



# Analysts Monthly Review

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## Examining the Accuracy of IMF Growth Forecasts for Nigeria

The International Monetary Fund (IMF), in its recently-released World Economic Outlook (WEO) of April 2022, revised Nigeria's economic growth forecast upward to 3.4% from the 2.7% forecast announced earlier in January of this year. This new forecast is now closer to the 4.2% growth assumption used in the 2022 budget based on the projections from the National Development Plan (2021-2025). The upward revision of the IMF forecast was based on the global increase in oil prices, among other developments. However, global growth has been revised downward from 4.4% to 3.6% consequent on the Russia-Ukraine crisis.

The WEO is a report published by the IMF twice a year. It shows details of economic developments of countries across the globe in the near future and medium term and makes forecasts on key macroeconomic variables. On a general note, forecasts are made within a five-year window and are revised subsequently based on the economic situation at different points in time.

These forecasts influence decisions in over 190 countries as most top officials, analysts and decision makers use them as accuracy benchmark for their own forecasts as well as guidance in planning. The primary aim of forecasts, is to help policy-makers, business men and leaders to make better decisions and develop data driven strategies that will benefit the space in which they operate; hence, accuracy is necessary.

The accuracy of forecasts depends on the magnitude of the observed bias; which can be measured as the difference between the forecast and the actual values. Although forecasts cannot be totally accurate, errors should be kept at the barest minimum to aid planning.

We therefore examine the trend and accuracy of IMF growth forecasts for Nigeria from 2016 to 2021 by comparing the Fund's forecast with the actual values that were finally reported by the National Bureau of Statistics (NBS). The results are presented for each of the years with the relevant charts.

**2016:** The Nigerian economy contracted by -1.58% in 2016. Meanwhile, the first forecast for the year was given by IMF in April 2011 at 6.0%. This was generally increased over time to 7.18% in the October 2014 WEO forecast; after which the forecast was rapidly revised downward to 4.95% in April 2015 and 2.32% in April 2016 and finally to -1.75% in October 2016. Thus, IMF forecasts for 2016 were largely overstated for all periods, except for the last forecast in 2016, being the year the actual value was reported. If the deviations from the actual growth are cumulated and averaged for all the 12 periods that forecasts were made, it shows that IMF forecasts had an average deviation of 6.83% per period from the 2016 actual value.

**2017:** Nigerian economy grew by 0.83% in 2017. The IMF gave the first forecast for the year in April 2012 at 6.61%. This figure was over time revised upwards to 7.07% in the October 2014 WEO edition. Thereafter, there was a rapid down-



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ward revision of the growth forecast over the next 4 periods to 0.65% in October, 2016 and to 0.84% in October, 2017. The average deviation from the actual value for the 12 periods therefore stood at 3.9%.

**2018:** Nigerian economy grew by 1.90% in 2018. The April 2013 WEO gave the first forecast for the year at 6.75%, revised upward to 6.88% in the October 2014 WEO. This was however revised downward to 1.57% in the October, 2016 edition and to 1.93% in October, 2018. Thus, the average deviation of IMF forecasts from the actual 2018 value was 2.49% per period.

