MERCHANT BANK LTD

Nigeria's Macroeconomic Report

Nigeria in 2023: A Bright or Dim Economic Prospect?

December 2022

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FSDH RESEARCH

SECTION 01

Review of the Global Economy

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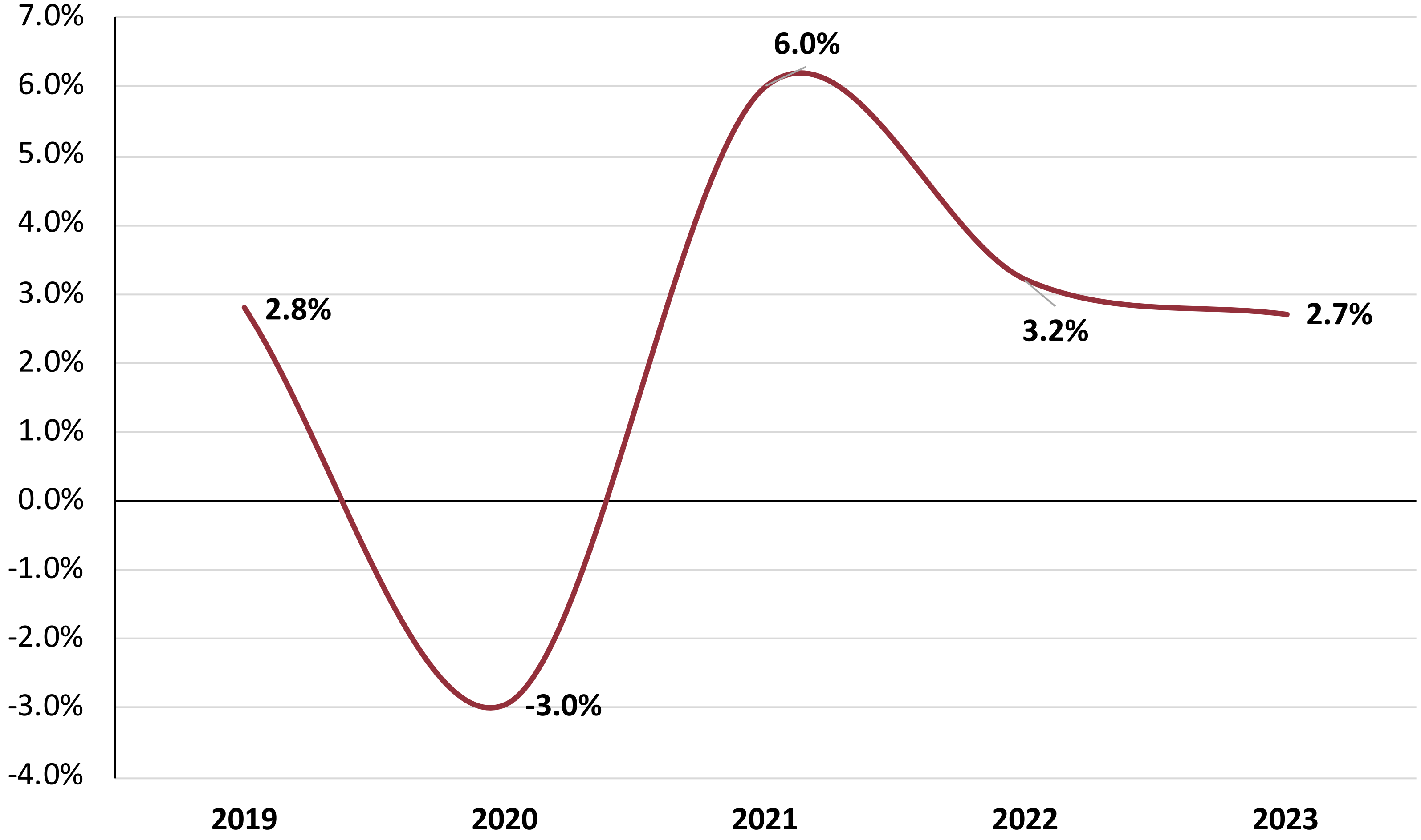
Global GDP expected to grow by 3.2% in 2022 and 2.7% in 2023

Global GDP Growth (%)

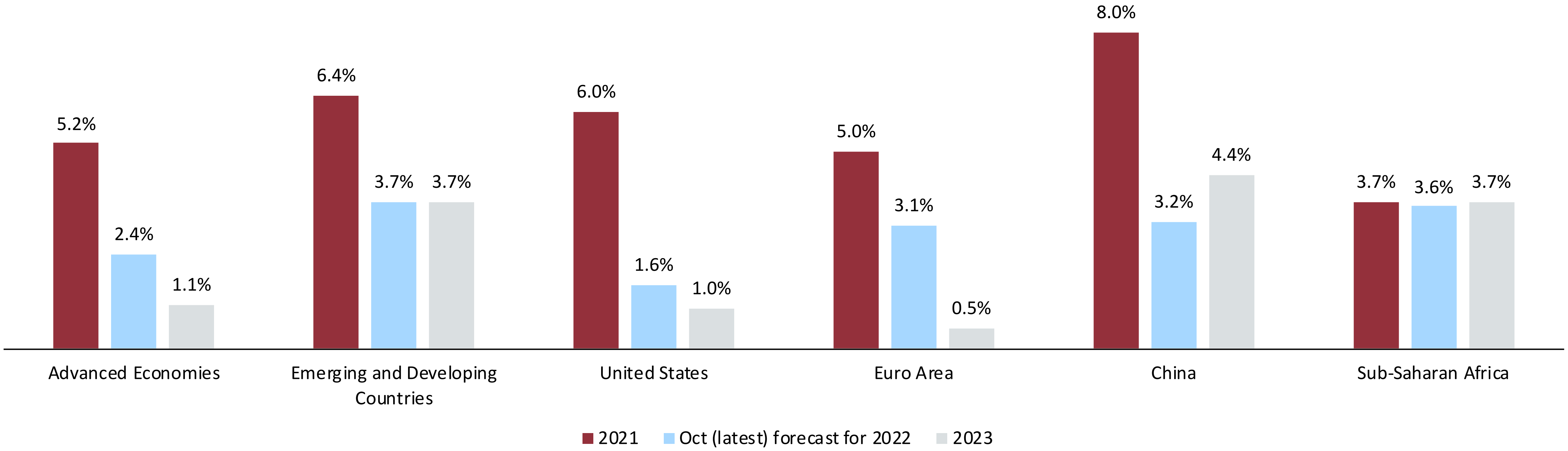


- According to the International Monetary Fund (IMF), global GDP growth is expected to slow to 3.2% in 2022, from 6% in 2021.
- Growth prospect for 2023 is weaker at 2.7%.
- Supply chain disruptions, high energy prices and China's economic growth performance are crucial factors that will impact global output growth in 2023.

Data Source: IMF

GDP growth in 2023 is expected to slow in the US and advanced economies

GDP Growth across countries and regions

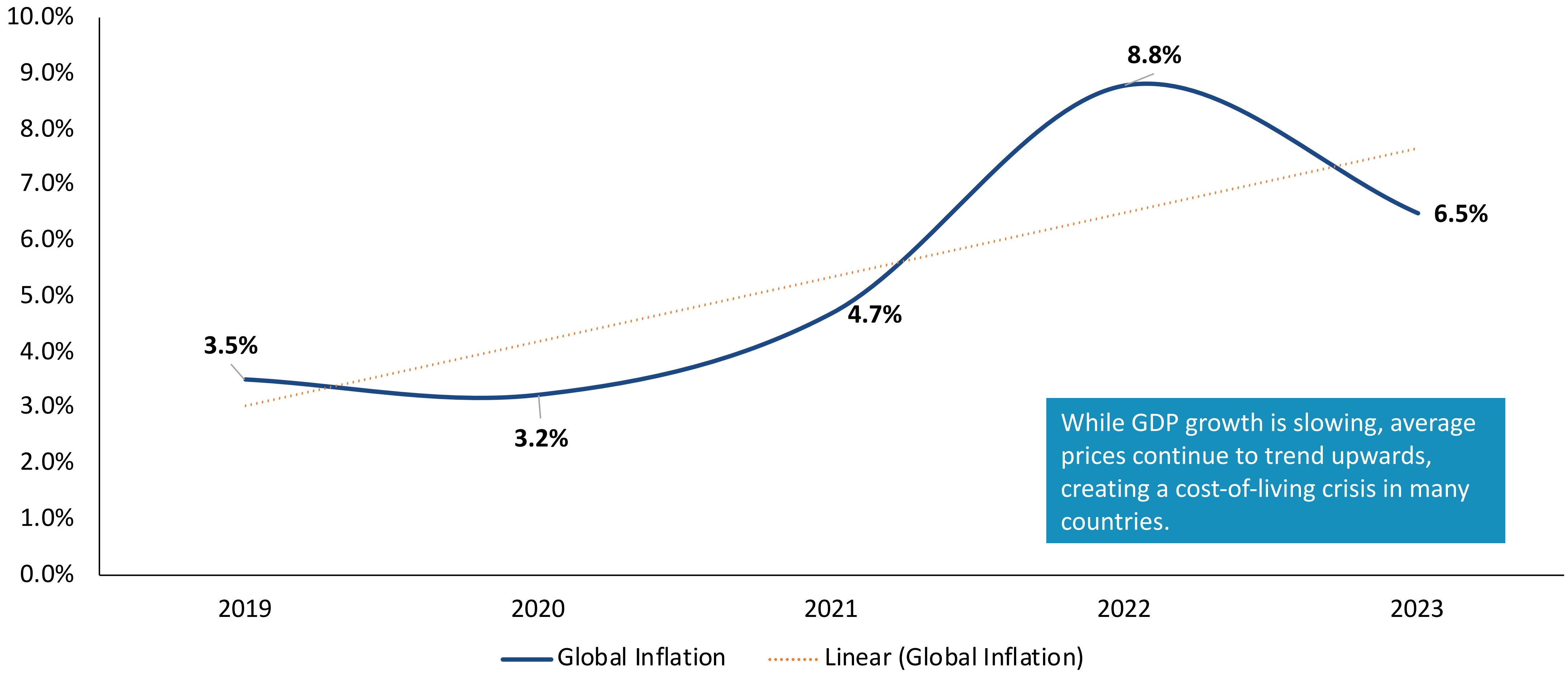


Many economies are affected by supply chain disruptions and rising energy prices triggered by the war in Ukraine. While many of the oil producing countries are benefiting from higher energy prices (for instance, Saudi Arabia's economy is expected to growth by 7.6% in 2022), oil-importing countries are battling with rising inflation, which is a downside risk to growth. The IMF notes that the negative shocks of 2022 are expected to have long-lasting effects on output in 2023 and beyond.

Data Source: IMF

Global inflation rate expected at 6.5% in 2023

Global Inflation Rate (%)

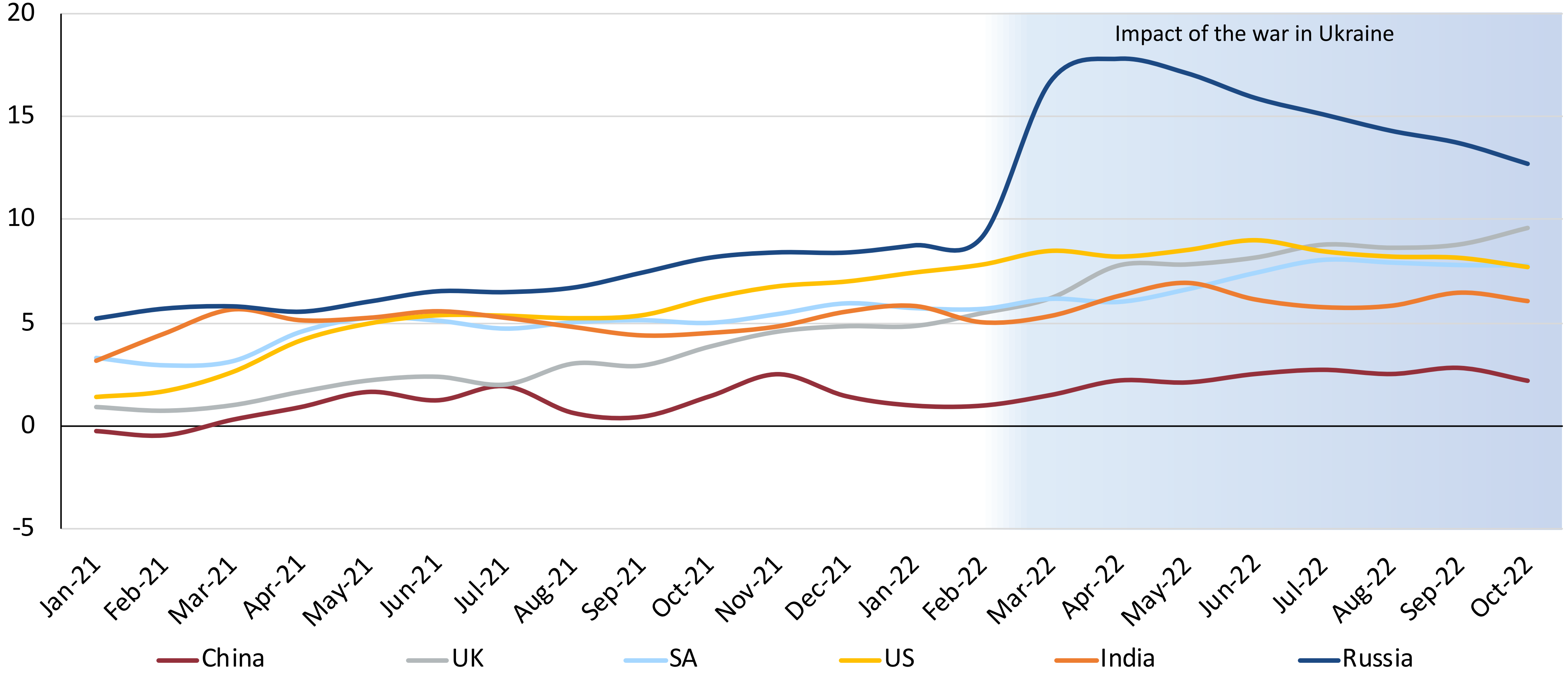


While GDP growth is slowing, average prices continue to trend upwards, creating a cost-of-living crisis in many countries.

Data Source: IMF

Rising energy price was a major driver of inflation across countries

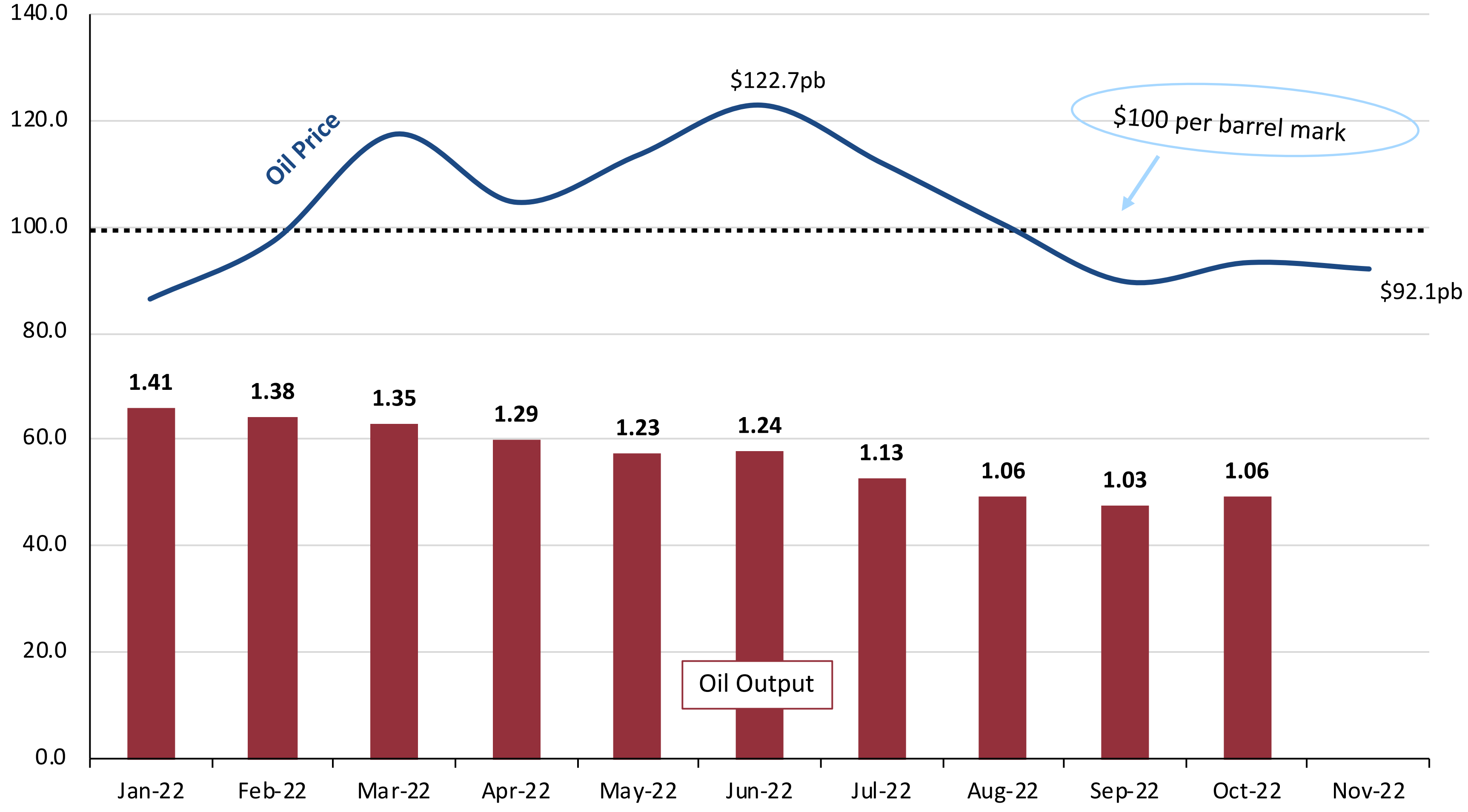
Inflation Rate across countries (%)



