Energy storage economics niger

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Located in the heart of the Sahel, Niger has a poorly diversified economy, dependent largely on agriculture. The extreme poverty remained stagnant at 48.4% in 2023. However, with inflation, it is projected to increase to 49.9% by 2026.

In 2023, UNOCHA reported 4.5 million people, or 17% of the population, requiring humanitarian assistance in Niger, compared to 3.7 million in 2022. In July 2024, according to UNHCR, Niger hosted almost 968,000 refugees, asylum-seekers and internally displaced people (IDPs), a majority of which are hosted in Tillaberi, Diffa and Tahoua regions.

On the regional front, Niger, Burkina Faso, and Mali decided to withdraw from the Economic Community of West African States (ECOWAS) in January 2024 and formed the Confederation of States of the Sahel (AES). Despite announced mediation efforts by Senegal and Togo, the three countries have repeatedly stated that their withdrawal is definitive.

The political crisis in 2023 is estimated to have reduced GDP growth to 2.0% in 2023 (-1.7% per capita). Growth in 2024 is expected to recover with the sanctions lifted in February 2024 and resumption of financing. However, the expected boost from large-scale oil exports has been dampened. Growth in 2024 is projected at 5.7% (1.8% per capita), based on an expected total oil production of 11.2 million barrels, compared to 9.1% growth if oil production had reached 16.6 million barrels. On the supply side, in addition to industry (oil), agriculture is expected to contribute 2.6 percentage points (pps) to growth. Exports, driven by oil, are expected to be the main driver on the demand side (+4.5 pps), followed by private consumption (+2.6 pps).

Trade disruptions due to the border closure with Benin have fueled an increase in food prices, causing the year-on-year inflation rate to rise from 1.7% in June 2023 to 15.5% in June 2024. The annual average inflation rate is expected to reach 8.5%.

Despite higher inflation, the extreme poverty rate is projected to decrease to 47.5% in 2024 due to positive agriculture growth. However, 13.1% of the population is facing severe food insecurity, around 300,000 people are internally displaced due to insecurity. In addition, floods in August destroyed thousands of homes and led to hundreds of deaths.

The Central Bank of West African States (BCEAO) has kept its policy interest rates unchanged since December 2023 at 3.5% for liquidity calls and 5.5% for the marginal lending facility. The WAEMU inflation rate has been on a downward trend since peaking in 2022 but remains above the 1 to 3% WAEMU target, at 4.4% y/y in July 2024, and regional foreign exchange reserves remain low, covering only 3.5 months of imports in 2024Q1.

Given lower than expected oil revenues, the fiscal deficit in 2024 is expected to remain above the WAEMU target at 4.4% of GDP. At the end of April 2024, the government had accumulated CFAF 701.8billion in external and domestic/regional debt arrears. However, by the end of June, Niger had cleared CFAF 533.8billion and resumed bond issuances on the regional market, albeit at higher rates, exceeding 9% for 12-month bills. The clearance was assisted by a US$400 million loan from China secured by oil exports; the pause in oil exports complicates the repayment.

GDP growth is expected to average 6.5% over 2025-2026, supported by oil production and exports (scaling up in 2025) and improvements in agricultural output due to an expansion in irrigated land. This assumes the security situation does not deteriorate and an orderly ECOWAS withdrawal that limits negative impacts to lower trade with non-WAEMU ECOWAS states. As domestic financing is expected to remain costly, the fiscal deficit is expected to narrow and average 3.6% over 2025-2026, with public debt declining to 50.6% by 2026. The current account deficit is projected to narrow and average 4.1% over 2025-2026 on the back of oil exports.

Inflation is projected to remain high at an average of 5.4% over 2025-2026, partly due to higher import costs. The regional inflation rate is expected to align with WAEMU target by 2025, while regional reserves are expected to rise gradually, supported by the resumption of international bond issuances, recovering exports and monetary policy easing in the Euro Area.

Despite projected higher inflation in 2025-2026, the extreme poverty rate is projected to decrease significantly to 42.5% by 2026, driven by the strong GDP and agriculture output growth projections. The outlook remains subject to significant downside risks, including a deterioration of the security situation, commodity price volatility and climatic shocks. An ECOWAS withdrawal that has gaps in agreements could lead to larger disruptions in the free movement of goods, services, capital, and labor and could have spillover effects onto trade in the WAEMU zone. However, if new trade opportunities are realized, these negative impacts could be mitigated. Sustained or escalated tensions between Benin and Niger could lead to higher trade costs and delay oil exports.

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