

AFRICA RISK CONSULTING

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Nigeria Summary 26 April 2024

The Central Bank of Nigeria (CBN) on 28 March introduces a new policy raising the minimum capital requirement for banks in Nigeria. Nigeria's foreign exchange reserves fall by \$2.33 billion in 31 days between 18 March and 17 April from \$34.45 billion to \$32.12 billion, its lowest level since 20 September 2017. The Organization of Petroleum Countries (OPEC) on 11 April releases its Monthly Oil Market Report for April 2024 revealing that Nigeria lost its place to Libya as the top crude oil producer in Africa for March.

CBN introduces a new set of minimum capital requirements for banks

The **Central Bank of Nigeria (CBN)** on 28 March introduced a new policy raising the minimum capital requirements for banks in Nigeria. Financial policy and regulation department director **Haruna Mustafa** signed a memo indicating that the minimum capital base was set according to licensing authorisation. For commercial banks with international, national and regional authorisations, a minimum of N500 billion (\$399.3m), N200 billion (\$159.7m) and N50 billion (\$39.9m) respectively, is required, while the minimum requirement for merchant banks was fixed at N50 billion (\$39.9m). In the same vein, non-interest banks with national and regional authorisations would require a minimum capital of N20 billion (\$15.9m) and N10 billion (\$7.9m) respectively. Affected banks alongside promoters of proposed banks are expected to meet the requirement by 31 March 2026, starting from 1 April 2024.¹

To meet the minimum capital base, banks will be forced to consider a variety of options such as equity injections, mergers and acquisitions and/or upgrade or downgrade of their current licenses.² Data from the **First Bank of Nigeria (FBN) Quest** has shown that banks in the international category fall short of the minimum requirement by approximately -66% which means that Tier 1 banks - **First Bank of Nigeria Limited, Access Bank Plc, Guaranty Trust Bank Plc, United Bank for Africa Plc, and Zenith Bank Plc** will require approximately N2.2 trillion (\$1.68 billion) potentially through private placements.³

Africa Risk Consulting (ARC) managing director **Tara O'Connor** noted in a recent article:

*"Increasing the capital requirements of banks is a means to kill two birds with one stone and raising the capital requirements is a subtle way of reducing money supply and containing inflation."*⁴

She further added that *"the rules will have a secondary effect of promoting consolidation and forcing failed or failing banks out of business"*.⁵ Other experts assert that commercial banks with international authorisation such as Access Bank Plc, with one of the least variances of -N248.19 billion (-\$198.3m), may find it easier to raise additional capital as they may seek support from parent companies, while Tier 2 banks like **Fidelity Bank Plc** and **First City Monument Bank**, which investment banker **Samuel Oladapo** described as *"fairly strong"*, may merge to acquire smaller banks to raise funds.

¹ Central Bank of Nigeria, 28 Mar 2024

² Central Bank of Nigeria, 28 Mar 2024

³ FBN Quest, 2 Apr 2024

⁴ The Africa Report, 8 Apr 2024

⁵ The Africa Report, 8 Apr 2024

Oladapo further noted that Tier 3 banks may consider mergers to raise capital as a combined entity.⁶ FBN Quest's report considers license downgrade as a last resort for struggling banks.⁷

In the coming months, some banks may announce stricter internal minimum requirements. Already financial institutions like Access Bank Plc, Fidelity Bank Plc, and **Wema Bank Plc** have reportedly expressed interest in raising capital through rights issues and private placements.⁸ The potential shift in the banking sector may result in stronger bank performance, and controlled inflation as stated by O'Connor, alongside increased investor interest.

Foreign reserve depletes amid reports of naira depreciation

Foreign exchange reserves fell by \$2.33 billion in 31 days between 18 March and 17 April from \$34.45 billion to \$32.12 billion, its lowest levels since 20 September 2017. The decline caught headlines with both local and international media speculating that the CBN was defending the naira. Before this, the foreign reserves had gained an estimated \$1.28 billion between 5 February and 18 March which the apex bank linked to various factors including a rise in remittance inflows from Nigerians living abroad, interest from foreign investors in Nigerian assets, oil production, and reforms implemented in the foreign exchange markets.⁹ Multiple reports noted that the depletion of the foreign exchange reserves commenced after the CBN resumed selling forex to authorised bureau de change operators (BDC) in the country which led to widespread speculation that the apex bank was drawing from its reserves to sell dollars at a reduced rate to BDC operators.¹⁰

