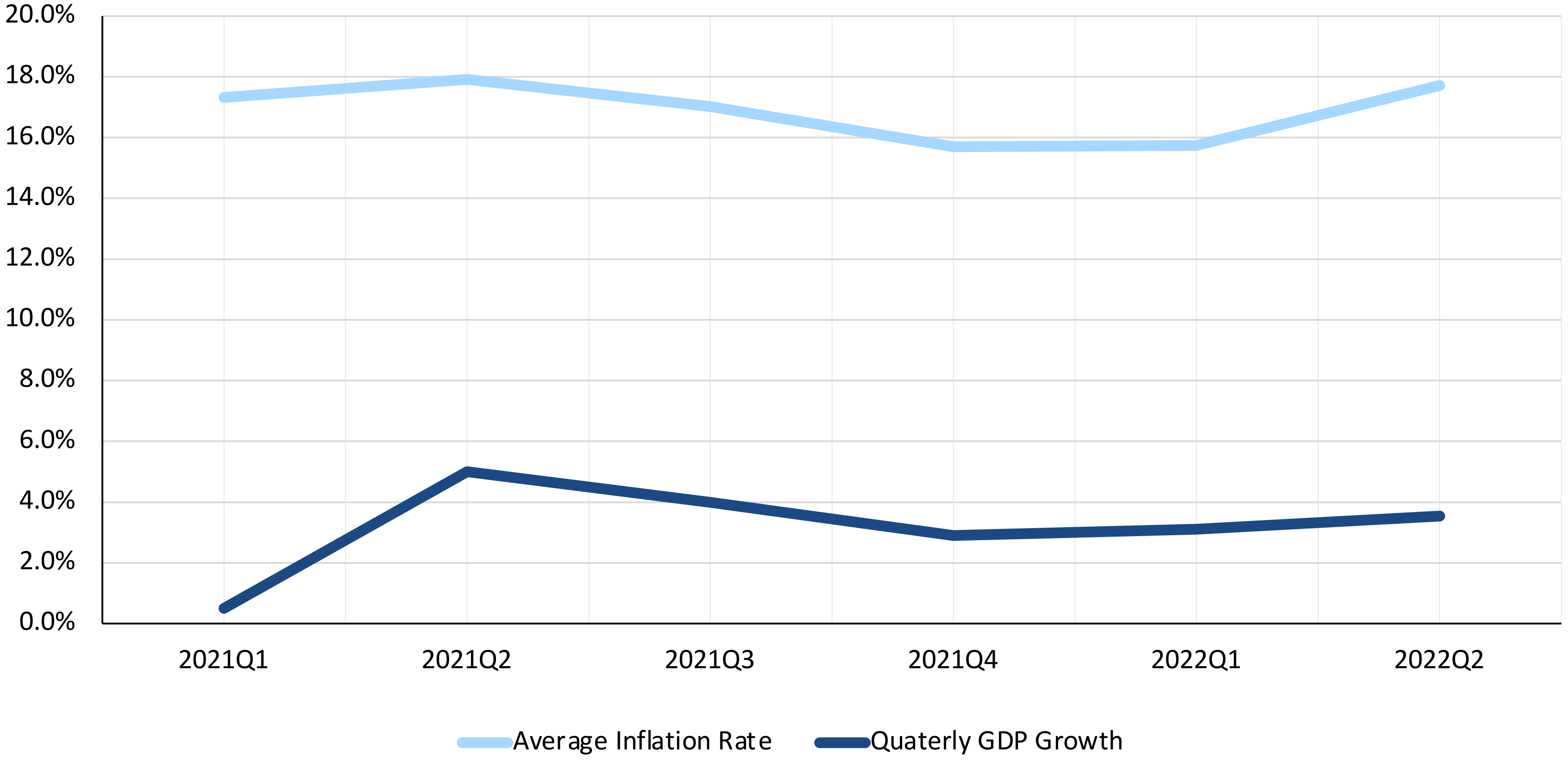
Nigeria's Macroeconomic Report

Why Social Inclusion Matters for Development

October 2022

GDP Growth inches upward but the economy feels the heat of rising Inflation

Real GDP Growth and Inflation Rate



- Nigeria's GDP growth has continued on a positive trajectory due to improvement in the non-oil sector. Inflation rate, however, remains a major concern.
- Inflation rate rose to 20.5% in August 2022, from 19.6% in the July.
- Food prices continued to trend upwards owing to a depreciating currency and high production costs.
- Key factors such as insecurity, floods and election spending will keep inflation rate high in coming months.

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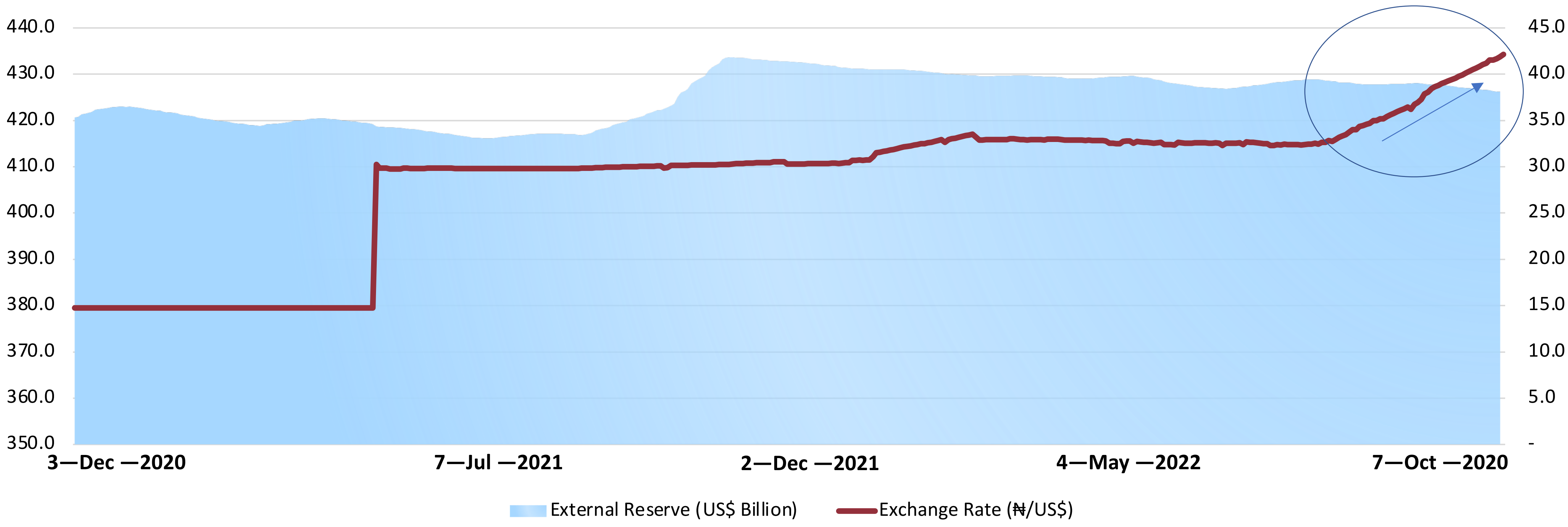
Data Source: National Bureau of Statistics

Pressure mounts on External Reserves and Exchange Rate

Despite high crude oil price, Nigeria's external reserve faced pressure since the second quarter of 2022 amidst lower inflows. Foreign investment inflows was subdued owing to the tough business climate while crude oil theft limited foreign exchange inflow from crude oil. With this, the CBN limited its intervention in the foreign exchange market, triggering a depreciation of official exchange rate from ₦415/US$ in July 2022 to ₦434/US$ in October 2022. Dollar demand pressure also led to a widening of the gap between rates in the parallel and official markets.

