

# Deloitte.



Wrapping 2023 in a  
tiny little bow  
It's Christmas!!!

December 2023

MAKING AN  
IMPACT THAT  
MATTERS  
*since 1845*



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2023 was also a year of humanitarian crisis in the Middle East (Israel-Hamas) and coups in West Africa. These events further dampened investor confidence and the overall perception of economic growth. Bear in mind, that the outlook for global economic growth was already bleak, due to the tightening monetary policy streak, China's sluggish growth trajectory and the ongoing war between Russia and Ukraine.



When there is uncertainty, investors are jittery and raise their risk premiums, whether in the commodities markets or in the assets of value such as stocks. The degree of the impact of these conflicts on the financial and commodities markets, and ultimately economic growth, is dependent on the risk of contagion/ spread. A further escalation in conflict to other countries or regions could lead to a spike in commodity prices. Also, manufacturing activities have slowed or even stopped in the conflict zones with likely impact on the level of aggregate output, leading to supply chain disruptions and an overall slowdown in global economic growth.

## Was there any silver lining in 2023?



It hasn't been all doom and gloom this year. 2023 is the year that the World Health Organization declared an end to the COVID-19 pandemic as a global health emergency.

Global inflation has started easing, at least in some advanced economies. The United Nation's Food and Agriculture Organization's (FAO) price index fell to 120.4 points in November from 130.2pts in January and 134.7pts a year ago<sup>3</sup>. This triggered towards the end of the year, a halt in interest rate hikes that had commenced in 2021 to address inflationary pressures. For instance, the US Federal Reserve paused its tightening streak, keeping rates at a 22-year high of 5.25%-5.5% pa.

## Inflation tapers in some global countries, while others continue to lose the fight



The welfare of consumers saw a marginal improvement in some global economies as the persistent interest rate hikes finally bore fruit. Inflation in countries such as the US, the UK, Germany and Japan, has fallen from the multi-decade highs recorded in the preceding year. The deceleration notwithstanding, inflation is still largely above central banks' targets. China on the other hand, is experiencing a deflation, i.e a negative inflation rate. In Africa, most countries continue to struggle with high inflation. Key economies such as Ghana, Ethiopia and Nigeria have some of the highest rates in the region.

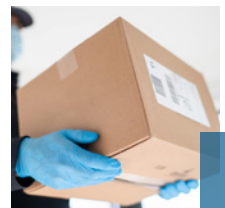
## Main drivers of inflation



Rise in energy prices



Rise in food prices



Lingering effect of covid stimulus packages



Supply disruptions

<sup>3</sup> UN FAO

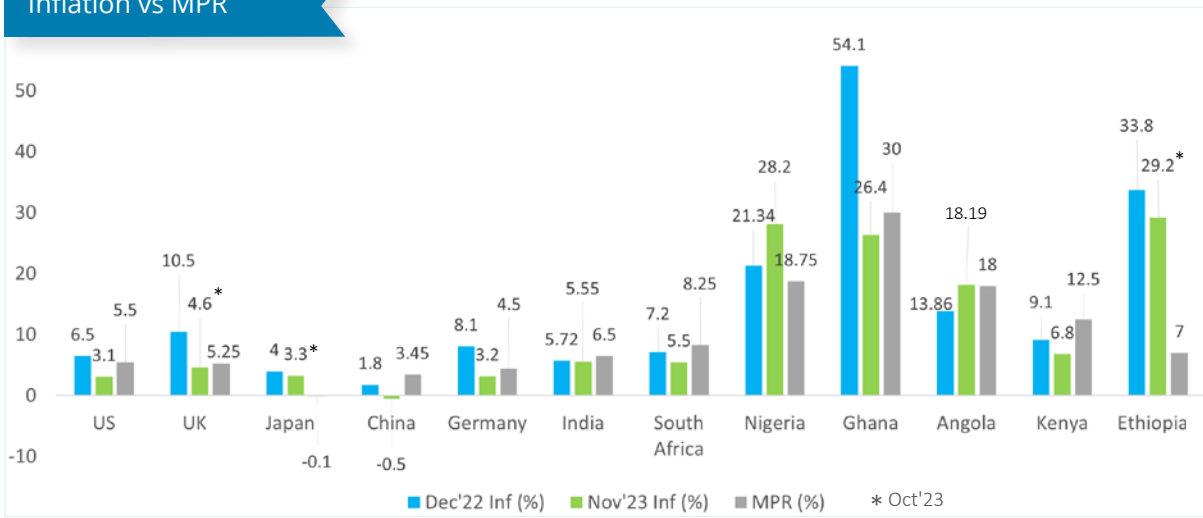


## Monetary authorities halt interest rate hikes as inflation tapers



Inflation is and remains a monetary phenomenon. While the contractionary policy stance of monetary authorities has been effective in countries, whose inflation has been largely driven by demand pull factors, other countries with a more structural and cost push driven inflation rate will require more than just inflation-busting interest rates.

Inflation vs MPR



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## Is the world at risk of a stagflation?



The global economy has remained resilient despite the macroeconomic headwinds. Notwithstanding, growth patterns have differed across continents, regions and countries. For instance, in Europe, Germany recorded a decline in its real GDP while Spain posted a more robust pace of growth. According to the IMF, global economic growth is projected to fall to 3% this year from 3.5% in 2022. A further slowdown is expected in 2024 to 2.9%. There is a major risk looming in 2024, which is stagflation- high inflation and slow growth amid high interest rates. If this happens, we could see a reversal in policies to stimulate growth such as easing interest rate hikes and increasing credit to boost output. The resultant effect in the long term will be inflationary and the cycle continues.



<sup>4</sup> Trading Economics



Indicator	2022	2023	2024f
Global Real GDP (%)	3.50	3.00	2.90
Global Average Inflation (%)	9.20	5.90	4.80
SSA Real GDP (%)	4.00	3.30	4.00
SSA Average Inflation (%)	14.50	15.80	13.10
Nigeria Real GDP (%)	3.30	2.90	3.10
Nigeria Average Inflation (%)	18.80	25.10	23.00
Ghana Real GDP (%)	3.10	1.20	2.70
Ghana Average Inflation (%)	31.90	42.20	23.20 <sup>5</sup>

## What lies ahead in 2024?



The rise of Artificial Intelligence



Possible escalation of the war in the Middle East



US elections



Pause in monetary tightening with a possible tapering if inflation falls within targets.



