

The Nigerian Macroeconomic Outlook and Investment Opportunities

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Presentation Outline

I. Macroeconomic Developments

- Global Standing
- Domestic Output and Prices
- Fiscal Sector Developments
- Monetary and Financial Sector
- Banking Sector Reform
- External Sector Developments
- Global Economy

II. Removing Impediments and Investing in Priority Sectors

Global Standing

GDP Growth (%)	2010	2011	2012 (projected)	2013 (projected)
Nigeria	8	7.36	6.5	6.85
Advanced Economies	3.2	1.6	1.4	2
Emerging/Developing Economies	7.5	6.2	5.7	6
Sub-Saharan Africa	5.3	5.1	5.4	5.3

Global Standing

Sovereign Credit Ratings Upgraded.....

- BB- Stable (FITCH),
- B+ Positive (S&P) – Upgraded in Dec. 2011, from B+ Negative

Nigeria's Eurobond is performing better now

- Bond price (Oct 2) is \$113.89 against \$103.49 at the beginning of 2012.
- Bond yield is (Oct 2) 4.71% from 6.23% at the beginning of 2012. the

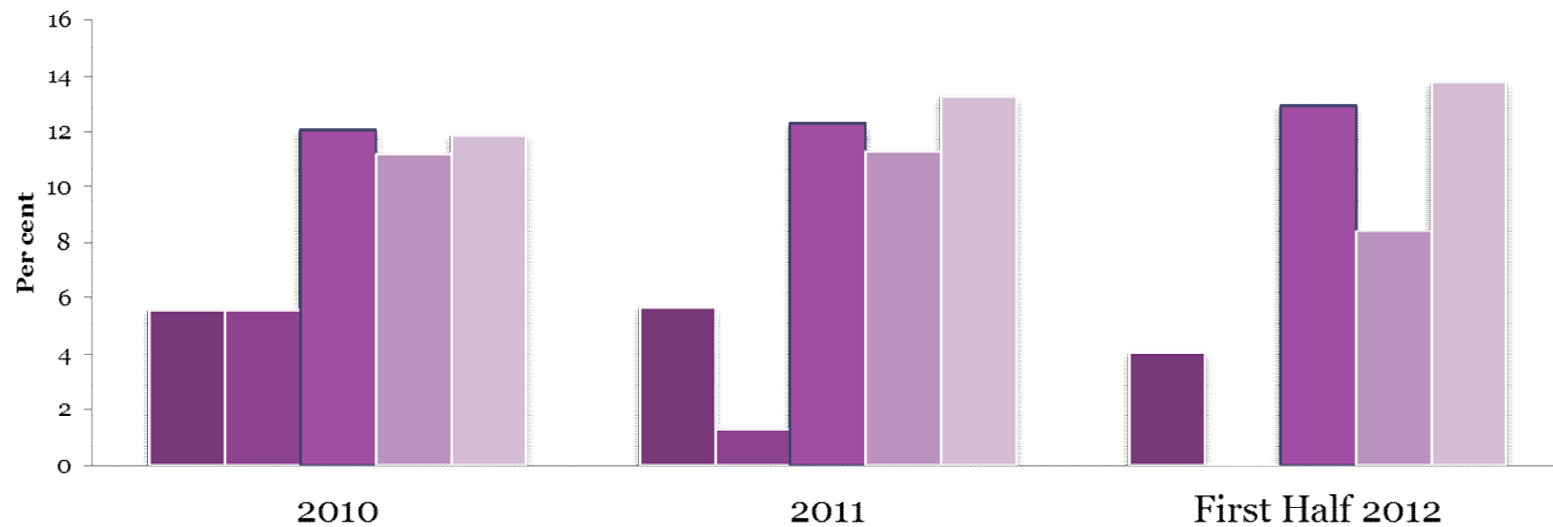
Domestic Output and Prices: GDP Growth

- Growth has remained resilient in the last 5 years averaging 7.0%.
 - with the non-oil sector growing on average at 8.4% between 2010 and 2012
 - Non-oil growth is largely driven by agriculture



