



HAS ANYONE SEEN A GIANT?

We advised in January, to be prepared to endure an 18 month economic recovery period, that will be accompanied by a high interest rate regime to tame inflation and FX volatility. As year end approaches, the gap between FX markets have narrowed volatility abated and we have seen the return of the Dutch auction. Q2 GDP growth at 3.19% is marginal with the July headline inflation easing from 34.19% to 33.40%. The trajectory of growth and inflation (not yet optimal) but in the desired direction allays the fears of recession and affirms the orthodox monetary policy stance of the CBN. This amidst the background of a 75% yearly increase in money supply to a record ₦100tn.

Our benchmark exchange rate recommendation for year end 2024 has been validated by events and remains at ₦1,500-1,800/US\$

Nigeria's fiscal situation improved with revenue to debt service reduction by 30%, ₦4.5tn repayment of ways and means and technology deployments improved revenue collection. However, total debt burden of ₦121tn remains a challenge, as 2024 budget debt service of ₦8.27tn exceeds both recurrent and capital expenditure. The supplementary budget will also increase the deficit from ₦10.4tn to ₦19.4tn. The sell down of oil assets to raise US\$50billion to ease the debt burden and refinance NNPC for sustained revenue is therefore long overdue.

The early August two day strike and protest that shut down the nation is a wake up call for the government. Inability to implement social intervention program to cushion the impact of the reforms, corruption allegations against the minister in charge and fiscal indiscipline has led to disenchantment among the populace. It is now evident that the cart was put before the horse, as reforms were implemented too quickly, devoid of the adequate planning and resources, leading to the unintended consequences. Credibility of the reform program is now in question, and in a state of quagmire. FGN needs to urgently reset, communicate the benefits of the reform to the stakeholders and deliver tangible results by year end.

Nigeria now 4th largest economy in Africa.

Adetilewa Adebajo
September 2024A



Nigeria: Macro Dashboard 2024 YTD

Nigeria has significant growth potential, given the size of its economy and population

Region: Sub-Saharan Africa | West Africa

Comments

- ▶ Nigeria is largely a monolithic economy divided into the oil and non-oil sectors. In 2024, the oil sector accounted for 7.24% while the non-oil sectors accounted for 92.76% of the country's GDP.
- ▶ In real terms, the country grew at 3.19% in Q2 2024 from 2.98% in Q1 2024
- ▶ The nation's Agricultural sector has consistently contributed the largest to the country's GDP. The sector has thus proven to be resilient and resistant to economic and oil price shocks that adversely affect most industries in the Nigerian economy.
- ▶ CBN has increased the Monetary Policy Rate (MPR) 18.75% to 26.25% in a bid to tame inflation which fell from 34.19% to 33.40% in July 2024.
- ▶ The World Bank forecasts Nigeria to be the third most populous country in the world by 2050, with an annual population growth rate of 2.6% over the next ten years. The growing population is estimated at c.212million with a middle class (accounting for c. 23.5% of the population) whose current combined buying power stands in excess of US\$28billion.
- ▶ The CFG Advisory also expects Nigeria growth rate for 2024 at 3.0% on the back of a bountiful harvest, reducing inflation and increasing oil prices.

Country Highlights

Total Area	923,768KM ²
Capital	Abuja
Population	224m
Currency	Naira (₦)
Exchange rate	₦1,570.99 / \$1 NFEM ₦1,600 / \$1 Parallel
Ease of doing business ranking	131

Nigeria Economic Headlines

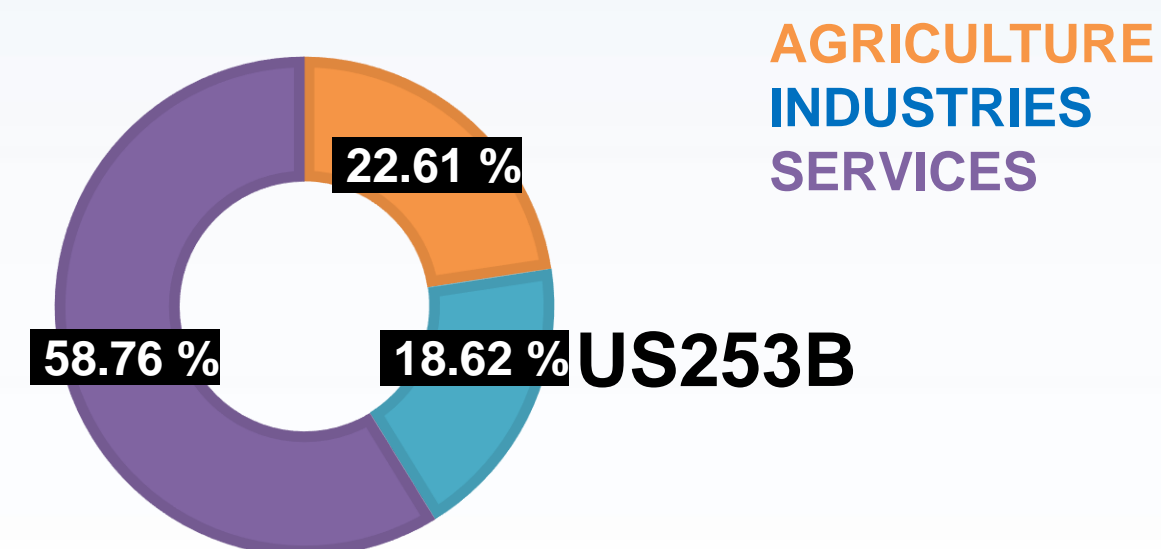
GDP growth (2024)	Population (2024)	Trade balance (2024)	Foreign reserves (2024)	Total debt (2024)
3.19%	224m	US\$ 1.4b	US\$ 34b	US\$ 91b

