

2023 ECONOMIC OUTLOOK: SPECIAL FOCUS ON NIGERIA'S MARITIME SHIPPING SECTOR

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- ▶ 1) Overview of the economic climate in Nigeria.
- ▶ 2) Background to current Economic/Social Climate (2015 - 2022 in review)
- ▶ 3) Key recent events and the potential impact on the economy.
- ▶ 4) What will 2023 and beyond look like?
- ▶ 5) State of the global maritime sector - Post Covid-19.
- ▶ 6) Prospects for the maritime industry in Nigeria, in a changing global/domestic landscape.
- ▶ 7) Key Significant Events and Projects that will reshape the Nigerian Maritime/Shipping Industry in the foreseeable future
- ▶ 8) Some final thoughts and questions to ponder.
- ▶ 9) Conclusion.

PRESENTATION OUTLINE

OVERVIEW OF THE ECONOMIC CLIMATE IN NIGERIA.



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High inflation, high interest rate and high exchange rate

- ▶ As of January 2023, the CBN in its efforts to restrain inflation through monetary tightening has further raised the Monetary Policy Rate (MPR) by 100 basis points to 17.5 per cent from 16.5 per cent ([Vanguard](#)).
- ▶ Nigeria's inflation rate as of December 2022 is 21.34, down slightly from a 17-year peak of 21.47% in the prior month ([CBN](#))
- ▶ The Naira exchanges for USD at an official rate of 460.54/\$ and about 745/\$ at the black market ([ngnrate](#)).

OVERVIEW OF THE ECONOMIC CLIMATE IN NIGERIA.

Low average GDP growth rate

- ▶ Nigeria's annual real GDP growth rate, which averaged 7 percent from 2000 to 2014, fell to 2.7 percent in 2015 and to -1.6 percent in 2016. Growth rebounded to 0.8 percent in 2017, 1.9 percent in 2018, and then plateaued at 2 percent in the first half of 2019, where it is expected to remain for the rest of the year ([World bank](#)).
- ▶ The economy of Nigeria advanced by 2.25% from a year ago in the third quarter of 2022, decelerating from the second quarter's 3.54% expansion and missing market estimates of a 2.95% rise. This marks the eighth consecutive quarter of growth but at the slowest rate since the first quarter of 2021, attributable to the base effects of the recession and the challenging economic conditions that have hampered productive activities ([TradingEconomics](#)).

OVERVIEW OF THE ECONOMIC CLIMATE IN NIGERIA.

Double recession since 2015

- ▶ A breakdown of the GDP figures from the National Bureau of Statistics and the World Bank from 2015 to 2020 shows that Nigeria's GDP in 2015 when President Buhari assumed office stood at \$486 billion; it declined to \$404 billion when the country slipped into recession (daily trust).

OVERVIEW OF THE ECONOMIC CLIMATE IN NIGERIA.

Policy inconsistency

- ▶ Nigeria faces several hindrances in achieving her economic and developmental goals. But, one of the most profound is policy inconsistency and discontinuity. The National Council on Development Planning (NCDP) recognised the lack of stability and continuity in programmes by succeeding governments as the bane of Nigeria's stunted growth and development. Very few policies have stood the test of time (Stears).

OVERVIEW OF THE ECONOMIC CLIMATE IN NIGERIA.

Advent of emerging sectors, namely fintech and rail infrastructure

- ▶ The last few years have been very kind to the Nigerian fintech industry. With anywhere between 150 and 200 fintech startups making Nigeria their home, the country seemed poised to become the uncontested African leader in the field. The sector raised around \$440 million in 2020 and more than \$600 million in 2021, amounting to nearly a quarter of the total funds attracted by African tech startups. That figure rises to 63% in the case of Nigeria (Backbase).
- ▶ Unprecedented growth of the rail sector not seen since 1964, including the completion and operation of Abuja-Kaduna line, Lagos-Ibadan line, Warri-Itakpe-Ajeokuta line. With flag off of Kano-Maradi line and PH-Maiduguri lines. The plan is to ultimately link the rail lines to Apapa Port, Bonny deep sea port and other inland/dry ports. That can help support and transform the maritime/shipping sector.

OVERVIEW OF THE ECONOMIC CLIMATE IN NIGERIA.