Data Source: investing.com; www.inflation.eu

Oil prices remained elevated in 2022

Europe Brent Spot Price FOB in US$ Per Barrel (Left Axis) and Nigeria's Crude Oil Production (mbpd)

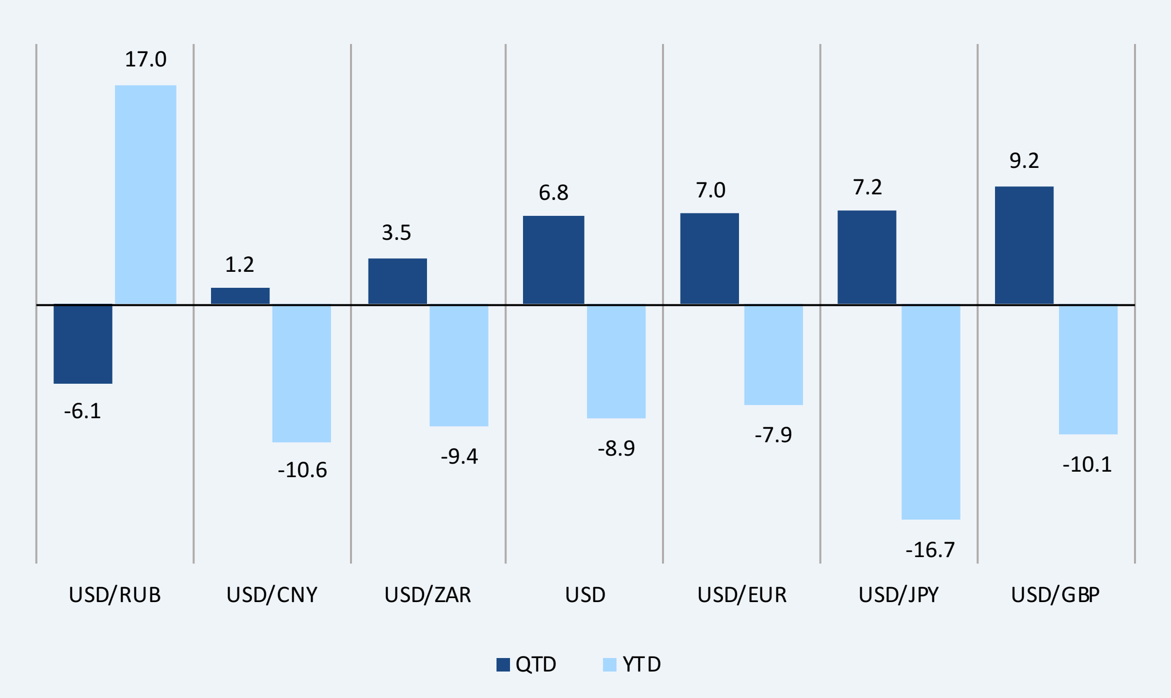


- From January to November 2022, crude oil price averaged 102.6 per barrel, the highest since 2013.
- Many oil producing countries experienced massive revenue inflows while OPEC controlled oil output to keep prices at bay.
- Nigeria, on the other hand, could not meet its OPEC quota mainly due to oil theft.
- As a result, actual government oil revenue was N395 billion from January to August 2022, 73% lower than the pro-rata figure of N1.46 trillion in the 2022 budget.

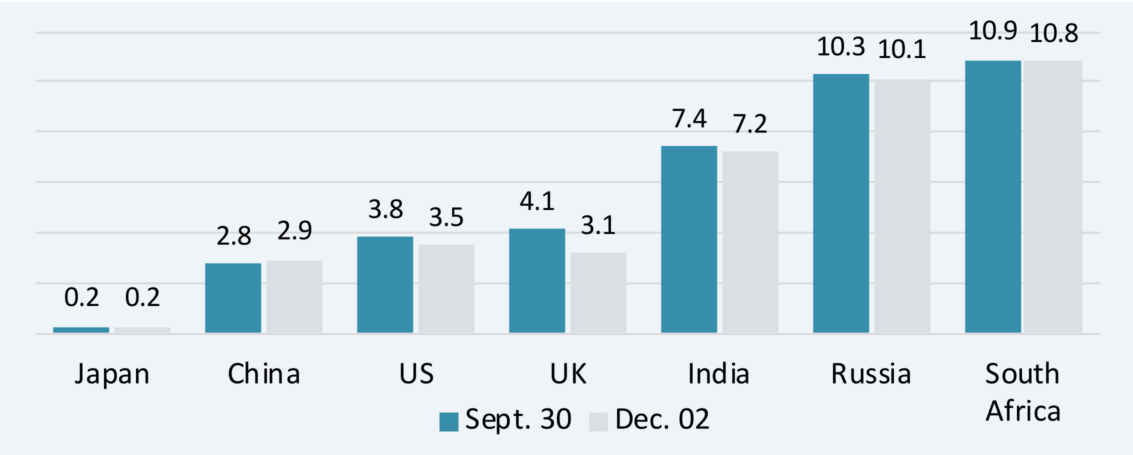
Data Source: U.S. Energy Information Administration, OPEC and Budget Office of the Federation

Global markets are gradually recovering from the impact of the war

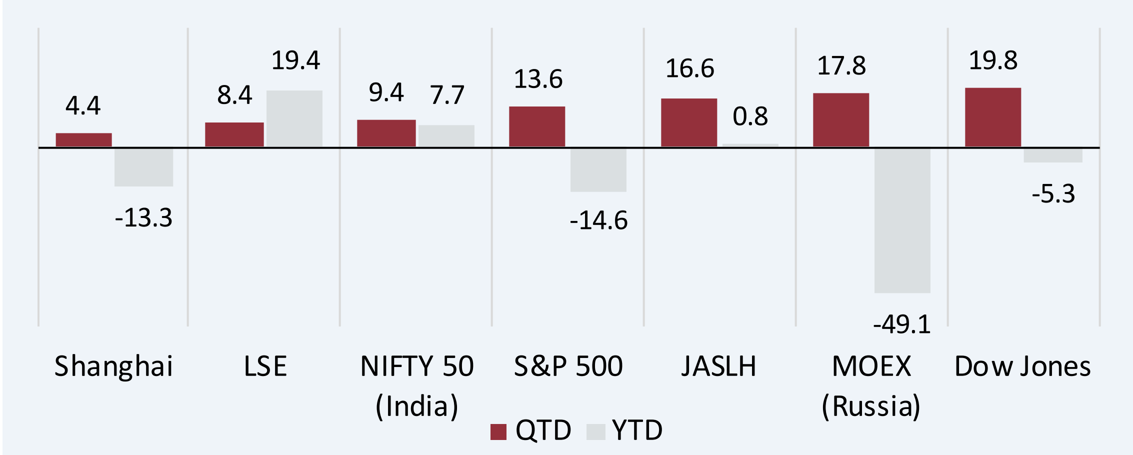
Global Currency (% Change)



Ten Year Government Bond Yield Performance (%)



Stock Markets Performance (% QTD Change*)



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Source: investing.com; www.inflation.eu *Note: Data end at 2nd of December 2022*

Analyst Views on the Global Economy

- Global GDP growth remains fragile following the impact of the war in Ukraine. Both advanced and developing economies are being affected by the impact of the war. In addition, China's zero COVID-19 policy, if sustained, will slow the country's growth and therefore have ripple effect on consumer demand and exports, especially in view of China's contribution to global output and trade.

- Inflation has become a major source of concern for many countries. The war in Ukraine triggered a sharp increase in crude oil and gas prices, which led to high food prices and energy costs across countries. In the United Kingdom, inflation rate rose to 40-year high of 10.1% in July 2022. In Germany, inflation rate rose to 10% in September 2022, reaching an all- time high since German reunification.

- While government's across countries are implementing fiscal support and subsidies to ameliorate the situation for businesses and citizens, these measures do not appear sufficient in taming inflation. Monetary authorities have also raised interest rates to tackle rising prices, and this raises the possibility of constraining aggregate demand growth, and therefore could trigger a recession in some countries.

Analyst Views on the Global Economy

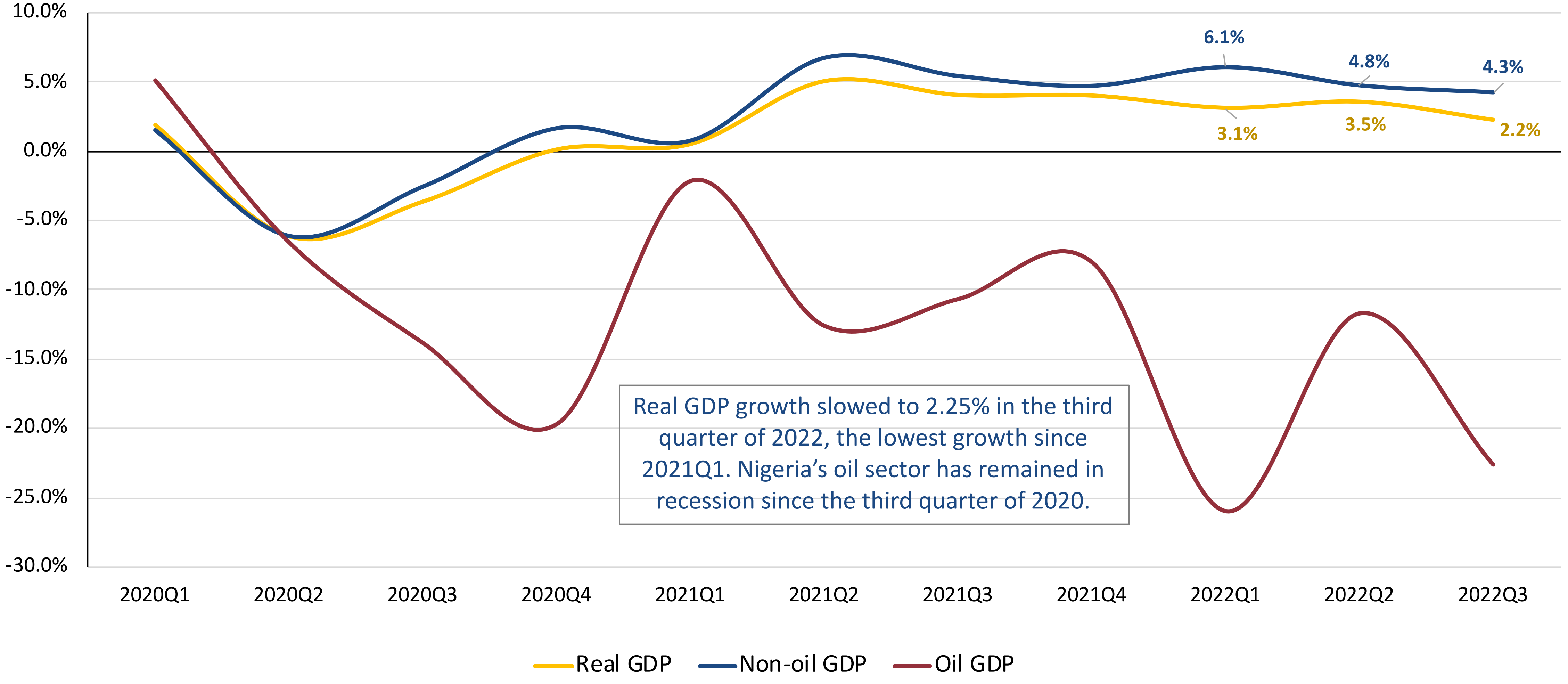
- With inflation already causing a cost-of-living crisis in several countries, a recession could trigger protests and unrests among poor and low-income earners. Central Banks will therefore need to tread cautiously in implementing a tight monetary policy stance to minimize the likelihood of a recession.

- The performance of the global economy will be hinged on the war in Ukraine and its continued impact on global commodity prices and trade. Oil producers may continue to benefit from high commodity prices in 2023, while oil importers will bear much of the cost of energy inflation, which could further slow economic growth and recovery.

Nigeria’s Macroeconomic Environment

Non-oil sector sustains Nigeria's GDP Growth, Oil sector continues to decline

Growth Rate of Real GDP, Oil and Non-Oil GDP

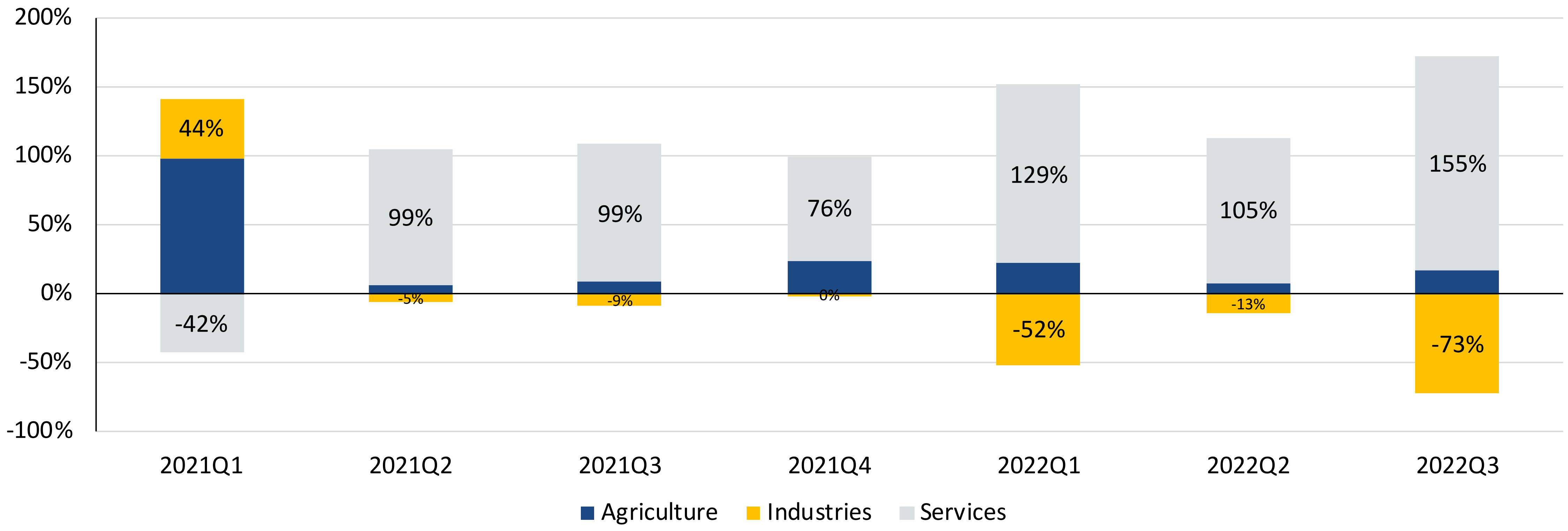


Real GDP growth slowed to 2.25% in the third quarter of 2022, the lowest growth since 2021Q1. Nigeria's oil sector has remained in recession since the third quarter of 2020.

