

## AFRICA RISK CONSULTING

### Nigeria Monthly Briefing November 2023

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#### Nigeria Summary 23 November 2023

*Global financial advisory firm KPMG forecasts in a 12 November report that annual inflation could reach 30% by December. The firm also highlights the ineffectiveness of the Monetary Policy Rate in controlling rising inflation. Simultaneously, the Central Bank of Nigeria (CBN) initiates efforts to address foreign exchange (FX) backlogs, aiming to strengthen the naira in the short term. Labour unions on 15 November call off their strike action initiated on 14 November following the mishandling of Nigerian Labour Congress (NLC) president Joe Ajaero by security forces.*

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#### Inflation forecast to hit 30% by December

The global financial advisory service firm **KPMG** forecasted in a 12 November report, that **Nigeria's** annual inflation rate, which rose from 26.72% in September to 27.33% in October, could reach 30% by December, driven by recent reforms in the petroleum industry, such as the elimination of the fuel subsidy and the unification of the foreign exchange market.<sup>1</sup>

Additionally, the firm emphasised that the **Monetary Policy Rate (MPR)** implemented by the **Central Bank of Nigeria (CBN)** over the past 18 months has proven ineffective in tackling the rising inflation. It further highlighted that addressing concerns such as energy and transportation costs, supply chain obstacles, and promoting local production would be more impactful than resorting to interest rate hikes. The firm added that the Nigerian economy is expected to grow by 2.6% in 2023; lower than both the revised **World Bank's** 2023 forecast of 2.8% and the 3.1% growth rate achieved in 2022.

The KPMG's forecast of a potential 30% inflation rate by December 2023 is a cause for concern and suggests that government policies are contributing to significant economic shifts. The development underscores the need for adaptive and strategic economic management in Nigeria. Addressing inflation, fostering sustainable growth, and reassessing monetary policies are critical components of navigating the complex economic challenges posed by recent industry reforms. Policymakers, investors, and businesses will need to carefully consider these insights for informed decision-making and to contribute to the resilience and stability of the Nigerian economy.

As the inflation rate continues to climb, the cost of goods and services in Nigeria is poised to surge accordingly. This surge has the potential to spark renewed demands for government intervention to mitigate the mounting cost of living. Citizens may express their discontent through protests and other collective actions.

#### CBN clears forex backlog to strengthen the naira

The CBN reportedly commenced the resolution of foreign exchange (FX) backlogs, aiming to bolster the short-term strength of the naira, in November.<sup>2</sup> Local media outlet **This Day Live** reported on 13 November that a prominent Chief Executive Officer (CEO) of a leading Nigerian bank revealed that a greater number of FX forwards were processed in the prior week. The apex bank has reportedly assured that a significant portion of the outstanding FX forward obligations will be settled before the end of the month. The CEO expressed optimism that resolving the backlog will contribute to enhanced liquidity in the FX market.

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<sup>1</sup> Ripples Nigeria, 13 Nov 2023

<sup>2</sup> This Day Live, 13 Nov 2023

In October, the naira experienced a significant depreciation after it plunged to a record low of NGN 1,250 to the **United States (US)** dollar in the unofficial exchange market.<sup>3</sup> Following the decline, finance and coordinating minister **Wale Edun** reported that the country was expecting \$10 billion in foreign currency in the “*next few weeks*” to ease liquidity within the foreign exchange market.<sup>4</sup> The minister also signified that President **Bola Tinubu** (2023-present) signed two executive orders which granted the domestic issuance of instruments in foreign currency. The executive order also reportedly allows all cash outside the banking system to be brought into the banks.

These measures by authorities signify a concerted effort to strengthen the naira in the face of recent depreciation in the international market. Additionally, the moves aim to streamline financial processes within Nigeria and enhance transparency in the country's economy. The successful resolution of FX backlogs and the influx of foreign currency are expected to positively impact the naira's value, contributing to greater stability in the Nigerian economy and fostering a more transparent and efficient financial system. However, ongoing monitoring and further policy adjustments may be necessary to sustain these positive developments and address emerging challenges.

