

AFRICA RISK CONSULTING

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Nigeria Summary 21 October 2022

President Muhammadu Buhari (2015-present) unveils a record 20.5 trillion naira (\$47.3 billion) spending plan, aiming to grow the economy and end its security issues. Nigerian Upstream Petroleum Regulatory Commission figures reveal that Nigeria's oil production continues to drop amid onshore shutdowns. The National Bureau of Statistics (NBS) announces on 17 October that Nigeria's annual inflation increased marginally to 20.8% in September from 20.5% in August due to a slide in the value of the naira that increased the cost of imported goods such as gas and liquid fuel. Central Bank of Nigeria (CBN) governor Godwin Emefiele announces on 27 September the decision of the Monetary Policy Committee (MPC) to increase its benchmark interest rate by 150 basis points from 14% to 15.5%, the third consecutive increase in 2022. The move signals that even higher borrowing costs are possible if inflation is not reined in. State-owned oil company Nigerian National Petroleum Company (NNPC) CEO Mele Kyari says the government will take a final investment decision in 2023 on the \$25-billion gas pipeline from Nigeria to Morocco that could supply fuel to Europe.

Buhari launches record \$47 billion budget ...

President **Muhammadu Buhari** (2015-present) unveiled a record 20.5 trillion naira (\$47.3 billion) spending plan on 7 October, the largest the country has seen in a decade.¹ The plan aims to grow the economy and end **Nigeria's** security issues.² Launching the plan in the capital, **Abuja**, Buhari told lawmakers that it "*reflects the serious challenges*" faced by the country and contains "*key reforms necessary to address them*".³ Buhari said with projected economic growth of 3.7% and 16.87 trillion naira (\$38.9 billion) in expected federal government revenue in 2023, government is aiming to achieve "*higher, more inclusive, diversified and sustainable growth*" with the proposed budget.⁴

The budget, expected to be approved and take effect in January 2023, is 19% higher than this year's government expenditure. Buhari allocated 1.248 trillion naira (\$2.8 billion) to internal security and defence, with violent extremism in the **North East** and armed attacks in the northwest and central regions having claimed thousands of lives in 2021.⁵ The candidate who wins February's presidential elections is likely to implement the proposed budget, with Buhari pledging to "*leave a legacy of a peaceful, prosperous and secured nation*":

*"I assure you, insecurity, especially banditry and kidnapping, will be significantly curtailed before the end of this administration."*⁶

Around 5.3 trillion naira (\$12.2 billion) or 26% of the proposed budget will go to capital expenditure. The government is banking on building infrastructure and creating employment

¹ Business Day Nigeria, 7 Oct 2022

² Washington Post, 7 Sep 2022

³ Business Day Nigeria, 7 Oct 2022

⁴ Premium Times Nigeria, 7 Oct 2022

⁵ Premium Times Nigeria, 7 Oct 2022; Washington Post, 7 Sep 2022

⁶ Business Day Nigeria, 7 Oct 2022

after years of bad governance and corruption have stifled development.⁷ Buhari said to plug the funding gap, government seeks to borrow as much as 8.8 trillion naira (\$20.3 billion) from domestic and foreign lenders, representing 76% more than the 5 trillion naira (\$12 billion) approved for this fiscal year. Buhari noted that “*revenue shortfalls remain the greatest threat to Nigeria’s fiscal viability.*”⁸ As of March, Nigeria’s public debt was 41 trillion naira (\$96.7 billion).

SBM Intelligence head of research **Ikemesit Effiong** described the 2023 budget estimates as “*very optimistic considering the current economic and security challenges the country is facing*”.⁹ Government tends to fall short of its growth, revenue and deficit targets when the domestic oil industry underperforms.¹⁰ While the proposed budget is dependent on a massive increase in oil output, Nigeria has seen its oil production decline steadily since 2022, reaching multi-decade lows this year.¹¹ Financial firm **Vetiva Capital Management** economist **Ibukunoluwa Omoyeni** said on 7 October that for Nigeria to achieve the government’s growth estimates, it would,

*“require the commencement of local refining of petroleum products and substantial recovery in oil production, alongside sustained expansion in the non-oil sector”.*¹²