Global economic slowdown, with possible mild recessions in Europe



Olympics









Climate change becoming more of a political issue

<sup>5</sup> IMF Regional Economic Outlook, October 2023 Report

# 1.0 The West African Story

**Some celebrated wins in our region**

 Fuel subsidy removed (Nigeria)	 \$3bn IMF bailout package approval - \$600mn has been disbursed (Ghana)	 Grammy nominations and wins (Nigeria)
 Decreasing inflation trend (Ghana)	 Cross border shares trading (Nigeria and Ghana)	



## 1.1 Nigeria

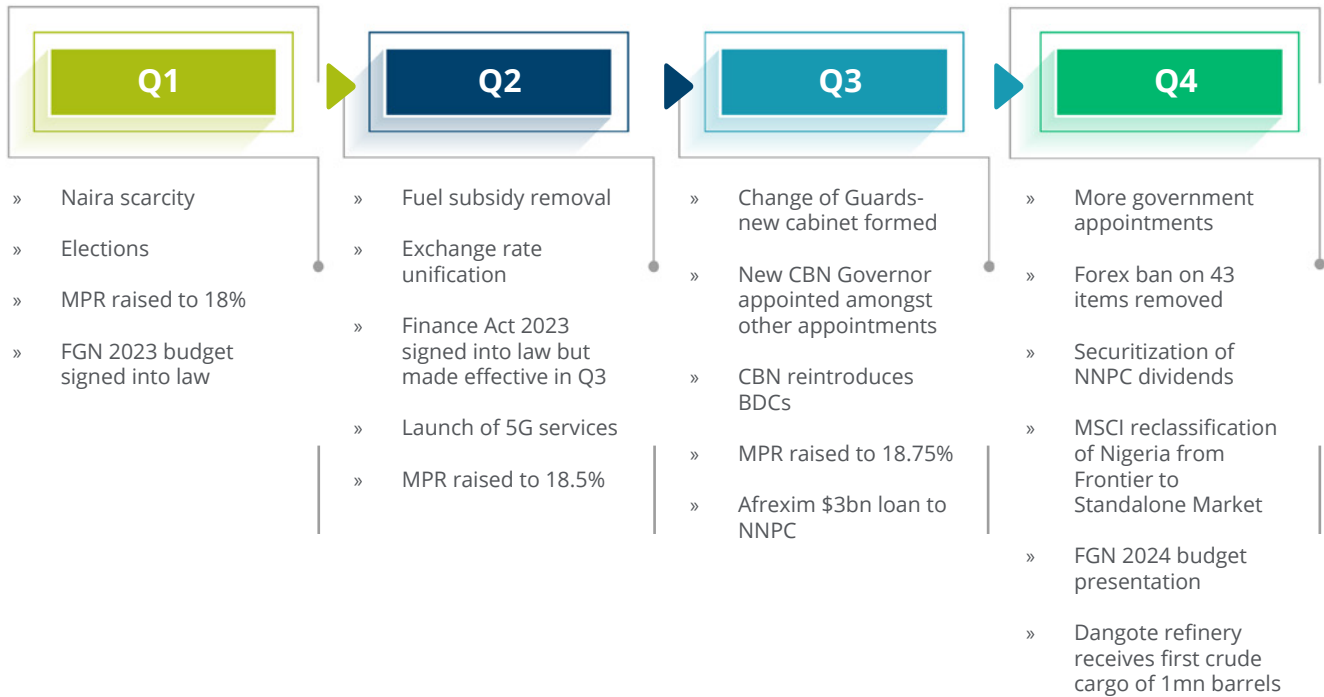
2023 was an election year for Nigeria- same party, but different ideologies. It was also a year of severe economic pain- elevated consumer prices and cost of doing business, further shrinking of the consumer wallet, corporate losses and increased social awareness.



### Macroeconomic headwinds

 Rising inflation	 Naira devaluation and dollar scarcity	 Sluggish GDP growth	 Rising energy costs
 Heightened insecurity	 High poverty rate	 Weak investor confidence	 High borrowing costs

## A timeline of some major events in Nigeria



## Inflation! More inflation!! And more inflation!!!

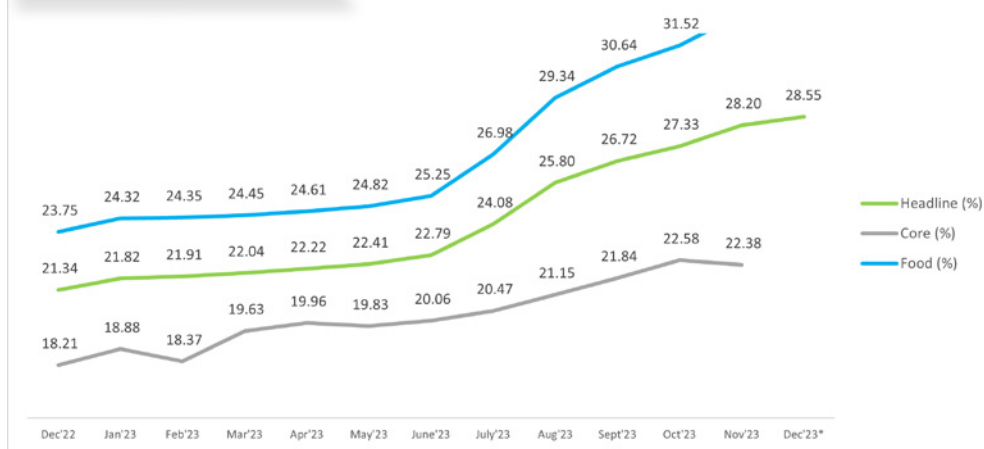
2023 was a year like no other, where the law of gravity (what goes up must come down) was once again defied in Nigeria. The soundbite across the nation was inflation and more inflation and much more inflation. Almost all (if not all) consumer goods and services recorded significant increases in price. Being an election year, some level of fiscal laxity was expected. However, this was not the only driver of inflation in the country. The naira cash crunch that occurred in the first quarter also did not prepare the country and its citizens for what was to come in subsequent quarters - the removal of fuel subsidy and the unification of multiple exchange rates.

