



SOCIO-ECONOMIC UPDATE



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JANUARY 2024

Key Market Indicators

Item	Evaluation	Growth Index
NFEM (\$/NGN) rate	1/1348.63	+51.56%
Crude Oil (\$/b)	82.51	+7.89%
NGX ASI	104, 674.67 (+98.78%)	+44.59%
Inflation Rate (%)	28.92	+2.55%
MPR (%)	18.75	No Change



Table1: Key Market Indicators

Sources: CBN, NBS, NGX, OilPrice.com

Last Update: 29th Jan. 2024



NESG 2024 Macroeconomic Outlook: Highlights



Nigerian Economic Summit Group released its 2024 Macroeconomic outlook. Below is a summary of the report and breakdown of the policy recommendation.

For the full NESG 2024 Macroeconomic Outlook report: [Click here](#)

In the Nigeria Economic Summit Group (NESG) 2024 Macroeconomic Outlook, a roadmap was proposed for the nation economic transformation.

The roadmap outlines a focused strategy for economic transformation in Nigeria through targeted policy implementation.

The Roadmap was distilled into 3 distinct but complementary phases, from 2024 to 2026 and beyond (see Figure 1):

1. Stabilization Phase:

This stage goal is focused on immediate impacts needed for the medium-term economic transformation journey

2. Consolidation Phase:

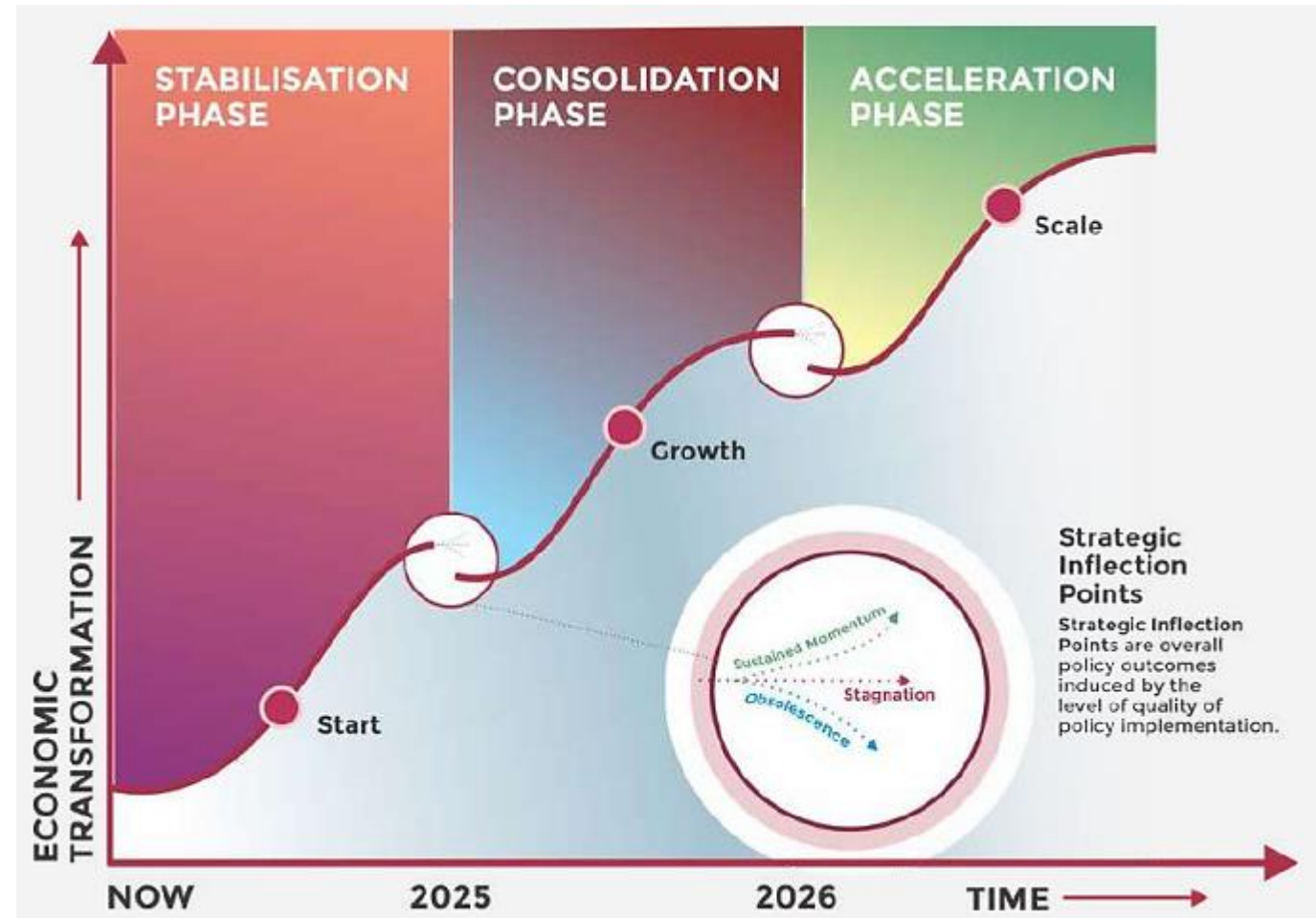
This phase will activate key growth factors and enablers

