

At the FAAC Post Mortem Sub-Committee Workshop on
“Federation Account Optimization in a Challenged Economy”
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SWOT ANALYSIS

OF THE NIGERIAN ECONOMY

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Presented by



Outline



Introduction



Strengths



Weakness



Opportunities



Threats



Summary



Introduction

Nigeria's Economic Snapshot

| Indicators | 2022 | 2023 | % Change |
|-------------------------------------|-----------|-----------|----------|
| GDP Growth (%) - Q2 | 3.54 | 2.51 | (1.03) |
| Inflation Rate (%) - Sep | 20.77 | 26.72 | 5.95 |
| Crude Oil Price (\$/bn) - Oct | 98.05 | 93.79 | (4.34) |
| Official Exchange Rate (N/\$) - Oct | 435.06 | 764.93 | 75.82 |
| Parallel Exchange Rate (N/\$) - Oct | 733 | 1040 | 41.88 |
| External Reserves (\$'mil) - Oct | 37,946.85 | 33,224.35 | (12.45) |
| Petrol Price (N/Ltr) - Aug | 189.46 | 626.7 | 230.78 |
| Total Public Debt (N'trn) - Q2 | 42.84 | 87.38 | 103.97 |

- Compared to this time last year, many economic indicators exhibit weaker performance
- The country needed to make some tough decisions. ...but tough outcomes often accompany tough decision
- Focus should be to implement effective monetary policies to curb inflation, and strengthen the exchange rate,
- Diversify revenue sources beyond oil, and promotes good debt management to ensure sustainable economic growth and stability.

PURPOSE OF SWOT ANALYSIS

S



STRENGTHS

Strengths are internal (controllable) factors that support Nigeria in achieving its developmental objective and which it needs to maintain

W



WEAKNESSES

Weaknesses are the internal (controllable) factors that discourage Nigeria which it needs to reduce

O



OPPORTUNITIES

Opportunities are the external (uncontrollable) factors that enable Nigeria which it needs to take advantage of

T



THREATS

Threats are the external (uncontrollable) factors that disable Nigeria which it needs to effectively cope with

- **With a focus on the Nigerian Economy, this swot analysis is vital for policymakers, businesses, and investors, as it helps identify areas for improvement, guide strategic decision-making, and leverage the nation's strengths to mitigate threats and capitalize on opportunities, ultimately fostering economic growth and stability in Nigeria**

