

NIGER

Key conditions and challenges

Table 1 **2020**

Population, million	24.2
GDP, current US\$ billion	13.3
GDP per capita, current US\$	549.4
International poverty rate (\$19) ^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	66.4
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 (2019); life expectancy (2018).

Despite Niger's relative isolation from the global economy, the impact of the COVID-19 pandemic pushed the economy to a standstill in 2020, which translated into a 3 percent reduction in per capita income and 1.3 percentage points increase in poverty. While the outlook is fraught with downside risks related to the sanitary, security, and climatic conditions, economic growth is projected to recover in 2021 and the main macroeconomic and poverty indicators to slowly improve over the medium term.

The new government that will take office in April is confronting enormous challenges of creating the conditions for a self-sustaining process of rapid per capita income growth. This requires addressing the challenges and implementing structural reforms that have eluded the country for so long. The challenges include unfavorable geographic and weather conditions, extremely high fertility rates, low human capital (health and education), a large informal sector, underdeveloped private and financial sectors, large infrastructure gaps, poor governance, insecurity and other drivers of fragility, all exacerbated by weak institutions. Over the last decade Niger has consistently ranked at the bottom of the UNDP Human Development Index.

These structural challenges have been compounded by the global effects of the COVID-19 crisis. While the rates of confirmed cases and fatalities due to COVID-19 have been low by international standards and the lowest in the region, the pandemic has derailed the timid economic and social progress registered in recent years, despite Niger being prevalently a rural economy where the role of trade and remittances flows is lower than in the WAEMU average and the touristic sector underdeveloped.

Furthermore, floods across the country in summer 2020 exacerbated the humanitarian

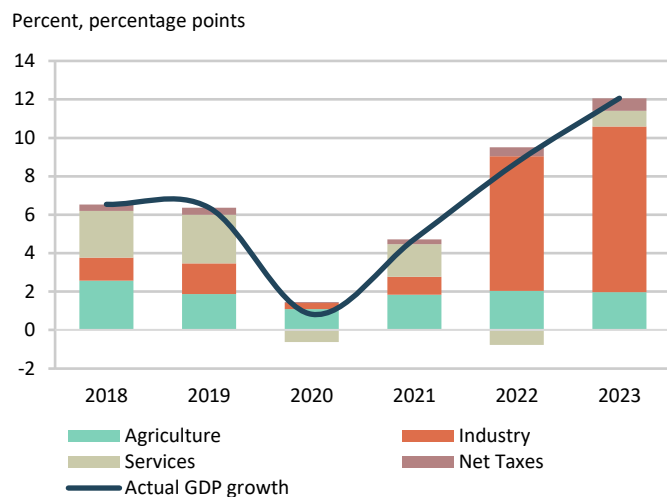
crisis with some 600,000 people adversely affected. Vaccine rollout is expected to begin in May 2021, and to reach a critical mass of the population by end-2021, clearing the way for a gradual recovery in economic and social indicators.

With US\$558 per capita GDP (2010 constant prices, PPP), 42 percent of the population lives on less than US\$1.9 a day. Progress in the fight against poverty, food insecurity, unemployment, and the lack of public service delivery is undermined by a fast-growing population, which is expected to increase by 25 percent by 2025.

Recent developments

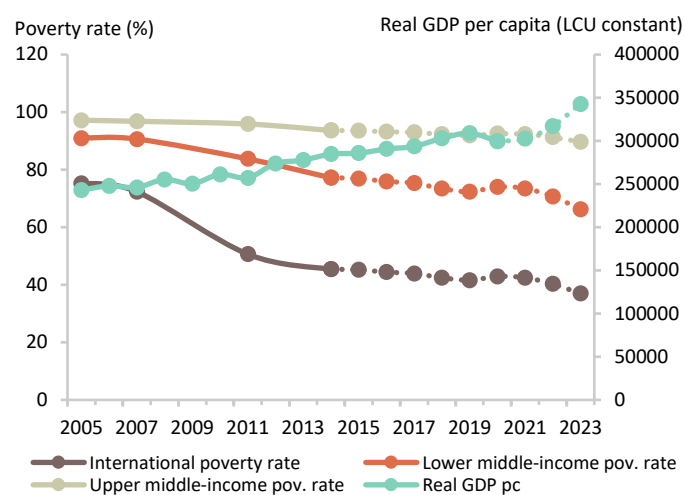
Real growth fell to 0.8 percent in 2020 (-3 percent in per capita terms). Restrictions on movement and business hours, the closure of the border with Nigeria and the halting of some investment projects undermined economic activity. External and internal shocks put pressure on inflation and strained public finances. Food shortages and speculative behaviors have pushed CPI inflation from -2.5 percent in 2019, to 3.4 percent in 2020. The fiscal deficit widened to 5.4 percent of GDP, due to a drop of 1 percent of GDP in tax revenues and the rise on 1.3 point of GDP in current spending to mitigate the effects of the pandemic, mainly through cash transfers. The current account deficit hit 16.7 percent of GDP in 2020, with a sharp drop in exports and higher imports of health products.

