Country Report

Nigeria

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"0 or 0.0" means nil or negligible;"n/a" means not available; "-" means not applicable

Nigeria

Summary

Outlook for 2024-28

Data and charts

Summary

Recent analysis

Economy

Briefing sheet

Editor:	**Benedict Craven**
Forecast Closing Date:	**October 20, 2023**

Political and economic outlook

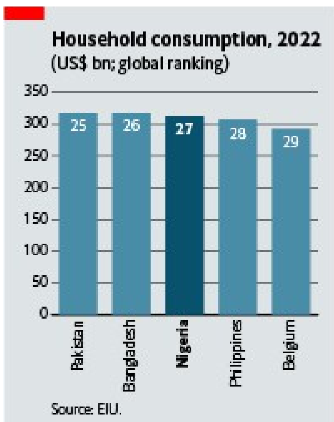
- Nigeria is the joint-largest economy in Sub-Saharan Africa, an oil exporter and an OPEC member. Hydrocarbons generate about 50% of government revenue and more than 80% of export receipts, but agriculture and services dwarf industry as contributors to GDP.
- Bola Tinubu, the candidate of the ruling party, the All Progressives Congress, won the February presidential election with only 36.6% of the vote. His meagre political capital is already wearing thin as a daring economic reform agenda clashes with unions, and EIU views the momentum for further market reform as being absent.
- Insecurity is chronic in many areas, with the security forces too overstretched to counter multiple security crises effectively. High inflation, low economic growth and unpopular market reforms present substantial political stability risks in the context. Labour unions are likely to be active, with a high risk of industrial action that affects the economy.
- Economic growth will be slow in 2024 as a new bout of inflationary pressure and an intensification of monetary tightening lead to a contraction in domestic demand. Growth will accelerate to a multi-year high in 2025 as the shock of market reform passes, and will be boosted by investment in the recently deregulated power sector.
- Foreign-exchange scarcity will persist in the short term. The Central Bank of Nigeria (CBN) has reverted to heavier currency management after having briefly switched to a "managed float" in June, and a freely-traded naira is not expected even in the long term.
- Although production is well below the boom years of the early 2010s, Nigeria's oil and gas sector will remain crucial to the prospects of the wider economy, dominating the export profile and accounting for about half of government revenue.
- Nigeria is a signatory to the African Continental Free-Trade Area agreement. However, the government will take a protectionist approach to regional trade and will do little to encourage regional trade, beyond meeting its obligations on tariff cuts.

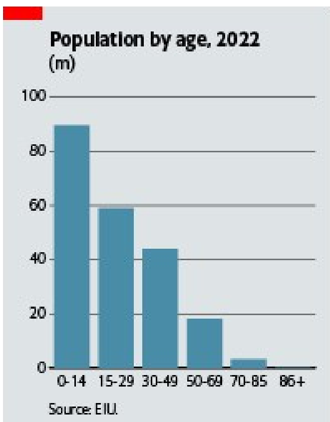
Key indicators

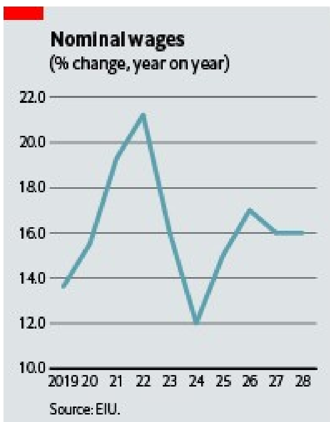
	2023[a]	2024[b]	2025[b]	2026[b]	2027[b]	2028[b]
Real GDP growth (%)	2.2	2.6	4.0	3.4	3.2	3.1
Consumer price inflation (av; %)	25.1	23.6	17.1	11.7	12.2	11.8
Government balance (% of GDP)	-5.3	-5.0	-4.6	-4.7	-4.7	-4.8
Current-account balance (% of GDP)	2.1	2.9	3.0	2.0	0.6	0.1
Short-term interest rate (av; %)	5.5	11.0	9.0	9.5	9.4	9.4
Exchange rate N:US$ (av)	633.0	819.1	1,068.3	1,150.2	1,189.3	1,254.0

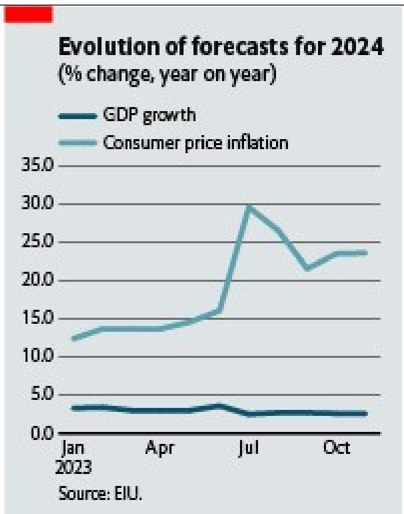
[a] EIU estimates. [b] EIU forecasts.

Market opportunities









Key changes since October 3rd

- We have revised our exchange-rate forecast to front-load a larger devaluation in 2025, to reflect a widening gap between the official and parallel-market exchange rates. We expect another attempt at exchange-rate convergence that year, meaning a larger correction.
- We have adjusted our average exchange-rate forecast for that year to N1,068.3:US$1, from N914.4:US$1 previously. As our forecast for continued currency losses over time has not changed, the projected rate is also now weaker for latter years.
- A larger devaluation will have limited pass-through, given the size of the parallel market, but our forecast for average inflation in 2025 has been revised up by two percentage points, from 15.1% to 17.1%.

The month ahead

- **TBC—Monetary policy committee (MPC) meeting of the CBN:** The MPC meeting scheduled for late September was cancelled so that a new governor and four deputies could be vetted. It is unclear when the next sitting will be, feeding in to our forecast that monetary policy action will not be sufficient to tame inflation effectively.

Major risks to our forecast

Scenarios, Q3 2023	Probability	Impact	Intensity
Mr Tinubu moves too fast on market reform and unleashes mass unrest	High	Very high	20
Social unrest forces the government to make concessions on its reform agenda	High	High	16
Boko Haram activity spreads from north-eastern to central Nigeria	Moderate	High	12
Completion of the Dangote refinery stalls, and continued costs for oil imports increase foreign-reserve risks	Moderate	High	12
Corruption worsens under the Tinubu administration	Moderate	High	12

Note. Scenarios and scores are taken from our Operational Risk product. Risk scenarios are potential developments that might substantially change the business operating environment over the coming two years. Risk intensity is a product of probability and impact, on a 25-point scale.
Source: EIU.

Outlook for 2024-28

Political stability

Nigeria's president, Bola Tinubu, is expected to remain in power until at least 2027, when his first term ends, but his time in office will be highly testing. An inescapable problem will be his weak mandate; he won only 36.6% of the popular vote, on a turnout of 27%. Only 8.8m Nigerians voted for him, out of a population estimated at just over 220m. Despite his low popularity, Mr Tinubu has embarked on the biggest economic shake-up of a generation, rapidly rolling out market reforms and dismantling vehicles for patronage and corruption. In theory these reforms hold the key to bringing Nigeria onto a higher growth path, but in EIU's view he moved too hard and too fast.

Mr Tinubu came to power amid high inflation, and moves to deregulate petrol prices and float the currency have aggravated cost-of-living pressures. Given threats of mass industrial action on a scale that has not been seen since 2012, his administration has had to compromise and backtrack. Mr Tinubu will be under continuous pressure from labour unions, the renaissance of which will last, given an outlook of stubbornly high inflation. Mr Tinubu got further than many of his predecessors in pursuing market reforms, but as his political capital has already drained away, and because Nigeria's security situation is so fragile, we expect the agenda to peter out.

Widespread, entrenched poverty and ethno-religious divides are on such a scale that the very future of the current federal structure of Nigeria is at risk. With the security forces overstretched, emergencies will be triaged and resources deployed to whichever is most pressing.

Boko Haram and Islamic State West Africa Province, two Islamist terrorist groups that operate in the north and have a demonstrated ability to carry out terrorist attacks elsewhere in the country, will present an ongoing threat. Violence between farmers and herdsmen in central Nigeria—the agricultural heartland—reflects another deep-seated conflict. The causes, such as high population growth and natural resource depletion, are largely unsolvable. In recent years banditry and kidnapping in the north-east have become a destabilising national crisis. The perpetrators are well funded and have been developing links with terrorist groups and expanding the reach of their operations. In the oil-producing Niger Delta, distrust of the government runs deep and communities feel that they do not get a fair share of Nigeria's oil wealth. Governability in the region will be challenging, and criminal activity linked to militant groups will remain a risk to oil output.

