Niger

Recent macroeconomic and financial developments

Economic growth in Niger was weaker in 2021 than in 2020, owing mainly to lower agricultural production due to poor rainfall. Economic growth in 2021 was led by secondary and tertiary sectors as well as by the modest rise in household consumption and investment. Inflationary pressures were reduced, inflation fell from 4.4% in 2020 to 3.19% in 2021, but the inflation rate remains higher than the WAEMU's 3% standard. The budget deficit stabilized at 5.2% in 2021, with public revenues and expenditures having evolved in nearly the same proportions. Some 85% of the budget deficit was financed by external resources, primarily grants.

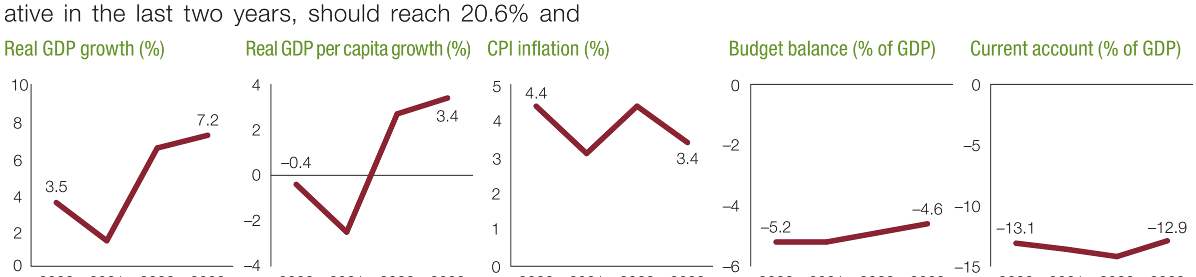
Public debt grew to 50.9% of GDP in 2021 from 43.6% in 2020 but remains below the ECOWAS threshold of 70% of GDP, with a moderate risk of debt distress according to the 2021 IMF debt sustainability analysis. The SDR 26 million allocation in 2021 amounted to $179 million and was used to clear payment arrears and to finance the 2021 agricultural campaign. The chronic current account deficit slightly deteriorated to 13.6% of GDP in 2021 from 13.1% in 2020, while foreign exchange reserves increased to cover 6.1 months of imports, from 5.5 months in 2020. The financial sector, which is neither well developed nor diversified, remains stable despite NPLs to total loans rising to 13.9% in 2021 from 12.6% in 2020. The poverty rate rose to about 42% in 2020, after it had fallen from 45.4% in 2014 to 40.8% in 2019. Access to employment remains problematic—a cause of inequality—with an official unemployment rate of about 16% of the active population.

Outlook and risks

Economic growth is projected to accelerate in 2022 and 2023 to 6.5% and 7.2%, led by agriculture and supported by the new "3N" agricultural initiative—Les Nigériens nourrissent les Nigériens—continued public investment in infrastructure, and increased FDI in the extractive sector. Growth in oil, which has been negative in the last two years, should reach 20.6% and 86.2% in 2022 and 2023. Macroeconomic recovery efforts should be pursued, specifically through a new expanded facility program agreed with the IMF in December 2021. But for 2022 and 2023, this will not enable Niger to respect the debt distress standard in regard to the WAEMU's primary convergence criteria, notably public debt of about 60% of GDP. The chronic current account deficit should begin to fall by 2023 with the start of crude oil exports. However, these good economic prospects remain subject to substantial risks arising from the security situation, international conditions (in particular the impacts of the Russia–Ukraine conflict), and climate change. Niger should increase its mobilization of financial resources to mitigate these risks.

Climate change issues and policy options

Faced with an austere natural environment, Niger is extremely vulnerable to climate change (including flooding, drought, sand and/or dust storms, extreme temperatures, high winds, locust attacks, and bush fires). Because the economy depends heavily on the agropastoral sector and the country is landlocked, climate change can often cause up to an annual 3% loss of GDP growth. Niger has recently strengthened its institutional and strategic framework for fighting environmental degradation and the effects of climate change, specifically by adopting the new NDC relative to the Paris Agreement and, in 2019, transforming the National Environmental Assessment Office into a directorate-general. In 2021, steps taken improved the country scores for SDG 13 on climate change and the Bank's Country Policy and Institutional Assessment on Environmental Policies and Regulation. National priorities for mitigating GHG emissions also reflect Niger's dependence on biomass and the government's commitment to overcoming it, which means, for example, highlighting conservation, substituting and saving on energy from wood, and promoting solar/thermal hybridization in the energy sector.



Source: Data are as of April 2022 and are from domestic authorities; figures for 2021 are estimates and figures for 2022 and 2023 are projections by the African Economic Outlook team.