

## AFRICA RISK CONSULTING

### Nigeria Monthly Briefing May 2018

#### Nigeria Summary 23 May 2018

***Nigeria and China reach a deal to swap currency worth \$2.5 billion to facilitate bilateral trade. Dangote Cement Plc appoints former Switzerland-based mining company Xstrata CEO Mick Davis and Cherie Blair, wife of former United Kingdom prime minister Tony Blair (1997-2007), to non-executive director roles in anticipation of listing on the London Stock Exchange. A double suicide bomb attack in Mubi (Adamawa State) reportedly kills 86 and raises doubts over Nigeria's internal security.***

#### Nigeria and China swap currency worth \$2.5 billion to facilitate bilateral trade

The **Nigerian** government's announcement on 2 May of its 16 billion renminbi (RMB) (\$2.5 billion) currency swap deal with the **People's Bank of China (PBoC)** has divided opinion in Nigeria. **Central Bank of Nigeria (CBN)** (central bank) spokesperson **Isaac Okorafor** said the transaction was intended to provide adequate local currency liquidity to Nigerian and **Chinese** industrialists.<sup>1</sup> Nigeria is reportedly the third **African** country to have such an agreement in place with the PBoC.<sup>2</sup> **Alhaji Aminu Gwadabe**, president of the **Association of Bureaux de Change Operators of Nigeria (ABCON)**, explained that, in practical terms, the currency swap will eradicate charges on third currency transactions between the Chinese renminbi and the naira. Once the deal becomes operational, instead of exchanging N360 to a **United States (US)** dollar before converting to renminbi, importers can exchange N48 to one yuan directly.<sup>3</sup>

*"The exchange of currencies between the Central Bank of Nigeria and the People's Bank of China will make it easier for our entrepreneurs to have direct access to foreign exchange in renminbi."*<sup>4</sup>

Financial experts have said this is a deal in the right direction as it will reduce pressure on the US dollar and indirectly reduce the cost of imports from China.<sup>5</sup>

*"A large portion of the demand for dollars in Nigeria has been lifted off the back of the naira and put directly on the Chinese renminbi. And so it is a positive development as it will enhance the value of the naira and reduce our dependence on the dollar for imports."*<sup>6</sup>

However, this could favour Chinese imports and make Nigeria a 'dumping ground' for Chinese goods. In an attempt to assuage such fears, a CBN spokesperson said:

*"The fear is unfounded, and I'll give you reasons why. The first one is that we are going to focus on exports to China. Also, remember that we already export cassava products to China as well as leather, hides and skin to China, amongst others. So this deal will further open the export market to China... the items that will come in are not necessarily finished goods, so the issue of Nigeria becoming a dumping ground for China does not arise."*

If anything, Gwadabe expects Chinese imports to Nigeria to "crash":

<sup>1</sup> Premium Times, 3 May 2018.

<sup>2</sup> Premium Times, 3 May 2018.

<sup>3</sup> Vanguard, 21 May 2018.

<sup>4</sup> Source, Central Bank of Nigeria representative, Nigeria.

<sup>5</sup> Vanguard, 21 May 2018.

<sup>6</sup> Source, Central Bank of Nigeria representative, Nigeria.

*“[The currency swap deal] will... enhance transparency of Chinese suppliers to our Nigerian importers. Chinese suppliers [currently] hide under dollar transactions to extort most of our importers. They hardly want to invoice in yuan and now it is compulsory.”<sup>7</sup>*

If left unchecked and unregulated, a glut of Chinese imports to Nigeria could indeed lead to a depreciation of the naira against the renminbi and stifle the Nigerian manufacturing industry.<sup>8</sup> Nigeria is China’s largest trading partner in Africa.<sup>9</sup> The deputy Chinese Ambassador to Nigeria, **Lin Jing**, said that bilateral trade volume between Nigeria and China grew by 30% per cent from 2016 to about \$12.3 billion between January and November 2017.<sup>10</sup>

However, if the swap deal is managed correctly, it could encourage both Nigerian exports to China and beneficial Chinese investment into Nigeria’s manufacturing industry, which will engender job creation.<sup>11</sup> Nigeria is the most popular country for Chinese investment in Africa, with Chinese foreign direct investment in Nigeria standing at \$2 billion in 2017.<sup>12</sup>