Source: CBN, NBS, DMO, Oxford Economics

Unemployment Rate (2024)	Inflation Rate (2024)	Monetary Policy Rate (2024)
5%	33.4%	26.25%

Source: NBS, CBN

Sectoral contributions to GDP 2024



Source: NBS

Nigeria accounts for **22%** of Sub Saharan Africa's GDP, as well as **18%** of the region's population.

The Nigerian economy is still largely a monolithic economy dependent on crude oil exports for the majority of its foreign exchange earnings - **90%**

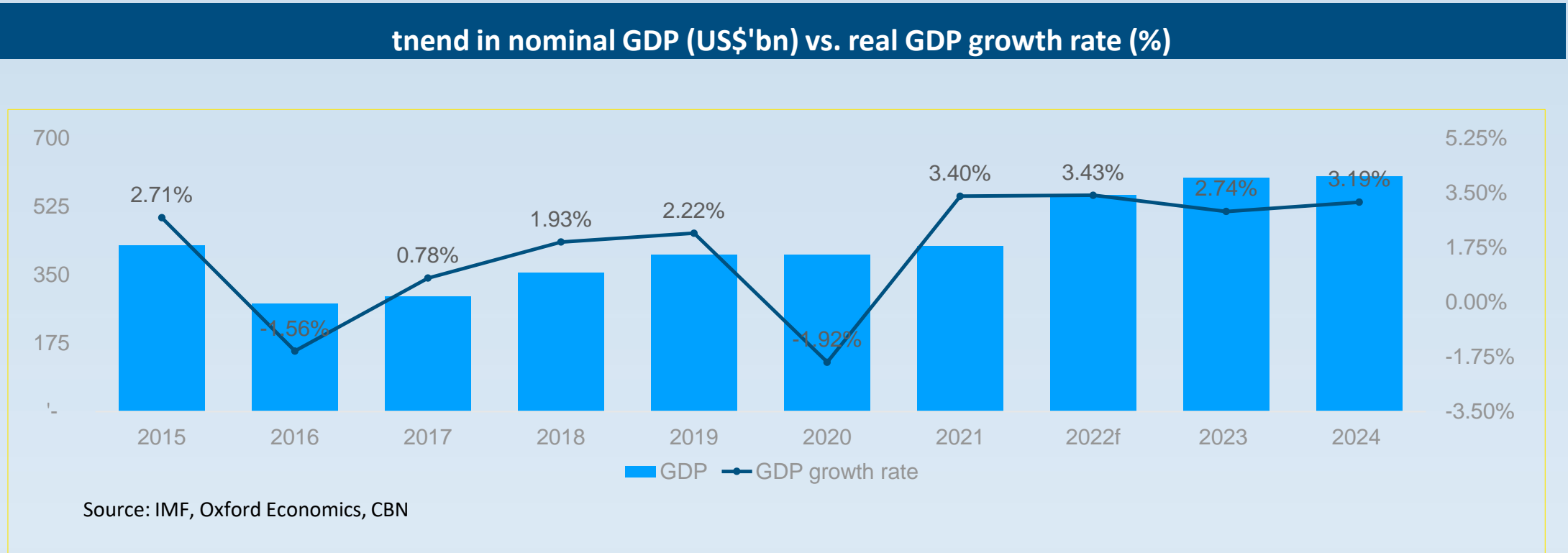
Where We Are Now

- Economy is still in Stagflation with ongoing reforms aiming to achieve a sustainable growth trajectory.
- Nationwide strike and protests for 2 days in August shutdown economic activities and wake up call for the need for social intervention to avoid social unrest.
- Green shoots with Inflation and Growth trajectory in the right direction in affirmation of CBN monetary policy tighten stance.
- Reform fatigue and quagmire has led to the reinstatement of fuel subsidy projected to be ₦5.4tnn by year end 2024.
- NFEM introduction saw initial volatility which has abated with the narrowing of the gap between the parallel market and reintroduction of the Dutch Auction.
- FDI at all time lows of under US\$1billion.
- Power transmission and distribution infrastructure still very poor impacting industry and economic growth.
- HAS ANYONE SEEN A GIANT? The macroeconomic situation has declined over the last 7 years with a loss of US\$180-200billion in GDP currently at US\$253billion. Nigeria now 4th largest economy in Africa behind Egypt, South Africa and Algeria.
- Nigeria's debt levels are unsustainable. The current debt burden of ₦121tn is being serviced by 75-80% of revenues, with 2024 budget debt service of ₦8.27tn exceeds both recurrent and capital expenditure.
- With a 2024 supplementary budget the deficit for this year is set to increase from ₦10.4tn to ₦19.4tn.
- GDP growth of 3% not sustainable for our population of 200 million. Nigeria requires 8-10% GDP growth for sustainability.
- 135 Million Nigerians in the poverty trap with 40% unemployment with very low job creation and industrial productivity.
- Dwindling reserves and increasing credit default swap premiums has resulted in Caa1 junk bond rating status for our international credit ratings. Moody's recently upgraded the outlook on Nigeria to positive.
- Violence and Insecurity in the North and South East Nigeria still prevalent escalating over the last month with more kidnappings.
- Business outlook and FDI confidence at an all time low, exacerbated by the recent rejection by the regulator of the Shell US\$1.5 billion divestment of its onshore assets.
- This puts into question the ability to increase oil production from a low point of 1.3mbpd , as challenges remain with the Dangote Refinery coming onstream.

Nigeria: Macro Dashboard

Growth potential limited by policy inconsistency, economic mismanagement and unchecked fiscal spending

Credit Rating			
Moody's	Caa1	positive	Dec 08 2023
S&P	B-	stable	Aug 04 2023
S&P	B-	negative	Feb 03 2023
Moody's	Caa1	stable	Jan 27 2023



Comments

GDP growth

- Nigeria’s economy experienced a growth in GDP from Q1 –Q2 2024 from 2.98% to 3.91%

Inflation

- Nigeria’s inflation rate stood at 15.92% in March 2022, increased to 34.19 % in June 2024 indicating a significant increase in headline inflation and declined to 33.40% in July 2024. The key drivers of inflation has been the sustained increase in food prices across the country, exacerbated by the removal of subsidy resulting in higher cost of petroleum products, electnicity tariff adjustments and 75% increase in money supply to =N=100tnn by Q2 2024.

