



# Executive **Summary**

## Proshare **Confidential**

**2021 in the Rearview, 2022 in the Headlamp;  
Opportunities and Threats in Nigeria's Pre-election Year**

February 2022

# Contents



## Executive Summary

📌	2022, The Economy in a Slippery Rebound	3
📌	Sectoral GDP Growth - Hills and Valleys	5
📌	The Global Economy in Changing Phases	7
📌	Assessing Possibilities, the Local Economy in 2022	8
📌	GDP in A Nutmeg	9
📌	Inflation: Cooling the Rage of a Monster	9
📌	Interest Rate's High Tones	10
📌	Rethinking Public Debt	10
📌	Crude Uncertainty	12
📌	The Currency Ballroom 2022	12
📌	Treasury Bills and the Fiscal Burden	15
📌	Inside the 2022 Money Market	15
📌	The Security Bogey	16
📌	Heads Bent into Stormy winds- A Look at 2022	16
📌	Advice to Users of this Report	20
📌	Contacts	21

Contents

## What The Report Covered.

- **Introduction:** From Delta to Omicron- Betting on a Bug. 2
- **Benchmarking:** Sub-Saharan Africa in 2021. 19
- **The Economic Environment in Hindsight:** from the lens of Businesses. 36
- **Dodging a Bullet:** 2021 from the Lens of Households. 42
- Review of the **Policy** 55
- **Environment** 61
- Review of **Markets** 81
  - Fixed Income Market in 2021 81
  - Equity Markets in 2021 88
  - Oil and Gas Market in 2021 97
  - Commodities Market in 2021 111
- **New Markets:** Cryptocurrency and Technology in 2021 123
- **Transitioning Scenarios:** 2022 Outlook & Assumptions 135
- **Conclusion:** Thoughts on What is Possible 146



Download  
Full Report





## Executive Summary

### 2022, The Economy in A Mixed Rebound

*"What you do is either right or wrong depending on the terrain. In making decisions, seek clarity about the terrain to guide what you should or should not do."*

**- Dr. Ayo Teriba, CEO Economic Associates (EA), at Proshares January 2022 Management/Board Retreat.**

Teriba's observation speaks to the sifting parts of a conflicted domestic Nigerian economy with inflation rate falling against the backdrop of a negative current account balance, and a rise in the general price of agricultural goods as headline inflation dipped between the end of Q1 and Q3 2021. The year 2021 was a roller coaster of the **good**, the **bad** and the downright **ugly**. On the good side, headline inflation fell from slightly below 19% at the end of Q1 2021 to slightly over 15% by the end of the year. On the bad side, the country's current account balance stayed negative meaning that there were more external payments (outflows) than there were incomes (inflows) indicating a negative trade balance. The ugly part of 2021 was that the internal security situation worsened, resulting in agricultural supply chain disruptions. Rising insurgency in the country's Northern food belts led to logistic disruptions between farmgates and cities, thereby pushing up domestic food costs and worsening the national standard of living.

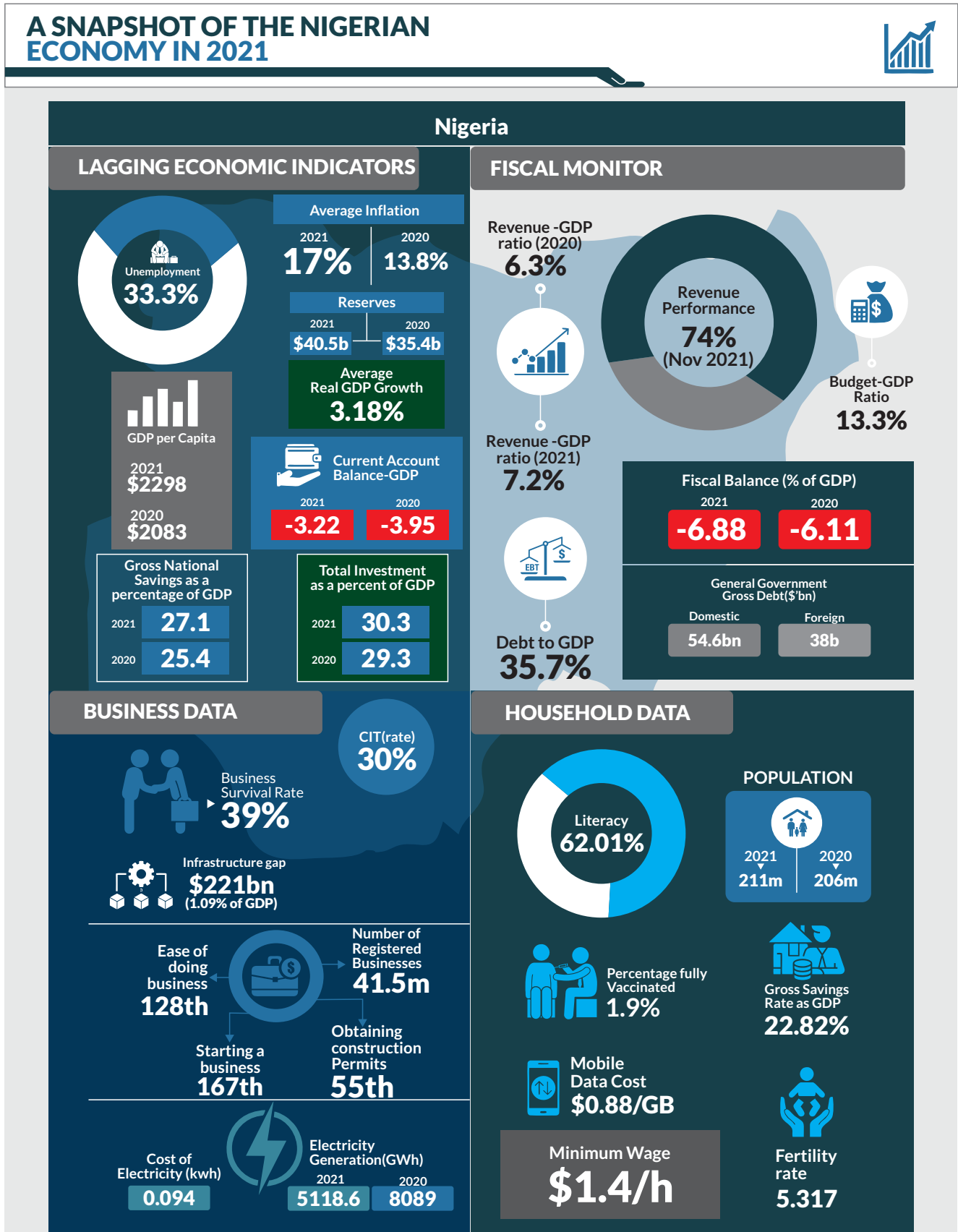
Analysts have equally observed that 2021 involved several moving parts. The removal of global lockdowns and the gradual resumption of economic activities saw the economy climb steadily from a ditch. GDP growth rose to 0.51% in Q1 2021, 5.01% in Q2 2021, and 4.03% in Q3, the year ended December 2021, according to estimates at between 2.4% and 3%. With no lockdown likely in 2022, real GDP could grow between 2.5% and 3.0% unaffected by base rate considerations, unlike in 2021, where faster relative growth was to some extent attributable to the slow growth rates in Q2 and Q3 2020.