Our baseline assumption is that Nigeria's federal government will assert control over "core" areas such as Abuja, the capital, and other places of political importance, at the expense of "periphery" regions that have long been mired in conflict. This will be enough to keep the seat of power safe, but governance will be minimal across much of the country.

Election watch

Mr Tinubu won the 2023 presidential election in the first round, and will face the electorate again in 2027. The ruling party, the All Progressives Congress, won a majority in the Senate (the upper house) and the largest number of seats in House of Representatives (the lower house). Nigerian politics is fluid, as party allegiances are often more about political convenience than ideology. Frustration with the two-party system was highlighted by support for Peter Obi, of the fringe Labour Party, in the presidential poll. Backed by unions, he will build the party's profile and become a more formidable force by 2027.

International relations

Given its size, Nigeria is a major player in Africa, but economic policy has a protectionist skew. Domestic security challenges will reduce Nigeria's ability to contribute troops to regional military forces as it has done in the past, when the country underwrote regional security. The Senate refused Mr Tinubu's proposal to intervene militarily in Niger following a coup in July 2023, and we do not expect the idea of a regional force to gain traction. Nigeria's army is tied up with domestic conflicts, rendering overseas intervention unfeasible. The US has been a major arms supplier to Nigeria and is likely to maintain some security assistance, given the wider regional threats posed by Islamist radical groups.

Policy trends

Mr Tinubu has rolled out pro-market policies in rapid succession since coming to office, but they have not added up to a coherent plan, compromising his government's ability to make the reforms work. On his first day in office a hugely wasteful petrol subsidy was scrapped. Nigeria will continue importing virtually its entire petrol requirement until the second half of 2024, when a new mega-refinery (the Dangote refinery) materially ramps up output. In the meantime landing costs will fluctuate with the exchange rate, which Mr Tinubu wants to be market-led. Since a "float" of the naira in June the currency has lost 63% of its value against the US dollar. Retail petrol prices have been held fixed despite the higher landing costs for marketers, indicating a return to a covert subsidy to forestall mass industrial action. Politics will generally be consumed by cost-of-living pressures well into 2024, tying Mr Tinubu's hands. The same applies to deregulation of the power sector, another landmark reform. Although investment in the power sector should materialise over the medium to long term, the authorities will baulk at raising tariffs to match costs in the short term.

After brief consolidation in June, a wide (35%) spread between the official and parallel-market exchange rates has re-emerged, reflecting an ongoing reluctance by the Central Bank of Nigeria (CBN) to allow free access to hard currency, and resulting illiquidity in the Nigerian Foreign-Exchange Market (NFEM, the official window). Pressing harder on currency reform would therefore mean a hefty devaluation, crushing any pretence of petrol price deregulation (assuming that higher pump prices are a political red line) and stretching a fragile fiscal position.

A decision in October to scrap import controls on 43 imported items—historically a factor behind a lively parallel-market currency trade—is in theory positive for a market-led naira, but will generate added demand in the formal market against limited supply. It demonstrates Mr Tinubu's willingness to take on influential business lobbies that have long benefited from protectionism. However, other factors undermining the naira, such as deeply negative short-term real interest rates, require an orthodox monetary policy that the authorities have not demonstrated enough appetite for. We therefore do not expect a currency float to succeed over 2024-28, although it seems likely that the fuel subsidy will end when the Dangote refinery is able to replace imports, from late 2024 onwards. Market-led pricing will incentivise the facility to sell locally rather than export its output.

Deregulated pricing will also allow NNPC Limited, which initially absorbs subsidy costs, to start operating as a commercial entity, as required by the 2021 Petroleum Industry Act (PIA), a major piece of oil sector legislation. Combined with more competitive fiscal terms under the PIA, eventual commercialisation of NNPC Limited improves the outlook for investment in hydrocarbons, as multinationals in joint-venture partnerships will be more confident about cash-calls being met. Oil output has been falling over the past decade, but we tentatively project a gradual rise from an estimated 1.24m barrels/day (b/d) in 2022 to 1.41m b/d in 2028. This will not necessarily be linear, however, given numerous operational difficulties, in particular insecurity in the Niger Delta.

Fiscal policy

Relatively large budget deficits are expected as part of Mr Tinubu's "fiscally active" job-creation and infrastructure agenda. The 2024 budget is in an early draft stage, but already indicates a large increase in non-debt spending. Savings from higher pump prices (even with a covert subsidy) will be recommitted to higher public-sector salaries and cash transfers to poor households. We expect the subsidy reform to have little net effect on the fiscal balance. We forecast a fiscal deficit of 5% in 2024, only marginally down from the estimate for 2023. Deficits are projected to average 4.7% of GDP in 2025-28, although this is still in excess of a legal limit of 3% of GDP and will mark an unusually lax era for fiscal policy in Nigeria. Debt service and high social spending will underpin an elevated expenditure profile, but the petrol subsidy is expected to be stopped in full by 2025 (assuming that the Dangote refinery is at full capacity), easing pressure. We also expect incremental increases in value-added tax (VAT) from 7.5% to 15% by 2027 as efforts are made to widen the tax net (the focus in 2024) to fund high expenditure.

Mr Tinubu is expected to relax existing fiscal responsibility legislation, and as part of the process overhaul annual borrowing limits. This would permit the government to turn to the debt market, rather than rely on the CBN, when revenue underperforms. Costly CBN loans are omitted from official debt reporting and have been a notable part of the debt-servicing burden (and attendant high inflation) in recent years, with interest charged at 3 percentage points above the policy rate. Inclusion of past deficit monetisation in the officially reported debt stock as part of a loan-to-bond swap with the CBN in 2023, and an expected rise in formal borrowing, will cause the public debt/GDP ratio to rise quickly over 2024-28. A statutory 40% ceiling will be breached by end-2025, and public debt will reach 55.1% at end-2028, from less than 20% as recently as end-2022.

Monetary policy

Mr Tinubu has expressed a desire for interest rates to be lower. Since he took office at end-May there has been one 25-basis-point rise in the policy rate, to 18.75% in July, despite inflation rising by roughly four percentage-points, to 26.7% in September. Two leadership changes at the CBN over the period have interrupted policy coherence, with the September monetary policy committee (MPC) meeting cancelled to allow vetting of the new governor, Yemi Cardoso, and four deputies. Having fallen behind developments, the CBN is expected to tighten more decisively when the MPC next sits (on November 20th-21st at the latest), leading a tightening cycle that began in early 2022 into a more intense phase. We expect the policy rate to be raised by a total of 125 basis points, to a terminal rate of 20%, by early 2024. Real short-term interest rates will stay negative, however, and there is a risk of even greater passivity. The MPC attaches a large weight to economic growth in its decision-making formula, and the CBN's independence is questionable, with political interference likely.

We expect that the first rate cuts will be made in 2025, when disinflation and monetary easing in advanced markets will have set in, and that the policy rate will fall to 12.5% by 2026 and stay there until 2028. Inflation will consistently exceed the 9% target ceiling, and real short-term interest rates will be negative, as we expect the CBN to prioritise stimulus over its price stability mandate.

International assumptions

	2023	2024	2025	2026	2027	2028
Economic growth (%)						
US GDP	2.0	0.8	1.8	2.0	2.0	2.2
Developed economies GDP	1.4	1.1	1.7	1.8	1.8	1.8
World GDP	2.3	2.2	2.7	2.7	2.7	2.7
World trade	0.7	2.7	3.4	3.6	3.7	3.7
Inflation indicators (% unless otherwise indicated)						
US CPI	4.1	2.5	2.3	2.3	2.4	2.4
Developed economies CPI	4.5	2.4	2.0	2.0	2.0	2.0
Manufactures (measured in US$)	5.0	3.6	3.7	2.8	2.1	3.2
Oil (Brent; US$/b)	83.8	84.8	79.8	73.0	67.7	63.9
Non-oil commodities (measured in US$)	-14.7	-0.6	-0.3	-0.6	0.1	0.2
Financial variables						
US$ 3-month commercial paper rate (av; %)	5.1	5.2	4.4	3.4	2.6	2.5
N:US$ (av)	633.0	819.1	1,068.3	1,150.2	1,189.3	1,254.0

Economic growth

We expect real GDP growth to pick up from an estimate of just 2.2% in 2023, but to remain sluggish in 2024, at 2.6%. Performance will be dragged down by high inflation and monetary tightening, causing domestic demand to contract for a third year running in 2024. In a country where the population expands at about 2.5% a year, this marks an unusual stretch of decline. Net exports will be the sole growth driver early in the forecast period. We expect oil export volumes to increase as security in the Niger Delta allows higher oil output; the balance will be complemented by the displacement of fuel and chemical imports in 2024 as the Dangote refinery ramps up production. As inflation falls and monetary policy becomes expansionary from 2025, domestic demand will return to (low) growth. Consequently, real GDP growth will rise to 4% in 2025—the highest rate since 2014, owing partly to rebound effects—and average 3.2% in 2026-28, with the PIA and recent deregulation of the power sector expected to support investment over the medium to long term.

