



# Nigeria Economic Outlook 2024: Current Realities and Prospects

‘Where’ and ‘What’





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- ❑ Dr. Adedipe is the founder and Chief Consultant of B. Adedipe Associates Limited (BAA Consult). With over 43 years of post-graduate work and professional experience in university teaching, investment banking, project finance, management and financial consulting as well as leadership in business and not-for-profit organizations.
- ❑ 'Biodun has had an illustrious career that took him through the University of Lagos, Enterprise Consulting Group, the World Bank (Africa Region), International Merchant Bank Plc, and First City Monument Bank Plc.
- ❑ He received his Doctorate degree in Industrial Economics (specializing in Corporate Finance) from the University of Lagos in 1989 and B.Sc. in Economics (First Class) from the University of Ife (now, Obafemi Awolowo University, OAU) in 1980, and bagged several awards in the process, including Sir Adam Thomson scholarship as visiting doctoral student to the University of Sussex, UK (1984).
- ❑ He is a member of several respected professional bodies, including the Chartered Institute of Directors, Nigeria (Fellow & Council Member), Chartered Institute of Bankers of Nigeria (Fellow), The Nigeria Economic Society (Life Member) and American Economic Association.
- ❑ 'Biodun founded BAA Consult in February 1993, and he has been responsible for charting and managing the firm's strategy and activities since operations commenced in March 1994.
- ❑ He sits on the boards of a couple profit-seeking and not-for-profit organizations in diverse capacities as Chairman, Non-Executive Director and Independent Director.



# Outline

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Headline

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Major Global Disruptions

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Major Domestic Policy Shifts

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Macroeconomic Dashboard

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Outlook



## Headline

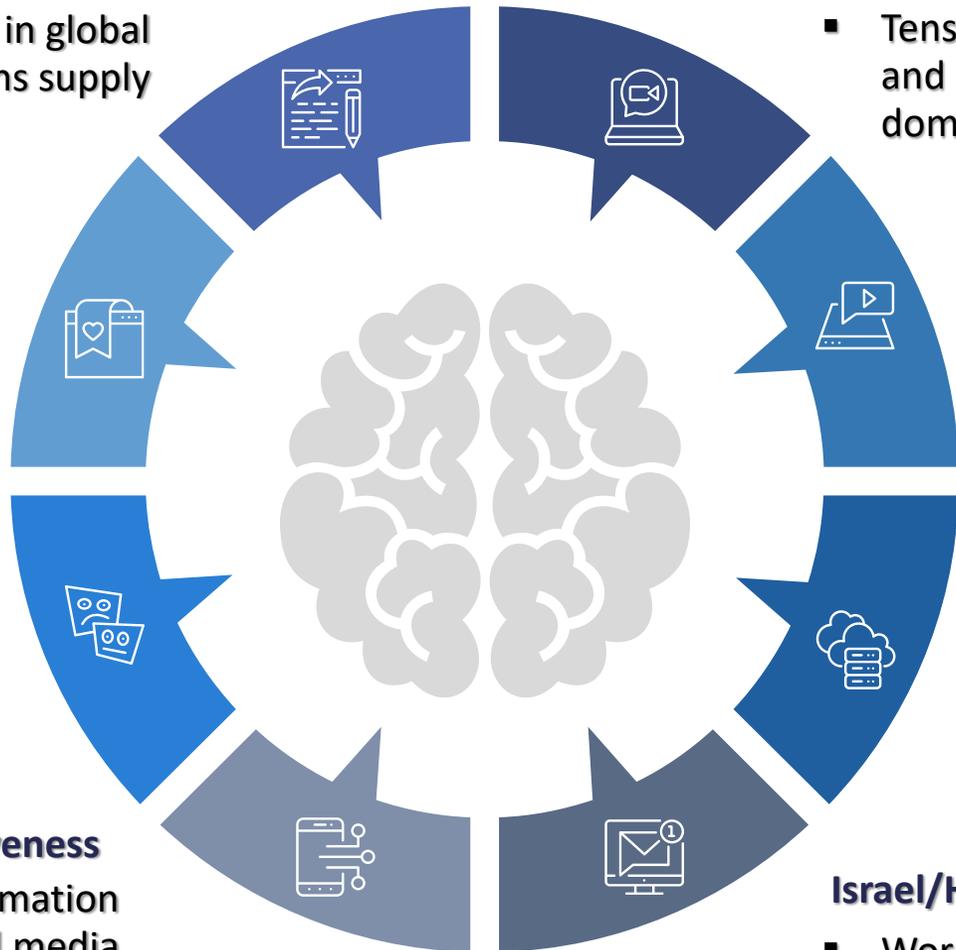
**“We all make choices, but  
in the end our choices  
make us.”** **Ken Levine**



# Major Global Disruptions

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### Ukraine War

- Systemic (24.1%) in global grains supply

### Geopolitics

- Tensions driven by alliances and pursuit of influence and dominance

### Climate Change

- Extreme weather, causing migrations and security challenges.
- India is systemic (40.1%) in global rice supply, as restriction came on export of non-basmati rice!