Data Source: National Bureau of Statistics

Services sector contributes the highest to Nigeria's real GDP Growth

Sectoral Contribution to Real GDP Growth

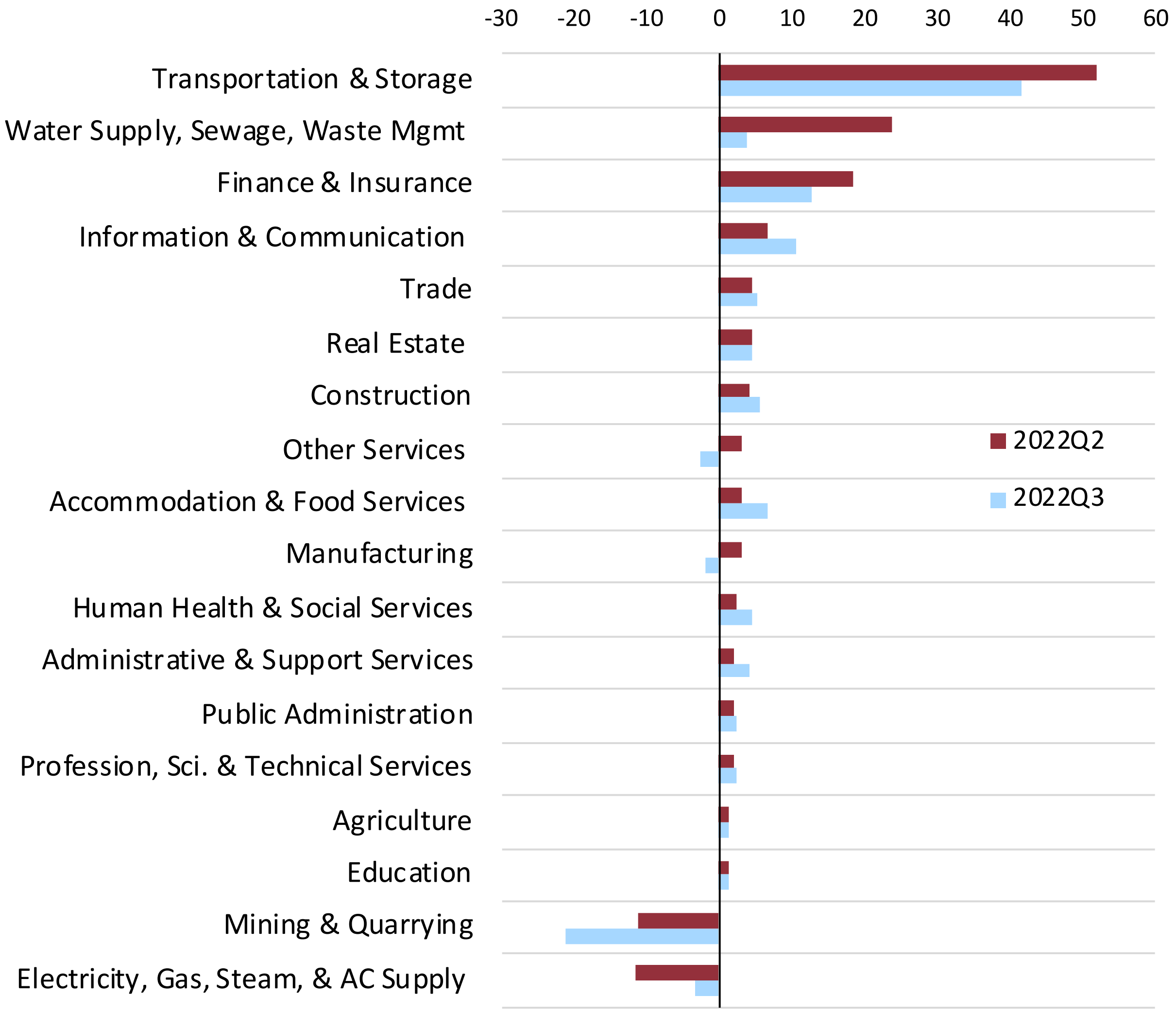


- For 3 consecutive quarters, the industrial sector (particularly crude oil sector) has contributed negatively to real GDP growth in Nigeria. Oil theft is a major factor responsible for this negative contribution.
- In recent quarters, Agriculture's contribution to growth has been relatively weak while the services sector is the main positive driver of GDP growth since the second quarter of 2021.

Data Source: National Bureau of Statistics

Among the major economic sectors, services sub-sectors grew faster

Sectoral GDP Growth (%), Year-on-Year

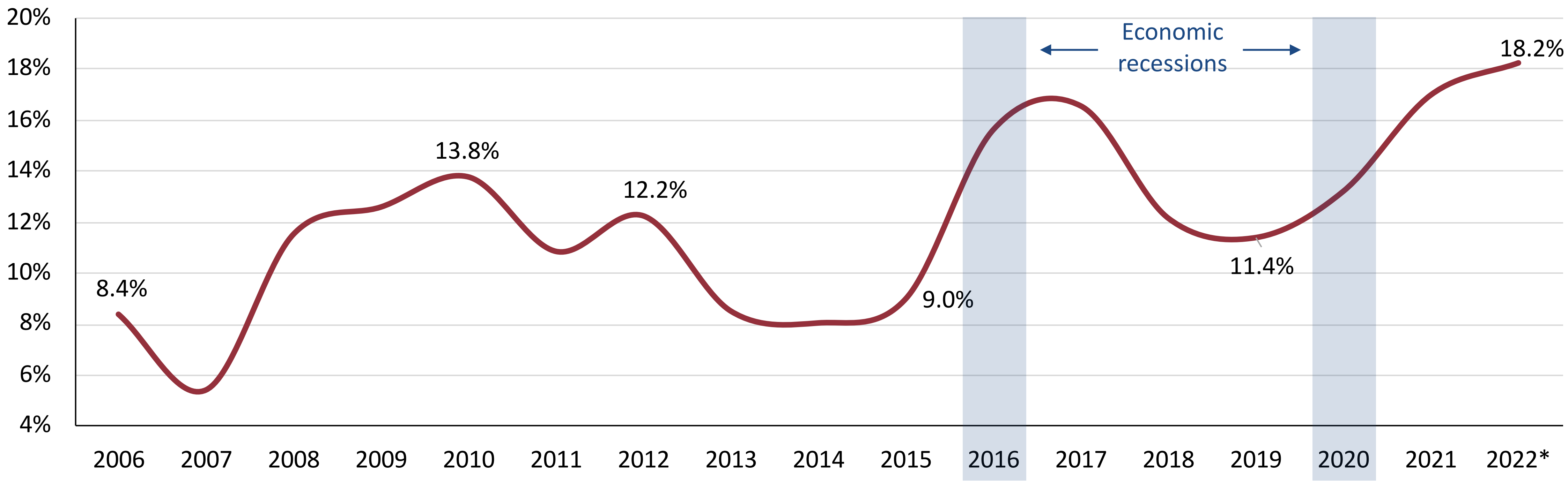


- As in previous quarters, four out of the five fastest growing sectors are services-based.
- In the third quarter of 2022, transportation and storage had the highest growth of 41.6% due to improvements in road transport.
- While the manufacturing sector contracted in the quarter, growth of agriculture remained below 2%.

Data Source: National Bureau of Statistics

Inflation Rate rose to 21.1% in October 2022, highest in over 17 years

Average Annual Inflation Rate



- In the month of October 2022, inflation rate rose to 21.1%, the highest since Sept 2005. Food inflation rose to 23.7% while core inflation was 17.8%. On an annual basis, inflation rate averaged 18.2% in the first 10 months of 2022.
- Inflation triggers include insecurity, floods, foreign exchange depreciation and high cost of doing business.

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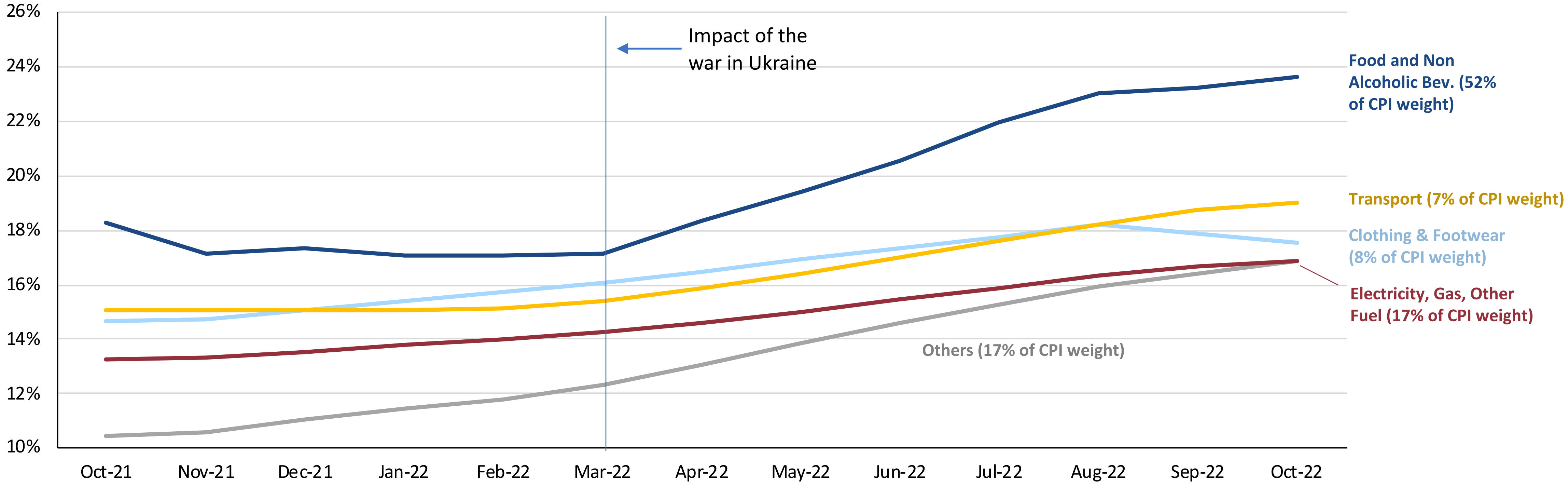
Data Source: Central Bank of Nigeria and National Bureau of Statistics

Food Inflation remained a major driver of Inflation in October 2022

Average monthly Inflation Rate (Year-on-Year)

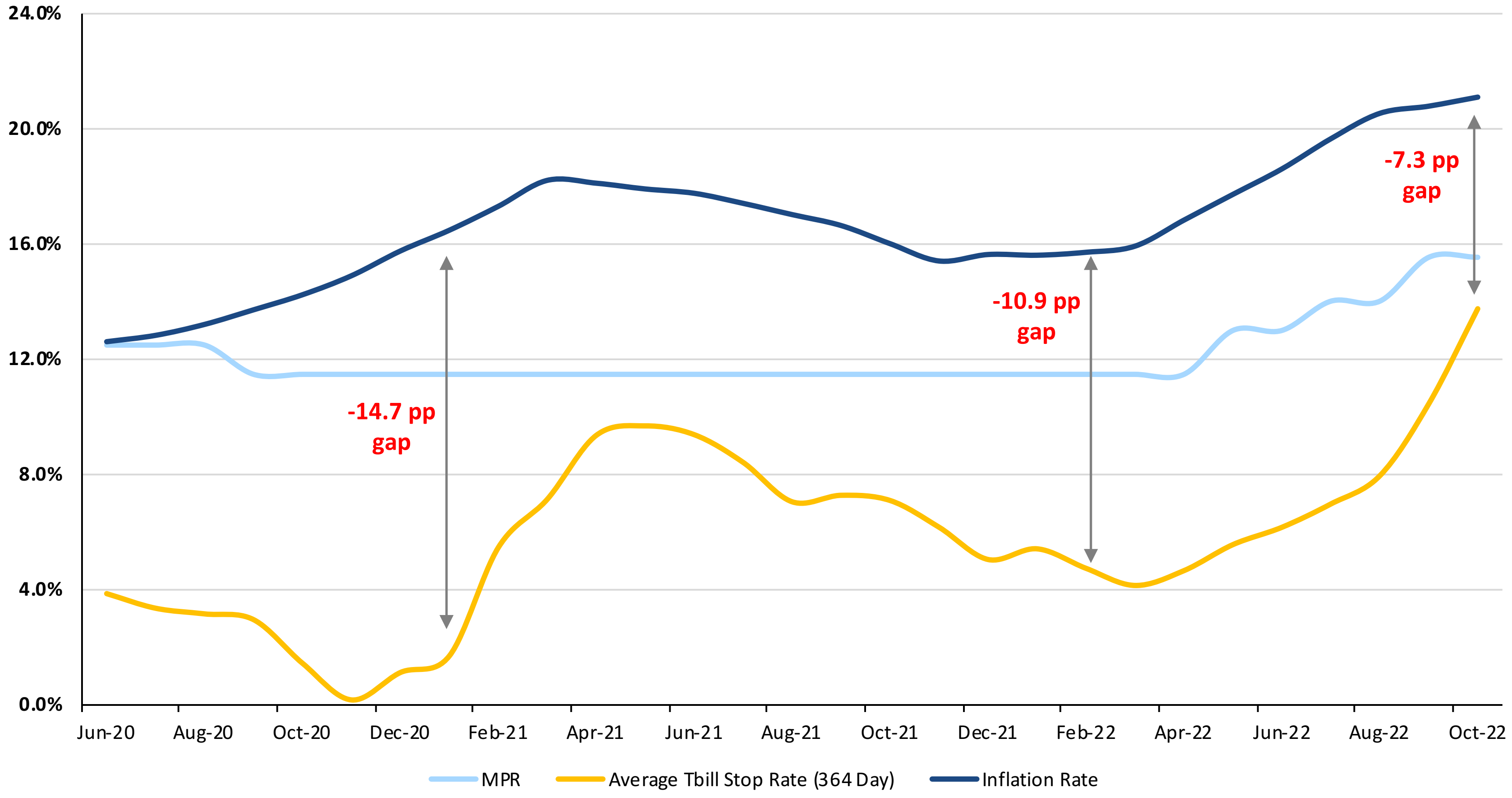


- Given a weight of 52% in the CPI basket, price movement of food and non-alcoholic beverages plays a critical role in the trajectory of overall inflation.
- Across all categories, prices have trended upwards in 2022, especially since the month of March, following the war in Ukraine

Data Source: National Bureau of Statistics

Real interest rate narrowed in 2022 driven by rising interest rates

Real Interest Rate: Monetary Policy Rate (MPR), 364-Day Treasury Bill Average Stop Rate vs Inflation Rate



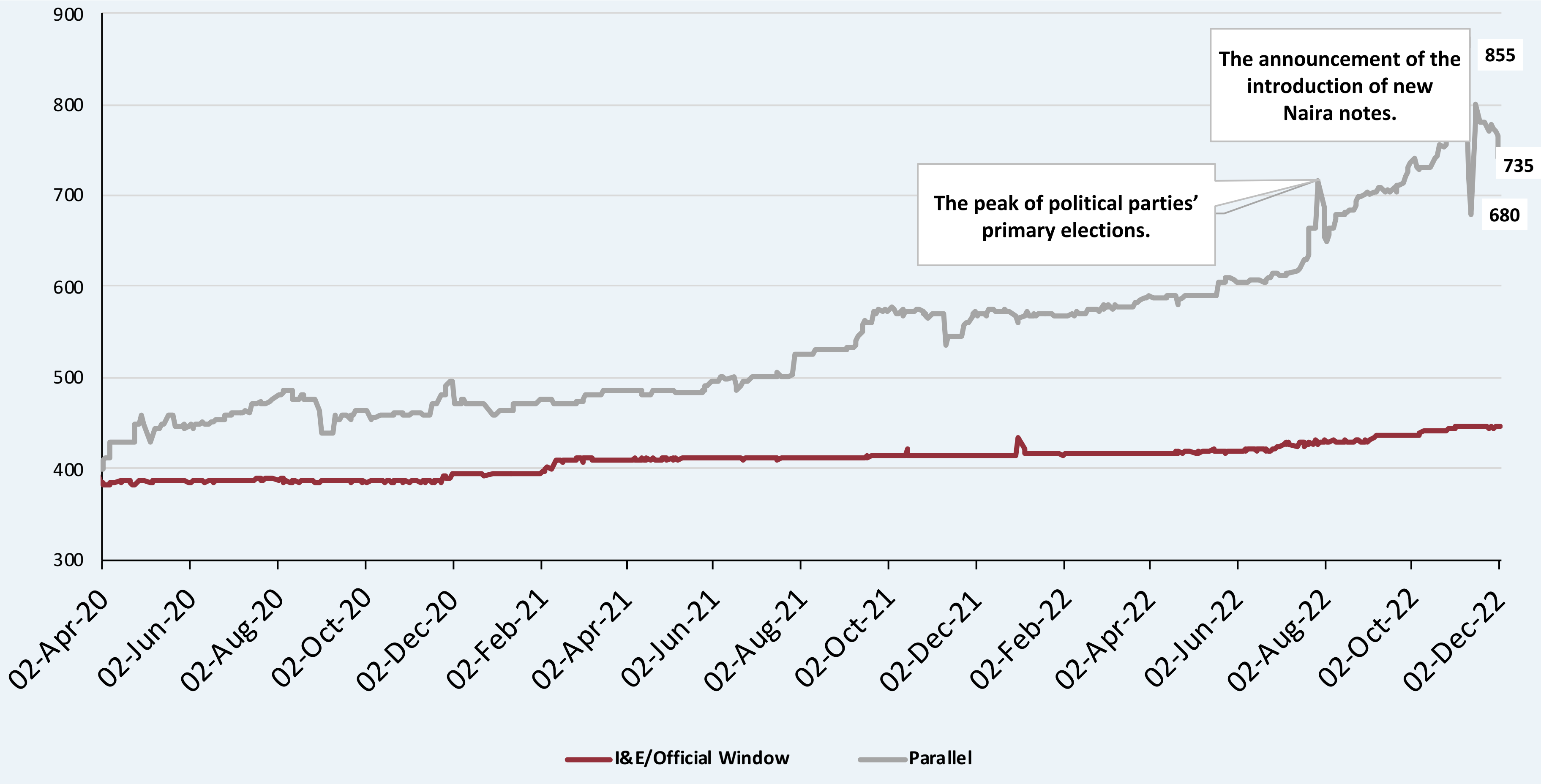
- All three indicators tracked by FSDH Research to measure real interest rate trended upwards in 2022.
- While inflation rate moved upwards, treasury bills rate rose faster, responding to the MPC's raising of the MPR.
- As a result, the gap between interest rate and inflation rate narrowed to -7.3% in the month of October 2022.
- We expect this gap to narrow further as inflation rate slows in coming months.