Economic growth

%	2023[a]	2024[b]	2025[b]	2026[b]	2027[b]	2028[b]
GDP	2.2	2.6	4.0	3.4	3.2	3.1
Private consumption	-1.1	-0.4	0.2	0.9	1.9	1.4
Government consumption	3.3	1.2	5.5	6.0	5.0	3.3
Gross fixed investment	-10.0	-8.3	7.7	8.0	8.5	8.3
Exports of goods & services	14.2	10.8	7.3	8.1	6.7	6.8
Imports of goods & services	-8.8	-10.7	-7.8	9.5	16.1	12.7
Domestic demand	-2.3	-1.4	1.6	2.3	3.1	2.6
Agriculture	1.3	1.9	2.6	2.6	2.6	2.6
Industry	4.6	6.0	9.0	6.0	4.2	4.0
Services	2.0	1.8	3.0	2.7	3.0	3.0

[a] EIU estimates. [b] EIU forecasts.

Inflation

Inflation has continued to rise throughout 2023, and the pace has quickened since June owing to market reforms, which are likely to have powerful second-round pass-through effects. Currency losses on the parallel market, where a sizable share of foreign exchange is transacted, will be a major driver of imported inflation into 2024. From an estimated rate of 30.5% at end-2023, inflation will stay high in 2024, at 23.6% on average for the year, owing to a delayed and insufficient monetary response coupled with fiscal expansionism. The decline assumes that petrol prices will be held steady over much of the year. In latter years an undercurrent of softer global commodity prices should foster a continued disinflationary trend until 2028, although in no year will inflation fall within the 7-9% target range. Factors behind this include insecurity, a large devaluation in 2025, the need to deliver cost-reflective electricity tariffs and the CBN's dovishness. We expect inflation to average 13.2% in 2025-28.

Exchange rates

The naira's "float" in June was followed by heavy losses on the parallel market (of 45% against the US dollar since June), in part driven by low liquidity in the NFEM and speculation. The CBN has since reverted to guiding the exchange rate by limiting access to foreign-exchange sales for banks and other dealers that quote hard currency outside a preferred rate. An unsupportive monetary policy implies that the naira will remain under pressure, and the CBN lacks the firepower to adequately supply the market or clear a backlog of foreign exchange orders, valued at over US$6bn, which will keep foreign investors unnerved. Official foreign reserves are reported at US$33bn, but up to one-third of the assets are encumbered, tied up in derivative contracts or loans. In the short to medium term the official exchange rate will continue to be propped up by access restrictions, implying long lead times at the NFEM.

The CBN is expected to resist another attempt at convergence until petrol imports are eliminated in late 2024, with the naira ending that year at N822.9:US$1, down from an estimated N810:US$1 at end-2023 (accounting for some likely near-term weakening). Sizable devaluations are expected in 2025—or possibly sooner—causing a 38.5% loss against the US dollar over the year, to N1,142.5:US$1 at end-December. However, we do not expect lasting commitment to a market-led naira, as the CBN lacks experience of conducting monetary policy under a float. High inflation and a continued spread with the parallel market will leave the exchange-rate regime unstable and result in periodic devaluations. We project a rate of N1,262.1:US$1 at end-2028, with a continuous spread with the parallel market expected.

Forecasting the naira

The government officially adopted the NAFEX rate for official foreign-exchange transactions in May 2021, and the Central Bank of Nigeria (CBN) exchange rate was discontinued. For the sake of continuity, data in previous periods will be for the official exchange rate before its merger with the NAFEX rate. The NAFEX rate is as quoted by the CBN.

External sector

Strong oil prices, rising crude output and a ramp-up of the Dangote refinery, which should eventually eliminate all imports of petrol (15% of total imports) and export fuels regionally, will deliver a comfortable current-account surplus as a share of GDP, of 2.9% in 2024 and 3% in 2025, up from an estimated surplus of 2.1% in 2023. In later years sliding world oil prices will be a dominant trend, outweighing further incremental increases in crude production. Owing to this and growing domestic demand, which will suck in imports, the surplus will narrow throughout 2026-28, to 0.1% of GDP at end-2028. The narrower trade surplus in these years will sit beside large structural services and income deficits, mainly related to the hydrocarbons sector. This will leave the surplus heavily dependent on remittances from the large Nigerian diaspora. As economic growth strengthens in advanced economies these inflows should also rise, although the ease of operating through unofficial channels or through cryptocurrency will limit inflows formally recorded in the current account.

Forecast summary

Forecast summary
(% unless otherwise indicated)

	2023[a]	2024[b]	2025[b]	2026[b]	2027[b]	2028[b]
Real GDP growth	2.2	2.6	4.0	3.4	3.2	3.1
Industrial production growth	4.6	6.0	9.0	6.0	4.2	4.0
Petroleum production ('000 b/d)	1,239.4	1,316.4	1,371.4	1,381.4	1,393.4	1,410.4
Gross agricultural production growth	1.3	1.9	2.6	2.6	2.6	2.6
Consumer price inflation (av)	25.1	23.6	17.1	11.7	12.2	11.8
Consumer price inflation (end-period)	30.5	20.1	14.2	11.9	12.0	11.4
Commercial lending rate	20.0	24.0	15.7	13.0	12.5	12.0
Government balance (% of GDP)	-5.3	-5.0	-4.6	-4.7	-4.7	-4.8
Exports of goods fob (US$ bn)	62.8	63.8	60.7	57.3	55.0	54.3
Imports of goods fob (US$ bn)	50.7	46.9	43.7	45.7	48.2	49.1
Current-account balance (US$ bn)	8.0	9.8	9.3	6.5	2.1	0.2
Current-account balance (% of GDP)	2.1	2.9	3.0	2.0	0.6	0.1
External debt (end-period; US$ bn)	85.5	87.4	93.1	99.0	102.4	105.7
Exchange rate N:US$ (av)	633.0	819.1	1,068.3	1,150.2	1,189.3	1,254.0
Exchange rate N:US$ (end-period)	810.0	822.9	1,142.5	1,156.6	1,198.4	1,262.1
Exchange rate N:¥100 (av)	454.1	657.0	967.4	1082.6	1129.9	1195.7
Exchange rate N:€ (end-period)	874.8	934.0	1,342.5	1,370.5	1,438.1	1,514.5

[a] EIU estimates. [b] EIU forecasts.