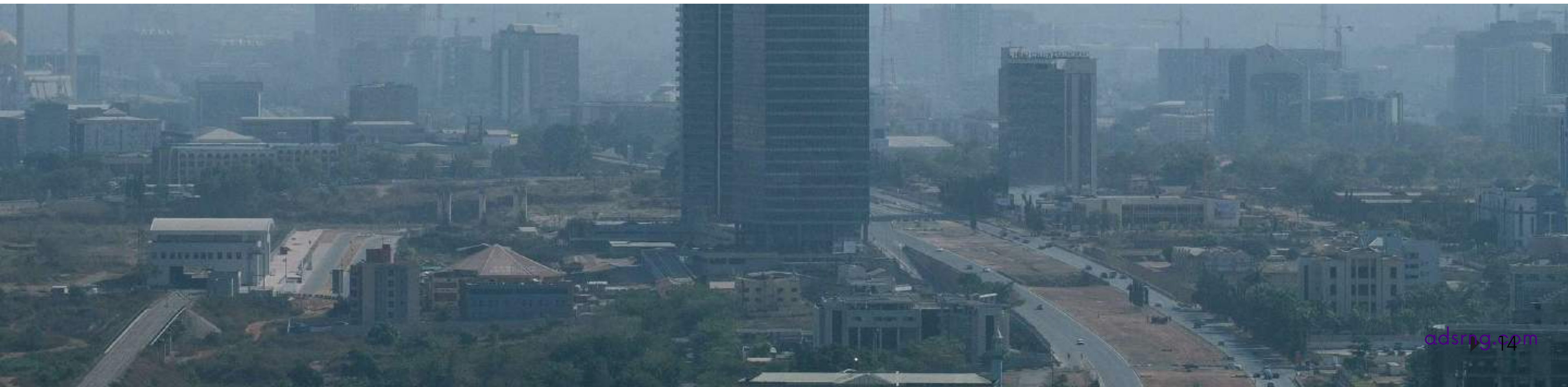
STRENGTHS ▲



Nigeria

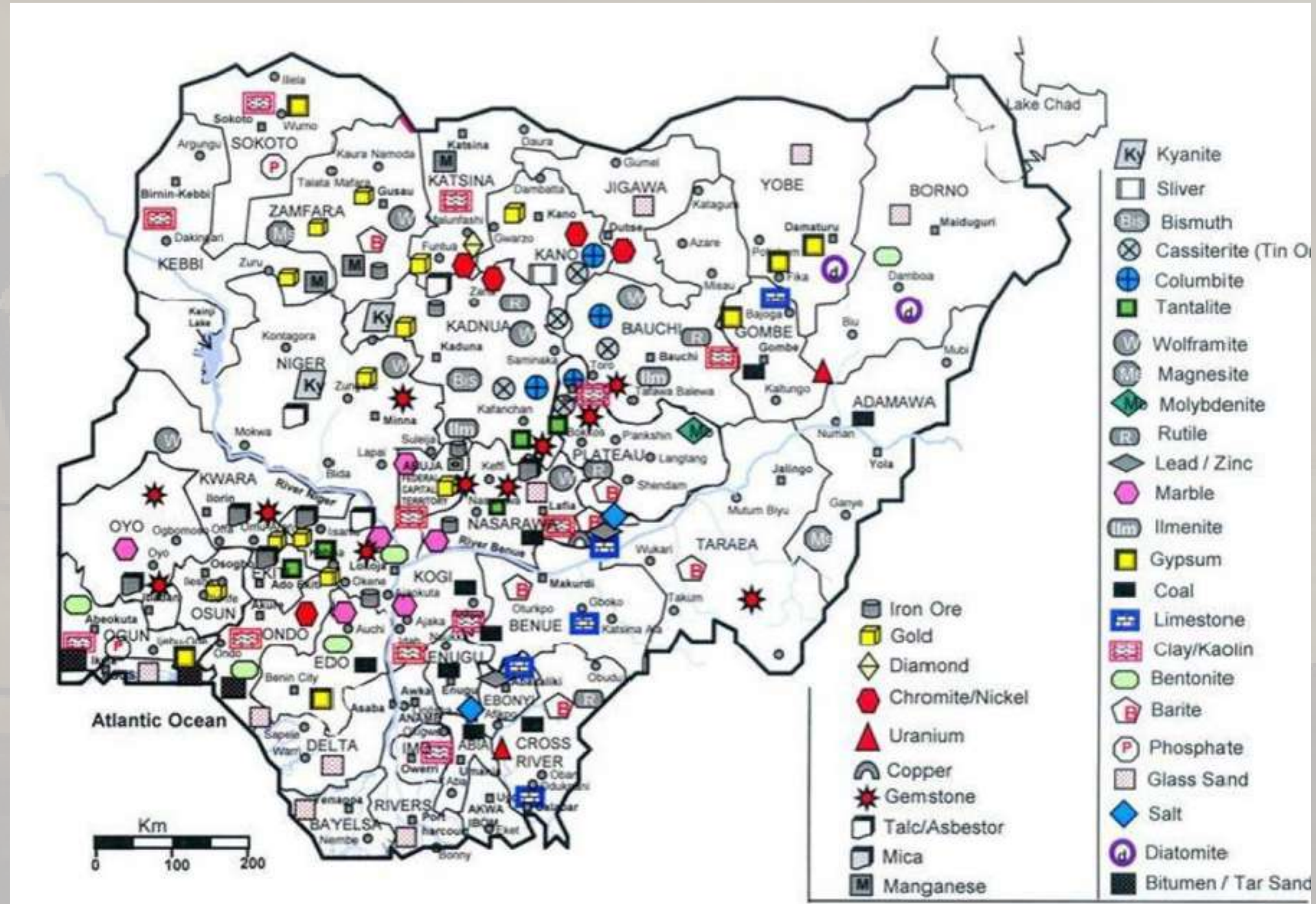
as the Largest Africa Economy

- Nigeria is known as the giant of Africa., with a large land mass and population over 200 million individuals. Nigeria takes the lead as Africa's biggest economy with nominal GDP of \$477.39Bn
- 75% of population are of the working age
- Nigeria plays a key role in regional politics, peacekeeping efforts, and conflict resolution. As a member of the African Union (AU) and the Economic Community of West African States (ECOWAS), Nigeria helps shape and influence policies and decisions in the West African region and beyond.
- It also has a thriving private sector. The Nigerian Stock Exchange is one of the largest in Africa, which has attracted both domestic and international investors
- Literacy rate of the youth is 75%

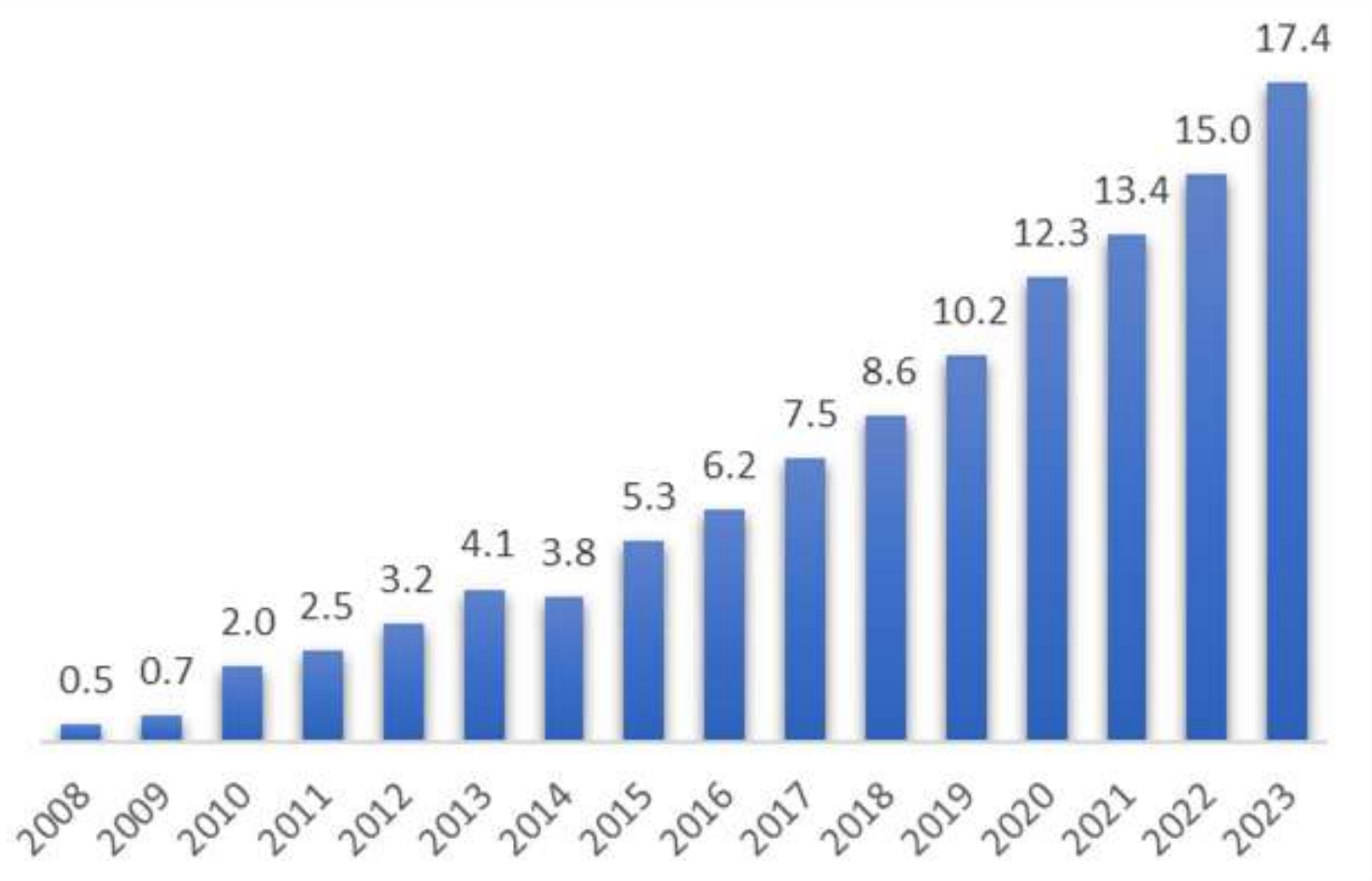
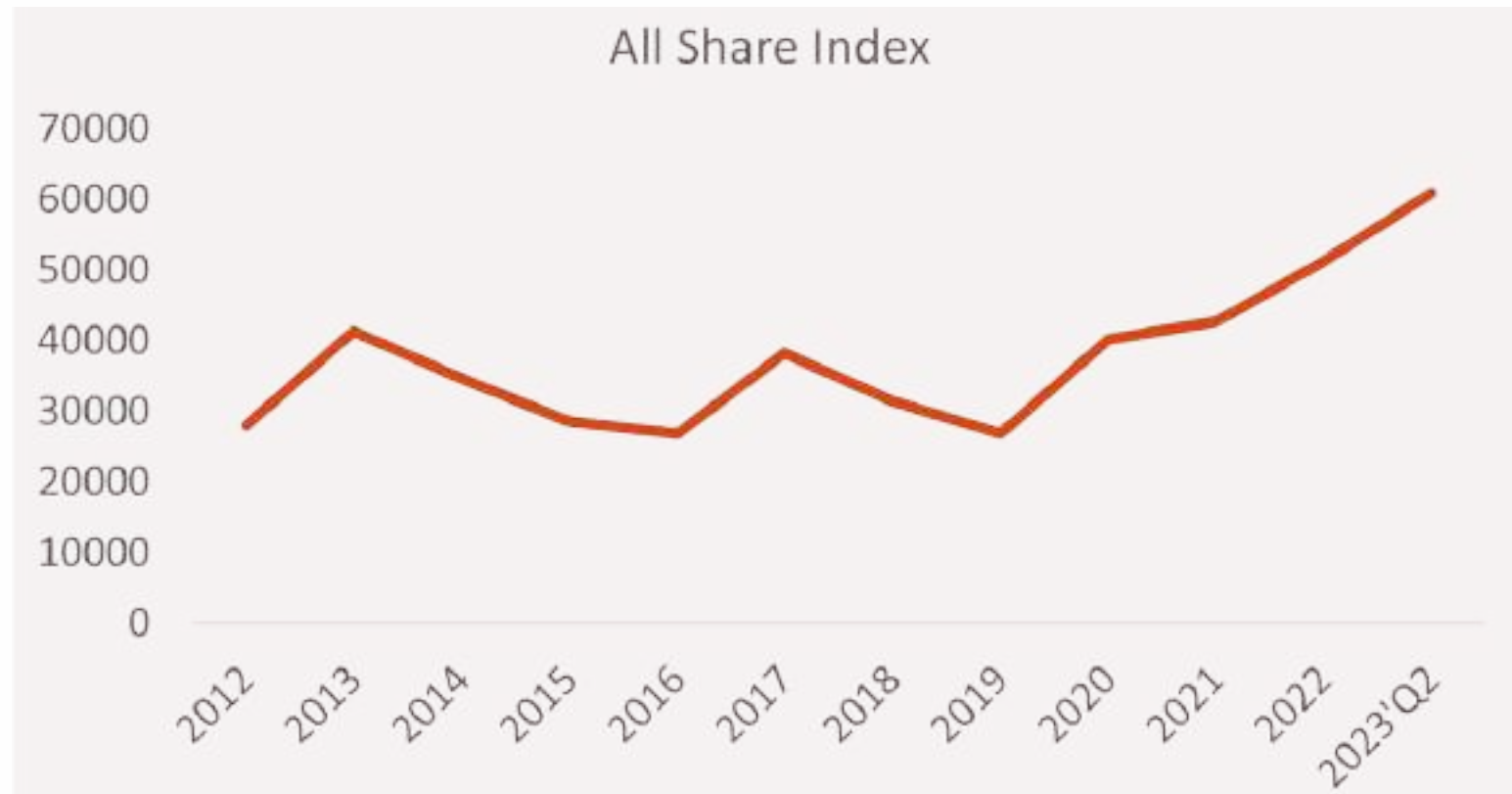