Rising debt burden and budget deficit

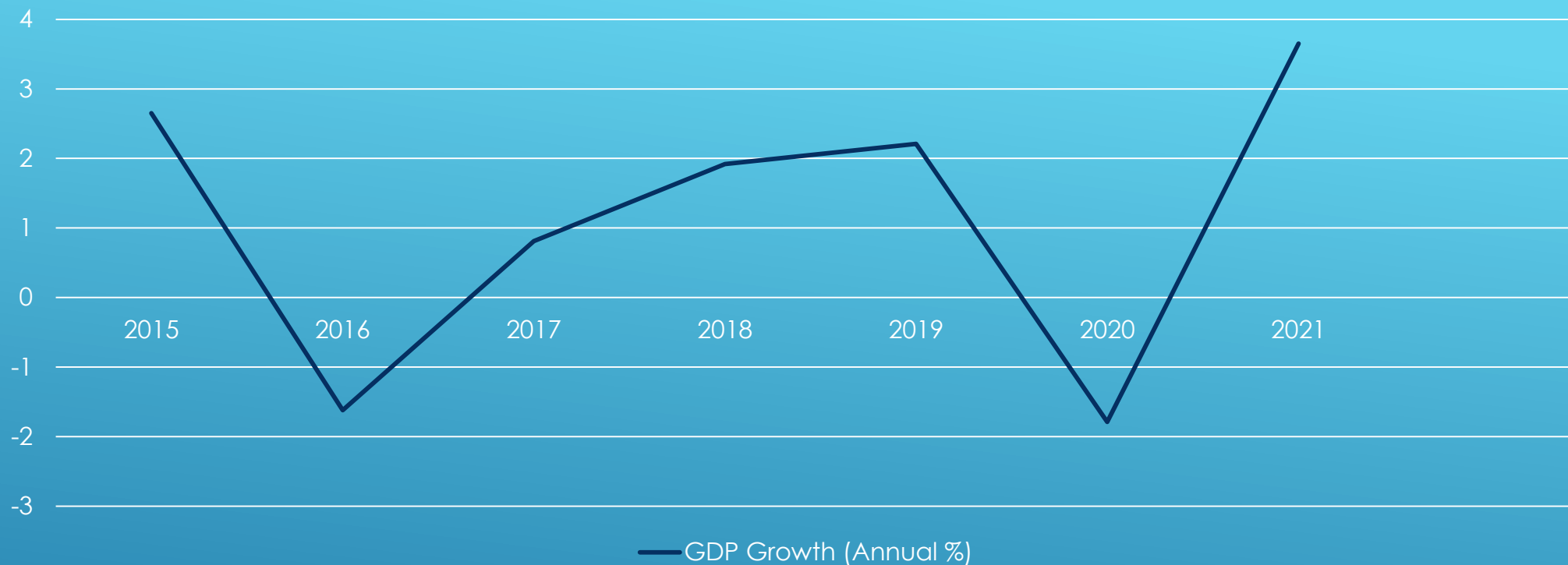
- ▶ A report by analysts at FBNQuest say based on 2021 GDP, the nation's total debt stock has risen to around 25.4% of GDP compared with 24.7% as of Q2 '22. Given the DMO's public debt ceiling of 40%, the total public debt implies excess borrowing of NGN25. 3trn above that limit ([Businessday](#)).
- ▶ Just recently, the Debt Management Office, DMO, said Nigeria's total debt stock would hit N77trn in May 2023 if the National Assembly okayed the Buhari administration's 23.8 trillion Ways and Means Advances ([Daily post](#)).

OVERVIEW OF THE ECONOMIC CLIMATE IN NIGERIA.

BACKGROUND TO CURRENT ECONOMIC/SOCIAL CLIMATE (2015 - 2022 IN REVIEW).



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Source: [World Bank](#)

BACKGROUND TO CURRENT ECONOMIC/SOCIAL CLIMATE (2015 - 2022 IN REVIEW).

High expectation of the new administration in 2015, but slow-start with governance and policy actions.

- ▶ Millions of Nigerians had lots of expectations as promised by the new administration- security, petroleum industry Bill, electricity issues, etc.
- ▶ A very relevant expectation is that Government would invest in infrastructure. In terms of social infrastructure, there has been some investment in housing, but not much in the area of education and public hospitals. In terms of economic infrastructure, we see the development of the roads, railway network and airports (some projects having been commenced during the Jonathan administration). This boost in economic infrastructure is a step in the right direction; Nigerians are slowly starting to reap the benefits of it.

