



COMPANIES TO INSPIRE
AFRICA 2019



Socio-Economic Update

December, 2023

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Key Market Indicators

Item	Evaluation	Growth Index
NFEM (\$/NGN) rate	1/889.86	+8.09% 
Crude Oil (\$/b)	76.48	-7.32% 
NGX ASI	72,389.23 (-0.09%)	+1.54% 
Inflation Rate (%)	28.2	+3.18% 
MPR (%)	18.75	No Change



Table1: Key Market Indicators

Sources: CBN, NBS, NGX, OilPrice.com

Last Update: 16th Dec. 2023

FG Increases Import Duty Rate by 22.24%, 3rd Time in One Year

FG increases import duty by 22.24% – the third hike this year, highlighting complex economic challenges and the need for strategic considerations

Underlying Causes:

- Immediate trigger: Naira depreciation
- Signals deeper structural issues: trade imbalances, fiscal policies, and external pressures

Strategic Response to Global Trends:

- Addresses multinational companies shifting to import-only models
- Reflects a repositioning of Nigeria in the global marketplace

Opportunities for Resilience:

- Encourages reassessment of supply chains
- Boosts domestic production & reduces import dependency

Risk:

- Increased potential smuggling and informal markets

Short-Term Mitigation:

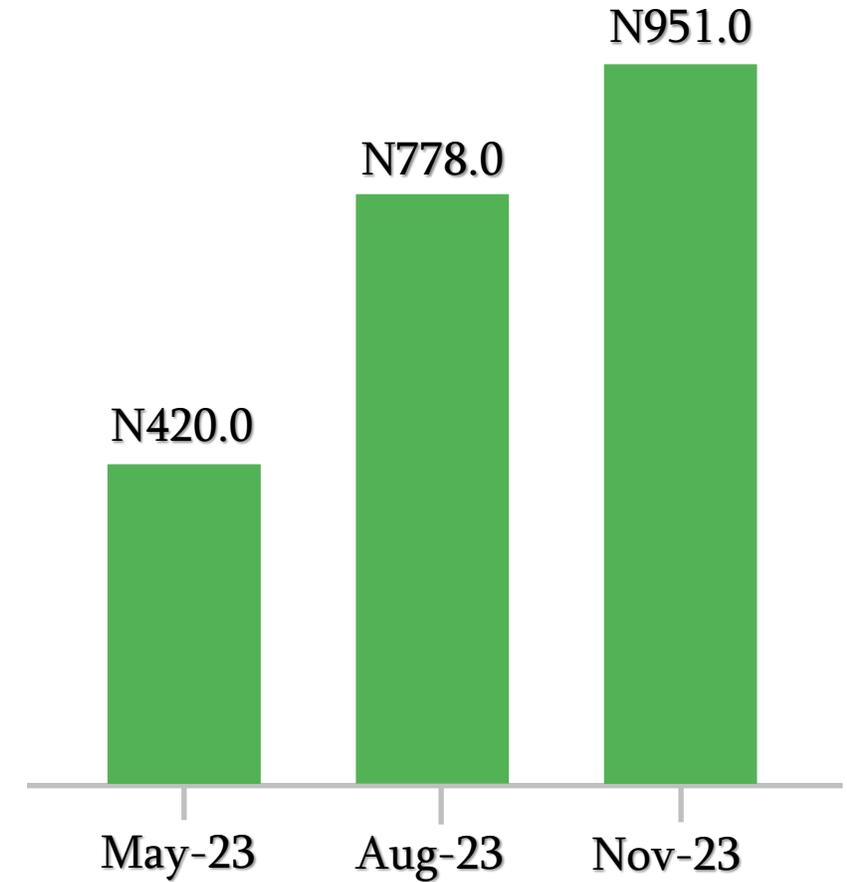
- Consideration of pegging duties at zero for specific goods

Call for Long-Term Solutions

- Advocates for targeted and strategic policies
- Incentivize critical industries for self-sufficiency and economic resilience