External Reserve in US$ Billion (RHS) and Exchange Rate ₦/US$ (LHS)



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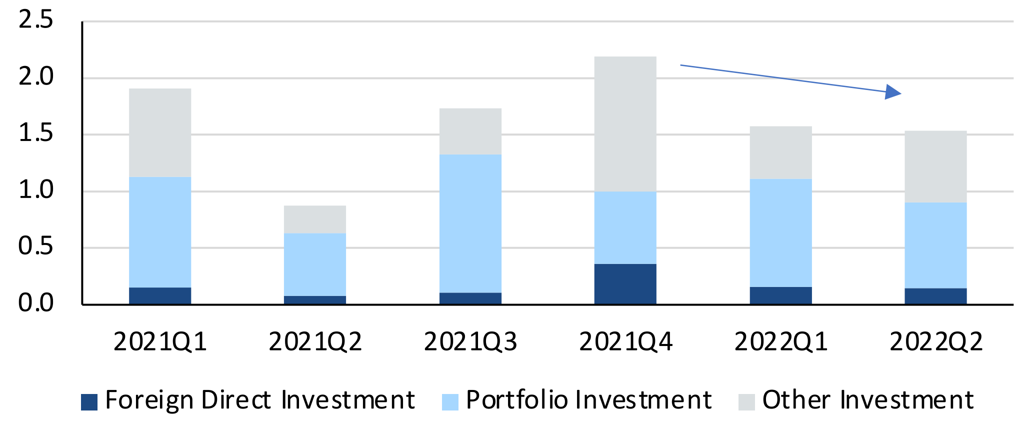
Data Source: Central Bank of Nigeria (CBN)

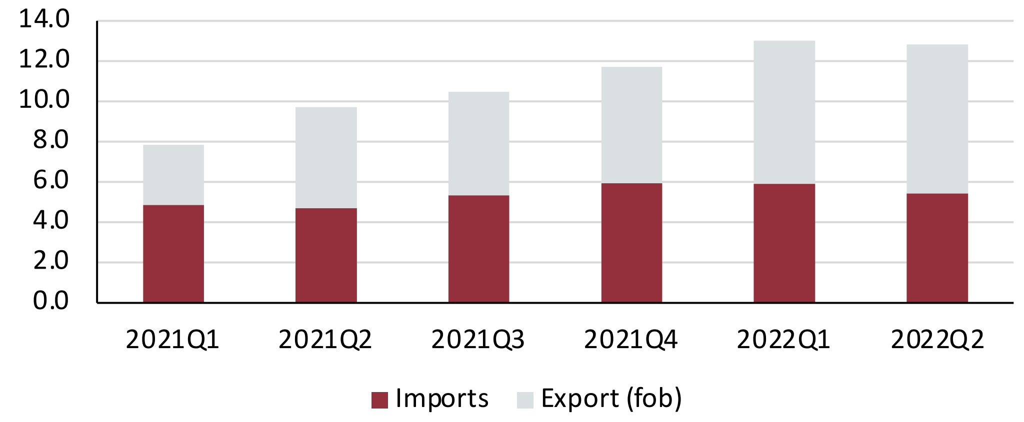
Investment climate remains constrained but trade surplus improves in H1 2022

Foreign Investment Inflows into Nigeria (US$ Billions)



- Foreign investment inflow is still constrained – total inflows was around US$1.5 billion in the first and second quarters of 2022. This is far below the US$5.85 billion inflow recorded in 2020Q1.
- Structural problems such as inadequate infrastructure, foreign exchange scarcity as well as insecurity influence the inflow of investments into the country.

Foreign Trade (₦ Trillion)



- In the first two quarters of 2022, the value of goods imported into Nigeria declined, from ₦5.94 trillion in 2021Q4 to ₦5.9 trillion in 2022Q1 and ₦5.44 trillion in Q2.
- The value of exports, on the other hand, trended upwards. Higher crude oil price as a result of the war in Ukraine was responsible for this increase, despite challenges associated with crude oil output.
- Given these trends, Nigeria recorded a trade surplus in the first half of 2022.

Data Source: National Bureau of Statistics

Key Events that continue to influence Nigeria's economic direction

01 — **Oil theft and low investments** in the oil sector will lead to lower oil revenue and affect budget implementation

02 — **Rising inflation** could become severe as floods ravage different parts of the country

03 — **Scarcity of foreign exchange and policies on FX repatriation** continue limit FX inflows into the country

04 — **Insecurity** is among the biggest obstacles to food production. It also limits investments across sectors

05 — Payment of **fuel subsidies** will continue to heighten pressure on government finances

06 — **Commencement of elections campaign** and spending associated with elections will raise consumer demand

07 — **High debt servicing costs** in the FG budget will increase further in 2023 following the hikes in benchmark interest rate by the Central Bank MPC

President Buhari presents the 2023 Proposed Budget

- On October 7, 2022, President Muhammadu Buhari presented the 2023 Appropriation Bill to the National Assembly – the last budget in his administration.
- One major legacy of the President is the early budget presentation especially during his second administration, which began in 2019. As with the 2022 budget, the 2023 proposed budget was presented 86 days to the start of the budget year.

Key Budget Assumptions

- Oil price benchmark – US$70 per barrel;
- Daily oil production estimate – 1.69 million barrels (inclusive of Condensates of 300,000 to 400,000 barrels per day);
- Exchange rate – ₦435.57 per US Dollar;
- Projected GDP growth rate – 3.75%
- Inflation rate – 17.16%.

Appropriation Bill Presentation Dates

Budget Year	Date Presidency submits proposed budget to NASS	Number of days to the start of the Budget Year
2000	01-Nov-99	61
2001	09-Nov-00	53
2002	07-Nov-01	55
2003	20-Nov-02	42
2004	18-Dec-03	14
2005	12-Oct-04	81
2006	06-Dec-05	26
2007	11-Oct-06	82
2008	08-Nov-07	54
2009	03-Dec-08	29
2010	24-Nov-09	38
2011	15-Dec-10	17
2012	13-Dec-11	19
2013	11-Oct-12	82
2014	01-Dec-13	31
2015	17-Dec-14	15
2016	22-Dec-15	10
2017	14-Dec-16	18
2018	07-Nov-17	55
2019	19-Dec-18	13
2020	08-Oct-19	85
2021	08-Oct-20	85
2022	07-Oct-21	86
2023	**07-Oct-22**	**86**

Data Source: Budget Office of the Federation, various sources

Proposed 2023 Budget Summary

Revenue – ₦9.725 trillion

01 **Oil Revenue –** ₦1.92 trillion, accounts for 20% of revenue in the proposed budget.

02 **Non-Oil Taxes –** ₦2.4 trillion, representing 25% of total revenue.

03 **FGN Independent Revenue –** ₦2.2 trillion, with a share of 23%

04 **Other Revenue –** ₦762 billion, accounts for 8% of total revenue

05 **GOEs Revenue –** ₦2.42 trillion has a share of 25%

₦10.78 trillion Deficit

(To be financed mainly by borrowing- ₦8.8 trillion)

Expenditure – ₦20.5 trillion

01 **Recurrent Expenditure –** ₦8.27 trillion, accounted for 40% of total expenditure

02 **Debt Servicing –** ₦6.56 trillion, has a share of 32%

03 **Capital Expenditure –** ₦4.93 trillion, with a share of 24%

04 **Statutory Transfers –** ₦744 billion, accounted for 4%

Data Source: Budget Office of the Federation

Notes on the 2023 Proposed Budget

- The recent tradition of early budget presentation is a good practice that needs to be sustained by the next administration. This is important to ensure early budget passage by the National Assembly and improved budget implementation.

- While early budget presentation is important for improved implementation of the capital budget, more recent challenges associated with crude oil revenues, particularly oil theft, is a major setback in recent times.

- On the expenditure side, the proposed budget size of N20.51 trillion (US$47.1 billion), represents a 20% increase from the approved 2022 budget expenditure of N17.1 trillion. Much of the increase in the expenditure was due to increased allocation to recurrent expenditure and debt servicing.

- The share of capital expenditure in total expenditure was 24%, much lower than 32% in the 2022 budget.

