



The Leadership Imperative & Nigerian Economic Outlook

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- ❖ The Concept of Leadership
- ❖ Economic Realities Vs Political Sentiment
- ❖ What is Next for Nigeria in 2023/24
- ❖ The New Dispensation & Business Opportunity





The Concept of Leadership

Definition of Leadership:

“The ability of an individual , group or organization to lead, influence, or guide other individuals , teams or entire organizations” – *Wikipedia*



“The leader is one who, out of the clutter, brings simplicity... out of discord, harmony... and out of difficulty, opportunity.” – *Albert Einstein*

“Leadership is the capacity to translate vision into reality.” — *Warren Bennis*

“Effective leadership is not about making speeches or being liked; leadership is defined by results not attributes.” — *Peter Drucker*

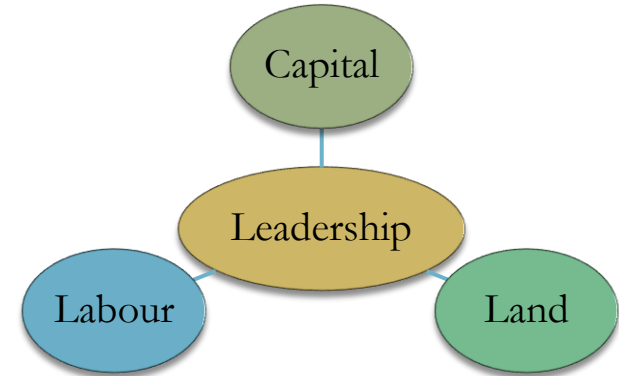
❖ In rudimentary economics, there are 4 factors of production

❖ Land

❖ Labour

❖ Capital

❖ Entrepreneurship



❖ We use leadership as a proxy for entrepreneurship in economics

❖ In the world book of figures published by the Economist magazine

❖ 38.5% of all Nigerians are entrepreneurs (either directly or side hassle)

Why is Discussing Leadership Auspicious at this Time?

- ❖ In 1992 US Election - Bill Clinton & George Bush Senior



Bill Clinton

“T’is the economy stupid”



George Bush Senior

- ❖ Bill Clinton beat a very popular George Bush Senior
- ❖ Economy was dominant and politics was recessive

Why is Discussing Leadership Auspicious at this Time?

- ❖ Politics and struggle for power is becoming **Dominant**
- ❖ While economics is becoming slightly **Recessive**
 - ❖ **Economy** and **Inflation** were the leading issues in the last US election
 - ❖ Whilst abortion & cultural topics were not that important – *according to the polls*
- ❖ But what happened?
 - ❖ Political & social issues pushed the democrats to the top
 - ❖ Whilst the economic problems were not that relevant

What are the Objectives of a Leader in the Private Sector

- ❖ Be profitable
- ❖ Increase shareholder value
- ❖ Economic value added
- ❖ ESG -

What are the Objectives of a Leader in the Public Sector

- ❖ Rapid Growth
 - ❖ Inclusive
 - ❖ Accelerated
 - ❖ Sustainable
- ❖ Income per capita & welfare
- ❖ Equitable distribution of Income

Leadership in Economic Concept

- ❖ Economic is science of choice & scarcity
- ❖ Infinite needs & limited resources
- ❖ The choice is usually led by prioritization
- ❖ You cannot be all things to all men

Good Leadership & Positive Outcomes

❖ Is there a correlation between strong/good leadership & positive outcomes?

YES

Evidence



Top Companies by
Market Cap

Chief Executive
Officer

Leadership
Characteristics



Apple - \$2.35trn

TIM COOK

- ❖ Democratic leadership style
- ❖ Effective communication
- ❖ Knowledgeable






Saudi Aramco – \$1.97trn

AMIN H. NASSER

- ❖ Motivation and effective communicator
- ❖ Resourceful
- ❖ Experienced

Good Leadership & Positive Outcomes

Top Companies by Market Cap	Chief Executive Officer	Leadership Characteristics
 Microsoft - \$1.80trn	SATAYA NADELLA	<ul style="list-style-type: none"> ❖ Clear communication ❖ Clear vision ❖ Courage
 Alphabet (Google) - \$1.24trn	SUNDAR PICHAI	<ul style="list-style-type: none"> ❖ Fearless ❖ Data driven ❖ Strong communication and relationships
 Amazon – \$1.01trn	ANDY JASSY	<ul style="list-style-type: none"> ❖ Flexibility ❖ Detail oriented ❖ Diligence (doing things right)