...as oil production slump continues

According to government data, Nigeria’s oil production continues to drop amid onshore shutdowns. The **Nigerian Upstream Petroleum Regulatory Commission (NUPRC)** revealed on 10 October that in September, the country produced a daily average of 1.14 million barrels of crude oil and condensate, a light hydrocarbon, about 42,000 barrels fewer than in August.¹³ Nigeria’s oil output has declined gradually since the first quarter of 2022, when it produced double the daily amount produced in September.¹⁴

The government has blamed the decline in output on years of low investment, massive vandalism and pipeline theft crisscrossing the oil-rich **Niger Delta** in southern Nigeria (see *ARC Briefing Nigeria Sep 2022*).¹⁵ State-owned energy company **Nigerian National Petroleum Company (NNPC)** CEO **Mele Kyari** said on 10 October that Nigeria plans to add 500,000 barrels a day to its oil production by the end of October, particularly by resuming operations at **United Kingdom**-headquartered oil giant **Shell’s Trans-Niger** pipeline and **Forcados** terminal.¹⁶

In September, Nigeria lost its position as **Africa’s** largest crude oil producer to **Angola**, which surpassed it in average daily output in August for the first time since April 2017 (see *ARC Briefing Nigeria Sep 2022*).¹⁷ A **Bloomberg** survey of monthly **Organization of the Petroleum Exporting Countries (OPEC)** output reported that Nigeria’s average daily output in August was 1.13 million barrels, compared to Angola’s 1.17 million barrels.¹⁸ NUPRC statistics painted a gloomier picture for Nigeria, reporting that its output fell below one million barrels per day in August.¹⁹ According to Bloomberg’s survey, **Libya**, which produced a daily 1.08 million barrels

⁷ Washington Post, 7 Sep 2022

⁸ Business Day Nigeria, 7 Oct 2022

⁹ Bloomberg, 7 Oct 2022

¹⁰ Bloomberg, 7 Oct 2022; Washington Post, 7 Sep 2022

¹¹ Washington Post, 7 Sep 2022

¹² Bloomberg, 7 Oct 2022

¹³ Nigerian Upstream Petroleum Regulatory Commission, 10 Oct 2022

¹⁴ Nigerian Upstream Petroleum Regulatory Commission, 10 Oct 2022; Bloomberg, 10 Oct 2022

¹⁵ Bloomberg, 8 Sep 2022; Offshore-Technology, 12 Sep 2022

¹⁶ Bloomberg, 10 Oct 2022

¹⁷ Bloomberg, 8 Sep 2022; Business Live, 11 Sep 2022

¹⁸ Bloomberg, 8 Sep 2022

¹⁹ Business Live, 11 Sep 2022; Bloomberg, 8 Sep 2022

of crude oil per day in August, could soon overtake Nigeria if the country continues on its current path.²⁰

The continued decline in Nigeria's output is a further threat to its finances, and cuts global supply at a time when energy prices are skyrocketing due to the conflict in **Ukraine**.²¹ In July, an official from Shell said that industrial-scale theft poses an “*existential*” threat to Nigeria; President Buhari said on 19 August that the problem is affecting state finances “*enormously*”.²² The NNPC reported in August that 700,000 barrels per day were missing from its exports due to theft, forcing some companies to shut down operations in some fields to avoid thieves. The NNPC further announced on 11 September that Nigeria loses 470,000 barrels per day of crude oil, equating to \$700m monthly, due to oil theft.²³

Inflation hits fresh 17-year high in September amid further CBN rate hikes

The **National Bureau of Statistics (NBS)** announced on 17 October that Nigeria's annual inflation rate had increased marginally to 20.8% in September from 20.5% in August.²⁴ The inflation rate hit a fresh 17-year high in September due to a slide in the value of the naira that increased the cost of imported goods such as gas and liquid fuel.²⁵ The rate is the highest level recorded since September 2005.

Inflation in Nigeria has been more than double the 9% ceiling of the **Central Bank of Nigeria's (CBN)** target band for four months, and is likely to be fanned by the continued depreciation of the naira and the worst floods in a decade. The naira has declined by around 4% against the **United States (US)** dollar this year, while flooding has submerged 108,392 hectares of farmland nationally, claimed 603 lives, injured 2,407 people injured and displaced 1.3 million as of 16 October.²⁶ The food index, which represents more than half of the inflation basket, increased by 23.2% from a year earlier, compared with 23.1% in August.²⁷ Core inflation, which excludes agricultural produce, accelerated to 17.6% in September, compared to 17.2% in August.²⁸ Prices increased by 1.36% from August.

