

DEMOCRACY DAY 2018



Accomplishments outlined

PROMISES ON MAY 29, 2017

CORRUPTION

- Imprisonment of guilty looters
- Specific courts for corruption cases

SECURITY

- Reduce Boko Haram and herdsmen clashes

ECONOMY

- Agriculture and food security
- Industrialization and transport infrastructure

***There is progress on all fronts
But talk is cheap***

WHAT WAS INHERITED IN 2015?

- PMS was N87/litre
- Minimum wage was N18,000 (\$50)
- There was no Apapa gridlock
- Exchange rate was N219/\$
- Oil production was approximately 1.79mbpd
- Difference between parallel and official market was N21.07 (0.1%)
- Oil price was \$65.56pb
- GDP growth was 3.96%



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MACRO-ECONOMIC SCORECARD (AN IMPROVING TREND IN MOST INDICATORS)

External reserves

\$29.6bn → \$47.66bn

2015

2018

Trade balance

(\$-6.4bn) → \$10.3bn

2015

2018

FAAC allocation

N409bn → N701bn

2015

2018

GDP growth rate

3.96% → 1.95%

2015

2018

Unemployment +
underemployment

26.5% → 40%

2015

2018

Oil production

1.79mbpd → 1.8mbpd

2015

2018

Exchange rate

N219/\$ → N363/\$

2015

2018

Inflation

8.7% → 12.48%

2015

2018

Misery index

35.2% → 52.48%

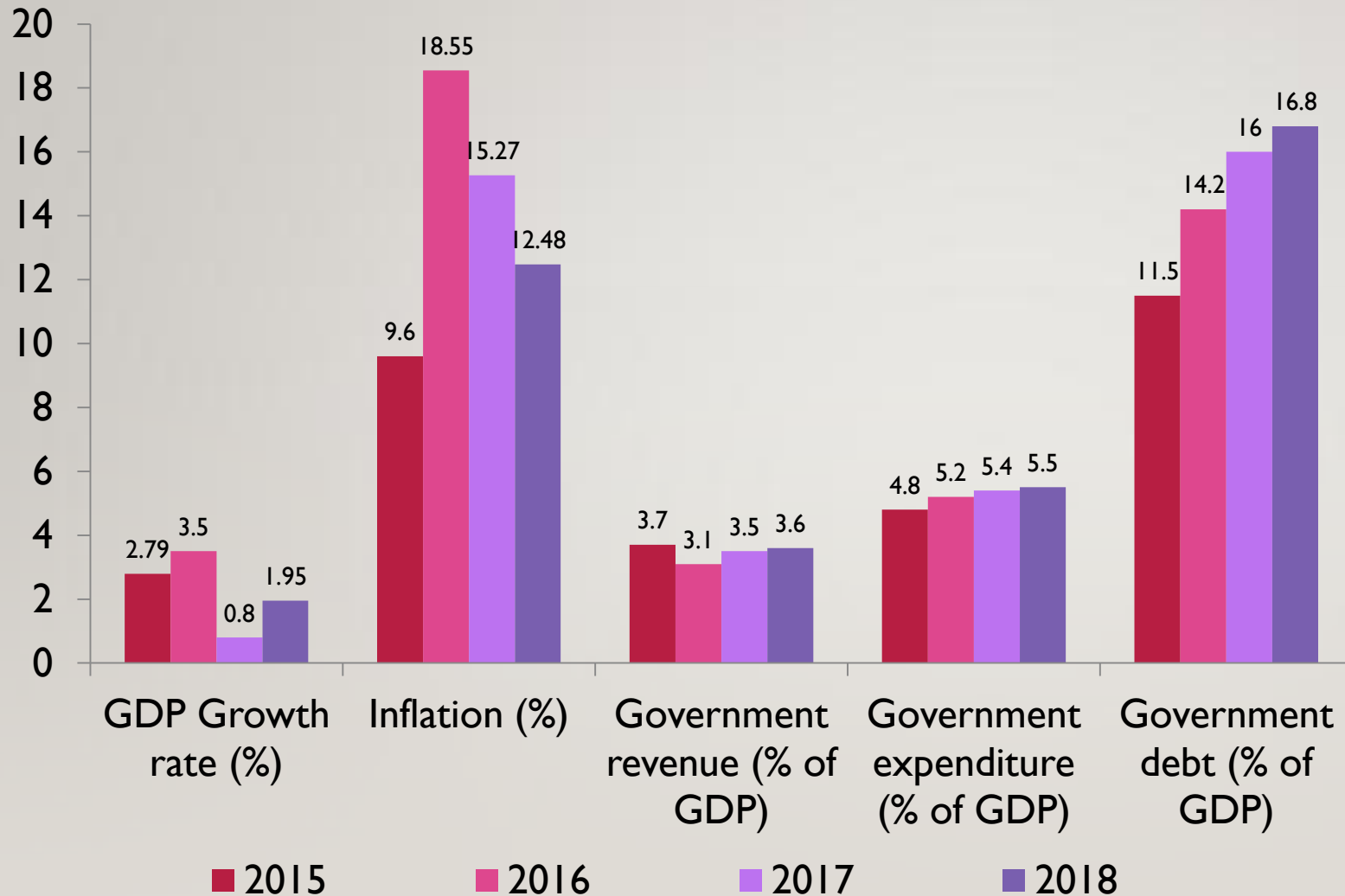
2015

2018

MACROECONOMIC HIGHLIGHTS

- 3 green indicators with high impact
- 4 of the red indicators have maximum impact
- The trend in all indicators is positive

DOMESTIC ECONOMIC PERFORMANCE



Progress made:

IEFX window introduced in April'17







GDP up from -0.91% in Q1'17 to 1.95% in Q1'18

ERGP introduced; aimed at economic diversification and human capital development

It's a long journey to Uhuru




ARE YOU BETTER OFF NOW OR THEN?

FOOD PRICES

Commodities	2015	2016	2017	2018	% Change (2015/2018)	
Garri	14,000	13,500	10,000	7,000	50	
Rice (50kg)	10,000	19,000	17,000	15,000	50	
Beans (50kg)	12,000	18,000	27,500	30,000	150	
Gala	100	100	100	100	-	