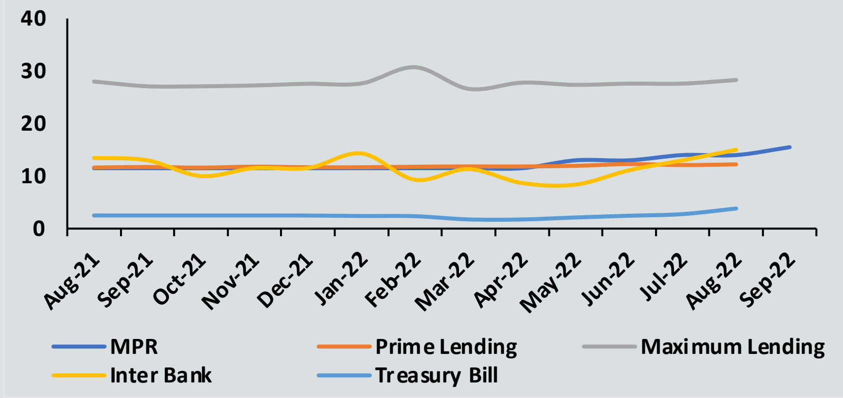
- The estimated revenue of N9.725 trillion will not be fully realized as the government will struggle to curtail oil theft, vandalism and smuggling. A lower-than-expected revenue implies more borrowing to finance the large deficit, raising Nigeria's debt profile and servicing costs.

- Efforts are required by the National Assembly to scrutinize the budget, remove frivolous items in the recurrent component and increase allocation for capital projects.

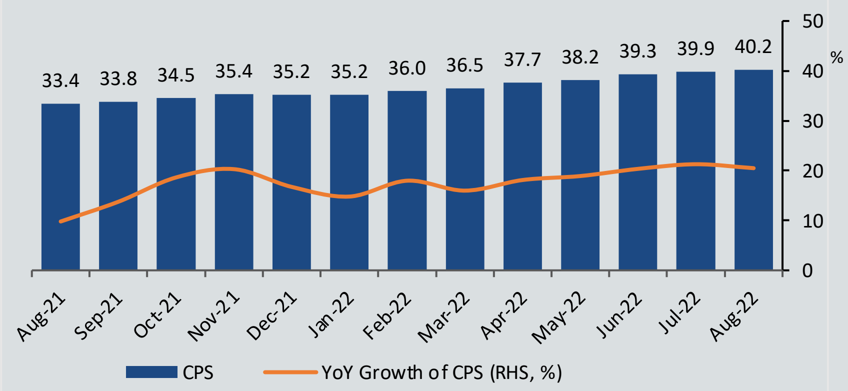
SECTION 01

Monetary Policy: Key Charts

Lending Rate (%)



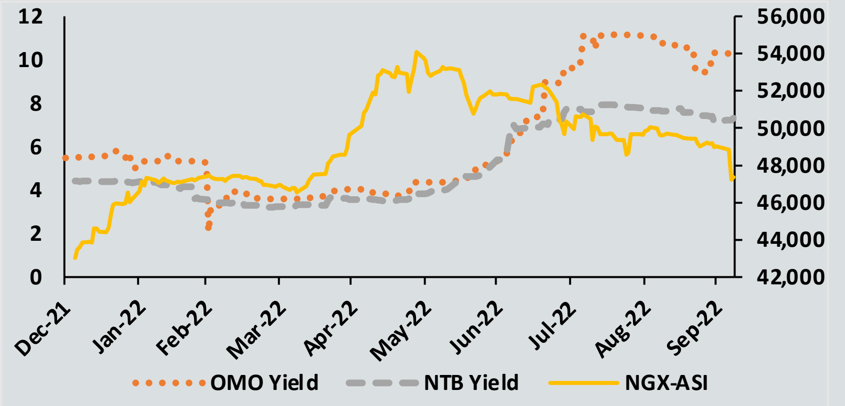
Credit to Private Sector (N'Trillion)



Financial Deepening Indicators (%)

	Jan-22	Mar-22	May-22	Jun-22	Jul-22	Aug-22
Currency/M2	7.42	7.11	6.86	6.68	6.71	6.51
Currency/GDP	1.89	1.87	1.92	1.88	1.87	1.85
M2/GDP	25.53	26.32	27.98	28.12	27.83	28.41
CPS/GDP	20.28	21.02	22.01	22.63	22.97	23.16
Stock Market Capitalization/GDP	14.48	14.59	16.66	16.10	15.65	15.49

CBN Special Bill and OMO Yield (%) and ASI (rhs)

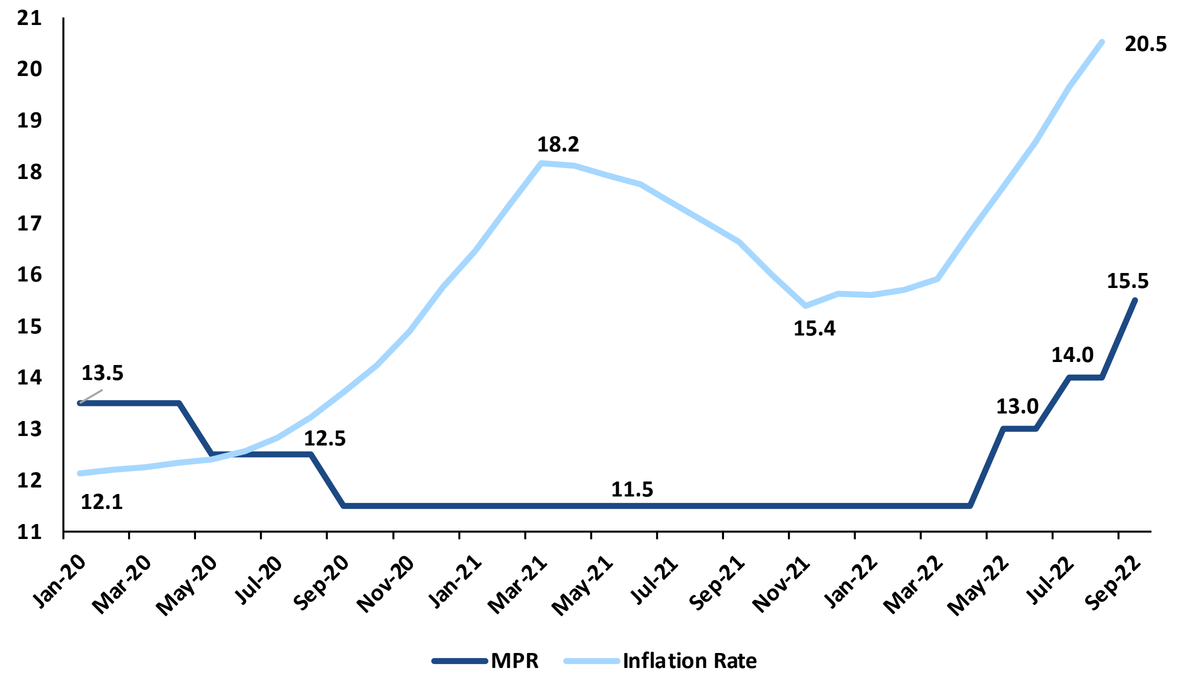


Data Source: Central Bank of Nigeria, FMDQ

FSDH RESEARCH

The MPC tightens further as inflationary pressure amplifies

Inflation Rate vs Monetary Policy Rate (%)



- With the persistent increase in the inflation rate, the CBN Monetary Policy Committee (MPC) adjusted the Monetary Policy Rate (MPR) for the third time in three consecutive meetings in 2022.

- In the meeting held in September 2022, the Committee unanimously voted to raise the Monetary Policy Rate (MPR) and the Cash Reserve Requirement (CRR), while other parameters were retained. Summarily, the MPC voted as follows:
    - Increase the MPR to 15.5% from 14% in the previous meeting in July 2022;
    - Retain the asymmetric corridor of +100/-700 basis points around the MPR;
    - Increase the CRR to a minimum of 32.5% from 27.5%; and
    - Retain the Liquidity Ratio at 30%.