Interest rate

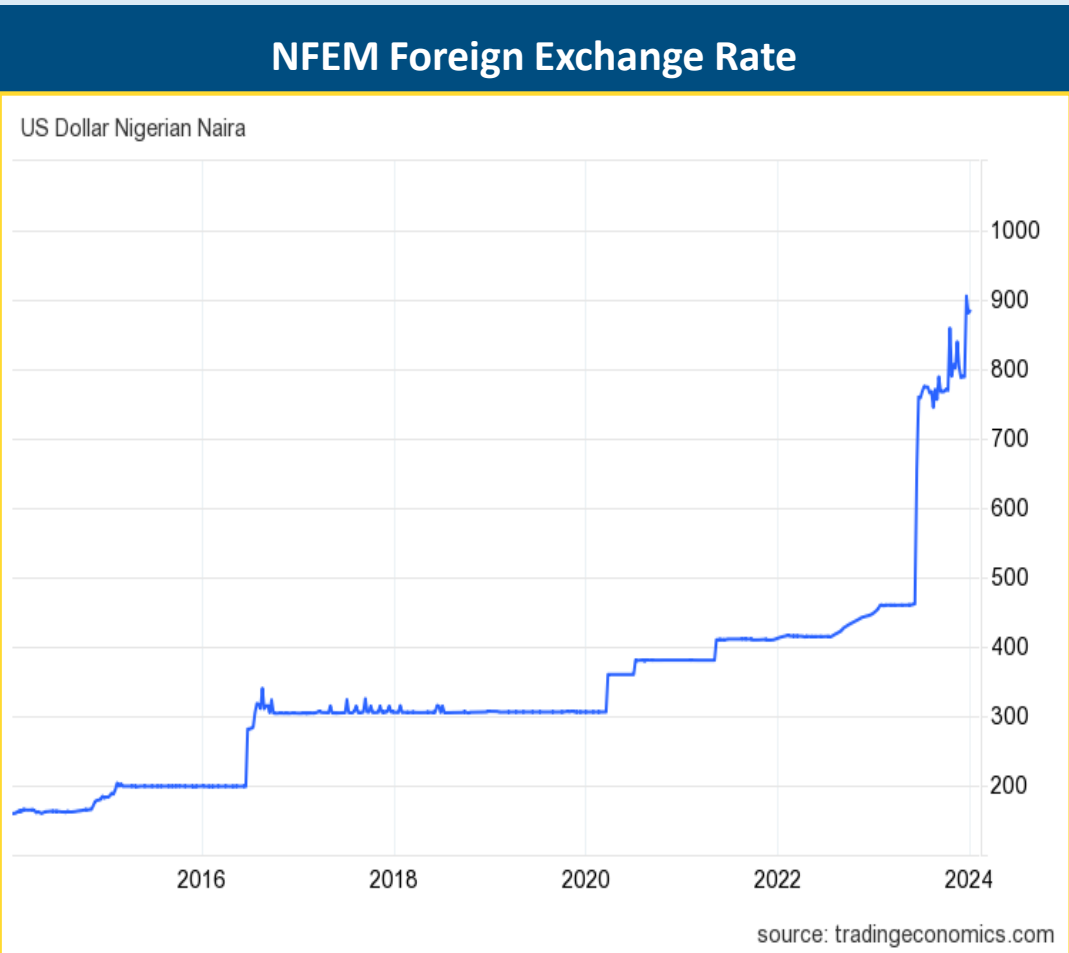
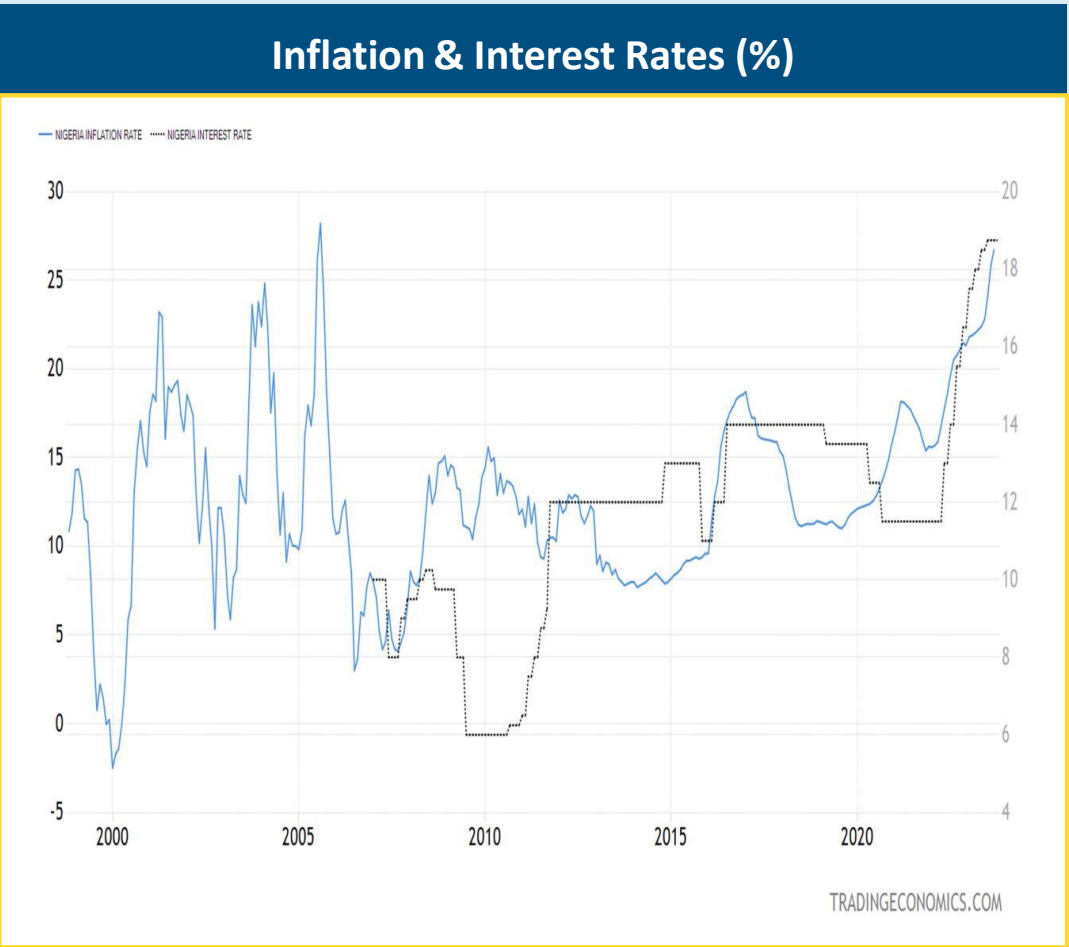
- The MPC has maintained rates at 18.75% since July 2023, Q2 2024 MPR now at 26.25%

Exchange rate

- The parallel market and NFEM gap in rates has narrowed significantly with rates now averaging around N1,600:US\$1 as at August 2024.