Domestic Output and Prices: GDP Growth

Growth Rate of Major Sectors of Non-oil GDP



■ Agriculture

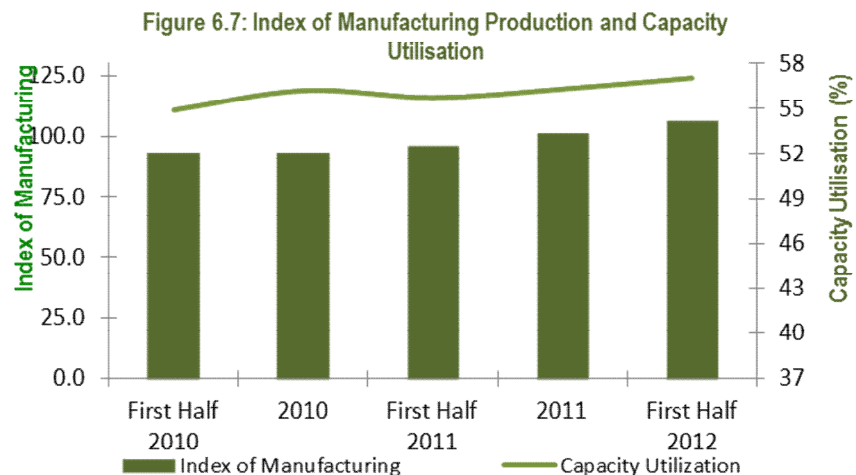
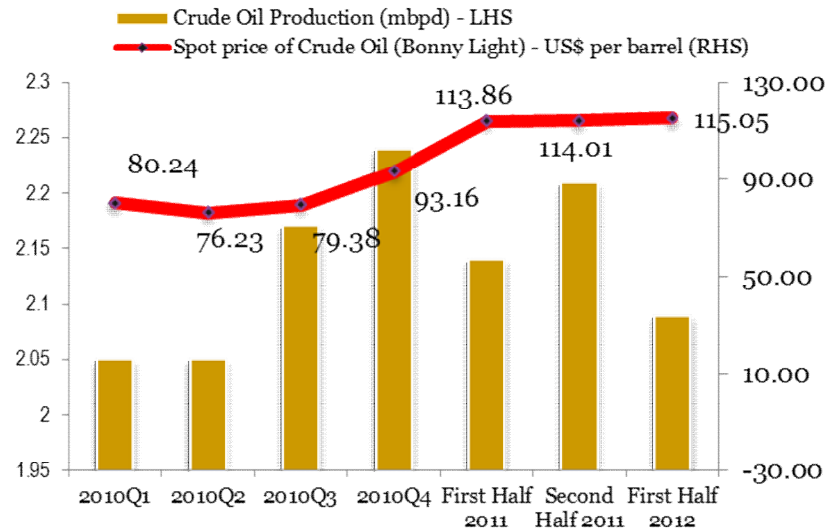
■ Building & Construction

■ Services

■ Industry (excl. Crude Petroleum)

