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NIGERIA Macro-economic

2023 Review & Outlook for 2024

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Macro-economic
2023 Review & Outlook for 2024

Focus on Nigeria

Facing down pressures

Overview

The Nigerian economy remained resilient in 2023 despite the external occurrences, monetary and exchange rate policy alterations, high fiscal deficits, security challenges and Premium Motor Spirit (PMS) subsidy removal that led to sluggish Gross Domestic Product (GDP) growth and persistent increase in inflation. In a bid to fight rising inflation, the monetary policy authority maintained a contractionary monetary policy by increasing Monetary Policy Rate (MPR) by 225 basis points to 18.75% in 2023. Despite the hawkish stance of the apex bank, however, inflation increased persistently, reaching a 27-year high, driven by the cumulative effects of Russia-Ukraine war, PMS subsidy removal and insecurity in key food producing States. Nigeria also witnessed high fiscal deficits in 2023 due to the costly fuel subsidy program in the first half and sub-optimal oil production levels. Total debt stock increased by 89% (as of September), driven by the devaluation of naira and securitization of Ways and Means. The nation's external reserves declined significantly in 2023 as the country witnessed high demand for foreign currency and weak earnings, especially from the oil sector.

The general elections were held in February 2023, ushering in Bola Ahmed Tinubu as the new president of the country. In his inaugural speech, President Tinubu touched on key policies and initiatives including economic growth, security, market promotion, and monetary and fiscal direction. The major actions taken by the president in 2023 were the removal of subsidy on PMS and deregulation of the foreign exchange market to allow "willing buyer, willing seller".

The deregulation of the foreign exchange market, which led to the devaluation of naira, had negative impacts on the operating performance of businesses in Nigeria in 2023. The high interest rate also weighed on the profitability of most companies in Nigeria during the period. Consequently, the quarterly financial statements of most listed companies in 2023 showed net losses and weak balance sheets. Some multinationals also announced their decision to exit the country as they felt the impact of devaluation, high-interest rates, high inflation and insecurity.

GDP

Despite economic headwinds, the economy recorded a modest GDP growth in all the quarters of 2023. On an annual basis, Nigeria's GDP grew by 2.74% in FY-2023 (vs. 3.10% in FY-2022), mainly driven by improvement in the non-oil sector. Although the GDP growth rate of Nigeria was in positive territory in 2023 and above the CBN's projection of 2.66%, the growth was below the projection of 3.75% (Federal Government of Nigeria (FGN)) and 3.19% (International Monetary Fund (IMF)). The sluggish GDP growth achieved in 2023 was attributed to the setback in oil sector, naira redesign policy, high interest rate, among others.

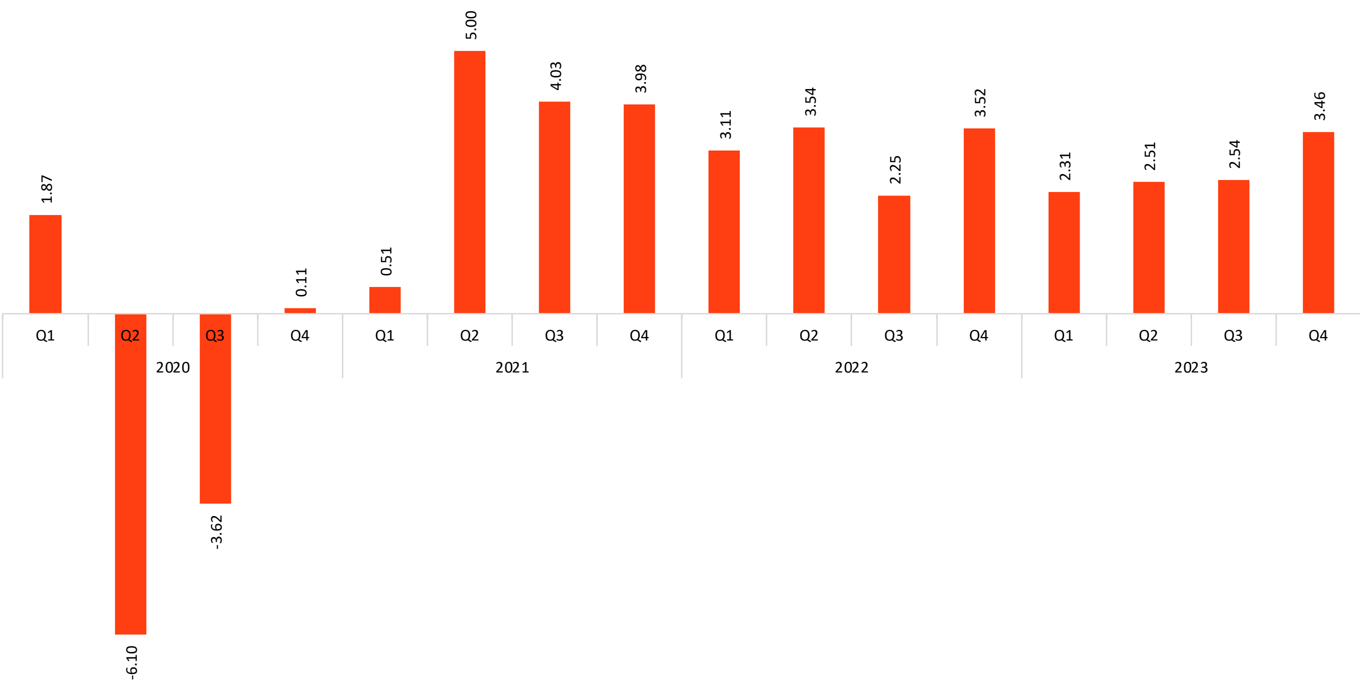

Chart 1: Nigeria's Real GDP Growth (%) *Source: NBS*

The oil sector was in recession in the first, second, and third quarter of 2023, recording a decline of 4.21%, 13.43%, and 0.85%, respectively. The setback in the oil sector, especially in Q1 and Q2, was attributed to increasing pipeline vandalism and low investment in the upstream sector. However, the oil sector, which has been in recession since 2020, exited recession in Q4-2023 as the sector improved significantly by 12.11%, mainly driven by improvement in oil production, which increased by 15.67% to 1.55 million barrels per day in Q4-2023 (vs. 1.34 million barrel per day in Q4-2022). The breakthrough in the oil sector shows that the efforts of the government to curb illegal oil lifting operations in the Niger Delta yielded positive results during the period.