Mineral Resources

- Nigeria is rich in natural resources especially in Oil and many other diverse resources
- Significant hydrocarbon resources (world's 10th-largest proven oil reserves, 9th for gas)
- Large agricultural potential (world's 5th-largest producer of cocoa) and mining (gold, barite, tin, zinc)



Financial Market



Nigeria has a strong financial market that supports capital mobilization, and contributes to investor confidence, infrastructure development, and government revenue.

The charts shows a strong and thriving financial market in Nigeria.

The upward trend in ASI shows growing interest in Nigerian equities, which can attract domestic and foreign investments.

The increasing value of government and corporate bonds, the popularity of ETFs, and the rising value of equities all indicate a healthy and attractive investment environment.

With Pension funds at N17.4trn and growing, Nigeria's financial market is having increased capacity to finance its development needs



Culture and Entertainment

- Nigeria has a strong evolution of culture.
- This is an embroidery of traditions, art, music, entertainment and literature, with globally renowned figures
- Its creative influence resonates well beyond its borders
- According to PwC Global Entertainment and Media Outlook for 2022-2026,
 - Nigeria's media and entertainment industry is one of the fastest growing creative industries in the world.
- Nigeria's media and entertainment industry, "Nollywood," is currently the second most prolific film industry in the world.
- The music sector of Nigeria's entertainment industry also recorded significant growth over the years.
- The entertainment industry has been projected to have an annual growth rate of 12.56% between 2022 and 2026.
- Nigeria's entertainment industry has harnessed the use of technology via social media to transcend across borders and has played a significant role in global entertainment industry

Technology Ecosystem

- Nigeria is one of 'big four' Africa's largest ecosystem startups

- According to The Global Startup Ecosystem Report 2023;
 - Lagos held its place in the 51–60 range of the Emerging Ecosystems ranking.
 - OPay's \$400 million Series C in August 2021 was the region's biggest deal, while
 - Flutterwave's \$250 million Series D in February 2022 saw its valuation increase to over \$3 billion
 - Lagos is seen as the regional leader in ecosystem value and early-stage funding

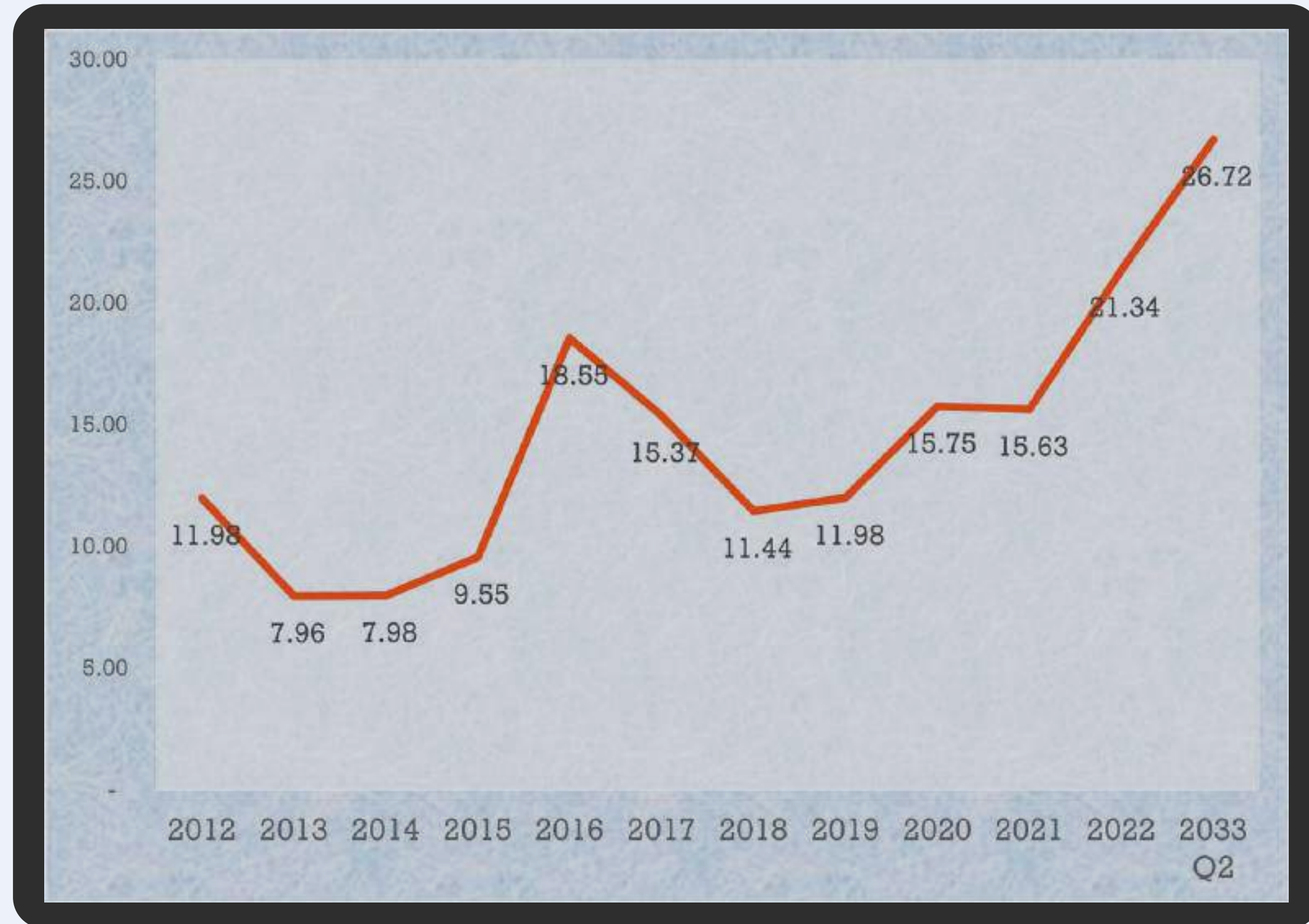
- Several sectors that have implored technology in Nigeria are:
 - E-commerce: Konga, Jumia, Jiji, PayPorte etc...
 - FinTech institutions: Opay, Palmpay, Moniepoint, Kuda, Flutterwave, Paystack, Andela
 - Education: Ulesson
 - Health: RelianceHMO, LifeBank