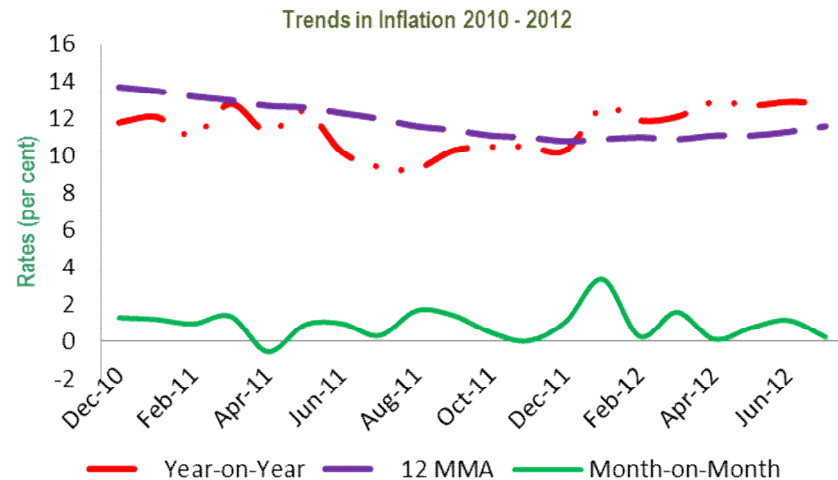
■ Wholesale & Retail Trade

Domestic Output and Prices: Oil Production and Capacity Utilisation

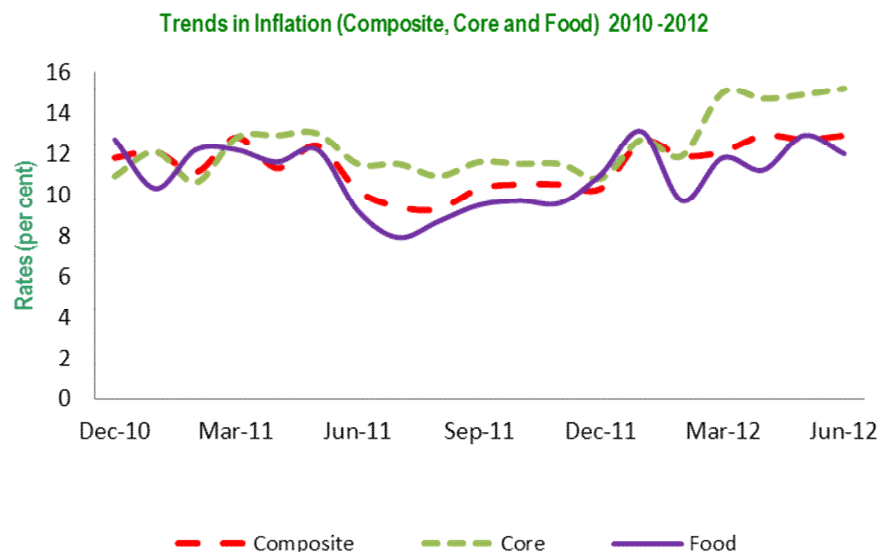


- Spot price of Nigeria's reference crude oil, rose from US\$93.37 per barrel at end Dec. 2010 to US\$115.05 in the first half of 2012
- The 2013 budget will be based on Crude oil production of 2.6 million barrels per day
- Estimated capacity utilisation to 57.03% , driven by
 - business confidence
 - cement and oil