3. Acceleration Phase:

This phase outlines the imperatives for triggering long-term economic transformation

A breakdown of the NESG policy recommendations is distilled in the next 3 slides

Figure 1: Economic Transformation Roadmap for Nigeria



Source: NESG 2024 Macroeconomic Outlook

01. Stabilization Phase

This stage goal is focused on immediate impacts needed for the medium-term economic transformation journey



Policy Recommendations



A. Monetary Stability

1. Build public confidence by stabilizing the domestic currency
2. Stabilize the exchange rate through a functional and transparent foreign exchange market
3. Set realistic targets for inflation rates
4. Build the institutional capacity of an independent and credible monetary authority

B. Effective Fiscal Management

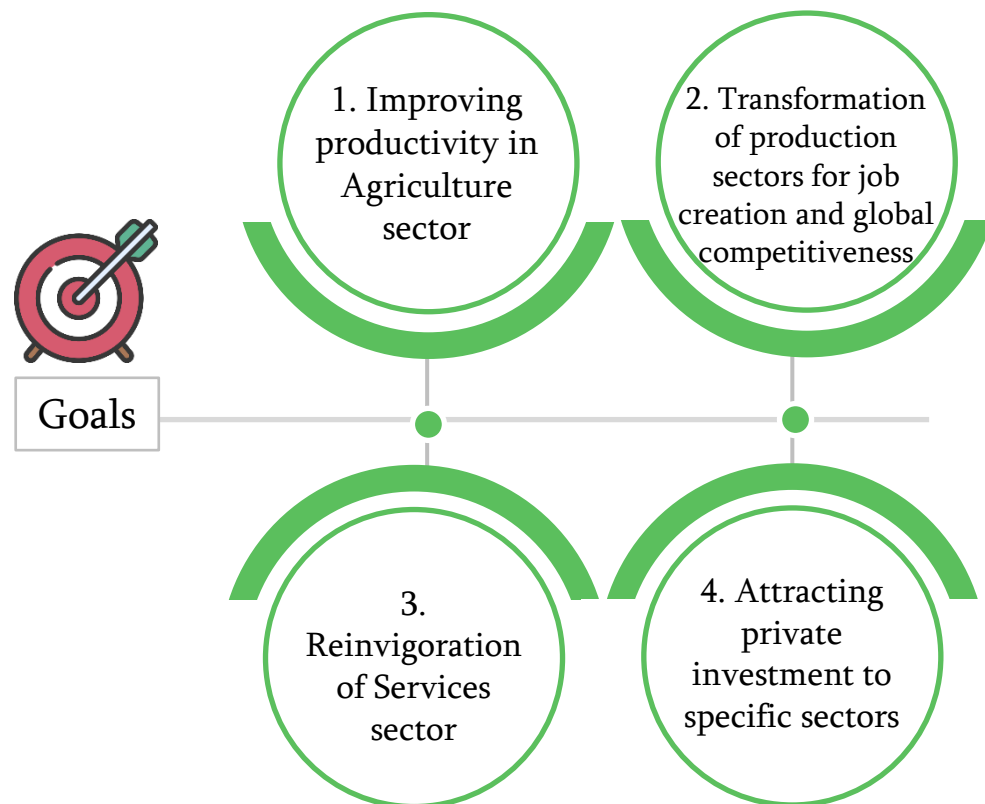
1. Prioritize effectiveness and transparency in public financial management
2. Simplify the tax systems and policies
3. Reduce tax rates on earned income
4. Reflect national interests in budget and public spending

