



2023
IN PERSPECTIVE

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Outline



Major Highlights of 2022



Outlook on the Global Economy



Outlook on the Nigerian Economy



Global Growth Projections

Major Highlights of 2022

**Rising global &
domestic inflation**

Weak growth

**Russia- Ukraine
war and
commodities
prices**

**Hikes in energy
prices/fuel
shortage**

**Floods impact on
commodities'
supply**

**Increased
poverty**

**Widening foreign
exchange
differential**

**Unsustainable
debts and
financing**

**Uncertainty around
PIA impact on
Federation
Account**

**Increased call for
fuel subsidy
removal**

**Naira redesign
and cash
withdrawal policy**

**Election
campaigns kick-
offs**

- **Inflation is rising in most economies.**

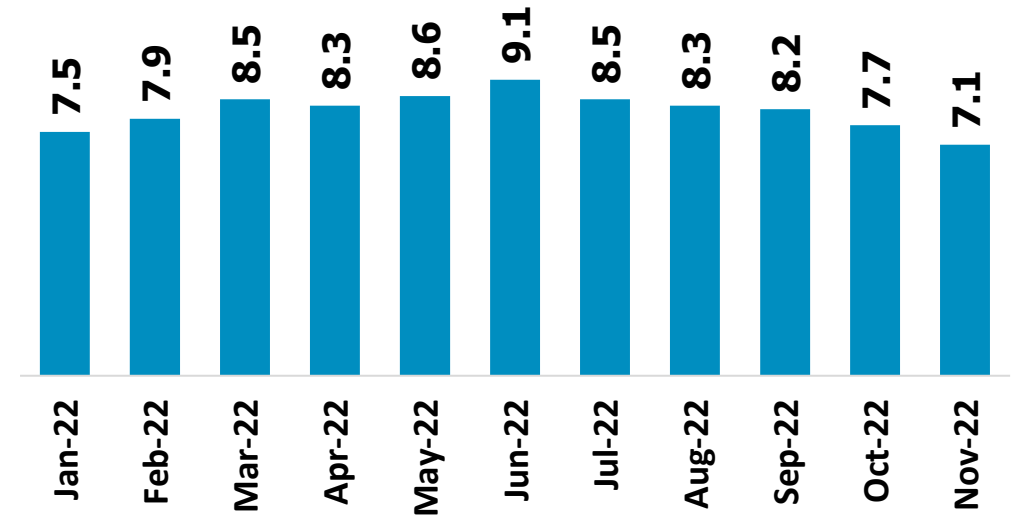
- **US had highest inflation in about 40yrs at 9.1% in June.**

- *Fed has raised Funds Rate 7 consecutive times this year.*

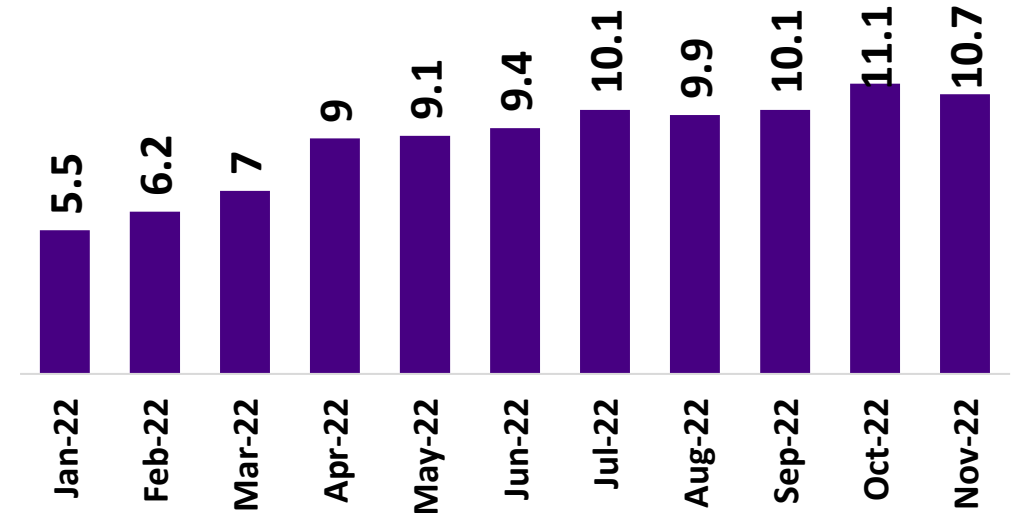
- **UK inflation rose to 11.1% in October, highest since October 1981.**