The resurrection of a positive GDP growth rate suggests a rise in the domestic economic growth rate but with different rates across sectors. In this report we give our outlook on sectoral growth rates and opportunities. The report also presents our review of the moving dynamics of the economy which presents both challenges and opportunities.

“  
*In this Report we give  
our outlook on sectoral growth  
rates and opportunities.*  
”



Illustration 1:



\*Average real GDP growth figure is as of Q3 2021

Source: IMF, NBS, Proshare research



## Sectoral GDP Growth - Hills and Valleys

From the review, we were able to identify sectors that will grow faster than others in 2022. Faster growing sectors in 2022 would include:

- 📍 *Agriculture*
- 📍 *Financial Services (including Fintech and Insurance)*
- 📍 *Health Services*
- 📍 *Entertainment and Hospitality*
- 📍 *Information & Communication and*
- 📍 *Real Estate*

Agriculture will grow between 2.2% and 2.6% in 2022, driven mainly by the federal government and Central Bank of Nigeria (CBN) programmes to raise domestic agricultural production of grains and livestock.

The financial services sector has done well regardless of challenges deposit money banks face (DMBs) in recent quarters with negative quarterly since Q4 2020. The industry fell by -2.48% in Q2 2021 and -0.46% in Q1 2021 but would likely see a reversal in 2022 as GDP rises and business activities pick up a few notches. The rise would be on the back of the strong industry growth of 23.23% in Q3 2021. The finance industry could rise by at least 15.2% and probably settle at 18.3% by the end of 2022.

With COVID-19 and its variants (from delta to omicron) taking a toll on global public health, the situation in Nigeria may become just as dire within the year if public sector action remains passive and unaggressive. Given the weak domestic public health management from COVID-19 to Malaria and onto Cholera, the healthcare sector would witness a rise in the demand for drugs and healthcare services in 2022. The industry would grow faster than the 4.2% in Q2 in 2021 and 4.9% in Q3 2021. The growth of the healthcare sector in 2022 would be between 5.2% and 5.7%, pushed mainly by heavier public expenditure and more significant private spending.

The COVID-induced lockdowns in 2020 hit the entertainment and hospitality sector hard, but this would change in 2022. The industry had already started to turn an impressive corner in 2021, with the sector growing by 1.22% in Q2 2021 and 3.68% in Q3. The industry will probably grow between 4.5% and 5.6% in 2022 if COVID-19 problems are managed and air travel and hospitality businesses are undisrupted.

The Information and Communication (ICT) sector has in contemporary times done well. While other sectors have had patchy performances over the last four quarters, the ICT sector has held up decently. The industry grew 6.47% in Q1 2021 to 5.55% in Q2 2021 and 9.66% in Q3 2021. The sector expects to grow between 12% and 13.5% in 2022, driven mainly by a rise in data usage. With domestic employment increasingly pivoting towards remote work, data usage would grow year-on-year (Y-o-Y) as corporate managers have to decide whether to operate by total remote work or adopt some hybrid form of work. The hybrid model appears increasingly favoured in corporate Nigeria, as employers and employees have a middle ground between working from home (WFH) and the office (WFO).



Table 1:

## SECTORAL REAL GDP GROWTH(%) Q4 2020-Q3 2021



	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Agriculture	3.42	2.2	1.3	1.22
Mining&Quarrying	-18.44	-2.19	-12.29	-10.56
Manufacturing	-1.51	3.4	3.49	4.29
Electricity, Gas Stream and air condition supply	-2.51	8.66	78.16	14.36
Water supply	1.92	14.75	18.48	12.97
Construction	1.21	1.42	3.7	4.1
Trade	-3.2	-2.34	22.49	11.9
Accomodation	-15.03	-4.6	19.07	2.09
Transportation & storage	-5.95	-21.89	76.81	20.61
Information & Communication	14.95	6.47	5.55	9.66
Arts, Entertainment & Recreation	-1.52	-1.13	1.22	3.68
Financial & Insurance	-3.63	-0.46	-2.48	23.23
Real estate	2.81	1.77	3.85	2.32
Professional	-5.43	-3.84	1.27	1.11
Administrative	-5.3	-0.77	4.79	3.36
Public Admin	1.8	-0.88	-1.68	-0.15
Education	-11.43	-6.2	0.63	1.37
Human Health	3.05	4.65	4.92	4.99
Other Services	-4.27	-2.95	0.64	0.73

Source: NBS, Proshare Research, Ecographics

Real Estate has seen a significant rise in both value and volume of properties as the economy edged out of the 2020 recession and saw modest growth in 2021. The sector grew by 3.85% in Q1 2021 and 2.32% in Q2 2021. Analysts expect the growth to settle between 2.8% and 3.2% in 2022 as pre-election years typically see sizeable public sector spending trickling into different sectors at different rates. The real estate sector has traditionally been a significant beneficiary of pre-election expenditures as investors with cash to spare allot a portion to the properties market. Fitch, the global credit rating agency, sees the construction sector in Sub-Saharan Africa (SSA) growing by 5.4% in 2022, faster than the projected global economic growth rate of slightly over 4%.



## The Global Economy in Changing Phases

The global economy in 2022 will ease into a sustained recovery despite the coronavirus pandemic having different effects and severity across the world. The global economy would grow by 4.1% (World Bank forecast) in 2022 against an estimated 5.5% in 2021. The slow economic growth rate influenced the global growth rate in 2021 in 2020, which was influenced by COVID-19-induced lockdowns.

The relatively slower global economic growth rates would lower worldwide consumption and spending. There will be restraints on economic growth for countries that depend heavily on primary products. Lower consumption and production in more complex economies would lead to lower supply chain product demand and lower prices.

The variants of COVID-19, such as the delta and omicron, may worsen global demand as lockdowns or partial lockdowns and restriction of labour movement across borders could see a reduction in production activities. Countries like Nigeria have witnessed a fall in their foreign remittances. Countries battling the COVID-19 pandemic will see lower economic activities and labour demand, resulting in lower income transfers by foreign workers. In 2021 estimated foreign remittances fell from US\$22bn in 2019 to US\$19bn, representing a -13.64% decline.

Global demand for goods and services will cool off in 2022. However, tech companies may still see strong demand from products that scale user interface and experiences (UI/UX) and facilitate better and more consumer-centric products. Open banking has increased finances in Africa and brought more people into the financial metaverse.

Fintech companies in places like Nigeria have lowered barriers to capital flows by such activities as allowing retail investors a toehold into foreign equity markets by platforms like Bamboo and Chaka. Technology and Healthcare will dominate global conversations as the world tackles the coronavirus pandemic and other diseases (Lassa fever and Malaria in Nigeria) and rethinks work culture by cutting workdays and adopting hybrid work systems.

## The Inflation

Riding on the back of a global growth slow down and rising global inflation rates resulting from earlier coronavirus-related quantitative easing will lead to central banks raising rates in 2022 to calm inflationary pressures. Snuffing out inflationary fires will mean global bond yields will rise as bond prices fall in 2022. Investors may wish to diversify their portfolios by late bird bonds at lower prices and higher yields. However, higher Inflation and interest rates may crowd out private sector investments as corporates face higher finance costs and lower profit margins. Thinning profit margins may lead to investors voting with their feet as they leave equities for higher potential returns in alternative investment outlets.

