



SOCIO-ECONOMIC UPDATE

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Key Market Indicators

Item	Evaluation	Growth Index
NFEM (\$/NGN) rate	1/1,498.25	+11.09%
Crude Oil (\$/b)	82.77	-0.03%
NGX ASI	104,100.00 (+0.58%)	-0.55%
Inflation Rate (%)	28.9	-0.07
MPR (%)	18.75	No Change



Table1: Key Market Indicators

Sources: CBN, NBS, NGX, OilPrice.com

Last Update: 15th Feb 2024

NIGERIA AND AFDB COLLABORATIVELY LAUNCHED A \$617 MILLION INVESTMENT IN DIGITAL AND CREATIVE ENTERPRISES (IDICE) FUND

Potential to catalyze over \$1bn growth in the creative sector.

Key Objectives

- IDICE Fund: Aiming for \$1B creative sector growth
- Youth Employment: Backing startups and fostering innovation
- Global Expansion: Leveraging Nigeria's reputation in various creative fields

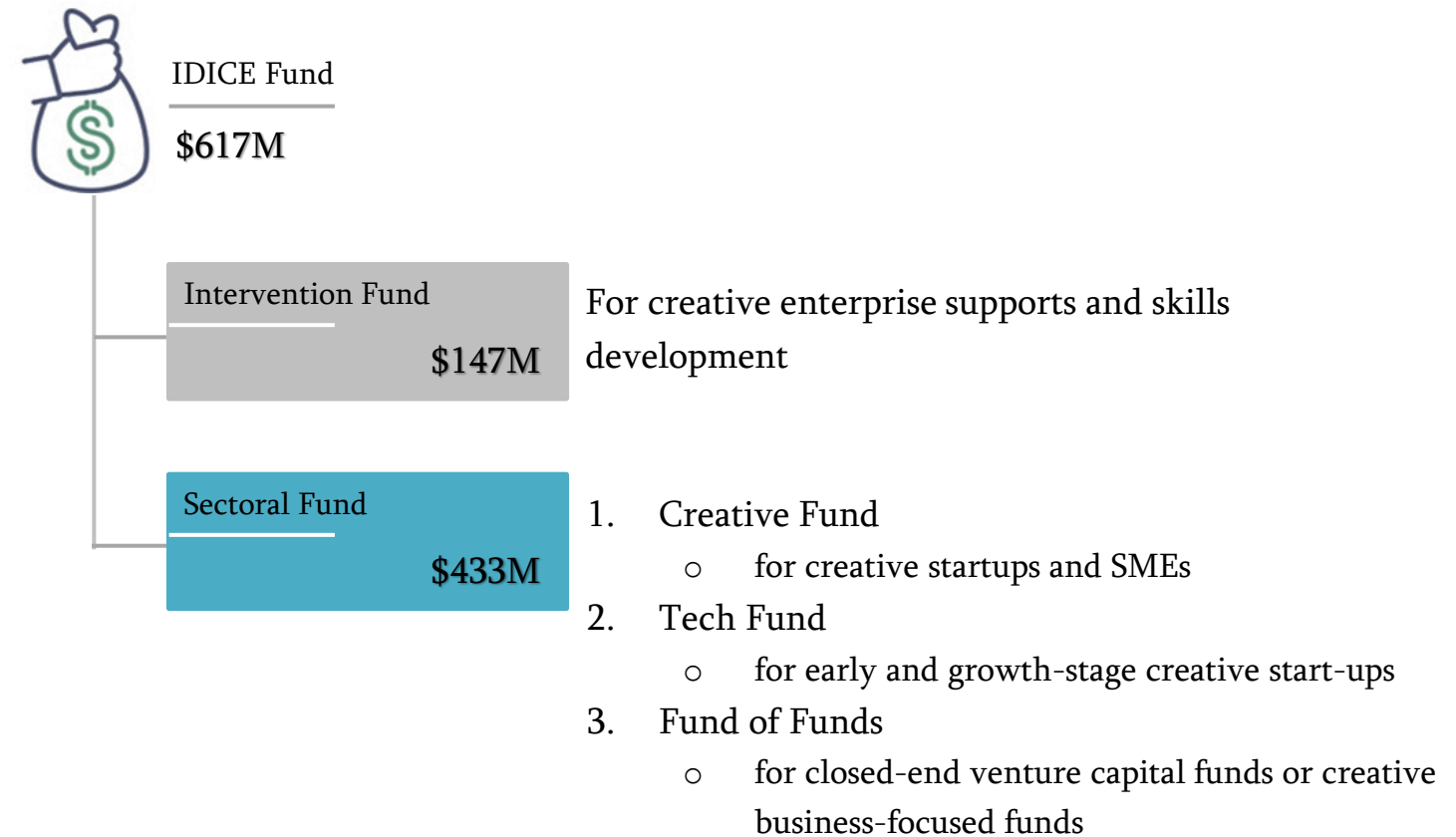
Opportunities

- AfCFTA Boost: expands Nigerian creative arts across Africa
- Talent Hub: fosters innovation, making Nigeria a creative hub
- Pioneer Industries: positions Nigeria in emerging creative sectors
- Digital Transformation: aligns with global digital trends and establishing Nigeria's position in tech
- Global Leaders: Attracts investment and elevates Nigerian creatives worldwide

Concerns and Considerations

- Intellectual Property & Copyright protection
- Streamline arbitrary regulatory environment
- Lack of financial literacy for sustainable business practices beyond funding