BACKGROUND TO CURRENT ECONOMIC/SOCIAL CLIMATE (2015 - 2022 IN REVIEW).

Misfortune of low oil prices and dwindling revenue from September 2014.

- ▶ Nigeria's crude oil revenue has continued to suffer from continuous decline since 2012. According to Organisation of Petroleum Exporting Countries (OPEC) 2014 Statistical Bulletin, the country's crude oil earnings dropped from \$94.6 million it recorded in 2012 to \$89.3 million in 2013 and \$76.9 million in 2014.

BACKGROUND TO CURRENT
ECONOMIC/SOCIAL CLIMATE (2015 - 2022
IN REVIEW).

Policy inconsistency and summersaults, especially with forex markets and diversification.

- ▶ The Federal Government's policy inconsistencies and the unavailability of foreign exchange is hindering the Nigerian business community, noting that the precarious situation has made many business concerns to cease operations in the country.
- ▶ Due to foreign exchange struggles and inconsistent policies in the midst of myriad of challenges faced by businesses in the country, the federal government must urgently formulate policies that are favourable to attract local and foreign direct investments into the country (Guardian).

BACKGROUND TO CURRENT ECONOMIC/SOCIAL CLIMATE (2015 - 2022 IN REVIEW).

Rising insecurity with no particular attention to maritime safety resulting in a decline in business operations.

- ▶ There is still an urgent need to improve the security of this Industry. Piracy in Nigeria is due to the high level of corruption in the country. Piracy, sea-robbery and illegal bunkering are still in existence up till this moment. Even when there is an increase of military intervention, there are still some loopholes in the system.
- ▶ In an attempt to increase the safety, Nigerian Maritime Administration and Safety Agency (NIMASA) encouraged the Nigerian Air force to provide air tactical support for sea-based operations against illicit operations of ships ([dj-univ](#)).

BACKGROUND TO CURRENT ECONOMIC/SOCIAL CLIMATE (2015 - 2022 IN REVIEW).

Lagos ports gridlock and no attention to the Eastern ports.

- ▶ The mess in Apapa and Tincan Island ports can be described as self-inflicted, arising from a combination of wrong political strategy and policy summersault.
- ▶ The Nigerian government failed to develop the eastern ports at Port Harcourt and Calabar which were created to reduce pressure on Apapa port.
- ▶ Instead, a second port was built at Tin-Can, within the same vicinity, abandoning eastern ports that would have offered quick, efficient and smoother service to importers and exporters from the South East and the South South who are major patronisers of the Lagos ports.

BACKGROUND TO CURRENT
ECONOMIC/SOCIAL CLIMATE (2015 - 2022
IN REVIEW).

KEY RECENT EVENTS AND THE POTENTIAL IMPACT ON THE ECONOMY.



The upcoming election in Nigeria and the fall-out

- ▶ Politics and economy are interconnected. In democracy, elected politicians govern and formulate the policies which drive socio-economic development.
- ▶ The Nigerian economy will continue to slump in 2023 due to activities leading to the general elections this year, but would likely pick in 2024, with growth rising to 3.3 per cent, a Fitch Solutions Country Risk & Industry Research report has predicted ([this Day](#)).

KEY RECENT EVENTS AND THE POTENTIAL
IMPACT ON THE ECONOMY.

Insecurity at home and abroad

- ▶ There are various channels through which insecurity can have growth and fiscal effects on the economy. By disrupting private and public investments, violent conflicts has reduced the generation of government revenue which has alter government expenditure.
- ▶ Increased levels of insecurity reduce investment returns, reducing a developing country's capacity to attract foreign direct and portfolio
- ▶ Insecurity is one of the major reasons for Nigeria's unattractiveness for inward foreign investment in the last five years, amongst other (financial Nigeria)

KEY RECENT EVENTS AND THE POTENTIAL
IMPACT ON THE ECONOMY.

Naira redesign and new currency note scarcity

- ▶ As the Central Bank of Nigeria's Naira redesign policy bites harder, the scarcity of new notes continues to disrupt business activities in markets, restaurants, banks, and major sales outlets across Nigeria
- ▶ Nigerians grapple with hardship as PoS transaction charges jump 400% (premium times)

KEY RECENT EVENTS AND THE POTENTIAL
IMPACT ON THE ECONOMY.