Domestic Output and Prices: Inflation

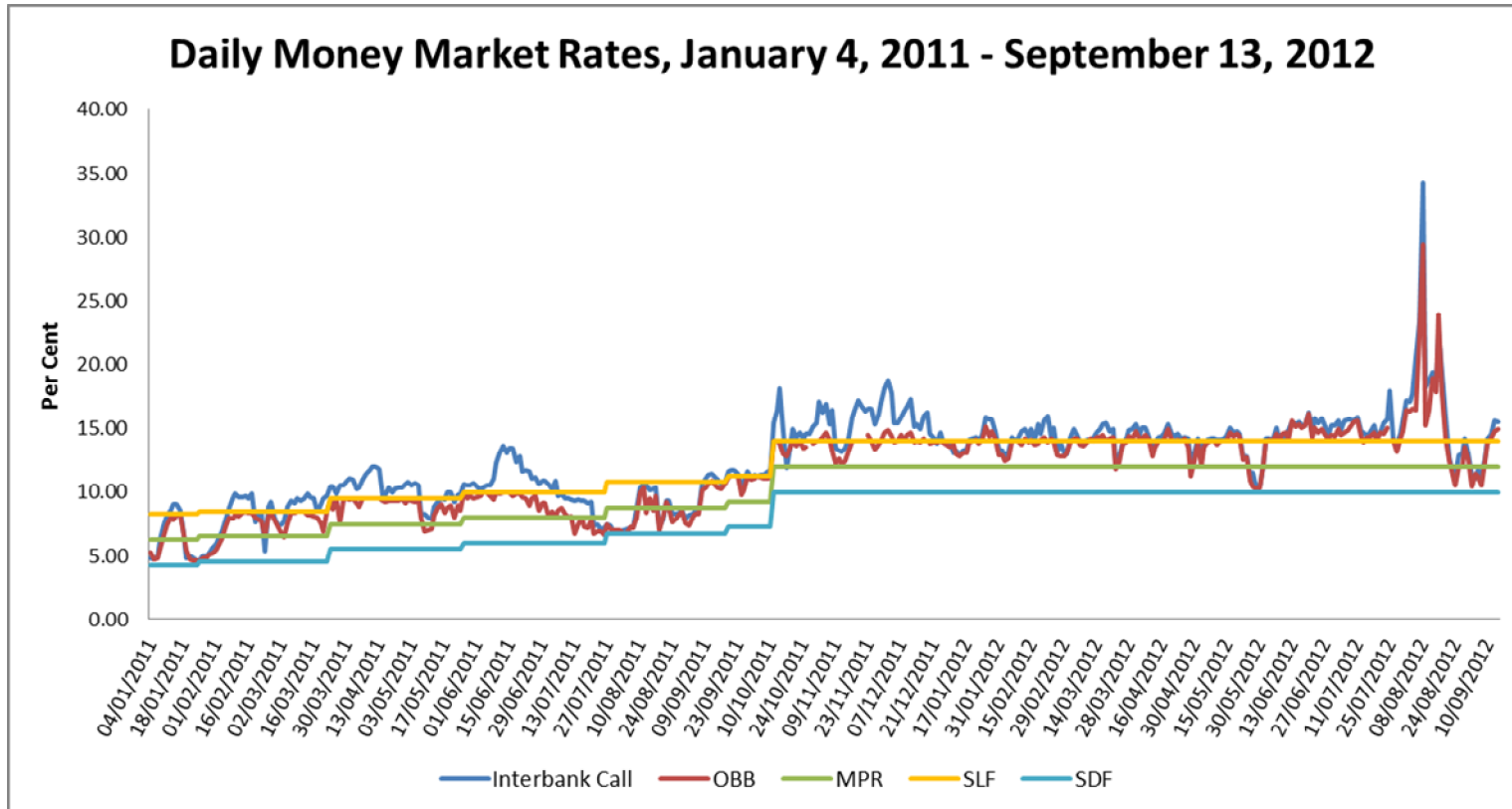


- Headline inflation (y-on-y) which was 12.9% at the beginning of 2012 due to the partial removal of subsidy on PMS, moderated to 11.7% in Aug 2012



- Food inflation which was 12.7 per cent in Dec. 2010 is steadily declining at 12.0% at end-June 2012

Domestic Output and Prices: Inflation



- Monetary policy has been effective in determining market rates

Fiscal Sector Development

From expansion to fiscal Consolidation.....

	2011	2012	2013
Oil Benchmark Price (Budget, \$US pb)	\$75	\$72	\$75
Recurrent Expenditure			
- % of Budget	74.43%	71.47%	68.7%
Capital Expenditure			
- % of Budget	25.57%	28.53%	31.3%
Fiscal Deficit			
- Amount (Naira billions)	1,136.62	1,136.19	1,037
- % of GDP	2.96%	2.85%	2.17%

Fiscal Sector Development

- **Curtailing Oil Revenue leakages:**

- a) Presidential Taskforce on fuel subsidy verification
- b) Presidential Maritime Committee on Crude Oil theft

- **Improving Revenues:**

- Measures introduced to improve tax collection:
- Commencement of debt Enforcement and Special Prosecution Unit in the FIRS;

- Cumulative tax collection (January to Aug 2012) increased to **N3.40 trillion** – an increase of **N460.63 billion** (or about **15.6% increase**) over the same period in 2011

- Developing a program for comprehensive review of taxes and improved collection

Fiscal Sector Development

	2011 (to date)	2012 (to date)	2013 (budgeted)
Subsidy			
- Amount (Naira billons)	2,188	888	971
- % of GDP	5.86%	2.37%	
Total Savings: N426.8 billion (or 1.1% of GDP)			

