



# SOCIO-ECONOMIC UPDATE

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# Key Market Indicators





Item	Evaluation	Growth Index
NFEM (\$/NGN) rate	1/1,615.94	7.85% 
Crude Oil (\$/b)	83.54	0.93% 
NGX ASI	101,995.21 (-0.09%)	-2.02% 
Inflation Rate (%)	29.90	No Change
MPR (%)	22.75	+ 21.33% 



Table1: Key Market Indicators

Sources: CBN, NBS, NGX, OilPrice.com

Last Update: 27th Feb 2024

# Nigeria's Capital Importation Dips 26.4% to \$3.9bn in 2023

Capital importation into the country has declined from its high levels in the past, from as high as \$23.99bn in 2019 to \$3.91bn in 2023.

Portfolio investment declined the most among all categories (see Figure)

### Implications, evident in recent years

- Economic growth slowdown
- Currency depreciation as US Dollar supply declined
- Surge in interest rate as CBN set higher rate to attract demand to government debt securities
- Fiscal sustainability issues, limited financing for deficits

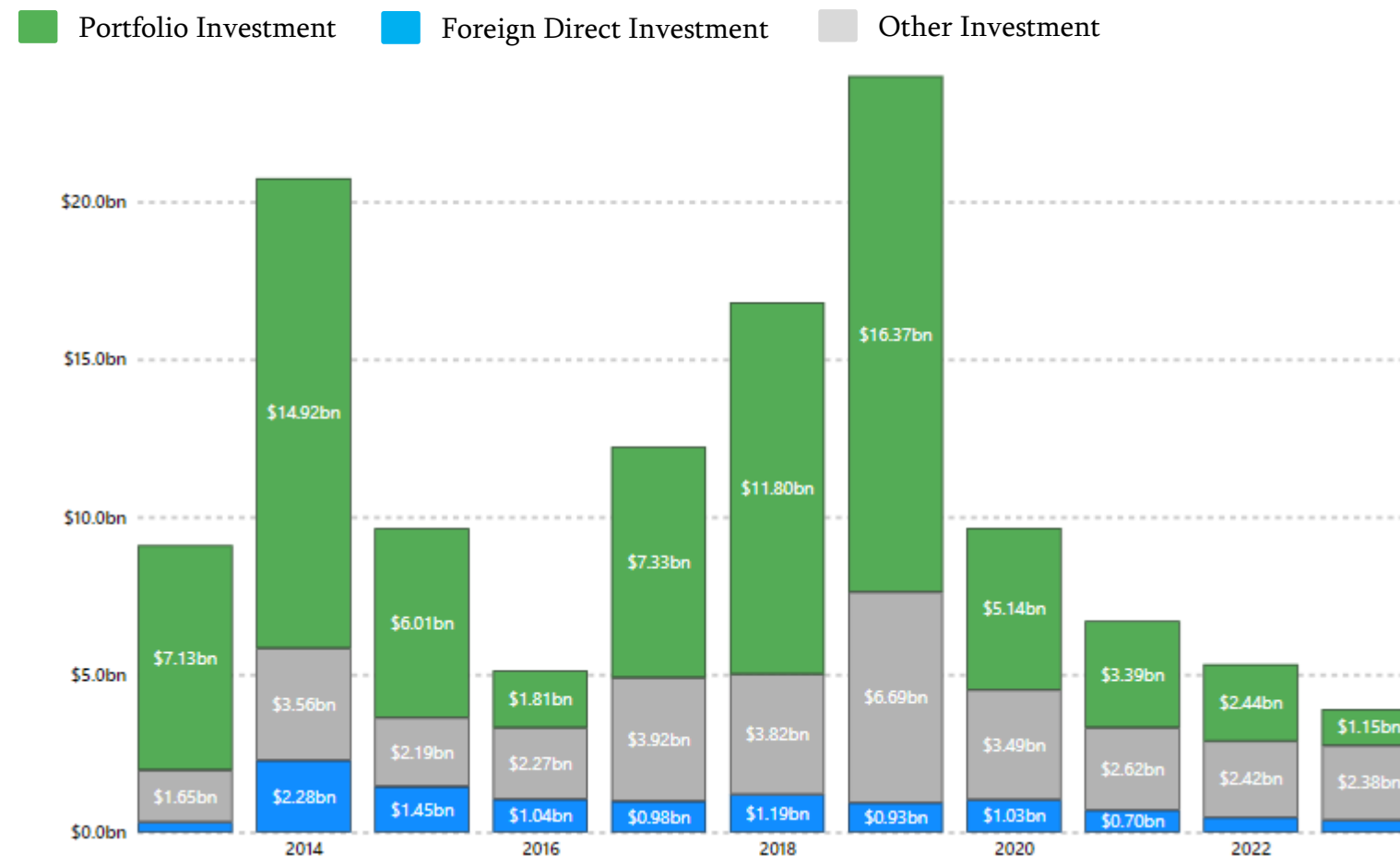