Fastest Growing Countries – (2009-2019)

Country; GDP Growth rate (2019)	Country; GDP Growth rate (2019)
Ethiopia	9.8%
Turkmenistan*	9.0%
China	7.7%
Mongolia	7.6%
Laos	7.2%
Rwanda	7.1%
Cambodia	7.0%
Bangladesh	6.8%
Myanmar	6.8%
Ghana	6.7%

Post conflict –economic
growth

Source: The Economist (Book of
Figures)

Good Leadership & Positive Outcomes

Top 5 Economies by Value	Country; GDP Growth rate (2021)	Leader
US	\$22.9trn	Joe Biden
China	\$17.7trn	Xi Jinping
Japan	\$4.9trn	Fumio Kishida
Germany	\$4.2trn	Frank-Walter Steinmeier
UK	\$3.18trn	Rishi Sunak

In most cases they are the most developed

3 by 3 Matrix on Leadership

- ✓ Some trends common to great nations

Dynamic Leadership

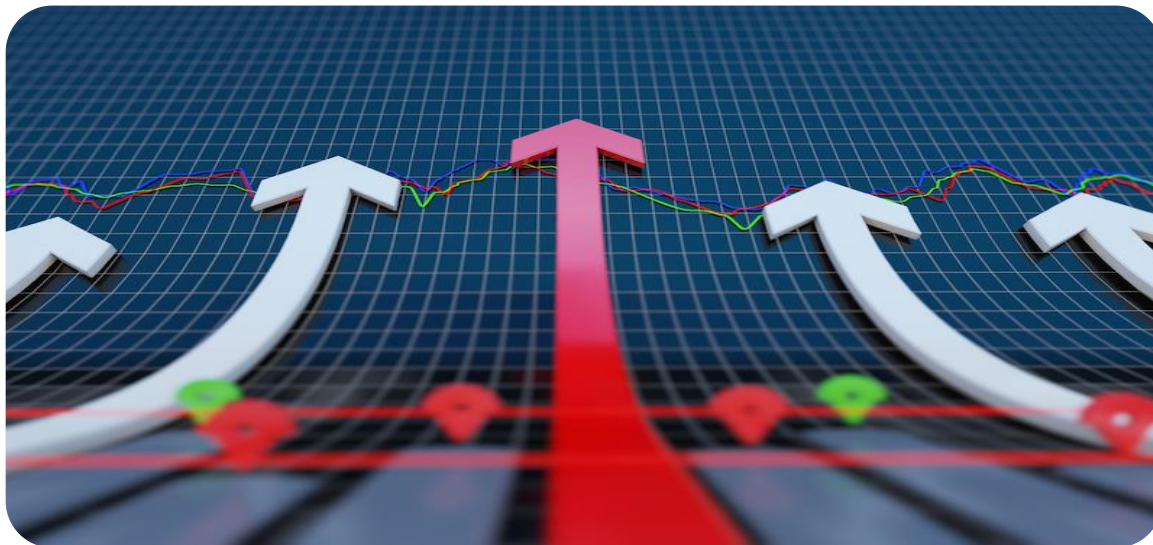
Strong Institutions

Good Policies

- ✓ Empirical evidence suggests that a combination of 2 factors leads to positive economic outcomes



Good policies	+	Good leadership	+	Strong institutions	=	Positive outcome	✓
Good policies	+	Good leadership	+	Weak institutions	=	Negative outcome	✗
Poor policies	+	Good leadership	+	Strong institutions	=	Negative outcome	✗
Good policies	+	Bad Leadership	+	Strong institutions	=	Positive outcome	✓



Economic Realities

Natural Wealth Vs Produced Wealth

The Nigerian Economic Reality

- ❖ A catalogue of missed opportunities- *4 oil booms and nothing to show*
- ❖ Relative to it peers
- ❖ Economy trapped in a vicious cycle of poverty & a possible debt trap
 - ❖ Due to structural defects and weak institutions



Economic Realities



Largest economy in Africa and 26th largest in the world (\$488.2bn)



4 of the 20 fastest growing cities in the world are in Nigeria – Nnewi, Abuja, Uyo, PH



5th largest agricultural output (\$84.2bn)