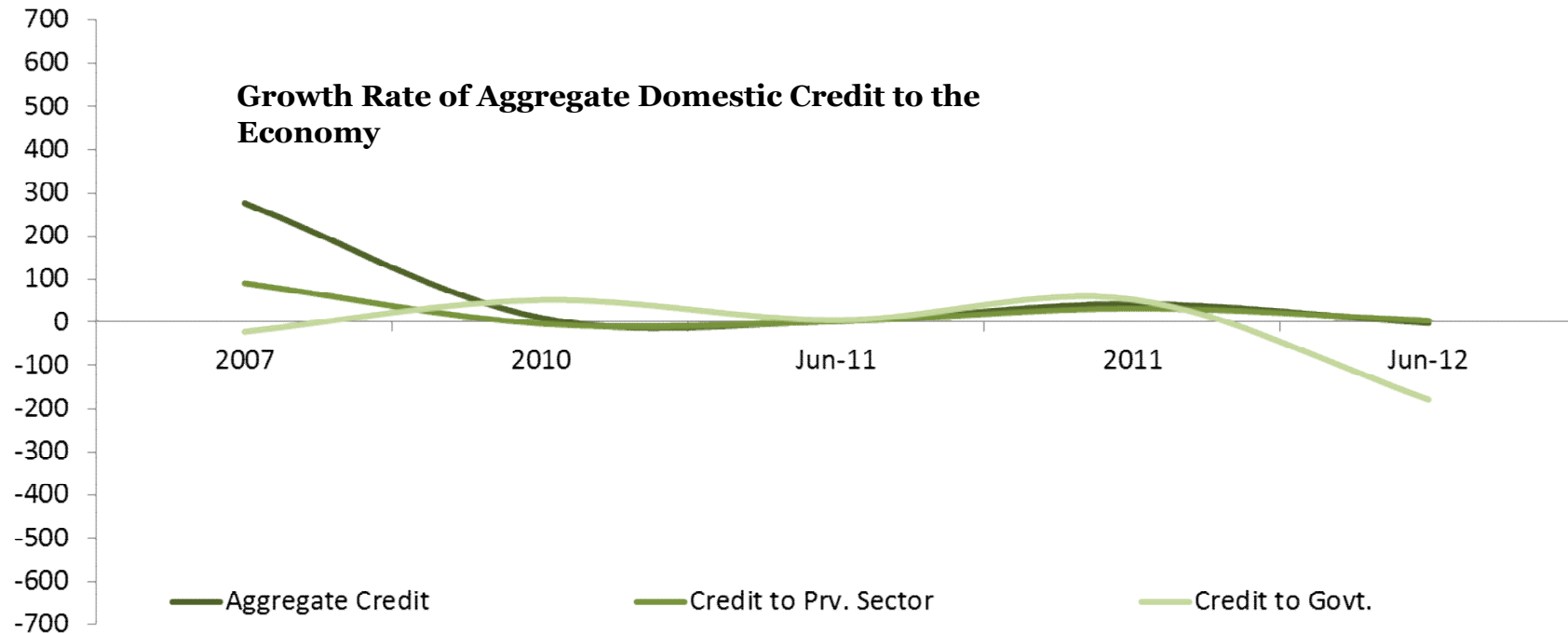
Reining-in Government Borrowing.....

	2011 (31 st Dec)	2012 (30 th June)	2013 (projected)
Domestic Borrowing (FG Only)			
- Flow (Naira Billions)	852	744	727
- Stock (Naira billions)	5,622.84	6,150	
- Debt/GDP Ratio (%)	15.96%	15.89%	
External Borrowing			
- Total Amount (\$US billions)	5.67	6.04	
- Debt/GDP Ratio (%)	2.52%	2.43%	

2013 Budget: Retirement Bonds, Sinking Fund.

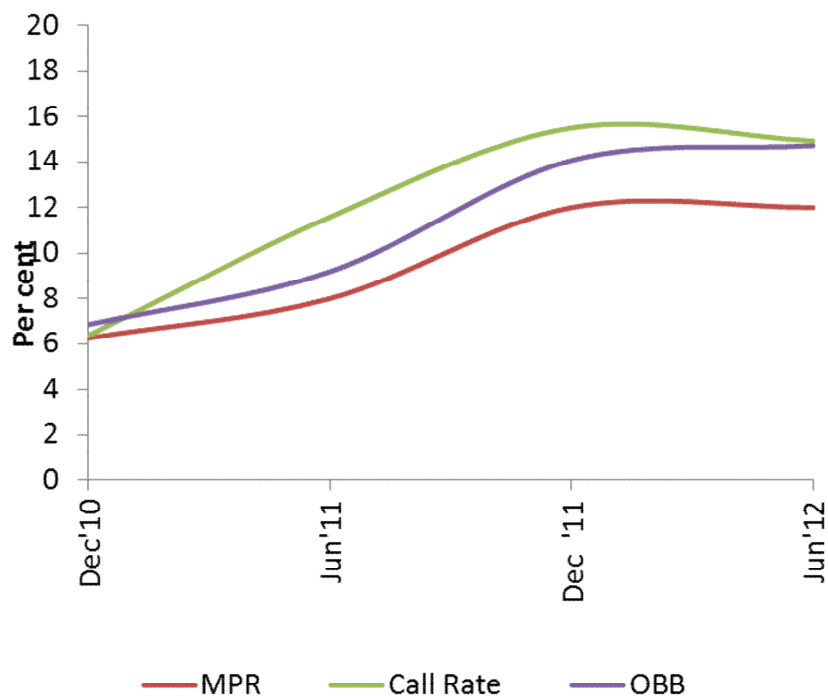
Monetary and Financial Sector Development

- Credit growth has been sluggish as a result of the Global Financial Crisis and banking sector reform.
- Credit to the private sector reached 7.41% at end -August 2012.