Palm Oil (25L)	6,500	17,000	13,500	14,000	115.38	
Flour (50kg)	7,050	11,000	13,000	10,000	41.84	

ARE YOU BETTER OFF NOW OR THEN?







NON-FOOD PRICES

Commodities	2015	2016	2017	2018	% Change (2015/2018)	
Diesel	183	196	216.30	230	25.68	
Petrol	118.36	150.3	150.7	163.4	38.05	
Kerosene	640.47	232.42	303.29	268.99	58	

Long queues under the PDP have disappeared

ARE YOU BETTER OFF NOW OR THEN?

SERVICES

Commodities	2017	2018	Change (%)
School fees: Holy child	250,000	290,000	1.17 
Corona	371,000	405,000	9.16 
Medical bills: X-ray	5,000	5,000	- 
Basic lab test	6,500	8,500	30.8 
Data cost	1,500	1,200	20 
Telephone cost (voice)	10	10	- 



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OIL INDUCED RECESSION

Economic Indicator	2013	2014	2015	2016	2017
Growth of real GDP (%)	5.4	6.3	2.7	-1.6	0.8
Growth of potential GDP (%)	5.5	4.7	3.5	1.3	1.8
Avg. oil price (\$pb)	108.9	98.9	52.4	44.0	54.4
Avg. oil production (mbpd)	1.9	1.9	1.8	1.5	1.5
Gross fixed investment (\$'bn)	73.0	85.7	73.2	59.6	55.8
Exchange rate (N/\$) (year-end)	157.3	169.7	196.5	304.5	305.5
Inflation (%) (year-end)	7.9	8.0	9.6	18.6	15.3
Trade balance (\$'bn)	43.8	21.0	-6.4	-0.5	13.1
External debt (\$'bn)	21.1	24.8	28.9	31.2	41.0

Recession gap started in 2013 and became manifest in 2016

OIL INDUCED RECOVERY

Economic Indicator	2018	2019	
Growth of real GDP (%)	1.9	1.7	   
Growth of potential GDP (%)	4.8	2.7	
Avg. oil price (\$pb)	66.5	62.8	
Avg. oil production (mbpd)	1.7	1.7	
Gross fixed investment (\$'bn)	62.5	61.9	
Exchange rate (year-end) (N/\$)	329.7	365.0	
Inflation (year-end) (%)	12.9	15.7	
Trade balance (\$'bn)	11.7	10.2	
External debt (\$'bn)	47.3	49.2	

Sustainable and accelerated recovery requires a game changing scenario

STILL A SEGMENTED FOREX MARKET

Oil revenue
(\$10-12bn per quarter)

Real rate of return (inflation-
interest rate differential)
(negative return of 2.48%)

