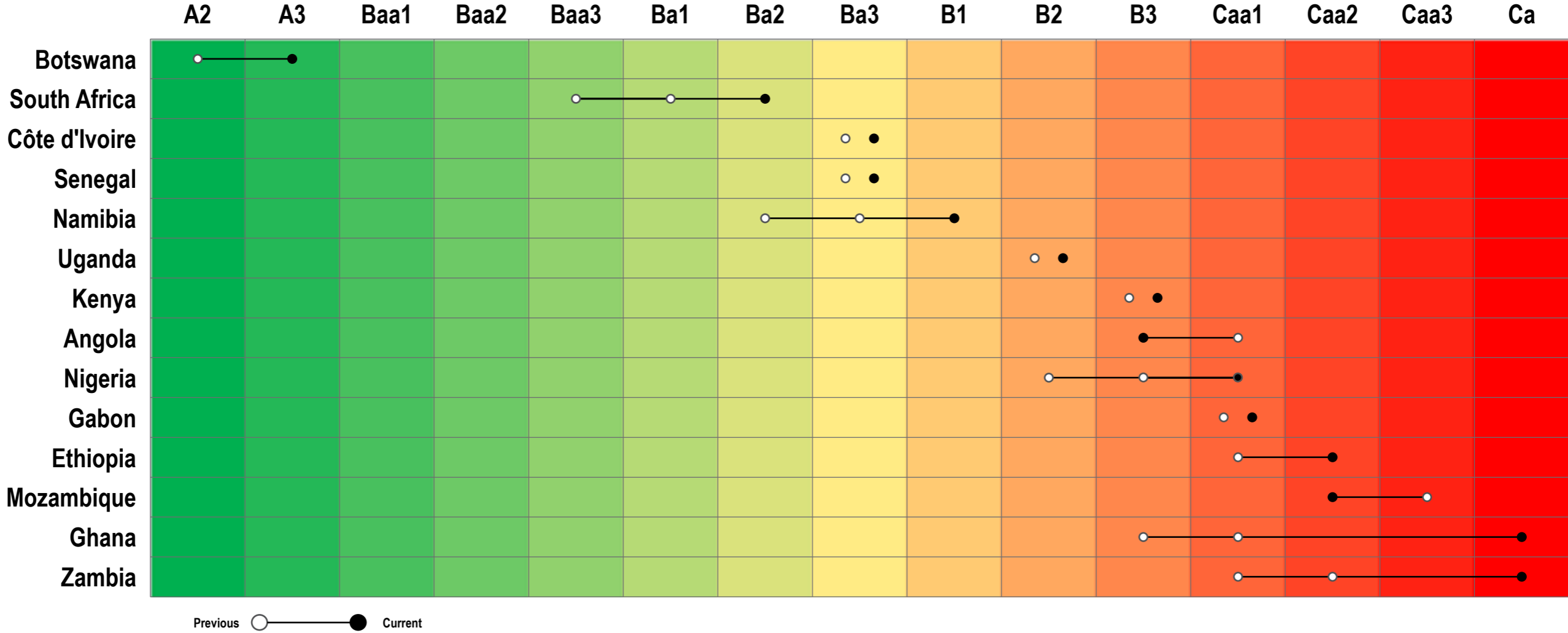
% of local debt or selected securities



Africa – Credit metrics have deteriorated

SSA region has seen deteriorating credit metrics owing to a quick succession of external shocks

Moody's three-year sovereign rating evolution



While SSA sovereigns can ‘manage’ near-term, pressure is likely to build

Tighter global financial conditions cast a spotlight on approaching Eurobond maturities mid-decade

