



# SOCIO-ECONOMIC UPDATE

March 2024  
Volume 1

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# Key Market Indicators

Item	Evaluation	Growth Index
NFEM (\$/NGN) rate	1/1,608.98	-0.43 ↓
Crude Oil (\$/b)	85.07	+1.83% ↑
NGX ASI	104,056.21 (+0.05%)	+2.02% ↑
Inflation Rate (%)	29.9	No Change
MPR (%)	22.75	No Change



Table1: Key Market Indicators

Sources: CBN, FMDQ, NGX, OilPrice.com

Last Update: 14th Mar 2024

# The Securities and Exchange Commission (SEC) to Issue New Anti-Money Laundering (AML) Regulations for Digital Assets Operators

The SEC's AML regulations follow the CBN's lifting of the crypto transaction ban, providing operational guidelines for VASPs\* to banks and financial institutions.

The regulations are significant in the evolving digital asset landscape and the associated challenges.

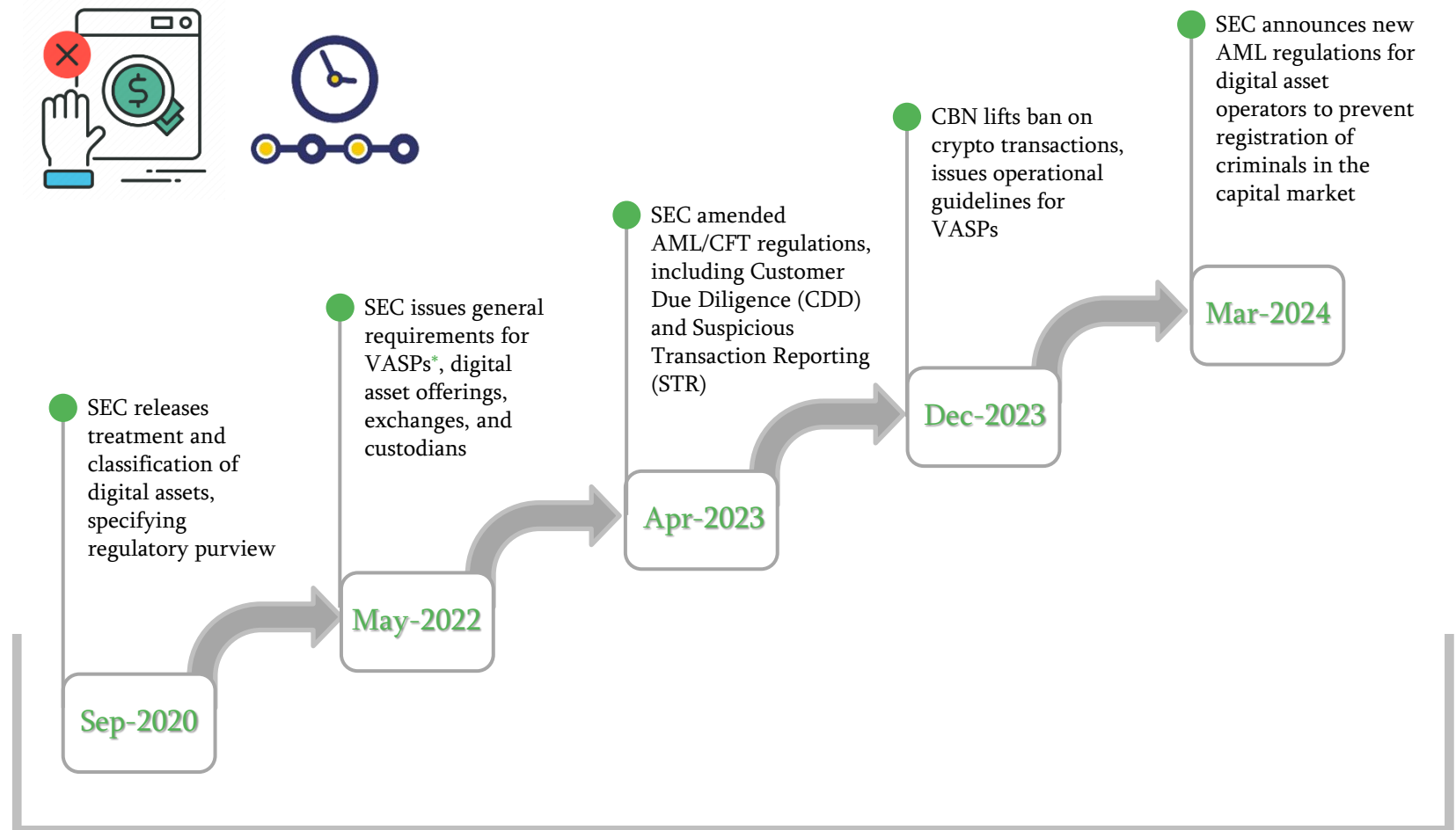
## Implications

- Regulatory Alignment: This move demonstrates Nigeria's commitment to adapting regulations to technological advancements.
- Investor Protection: It aims to safeguard investors by reducing financial crimes risks
- Market Integrity: Enhances transparency and credibility, fostering market stability