Notably, as the reserves fell from \$34.45 billion to \$34.39 billion between 18 and 19 March, losing \$1.02 billion in 18 days, the naira began gaining value, trading at N1,309/\$ on 31 March in the official exchange market compared to N1,560/\$ on 19 March and N1,627/\$ on 8 March.¹¹ Subsequently, the naira peaked at N1,136.04/\$ on 15 April and by 19 April the official exchange rate had fallen to N1,300/\$ while the movement in reserves remained at \$32.12.^{12,13} The **International Monetary Fund (IMF)** projected in February that Nigeria's reserves may fall to \$24 billion in 2024, dropping by \$8 billion from \$33.12 billion as of 8 February.¹⁴

In response to these reports, CBN governor **Olayemi Cardoso** on 17 April attributed the decline in foreign reserves to debt repayments to creditors and other financial obligations and further added that the naira performance is independent.¹⁵ Some experts also shared similar sentiments with Cardoso. Financial expert **Abdulrahman Abdurraheem** disputed the notion that the decline in foreign reserves was solely due to defending the naira but argued that the funds were used to settle outstanding bills owed to foreign airlines and companies.¹⁶

Despite the plunged reserves, the CBN has continued its intervention strategy in its bid to save the naira. The CBN on 8 April reviewed the exchange rate for BDC operators from N1,251/\$ to N1,101/\$, limiting operators to selling their weekly allocation of \$10,000 at no more than 1.5%.¹⁷ A similar review was announced on 22 April as the CBN reduced the exchange rate from N1,101/\$ to N1,021/\$ at the same selling rate, the fourth consecutive intervention.¹⁸

Nigeria loses to Libya as Africa's largest crude oil producer in March

⁶ The Africa Report, 8 Apr 2024

⁷ FBN Quest, 2 Apr 2024

⁸ FBN Quest, 2 Apr 2024

⁹ Punch, 18 Apr 2024

¹⁰ Punch, 23 Apr 2024

¹¹ Business Day, 20 Mar 2024

¹² Business Day, 16 April 2024

¹³ Vanguard, 24 Apr 2024

¹⁴ Business Day, 13 Feb 2024

¹⁵ Channels, 18 Apr 2024

¹⁶ Premium Times, 24 Apr 2024

¹⁷ Central Bank of Nigeria, 8 Apr 2024

¹⁸ Central Bank of Nigeria, 22 Apr 2024

The **Organization of Petroleum Countries (OPEC)** on 11 April released its **Monthly Oil Market Report** for April 2024 which showed that Nigeria lost its place to **Libya** as the top crude oil producer in Africa for March. Data based on direct communication revealed that Libya's crude production in March rose to 1.24 million barrels per day (mbpd) when compared to 1.17 mbpd in February. On the other hand, Nigeria's daily crude production decreased by almost 91,000 barrels per day (bpd), from 1.32 mbpd to 1.23 mbpd within the same period, Nigeria's lowest output since July 2023.¹⁹

Although Nigeria remains among the top 10 countries with the largest oil reserves, reports have continued to attribute the country's low oil production and poor export to incessant oil theft from pipelines and wells, particularly in the **Niger Delta** region, limited infrastructure, and operational setbacks.²⁰ The **Niger-Delta Environmental Justice Coalition** on 16 April reportedly blamed "a powerful cabal led by certain oil bunkers" for deliberately sabotaging joint efforts by the **Nigerian Army, Nigeria Security and Civil Defence Corps (NSCDC)** and **Tantita Security Services Nigeria Limited** in their fight against crude theft in the region.²¹ To further illustrate this, the **Nigerian National Petroleum Company Limited (NNPC Ltd)** in a memo published on March 11, sought the **Economic and Financial Crimes Commission's (EFCC)** help in curbing crude oil theft. NNPC CEO **Mele Kyari** said that the company has deactivated 6,409 illegal refineries and has disconnected 4,846 illegal pipes but did not mention the specific time frame for when the operations took place.²² Experts have opined that the country's crude oil reduction coincides with production cuts initiated by OPEC+ which is aimed at preventing a global surplus while sustaining prices.

The reduction in domestic crude production has reportedly not only worsened the revenue challenge but has also triggered a noticeable shift prompting international oil companies to migrate from the onshore sector to offshore exploration.²³ Observers also noted that business activity alongside consumer spending has slowed down, inflation in production costs is high, and employment levels are down when compared to the previous year.²⁴

Planner

21 - 22 May 2024 **Abuja (Nigeria)** Fourth edition of the **Agribusiness and Expo**

21 May 2024 **Lagos (Nigeria)** The **International Data Corporation (IDC)** West Africa CIO Summit 2024

17 May 2024 **Abuja (Nigeria)** Court ruling on the bail application of **Binance Holdings Limited** and **Tigran Gambaryan**