***pp - percentage points**

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

Pressure intensifies across segments of the Forex market in 2022-H2

Nigeria's Exchange Rate (N/US$)

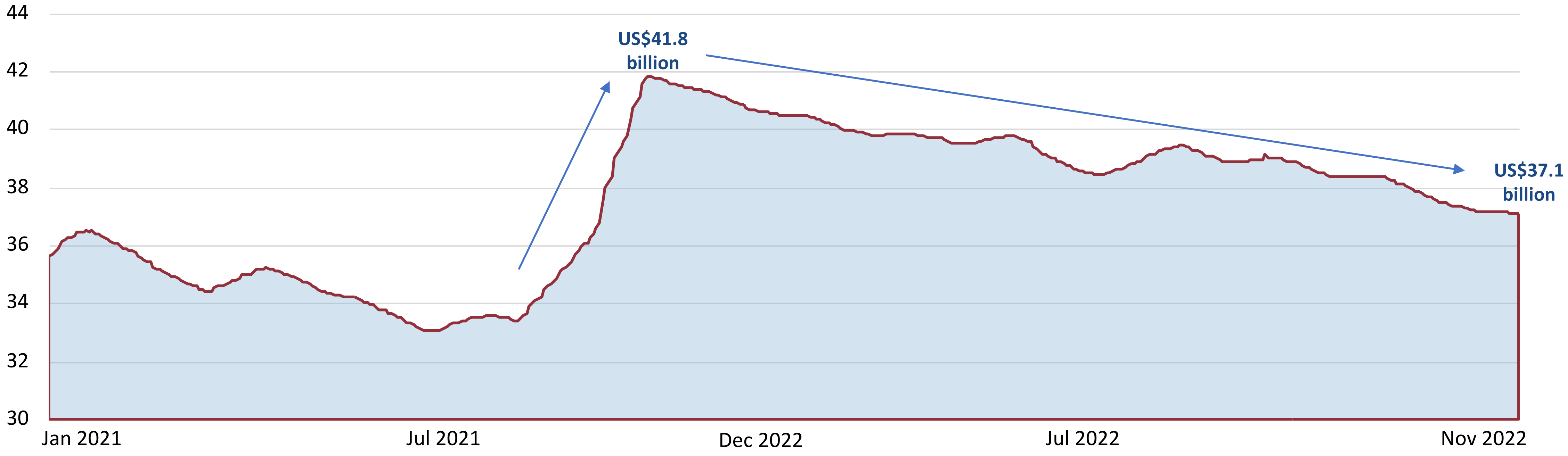


Year to date, the Naira has depreciated by 11.3% in the parallel market, thereby expanding the premium between the I&E Window and the parallel market.

Data Source: FMDQ, (Parallel Market Rate updated from daily reports from Nairametrics)

Nigeria's External Reserves continues on a downward path

Nigeria's External Reserves in US$ Billion

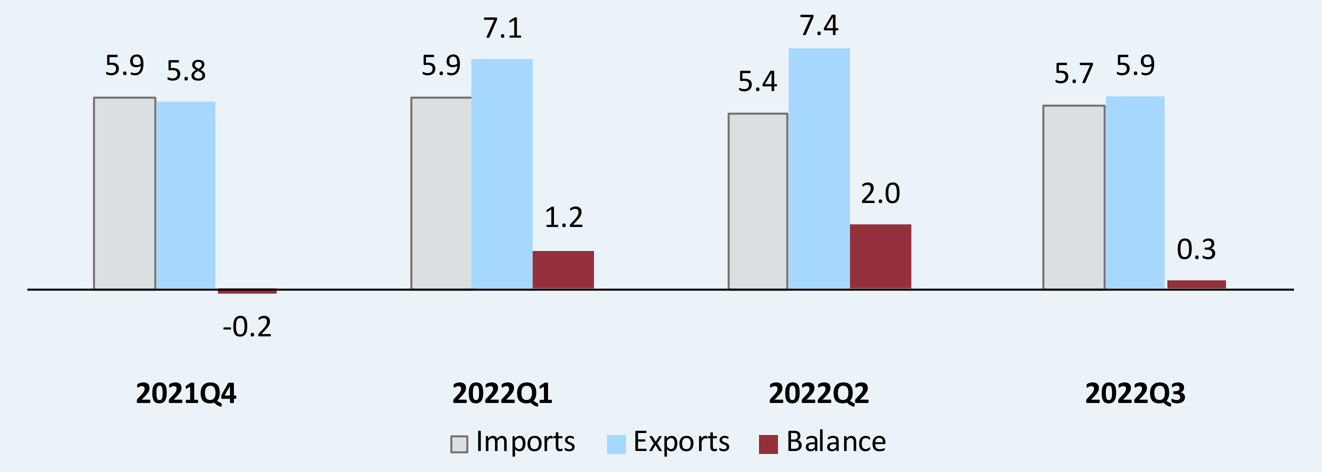


Since the end of October 2021, when external reserves attained a peak of US$41.8 billion, its trend has generally been on a downward path. So far in 2022 (up to Dec 1), external reserves has lost 8.4% of its value while average reserves stands at $39 billion. Interventions in the FX markets, as well as limited foreign exchange inflows are key factors that exert pressure on the reserves.

Data Source: Central Bank of Nigeria (CBN)

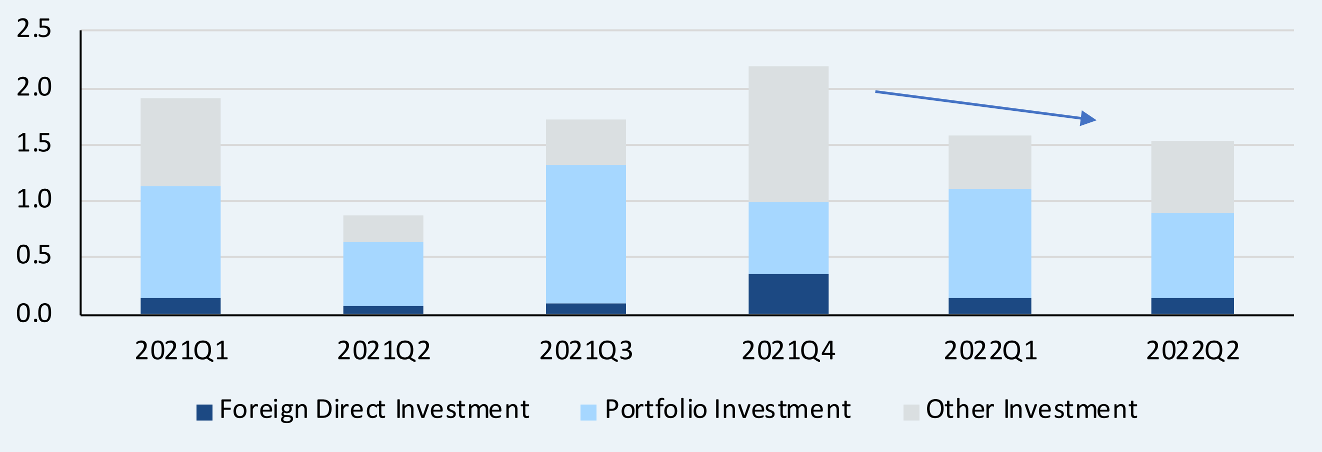
Trade Balance narrowed but still in surplus; Foreign Investment constrained

Foreign Trade in Goods (Trillion Naira)



- In the third quarter of 2022, the value of exports declined to N5.9 trillion from N7.4 trillion in the previous quarter. Both oil and non oil exports fell in the quarter.
- As a result, trade balance, although still positive in the quarter, narrowed to N269 billion. From Jan – Sept 2022, trade balance was N3.44 trillion.

Foreign Investment Inflows into Nigeria (US$ Billion)



- Foreign investment inflow into Nigeria was around US$1.5 billion in the first and second quarters of 2022 - far below the US$5.85 billion inflow recorded in 2020Q1.
- Factors such as inadequate infrastructure, foreign exchange scarcity as well as insecurity affect the inflow of investments into the country.

Data Source: National Bureau of Statistics

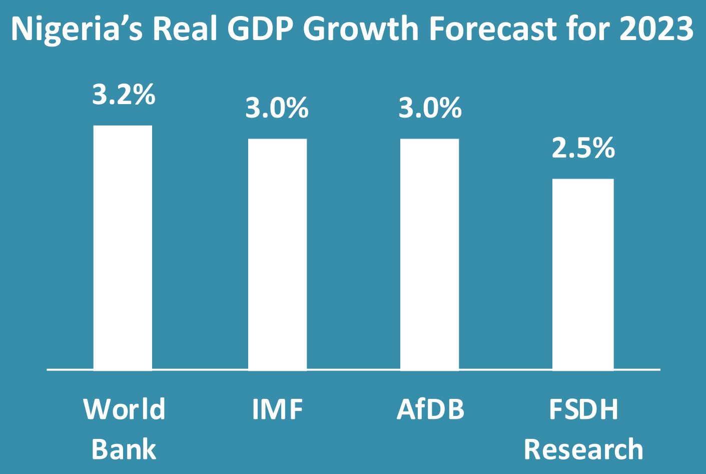
Analyst Views and Outlook on GDP Growth

- **Although Nigeria experienced GDP growth above 3% in the first half of 2022, growth decelerated in the third quarter of the year.** The services sector continued to be the driver of Nigeria's growth, led by improved performance in trade and ICT. Other services sub-sectors such as transport and storage and finance & insurance posted strong growth in the third quarter.

- **Deceleration of growth in the third quarter of 2022 points to the impact of inflation on aggregate demand.** Nigeria's agricultural sector posted weak output growth owing to rising food prices and low productivity. Similarly, the manufacturing sector experienced a decline of 1.9% in the third quarter of the year. The situation was complicated by the heavy floods, persistent foreign exchange challenges and infrastructure deficit, all of which will continue to constrain growth of these two sectors in subsequent quarters.

- **For the oil sector, despite government's effort to address oil theft, oil output is still low, at around 1 million barrels per day.** Sadly, Nigeria is losing the opportunity to benefit from higher crude oil price due to oil theft. External reserves remain pressured, while dollar inflows are limited, although the demand for dollar via imports of goods and payment of services is on the rise. The oil sector presents a quick-win for the government to raise revenue and generate foreign exchange inflows, especially at a time when oil prices are high. The Nigerian government will need to intensity efforts to curtail oil theft and illegal bunkering.

- **2023 is an election year.** This comes with some element of risks. Investors in the real sector and financial markets are expected to adopt a wait-and-see approach before making huge investments. We expect the economy to grow by 2.5% in 2023.



Data Source: World Bank, IMF, AfDB and FSDH Research

Analyst Views and Outlook on Inflation and Exchange Rate

- **Prices will remain elevated in 2023.** Challenges associated with low productivity, congested ports, impact of the floods, foreign exchange scarcity and depreciation and limited power supply are not abating anytime soon. These factors, coupled with the hike in fuel prices in late 2022, will trigger inflation in 2023.

- **Despite the Central Bank's Race to US$200 billion in FX Repatriation (RT200 FX Programme)** which aims to diversify foreign exchange sources with a goal of attracting US$200 billion over the next 3 to 5 years, external reserves has trended downwards in recent times. Nigeria is still challenged with limited FX inflows and high demand for foreign currency to finance imports and service payments. Worst still, receipts from oil are dwindling due to oil theft, and monetary tightening in advanced countries are expected to trigger capital outflows from developing countries.

- **With limited inflows from exports and low foreign investment inflows arising from a tough business environment, exchange rate is expected to remain pressured in 2023.** Efforts to improve the business environment coupled with clarity on foreign exchange policies remain vital in attracting investment into the country, boosting external reserves and ensuring exchange rate stability.

- Our expectation for exchange rate is an average of N450/US$ in the official market in 2023.

SECTION 03

Fiscal and Monetary Update

Budget Review shows poor performance of oil receipts but improved non-oil revenue

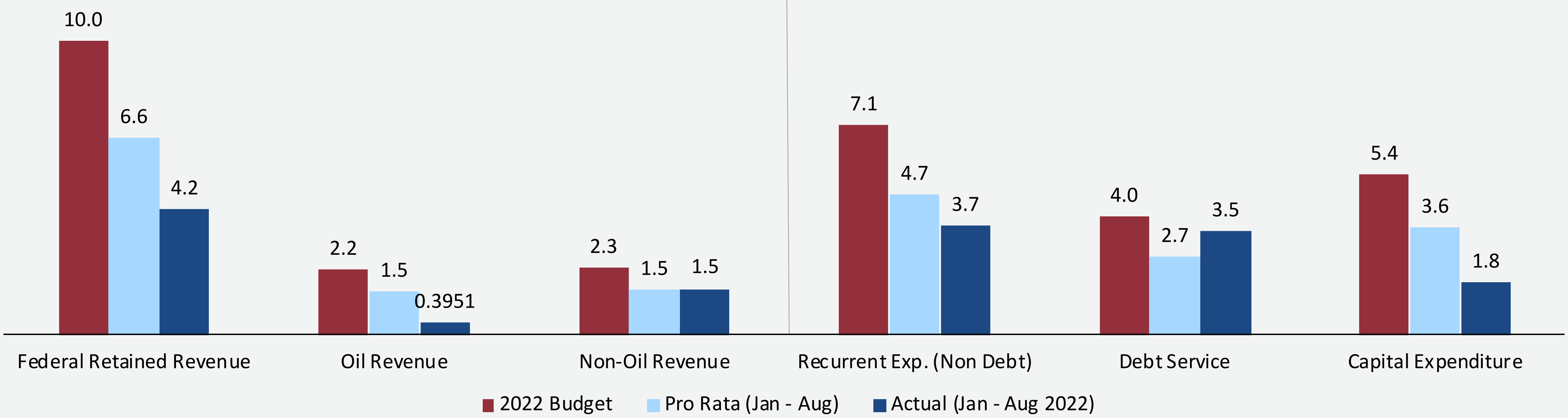
Revenue Performance

From Jan – Aug 2022, FG retained revenue under-performed by 36% mainly due to lower than expected oil revenue. Out of the anticipated oil receipt of N1.46 trillion, only N395 billion was realised. Non-oil revenue, on the other hand, surpassed its target by 3%, a positive trend that needs to be sustained.

Expenditure Performance

Aggregate pro-rated expenditure in the budget was N11.55 trillion from Jan – Aug 2022 and N9.56 trillion had been spent as at Aug 2022. Actual debt service exceeded its prorated figure by 33% while only 49% of capital expenditure had been met.