Principal payments on outstanding Eurobonds, USD bn

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	FX reserves (USD bn)
Egypt	0.5	3.3	3.1	2.7	3.1	2.6	1.8	2.8	2.9	2.8	34.5
South Africa		1.5	2.0	1.8	1.0	2.0	2.0	1.4		1.4	61.7
Nigeria	0.5		1.1		1.5	1.3	1.3	1.3	1.0	1.5	35.2
Ghana				1.0	2.0		2.0	1.0		1.3	6.2
Angola			0.9			1.8	1.8			1.8	14.3
Cote d'Ivoire*		0.1	0.3			0.8		1.0	1.0	2.4	18.6
Kenya		2.0			0.9	1.0				1.2	6.5
Zambia	0.8	1.0			1.3						3.0
Gabon*		0.1	0.7						1.8		5.0
Senegal*		0.2			1.0						18.6
Ethiopia		1.0									1.9
Benin*			0.2							0.8	18.6
Cameroon*		0.2								0.8	5.0
Mozambique									0.9		3.1
Namibia		0.8									2.3
Total	2.6	11.3	10	7.1	10.7	10.5	9	8	9.3	14.9	



Setting Nigeria in an SSA context



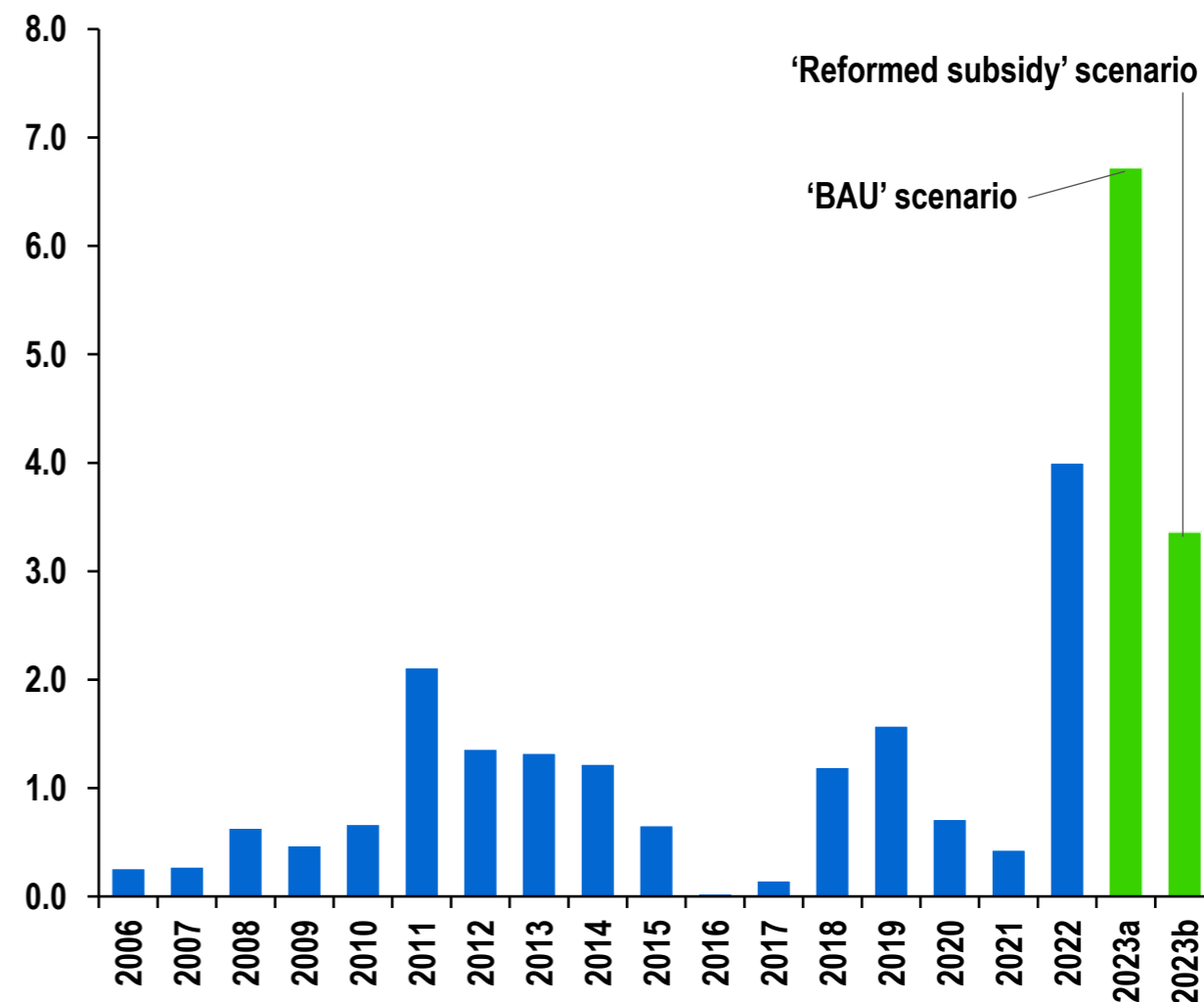
Nigeria – Reform deferred until after 2023 elections

