

AFRICA RISK CONSULTING

Nigeria Monthly Briefing January 2024

Nigeria Summary 26 January 2024

Nigeria's headline inflation rate increases to 28.9% in December 2023 from 28.20% in November, marking a 27-year high. The Dangote Group announces via X on 13 January that the Dangote Petroleum Refinery commenced production on 12 January. The plant will produce 650,000 barrels per day and will begin with the production of diesel and aviation fuel and in the long-term proceed with the production of premium motor spirit. The refinery is expected to kickstart Nigeria's journey to reviving the oil sector, particularly from being a major importer of refined petroleum products to being self-reliant in local refining. President Bola Tinubu (2023 – present) on 8 January suspends humanitarian affairs and poverty alleviation minister Betty Edu and orders a probe over an alleged 585.2m naira (\$652,106) scandal.

Nigeria's inflation rate marked a 27-year high of 28.9%, driven by food inflation

The **National Bureau of Statistics (NBS)** on 15 January released the December 2023 Consumer Price Index (CPI) and inflation report, which revealed that the headline inflation rate increased to 28.9% in December 2023 compared to 28.2% in November 2023, marking a 27-year high¹. The removal of subsidies in petroleum motor spirit (PMS) and the continuous devaluation of the naira have been purportedly responsible for the high inflation. Food inflation accounted for the most of the rise with an increase of 10.18% on a year-on-year basis from 23.75% in December 2022 to 33.93% in December 2023.² Nigeria's high inflation rate continues to pose a significant challenge for companies and business survival.

To further illustrate this, **Unilever Nigeria Plc** in December 2023 ceased the production of home care and skin cleansing products after recording losses and a decline in revenue. The company stated that revenue fell from 23.9 billion naira (\$26.6m) in 2022 to 16.4 billion naira (\$18.3m) in 2023, while loss went from 1.4 billion naira (\$1.6m) in 2022 to 3.7 billion naira (\$4.1m) in 2023.³

In recent months, Nigerians have been faced with economic hardship due to a steady rise in the prices of commodities such as food items, housing items, transportation fares and petroleum products. This has led to multiple calls for protests in previous months.⁴

Despite the worsening economic situation, the **World Bank Global Economic Prospects (GEP) 2024** forecasted that Nigeria's economy will grow by 3.3% in 2024 and 3.7% in 2025.⁵ The outlook growth will largely be driven by agriculture, construction, service, and trade. The GEP report added:

"The baseline forecast implies that per income will reach its pre-pandemic level only in 2025".⁶

The World Bank predicted that the inflation in Nigeria would gradually be alleviated as the effect of the removal of fuel subsidies and the exchange rate policy in 2023 wanes.⁷ That being said, it is expected that control of the inflation rate will boost fiscal revenue within the forecast period. To further buttress this point, **Central Bank of Nigeria (CBN)** governor **Olayemi Cardoso** reiterated that headline inflation is expected to fall to 21.4% in 2024 and attributed it to the apex bank's

¹ National Bureau of Statistics, 15 Jan 2024

² Premium Times, 15 Jan 2024

³ The Cable, 19 Jan 2024

⁴ The Cable, 2 Oct 2024

⁵ Business Day, 23 Jan 2024

⁶ Premium Times, 10 Jan 2024

⁷ Leadership, 20 Jan 2024

inflation-targeting reforms.⁸ Cardoso did not provide detailed information about how the government will achieve success.

Dangote Petroleum Refinery commences production

The **Dangote Group** announced via its official X page on 13 January that the **Dangote Petroleum Refinery** commenced production in Nigeria on 12 January.⁹ The plant will produce 650,000 barrels per day and will begin with the production of diesel and aviation fuel and in the long-term proceed with the production of premium motor spirit (PMS).¹⁰ In a statement, the Dangote Group affirmed that the refinery can meet 100% of Nigeria's requirement of all refined products, including gasoline, diesel, kerosene, and aviation jet fuel and have a surplus for export.¹¹

The refinery is expected to kickstart Nigeria's journey to reviving the oil sector, particularly from being a major importer of refined petroleum products to being self-sufficient in refining.¹² Based on 2021 statistics published by the **Observatory of Economic Complexity**, Nigeria reportedly imports refined petroleum products mainly from **Norway, Belgium, the United Kingdom, India, Russia, and Italy**,¹³ which amounts to between 90%-95% of refined petroleum products.¹⁴ A reduction in the importation of refined products due to a fully operational refinery will also reduce the demand for foreign currency in the future.