### BRICS

- 5 new members come January 2024 could be harbinger of weakening USD hegemony in international transactions

### Israel/Hamas War

- Worrying for Middle East and alignments

### Social divisiveness

- Misinformation and disinformation fanned by social media

### Macroeconomic Instability

- Most worrying is inflation

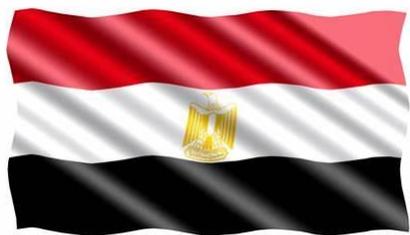
### Pandemic

- After-effects still worrying



# The BRICS+

## Egypt



## Ethiopia



## Iran



## United Arab Emirates



## Saudi Arabia

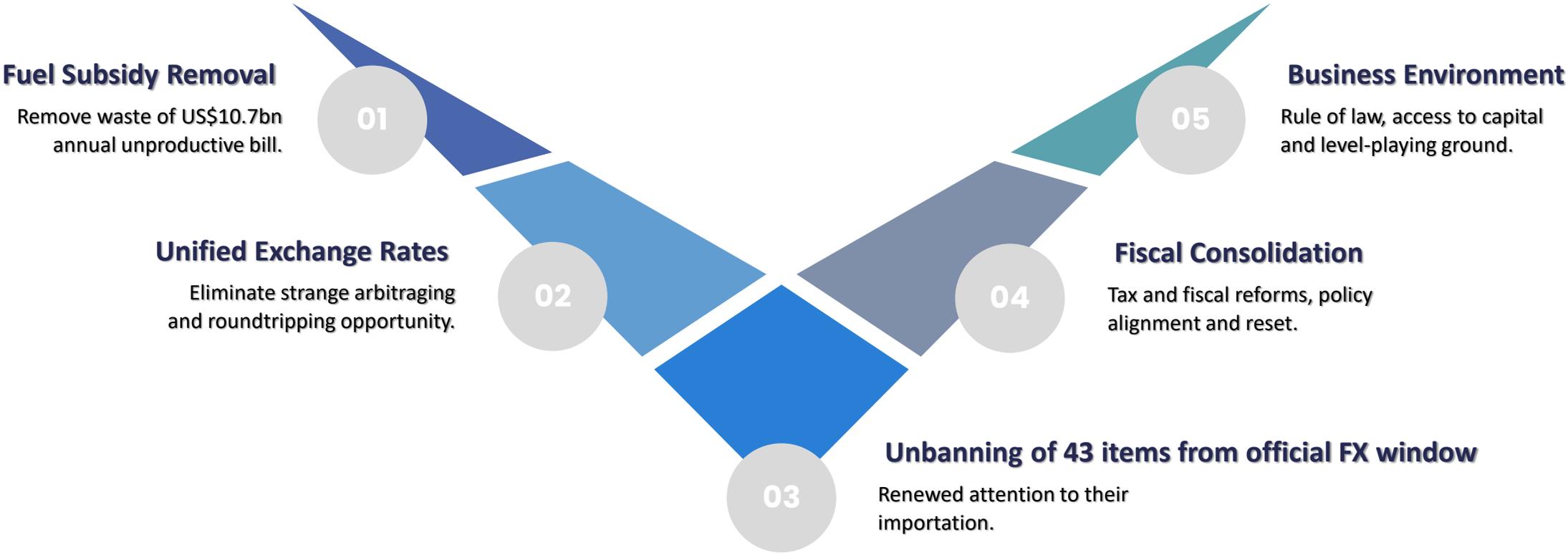


Country	GDP (\$' bn)	Popn	Per capita
Brazil	1,920.10	216,422,446	8,871.98
Russia	2,240.42	144,444,359	15,510.62
India	3,385.09	1,428,627,663	2,369.47
China	17,963.17	1,425,671,352	12,599.80
South Africa	405.87	60,414,495	6,718.09
Egypt	476.75	112,716,599	4,229.62
Ethiopia	126.78	126,527,060	1,002.02
Iran	388.54	89,172,767	4,357.20
Saudi Arabia	1,108.15	36,947,025	29,992.94
UAE	507.54	9,516,871	53,330.03
<b>Total</b>	<b>28,522.41</b>	<b>3,650,460,637</b>	<b>7,813.37</b>
<b>World</b>	<b>100,562.01</b>	<b>8,045,311,448</b>	<b>12,499.46</b>
<b>%</b>	<b>28.36%</b>	<b>45.37%</b>	<b>62.51%</b>

<b>Nigeria</b>	<b>477.39</b>	<b>223,804,632</b>	<b>2,133.05</b>
	<b>#39</b>	<b>#6</b>	
<b>Sources:</b>	World Bank	United Nations	



# Major Domestic Policy Shifts





# Macroeconomic Dashboard

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GDP Growth Rate  
 Q3'23 **2.54%** (2.31% & 2.51% in Q1 & Q2'2023)  
 Best: AVG 7.97% (2001-10)  
 Worst AVG -0.18% (1981-90)

Oil Production  
**1.6 mbd** Oct'23 (lowest at 1.004 mbd in Apr'23)

Oil Price  
**\$79.78/bbl** (08/01/2024)

External Reserves  
**\$32.91 bn** (29/12/2023)

Exchange Rate (Official)  
**₺899.89/\$** (29/12/2023)  
*100.4% value diminution since Dec'2022*

Exchange Rate (PM)  
**₺1,215/\$** (35.02% premium)  
*39.51% value diminution since Dec'2022*

Monetary Policy Rate  
**18.75%** (16.5% in Dec-22)

Inflation Rate  
**28.2%** Nov'23 (21.34% in Dec'22)

Stock Index  
 74,773.77 on 29-12-2023 (Y-T-D return **45.9%**)