## The Global Unemployment Quandary

Riding on the back of a global growth slow down and rising global inflation rates resulting from earlier coronavirus-related quantitative easing will lead to central banks raising rates in 2022 to calm inflationary pressures. Snuffing out inflationary fires will mean global bond yields will rise as bond prices fall in 2022. The global unemployment rate has continued to rise since 2021, with the likelihood of a further rise in 2022. A lot depends on the COVID-19 pandemic and its disruptive impact on global supply



chains. Unemployment rates may fall gradually over 2022, but this would depend on how governments contain the persisting pandemic and avoid lockdowns. Nigeria, for example, has already seen an improvement in its Purchase Managers Index (PMI) which was 56.4 (StanbicIBTC) in December 2021 (up from 55 in November 2021), and this indicates improvement in managers business expectations and levels of employment. Unemployment has recently declined in the United States of America (USA) and the United Kingdom (UK). Nevertheless, the declines are fragile as the tightness of monetary policy will heavily influence the economies as their central banks combat Inflation caused by the global liquidity glut and large fiscal deficits.

The fiscal deficits will persist over 2022, and governments will see the need to reel in their debts and reduce their spending. Combining these policies will involve public spending cuts which will slow growth and perhaps increase unemployment. In other words, unemployment may decline but at a falling rate depending on how severely the government cuts its spending. However, higher Inflation and interest rates may crowd out private sector investments as corporates face higher finance costs and lower profit margins. Thinning profit margins may lead to investors voting with their feet as they leave equities for higher potential returns in alternative investment outlets.

## When Oil Price Matters

Worries about government spending cuts will be chased by problems of a persistent rise in international oil and gas prices in 2022. Oil prices will reflect a rise in demand as economies recover from their slow growth rates between 2020 and 2021. Many global economies saw base rate adjustments in 2021 as they grew faster because of the historically low growth rates of 2020. Those effects are gone in 2022, so many countries will see slower growth rates than in 2021 and with oil prices likely to stay above US\$75 per barrel, growth brakes may apply harder than most analysts' earlier expectations.

The international oil market will be a significant influencer of domestic price increases and economic growth in the year; the odds are that the rise in demand and supply challenges across oil-producing countries will cause regular revisions in global growth projections for 2022.

## Assessing Possibilities, the Local Economy in 2022

Nigeria's domestic economy will reveal a bag of uncertain outcomes resulting from the local economy's primary commodity structure and monetary and fiscal policy options available to the federal government in a pre-election year.

The fact that Nigeria's main export product (crude oil) has its price and quantity determined by an oligopolistic cartel (the Organisation of Petroleum Exporting Countries (OPEC)) means that Nigeria cannot cut its oil prices to increase sales and improve its revenue. The quota caps on volume placed on member OPEC countries leave their revenues vulnerable to price swings that occur from time to time.

A rise in oil prices increases revenues, and a fall in prices decreases the national income of oil exporters; in recent months, the price movement has been majorly affected by the increase or decrease in the growth and demand of Asian economies. The campaign for cleaner non-fossil fuel has created funding challenges despite resilient demand.

Analysts predict that the demand for fossil fuel will remain strong over the decade, with demand tapering off significantly between 2030 and 2031. In 2022 Nigeria would be able to export at least 1.6m barrels per



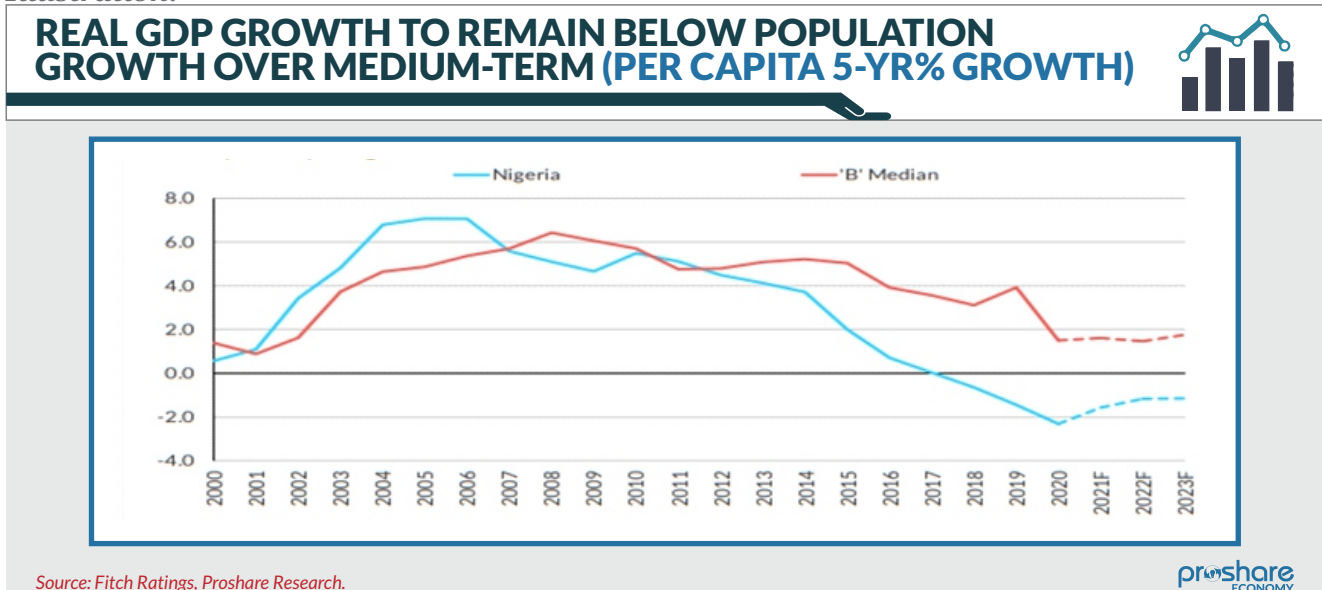
day of crude oil at an average price of US\$80 per barrel. The recent 2022 budget rests on US\$62 per barrel, leaving a significant potential accretion to the Excess Crude Account (ECA) and the build-up of foreign reserves. An increase in foreign revenues should reduce 2022's budget deficit, thereby improving the country's debt service to revenue ratio (76% as of November 2021), and provide more substantial fiscal buffers for capital expenditure and growth. The country's gross domestic product (GDP) may grow faster than analysts' recent consensus average forecast of 2.5%.

### GDP in A Nutmeg

The country's GDP would likely grow at 3.2% in 2022, which would be modest compared to the global GDP growth of 4.1% in the same year, but it would be better than the 0.51% at the end of 2020. GDP growth for 2021 would settle at 4.06%, given the base rate effect of negative growth in Q2 and Q3 of 2020 and the modest 0.11% growth in Q4 2020. The slower projected GDP growth rate for 2022 would occur within a relatively high inflationary environment (recent Inflation was 15.06% in December 2021). The slow projected growth would reflect a negative real GDP growth below the country's population rate, meaning lower real GDP per person and frailer retail spending in the year.