### **Dangote Cement plans to list on London Stock Exchange (LSE)**

Nigeria-based **Dangote Cement Plc** appointed **Mick Davis**, ex-CEO of Switzerland-based mining company **Xstrata**, and **Cherie Blair**, chair of United Kingdom (UK)-based law firm **Omnia Strategy LLP** and wife of former UK prime minister, **Tony Blair** (1997-2007) to non-executive director roles on 24 April.<sup>13</sup> It is believed that Dangote Cement appointed Davis and Blair to bolster Dangote Cement’s UK profile ahead of plans to list on the UK’s **London Stock Exchange (LSE)**.<sup>14</sup> Whilst Dangote Cement Plc has not publicly explained these high-profile appointments, press widely report that the Nigeria-based cement company plans to sell shares in the company over the next two years, which could raise around \$1 billion.<sup>15</sup>

Dangote Cement is seeking to raise capital to enable its expansion. With Nigeria’s economy set to grow in 2018, the company has earmarked \$350m for new projects, including the building of export facilities at Nigeria’s seaports.<sup>16</sup> Dangote Cement announced a 300 billion-naira (\$833m) domestic bond sale in March.<sup>17</sup> Dangote Cement CFO **Brian Egan** told investors over a conference call on 24 April that the company also plans to issue a \$500m eurobond to raise more capital to complement the domestic bond sale.<sup>18</sup>

Dangote Cement is not alone in its desire to issue corporate bonds. Nigeria’s corporate securities regulator, **The Securities and Exchange Commission, Nigeria (SEC)** is preparing to facilitate the issue of hundreds of millions of dollars’ worth of corporate bonds in 2018. Along with renewed confidence in Nigeria’s economy after a recession that began in 2016, steady interest rates of 14% have seen Nigerian businesses eager to take on debt to raise capital.<sup>19</sup> **Andrew Otike-Odibi**, managing director of Nigeria-based **C&I Leasing Plc** described the macro-economy as “*encouraging right now*”.<sup>20</sup> Investors can thus expect an upswing in corporate activity in Nigeria.

<sup>7</sup> Alhaji Aminu Gwadabe, quoted in Vanguard, 21 May 2018.

<sup>8</sup> This Day Live, 20 May 2018.

<sup>9</sup> Business Day Online, 18 May 2018.

<sup>10</sup> Premium Times, 3 May 2018.

<sup>11</sup> Daily Post, 20 May 2018.

<sup>12</sup> Business Day Online, 18 May 2018.

<sup>13</sup> This Day Live, 25 Apr 2018.

<sup>14</sup> Bloomberg, 23 Apr 2018.

<sup>15</sup> Business Day, 25 Apr 2018.

<sup>16</sup> Business Day, 25 Apr 2018.

<sup>17</sup> Bloomberg, 20 Mar 2018.

<sup>18</sup> Business Day, 25 Apr 2018.

<sup>19</sup> The Guardian Nigeria, 7 May 2018.

<sup>20</sup> Andrew Otike-Odibi, quoted in The Guardian Nigeria, 7 May 2018.

## Double suicide bomb attack in Mubi, Adamawa State, reportedly kills 86

A double suicide bomb attack in the north-eastern city of **Mubi (Adamawa State)** on 1 May killed a reported 86 people and injured an additional 58.<sup>21</sup> The figure of 86 deaths, reported by gravediggers, far exceeds the official death toll of 27 people given by local police.<sup>22</sup> The bomb blasts occurred at a mosque during afternoon prayers.<sup>23</sup>

Although it has not taken responsibility for the attack, it is likely that Islamist terror group **Boko Haram** is the culprit. The “*double bomb*” nature of the attack fits Boko Haram’s methods.<sup>24</sup> The Mubi mosque was targeted in November 2017 by a suspected Boko Haram suicide bomber, lending further support to the theory that Boko Haram committed the attack.<sup>25</sup> Mubi had been relatively peaceful until the November bomb attack.<sup>26</sup> The Mubi attack is reportedly the deadliest to be blamed on Boko Haram since January 2016.<sup>27</sup>

Across Nigeria, the threat of Boko Haram is widely thought to have receded. This was also the case in Adamawa State, in which Boko Haram held territory in 2014 until they were pushed out by Nigerian state troops in early 2015.<sup>28</sup> Although beaten in a territorial sense, Boko Haram is nevertheless resilient. The group split into two rival factions in 2016, one led by **Abubakar Shekau** and the other by **Abu Musab al-Barnawi**.<sup>29</sup>

*“Boko Haram has adapted by splitting into smaller groups, infiltrating communities, launching attacks here and there and continuing to make statements that they are very much around.”<sup>30</sup>*

As a result, Boko Haram suicide attacks still pose a significant security threat, particularly in the north-east. The Mubi attack demonstrates that Boko Haram still has the capacity to fight outside the **Sambisa Forest (Borno State)** where Shekau’s faction of Boko Haram is based.<sup>31</sup>