Most state-owned refineries operate below capacity or are non-functional due to poor maintenance and corruption.¹⁵ Macroeconomic research analyst and economist at the **Nigerian Economic Summit Group (NESG)**, **Shakirudeen Taiwo** noted:

"If the refinery works as anticipated, its productivity is expected to significantly improve the total output of the country's manufacturing sector and external sectors, most especially the trade and exchange rate".¹⁶

The **Independent Petroleum Marketers Association of Nigeria (IPMAN)** president, **Abubakar Maigandi**, on 19 January noted that the refinery will supply petrol to approximately 30,000 IPMAN members which will be distributed to 150,000 retail outlets nationwide.¹⁷ Eleven markets consisting of **11 Plc, Conoil Plc, Ardova Plc, MRS Oil Nigeria Plc, OVH Energy Marketing Limited, Total Nigeria Plc, and NNPC Retail** have registered with the refinery as potential distributors of the refined products.¹⁸ **Aliko Dangote**, the president of Dangote Group stated that the product will be in circulation after regulatory approvals in January.¹⁹

The operational Dangote Petroleum Refinery will not only help Nigeria save billions of dollars but widespread cost reduction of pump prices of PMS, aviation fuel, and gasoline will promote a more stable economic environment. However, successfully attracting foreign investment remains dependent on numerous factors including government policies. Nevertheless, a functional Dangote Petroleum Refinery has the potential to improve the overall ease of doing business in Nigeria which could present foreign oil and gas companies with attractive new opportunities to explore within the oil sector.

⁸ Vanguard, 24 January 2024

⁹ Dangote Group X, 13 January 2024

¹⁰ Daily Trust, 17 January 2024

¹¹ S&P Global, 14 January 2024

¹² Reuters, 13 January 2024

¹³ Observatory of Economic Complexity

¹⁴ Nigerian Tribune, 16 January 2022

¹⁵ Business Insider Africa, 17 January 2024

¹⁶ Business Insider Africa, 17 January 2024

¹⁷ Punch, 22 January 2024

¹⁸ Arise News, 15 January 2024

¹⁹ Business Day, 22 January 2024

President suspends minister over financial scandal

President **Bola Tinubu** (2023 – present) on 8 January suspended the humanitarian affairs and poverty alleviation minister **Betty Edu** and ordered a probe over an alleged 585.2m naira (\$652,106) scandal.²⁰ Purported leaked documents that circulated on mainstream media outlets and social media platforms showed that Edu in December 2023 allegedly instructed the office of the accountant-general of the federation to pay the said sum of money into the personal account of the project accountant for the renewed hope grant for vulnerable groups **Oniyelu Bridget**.²¹ The document allegedly signed by Edu entitled ‘Mandate for Payment of Grant for Vulnerable Groups in **Akwa Ibom, Cross River, Lagos and Ogun States Respectively**’ highlighted various sums of money designated for beneficiary states.²²

The accountant general of the federation, **Oluwatoyin Madein**, acknowledged that she received Edu’s request but claimed to have refused payment as such funds are meant to be transferred directly from government accounts to state beneficiaries.²³ Edu’s request violates sections of the **Nigerian Financial Regulations 2009** which reportedly stipulates that:

*“Any officer who pays public money into a private account is deemed to have done so with fraudulent intention”.*²⁴

The development caused public outrage as activists and groups called for the dismissal of Edu.²⁵ In a statement, Edu’s media aide **Rasheed Zubair** said:

*“It is legal in civil service for a staff, the project accountant, to be paid and use the same funds legally and retire same with all receipts and evidence after the project or programme is completed”.*²⁶

Meanwhile, Edu has refuted claims of professional misconduct adding that she is being blackmailed for uncovering 48.8 billion naira (\$49.9m) fraud in the **National Social Investment Programme Agency (NSIPA)**.²⁷ The suspension further highlights Tinubu's determination to fight long-standing corruption in the country.²⁸ The **Economic and Financial Crimes Commission (EFCC)** has commenced investigations into the matter.²⁹

²⁰ Presidency Nigeria X, 8 January 2024

²¹ Premium Times, 6 January 2024

²² The Cable, 5 January 2024

²³ Business Day, 6 January 2024

²⁴ Premium Times, 6 January 2024

²⁵ Daily Post, 8 January 2024

²⁶ The Cable, 5 January 2024

²⁷ The Cable, 5 January 2024

²⁸ Vanguard, 22 January 2024

²⁹ Leadership, 9 January 2024

Planner

Feb 2024 **Abuja (Nigeria) Central Bank of Nigeria (CBN)** to hold first monetary policy meeting under the current administration;

Feb 2024 **Lagos (Nigeria) Sub-Saharan Africa International Petroleum Exhibition and Conference (SAIPEC)**;

Feb 2024 **Abuja (Nigeria) Nigeria International Energy Summit (NIPS)**;

Feb 2024 **Abuja (Nigeria) The Independent National Electoral Commission (INEC)** to conduct re-run, bye-elections across nine states;

Feb 2024 **Lagos (Nigeria) DigiBank Summit West Africa**, an event on digital banking transformation.

