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Nigeria Summary 31 August 2023

President Bola Tinubu (2023-present) swears in 45 cabinet ministers who will tackle the significant economic challenges facing Nigeria. Tinubu's spokesman, Ajuri Ngelale, says the government will suspend raising gasoline prices in a move to slow quickening inflation. Nigeria's inflation rate hits a 18-year high due to surging transport costs and food prices, with consumer prices increasing to an annualised 24.1% in July from 22.8% in June. Tinubu announces on 31 July a 500 billion naira (\$655m) plan aimed at softening the impact of his administration's reforms to end gasoline subsidies that have sent prices rising. The National Bureau of Statistics (NBS) announces on 25 August that Nigeria's economy grew at a slower-than-expected pace after its oil sector contracted for a 13th straight quarter, with gross domestic product (GDP) expanding by 2.5% in the three months through June from a year earlier, compared with 2.3% in the previous quarter. According to NBS data released on 24 August, Nigeria's unemployment rate dropped to 4.1% in the first quarter of this year compared to 5.3% in the previous three months. Tinubu says on 24 August that a swift and peaceful restoration of democratic order in neighbouring Niger is crucial and that he is pushing back against strong pressure to use military force.

Tinubu appoints new cabinet

President **Bola Tinubu** (2023-present) on 21 August swore in 45 ministers into his new cabinet to tackle the key economic challenges facing **Nigeria**.¹ These include surging inflation, slow growth, a weak currency and widespread insecurity. The swearing-in of the new cabinet took place roughly three months after Tinubu assumed office on 29 May. Tinubu stressed to the ministers their "*obligation*" to deliver in their roles in order to restore public faith in the government.²

Nigeria's constitution states that the president must select a cabinet member from each of the country's 36 states. Tinubu's new cabinet is larger than that of his predecessor, **Muhammadu Buhari** (2015-2023), who appointed 35 ministers during his first term and 43 in the second term.³ Key appointments include the selection of former investment banker **Olawale Edun** as finance minister and co-ordinating minister for the economy.⁴ **Heineken Lokpobiri** was appointed as minister for petroleum resources with former **Osun State** governor **Ekperikpe Ekpo** was selected as the minister for gas resources.⁵ A controversial appointment is Tinubu's choice of budget minister, former **Kebbi State** governor **Atiku Bagudu**, whom the **United States (US)** accused of looting billions of dollars from Nigeria in the 1990s.⁶ Most of the new cabinet members are political veterans, many of whom were key players in Tinubu's electoral campaign, raising doubts as to whether they were appointed for their loyalty or their capabilities.

¹ Channel Africa, 21 Aug 2023

² Reuters, 21 Aug 2023

³ Reuters, 21 Aug 2023

⁴ Channel Africa, 21 Aug 2023

⁵ Channel Africa, 21 Aug 2023

⁶ The Cable, 23 Aug 2023

Government suspends fuel price increases ...

President Tinubu's spokesman, **Ajuri Ngelale**, announced on 15 August that the government will suspend raising gasoline prices in a move to slow quickening inflation.⁷ The decision comes three months after Tinubu removed costly subsidies, which resulted in a rise in prices of most goods including food and transportation. Ngelale said:

"[President Tinubu] is convinced based on information before him that we can maintain current pricing without reversing our deregulation policy...[This will happen] by swiftly cleaning up existing inefficiencies within the midstream and downstream petroleum sector."⁸

While Tinubu's decision to suspend fuel price increases is good news for Nigerians struggling with rising transport costs, it raises doubts about whether the government is willing to stick to its implemented reforms. Tinubu announced on 31 July a 500-billion naira (\$655m) plan aimed at softening the impact of his administration's reforms to end gasoline subsidies.⁹ Tinubu said the package is geared towards easing transportation costs, improving food supply and boosting manufacturing.¹⁰ The package will also provide conditional grants to more than a million small businesses in the country.¹¹ In his remarks in a national address unveiling the plan, Tinubu said:

"Our economy is going through a tough patch and you are being hurt by it. I understand the hardship you face. I wish there were other ways. But there is not."¹²

While the **World Bank** says ending the fuel subsidy may help Nigeria save more than 21 trillion naira (\$21 billion) in two years, terminating the fuel subsidy is fuelling inflation domestically.¹³ The cost of living in Nigeria has accelerated since Tinubu scrapped fuel subsidies on 29 May, leading to a tripling in gasoline prices.¹⁴ A subsequent move to devalue the naira has also fanned inflation.¹⁵ Tinubu declared a State of Emergency (SOE) on 14 July to take exceptional measures to improve food security and supply. He noted that there is *"an unavoidable lag between subsidy removal and these plans coming fully online"*.¹⁶ Tinubu said the government is acting swiftly to close the time gap and pleaded with Nigerians to *"look beyond the present temporary pains and aim at the larger picture"*.¹⁷

Key plans linked to Tinubu's package include;

- 200 billion naira (\$258m) to support agricultural activities, particularly 500,000 hectares (1.2 million acres) of land to produce, cassava, rice, wheat and corn.
- The government will supply 225,000 tons of fertilizer, seedlings and other farm resources and make available 200,000 tons of grain from the national strategic reserve.
- 75 billion naira (\$96.96m) in concessional lending to finance 75 manufacturers to "kickstart" growth
- 125 billion naira (\$161m) for micro, small and medium-sized enterprises
- 50 billion naira (\$65m) of conditional grants to support one million small businesses

⁷ Channel Television, 15 Aug 2023

⁸ Bloomberg, 15 Aug 2023

⁹ Premium Times Nigeria, 1 Aug 2023

¹⁰ Premium Times Nigeria, 1 Aug 2023

¹¹ The Guardian News Nigeria, 1 Aug 2023

¹² The Guardian News Nigeria, 1 Aug 2023

¹³ Bloomberg, 31 Jul 2023

¹⁴ Bloomberg, 31 Jul 2023

¹⁵ National Bureau of Statistics, 29 Aug 2023

¹⁶ Channel Television, 31 Jul 2023

¹⁷ Channel Television, 31 Jul 2023

- 100 billion naira (\$116m) to purchase a fleet of 3,000 20-seater buses fuelled by natural gas.
- Working with trade unions to introduce a new minimum wage.¹⁸

Tinubu's plan is bold but unlikely to ease economic pressures in the short term. Inflation will also remain high in the medium to long term (see below). The tough economic conditions have led to social unrest domestically with opposition party **Nigerian Labour Congress (NLC)** calling for countrywide protest against Tinubu's "anti-poor" policies.¹⁹

... amid 18-year high inflation rates

Ngelale's announcement came a few hours after the **National Bureau of Statistics (NBS)** announced that Nigeria's inflation rate had hit an 18-year high due to surging transport costs and food prices.²⁰ According to the NBS, consumer prices increased to an annual 24.1% in July from 22.8% in June.²¹ Inflation was last recorded at that level in September 2005. Food inflation accelerated to 27% in July from 25.3% in June and core inflation rose to 20.5% from 20.3% a month prior.²²

The **Central Bank of Nigeria (CBN) Monetary Policy Committee (MPC)** has increased interest rates by 725 basis points since May 2022 to tame an inflation rate that for more than a year has been more than double the CBN's target band of 6%-9% (see *ARC Briefing Nigeria July 2023*). Rising inflation and currency pressures from the scrapping of fuel subsidies may persuade the MPC to raise interest rates at its 25-26 September meeting for an unprecedented ninth time in a row.