2nd largest producer of roots & tubers



5th largest producer of vegetables (16.4mn tonnes)

Economic Realities



2nd largest producer of tomatoes in Africa and
14th largest in the world



6th largest Diaspora remittances (\$24bn)



7th highest worker remittances (\$23.8bn)



7th highest fertility rate in the world



17th lowest median age in the world (18.1
years)

Then**Vs****Now****Economic****Social**

Real GDP growth (%)

1960

0.19

2017

0.82

2022

3.1

% change

2.91



GDP per capita (\$)

92.95

1,941.9

2,225.1

2,293.87



Inflation (\$bn)

5.4

15.37

20.52

15.12



Exchange rate (N/\$)

0.71

363

740

104,125.35



Life expectancy (years)

36.98

53.95

55.44

49.92



Literacy rate

55.4

59.6

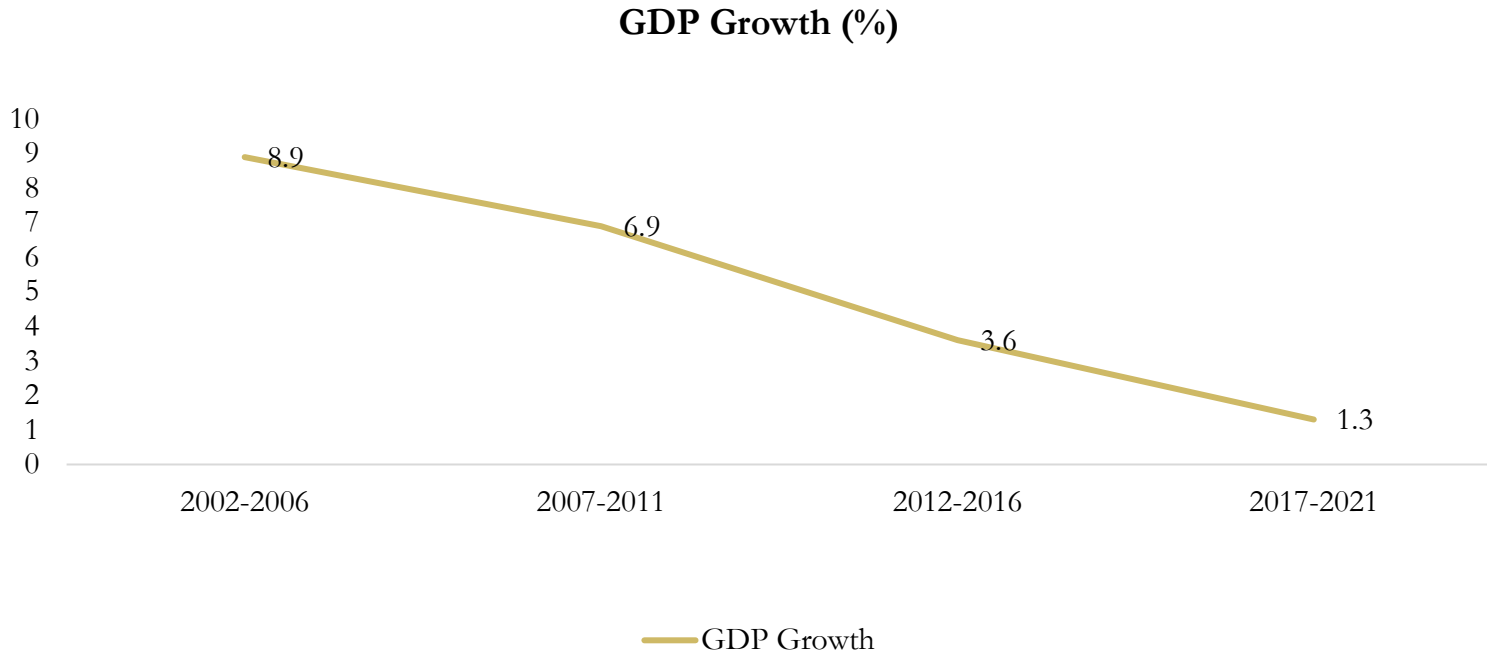
62.02

11.95



From Boom To Slump

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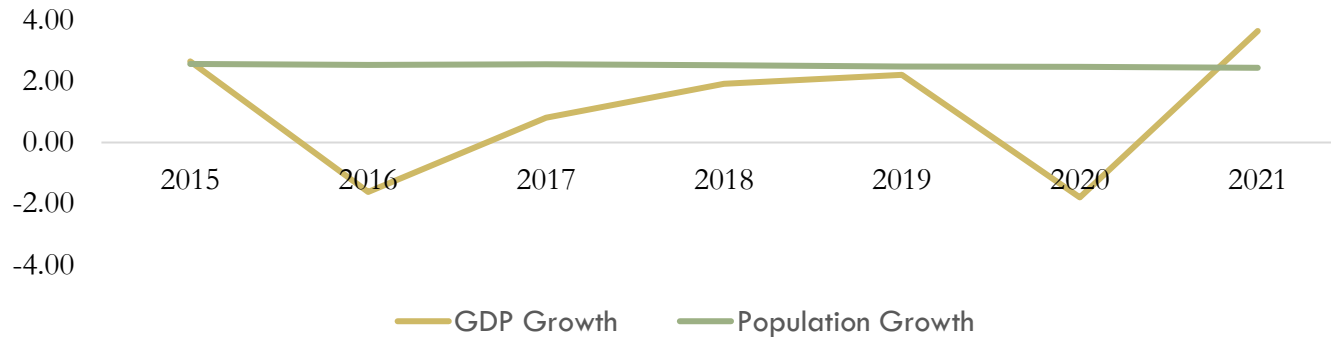