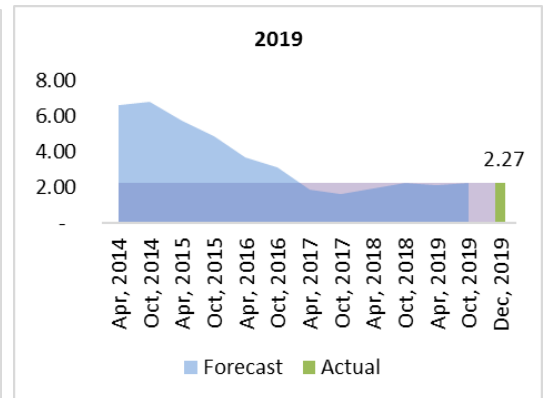
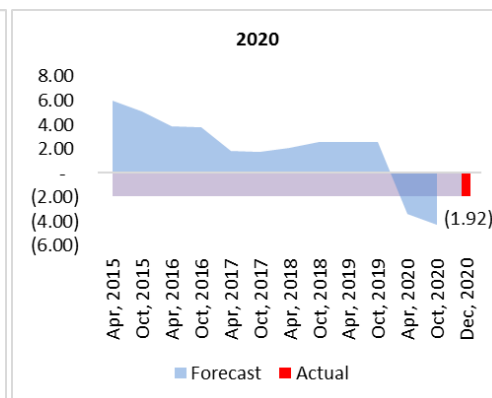
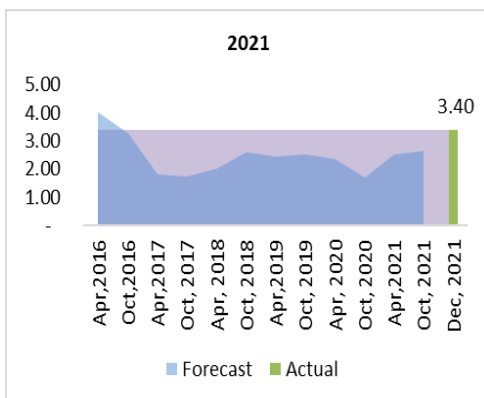
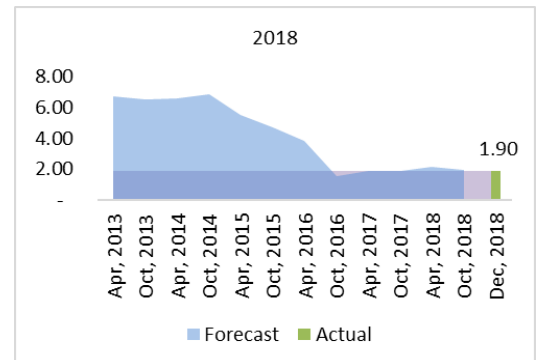
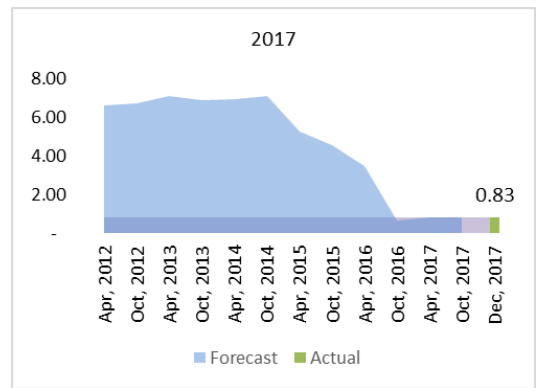
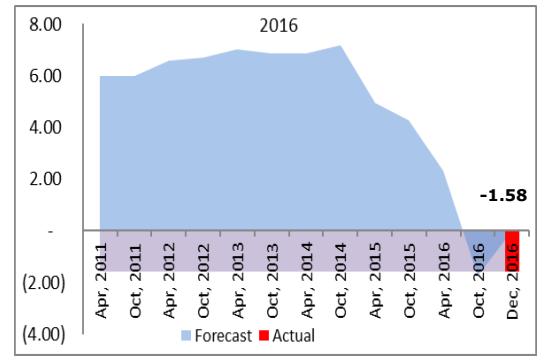
**2019:** The Nigerian GDP grew by 2.27% for the year. The April 2014 WEO gave the first forecast for 2019 as 6.67%, later revised to 6.82% in October 2014. Forecasts for the year in subsequent editions were gradually revised downward to 1.87% in April, 2017 and finally to 2.29% in October 2019. Average deviation for the year was 1.32%.

**2020:** The Nigerian economy contracted by -1.92% in 2020, largely due to the effect of the Covid-19 pandemic. In the April 2015 WEO, forecast for 2020 was given at 5.95%; but reduced to 1.80% in April, 2017 and put at 2.52% in October, 2019. In April, 2020, a forecast of -3.41% was given; this was further reduced to -4.28% in October, 2020. The average deviation for the year over the forecast period stood at 3.94%.

**2021:** The Nigerian economy grew by 3.40% in 2021. Meanwhile, the April 2016 WEO gave the first forecast for 2021 as 4.02%. Forecasts for the year were revised downward over time to 1.71% in October, 2017. Subsequently, the forecast was raised gradually to 2.64% in the October 2021 edition of WEO. The average deviation for the year over the forecast period stood at -0.86%.

From the foregoing, it can be inferred that IMF forecasts, just like other forecasts, are not exact. Although we observe improvement in the accuracy of IMF forecasts on Nigeria over time, they tend to be overestimated at the start of the five year window, but gradually adjusted towards the actual values as the forecast year approaches. This implies that forecasts done long before the actual year show a high possibility of being less correct than those closer to the forecast year.