Data and charts

Annual data and forecast

	2019[a]	2020[a]	2021[a]	2022[a]	2023[b]	2024[c]	2025[c]
GDP							
Nominal GDP (US$ bn)	474.5	432.9	441.4	478.1	380.0	342.5	315.3
Nominal GDP (N bn)	145,639	154,252	176,076	202,365	240,526	280,579	336,785
Real GDP growth (%)	2.2	-1.8	3.6	3.3	2.2	2.6	4.0
Expenditure on GDP (% real change)							
Private consumption	-1.0	-1.0	25.6	-3.5	-1.1	-0.4	0.2
Government consumption	8.8	61.6	-34.0	-9.9	3.3	1.2	5.5
Gross fixed investment	8.3	-14.7	4.7	3.3	-10.0	-8.3	7.7
Exports of goods & services	15.0	-33.4	-32.1	69.1	14.2	10.8	7.3
Imports of goods & services	27.3	-61.9	44.4	53.9	-8.8	-10.7	-7.8
Origin of GDP (% real change)							
Agriculture	2.4	2.2	2.1	1.9	1.3	1.9	2.6
Industry	2.3	-5.8	-0.5	-4.6	4.6	6.0	9.0
Services	2.2	-2.2	5.6	6.7	2.0	1.8	3.0
Population and income							
Population (m)	203.3	208.3	213.4	218.5	223.8	229.2	234.6
GDP per head (US$ at PPP)	5,292	5,138	5,432	5,860	6,094	6,245	6,489
Fiscal indicators (% of GDP)							
Public-sector revenue	3.4	2.4	2.8	2.7[b]	2.8	3.4	3.6
Public-sector expenditure	6.7	6.3	7.7	6.0[b]	8.0	8.3	8.2
Public-sector balance	-3.3	-4.0	-4.9	-3.3[b]	-5.3	-5.0	-4.6
Net public debt	15.6	17.7	19.0	19.7[b]	36.5	40.7	42.4
Prices and financial indicators							
Exchange rate N:US$ (av)	306.92	356.32	398.87	423.32	632.96	819.11	1,068.31
Exchange rate N:US$ (end-period)	307.00	379.50	412.99	448.55	810.00	822.88	1,142.54
Consumer prices (av, %)	11.4	13.2	17.0	18.8	25.1	23.6	17.1
Stock of money M1 (% change)	-10.4	50.4	14.0	14.8	21.5	19.8	20.0
Stock of money M2 (% change)	6.3	31.4	17.5	16.5	27.6	26.5	26.4
Lending interest rate (av; %)	15.4	13.6	11.5	12.3	20.0	24.0	15.7
Current account (US$ m)							
Trade balance	2,868	-16,402	-4,562	5,998	12,027	16,895	16,999
Goods: exports fob	64,978	35,944	46,860	64,227	62,752	63,838	60,662
Goods: imports fob	-62,110	-52,346	-51,421	-58,229	-50,725	-46,943	-43,662
Services balance	-33,761	-15,840	-12,061	-13,956	-13,010	-13,077	-14,299
Primary income balance	-9,161	-4,767	-8,583	-12,873	-12,188	-13,408	-11,878
Secondary income balance	26,369	21,022	21,951	21,849	21,168	19,424	18,507
Current-account balance	-13,685	-15,986	-3,254	1,019	7,997	9,833	9,329
External debt (US$ m)							
Debt stock	60,042	70,525	76,215	80,402[b]	85,494	87,391	93,141
Debt service paid	5,131	5,543	8,542	12,687[b]	12,362	12,282	9,475
Principal repayments	3,276	3,671	6,772	10,017[b]	8,806	8,779	6,244
Interest	1,855	1,872	1,771	2,670[b]	3,556	3,503	3,231
International reserves (US$ m)							
Total international reserves	38,336	36,730	40,476	35,564	32,375	32,419	35,307

[a] Actual. [b] EIU estimates. [c] EIU forecasts.
Source: IMF, International Financial Statistics.

Quarterly data

	2021 4 Qtr	2022 1 Qtr	2 Qtr	3 Qtr	4 Qtr	2023 1 Qtr	2 Qtr	3 Qtr
Prices								
Consumer prices (2005=100)	405.2	424.6	447.3	471.2	491.5	517.7	547.9	591.6
Consumer prices (% change, year on year)	15.7	15.7	17.7	20.3	21.3	21.9	22.5	25.5
Financial indicators								
Exchange rate N:US$ (av)	410.8	415.5	415.2	421.3	441.3	458.6	509.6	764.3
Exchange rate N:US$ (end-period)	413.0	415.8	414.7	432.4	448.6	460.4	770.4	768.8
Lending rate (av; %)	11.7	11.8	12.0	12.3	13.3	13.8	n/a	n/a
Deposit rate (av; %)	5.0	4.6	4.6	6.2	8.4	8.1	n/a	n/a
Short-term interest rate (av; %)	2.5	2.2	2.2	4.1	5.8	2.4	n/a	n/a
M1 (end-period; N bn)	18,056	19,610	20,348	21,197	20,728	21,400	24,495	n/a
M1 (% change, year on year)	14.0	21.5	27.0	32.8	14.8	9.1	20.4	n/a
M2 (end-period; N bn)	44,443	45,664	48,897	49,332	51,762	54,186	64,358	n/a
M2 (% change, year on year)	79.1	52.4	25.8	22.0	16.5	18.7	31.6	n/a
Stockmarket index (NSE all share; end-period; Jan 3rd 1984=100)	42,716	46,965	51,818	49,024	51,251	54,232	60,968	66,382
Stockmarket index (% change, year on year)	6.1	20.3	36.7	21.9	20.0	15.5	17.7	35.4
Sectoral trends								
Crude oil production (m barrels/day)[a]	1.32	1.38	1.21	1.06	1.17	1.34	1.14	1.20
Crude oil production (% change, year on year)	-7.9	-2.6	-15.1	-20.4	-11.4	-2.3	-5.4	13.2
Foreign trade (US$ m)								
Exports fob	14,191	17,308	18,165	14,169	14,585	14,382	13,911	n/a
Oil	10,354	13,523	14,233	10,963	11,032	11,182	10,840	n/a
Imports cif	15,445	19,024	16,162	15,726	13,100	15,596	12,405	n/a
Trade balance	-1,254	-1,716	2,003	-1,557	1,485	-1,214	1,506	n/a
Foreign reserves (US$ m)								
Reserves excl gold (end-period)	40,476	38,183	38,135	36,492	35,564	35,321	33,852	n/a

[a] Excluding condensates.

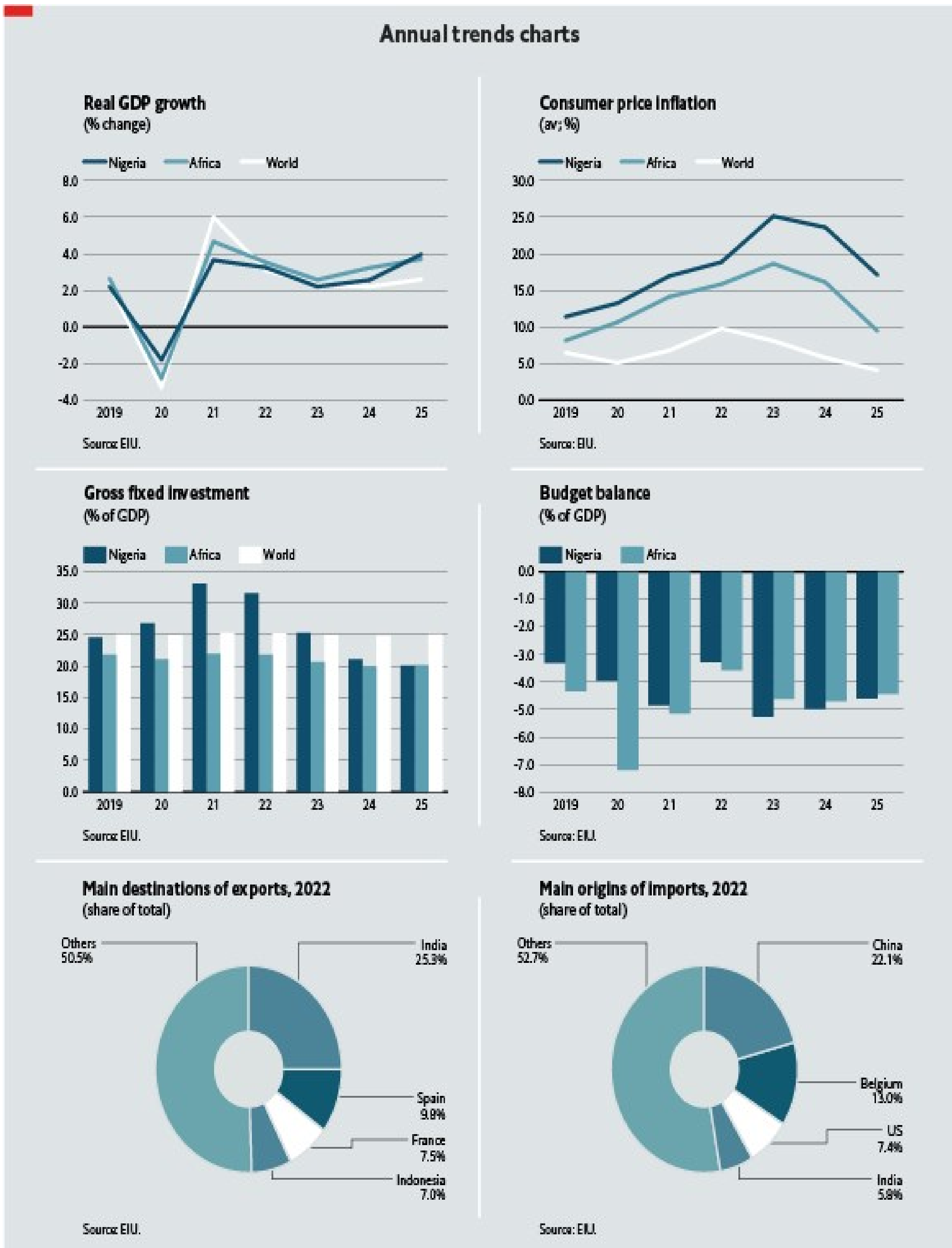
Sources: Central Bank of Nigeria; Nigeria National Bureau of Statistics; IMF, International Financial Statistics, Direction of Trade Statistics; International Energy Agency, Monthly Oil Market Report; Energy Intelligence Group, Oil Market Intelligence; Bloomberg.