- *Bank of England raised the interest rate to 3.5%.*

United States



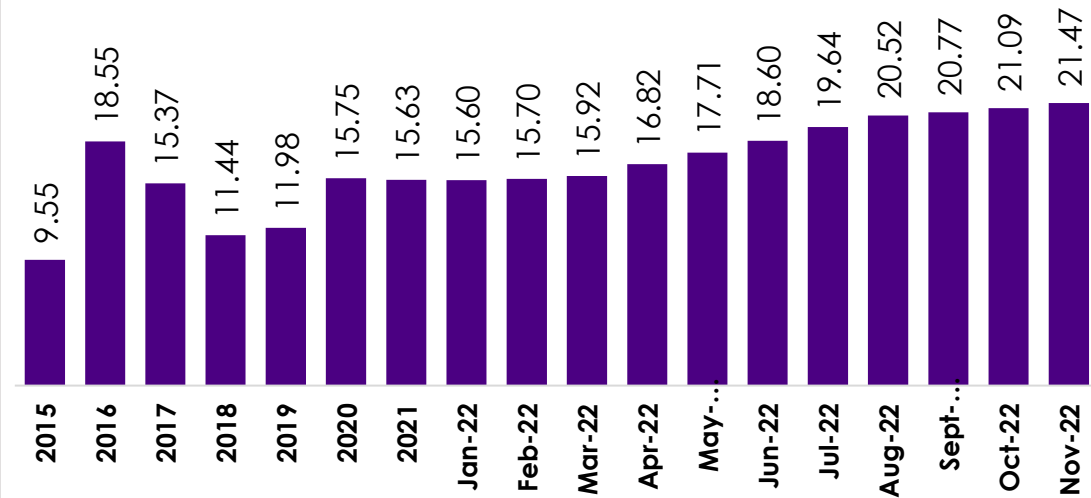
United Kingdom



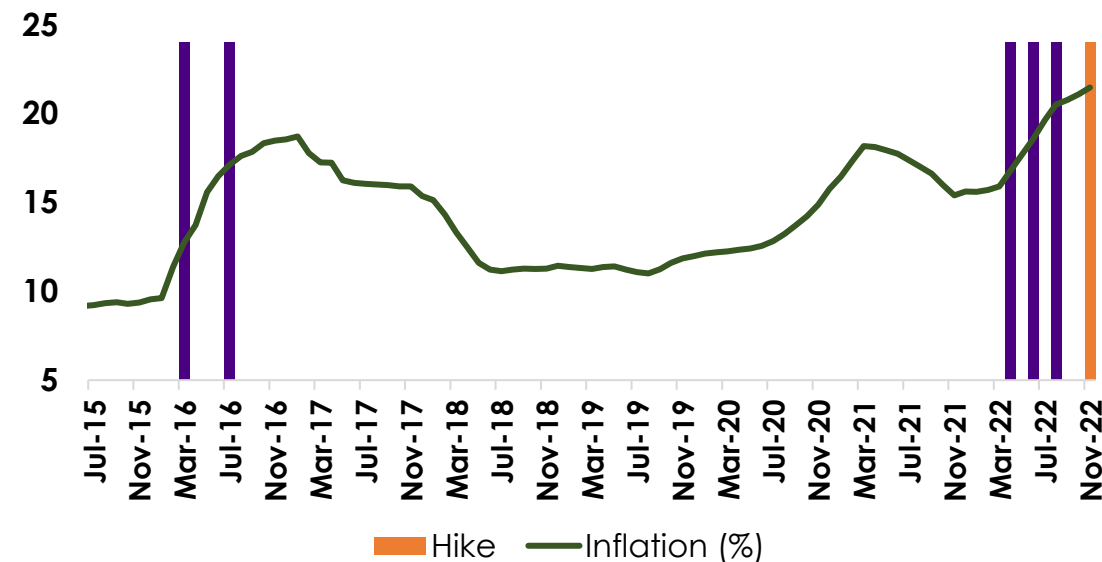
Domestic Inflation

- Inflation rate rose for the 10th consecutive months in November.**
 - Rising to 21.47% in November; a 17-year high from 24.32% in September, 2005.*
- In response, MPC has raised MPR four times this year.**
 - 11.5% to 13% in May*
 - 13% to 14% in July*
 - 14% to 15.5% in September*
 - 15.5% to 16.5% in November*
- Lessons from over 3 decades of such hikes show they can have immediate, but temporary, impact, especially when multiple rate hikes are introduced in succession.**
- But to sustainably address inflation, Nigeria needs to address the supply side constraints and make fiscal spending more efficient.**

