

Nigeria

The high price of crude oil and prudence in economic management are delivering economic progress, with real gross domestic product (GDP) growth expected to be strong at 6.9% in 2011.

A strong adherence to reforms and reduction in ethnic and sectarian violence are needed to enhance private-sector participation in the economy.

Economic diversification, moving away from excessive dependence on oil, will increase opportunities for greater co-operation with emerging partners.

Nigeria is making progress with economic reforms that are delivering strong economic fundamentals. The government has maintained prudent macroeconomic policies, strengthened financial institutions and, albeit slowly and unevenly, is undertaking reforms to transform the economy structurally. The reform effort, aided by revenue from high oil prices, has led to significantly improved macroeconomic outcomes, including weaker inflation and strong GDP growth. Real GDP growth rose from 7.0% in 2009 to an estimated 8.1% in 2010. The robust growth in 2010, in the aftermath of the global financial and economic crisis, underscored the resilience of the Nigerian economy and to some extent, the prudence of its economic policies. Medium-term prospects are also bright, with real GDP growth projected to remain strong and stable at 6.9% in 2011 and 6.7% in 2012.

Notwithstanding these positive developments, the Nigerian economy remains confronted by many serious challenges. Structural imbalance and lack of diversification - with the economy excessively dependent on oil - is preventing the domestic economy from flourishing. High youth unemployment, poor infrastructure facilities and widespread insecurity are the key challenges the government will have to take on.

Deepening the reform process is clearly necessary. Medium- to long-term prospects hinge on Nigeria's addressing key reforms successfully in order to advance infrastructure development and broaden the economic base through enhanced private-sector participation. In addition, containing political, civil and ethnic unrest, especially in the Niger Delta region, remains a challenge for the political stability that is needed to consolidate the achievements of the past few years.

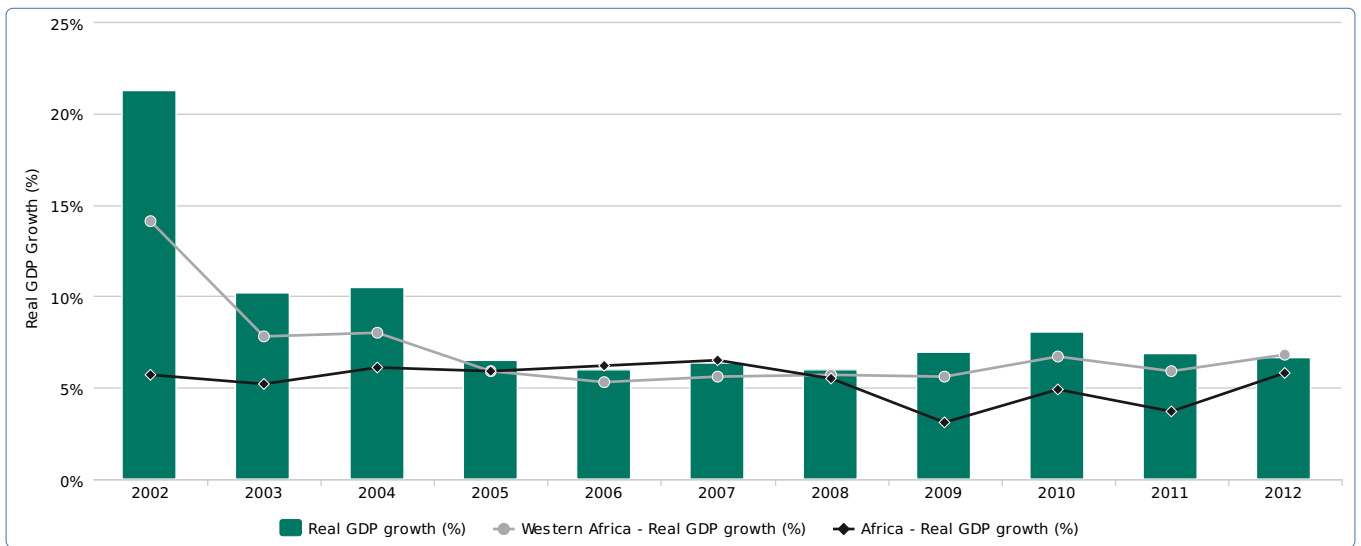
Table 1: Macroeconomic indicators

	2009	2010	2011	2012
Real GDP growth	7	8.1	6.9	6.7
CPI inflation	12.5	13.7	11.1	9
Budget balance % GDP	-10.4	-6.8	-0.7	0.3
Current account % GDP	13.1	13.3	17.6	16.6

Source: National authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

Figure 1: Real GDP growth (W)



Source: IMF and local authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

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