C. Regulatory Environment Reforms

1. Simplify all regulatory requirements and operations
2. Promote predictability, open markets, and fair competition
3. Prioritize laws to combat organized crime and illicit economic activity
4. Engage the private sector in advocating for policies and regulatory reform

02. Consolidation Phase

This phase will activate key growth factors and enablers



Policy Recommendations



A. To boost domestic productivity and optimize local content

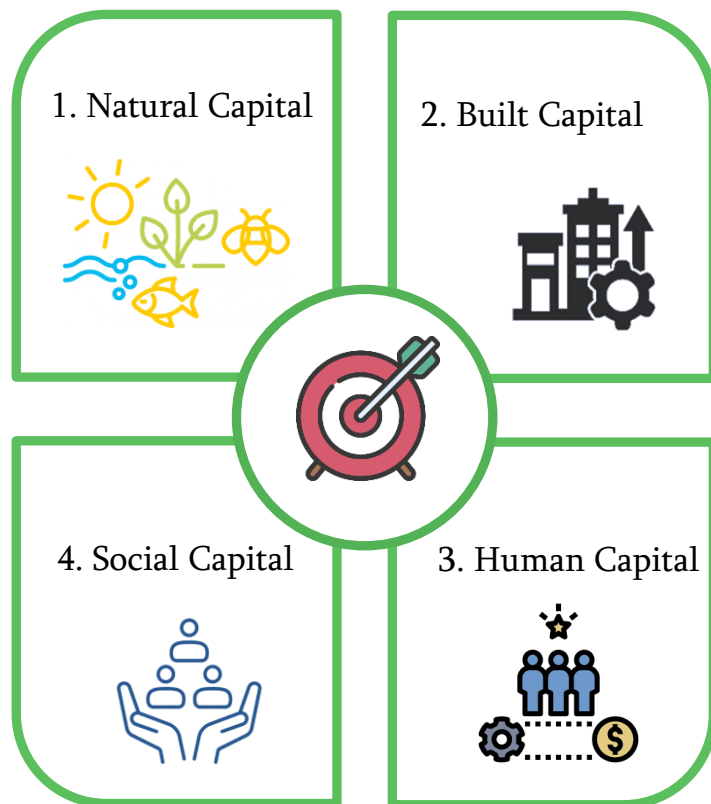
1. Invest in production-supporting infrastructure
2. Support Small and Medium Enterprises (SMEs) to grow
3. Implement local content policies to support the economy
4. Improve international market access for Nigerian goods.

B. Incentivize the inflow of private sector investments

1. Implement transparent and consistent policies, especially those relating to investments and economic activities
2. Introduce dedicated policies on market access and trade

03. Acceleration Phase

This phase outlines the imperatives for triggering long-term economic transformation:
Transformational Capital



Policy Recommendations



A. Natural Capital

1. Embark on comprehensive and economy-wide market reforms
2. Facilitate product diversification and sophistication
3. Develop growth strategies for employment elastic sectors
4. Promote product value chain development and intersectoral linkages

B. Built Capital

1. Target infrastructure development at industrialization and sectoral growth
2. Promote investment in digital infrastructure development
3. Strengthen the PPP regulatory framework

C. Human Capital

1. Recalibrate education & capacity-building system to deliver an industrially relevant workforce
2. Promote innovation in healthcare services to expand access and improve health outcomes
3. Institutionalize a social safety net and welfare services framework

D. Social Capital

1. Garner socio-political consensus & propagate a national reorientation to facilitate transformation
2. Strengthen the inter-governmental economic management framework
3. Establish region-specific development agenda
4. Remove all legislative encumbrances to activate growth acceleration across economic sectors

Socioeconomic Updates

January 2024 Volume



Chinese, Nigerian Firms Sign \$1bn Gas Flaring Deal

The \$1 billion gas flaring deal is aimed at reducing Nigeria's 90% gas wastage.