### Labour unions suspend strike action

Labour unions on the evening of 15 November called off their nationwide strike after engaging in discussions with representatives of the government.<sup>5</sup> The strike was initiated following the mistreatment of the **Nigerian Labour Congress (NLC)** president **Joe Ajaero** by security forces in **Imo State**.<sup>6</sup> Ajaero was assaulted and arrested for allegedly leading a pro-workers protest in **Owerri** (Imo State) on 1 November. Multiple labour unions, including the **Nigeria Labour Congress** and the **Trade Union Congress of Nigeria**, began an indefinite strike on 14 November, shutting down the **Nnamdi Azikiwe International Airport** and the national assembly in **Abuja**, causing inconvenience to workers and passengers.<sup>7</sup> The unions also made demands, including a call for the arrest and prosecution of the security official who assaulted Ajaero.<sup>8</sup> Following the strike action and the union's demands, the Senate affirmed:

*“Most of the requests of the NLC are not targeted towards just the welfare of the Nigerian workers but essentially targeted most essentially at issues arising from the alleged political involvement of the President of the NLC, who also is an indigene and also has a right to a part of the campaign process in Imo State”.*<sup>9</sup>

The unions subsequently announced the suspension of the action after they met with the national security adviser, **Nuhu Ribadu**, who reportedly apologised to the union leadership, and assured them that an investigation would be launched into the reported assault of their president.<sup>10</sup>

In October, labour unions called for a strike action due to the government's removal of fuel subsidies which led to a sharp increase in fuel prices across the country, deteriorating socio-economic conditions, and the government's refusal to meet the unions' initial seven-point demands (*see ARC Briefing Nigeria Oct 2023*). The action was later suspended after a meeting between the union's leadership and the government's representatives.<sup>11</sup>

The strikes reflect not only specific grievances but also broader socioeconomic concerns among the workforce. The economic challenges faced by Nigeria are further underscored by the October strike over the removal of fuel subsidies when the resultant increase in fuel prices exacerbated socio-

<sup>3</sup> Business Day, 23 Oct 2023

<sup>4</sup> The Cable NG, 13 Oct 2023

<sup>5</sup> All Africa, 16 Nov 2023

<sup>6</sup> The Will, 14 Nov 2023

<sup>7</sup> Punch Nigeria, 9 Nov 2023

<sup>8</sup> Sahara Reporters, 15 Nov 2023

<sup>9</sup> Vanguard News, 15 Nov 2023

<sup>10</sup> Punch Nigeria, 16 Nov 2023

<sup>11</sup> Reuters, 2 Oct 2023

economic conditions and also revealed ongoing tensions between the government and labour unions. The government's reluctance to meet initial demands indicates persisting challenges in finding common ground between labour and authorities. In the short to medium term, the ability to address grievances, establish fair labour practices, and demonstrate responsiveness to the needs of the workforce will shape the future relationship between labour and authorities.

With the persistent deadlock between the labour union and Nigerian authorities, coupled with pending demands, there is a high likelihood of the initiation of fresh strike actions in the short to mid-term. Such strikes have the potential to cause travel and business disruptions, and clashes between labour union members and security forces.

### Planner

Dec 2023 **Lagos (Nigeria)** International conference on **Applied Economics and Finance (ICAEF)**;

Dec 2023 **Lagos (Nigeria)** **Nigeria Oil and Gas Summit**;

Dec 2023 **Abuja (Nigeria)** Government to sign the **African Continental Free Trade Agreement (AfCFTA)**, opening new trade opportunities for businesses;

Dec 2023 **Abuja (Nigeria)** **World Conference on Accountants (WCA)**;

Dec 2023 **Abuja (Nigeria)** Release of the **Monetary Policy Committee (MPC)** meeting minutes, providing insights into the **Central Bank of Nigeria's (CBN)** economic outlook and policy decisions;

Dec 2023 **Abuja (Nigeria)** Expected date for the supreme court ruling on the appeal filed by **Nnamdi Kanu**, the leader of the **Indigenous People of Biafra**, against his conviction and sentence.