❖ Nigeria is on the slippery economic growth

GDP Growth Vs Population Growth

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Output Growth Vs Population Growth (%)

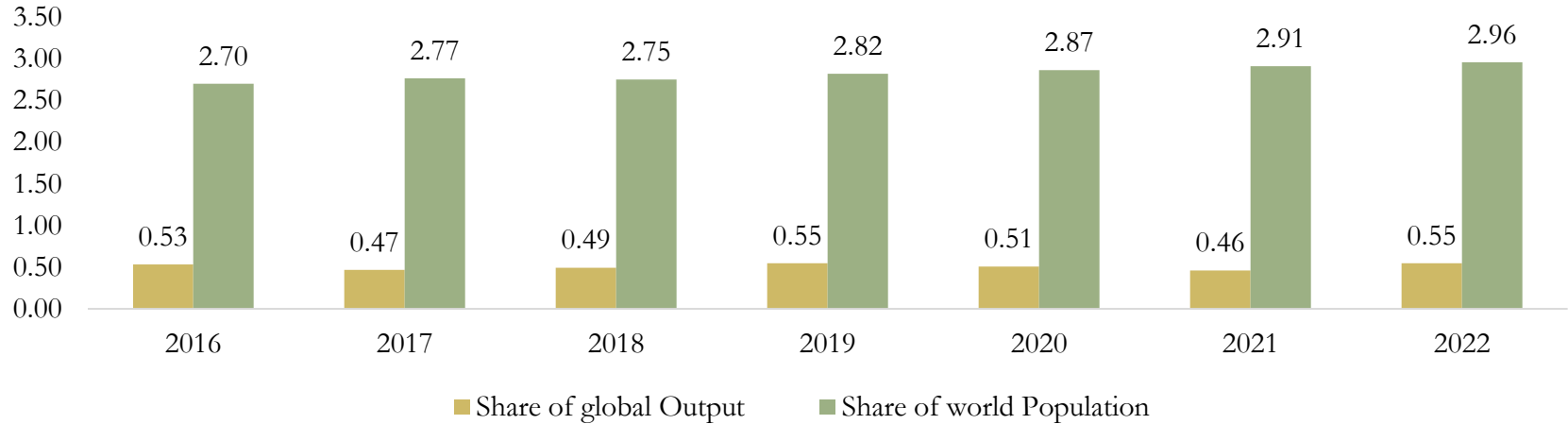


- ❖ Output growth averaged 1.27% in the last 5 years
- ❖ Recorded 2 recessions within the review period
- ❖ While the population growth averaged 2.51%
- ❖ Nigeria can no longer feed its people despite
 - ❖ Government expenditure averaged N21.66trn in the 5 years

Less Output – More Poverty

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Share of Global Output Vs Share of the World Population (%)



- ❖ Nigeria's GDP was \$440.14bn in 2021, 0.46% of the global output
- ❖ But 2.9% of the world population are Nigerians
- ❖ Fast growth in population, slow growth in economic output