The parties to the deal are

- The Chinese firm: Beijing Zhogmin Xinjunlong New Energy Technology Company Ltd. and
- The Nigerian firm: NIGUS International

Declining Gas Flaring

- Data (see Figure 1) shows declining flaring with a notable efforts in 2021 and 2022
- New gas deal aims for further reduction.

Advantages of the Deal

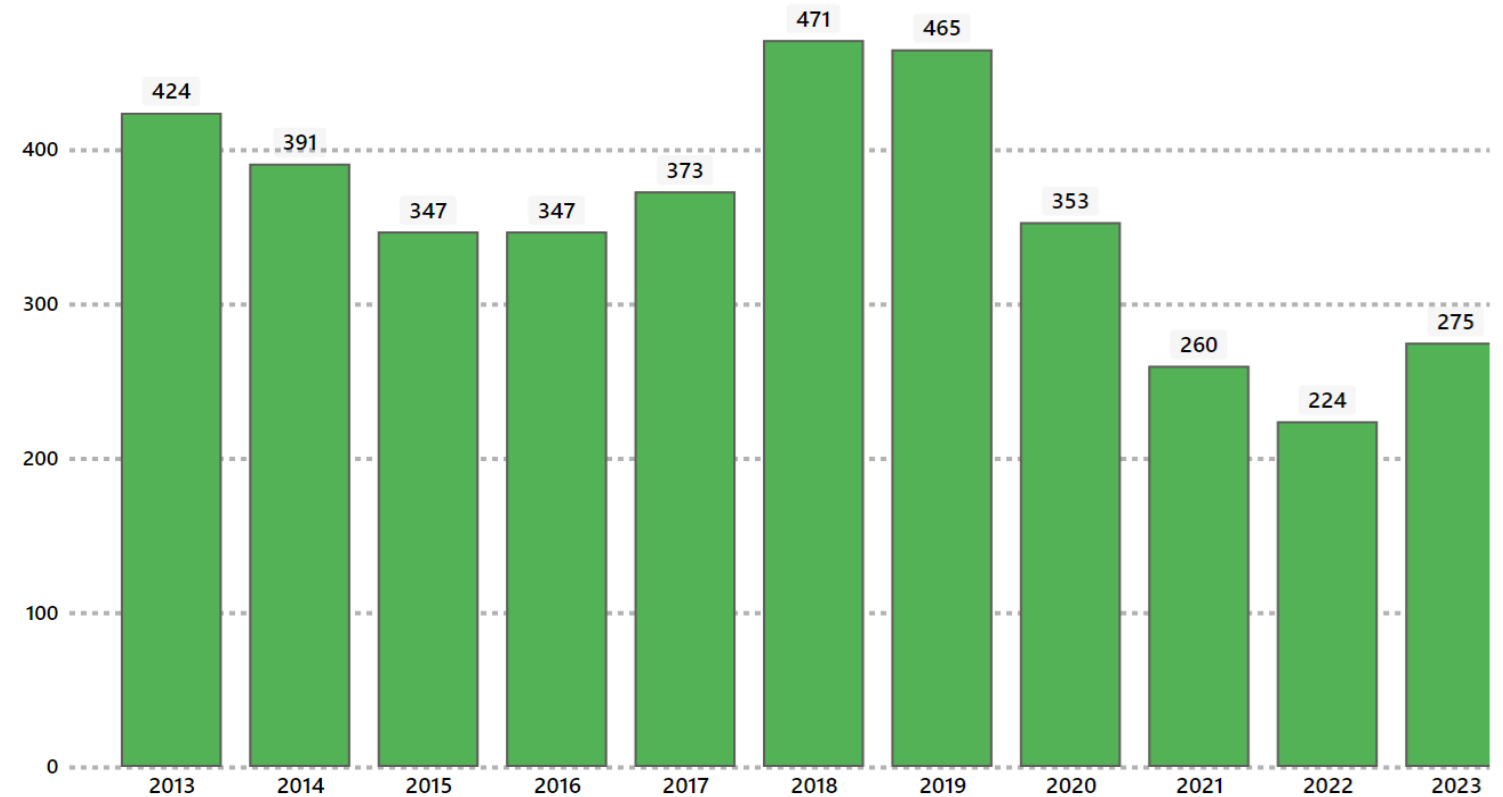
1. Environmental:

- Reduction in Carbon Footprint
- Promote Green Sustainable Energy

2. Macroeconomic:

- Diversification of Energy Sources
- Economic Growth
- Job Creation
- Export Potential for Liquefied Natural Gas (LNG)
- Monetization of Flared Gas

Figure 1: Nigeria Gas Flaring Volume (Million Mscf)



Data: Nigerian Gas Flare Tracker, Chart: ACIOE Research

The increase in Bonny Light crude oil price above the budget benchmark incites optimism about success of the 2024 budget

Drivers

- Geopolitical tensions in the Middle East, causing supply contraction concerns
 - Prices rose to \$83.36 by Jan-19, 2024, with an expected short-term continuation (see Figure 2)
- Increase in daily crude oil production volume
 - 1.25mbpd in Nov-23 to 1.42mbpd in Dec-23
- Production volume trends upward towards 2024 budget benchmark, 1.69mbpd.

Insights

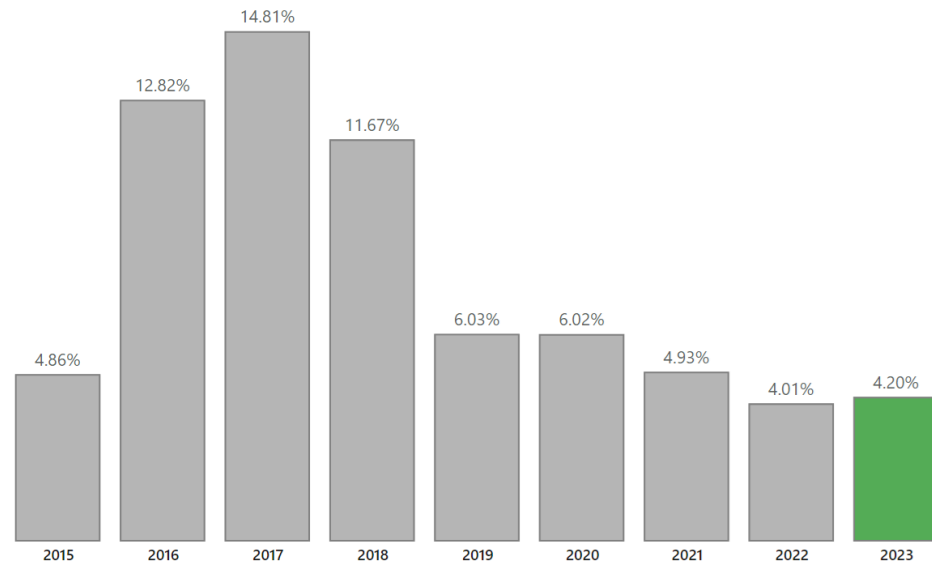
- Geopolitical tensions impact oil prices, posing unpredictable supply and price risks
- Global market volatility still remains despite OPEC stabilization efforts
- Nigeria's oil reliance necessitates diversification; divert surplus in oil to grow other sectors

Figure 2: Bonny Light Price (US\$ per Barrel)