Monthly data

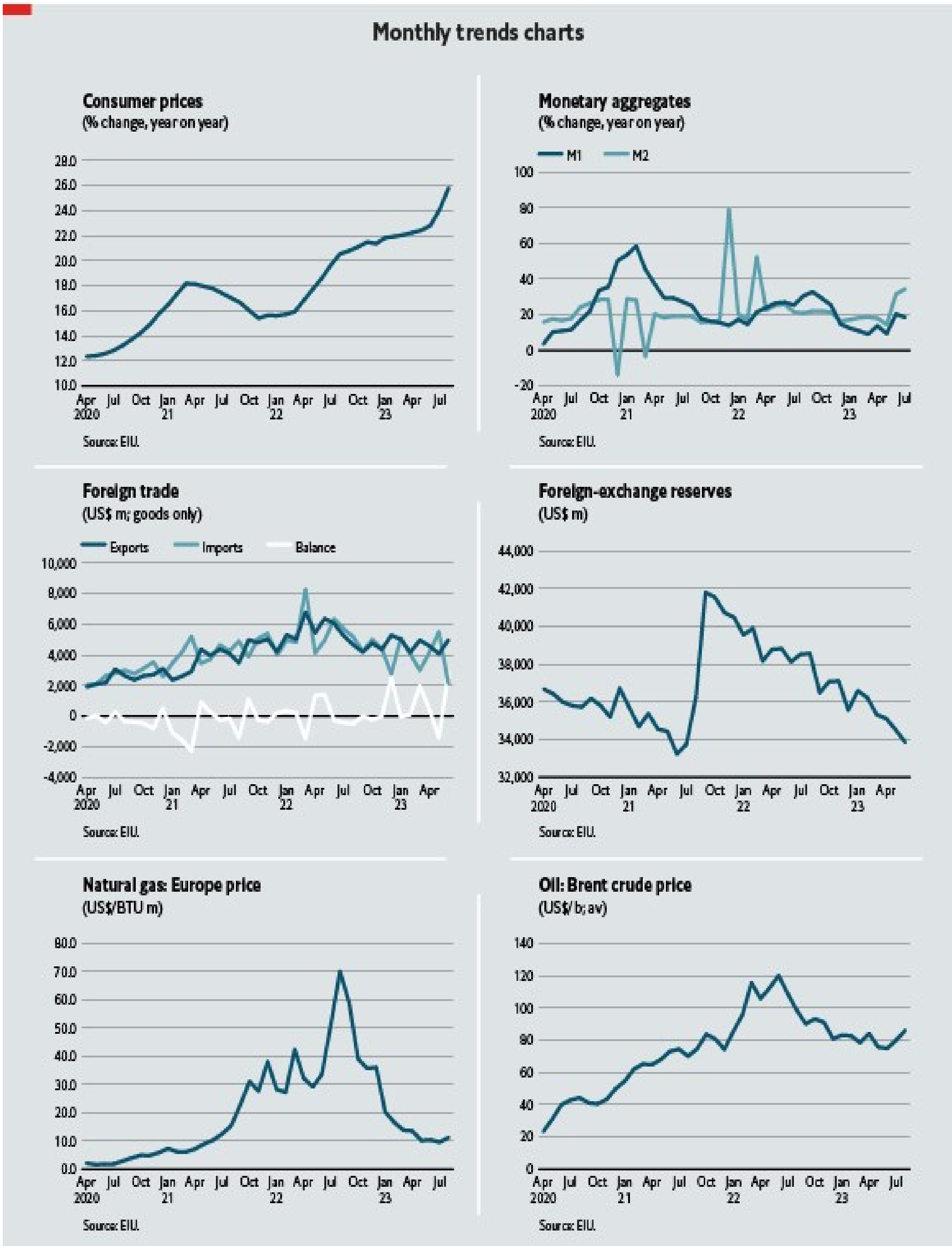
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Exchange rate N:US$ (av)												
2021	379.50	379.50	379.50	379.50	397.15	409.66	409.63	409.65	410.02	410.41	410.81	411.13
2022	414.54	416.15	415.83	415.39	415.09	415.01	415.00	419.97	428.75	436.12	441.88	445.97
2023	454.97	460.43	460.43	460.42	460.70	607.75	769.82	761.62	761.33	n/a	n/a	n/a
Exchange rate N:US$ (end-period)												
2021	379.50	379.50	379.50	379.50	409.50	409.66	409.60	409.82	410.30	410.59	410.66	412.99
2022	415.26	416.09	415.75	415.19	415.15	414.72	414.70	423.48	432.37	438.52	443.58	448.55
2023	461.00	460.47	460.35	460.31	461.26	770.38	757.52	757.02	768.76	n/a	n/a	n/a
Real effective exchange rate (2000=100; CPI-based)												
2021	115.84	117.31	120.11	121.02	111.86	112.86	114.95	115.75	116.99	117.90	119.01	120.64
2022	121.13	121.99	124.69	127.13	132.43	134.32	137.89	137.68	140.09	142.36	140.53	137.57
2023	134.01	137.26	140.28	141.59	145.16	113.05	115.53	120.10	n/a	n/a	n/a	n/a
M1 (% change, year on year)												
2021	53.6	58.5	45.3	37.2	29.5	29.4	27.3	25.1	17.7	16.3	15.5	14.0
2022	17.2	14.6	21.5	23.9	26.5	27.0	25.4	30.5	32.8	29.3	25.3	14.8
2023	12.5	10.9	9.1	13.7	9.4	20.4	18.5	12.1	n/a	n/a	n/a	n/a
M2 (% change, year on year)												
2021	28.9	28.2	-3.4	20.4	18.3	19.2	19.2	19.1	15.7	16.1	16.7	79.1
2022	20.1	17.4	52.4	22.6	25.4	25.8	21.5	20.8	22.0	22.1	21.3	16.5
2023	17.2	18.3	18.7	18.0	14.5	31.6	34.4	31.6	n/a	n/a	n/a	n/a
Deposit rate (%)												
2021	2.9	3.1	3.1	3.3	4.0	5.0	4.8	4.8	4.7	5.0	5.0	4.9
2022	5.0	4.5	4.4	4.4	4.7	4.6	5.0	6.8	7.0	8.0	8.5	8.8
2023	8.8	7.8	7.6	7.9	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Lending rate (%)												
2021	11.3	11.2	11.1	11.2	11.3	11.7	11.6	11.6	11.7	11.6	11.8	11.7
2022	11.7	11.8	11.8	11.8	12.0	12.3	12.1	12.2	12.5	12.7	13.2	13.9
2023	13.7	13.6	14.0	14.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Monetary policy rate (%)												
2021	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5
2022	11.5	11.5	11.5	11.5	13.0	13.0	14.0	14.0	15.5	15.5	16.5	16.5
2023	17.5	17.5	18.0	18.0	18.5	18.5	18.8	18.8	18.8	n/a	n/a	n/a
Stockmarket index (NSE all share; end-period; Jan 3rd 1984=100)												
2021	42,413	39,800	39,045	39,834	38,438	37,907	38,547	39,220	40,221	42,039	43,248	42,716
2022	46,625	47,395	46,965	49,639	52,990	51,818	50,370	49,837	49,024	43,839	47,660	51,251
2023	53,239	55,806	54,232	52,404	55,769	60,968	64,338	66,549	66,382	n/a	n/a	n/a
Consumer prices (% change, year on year; av)												
2021	16.5	17.3	18.2	18.1	17.9	17.8	17.4	17.0	16.6	16.0	15.4	15.6
2022	15.6	15.7	15.9	16.8	17.7	18.6	19.6	20.5	20.8	21.1	21.5	21.3
2023	21.8	21.9	22.0	22.2	22.4	22.8	24.1	25.8	26.7	n/a	n/a	n/a
Foreign-exchange reserves excl gold (US$ m)												
2021	35,697	34,693	35,377	34,560	34,434	33,240	33,745	36,236	41,801	41,548	40,725	40,476
2022	39,568	39,916	38,183	38,793	38,839	38,135	38,541	38,571	36,492	37,089	37,109	35,564
2023	36,595	36,234	35,321	35,121	34,513	33,852	33,541	n/a	n/a	n/a	n/a	n/a

Sources: IMF, International Financial Statistics; Haver Analytics.