- Key factors that influenced the MPC policy decisions included:
    - Aggressive inflationary pressures and associated weakening of the global economy;
    - Widening negative real interest rate gap and worsening financial market conditions; and
    - Capital outflows.

Data Source: Central Bank of Nigeria, National Bureau of Statistics

Monetary Policy Review and Outlook

Expectation from next MPC meeting

- The tightening position of the MPC is not surprising, with amplified inflationary pressure over the past four months and heightened capital flight due to higher rates in advanced countries. The CBN has in recent times cited the growth in money supply as one of the drivers of inflationary pressure, thus motivating aggressive rate hikes.
- Nevertheless, aggressive tightening is concerning in view of Nigeria's fragile economic growth. Mopping up credit could limit growth of loans to businesses.
- Beyond raising rates, the government's fiscal and trade team will need to step-up actions to address the rising inflation. In addition, more attention should be given to the Federal Government's aggressive accumulation of CBN Ways & Means.
- Efforts to securitize the ways and means and ensure more transparency need to be hastened.
- Going forward, with persistent inflationary pressure, widening fiscal deficit, and government borrowing, we anticipate that the MPC will maintain its current stance to examine the impact of recent rate hikes on the economy.

Analyst Views on the economy

- **Nigeria's GDP growth has remained strong in 2022, driven mainly by the non-oil sector.** Growth has been driven by improved consumer spending in the service sectors. Sub-sectors such as trade, transport, finance and ICT have played key roles in driving growth, although their impact on quality job creation and living standards are unclear.

- **Developments in the oil sector show that Nigeria's oil production dropped to 1.1 million barrels per day in August 2022 from 1.2mbpd in June, according to OPEC.** This lower oil production is not only affecting government revenue but also GDP growth as the oil sector has been in recession since the third quarter of 2020. With the recent efforts by the government to curtail oil theft and illegal bunkering, official oil output figures are expected to improve marginally, although the revenue gains may be limited as oil prices trend downwards.

- **Beyond oil theft, petrol subsidy is massively draining the government's financials.** The government had planned to remove subsidies in 2022 but this was suspended due to rising inflation and worsening economic conditions. Given the fast-approaching 2023 general elections, this burden of subsidy will likely be passed on to a new administration as the chances to make critical reforms are slimmer in an election year. The implication of this is more borrowing to finance recurrent expenditure and subsidy payments given the slow growth in revenue.

Analyst Views on the economy

- **Structural problems are not giving way anytime soon in Nigeria.** Inadequate infrastructure, poor power supply, limited access to affordable finance are common problems faced by businesses, resulting in a less competitive business environment. In addition to these problems, insecurity and foreign exchange challenges are prevalent and are largely responsible for the upward trending inflation rate, which exceeded 20% in August 2022. The extent to which the economy can grow rapidly and become inclusive relies a lot on the government’s ability to address these problems going forward.

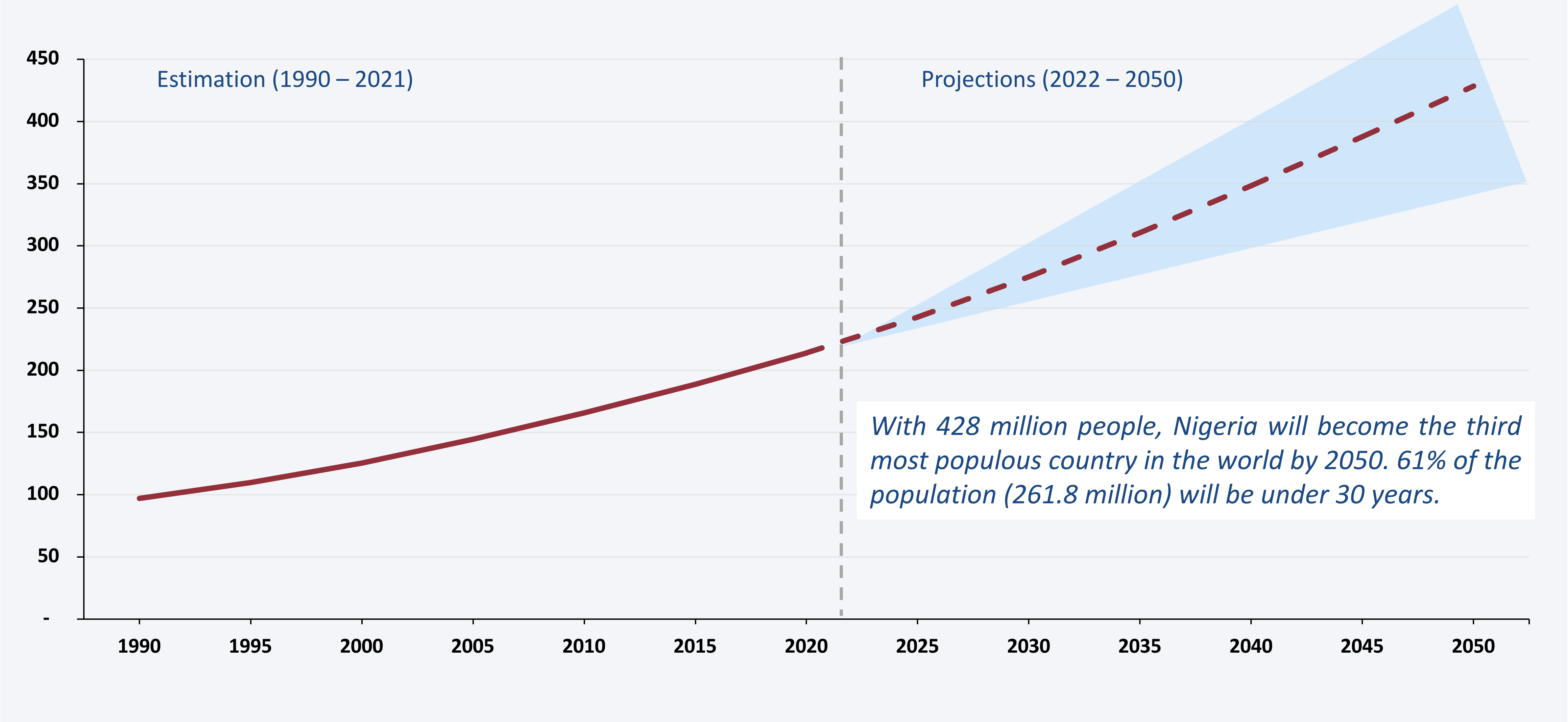
- **Finally, the proposed 2023 budget does not present any significant hope to the myriad of challenges facing the country.** Debt servicing gulps about one-third of the total expenditure and this share is likely to be higher at the end of 2023 when actual figures are released for several reasons. First, interest rates are trending upwards. Second, revenue will likely underperform leading to more borrowing to cover the gap. Thus, only about a quarter of total expenditure will be spent on capital projects in 2023. Already, figures from the budget office show that debt servicing exceeded revenue by 19% in the first four months of 2022. This trend is expected to continue in coming quarters.