The slower growth of GDP in 2022 would indicate a modest increase in the various other sectors of the economy except for technology, agriculture and ICT. The fast-moving consumer goods (FMCGs) sector would see lukewarm expansion.

#### Illustration:



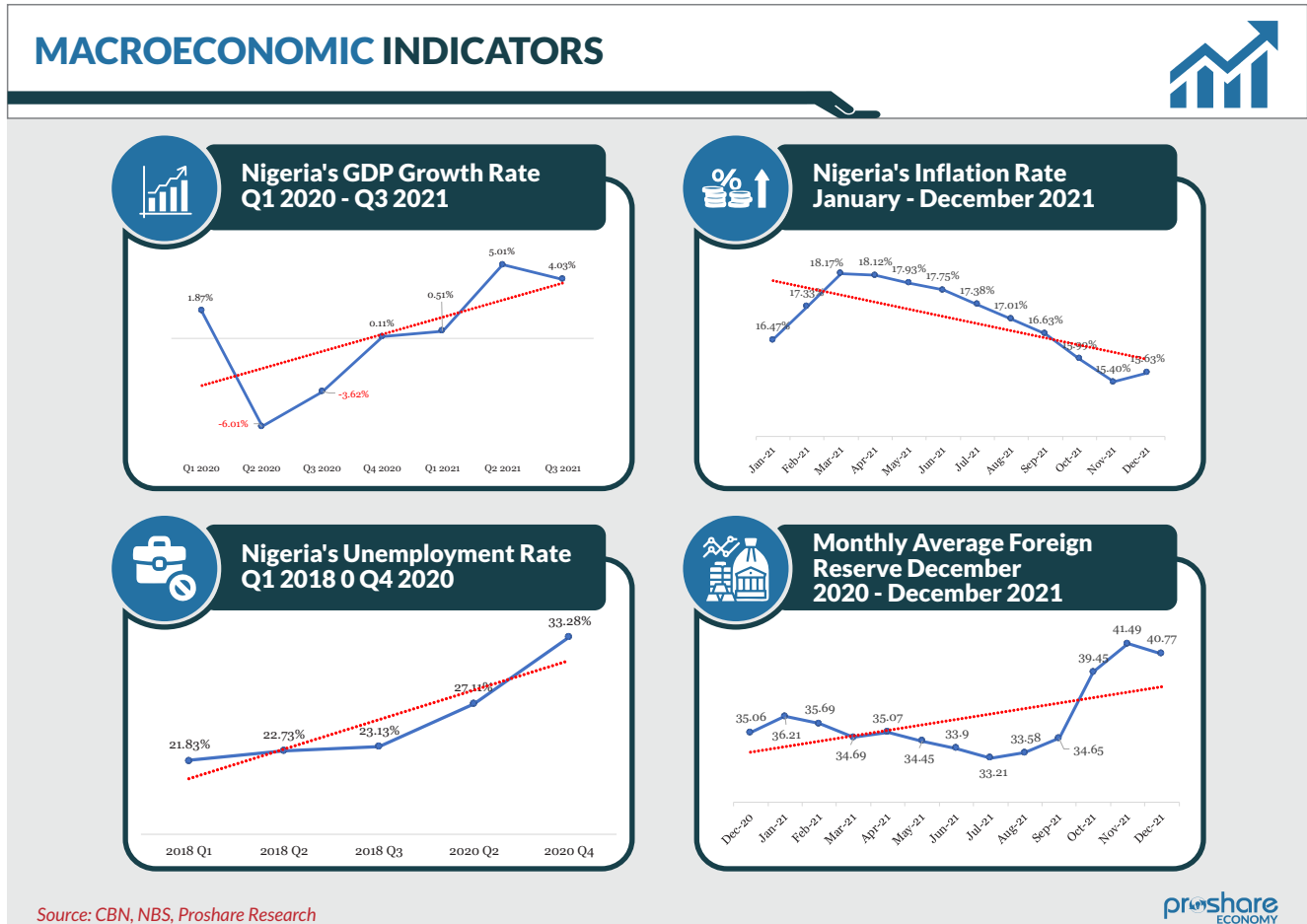
### Inflation: Cooling the Rage of a Monster

The country has had to deal with a high inflationary environment since 2016. In 2021 the Inflation rate continued to its upward glide until a reversal happened in Q2, 2021 which saw the inflation rate tumble from 18.17% in March 2021 to 16.63% in September 2021. The decline in Inflation is expected to continue for most of 2022 as the Central Bank of Nigeria raises its policy rate from 11.5% to 12.5% by Q2 or it reduces the banks cash reserve ratio (CRR) from 27.5% to between 25.5 and 26.5% as credit expansion increases output. A lower CRR would increase bank liquidity, reduce interest rates and lower company finance costs and probably product prices. Cooling inflation rate would encourage higher domestic



savings and investments and raise GDP growth rate and employment. **A lower CRR would be more effective in stimulating economic growth in 2022 than the raft of monetary interventions in 2021.**

*Illustration:*



## Interest Rate's High Tones

Interest rates will rise in Nigeria as the federal government attempts to curb Inflation in 2022. Tight monetary policy will result in a rise in domestic interest rates and a higher inflation rate after subsidy removal and the upward review of energy prices; the inflationary knock-on effects would need monetary policy intervention. Unfortunately, weak fiscal policy capacity could upend the ability of the economy to grow GDP in a non-inflationary manner. The poor fiscal and monetary policy alignment places policymakers in a perfect storm. Typically, governments cut taxes at times of slow economic growth, but in 2022 the greater likelihood is that taxes would rise, and the federal fiscal tax net would expand. The proposed upwardly revised tax on carbonated drinks indicates the new tax approach for the year as the federal government tries to plug the fiscal revenue gap.