- Global Compliance: Positions Nigeria as compliant, enhancing global trust and integration

## Concerns

- Compliance Costs: Stricter regulations may impose financial burdens, particularly on smaller digital asset operators.
- Market Participation: Stringent regulations might deter new entrants and stifle innovation in the digital asset market.
- Financial Inclusion: Over-regulation could restrict access to digital assets, hindering financial inclusion efforts.

Figure 1: Evolution of Digital Asset Regulations in Nigeria



\* Virtual Assets Service Providers (VASPs)

## Nigeria Will Spend N2.3trn to Sustain Fuel, Electricity Subsidy — IMF

IMF warned of the substantial fiscal cost of sustaining fuel and electricity subsidies in a report released on 5th Mar 2024.

The report advised implementing cash-transfer social safety nets to protect low-income households from the brunt of subsidy-removal

### Nigeria 2024 Outlook

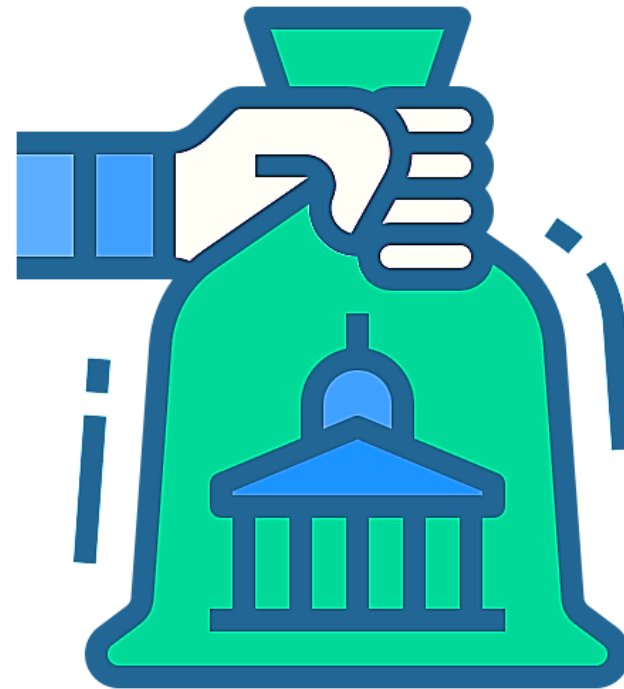
- GDP growth at 2.8%, though slightly below population growth.
- Positive Growth Factors:
  - Improved oil production to 1.65M bpd in Jan-2024
  - Expected improved agricultural harvest in H2 2024
- Challenges:
  - High inflation
  - Currency depreciation, and
  - Policy tightening.