WEAKNESS ▼

Inflation rate

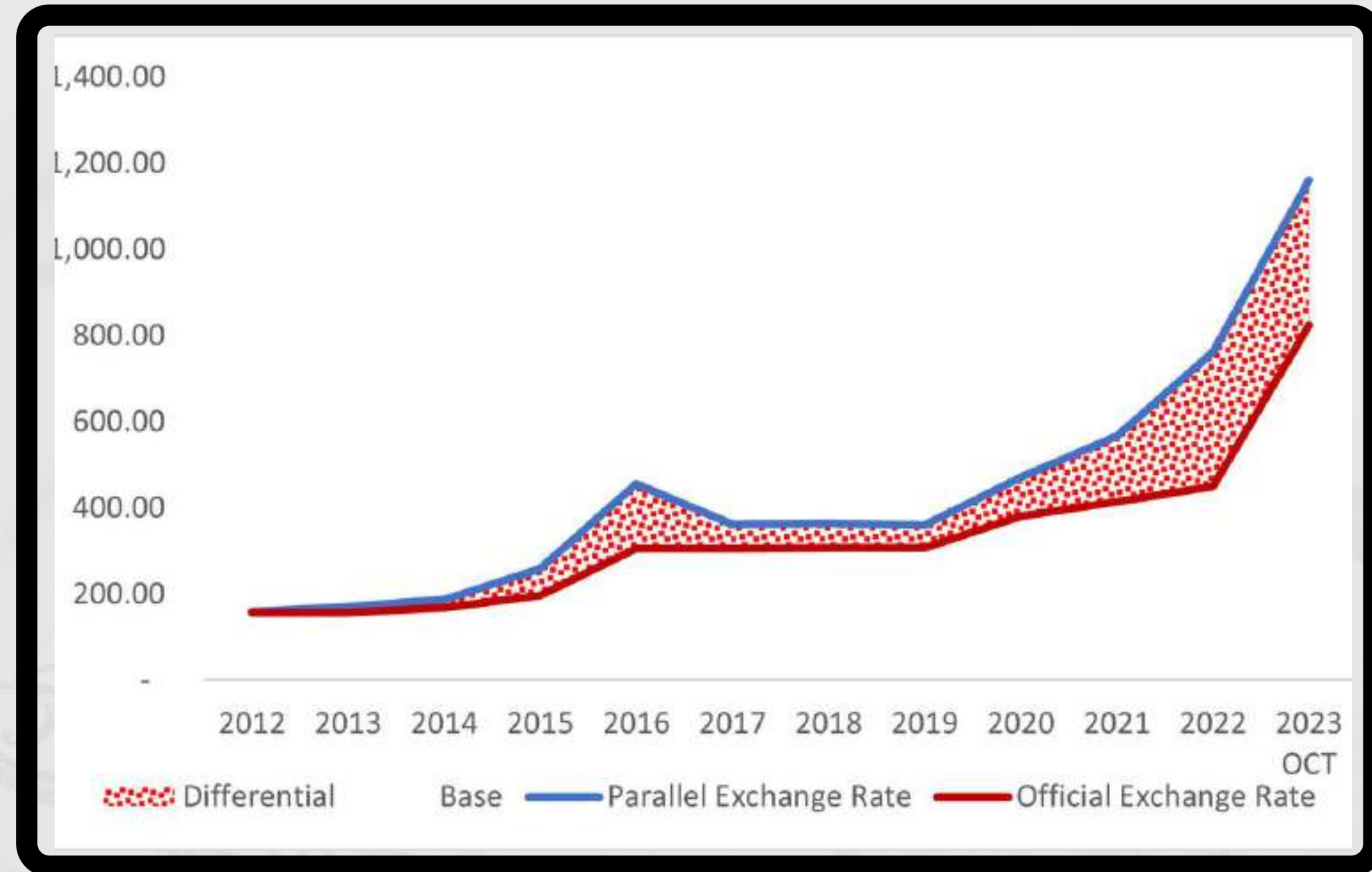
- Inflation rate has experienced a significant increase since 2021.
- As the inflation rate increases, the purchasing power of the citizens tends to decrease.
- In September 2023, the inflation rate reached 26.72%, an 18-year high value
- High inflation rate is known to co-exist with high poverty and crime rate



Source: NBS

Exchange rate

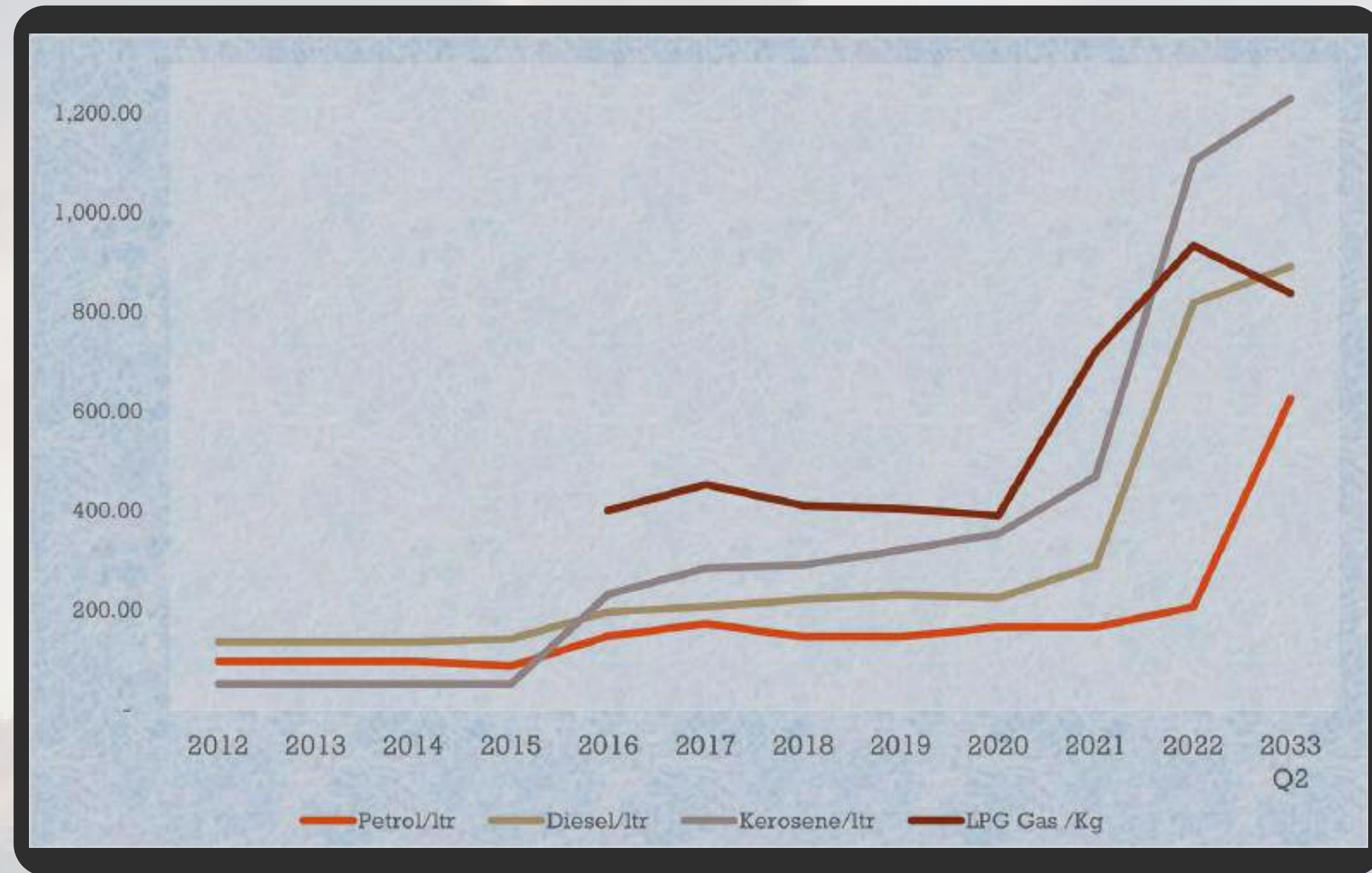
- In the last one year, Nigeria's currency has depreciated by over 70% against the US Dollars.
- The differential between official and parallel exchange rates is widening and has continued to grow
- The implementation of the unification of the foreign exchange rate policy has impacted on the exchange rate.
- Government is making efforts to strengthen the naira and close the gap between the official and parallel exchange rates.
 - But many things are happening at the same time: dollar loans, forward contracts, removal of restrictions on 43 items, etc.
- In all, Nigeria needs to generate FOREX, in a sustainable manner, by raising productivity