**Naira weakness and fuel subsidy removal-** the triggers of inflation in Nigeria





## Inflation



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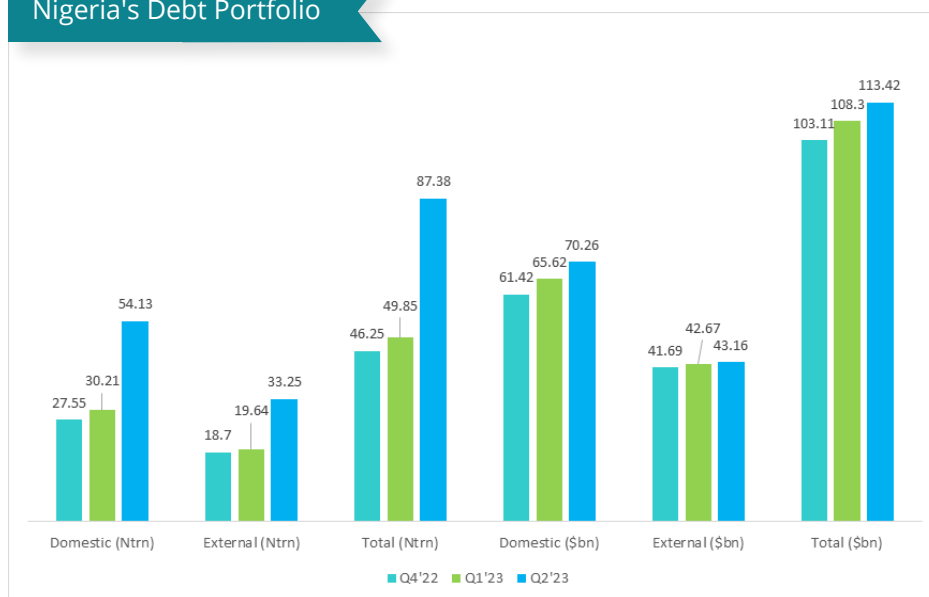
## The Nigerian naira is among the worst performing currencies in Africa -

*the World Bank*

The naira has lost 48.14% and 50.7% of its value against the dollar and pound respectively, trading at ₦889.86/\$ and ₦1,095.59/£ as of December 18 at the official market.

Nigeria is highly import dependent. Therefore, changes in the value of the local currency, in addition to global inflationary trends, will impact on the local price of consumer goods. The erosion in value of the local currency also impacted the dollar position of corporates. Depending on what side of the pendulum you sit, as a business, you would have either recorded translation losses or revaluation gains. According to a Bloomberg report released in August, Nigeria's biggest companies recorded a \$385mn loss as a result of the naira weakness.

## Nigeria's Debt Portfolio



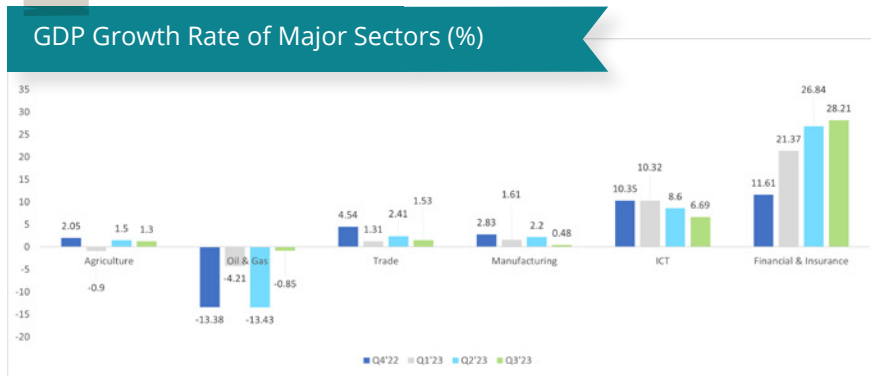
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External debt jumps **69.3%** to **₦33.25trn** (**\$43.16bn**)

due to exchange rate pass through effect.

<sup>6</sup> NBS, <sup>\*</sup>Deloitte Research forecast  
<sup>7</sup> Debt Management Office (DMO)

**Economic output affected by dollar scarcity and naira devaluation, reflecting in the subpar output numbers of exchange rate sensitive sectors such as manufacturing, trade and agriculture.**



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## Policy response to currency weakness and dollar illiquidity



The attempt at unifying the multiple exchange rates in the country to hover around one rate- the Nigerian Autonomous Foreign Exchange (NAFEX) rate- was successful in achieving one thing- a unification. However, it failed to address the burgeoning forex demand, artificial or otherwise, and the spread between the parallel and official market rates, which was as high as 70% prior to the reform implementation in June (currently at 39%). The other side of the coin, which is the dearth of dollars in the system, continues with no plausible solution in sight.

Until the supply aspect of the equation is addressed, the naira is going to continue swinging on the pendulum.

### Forex sources:



Hydrocarbons



Non-oil exports  
(e.g cocoa, cashew)



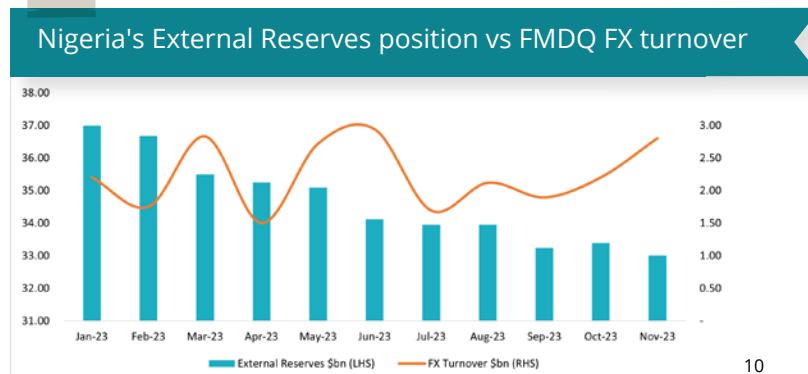
Diaspora remittances



External financing

As long as supply of forex is inconsistent, the CBN's ability to meet the demand backlog will be constrained, given the current level of external buffers.