Inflation Rate

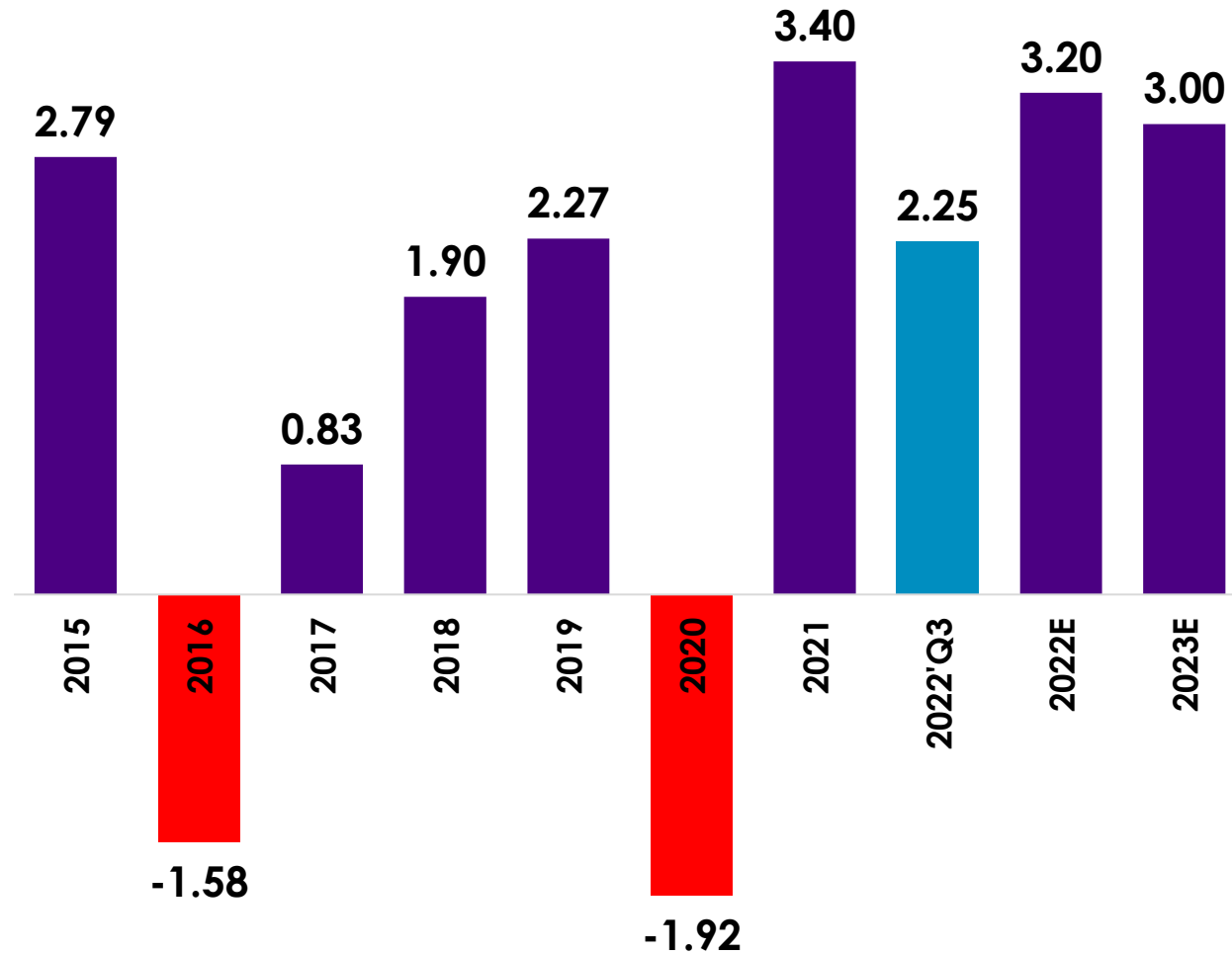


MPR Hike and Inflation Rate

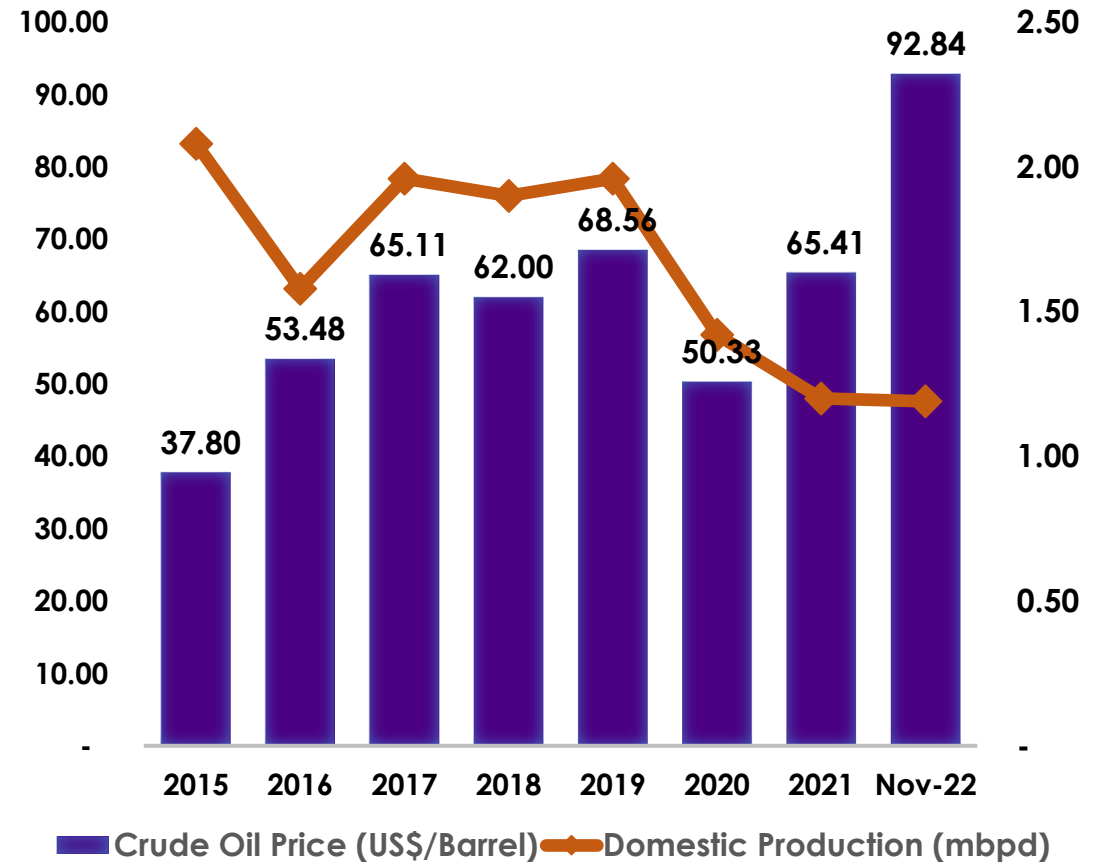


GDP Growth Rate (%)

- Although the GDP continues to grow, its growth this year still remains largely weak as it is far below projections for the year.
- The IMF forecasts a growth rate of 3.2% and 3.0% for the economy in 2022 and 2023 respectively.

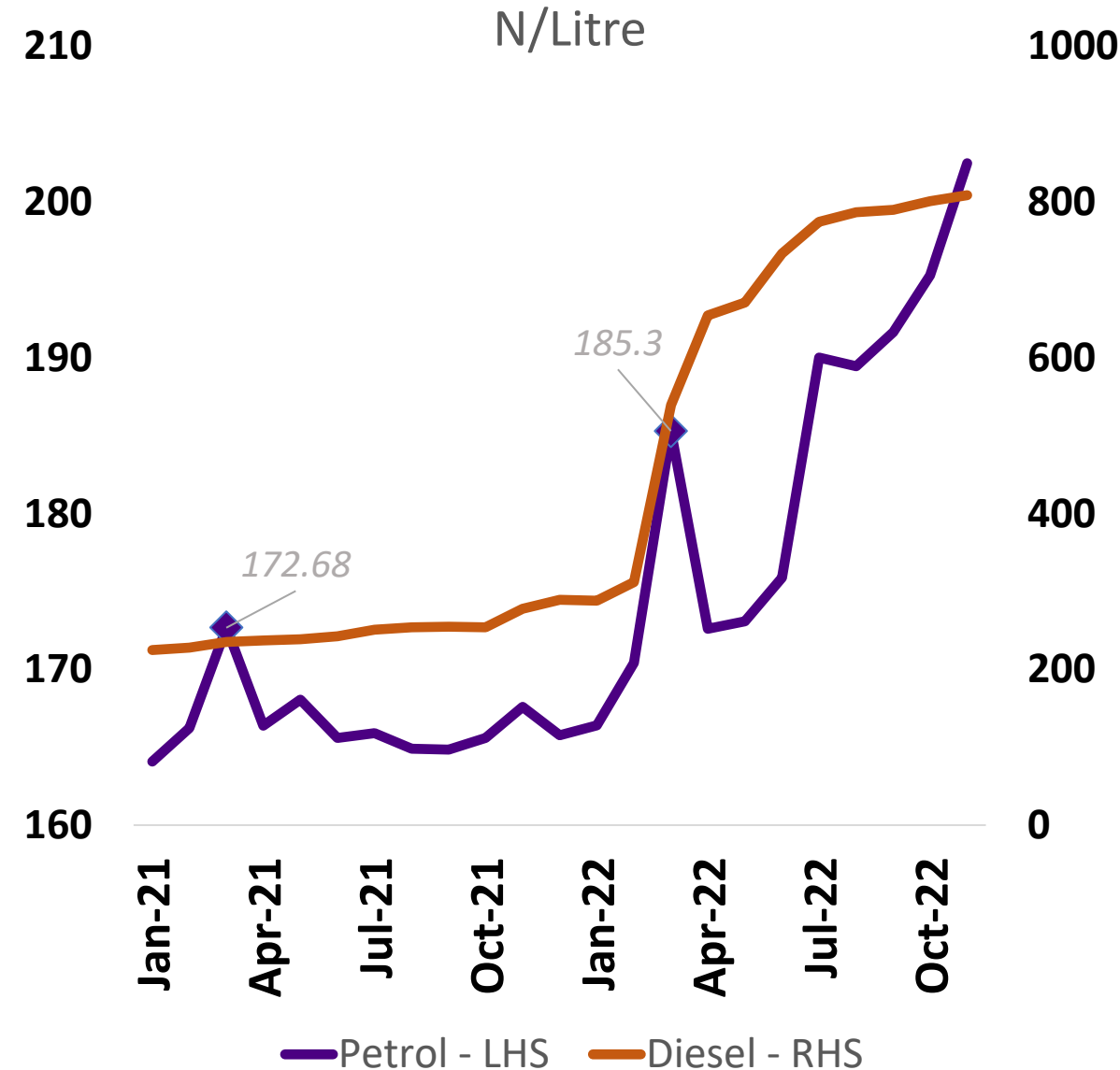


- War in the Black sea region shaped the commodities market in 2022, especially its impact on crude oil prices.**
- Crude oil price traded above \$100/barrel reaching a 14-year high since the financial crisis of 2008.**
- A potential blessing for Nigeria, being an oil producing nation but for low level of production, rising cases of oil theft and subsidy payments.**