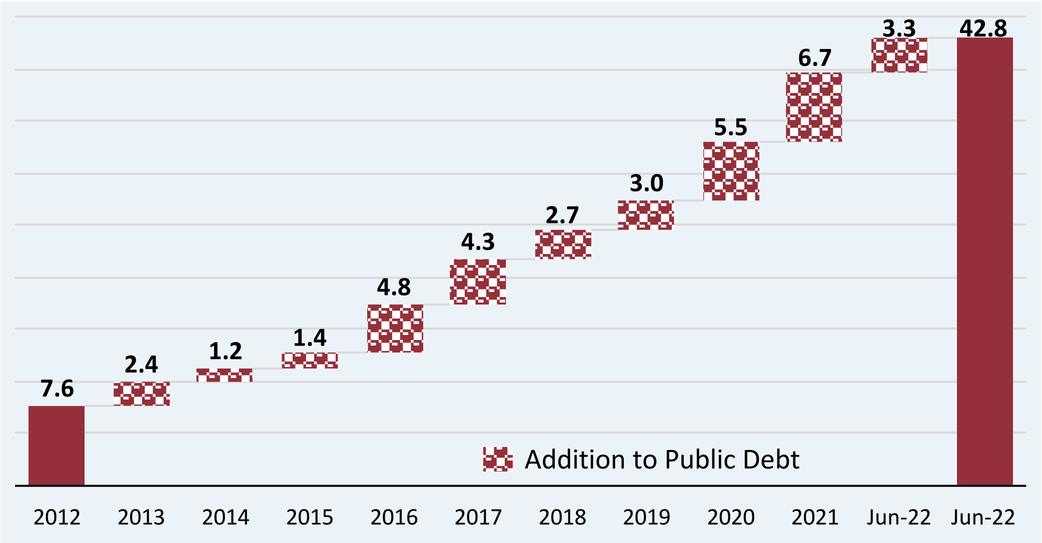
Figures in Trillion Naira



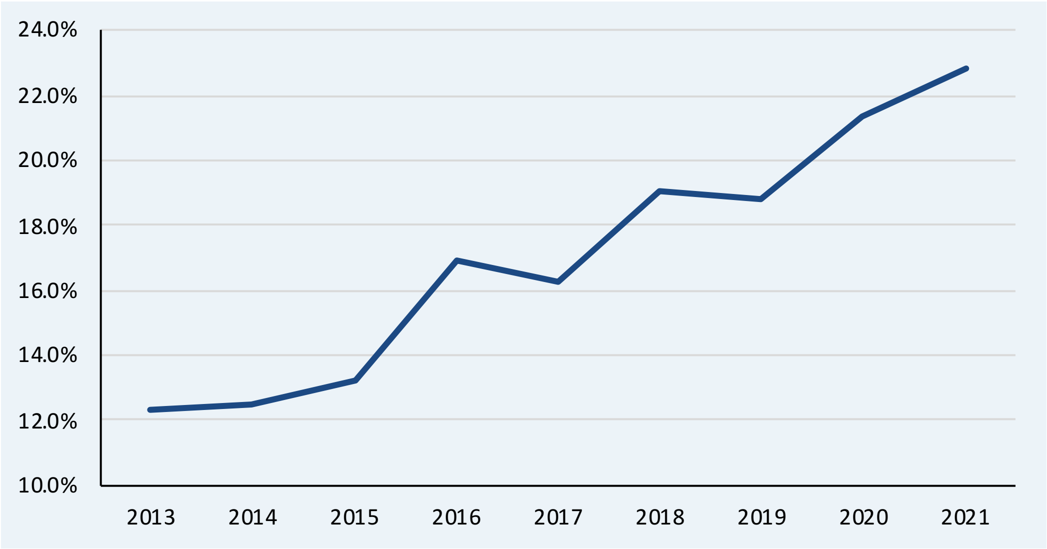
Data Source: Budget Office of the Federation, Ministry of Finance, Budget and National Planning

Public Debt rises to N42.8 trillion in June 2022

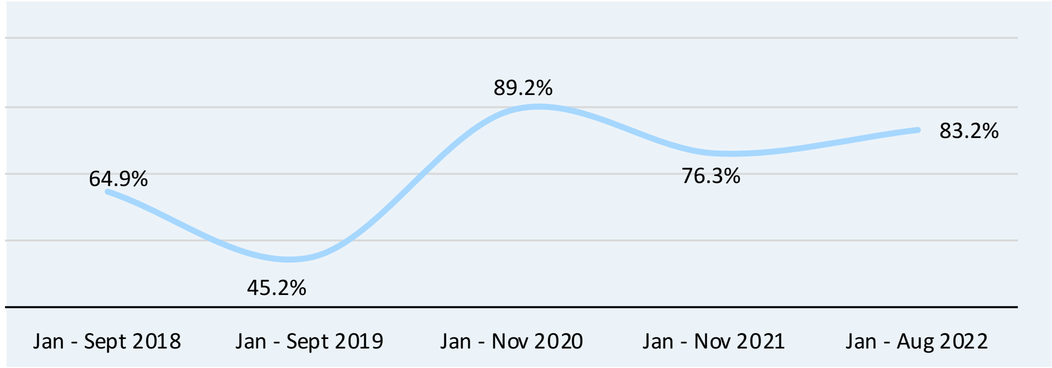
Nigeria’s Public Debt and Addition to Public Debt (Trillion Naira)



Nigeria’s Debt as a percentage of GDP



Debt Service as a share of Revenue (Actuals)

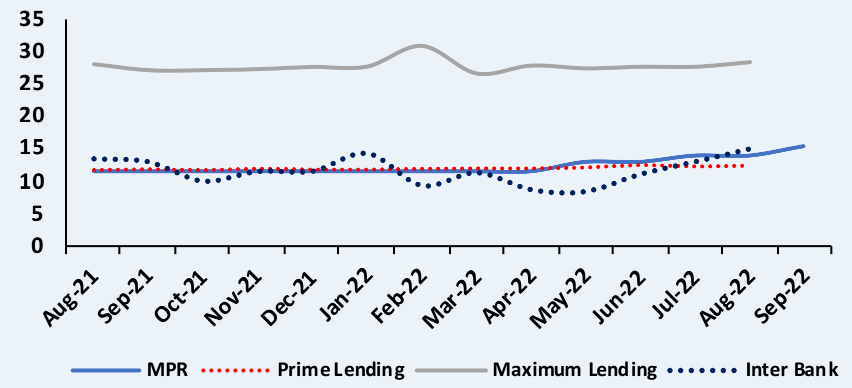


- Public debt has steadily risen from N7.6 trillion in 2012 to N42.8 trillion in June 2022. The highest debt increase was recorded in 2020 and 2021 when N5.5 trillion and N6.7 trillion were added to public debt, respectively.
- Public debt of N42.8 trillion does not include N22 trillion ways and means as at August 2022. When included, debt to GDP increases to 36%.

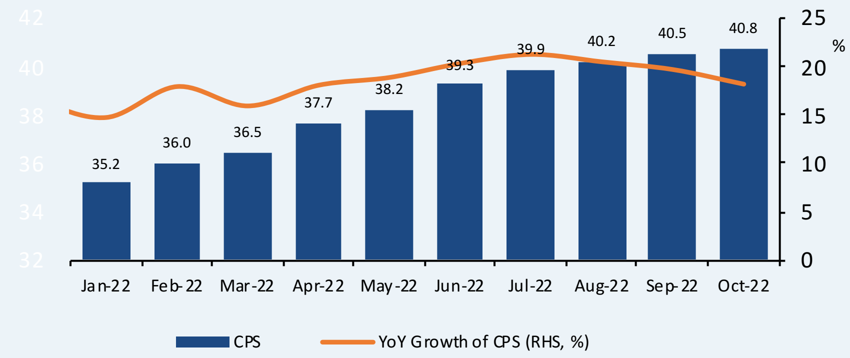
Data Source: Debt Management Office, National Bureau of Statistics & Budget Office of the Federation, Ministry of Finance, Budget and National Planning

Monetary Policy: Key Charts

Lending Rate (%)



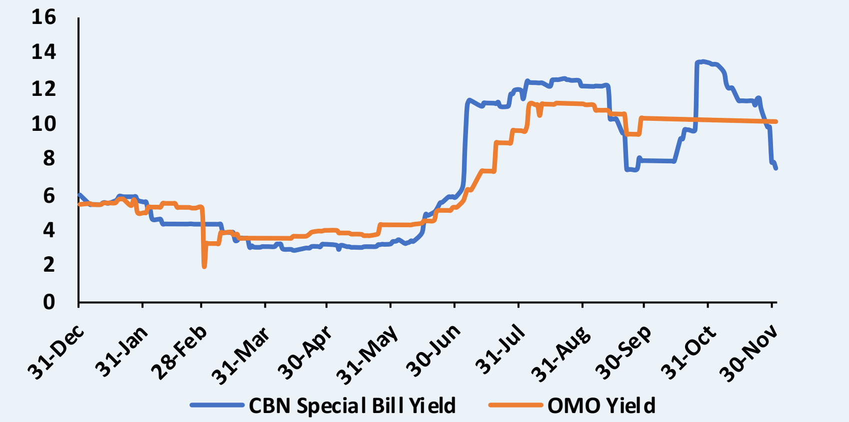
Credit to Private Sector (N'Trillion)



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

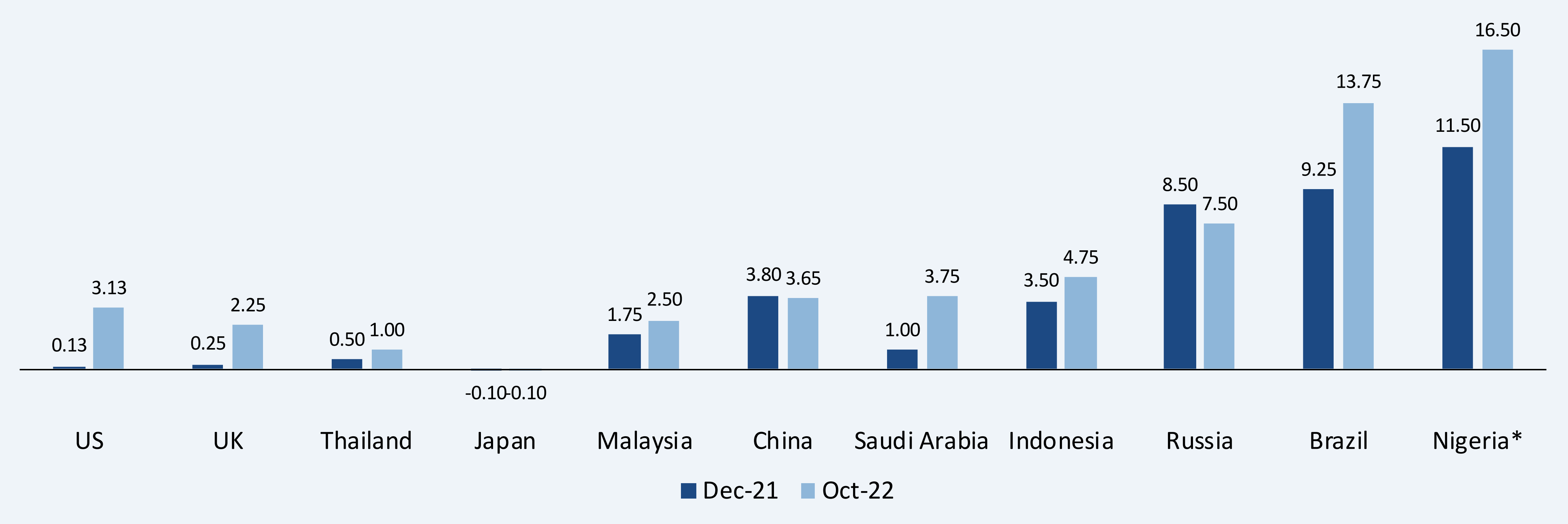
CBN Special Bill and OMO Yield (%)



Data Source: Central Bank of Nigeria, FMDQ

Central Banks across many countries raised benchmark rates

Benchmark Rates (%)



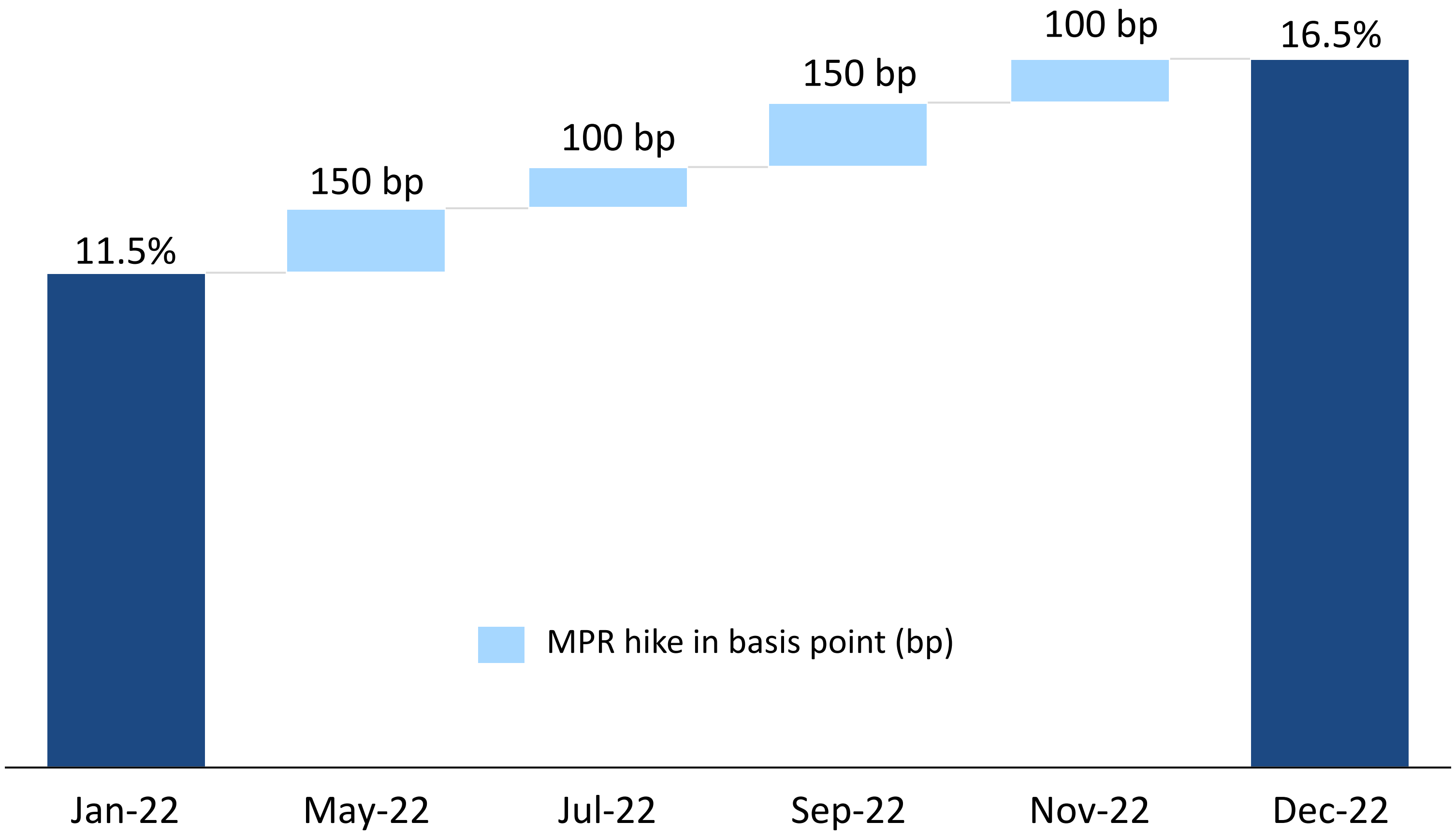
- Rising energy prices triggered by the war in Ukraine have resulted in upward trending price of goods and services in many countries.

- In response, many Central Banks raised benchmark interest rates to reduce money supply and tame inflation. In countries such as Russia and China, however, interest rates were cut in order to revive credit demand and support the economy, in view of the impact of COVID-19 and the war in Ukraine.

Data Source: BIS policy rate statistics and Central Bank of Nigeria **As at November 2022*

CBN MPC raised the MPR at the last four MPC meetings in 2022

Monetary Policy Rate in 2022



- In 2022, the Central Bank of Nigeria Monetary Policy Committee (MPC) raised the MPR in four of its six meetings, starting from May 2022.
- The committee also raised the CRR to 32.5% from 30% during the year. The Liquidity Ratio was retained 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

Analyst Views and Outlook on Fiscal and Monetary Policy

- **The fiscal environment will continue to be constrained in 2023 owing to limited revenue.** This implies a higher than budgeted debt figure and debt servicing cost in the year. In the proposed 2023 budget, debt servicing accounted for 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 as a share of revenue was 83% in the first eight months of 2022. This trend is expected to continue in coming quarters.

- **The tightening position of the MPC is not surprising,** given the consistent increase in inflation rate 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 and also cited the need to close the gap between interest rate and inflation. These factors motivated aggressive rate hikes in late 2022.

- 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 MPR will remain high in the first half of 2023.

Analyst views on Issuance of New Naira Banknotes and withdrawal limits

- In October 2022, the Central Bank of Nigeria (CBN) announced that higher denominations of the Naira will redesigned and introduced into the economy from December 15, 2022 while commercial banks were directed to return existing denominations to the CBN.

- The CBN noted that as at the end of September 2022, N2.73 trillion out of the N3.23 trillion currency in circulation, was outside the vaults of commercial banks across the country.

- The policy move was motivated by the need to get more currency into the banking system. The panic created by the policy increased speculative activities on the exchange rate, which has experienced rapid depreciation since the announcement of the policy.

- In addition, in December 2022, the CBN released further guidelines limiting over the counter cash withdrawal to N100,000 and N500,000 per week for individual and corporate organisations, respectively.

- Withdrawal above this amount will attract a 5% and 10% fee, respectively.

- There are several underlining reasons why this policy move significantly affected the exchange rate.
  1. **The short conversion window.** Existing currencies shall cease to be legal tender from January 31, 2023. This short notice has heightened the demand for dollar in the parallel market.

  2. **Low level of confidence on the market, FX policies and the economy at large**. Since the beginning of the year, investment inflow (portfolio, FDI and other investments) into Nigeria has remained far below inflows recorded in 2019 before the COVID-19 pandemic. With such low level of confidence, any policy move with the slightest level of uncertainty is expected to trigger a panic reaction from market players.

  3. **High demand for dollar in the official market with very limited supply.** Demand for dollars for school fees payments, medical bills, tourism, importation of inputs and other goods are high across major commercial banks. Faced with limited supply, manufacturers, investors and individuals have resorted to the parallel market to purchase foreign currency. This, in addition to the new policy on Naira banknotes, creates pressure on the Naira across board.

Analyst views on Issuance of New Naira Banknotes and withdrawal limits

- We hold the view that although the intentions of the policy are good, such a sensitive policy requires careful and detailed appraisal, especially in view of the economic realities of weak dollar inflows from investors, crude oil theft, huge pending dollar demand, rising inflation, flood, low financial inclusion, among other factors.

- We believe that if these realities were properly considered, perhaps, a careful approach would have been adopted to achieve the goals of the policy and at the same time prevent a free-fall of the Naira.

