

**THE CHARTERED INSTITUTE OF BANKERS OF
NIGERIA CENTRE FOR FINANCIAL STUDIES
(CIBNCFS)**

**IN COLLABORATION WITH
B. ADEDIPE ASSOCIATES LIMITED (BAA
CONSULT)**

**COMMUNIQUÉ ISSUED
AT THE END OF THE
4TH ECONOMIC OUTLOOK: IMPLICATIONS FOR
BUSINESSES IN NIGERIA IN 2018
HELD AT ORIENTAL HOTEL, VICTORIA ISLAND,
LAGOS**

DATE: JANUARY 16, 2018

1.0 Introduction

The Roundtable Session on 4th Economic Outlook: Implications for Businesses in Nigeria was held on Tuesday, January 16, 2017 at Oriental Hotel, Victoria Island, Lagos.

The Welcome Address was given by the President/Chairman of Council, The Chartered Institute of Bankers of Nigeria, Professor Segun Ajibola, Ph.D., FCIB, while the Keynote Address was delivered by Mr. 'Laoye Jaiyeola, FCIB, Chief Executive Officer, Nigerian Economic Summit Group and a former President/Chairman of Council, The Chartered Institute of Bankers of Nigeria. The Overview of the Economy and 2018 Outlook was presented by Dr. 'Biodun Adedipe FCIB, the Chief Consultant, B. Adedipe Associates Limited. The Panel Session, chaired by Mr. Tunde Lemo, OFR, FCIB, Former Deputy Governor, Central Bank of Nigeria, had the following experts from various sectors of the economy as Discussants:

- Dr. Yemi Kale, Statistician-General, National Bureau of Statistics (NBS) represented by Mrs. Lola Talabi-Oni, Technical Adviser to the Statistician General
- Mr. Mike Olajide, Executive Director of Sidmach Technologies Nigeria Limited
- Mrs. Nkechi Obi, Executive Vice-Chairman, Techno Oil Limited; and
- Mr. Femi Oke, Executive Secretary, Chemical and Non-Metallic Products Employers' Federation (CANMPEF)

Highlights and Recommendations

2.0 Highlights

2.1 GLOBAL AND NIGERIAN ECONOMIES IN 2017

- The year 2017 was a progressive one for the Nigerian economy considering especially the enviable manner the country was able to weather the prevailing economic storms at the beginning of the year.
- After five consecutive quarters of contraction, the country rebounded from recession with approximately 0.6% growth recorded in the second quarter of 2017.
- Inflation dropped from its peak of 18.72% in January 2017 to the current value of 15.98%, the lowest rate in 16 months.

- A triumph for Small & Medium Sized businesses was also recorded with the signing of the Secured Transactions in Movable Assets Bill, 2017 and the Credit Reporting Bill, 2017 passed by the National Assembly in May.
- The launch of the Economic Recovery and Growth Plan (ERGP) for the nation in April 2017 was also a right step in repositioning the country's economic fortunes.
- In April 2017, the Central Bank of Nigeria (CBN) opened a special foreign exchange window for investors and exporters. The "Investors & Exporters' FX Window" boosted liquidity in the forex market and ensures timely execution and settlements for eligible transactions. The window currently attracts a weekly average transaction volume of \$1 billion.
- The financial services industry and the economy at large witnessed more penetration of Financial Technologies (FinTech) such as the Blockchain technology (Peer-to-Peer transactions), Artificial Intelligence and the Unstructured Supplementary Service Data (USSD) which have not only disrupted formally entrenched models, but have also provided more efficient, faster and convenient means of banking and payments settlement processes.
- The rise in prices of Crude Oil from an average of approximately \$41 per barrel in 2016 to approximately \$52 per barrel in 2017 resulted in Nigeria's foreign reserves to currently stand at over \$40 billion, the highest figure in four years.
- Protectionist policies are assuming an increasing dimension across economies, especially the advanced ones, with significant implications for developing economies like Nigeria on trade relations.
- The aftermath of Brexit would still continue to be a speculation.
- Unemployment and underemployment rates in the country are still very high.
- Efficient electricity generation and distribution in the country is critical to the achievement of government's development agenda.
- There are three key drivers of growth in any economy – knowledge, technology and quality of life. This therefore, constitutes a challenge for countries that are labour endowed as robots and drones, among others continue to substitute the requirement for human labour.
- Developed nations have successfully leveraged technology to transform their economic fortunes and to provide a sustainable and inclusive growth trajectory for their citizens.
- Demography can be a dividend for the country if particular attention is paid to the development of the knowledge and technological base, and to ensure significant improvement in the quality of life.