Hikes in energy prices/fuel shortage

- **Fuel shortage is one of the major problems Nigeria encountered in the last quarter of 2022.**
- **Diesel and petrol prices dampened industrial, transport and general business activities.**
- **Also contribute to rising food and other goods prices, further fueling inflation**

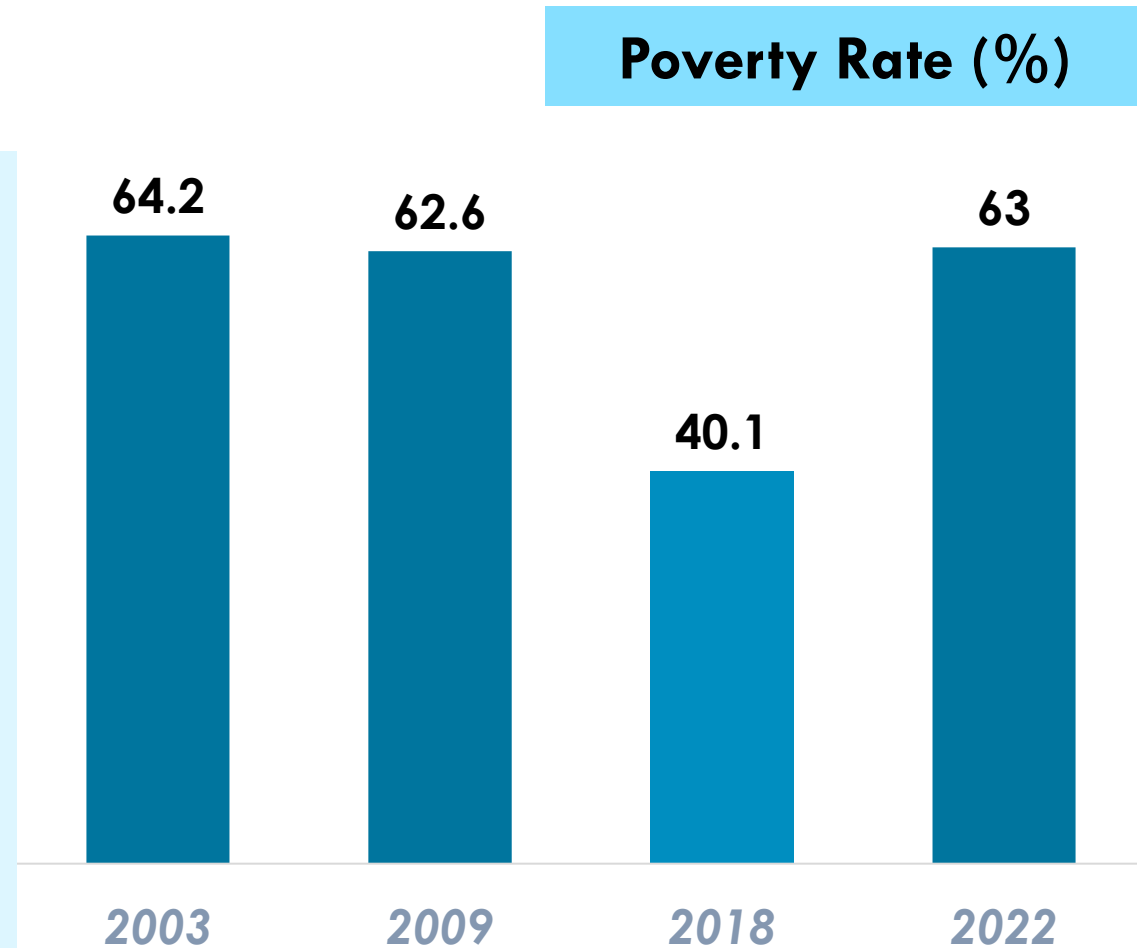


- **Incidents of flood in over 30 states of the federation further threatened food security.**
- **Over 569,000 hectares of farmland have been affected by floods ahead of the harvest season.**



Increased Poverty

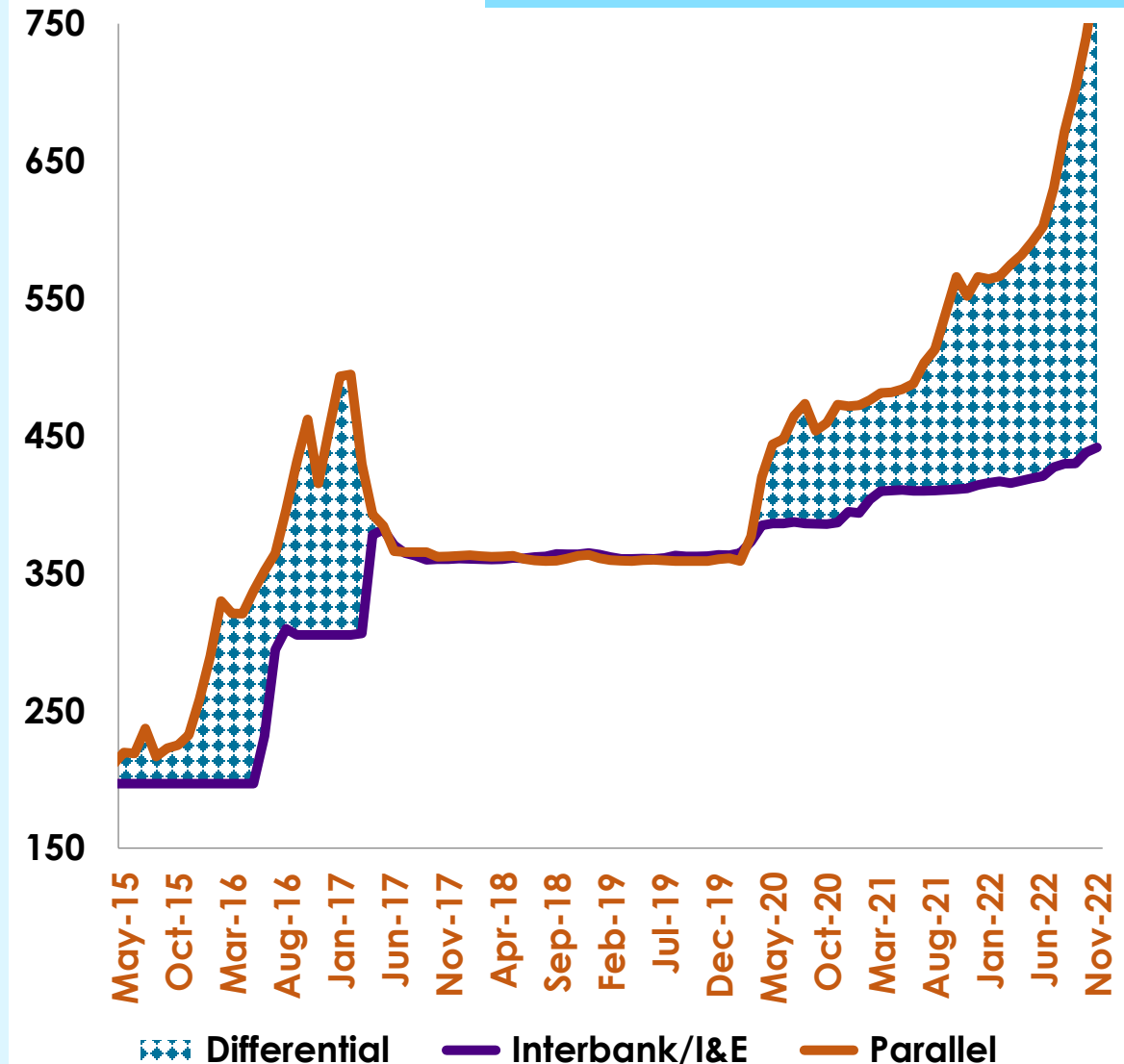
- **NBS released Nigeria's multidimensional poverty index**
 - *Poverty currently stands at 63%.*
- **With high poverty and unemployment, the purchasing power of Nigerians is low;**
 - *affecting corporate performance, government revenue and in turn citizens' welfare in a vicious cycle.*