Russia/Ukraine War

- ▶ The ongoing war between Russia and Ukraine brought about a decline in the importation of durum wheat importation into Nigeria
- ▶ The Boston Consulting Group (BCG) report titled “The War in Ukraine and the Rush to Feed the World,” has stated that Nigeria and other countries’ expenditures on food constitute more than 40 per cent of households’ income would be severely affected by the conflict between Russia and Ukraine.

KEY RECENT EVENTS AND THE POTENTIAL
IMPACT ON THE ECONOMY.

Global inflationary trend

- ▶ A series of compounding issues such as rising energy and food prices, fiscal instability in the wake of the pandemic, and consumer insecurity have created a new global recession, and global inflation in 2022 is estimated to have reached 8.75 percent. This is the highest annual increase in inflation since 1996 (according to [Statista](#)).

KEY RECENT EVENTS AND THE POTENTIAL
IMPACT ON THE ECONOMY.

Global supply chain distortions

- ▶ Trade in Africa has been disproportionately affected over the years by a poorly developed logistics and supply chain management system
- ▶ Supply chain disruptions lead to shortages of key goods, price inflation, factory closures, unloaded shipping containers and negative effects on a nation's economic wellbeing.

KEY RECENT EVENTS AND THE POTENTIAL
IMPACT ON THE ECONOMY.

Artificial Intelligence (AI), technological advances and disruptions

- ▶ Although technological change has always had significant effects on economic activity, artificial intelligence (AI) and high-speed automation are among its most important recent manifestations. The expansion of computing power and availability of big data have fueled remarkable advances in computer science, enabling technology to perform tasks that traditionally required humans and significant amounts of time.
- ▶ However, along with these advances' prospects for encouraging continued productivity growth, they also threaten to significantly disrupt the labor market, particularly among people whose work involves routine and manual tasks.
- ▶ Astute policymaking will play an integral role in leveraging technology as an asset for the country, while mitigating potential disruptions ([govinfo.org](https://www.govinfo.org)).

KEY RECENT EVENTS AND THE POTENTIAL IMPACT ON THE ECONOMY.

WHAT WILL 2023 AND BEYOND LOOK LIKE?



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- ▶ The combination of an important election, transitional policies and evolving security, as well as economic concerns, means that 2023 might be the most consequential year in Nigerian history since the return to democracy in 1999.

WHAT WILL 2023 AND BEYOND LOOK LIKE?

2023 Elections

- ▶ All eyes are on Nigeria as it prepares for its general election in early 2023.
- ▶ General elections will take place in Q1 of 2023, leaving nine more months of major activities and areas that will impact the country in 2023. And, regardless of the choice of president, there will still be major issues that will shape the way the year unfolds

WHAT WILL 2023 AND BEYOND LOOK LIKE?

2023 Census

- ▶ Nigeria's last census was in 2006 – 17 years ago – which means that the Yar'Adua (2007 – 2010), Jonathan (2010 – 2015) and Buhari (2015 – exp. 2023) administrations have carried out fiscal and development policies on outdated data. While the current government is seeking to rectify this for the next set of leaders, there are a host of challenges that will affect the census, if it eventually holds (Premium).
- ▶ It has impact on the national budget, composition of the federal House of Representatives, etc.

WHAT WILL 2023 AND BEYOND LOOK LIKE?

Fiscal Policy

- ▶ One major area of debate in the country has been the maintenance of the fuel subsidy in the country. It was the source of the 2012 Occupy Nigeria protests, which may have played a role in the eventual defeat of incumbent President Goodluck Jonathan in the 2015 elections. Over a decade later, the current administration has similarly pledged to end the costly and unsustainable subsidy programme.
- ▶ impact of the CBN's recent policy to redesign the Naira, as well as the Bank's limit on cash withdrawal, will play a major part in shaping the rest of the year. The policy to accelerate a 'cashless' society might be too fast for the current state of affairs. A significant population of Nigerians are not banked, with a 2022 article putting that percentage at 59 million Nigerians, accounting for 40 per cent of the population ([Premium](#)).

WHAT WILL 2023 AND BEYOND LOOK LIKE?

Insecurity

- ▶ Despite assurances and claims of improved security by the Nigerian government, reality and happenings here and there are proving otherwise.
- ▶ The level of banditry, kidnappings and terrorisms has not only been affecting the security system of the country, but also importantly her socio-economic system.