CBN governor **Godwin Emefiele** announced on 27 September that the **Monetary Policy Committee (MPC)** had increased its benchmark interest rate by 150 basis points from 14% to 15.5%, the third consecutive increase in 2022, and more than most analysts had predicted.²⁹ This is the first time the rate has been taken over 14% since its adoption in 2006 with even higher borrowing costs possible if inflation is not reined in.³⁰ The MPC's decision to raise interest rates was unanimous, with 10 out of 12 members voting to raise the rate by 150 basis points, one member voting for a full percentage point, and one for half a percentage point.³¹ Emefiele said the MPC had also increased the cash reserve ratio, the amount money lenders must keep at the central bank, from 27.5% to 32.5%.³² Emefiele said the increase will consolidate the impact of the last two policy rate hikes, “*which is already reflected in the slowing growth rate of oil supply in the economy*”.³³ The MPC has increased interest rates by 400 basis

²⁰ Bloomberg, 8 Sep 2022

²¹ Business Live, 11 Sep 2022

²² Business Live, 11 Sep 2022

²³ Offshore-Technology, 12 Sep 2022

²⁴ National Bureau of Statistics, 17 Sep 2022

²⁵ Bloomberg, 27 Sep 2022

²⁶ NPR, 16 Sep 2022; Bloomberg, 27 Sep 2022

²⁷ National Bureau of Statistics, 17 Sep 2022

²⁸ National Bureau of Statistics, 17 Sep 2022

²⁹ Central Bank of Nigeria, 27 Sep 2022; Bloomberg, 28 Sep 2022

³⁰ Financial Times, 27 Sep 2022; Bloomberg, 28 Sep 2022

³¹ Central Bank of Nigeria, 27 Sep 2022; Bloomberg, 28 Sep 2022

³² Central Bank of Nigeria, 27 Sep 2022; The Cable Nigeria, 27 Sep 2022

³³ The Cable Nigeria, 27 Sep 2022; Central Bank of Nigeria, 27 Sep 2022

points this year, making it one of four central banks in Africa that have increased interest rates by 300 basis points or more.³⁴

While Emefiele expects the rate increase to slow capital flows, attract capital inflows and appreciate the naira, higher borrowing costs are expected to draw major criticisms from some politicians who began campaigning on 28 September for the presidential elections.³⁵ In further bad news for politicians and borrowers, the MPC may have to raise borrowing costs for a fourth successive time in November due to the upward price pressures and expectations of more aggressive rate hikes by the US **Federal Reserve**, which are driving investors away from emerging markets.³⁶ Emefiele warned at the CBN's 27 September meeting that financial authorities would raise rates further as long as inflation remains stubbornly high.³⁷ However, finance minister **Zainab Ahmed** said in an interview with US-based financial, data and media company **Bloomberg** on 12 October that the Nigerian government is hopeful that inflation "*should plateau and begin to go down*" in the next three months.³⁸

In the interim, the CBN plans to slow lending to firms as a measure to curb inflation. CBN development finance director **Philip Yusuf** said at a briefing on 28 September that the central bank is reducing the amount of intervention loans it issues, as members of its rate-setting committee warned that the funds may be fueling inflation.³⁹ Emefiele said on 27 September that the CBN has so far extended about 9 trillion naira (\$20.5 billion) to private sector firms in the last three years at concessionary rates to support growth.⁴⁰ He said the funds have helped the country recover from two recessions since 2016. A local source told **Africa Risk Consulting (ARC)** that it is "*unacceptable*" that Nigeria's inflation rate is near a two-decade high as food costs bring millions to breaking point:

*"We have 34 million hectares of arable land available, yet we suffer food inflation. That is unacceptable and I blame the [ruling **All Progressives Congress**] APC government."*⁴¹

Despite the rate hikes, business confidence remains resilient. The domestic economy grew faster than expected in the second quarter of 2022.⁴² The CBN expects the domestic economy to grow by 3.5% this year, compared to its forecast made at its meeting in August.⁴³

Nigeria's \$25-billion gas line may get investment nod next year...