- The revenue base of the country is low. This clearly shows that when the national budget is divided by the total population, the amount remaining is a meagre sum of about Fifty Thousand Naira (N50,000) per capita. Some of the triggers of the 2016 recession are over dependence on hydrocarbon, government policy inconsistency and misalignment, preponderant corruption and rent seeking, over dependence on imports and low national productivity.
- The 2016 recession was complicated by a currency crisis, which usually occurs when a country has insufficient external reserves, resulting in speculative attack on its currency and persistent erosion of the currency exchange value.

2.2 OUTLOOK AND EXPECTATIONS OF BUSINESSES IN 2018

- According to Bekkali, CEO of Silk Invest, analysts are optimistic that stock would keep rising in 2018. This growth is driven by foreign investors because the Nigerian market is one of the cheapest markets in the world. However, the key issue that will impact stocks growth is politics, as there would be a significant decline in foreign investors and a potential flight in portfolio investment as a result of the upcoming 2019 election.
- In addition, as the general election is approaching, there would be an increase in government spending with its attendant pressure on exchange, inflation and interest rates, and this would necessitate the Central Bank's mopping up of excess liquidity.
- Recovery of the Nigerian economy would remain fragile if serious attention is not paid to strengthening the non-oil sector to truly diversify foreign earnings and reduce reliance on consumption imports. The downstream oil sector is witnessing gross underutilization of its capacity and no clarity in terms of policies in the sector.
- There will be a decline in inflation rate to 13.45% based on the fact that there will be more production of food. However, the activities of the herdsmen chasing farmers from their farms could impede this and the expected decline in inflation
- Interest rate in 2018 will remain double digit
- There is likely to be a shift in the current exchange rate of ₦305/\$ to ₦382/\$ in response to the persistent pressures in the alternative forex markets
- Crude oil price is predicted to average \$56 per barrel.

3.0 Recommendations

At the end of the Session, participants deliberated and recommended the following:

- Government should ensure that the current high unemployment rate which rose exponentially from 14.2% to 18.8% in 2017 is frontally addressed.
- Government should further intensify efforts to ensure that the steps being taken to improve electricity generation and distribution across the country yield the desired result.
- Declare a state of emergency across the country on security, particularly between farmers and the Fulani Herdsmen in order not to scare away foreign investors from prominent economic hubs of the nation.
- The Niger Delta crisis should also be appropriately managed if the country would benefit from the current relatively high prices of crude oil.
- Revisit the different policies aimed at attracting Foreign Direct Investment (FDI) into the country to make the country a destination of choice for FDI as a way of boosting capital in the system.
- Review the dynamics of our economic and business environment to make it more attractive to capital
- Encourage new investments in food production to address food inflation that contributes significantly to the high inflation rate in the country.
- Government should create a more enabling policy environment for the downstream oil sector and allow the sector to be fully deregulated.
- The dearth of information and data gaps in terms of collating and disseminating information should to be urgently addressed
- Revisit the country's educational system and build entrepreneurship into the curricula of various levels of education courses.
- Government should create more awareness on patronizing locally produced goods and services.
- Government should aggressively implement the Economic Recovery and Growth Plan which includes strategies to grow non-oil export and ensure that the growth is inclusive
- The technology base of the country needs to be strengthened to unlock untapped potentials and free trapped capital.
- Address frontally the problem of multiple-taxation in order to create a friendly operating environment for entrepreneurs.
- Inputs from relevant sectors of the economy should be considered before policies are made to ensure such policies have impact on the entire economy.

4.0 Conclusion

The Session had in attendance delegates from both the public and private sectors of the economy. The resource persons provided invaluable insights into the Nigerian economy in the outgone year and proffer practicable steps for the survival of businesses in the prevailing economic conditions.

'Seye Awojobi, FCIB

Registrar/Chief Executive

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