MACRO-FISCAL PROFILE

NIGERIA

May 2016

Key Indicators	
Population (2014)	177.5 million
GDP per capita (2014, current USD)	$3,203
Average population growth rate (2010–2014)	2.7%
Government revenue as % of GDP (2014)	10.5%
Country income class	Lower-middle

Source: World Bank, 2015; AEO, 2015.

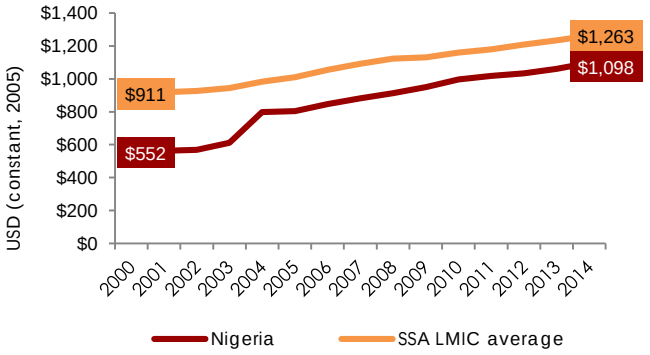
Country Policy and Institutional Assessment Ratings (1 = low, 6 = high), 2014	National	Mean SSA
Efficiency of revenue mobilization	3	3.5
Equity of public resource use	3.5	3.3
Fiscal policy	4	3.1
Macroeconomic management	4.5	3.5
Quality of budgetary and financial management	3	3.1

Source: World Bank, 2014.

Macroeconomic Forecasts					
Indicator	2013	2014 (est.)	2015 (proj.)	2016 (proj.)	2020 (proj.)
Real GDP growth	5.4	6.1	4.8	5	5.8
GDP per capita growth	2.6	3.5	2.2	3.3	–

Source: AEO, 2015; IMF, 2014.

Figure 1: GDP per Capita



Source: World Bank, 2015.
LMIC = lower middle-income country

Overview

Nigeria has experienced more than a decade of strong growth in a large and diverse economy. It accounts for more than a third of the total economic production of sub-Saharan Africa (SSA); however, the country still faces high poverty rates (46% in 2010) and weak infrastructure, even when compared to other SSA countries. Further, the economy has been affected by a significant fall in the global price of crude oil (Figure 2). Growth decreased from 6.2% in 2014 to an estimated 3.0% in 2015 and inflation increased from 7.8% to an estimated 9.0% in the same timeframe.

More than half of Nigeria's gross domestic product (GDP) comes from the service sector. Nigeria is fiscally dependent on natural resources, with resource rents accounting for nearly 16% of GDP. Oil has fallen sharply as a share of GDP, from 30% in 2009 to just 13% in 2013. However, oil remains a critical source of public revenues, accounting for 47% of revenue. Declining oil prices have lowered revenues, and continued price volatility presents a challenge for the public sector moving forward (Figure 2). Oil prices also have put downward pressure on Nigeria's balance of trade. Imports have remained relatively steady, but exports fell from 23% of GDP in 2011 to approximately 9% in 2015. As a result, the trade balance turned negative (-0.2% of GDP) in 2015, which is a significant change from when the trade balance was +14.2% of GDP in 2007 (AEO, 2015; IMF, 2014).

Political economy

Nigeria held a general election in 2015, in which the incumbent president Goodluck Jonathan lost to Muhammadu Buhari. President Buhari has commited to reducing graft, reforming Nigeria's oil sector, reducing poverty, and restoring national security.

Heightened activity by terrorist organizations, particularly from Boko Haram in the northeastern part of the country, presents serious risks in the domestic political and security environments and has negatively affected foreign direct investment (AEO, 2015; IndexMundi, 2015).

Nigeria has a three-tiered governance system: federal, state, and local government. Government strategies to reduce poverty have not been successful due to inadequate funding, poor coordination, and poor design. Additionally, there are only a few interventions in place to assist identified vulnerable groups. Little linkage exists between policy priorities and budgeting, and expenditure frequently deviates from budgeted amounts. Significant delays occur in the preparation of public accounts, and few actions are taken in response to audit reports when they are available.