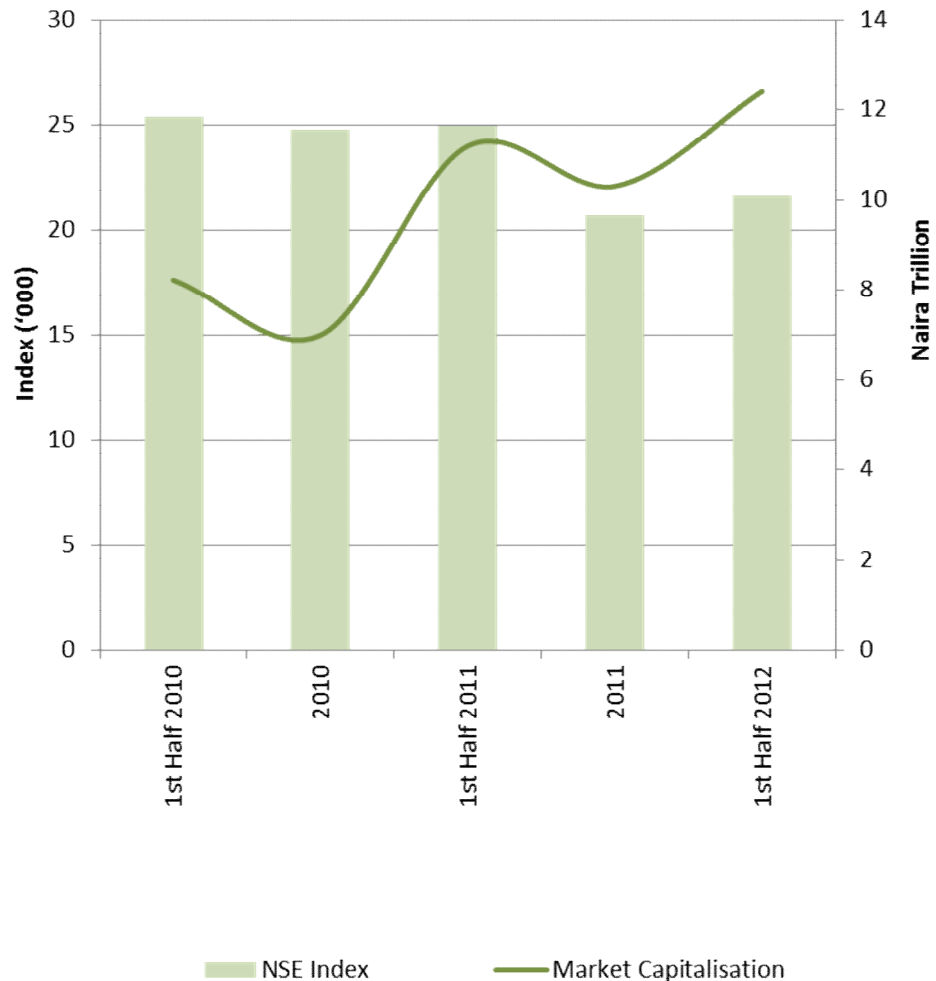
Monetary and Financial Sector Development

Money Market Rates 2010 - 2012



- Key inter-bank market rates moved in tandem with the upward review of the MPR - driving up other market rates
- Real interest rates are positive as a result of proactive monetary policy actions in addressing inflationary pressures

Monetary and Financial Sector Development



- Equity market witnessed some recovery recently.
- The NSE ASI increased by 4.2 per cent to 21,599.57 at end-June 2012, compared end-December 2011.
- Aggregate market capitalization of all listed increased by 10.7 per cent relative to June 2011.
- Market capitalisation (equities) stood at 6.9 trillion at end-June 2012