Total Public Debt March 2024

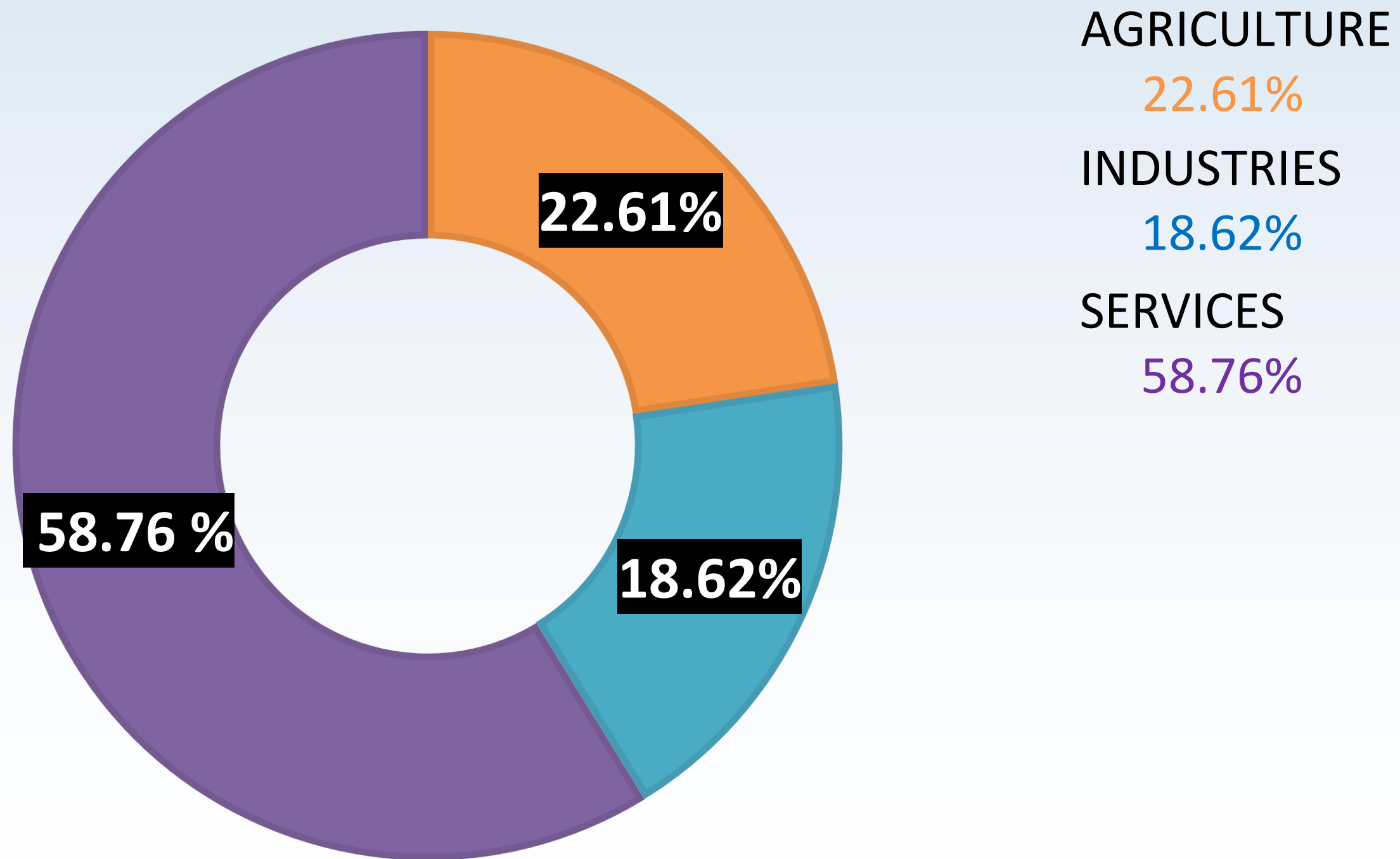
Debt Category	Amount Outstanding (US\$Bn)	Amount Outstanding (NtN)	% of Total
Total External Debt	42.11	56.02	46.05%
Total Domestic Debt	49.34	65.65	53.95%
FGN Only	46.30	61.58	50.61
States & FCT	3.05	4.06	3.34%
Total Public Debt (A+B)	91.46	121.67	100%