Widening Foreign Exchange Differential

- The differential between official and parallel exchange rates is widening
- Larger than the period prior to the introduction of the I&E Window in April, 2017,
- Awaiting CBN innovativeness at achieving another convergence.
- In Feb., CBN introduced “Race to \$200 billion” in Forex repatriation from non-oil exports over the next five years.
- Programme has attracted about \$1.55 billion into I&E window, with N81bn rebates paid.
- But this creates more distortions through an additional window

Exchange rates (N/\$)



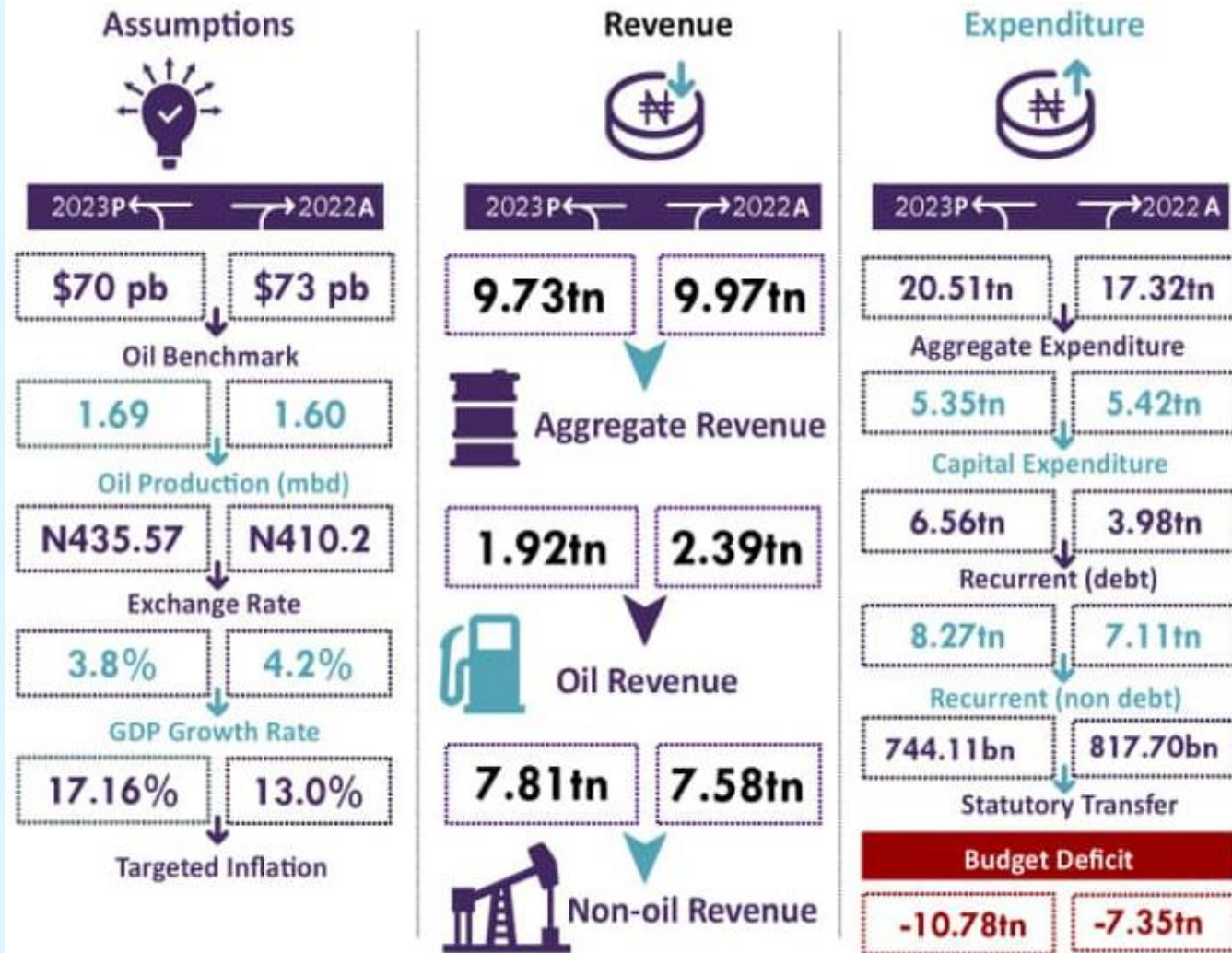
2023 FGN Budget

- The proposed 2023 budget of N20.51trn is the highest in history**

 - *With a revenue of N9.73, a deficit of N10.78trn is expected in 2023*
- A new request has just been made for a supplementary budget of N819.5bn billion.**

 - *Expected to be funded by domestic borrowings and increase 2022 budget deficit to N8.17 trillion.*
 - *Aim is to complete ongoing critical projects, like dams and irrigation, and address problems caused by flood to aid food security*
- Government also seeks take another N1 trillion loan from the CBN through ways and means.**

 - *Taking the figure to N23trn which the government seeks to securitized for a 40 years tenure*