Source: CBN, Aboki FX, ADSR Research

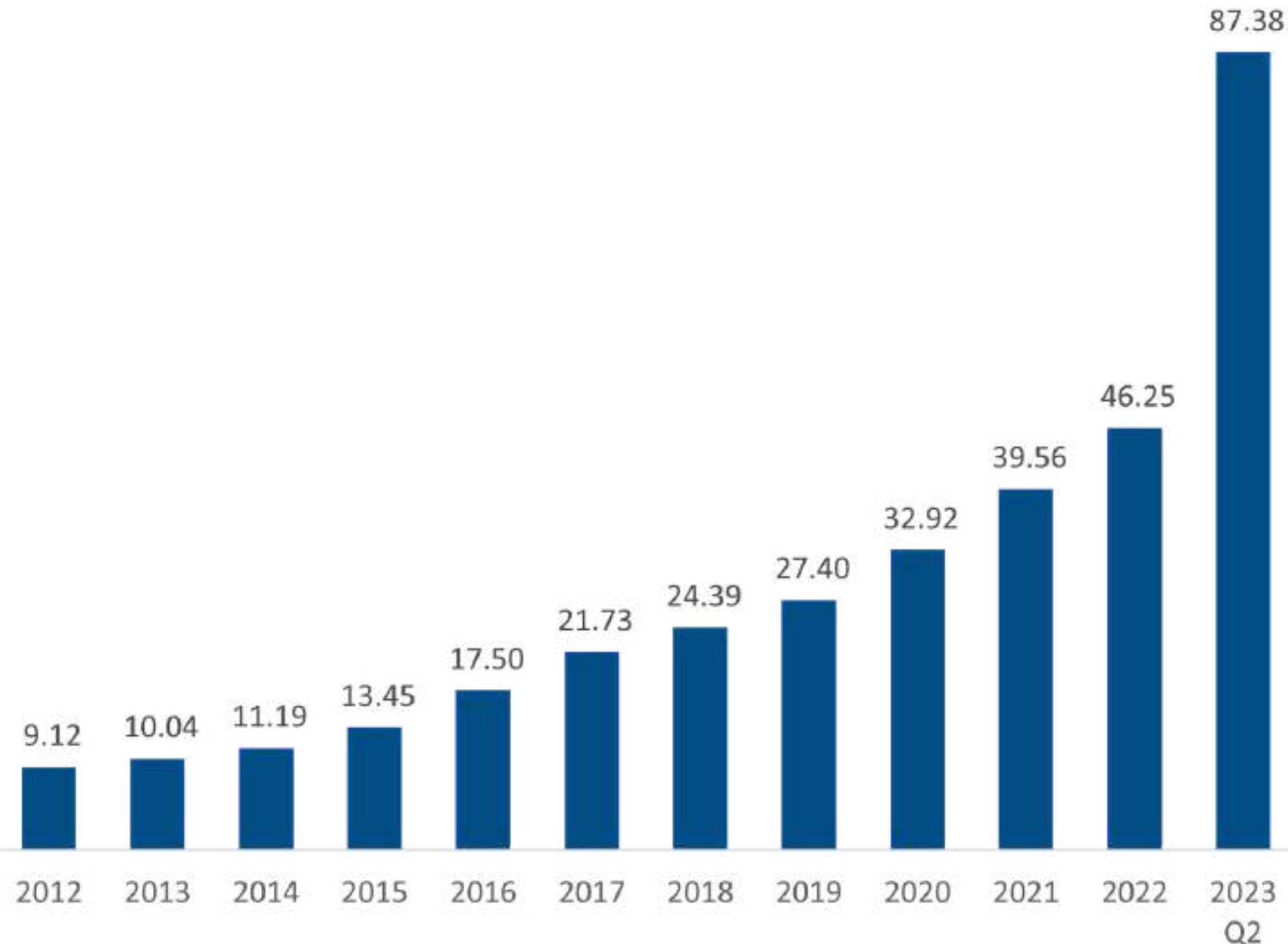
Increase in Energy Prices

- The consistent increase in fuel prices, especially after the removal of subsidies in 2023, has created economic weakness in Nigeria, affecting the cost of living and various sectors dependent on affordable energy.
- Kerosene was the cheapest fuel, but from 2015 onwards its price has consistently risen, above petrol and diesel.
 - This spiked again in 2022 and has become the most expensive fuel
- Petroleum costs have steadily increased since 2015, with a significant hike after subsidy removal in 2023.
- The cost of gas, which was the highest in 2016, has experienced a slight decrease in 2022, but now rising
- Increases in energy prices have contributed to high cost of transportation, production and living



