

Nigeria: Brief Profile

March 2009

Domestic Economy

- Real GDP growth of Nigeria has increased to an estimated 6.8% in 2008 from 6.2% in the previous year, mainly due to non-oil sector's performance.
- GDP in absolute terms stood at an estimated US\$ 179.7 bn in 2008. The GDP per capita was US\$ 1228.3 during the same year.
- The average inflation rose sharply to 11.5% in 2008 compared to 5.4% registered in the previous year, primarily as a result of higher cost of food and transportation services.
- Industry sector dominated the GDP, accounting for 48.7% in 2007 (as per the latest data available), followed by agriculture (26.9%) and services (24.4%).

Trade and External Sector

- Exports from Nigeria rose by 23.5% in 2008 to an estimated US\$ 76.3 bn from US\$ 61.8 bn in 2007, mainly due to higher prices of oil exports during the first half of 2008.
- Imports to Nigeria increased by 15.7% to an estimated US\$ 44.9 bn in 2008 from US\$ 38.8 bn in 2007, primarily as a result of higher imports of manufactured goods.
- Nigeria's trade surplus increased to US\$ 31.4 bn in 2008 from US\$ 23 bn in 2007, mainly due to higher growth of exports.
- Main items of Nigeria's exports in 2007 (as per the latest data available) were crude oil (US\$ 58.5 bn) and gas (US\$ 5.2 bn), together accounted for around 98% of total exports of Nigeria in 2007.
- Principal items of Nigeria's imports in 2007 (as per the latest data available) were manufactured goods (US\$ 1.5 bn), chemicals (US\$ 1.1

bn), machinery and transport (US\$ 1.1 bn), and food and live animals (US\$ 291 mn).

- The main destination of exports from Nigeria in 2007 (as per the latest data available) was the US, accounting for 47.1% of total exports, followed by Spain (7.0%), Brazil (6.9%), and Ivory Cost (2.6%).
- The main origins of imports to Nigeria in 2007 (as per the latest data available) were China, which accounts for 10.9% of total imports, the Netherlands (8.2%), the US (8.1%) and the UK (5.4%).
- The current account surplus of Nigeria increased sharply by 118.2% to US\$ 2.2 bn in 2008 as compared to US\$ 4.8 bn in the previous year, mainly due to higher trade surplus.

Foreign Exchange Reserves, Exchange Rate and External Debt

- Foreign exchange reserves grew by 16.4% from US\$ 51.3 bn in 2007 to an estimated US\$ 59.7 bn in 2008. The government has been steadily building up its reserves since 2003, owing largely to improved oil export earnings and its greater commitment to saving windfall oil revenue under its new fiscal regime. Reserves reflected a comfortable import cover of almost 16.1 months.
- Naira is the official currency of Nigeria. In 2008, the exchange rate average N 119.28: US\$ 1, appreciating from N 125.81: US\$ 1 in the previous year.
- In 2005-06, local government negotiated a number of debt buy-back deals with its major creditors, hence, external debt of Nigeria decreased sharply by 73% from US\$ 22.2 bn in 2005 to US\$ 7.7 bn in 2006, before increasing to US\$ 7.8 bn in 2007. In 2008, total external debt was estimated at US\$ 8.3 bn.

Country Risk Rating

- *Euromoney* in its September 2008 risk ranking of 186 countries placed Nigeria at 90, representing a rise of 15 places from its earlier ranking in March 2008. India was placed at 56 in the same ranking.
- *Institutional Investor* in its September 2008 risk rating of 177 countries placed Nigeria at 87, which is a rise of one place over its previous ranking in March 2008. India was placed at 54 in the same ranking.
- *Export Credit Guarantee Corporation of India Ltd. (ECGC)* ranks countries in an increasing order of risk in seven groups, viz. A1, A2, B1, B2, C1, C2, and D. In its December 2008 ratings, ECGC placed Nigeria in Group B1.

Bilateral Trade Relations with India

- India's exports to Nigeria increased by 20%, from US\$ 902.9 mn in 2006-07 to US\$ 1083.1 mn in 2007-08, mainly on account of a rise in exports of manufactures of metals, and machinery & instruments.
- In 2007-08, the total import from Nigeria was accounted for US\$ 7.6 bn. The non-oil imports from Nigeria rose by 36.6% from US\$ 79.4 mn in 2006-07 to US\$ 108.5 mn in 2007-08. This was mainly due to increase in imports of non-ferrous metals, electronic goods, and wood and wood products.
- Thus India had a significant non-oil trade surplus of US\$ 945.3 mn in 2007-08, as against US\$ 819.7 mn in 2006-07.
- The main items of exports from India to Nigeria in 2007-08 were manufactures of metals (US\$ 204.4 mn), machinery & instruments (US\$ 182.4 mn), pharmaceutical products (US\$ 160.1 mn), non-basmati rice (US\$ 59.3 mn), transport equipment (US\$ 58.7 mn), primary and semi-finished iron and steel (US\$ 52.4 mn), and plastic & linoleum (US\$ 44.7 mn),

- Petroleum crude is the major item of imports from Nigeria. In 2007-08, India's import of petroleum crude from Nigeria amounted to US\$ 75.1 bn (or 98.6% of total imports).
- The main items in the non-oil import basket of India from Nigeria in 2007-08 were metaliferrous ores & metal scrap (US\$ 31.2 mn), non-ferrous metals (US\$ 25.3 mn), wood and wood products (US\$ 21.3 mn), electronic goods (US\$ 20.1 mn), cashew nuts (US\$ 10.1 mn), and metaliferrous ores and metal scrap (US\$ 5.4 mn).

Macroeconomic Outlook

- With the oil sector operating below potential, owing to militant action and OPEC quota cuts, and the non-oil sector suffering from the global financial crisis, real GDP growth is expected to fall to 3.5% in 2009 and 4.8% in 2010.
- Food and fuel prices are expected to ease in 2009-10, but a weaker currency and looser monetary policy from the Central Bank of Nigeria (CBN) are expected to reduce inflation only slowly, to 11% in 2009 and 8.5% in 2010.
- Naira is expected to depreciate to N 145.42: US\$ 1 in 2009, due to rapid fall in oil prices. Central Bank of Nigeria (CBN) is expected to maintain the naira's value in the region of N 145: US\$ 1 in 2010.
- As a result of expected slight reduction in oil production, Nigeria's overall current account is expected to record a deficit of 14.7% of GDP in 2009 (previously 13.2% of GDP) and 7.8% of GDP in 2010.

Nigeria: Economic Structure

<i>Economic Indicators</i>	2004	2005	2006	2007	2008^b
GDP (US\$ bn)	72.1	103.3	125.8	141.7	179.7
GDP at market prices (N bn)	9,575	13,557	16,187	17,822	21,440
Real GDP growth (%)	6.4	6.5	6.0	6.2	6.8
Consumer price inflation (av.,%)	15	17.9	8.2	5.4	11.5
Population (mn)	134.6	137.5	140.4	143.3	146.3
Exports fob (US\$ mn)	36,890	50,162	59,144	61,800	76,277
Imports fob (US\$ mn)	19442	25639	31113	38787	44880
Current-account balance (US\$ mn)	4,319	8,021	13,796	2,197	4,771
Total International Reserves (US\$ mn)	16,956	28,280	42,299	51,334	59,686
Total external debt (US\$ bn)	37.9	22.2	7.7	7.8	8.3
Exchange rate (av., N: US\$) (Local currency is Naira)	132.89	131.27	128.65	125.81	119.28

^b- Estimates

Source: EIU Country Report.