The NBS announced on 25 August that Nigeria's economy grew at a slower-than-expected pace after its oil sector contracted for a 13th straight quarter.²³ Gross domestic product (GDP) expanded by 2.5% in the three months through June from a year earlier, compared with 2.3% in the previous quarter.²⁴ The 3.58% growth in Nigeria's non-oil sector in the second quarter from a year earlier was offset by a contraction in the oil sector.²⁵ The oil sector contracted by 13% as production declined to 1.2 million barrels per day (mbpd), compared to 1.5 mbpd a year earlier. Nigeria has attempted to boost its oil production to meet its **Organization of the Petroleum Exporting Countries + (OPEC+)** quota; however, it has been struggling with supply disruptions, theft and pipeline vandalism.²⁶ The country's weak growth adds to the challenges that Tinubu must address, especially to achieve the double digit growth his administration is targeting in the next few years. Tinubu's decision to eliminate fuel subsidies and ease exchange rates has crippled Nigeria's growth, leading the Naira to lose over 40% of its value against the US dollar.²⁷

¹⁸ Channel Television, 31 Jul 2023; Bloomberg, 31 Jul 2023

¹⁹ Bloomberg, 31 Jul 2023

²⁰ National Bureau of Statistics, 15 Aug 2023

²¹ National Bureau of Statistics, 15 Aug 2023

²² National Bureau of Statistics, 15 Aug 2023

²³ National Bureau of Statistics, 25 Aug 2023

²⁴ National Bureau of Statistics, 25 Aug 2023

²⁵ National Bureau of Statistics, 25 Aug 2023

²⁶ Bloomberg, 25 Aug 2023

²⁷ Bloomberg, 29 Aug 2023

S&P raises Nigeria's economic outlook to stable on Tinubu's reforms...

Despite all the bad economic news for Nigerians, US-based credit rating agency **Standard and Poor's (S&P) Global Ratings** has upgraded Nigeria's credit outlook to "stable" from "negative", citing the new government's reform agenda implemented by President Tinubu as the primary reason for the improved outlook.²⁸ According to its statement published on 4 August, S&P scored Nigeria at B-, six places into junk status and on par with **Barbados** and **Bolivia**.²⁹ S&P analysts **Ravi Bhatia**, **Samira Mensah** and **Juili Pargaonkar** said Tinubu's administration is "moving ahead with a series of reforms that could, if delivered, benefit growth and fiscal outcomes".³⁰ They added that they expect the new government's reform agenda to "gradually benefit" the country's public finances and its balance of payments.³¹

The improved outlook comes after Tinubu, following his inauguration on 29 May, acted swiftly to implement key reforms that he promised to enact on the campaign trail such as overhauling the country's exchange rate policies which effectively devalued the naira, eliminating costly fuel subsidies and removing restrictions on dollar deposits at local banks.³² The improved outlook is a major seal of approval from a major global debt assessor that the new government is on the right track. However, S&P warns that Nigeria's inflation and planned fiscal spending remain high.³³ Nigeria may also face geopolitical tailwinds linked to the recent coup in neighbouring **Niger** (see below).

... as unemployment rate indicates steep drop on revised methodology

According to data released by the NBS on 24 August, Nigeria's unemployment rate dropped to 4.1% in the first quarter of this year compared to 5.3% in the previous three months.³⁴ The NBS reported unemployment data for the first time in two years, using revised methodology.³⁵ Nigeria last released unemployment data in March 2021, when it announced an unemployment rate of 33.3% in the final three months of 2020.³⁶ Nigeria's new jobless data places the country in the same category as the **United Kingdom (UK)**, where unemployment was registered at 4.2% in June.³⁷ The NBS highlighted that it had

*"enhanced its methodology of collecting labour market data through the Nigeria labour force survey in line with **International Labour Organisation (ILO)** guidelines".³⁸*

The statistics office notes that the changes make it impossible to compare the new data with the former records. While the new methodology reveals that 76.7% of Nigerians were involved in some type of employment for at least one hour in a week for pay or profit, only 11.8% of Nigeria's working population were involved in wage employment.³⁹ At least nine out of 10 people in the labour force are involved in the informal sector, with about one fifth of working-age Nigerians not engaged in any form of work.⁴⁰ However, many have raised major doubts on whether that new unemployment data reflects the reality on the ground where it appears that millions of Nigerians struggle from poverty and economic pressures. A local source told **Africa Risk Consulting and Briefing (ARC Briefing)** that the economic reality is "unchanged":

