

AFRICA RISK CONSULTING

Nigeria Monthly Briefing February 2024

Nigeria Summary 23 February 2024

The naira continues to depreciate through February despite the different interventions the Central Bank of Nigeria (CBN) has initiated to stop its free fall. Labour unions announce protests for 27 February over hardships faced by the populace. The CBN increases the Nigeria Customs Service (NCS) three times in February in a bid to raise more revenue from customs services. Organisation of Petroleum Exporting Countries (OPEC) releases crude oil production data on 1 February showing that Nigeria is struggling to meet its quota.

Naira depreciation hits new lows

The **Central Bank of Nigeria (CBN)** sold \$86m on the forex exchange market on 13 February, prompting a depreciation of the naira (NGN) against the **United States (US)** dollar. On 14 February, the naira was trading at NGN 1,503/\$ compared to NGN 1,499.07/\$ on the official market, a depreciation of 0.29% compared to the day prior. It was the first time CBN sold dollars since September 2023, and was aimed at reducing the pressure on the naira by transacting with commercial banks that were able to buy between \$2m and \$5m at the rate of NGN1,490/\$.¹ Despite the CBN's intervention, the depreciation of the naira to the dollar continued during the week and on 16 February, the naira depreciated further to NGN 1,537.96/\$ from NGN 1,498.25/\$ on 15 February. By 19 February, the naira had fallen to record lows on both the official and unofficial market – NGN 1,172/\$.²

Another measure the CBN has tried to use to stop the free fall of the naira was to place a limit on the transfer of foreign currency from international oil companies in **Nigeria** to their headquarters overseas, likely to cushion the impact on the declining naira and boost dollar liquidity. Thus, the CBN on 14 February directed commercial banks to transfer a maximum of 50% of crude export proceeds to oil companies abroad and transfer the balance within 90 days.³

The continuous depreciation of the naira has been attributed to a variety of factors, including the recent allegations involving the three tiers of governments in converting naira to dollars on the parallel market, often referred to as the black market, after a disbursement from the **Federation Account Allocation Committee (FAAC)**.⁴ Analysis shows that between July 2023 and January 2024, the naira depreciated within six months on the black market after the FAAC disbursed revenue allocation to the federal, state, and local governments. **Centre for Promotion of Private Enterprises (CPPE)** CEO **Muda Yusuf** alluded to it on 13 February, saying:

“There is a correlation between the release of FAAC allocation and the depreciation in the exchange rate, especially in the parallel market. That is why we need to be very cautious about this rate unification theory.”⁵

Some Nigerians believe that one of the interventions of the CBN will eventually hit the mark to bring about an appreciation of the naira against the dollar, but others believe that the interventions are short-term and might not be sufficient to address the underlying issues of corruption amongst government officials who remain under the radar of prosecution against financial crimes.

¹ Business Day, 15 Feb 2024

² Africanews, 19 Feb 2024

³ Reuters, 15 Feb 2024

⁴ Premium Time, 22 Feb 2024

⁵ Business Day, 13 Feb 2024

Amidst the issues with the depreciating currency, CBN governor **Olayemi Cardoso** announced that in a forensic audit of \$7 billion of overdue foreign exchange transactions, the bank has been trying to clear uncovered irregularities affecting \$2.4 billion of the transactions.⁶ The irregularities ranged from missing paperwork to non-existent entities and beneficiaries receiving unauthorised foreign exchange allocations. Olayemi added that the CBN would not honour non-compliant transactions.⁷

Labour unions plan to protest over rising cost of living

Labour minister **Nkeiruka Onyejeoch** on 12 February held a meeting with labour union leaders to address their planned strike action for 27 February. This strike threat came after the unions issued a two-week ultimatum on 8 February in response to the government's lack of response to a 15-point agreement reached in October 2023 (*see ARC Briefing Nigeria Oct 2023*).⁸ The union described this agreement as being “*crucial to the well-being of Nigerian masses and workers*” who are currently facing hardships due to the economic downturn.⁹

Labour unions have since 2 June 2023, four days after the inauguration of President **Bola Tinubu** (2023-present), announced plans to strike following Tinubu’s announcement during his inaugural speech that fuel subsidies would be removed.¹⁰ Tinubu’s statement has been linked to the decline in purchasing power, food shortages, inflation, increase in fuel prices and devaluation of the currency.¹¹ The plan to strike, however, was paused before the set date after the federal government reached an agreement with the unions.