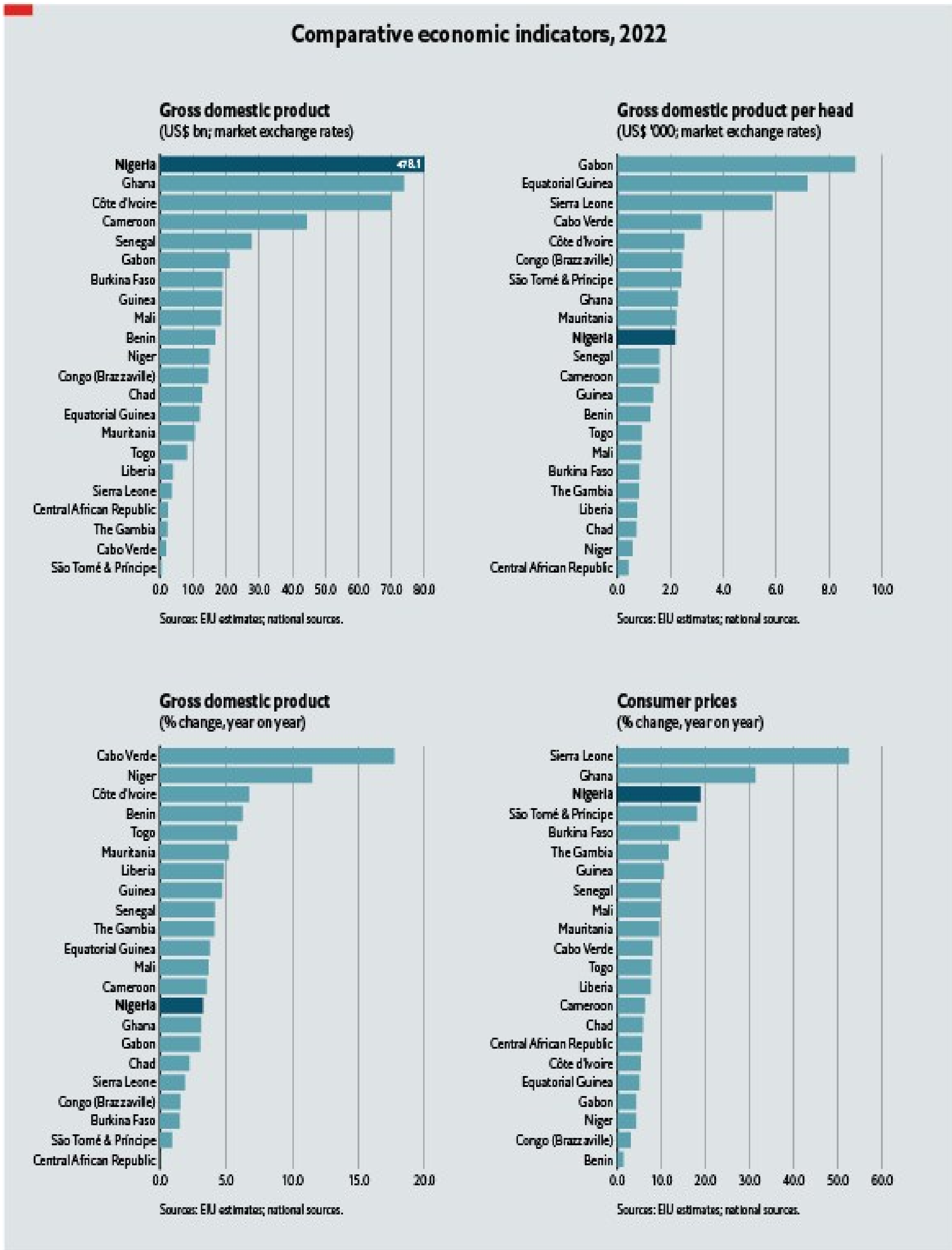
Annual trends charts



Monthly trends charts



Comparative economic indicators



Basic data

Land area

923,773 sq km

Population

218.5m (2022; UN)

Main towns

Population in millions (2012; World Gazetteer estimates):

Lagos: 10.4*

Ibadan: 5.5

Benin: 2.6

Kano: 2.4

Port Harcourt: 2.3

Abuja: 1.6

* Estimates of the size of Lagos and other cities in Nigeria vary widely, reflecting the weakness of population statistics in general and a failure to agree over city boundaries

Climate

Tropical, with a long wet season in the south, particularly the south-east, and a shorter wet season in the north

Weather in Lagos (altitude 3 metres)

Hottest month, March, 26-32°C; coolest month, August, 23-28°C; driest month, December, 25 mm average rainfall; wettest month, June, 460 mm average rainfall

Languages

English (official), Hausa, Yoruba and Ibo; many other local languages are widely spoken

Measures

Metric system

Currency

Naira (N) = 100 kobo; N423.3:US$1 (2022 average; official rate)

Time

One hour ahead of GMT

Public holidays

New Year's Day; Good Friday; Easter Monday; Eid al-Fitr; Worker's Day (May 1st); Democracy Day (June 12th); Eid al-Adha; Mawlid al-Nabi; Independence Day (October 1st); Christmas

Political structure

Official name

Federal Republic of Nigeria

Form of state

Federal republic, comprising 36 states and the Federal Capital Territory (Abuja)

Legal system

Based on English common law

National legislature

National Assembly, comprising the 109-seat Senate (the upper house) and the 360-seat House of Representatives (the lower house); both are elected by universal suffrage for four-year terms

National elections

The most recent elections were held on February 25th 2023; Bola Tinubu, the candidate of the ruling party, the All Progressives Congress (APC), was elected president and was inaugurated on May 29th. Senate and House of Representatives elections were held on the same day. The APC won 59 of the 98 Senate seats and 176 of the 325 House of Representatives seats. The next elections are due to be held in February 2027

Head of state

President, elected by universal suffrage to serve a four-year term

State government

State governors and state houses of assembly

National government

Federal Executive Council, which is chaired by the president

Main political parties

The APC, a merger between the All Nigeria People's Party, the All Progressives Grand Alliance and the Congress for Progressive Change; the People's Democratic Party, which ruled from 1999 until its defeat by the APC in 2015; the Labour Party; the New Nigeria People's Party

Key ministers

President, petroleum minister: Bola Tinubu

Vice-president: Kashim Shettima

Agriculture & food security: Abubakar Kyari

Defence: Mohammed Abubakar

Education: Tahir Mamman

Environment: Vacant

Finance, budget & national planning: Wale Edun

Foreign affairs: Yusuf Tuggar

Health & social welfare: Muhammad Pate

Industry, trade & investment: Doris Anite

Information & national orientation: Mohammed Malagi

Interior: Olubunmi Tunji-Ojo

Justice: Lateef Fagbemi

Labour & employment: Simon Lalong

Petroleum resources: Bola Tinubu

Niger Delta development: Abubakar Momoh

Power: Adebayo Adelabu

Steel development: Shuaibu Audu

Transport: Sa'idu Ahmed

Works: Dave Umahi

Central bank governor

Yemi Cardoso

Recent analysis

Generated on November 7th 2023

The following articles have been written in response to events occurring since our most recent forecast was released, and indicate how we expect these events to affect our next forecast.