²⁸ S&P Global Ratings, 4 Aug 2023

²⁹ S&P Global Ratings, 4 Aug 2023

³⁰ Forbes Africa, 4 Aug 2023

³¹ Forbes Africa, 4 Aug 2023

³² Reuters, 16 Jun 2023; Bloomberg, 19 Jun 2023

³³ S&P Global Ratings, 4 Aug 2023

³⁴ National Bureau of Statistics, 24 Aug 2023

³⁵ National Bureau of Statistics, 24 Aug 2023

³⁶ Bloomberg, 29 Aug 2023

³⁷ Bloomberg, 29 Aug 2023

³⁸ National Bureau of Statistics, 24 Aug 2023

³⁹ National Bureau of Statistics, 24 Aug 2023

⁴⁰ National Bureau of Statistics, 24 Aug 2023

“Nigeria has only brought unemployment down by changing the methodology.”

Tinubu seeks Niger talks to avoid use of force

President Tinubu said on 24 August that a swift and peaceful restoration of democratic order in neighbouring Niger is crucial and that he is pushing back against strong pressure to use military force.⁴¹ Tinubu, who is also the chairman of the **Economic Community of West African States (ECOWAS)**, said that *“I am the one holding back ECOWAS”*.⁴² Nigeria was originally among a group of ECOWAS members that supported military action in Niger.

A segment of the Nigerien military calling themselves the **Conseil National pour la Sauvegarde de la Patrie (CNSP)** (national council for safeguarding the country), on 26 July detained Niger’s democratically elected president, **Mohamed Bazoum** (2021-2023), citing *“deteriorating security situation and bad governance”*.⁴³ A week-long deadline set by ECOWAS for the CNSP to return Bazoum to power expired on 6 August. The economic bloc had pledged to intervene militarily in Niger if the deadline was not met. West African governments in Nigeria, **Benin**, **Ivory Coast** and **Senegal** have all voiced their willingness to send troops into Niger as part of an ECOWAS force should the regional bloc endorse the decision to reinstate Bazoum.⁴⁴ However, two of Niger’s neighbours, **Mali** and **Burkina Faso**, as well as **Guinea Bissau**, all led by military rulers, expressed their strong support for the military junta in Niger.⁴⁵ The decision by the three countries to back Niger’s junta splits the ECOWAS position and weakens the probability of military intervention in Niger.⁴⁶ The regional bloc stressed that going forward it will prioritise diplomacy as it pledges to overturn the coup but saying it stands ready to use military force if talks fail.

⁴¹ Bloomberg, 24 Aug 2023

⁴² Bloomberg, 24 Aug 2023

⁴³ Aljazeera, 26 July 2023

⁴⁴ Anadolu Agency, 9 Aug 2023

⁴⁵ Anadolu Agency, 9 Aug 2023

⁴⁶ Anadolu Agency, 9 Aug 2023

Planner

25 – 26 Sep 2023 **Abuja (Nigeria) Central Bank of Nigeria Monetary Policy Committee** meets;

Sep 2023 **New York (United States) President Bola Tinubu** attends **United Nations General Assembly (UNGA)**

Chronology

29 Aug 2023 **Abuja (Nigeria) Nairaland Forum**. Nigeria's largest miller, **Flour Mills of Nigeria**, reports its first loss in about four years as the naira's depreciation increases the company's cost of servicing overseas loans;

26 Aug 2023 **Abuja (Nigeria) Reuters**. President **Bola Tinubu** will reportedly meet **United States (US) president Joe Biden** on the sidelines of the **United Nations General Assembly (UNGA)** in **New York** in September;

23 Aug 2023 **Abuja (Nigeria) The Cable**. President **Bola Tinubu** appoints as his budget minister **Atiku Bagudu**, whom the **United States** has accused of helping a former dictator loot the country of billions of dollars in the 1990s;