The gross external reserves level is at \$32.83bn (December 15)<sup>9</sup>. However, when the CBN's liabilities such as swaps and forward transactions are deducted, the net external buffers are estimated to be at an alarming \$3bn (or even less).



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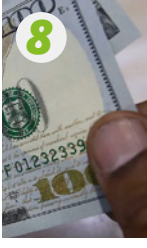




<sup>8</sup> NBS, Deloitte Research

<sup>9</sup> CBN

<sup>10</sup> CBN, FMDQ



## Fiscal landscape in Nigeria

	Establishment of Presidential Committee on Tax Policy		Finance Act 2023		Nigeria Customs Service Act 2023
	FGN 2023 Appropriation Act		Federal Inland Revenue Service (FIRS) appointment of MTN, Airtel and DMBs as VAT collection agents		Real time direct collection of taxes from online gaming transactions by FIRS
	FIRS national VAT and WHT monitoring exercise		Introduction of USD tax payment on TaxPro Max		FIRS public notice to international shipping lines operating in Nigeria to regularize their tax affairs/compliance status before 31 December 2023
	Implementation of section 85 of PITA on the demand of TCC to receive public and banking services		FIRS memorandum of understanding (MoU) with Lagos State Internal Revenue Service on joint tax audit		FGN 2024 budget presentation

## 2024 budget assumptions

Snapshot of FGN's 2024 budget of renewed hope

Expenditure	% of total 2024 expenditure	2024 ₦trn	Revenue	% of total 2024 expenditure	2024 ₦trn	Key indices and assumptions	
Statutory transfer	5	1.38	Oil revenue	29	7.94	Inflation rate (%)	21.40
Non-debt recurrent expenditure	36	9.92	Non-oil revenue	13	3.52	GDP growth rate (%)	3.76
Debt service & sinking fund	31	8.49	Independent & other sources	25	6.87	Exchange rate (₦/\$)	750.00
Capital expenditure	28	7.72	<b>Total</b>	<b>67</b>	<b>18.32</b>	Oil production (mbpd)	1.78
<b>Total</b>	<b>100</b>	<b>27.50</b>	<b>Budget deficit</b>	<b>33</b>	<b>9.18</b>	Oil price (\$ per barrel)	77.96

<sup>11</sup> Deloitte Research



# What does 2024 hold in store for Nigeria?



Marginal changes are expected in the macroeconomic picture of Nigeria in 2024. This is because the underlying and fundamental issues, which remain largely unresolved, will continue to affect the country's growth and performance trajectory. Following the major adjustments made this year, 2024 will be about adapting to the new norm. The law of base effects will kick in, helping to moderate elevated economic indicators such as inflation.



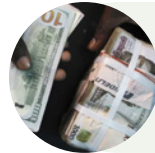
GDP growth is forecast to remain sluggish around current levels of 2.4%- 2.5%, dragged down by high inflation, weak consumer demand and monetary tightening.



Policy environment to remain tight and restrictive.



Inflation to remain elevated despite projected tapering towards the end of the year.



Naira volatility and currency weakness to persist until forex supply issue is resolved.

## The questions everyone seeks answers to...Will inflation moderate in 2024? Where will the naira settle?



### Will inflation moderate in 2024?

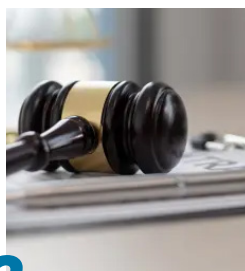
We believe it will! But don't roll out the drums yet, as the projected moderation could occur towards the end of 2024. The moderation notwithstanding, the rate of inflation in the country will remain elevated above an average of 20%.

Avg. inflation forecast	2023 (%)	2024 (%)
Federal Government of Nigeria	17.16	21.40
International Monetary Fund	25.10	23.00
The Economist Intelligence Unit	24.00	23.60

The pace of increase in inflation is expected to slow towards the end of 2024 for a number of reasons



**Base effects** - 2023 was a year of elevated prices, and this will play a role in the moderation expected.



**Policy reforms**- the fruits of implemented policy reforms begin to manifest.



**Consumer resistance** as a result of purchasing power erosion.

1

2

3



Are there risks to the above forecast? Yes! From both external and domestic shocks. A major risk would be a spike in global oil prices, the costs of which will far outweigh the benefits for Nigeria.

Rising consumer prices erode the purchasing power of households and push people further below the poverty line. Nigeria has a multidimensional poverty rate of 63%. Businesses are also forced to adopt belt tightening measures such as layoffs, which will increase the rate of unemployment and lead to a spike in crime rate and social unrest.

## Where will the naira settle?

This is a question economists have struggled to answer as Nigeria has defied the odds. One thing is certain, the days of an exchange rate below ₦700/\$ are long over, at least for now. Maybe the focus should be more on what needs to be done to achieve a stable currency value- address the uncertainty, clear the demand backlog and **boost supply of dollars in a sustainable manner**. So, what can policy authorities do?



## Sectors to watch



### Real estate - Growth rate (1.9%)

Land will always appreciate in value, good hedge against inflation; wide housing deficit of close to 30mn.



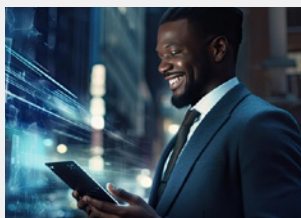
### Power - Growth rate (1.91%)

Cost reflective tariffs, external financing.



### Agriculture - Growth rate (1.3%)

Major beneficiary of government intervention, opportunities across the value chain especially in storage.



### ICT - Growth rate (6.69%)

Growing demand, collaboration between financial services and fintechs.



### Manufacturing - Growth rate (0.48%)

Exchange rate liberalisation will be a major game changer.



### Financial institutions - Growth rate (29.66%)

Proposed bank recapitalization to deepen capital adequacy, strengthen the sector- a catalyst for growth.