- Export readiness of creatives for effective competition under AfCFTA
- Market value of creative products
- Absence of Specialist Creative Courts

Figure 1: The 2 Components of the IDICE Fund



OPEC+ initially announced a combined voluntary cut of 1.16 million barrels per day (bpd) starting in May 2023 and lasting until December 2023. This was primarily driven by Saudi Arabia's 500,000 bpd cut.

In November 2023, several OPEC+ members announced additional voluntary cuts totaling 2.2 million bpd to further support market stability. This included 1 million bpd from Saudi Arabia and Russia combined and more minor cuts from other members. These cuts started in January 2024 and are scheduled to last until March 2024.

Review Scenarios & Impacts

1. Maintenance of Current Cuts

This maintains market balance and keeps oil prices above \$80, ensuring revenue stability for oil-producing nations.

- Market Response: Minimal price fluctuations ensure market stability, boosting confidence and supporting long-term investments

2. Further Production Cuts

This may lead to short-term revenue losses for members. Reduced supply will boost oil prices.

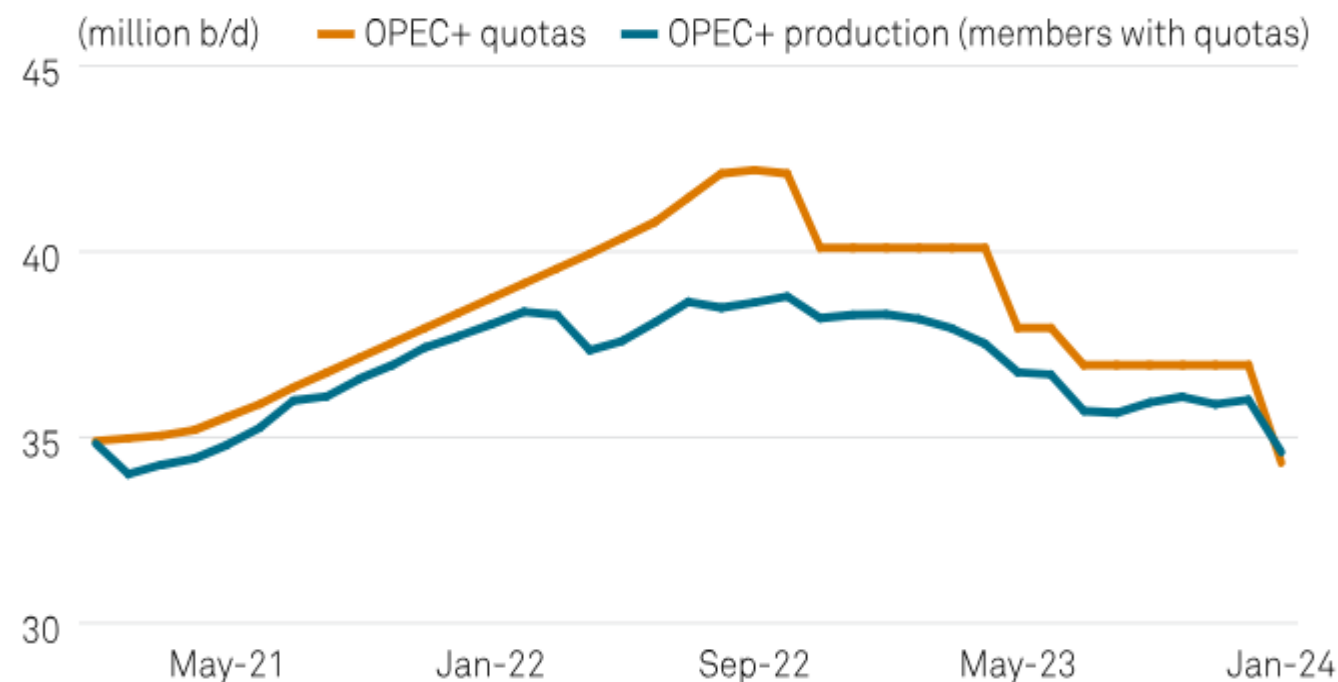
- Market Response: Incremental oil price, reflecting market optimism and investor trust. However, supply concerns and price volatility may emerge.