Moreover, we observed that deviations of forecasts from actual values are relatively higher in periods of crisis, such as recession; indicating that crisis are often not envisaged and not adequately prepared for. This notwithstanding, forecasts are useful in providing some guides but should be complemented with real life knowledge and experience; while bearing in mind that forecasts solely may not give enough early warning of imminent crisis.



Source: IMF, ADSR Research

## How Productive is Labour in the Nigerian Consumer Goods Sub-Sector

To be competitive and profitable as an organization, same for a country, the level of productivity has to be measured and improved upon. Many inputs go into the production process, including labour, capital and intermediate inputs such as energy, materials and services.

Among all these, labour input is very critical and it is important to track its level of productivity over time. Labour productivity simply shows how productively labour is used to generate output. It measures the efficiency and effectiveness of employees in the generation of value-added for an organisation.

A simple way to look at this for an organization is to measure the ratio of value-added to labour employed. We attempt to compute this ratio for listed companies with data that are operating in the consumer goods sub-sector of the manufacturing sector for the years 2020 and 2021.

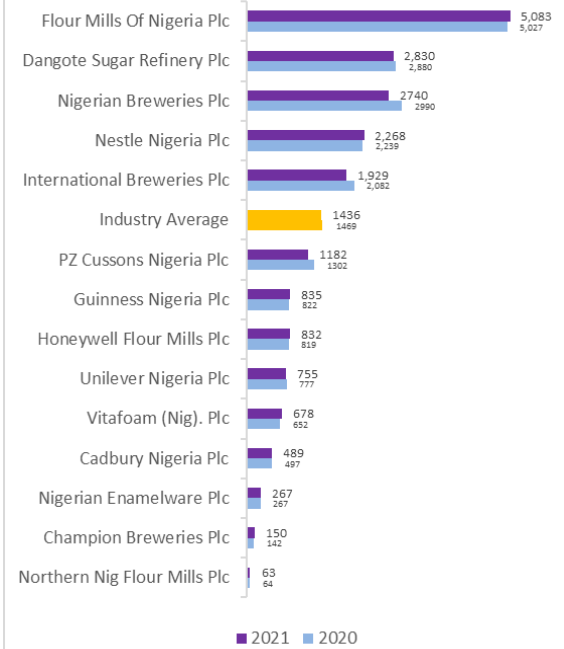
The average number of employees in the industry declined slightly by 2.25% between 2020 and 2021 from 1,469 to 1,436. This decline can be attributed to workers being disengaged as an aftermath of the Covid-19 pandemic. It is further shown that 4 out of the 14 firms have employee numbers that are above the industry average.

The average value-added for the industry was N30.3bn and N38.6bn in 2020 and 2021 respectively. The top 4 companies with value-added above industrial average accounted for 77.2% and 70.4% of total industry value added in 2020 and 2021 respectively.

The average Labour Productivity for the industry increased from N17.31 million per employee in 2020 to N23.01 million in 2021. Implying that having fewer employees in 2021 tend to raise companies' labour productivity values. Companies with relatively higher labour productivity include Nestle, Nigerian Breweries, Guinness, Champion Breweries and Unilever Nigeria Plc.

Labour can be made more productive by training and building employees' their skills and capacities. Increased labour productivity leads to increased profitability and continuity of the firm. In addition to various capacity development programmes organized for employees by their organisations, it is equally important that employees engage in self-development activities to raise personal productivity. This is necessary as technology is increasingly making it possible for unskilled and semi-skilled labour to become easily substitutable.

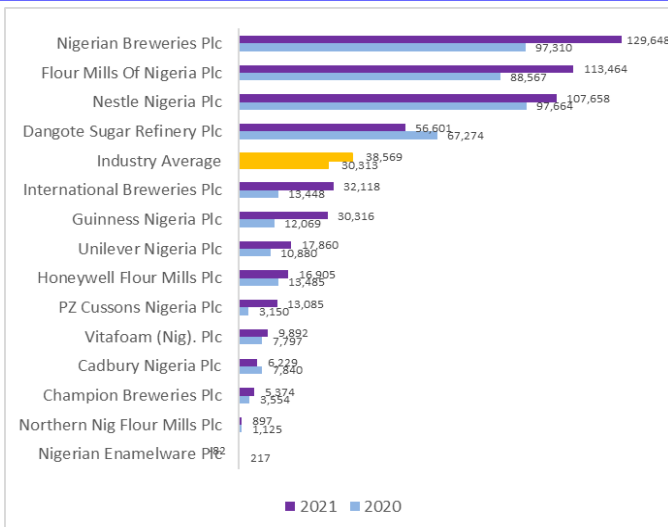
### Number of Employees ('000)