NNPC CEO Mele Kyari announced on 10 October that government "*will take a final investment decision next year*" on the \$25 billion gas pipeline from Nigeria to **Morocco** that could supply fuel to **Europe**.⁴⁴ The NNPC and Morocco's **Office National des Hydrocarbures et des Mines (ONHYM)** (national hydrocarbons and mines office) signed a memorandum of understanding (MoU) on 15 September that brings closer to reality a long-standing proposal for a gas pipeline between the two countries (see *ARC Briefing Nigeria Sep 2022*).⁴⁵ Mele said discussions around financing are in progress but did not disclose the institution's interest in funding the 5,600-kilometre supply line along **West Africa's** coast that would provide gas to the 15-member

³⁴ Bloomberg, 27 Sep 2022

³⁵ Bloomberg, 27 Sep 2022

³⁶ Bloomberg, 27 Sep 2022

³⁷ Central Bank of Nigeria, 27 Sep 2022

³⁸ Bloomberg, 12 Oct 2022

³⁹ Central Bank of Nigeria, 28 Sep 2022

⁴⁰ Central Bank of Nigeria, 27 Sep 2022; Bloomberg, 28 Sep 2022

⁴¹ ARC Source, local resident

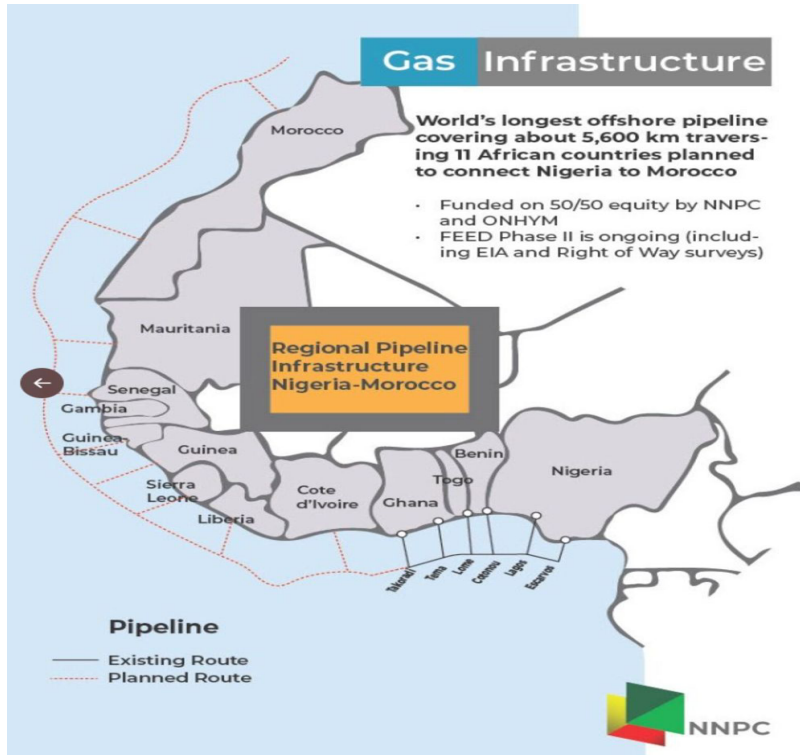
⁴² Bloomberg, 27 Sep 2022

⁴³ Central Bank of Nigeria, 27 Sep 2022; Bloomberg, 28 Sep 2022

⁴⁴ Moneyweb, 10 Oct 2022

⁴⁵ Bloomberg, 8 Sep 2022; Offshore-Technology, 12 Sep 2022

Economic Community of West African States (ECOWAS), which also signed the MoU, and permit fuel to be shipped to **Spain** as well as the rest of Europe.⁴⁶



Nigeria possesses the continent’s largest proven gas reserves at about 200 trillion cubic feet, most of which is untapped, flared or reinjected into wells.⁴⁷ The Nigerian government plans to monetise much of the gas supplies to replace crude as the country’s primary commodity. However, Nigeria’s crude production is in sharp decline, impacted by massive theft of oil pipelines and lack of investment in new capacity (see above).⁴⁸

⁴⁶ Moneyweb, 10 Oct 2022; Bloomberg, 15 Sep 2022
⁴⁷ Bloomberg, 15 Sep 2022
⁴⁸ Business Live, 11 Sep 2022; Bloomberg, 15 Sep 2022