7 - 10 May 2024 **Abuja (Nigeria)** The first **Open Source in Energy Access Symposium 2024**

Chronology

25 Apr 2024 **Abuja (Nigeria)** *Daily Trust*. President **Bola Tinubu** approves the launching of the first phase of the consumer credit scheme which aims to enable Nigerians to boost their quality of life by accessing goods and services upfront;

25 Apr 2024 **Abuja (Nigeria)** *The Cable*. The **Nigeria Correctional Service (NCoS)** says 118 inmates escaped from a prison in **Suleja (Niger State)** following heavy rainfall that damaged the facility;

25 Apr 2024 **Kebbi (Nigeria)** *The Sun*. **Nigeria Customs Service (NCS)** operatives intercept 6,240 suspected explosives during a patrol operation in **Kebbi State**;

¹⁹ Business Day, 11 Apr 2024

²⁰ Business Day, 22 Apr 2024

²¹ Leadership, 16 Apr 2024

²² NNPC Group, 11 Mar 2024

²³ Business Day, 11 Apr 2024

²⁴ Business Insider, 12 Apr 2024

25 Apr 2024 **Lagos (Nigeria)** *Punch*. The federal government suspends **Dana Airlines Limited** after one of its aircraft veered off the runway upon landing at the **Murtala Muhammed International Airport (MMIA)** in **Lagos State**;

25 Apr 2024 **Abuja (Nigeria)** *Daily Trust*. The federal government revokes 924 dormant mining licenses including 273 small-scale mining, 528 exploration licenses, 20 mining leases and 101 quarry licenses;

24 Apr 2024 **Lagos (Nigeria)** *Leadership*. **Dana Airlines** grounds aircraft with registration number 5N BKI after skidding off the runway at the **Murtala Muhammed International Airport (MMIA)** in **Lagos State**;

24 Apr 2024 **Abuja (Nigeria)** *Channels*. The **Economic and Financial Crimes Commission (EFCC)** files notice of withdrawal to discontinue an appeal against order of a high court restraining its operatives from arresting former **Kogi State** governor, **Yahaya Bello**;

23 Apr 2024 **Rivers (Nigeria)** *ICIR*. After three years, the **Nigerian National Petroleum Company Limited (NNPCLtd)** and its joint venture partner **Newcross Exploration and Production Ltd** resume crude oil production in the **Awoba Field (Rivers State)** on 13 April;

23 Apr 2024 **Abuja (Nigeria)** *Africanews*. Finance minister **Wale Edun** releases a statement that Nigeria is seeking \$2.25 billion in loans from the **World Bank**;

22 Apr 2024 **Abuja (Nigeria)** *Punch*. President **Bola Tinubu** departs for **The Netherlands** to meet with prime minister **Mark Rutte**. Tinubu is expected to attend the Nigerian-Dutch investment business forum and then an economic forum in **Saudi Arabia**;

22 Apr 2024 **Abuja (Nigeria)** *Premium Times*. Government orders the sale of five electricity distribution companies that have been taken over by banks and the **Assets Management Corporation (AMCON)** due to inability to repay loans to financial institutions;

22 Apr 2024 **Abuja (Nigeria)** *Premium Times*. Nigeria will host a high-level counter-terrorism conference today and tomorrow, bringing together representatives from regional and sub-regional organisations, including the **United Nations, African Union** and member states;

20 Apr 2024 **Abuja (Nigeria)** *Punch*. Senate ad-hoc committee says **Port-Harcourt (Rivers State)** refinery to commence operations before the end of 2024;

19 Apr 2024 **Abuja (Nigeria)** *Reuters*. The **Nigerian Air Force** announces plans to purchase 24 fighter jets from **Leonardo** in **Italy**. The aircraft are expected to arrive in four batches of six jets at an unspecified date;

19 Apr 2024 **Lagos (Nigeria)** *Daily Trust*. Deposit money banks reportedly lost N10 billion (\$7.8m) to cyber fraud in Q2 of 2023, a 300% growth year-on-year when compared to 2022;

18 Apr 2024 **Abuja (Nigeria)** *ICIR*. The **Economic and Financial Crimes Commission (EFCC)** declares former **Kogi State** governor **Yahaya Bello** as wanted over alleged N80.2 billion (\$61.39m) fraud;

18 Apr 2024 **Abuja (Nigeria)** *IMF*. **International Monetary Fund (IMF) World Economic Outlook** forecasts that Nigeria will rank as **Africa's** fourth largest economy in 2024, slipping down from its rank as the largest economy in 2022;

18 Apr 2024 **Dubai (United Arab Emirates)** *Reuters*. **Malta**-headquartered **Binance's** CEO **Richard Teng**, says the company is working closely with authorities amid the detention of its executive, **Tigran Gambaryan**;