The Imponderables

1. Fiscal Cliff

	5-year avg	2022 (annualized)	2023
Projected revenue	N6.6trn	N10.74	N9.7trn
Actual	N3.7trn (43%)	N4.56trn (58%)	N4.9trn(49%)
Actual Expenditure	N9.3trn	N13.4trn	20.5trn

- ❖ Revenue growth rate is 4.8% per annum while expenditure growth is 13% per annum
- ❖ Fiscal deficit rose by 144% to N8.8trn(annualized) in 2022 in the past 5 years.
- ❖ Nigeria has a revenue problem: Revenue is 2.5% of GDP while deficit is 5.1% of GDP
- ❖ It seems Nigeria is falling off the cliff; hard choices are inevitable



**20-year average
CAPEX**



The Imponderables

As at October 2022,



N62.84trn

(including W&M)



N4.3trn

(113% of revenue)

- ❖ Gross debt is now 37.3% of GDP - IMF
- ❖ External debt > External Reserves
\$40bn > \$37.22bn
- ❖ Nigeria downgraded by Fitch and Moody's into junk status
- ❖ Sovereign spread has widened to 1255.6
- ❖ Debt default is knocking



Subsidies are Reverse Taxes

Petrol Subsidy

- ❖ Projected to reach N6trn in 2022
- ❖ Exceeds the total expenditure of all states in 2021

Exchange Rate Subsidy

- ❖ Creates rent-seeking/arbitrage opportunities in the Forex market
- ❖ N409 subsidized on \$1 accessed from the CBN

Electricity Subsidy

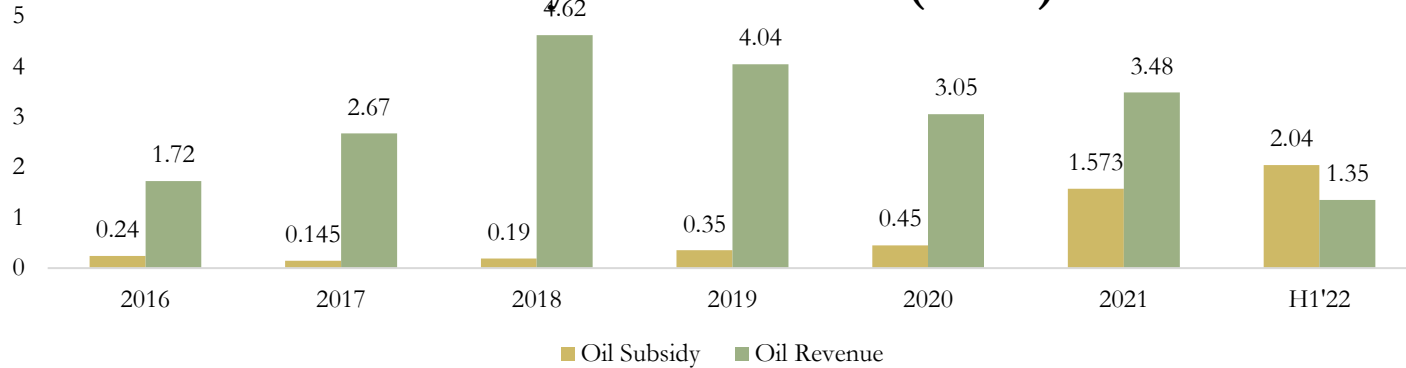
- ❖ Amounted to N1trn between 2019-2021

Intervention Fund Subsidy

- ❖ Estimated at N4.5trn as at September 2022
- ❖ With an interest rate of 5%, 22% lower than the market rate of 27%