### Concerns for Future

The prevailing economic landscape is marked by several challenges, including;

1. Rapid currency depreciation
2. Accelerating inflation rate surge
3. Slowdown in economic growth,

Fiscal and monetary policies must be coordinated to attract foreign investment and promote trade, ultimately achieving economic stability.

Figure 1: Trend of Capital Importation by Categories



Source: NBS

# Federal Government to borrow N2.5tn via bonds – DMO

The Federal Government is seeking to raise N2.5tn in its second FGN bonds auction of the year:

1. N1.25tn 7-year tenor, and
2. N1.25tn 10-year tenor

There was a significant surge in the debt stock in Q2 and Q3 2023 (see Figure), increasing the debt-to-revenue ratio to more than 95%.

The new debt issue of N2.5tn and a cumulative amount of N7.83tn projected for 2024 will significantly impact the fiscal responsibility and the domestic capital market.

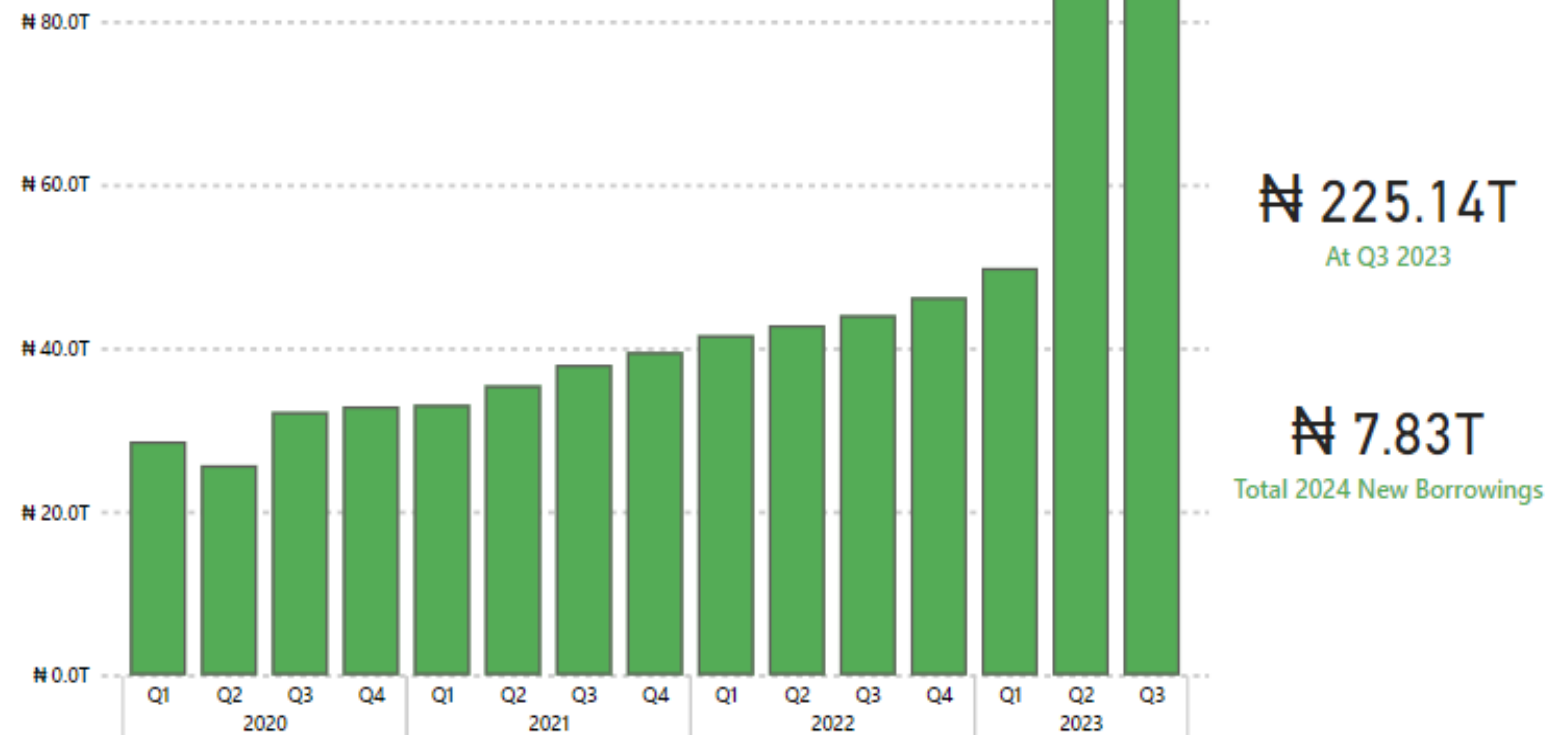
Implications of the huge debt stock for 2024 borrowings:

1. Concerns for decrease in sovereign ratings
2. Decreased subscription as investors consider default risk
3. Increasing interest rate to make the bond more attractive

Concerns as the government advances with its debt-financed budget

1. How high will the interest rate be set?
2. What proportion will be from the external vs domestic market?
3. What projects will the bond be allocated to?
4. Are there plans to reduce the debt in the short-term as debt to revenue climbs over 100%?

Figure 2: Debt Stock in Nigeria



Source: NBS

# Nigeria's Oil Output Rises Further by 6.9% to 1.43m bpd — OPEC

Nigeria has seen a consecutive rise in crude oil production volume over the past three months, climbing from 1.25 million barrels per day (bpd) in November 2023 to 1.43 million bpd in January 2024.

Nigerian Upstream Petroleum Regulatory Commission (NUPRC) CEO projects the daily volume in Feb-24 at 1.586m bpd, and has attributed the increased production to strategic measures adopted, including:

1. Enhanced transparency in hydrocarbon measurement and accounting
2. Collaborative work program administration
3. Vigilant monitoring of exploration and production companies
4. Production facilities optimization
5. Timely approval of field developments
6. Enhanced oil recovery processes and technologies

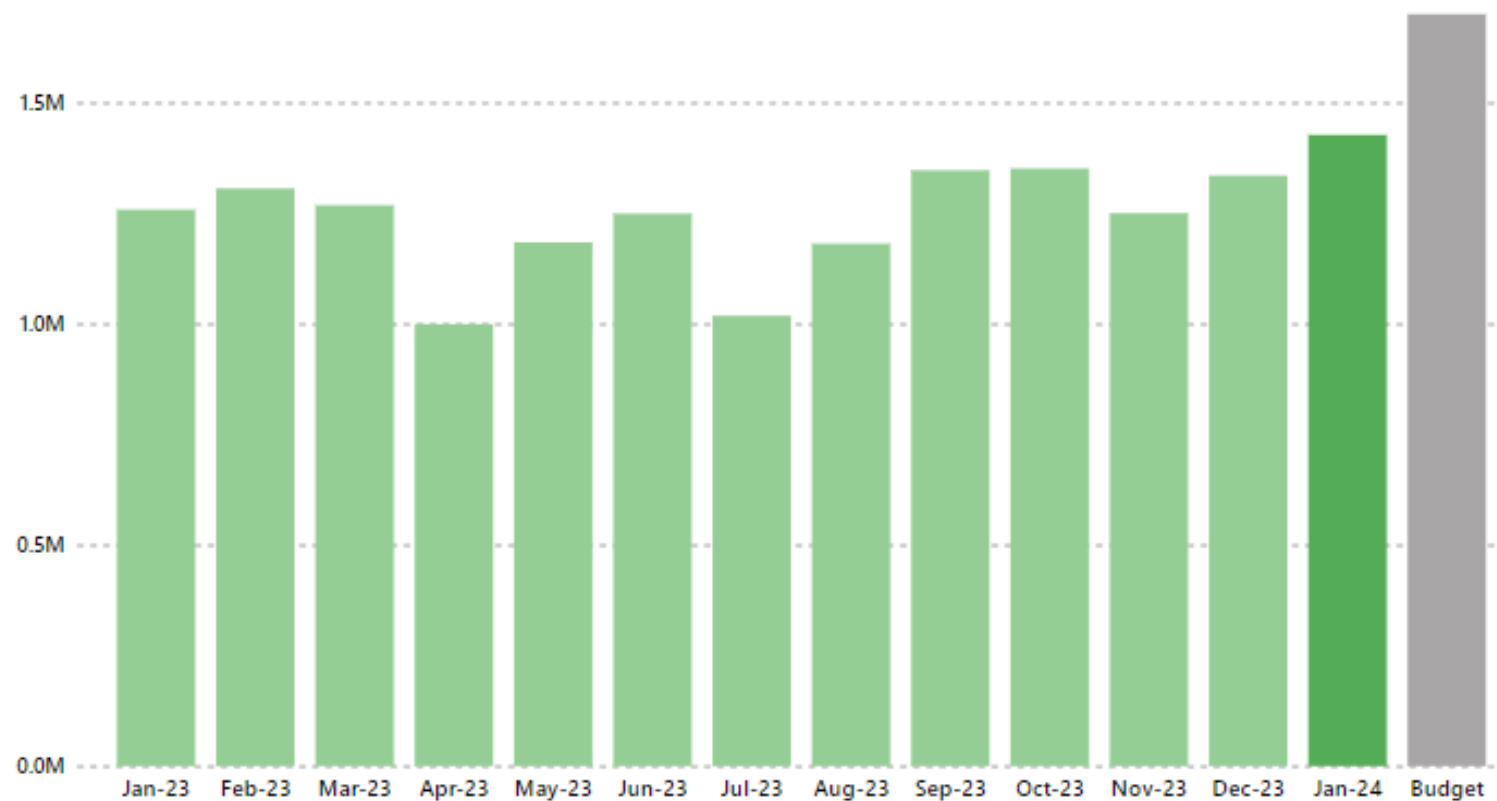
With these measures in place and the evident volume increase, there is a strong indication that the 1.77m bpd 2024 budget benchmark will be achieved.

Additionally, combined with the upward trend in oil prices, the sector is geared for robust performance in 2024.