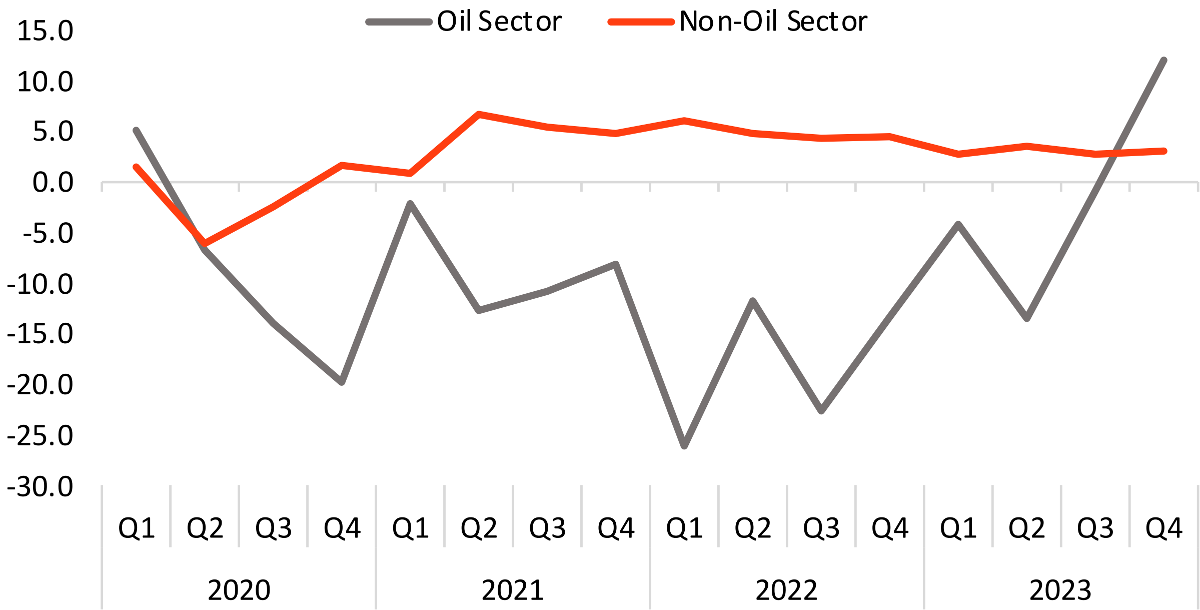

Chart 2: Oil and Non-Oil Sector Growth (%) *Source: NBS*

The non-oil sector continued to be the key driver of the Nigerian economy as the sector contributed 93.79%, 94.66%, 94.52% and 95.30% to the total GDP in Q1-2023, Q2-2023, Q3-2023 and Q4-2023, respectively. Contribution of the oil sector to GDP came in at 6.21%, 5.34%, 5.48% and 4.70% in Q1-2023, Q2-2023, Q3-2023 and Q4-2023 respectively, which is below the pre-pandemic level of 9.5%.

In nominal terms, the aggregate GDP of Nigeria stood at ₦229.00 trillion in FY-2023. This performance is higher when compared to FY-2022 which recorded an aggregate GDP of ₦199.34 trillion, indicating a year-on-year nominal growth of 15.34%.

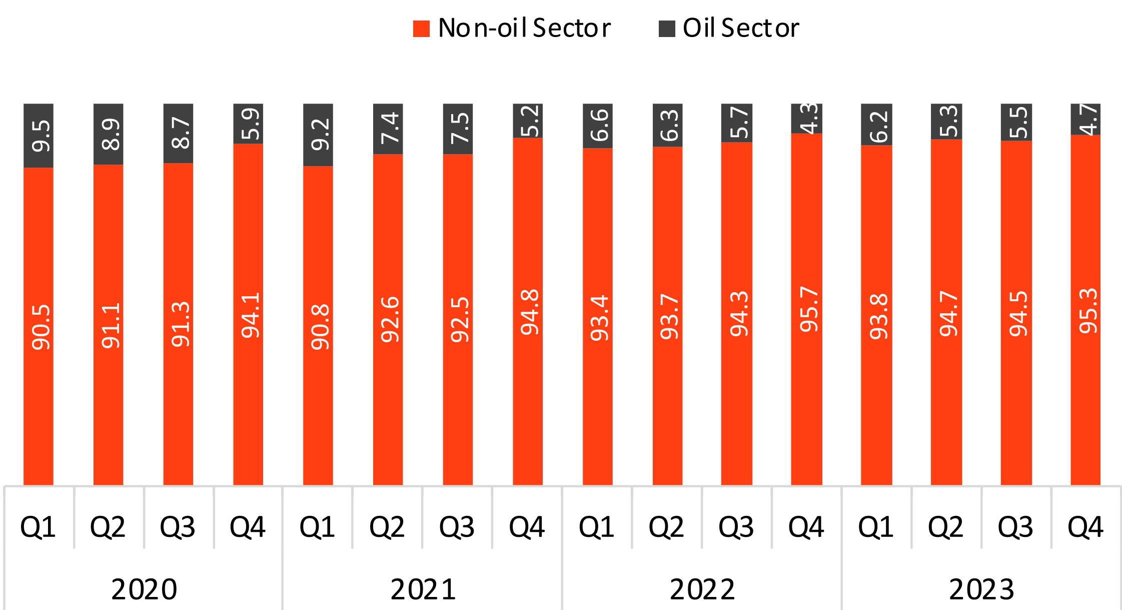

Chart 3: Contribution of Oil Sector and Non-oil Sector to GDP (%) *Source: NBS*

Oil production and prices

The effort of the Federal Government of Nigeria to fight oil theft and pipeline vandalism, by investing heavily in modern weapons and equipped the armed forces, yielded positive results in 2023 as data from the NBS shows that average crude oil production increased marginally by 4.95% to 1.43 million barrels per day (b/d) in FY-2023, from 1.37 million b/d in FY 2022. Specifically, Nigeria recorded crude oil production of 1.51 million b/d, 1.22 million b/d, 1.45 million b/d and 1.55 million b/d in Q1-2023, Q2-2023, Q3-2023 and Q4-2023, respectively.

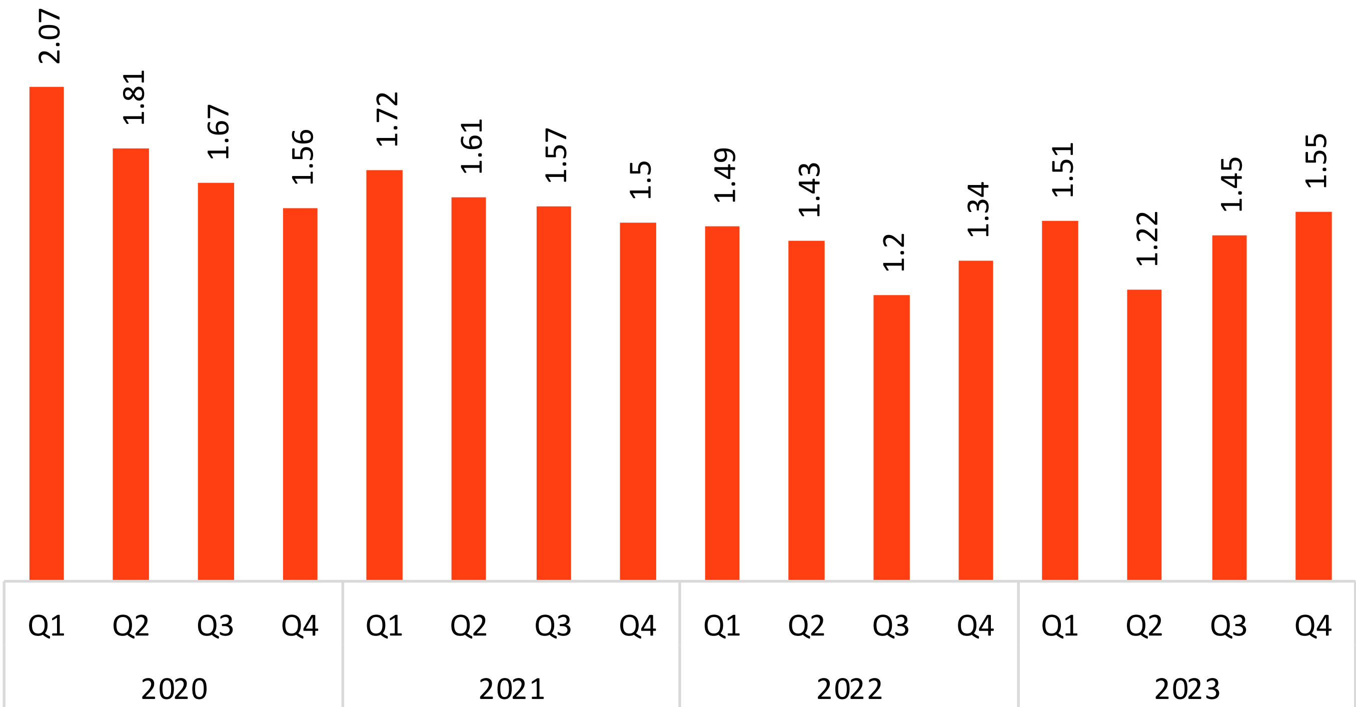

Chart 4: Crude oil production (Million Barrel Per Day) *Source: NBS*

In 2023, the Organisation of Petroleum Exporting Countries (OPEC) and its allies (referred to as OPEC+ members) announced voluntary oil production cuts, limiting global crude oil supplies, particularly sour crude oils. Consequently, Saudi Arabia agreed to cut its crude oil production by 1 million b/d, followed by Russia (500,000 b/d), Iraq (223,000 b/d), the United Emirates (163,000 b/d), Kuwait (135,000), Kazakhstan (82,000 b/d), Algeria (51,000 b/d) and Oman (42,000 b/d). The voluntary production cuts were implemented through 2023, with agreements in place to extend it through the end of 2024. As a result of the production cut, the OPEC+ crude oil production averaged 26.70 million b/d in 2023, which is 7.5% lower than the 28.86 million b/d achieved in 2022.