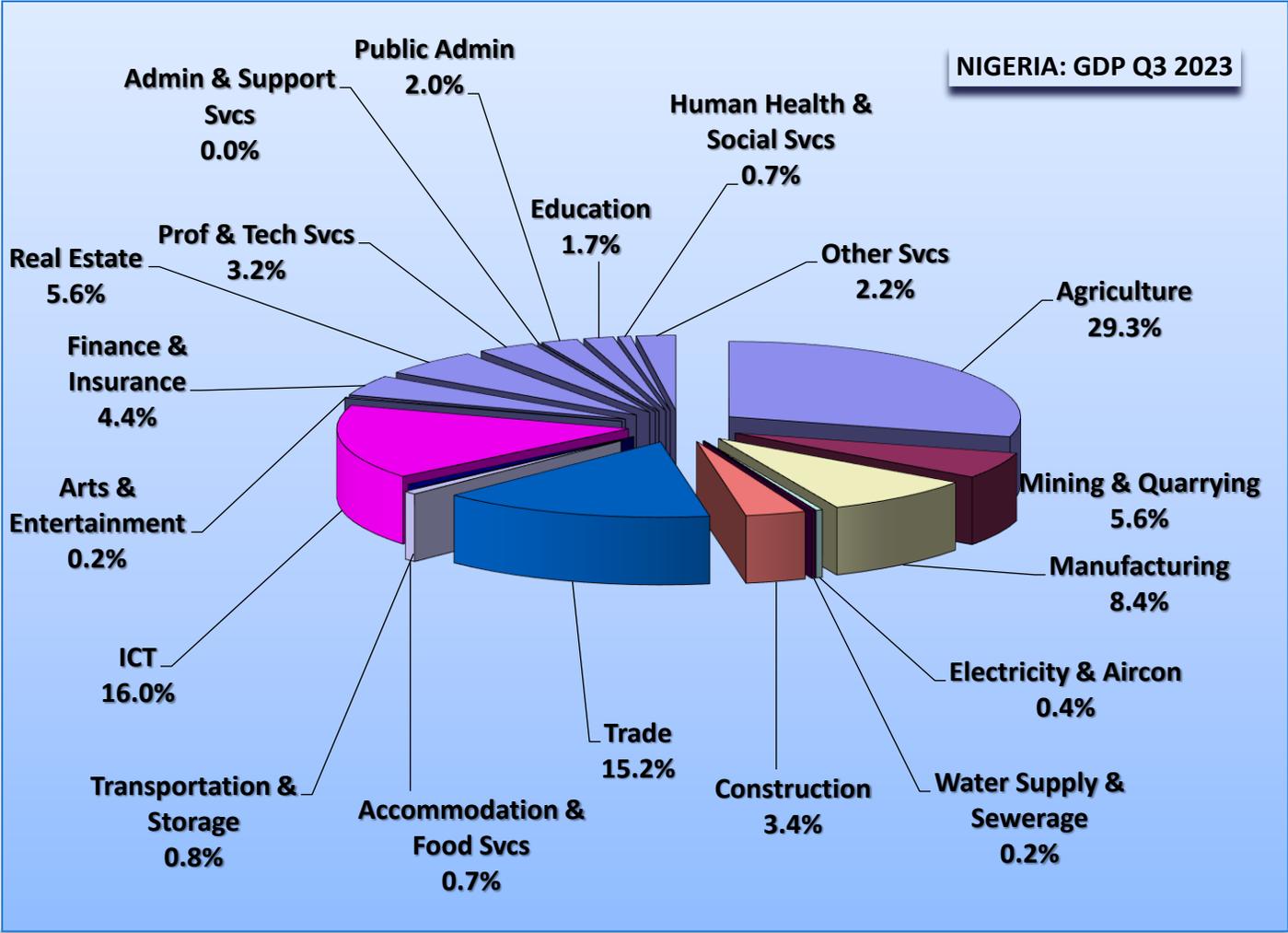
Market Capitalization (Equities)  
**₺40.92 trn** on 29-12-2023 (46.58% gain)

Capital Importation  
**\$2.82 bn** Q1-Q3'2023 (annualized \$3.76 bn, 47.13% < 2022)



# Nigerian Macroeconomy: September 2023

## Sectoral Contributions



The Nigerian economy is **diversified** and there are business opportunities in **every of the 19 sectors** that have 43 activity groups.

GDP growth was **2.54%** in Q3'2023, compared to **2.51%** in Q2'2023, **2.31%** in Q1'2023, **3.4%** in 2021 and **3.1%** in 2022.

**Oil** accounted for **90.1%** of foreign trade but only **5.78%** of GDP in H1'2023!  
 • An aberration and indicator of external sector vulnerability!