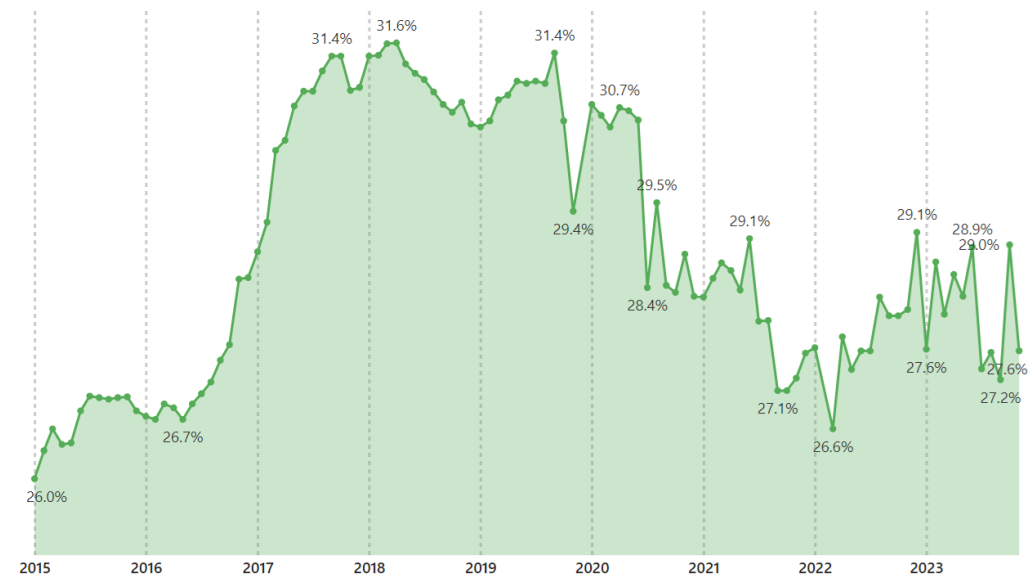
Data: Central Bank of Nigeria, Chart: ACIOE Research

Figure 3: Non-Performing Loan (NPL), % of Gross



Data: The Global Economy, Chart: ACIOE Research

Figure 4: Banks Lending Rate (Max Rate)



Data: Central Bank of Nigeria, Chart: ACIOE Research

Top 10 deposit money banks on NGX saw a 44.23% surge in loan portfolios, reaching N32.47 trillion by September 30, 2023.

Implications of the Surge:

- Surge in loan portfolios signals banks economic confidence
- Push for credit expansion fosters investment
- Contribution to overall economic growth

Non-Performing Loan Trend

- Despite 44.2% loan expansion, NPL rate stays low and stable at 4.2% in 2023 (see Figure 3)
- Indicates effective credit risk management by banks
- Ongoing monitoring crucial for economic shifts and borrower behavior changes.

Lending Rate

Lending rates' volatility (see Figure 4) challenges banks to balance borrowing encouragement and risk mitigation.

The future trajectory of the banking sector depends on the evolving economic landscape, global market dynamics, and banks' risk management effectiveness.

The World Bank projects Nigeria's per capita income to recover to its pre-pandemic levels by 2025

Projections:

- Per capita income recovers to pre-pandemic levels
- GDP grows by 3.3% in 2024, and 3.7% in 2025.

Trend of GDP Per Capita (see Figure 5)