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



Sources: INSN and World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

WAEMU pooled external reserves reached an estimated 5.5 months of imports in 2020 due to large donor support and reduced imports. Between March and October, the REER appreciated by 6.4 percent y/y, reflecting the nominal appreciation of the Euro vis-à-vis the USD. The BCEAO has implemented a set of monetary and macro-prudential measures since March 2020, including a policy rate cut and extended refinancing operations of the 3-month COVID-19 bonds.

The share of the population living below the international poverty line was on a declining trend and reached an estimated 41.6 percent in 2019. The COVID-19 and related economic and social distancing measures have reversed some of these recent gains. Simulations suggest that poverty has increased by 1.3 percentage point to 42.9 percent in 2020, drawing an additional 685,000 people into extreme poverty. The COVID-19 pandemic is negatively impacting households through income losses due to job layoffs, and a deterioration of human capital endowments; for example, due to school closures that are expected to increase drop-out rates, especially for girls and the most vulnerable.

Outlook

In 2021, economic growth is expected to rebound to 4.7 percent with the reopening of the border with Nigeria and the resumption of large investment projects. The large import content of these projects will cause the current account deficit to further widen. The completion of the oil pipeline by 2023 should boost growth and exports over the medium term. GDP per capita will surpass its 2019 level in 2022. In 2021, the number of extreme poor is expected to increase by an additional 300,000 people, due mainly to population growth. In 2022, thanks to a projected strong economic performance, the poverty headcount will renew with its downward trend. It is important to note that the COVID-19 crisis will have long-lasting effects on the non-monetary dimensions of wellbeing, such as education (particularly of girls), health, and food security. Higher economic growth will lead to an increase in fiscal revenue while the 2021 budget has kept spending constant in nominal terms. As a result, the fiscal deficit should decline to 4.5 percent of GDP with public debt peaking at 42.9 percent of GDP. The risk of external and overall debt

distress is projected to remain moderate, although the space to accommodate further shocks has narrowed considerably.

The successful transfer of power in the recent general elections could increase the country's attractiveness to investors. Yet, overall risks to growth remain tilted on the downside. The duration and depth of the COVID-19 outbreak and availability of vaccines represent key short-term risks. Medium-term risks stem from adverse weather conditions and a further worsening of the security situation while high population growth will continue to pose a key challenge for the medium term. The surge in oil production calls for an adequate governance and fiscal framework to manage these flows in a stable, transparent and accountable manner.

TABLE 2 Niger / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	7.2	5.9	0.8	4.7	8.9	12.1
Private Consumption	7.3	6.7	2.8	6.0	7.0	7.9
Government Consumption	7.2	0.5	8.2	6.5	8.3	10.0
Gross Fixed Capital Investment	11.4	11.4	6.3	7.6	-3.9	-7.2
Exports, Goods and Services	-3.9	5.6	-21.5	15.0	24.0	51.0
Imports, Goods and Services	7.1	10.3	7.1	15.0	-4.2	-4.2
Real GDP growth, at constant factor prices	6.5	6.4	0.8	4.7	8.9	12.1
Agriculture	7.1	5.1	3.0	5.0	5.5	5.5
Industry	6.0	8.0	1.6	4.5	34.0	34.0
Services	6.4	6.7	-1.7	4.6	-1.7	2.6
Inflation (Consumer Price Index)	2.8	-2.5	3.4	1.7	2.0	2.0
Current Account Balance (% of GDP)	-12.6	-12.7	-16.7	-18.5	-13.7	-7.9
Net Foreign Direct Investment (% of GDP)	3.3	3.7	4.8	7.5	3.1	2.7
Fiscal Balance (% of GDP)	-3.0	-3.6	-5.4	-4.5	-3.1	-1.8
Debt (% of GDP)	37.0	39.9	41.8	42.9	42.4	41.7
Primary Balance (% of GDP)	-2.1	-2.6	-4.3	-3.4	-1.9	-0.8
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	42.5	41.6	42.9	42.5	40.3	37.0
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	73.4	72.3	74.0	73.5	70.7	66.2
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	92.3	91.9	92.5	92.3	91.3	89.6

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: 2015-2020. Forecast are from 2021 to 2023.

(b) Projection using annualized elasticity (2011-2014) with pass-through = 1 based on GDP per capita in constant LCU.