# 1.2 Ghana

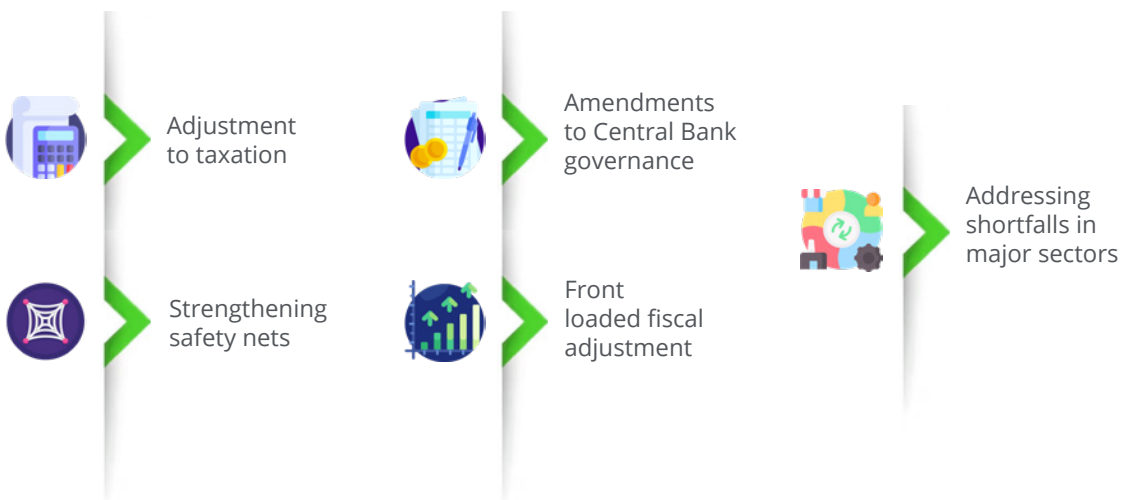


## Macroeconomic headwinds

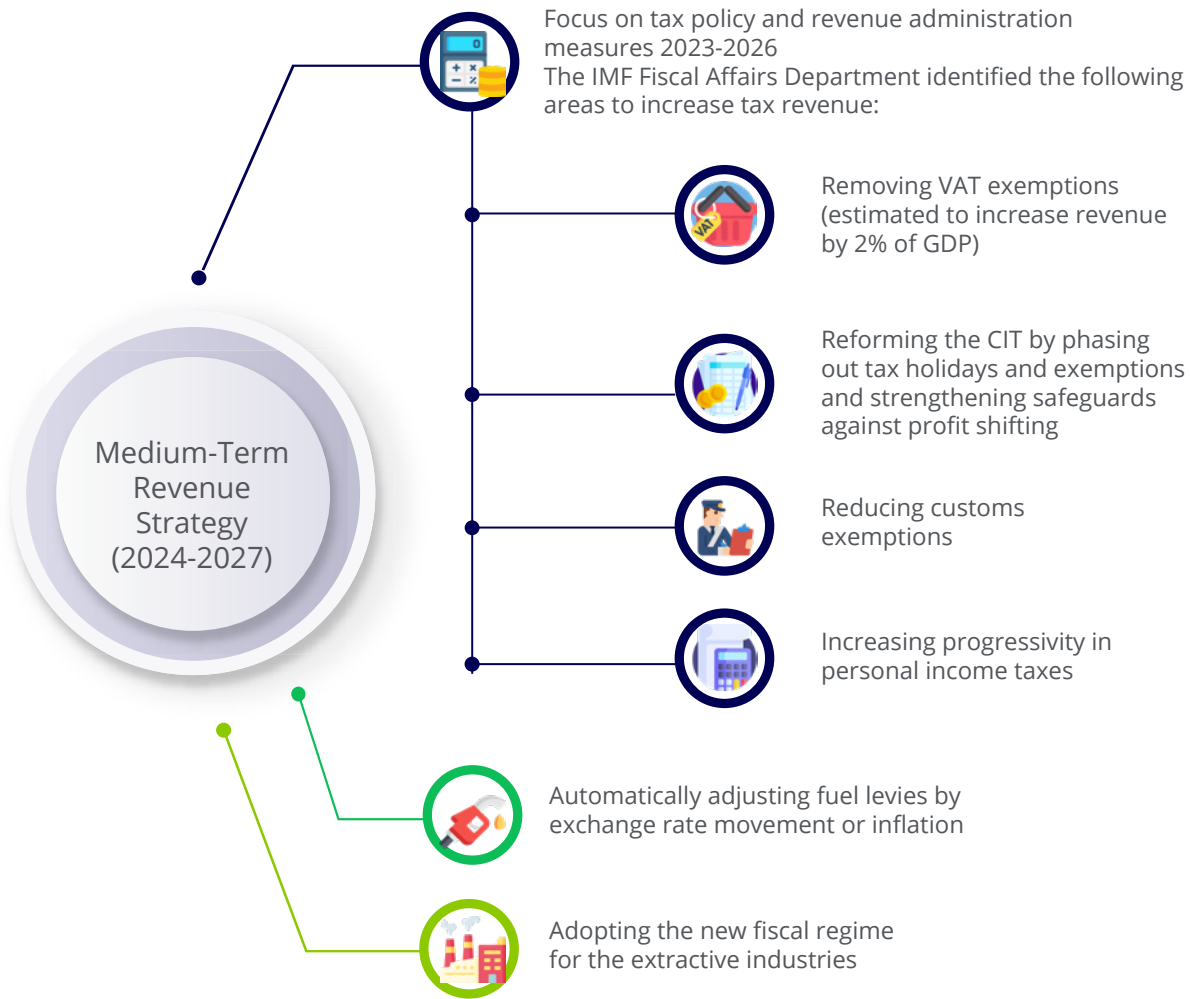


The Ghanaian economic story is similar to Nigeria on a number of fronts -high inflation (although Ghana's is declining), high energy costs, sluggish growth, etc. The main highlight, which also impacted the overall economic performance positively, was the approval of the IMF's \$3bn bailout loan and the cocoa syndicated loan of \$800mn with COCOBOD.

A first tranche of \$600mn has been disbursed by the IMF. The objective of the IMF package is to restore macroeconomic stability and secure debt sustainability. The loan came with conditionalities, which required a shift in the government's agenda.