**Agriculture (29.3%), ICT (16.0%) and Trade (15.2%)** remained dominant in Q3'2023.

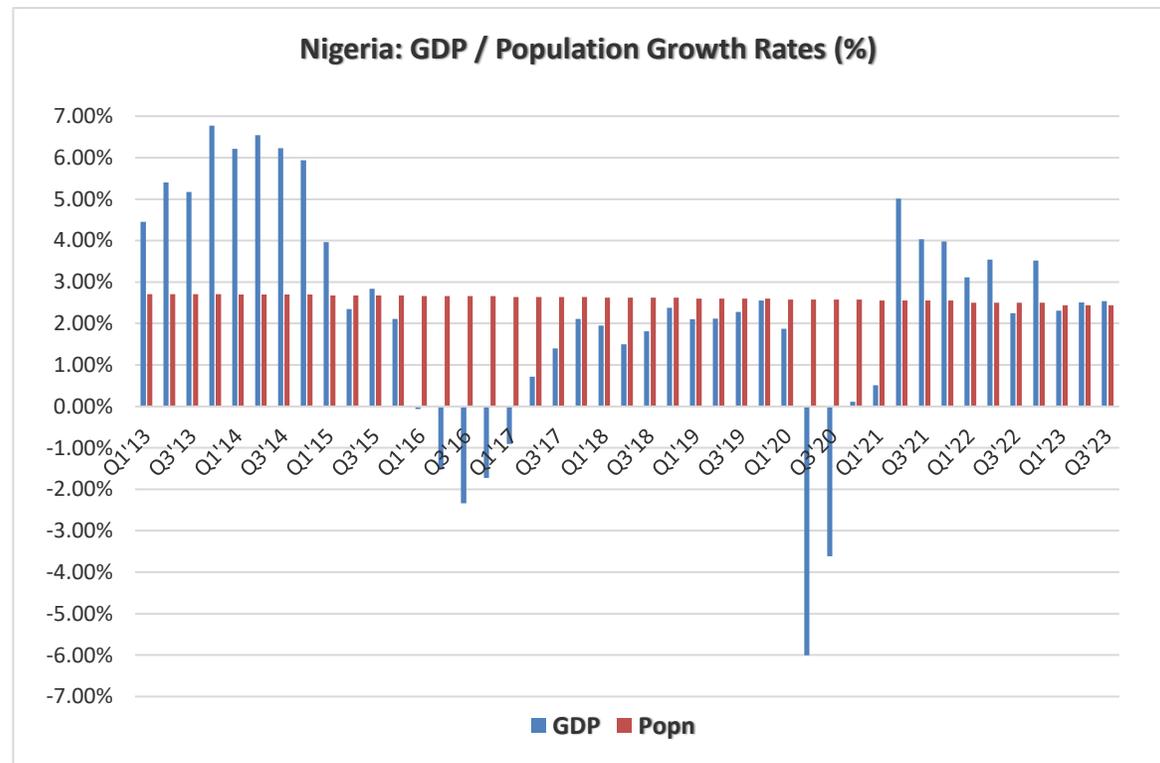
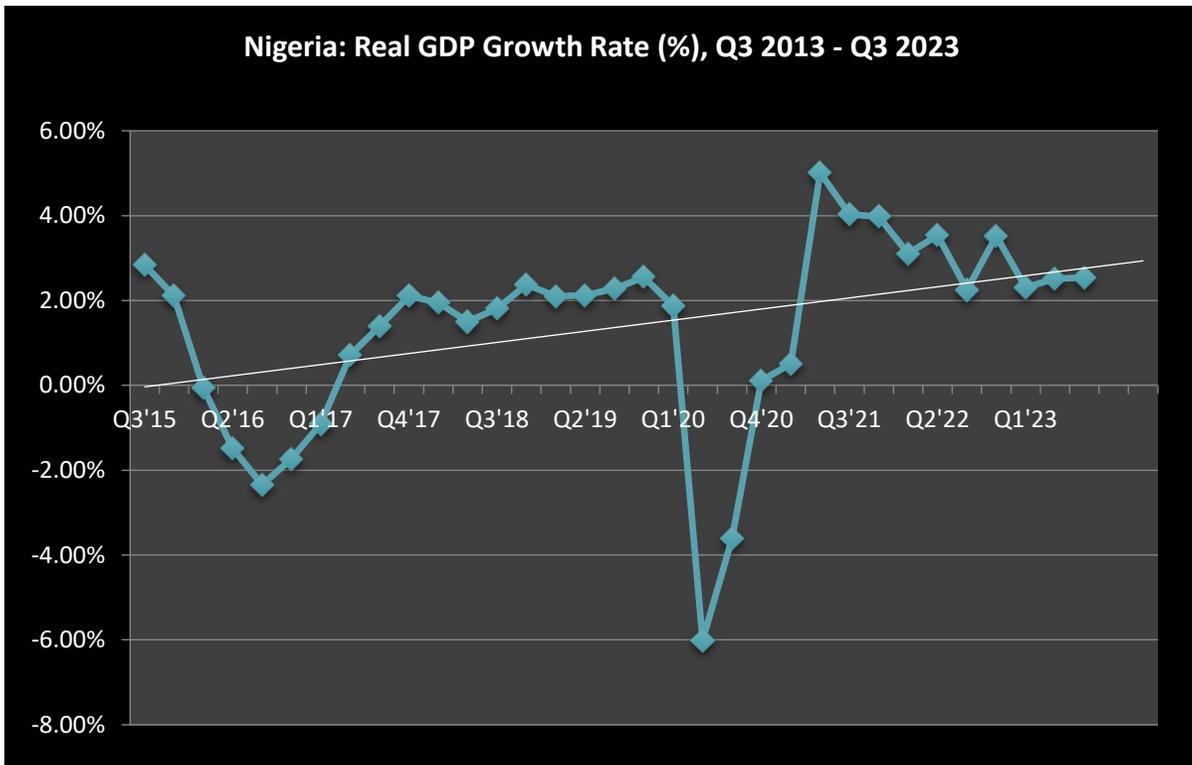
**Source: National Bureau of Statistics**





# Growth Trend: Economy vs Population Q3'13-Q3'23

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- From Q3'2015, economic growth has trended up.
  - Still highly vulnerable to external shocks – oil market variabilities and investment dynamics.
  - Strong case** for diversified external sector.

- Population growth rate has been slowing in the last ten years, from 2.55% to 2.44% in 2023.
- Strong case** for reforms to quicken economic growth rate to at least, double population growth.





# Nigeria: External Sector (Capacity to Extinguish External Obligations)

Sources: Central Bank of Nigeria / National Bureau of Statistics

Unrelenting import pressures vis-à-vis External Reserves' vulnerability to oil vagaries. Terms of Trade was **101.05%** in Dec'2022.



Year	Monthly Merchandise Import (N' bn)	US\$ Equivalent
2013	584,651.23	3,753.78
2014	614,530.88	3,657.92
2015	558,163.83	2,833.32
2016	722,027.47	2,367.30
2017	796,893.32	2,604.23
2018	1,097,093.95	3,573.60
2019	1,413,322.89	4,603.66
2020	1,057,578.65	2,783.10
2021	1,736,997.08	4,208.86
2022	1,863,580.12	4,305.17
Q1-Q3'2023	2,193,757.70	2,303.37

- Monthly import bill of **N1.86 trillion** (or **\$4.31 billion**) in 2022 was **7.29%** more than \$4.21 billion in 2021.
- Liquid external reserves of **\$36.048 billion** (30<sup>th</sup> December 2022) = **8.26 months**
- Total reserves of **\$37.08 billion** on 30<sup>th</sup> Dec'22 dipped by **-8.48%**, compared to **\$40.52 billion** at end-2021!
- At **\$32.91 billion** on 29<sup>th</sup> Dec'23, it dipped by 11.25% in 2023.

On 31<sup>st</sup> July 2023, it was **\$33.95 billion** gross, and liquid **\$33.21 billion** or **13.56 months** (seemingly)!