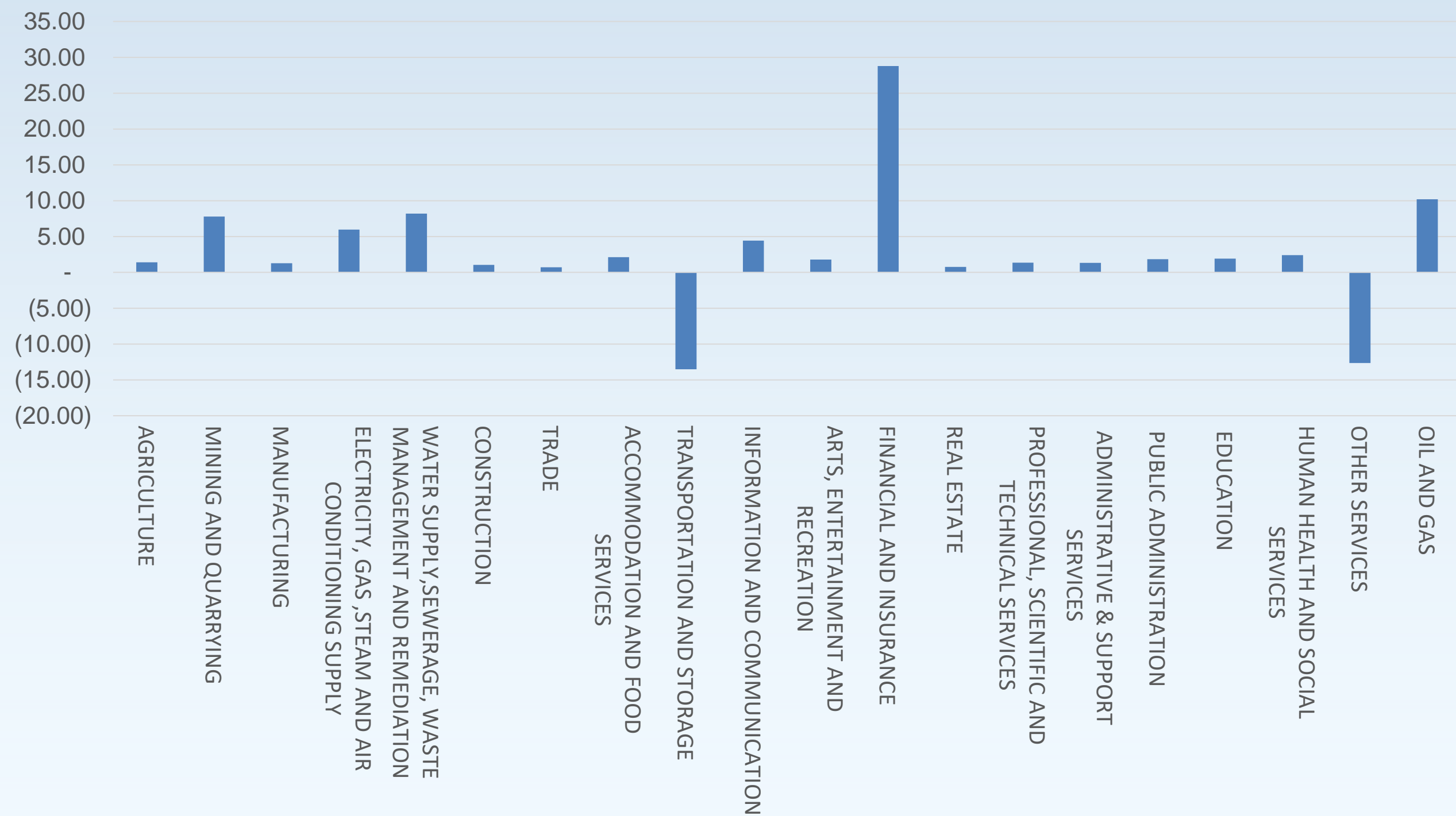
Real GDP Growth 2021-2024

	2021	2022	2023	2024
	Growth	Growth	Growth	Growth
AGRICULTURE	2.13	1.88	1.30	1.41
MINING AND QUARRYING	26.10	16.58	26.16	7.79
MANUFACTURING	3.35	2.45	1.45	1.28
Electricity	27.57	(2.21)	1.91	5.96
WATER AND WASTE MANAGEMENT	18.34	13.62	11.93	8.2
CONSTRUCTION	3.09	4.54	3.89	1.05
trade	8.62	5.13	1.53	0.7
ACCOMMODATION AND HOSPITALITY	(0.45)	4.22	3.57	2.13
TRANSPORTATION AND STORAGE	16.25	15.20	(35.85)	-13.5
INFORMATION AND COMMUNICATION	6.55	9.76	6.99	4.44
ARTS, ENTERTAINMENT AND RECREATION	1.72	4.29	4.45	1.79
FINANCIAL AND INSURANCE	10.07	16.36	28.21	28.8
REAL ESTATE	2.26	3.95	1.90	0.75
PROFESSIONAL, SCIENTIFIC AND TECHNICAL SERVICES	0.05	2.28	2.15	1.34
ADMINISTRATIVE & SUPPORT SERVICES	2.57	3.16	2.77	1.32
PUBLIC ADMINISTRATION	(0.30)	1.90	2.05	1.85
EDUCATION	(0.75)	1.35	1.45	1.92
HUMAN HEALTH AND SOCIAL SERVICES	4.93	4.20	2.93	2.41
OTHER SERVICES	(0.16)	1.07	0.63	-12.7
OIL AND GAS	(8.30)	(19.22)	(6.16)	10.2