Despite the voluntary production cuts by the member nations of the OPEC+ in 2023, the average price of Brent crude oil and WTI crude oil fell to $82.17 and $77.61 per barrel respectively in FY-2023, compared to $99.04 and $94.33 for Brent crude oil and WTI respectively in 2022. The setback in the prices of crude oil was mainly driven by the expectations of global economic slowdown, concerns surrounding the financial sector crisis and weak demand in China.

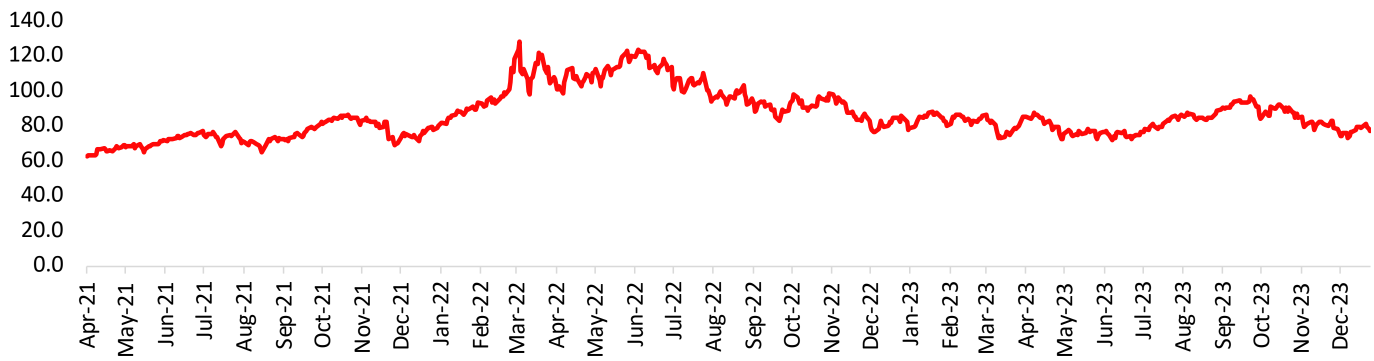

Chart 5: Trend in Brent Crude Oil Price ($) *Source: Bloomberg*

External reserves

The slowdown in the prices of crude oil and sluggish growth in oil production had a negative impact on Nigeria's foreign exchange reserves during the period. The nation's foreign exchange reserves fell by 11.25% ($4.17 billion) to $32.91 billion in 2023. The proceeds from the Eurobond issuance could have buoyed the country's external reserves but the Federal Government of Nigeria did not issue Eurobonds in 2023 due to the high interest rate environment. The interventions by the CBN at foreign exchange market also contributed to the rundown in foreign exchange reserves. Over reliance on the oil-sector to generate foreign exchange earnings and high import-dependency continued to have a negative impact on the country's reserves.

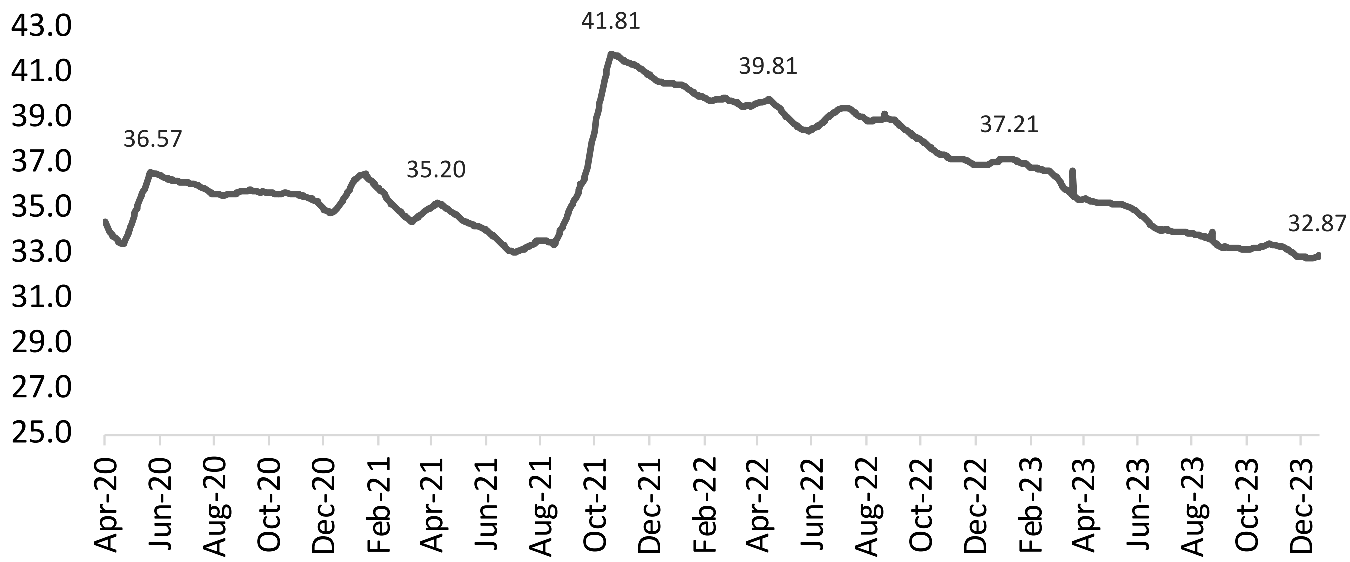

Chart 6: CBN Foreign Reserves Trend ($Billion) *Sources: CBN*

Exchange rate

The local currency struggled against the USD in the foreign exchange market. The market was largely illiquid in 2023 as Nigeria witnessed increased demand for and weak supply of the greenback. Consequently, naira depreciated against the US dollar by 3.0% between January and May 2023 at the parallel market to close at N760.00. At the Investors and Exporters (I&E) window, the naira was relatively stable in the first five months of 2023 as it depreciated slightly by 1% against the dollar to close at ₦464.67. The gap between the parallel market and I&E window was about ₦295 by the end of May 2023.

In his inaugural speech, President Tinubu, instructed the CBN to work towards a unified exchange rate. On the 14th of June 2023, the Central Bank of Nigeria (CBN) informed the public and all authorised dealers, about the changes to operations in the Nigerian Foreign Exchange (FX) market. In the circular, the CBN collapsed all the segments into the Investors and Exporters (I&E) window and reintroduced the "Willing Buyer, Willing Seller" model at the I&E window. This ended the era of multiple exchange rate windows and indicated the adoption of a unified exchange rate regime. On the same day, naira adjusted to ₦664.04/$, from 471.67/$ reported at the I&E window in the previous day. At the parallel market, the naira appreciated to 758/$ on the 14th of June 2023, from 765/$ it reported the previous day. Consequently, the gap between the parallel market and I&E window shrank to ₦94.00.

It is worthy to state that the CBN adopted a managed floating exchange rate system and defended naira through the intervention at the market. The apex bank also lifted the ban on 43 items previously prohibited from assessing forex from the official window in a bid to strengthen the naira. Despite these efforts, the naira depreciated further at the parallel market and I&E window (now, Nigerian Autonomous Foreign Exchange Market (NAFEM), mainly due to increased demand for and weak supply of the greenback. Naira depreciated by 96.6% and 64.0% to ₦907.11 and ₦1,210.00 at the NAFEM and parallel market respectively in 2023. At the end of 2023, the gap between the NAFEM and the parallel market was ₦302.89, which was higher than the pre-devaluation gap of ₦297.5.