- On the over the counter cash withdrawal limits, although developments are still unfolding, such policy move is expected to create panic. It could also leave millions of individuals, particularly informal traders, stranded, when it becomes operational on January 9, 2023.

SECTION 04

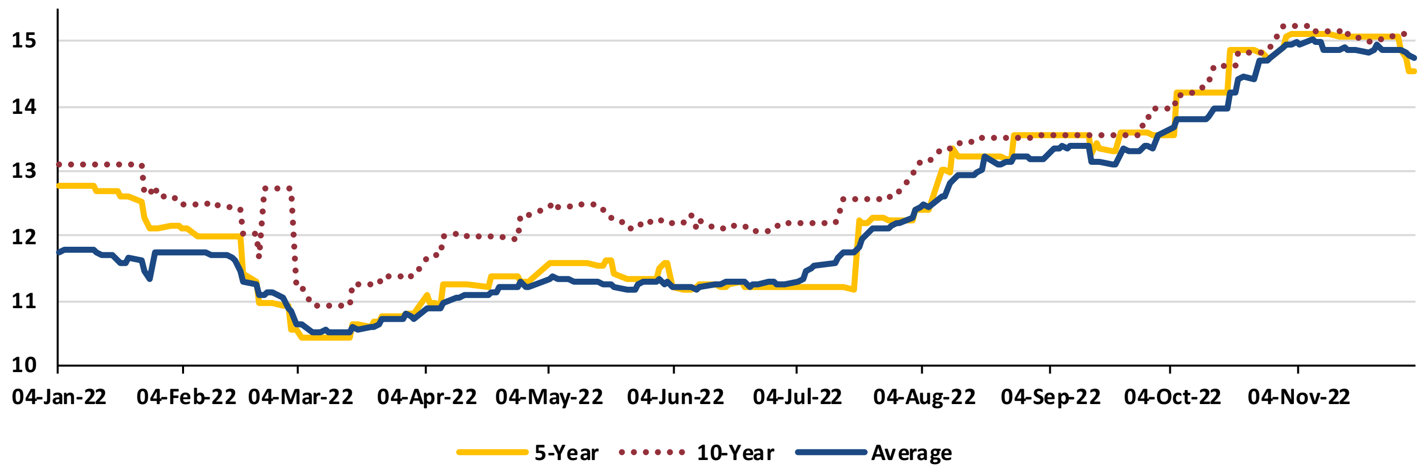
Market Performance

Yields remain elevated in the Nigerian capital market

FGN Bond Yields across select Tenures (%)

Tenor	31-Dec-21	30-Sept-22	02-Dec-22
5 years	11.27	13.07	14.03
10 Years	12.60	13.45	14.62
15 years	12.85	15.27	15.88
25 Years	12.00	14.05	14.73
Average	12.29	13.04	14.26

Trend of FGN Bond Yields (%)



- Following the persistent inflationary pressure in the global market, policy rates across the world remain hawkish. As such, yields remain elevated across markets.
- Similarly, in Nigeria, yields across all maturities of the FGN Bond market advanced in Q4-2022, further extending the increase in yields experienced in the year.
- Quarter to date, the average yield in the FGN Bond market increased by 122 basis points to 14.26% from 13.04% at the opening of Q4-2022.
- Likewise, year to date, the average yield in the FGN Bond market increased by 197 basis points to 14.26% from 12.29% at the start of 2022.

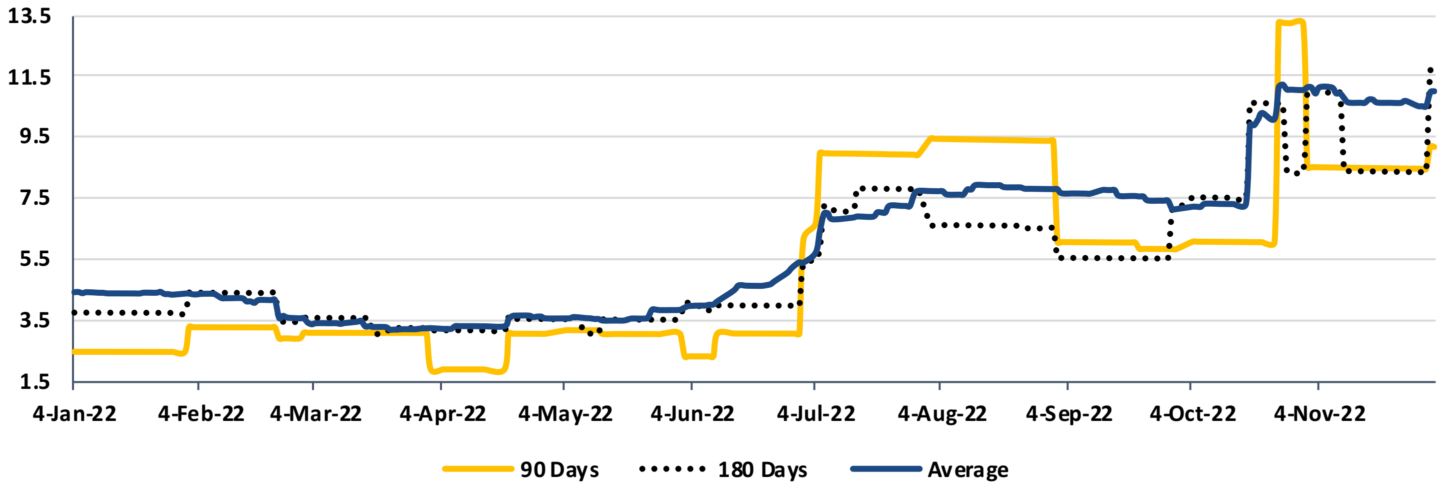
Data Source: FMDQ; Note: Data ends at 2nd of December 2022

Yields in the NT-Bill market advanced in response to policy rate hike

Nigerian Treasury Bill Yields across select Maturities (%)

Tenor	31-Dec-21	30-Sept-22	02-Dec-22
30 Days	3.86	5.70	11.78
90 Days	3.82	5.82	9.17
180 Days	4.32	7.12	11.69
270 Days	5.41	7.25	14.43
Average	4.43	7.14	10.99

Trend of NT Bill Yields (%)

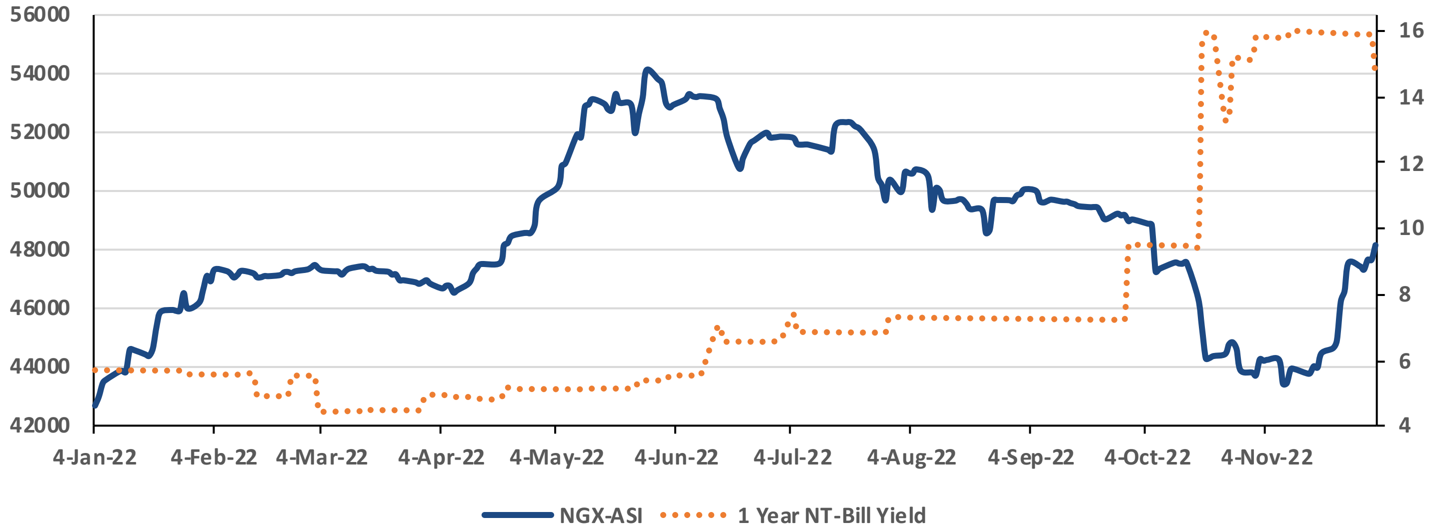


Data Source: FMDQ

- Like the FGN Bond market, yields across tenures of the NT-Bill market expanded in 2022.
- Average yield, so far in Q4-2022, has increased by 385 basis points to 10.99% from 7.14% as at September 30, 2022.
- Year to date, the average yield in the Treasury Bill market increased by more than two folds from 4.43% in January to 10.99% as at 2nd of December 2022.

Equity market appears to be recovering, following the negative impact of rate hikes

NGSE - ASI (Index Points) vs One Year NTB Yield (%)



Equity Market Indicators

NGX-ASI	YTD	QTD
Open (N'Bn)	42,716.44	49,024.16
Close (N'Bn)	48,154.65	48,154.65
% Change	12.73%	-1.77%
MARKET CAP	**YTD**	**QTD**
Open (N'Bn)	22,297.00	26,451.40
Close (N'Bn)	26,228.54	26,228.54
% Change	17.63%	-0.84%

- Despite elevated yields across the fixed-income market, the Nigerian equity market is turning the tide in the fourth quarter of the year.
- Quarter to date, the equity market has recorded a loss of 1.77%. This, however, is a recovery from the loss of 11.35% as at the 8th of November 2022.
- Nevertheless, the year-to-date performance of the Nigeria equity market remains on the positive side, recording a gain of 12.73%.
- Alongside the recovery in Q4-2022, the year-to-date gain on the stock market was motivated by the impressive performance in Q2-2022 as yields remained relatively low.

Source: NGX   *Note: Data ends at 2nd of December 2022*

Even with the rate hikes, the equity market remains on the gaining side driven by a few counters

Sectoral Performance (%)

SECTORS	YTD	QTD
NSE ASI	**12.73**	**-1.77**
NSE 30	**0.81**	**-0.61**
Banking	**-0.50**	**6.55**
Insurance	**-16.85**	**-2.30**
Industrial	**6.41**	**20.52**
Oil & Gas	**28.90**	**-12.50**
Cons. Goods	**-6.95**	**-6.21**

Performance of Major Market Movers in 2022

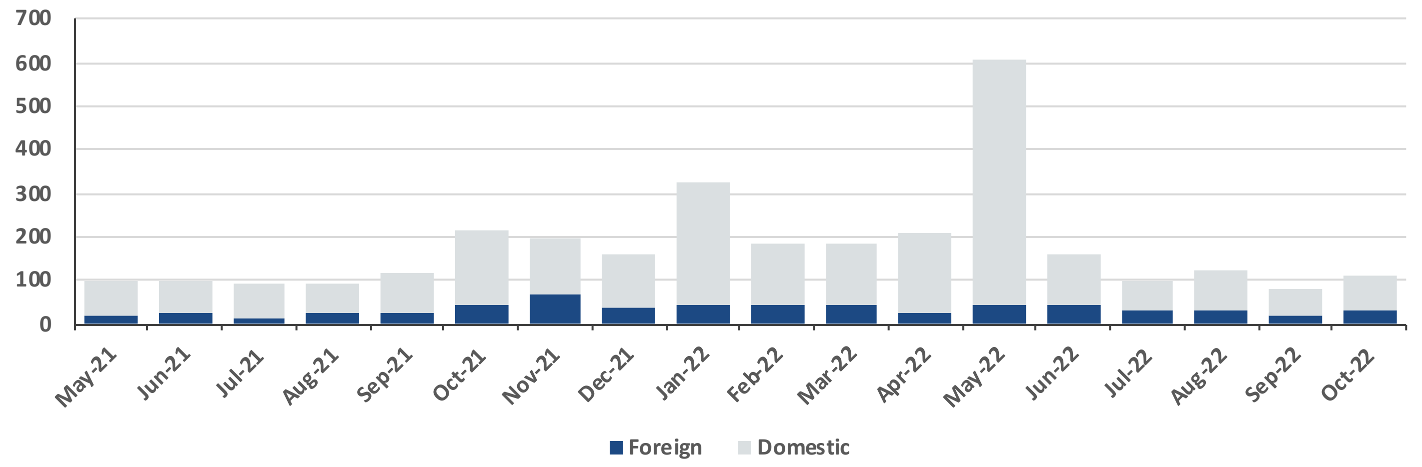
Companies	Market Cap.	YTD	QTD
AIRTEL	5,592.13	55.81	-25.60
DANGCEM	4477.99	-14.40	-10.20
MTNN	4469.73	11.68	10.11
BUACEMENT	2607.56	14.84	48.08
NESTLE	764.04	-38.07	-20.67
SEPLAT	714.27	61.54	-16.00
ZENITHBANK	629.83	-9.54	13.75
GTCO	617.87	-18.85	18.87
STANBIC	403.82	-15.14	1.83
FBNH	402.03	-1.75	9.80

- The sectors and stocks in the Nigerian equity market exhibited mixed performance, mainly riding on global events.
- The NSE 30 index depreciated by 0.61% in Q4-2022. The loss was motivated by 12.5%, 6.21%, and 2.3% losses in the Oil & Gas, Consumer Goods, and Insurance sectors, respectively. However, the banking and industrial sectors appreciated.
- The year-to-date performance in the equity was driven by gains in the Oil & Gas and Industrial sector, while the Insurance and Consumer Goods sectors suppressed the market.
- Also, the listing of Geregu Power and BUA Foods in 2022 supported the upside recorded on the Exchange.

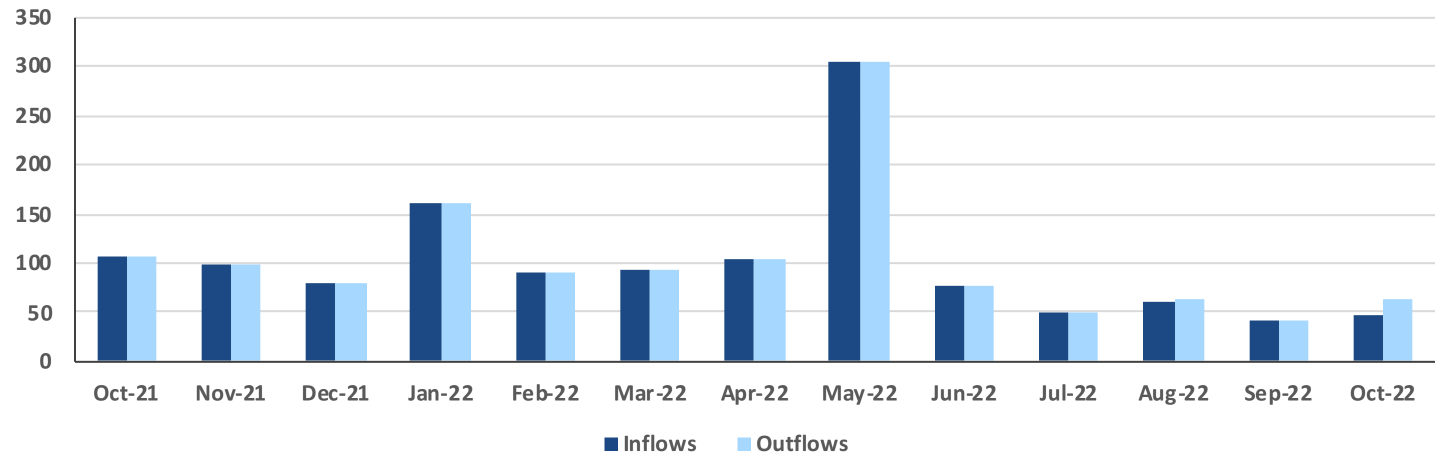
Source: NGX *Note: Data ends at 2nd of December 2022*

Market participation shrinks as global rate hike disincentivized investors

NGX Domestic & Foreign Participation (N' Billion)



NGX Investment Flows (N' Billion)

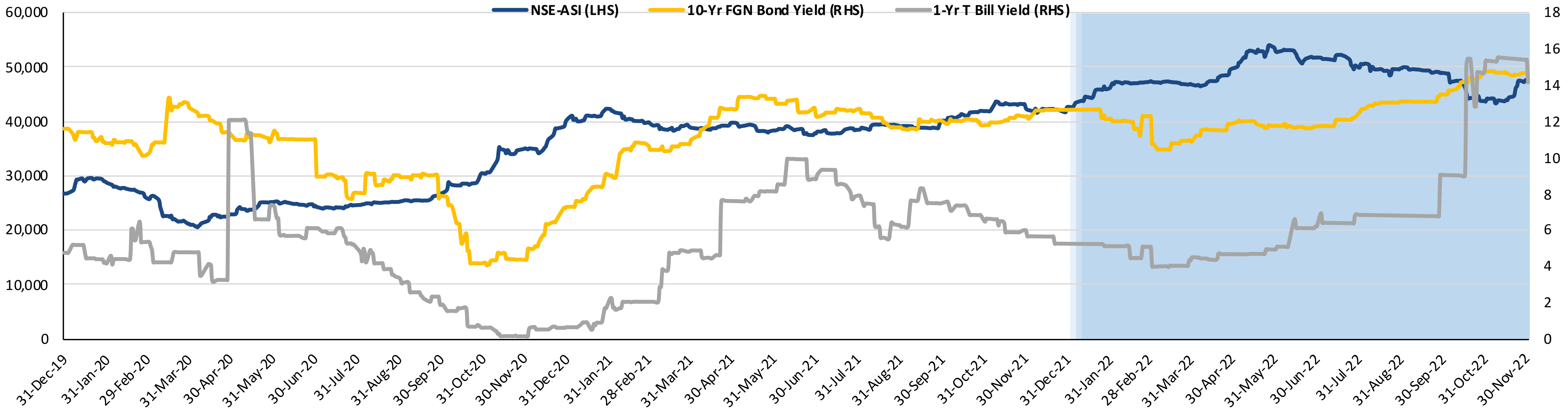


- The rising yields across fixed-income markets disincentivized investors from the equity market.
- Consequently, over four months of available data in H2-2022, investors' participation in the equity market declined by 18.27% year on year, across domestic and foreign investors.
- Nevertheless, domestic investors continue to dominate the market accounting for 74.56% of participation over the same period.