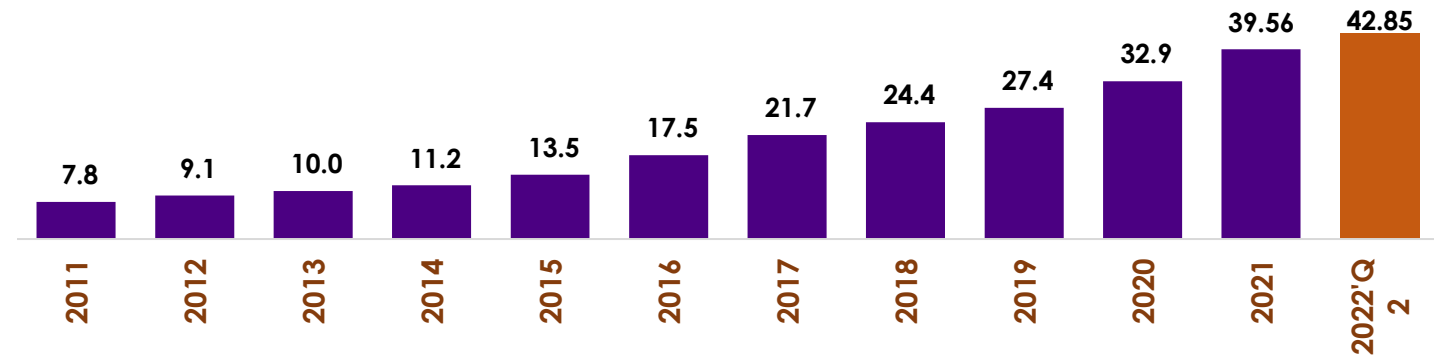


*Inclusive of GOEs' budgets

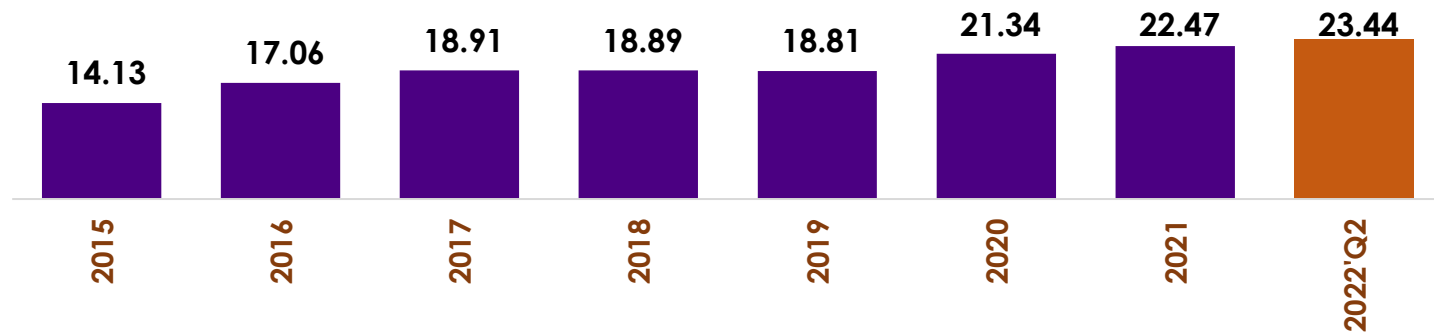
Unsustainable Debt and Financing

- Rising debt stock has been a major concern for government and citizens alike.**
- Securitization of Ways and Means will lead to significant increase in public debt.**
- Debt-GDP appears sustainable but debt-revenue ratio is not**

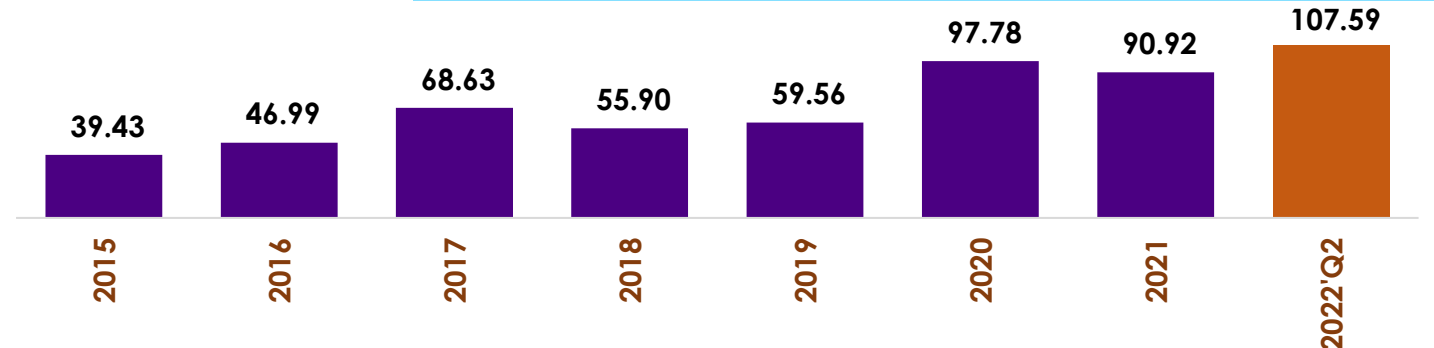
Total Public Debt Stock (FGN+States) (N'trn)



Debt – GDP (%)