Banking Sector Reform

- Resolution of the banking crisis was completed following the recapitalization of the 8 intervened banks
- AMCON played a crucial role in the crisis resolution through new liquidity injections, recapitalization and debt resolution
 - AMCON issued bonds worth N5.4 trillion of which about N52.8 billion has been recovered from the acquired NPLs
 - NPL exposures held by AMCON are largely concentrated in the Capital Market (29.8%), Oil and Gas (16.64%) and General Commerce (14.83%) sectors

Banking Sector Reform

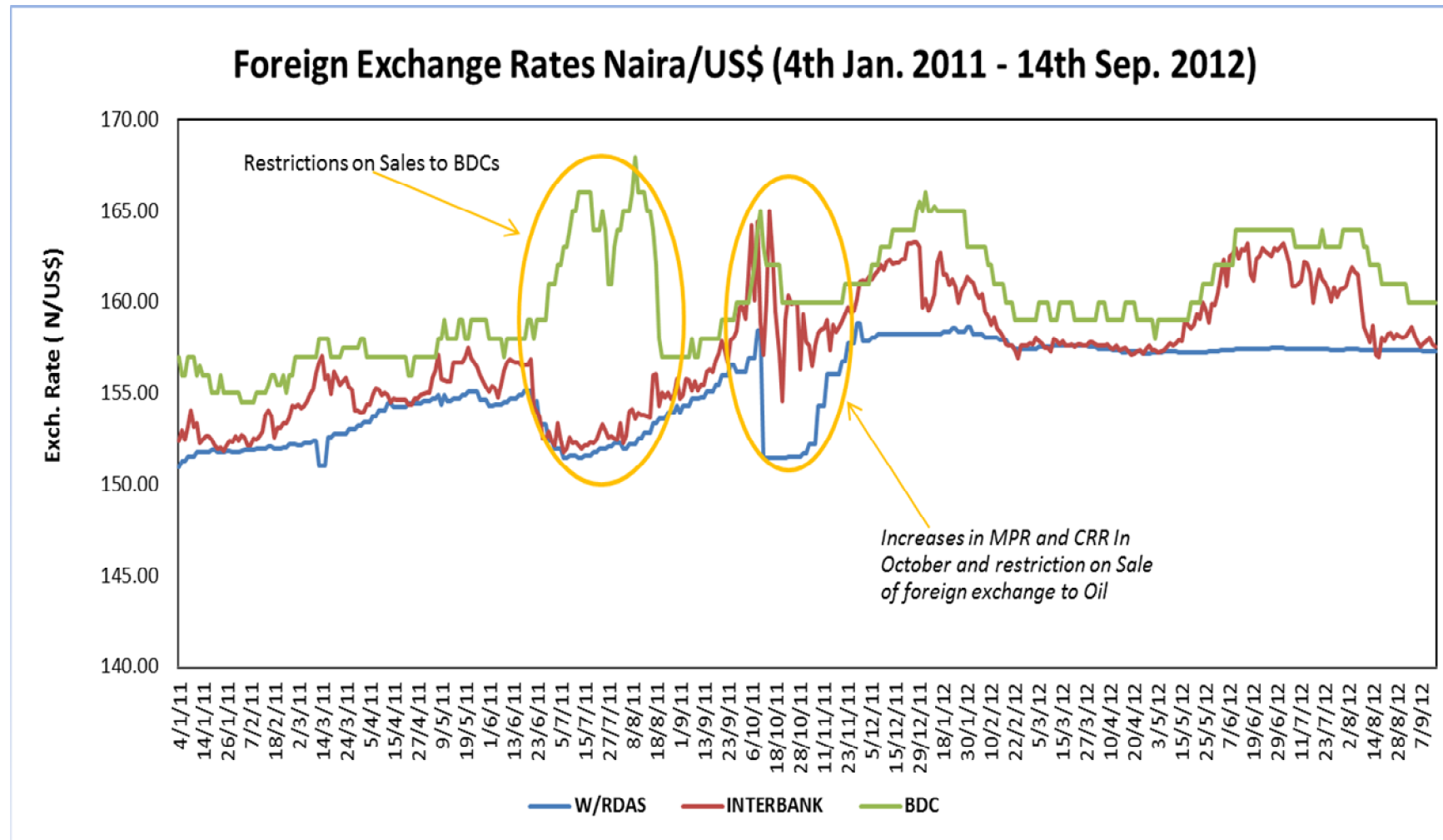
- Capital adequacy, liquidity and asset quality improved considerably following the resolution:
 - CAR up 17.8% at end-June 2012, respectively
 - NPL ratio fell to 4.3% at end-July 2012, respectively
 - The reforms reduced cost and enhanced the quality of the banking system
 - Implemented a new Banking Model to ring fence retail deposits.