Economy

Forecast updates

Nigerian liquidity-management bill rate jumps

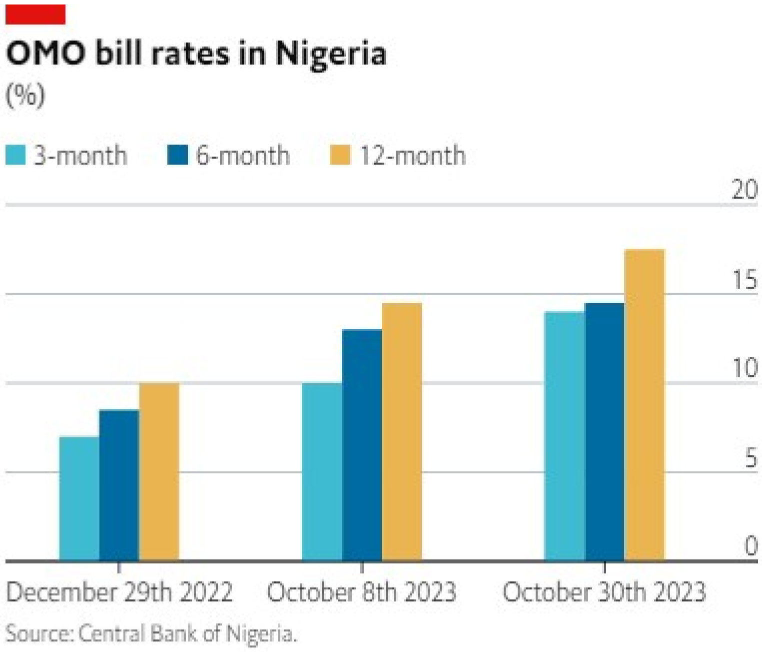
November 6, 2023: Monetary policy outlook

What's happened?

The Central Bank of Nigeria (CBN) allowed market participants to bid as high as 17.5% for 1-year bills during its open market operations (OMO) in late October, up from 14.5% earlier in the month. **The CBN is gearing up for monetary tightening**.

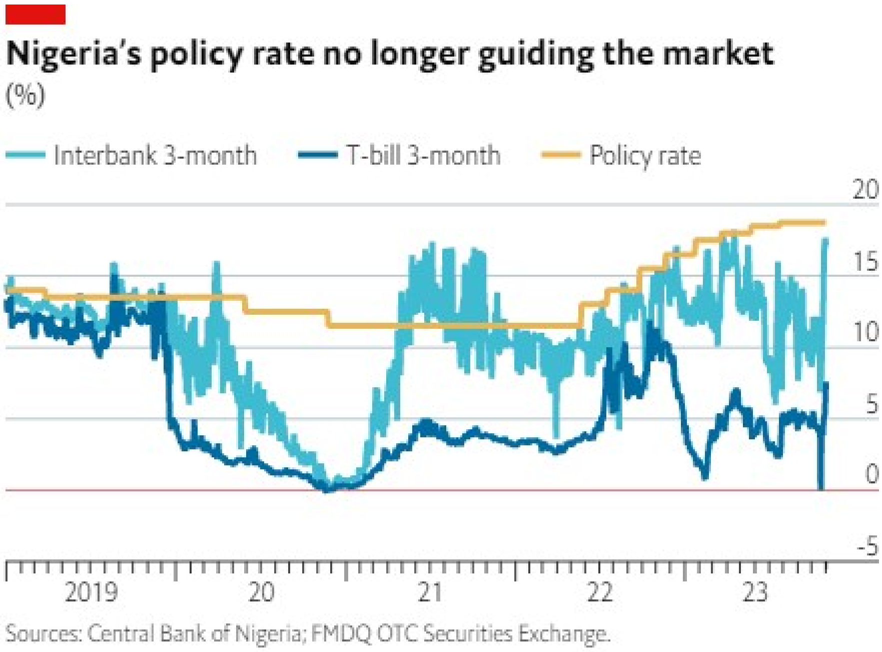
Why does it matter?

OMO bills are used by the CBN to fine-tune liquidity and have been a major source of hard currency in the past. Low rates on the bills have fuelled capital outflow pressures, and, in order to protect foreign reserves, the CBN has allowed a large backlog of foreign-exchange orders to accumulate. It has promised to dismantle this imminently. Low foreign reserves makes it unclear how this can be achieved, although some forward contracts are reportedly being cleared. **A higher rate appears designed both to signal a tighter monetary policy—as overseas investors are demanding—and encourage capital already tied up in OMO bills to be recycled to limit withdrawals.** Pressure from all political corners is being heaped on the CBN to stabilise the naira, which has been tanking in value since an attempt to float the currency in June.



The monetary policy rate (MPR), which is currently at 18.75%, has been increased by only 25 basis points since May, despite sharply rising inflation, to 26.7% year on year in September. Deeply negative real interest rates have interrupted the carry trade, which has historically offered the naira support, and the MPR has generally fallen by the wayside as an indicator of the monetary stance.

The CBN's financing of fiscal deficits has been a major driver of money creation, insufficiently sterilised by an inordinate cash reserve requirement (CRR, set at 32.5% but often higher in practice), which has become the primary tool for liquidity management. Excessive interference by the CBN has produced a liquidity glut in some segments of the financial market and tightness in others. The OMO bill rate rise is an early sign of the CBN moving away from its reliance on the CRR, in preference for indirect instruments for controlling the money supply.



What next?

The higher OMO bill rate makes it more likely the CBN will tighten aggressively when the MPC next meets. Our current forecast for the MPR to be raised by 125 basis points by early 2024 is likely to be surpassed. This will reinforce the naira and our forecast for the currency to be kept relatively stable through the year. However, **a high (often arbitrary) CRR and exclusion of non-banks from OMO bill auctions are ongoing distortions in the financial market which, if not undone, will continue working against the credibility of monetary policy.**

Analysis

What to watch in 2024: Africa

November 7, 2023

- **Africa will be the second-fastest-growing major region in 2024, with most countries posting an acceleration of economic growth compared with 2023; East Africa will once again be at the vanguard of African growth.**
- **The security outlook across the Sahel is bleak for 2024, with scheduled elections adding to the heated mix of volatile politics, social grievances and armed conflict. Elections in some of Africa's major economies—Algeria, Egypt, Ghana and South Africa—will add to political risk.**
- **Most African countries will feel the financial squeeze created by excessive debt and a heavy repayment burden in 2024. Zambia, for instance, is close to completing a debt restructuring, but the process has been protracted and created considerable uncertainty. Sovereigns with excessive repayment burdens may be deterred from seeking an early debt treatment.**
- **Inflationary pressures are expected to ease from the elevated levels recorded in 2023 for all but a small handful of African countries, but double-digit inflation will continue to afflict Angola, the Democratic Republic of Congo (DRC), Ethiopia, Egypt, Ghana, Nigeria, Sudan and Zimbabwe.**
- **Exchange rates will come under modest depreciatory pressure—except in the CFA franc zone where currencies will remain pegged to the euro, leading to appreciation, and in states with**

excessively high rates of inflation, which will suffer more substantial depreciation.

We forecast that Africa will be the world's second-fastest-growing major region in 2024, just behind Asia, which will be propelled by China and India. Almost all African states will post a positive growth story, with war torn Sudan and struggling Equatorial Guinea the only economies that look set to contract in 2024. Indeed, 12 of the world's 20 fastest-growing economies in 2024 will be in Africa, and African real GDP is forecast to grow by 3.2% in 2024, up from 2.6% in 2023.

Africa in 2024

African dynamism	Africa will the second-fastest-growing major region in 2024, with most countries posting an acceleration of economic growth compared with 2023 – East Africa will once again be at the vanguard of African growth.
Security hotspots	The security outlook across the Sahel is bleak for 2024, with elections adding to the heated mix of volatile politics, social grievances and armed conflict. Elections in some of Africa's other major economies add to political risk.
Financial squeeze	African countries will feel the financial squeeze created by excessive debt and a heavy servicing burden in 2024. More countries will push for debt restructuring following Zambia's breakthrough in negotiations with its creditors.
Price pressures	Inflation in most African countries will ease from the elevated levels recorded in 2023, but double-digit inflation will continue to afflict some major economies including Angola, the Democratic Republic of Congo, Egypt, Ethiopia, Ghana, Nigeria and Sudan.
Currency adjustment	Many African currencies will remain under depreciatory pressure, especially in those countries with excessively high rates of inflation, which could suffer substantial depreciation.