Source: ADSR Research

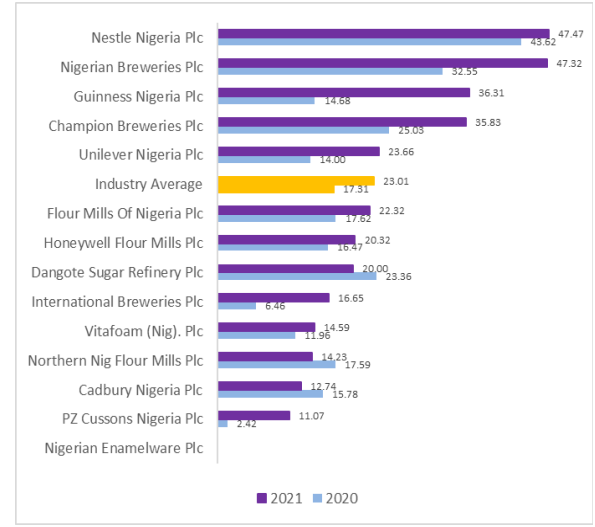
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### Value Added (N' Million)



Source: ADSR Research

### Labour Productivity (N'million)



Source: ADSR Research



## Oil Theft Impacts Nigeria's Major Source of Revenue

The menace of oil theft has been a major issue combating the supply of crude oil in Nigeria and it is becoming rampant since the global oil prices increased after falling drastically during the lockdown in 2020. These recurring cases of oil theft have pushed the oil production cost to \$32/barrel against the budget's target of around \$25/barrel and long-term target of \$10/barrel for the country.

This is adversely affecting the country's ability to meet up with the production quota given to her by the Organization of Petroleum Exporting Countries (OPEC). Interestingly, major parts of the production costs have gone into the payment of personnel and security operatives saddled with the responsibility of monitoring various pipelines, yet the issue of oil theft remains a great concern.

It is estimated that Nigeria has lost a total of \$3.27 billion to oil theft within the last 14 months. This has become a national emergency as the issue is gaining attention all over the country; to the extent of it being discussed even at the last MPC meeting of the Central Bank.

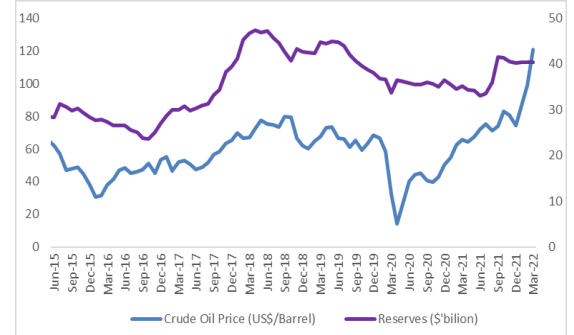
This recurring case of theft has also limited the country's ability to take full advantage of the rising price of crude oil which has been trading for over \$100/barrel in recent times.

As shown in the figure, Nigeria external reserves in recent period have not been increasing in tandem with the increase in oil price. In other words, despite increase in oil price, movement in Nigeria's external reserves appear inelastic in recent time.

The impact of the oil theft on the economy is further aggravated by the huge spending on subsidy which has been increasing over the years. Furthermore, JP Morgan recently delisted Nigeria from its emerging market 'overweight' category due to the failure of NNPC to remit revenue to the government in the first quarter of the year and her inability to take advantage of the rising crude oil prices to shore up her reserves. The twin problems of oil theft and fuel subsidy therefore stifle the country and these require an urgent attention.

Nigeria needs to acquire and display the relevant capacity to catch and punish oil thieves, without fear or favour. The country also needs to transparently account for subsidy payment to provide inputs into the consideration of its desirability and removal or otherwise.

### Trend of Crude Oil and Reserves



Source: CBN, OPEC, ADSR Research

## Capital Market Performance in 2022

The Nigerian capital market has been trending upward throughout the first four months of the year. This positive performance has continued to boost the confidence of investors in equities.