WHAT WILL 2023 AND BEYOND LOOK LIKE?

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STATE OF THE GLOBAL MARITIME SECTOR - POST COVID-19



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- ▶ The world economy has been plunged into a resounding jeopardy as a result of coronavirus diseases 2019(COVID-19) pandemic which as badly affected every sector of the economy at local, national and global level
- ▶ There is no doubt that Coronavirus disease 2019 (COVID-19) pandemic has impacted negatively on global shipping and the effects are also being felt in the Nigerian shipping industry.
- ▶ One of the greatest modes of moving trade in quantum, economically and safely, around the world remains via maritime transportation and expanding up to 90% in the world economy

STATE OF THE GLOBAL MARITIME SECTOR - POST COVID-19

General effects of the pandemic on global economy

- ▶ Increase in the unemployment rate
- ▶ Crashed oil prices
- ▶ Collapse of stock markets
- ▶ Technological upheaval
- ▶ Collapse of economic activities

STATE OF THE GLOBAL MARITIME SECTOR - POST COVID-19

Effect on the Maritime Sector

- ▶ The federal government earlier in 2020 plan to spend the sum of N2trillion from the maritime industry. This mission was automatically rendered mission impossible by the reason of the outbreak of covid-19 pandemic.
- ▶ There has been a decline in the volume of import and export cargoes. Major ports of the world have been shut down and the global economy seems to be wallowing under economic convulsion (Okeleke & Aponjolosun, 2020)
- ▶ The Nigerian Customs Service as part of the few government agencies with a revenue generation mandate aiming at N2 trillion due to it 2019 record which exceeded its target of N937 billion by N404 billion and NPA had N118 billion in seven months in 2018. NIMASA in 2018 contributed a total of N22 billion to the Federation Account, faced its hit of decline expectations as COVID-19 pandemic continues it bites against the nations of the world and sea ports remain access restricted (Hellenic shipping news, 2020).

STATE OF THE GLOBAL MARITIME SECTOR - POST COVID-19

Effect on the Maritime Sector

- ▶ Global economic output collapsed by 3.5 percent (UNCTAD, 2021).
- ▶ In 2020, the global total trade raised 12.1 billion tons and the maritime trade raised 10.7 billion tons. Even though most nations have closed their borders, the share of the maritime transport sector in world commerce has reached 90% (IMEAK, 2021). UNCTAD projected international seaborne commerce has fallen by 5.4% in 2020 and merchandise commerce by 5.4 percent, while international maritime transportation fell by 3.8%, to 10.65 billion tons. (UNCTAD, 2021).
- ▶ UNCTAD presumed that the volume of global maritime commerce decreased by 3.8% in 2020 and by 4.3 % in 2021 (Tok & Ece, 2022).