Source: NBS

Increase in debt

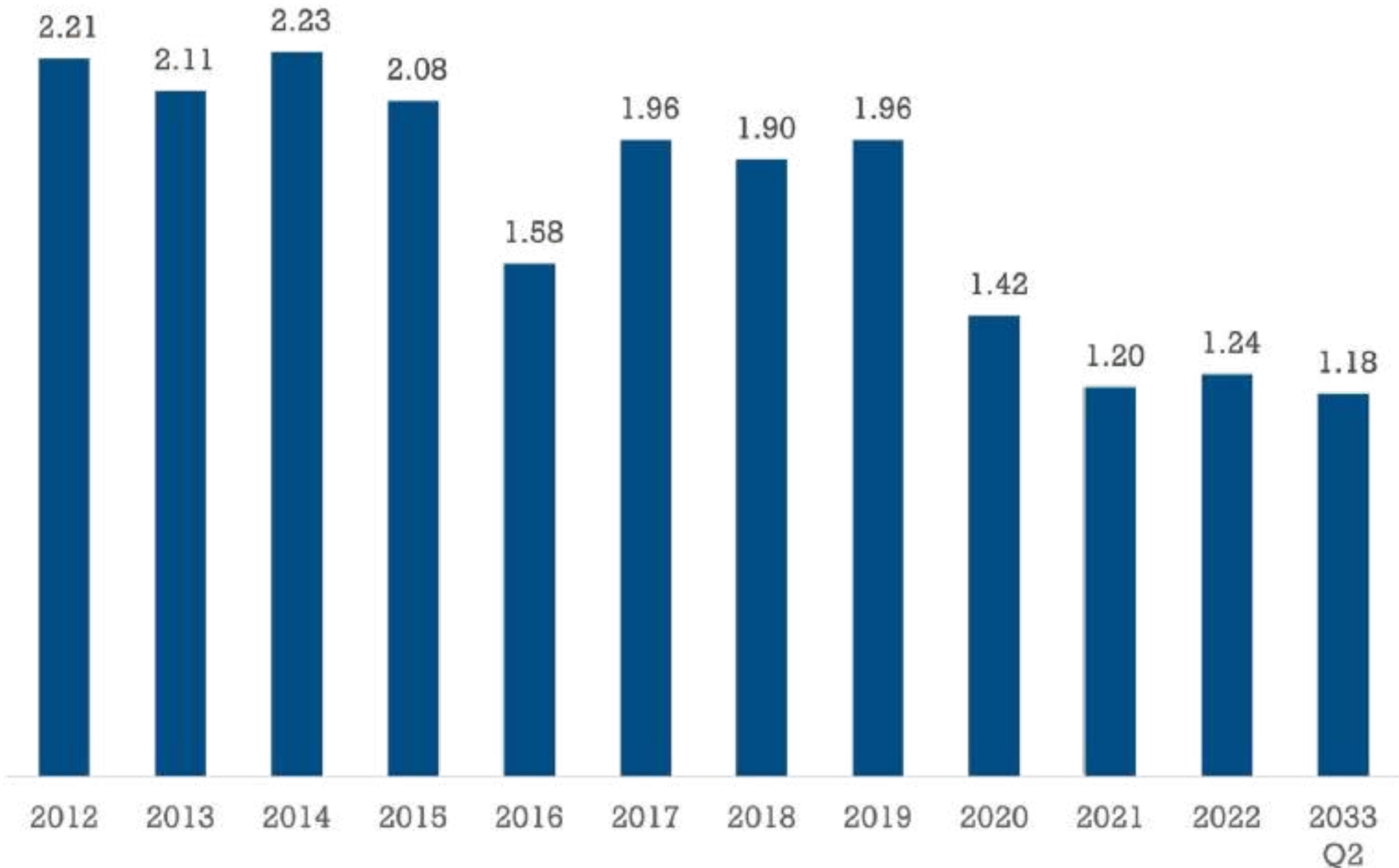


Source: NBS

- Nigeria debt has continued to increase over the years.
- The substantial increase in the public debt in 2023, shows it has grown by 88.9% from Jan till date (June-2023).
- The Domestic Debt of the FGN includes the N22.7 trillion Ways and Means Advances at the CBN for which the approval of the National Assembly (NASS) to securitize it was received in May 2023
- The continuous increase in Nigeria's public debt, poses a significant weakness to the country's economy, as it may lead to increased debt servicing costs, fiscal challenges, and constraints on public expenditure.
- Rising debt stock has been a major concern for government and citizens alike

Oil Production

Crude Oil Production (mbpd)



Source: NBS

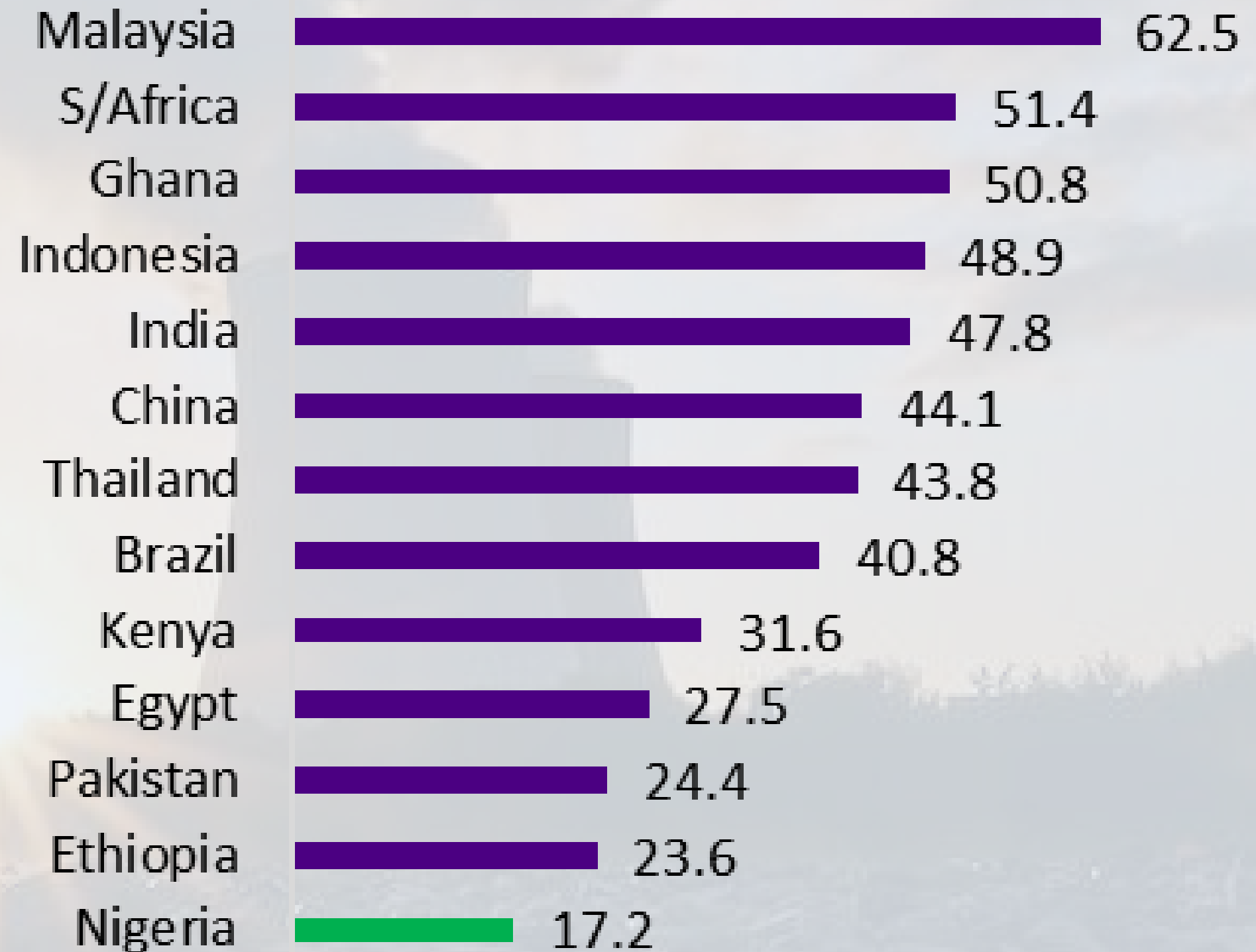
- The chart indicates a fluctuation in the crude oil production, with variations and a general declining trend in recent years,
- The crude oil production currently stand at 1.16mbdp
- Nigeria's oil production is subject to theft and sabotage
- This precludes the country from taking full advantage of increase in global price of crude oil

Governance and Corruption

- Nigeria scores low in the indicators of the World Governance Index, comprising:
 - Voice and Accountability
 - Political Stability and Absence of Violence/Terrorism
 - Government Effectiveness
 - Regulatory Quality,
 - Rule of Law
 - Control of Corruption

- Comparing the average ranks of the 6 dimensions of the World Governance Indicators among selected countries, it is observed that Nigeria's average rank of 17.2 is below those of selected comparator countries.