Data Source: Nigerian Stock Exchange

Equity market defies the equity-bond market trade-offs in Q4

NGX-ASI Compared with 10-Year FGN Bond Yield (%) and 1-Year T-Bill Yield (%)



While the wave of rising interest rates in the global economy and domestic market persists, the Nigerian equity market defies the equity-bond market trade-offs in Q4-2022 as it staged a recovery. The 10 Year FGN Bond and 364-Day NT-Bill yields increased by 1.14 and 5.08 percentage points (QTD) to 14.59% and 14.11%, respectively. Meanwhile, the equity market recovered from a loss of 11.35% to 1.77%.

Data Source: Nigerian Stock Exchange/investing.com

Analyst Views and Outlook

Fixed Income Market

- The upward movement of interest rates in developed countries will continue to be a major driver of yields in Nigeria's fixed-income market. With the fear of a recession particularly in the US, the Fed is looking to slow the pace of rate hikes. This implies a potential rate cut in subsequent quarters to decelerate the pace of recession.
- Nevertheless, the banking system's liquidity situation and overall economic situation in Nigeria will influence Nigerian investors' response to rate movement in the global market.
- The borrowing plan of the government remains intact. The need to incentivize investors' participation in Bond and Treasury Bill Primary Auctions, has motivated a consistent rise in spot rates at auctions which also transmits to the secondary market. This trend will persist in 2023.
- Moreover, the peculiarity of the coming election, particularly as it is a transition election will impact investors' sentiment negatively. Hence, investors may hold back on Nigerian securities in favour of those in more stable clime. Therefore, yields are expected to maintain an upward trend in 2023.

Equity Market

- The equity market rides on improved efficiency in the operation of the Exchange. As such, the market continues to record new major listings that boost market depth and confidence.
- With no threat of a recession and no significant threat to the performance of large-cap stocks in the market, we expect the stock market to show resilience and continue to deliver value for investors.
- AIRTELAFRICA contributed hugely to the downside in the market in 2022Q4. With the general election around the corner, AIRTELAFRICA, alongside SEPLAT and other dual listings will experience some growth. This could drive growth in the NGX-ASI.
- The tight liquidity situation and high yield in the fixed income market are threats to the equity market. Nevertheless, the outlook for the equity market is positive over the next quarter.

SECTION 05

Political Economy Dynamics

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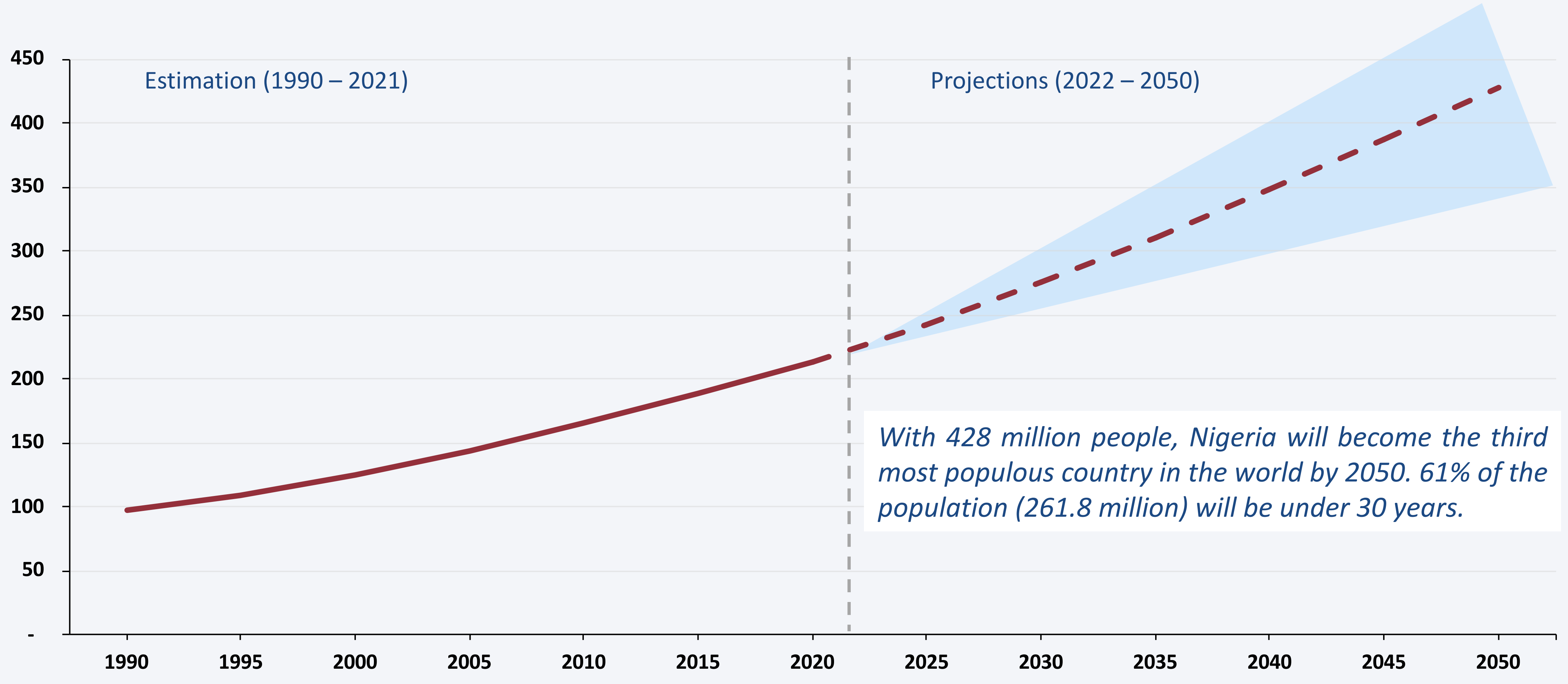
Nigeria is experiencing a rapid increase in population

Nigeria's Population (millions)



With 428 million people, Nigeria will become the third most populous country in the world by 2050. 61% of the population (261.8 million) will be under 30 years.

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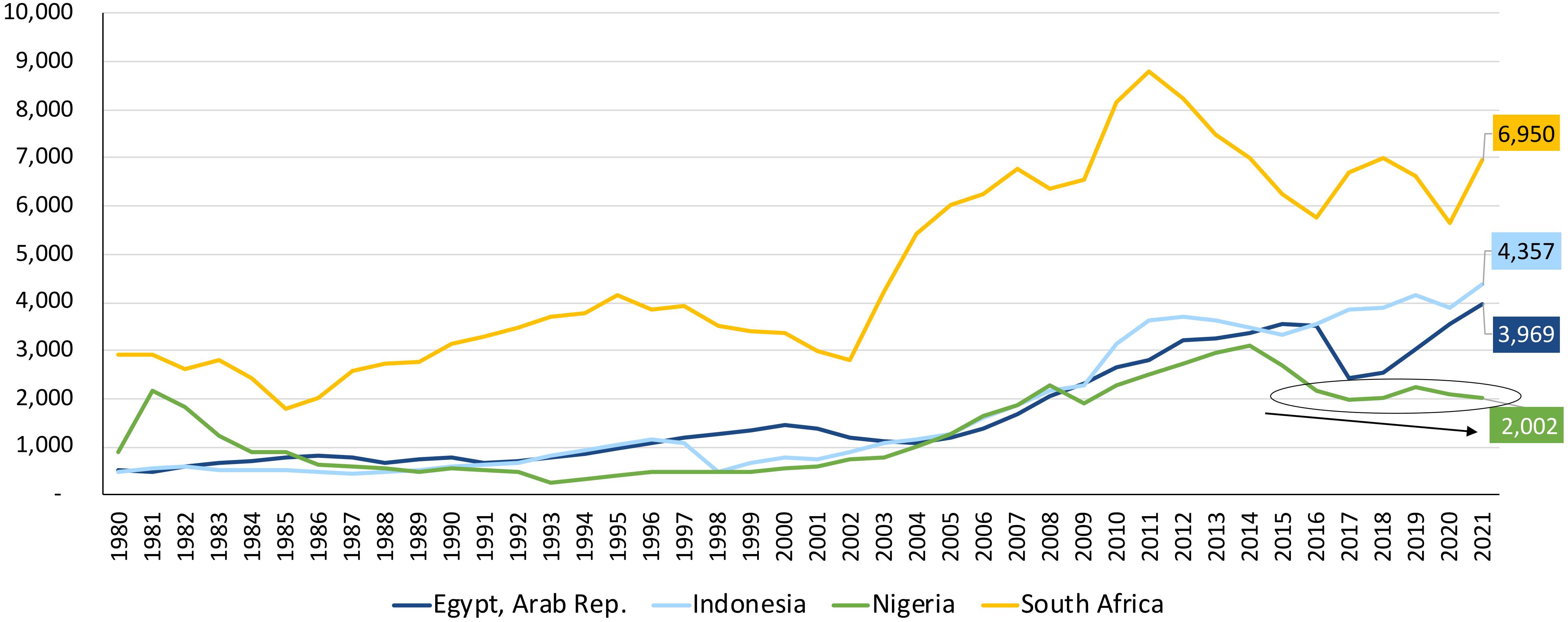
Data Source: US Census Bureau

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

Nigeria's Economic Competitiveness is lagging

A tougher business environment has made it difficult for businesses to expand and be more competitive

Output & Output Growth

Since exiting the COVID-induced recession in 2020, GDP growth has picked up – 3% growth in the first three months of 2022. However, the Nigerian economy needs to grow at a much higher rate to realise its potential.

Foreign Exchange

Foreign exchange availability remains a challenge even as the exchange rate continues to be under pressure. In the last decade, the Naira has lost almost 200% of its value in the official market.

Investment Inflows

Investment as a share of GDP has averaged 14.7% in the last 10 years. FDI inflows into Nigeria was under US$698.8 million in 2021, the lowest in over 12 years.

Fiscal Indicators

Public debt has risen to record level of N42.8 trillion in June 2022 – over 3x the value in 2015. Debt servicing costs are high and becoming unsustainable.

Infrastructure & Insecurity

Challenges of bad roads, underdeveloped ports outside Lagos and insecurity continue to limit business growth and competitiveness.

Skills & Migration

Poor education/health systems and limited economic opportunities have led to a strong wave of emigration of younger Nigerians. Nigeria is losing its skilled labour force.

Electricity & Energy Supply

Despite spending N1.275 trillion on fuel subsidy in the first five months of 2022, fuel scarcity occasionally exists in some parts of Nigeria. Power generation and distribution remains inadequate to meet the needs of businesses and the populace.

Ease of doing business

Despite efforts by the Presidential Enabling Business Environment Council in implementing ease of doing business reforms, issues of overlap of responsibilities, limited cooperation, accountability, etc. exist among government agencies.

Data Source: National Bureau of Statistics, Debt Management Office, NNPC

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

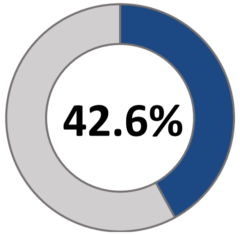
02 Rising un/under-employment

03 Inflation is reducing purchasing power

04 Literacy rate

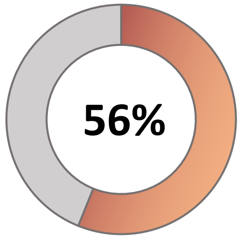
01

Over 90 million Nigerians (42.6% of the population) live below the national poverty line. NBS data shows that 133 Million Nigerians are multidimensionally poor.



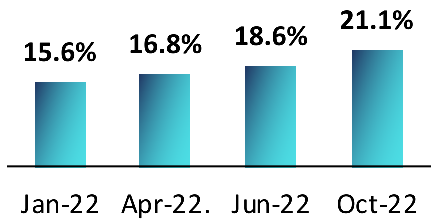
02

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



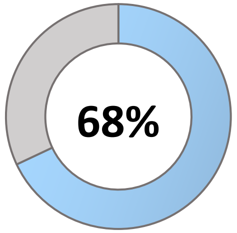
03

Inflation rate was 21.1% in October 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

Since 2019, the economic and social landscape have become tougher

The stakes are higher. The 2023 elections will determine the social, political and economic trajectory of Nigeria.

Performance of Key Indicators from 2018 to 2021

Indicator	2018	2019	2020	2021
GDP Growth (%)	1.9	2.3	-1.9	3.4
Nominal GDP (Billion US$)	417.3	469.9	424.5	433.8
GDP Per Capita (US$)	2,028	2,230	2,097	2,002
Foreign Direct Investment (US$ 'million)	1,195	934	1,028	699
Unemployment Rate (%)	23.1	-	33.3	-
Number of Poor (million)	-	82.9	-	91
Inflation Rate (%)	12.1	11.4	13.2	17.0
Official Exchange Rate (N/US$)	306.1	306.9	358.8	400
Corruption Perception Index Ranking	144	146	149	154

Texts in green represent improvement relative to the previous year. Red texts represent negative performance.

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Data Source: National Bureau of Statistics, World Bank, World Bank WDI, CBN, Transparency International

Who will emerge as Nigeria's next President to tackle the burgeoning political and socio-economic challenges?

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What should Nigerians look out for in a Presidential Candidate?

Key Attributes

- Willpower to tackle corruption
- Competence
- Track Record of Performance
- Ability to Unify Nigeria
- In-depth understanding of Nigeria's Challenges
- Physical and Mental Capacity
- A Willing Reformer
- Character
- A Leader that Follows through on Reforms
- Ability to identify/appoint competent individuals

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The 2023 General Elections: The Candidates' Plans

Some key objectives as contained in their manifestos

Atiku Abubakar		Bola Ahmed Tinubu
Restore Nigeria's unity through equity, social justice as well as cooperation amongst different stakeholders.	1.	Modernisation of public infrastructure to support the economy.
Establish a strong and effective democratic government that guarantees the safety and security of lives and property.	2.	Provide support for young people and women by harnessing emerging sectors such as the digital economy, entertainment, culture and tourism, etc.
Build a strong, resilient, and prosperous economy that creates jobs and wealth and lifts the poor out of poverty.	3.	Manufacture, create and invent goods and services that are needed locally.
Promote true federalism that guarantees national unity while allowing the federating units to determine their priorities.	4.	Strengthen the national security architecture and take actions to combat terror, kidnapping and banditry.
Improve and strengthen the education system for global competitiveness.	5.	Make basic healthcare and education accessible to all.

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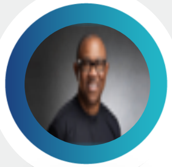
The 2023 General Elections: The Candidates' Plans

Some key objectives as contained in their manifestos



Peter Obi

The vision is a secure, united and prosperous Nigeria that works for everyone and that realises the hope of black people of the world. To secure Nigeria, end banditry and insurgency, and unite our dear nation, to manage our diversity such that no one is left behind.

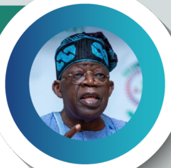
Shift emphasis from consumption to a production-centered economy that is driven by an agrarian revolution and export-oriented industrialization.

Restructure the polity through effective legal and institutional reforms to entrench the rule of law, aggressively fight corruption, reduce cost of governance, and establish an honest and efficient civil service.

Build expansive and world-class infrastructure and enhance the human capital of Nigerian youths for productivity and global competitiveness.

Conduct an afro-centric diplomacy that protects the rights of Nigerian citizens abroad.