### Immediate Priorities for Improved Growth

- Addressing high food inflation; from 24.37% in Q1 (prior subsidy-removal) to 32.77% in Q4 2023, to 35.41% in Jan 2024.
- Targeted social protection programs
- Agricultural support; fertilizer, grains, seeds, and so on
- Improved revenue collection process
- Increase revenue mobilization to better respond to shocks
- Non-oil revenue improved marginally (0.8% in 2023), but sustained efforts needed

Efforts in these priority areas will improve the 2024 outlook and reduce the brunt of subsidy removal on the general populace

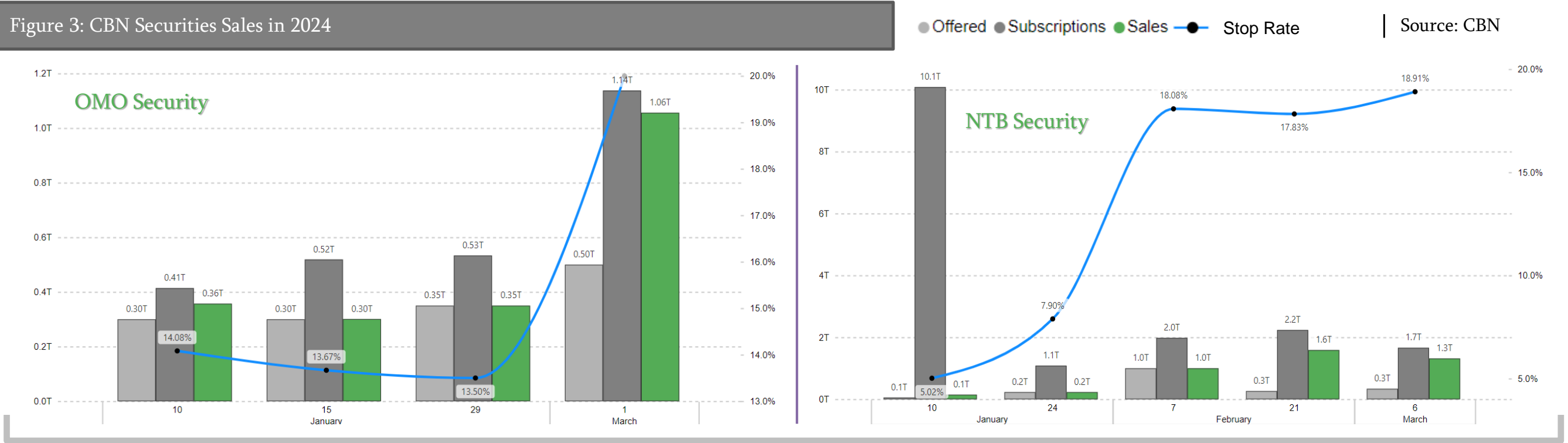
Figure 2: Cost of Fuel and Electricity Subsidy Continuation in Nigeria



3% of GDP  
N2.33 tn

# CBN Attracts \$530m from Foreign Portfolio Investments (FPIs) in N1trn Treasury Bill Sales

Figure 3: CBN Securities Sales in 2024



Following the 400bps increase in MPR in Feb-2024 to 22.75%, CBN issued two securities; Open Market Operations (OMO) on 1st Mar. and Nigerian Treasury Bills (NTB) on 6th Mar.

The stop rate for the securities necessarily increased following the increase in MPR (see Figure). This increased demand for the securities;

- OMO was significantly oversubscribed by 127.4%: with 79% of all bids from foreign investors
- NTB also recorded oversubscription by 391.16%; however, it recorded a slump in sales from the levels in Jan-2024.

Given the interest window, the number of subscriptions to interest-bearing securities is expected to increase.

The oversubscription results from an increase in the MPR rate, increased investors' confidence in the bank, and optimism regarding the effectiveness of its monetary policy measures.

To further increase optimism, it is recommended that CBN should intensify efforts to;

- stabilize the price level
- increase liquidity in the foreign exchange markets sustainably, and
- build a fully functioning market for investors.