Protests have occurred across eight states - **Kano, Kwara, Lagos, Ogun, Osun, Oyo, Niger, and Sokoto** – this past month. Recurring protests were recorded in Niger where citizens in two cities, **Minna** and **Suleja**, held demonstrations over the high cost of living¹². However, the demonstrations were perceived as political and to seemingly affirm this, police public relations officer **Wasiu Abiodun** on 7 February announced the arrest of 25 people.¹³ On the other hand, it is worrisome that one of the agriculturally prominent states is recording high food prices due to food shortages. The protests are expected to spread nationwide and might result in a pause or partial shutdown of commercial activities. Worried about the first protest in Minna, Tinubu on 7 February directed the agriculture and food security ministry to release approximately 42,000 metric tonnes of maize, millet, and other food items from the national strategic reserves to address the rising cost of food.¹⁴

The **Association of Bakers and Caterers of Nigeria** also announced plans to embark on a nationwide strike on 27 February coinciding with the labour unions’ planned protest. The association’s chairman **Adeniyi Gabriel** announced the plan on 13 February during a press conference in **Lokoja (Kogi State)**:

“Due to the multifarious increase in the prices of baking materials such as flour, sugar, yeast, vegetable oil, petrol, and diesel (occasioned by subsidy removal and forex deregulation), multiple taxations from federal government agencies.”¹⁵

Gabriel also demanded the following:

- The removal of import duties on all baking items like flour, sugar, yeast;
- The development and cultivation of sugar and wheat;

⁶ Reuters, 5 Feb 2024

⁷ Business Day, 9 Feb 2024

⁸ Reuters, 8 Feb 2024

⁹ Channels, 16 Feb 2024

¹⁰ Channels, 2 June 2023

¹¹ Business Day, 13 Feb 2024

¹² Premium Times, 5 Feb 2024

¹³ Channels, 7 Feb 2024

¹⁴ Punch, 14 Feb 2024

¹⁵ Daily Post, 13 Feb 2024

- A temporary suspension of all taxes on the bakery industry.¹⁶

The threats come as the annual inflation rate has increased for the 13th time from 28.9% in December 2023 to 29.9% in January. The **International Monetary Fund (IMF)** in a February 2024 report projected a possible 35% depreciation of the naira in 2024, potentially pushing inflation to a peak of 44%.¹⁷

Fluctuations in customs duty rates

The federal government's policy of generating revenue through customs services continued in 2024 as the increase of import duties became frequent in February. The CBN has increased the **Nigeria Customs Service (NCS)** duties six times since the start of the year, revising it upwards thrice in February alone.^{18,19} The rate was reviewed upward on 14 February from NGN 1,444.56/\$ to NGN 1,481.482/\$, an increase of 2.6%. Two days prior, the official trade portal of the NCS showed that the exchange rate had been reviewed upward from NGN 1,417.635/\$ to NGN 1,444.56/\$. Although there was no exact reason for the increase, the federal government could be seeking means to regulate the currency fluctuations in the foreign exchange market and simultaneously dissuade the importation of some items. Further emphasising the latter, information and national orientation minister **Mohammed Idris** announced on 15 February that the government would not be importing food items as the country can provide for itself.²⁰

These abrupt increases create an environment of uncertainty for businesses, which **Tony Anakebe**, a licensed customs agent reiterated:

*"The level of uncertainty in Nigeria's business environment is increasing by the day. Importers are seriously under pressure and unable to plan in a situation where the exchange rate is increasing very rapidly."*²¹

The CBN in a surprising move, reversed its previous decision and raised duty rates from NGN 1,472.756/\$ to NGN 1,493.23/\$.²² This came 24 hours after the apex bank lowered the rates from NGN 1,515.092/\$ to NGN 1,472.756/\$ on 16 February following pressure from the House of Representatives. This marks the first time this year that the rates have been subject to downward revision.²³ The lawmakers had on 15 February held a meeting to review the rates downward to NGN 951.941/\$. The recent fluctuations in the customs exchange rate suggest that the CBN will in the near future introduce different measures and policies to keep the naira afloat.

Nigeria's crude production drops

The **Joint Ministerial Monitoring Committee (JMMC)** of the **Organisation of Petroleum Exporting Countries (OPEC)** held its 52nd meeting via videoconference on 1 February, focused on oil production data from November and December 2023.²⁴ The JMMC noted the high conformity for participating OPEC and non-OPEC countries of the **Declaration of Cooperation (DoC)**. Oil production from secondary and direct data showed that 12 member countries averaged 26.34 million barrels per day (mbd) in January, lower by 350,000 barrels per day month on month. Crude oil output increased mainly in the **United Arab Emirates, Saudi Arabia, and Venezuela**, while production in **Libya, Kuwait, Iraq, and Algeria** decreased significantly.