## The IMF Deal – Fiscal and Tax (Revenue) Implications



## Fiscal landscape in Ghana

<p>Increase in VAT by 2.5% to 15%.</p>	<p>Reduction of the electronic transfer levy from 1.5% to 1%.</p>	<p>Revision of excise tax.</p>	<p>Conclusion of the first phase of the domestic debt-swap exchange (DDE) programme.</p>
<p>Amendments to the Income Tax Act.</p>	<p>Growth and sustainability levy.</p>	<p>E-invoicing for VAT.</p>	
<p>Transfer pricing adjustments.</p>	<p>GRA tax audit and other special investigations.</p>	<p>Restructuring of pension funds.</p>	



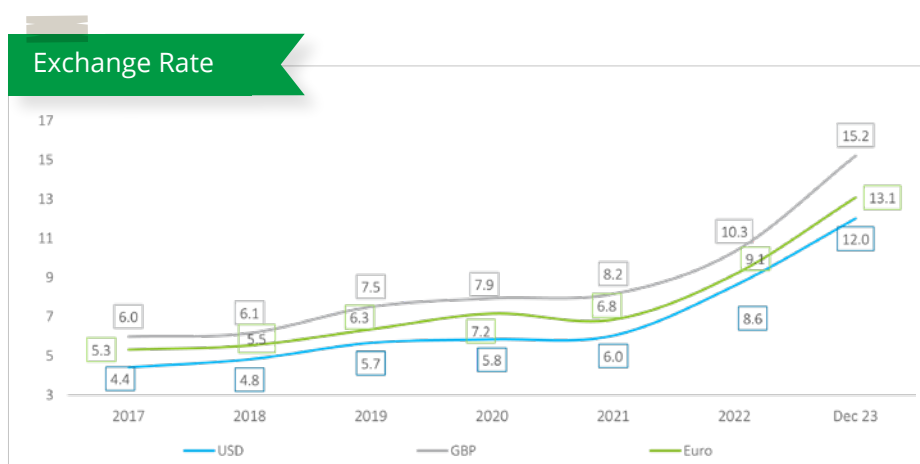


## Ghana 2024 budget assumptions

Indicator	2023 Revised Target	2023 Actual	2024 Target
Overall GDP Growth	1.5%	3.2%*	2.8%
Non-oil GDP	1.5%	3.9%*	2.1%
End of year Inflation	31.3%	26.4% <sup>^</sup>	15.0%
Budget Deficit (% of GDP)	4.6%	2.1%**	5.9%
Primary Balance (Commitment - % of GDP)	-0.5%	-0.7%**	0.5%
Gross International Reserves (Months of import)	0.8	2.3***	1.7

LEGEND: \*June 2023, \*\* August 2023 , \*\*\* September 2023, <sup>^</sup>November 2023

## IMF disbursement boosts investor confidence and eases cedi weakness



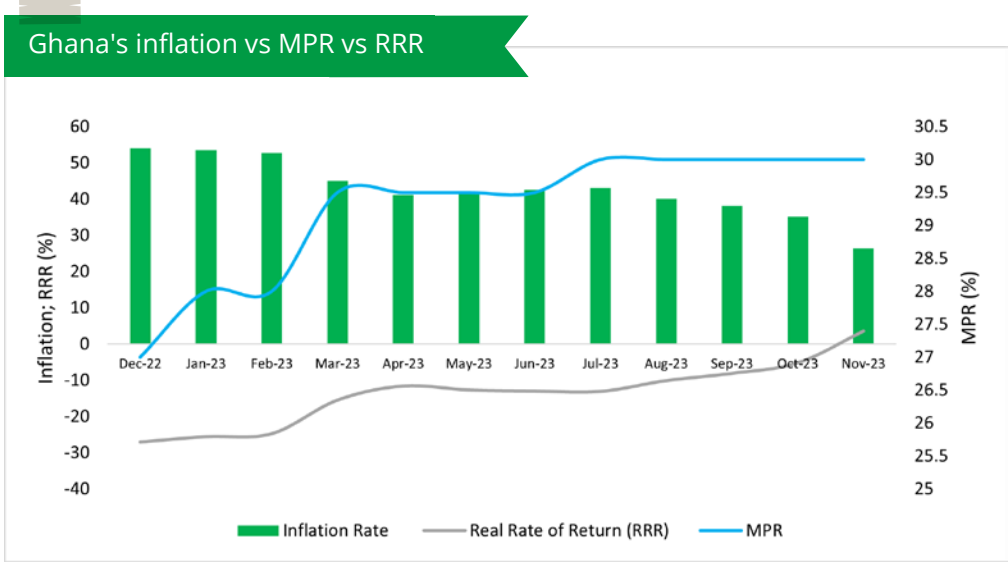
12

**Inflation falls sharply by 27.7% ytd to 26.4% (Nov'23)**

Real returns on investment back in positive territory.



<sup>12</sup> September BoG Summary of Economic Data



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## What to expect in 2024



### Economic recovery to continue in 2024

The Ghanaian economy is forecast to maintain its current expansion trajectory, with a projected GDP growth of 3.3% in 2024 (according to the EIU), which is an election year. The anticipated fiscal laxity and election related spending will contribute to the expansion in growth.

### Inflation moderation to persist

The declining inflation trend experienced this year is projected to continue in 2024, with inflation falling to an average of 18.9% (according to the EIU). This will be driven by a more stable cedi and a slower pace of increase in the domestic price of food. The decline nonetheless, the rate of inflation will remain significantly above the Bank of Ghana's (BoG) target of 8% (+/- 2% symmetric band). High global oil prices will keep imported refined fuel costs elevated and transport costs high in the absence of fuel subsidies.

### Monetary tightening close to a halt

With inflation trending downwards, the BoG is likely to maintain the status quo on its policy stance for the most part of the year. A tapering may occur towards the end of 2024 or in 2025.