The devaluation had negative effects on the economy as individuals and companies struggled in 2023. For instance, the devaluation reduced the purchasing power of individuals while most companies reported setbacks in their bottom-lines in 2023 mainly due to foreign exchange losses. Some companies, such as Glaxosmithkline (GSK) and Procter & Gamble (P&G), also announced their decision to exit the country or stop manufacturing operations.

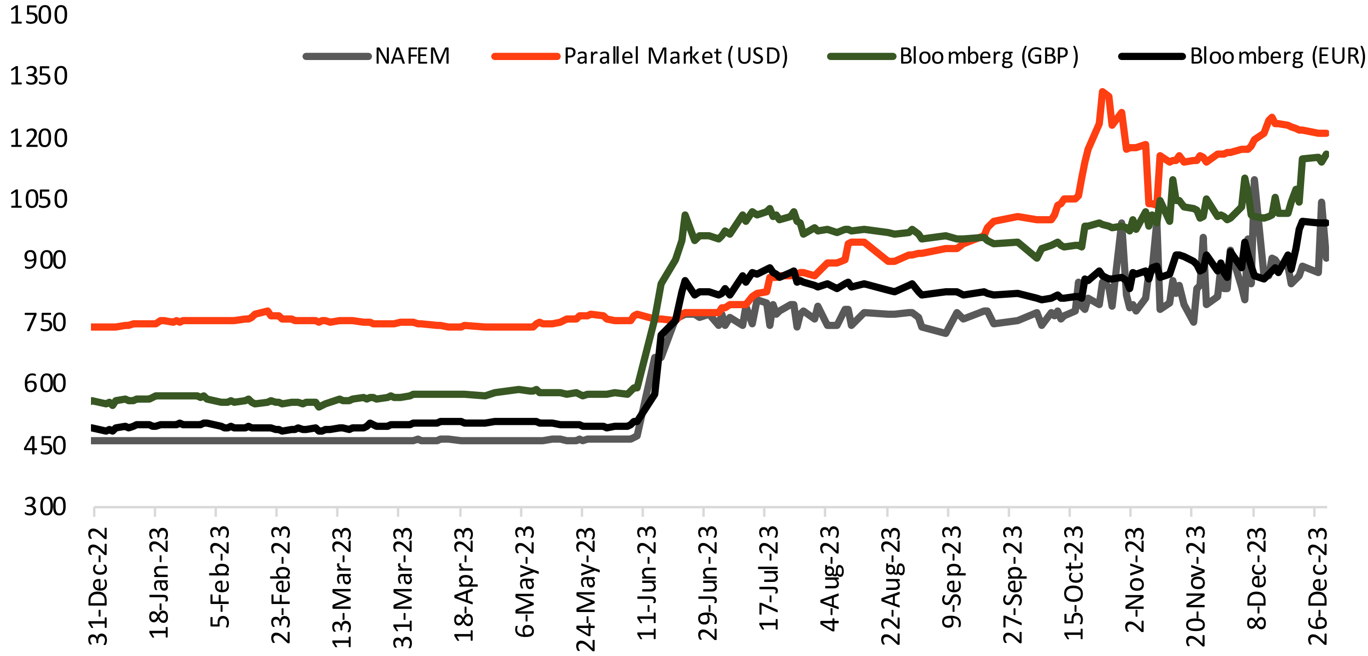

Chart 7: Exchange Rate (Naira) *Source: FMDQ, Bloomberg, Aboki FX*

Inflation

Headline inflation rate rose persistently throughout 2023. From 21.34% in December 2022, inflation rose to 22.79% in the first half of 2023, mainly driven by high food prices, a weak local currency, and high cost of inputs. Food inflation rose consistently to 25.25% in the first half of 2023, as insecurity in food producing states remained a concern. Also, the nation's core inflation (all items less farm produces and energy) expanded by 185 basis points to 20.06% in the first half of 2023.

In the second half of 2023, inflation grew faster as the Consumer Price Index (CPI) reacted strongly to the actions taking by the president on PMS subsidy removal and devaluation of naira. President Bola Tinubu, in his inaugural speech of May 29, declared that there would no longer be a petroleum subsidy regime as the 2023 budget made no provision for PMS subsidy payments beyond June 2023. Consequently, the market immediately adjusted to the pronouncement as fuel stations increased their pump prices from about ₦190 per litre to ₦498 and above.

The multiplier effects of PMS subsidy removal, the naira devaluation and insecurity in food producing regions, impacted the general price of goods and services in the second half of the year. As a result, the headline inflation rose to 28.92%. Food inflation also rose to 33.93% while core inflation increased to 23.06% in December 2023.

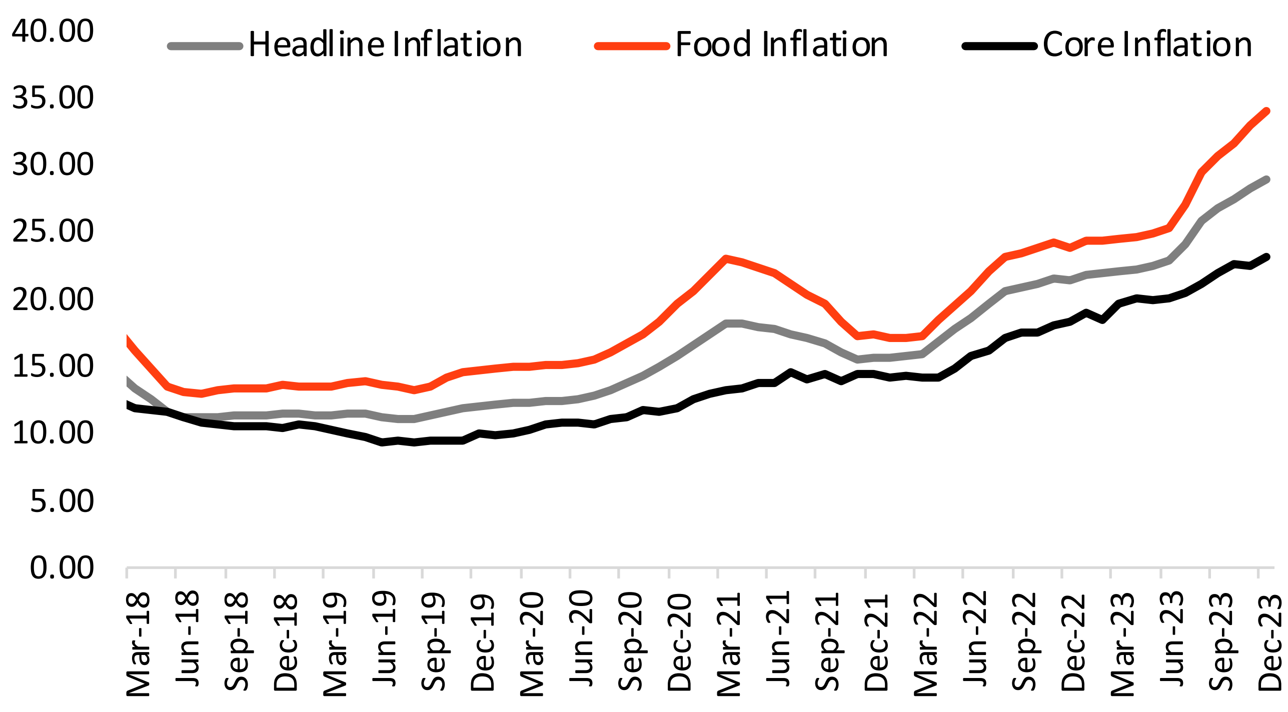

Chart 8: Nigeria's Inflation Trend (%) *Source: NBS*

Fiscal Environment

The 2024 Budget Proposal (titled, the Budget of Renewed Hope) was presented to a Joint Session of the 10th National Assembly by the President on November 29, 2023. An aggregate expenditure of ₦27.5 trillion naira was proposed for the Federal Government in 2024. However, the National Assembly passed the 2024 Appropriation Bill on December 29 2023, after increasing the sum by 4.4% (₦1.20 trillion) to ₦28.7 trillion from the initial ₦27.5 trillion presented by President Bola Tinubu. The 2024 budget was 16% higher than the 2023 budget of ₦24.82 trillion (inclusive of supplementary budget). Of the total aggregate expenditure, the federal government budgeted ₦9.99 trillion for capital expenditure (26% higher than the ₦7.96 trillion of 2023), ₦8.76 trillion for non-debt recurrent expenditure (6% lower than the ₦9.32 trillion of 2023), ₦8.27 trillion for debt service (31% higher than the ₦6.31 trillion of 2023).