3. Increase in Production Quota

This will ensure meeting rising global energy demands but poses oversupply risks. This will lead to price relief for buyers in the short term and sustainability concerns in the long term.

- Market Response: Initial price drop prompts caution and market volatility. It will spark debate on aligning with global energy shifts and economic sustainability.

Figure 2: OPEC+ Oil Production and Quotas



Source: S&P Global

CBN'S 31ST JAN-2024 DIRECTIVE RESTRICTS BANKS AND FINTECH OPERATIONS IN THE INTERNATIONAL MONEY TRANSFER MARKET

Central Bank of Nigeria disrupts international money transfer market with new directive.

1. Banks and FinTechs are banned from direct involvement in international transfers. However, they are permitted operations as AGENTS.
2. 1900% increment in license fee for IMTOs*

Policy Changes & Impacts

1. Ban on Banks and FinTechs: Reshapes revenue streams. Impacts FinTechs' market competitiveness and potential consolidation.
2. Increase IMTO Application Fee by 1900%
The increased fee from N500K to N10M creates a significant entry barrier.
3. Stricter IMTO Application Prerequisites
Requirements like cross-border approval and tax clearance enhance due diligence. This boosts transparency and accountability but poses compliance challenges.
4. Annual Renewal Fee
IMTOs paying an N10M annual renewal fee highlight the ongoing financial commitment for sustained operations, ensuring continuous CBN monitoring and regulation.

While the CBN's directives introduce a seismic shift in the international monetary transfer sector, it will pave the way for true exchange rate unification.

* International Money Transfer Operators (IMTOs)



The CBN orders Deposit Money Banks (DMBs) to sell excess dollar holdings by February 1, 2024.

The move aims to stabilize the exchange rate and mitigate risks from excessive foreign currency positions held by banks.

Implications

1. Exchange Rate Stability

Increased dollar supply, contributing to short-term stability

2. Risk Mitigation

Reduces banks growing foreign currency risk exposures (see Figure)