<sup>13</sup> BoG



# 2.0 Industry Review and Outlook



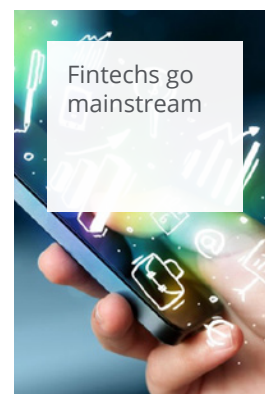
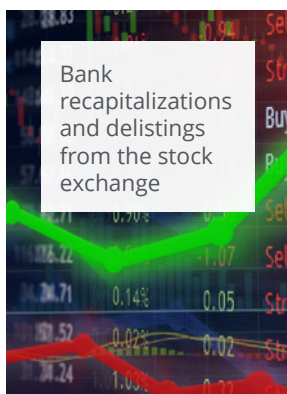
## 2.1 Financial Services

### Industry structure and major players

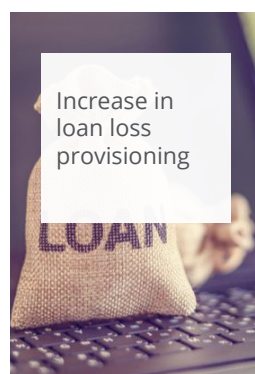
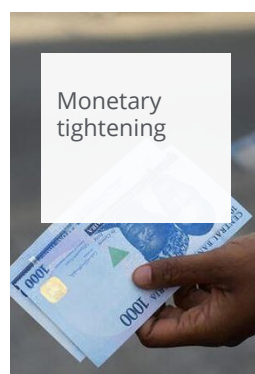
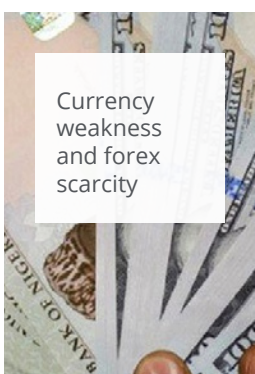
Banking & Capital Markets			Insurance	Real Estate	Investment Management
<p><b>Banking</b></p>	<p><b>Public Financial Institution</b></p>	<p><b>Fintechs &amp; PSBs</b></p>	<p><b>Insurance</b></p>	<p><b>Real Estate</b></p>	<p><b>Investment Management</b></p>



## Major trends



## Major challenges



## Outlook

The bank recapitalization is expected to boost the capital adequacy needs of the financial system in order to service a proposed \$1trn economy by 2030. With the severe macroeconomic headwinds of the past few years, banks' capital base to absorb potential losses and maintain a healthy balance sheet have been significantly impacted.

Tougher regulation as evidenced by the adoption of Basel III further aggravates the compliance to required capital adequacy ratios in stressed scenarios due to tougher eligibility criteria for tiered capital, additional capital buffers and increased risk weighted assets. We expect to see a fresh round of acquisitions occur as the process commences. It is a positive development for the banking industry and the external balance of the country as it would also attract the much needed foreign investor participation and inflows needed to boost the external reserves and stabilize the value of the naira.

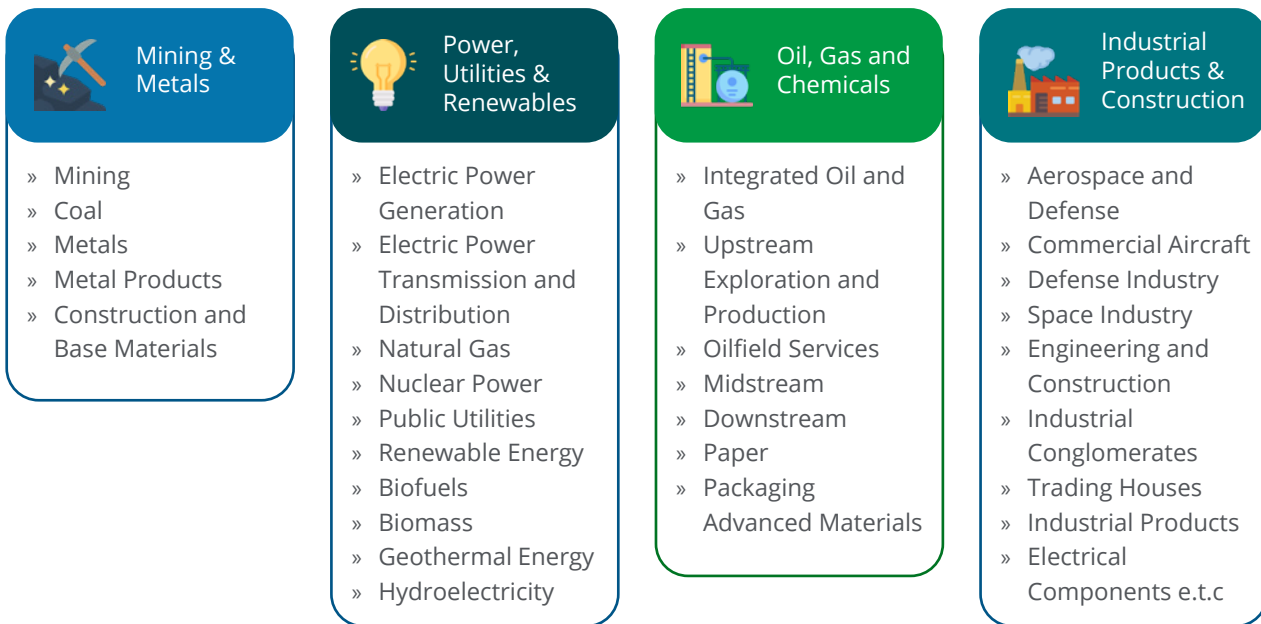


## 2.2 Energy, Resources & Industrials

The biggest trend driving change in the ER&I industry is the transition to cleaner energy. Customers are beginning to demand transparency in carbon emission targets and reporting.