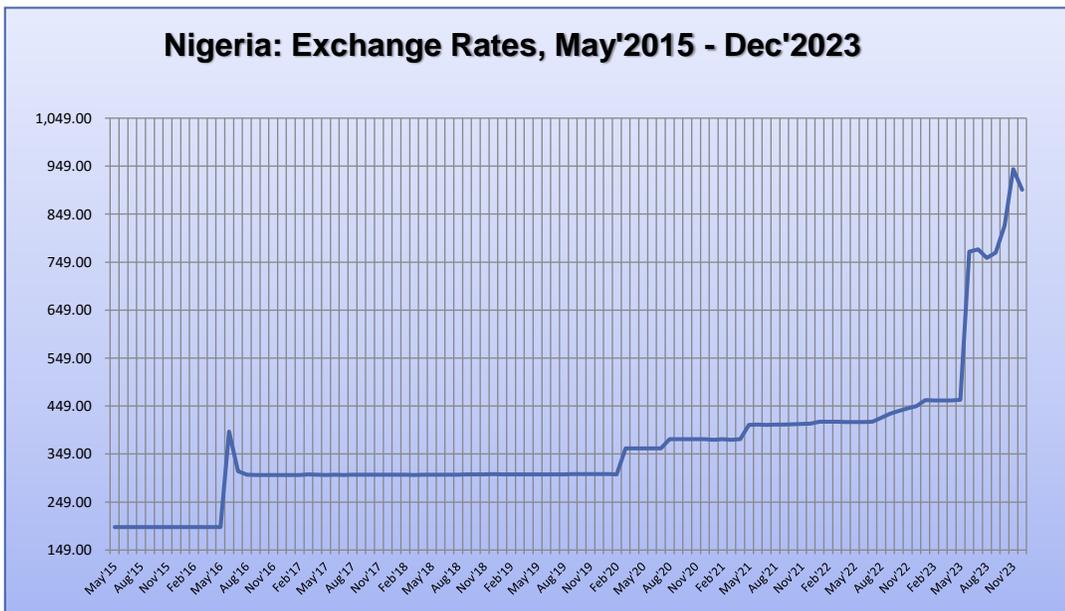
If adjustment is made for the outstanding indebtedness of **\$7.5 billion** to JP Morgan and Goldman Sachs and reduced matured forward contracts of **\$5.3 billion**, availability reduced (liquid reserves on 29<sup>th</sup> December 2023) to **\$19.38 billion** or **8.42 months**.



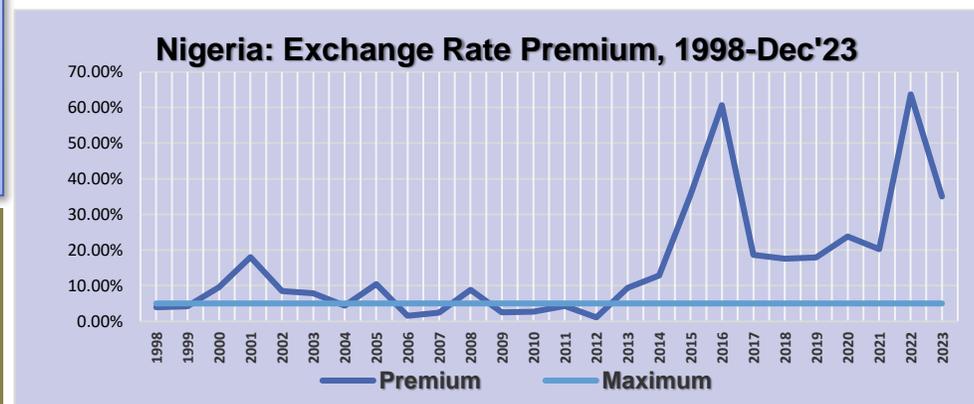
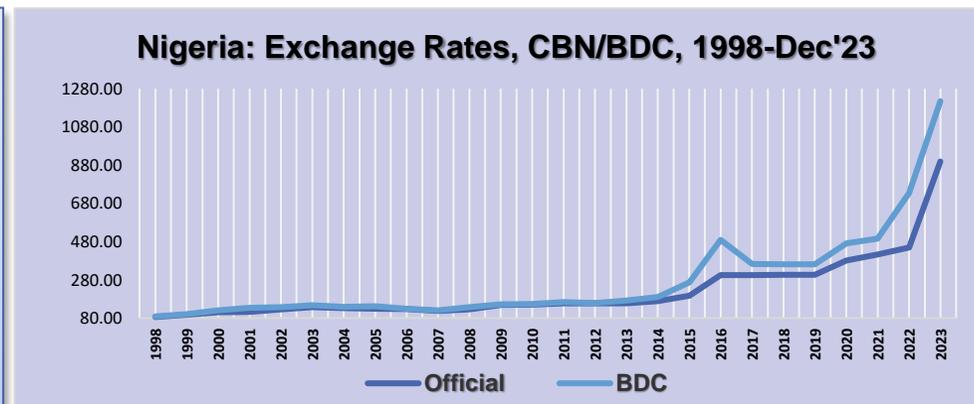
# Exchange Rates: Volatility

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Nigeria has applied the typical IMF recipe of eliminating premium by devaluation of the domestic currency, which is mere financial (borrowing and non-FDI capital flows) and won't solve the underlying structural problems. The enduring solution is expansive domestic manufacturing and relentless, deliberate and focused export drive.