### Chronology

21 Nov 2023 **Abuja (Nigeria)** *Times Live*. **Nigerian Sovereign Investment Authority (NSIA)** launches a \$500m renewable investment venture aimed at accelerating Nigeria's energy transition;

21 Nov 2023 **Abuja (Nigeria)** *Mining Weekly*. Mines minister **Dele Alake** says the government has revoked 1,633 mining titles over non-payment of statutory annual service fees;

20 Nov 2023 **Lagos (Nigeria)** *Africanews*. Federal high court charges former **Central Bank of Nigeria (CBN)** governor **Godwin Emefiele** with procurement fraud;

20 Nov 2023 **Abuja (Nigeria)** *Bloomberg*. **Central Bank of Nigeria (CB)** postpones its **Monetary Policy Committee (MPC)** meeting for a second time since September when CBN governor **Olayemi Cardoso** was nominated;

20 Nov 2023 **Abuja (Nigeria)** *All Africa*. **Nigerian Union of Petroleum and Natural Gas Workers (NUPENG)** says the rumour of a tanker drivers' protest is the "*handiwork of mischief makers*";

20 Nov 2023 **Abuja (Nigeria)** *Business Day*. Foreign exchange pressures continue as the naira falls to 1,140 per **United States (US)** dollar;

18 Nov 2023 **Abuja (Nigeria)** *AFP*. Interior minister **Olubnmi Tinji-Ojo** confirms government has authorised the release of 4,000 prisoners who have been imprisoned over their inability to pay fines as government seeks to tackle overcrowding in prisons;

17 Nov 2023 **Abuja (Nigeria)** *Punch News*. **Economic Intelligence Unit (EIU)** says Nigeria should expect further devaluation of naira;

15 Nov **Abuja (Nigeria)** *Punch News*. **Central Bank of Nigeria (CBN)** extends the validity of old naira notes indefinitely;

15 Nov 2023 **Abuja (Nigeria)** *Bloomberg*. Investors are showing great interest in Nigeria's longest-dated bond reopening. The bond, which is dated 2053, has received subscriptions totalling 330 billion naira (\$364m), which is more than three times the amount of paper on offer by the national debt management office;

15 Nov 2023 **Abuja (Nigeria)** *Vanguard News*. Appeal court upholds **Sanwo Olu's** election as **Lagos** state governor;

14 Nov 2023 **Abuja (Nigeria)** *Vanguard News*. Opposition parties call for the cancellation of **Imo** governorship elections;

14 Nov 2023 **Abuja (Nigeria)** *Reuters*. President **Bola Tinubu** met top officials of the **Islamic Development Bank (IsDB)** to negotiate a "multi-billion-dollar finance facility" to help build ports and power plants;

12 Nov 2023 **Abuja (Nigeria)** *Bloomberg*. Industry, trade and finance minister **Doris Uzoka-Anite**, says that the government is boosting incentives for foreign investors to address the decline in capital coming into the country such as introducing measures to eliminate double taxation and allow for the speedy remittance of foreign funds;

12 Nov 2023 **Abuja (Nigeria)** *Reuters*. State oil firm **NNPC Ltd** restores oil production to 275,000 barrels per day at its joint venture unit with **France**-headquartered **Total Energies** after negotiating an end to industrial action by workers;

9 Nov 2023 **Abuja (Nigeria)** *Bloomberg*. **South Africa**-headquartered **MTN Group Ltd** expects to overcome the short-term "pain" of President **Bola Tinubu's** economic reforms by the middle of next year;

2 Nov 2023 **Abuja (Nigeria)** *BBC*. Lower chamber of parliament rejects the government's plan to buy a presidential yacht for \$6m, moving the allocation to the student loan budget;

31 Oct 2023 **Lagos (Nigeria)** *Reuters*. **Lagos** state governor **Babajide Sanwo-Olu** partners with the **African Export-Import Bank and Access Bank** to invest \$1.35 billion towards vital infrastructure projects;

30 Oct 2023 **Abuja (Nigeria)** *Reuters*. Budget minister **Atiku Bagudu** approves a supplementary budget of \$2.8 billion to address urgent issues, including defence and security;

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