### Industry structure

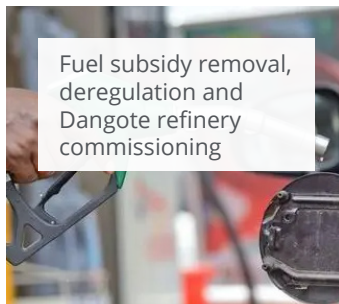


### Major players





## Major trends



Fuel subsidy removal, deregulation and Dangote refinery commissioning



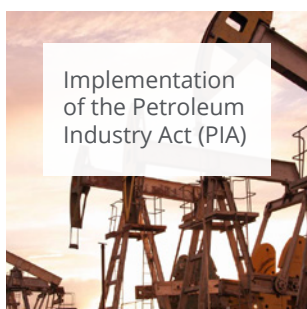
Electricity Act amendments and sector restructuring



Net metering implementation



Natural gas as the clean transition fuel



Implementation of the Petroleum Industry Act (PIA)



Energy transition: renewable energy investments and incentives



Cyber security



## Major challenges



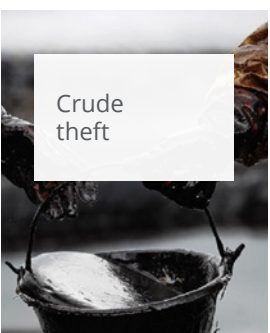
Inadequate infrastructure



Regulatory complexities



Market volatility



Crude theft

## Outlook

While the energy industry continues to navigate a complex operating environment, recent policy reforms and strategic investments have laid a foundation for transformative growth and sustainability. The need for consistent regulatory oversight, infrastructure development, and diversified energy sources remains paramount to ensuring long-term competitiveness and resilience in the face of evolving market dynamics and global energy transitions.

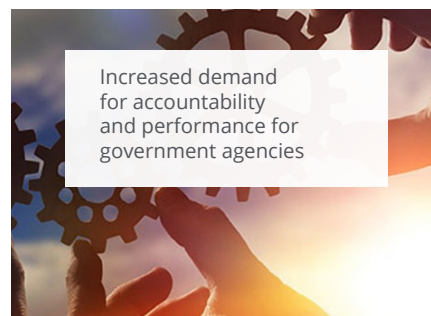
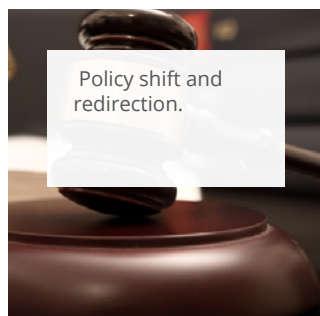
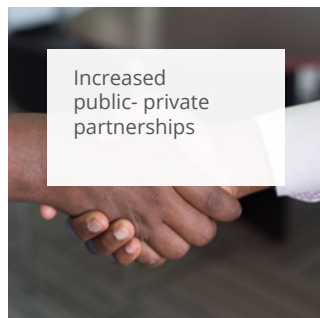
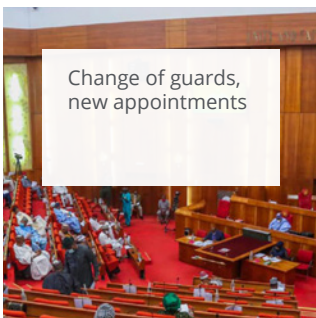


## 2.3 Government & Public Services

### Major players

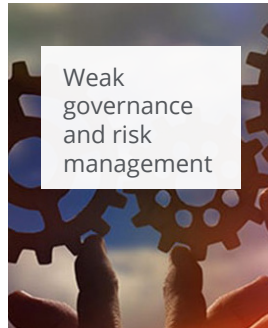


### Major trends





## Major challenges



## Outlook

The outlook of the Government and Public Service space will be greatly determined by the impact of the various reforms put in place by the respective Federal Governments (Nigeria and Ghana) and their cabinets. The Governments' commitment to healthcare reforms will play a crucial role, which could include improving infrastructure, increasing funding for healthcare, and enhancing the overall efficiency of the health system.

2024 is an election year for Ghana. This means that while economic and policy decisions will be top of mind in the first half of the year, these will give way to politics as the elections draw closer.





## 2.4 Consumer

### Industry structure



#### Consumer Products

- » Agribusiness
- » Food & Beverage
- » Apparel & Footwear
- » Personal & Household Goods



#### Retail, Wholesale and Distribution

- » Mass & Discount Stores
- » Grocery & Convenience Stores
- » Specialty & Departmental Stores
- » Wholesale & Distribution
- » Drugs & Pharmacy



#### Automotive

- » Automotive Dealers
- » Automotive Suppliers
- » Original Equipment Manufacturers
- » Captive Finance



#### Transportation, Hospitality and Services

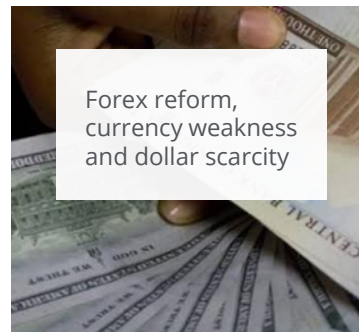
- » Transportation
- » Hospitality
- » Services

### Major players

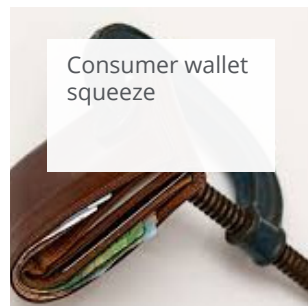


Consumer Products	Retail, Wholesale and Distribution	Automotive	Transportation, Hospitality and services

## Major trends



## Major challenges



## Outlook

The consumer industry is expected to remain embattled by rising cost of goods and services, external imbalances and weak consumer demand. However, innovations and stability in the economy could spur growth in the industry in the medium term.

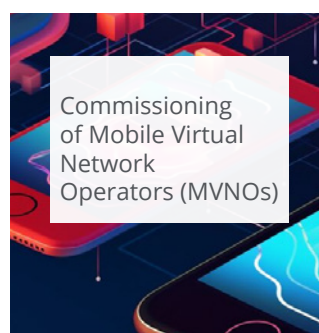
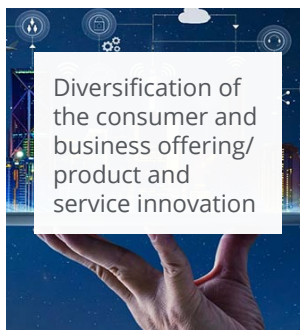
## 2.5 Technology, Media & Telecoms

### Industry structure and major players





## Major trends



## Major challenges



## Outlook

Amidst a rapidly evolving digital landscape, the future of technology, media and telecoms in West Africa hinges on sustained investments in infrastructure, regulatory frameworks, and digital literacy initiatives. By fostering strategic collaborations, technological innovation, and inclusive digital policies, the industry is well-positioned to drive sustainable growth, foster digital inclusion, and capitalize on emerging opportunities within the global digital economy.

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