Chronology

24 Jan 2024 **Abuja (Nigeria) Voice of Nigeria. Nigeria** signs a new memorandum of understanding (MoU) with **India** on renewable energy;

24 Jan 2024 **Lagos (Nigeria) Premium Times. The Nigerian Economic Summit Group (NESG)** in its 2024 macroeconomic outlook report predict Nigeria's Gross Domestic Growth at 3.5% in 2024;

24 Jan 2024 **Abuja (Nigeria) Reuters. United States (US)** secretary of state **Antony Blinken** in a visit to Nigeria states that the US is committed to becoming a strong security partner for Nigeria;

22 Jan 2024 **Abuja (Nigeria) Africanews. Lagos State** announces a ban on the use and distribution of Styrofoam and other single-use plastics with immediate effect;

19 Jan 2024 **Abuja (Nigeria) Punch. Supreme Court** delivers judgments on governorship appeals;

18 Jan 2024 **Abuja (Nigeria) Business Day. Nigeria's** stock market emerged as the world's best, surpassing **Argentina**;

18 Jan 2024 **Abuja (Nigeria) Reuters. United Kingdom-headquartered Shell Plc** headquartered reaches an agreement to sell its Nigerian onshore subsidiary to five major local companies for \$2.4 billion;

18 Jan 2024 **Abuja (Nigeria) Africanews. State prosecutors** bring 14 new additional charges against former **Central Bank of Nigeria (CBN)** governor **Godwin Emefiele**;

17 Jan 2024 **Abuja (Nigeria) Anadolu Agency. A dynamite explosion in Ibadan (Oyo State)**, kills at least three people and injures 77;

15 Jan 2024 **Abuja (Nigeria) The Guardian Nigeria. Former vice president Atiku Abubakar** laments the killing of a 13-year-old student, who was abducted by armed men alongside 10 others, saying that the worsening poverty and hunger in Nigeria is escalating the level of kidnapping and insecurity;

12 Jan 2024 **Abuja (Nigeria) Punch. Financial solutions firm Cardinal Stone** reports that multinational firms in the fast-moving consumer goods sector may exit Nigeria this year if the operating environment, including high operating costs, does not improve;

11 Jan 2024 **Abuja (Nigeria) Business Day. The Central Bank of Nigeria (CBN)** sacks the board and management teams of **Union Bank, Keystone Bank, and Polaris Bank** over non-compliance with some sections of the **Banks and Other Financial Institutions Act, 2020**;

8 Jan 2024 **Abuja (Nigeria) This Day. The Central Bank of Nigeria** reports it has paid about \$2 billion of the amount it owed lenders to settle matured foreign-exchange contracts;

8 Jan 2024 **Abuja (Nigeria)** *Bloomberg*. **Dangote Group**, controlled by billionaire **Aliko Dangote**, says a visit to its **Lagos** offices last week by Nigeria's anti-graft commission was aimed at causing embarrassment to the company;

5 Jan 2024 **Abuja (Nigeria)** *Bloomberg*. Anti-graft officials visit the offices of **Dangote Industries Ltd**, controlled by billionaire **Aliko Dangote**, as part of a probe into former **Central Bank of Nigeria** governor **Godwin Emefiele**;

5 Jan 2024 **Abuja (Nigeria)** *Reuters*. Nigeria's **Supreme Court** upholds an appeal by **British** energy giant **Shell**'s local unit against a ruling related to a pollution case that has prevented the oil major from selling billions of dollars of assets in the country;

2 Jan 2024 **Abuja (Nigeria)** *BNN Bloomberg*. Finance minister **Wale Edun** says Nigeria, which has borrowed at least \$33 billion from its central bank, will stop using the widely criticised practice to fund its budget deficit;

1 Jan 2024 **Abuja (Nigeria)** *TVC*. President **Bola Tinubu** says in his New Year's speech that Nigeria will simplify its tax laws and improve electricity supply this year to ensure that businesses are competitive and attract investment;

30 Dec 2023 **Abuja (Nigeria)** *Bloomberg*. Nigerian lawmakers approve a request from President **Bola Tinubu** to convert 7.5 trillion naira (\$8.2 billion) in overdrafts from the **Central Bank of Nigeria** to longer-dated bonds that will be added to the country's debt;

8 Jan 2024 **Abuja (Nigeria)** *Forbes*. The **Central Bank of Nigeria (CBN)** approves the launch of the Naira stablecoin (cNGN) which will be pegged 1:1 to the naira;

27 Dec 2024 **Abuja (Nigeria)** *Riverside LNG*. Nigeria-based **Riverside LNG** said it is in talks to supply gas to **South Africa** in what would be the first such deal between the two countries;

26 Dec 2024 **Abuja (Nigeria)** *Premium Times*. More than 100 people have been killed in attacks in Nigeria's northern **Plateau State** over the past two days;

17 Dec 2023 **Abuja (Nigeria)** *Vanguard*. **World Bank** approves a \$750m facility for the **Distributed Access through Renewable Energy Scale-up (DARES)** project which aims to provide 17.5 million Nigerians with new or improved access to electricity;

About Africa Risk Consulting:

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