STATE OF THE GLOBAL MARITIME SECTOR - POST COVID-19

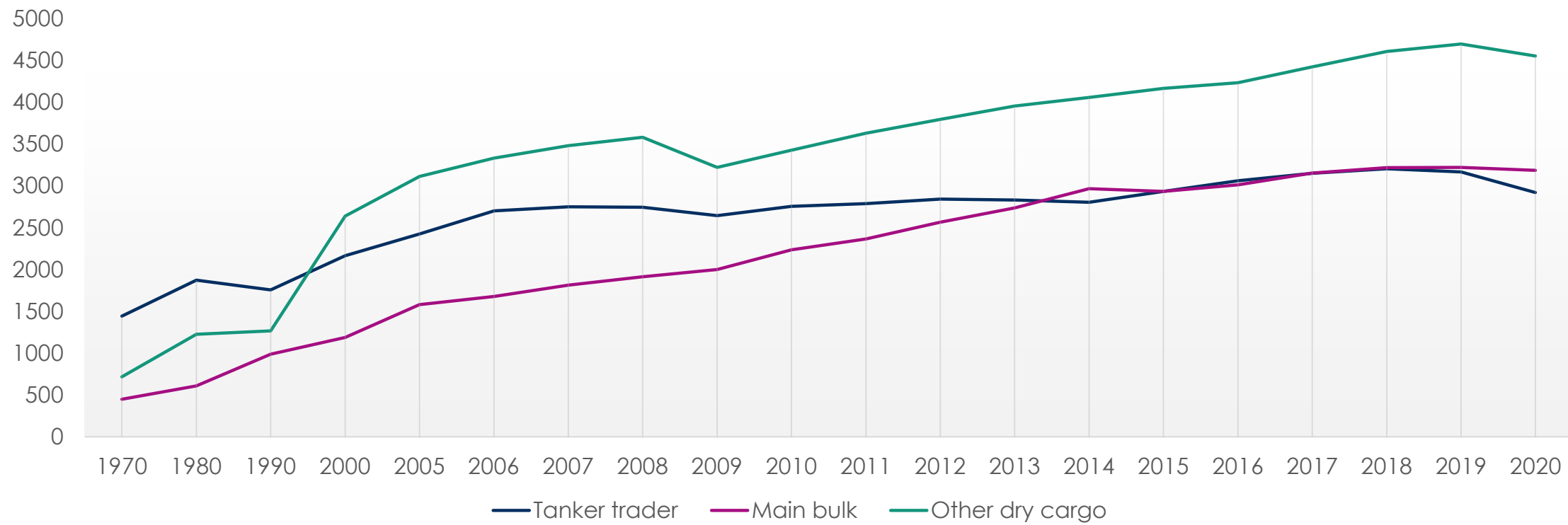
Effect on the Maritime Sector

- ▶ In 2020, total goods handled decreased by 3.83%, total goods loaded declined by 3.82 and total goods discharged by 3.84% in 2020 compared with 2019 due to the Covid-19.
- ▶ World total trade was realized as 13.33 billion in 2020 and world maritime trade amounted to 13.33 billion in 2020. In 2020, the Covid-19 pandemic negatively affected logistics supply chains, and production activities and turned the world economy upside down
- ▶ Global maritime trade is estimated to be close to 2019 levels and recovering in 2021.
- ▶ In 2020, after the effects of the Covid-19, maritime trade increased by 3.2% and reached around 12 billion tons. At the beginning of 2022, global maritime trade is expected to increase by 3.5% and reach approximately 12.4 billion tons.
- ▶ Expectation trends in China and the Omicron variant of the Covid-19 potential impacts perpetuate risks in global maritime trade (IMEAK, 2021) ([Tok & Ece, 2022](#)).

STATE OF THE GLOBAL MARITIME SECTOR - POST COVID-19

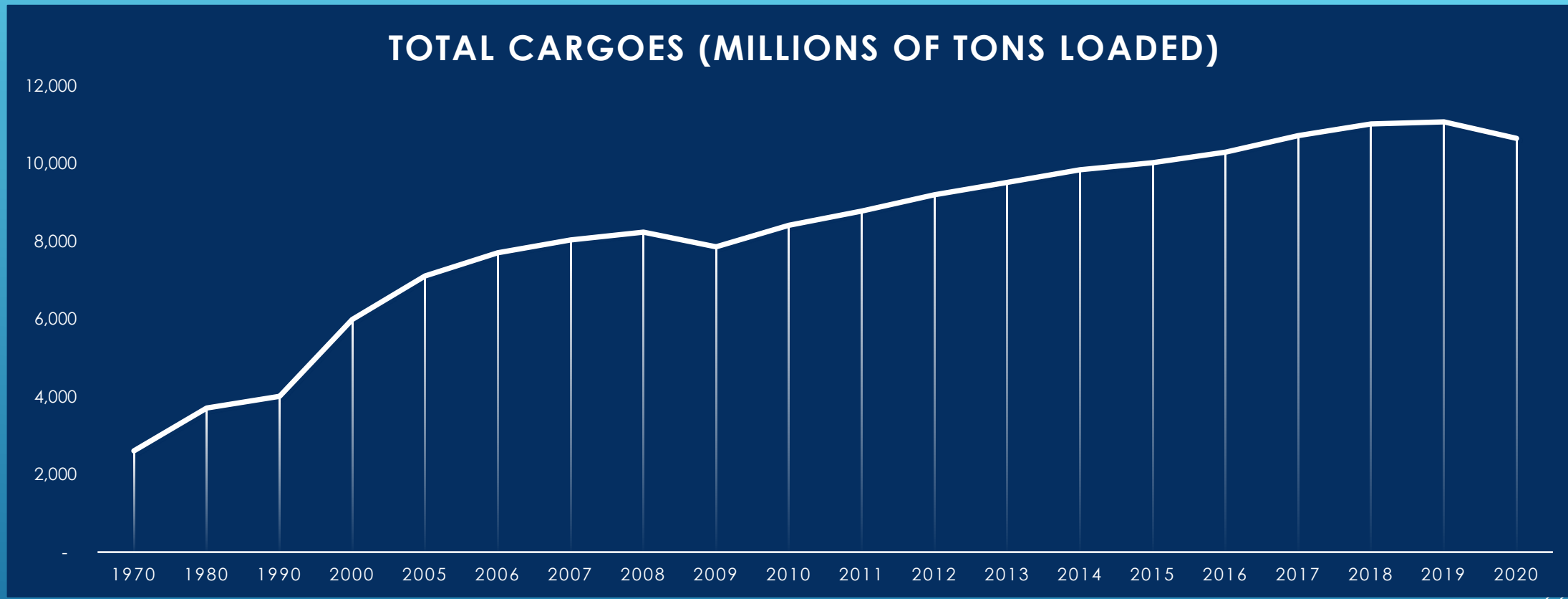
Review of Maritime Transport (United Nations Conference on Trade and Development)