An aggregate revenue of ₦19.60 trillion was projected to fund the 2024 Budget, which is 77% higher than the ₦11.05 trillion of 2023 projected revenue. Therefore, the 2024 budget deficit of ₦9.18 trillion is significantly lower than the ₦13.78 trillion of 2023. Of the proposed revenue for 2024, the government budgeted ₦9.21trillion for oil revenue (2023: ₦2.29 trillion), ₦3.52 trillion for non-oil revenue (2023: ₦2.43 trillion) and ₦6.86 trillion for independent & other source.

In our opinion, the proposed revenue of ₦19.60 trillion for 2024 is achievable as we expect the government to benefit from the devaluation of naira, increasing gains from the fight against oil theft, and PMS subsidy removal. It is noteworthy that the Federal Government of Nigeria achieved 96% (₦8.28 trillion) of its 2023 proposed revenue of ₦11.05 trillion between January and September.

Inclusive of Supplementary Budget for 2023

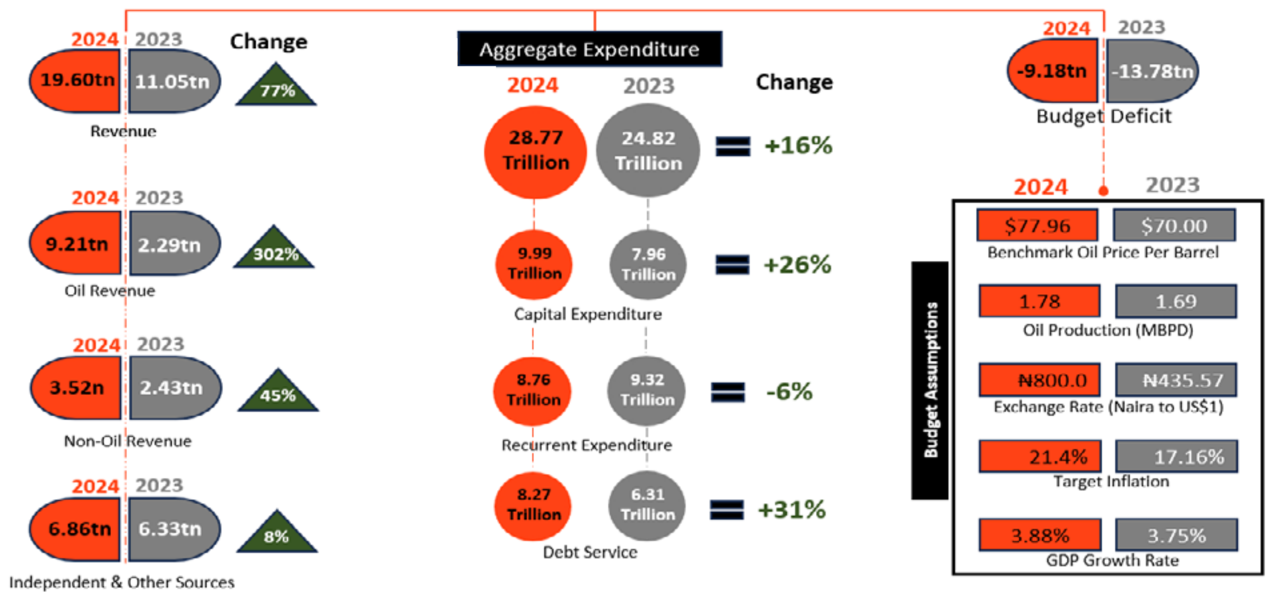

Chart 9: Nigeria: 2024 Approved Budget (Breakdown) *Source: Federal Ministry of Budget & Economic Planning*

Monetary policy reforms and capital flows

One of the key policy reforms in 2023 is the foreign exchange reform by the CBN. The reform ended the era of multiple exchange rate windows by collapsing all the segments into the Investors and Exporters (I&E) window, which later changed to Nigerian Autonomous Foreign Exchange Market (NAFEM). The purpose of the policy was to achieve a market-determined exchange rate, reduce the parallel market exchange rate premium, ease repatriation, and attract capital inflows.

The latest data from the NBS showed that capital importation into Nigeria did not respond to the foreign exchange reform in the second half of the year. Capital importation into Nigeria fell by 21.5% to $1.74 billion in H2-2023 (H2-2022: $2.22 billion), due to the setback recorded in Foreign Portfolio Investment (FPI). After the foreign exchange reform, the FPI fell by 45.43% to $396.89 million in H2-2023, mainly due to the setback in investment in money market instruments and bonds instruments. The capital importation into money market instruments and bonds fell by 21.00% and 74.81% to $290.00 million and $87.72 million, respectively, in H2-2023. However, investment in Foreign Direct Investment (FDI) recorded strong growth as it grew by 46.88% to $243.74 million (quarter-on-quarter) in H2-2023. It is important to state that Loans ($1.10 billion) was the largest part of the capital importation in H2-2023 as it contributed 63% to total capital importation in H2-2023, followed by money market instruments (17%), FDI (14%), bonds (5%) and equity (1%). In total, capital importation into Nigeria stood at $3.61 billion in FY-2023, lower than $5.33 billion recorded in FY-2022, indicating a decline of 26.70%.

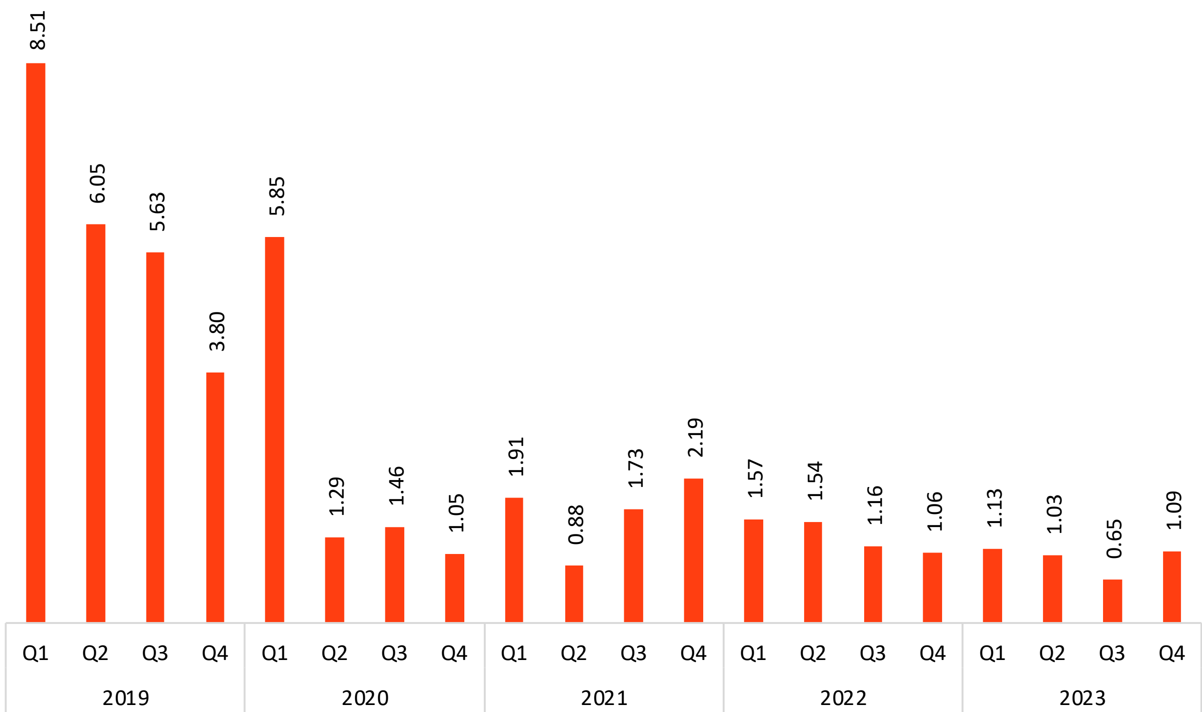

Chart 10: Nigeria: Capital Importation Trend ($billion) *Source: NBS*

The available report from the Nigerian Exchange (NGX) showed that the foreign exchange policy reform yielded positive results in the stock market as the NGX All-Share Index appreciated by 46% in 2023 as investors reacted to the pro-market policy of the government during the period. Although the stock market was largely driven by domestic participation, we witnessed slight improvement in foreign participation in the Nigerian equities market towards the end of 2023. Foreign participation in the equities market was 23.74% of the total equity trading in November – the highest recorded in 2023.

