



*Casa África – business opportunities*

**Federal Republic of Nigeria**

GDP growth was estimated at 2.3% for 2019, rising from the previous year thanks to transport, an improved oil sector and ICT, as well as increased private consumption. However, agriculture was affected by sporadic flooding and conflicts among farmers, and manufacturing continues to suffer from a lack of financing. With the advent of COVID-19, Nigeria faces rapidly weakening macroeconomic conditions, stemming mainly from the sharp decline in oil prices in 2020, with revenues projected to decline by 90% according to government projections. The pandemic has also had an impact on reverse investment flows, volatile financial markets and disruptions in travel and tourism. Given this situation, a contraction of GDP of between 4.4% and 7.2% is projected, compared to growth that had been estimated at 2.9% for 2020. Together with growing spending pressures to mitigate the socio-economic and health effects of COVID-19, the budget deficit is projected to widen to 6.7%, increasing fiscal risks that were already present, as high debt service payments were estimated to be much higher than the revenues collected by the government. Lower oil exports will deepen the current account deficit to between 4%-5% of GDP, thus eliminating the surplus projected before the pandemic, although it had already been drastically reduced before the pandemic due to increased imports and lower oil revenues. Despite the likely improvement in agricultural products as the rainy season begins, moderate consumer demand and lower-than-expected bank credit growth, inflation is forecast to rise to 14% in 2020, after the 11.1% projected before the crisis.

As for the external sector, oil represents almost all of the income from exports. Together with gas, they are the main products exported by the country. Its main customers are India, the United States and Spain, while the main suppliers are China, Belgium and the Netherlands, from which it imports fuel, capital goods and food.

In addition to the pandemic, Nigeria's oil exports could be affected by global trade tensions and could weaken global growth and decrease demand for Nigeria's products. Risks of this kind highlight the need to accelerate structural reforms to promote economic diversification and industrialization to minimize vulnerability to external shocks. Nigeria presents several opportunities to transform its economy, particularly in agro-processing. Special agro-processing zones could promote agro-industrial development and employment; however, insecurity could deter foreign investors, ruin the national economy and diminish economic growth prospects.

To mitigate the impact of the pandemic, a number of fiscal and monetary policy measures have been launched, including a credit line to support health-care facilities, provide relief to taxpayers and encourage employers to retain and employ staff during the recession. The pandemic presents an opportunity to strengthen the resilience of the health system and stimulate economic growth, which will require additional resources and targeted investments.

AEO: <https://www.afdb.org/en/documents/african-economic-outlook-2020>

AEO (Suplemento COVID-19): <https://www.afdb.org/en/documents/african-economic-outlook-2020-supplement>

ICEX: [http://www.exteriores.gob.es/Documents/FichasPais/NIGERIA\\_FICHA%20PAIS.pdf](http://www.exteriores.gob.es/Documents/FichasPais/NIGERIA_FICHA%20PAIS.pdf)