Nigeria macroeconomic forecasts

	2023	2024	2025
GDP growth (real % y/y)	3.5	4.0	4.0
CPI (% annual average)	23.2	18.4	11.5
Policy rate (%)	20.00	16.00	12.00
USD-NGN	530.0	580.0	620.0
Current account balance (% GDP)	1.5	2.0	3.0
Fiscal balance (% GDP)	-6.0	-4.0	-3.6

Fuel subsidy removal, while delayed, would be a positive

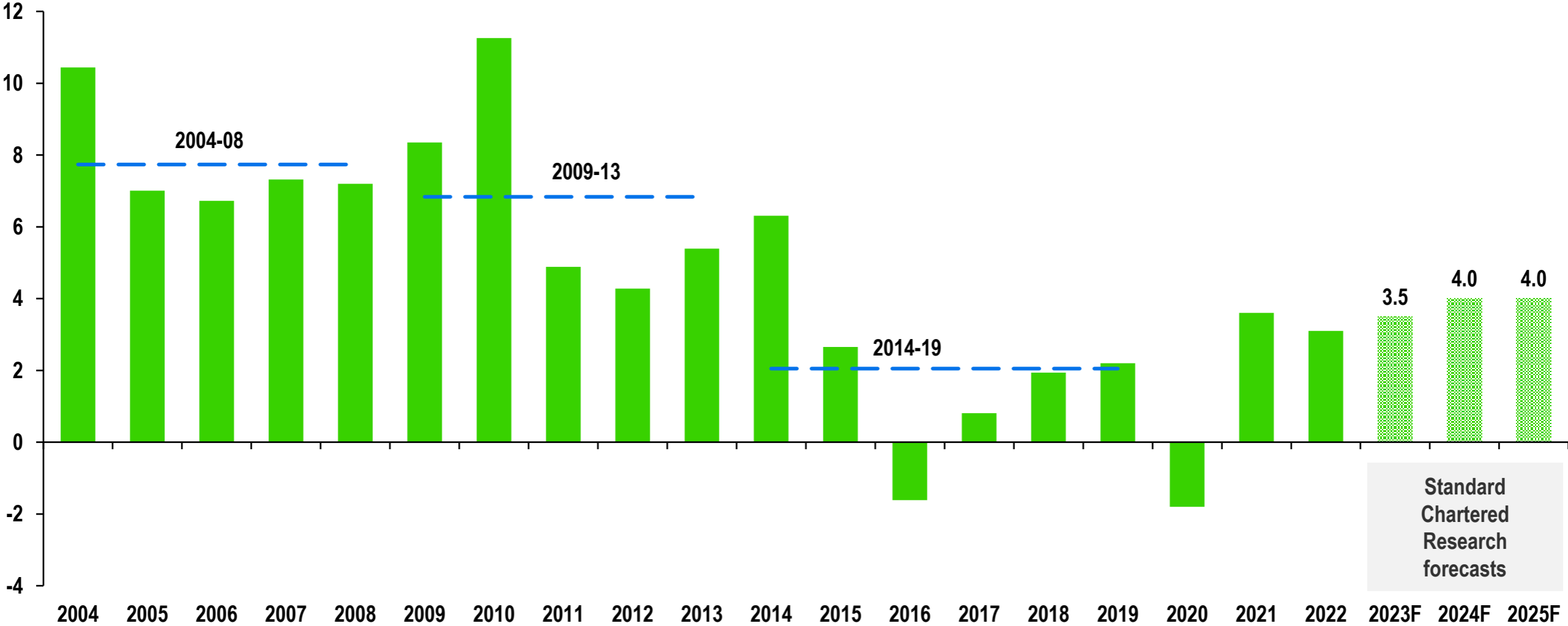
Estimated cost of fuel subsidy, NGN tn – 2023-25 MTEF