### Concerns

1. Security challenges
2. Volatility of the global market
3. OPEC March quota review

Figure 3: Nigeria Crude Oil Production Volume (million bpd)



Source: OPEC

# Nigeria's New Dangote Refinery to Export First Fuel Cargoes

Dangote refinery is set to export its first fuel cargo of 60,000 metric tons to other West African countries.

The commencement of the refinery heralds significant benefits for the country, including:

1. Making Nigeria a net exporter of refined crude oil
2. Promote export of the country's main export item,
3. Improves External Reserves with increasing FX earnings
4. Increase in energy security and reduce vulnerability
5. Increase investor confidence in Nigeria's energy sector

## Concerns for Operations

1. Security and geopolitical risks
2. Environmental impacts and management
3. Volatility of the global oil market

Figure 4: Dangote Refinery



Dangote refinery is African largest



Total capacity of 650,000 barrels per day  
First Export Volume: 60,000 metric tons



# CBN Slashes Customs Duty Rate by 7.8%

The CBN reduced the customs duty rate by 7.8 on 23 February 2024 after a directive from the House of Representatives aimed at stabilizing the rate. The rate has been reviewed downwards from N1, 605.82/\$ to N1, 488.896/\$.

The rate reduction will

- cushion the burden of the exchange rate on traders
- reduce imported inflation, and
- boost economic growth and stability

While the reduction is appreciated, the frequency of the change is concerning.

