

THE FEDERAL REPUBLIC OF NIGERIA

COUNTRY REPORT

2018

About the report

In this report we addressed the research with the aim of providing an unbiased analysis of The Federal Republic of Nigeria to enable potential investors to have an objective view about the country as well as to be able to make fact-based business decisions.

Methodology

The research was based on primary and secondary data gathered from different sources that were judged reliable by Victoria's research team.

The report encompasses two parts, first the macro-environmental analysis part which addresses the country's macro-environment and provides insights about the country's Political, Economic, Social, Technological, Environmental as well as Legal aspects. The second part contains a sectoral analysis that sheds light on the country's potential and risks associated with the sectors analysed.

Victoria Consulting Country Reports Committee

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Special Report Committee of the Present Edition

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About Victoria Consulting

Victoria Consulting is a fast-growing boutique consultancy firm based in Dubai International Financial Centre (Dubai, UAE) with strong network in Europe, Africa, Asia. Founded recently by former Delloite and Euronext senior executives with over 60+ years of combined work experience in strategy, finance and management consulting.

We hold ourselves accountable to our value delivered standards by engaging strongly with our clients to reach high value created by our joint efforts.

In today's complex and ever-changing business environment the stakes and the risks are incredibly high. Getting the right advice matters. You need the right partner to help you identify the right strategy for your organization, and execute it with certainty, speed, and impact...

We help our clients make sustainable improvements to their performance and realize their most important goals.

Helping organizations make the changes needed to succeed is Victoria Consulting's main objective. We serve a broad mix of public, private and social sector institutions. We help our clients make noteworthy improvements to their performance and realize their most important goals.

Our guiding principles of working together are based on fundamental standards that are extremely high.

At Victoria Consulting, high value creation requires that our advice deliver insight and change in the mindset of our clients. Hence, our work leads directly to clients acting and executing their strategy in better ways. We enhance client capabilities and deliver both competitive advantage and bottom-line impact.

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We leverage our strategic knowhow, industry expertise and relevant strategic networks with emerging and mature markets to help your organization have valuable advice.

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Executive Summary

Nigeria is Africa's most populous country with a dynamic workforce and a changing environment on the course of recovery from the oil recession. Nigeria is working to transform its dependence on oil based exports to a more diversified portfolio of investments to support the economy.

In terms of political situation, Nigeria has a strong democracy with President Buhari at its helm. However, there have been concerns over the President's health due to his absence from the country in the recent past which then subsided upon his return and public appearance. The country has the next elections in less than 6 months. This would be a test for President Buhari's leadership and for his political party. There could also be bursts of violence prior to the elections that may result in a coup if the situation were not handled in time. The country suffers from being slow in taking actions towards political reforms and also in managing the violent unrent that has occurred across several regions in Nigeria, due to three different terrorist organisations in the country. Despite these challenges, Nigeria has been an important player in the Sub-Saharan African stage and has maintained key foreign relations with countries like India and China.

The economic situation in Nigeria is improving and the country is also recovering from the recent recession that was due to the fall in oil prices. The country relies heavily on oil exports and any downward fluctuation in these oil prices can be discomfoting to the economy of Nigeria. The government has been working to diversify its dependence and the reliance of its economy away from the oil and gas sector. The inflation in the country will remain high in the near future and the foreign exchange market control should improve gradually as well. The higher oil prices at present have helped the quick recovery of the economy and this trend is expected to continue for the interim. The country's level of external borrowing is expected to

increase given its need to diversify and invest across sectors. This is however keeping in mind that the real GDP growth and the Nigerian currency Naira both are subject to not just the government's efforts to help improve the economy but also on the external market investing in the country. The Monetary Policy Committee in Nigeria approved to have more flexibility in the exchange rate policy and the Central Bank of Nigeria setup the Investors and Exporters Foreign Exchange window which is considered to be the most important policy implemented last year. This has helped not only the exporters in the country but also the investors particularly in terms of repatriation of funds. The trade balance was heavily affected due to the oil price slump but recovered quickly as prices rose. Agriculture continues to be a consistent contributor to Nigeria's GDP with approximately 21% and above in the recent past. The contribution to GDP from services sector has surpassed that of the industries and has in fact taken the lead with over 60% contribution to GDP in comparison to under 20% from industries sector. The economic growth in the country is reliant heavily on capital inflow which had reduced in the wake of recession and is on the path to recovery. Moreover, the government has identified the key sectors for immediate actions and is working to streamline the investment flow across those sectors as well. Some of the reforms include improved tax incentives, better regulations and more efficient processes to support investors to establish businesses in Nigeria. Despite these efforts, the investors may be interested in seeing more robust and reliable efforts taking shape specially with elections expected early 2019 which could define the steps towards improvement in the bureaucratic management of policies and reforms, thus resulting in improved economic growth.