GDP Sector Contribution 2024 US\$253billion



GDP Sector Growth - Year 2024



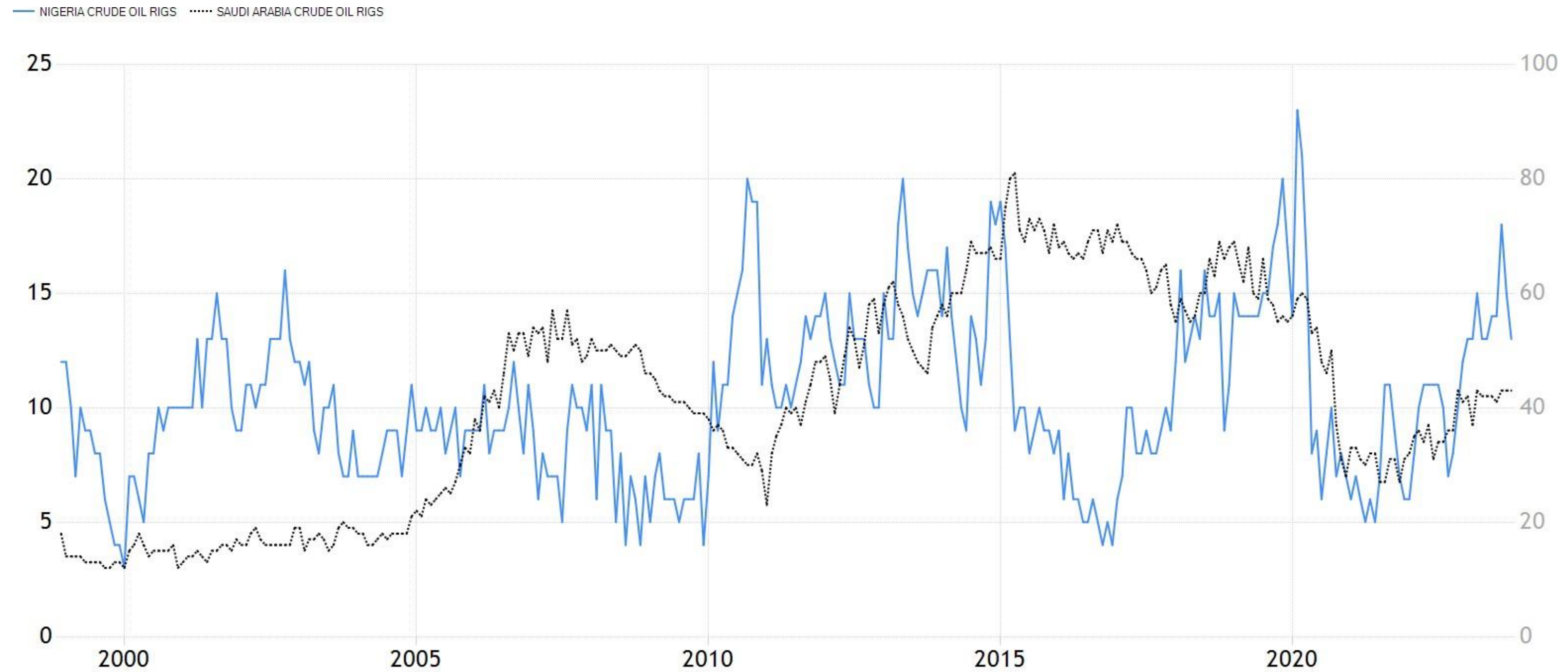
Nigeria Crude Oil Production (mbp)



Nigeria Rig Count



Nigeria Vs Saudi Arabia Rig Count



Nigeria Inflation Vs Interest Rates

- 2006-2016 Real Interest Rates Positive for Only 5 Years. 2016 Real Interest Rates Negative.
- 2016-2020 Real Rates Positive. 2021-2023 Real Rates Negative



Nigeria Inflation Vs GDP Growth Rates

- In 2011 and 2014 the Nigerian GDP grew in excess of 8%. In both years, inflation was within a band of 11-13% and interest rates 12-15%. Our analysis and the historical data in the previous three charts, confirms that when inflation and interest rates are within this band, high GDP growth rates are assured. A pointer for Monetary Policy formulation.