Planner

22 Nov 2022 **(Nigeria) Central Bank of Nigeria** Monetary Policy Committee announces interest rate decision;

Dec 2022 **(Nigeria) Central Bank of Nigeria** MPC announces interest rate decision;

2023 **(Nigeria)** Investment decision on the **Nigeria-Morocco** oil pipeline;

2023 **(Nigeria)** Presidential elections;

Chronology

20 Oct 2022 **Abuja (Nigeria) Business Day Nigeria**. Finance minister **Zainab Ahmed** says during the ministerial presentation of the 2023 budget in **Abuja** that Nigeria has no plans to restructure its debt, contradicting her statement on 12 October that the government was considering restructuring its debt;

20 Oct 2022 **Abuja (Nigeria) Reuters**. Nigerian authorities say that **Rivers, Anambra, Delta, Cross River** and **Bayelsa States** remain at risk of flooding until the end of November as floods spread to the Delta region;

19 Oct 2022 **Abuja (Nigeria) Bloomberg**. President **Muhammadu Buhari** has approved a plan by the government to convert at least 20 trillion naira (\$45.4 billion) of loans taken from the **Central Bank of Nigeria** to 40-year bonds, the first time it has resorted to such a move as public finances come under pressure;

19 Oct 2022 **Abuja (Nigeria) Vanguard**. The **Chinese** government has reportedly denied reports that it opened and operates police stations in Nigeria and other countries where its nationals reside;

19 Oct 2022 **Abuja (Nigeria) Techcrunch**. Communications minister **Isa Pantam** announces that President **Muhammadu Buhari** has signed into law the **Nigeria Start-up Bill 2022**;

19 Oct 2022 **Abuja (Nigeria) Vanguard**. The **Australian** government has warned its citizens to avoid travelling to Nigeria over the recent flooding that has ravaged some parts of the country;

18 Oct 2022 **Abuja (Nigeria) Bloomberg**. Separatist leader **Nnamdi Kanu's** lawyer, **Mike Ozekehome**, says Nigeria's secret police have been directed to release his client after a court dismissed terrorism charges brought by the government;

18 Oct 2022 **Abuja (Nigeria) Bank of America**. **United States (US)**-based **Bank of America** says that the Nigerian naira is likely to be devalued by 20% in 2023;

17 Oct 2022 **Abuja (Nigeria) Africa News**. Local energy company **Nigeria LNG Ltd.** declares force majeure on shipments from its **Bonny Island** liquefied natural gas facility after flooding cut off supplies ;

17 Oct 2022 **Abuja (Nigeria) National Bureau of Statistics** Nigeria's inflation rate hit a fresh 17-year high in September due to a slide in the value of the naira that raised the cost of imported goods such as gas and liquid fuel;

16 Oct 2022 **Abuja (Nigeria) CEO Nigeria**. Local financial institution **Fidelity Bank** has sent \$421m to settle a Eurobond due on 17 October as Nigeria grapples with a growing scarcity of foreign exchange.

16 Oct 2022 **Abuja (Nigeria) NPR**. Humanitarian affairs and disaster management minister **Sadiya Umar Farouq** says that as of 16 October, floods have killed 603 people, injured 2,407 and displaced 1.3 million;

13 Oct 2022 **Washington D.C (United States)** *Nigeria Finance Ministry*. Finance minister **Zainab Ahmed** says during a panel session at the **International Monetary Fund (IMF)**'s meetings in **Washington D.C.**, that Nigeria's Eurobond holders will not be included in a plan to extend the tenors of its outstanding debts;

12 Oct 2022 **Abuja (Nigeria)** *This Day Live*. **Lagos State** government says it will build a passenger and cargo airport in the northeast of the city close to a major oil refinery and the new **Lekki** deep-sea port;

12 Oct 2022 **Abuja (Nigeria)** *Vanguard Nigeria*. Finance minister **Zainab Ahmed** says **Nigeria** is considering restructuring its debt and extending the repayment period of its credit obligations and has appointed consultants to advise the government as it faces a rising debt-service burden;

11 Oct 2022 **Abuja (Nigeria)** *Nigerian Upstream Petroleum Regulatory Commission*. **Nigerian Upstream Petroleum Regulatory Commission** figures reveal that Nigeria produced a daily average of 1.14 million barrels of crude oil and condensate in September, about 42,000 barrels fewer than in August;