		Foreign	Foreign	Domestic	Domestic	Foreign Inflow	Foreign Outflow	Domestic Retail	Domestic Institutional
Period	**Total**	₦'Billion	%	₦'Billion	%	₦'Billion	₦'Billion	₦'Billion	₦'Billion
Jan-23	195.10	24.9	12.76%	170.2	87.24%	9.84	15.06	35.66	134 54
Feb-23	188.91	19.62	10.39%	169.29	89.61%	3.68	15.94	34.79	134.5
Mar-23	146.22	9.19	6.29%	137.03	93.71%	4.6	4.59	52.83	84.2
Apr-23	191.21	8.47	4.43%	182.74	95.57%	3.67	4.8	74.19	108.55
May-23	322.92	37.16	11.51%	285.76	88.49%	27.51	9.65	88.50	197.26
Jun-23	406.75	45.74	11.25%	361.01	88.75%	22.72	23.02	124.52	236.49
Jul-23	702.98	40.54	5.77%	662.44	94.23%	9.45	31.09	229.95	432.49
Aug-23	262.56	37.16	14.15%	225.4	85.85%	13.79	23.37	97.13	128.27
Sep-23	295.8	35.24	11.91%	260.56	88.09%	13.67	21.57	111.75	148.81
Oct-23	220.94	33.36	15.10%	187.58	84.90%	13.62	19.74	86.46	101.12
Nov-23	300.67	71.37	23.74%	229.3	76.26%	34.77	36.6	92.78	136.52
Dec-23	343.9	47.87	13.92%	296.03	86.08%	17.48	30.39	91.61	204.42
2023 YTD	**3577.96**	**410.62**	**11.48%**	**3167.34**	**88.52%**	**174.8**	**235.82**	**1120.17**	**2047.17**
2022 YTD	**2324.27**	**379.23**	**16.32%**	**1945.04**	**83.68%**	**195.76**	**183.47**	**642.73**	**1302.31**

Table 1: Domestic and Foreign Portfolio Participation in Equity Trading *Source: NGX*

Interest rate and fixed income securities market

To fight the persistent rising inflation and reduce the impact of negative real interest rate, the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) raised its Monetary Policy Rate (MPR) by 225 basis points to 18.75% through the year 2023. The apex bank also adjusted the asymmetric corridor to +100/-300 basis points around the MPR in the second half of 2023 (from +100/-700) in a bid to mop excess liquidity. It however kept other policy parameters constant during the period: Cash Reserve Ratio (CRR) – 32.5%; Liquidity Ratio – 30.0%.

The significant increase in the monetary policy rate raised the cost of borrowing as lenders demanded higher return (interest payments) during the period. The yields on bonds and money market instruments (government and corporate) improved in 2023. For instance, the average yield of Federal Government's 5-Year bond, 10-Year bond and 20-year bond increased by 185 basis points (bps), 173 bps and 203 bps to 13.99%, 14.64% and 15.54%, respectively. Higher interest rates had a negative impact on most businesses as interest rate on loans and borrowings increased during the period. Consequently, the higher interest rate resulted in higher finance costs, contributing to the setback in the net profit of most companies, as most were unable to pass the higher cost in full to the consumers due to weakened purchasing power and high competition.

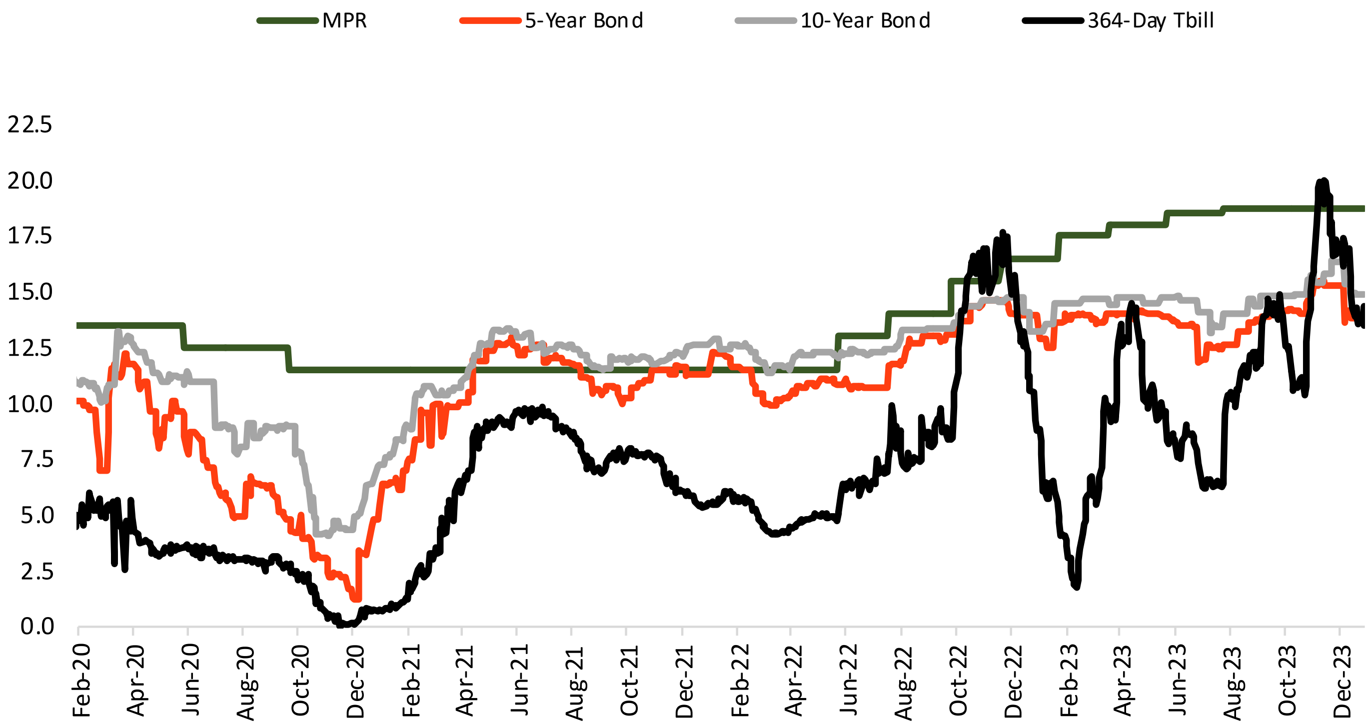

Chart 11: Nigeria's Policy Rate and Bond Yields Trend (%)

Source: Bloomberg

Household Consumption

The household final consumption expenditure, which is the market value of all goods and services purchased by households, declined by 24.95% (on a year-on-year basis) in the first quarter of 2023 mainly due to cash crunch, rising prices, as well as the challenging economic conditions witnessed during the period. It is worthy to state that the impact of the cash crunch and high inflation on household consumption expenditure in Q1-2023 was more severe than that of COVID-19 pandemic lockdown when household consumption declined by 10.04% and 18.67% in Q1-2020 and Q2-2020, respectively, before picking up to a positive growth of 2.99% in Q3-2020 when the government partially lifted movement restriction.