Further data from the official site of OPEC revealed the fluctuation in crude oil production in Nigeria from 2022 to January.²⁵ Nonetheless, the focus remains on production data between December and

¹⁶ Daily Post, 13 Feb 2024

¹⁷ Business Insider, 21 Feb 2024

¹⁸ Business Day, 12 Feb 2024

¹⁹ Business Day, 14 Feb 2024

²⁰ Punch, 15 Feb 2024

²¹ Business Day, 14 Feb 2024

²² Business Day, 17 Feb 2024

²³ Business Day, 16 Feb 2024

²⁴ www.opec.org, 1 Feb 2024

²⁵ Organization of the Petroleum Exporting Countries, Monthly Oil Market Report, Feb 2024

January. Thus, for crude oil production obtained from secondary sources, output decreased from 1,422 mbd to 1,419 mbd while for the production obtained from direct sources, there was an increase from 1,335 mbd to 1,427 mbd. Based on available statistics, it appears that Nigeria is attempting to reach its quota of 1.5 mbd for oil production in 2024, after OPEC's quota adjustment in November 2023.²⁶ Nigeria's OPEC crude oil production quota for 2023 was set at 1.78 mbd, but the country was unable to meet this due to a variety of issues, including crude oil theft, a lack of upstream crude oil investments, and other related concerns²⁷.

OPEC's forecast for crude production in the first quarter of 2024 was revised down by 0.1 mbd from the previous assessment to stand at 28.4 mbd, around 1.0 mbd higher than the level estimated for 2023. The second and third quarters were also revised down to 0.2 mbd for each quarter. Meanwhile, the demand for OPEC crude remained unchanged for the fourth quarter and is expected to increase to 1.2 mbd.

²⁶ Business Day, 12 Dec 2023

²⁷ Energy Planets, 13 Dec 2023

Planner

Mar 2024 **Lagos (Nigeria)** Expected date for the commencement of the construction of the fourth mainland bridge;

Mar 2024 **Abuja (Nigeria)** The **International Conference on Corporate Finance and Financial Risk Management (ICCFRM)**;

Mar 2024 **Abuja (Nigeria)** Expected date for the high court hearing on the 1 billion naira (\$662,455) lawsuit filed by **Indigenous People of Biafra** leader **Nnamdi Kanu** against the federal government;

Mar 2024 **Abuja (Nigeria)** The **International Conference on Finance and Business Economics (ICFABE)**;

Mar 2024 **Lagos (Nigeria)** The **International Conference on Currency Management and Operations (ICCMO)**;

Mar 2024 **Abuja (Nigeria)** The **International Conference on Digital Economy and Society (ICDES)**;

Chronology

22 Feb 2024 **Abuja (Nigeria)** *Financial Times*. **Nigerian Communications Commission (NCC)** orders telecom companies to restrict consumer access to the websites of cryptocurrency companies as the country tries to crack down on currency speculation;

21 Feb 2024 **Abuja (Nigeria)** *Punch*. Federal government says it is seeking \$10 billion to stabilise the exchange rate amid naira depreciation;

21 Feb 2024 **Abuja (Nigeria)** *Business Live*. Defence chief General **Christopher Musa** says that reports into the military drone attack that killed at least 85 civilians in December will be released before end of February;

20 Feb 2024 **Abidjan (Côte d'Ivoire)** *VOA*. **African Development Bank (AfDB)** warns that the rising cost of energy, food and other commodities in countries including **Angola, Ethiopia, Kenya** and **Nigeria** could trigger social unrest;

20 Feb 2024 **Abuja (Nigeria)** *The Guardian*. Operatives of the **Economic and Financial Crime Commission (EFCC)** arrest over 50 illegal bureau de change operators during a raid in Abuja;

16 Feb 2024 **Abuja (Nigeria)** *Nigerian Tribune*. The federal government inaugurates a committee for the establishment of the **Nigerian Mining Centre of Excellence (CoE)**. The CoE will provide a one-stop shop that will meet the needs of investors in the solid mineral sector;

16 Feb 2024 **Abuja (Nigeria)** *Nigerian Tribune*. The **Nigerian Association of Road Transport Owners (NARTO)** threatens to stop lifting petrol from 19 February over high operating costs;

16 Feb 2024 **Abuja (Nigeria)** *New Telegraph*. The **European Union (EU)** announces plans to invest €37m (\$39.8 m) in the power sector;