Import duty hike addresses immediate manifestations, not root causes. Need for a long-term approach to economic stability and resilience

Three-time Hike in Custom Duties in 2023



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Foreign Reserves Decline by \$4.07bn in 11 Months as CBN Clears FX Backlog

Foreign reserves plummet by \$4.07 billion in 11 months (see Figure)

Factors at Play:

- Mixed, including floated FX, clearing backlogs, debt servicing, lower oil earnings, and OPEC quota lapses

Economic Challenges:

- Naira depreciation which fuels inflation,
- Shakes investor confidence
- Limits Central Bank support

Strategies for Stability:

- Seek IMF support for reserves, signal commitment, and gain expertise, though risks remain
- Implement economic reforms
- Diversify exports beyond oil

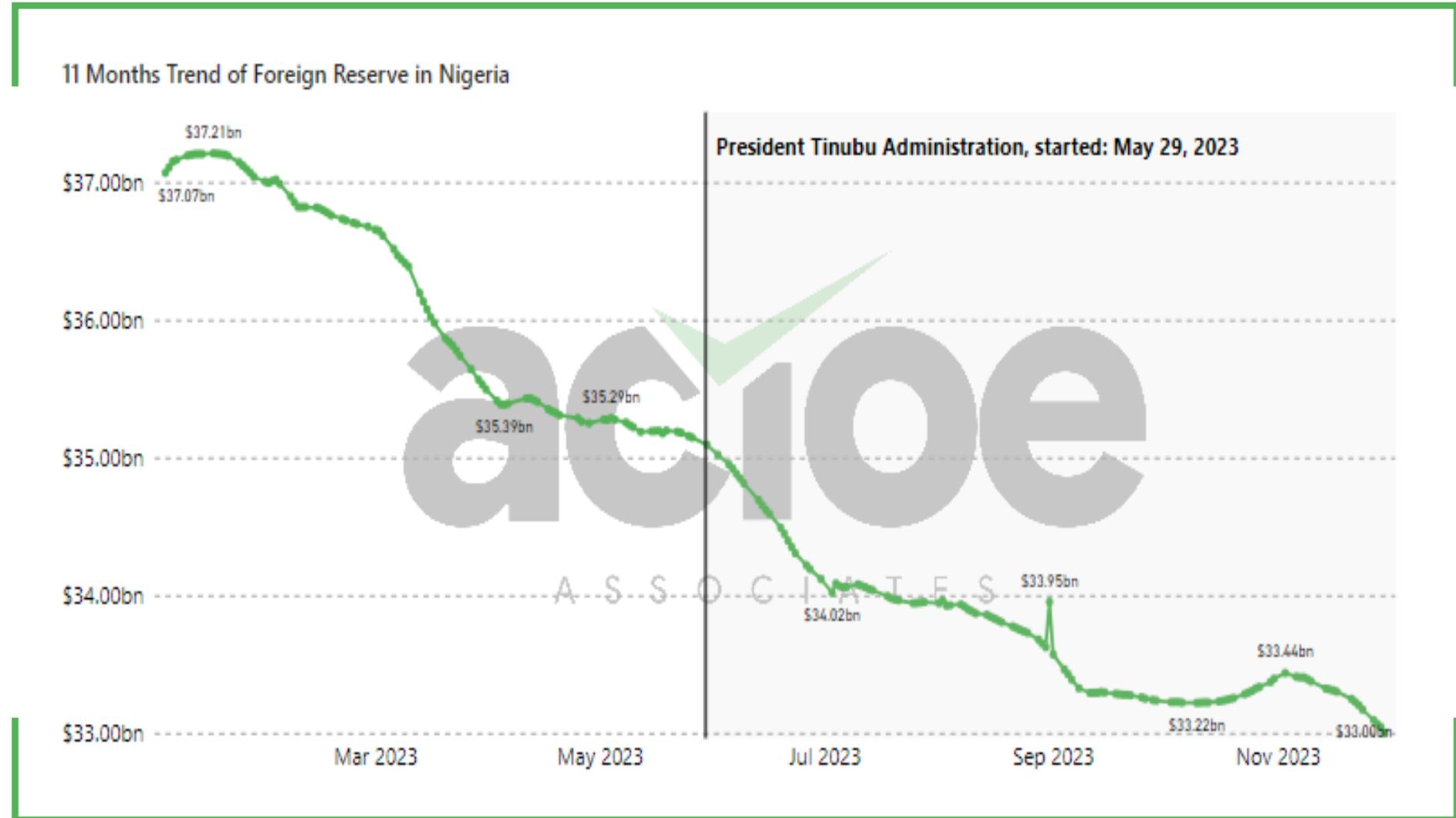
Enhancing FX Liquidity:

- Streamline oil production, attract foreign investment, facilitate remittances, negotiate favorable debt terms, support exports

Diversification Blueprint:

- Invest in non-oil sectors (agriculture, manufacturing, technology).
- Promote export businesses, negotiate trade agreements, establish economic zones, encourage value addition

Addressing challenges via IMF support, reforms, and export diversification charts a path to economic resilience



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Nigeria's Trade Surplus Rises 47% to N1.89trn in Q3'23

Quarterly Trend of Nigeria Trade Volume

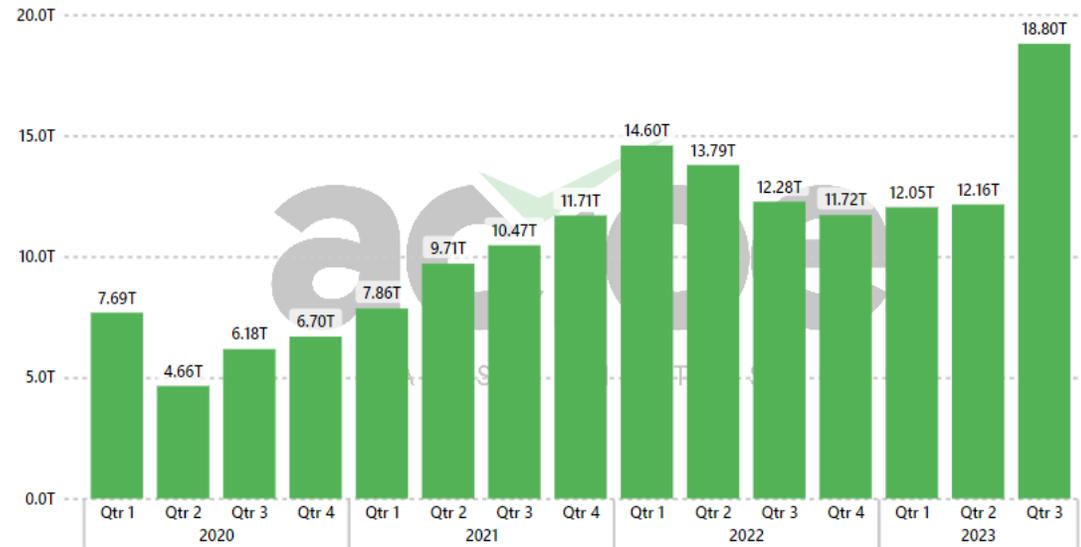


Figure 1: Nigeria Total Trade Volume

Quarterly Trend of Nigeria Trade Balance

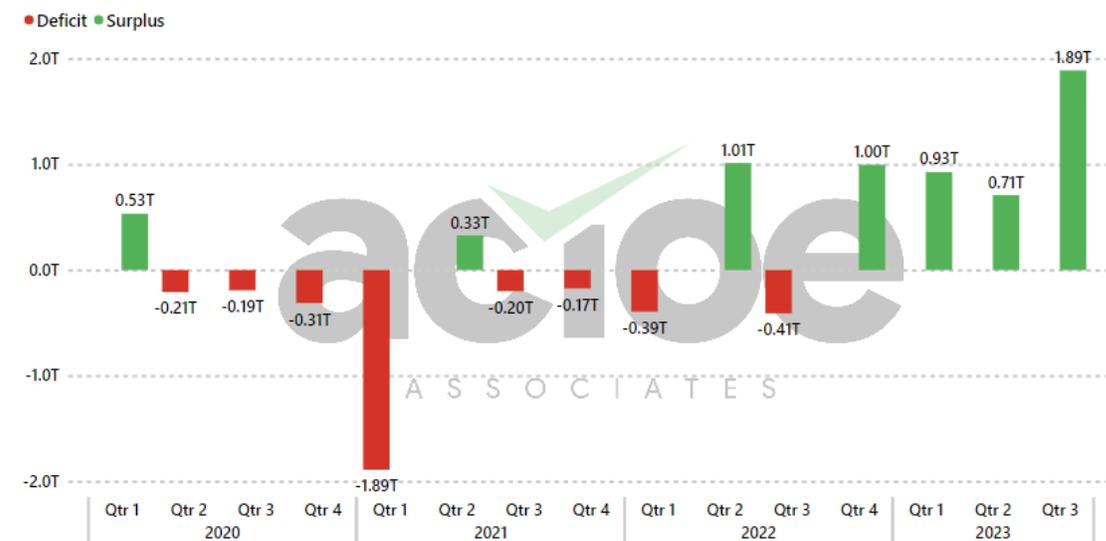


Figure 2: Nigeria Trade Balance

Impressive performance in the Trade sector in the last 4 quarters (see Figure 1 & 2)

Q3 2023 Surge:

- Trade sector leads with a remarkable 54.62% QoQ increase, reaching N18.8tn
- Trade surplus expands by 47% to an impressive N1.89tn

Sustained Growth:

- Consistent growth over four quarters, showcasing a dynamic and expanding trade sector

Crude Oil Dominance:

- Q3 2023 impressive performance largely driven by in crude oil exports; 70.52% QoQ increase
- Highlights Nigeria's pivotal role in global oil markets

Sustainability Concerns:

- Raises questions about the sustainability of growth linked to crude oil
- Urgency for diversification to fortify against oil sector volatility

Strategic Measures:

- Promote export diversification
- Streamline export processes
- Implement robust certification for non-oil products
- Provide financial incentives to stimulate growth

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Manufacturing Sector Bleeds as Forex Loss Rises 400% to N466bn