The suspension of the CBN deadline on old-new naira notes swap by the Supreme court had a positive impact on economic activities as household consumption increased by 3.30% in Q2-2023 – the first positive growth since Q1-2022. Meanwhile, Government Consumption Expenditure recorded growth rates of 17.83% and 5.79% in Q1 and Q2 of 2023 respectively. Household consumption accounted for the largest share of real GDP (at market prices), representing 57.18% and 64.05% in Q1 and Q2 of 2023 respectively. However, Government expenditure accounted for 5.93% and 5.92% of total real GDP expenditure (at market prices) in Q1 and Q2 of 2023 respectively. Although we await the Q3 and Q4 of 2023 household consumption report from the NBS, we do not expect improvement as we expect PMS subsidy removal, high inflation and challenging economic conditions to weigh on household consumption expenditure.

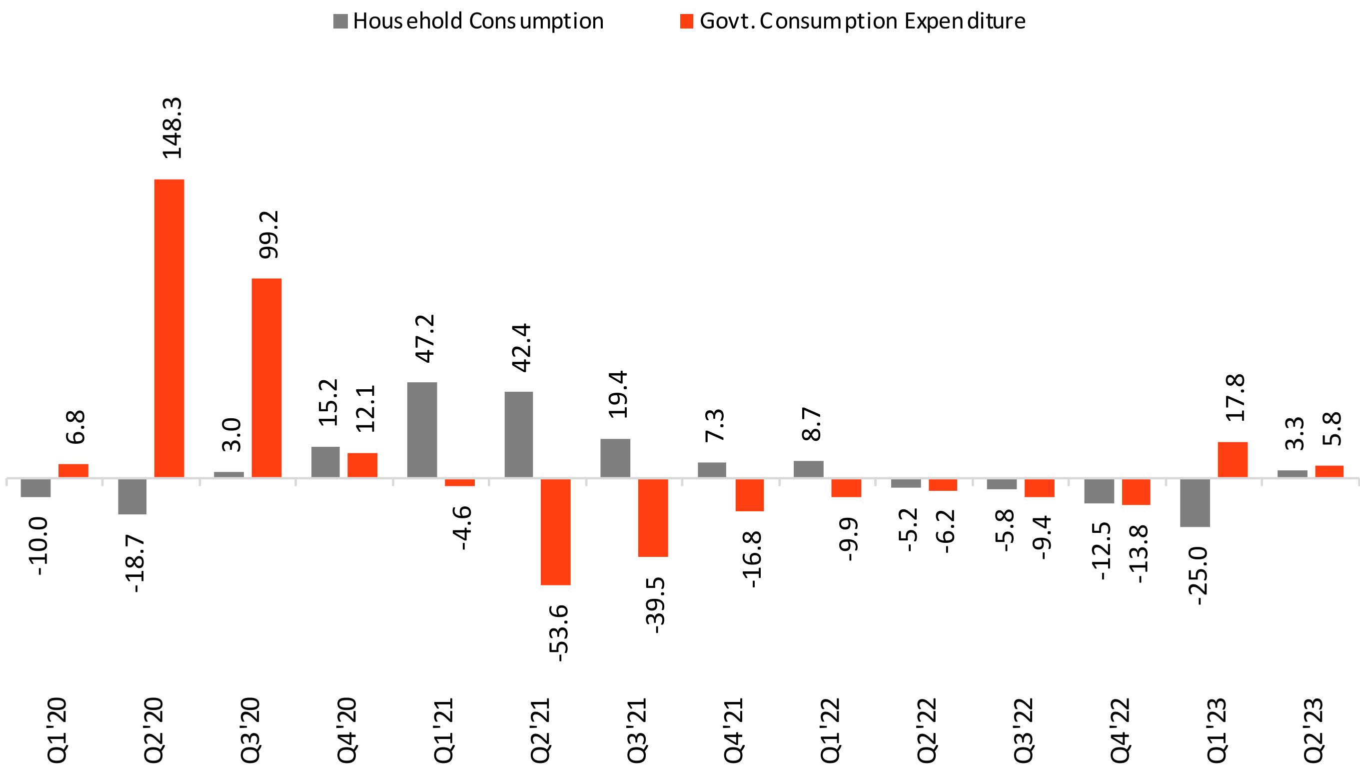

Chart 12: Household & Government Consumption Expenditure (YoY Growth %) *Source: NBS*

Diaspora remittances

The World Bank estimated remittance flows to Low-and-Middle Income Countries (LMICs) to reach $669 billion in 2023 as resilient labour markets in advanced economies and Gulf Cooperation Council (GCC) countries continue to support migrants' ability to send money home. The World Bank also estimated remittance flows to Sub-Saharan Africa to increase by about 1.9% in 2023 to $54 billion, driven by strong remittance growth in Mozambique (48.5%), Rwanda (16.8%), and Ethiopia (16%).

Nigeria, the largest remittance-recipient country in Sub-Saharan Africa, continued to benefit from mass migration as the World Bank, in its Migration and Development Brief for December, expects the country's diaspora remittances to exceed $20 billion in 2023. Remittances to Nigeria, which accounted for 38% of remittance flows to the region, is estimated to grow by about 3% to about $20.5 billion in 2023. The "japa" trend, which resulted in millions of Nigerians leaving the country contributed to the recent growth in diaspora remittances. The main sources of remittances for Nigeria are the United States, the United Kingdom, Canada, Saudi Arabia, and other countries in Europe, Asia, and Africa. As seen in the table below, the CBN data did not provide a breakdown by destination. However, the World Bank noted that about 60% of remittances to Nigeria come from the US and the UK.

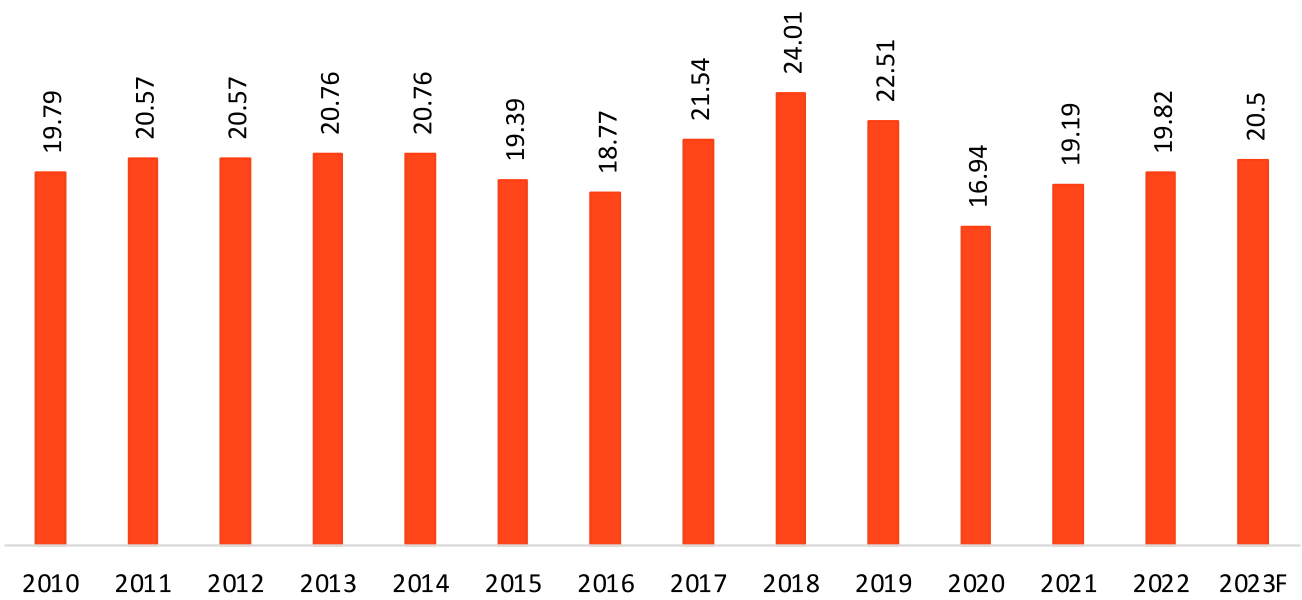

Chart 13: Trend of Remittances in Nigeria (US$ billion) *Source: CBN*

The top five remittance recipient countries in the world in 2023 are India ($125 billion), Mexico ($67 billion), China ($50 billion), the Philippines ($40 billion), and Egypt ($24 billion). Nigeria remains the 8th top remittance recipient country in the world. Tight labour market in the United States, high employment growth in Europe, reflecting extensive leveraging of worker retention programs, and a dampening of inflation in high-income countries are the key drivers of remittance growth in 2023. According to the World Bank, the United States remains the largest source of remittances.