SECTION 02

Why Social Inclusion Should Matter for Nigeria

Nigeria is experiencing a rapid increase in population

Nigeria's Population (millions)

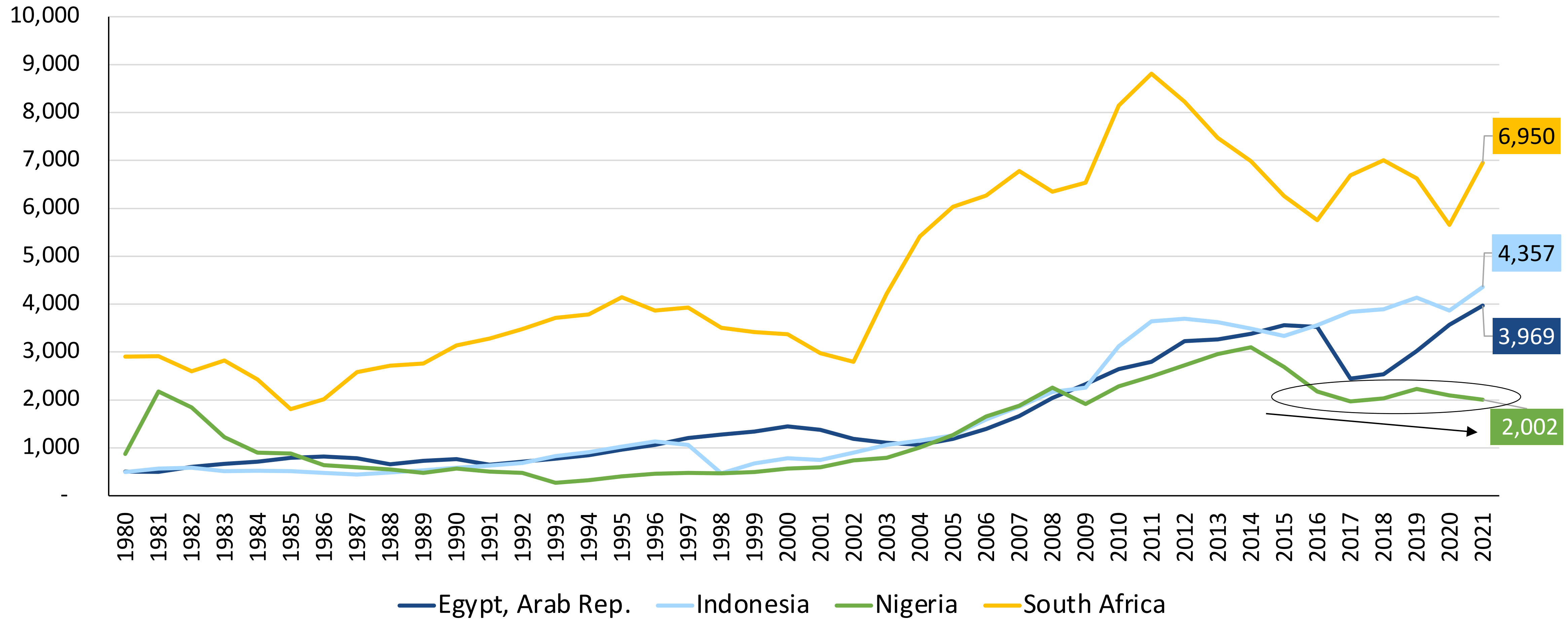


Data Source: US Census Bureau

Nigeria's economic growth has not been strong enough to cater for its population

Nigeria's per capita income remains low vis-à-vis comparable countries. It's per capita income in 2021 (US$2,002) is below that of 1981.

GDP Per Capita at current prices (US$)



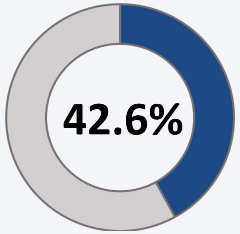
Data Source: World Bank WDI and Country Statistical Agencies

Poverty and social exclusion are becoming severe and are worsened by the COVID-19 and the war in Ukraine

- 01 **Poverty is on the rise**
- 02 **Rising un/under-employment**
- 03 **Inflation is reducing purchasing power**
- 04 **Literacy rate**

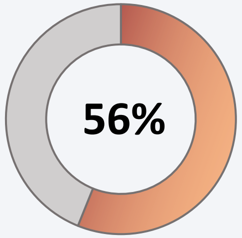
01

Over 90 million Nigerians (42.6% of the population) live below the national poverty line. Poverty rate is higher when the benchmark of US$1.9 per day is used.



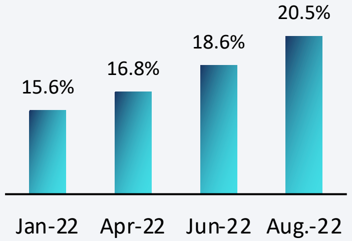
02

About 6 in 10 Nigerians in the labour force are unemployed or underemployed.



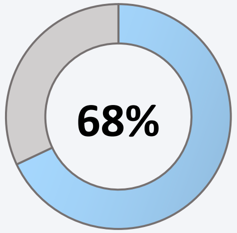
03

Inflation rate was 20.5% in August 2022. Food prices have trended upwards in the last few years, limiting the purchasing power of Nigerians.



04

Adult literacy rate is 68%. Literacy rate for men is 75% while for women is 61%.



Data Source: National Bureau of Statistics

Poverty and social exclusion are becoming severe and are worsened by the COVID-19 and the war in Ukraine

05 Under-5 mortality rate remains high at 102 deaths

06 Many children are not in school

07 Widespread inequality in school attendance rates

08 Child labour is prevalent

05

Under-5 mortality rate (U5MR) in the last 5 years is 102 deaths per 1,000 live births. This implies that about 1 in 10 children in Nigeria die before their 5th birthday.

06

26% of children of primary school age are not attending any level of education while about 30% of children who are in primary school are at risk of dropping out.

07

Only about seven out of every ten children (68%) of intended age for primary education are attending primary school or higher. There is a high disparity across regions - attendance rates are much higher in the southern states than in the northern states.