The social built of the country has been widely a young demographic driven by substantial growth in the population reaching to its current figure of about 190 million people. The government is working to uplift the poor sections of the society, particularly the youth and to ensure adequate employment opportunities for them. This is with a step to prevent the youth from being influenced by the terrorist organisations that have been active in the country. With a potential young and growing workforce at its helms, the government of Nigeria is working to improve the quality of life for its people and is diversifying away from oil and gas sector to generate more employment opportunities and also to generate Foreign Direct Investment in various sectors to support the country's growing population.

The technological situation in Nigeria reflects that Nigeria is moving in the right direction with a large number of technology focused institutions and a fast growing young population that's quickly becoming computer literate. However, there has been limited advances in the field of science, and the lack of innovation in agribusiness has led to slow advancements in the country. The government has been working to resolve this challenge of innovation in the country by partnering with the private sector to initiate the Youth Enterprise with Innovation in Nigeria program. While this would bolster the technology sector in the country, there is a need for sustainable funding in this sector to support the growth of innovation across regions and sectors and to support the growth of the economy as well.

There is a need for strict environmental laws in Nigeria. Although Nigeria is a signatory to multiple international environmental conventions, it continues to rank in the bottom half of the Environmental Performance Index. Due to the lack of power availability to most areas, specially to industries, their reliance on generators for power supply results in increased noise and air pollution. The regulations do exist in place to help support the system but the number of agencies and their corresponding functions and jurisdictions often results in regulatory failure.

The legal system in Nigeria has been focused on streamlining efforts to ensure efficient and transparent single window operation for new business investors. This would not only assist in simplifying the process for investors but also pave the way for reduced red tapism that has existed in the past in Nigeria.

The government of Nigeria has been working to improve the economic situation in the country and to reduce its dependence on oil exports to support the economy and its workforce.

Agribusiness sector presents investment opportunities with its high contribution to GDP of over 20%, real GDP growth of over 3% and its position in the top 3 sectors with highest capital flow for FDI in Nigeria. The demand for local food production and the need to close the gap between supply and demand in the country between grains, crops and livestock has opened up the market in Nigeria for improved local support and local supply. With a growing population, this sector is poised for growth and presents a favourable investment opportunity.

Human Health Services sector has tremendous opportunities for investment across the hospitals, clinics and pharmaceuticals industry. This is in line with the efforts to meet the demands of the growing population and to close the gap between demand and supply of the available services. This will allow for improved prevention of health conditions and diseases in Nigeria with the availability of better healthcare facilities to the people.

Packaging sector investment opportunities are driven by the demand for packaged goods in Nigeria. The growth in population and an increased working class population will drive the spending power of the population, resulting in growth in demand for goods, which need to be packaged either for consumption or for transport and storage. The sector is in a nascent stage in Nigeria and presents substantial growth prospects.

Mining sector is the Nigerian government's highest priority for investment and diversification away from oil and gas sector. The sector's contribution to GDP at 10% makes it a favourable sector to invest in. Moreover, the natural resources in Nigeria in the mining sector have been largely untapped and alongwith the generous tax incentives in the sector, it would make mining a sector to consider for long term growth potential.

Financial Services sector in Nigeria not only attracts high capital inflow but also has over 13% real GDP growth. The country has less than half of its population with bank accounts and the banks are working to improve connectivity and outreach to customers to ensure that more of Nigeria's population has a bank account in the near future. This is also driven by the financial technology firms investing in banking and payment sector in Nigeria which has prompted banks to ensure they reach out to the customers and provide improved services across the country not just through technology but also by increasing the number of branches in the country. Along with banking, the insurance sector in Nigeria also presents investment opportunities as the country's growing population would have increased need for insurance whether in the property and motor insurance sector or under life insurance. With several players in the market in both banking and insurance, there is a vast potential in the financial services sector to grow and to continue to bring in further investment in the sector in Nigeria.