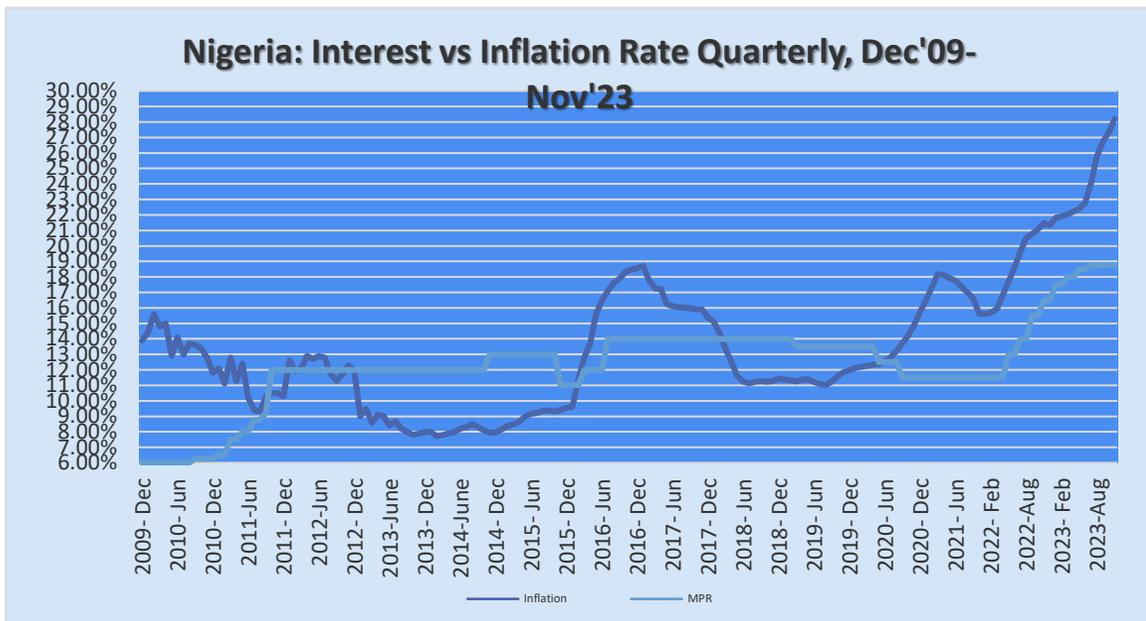
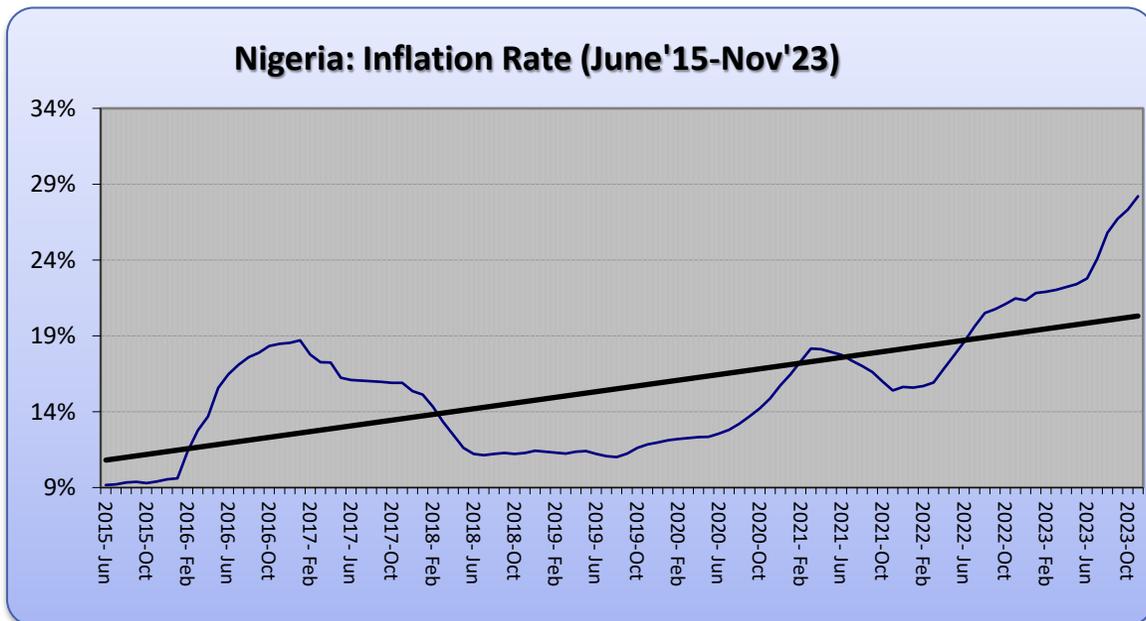
PM was **₦772.7/\$** on 5<sup>th</sup> July, **₦812.67/\$** on 13<sup>th</sup> July, and **₦1,245/\$** on 13<sup>th</sup> December and **₦1,215/\$** on 29<sup>th</sup> December.

Premium of **66.75%** as of 30<sup>th</sup> May 2023 dropped to **28.76%** on 15<sup>th</sup> June 2023, **5.34%** on 13<sup>th</sup> July, **22.54%** on 31<sup>st</sup> October, **36.32%** on 13<sup>th</sup> December and **35.02%** on 29<sup>th</sup> December!