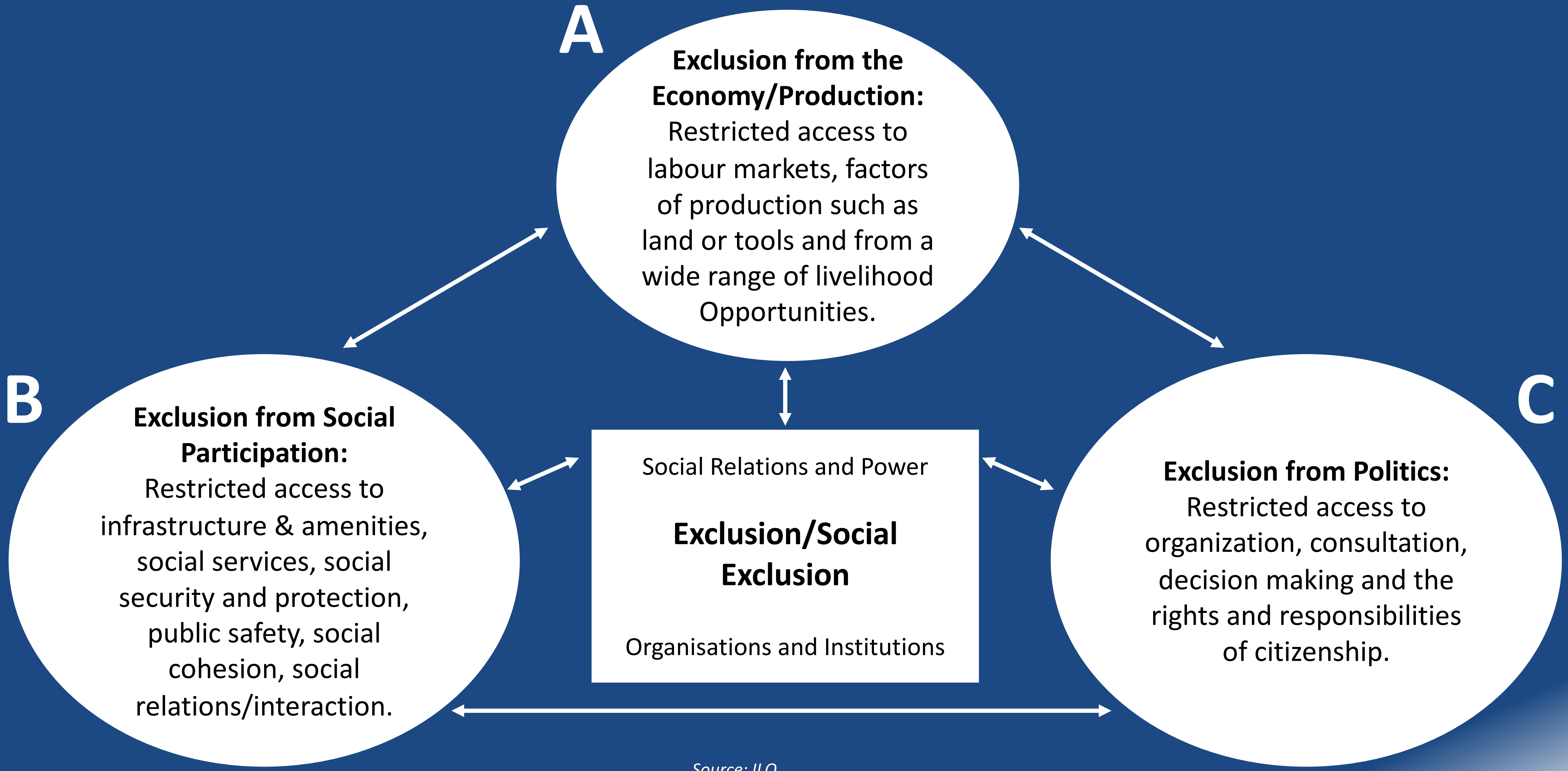
08

Three out of every ten children aged 5-17 years (31%) are engaged in child labour, while two out of every five children aged 5-11 years (42%) are engaged in child labour.

Data Source: National Bureau of Statistics

The Challenge of Social Exclusion exists in three Dimensions

The International Labour Organisation explained a framework for social exclusion, identifying three main areas: (A) Exclusion from the economy (B) Exclusion from social participation, and (C) Exclusion from politics.



Source: ILO

Across the three Dimensions Social Exclusion manifests in Nigeria

	Dimensions	Notes
A.	**Exclusion from the Economy/ Production**	• Limited number of jobs, rising inflation which limits purchasing power and increases poverty, and a harsh business environment exclude majority of citizens from productive activities. • Poor access to factors of production such as land and capital – High interest rate and limited coverage of subsidised loans for small businesses while limited access to land especially for women due to cultural norms are clear cases of economic exclusion in Nigeria.
B.	**Exclusion from Social Participation**	• Lack of adequate support for the underpriviledged and aged citizens – inclusive pension schemes, health insurance, transport discounts, food stamps, etc. • Limited coverage of cash transfers – Nigeria's social register currently has about 48 million individuals, a far cry from the over 90 million people living in poverty. • Lack of basic infrastructure and social amenities especially in rural areas - only 57% of rural dwellers in Nigeria have access to at least basic drinking water. • Inadequate security of lives and property is a major form of social exclusion in Nigeria.
C.	**Exclusion from Politics**	• Marginalisation of women and young people to compete for political offices as a result of systemic norms such as godfatherism, cost of running a campaign, among others.

Data Source: National Bureau of Statistics

Economic exclusion in Nigeria revolves around three main issues

1. There are not enough jobs and opportunities to cater for those in the labour force

- Since 2015, the number of formal jobs created in the economy has declined (except in 2018) on an annual basis. This decline in full-time jobs has been accompanied by rising unemployment and underemployment across the country. Nigeria's rising population and the influx of new entrants into the labour market will continue to create pressure on jobs.

2. For individuals that are employed (both in the formal and informal sector), rising inflation rate has reduced their real income further widening inequality

- Since the COVID-19 crisis, majority of workers moved from farming activities to small-scale retail sector, which also has lower productivity and thus, among the least secure sources of income (World Bank, 2022). In addition, the World Bank also estimated that rising prices pushed an additional 8 million Nigerians into poverty in 2021.

3. For workers and the unemployed that are poor and vulnerable, social safety nets are inadequate to cover their needs

- Data from the World Bank showed that from March 2020 to March 2021, only 3.9% of households in Nigeria received support from social safety net programs in the form of direct cash transfers from either federal, state, or local government. This suggests a weak social protection system in Nigeria.

Other factors such as limited access to land and capital, uneven resource allocation, poor governance and corruption have also exacerbated economic exclusion in Nigeria.

Data Source: National Bureau of Statistics, World Bank Nigeria Poverty Assessment Report

Nigeria's approach to addressing social exclusion

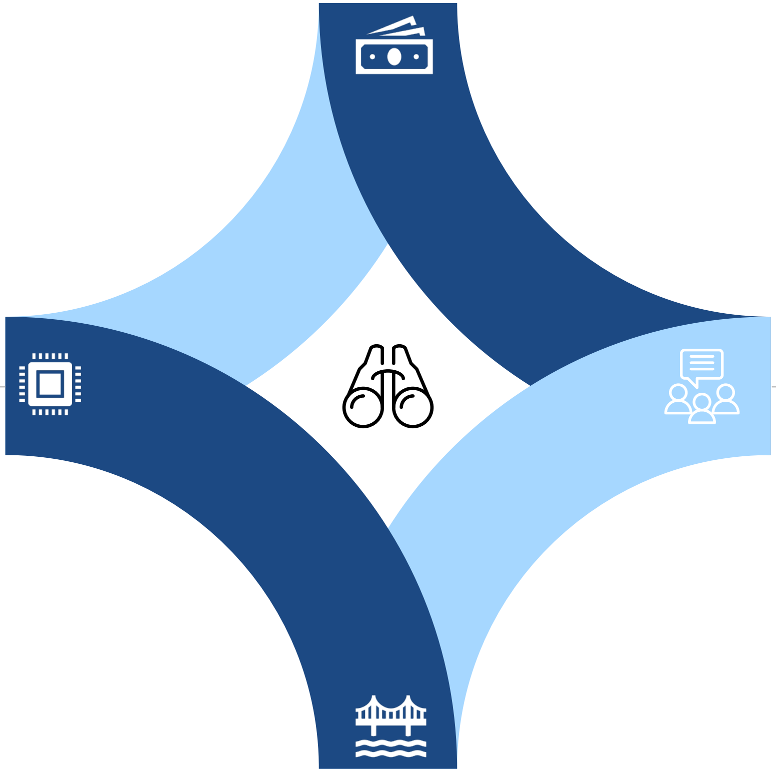
Nigeria's approach to addressing social exclusion has mainly revolved around the following areas.

1 Implementation of empowerment programmes and intervention funds for key sectors

Over the years, the Nigerian government has implemented initiatives such as the Subsidy Reinvestment and Empowerment Program (SURE-P), N-Power, YouWin, Government Enterprise Empowerment Program (GEEP) as well as intervention funds for sectors such as agriculture, entertainment, etc.

2 Direct cash transfers and school feeding initiatives

Since 2016/2017, the federal government, working with state governments have implemented conditional cash transfers to the poor and vulnerable across the country. Similarly, meals are being provided for primary school pupils to encourage enrolment and retention.



3 Provision of social infrastructure

Provision of rail, roads, schools, health facilitiess and other basic amenities.

4 Passage of policies and legislation to support inclusion

In 2021, the federal government designed the revised National Social Protection Policy which provides a framework for promoting social justice, equity and inclusive growth. The signing of the Not Too Young To Run bill into law in 2018 created the platform for young individuals to contest for public offices.

In general, the revised National Social Protection Policy argues that the social protection interventions aim to address multidimensional and crosscutting issues as well as temporary and structural deprivations, shocks and vulnerabilities among Nigerians.

Nigeria's recently approved Social Protection Plan provides an assessment and justification of social protection

National Social Protection Policy (NSPP)

The NSPP is consistent with the federal government's goal to lift 100 million Nigerians out of poverty in the next 10 years. Key long term goals of the policy include increase the nation's HDI by 30%, reduce MPI by 40%, and reduce child poverty by 30%.

Six guiding principles are identified in the NSPP. They include:

- The Principle of Redistribution
- The Principle of Universal Basic Needs
- The Principle of Citizenship
- The Principle of Human Rights
- The Principle of Social Control
- Principle of Social Inclusiveness

Reform measures of the NSPP include gender mainstreaming, social assistance to the aged and a multisectoral approach to development.