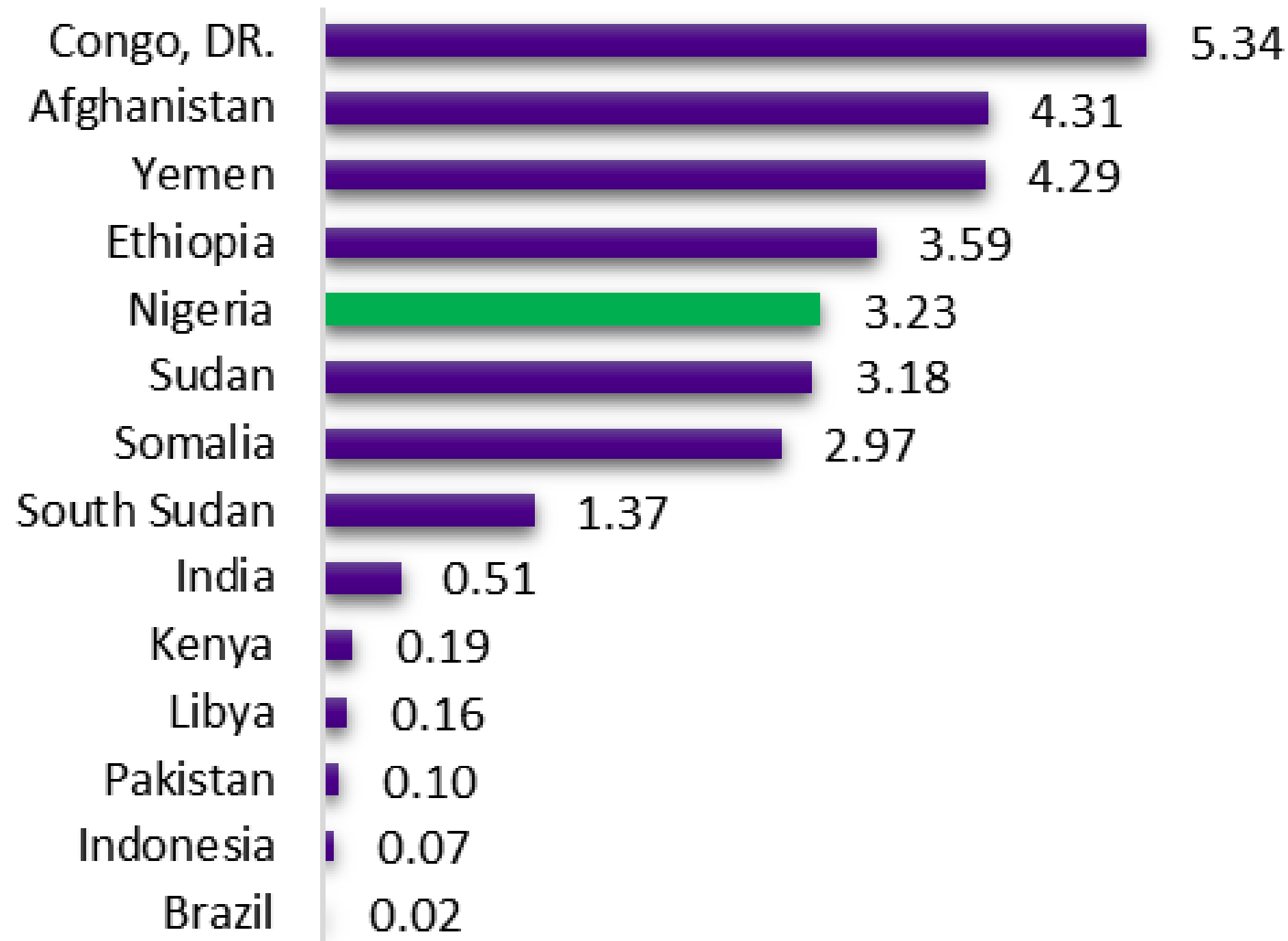
Average Score of All Governance Indicators (2021) -- Out of 100



Source: World Bank

Peace and Security

Internally Displaced Persons (Total up to 2021)
from Conflict and Violence (million)



Source: World Bank

- Nigeria is faced with security challenges and this is a major weakness
- Comparing Nigeria with some peer countries and conflict areas, the country's total IDPs, cumulatively up to 3.23 million by 2021 was just below those of Congo, DR., Afghanistan and Yemen, but higher than those of other conflict zones.
- Security challenges are disrupting many economic activities, especially agriculture.



OPPORTUNITIES ▶

Regional & Global Partnership

There are partnerships, both regional and global, that offer Nigeria opportunities for trade, investment, development, and collaboration in various sectors. Leveraging these partnerships effectively can contribute to Nigeria's economic growth and development.



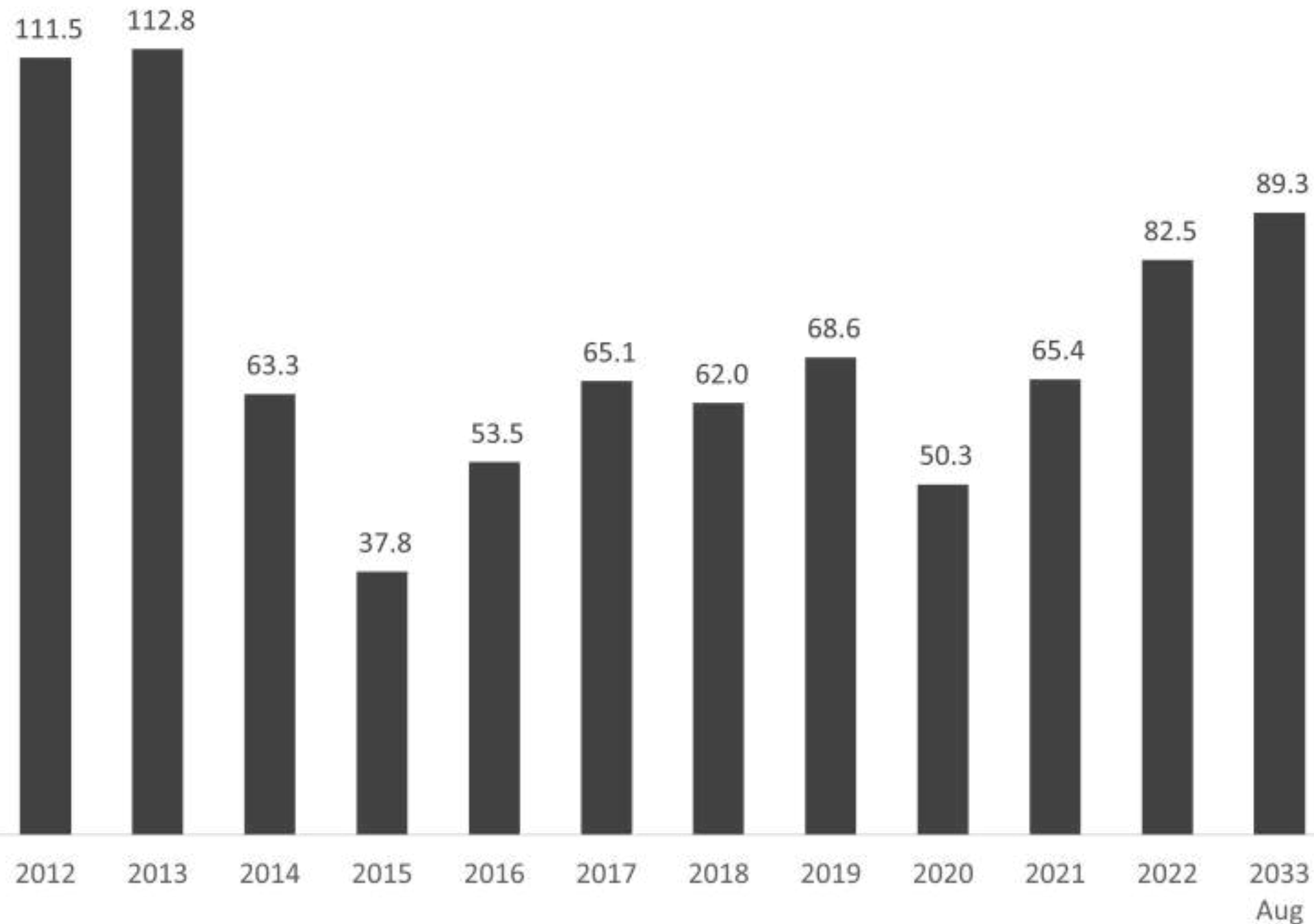
- THE AFRICAN CONTINENTAL FREE TRADE AREA (**AFCFTA**)
- ECONOMIC COMMUNITY OF WEST AFRICAN STATES (**ECOWAS**)
- NIGERIA-UNITED STATES TRADE AND INVESTMENT FRAMEWORK AGREEMENT (**TIFA**)
- CHINA-NIGERIA BILATERAL RELATIONS
- THE BELT AND ROAD INITIATIVE (**BRI**)