- FGN needs to urgently sell down to at least 49%, of its interest in the 74 Licensed Concession Assets in a bid to raise US\$50 billion to improve government finances, restructure and recapitalize NNPC balance sheet. It must also consolidate all of NNPC oil forwards contracts into a structured debt instrument for ease of management, better rates, transparency and accountability.
- With this in place and other bottlenecks removed, Nigeria can restore investments into the Oil and Gas industry, which has declined from the highs of US\$22 billion in 2009 and 2014 to less than US\$3billion in 2024. This in a bid to ramp up production to 2.5mbpd for revenue sustainability and FX availability.
- The state of the economy and the recent strike and protests should serve as a big wake up call to the government. As we approach year end 2024, the only way out is seeing through and be steadfast with the reform program, which is now suffering from fatigue and in a state of quagmire.
- Excessive fiscal spending, a massive deficit and failure of the social intervention program has left Nigerian citizens and business despondent with an economy struggling with stagflation.
- Time to hit the reset button learn from past mistakes and reshuffle the cabinet. Plot a new course. Time is running out.



Nigeria 2024 Year End Macro Forecast

Region: Sub-Saharan Africa | West Africa



Country Highlights

Total Area

923,768KM²

Capital

Abuja

Population

200m

Currency

Naira (₦)

Exchange Rate Forecast

₦1,500/ \$1 NFEM
₦1 800/ \$1 Parallel

Ease of doing business ranking

131

Comments

- ▶ In 2011 and 2014 the Nigerian GDP grew in excess of 8%. In both years, inflation was within a band of 11-13% and interest rates 12-15%. Our analysis and charts of the historical data, confirms that when inflation and interest rates are within this band, and real rates are positive, high GDP growth rates are assured. A pointer for Monetary Policy formulation.
- ▶ The lack of investment in the oil and gas sector and the drying up of FX reserves is reflected in negative GDP growth rates in the last three years. (-19%) growth in 2022 with expected (-7%) growth in 2023. For any meaningful impact on economic recovery and macro headlines, oil production must be restored to 2mbpd and gas restored to 6 NLNG train currently operating at 50% capacity.
- ▶ In 2023 only three sectors of the economy experienced double digit growth. Mining & Quarrying 26.16%, Water and Waste 11.93% and Financial Services 28.21%. Manufacturing was a paltry 1.45% reflecting the lack of productivity in the Nigerian Economy. Policy implementation to enhance productivity is critical to revive all the other sectors of the Nigerian economy for recovery from stagflation and sustainable growth.
- ▶ The fundamentals of the Nigerian Economy are sound. Poor economic leadership has failed to realize the potential and grow the economy. With a new and highly rated economic team in place, the expectations are high. The success or failure of our projections, will depend on their commitment and sincerity to implement their well laid out policies. The goal is to drive the economy out of stagflation and meet the sustainable GDP growth targets.

Nigeria Headline Economic Forecast 2024

GDP growth
(2024)

3.25%

Population
(2024)

200m

tnade balance
(2024)

**US\$
(3.2)b**

Foreign reserves
(2024)

**US\$
25b**

Total debt
(2024)

**US\$
100b**

Source: CBN, NBS, DMO, Oxford Economics

Unemployment Rate
(2024)



50.5%

Inflation Rate
(2024)



25.50%

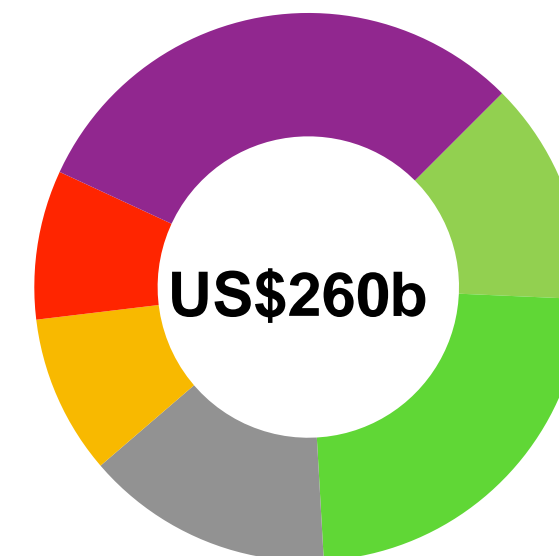
**Monetary Policy
OMO Rates**
(2024)



26.50%

Source: NBS, CBN

Sectoral contributions to GDP 2024



- trade
- Agriculture
- Manufacturing
- Construction
- Telecommunications
- Others

Source: The CFG Advisory Forecasts

Nigeria accounts for **18%** of Sub Saharan Africa's GDP, as well as **20%** of the region's population.

The Nigerian economy is still largely a monolithic economy dependent on crude oil exports for the majority of its foreign exchange earnings - **95%**