# Nigeria: Inflation vs Interest (MPR) Rate 2010-2023



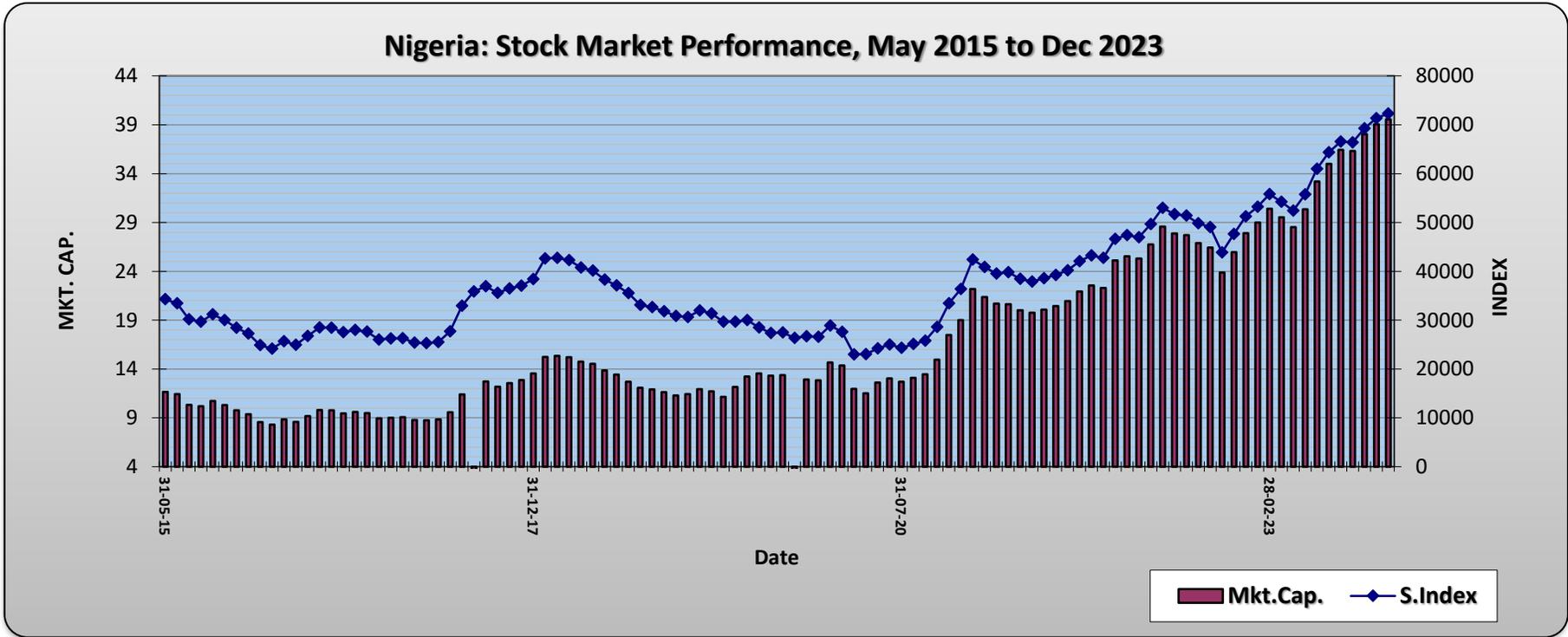
- ❑ **Inflation spikes correlate with recessions of 2016 and 2020.**
- ❑ With inflation rate persistently trending upwards, the CBN had to raise the MPR and postures same for H1'2024.
- ❑ Yet, the economy is desperate for growth and the big number in Nigeria is food inflation, at **32.84%** in November 2023 (Y-o-Y, down from **34.5%** in October 2023) – rising from 24.13% in Dec'2022, 24.45% in March, 25.25% in June and 30.64% in September.
- ❑ Food security should therefore, come big in Nigeria's economic development agenda – **availability** and **affordability**, which are two of the four categories of the EIU Global Food Security Index in which the country **ranked poorly in #97** in 2021 and **#107** in 2022 out of 113 countries. The other two categories are **quality & safety** and **sustainability & adaptation**.



# Nigeria: Stock Market Performance

May 2015 to 29<sup>th</sup> December 2023

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Metric	30 <sup>th</sup> May	30 <sup>th</sup> June	31 <sup>st</sup> July	31 <sup>st</sup> Aug	29 <sup>th</sup> Sep	31 <sup>st</sup> Oct	30 <sup>th</sup> Nov	29 <sup>th</sup> Dec
Index up	8.78%	18.96%	25.53%	29.85%	29.52%	35.09%	39.25%	41.24%
Market Cap. up	8.82%	18.93%	25.42%	30.48%	30.15%	36.27%	39.89%	41.90%
Y-t-D Return	8.78%	18.96%	25.53%	29.85%	29.52%	35.09%	39.25%	41.24%



# Summary: Challenges and Environmental Risks are ...

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**You and your business** have to respond to these in context of your core business by continually tinkering their **strategy** and **business models**.





# Finance Act 2023: Five Key Areas

## Tax equity reforms

- Digital assets chargeable under CGT (*possibility of extension to CITA and PITA in 2024*)
- Deduction of capital losses for CGT purposes
- Capital gains on sales of shares can be deferred for CGT purposes
- Allocation of proceeds of Electronic Money Transfer Levy (15:50:35)

## Climate change / Green growth

- Deletion of reconstruction investment allowance (10% of qualifying capital expenditure QCE)
- Deletion of rural investment allowance
- Deletion of tax exemption on FCY earned by hotels

## Job creation / economic growth

- Increase in penalty to public officers that flout due process in awarding government contracts
- Amendments to modalities for government procurement (approved procurement plan)
- Governance structure for MOFI



## Finance Act 2023: Five Key Areas (contd.)

### Tax incentives reform

- Tax deductibility of contributions by upstream O&G companies for decommissioned and abandoned fields
- Increased penalties for non-compliance by upstream O&G companies
- Unrestricted capital allowance extended to upstream and midstream O&G companies

### Revenue generation / tax administration

- Companies in shipping and air transport to profit financial statements on their Nigerian operations
- Levy of 0.5% on imports from outside Africa
- Excise duty on all services
- Tax deductions for payments under annuity contract for minimum of 5 years
- Increase in penalties under PPTA to ensure strict compliance
- Deadline for VAT remittance on or before 14<sup>th</sup> day of succeeding month, no longer 21<sup>st</sup>
- Increase in TET from 2.5% to 3%



# 2024 Budget Assumptions / Major Items

# Breakdown of Nigeria's 2024 budget

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**\$77.96**  
Oil price benchmark