The NGX All Share index started the year at 43,026.23 and has risen to 49,638.94 as at the last day of April. This represents an increase of about 15.37% Year-to-Date. The All-Share Index has risen by 9.93%, 19.08%, 20.29%, and 24.61% in January, February, March and April respectively when compared with the corresponding month in 2021.

In the same vein, market capitalization has increased from N23.18 trillion on the first day of the year to N26.76 trillion as at the end of April. Comparing the market capitalization with the corresponding months end of 2021, it has increased year-on-year by 13.24%, 22.66%, 23.90%, and 28.37% in January, February, March, and April respectively.

By implication, capital market has performed positively throughout the first few months of the year, giving a good signal for investors to venture into equities and showed an uptrend in capital market activities.

However, with the recent delisting of Nigeria from the JP Morgan's "overweight" investment, interest rate hikes around the world, possibility of MPC considering a hike for Nigeria, amidst other fiscal challenges, the market may enter a bearish region within the month, especially as some investors seeks to take profit

### All Share Index

Month	2021	2022	Y-t-D (2022)	% Δ Y -o-Y
Jan	42,412.66	46,624.67	9.15	9.93
Feb	39,799.89	47,394.53	10.95	19.08
Mar	39,045.13	46,965.48	9.95	20.29
Apr	39,834.42	49,638.94	16.21	24.61

Source: NGX, ADSR Research

### Market Capitalisation (Trillion Naira)



Source: NGX, ADSR Research

## Global Interest Rate Hikes: Implications for the Management of the Nigerian Economy

Nigeria's inflation rate rose to 15.92% in March and will likely rise further to about 16.15% when the NBS releases inflation figures for April 2022. Nigeria is not the only country experiencing an increase in the general price level, but some of the other countries are already responding by raising their interest rate to combat their inflationary pressure.

While many advanced and emerging economies have hiked interest rates in recent times, the Nigerian Monetary Policy Rate (MPR) has been maintained at 11.5% since the Monetary Policy Committee's (MPC) meeting of September 2020 when the decision was taken to reduce by 100 basis points from 12.5 to 11.5 per cent.

These hikes, especially by advanced economies such as the USA, will further support a stronger dollar against an even weaker naira. Nigeria, as a developing economy is highly import-dependent, meaning more naira would be required to purchase the same quantity of dollars.

Recently also, JP Morgan removed Nigeria from its list of emerging market sovereign recommendations that investors should be 'overweight' in, due to the failure of the country to take advantage of high oil prices. This may exert further pressure on the country to raise its interest rate to mitigate capital outflows and attract new capital into both its fixed income and equities markets.

It is therefore expected that when the MPC meets later this month, this development will be a major part of their discussions and MPR will be considered to be adjusted upward from the current 11.5% to 12%. It should be recalled that at the last MPC meeting, four out of ten members already voted for MPR to be raised; three voted for a raise by 25 basis points while one voted for it to be raised by 50 basis points.

### Online Job Vacancies Expands by 17.8% in 2022'Q1

A review of online vacancies as captured in the Anostat Database shows that a total of 3,612 jobs were advertised by the end of the first quarter of 2022. Year-on-Year, online job vacancies in 2022'Q1 increased by 17.81% over the number of jobs advertised online in 2021'Q1.

Monthly comparison shows that online job vacancies increased over the reported values for each of the three months within the quarter. Specifically, advertised vacancies in January, February and March 2022 increased by 10.11%, 17.97% and 26.26% respectively over the number of jobs advertised in the corresponding months of 2021'Q1. This monthly year-on-year increase in the advertised job vacancies is an indication of increased economic activities in the country.

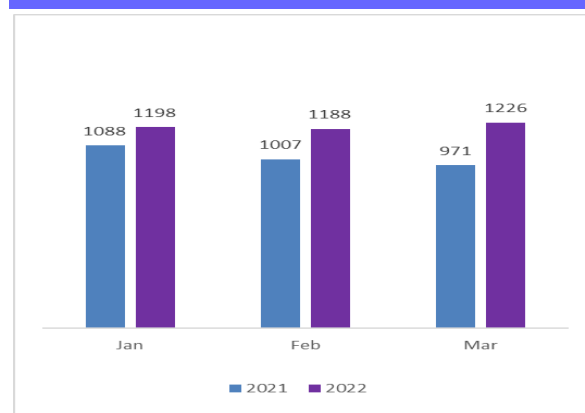
Further analysis of the advertised job vacancies in 2022'Q1 shows that the Administrative and Support Services sector accounted for 33.83% of the total jobs advertised online in the first quarter of the year. This is followed by Human Health and Social Services, Professional and Scientific Services, Financial and Insurance, Manufacturing and Trade sectors, accounting for 11.97%, 9.63%, 7.345%, 4.68% and 4.43% respectively. It is evident that the majority of the jobs advertised online in 2022'Q1 can be categorized broadly under the services sector.