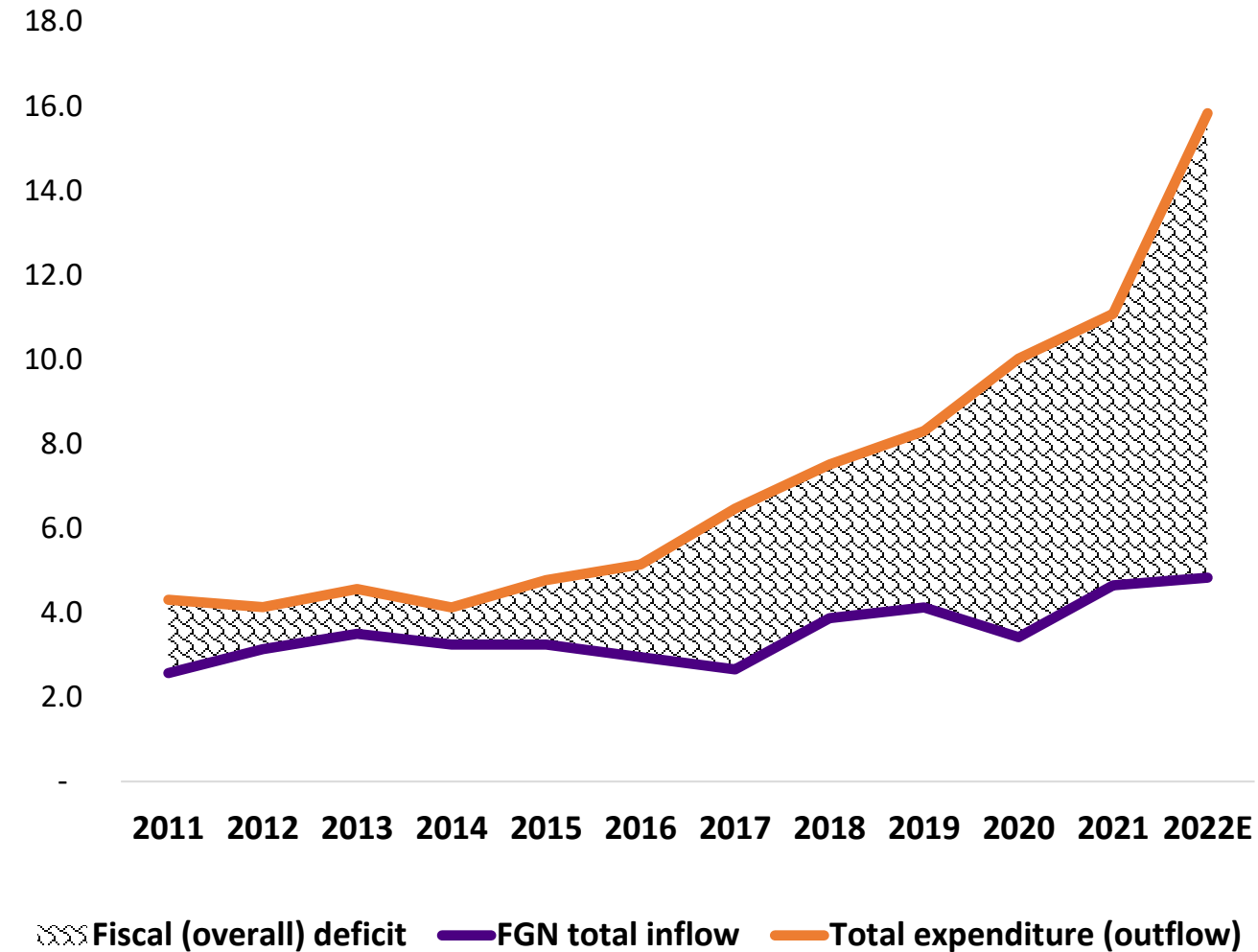


Debt Service – Revenue (%)



- **FGN revenue increased from N2.57 trn in 2011 to N4.64 trn in 2021. Inflow for 2022 half year is N2.41 trn.**
- **Expenditure, on the other hand, rose from N4.30 trillion to N11.08 trillion within the same period. Half year total outflow stood at N7.91 trillion.**
- **Deficit continued to rise as federal government's expenditure overwhelms yearly inflow.**
 - *Subsidy and debt service payments are huge contributors*

FGN Inflow & Outflow (N'trn)



- **PIA promises to improve regulatory efficiency and make a commercial NNPC contribute more to government revenue.**
- **But the Act's benefits may be over the long-run with short to medium challenges:**
 - *NNPC's contribution to FAAC has fallen drastically*
 - *Need to avoid frictions among the multiple agencies created by the Act and to effectively regulate NNPC.*
 - *Multiple agencies in the Act introduces new cost of collection, likely to reduce FAAC*
 - *Paying fixed commercial fees to NNPC can reduce FAAC*
 - *Multiple funds created by Act likely to reduce FAAC*
 - *Tax reduction in Act implies lower FAAC, at least in the short to medium term.*



Naira Redesign and Cash Withdrawal Policy

- The Naira redesign and cash withdrawal policy of the CBN are two major policies that influence the economy in 2022.
- The announcement of the naira redesign led to the increased changing of naira to hard currencies.
 - ...putting further pressure on the exchange rate.
- Cash withdrawal limit
 - Maximum OTC withdrawals of N100,000 and N500,000 per week for individuals and corporates respectively.
- Much implications for economic and political activities

Old Naira



New Naira



Objectives Differ Across Countries ...

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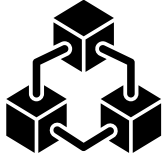
Bank of England 

@bankofengland

Today we unveiled the design of the King Charles III £5, £10, £20 and £50 banknotes. They are expected to enter circulation by mid-2024. You can continue to use polymer banknotes with a portrait of Queen Elizabeth II. Visit our website for more details. [b-o-e.uk/3WoDKkc](https://www.bankofengland.co.uk/3WoDKkc)



Issue



Original



Revised



Withdrawal Limits

Over the Counter (OTC)

N100,00 and N500,000 for individuals and corporate organisations respectively.

ATM withdrawals

Maximum of N100,000 per week subject to a maximum of N20,000 per day with only denominations of N200 loaded on ATMs

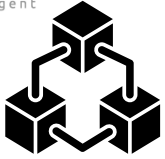
Point of Sale (PoS)

Maximum withdrawal of N20,000 per day.

Maximum weekly limits for cash withdrawal across all channels pegged at N500,000 and N5,000,000 for individuals and corporate organisations respectively.

Rethinking Cash Withdrawal Limit

Issue



Original



Revised



Third Party Cheques

Cheques above N50,000 shall not be eligible for payment over the counter.

Cheques above N100,000 shall not be eligible for payment over the counter while the limit of N10 million on clearing cheques holds.

Exception to withdrawal limits

OTC withdrawals above the limits stated above attracts a processing fee of 5% and 10% for individuals and corporates respectively.

Withdrawals above the limits stated above attracts a processing fee of 3% and 5% for individuals and corporates respectively.

Kick off date

January 9, 2023

January 9, 2023

Final note

Customers are encouraged to embrace alternative channels of conducting transactions such as internet banking and the e-Naira

The bank further recognised the importance of banks and mobile money agents in the financial system as they enable access to financial services in rural and underserved communities.

- **Public campaign activities for the 2023 general elections kicked off on 28th September 2022.**
- **This came with a lot of reactions especially as supporters of major contenders have started pushing the course of their preferred candidates.**
 - ... propaganda and controversial events ensued by the day.*
 - ... easier to promise than implement when eventually faced with reality*
- **Ahead of the elections, it is important to put measures in place to handle the reactions of losers and supporters.**
 - ... to avert the occurrence of civil unrest following the election.*



*... any of these candidate...
or another ?*

Stock Market Performance Across Sectors

INDICES	2015	2016	2017	2018	2019	2020	2021	2022
NSE All Share Index	-17.36	-6.17	42.30	-17.81	-14.60	50.03	6.10	15.45
NSE 30 Index	-17.63	-7.18	46.14	-18.87	-16.89	39.25	5.00	3.68
NSE AseM	-0.39	-1.57	-8.60	-26.99	-7.41	-0.70	-8.10	-1.67
NSE Banking Index	-23.59	2.17	73.32	-16.09	-10.55	10.14	3.30	2.11
NSE CG Index				-17.34	-13.31	12.25	4.70	-3.20
NSE Consumer Goods Index	-17.41	-4.49	36.97	-23.28	-20.83	-3.29	2.80	-5.61
NSE Industrial Index	1.27	-26.37	23.84	-37.34	-13.11	90.81	-2.10	19.46
NSE Insurance Index	-4.70	-11.44	10.36	-9.25	-0.52	50.61	4.50	-15.36
NSE Lotus Islamic Index	-10.92	-7.87	39.03	-12.75	-17.87	55.13	5.70	4.36
NSE Main Board Index	-17.60	-10.02	42.36	-15.98	-20.00	49.84	1.30	25.10
NSE Oil/Gas Index	-6.20	-12.31	5.76	-8.61	-13.13	-13.84	52.50	29.73
NSE Pension Index	-17.02	-0.63	70.33	-12.49	-12.70	31.74	17.00	6.66
NSE Premium Board Index	-13.89	6.98	51.23	-14.39	-3.59	64.01	20.10	12.54

Performances also differ across sectors stocks/indices.