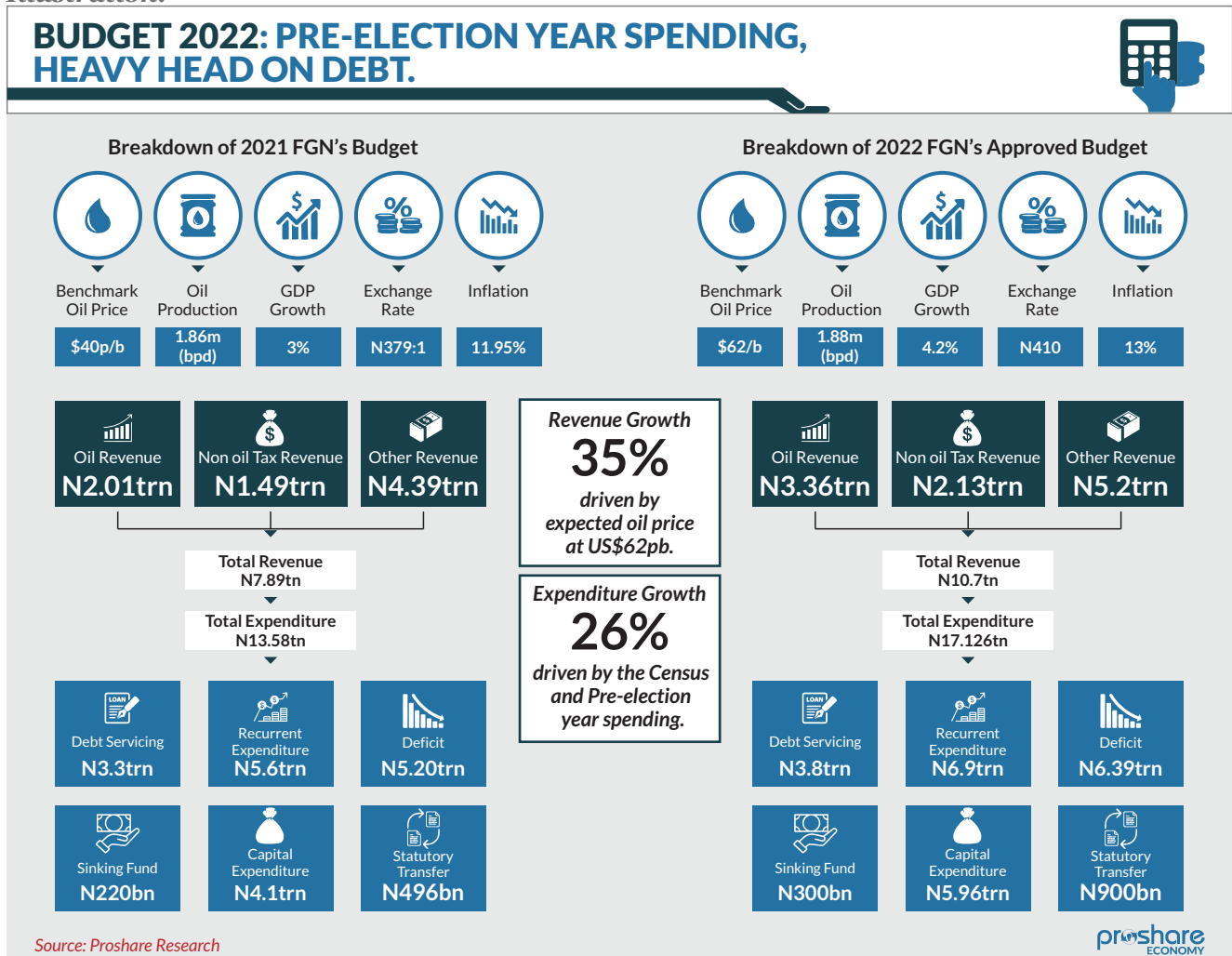
## Rethinking Public Debt

Nigeria's public debt book has soared in the last five years. Total debt has risen from N17.36trn in 2016 to N32.92trn in 2020, representing a compound annual growth rate of 17.43%. Nigeria's debt service obligations have been increased from N353bn in 2016 to N1.56trn in 2020. Analysts appear divided on



the sustainability of the N38trn federal fiscal debt position in 9months 2021. One school insisted that with a debt to revenue ratio of 76.2% as of November 2021, Nigeria was staring down the barrel of a debt crisis; the other school insists that at a debt to gross domestic product (GDP) ratio of less than 40% Nigeria's debt position was manageable. The more convincing school is the hawkish school which believes that debt-to-revenue was a more critical metric than debt-to-GDP.

**Illustration:**



Nevertheless, both schools ignore what may be critical to fiscal sustainability, which is the resolution of the debt-to-revenue or debt-to-GDP debate. **A better approach to looking at the debt situation is to adopt a balance sheet rather than an income statement approach. The result would be that debt would be measured against income-earning assets.**

The new thinking is that Nigeria has piles of assets that do not generate revenue and are considered 'dead.' These assets could add to revenue streams to lower the current high debt service to income ratio if revived. The Nigerian government seems to be slowly buying into this idea by increasing the number of concessions it approves across different economic sectors; it has started with non-oil mining concessions and new telecommunications licensing (5G networks).

By reducing the government's cash outflows (an income statement activity) and increasing asset concessions ( a balance sheet cash inflow activity), the fiscal balance would improve quickly as projects



would be funded by private capital rather than public sector debt (suggesting project and venture finance opportunities in 2022). Adopting this approach would increasingly reduce the crowding-out effect of government bond and bill issues on private credit to the domestic capital and money markets. As far as 2022 goes, interest rates and Inflation will remain high as the fiscal policy managers struggle to tackle the growing *debt bulge*.

The new year should see a rise in venture and private equity capital as rising local interest rates and double-digit Inflation encourage enterprises to look for alternative financing.

## Crude Uncertainty

The global crude oil market has been in flux since 2020. Oil price uncertainty and supply challenges have left fiscal projections in tatters. Nigeria has had to cope with significant price variability riding the back of volume shortfalls. Nigeria presently produces 1.6m barrels of crude oil per day as against the budget expectation of 1.86m barrels per day in 2021 and 1.88m barrels per day in 2022. Few analysts expect Nigeria to meet its target, but they are optimistic that it will sustain a 1.6m barrels per day production output in 2022. If oil prices stay above US\$62 per barrel during the year, the government will meet its 2022 budget revenue expectations with minimal, if any, fiscal disruption.

However, trouble between Russia and western economies over gas pricing and supply and rising tension over the possibility of a Russian invasion of Ukraine in the year could lead to a global anxiety factor being priced into oil and gas prices. Despite these concerns, Saudi Arabia and other principal OPEC members have said they would not want to see oil prices tip over the US\$100 per barrel mark. Indeed, the largest oil producers would likely head off the rise before it gets close to the US\$100 per barrel resistance threshold. Higher oil prices mean higher domestic subsidy in Nigeria, with the federal administration insisting that it could no longer bear the massive cost of domestic subsidy based on its high and rising debt service burden and lean revenues, the possibility of gradual removal of what the government has called petroleum 'under-recovery costs' would seem inevitable.

The cutting of petroleum subsidies would translate to a rise in domestic logistic costs. Still, it may not lead to a massive knock-on rise in food and other prices. The agriculture sector typically uses price-deregulated diesel or automotive gas oil (AGO) for transportation rather than regulated premium motor spirit (PMS).

Will domestic prices rise in 2022? Indeed, they will. However, the extent of the rise may not be as frightful as first thought. Domestic PMS price in 2022 may rise from N165 per litre at the beginning of the year to N345 per litre in Q2 2022. Domestic oil marketers would likely see a notable rise in revenue from Q2 2020 as PMS price rises from the second quarter of the year.

## The Currency Ballroom 2022

Nigeria's foreign exchange market will remain a big economic elephant in 2022. Like previous years, events in the market will have a direct bearing on the domestic inflation rate, manufacturers' resource allocation and overall industrial output.