### Recent Interest Rate Hike

Country	Current (%)	Date of last change	Direction	Previous (%)
USA	1	May, 2022	Upward	0.5
UK	1	May, 2022	Upward	0.5
BRAZIL	12.75	May, 2022	Upward	11.75
CHINA	3.7	Jan, 2022	Downward	3.8
INDIA	4.4	May, 2022	Upward	4
SINGAPORE	0.36	Apr, 2022	Downward	0.61
MALAYSIA	2	May, 2022	Upward	1.75
SOUTH AFRICA	4.25	Mar, 2022	Upward	4
EGYPT	9.25	Mar, 2022	Upward	8.25

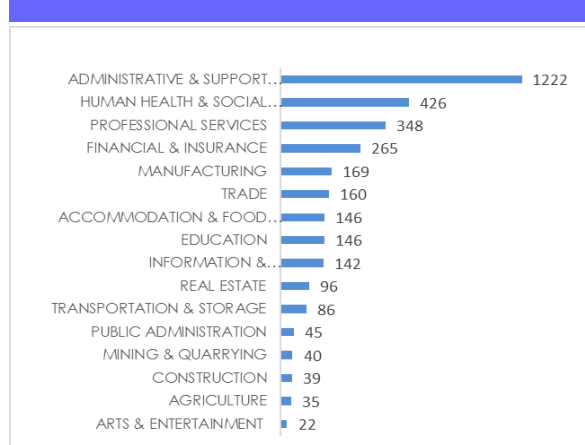
Source: ADSR Research

### Job Vacancy in Q1 2021 and 2022



Source: Anostat, ADSR Research

### Online Vacancies in Q1 2022



Source: Anostat, ADSR Research

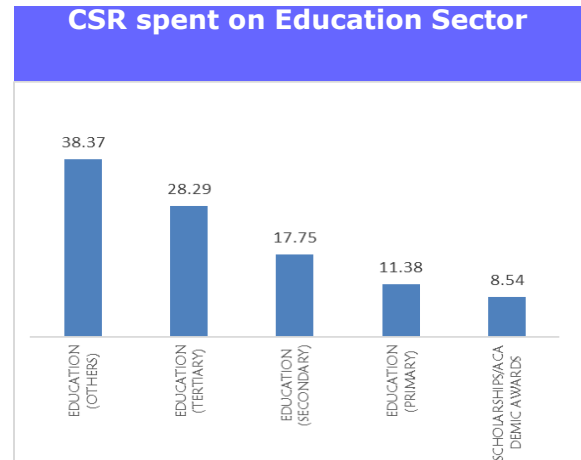
## Commercial Banks in Nigeria spent N104.33 billion of CSR on the Education Sector

Analysis of the CSR expenditure of commercial banks in Nigeria shows they supported the education sector with the sum of N104.33 billion in the last 10 years. This accounted for 16.14% of their total CSR expenditure in this period. CSR expenditure on Education sector can further be divided into Primary, Secondary, Tertiary, Scholarships and Academic awards and other spending on Education sector. The category ‘others’ comprises CSR expenditure on general education activities where the company does not indicate the level of education supported.

Figure shows that a sum of N11.38 billion, N17.75 billion, and N28.29 billion was spent on primary, secondary and tertiary education respectively. Furthermore, a sum of N38.37 billion was spent on other education categories while N8.54 billion was spent to promote scholarship and academic awards.

Further analysis shows that Zenith Bank, United Bank for Africa and Guaranty Trust Bank are the top three banks that contributed to Education’s CSR within this period. They contributed N30.96 billion, N17.59 billion and N10.69 billion respectively to the education sector within the period under study.

This shows that if properly leveraged, companies in Nigeria can further support the Education sector and address some of its challenges. Beyond government funding, a symbiotic relationship between the academia and industry may offer some level of solutions to the funding challenges and the attendant strike actions embarked upon by the Academic Staff Union of Universities (ASUU) and other unions in the Education sector.