Net foreign exchange losses surge by 400% in the first nine months of 2023. Loss fueled by naira depreciation, driven by forex market deregulation, impacts sector profitability

Challenges Facing the Sector:

- Foreign exchange scarcity and Naira depreciation increase raw material costs
- Inflation erodes consumer purchasing power, reducing demand for manufactured goods
- Multiple pressures—forex losses, rising input costs, and lower demand—challenge profitability

Impact:

- Reduced investment due to economic uncertainty
- Job losses as companies scale down or close operations
- Higher prices for essential goods as manufacturers pass on increased production costs
- Expected decrease in government tax revenue due to reduced profitability

Recommendations:

- Stabilize the foreign exchange market for business certainty and reduced forex losses
- Improve the investment climate through policies and infrastructure development
- Provide incentives for manufacturing competitiveness, such as tax breaks
- Support diversification to reduce reliance on imported inputs and enhance sector resilience

Nigeria's manufacturing sector faces severe challenges with potential wide-ranging economic repercussions. A concerted effort is needed to stabilize the sector, safeguard jobs, and ensure sustained economic stability



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CONTACT

Phone: +234 705 457 4057
Email: contactus@acioe.com
Website: www.acioe.com

HEAD OFFICE

Abuja Office
Suite 305, 3rd Floor Yobe Investment House
Plot 1332 Ralph Shodeinde Street
Central Business District, Abuja Nigeria

Lagos Office.

Eridan Space Oluwalogbon House Plot A,
Obafemi Awolowo Way, Alausa, Ikeja, Lagos