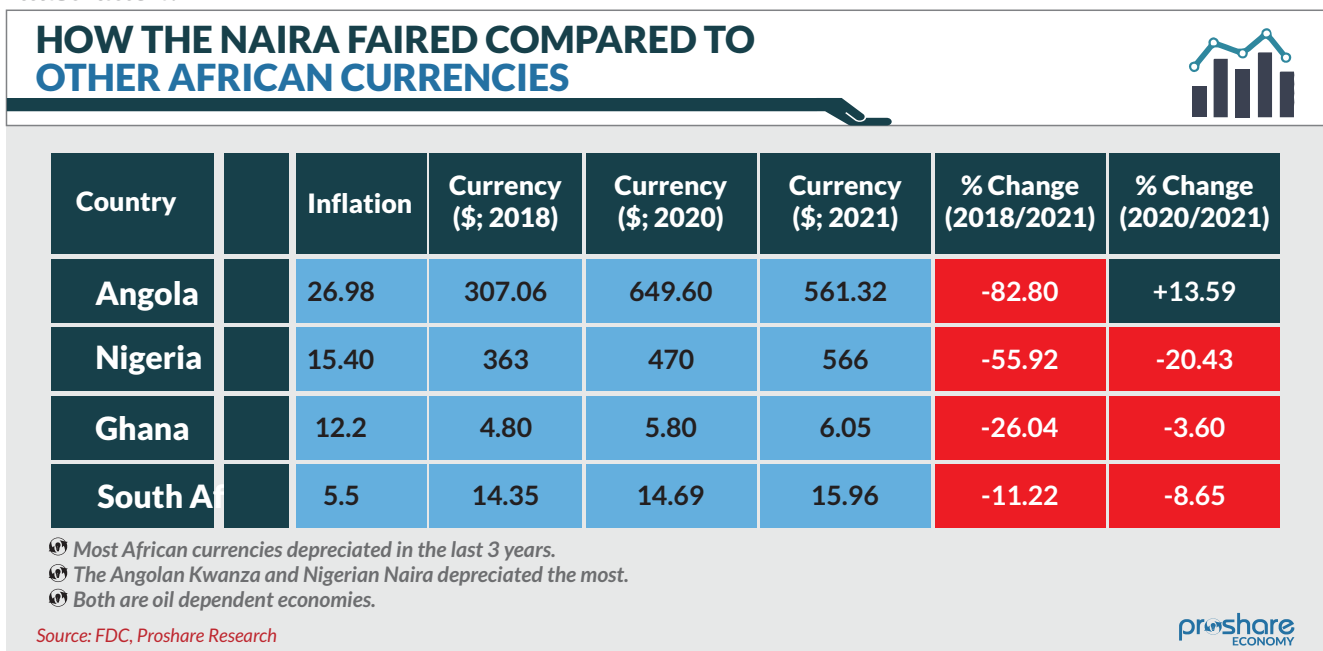
If the international oil market holds up demand, then product price would be strong enough to ensure that public revenue stays ahead of budget expectation, and foreign reserves would witness modest growth in 2022. However, suppose Nigeria's oil production volumes drop off (the budget 2022



expectation is 1.88mbd)? In that case, foreign exchange reserves could become depleted. The foreign exchange rate would rise as the naira loses value in international currency markets, and increased pressure would be put on domestic prices causing higher domestic inflation.

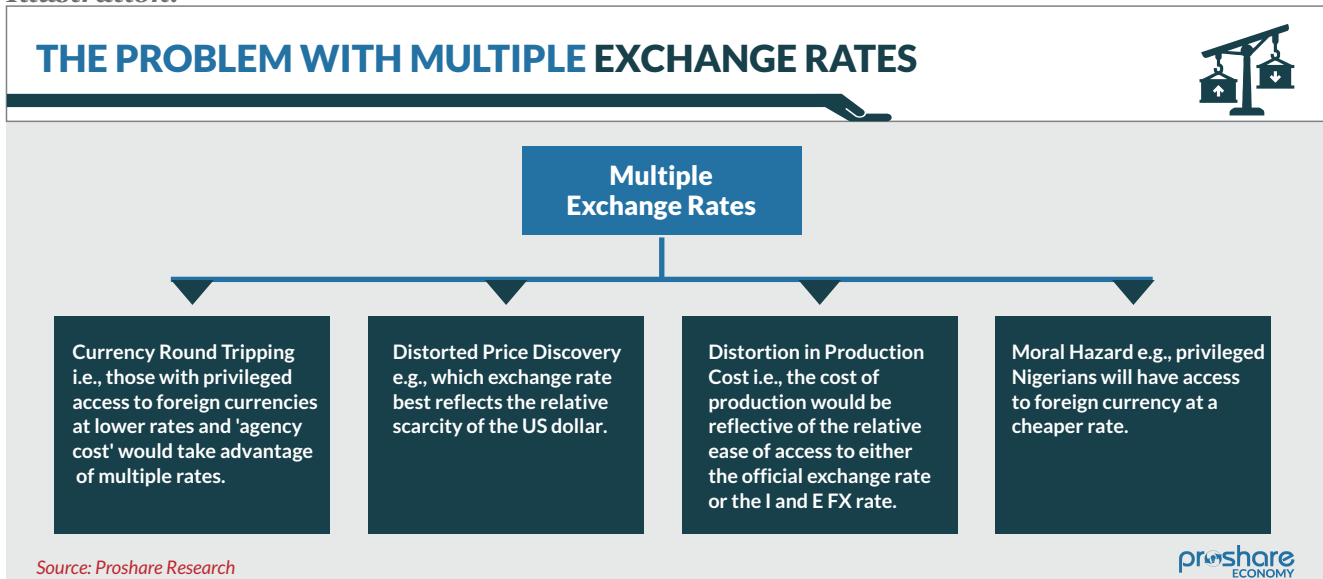
The etiquettes of the currency ballroom in 2022 will be irrelevant where the elegance of a ballerina would not count for much in a street dance clash. With global economies battling historic rates of inflation and domestic interest rates rising, the flow of foreign direct investment (FDI) to emerging economies, like Nigeria, will crumble. The CBN has said that the Nigerian economy does not catch cold when the global economy sneezes, this may not be true for 2022. As foreign interest rates rise the opportunity cost of investing in Nigeria will steepen and rational investors will reallocate funds.

*Illustration:*



A further problem with the naira is that the country's managed multiple exchange rate regime could hurt foreign direct investment (FDI) and encourage market abuse through extensive roundtripping.

“  
*The CBN has said that the Nigerian economy does not catch cold when the global economy sneezes, this may not be true for 2022.*  
 ”

*Illustration:*

One option to correct the problem would be to allow the naira to depreciate by a 'dirty' or mildly managed float. Economists believe that with the naira depreciating, imports would become more expensive and exports cheaper, thereby encouraging a gradual elimination of the spread between official sources of foreign exchange (FX) and a parallel black market. Contrarians are unconvinced and believe that a naira float would not narrow the difference between the official rate and the parallel market rate. They insist that the black-market rates rise each time the official rates rise, resulting in the classical case of a dog chasing its tail.