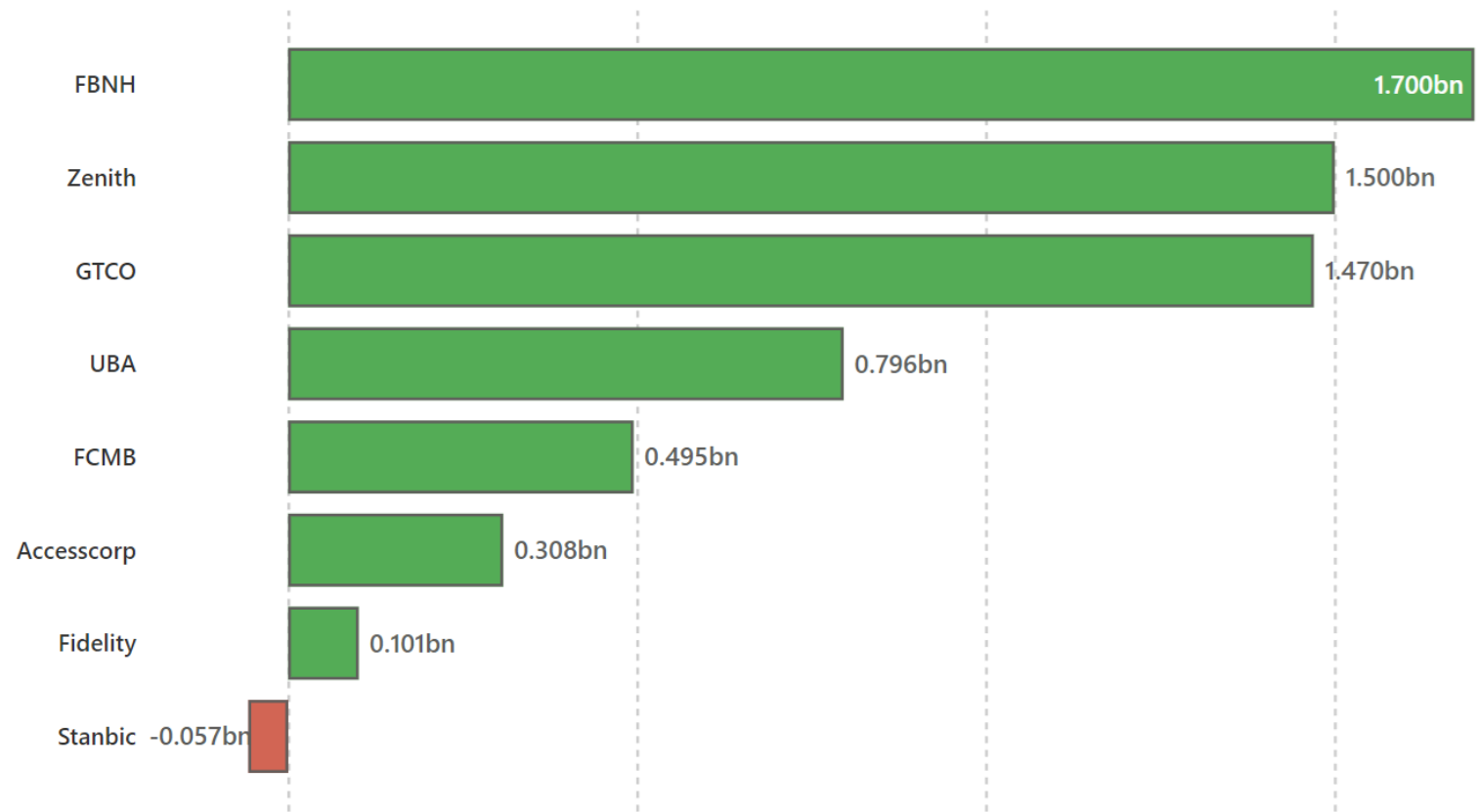
3. Prudential Limits

Limiting Net Open Position (NOP) to 20% short or 0% long of the bank's shareholders' funds ensures balanced foreign currency management, impacting market liquidity and risk exposure.

4. Enhanced Oversight

Mandated daily and monthly NOP calculations enhance transparency and regulatory oversight

Figure 3: DMBs Net Open Position



Source: CardinalStone Research

Nigeria's escalating debt, projected to reach N107.38tn, poses significant challenges exacerbated by a depreciating exchange rate.

Implications

1. Unrealized Loans and Slow Disbursement

High debt levels, 53% debt to GDP, may constrain fiscal space, limiting the government's ability to respond to economic shocks and invest in critical sectors.

