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NEWS UPDATE

IMF IDENTIFIES THREATS TO SUSTAINED ECONOMIC GROWTH IN NIGERIA[1]

Consistent policy implementation, forex market segmentation, banking systems fragilities have been identified by the International Monetary Fund (IMF) as major threats to sustained economic growth which is being witnessed in Nigeria since the country came out of its worst economic recession in more than two decades.

The Fund also re-affirmed its 0.8 percent growth forecast for the nation's economy in 2017 contrary to the Federal Government's projection of 2.19 percent. The Division Chief, Research Department, IMF, Oya Calesun, gave the forecast while briefing the media on the World Economic Outlook (WEO) released on October 12, 2017 at the IMF/World Bank Annual Meetings in Washington D.C.

In sub-Saharan Africa, the IMF also projected that the Nigerian economy would grow faster than South Africa's in 2017. This is a reversal of the fund's earlier projection in July that South Africa's economy would grow by 1 per cent in 2017, while Nigeria will experience a 0.8 percent economic expansion. While making reference to the nation's exit from recession, the WEO report stated: "Growth in 2017 is projected at 0.8 percent, owing to recovering oil production and ongoing strength in the agricultural sector."

However, concerns about policy implementation by government agencies notorious for their bureaucratic tendencies, market segmentation in a foreign exchange market that remains heavily dependent on Central Bank interventions (despite initial steps to liberalize the foreign exchange market), and banking system fragilities are expected to weigh on business activity in the medium term.

Nigeria has achieved a considerable increase and partial stability in the output of oil production from October 2016 and particularly in August 2017 when it attained a production rate of 1.802 million barrels per day. Increased oil production from the relatively peaceful Niger Delta region following cessation of military campaign by militants battling for a greater control of the oil resources have helped increased government earnings and helped jump-

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start an economy which is driven mainly by funds accruing from oil sales. Global drop in oil prices had made it imperative for the government of the day to look into other ways of generating revenue to drive economic activities and pull the economy out of the doldrums.

Furthermore, increased investment by government and strategic policies geared at improving the capacity of the agricultural sector has helped the government in its quest to diversify the economy and tap into the potentials of the sector which has the capacity of becoming a major mainstay of the economy but had been neglected by successive regimes.

The improvement in agriculture output is been driven by the various Central Bank of Nigeria (CBN) interventions in the sector namely the Anchor Borrowers Programme (ABP), the Commercial Agricultural Credit Scheme (CACS) as well as various schemes and joint partnerships between state governments to improve food production. The Central Bank of Nigeria (CBN), through its Anchor Borrowers' Programme (ABP), has continued to intervene in the agriculture sector, resulting in improved production. Through the ABP, the CBN has released N43.92 billion to 13 participating institutions as of October 1, while 200,000 smallholder farmers from 29 states of the federation have benefitted from the programme.

In its WEO earlier this year, in which the IMF had raised projections for Nigeria's economic growth to 0.8 percent, from the 0.2 per cent that it had projected in the WEO report of October 2016, it stated that the revision reflects high oil production due to security improvements in the country's oil producing region.

The October WEO 2017 projection, however, falls heavily behind the 2.19 percent quoted by the Federal Government in its Economic Growth and Recovery Plan, ERGP, released earlier this year, but much closer to the actual Gross Domestic Product, GDP, figure of 0.55 percent for second quarter 2017 as given by the National Bureau of Statistics (NBS).

Responding to media questions at the WEO press briefing, Maurice Obstfeld, IMF's Economic Counsellor stated: *"Nigeria is going to have stronger growth this year because agriculture and oil production are doing better but there are still downsides and there is still a lengthy adjustment to lower oil prices ahead."*

According to figures released on September 5, 2017 by the Nigerian Bureau of statistics (NBS), the Nigerian economy grew by 0.55 per cent in the second quarter of 2017, signposting, albeit marginally, the end of a crippling recession after five consecutive quarters of contraction.

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