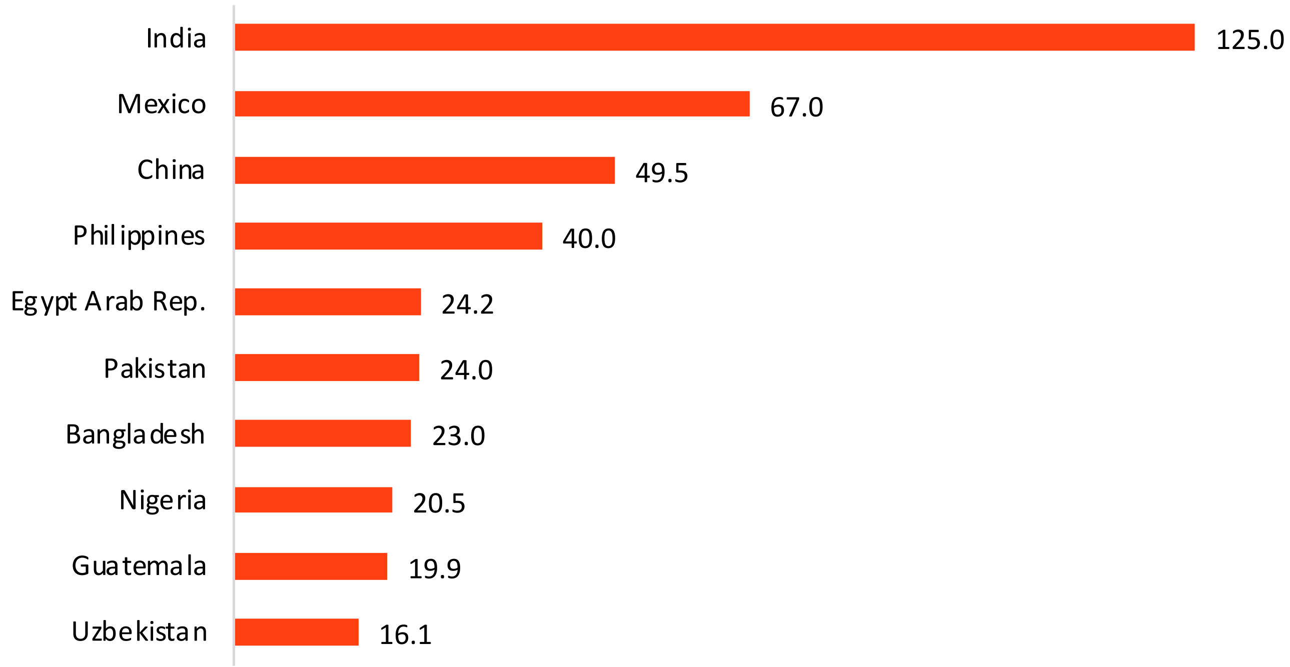

Chart 14: Top Remittance Recipient Countries in 2023 (US$ billion) *Source: World Bank*

Outlook for 2024 (Nigeria)

Looming reality; beyond reforms.

Gross Domestic Product

The challenging economic conditions witnessed in 2023 will extend to 2024 as we expect the cumulative effects of PMS subsidy removal and possibility of further depreciation of naira to weigh on economic productivity in the country. Consequently, we expect the country's GDP to experience sluggish growth in 2024. Specifically, the expectation of high cost of inputs, insecurity and high cost of transportation will slow down productivity in the non-oil sector. Although we anticipate that the growth of nation's oil sector will remain positive in 2024, we do not expect a significant growth until the second half of 2024 when the country will benefit fully from the high prices and improved production volume. We expect Nigeria's real GDP to grow by 2.80% in 2024, compared to 2.74% achieved in 2023.

Looking at the upside potential to our outlook, we may see strong growth in the oil sector in 2024. A marked reduction in the incidence of oil theft, may lead to significant growth of oil production and exceed the 1.78 million b/d of 2024 budget assumption. Also, the possible spillover and spread of Israel-Hamas conflict within the Middle East may lead to significant increase in the prices of crude oil in the commodity market in 2024. In addition, the monetary policy reform of 2023 and possible strong fiscal policy reforms in 2024 may strengthen local currency, attract investors into the country and support the non-oil sector of the economy in the medium to long term. Consequently, Nigeria's GDP growth may be equal to or greater than the 3.88% of 2024 budget's GDP growth assumption.

Inflation

The cumulative effects of PMS (petrol) subsidy removal, negative pass-through from weaker currency, rising global commodity prices, high diesel price, high interest rate and lingering security challenges in key food producing areas will continue to have adverse impact on the purchasing power of consumers in H1-2024. However, we expect inflation to moderate in H2-2024 as we expect a higher base to play a major role during the period. We estimate Nigeria's inflation to average 27.5% in 2024 (2023 average: 24.52%).

On the other hand, Nigeria may achieve the 2024 budget's inflation benchmark of 21.4%, or below, if the naira appreciates significantly at the parallel market and the government is able to curb insecurity in major food producing states. In addition, inflation will decline sharply if we see favourable FX rate adjustments on diesel and PMS pricing in 2024.

Policy Rate

We expect the Monetary Policy Committee (MPC) of the CBN to maintain contractionary monetary policy in H1-2024 in a bid to rein in inflation, mop up excess liquidity, and attract foreign portfolio investors into the country. Meanwhile, we expect the apex bank to consider expansionary monetary policy in Q4-2024 due to the expectation of lower inflation rate during the period. In addition, we expect the CBN to support the fragile growth and avoid recession by ensuring a lower interest rate environment to support businesses in H2-2024. Consequently, we estimate a policy rate range of 18.75% - 25.75% range through 2024.

On the contrary, the apex bank may raise the policy rate above our expectations if inflation maintains an upward trend in 2024. For instance, aggressive government borrowings in 2024 may lead to higher-than-expected fiscal spending, thereby leading to higher inflation. In addition, external factors, such as regional conflicts and prolonged Red Sea crisis may lead to significant rise in global commodity prices, with considerable passthrough effects locally. Consequently, the CBN may raise the policy rate above our target range.

Exchange rate

To sustain the managed-float exchange rate regime, the Nigerian government plans to improve liquidity to address the country's foreign exchange crisis that has led to the depreciation of naira at both the official and parallel markets, worsening a cost-of-living crisis for businesses and households in Africa's most populous nation. Consequently, the government plans to improve oil revenue, raise about $10 billion from two tranches of forward sales by NNPCL which could yield about $7 billion while the additional balance is expected from Qatar (soft credit). Also, the government plans to secure loans from the World Bank (about $1.5 billion) and African Development Bank ($80 million) and prepares to issue Eurobonds in 2024 if rates move sufficiently lower. In addition, the Apex bank is expected to roll out policies to ensure naira stability at the foreign exchange market. In view of this, we project that the naira will appreciate, from the current level, to ₦1,300 against US dollar in 2024.

On the other hand, naira may depreciate faster to ₦2,000 or above, against the US dollar, if the country witnesses sharp decline in crude oil prices and more current account imbalances (where the nation's net export is negative). In addition, weak capital importation, less interventions by the CBN, inability of Nigeria to secure bilateral loans, and persistent fall in the country's external reserves may lead to significant reduction in the value of naira against major currencies in the foreign exchange market in the near term.

To strengthen the naira, we encourage government to boost oil production, create enabling environment to attract foreign direct investments and improve local production. We also encourage a competitive interest rate, as seen in other countries, to attract foreign portfolio investments into the country.

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