Euler Hermes Economic Research

Country Report

Nigeria

Africa's largest economy

General Information

GDP	USD262.606bn (World ranking 38, World Bank 2012) In April 2014, Nigeria rebased its GDP calculations, suggesting that the economy in 2013 was around USD500bn
Population	168.83 million (World ranking 7, World Bank 2012)
Form of state	Federal Republic
Head of government	Goodluck JONATHAN
Next elections	2015, presidential and legislative

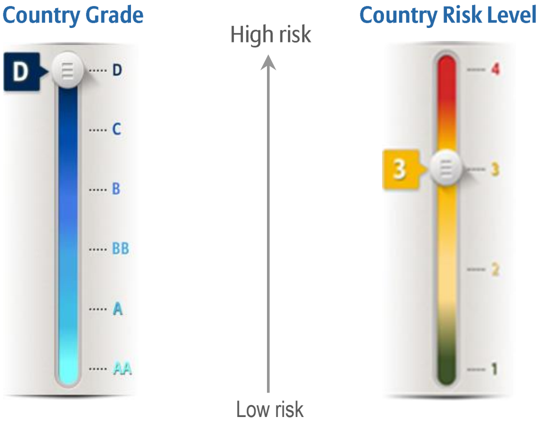
Strengths

- Dominant economy in West Africa in terms of population and GDP and now the continent's largest economy.
- Hydrocarbons resource base, with 2.2% of global oil reserves (10th in global rankings and 42 years of additional extraction at current rates) and 2.8% of natural gas reserves (9th and over 100 years).
- High oil prices in recent years have boosted export earnings, providing current account surpluses and accumulation of international reserves (import cover of around 9 months).
- Foreign debt ratios are again deteriorating but remain comfortable.

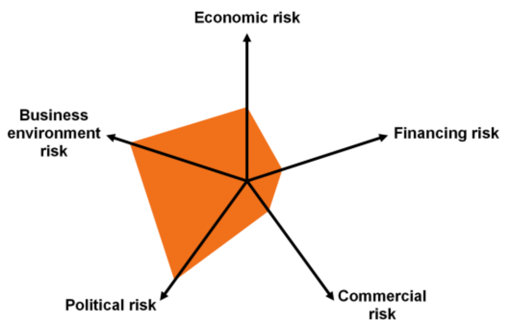
Weaknesses

- With oil and gas accounting for over 90% of export revenues, the economy is susceptible to volatility in global markets and to potential large swings in oil prices.
- The federal government is hampered by the strength of state and tribal authorities. Deep ethnic, religious and regional divisions provide risks to systemic stability.
- Personal and corporate security is high risk.
- Long history of economic mismanagement and corruption continue to affect perceptions of doing business in the country.
- Data provision remains poor for a country of such size and strategic importance.

Country Rating D3



Risk Dimensions



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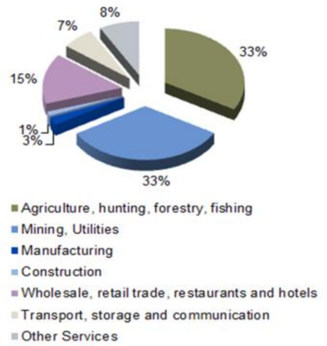
Economic Structure

GDP breakdown (2011)



Sources: Chelem, UnctadStat, IHS Global Insight, Euler Hermes

Trade structure (% of total, 2011)

By destination/origin

Exports		Rank		Imports
United States	29%	1	20%	China
India	12%	2	10%	United States
Brazil	8%	3	6%	Netherlands
Spain	7%	4	5%	India
France	5%	5	5%	Korea, Republic of

By product

Exports		Rank		Imports
Petroleum, petroleum products and related materials	87%	1	13%	Petroleum, petroleum products and related materials
Gas, natural and manufactured	7%	2	13%	Road vehicles
Coffee, tea, cocoa, spices, and manufactures thereof	1%	3	6%	Other industrial machinery and parts
Leather, leather manufactures and dressed furskins	1%	4	5%	Cereals and cereal preparations
Other transport equipment	1%	5	4.5%	Electrical machinery, apparatus and appliances, n.e.s.

Economic Forecast

	2010	2011	2012	2013	2014f	2015f
GDP growth (% change)	7.8	16.2	6.5	6.9	6.5	7.0
Inflation (%, end-year)	11.7	10.3	12.0	9.4	9.4	9.0
Fiscal balance (% of GDP)	-6.7	0.9	0.0	0.7	0.6	0.2
Public debt (% of GDP)	15.5	17.2	18.4	14.1	12.9	12.2
Current account (% of GDP)	5.8	3.5	3.5	7.0	6.0	5.0
External debt (% of GDP)	4.5	5.2	7.8	9.8	11.2	11.3

Sources: IHS Global Insight, national sources, Euler Hermes

Economic Overview

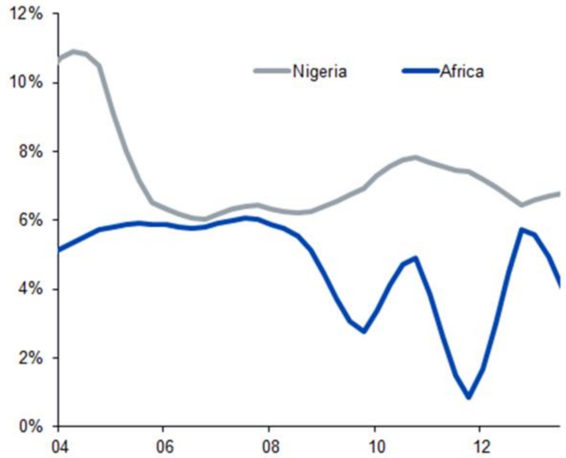
Strong growth in Africa's largest economy