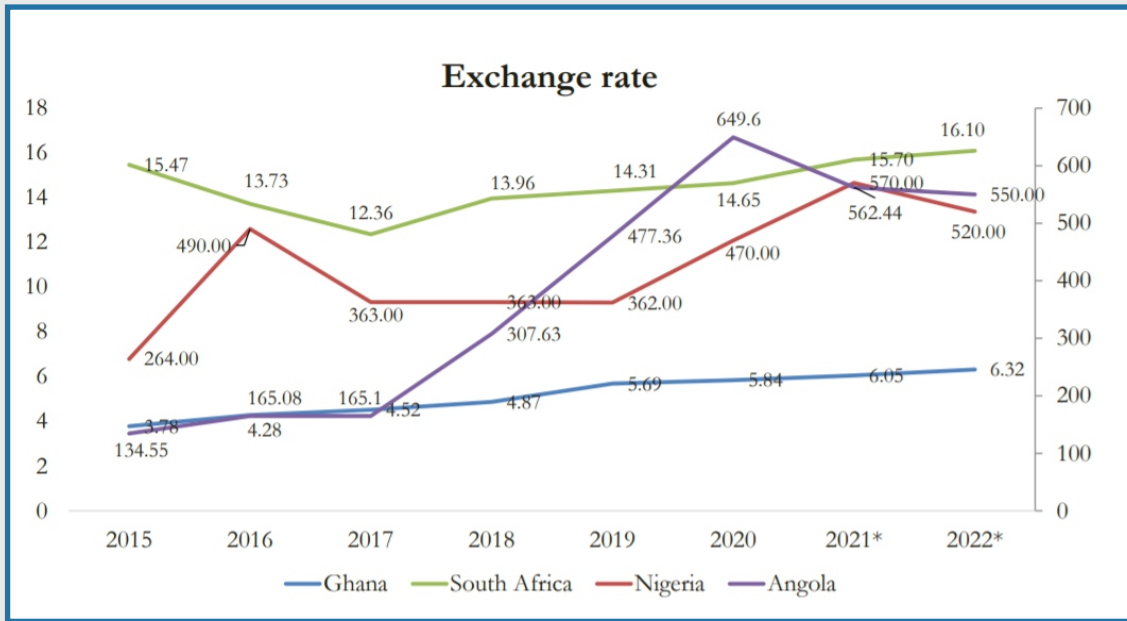
Therefore, a second option would be to set a strictly managed float with a sunset clause and impose a date by which the 20% of local imports responsible for 80% of FX use are scaled down to at most 20% of FX demand. For example, if the Dangote refinery comes on stream by Q4 2022, then expenditure on refined oil products can be eliminated with the attendant fall in the pressure on the Naira in FX markets. After the sunset date, a flexible float could be allowed with the new float regime nudging convergence of the various domestic exchange rates.

“  
***One option to correct the problem would be to allow the naira to depreciate by a 'dirty' or mildly managed float.***  
 ”



Illustration:

## HOW AFRICAN CURRENCIES PERFORMED IN 2021



Source: FDC, Proshare Research



The strengthening or weakening of the naira in 2022 will largely be determined by oil revenues and various political and economic factors that will influence the international oil market's volumes and prices in the months ahead.

### Treasury Bills and the Fiscal Burden

Treasury Bill rates will rise as bond prices fall in the year. The rise in Treasury yields will mirror domestic interest rates as the Central Bank of Nigeria (CBN) curtails rising domestic Inflation propelled by higher domestic fuel prices and energy costs and higher domestic interest rates in 2022. The CBN is likely to raise the monetary policy rate (MPR) but reduce the banks' cash reserve ratio (CRR) from 27.5% to 25 % and 26%.

The fiscal authorities may be less active in the domestic and foreign debt markets in 2022 than in 2021 as they tighten liquidity to keep Inflation in check and reduce the fiscal debt service burden.

### Inside the 2022 Money Market

As debt becomes an issue of careful management against the backdrop of growing anxiety over the country's N38trn third party obligations, the domestic money market will be liquidity constrained, the fiscal authorities have depended heavily on Ways and Means expenditure (CBN borrowings) beyond the statutory and legal maximum, and this could pose a major problem in 2022 as the Central Bank runs out of monetary policy roadway.

The government's financial exposure to the CBN could be converted to tradeable securities, but the result



would be a further rise in domestic money market rates and a crowding out of private-sector borrowers. Both interbank and open buyback (OBB) rates would rise in the year.

## The Security Bogey

The broad outlook for the Nigerian economy depends heavily on the state of national security, the reestablishment of peace in Nigeria's agricultural belt in the North Central parts of the country and the containment of insurgency in the South East and South-South.

The disruption of economic activities in the oil-producing South East and South-South and kidnappings and religious rebellion in the North East and North West could eliminate the steady-state assumptions upon which the basis of the multiple regression stepwise Keynesian econometric analysis.

The state of domestic security and the government's effectiveness in dealing with this variable will be critical to sustainable GDP growth in 2022.

## Heads Bent into Stormy winds- A Look at 2022

The main COVID-19-induced headwinds of 2020 appear to have stopped. Economies have gradually got their groove back, and analysts expect to see faster-paced growth in 2022. Unfortunately, due to excessive liquidity created in 2021 as governments fought for domestic recessions, global inflation rates have scampered up, leaving governments with the choice of raising interest rates that could reverse or at least slow the growth of global GDP.

With global economic recovery accompanied by rising oil demand and ballooning crude oil prices, Nigeria's nominal export earnings may rise in 2022. However, the non-oil sector could suffer misfortune due to increased banditry, kidnappings and insurgency, thereby hurting agricultural and industrial output. Nigeria's GDP would possibly grow between 2.7% and 3.0% in 2022 as GDP rebounds to pre-pandemic levels. As the population growth rate remains unrestrained at around 3% per annum, per capita GDP would decline.

The base rate effect, which accounted for the previous fall in Inflation in 2021, would ease in 2022, as rising gas and imported food prices keep Inflation at mid to high double-digits. In the absence of a re-emergence of the Coronavirus pandemic, the nation's Current Account deficit would fall marginally as oil prices rise.

Against this background, the Fiscal authorities need to prioritize the country's human capital development by investing in the healthcare and education sectors. Furthermore, significant income mobilization will be required in the medium to long term to minimize budget sustainability risks caused by rising debt to revenue ratios. With low per capita income, revenue mobilization will need to rely on a broader tax base and a rise in marginal tax rates as the government struggles to balance its books.

Indeed, a few analysts believe that Nigeria may see new tax credits to companies ready to construct roads and other infrastructure to reduce direct public spending on infrastructure (BUA Cement was in January 2022 approved for tax credits, following the example of Dangote Cement and Nigeria Flour Mills in Q2 2021). Economists have argued that strategies such as Asset-securitization and non-interest-yielding debts could also be used to reduce the government's debt service cost.



The idea of an Infrastructure company adopting a private-public partnership (PPP) approach equally remains on the table; however, to attract foreign investment, a more transparent and market-based exchange rate policy is required. Analysts have suggested developing a market-clearing uniform exchange rate. However, the CBN's strict 'managed float' policy may need to have a short shelf-life as domestic inflationary pressures persist and the government figures out how to financialize dead public assets.

**Section 1** of the report takes a helicopter view of global and continental macroeconomic developments and paints a new portrait of outcomes of global macroeconomic data in 2022. The section compared pre-pandemic levels of international trade with more recent numbers and patterns. While physical trade in goods may decline in 2022 and beyond, international trade in knowledge and services would rise, and globalization in human capital would grow faster.

The report looks at the dampening effect of the Delta and Omicron strains of COVID-19 on global economic growth over the last twelve months. The section reviews the resulting Supply chain bottlenecks, which supported global Inflation to record highs. It also assesses the decision of monetary authorities to lower benchmark rates and the pivot of businesses globally to the Just-in-Case (JIC) production technique as an alternative to the Just-in-Time (JIT) approach. This section also examines important trends and outcomes in global trade during 2021, from Brexit to the Sino-Aussie-US conflicts.