The 2023 General Elections: Key targets of select Candidates



	Atiku Abubakar	Bola Ahmed Tinubu
GDP Growth	Achieve "respectable" economic growth that is above the average for sub-Sahara Africa. Ensure Nigeria becomes the 15th largest economy globally with a GDP per capita of US$5,000 by 2030.	Achieve a real GDP growth averaging 10%.
Job Creation	Create 3 million new jobs each year and gradually reduce the rate of unemployment and under-employment to a single digit by 2025.	No specific target was cited. The manifesto however provided a forecast on the number of unemployed which fell from 21.5 million in 2022 to 11.9 million in 2026.
Exchange rate	While there is no specific target for exchange rate, the document specified the adoption of a market-led approach in determining prices.	Although the approach to exchange rate management is unclear, the manifesto states plans to review the current exchange rate regime to ensure a stronger and stable Naira.
Investment	Increase the inflow of foreign direct investment to a minimum of 2.5% of GDP by 2030 by working towards achieving the lowest corporate income tax rate in Africa and delivering a friendly business environment.	No specific goal for investment in the manifesto. However, the manifesto highlighted plans to attract investment into key sectors.
Poverty and social protection	Lift 10 million poor Nigerians out of poverty each year and expand social protection to 7% of GDP by 2027.	The manifesto highlighted plans to expand the current National Social Investment Programme.

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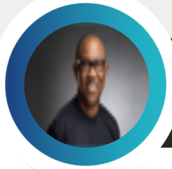
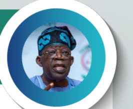
The 2023 General Elections: Key targets of select Candidates



Peter Obi

GDP Growth	No specific target but the manifesto cites plans to run an entrepreneuriall state “to double Nigeria’s GDP in a short time and abolish extreme poverty”.
Job Creation	No specific broad job creation target but highlights plans to create jobs through several initiatives. For instance, 5,000 direct jobs and 100,000 indirect jobs will be created in the Nigeria Electricity Supply Industry (NESI).
Exchange rate	The manifesto aims to ensure simplification of the exchange rate regime, whilst seeking to improve supply, rather than continuing to concentrate exclusively on demand management. Ensure transparent liberalization of the foreign exchange market.
Investment	The manifesto cited plans to attract investments into key sectors. No specific target was mentioned.
Poverty and social protection	It aims to pursue holistic poverty eradication with emphasis on agricultural revolution, among other measures.

The 2023 General Elections: Sectoral Goals of select Candidates



	Atiku Abubakar	Bola Ahmed Tinubu
Agriculture	Ensure food security index to improve to 70% from current 40.1% while food import share in total import currently estimated at 20% to reduce to 5-10%. Privatization of the Nigerian Commodities Exchange and Improve farming productivity through modernization and mechanization of small-scale agriculture.	Increase cultivated arable land from 35% to 65%. Introduce commodity boards to establish minimum prices for strategic commodities; expand strategic grain reserves and incentivise state governments to build storage facilities for fresh produce. Contruct farm-to-market roads via a counterpart funding scheme. Expand Anchor Borrowers scheme to rural areas.
Power	Achieve 25,000 megawatts (MW) power generation capacity mix of non-renewable energy in the next five years. Increase transmission capacity to 10,000 – 15,000 MW over the short-term and 25,000 MW over the long-term. Promote Gas-Power Sector and Gas-Industry linkages.	Develop a renewable energy plan and encourage off-grid and renewable power generation by the private sector. Develop a Nigeria First Power Policy that prioritizes gas resources for power generation Streamline and accelerate the National Mass Metering Programme and reduce import duties on inputs for the manufacturing of local meters. Ensure cost-reflective tariffs and reform the regulatory and governance structure of the power sector.

The 2023 General Elections: Sectoral Goals of select Candidates

Peter Obi

Agriculture	Aggressively prioritize the mechanization of the huge endowment of arable land to make agriculture the new oil of a prosperous Nigerian economy. Develop a comprehensive livestock production plan for nomadic rearers.
Power	Successfully complete the $2.3b Nigeria-Siemens network improvement deal to achieve 7,000MW stable capacity by 2023, 11,000 megawatts by 2024, and 25,000 megawatts by 2025. Launch a solar power revolution across Nigeria, particularly Northern Nigeria, to ensure that all cities and industrial parks in Northern Nigeria have constant power supply. Ensure each southern state develop and construct embedded power plants of capacities ranging from 5MW to 30MW.
Infrastructure	Ensure Harmonize agencies involved in the infrastructure space to address coordination failures that impede effectiveness and efficiency. Create mechanisms to scale infrastructure financing, incentivizing not only corporate tax credit application to infrastructure, but also, philanthropy, and community-based infrastructure bonds. Create a National Transport Commission as an economic regulator to make the transport sector efficient.

The 2023 General Elections: Sectoral Goals of select Candidates

	Atiku Abubakar	Bola Ahmed Tinubu
Infrastructure	Increase infrastructure stock to 70% of GDP by 2030. Improve freight- based rail efficiency and achieve accelerated construction of up to 5,000 Km of modern railway lines in the next five years. Conduct a review of the financial, legal, and regulatory environment to promote private investment in roads, rail, housing, and power. Provide tax breaks to a consortium of private sector institutions to establish an Infrastructure Debt Fund (IDF) that will mobilize resources for the financing and delivery of large infrastructure projects across the country. The initial investment capacity of the fund will be US$20 billion.	Prioritize completion of critical railway projects. Deploy technology and security assets to safeguard travelers. Encourage state governments to build metros in capital cities. Decongest Apapa ports and encourage use of seaports in other parts of the country. Continue existing plans to establish a new national carrier. Modernise and expand airport facilities
Oil and Gas	Privatize all government-owned refineries and issue new licenses for greenfield investment in crude oil refining. Incentivize building of modular refineries in all parts of the country. Create a transparent incentive regime for purposeful growth of the national reserve base for oil and gas.	Increase crude oil production to 2.6 million barrels per day by 2027 and 4 million by 2030; Incentivize indigenous participation in the upstream industry. Fully implement the host community development trust. Accelerate full implementation of the PIA and fully deregulate the downstream sector. Explore PPPs to increase refining capacity. Complete critical gas infrastructure and achieve full deregulation of mid-stream gas prices within six months and increase gas production by 20%.

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The 2023 General Elections: Sectoral Goals of select Candidates

Peter Obi

Oil and Gas	Fast- track the Nigerian Gas Flare Commercialisation Programme (NGFCP) to secure gas being wasted and increase the gas utilization rate. Incentivize the mid-stream segment of the petroleum sector by facilitating gas processing plants and privately-owned small and medium scale boutique refineries.
ICT	Pursue the development of capacities to leverage on the emerging disruptive digital technologies, automation, Internet of Things (IoT) and artificial intelligence. Create enterprise hubs, business incubators and MSME Industrial clusters. Implement state-led and public-private initiatives to drive the penetration of broadband infrastructure. Promote made-in-Nigeria goods and services by expanding the Nigeria Content legislation.
Manufacturing	Scale the development of manufacturing and processing technological capabilities across the primary products value chains. Incentivise and invest in agro-cluster and industrial cluster development. Reform the ports, customs, trade facilitation instruments and ensure ease of doing business to make Nigerian products competitive.

The 2023 General Elections: Sectoral Goals of select Candidates

	 Atiku Abubakar	Bola Ahmed Tinubu 
ICT	Establish a 'Technology Support Programme' (TSP) to support the tech and ICT sector to meet the demand for technology, especially in the area of software development. Digitization of major government operations such as procurement to achieve transparency and reduce leakages.	Implement policies that will train and build capacity among young Nigerians to take advantage of ICT-enabled outsourcing. Develop policies to support local funding opportunities for startups. Incentivize the creation of technology hubs and parks and prioritize the implementation of e-governance.
Manufacturing	Achieve a sustained increase in manufacturing output from 9% to 30% of GDP by 2025. Support and vigorously enforce the buy- made-in-Nigeria initiative by ensuring compliance with the relevant executive order by Federal Government procurement agencies. Embolden the Nigerian Export Processing Zone Authority (NEPZA) in the establishment of Special Economic Zones (SEZs) across the 6 geo-political zones. Transform some of the current Industrial Development Centres (IDCs) into Industrial clusters.	Extend tax credits to local manufacturing outfits. Encourage domestic manufacturers to add value to their products. Incentive such as lower import tariffs will be introduced. Develop major and minor industrial hubs in each geopolitical zone.

The 2023 General Elections: Sectoral Goals of select Candidates

Peter Obi

Education	Address the gaps in the legislation guiding the funding access modalities to Universal Basic Education Commission (UBEC), and the Tertiary Education Trust Fund (TETFund). Introduce a mandatory “No Child left Behind” educational policy to address the problem of out-of-school children. Conduct a curriculum overhaul, policy and institutional review and retraining, retooling and re-certification of teachers.
Healthcare	Provide health insurance cover to 133 million poorest Nigerians including pregnant women, children, the aged and the disabled. Effective overhaul and restructuring of training for all cadre of healthcare system providers. Encourage the establishment of integrated health training institutions and provide the necessary incentives for active private sector participation.

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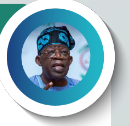
The 2023 General Elections: Sectoral Goals of select Candidates



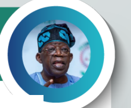
	Atiku Abubakar	Bola Ahmed Tinubu
Education	Improve and strengthen the education system for efficiency, accessibility, quality and relevance. Increase investment in basic skills and vocational training for marginalized and vulnerable populations.	Introduce new accreditation requirements for teachers and standardize teacher training courses and examination. Develop new accreditation standards for all institutions. Invest in education infrastructure. Institute a pilot student loan regime. Rationalize the governance structure, funding and compensation structures of tertiary institutions.
Health	Improve access to basic healthcare service for the poor and the vulnerable through innovative schemes such as the mobile healthcare delivery scheme. Ensure universal access to basic maternal and child health, reproductive health, immunization and mental health as well as effective therapies.	Strengthen national primary healthcare networks through counterpart funding programmes with states and local governments. Upgrade and equip general hospitals in every local governments. Decentralize social health care insurance scheme.

The 2023 General Elections: Sectoral Goals of select Candidates

Peter Obi

Security	Re-focus the military on external threats and border protection, and the police on internal security threats and law enforcement. Swift, firm and fair prosecution of criminals, bandits and terrorists to end impunity. Enhance coordination among security agencies to ensure operational efficiency. Fair and transparent administration of justice hinged on the rule of law.
Governance	Strengthen federalism by critically reviewing the 68 items on the exclusive list of the Federal government and allow the states to leverage their comparative advantages and contribute to national development. Reduce cost of governance by implementing the Oronsaye Report which called for the consolidation of government agencies. Pursue aggressive digitization of all judiciary, government and regulatory agencies to curb corruption and improve governance outcomes and service delivery.

The 2023 General Elections: Sectoral Goals of select Candidates

	 Atiku Abubakar	Bola Ahmed Tinubu 
Security	In addition to training security operatives and providing adequate funding, there will be recruitment of about one million personnel into the police force, to meet the UN police to citizen ratio of 1:450	Recruit, train and equip addition military and intelligence personnel. Create highly trained and disciplined anti-terrorism battalions. Upgrade weapons system and exploit aerial and technological superiority. Provide emergency and economic support to local communities to gain their support.
Governance	Devolve issues bordering on minerals and mines, internal security including Police, law and order, railways, communications, transport, environment, land matters, etc. to the concurrent list. Negotiate a new revenue allocation formula through the National Assembly. Ensure an efficient, effective, accountable and people-centered federal government. Strengthen local governments to become financially autonomous.	Review federation allocation revenue system and ensure more funds are allocated to states and local governments. Review the constitutional legislative lists to grant more powers to states.

Analyst Views on the Manifestos

Approach/ Philosophy

- All three manifestos noted the role of the private sector as the driver of the economy. Atiku Abubakar's (AA) manifesto, however, placed a stronger emphasis on privatization of key enterprises, protection of and incentivizing private sector players, and breaking government monopoly in major areas such as rail transportation and power transmission. All three manifestos emphasized the importance of Public-Private Partnerships (PPPs) in delivering infrastructure.

Major Goals

- As expected, the manifestos are ambitious with many of their targets. The plan by AA to make Nigeria the 15^{th} largest economy by 2030 would require increasing the dollar value of Nigeria's GDP by more than 3 times in less than a decade. In our view, this is a huge feat to achieve as nominal GDP growth would need to average 16% per annum from 2023, assuming a stable exchange rate.

- Similarly, the goal to attain 10% GDP growth and reduce the number of unemployed to 11.9 million in 2026 are overly ambitious targets in the Bola Ahmed Tinubu (BAT) manifesto. Peter Obi's (PO) manifesto, on the other hand, was not specific on some broad goals such as the number of jobs created, growth rate to be achieved and specific exchange rate target.

Analyst Views on the Manifestos

Fuel Subsidy and Deregulation of the Oil and Gas Sector

- For the oil & gas industry, the manifestos of AA and BAT argued for privatisation, liberalisation and deregulation of the industry in line with the Petroleum Industry Act. On petrol subsidy, the two manifestos promised a liberalization of the downstream sector. PO's manifesto also promised to eliminate fuel subsidy as it has become a burden on government revenues. There are however no specific details on when and how subsidy will be removed/addressed in all three manifestos.

ICT, Trade and Industrialization

- AA's manifesto recognized the role of technology in driving development in Nigeria. The plan to increase ICT penetration among the young people and ensure adoption of ICT in government operations is a positive move. In addition, the manifesto noted the need to promote intra-African trade and ensure Nigeria maximizes the benefits of the AfCFTA and increases its influence on the continent.

- On industrialization, the approach in AA's and BAT's manifestos are similar – creation of industrial hubs/clusters, special economic zones, industrial policies to foster growth in key sectors. BAT's manifesto proposes the creation of an industrial development masterplan and providing tax credits to manufacturers. The manifesto highlighted the importance for each region to harness their potential and develop their capabilities across several products. The deployment of ICT was central across major reforms.

- Peter Obi's manifesto emphasized leveraging the 4th industrial revolution to improve industrial production, ensure growth of MSMEs and transform transport infrastructure. The manifesto also extensively highlighted reforms to improve power supply and leverage Nigeria's gas resources to develop the economy. Micro, Small and Medium-scale Enterprises (MSMEs) were also deemed important in the manifesto.

Analyst Views on the Manifestos

Concluding Thoughts

- The manifestos of PO, AA and BAT are progressive and contain plans to strengthen the private sector as well as improve social welfare of Nigerians.

- While manifestos are extremely important, we suggest that voters should not only base their decisions on the candidates' promises, as contained in the manifestos. Factors such as feasibility of each plan; performance track record of candidates; their public statements/interviews, and their willingness to engage stakeholders and reform the civil service and government institutions should also be given important consideration.

SECTION 06

Macroeconomic Projection for 2022 – 2024

RESEARCH

Macroeconomic Projection for 2023: Rationale for the Three Scenarios

Best Case

This scenario assumes an average oil price of US$99 per barrel. It assumes that the Nigerian government intensifies efforts to curb oil theft and illegal bunkering and therefore, Nigeria produces 1.9 million barrels per day. Higher oil and non-oil revenue leads to an increase in both foreign currency inflows and capital spending (at N3.7 trillion) in 2023.

Moderate Case

In this scenario, crude oil price is expected to average US$82 per barrel as oil supply improves. In order to maintain a high price, OPEC+ members revisit the decision to cut oil supply. For Nigeria, its crude oil production improves to 1.5 mbpd, as progress is made in addressing oil theft. In addition, FGN spends N3 trillion on capital project, which is a budget implementation rate of ~61%.

Worst Case

This scenario assumes a bleak global outlook. Oil price falls as non-OPEC countries increase oil supply to achieve low price and tackle high energy costs. Crude oil price falls to US$44 per barrel as a result. Locally, oil theft continues and Nigeria's output falls to 0.9 mbpd. Government revenue is severely challenged following increasing oil theft and spending on capital project falls to N790 billion in the year.

Macroeconomic Scenario for 2023

Scenario	Assumptions	Outcome
Best Case	• Oil price averages US$99 per barrel • Demand for Nigerian crude improves as economies recover- Nigeria produces 1.9 million barrels per day • Government capital spending at N3.7 trillion • Full implementation of sectoral support interventions	• GDP Growth at 3.2% • Inflation Rate at 17.1% • External Reserves at US$43bn • Exchange Rate at N430/US$
Moderate Case	• Oil price averages US$82 per barrel • Crude oil production at 1.5 million barrels per day • Government capital spending at N3 trillion • Implementation of sectoral support interventions	• GDP Growth at 2.5% • Inflation Rate at 18.6% • External Reserves at US$36.5 billion • Average Exchange Rate at N458/US$
Worst Case	• Oil price averages US$44 pb • Lower crude oil production- Nigeria produces 0.9 million barrels per day • Government capital spending at N790 billion	• GDP Growth at -0.2% • Inflation Rate at 23.3% • External Reserves at US$29.5 billion • Exchange Rate at N470/US$

Projection for 2022 – 2024 for Nigeria

	2021	2022e*	2023f*	2024f*
Real GDP Growth	3.4%	2.75%	2.5%	3.0%
Inflation rate	17%	18.8%	18.6%	15.1%
Average Exchange rate (N/US$)	410.0	431	450	450
Monetary Policy Rate	11.5%	16.5%	14%	12%
External Reserves (Average, US$ Billion)	35.8	38.8	36.5	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%	15.0%	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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