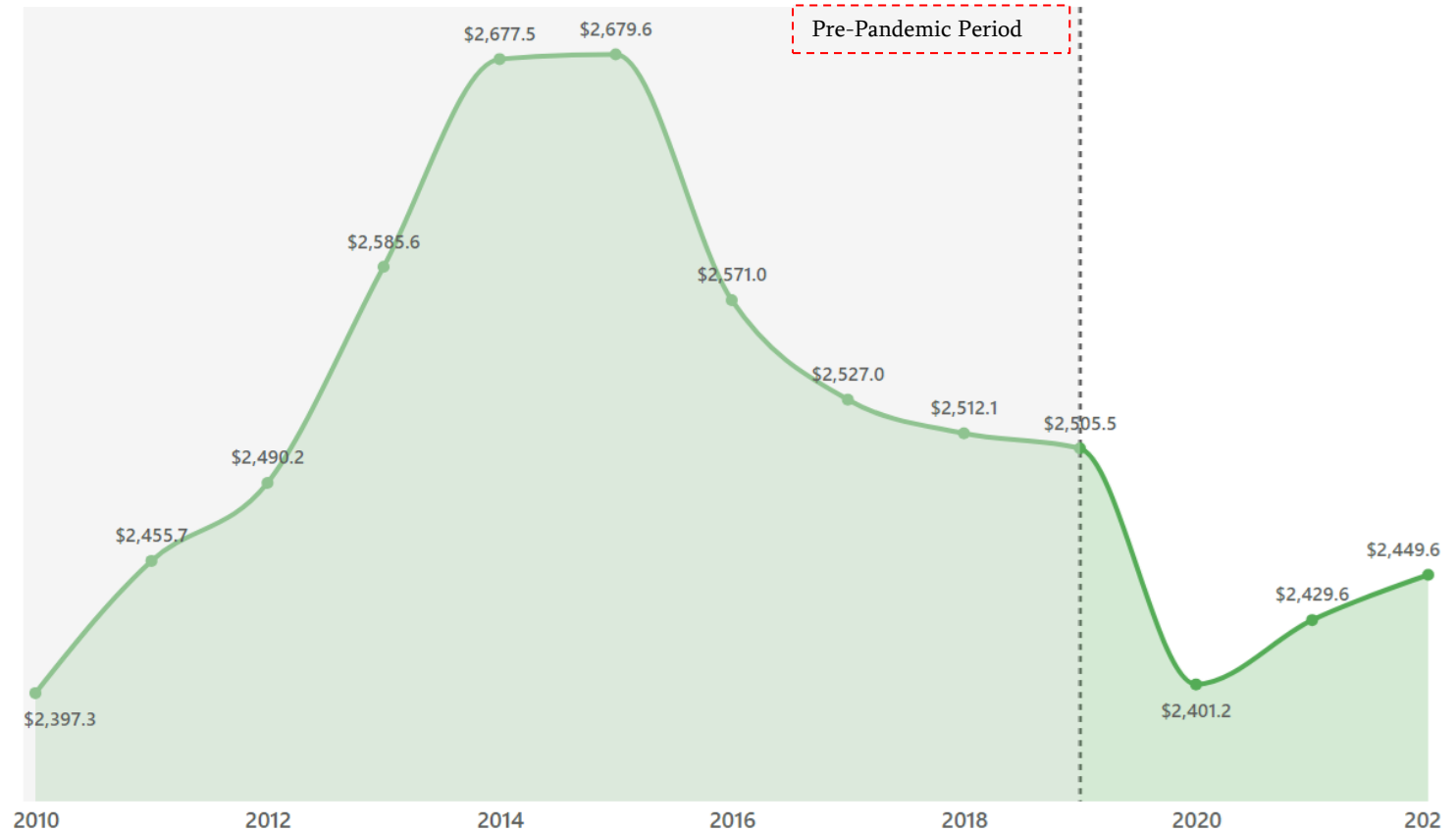
- Real GDP per capita fluctuated, declining in 2019-2020 because of global pandemic
- Steady recovery observed from 2020 to 2022 supports World Bank's optimistic projection

Drivers of Recovery

1. Fiscal Reforms:
 - Fuel subsidy removal
 - Exchange rate unification
2. Inflation Easing

World Bank's positive outlook on Nigeria's sustained economic expansion requires careful monitoring amid ongoing reforms and regional challenges, for resilience and inclusive development.

Figure 5: Real GDP Per Capita (US\$)



Data: The World Bank, Chart: ACIOE Research

The NNPCL plans to hand over the newly renovated Port Harcourt refinery to private operators.

Potential Benefits of the Hand-Over

1. Private sector ownership will ensure operational excellence at the refinery
2. By breaking the potential Dangote Refinery monopoly, it can foster healthy competition in Nigeria's oil and gas sector
3. Attracts foreign investment needed for upgrades and maintenance
4. Ensure adherence to international standards
5. Job creation and skill development

NNPCL's Port Harcourt Refinery privatization decision is a forward-thinking approach toward promoting energy security and competitiveness, fostering efficiency and innovation in Nigeria's oil and gas sector..





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