The policy is the guiding framework that incorporates social agenda paradigms to improve the livelihoods of Nigerians. The policy covers five key areas which are (1) Social Assistance (2) Social Care (3) Social Insurance (4) Labour Market Intervention and (5) Complementary measures for SP policy effectiveness. Under each area, the NSPP outlines specific policies and initiatives such as free school meals, cash transfer for poor household, provision of health services, insurance for the unemployed, utilization of social register, etc.

The NSPP emphasized the development of a a continuous and systematic process to track policy implementation efforts and measure progress going forward.

Despite these interventions, social exclusion is still a major problem

Why despite these comprehensive plans and initiatives, exclusion persists in Nigeria.

1. **Limited scope and scale of social programmes:** Many of the government-led intervention programmes do not cater for the majority of the poor and vulnerable Nigerians due to weak social infrastructure, limited funding and manpower requirements.

2. **Limited cooperation among government agencies and across the different levels of government:** Some government agencies work in silos and there is often limited partnerships between federal and state governments in designing and implementing social programmes.

3. **Programmes, initiatives and agendas are often not synced with existing national and thematic plans and are not viewed as components towards achieving the overarching goals.**

4. **Lack of effective monitoring and evaluation:** Little is known about the impact of these social programmes on broader macroeconomic indicators such as poverty, unemployment and overall living standard. The scorecard for the NSPP is yet to be operational.

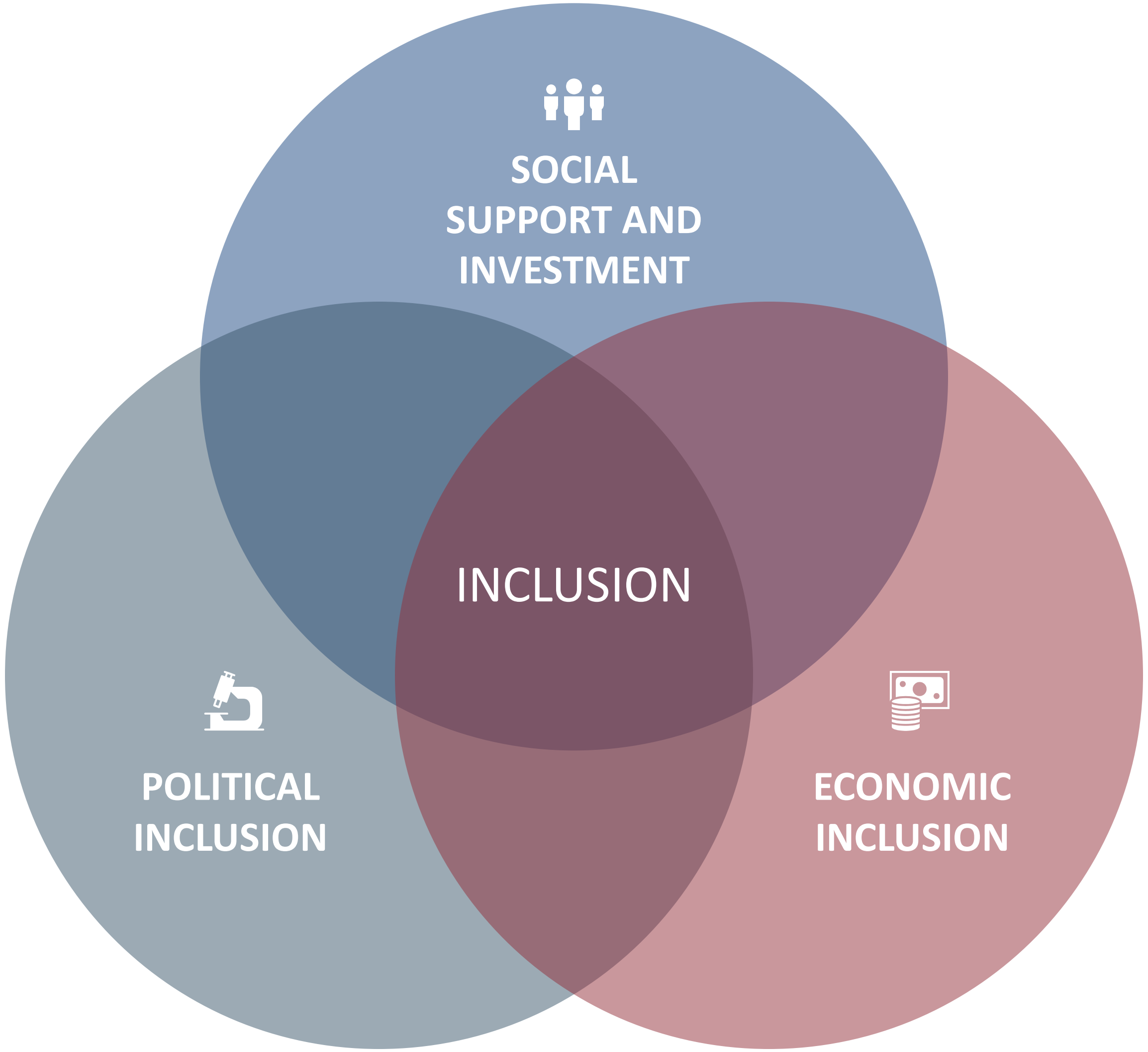
What Needs to be Done?

Nigeria needs to develop and implement a comprehensive ***national social inclusion strategy (NSIS)*** *that prioritises social welfare of its citizen. An inclusion strategy will ensure all social interventions are aligned with the broader developmental goal of lifting 100 million Nigerians out of poverty in the medium term. A good starting point for the development of the NSIS is the revised National Social Protection Policy (NSPP), which represents the policy framework for social interventions in the country.*

Four Key Elements of a Social Inclusion Strategy

Alignment with national plans and goals	Social programmes and interventions should be aligned with existing national or regional plans to ensure optimal use of scarce resources and increase their impact. Interestingly, the revised NSPP was created in the context of the current Medium Term Development Plan.
Wider coverage of social interventions	There needs to be a wider coverage of social support programmes both in terms of scope and scale. Conscious efforts must be made by policymakers and legislators to ensure these interventions are spread across the country and reach the target Nigerians, across age groups, religion, gender, etc.
Effective partnerships to improve implementation	Collaboration of stakeholders is essential in the success of any intervention. Partnerships must be strengthened across government agencies and between the federal and state governments to improve implementation of social interventions and initiatives.
Effective monitoring and evaluation	One major missing ingredient in Nigeria's social policy and intervention design is conducting monitoring and evaluation (M&E) of these social programmes. M&E is critical in ensuring projects and programmes meet their specified objectives and in highlighting lessons learned during the implementation phase.

The Social Inclusion Strategy



Social support for the poor, vulnerable and disadvantaged citizens as well as increased social participation are required to ensure inclusion. Target groups should include rural dwellers, women, physically challenged, aged, etc.

Economic inclusion will emphasize the need for citizens to be productively engaged in economic activities as well as the creation of opportunities for all, regardless of status, gender, religion, location etc.

Political participation will seek to ensure increased participation of citizens in the critical decision making process of the country. Barriers to political participation will be removed.

The Social Inclusion Strategy – Key Interventions

SOCIAL SUPPORT AND INVESTMENT

- The Nigerian government, through the National Bureau of Statistics need to conduct periodic and timely surveys on poverty, unemployment, social exclusion and forms of marginalization.
- The federal government should expand coverage of existing national social protection programmes such as the conditional cash transfer for the poor and vulnerable. It is also crucial to conduct an impact assessment of these programmes.
- Design specific financial support for the aged citizens in the form of cash transfer and pensions schemes for retirees.
- The government must design an inclusive mobility framework for all new government buildings and public amenities to ensure easy access for physically-challenged individuals
- State governments to introduce free transport for primary and secondary school children as practiced in Lagos, Ondo state and a few others.
- The federal government, state government and community leaders must work together to sensitize parents on the importance of formal education for their children. In addition, the government needs to consider the establishment of care homes for out-of-school children and provide food, clothing and other forms of support.
- Community-based Health Insurance Scheme(CBHIS) should also be considered to improve coverage.
- There is need for massive investment in rural infrastructure by federal and state governments to create access to markets and opportunities for rural dwellers.
- Building of hospitals and schools as well as providing adequate equipment and personnel are crucial in non-urban areas.

