NIGER

Table 1	2019
Population, million	23.2
GDP, current US$ billion	12.9
GDP per capita, current US$	556.3
International poverty rate ($1.9)[a]	45.4
Lower middle-income poverty rate ($3.2)[a]	77.2
Upper middle-income poverty rate ($5.5)[a]	93.6
Gini index[a]	34.3
School enrollment, primary (% gross)[b]	74.7
Life expectancy at birth, years[b]	62.0

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2014), 2011 PPPs.
(b) WDI for School enrollment (2017); Life expectancy (2018)

After economic growth of 5.9 percent in 2019, the impact of the COVID-19 pandemic is expected to result in growth falling sharply in 2020, to 0.5 percent, and remaining below its pre-crisis trend in the medium-term. Per capita income will fall in 2020 and the poverty rate increase by 1.6 percentage points. COVID-19 and insecurity will continue to be serious risks to economic growth and poverty reduction, exacerbating the ongoing downside risks from commodity price fluctuations and weather shocks

Recent developments

Real growth hit 5.9 percent in 2019 (2.0 percent in per capita terms), in line with the potential of the economy, driven by good harvests and rising artisanal gold production. Strong agriculture performance had positive spillovers on private consumption. Investment was catalyzed by the African Union summit and large donor-financed projects. Inflation was negative due to good harvests, compounded by low global food prices. The authorities took prompt action to contain the COVID-19 outbreak: closing borders; imposing a nightly curfew; and shortening working hours. Restrictions have been gradually lifted since mid-May 2020. In September only the closure of land borders remained in place. Headline inflation during the first half of 2020 reached 5.2 percent y-o-y in July mainly due to the impact of lockdown on food availability.

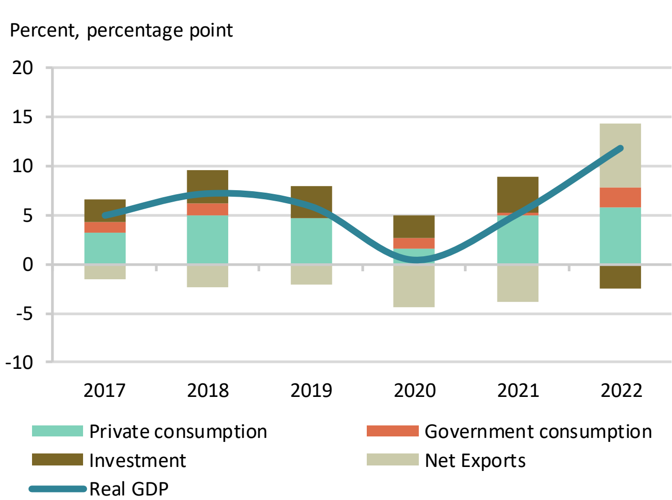
The current account deficit widened slightly to 12.7 percent in 2019. Lower commodity prices, the closure of the border with Nigeria and higher imports for large-scale infrastructure projects affected the trade balance in 2019. The overall external balance turned positive for the first time in many years due to exceptionally high donor support and FDI.

The fiscal deficit widened to 3.6 percent of GDP in 2019, due to lower tax revenue partially reflecting the closure of the border with Nigeria. Higher grants did not offset the rise in health care and social spending to mitigate the effects of the pandemic and the domestic revenue shortfall. Preliminary tax revenue data in the first half of 2020 points to a continued weak fiscal performance exacerbated by the COVID-19 pandemic.

Niger's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO), which maintains a fixed peg between the CFA Franc and the Euro. Its reserves reached 5.4 months of imports in 2019, driven by fiscal consolidation in member states and higher net capital inflows. To support the regional economy, the BCEAO has implemented a set of monetary and macroprudential measures since March 2020. These include lowering its policy rate to a fixed 2.5 percent and extended refinancing operations of the 3-month "Covid-19 T-Bills" at 2.5 percent for limited amounts.

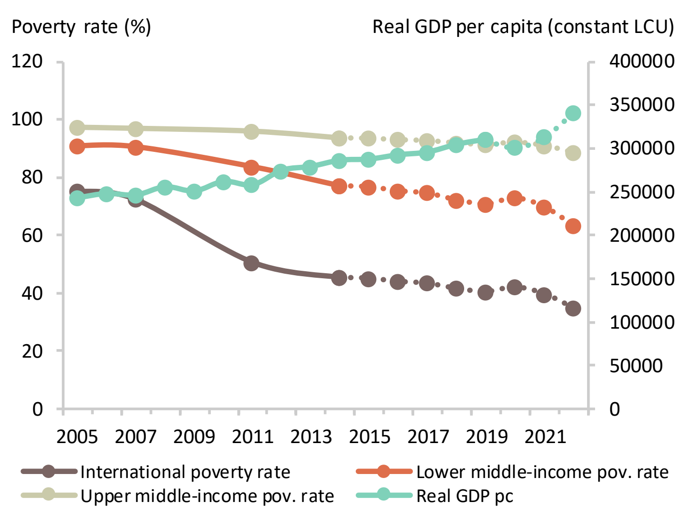
According to household survey data, the share of the population living on less than US$1.90 a day in 2011 Purchasing Power Parity (PPP) decreased from 75.3 percent in 2005 to 45.4 percent in 2014. With continued economic growth, the share of the population living below this international poverty line is estimated to have declined to 40.5 percent by 2019. However, the COVID-19 pandemic and related economic and social distancing measures have reversed some of the recent gains in reducing poverty. The impacts of the COVID-19 pandemic in Niger are expected to be severe, impacting households: (i) in the short and medium term, most households will experience income losses due to job layoffs and lower remittances; and (ii) in the long-term a deterioration of human capital endowment;

FIGURE 1 Niger / Real GDP growth and contributions to real GDP growth



Source: World Bank.