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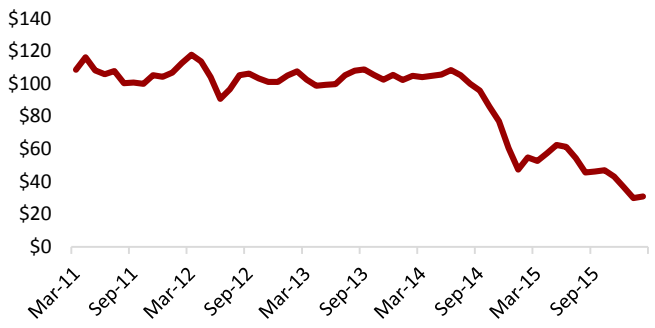
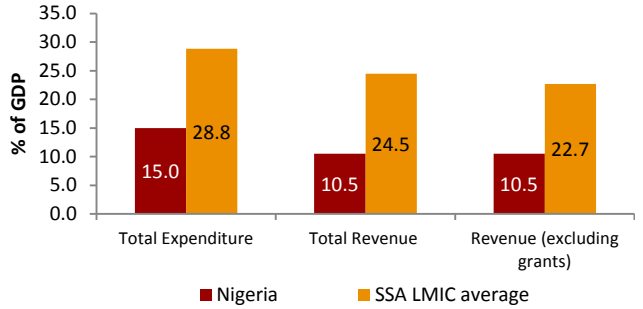
Figure 2: Crude Oil Prices (USDper barrel)



Source: IndexMundi, 2015.

Figure 3: Government Revenue and Expenditure (2014)



Source: AEO, 2015.

GDP and Economic Growth

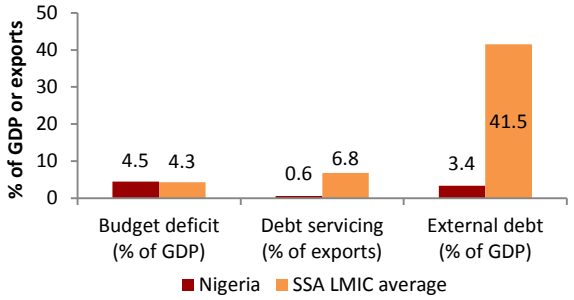
Real GDP per capita almost doubled from 2000 to 2015, to US$1,098 (Figure 1). Real GDP growth increased to roughly 6.2% in 2014. Due in part to recent fluctuations in oil production and prices, non-oil sectors have primarily driven this growth. In particular, domestic food production has strengthened, thus helping to keep inflation within the Central Bank of Nigeria's targeted 6–9% range (AEO, 2015; IMF, 2014).

Government Revenue and Expenditure

Government revenues in Nigeria are low as a percentage of GDP (10.5%) when compared to regional and global averages (Figure 3). Oil production is the dominant source of revenues (Figure 5), although oil revenues as a percentage of GDP declined from 6.5% to 3.7% from 2014 and 2015, and these declines are projected to continue. Other sources of revenue, particularly a value-added tax, will need to be strengthened to replace shortfalls in oil revenue. Tax administration is weak, although revenue information systems are functioning. States have significant autonomy and prepare and execute their own budgets, but depend on federal transfers. One study found that internally generated revenue accounted for less than 10% of state revenues, on average, in seven states (World Bank, 2011).

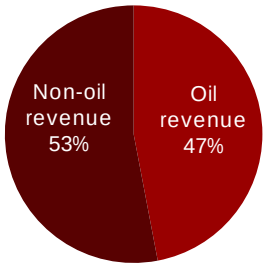
Despite low revenues, the government historically has maintained a balanced budget by limiting public expenditure. However, lower than expected revenues over the past two years have made fiscal management a challenge and inflated the budget deficit (Figure 4). Expenditure is highly decentralized; state and local governments account for approximately 43% of expenditure (Figure 6). The majority (89%) of national spending in 2015 was on recurre expenditure. As Nigeria continues to address its limited fiscal space, spending at all levels will need to be prioritized, focusing in particular on capital and infrastructure projects (AEO, 2015; IMF, 2014).

Figure 4: Government Borrowing (2014)



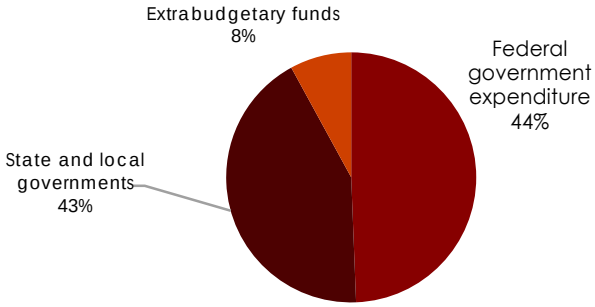
Source: AEO, 2015.

Figure 5: Revenue (2015, preliminary)



Source: IMF, 2014.

Figure 6: Expenditure (2015, preliminary)



Source: IMF, 2014.

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