Nigeria's growth returned to positive, but key reforms are needed for a further boost

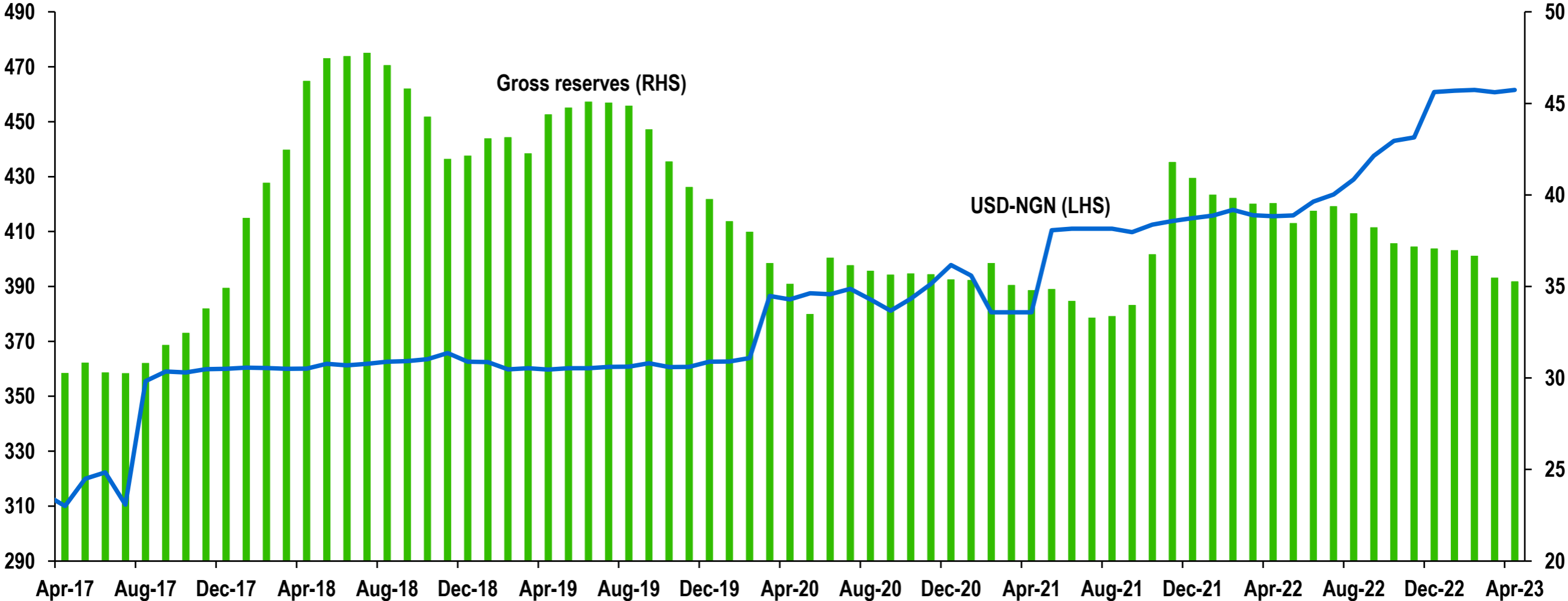
Nigeria GDP growth bounced back in 2021 after pandemic-related closures

Real GDP, % y/y



Nigeria – Despite a higher oil price, FX reserve adequacy in question

Nigeria has experienced difficulty in accumulating reserves
USD-NGN (LHS); gross international reserves, USD bn (RHS)



Nigeria economic and reform outlook

The big questions that persist

Summary

1. Post-election, the tackling of reforms:

- FX liberalisation
- Fuel subsidy removal
- Securitisation of 'ways and means' financing – dealing with the domestic debt overhang.

2. Fiscal and debt outlook have seen considerable deterioration, but with reforms, investor interest could return.

3. Domestic refining capacity will be a longer-term balance-of-payments positive. Given its demographic structure, Nigeria will need to step away from FX 'demand management' policies.



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