2. Impact on Budgetary Plans

A high debt profile may delay or hinder loan approvals, disrupting budget implementation plans

3. Debt-Based Financing Cycle

Further Naira depreciation will necessitate more debt to finance operations

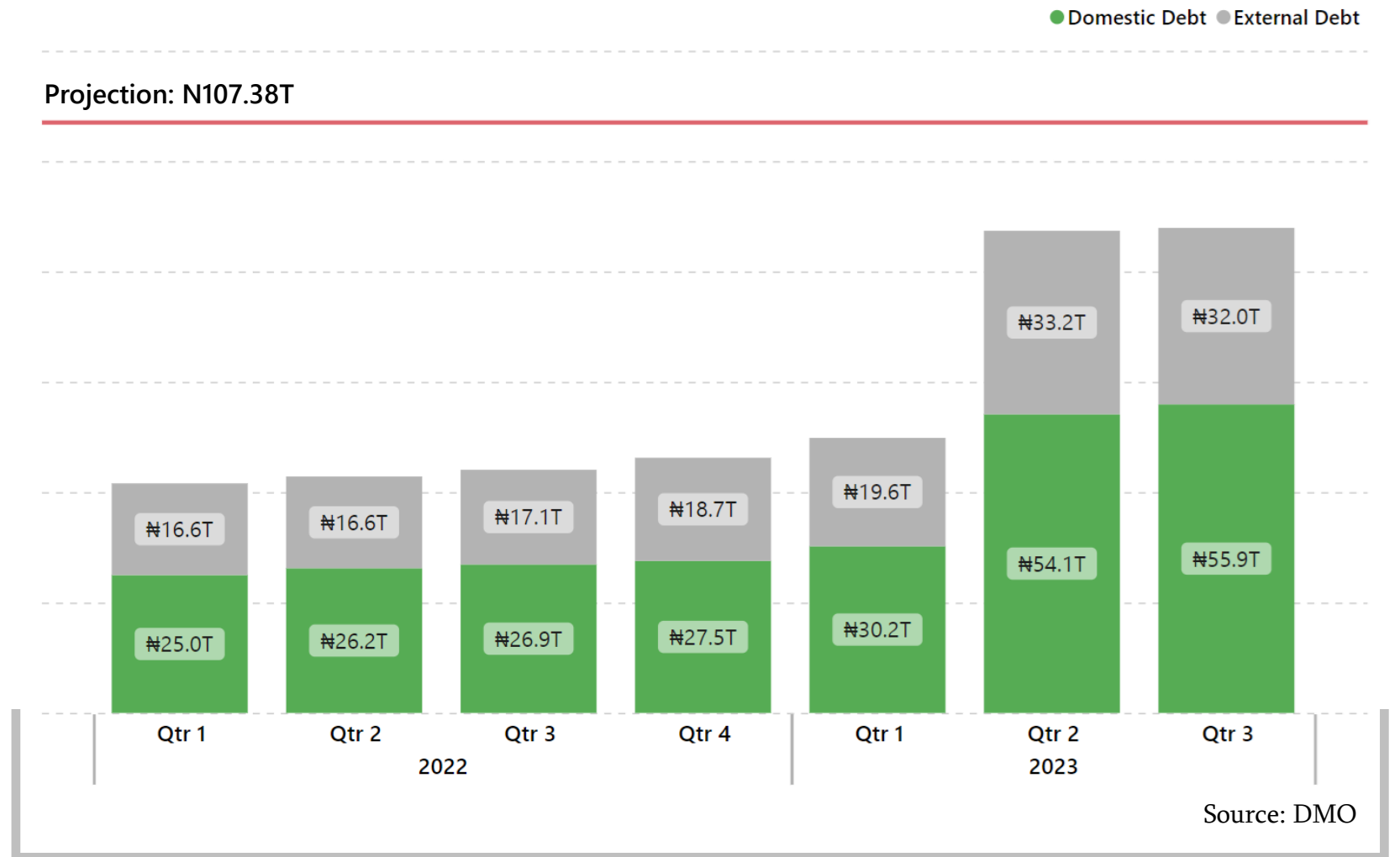
4. High Inflation Rates and Investor Caution

Foreign investors' cautious approach due to global uncertainties and high inflation rates

5. Sustainability and Economic Impact

Sustainability concerns with rising debt, with potential adverse effects on GDP growth and developments

Figure 4: Nigeria Total Public Debt Stock





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