Some Nigerians have blamed the continuation of the terror group’s insurgency on the security forces’ former success against Boko Haram.<sup>32</sup> A Nigeria security consultant told ARC in March that this success has led to complacency:

*“The government uses territory control [rather than security gains] as a yardstick for success against Boko Haram.”*

The continuation of Boko Haram attacks has also given rise to popular but unsubstantiated conspiracy theories in Nigeria about the will of the state and security forces to defeat Boko Haram. Some believe that the Nigerian government is complicit with Boko Haram’s attacks (see *ARC Briefing Nigeria March 2018*).<sup>33</sup> However, to attribute the state’s poor response to Boko Haram violence to complacency underestimates both the potency of Boko Haram’s remaining power in areas of the north-east (in Borno State and **Yobe State**) and the government’s will to defeat Boko Haram.<sup>34</sup>

*“Put together, Borno and Yobe are only slightly smaller than **England** and **Wales**, which means that the Nigerian state will need to spend a lot of resources to quell the rebellion.”<sup>35</sup>*

<sup>21</sup> Al Jazeera, 2 May 2018.

<sup>22</sup> Al Jazeera, 2 May 2018.

<sup>23</sup> Al Jazeera, 2 May 2018.

<sup>24</sup> Al Jazeera, 2 May 2018.

<sup>25</sup> Reuters, 21 Nov 2017.

<sup>26</sup> Al Jazeera, 2 May 2018.

<sup>27</sup> Al Jazeera, 2 May 2018.

<sup>28</sup> Al Jazeera, 2 May 2018.

<sup>29</sup> BBC, 4 Aug 2016.

<sup>30</sup> Ahmed Idris quoted in Al Jazeera, 8 Apr 2018.

<sup>31</sup> Source, academic expert, London

<sup>32</sup> Source, security consultant, South Africa

<sup>33</sup> Source, journalist, Nigeria

<sup>34</sup> Vanguard, 30 Apr 2018.

<sup>35</sup> Source, academic expert, London

ARC’s source said it is not for lack of trying that the Nigerian state has failed to roundly defeat Boko Haram:

*“The State has been accused of being complacent but I am afraid that I would choose the word ‘ineffective’... Now, I think that most high-ranking politicians and soldiers want to get rid of Boko Haram.”<sup>36</sup>*

Government efforts to defeat Boko Haram are likely to escalate in the near future. Gubernatorial and presidential elections due next year will incentivise President **Muhammadu Buhari** (2015-present) to deliver his popular 2015 election pledge of ensuring security across Nigeria,<sup>37</sup> and the rising cost of oil (Nigeria’s main export), could fill the state’s coffers and facilitate increased military spending. In this case, the Nigerian government would have both the means and the motive to take the fight to Boko Haram.



<sup>36</sup> Source, academic expert, London

<sup>37</sup> BBC, 29 May 2015.

## Planner

Jun 2018 **(Nigeria)** *FT*. The **Organization of Petroleum Exporting Countries (OPEC)** to discuss output cap, and Nigeria's exemption;

7 Oct 2018 **(Nigeria)** *Vanguard*. Deadline for parties to select candidate for 2019 general election;

18 Nov 2018 **(Nigeria)** *Vanguard*. Campaigning to begin for presidential and **National Assembly** elections;

1 Dec 2018 **(Nigeria)** *Vanguard*. Campaigning to begin for governorships and state assembly elections;

16 Feb 2019 **(Nigeria)** *Vanguard*. Voting in presidential and **National Assembly** elections;

2 Mar 2019 **(Nigeria)** *Vanguard*. Voting in governorships and state assembly elections;

## Chronology

8 May 2018 **London (United Kingdom)** *The Guardian Nigeria*. Nigeria's president, **Muhammadu Buhari**, returns to London to begin a four-day medical trip;

5 May 2018 **(Nigeria)** *Al Jazeera*. Violent thunderstorms in Nigeria's northeast kill at least seven and injure a further 10;

4 May 2018 **London (United Kingdom)** *The Guardian Nigeria*. President **Muhammadu Buhari** makes a stopover in London, where he spent several months in 2017 receiving medical treatment;

4 May 2018 **(Nigeria)** *The Guardian Nigeria*. Nigeria and the **People's Republic of China** agree a \$2.5 billion currency swap deal;

4 May 2018 **(Nigeria)** *This Day Live*. **Central Bank of Nigeria** appoints **First Bank of Nigeria Limited, Stanbic IBTC, Standard Chartered Bank and Zenith Bank Plc** settlement banks for \$2.5 billion currency swap between Nigeria and **China**;

2 May 2018 **Adamawa State (Nigeria)** *This Day Live*. Armed herdsmen kill 15 people in four villages in **Numan and Lamurde Local Government Areas**;