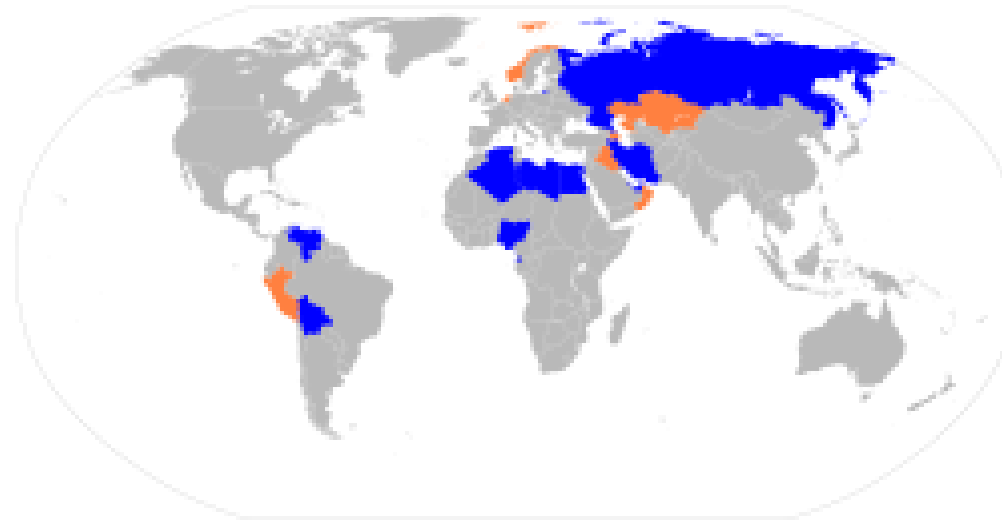
# Gas-Exporting Countries to Cooperate on Battling Demand Volatility

To address concerns about the recurrent volatility of natural gas demand, which adversely affects global economic performance, GECF member nations agreed to cooperate on battling volatility in market demand at Algeria's 7th Gas Exporting Countries Forum (GECF) summit.

## Key Agreements

1. Sustainability Focus:
  - Emphasis on promoting gas as a sustainable, eco-friendly resource
  - Acknowledgment of industry shift towards cleaner energy alternatives
2. Long-Term Stability:
  - Prioritization of medium- and long-term contracts, stable prices, and sustained investment
  - Focus on enhancing energy security and attracting long-term investment
3. Adaptation to Competition:
  - Recognition of new competition from renewable energy sources.
  - Need for gas-exporting nations to adapt and diversify energy portfolios.
4. Promoting Innovation:
  - Agreement to promote environmentally friendly, efficient, and sustainable technologies.
  - Embracing innovation to enhance competitiveness and sustainability.

Figure 4: Members of Gas Exporting Countries Forum (GECF)



■ Member ■ Observer

1. Algeria
2. Bolivia
3. Egypt
4. Equatorial Guinea
5. Iran
6. Libya
7. Nigeria
8. Qatar
9. Russia
10. Trinidad and Tobago
11. United Arab Emirates (UAE)
12. Venezuela
13. Angola
14. Azerbaijan
15. Iraq
16. Malaysia
17. Mauritania
18. Mozambique
19. Peru
20. Senegal



Source: GECF



# ECOWAS Takes Decision on Single Currency

The quest for a single currency within the ECOWAS community is not a recent development and has been in discussion since the early 2000s.

The advantages of the single currency cannot be overestimated:

- fostering economic stability
- enhancing trade (such as AfCFTA), and
- facilitating seamless transactions across West Africa.

However, this quest seems unlikely even by the 2027 deadline.

The agenda requires not only the achievement of four (4) primary criteria by each member but also sustain it for several years:

- 5% inflation rate 4% fiscal deficit to GDP ratio
- 10% financing deficit, and
- Sufficient gross FX reserves level of at least six months of imports

These criteria aim to converge the member states' economic situation before the single currency is rolled out, however such impediments as below still exist:

- Political instability in the region,
- Insecurity in the region, and
- Anti-ECOWAS retorts from seceded members

**Can these criteria be attainable at all?** While these goals are quite ambitious, they are not impossible!

**Recommendations to Accelerate Convergence:**

1. Policy coordination among members to align policies and strategies
2. Implement targeted initiatives to harmonize key indicators
3. Invest in data accuracy & analytical capabilities for informed decision-making
4. Financial reforms to strengthen resilience and promote regional integration
5. Stakeholder engagement to build support and address concerns about the agenda

Figure 5: ECOWAS Zonal Performance Score



*None of the member states meet any of the set criteria yet*



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