11 Oct 2022 **Abuja (Nigeria)** *Shell Plc*. **British** multinational oil and gas company **Shell's** Nigerian unit says it is investigating whether an illegal pipeline carried stolen crude to one of the company's offshore platforms, as authorities in the **West African** country have alleged;

10 Oct 2022 **Abuja (Nigeria)** *BusinessLive*. State-owned energy company **Nigerian National Petroleum Co (NNPC)** CEO **Mele Kyari** says an investment decision on the \$25 billion gas pipeline from Nigeria to **Morocco** that could supply the fuel to Europe will be taken next year;

7 Oct 2022 **Kogi (Nigeria)** *This Day Live*. **Africa's** largest producer of the building material, **Dangote Cement Plc**, shuts one of its plants in central **Kogi State** after government agents sealed the premises over alleged unpaid taxes;

7 Oct 2022 **Abuja (Nigeria)** *Bloomberg*. The favorite to become Nigeria's next president, **Peter Obi**, has pledged to end the country's multiple exchange rate regimes if elected;

6 Oct 2022 **Abuja (Nigeria)** *Washington Post*. President **Muhammadu Buhari** unveils a record \$47.3-billion budget for 2023;

6 Oct 2022 **Abuja (Nigeria)** *Bloomberg*. Nigeria raises its domestic and foreign borrowing requirement by 15% to fund a record budget deficit, with the **Senate** agreeing to 8.4 trillion naira (\$19 billion) of new loans for 2023 to help fund an estimated budget shortfall of 10.5 trillion naira (\$24 billion), bringing projected borrowing this year to 7.3 trillion naira (\$16.7 billion);

1 Oct 2022 **Abuja (Nigeria)** *Africa News*. Nigeria marks its 62nd Independence Day;

1 Oct 2022 **Washington D.C. (United States)** *United States State Department*. **United States (US)** secretary of state **Antony Blinken** says the US is committed to supporting Nigerian efforts to counter terrorism and insecurity, improve health systems, strengthen democratic institutions, promote respect for human rights, and bolster economic growth including through bilateral trade and investment;

28 Sep 2022 **Abuja (Nigeria)** *Central Bank of Nigeria*. **Central Bank of Nigeria (CBN)** development finance director **Philip Yusuf** says the CBN is reducing the amount of intervention loans it issues as members of its rate-setting committee warned that the funds may be fueling inflation which is at a 17-year high;

27 Sep 2022 **Abuja (Nigeria)** *Financial Times*. The **Central Bank of Nigeria (CBN)** raises its benchmark interest rate by more than predicted, taking it over 14% for the first time since it was adopted in 2006 and signaling that even higher borrowing costs are possible if inflation is not reined in;

27 Sep 2022 **Abuja (Nigeria)** *Bloomberg*. Nigeria hopes that the new **Lekki Deep Sea Port** set to open in March will end maritime congestion and help boost an economy grappling with soaring inflation, stagnating growth and slumping foreign investment;

25 Sep 2022 **Abuja (Nigeria)** *National Pension Commission*. The **National Pension Commission** enacts regulations allowing citizens to tap into their pension contributions to fund mortgages as it looks for ways to help more people buy homes;

25 Sep 2022 **Abuja (Nigeria)** *Nigerian National Petroleum Co*. State-owned energy company **Nigerian National Petroleum Co (NNPC)** reports that the cost of Nigeria's fuel subsidies rose to 525.714 billion naira (\$1.22 billion) in August, bringing the total spent this year to 2.568 trillion naira (\$5.9 billion);

23 Sep 2022 **Abuja (Nigeria)** *Financial Times*. Aviation minister **Hadi Sirika** says the government plans to relaunch a national carrier almost 20 years after its predecessor collapsed under a cloud of debt, mismanagement and corruption, with service between Nigeria's commercial hub, **Lagos**, and the capital **Abuja**, set to begin before the end of 2022;

21 Sep 2022 **Abuja (Nigeria)** *CNN*. In his address to the **United Nations (UN)**, President **Muhammadu Buhari** criticises fellow leaders who extend term limits to cling to power, saying this was having a "corrosive" effect, and promises free and fair elections when the country elects his successor in February.

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