17 Aug 2023 **Abuja (Nigeria) Bloomberg**. Nigerian government dollar bonds due in 2047 gain 1.5 cents on to 69.31 cents on the dollar, the largest daily increase since July, after state-owned energy company **Nigerian National Oil Corporation (NNPC)**, obtains a \$3 billion loan that will help boost the supply of hard currency on the local foreign-exchange market;

15 Aug 2023 **Abuja (Nigeria) Business Post Nigeria**. Nigeria is considering selling stakes in about 20 state-run companies in a bid to raise funds and improve governance at the entities;

14 Aug 2023 **Abuja (Nigeria) National Bureau of Statistics**. The **National Bureau of Statistics (NBS)** reports that Nigeria's transport fares nearly doubled in June with the average fare paid by commuters for bus journeys within a city per trip increasing by 98% to 1,285 naira (\$1.65) in June from 650 naira in May. Transport fares were 120% higher when compared to the same period a year earlier.

11 Aug 2023 **Abuja (Nigeria) Daily Maverick**. The **Central Bank of Nigeria (CBN)** discloses large dollar deals with **United States (US) banks JP Morgan** and **Goldman Sachs** in documents that also confirmed it broke limits on lending to the government;

10 Aug 2023 **Abuja (Nigeria) Bloomberg**. The **International Monetary Fund (IMF)** says that Nigeria's loose fiscal and monetary policies are creating excess liquidity, making it difficult for the naira to stabilise against the dollar two months after authorities allowed the currency to trade freely;

8 Aug 2023 **Lagos (Nigeria) Business Day Nigeria**. **Lagos State** governor **Babajide Sanwo-Olu** says the city of Lagos plans to raise as much as \$10 billion in private investment to boost electricity supply to nearly five million households by 2032;

7 Aug 2023 **Lagos (Nigeria) Premier Times Nigeria**. **German** energy firm **Siemens Energy** expects to complete an overhaul of Nigeria's dilapidated power infrastructure five years later than originally planned due to delays caused by **Covid-19**;

5 Aug 2023 **Lagos (Nigeria) Premier Times Nigeria**. The **Nigerian Senate** reaches a resolution rejecting President **Bola Tinubu's** request to deploy Nigerian troops in neighbouring **Niger** to restore democratic rule in the country;

3 Aug 2023 **Lagos (Nigeria) Yahoo News**. Nigerian trade unions call off protests and resume talks with the government following demonstrations against what they called President **Bola Tinubu's "anti-poor policies"** that have caused a surge in the cost of living;

2 Aug 2023 **Lagos (Nigeria)** *Times Live*. **United Kingdom (UK)** foreign secretary **James Cleverly** announces a £58m (\$73m) aid package to boost food security in Nigeria during his first official visit to the country;

1 Aug 2023 **Lagos (Nigeria)** *Net Dania*. Nigeria is warning speculators over betting against the naira;

31 Jul 2023 **Lagos (Nigeria)** *World Oil*. **United Kingdom**-headquartered oil giant **Shell** resumes talks to sell its stake in a joint venture that operates onshore and shallow-water oil and gas fields in Nigeria to local firm **ND Western Ltd**;

29 Jul 2023 **Lagos (Nigeria)** *Bloomberg*. Some Nigerian lenders are reportedly voluntarily increasing staff compensation to enable workers to cope with higher costs of living, following government reforms that exacerbated inflation;

27 Jul 2023 **Lagos (Nigeria)** *Aljazeera*. President **Bola Tinubu** submits a list of 28 names to lawmakers for approval as ministers in his cabinet, two months after his inauguration;

26 Jul 2023 **Lagos (Nigeria)** *Vanguard News*. Nigeria's government raises more than \$500m to transform food production in the country;

24 Jul 2023 **Lagos (Nigeria)** *Africa News*. Nigerian authorities ordered the mass burial of 103 people who died in violence linked to protests in October 2020, whose bodies were not claimed by relatives.

About Africa Risk Consulting:

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