17 Apr 2024 **Abuja (Nigeria)** *Vanguard*. The **Central Bank of Nigeria (CBN)** announces a reduction of banks' loan-to-deposit ratio from 65% to 50. The review will allow "banks to comply with the 45.0% CRR directive, and ease off pressure on the lenders";

17 Apr 2024 **Lagos (Nigeria)** *Punch*. The **Dangote Petroleum Refinery** slashes the price of diesel from N1,200 (\$0.9) to N1,000 (\$0.79);

15 Apr 2024 **Abuja (Nigeria)** *Punch*. The **Economic and Financial Crimes Commission** recovers \$445,000 and approximately N3 billion (\$2.4m) from the humanitarian affairs ministry in an ongoing corruption probe in addition to the N30 billion (\$24M) recovered earlier;

15 Apr 2024 **Abuja (Nigeria)** *Amnesty International*. **United Kingdom (UK)**-headquartered **Amnesty International** calls on the Nigerian government to stop the proposed sale of UK-headquartered **Shell's Niger Delta** business until there is confirmation that human rights will be protected, including addressing alleged abuses that happened under Shell's operations;

15 Apr 2024 **Abuja (Nigeria)** *News24*. **Transmission Company of Nigeria (TCN)** says a fire at a power-generating station is behind the grid collapse in the early hours of Monday morning;

9 Apr 2024 **Abuja (Nigeria)** *AFP*. Health minister **Muhammad Ali Pate** says that between 15,000 and 16,000 doctors have left Nigeria in the past five years for better opportunities abroad, leaving the country with just 55,000 doctors for its 220-million population;

8 Apr 2024 **Abuja (Nigeria)** *Reuters*. The **Nigerian National Corporation (NNPC) Limited** allegedly owes approximately \$3 billion to fuel traders for imported fuel;

8 Apr 2024 **Abuja (Nigeria)** *Daily Trust*. The **Central Bank of Nigeria (CBN)** bans the use of foreign currencies as collateral for naira loans except for **Eurobonds** issued by the federal government or guarantees of foreign banks;

7 Apr 2024 **Lagos (Nigeria)** *Bloomberg*. **Nigerian Exchange Group Plc** acquires a 5% shareholding in the **Ethiopian Securities Exchange**; 7 Apr 2024 **Abuja (Nigeria)** *Africanews*. The **Economic and Financial Crimes Commission (EFCC)** files new charges against former **Central Bank of Nigeria** governor **Godwin Emefiele** including alleged fraudulent foreign exchange allocation of \$2 billion;

6 Apr 2024 **Kogi (Nigeria)** *Business Day*. Suspected herdsmen kill at least 21 people in **Omala (Kogi State)**;

3 Apr 2024 **Abuja (Nigeria)** *Punch*. The **Nigerian Electricity Regulatory Commission (NERC)** increases electricity tariffs by over 200% for band A consumers from N66 (\$0.052) to N225 (\$0.17) kilowatt per hour;

3 Apr 2024 **Abuja (Nigeria)** *CNBC Africa*. **Debt Management Office (DMO)** says it plans to raise N1.35 trillion (\$1.02 billion) from the bond market in the second quarter from its 2029, 2031 and February 2034 bonds;

2 Apr 2024 **Abuja (Nigeria)** *Reuters*. Government says it is planning to cut an electricity subsidy that applies to 15% of consumers in a bid to reduce the \$2.6 billion cost of the subsidy as the government seeks to alleviate pressure on public finances;

29 Mar 2024 **Abuja (Nigeria)** *Coin Desk*. **Malta**-headquartered **Binance** executives **Tigran Gambaryan** and **Nadeem Anjarwalla** file a case against two government agencies for violating their human rights after being invited for consultations in February before being detained on arrival;

27 Mar 2024 **Abuja (Nigeria)** *VON*. Environment ministry announces plans to commence periodic reviews of the international and indigenous companies' initiatives to end gas flaring;

26 Mar 2024 **Abuja (Nigeria)** *The Cable*. The **European Union (EU)** launches two new energy projects estimated at €9m (\$9.64m) as part of its continuous support to provide the government with clean, affordable and sustainable energy;

26 Mar 2024 Abuja (Nigeria) *Premium Times*. **Central Bank of Nigeria (CBN) Monetary Policy Committee (MPC)** increases the interest rate by 200 basis points from 22.75% to 24.75%.

About Africa Risk Consulting:

Africa Risk Consulting (ARC) is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

ARC's core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistleblower support on one end to crisis media management and regular monitoring on the other.

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