Source: Anostat, ADSR Research

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## Compliance with Regulatory Filings Improves as COVID-19 Impact

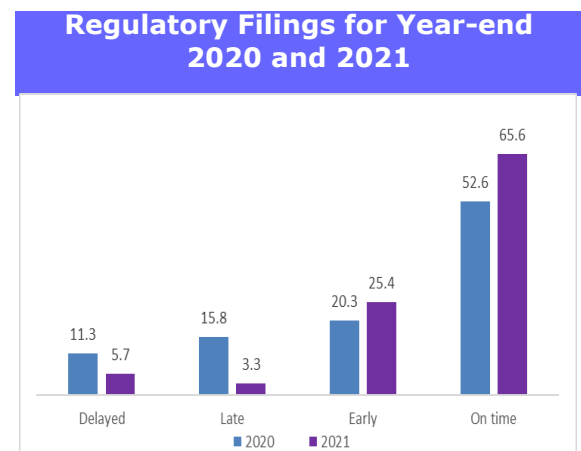
Due to the outbreak of COVID 19 and its impact on companies in 2020, the NGX extended by 60 days the deadline for listed companies to file their financial reports to accommodate the shock that came with the pandemic.

Against this background, we seek to inquire if the listed companies are now meeting up with their filing dates by analyzing the improvement in filing between 2021 and 2020. The companies are broadly divided into four based on how timely they file their report;

- Early: Those that file their report latest before 5 days to the due date.
- On time: Those that file their report anytime from 5 days to and 2 days after the due date.
- Delayed: Those that file from 2 days to a month after the due date.
- Late: Those that file from a month after the due date.

The figure shows that 11.3% and 5.7% of the companies had their filings delayed in 2020 and 2021 respectively while 15.8% and 3.3% were late on their filings. Furthermore, 20.3% and 25.4% filed early in 2020 and 2021 respectively while 52.6% and 65.6% filed their report on time in 2020 and 2021 respectively.

Following the result of the analysis, it is observed that there was an improvement in the timeliness of the companies as regards the date they filed their report against their due date. This implies that as the COVID-19 wanes, companies have begun to improve on their regulatory filings. This is good for information disclosure and investors protection purposes.



Source: NGX, Anostat, ADSR Research

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## Wise Quotes

“The most important quality for an investor is temperament, not intellect.”  
- *Warren Buffet*

“He who is not contented with what he has would not be contented with what he would like to have.”

- *Socrates*

“When something is important enough, you do it even if the odds are not in your favour.”

- *Elon Musk*

“He who will not economize will have to agonize.”

- *Confucius*

“If you do not take an interest in the affairs of your government, then you are doomed to live under the rule of fools.”

- *Plato*

“It’s far better to buy a wonderful company at a fair price, than a fair company at a wonderful price.”

- *Warren Buffet*

“I will tell you how to become rich. Close the doors. Be fearful when others are greedy. Be greedy when others are fearful.”

- *Warren Buffet*

“Awareness of ignorance is the beginning of wisdom

- *Socrates*

“Do not grieve over someone who changes all of the sudden. It might be that he has given up acting and returned to his true self.”

- *Socrates*



## Jokes

### AKPOS AND HIS LAWYER

Akpos asks a lawyer for advice:

Akpos: Mister Black, please help me. My neighbor won't give my money back, and I really need them.

Lawyer: No problem. Just provide the evidence he actually took that money.

Akpos: But I have no evidence.

Lawyer: That's no problem. How much does he owe you?

Akpos: \$600.

Lawyer: Then just text him and ask him to pay you your \$2000 back.

Akpos: But he only owes me \$600.

Lawyer: That's what he will answer, and you will get evidence.

### WHAT DO YOU HAVE ?

MAN: Marry me?

WOMAN: Do you have a flat?

MAN: No.

WOMAN: Do you have a Camry car?

MAN: No.

WOMAN: How much is your salary?

MAN: No salary, but I...

WOMAN: No but! You have nothing. How can I marry you? Leave please before I open eyes for you!

MAN: But I have one estate, 3 landed properties in GRA, 3 Ferraris, 2 Porsches and 2 G wagons. Why do I still need to buy a Camry? How can I be paid salary when actually I'm the BOSS?

WOMAN: That's why I told you to leave, cause am coming to your house myself to propose to you.



## Analysts

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- Analysts' Policy Brief (APB)
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