

Coronation Economic Note

31 January '22

Growth expectations from the IMF

The IMF's latest World Economic Outlook (WEO) has left its global forecast for 2021 unchanged at 5.9% y/y and has trimmed its projection for this year from 4.9% y/y to 4.4% y/y. Meanwhile, the global economy is expected to grow by 3.8% y/y in 2023. We note that there were significant reductions in the 2022 forecasts for two of the largest economies, US and China. According to the WEO, the emergence of new COVID-19 variants could prolong the pandemic and induce renewed economic disruptions still pose as risks to global growth.

The US global growth was revised downwards from 5.2% y/y to 4.0% y/y in 2022, driven by assumptions such as, removing the *build back better* fiscal policy package from the forecast baseline, earlier withdrawal of monetary accommodation, and continued supply shortages which should lead to increased price pressures.

China's global growth was revised downwards from 5.6% to 4.8% in 2022, on the back of pandemic-induced disruptions related to the zero-tolerance COVID-19 policy and prolonged financial stress among property developers.

As for global oil prices, the assumptions based on the futures markets for the Fund's basket of three crude blends (UK Brent, Dubai Fateh, and West Texas Intermediate crude oil), is an increase of 11.9% this year to USD77.3/b and a decline of -7.8% in 2023 to USD71.3/b.

Nigeria's GDP growth remained unchanged at 2.7% y/y in 2022. The IMF expects a GDP growth of 2.7% for Nigeria in 2023. According to the IMF's 2021 Article IV, there are significant downside risks to the near-term outlook arising from the uncertainty of the pandemic and the domestic security. However, in the medium term, there are upside risks on the back of the commencement of operations from the Dangote refinery as well as the effective implementation of the 2021 Petroleum Industry Act, which should boost investments into the oil and gas sector.

World output growth y/y (%)

	2022f	2023f
World	4.4	3.8
US	4.0	2.6
Eurozone	3.9	2.5
Japan	3.3	1.8
Brazil	0.3	1.6
Russia	2.8	2.1
India	9.0	7.1
China	4.8	5.2
SSA	3.7	4.0
Nigeria	2.7	2.7
South Africa	1.9	1.4

Sources: IMF, World Economic Outlook; January 2022, Coronation Merchant Bank Research

Indicators	NG
Inflation rate (December '21, %)	15.63
GDP (Q3 '21, %)	4.03
Gross Official Reserves (28 January '22, USD bn)	40.2
UK Brent (28 January '22, USD)	90.0

Source: Bloomberg, CBN, NBS, Coronation MB Research

FGN bond yields (28 January '22, %)			
14.20%	13.98%	12.15%	12.40%
Mar-24	Feb-28	Jul-34	Mar-36
8.78	11.78	12.61	12.77

T-bill yields (28 January '22, %)			
31-	30-	29-	24-
Mar-22	Jun-22	Sep-22	Nov-22
3.42	4.31	5.39	5.11

Source: FMDQ, Coronation MB Research

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