16 Feb 2024 **Abuja (Nigeria)** *Channels*. President **Bola Tinubu** approves an immediate upgrade of 16 key health infrastructure and equipment across the six geo-political zones;

15 Feb 2024 **Abuja (Nigeria)** *Vanguard*. President **Bola Tinubu** says government is considering establishing state police amid rising insecurity;

14 Jan 2024 **Lagos (Nigeria)** *Business Day*. **Dangote Refinery** issues a tender to export the first set of fuel cargoes. The first cargo is 65,000 metric tons of low sulphur straight-run fuel oil, while the second cargo is 60,000 metric tons of naphtha;

13 Feb 2024 **Abuja (Nigeria)** *UK Government*. **United Kingdom** confirms it will sign an **Enhanced Trade and Investment Partnership (ETIP)** with Nigeria, its first with

an **African** country, which aims to grow trade beyond what the UK calls a “*thriving trade relationship*” that totalled \$8.85m in the year to September 2023;

13 Feb 2024 **Abuja (Nigeria) Punch**. **Federal Capital Territory Administration (FCTA)** reveals that 43 foreign embassies and high commissions, including **Russia, South Africa** and **Côte d’Ivoire**, owe \$5.3m in rent;

13 Feb 2024 **Lagos (Nigeria) Access Corporation**. **Access Holdings Plc** appoints **Bolaji Agbede** as acting group chief executive officer (CEO) following the death of former group CEO **Herbert Wigwe** who died in a helicopter crash;

8 Feb 2024, **Abuja (Nigeria) Daily Trust**. The House of Representatives passes a bill seeking to amend the **Electoral Act 2022** through a second reading;

8 Feb 2024 **Abuja (Nigeria) Business Day**. **South Africa**-headquartered pay-tv operator **MultiChoice** settles with the tax authorities, paying \$37.3m to settle all matters despite the tax authorities originally seeking \$4.4 billion;

6 Feb 2024 **Lagos (Nigeria) Business Day**. The **Association of Food, Beverage and Tobacco Employers (AFBTE)** protests the **National Agency for Food and Drug Administration’s (NAFDAC)** ban on alcoholic drinks in sachets and in less than 200ml bottles;

6 Feb 2024 **Abuja (Nigeria) Punch**. Former president **Olusegun Obasanjo** and former **Senate** president **Bukola Saraki**, speaking at the **Angola-Nigeria Business Council**, call for a better trade relationship with **Angola**, describing the current relationship between the continent’s two largest oil producers as “*inadequate*”;

5 Feb 2024 **Abuja (Nigeria) Daily Trust**. The **Independent National Electoral Commission (INEC)** suspends electoral officer **Fred Ogboji** for **Jos North Local Government Area (LGA) Plateau State**, over alleged missing ballot paper during the rerun elections;

2 Feb 2024 **Port Harcourt (Nigeria) Shell Media**. **Shell Petroleum Development Company of Nigeria Limited (SPDC)** and its joint ventures signed a partnership deal to build a gas facility that will supply **Dangote Fertiliser and Petrochemical Plant** in Lagos for 10 years;

31 Jan 2024, **Lagos (Nigeria) Business Insider**. **First Bank of Nigeria (FBN) Holdings Plc** appoints **Femi Otedola** as the new chairman of its board of directors;

31 Jan 2024 **Abuja (Nigeria) Business Day**. President **Bola Tinubu** will commission the **Geometric Power Limited (GPL)**, an independent power-generating company in **Abia State** on 24 February;

30 Jan 2024 **Abuja (Nigeria) Leadership**. Nigeria ranks 145th out of 180 countries on **Transparency International’s 2023 Corruption Perception Index (CPI)**, moving 5 places up from 150th in 2022. Nigeria scored 125 points out of 100.

29 Jan 2024 **Abuja (Nigeria) CNBC Africa**. **Central Bank of Nigeria (CBN)** injects \$500m to help clear the country’s outstanding foreign exchange demand backlog after approximately \$7 billion in forex forwards matured amid a foreign currency shortage that is weighing down the naira;

28 Jan 2024 **Abuja (Nigeria) Arise**. International business advisory **PwC** says the government’s decision in 2023 to collapse the foreign exchange market into a single investors and exporters window has led to the naira declining by up to 98%;

27 Jan 2024 **Abuja (Nigeria) Bloomberg**. **Central Bank of Nigeria (CBN)** is reportedly planning to replace external members of its **Monetary Policy Committee (MPC)** ahead of its meeting in February;

About Africa Risk Consulting:

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