East Africa, encompassing Ethiopia, Kenya, Uganda, Rwanda, Tanzania and the DRC, will once again prove to be the most dynamic part of the continent in terms of economic growth. The services sector will continue to play a major role in driving the economies of East Africa, including resurgent travel, tourism and hospitality, resilient transport and logistics, and vibrant financial and telecommunications industries.

Resource-intensive economies and major commodity exporters will continue to do well given the intense competition and high prices for Africa's supplies of hydrocarbons, mining sector output and agricultural produce. Substantial investment will continue to flow into Africa's energy sector ventures, as well as minerals and metals that are crucial to the global energy transition and digital transformation.

Political tension and armed conflict across the Sahel

The countries that span the Sahel have faced immense security challenges in 2023 and the situation is unlikely to improve much in 2024. A string of successful coup attempts in recent years have created a corridor of military rule encompassing Sudan, Chad, Niger, Mali, Burkina Faso and Guinea—Africa's so-called coup belt—and armed conflict will continue to destabilise the region and displace populations within these countries and across borders. The security outlook is bleak for the Sahel in 2024.

Mali, Burkina Faso and Chad are scheduled to hold presidential elections in 2024, which will add to the heated mix of volatile politics, social grievances and armed conflict. Assuming elections do go ahead, presidential candidates propped up by military juntas will prove difficult to dislodge at the ballot box as they maintain a firm grip on state institutions and suppress any serious political opponents. In Sudan, acute instability and insecurity will continue to afflict the country and threaten to spill over into nearby states as a power struggle rages between two leading generals and their respective military factions. Elections in South Sudan, which are currently scheduled to take place in December 2024, will be delayed until at least 2025 as the government struggles to unify the security forces, draft a permanent constitution and conduct a census in time to organise elections.

Election cycles elevate political risk

Numerous major African countries will hold presidential and legislative elections in 2024, including Algeria, Botswana, Ghana, Mauritius, Mozambique, Namibia, Rwanda, South Africa and Tunisia. Incumbent regimes are expected to prevail in most of the elections, but there is a heightened risk of reduced parliamentary majorities and much more challenging governing conditions. In some states, anti-incumbency sentiment and widespread discontent with the performance of current governments will prompt a transfer of power to the opposition. The DRC, Egypt and Madagascar will hold presidential elections in late 2023, and political tensions will carry over into early 2024 as results filter through. Heightened political tensions will increase the risk of civil unrest, especially in Algeria, the DRC, Egypt, Ghana, Madagascar, South Africa and Tunisia.

In South Africa, we expect the African National Congress (ANC), led by Cyril Ramaphosa, the country's president, to win the legislative election in 2024 by a narrow margin, but there is a strong possibility that the party will fall short of the 50% mark needed for a majority. Under such circumstances, the ANC will try to co-opt some smaller parties, rather than the main opposition groups, to stay in power. The probability of a coalition will continue to rise as enduring socioeconomic challenges erode the ANC's support. Ghana is likely to experience a transfer of power from the ruling New Patriotic Party to the opposition National Democratic Congress, largely driven by declining living standards, limited job opportunities and poor public services. An ongoing authoritarian crackdown in Tunisia will see the incumbent win a carefully managed presidential election in 2024, prompting further civil unrest.

More countries push for debt restructuring and relief

Africa nations will feel the financial squeeze created by excessive debt and a heavy debt-repayment burden in 2024, which will weigh on economic growth and stability in some countries. The financial pressure created by elevated external debt has been compounded by the fallout from multiple external shocks in recent years, including the covid-19 pandemic, Russia's invasion of Ukraine and adverse weather conditions linked to global climate change. Softer economic growth, higher inflation, weaker currencies and more costly international capital have exposed Africa's debt frailties in 2023, and risks are likely to mount in 2024 in the absence of external debt restructuring. Kenya's biggest financial event in 2024 is the June 24th deadline to redeem a US$2bn Eurobond in a single bullet payment, on top of other debt-servicing commitments. Using a combination of tactics, Kenya will strive to avoid a default and the consequent damage to its reputation, and will prioritise a timely Eurobond redemption in 2024. The sum is large enough to generate legitimate concern, but not so large as to be unmanageable. Provided Kenya clears the barrier in 2024, external debt pressures will ease, as the next Eurobond repayments (of US$1.9bn) are not due until 2027-28.

Zambia, which has been in external debt distress since 2020, secured a debt-restructuring deal with official creditors and private-sector creditors in October. Zambia thus seems likely to secure a complete resolution with its external creditors by early 2024, over three years after first entering default. Dragged-out negotiations make Zambia's experience a cautionary tale for other sovereigns, and those heavily indebted to China in particular. Countries will be hesitant about embarking on a debt restructuring unless absolutely necessary, but we do expect negotiations in Ethiopia, Ghana, Malawi, Mozambique, Somalia, Sudan and Zimbabwe. The outcome of negotiations is highly uncertain—Chinese official lenders will be loath to take a haircut on their financial assets or implement debt forgiveness that makes default and excessive risk taking more attractive—and progress will be slow and patchy. However, financial pragmatism and realpolitik could see some form of debt restructuring for these countries in 2024.

Inflationary pressures ease across Africa

Inflationary pressures are expected to ease from the more elevated levels recorded in 2023 for all but a small handful of African countries—namely Angola, Seychelles, Sudan and Tanzania, where country-specific factors will push up consumer price inflation. An easing of consumer price pressures will be a welcome relief for policymakers and households. However, inflation will run strong into 2024 and remain a central story for several large economies, including Angola, the DRC, Egypt, Ethiopia, Ghana, Nigeria, Sudan and Zimbabwe. These countries will continue to suffer the economic instability generated by another year of double-digit consumer price inflation, largely driven by elevated oil prices.

Further currency depreciation across Africa

We forecast currency depreciation against the US dollar across much of Africa in 2024, although adjustments are expected to be less severe than those recorded in 2023. The Southern African economies of South Africa, Namibia and Botswana saw their currencies lose considerable value against the US dollar in 2023, but currency stabilisation appears the most likely outcome in 2024. Zimbabwe is the exception in Southern Africa, where substantial exchange-rate depreciation will be aggravated by diminishing confidence in the local currency—the weak economy will remain highly dollarised and the planned adoption of digital gold coins as a medium of exchange, possibly by 2024, will further erode the value of the Zimbabwe dollar.

Elsewhere, double-digit currency depreciation is anticipated in the major economies of Egypt, Sudan, Ethiopia, Angola and Nigeria. In Nigeria, an unsupportive monetary policy implies that the naira will remain under pressure, while the central bank lacks the firepower to adequately supply the market or clear a backlog of foreign-exchange orders, which will keep foreign investors unnerved. High inflation and a continued spread with the parallel market will leave the exchange-rate regime unstable and result in periodic devaluations.

African states that fix their currencies to the euro—the 14 Central and West African countries that use the CFA franc, which will remain pegged to the euro at CFAfr655.96:€1, and Comoros—will see their currencies fluctuate in line with euro-US dollar movements. We expect a gradual appreciatory trend for the euro to assert itself from early 2024 as economic growth picks up and the euro zone's current-account surplus supports the currency's value.

Five key industries with a promising outlook

The **construction sector** will continue to benefit from a large pipeline of ongoing and planned energy sector projects, the region's expanding transport infrastructure and further investment in electrification projects to expand generation capacity and transmission networks. **Transport and logistics** industries will receive a boost from relatively upbeat domestic demand in some key markets, the increasing role of regional supply chains facilitated by increasing levels of cross-border co-operation and resilient import-export trade between Africa and major overseas partners.

Travel, tourism and hospitality performed well in 2023 as the sector remained in recovery mode following the adverse effects of the covid-19 pandemic in 2020 and 2021. Parts of Africa are expected to be among the world's fastest-growing tourism hotspots in 2024. North Africa exceeded pre-pandemic levels of international tourist arrivals in the first half of 2023, while Africa as a whole was within touching distance—about 92% of pre-pandemic arrivals—of full recovery during the same period. Investment in the sector, improving international connectivity and strong demand for African destinations in established and emerging markets will support the sector in 2024.

Africa's **extractives sector**—encompassing hydrocarbons and renewable energy, and metals and mineral mining and processing—has momentum from reasonably strong demand and high prices for export products and this will continue into 2024. In addition, the region's **information and communications technology (ICT) sector** will have strong positive drivers in the form of a vibrant and innovative technology sector, rapid technology adoption rates among consumers, digital transformation by businesses and governments, and additional foreign direct investment by major international ICT companies.