External Sector Development....

- Foreign reserves have risen to \$41.51 billion as of October 5, 2012 – the highest in the last two years
- Excess crude account is building.....

	Aug 31, 2011	Jan 1, 2012	July 23, 2012	Oct 3, 2012
Excess Crude Account (US\$ billions)	4.22	4.56	6.98	8.03
Target is \$10 billion by the end of 2012				

External Sector Development....



Removing Impediments and Investing in Priority Sectors

1) Ports Reform

Achievements:

- Reduced the number of agencies operating in the ports from 14 to 7.
- Ports now operate a 24-hour regime for the first-time since 1970.
- Reduced paperwork (i.e. number of forms) to align with reduction of agencies.
- Cargo Tracking Note abolished

Impact: Clearing time reduced from 39 days to 7 days for trouble-free cargo, but target is 48 hours

Removing Impediments and Investing in Priority Sectors

2) Power

- a) **Launch of the Power Sector Roadmap Reform** by Mr. President in August 2012
- b) **Creation of the Nigerian Bulk Electricity Trading Plc**, in August 2011
- c) **Ongoing privatisation of all FGN-Owned Thermal Generation stations and Power Distribution Companies to be completed** by October 2012
- d) **Signing of MOU with global leaders in the power sector** (GE, Siemens, Daewoo Engineering and Construction of Korea and Eletrobas of Brazil)
- e) **Completion of new units at thermal power stations** to increase generation
 - Olorunshogo - 563MW, Sapele - 225MW, Omotosho - 112.5MW

Removing Impediments and Investing in Priority Sectors

- f) **Rehabilitation of existing power infrastructure** has yielded up to 1000MW of electricity
- g) **Attained a new peak in generation of 4,322MW** in December 2011
- h) **Fast-track NIPP projects:** 3 power plants nearing completion to add an additional 1,055MW by end of 2012
- i) **Implementation of a Cost-reflective Tariff** (1st June 2012)
- j) **Government is putting together a power financing package, including :**
 - ❖ **Government Guarantees**
 - ❖ **Infrastructure Bond: \$600million to \$1 billion**
 - ❖ **External Funding: e.g. \$150 million from ADB.**

Removing Impediments and Investing in Priority Sectors

3) Agriculture

Achievements:

a) **Implement Growth Enhancement Support Program (GES)**

- Shifting input supply (fertilizers & seeds) from government to private sector.
- Leveraged government balance sheet: up to N30 billion in guarantees for input supply
- 4.5 million farmers registered in 3 months

b) **Implement NIRSAL to unlock \$3 Billion in financing**

c) **Introduce incentives to support rice and cassava value chains, including;**

- Zero duty on machinery and equipment to process high-quality cassava flour;
 - Corporate tax rebate of 12%, for bakeries attaining 40% substitution of wheat for cassava;
-
- **Secure contracts to export 1.1 million MT of cassava chips per annum to China: Nigeria will earn US\$136 million annually**

Removing Impediments and Investing in Priority Sectors

ii) **SURE-P COMMUNITY SERVICES, WOMEN, & YOUTH EMPLOYMENT PROGRAM**

- **Implementation structured along 3 components:**

- **a) Community Services Scheme** – to engage 320,000 youth (women – 30%, other vulnerable groups – 20%) in labour intensive works such as construction and rehabilitation of social and economic infrastructure.

- **b) Graduate Internship Scheme** – to attach 50,000 graduates to interested competent firms to enhance skills development towards employability.

- **c) Vocational Skills Development** – to build capacity of skilled and unskilled youth, through use of existing vocational training centers

Removing Impediments and Investing in Priority Sectors

iii) SURE-P SAFETY NETS PROGRAM

- Budget of N180 billion (FG Share) for the program in the 2012 budget to be allocated to the various components:
 - **Social Safety Net Programs**
 - Maternal & Child Health
 - Mass Transit
 - Vocational Training Centers
 - Infrastructure Development – Roads and Bridges

**THANK YOU FOR YOUR
ATTENTION**