- AFRICAN DEVELOPMENT BANK (**AFDB**)
- AFRICAN GROWTH AND OPPORTUNITY ACT (**AGOA**)
- UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (**SDGS**)

- AFRICAN, CARIBBEAN, AND PACIFIC GROUP OF STATES (**ACP**)
- AFRICAN UNION'S AGENDA 2063

Increase in Crude Oil prices

Crude oil price \$/barrel



Source: OPEC

- There has been a consistent fluctuation on the global prices of oil.
- The highest crude oil seen over a decade was recorded in 2013 at 112.8 \$/brl after which came the great fall in 2015 at 37.8\$/barrel
- But it has consistently increased recently
- The crude oil price currently stand at \$90/barrel.
- Increase in oil price will increase revenue, if the issues surrounding oil production are resolved

Technology



- As stated by **Bloomberg**, companies in the space industry grew revenue to \$427.6 billion in 2022, up from a revised \$396.2 billion the year before.
- As projected by **Citi**, the space industry is projected to reach \$1 trillion in annual revenue by 2024
- The growing revenue in the space industry, which is significantly derived from infrastructure and space activities, presents an opportunity for Nigeria to invest in space-related technologies and infrastructure,
- To enhance the country's capabilities in satellite communication and space activities.

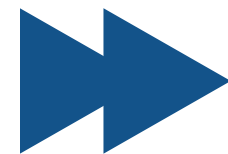
- The global blockchain market presents a significant opportunity for Nigeria.
- According to Reuters, Nigeria's volume of crypto transactions grew 9% year-over-year between July 2022 and June 2023
- On May 3, 2023, the Federal Government of Nigeria approved the National Blockchain Policy for Nigeria² ("the Policy").
- The Policy recognises the potential of blockchain to revolutionize many industries from finance to healthcare, to transportation, governance and supply chain management.
- Related to blockchains are the revolution in AI, IoT etc



Blockchain Technology

Sustainability finance

encompasses various financial mechanisms and investments that promote environmental and social sustainability, represents a significant global opportunity for Nigeria through



Attracting Investment

Sustainable finance initiatives, such as green bonds, social impact investing, and responsible investing, can attract international and domestic investment. Nigeria can tap into the growing global pool of capital earmarked for sustainable projects and businesses.

Infrastructure Development

Nigeria's sustainable finance initiatives can fund critical infrastructure projects, including renewable energy, waste management, and public transportation. These projects can improve living conditions, reduce pollution, and enhance the quality of life for Nigerians.

Renewable Energy

Sustainability finance can drive investments in renewable energy sources like solar and wind, reducing the country's reliance on fossil fuels. This can enhance energy security, reduce greenhouse gas emissions, and create jobs in the clean energy

Financial Inclusion

Sustainable finance can promote financial inclusion and empowerment by supporting projects that provide access to financial services, particularly in rural areas. Microfinance and social impact investing can benefit underserved communities.

Access to International Market

Green bonds and sustainability initiatives can provide Nigerian entities with access to international capital markets and investors looking for ethical and sustainable investment opportunities.

THREATS ◀



Effect of War & Coup on The Economy

- The Russian-Ukraine war is disrupting the global commodity value chain with serious implications on food security
- There are military take overs in countries like Niger, Chad, Bukina Faso, Guinea with implications on the economy of West Africa and Nigeria.
- Also, Bloomberg argues that, like Middle East wars of the past, the conflict between Israel and Hamas has the potential to disrupt the world economy – and even tip it into recession if more countries are drawn in.

Natural Disasters and Pandemic

- According to UNICEF October, 2022 Press Release:
 - More than 1.5 million children were at risk as devastating floods hit Nigeria
 - The floods, which have affected 34 out of the 36 states in the country, have displaced 1.3 million people.
- Nigeria shares its borders with several neighboring countries, some of these countries' natural disasters can have indirect impacts on Nigeria's economy, if proper measures are not put in place.
- These countries include: Cameroon, Chad, Niger and Benin.
- The global climate change and its consequences also affect Nigeria.

This type of threat can affect livelihoods and economy of the country, it is always difficult for a country to isolate from it, unless some preparation are put in place ahead of such events.



International Migration/Cross Borders Movement of Person and Funds

- Although international migration often facilitates remittances inflows, it may also cause Brain Drain/Loss of Skilled Labor
- Increased movement of capital also constitute some challenges to regulation and contagion risks

This is currently affecting some sectors in Nigeria, such as:

- Banking
- IT
- Health
- Education, etc

Due attention needs to be paid to this to understand the cost-benefit of the current high migration rate, especially among skilled labour and free movement of capital and the channels adopted.

Capacity of Domestic Firms for Regional Competition

- Regional arrangements like the AfCFTA that ordinarily should be beneficial may be a threat
- This is likely to occur in an environment where the local producers, e.g. manufacturers are unable to compete with their counterparts from other countries in the region
- Many factors can contribute to this, for instance, the general ease of doing business environment, government policies and availability of critical infrastructure
- In such a situation, other countries may benefit more from Nigeria's large market as relatively less competitive domestic firms are exposed to regional competition



**GOING
FORWARD**



Global Economic Outlook

- After the COVID-19 epidemic and Russia's invasion of Ukraine, the world is still slowly and unevenly recovering.
- Recent events have contributed to a worsening global geopolitical environment, which presents risks to the economic outlook.
- Including military coups in Africa, non-renewal of the Black Sea Initiative and the Israel-Gaza war
- Global growth is projected to decline from 3.5% in 2022 to 3.0% in 2023 and 2.9% in 2024 (0.1% decrease from WEO July 2023).
- Nigerian economic growth is projected to remain weak at 2.9% in 2023 and 3.1% in 2024

| Country/region | 2022 | 2023 | 2024 |
|--------------------|------|------|------|
| World | 3.5 | 3.0 | 2.9 |
| Advanced Eco. | 2.6 | 1.5 | 1.4 |
| Euro Area | 3.3 | 0.7 | 1.2 |
| EMs & Developing | 4.1 | 4.0 | 4.0 |
| Sub-Saharan Africa | 4.0 | 3.3 | 4.0 |
| United States | 2.1 | 2.1 | 1.5 |
| United Kingdom | 4.1 | 0.5 | 0.6 |
| China | 3.0 | 5.0 | 4.8 |
| South Africa | 1.9 | 0.9 | 1.8 |
| Nigeria | 3.3 | 2.9 | 3.1 |

Summary

Strength

- The largest economy in Africa
- Endowed with abundant human and natural resources
- The financial sector is large and growing
- Rich and diverse culture and entertainment
- Growing technology sector

Weakness

- High and rising inflation rate
- Depreciating currency
- Increased energy prices
- Rising debt
- Declining oil production
- Governance and corruption
- Security challenges

Opportunities

- Regional and global partnership
- Increased crude oil prices
- Global technology evolution
- Growth in sustainable finance

Threat

- Global wars and regional coups
- Natural disasters
- International movement of persons and funds
- Lack of regional competitiveness and trade

CONCLUSION

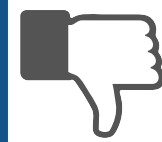
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WEAKNESSES

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OPPORTUNITIES

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THREATS

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THANK YOU

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