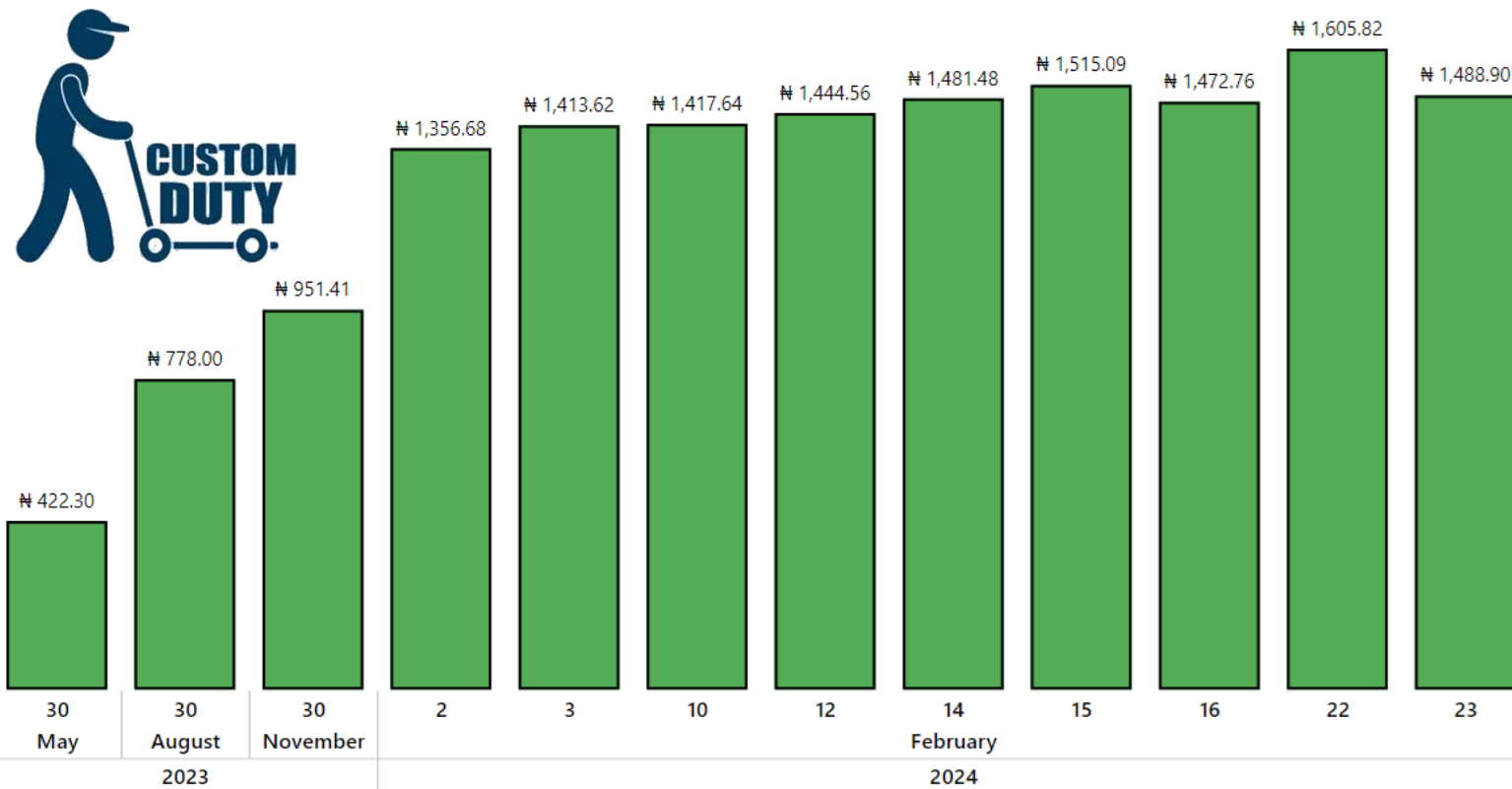
In Feb-24, there were 8 short-interval changes.

The short interval of changes will

- increase uncertainty in the market
- reduce the volume of trade
- reduce investors confidence

It is recommended that the CBN ensure stability and consistency in the custom duty rates to promote trade, stability, and planning.

Figure 5: Custom Duty Rate Consecutive Hikes



Source: ACIOE



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**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,


**CONTACT**


Phone: +234 705 457 4057

Email: [contactus@acioe.com](mailto:contactus@acioe.com)

Website: [www.acioe.com](http://www.acioe.com)

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