- **The market and most sectors turned positive in 2020 and 2021, except few sectors.**
- **Market is still positive at 15.45% on last Friday (16th Dec., 2022).**
- **Major gainers being companies in the Oil and gas**
 - *But the same cannot be said about the country*
- **Major losers: Insurance, Consumer goods**



Outlook



- **Continued fight against inflation globally**
- **Possibility of recession in the US and other places**
- **Cut in global interest rate**
- **High commodities prices from Russian-Ukraine war**
- **Crash in oil price if/when the war ends**
- **Climate change and energy efficiency**

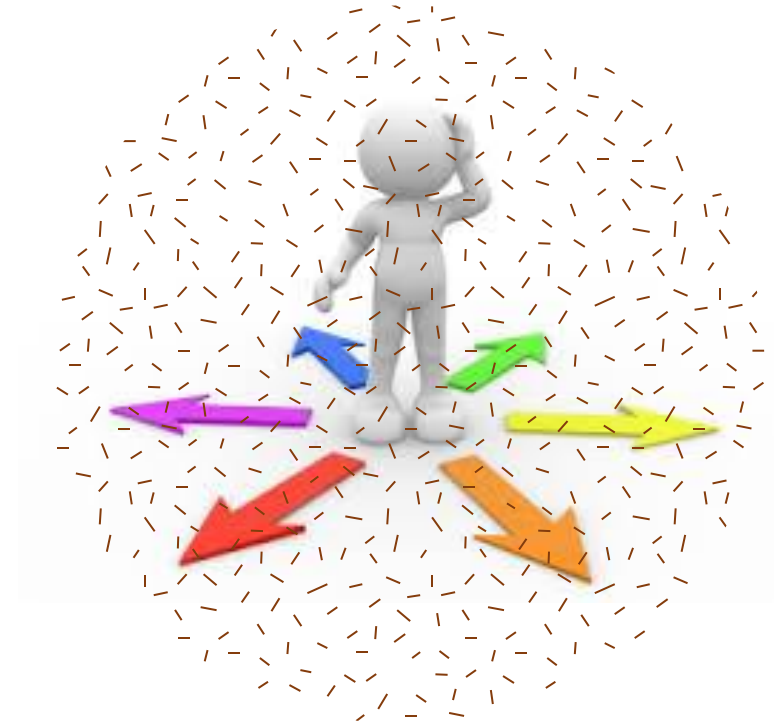


- **2023 elections and handling the actions of losers and supporters.**
- **Managing post subsidy removal era and issues**
- **Local oil refining capacity and PIA impact on federation account**
- **Innovative and efficient infrastructure and education sector financing**
- **Government revenue generation and debt management**
- **Effect of recent CBN currency policies on domestic trade and informal financial services**
- **Japanomics and substitution to technology and capital in a labour abundant economy**
- **Increased unemployment and employees' job dissatisfaction**

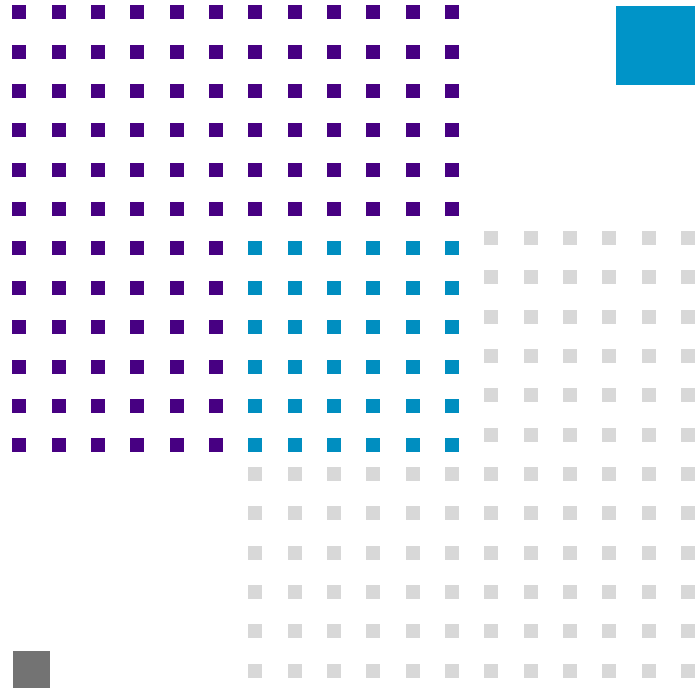
Country/Region	2020	2021	2022	2023	2024	2025
World	-3.0	6.0	3.2	2.7	3.2	3.4
Advanced Eco.	-4.4	5.2	2.4	1.1	1.6	1.9
Euro Area	-6.1	5.2	3.1	0.5	1.8	1.9
EMs & Developing	-1.9	6.6	3.7	3.7	4.3	4.3
Sub-Sah. Africa	-1.6	4.7	3.6	3.7	4.1	4.2
United States	-3.4	5.7	1.6	1.0	1.2	1.8
United Kingdom	-9.3	7.4	3.6	0.3	0.6	2.3
China	2.2	8.1	3.2	4.4	4.5	4.6
India	-6.6	8.7	6.8	6.1	6.8	6.8
Brazil	-3.9	4.6	2.8	1.0	1.9	2.0
South Africa	-6.3	4.9	2.1	1.1	1.3	1.4
Nigeria	-1.8	3.6	3.2	3.0	2.9	2.9

- **Global growth slowdown from 6% in 2021 to 3.2 in 2022**
 - *High inflation, prompts monetary policy tightening*
 - *War in Ukraine causes economic damage*
 - *Impact of COVID-19 pandemic continues*
- **The International Monetary Fund (IMF)'s global growth projection is put at 2.7% in 2023.**
- **In advanced economies, growth is projected to slow from 5.2% in 2021 to 2.4% in 2022. The slowdown is concentrated in the US and European economies**
- **China – COVID-19 and the worsening property market crisis have held back economic activity**
- **SSA countries – decline from 4.7% in 2021 to 3.7 % in 2023.**
 - *Lower trading partner growth*
 - *Tighter financial and monetary conditions*
 - *Negative shift in the commodity terms of trade*
- **It is expected that the Nigerian economy will end the year in the positive territory, but low growth at 3.2%.**
- **Growth in near terms continues to be weak**

2023



The Year of Known Unknowns



Thank You