

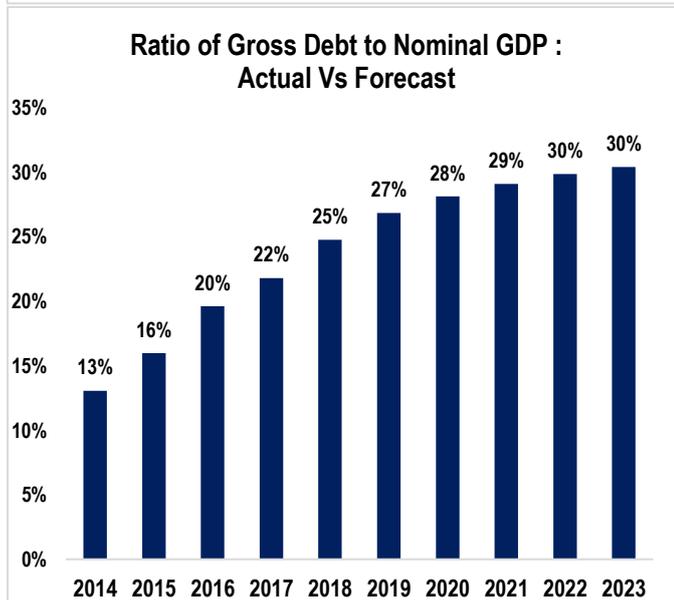
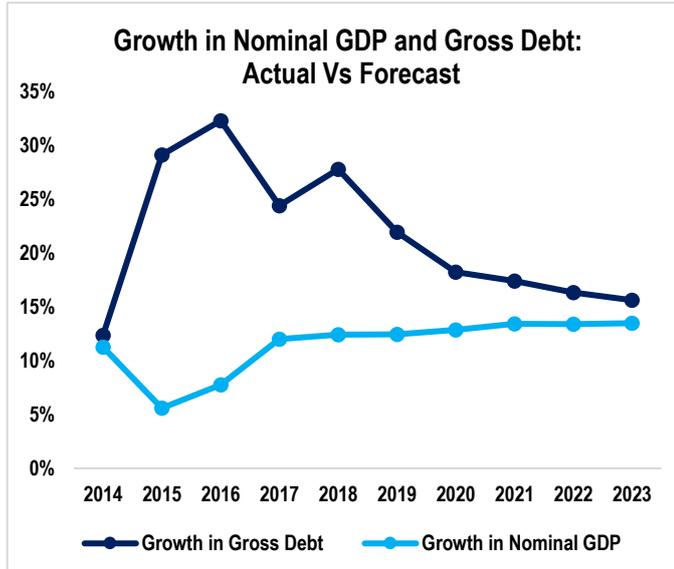
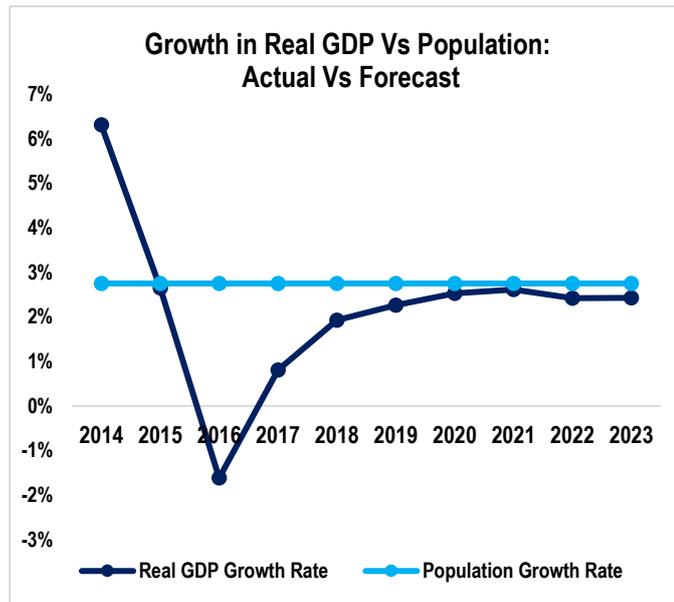
## IMF's Forecast on Nigerian Economy Unimpressive – FSDH Research