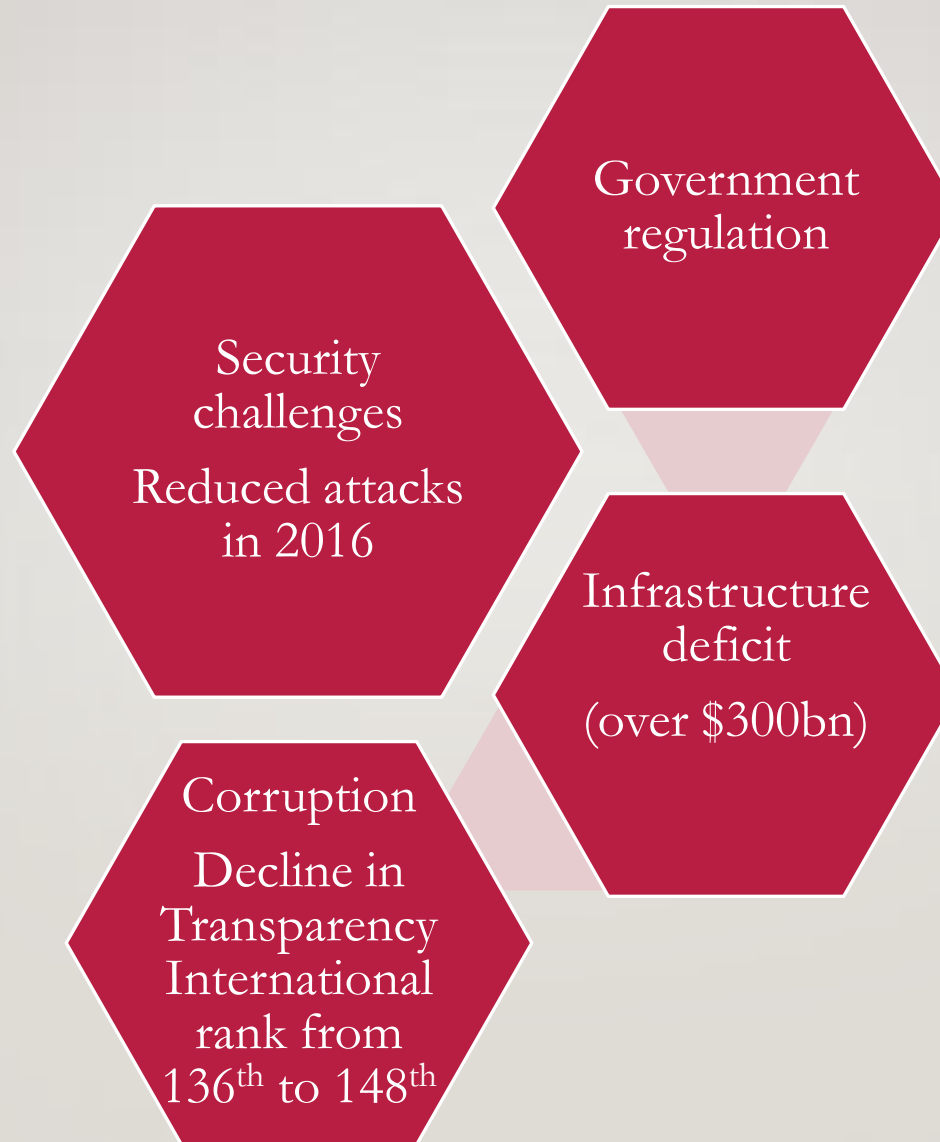
Foreign market structure
Segmented FX market
with multiple currency
practises)

Foreign market liquidity
(IEFX window)
\$24.32bn sold since
inception

Terms of Trade
(2005=100)
(14.4)

Multiple exchange rates and divergence

CONSTRAINTS TO NIGERIA'S GROWTH



THE GOOD



Oil prices crossed \$80pb; now at \$75.36pb

(47.76% above benchmark)



Steady decline in inflation (12.48% in April)

(15 consecutive months)



FAAC allocation now up to N701bn

(71.4% above 2015)



Reduced Boko Haram attacks



External reserves now at \$47.66bn



Forex rate stable

THE BAD



Weak and tepid GDP growth rate at 1.95% in Q1



Delayed budget passage by NASS (7 months)



Exchange rate touched N367/\$ at the parallel market; increased speculative demand



External reserves/Total Debts ratio: 1:1



Power supply still epileptic



Decline in Transparency International rank from 136th to 148th



Stock market has lost 6% in Q2

PEER COMPARISON

Country	Q1'18 GDP growth (%)	Labor productivity growth (%)	Minimum wage (\$/per month)	Income per capita (\$)
Norway	0.30	0.63	3,500	88,940
Luxembourg	1.60 *	-1.78	2,230	102,850
United States	2.80	1.36	1,257	57,000
Belgium	1.50	1.05	1,888.34	41,100
Netherlands	2.80	1.12	1,611	45,300
Nigeria	1.95	-1.16	50	2,300