International maritime trade, 1970-2020 (millions of tons loaded)



STATE OF THE GLOBAL MARITIME SECTOR - POST COVID-19

Review of Maritime Transport (United Nations Conference on Trade and Development)



STATE OF THE GLOBAL MARITIME SECTOR - POST COVID-19

PROSPECTS FOR THE MARITIME/SHIPPING INDUSTRY IN NIGERIA, IN A CHANGING GLOBAL/DOMESTIC LANDSCAPE



Prospects

- ▶ Nigeria is in a better position to explore the advantages of maritime trade being a coastal nation.
- ▶ Cabotage Implementation Policy: The need to encourage investments in local vessel ownership is a critical ingredients for a functional Cabotage operations
- ▶ There are huge investment opportunities in building of vessels to meet national and cabotage requirement such as Barges, Tugboats, Crew boats, etc.
- ▶ Concessioning of port terminals
- ▶ **Robots** can also help in risky environments where a human's life is in danger by navigating and rotating the ship. Some robotics work with sensors to identify and record all the data in the ship and analyse it. Besides robots, there are drones that help the maritime industry.

PROSPECTS FOR THE MARITIME INDUSTRY IN NIGERIA, IN A CHANGING GLOBAL/DOMESTIC LANDSCAPE

Prospects

- ▶ Automation and artificial intelligence in the maritime industry
- ▶ Maritime freight and logistics services, marine tourism, maritime training, ship financing, shipbuilding, and ship repairs, and marine insurance, are other prospects (Cable).

PROSPECTS FOR THE MARITIME INDUSTRY IN
NIGERIA, IN A CHANGING GLOBAL/DOMESTIC
LANDSCAPE

KEY SIGNIFICANT EVENTS AND PROJECTS THAT WILL RESHAPE THE NIGERIAN MARITIME/SHIPPING INDUSTRY IN THE FORESEEABLE FUTURE



- ▶ The DEEP BLUE Security project
- ▶ NLNG Train- 7
- ▶ Deep Offshore oil drilling by the IOCs and divestment from onshore oil drilling/production.
- ▶ Emergence of deep sea ports (Beginning with Lekki, then Badagry, Ibom, Bonny).
- ▶ Cabotage Vessel Finance Fund (CVFF)- about \$320 million already accumulated and ready for disbursement

KEY SIGNIFICANT EVENTS AND PROJECTS THAT WILL RESHAPE THE NIGERIAN MARITIME/SHIPPING INDUSTRY IN THE FORESEEABLE FUTURE

SOME FINAL THOUGHTS AND QUESTIONS TO PONDER



- ▶ What level of attention is the new administration willing to give to the maritime/shipping sector?
- ▶ When (if ever), will Nigeria have another national shipping line in partnership with indigenous private sector operators?
- ▶ With several new deep sea ports emerging, how are local players ready to capitalize on ancillary maritime activities such as vessel servicing and ship repairs?
- ▶ Can indigenous maritime/shipping operators step up to leverage growth opportunities in the export market and intra-African trading activities under the AfCFT PACT?

SOME FINAL THOUGHTS AND QUESTIONS TO PONDER

- ▶ The challenge of maritime infrastructural deficit among others is a major ache to efficient and effective maritime business in the country.
- ▶ However, Nigeria being a coastal nation is in a vantage position to explore the benefits of maritime trade between/among nations of the world

CONCLUSION

THANK YOU