The short-term forecast for the Nigerian economy is unimpressive, according to the latest report issued by the International Monetary Fund (IMF). The uninspiring forecast stresses the need for Nigeria economic managers to implement additional growth-enhancing policies that would lift more Nigerians out of poverty. The IMF released the forecast in its October edition of the World Economic Database, which accompanied its World Economic Outlook (WEO) titled 'Challenges to Steady Growth'.

The IMF predicts that the Nigerian population will grow faster than the growth in the real Gross Domestic Product (GDP) over the next five years. This means that any expansion in Nigeria's economy may not be enough to improve the standard of living of her citizens. In a similar development, the IMF expects the gross debt figure in the country to rise faster than the nominal GDP for this same period. Although FSDH Research believes Nigeria needs additional support in the area of infrastructure development, partnership arrangements with the private sector may offer a more cost effective funding method than debt option.

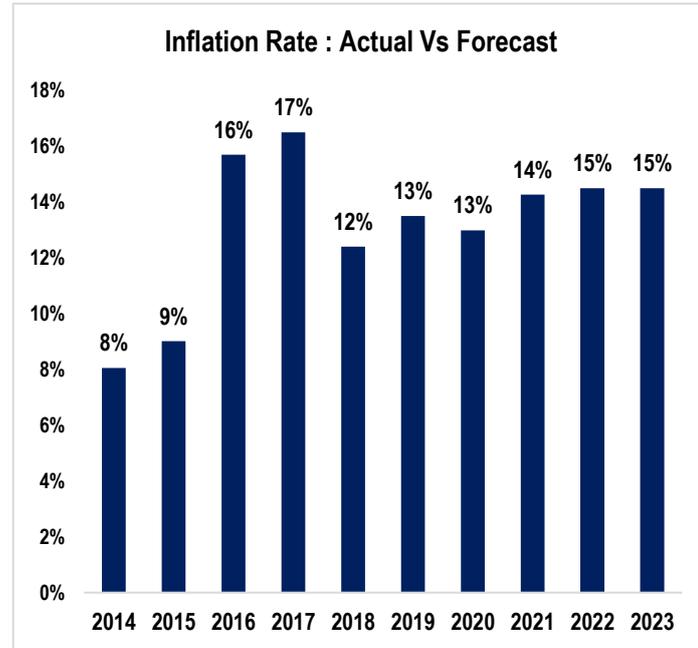
FSDH Research notes that one of the major reasons for the sluggish growth in the Nigerian economy and weak revenue generation is the inadequate infrastructure in the country. Poor infrastructure increases the cost of production. Consequently, goods produced in Nigeria are not competitive in either the international or local markets. Government at all levels also lose tax revenue because of low production, leading to low taxable income and weak purchasing power.

Nigeria's inflation rate forecast by the IMF shows that there is no hope of single digit inflation rate before 2023. The inflation rate target of the Central Bank of Nigeria (CBN) is 6%-9%. FSDH



Research had expected that Nigeria would record a single digit inflation rate in September 2018. However, the escalating food prices (principally due to crises in some food producing states), reflected in the dismal growth of 1.19% in the Agriculture sector as at Q2 2018, has made this impossible. The double digit inflation rate may make the yields on fixed income securities remain high in Nigeria and thus increase the finance cost for private sector operators.

FSDH Research believes the Nigerian economy has the potential to perform better than the IMF's forecast. For this to materialise, however, coordinated policies are urgently required in the following areas to achieve strong and inclusive growth: security of lives and property, infrastructure, rule of law and diversification of the revenue and productive base of the economy.



Sources: International Monetary Fund and FSDH Research \*N.B: Figures after 2017 are forecasts.

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