*: Q4'17



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WHAT NEXT?

$$(2018)Y = C + I + G + X - M$$

\$426.9bn \$340.4bn \$62.5bn \$25.3bn \$55.5bn \$60bn

$$(2022)Y = C + I + G + X - M$$

\$559.1bn \$447bn \$83.2bn \$36.8bn \$64.3bn \$78.3bn

	2018
GDP Growth (%)	2.0
Inflation (%)	13.2
Money Supply (M2) Growth (%)	5.9
Net FDI (\$'bn)	1.8
External Reserves (\$'bn)	50
Exchange Rate (N/\$, IEFX)	359
Fiscal deficit (% of GDP)	1.8

SCENARIO I: SAME STATE

Same state means:

- 4 consecutive years of declining income per capita
- Population growth $>$ GDP growth
- Unemployment + underemployment $>$ 40%
- Inflation declining, still way above SSA average
- External imbalances reducing
- External debt to external reserves level worsened but within comfort zone (1:1)

GAME CHANGING SCENARIO

If you do some of the following:

- Currency convertibility
- Subsidy reduction
- Concession of airports
- Massive investments in railways

Impact:

- Oil price above \$80pb- 2018/19
- Oil production of 1.7mbpd- 2mbpd, LNG price of 4mmbtu
- Cocoa price above \$2,500 per tonnes and production of 250,000 tonnes
- Exports of \$60bn, imports of \$45bn- trade surplus of \$15bn

GAME CHANGING SCENARIO

$$(2022)Y = C + I + G + X - M$$

\$760bbn \$537bn \$170.2bn \$57.5bn \$85.3bn \$90bn

Investment-led growth strategy

	2022
GDP Growth (%)	2.2
Avg. Inflation (%)	10.8
Money Supply (M2) Growth (%)	6.50
Net FDI (\$'bn)	2.10
External Reserves (\$'bn)	60
Exchange Rate (N/\$, IEFX)	406.10
Fiscal deficit (% of GDP)	1.7

DOWNSIDE RISKS & APOCALYPSE SCENARIO

Triggers

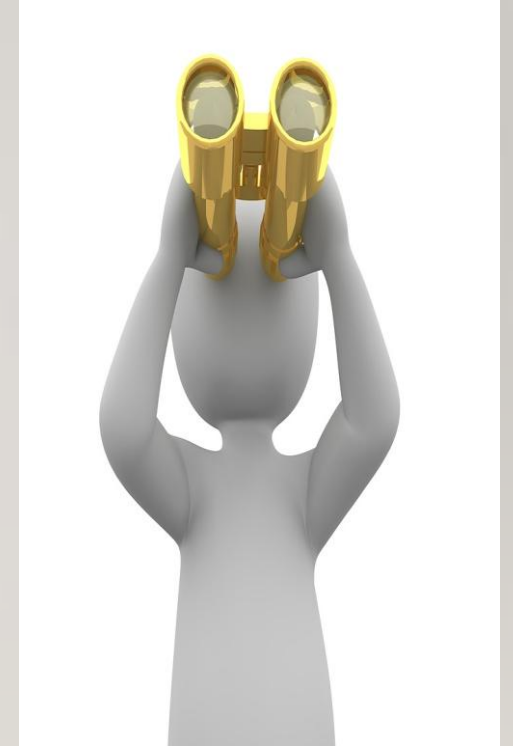
- OPEC cut lowers quota
- Shale oil resurgence depressing oil prices
- Oil price: \$30pb
- Oil production shut-ins from renewed militancy
- Oil production: 1.4mbpd

Outcome

- GDP growth to slow to -2.5%
- Exports to plunge to \$30bn
- Inflation to rise above 20%
- External reserves to fall below \$20bn
- Exchange rate (IEFX) – N375/\$
- Exchange rate (parallel market) – N390/\$
- Increased borrowing – debt to revenue ratio to rise to 70%
- Net FDI to fall to \$1bn

OUTLOOK FOR 2019

- Inflation to pick up after minimum wage review
- Naira to remain stable with occasional bouts of volatility (N360-N370/\$)
- External reserves will be used to defend the naira
- GDP growth estimate of 2.1% (IMF)
- Railway infrastructure and investment to allay pressure on roads
- Dangote refinery and rehabilitation of existing refineries to relieve PMS, diesel and kerosene pressures



*Thank
you*