**Section 2** looks at the country's macroeconomic indicators and scrubs the data for unique trends that have defined the outcomes of Nigerian businesses over the period. The report drives through the performance of the different sectors of the Nigerian economy, highlighting the industries that recorded the best performances. It also analyses the volume of capital importation and the structure of foreign trade in the period, making comparisons with the arrangement in previous periods.

**Section 3** gives a review of the plight of the average Nigerian Household in the face of lower purchasing power and high unemployment, resulting in increased poverty. This section looks at how Nigerians have adopted migration as a survival strategy while also assessing the means through which a 'brain drain' turns into a 'brain gain' can be made out of the "Brain Drain" primarily through the development and export of human capital.

**Section 4** looks at the government's fiscal operations in 2021 and then evaluates the impact of the Central Bank of Nigeria's (CBN) monetary policy over the period. A survey of the Bank's various interventions is undertaken. In this section, the 2022 Budget comes under sharp focus, being the last of the administration and the budget for a pre-election year.

**Section 5:** appraises significant global fixed-income market activities in 2021. It scans the domestic fixed income market, highlighting developments in the primary and secondary segment of the FMDQ, Nigeria's principal Fixed Income securities Exchange. The report zeros in on the Eurobond issuances by the Federal Government and the private sector issuances over the period.

**Section 6:** looks at the performance of the global equities market in 2021, focusing on the major indexes like the Dow Jones, S&P 500 and the HANSENG. It provides highlights and lowlights for the Nigerian Stock Exchange (NGX) while identifying the market's vibrant segments in 2021.

**Section 7:** considers the significant developments that shaped the demand and supply of oil and gas in the international market in 2021. It assesses the impact of the Hurricanes Ida and Nicholas and the newly



discovered Omicron variant of COVID-19. It also features the global gas shortage in 2021 and its impact on

global gas prices. On the domestic scene, the impact of the passage of the Petroleum Industry Act on activities in the oil and gas sector is examined. The Financial performance of TotalEnergies Marketing Nigeria Plc is taken as a case study.

**Section 8:** reviews the commodities market in 2021. It looks at the major factors which determined the returns on hard and soft commodities over the period. It provides an insight into important policy actions taken by the government in the year.

**Section 9:** wraps up the major events in the crypto and tech markets in 2021, it dives into the returns of the top crypto currencies by market cap and sums up the major events that occurred in the global and domestic technology markets.

The final section of the report, **Section 10**, gives an outlook for 2022. It takes a shot at outlining the various drivers that form the basis of our Analysts' outlook for the year.





## Advice to Users of this Report

Proshare Nigeria, founded in December 2006, is Nigeria's No. 1 and most trusted online financial hub dedicated to serving as a critical bridge between financial markets and economic stakeholders. Proshare is a multiple award-winning and professionally run research, data, news, and analysis services firm with eight distinct practice areas – economy, business, markets, regulators, technology, MSME, personal finance, and media.

### Practice Ethos and Disclaimer

Proshare does not guarantee any economic or investment outcome based on the information contained in this report. Although we have used our best efforts to provide the most accurate information, we cannot promise your future profitability or any other economic gain and do not promise verbally or in writing that you will earn a profit or any other gain when or if you use the information contained therein; or take the actions that might have been prescribed here by the author, our analysts or available on [www.proshareng.com](http://www.proshareng.com).

Decisions taken based on a reading of this report ultimately represent the exclusive choice and responsibility of the reader. There is a risk of loss in taking both economic and financial market decisions based on independent analysis. It should be noted that past performance is not necessarily a good guide to future economic or investment outlooks, therefore, decisions formed based on past performance may prove to be inaccurate or wrong.

### What You Can Do:

You are given the unlimited right to read, download and print this report and to distribute it electronically (via email, your website, or any other means). You can print out pages and use them in your private discussion groups as long as you acknowledge **Proshare** and you do not alter the material in any way. Most importantly, you should not charge for it.

We encourage academicians, market and economy analysts, and investors alike to send in completed data-backed and evidence-based research materials on topics relevant to building a virile economy to us at [info@proshareng.com](mailto:info@proshareng.com). If approved for publishing, we will subject it to the same terms and conditions applicable to information developed by Proshare. We retain the rights however to edit the submission as applicable to conform to practice ethics and market decorum/regulations.

### Copyright:

The copyright in this work belongs to the authors who are solely responsible for the content. Please direct permission requests to the Managing Editor, **Proshare Nigeria Limited**. This work is licensed under the Proshare trademark and is registered accordingly at the National Library and other relevant agencies. Proshare Reports, a critical part of Proshare's education, empowerment and enlightenment goals is designed to provide feedback and market impact commentary on economic, financial and business developments. While the partners and acknowledged references are responsible for their own work, the report issued is designed to document facts and nothing more.

### Creation Date:

This document was created on February 6, 2022 and is based on the best publicly available information at that time. To check for updates, kindly send us an e-mail. Thank you.

Head, Research

Chief Economist/Managing Editor

# CONTACTS

This report was put together by Teslim **SHITTA-BEY**, Managing Editor, Proshare Content, Abdulqudus **ISIAKA**, Adaeze **NWACHUKWU**, Tosin **IGE**, Bukunmi **ADEJOBI**, Eniola **ENIAFE** and Jariyat **BAKARE** of Proshare Research. Production of report put together by Proshare **Graphics**

## Editorial Team:

Grace 'Jare-AJUWON [grace.ajuwon@proshareng.com](mailto:grace.ajuwon@proshareng.com)

Reshu BAGGA [reshu.bagga@proshareng.com](mailto:reshu.bagga@proshareng.com)

Teslim SHITTA-BEY [teslim.bey@proshareng.com](mailto:teslim.bey@proshareng.com)

Saheed KIARIBE [saheed.kiaribe@proshareng.com](mailto:saheed.kiaribe@proshareng.com)



PROSHARE NIGERIA: The Upper Room Plot 590b,  
Lekan Asuni Close Omole  
Phase II, Isheri LGA P.O.Box 18782, Ikeja,  
Lagos, Nigeria.



@proshare



Proshare Nigeria



proshareng



ProshareNG



Proshare Ng



0700 PROSHARE



+234 805 585 2156



[contact@proshareng.com](mailto:contact@proshareng.com)



[www.proshareng.com](http://www.proshareng.com)

## Recent Reports



100 Days After CBN Board Removal  
**First Bank's Shaky House of Cards**



The Nigerian Online Trading Portals  
**Ranking Report 2021**



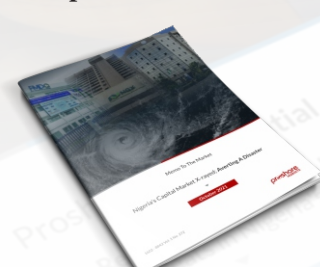
The Capital Market Service  
**Report 2021**



**CEO Remuneration:**  
From COVID to Collaboration



Nigeria's Banking Industry: **The Case  
for Redefining Tier 1 Banks**



Nigeria's Capital X-rayed:  
**Averting A Disaster**



# Proshare Confidential

2021 in the Rearview, 2022 in the Headlamp,  
Opportunities and Threats in Nigeria's Pre-election Year

February 2022

proshare  
ECONOMY