2 May 2018 **Zamfara State (Nigeria)** *This Day Live*. A gun battle between livestock rustlers and a vigilante group kills 13 in **Fankashi Village**;

2 May 2018 **Mubi (Nigeria)** *Al Jazeera*. The death toll in a double suicide bomb attack at a mosque rises to 86, far exceeding the estimations of police;

2 May 2018 **Abuja (Nigeria)** *The Guardian Nigeria*. Masked operatives of the **Department of State Services (DSS)** storm the premises of the **National Assembly**;

1 May 2018 **Mubi (Nigeria)** *The Guardian Nigeria*. A suicide bomb blast in and around a mosque kills at least 27 and injures 56;

26 Apr 2018 **Maiduguri (Nigeria)** *BBC*. A gun battle ensues after heavily-armed **Boko Haram** militants attempt to storm a **Nigerian Army** barracks overnight;

26 Apr 2018 **Abuja (Nigeria)** *BBC*. The **House of Representatives** summon President **Muhammadu Buhari** to answer questions about frequent outbreaks of violence in central Nigeria;

24 Apr 2018 **Nasarawa State (Nigeria)** *The Guardian Nigeria*. Suspected herdsmen armed with sophisticated weapons attack farmers, killing seven;

25 Apr 2018 **London (United Kingdom)** *This Day Live*. **Nigerian** multinational **Dangote Cement Plc** revives plans to list on the **London Stock Exchange (LSE)** and appoints **Mick Davis and Cherie**

**Blair** non-executive directors of the company;

24 Apr 2018 **(Nigeria)** *Reuters*. The **Central Bank of Nigeria** injects \$210m into the interbank foreign exchange market to alleviate dollar shortages;

24 Apr 2018 **Abuja (Nigeria)** *Vanguard*. Police re-arrest senator **Dino Melaye** in **Zanklin Hospital** (Abuja) after he jumped out of a moving police vehicle and was driven away by his rescuers to escape arrest;

24 Apr 2018 **Benue State (Nigeria)** *The Guardian Nigeria*. Herdsmen allegedly ransack **Ayar Mbalom** community, killing two Catholic priests and 17 others;

24 Apr 2018 **Agege, Lagos State (Nigeria)** *The Guardian Nigeria*. An officer of the **National Drug Law Enforcement Agency (NDLEA)** allegedly kills a council official at the anniversary celebration of the **Nigerian Union of Local Government Employees (NULGE)**;

23 Apr 2018 **(Nigeria)** *Reuters*. **Dangote Cement** appoints **Jospeh Oyenani Makoju** as chief executive officer;

23 Apr 2018 **Abuja (Nigeria)** *The Guardian Nigeria*. Police arrest **Senator Dino Melaye** at **Nnamdi Azikiwe Airport** in Abuja after accusing him of giving them false information about an attempt on his life;

23 Apr 2018 **Ikorodu (Nigeria)** *The Guardian Nigeria*. **Nigerian Army** arrests 45 pipeline vandals, some of whom were armed with AK-47 rifles which they shot at the army;

10 Apr 2018 **(Nigeria)** *BusinessTech*. **South Africa-based MTN Group** plans to list its **Nigerian** unit in 2018;

9 Apr 2018 **(Nigeria)** *Reuters*. President **Muhammadu Buhari** confirms he will run in presidential elections in February 2019;

9 Apr 2018 **(Nigeria)** *Reuters*. **Nigeria-based energy company, Neconde**, launches arbitration case against **Netherlands-based Royal Dutch Shell** due to allegations that Shell continues to lift crude and fails to remit funds after the lease to Oil Mining Lease 42 had been sold to Neconde;

8 Apr 2018 **(Nigeria)** *Reuters*. **Nigeria's** military frees 54 women and 95 children which **Boko Haram** abducted in northeastern Nigeria;

6 Apr 2018 **(Nigeria)** *Premium Times*. The **United Kingdom's Serious Organised Crime Agency** authorises the transfer of \$875m to accounts linked to former oil minister **Dan Etete**, stemming from the corrupt **Malabu** oil deal;

6 Apr 2018 **(Nigeria)** *Reuters*. The **Nigerian National Petroleum Corporation** awards two of three gas pipelines to **China-based China Petroleum Pipeline Bureau** and Nigeria-based **Oando PLC**;

6 Apr 2018 **Abuja (Nigeria)** *Premium Times*. President **Muhammadu Buhari's** senior special assistant, **Garba Shebu**, clarifies that Buhari's approval for \$1 billion of security equipment is not final and is a first stage of a long process after opposition criticism;