FIGURE 2 Niger / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2

for example, school closure is expected to increase drop-out rates, especially for girls and the most vulnerable.

Outlook

In 2020, economic activity continues to be constrained by lower exports due to the border closures with Nigeria. Growth is further depressed by the effects of the COVID-19 containment measures on supply and demand, including by delaying the implementation of large foreign projects. Private investment will be affected by the deterioration of domestic security conditions. As a result, real growth is projected to drop to 0.5 percent. Domestic demand will contribute modestly to growth, due to stagnating real incomes. The contribution from net exports will be negative despite a lower demand for imported capital goods.

In 2021, if infrastructure construction restarts and the border with Nigeria reopens, growth it is expected to recover to 5.1 percent, but to remain below previous forecast and below potential. Food shortages would raise consumer price inflation to 4.4 percent in 2020. However, a return to prudent fiscal and monetary policies should keep inflation below the 3 percent WAEMU target over the medium term. GDP per capita is expected to reach 2019 levels only in 2022, as growth will be boosted significantly when crude oil exports to come on stream.

The current account deficit is expected to widen in 2021 with the resumption of the import-intensive projects, before narrowing when several of these phase out and crude oil exports come on stream. FDI inflows and donor financed projects would continue to finance a large share of external financing needs. WAEMU reserves are expected to decline to 4.5 months of imports in 2020 as member countries are hit by the COVID-19 crisis.

The fiscal deficit is projected to increase to close to 5 percent of GDP in 2020 and 2021 partly as a result of increased health spending and stimulus measures to mitigate the impact of COVID-19 crisis and higher security spending. Public debt is projected to peak at 47.2 percent of GDP in 2021 with concessional financing and domestic borrowing from the regional market remaining the main sources of financing. The risk of external and overall debt distress is projected to remain moderate, although the space to accommodate any further shocks has narrowed considerably.

Results from macro-micro simulations suggest that the poverty rate in Niger would increase by about 1.6 percentage point in 2020. However, poverty is expected to decline to 39.6 percent by 2021 as the country recovers from the pandemic and is expected to start exporting crude oil. Beyond the monetary dimension, the COVID-19 crisis is expected to have long-lasting effects on the non-monetary dimensions of wellbeing, such as education, health, and food security.

Risks and challenges

Risks to the outlook are on the downside. The duration and depth of the COVID-19 outbreak present a downside risks to growth and poverty due to a decline in incomes and remittances. The government needs to reprioritize expenditures towards additional health and social protection spending and continue implementing revenue mobilization measures, including donor grants. Other risks stem from adverse weather conditions, as evidenced by widespread flooding in September 2020, further worsening of the security situation, and uncertainty ahead of the Presidential elections in 2021.

TABLE 2 Niger / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	5.0	7.2	5.9	0.5	5.1	11.8
Private Consumption	4.6	7.3	6.7	2.3	7.0	7.9
Government Consumption	6.9	7.2	0.5	7.2	1.7	12.6
Gross Fixed Capital Investment	9.2	11.4	11.4	7.3	11.3	-7.5
Exports, Goods and Services	11.2	-3.9	5.6	-22.0	15.0	54.0
Imports, Goods and Services	11.8	7.1	10.3	7.1	17.5	-4.2
Real GDP growth, at constant factor prices	5.2	6.5	6.4	0.5	5.1	11.8
Agriculture	5.4	7.1	5.1	4.5	5.0	5.5
Industry	6.8	6.0	8.0	0.0	4.5	34.0
Services	4.1	6.4	6.7	-3.1	5.6	6.0
Inflation (Consumer Price Index)	0.2	2.8	-2.5	4.4	1.7	2.0
Current Account Balance (% of GDP)	-11.4	-12.6	-12.7	-16.8	-19.2	-11.6
Net Foreign Direct Investment (% of GDP)	2.8	3.3	3.7	4.8	7.5	3.0
Fiscal Balance (% of GDP)	-4.1	-3.0	-3.6	-4.8	-4.9	-3.3
Debt (% of GDP)	39.6	39.0	42.1	45.8	47.2	44.9
Primary Balance (% of GDP)	-3.4	-2.1	-2.6	-3.7	-3.7	-2.1
International poverty rate ($1.9 in 2011 PPP)[a,b]	43.4	41.5	40.4	42.0	39.6	34.6
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	74.6	72.2	70.8	72.9	69.8	63.2
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	92.7	91.8	91.3	92.1	91.0	88.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
(a) Calculations based on 2011-ECVMA and 2014-ECVMA. Actual data: 2014. Nowcast: 2015-2019. Forecast are from 2020 to 2022.
(b) Projection using average elasticity (2011-2014) with pass-through = 1based on GDP per capita in constant LCU.