The Social Inclusion Strategy – Key Interventions

ECONOMIC INCLUSION

- Federal and state governments in Nigeria need to operate with the philosophy that the fastest way to lift Nigerians out of poverty is through the creation of quality and sustainable jobs. Such jobs can be created by the private sector but the government must guide the job creation process and provide support structures for businesses.
- A job creation plan that highlights sectors with job creating potential and proposed sectoral interventions to attract investments, match producers with markets and provide targeted infrastructure is required.
- Federal and state governments need to design a national/state-wide skills programme working with the private sector to train and re-train young Nigerians across vocations/profession.
- To limit the effect of rising prices on poor workers, the government should consider implementing a national minimum wage scheme that is applicable to non-government workers.
- It is important to intensify ports reforms to simplify processes and reduce inefficiencies. Incentivize private investment in developing ports in other parts of the country, outside Lagos.
- Enhance productivity in agriculture through mechanisation, training of farmers and the use of modern technology.
- Embark on a massive campaign to improve non-oil export, leveraging on the African Continental Free Trade Area (AfCFTA) agreement. Incentivise production for exports, particularly non-oil goods, to boost external reserves accretion.

The Social Inclusion Strategy – Key Interventions

POLITICAL INCLUSION	
	• Federal and state governments should enact policies and legislations that guarantee the appointment of competent women into public offices to foster inclusion. • Federal government can Institutionalize engagements with citizens and civil societies across the different regions of the country to provide progress on governance, address new challenges and obtain citizens feedback. • It is important for the government to provide special measures to include women and people with disabilities in political parties and the decision making process.

Central to the Social Inclusion Strategy is the role of technology

Agriculture and agro-processing	Technology can unlock enormous opportunities in agriculture by creating access to markets, improving productivity and efficiency in the sector. Every agricultural programme implemented by the government and stakeholders needs to be supported with digital capabilities to enhance their effectiveness.
E-Commerce	E-commerce is essential in driving inclusion and could be a major vehicle for financial literacy and financial inclusion. Nigeria needs to accelerate the adoption of e-commerce across states in the country to improve sales for businesses and income growth for individuals. The African Continental Free Trade Area Agreement also presents a huge opportunity for the development of the e-commerce space.
Education & Health	To be relevant and fit-for-purpose, Nigeria's education sector needs adequate digital technologies and skills required by the 4th industrial revolution and the new digital economy. The government must be willing to partner with the private sector to create digital training centres, upgrade curricula and improve delivery. The health sector will also benefit from digitisation of health records, processes and systems.
Government Digital Services	Technology adoption has the potential to improve efficiency and quality of delivery of government service and improve revenue generation for government. Accelerated implementation of e-governance system can boost coordination and effectiveness of government, especially in implementing social programmes. Digital solutions such use of mobile phones, payment platforms can be used for cash transfers.

Conclusion

- An effective social inclusion strategy that is well implemented can improve income, build citizens trusts, expand the reach of government, drive financial inclusion and reduce conflict.

- The revised National Social Protection Policy (NSPP) aims to establish a National Social Protection Council (NSPC) to be domiciled in the Ministry of Budget and National Planning (MBNP) to coordinate the NSPP. We believe that part of the functions of the Council should be to spearhead the creation of an inclusion strategy and follow-through on its implementation. A monitoring and evaluation framework also needs to be developed.

- Beyond social inclusion strategy, a sound macroeconomic environment is important to limit the impact of both domestic and external shocks on citizens. Ensuring foreign exchange policy clarity, taming inflation and addressing crude oil theft are among key actions that should be implemented.

SECTION 03

Macroeconomic Projection for 2022 – 2024

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Macroeconomic Projection for 2022: Rationale for the Three Scenarios

Best Case	This scenario assumes that the impact of the Omicron variant on the oil market is mild. Only few countries implement lockdown and countries adjust swiftly and relax restrictions. Also, the Russia-Ukraine crisis intensifies. Given these, oil price averages US$100 per barrel and Nigeria produces 1.9 million barrels per day. Higher oil and non-oil revenue leads to an increase in both foreign inflows and capital spending (at N3.6 trillion) in 2022.
Moderate Case	In this scenario, crude oil price is expected to average US$89 per barrel. Progress is made in resolving the crisis in Ukraine. In a bid to maintain a high price, OPEC+ members revisit the decision to inject 400,000 barrels per day (bpd) into the oil market. As a result, Nigeria's oil production averages 1.4 mbpd, below the 2022 budget assumption of 1.8mbpd. In addition, FGN spends N2.4 trillion on capital project, which is a budget implementation rate of ~40%, financed mainly by borrowing.
Worst Case	The Omicron variant triggers another intense wave of infection across countries and governments respond by implementing lockdowns and travel bans for most of 2022. The Russia-Ukraine crisis is resolved. Crude oil price averages US$40 per barrel as a result, even as Nigeria's output falls to 1.1 mbpd. Travel bans and restrictions also affect sectors such as transportation, trade, food and accommodation, among others. Government revenue is severely challenged following increasing oil theft and spending on capital project falls to N730 billion in the year.

Macroeconomic Scenario for 2022

Scenario	Assumptions	Outcome
Best Case	• Oil price averages US$100 per barrel • Demand for Nigerian crude improves as economies recover- Nigeria produces 1.9 million barrels per day • Government capital spending at N3.6 trillion • Full implementation of sectoral support interventions	• GDP Growth at 3.8% • Inflation Rate at 14.8% • External Reserves at US$44bn • Exchange Rate at N415/US$
Moderate Case	• Oil price averages US$89 per barrel • Crude oil production at 1.4 million barrels per day • Government capital spending at N2.4 trillion • Implementation of sectoral support interventions	• GDP Growth at 3.1% • Inflation Rate at 18.2% • External Reserves at US$37.7 billion • Average Exchange Rate at N431/US$
Worst Case	• Oil price averages US$40 pb • Another wave of COVID-19 infections results in lockdown and restrictions which impact sectors in Nigeria. • Lower crude oil production- Nigeria produces 1.1 million barrels per day • Government capital spending at N730 billion	• GDP Growth at -0.7% • Inflation Rate at 17.1% • External Reserves at US$29.3 billion • Exchange Rate at N462/US$

Projection for 2022 – 2024 for Nigeria

	2021	2022f*	2023f*	2024f*
Real GDP Growth	3.4%	3.1%	2.9%	3.0%
Inflation rate	17%	18.2%	17.1%	15.1%
Average Exchange rate (N/US$)	410.0	431	450	450
Monetary Policy Rate	11.5%	16%	13%	12%
External Reserves (Average, US$ Billion)	35.8	37.7	35.3	38.0
Treasury Bill (91-Day)**	3.7%	7.0%	9.0%	6.0%
Treasury Bill (182-Day) **	5.2%	8.5%	11.0%	7.5%
Treasury Bill (270-Day) **	6.2%	10.0%	13.5%	9.0%
Treasury Bill (360-Day) **	6.4%	14.5%	17.0%	13.0%

**Please note that there is still a high degree of uncertainty. Actual figures could exceed or fall below these forecasts. A lot depends on the impact of the Russia-Ukraine crisis, the path of COVID-19 and its variant, vaccine effectiveness, oil price movement and outcome of the 2023 general elections and disruptions in the local economy.*

***Forecasts for 2023 and 2024 are highly uncertain with a much weaker degree of confidence due to expected change in government and a switch in fiscal policy approach (Revenue reforms, Debt Sustainability and Fiscal Responsibility). The forecasts assume the incoming government would employ a more responsible fiscal approach as a debt and investor confidence crisis weigh on economic prospects.*

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