Over the ten years to end-2013, average annual GDP growth was +7.1% and was above the rate of growth for the Sub-Saharan African region as a whole. Much of the impetus for growth over that period came from the oil and gas sector, despite well-publicised loss of output and revenues because of industrial disputes and actions of criminal gangs that siphon off considerable crude oil flows through official pipelines. Moreover, ongoing disputes between federal and state authorities relating to oil revenue-sharing agreements continue to provide uncertainties and have a negative effect on foreign investment plans in the country's oil sector. Accordingly, despite high growth rates, the Nigerian economy is not performing to actual potential.

The outlook remains one of relatively strong growth, spurred by the oil and gas sector but also by the non-oil parts of the economy, particularly telecommunications, construction and agriculture. EH expects GDP growth of +6.5% in 2014 and +7% in 2015, but forecasts are subject to wide revision as a result of domestic and external influences.

In April 2014, GDP estimates were revised, taking into account a broader economic base. As a result, GDP in 2013 is now estimated at USD510 billion (old base USD290 billion), making Nigeria Africa's largest national economy.

GDP growth (%)



Sources: IHS Global Insight, Euler Hermes

Economic Overview (continued)

Oil & gas economy, but diversification is actively pursued

The oil and gas sector represents around 33% of GDP and is key to the economic development of the country. It provides around 80% of government revenues and accounts for over 90% of export earnings. However, the government adopts an overall policy of economic diversification away from oil and gas and actively seeks investment in non-hydrocarbon sectors, including mining, agriculture, financial services and manufacturing.

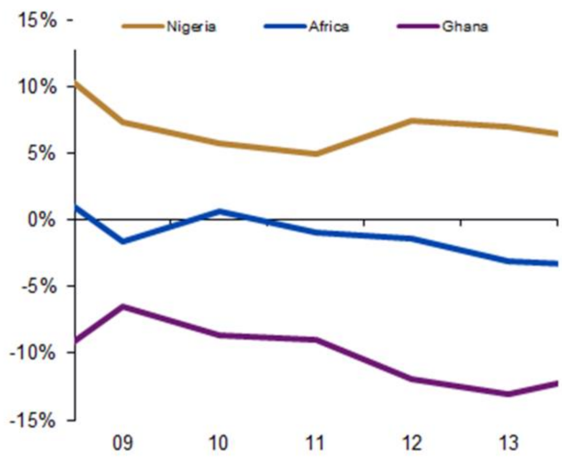
The protracted legislative process to enact the Petroleum Industry Bill indicated a key negative feature in investment decision-making, specifically that uncertainties surround the direction of policy formation and implementation. This adds to other investor concerns relating to perceptions of corruption and to risks of security for personnel and assets in the country.

Current account surpluses, high import cover and low external debt obligations

Current account surpluses are substantial, with a positive balance equivalent to 7% of GDP in 2013. EH expects the surplus to register 6% of GDP in 2014 and to remain high (5%) in 2015. These surpluses (and a Sovereign Wealth Fund and an Excess Crude Account) reflect high oil and gas export revenues and would have been higher if the oil sector did not suffer from pipeline disruptions and significant losses of output to criminal gangs. Large current account surpluses have enabled a substantial accumulation of FX reserves, which EH expects to be around USD85 billion at end-2014. At such levels, FX reserves will provide an import cover of over 9 months.

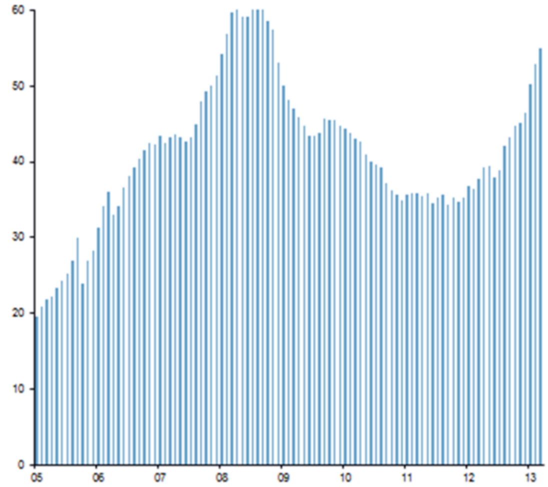
Pressures associated with external debt repayments have diminished substantially, following foreign debt forgiveness and rescheduling under Paris and London Clubs in 2006 and 2007, respectively. Savings from previously-arranged external debt scheduling are being redirected towards improvements in healthcare, housing, education, agriculture, power and water infrastructure. However, while external debt repayments are now comfortable, debt ratios are again increasing.

Current account balance as % of GDP



Sources: IHS Global Insight, Euler Hermes

Foreign Exchange Reserves (USD bn)



Sources: IHS Global Insight, Euler Hermes

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