**1.78mbpd**  
Oil production

**₦800/\$**  
Average FX rate

**₦28.77 trillion**  
Aggregate expenditure

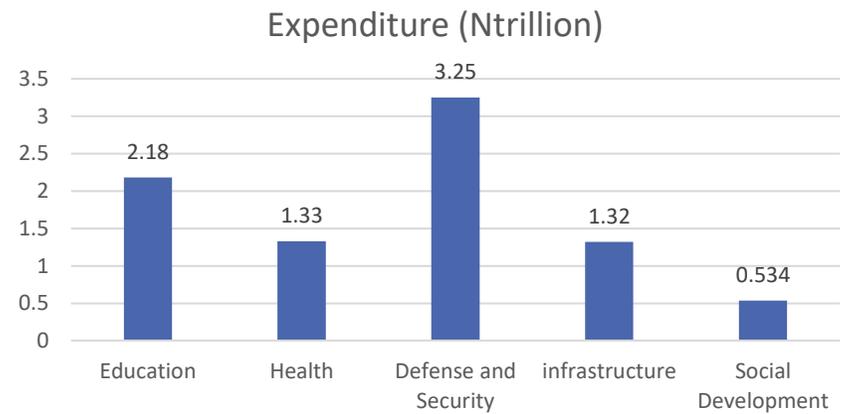
**₦8.76 trillion**  
Non-debt recurrent expenditure

**₦8.27 trillion**  
Debt service

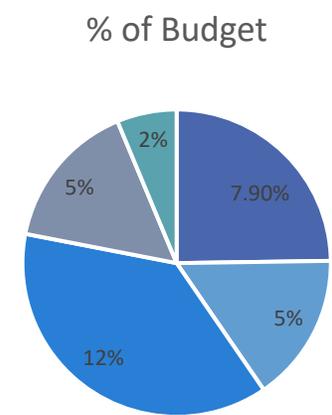
**₦9.99 trillion**  
Capital expenditure

**₦9.18 trillion**  
Budget deficit

## Budget Expenditure Across Key Sectors



## % of Budget Allocation to Key Sectors



■ Education      ■ Health      ■ Defense and Security  
 ■ infrastructure      ■ Social Development

## Budget Deficit Financing

- **New borrowings: ₦7.83 trillion**
- **Privatization Proceeds: ₦298.49 billion**
- **Multilateral and bilateral loans: ₦1.05 trillion**



# Breakdown of FGN's 2024 budget

- ❑ **Education: ₦2.18 Trillion (7.9% of Budget)**
  - ❑ ₦1.23 trillion – Amount provisioned for Federal Ministry of Education and its agencies (Recurrent & Capital expenditure)
  - ❑ ₦251.47 billion – Amount provisioned for Universal Basic Education Commission (UBEC)
  - ❑ ₦700.0 billion – Transfers to the Tertiary Education Trust Fund (TETFUND) for infrastructure projects in Tertiary institutions
  
- ❑ **Health: ₦1.33 Trillion (5% of Budget)**
  - ❑ ₦1.07 trillion – Amount provisioned for Federal Ministry of Health and its agencies (Recurrent & Capital expenditure)
  - ❑ ₦137.21 billion – Gavi/ Immunization funds, including Counterpart Funding for Donor Supported Programmes
  - ❑ ₦125.74 billion – Transfer to Basic Healthcare Provision Fund (BHCPF) 1% of CRF



## Breakdown of FGN's 2024 budget (contd.)

- ❑ **Defence and Security:** ₦3.25 trillion (12% of Budget) – Amount provisioned for the Military, Police, Intelligence & Paramilitary (Recurrent & Capital expenditure)
- ❑ **Infrastructure:** ₦1.32 trillion (5% of Budget) – This include provisions for Works & Housing, Power, Transport, Water Resources, Aviation.
- ❑ **Social Development & Poverty Reduction Programmes:** ₦534 billion (2% of Budget) – Amount provisioned for Social Investments / Poverty Reduction Programmes.



# Outlook Drivers

## Expected growth is supported by:

- Large, youthful and rapidly growing population (**6<sup>th</sup> largest** in the world, median age at **17.2 years**).
- Rapid urbanization (**51.96%** in 2020 and **53.96%** in June 2023, up from 47.84% in 2015).
- Deepening internet penetration: at **45.57%** in Aug 2023, rising from 31.48% in Dec 2018
- Teledensity: **116.6%** in Dec 2022 and **115.63%** in Aug 2023, a drop from 123.48% in Dec 2018 (but 91% in March 2019); Global internet users: Nigeria **ranks 11<sup>th</sup>**.
- Exchange rate: budget assumption ~~₦800/\$~~; significant utterance ~~₦650 - ₦750/\$~~; JP Morgan ~~₦850/\$~~.
- Interest rate: MPR (18.75%) expected to be raised to reduce negative interest rate by closing the domestic inflationary gap (26.72%) and respond to rate differentials with \$ interest (4.58% yield on 10-year treasury bond) and inflation (3.7%).
- Inflation rate: Money supply and imports have maintained relentless uptick.
- Local oil refining, revived manufacturing and focused export promotion will support stability to the Naira exchange rate.
- Improvement in infrastructure will begin to positively impact the cost of doing business.
- Sustained deep reforms (President Tinubu is focusing on global competitiveness and Ease of Doing Business, plugging leakages and shrinking the space for economic rent).



## 2024 Outlook

- ❑ GDP projection for 2023 **2.45%-2.72% lower than** 3.19% for 2022. World Bank's **2.9%** and IMF's **2.9%**.
  - ❑ 2024: FGN **3.88%**; BAA **3.47%** ; World Bank **3.3%**; IMF **3.1%**.
- ❑ Double digit inflation rate **remains above 20%**, likely average **23.47%**.
- ❑ Naira **exchange rate stability** envisaged for Q1'2024. We expect average official rate at of **₦900/\$** and PM average of **₦1,235/\$**.
- ❑ Upward adjustment of **MPR** expected in Q1'2024 and start downward adjustment in Q2'2024 (latest Q3'2024).
- ❑ Bank **lending rate** will remain double digit and follow MPR adjustments.
- ❑ **NPL** in banks likely on uptick in Q4'2023 and Q1'2024.
- ❑ Intensified **digitalization** and ascendancy of the digital economy.



**“If you are risk averse in turbulent times, you’d likely grow below your potential.”**

**‘Biodun Adedipe**

**Founder/Chief Consultant, B. Adedipe Associates Limited**



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Thank you  
**God bless**



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