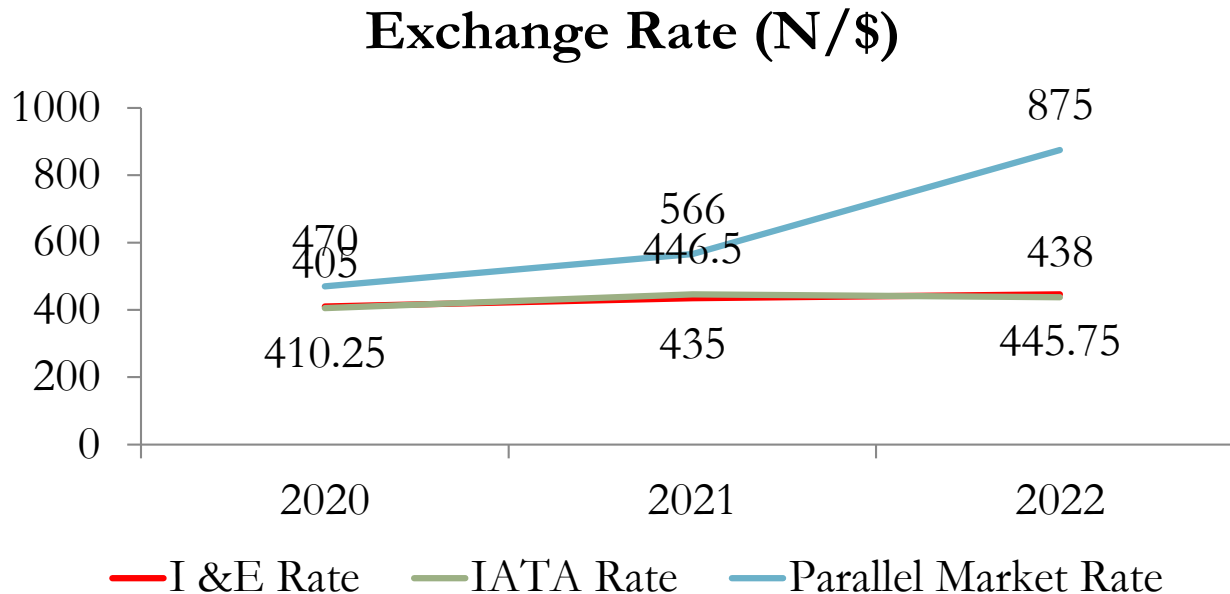
Borrowing to Pay Subsidy - A Recipe for Disaster

Oil Subsidy Vs Oil Revenue (N'trn)



- ❖ Oil revenue is no longer enough to pay oil subsidy
- ❖ Oil subsidy was 152% of the oil revenue H1'22
- ❖ NNPC has failed to remit to the Federation Account since January
- ❖ Pushing government to borrow to pay for the subsidy

Structure of Nigerian Forex Market

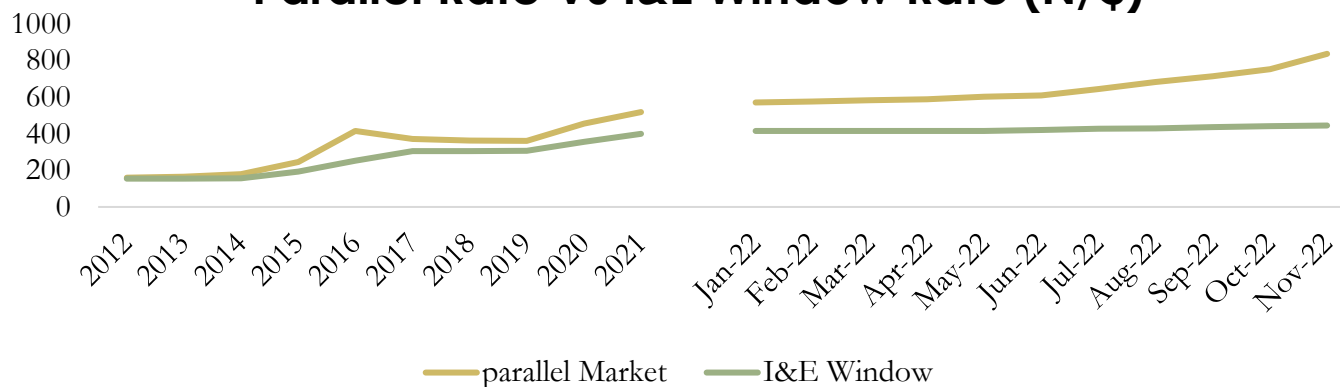


- ✓ Regulatory and administrative control makes the problem worse
- ✓ The Nigerian forex market reflects a price discriminatory monopoly
- ✓ There are four exchange rate windows

- ❖ The choice of multiple exchange rates is creating arbitrage and economic rents as
 - ❖ Parallel-I&E window gap keeps widening
- ❖ Leading to a decline in the value of the currency
- ❖ Dollarizing the economy will lead to a bi-monetary system
- ❖ Bad money drives out good – *Gresham*



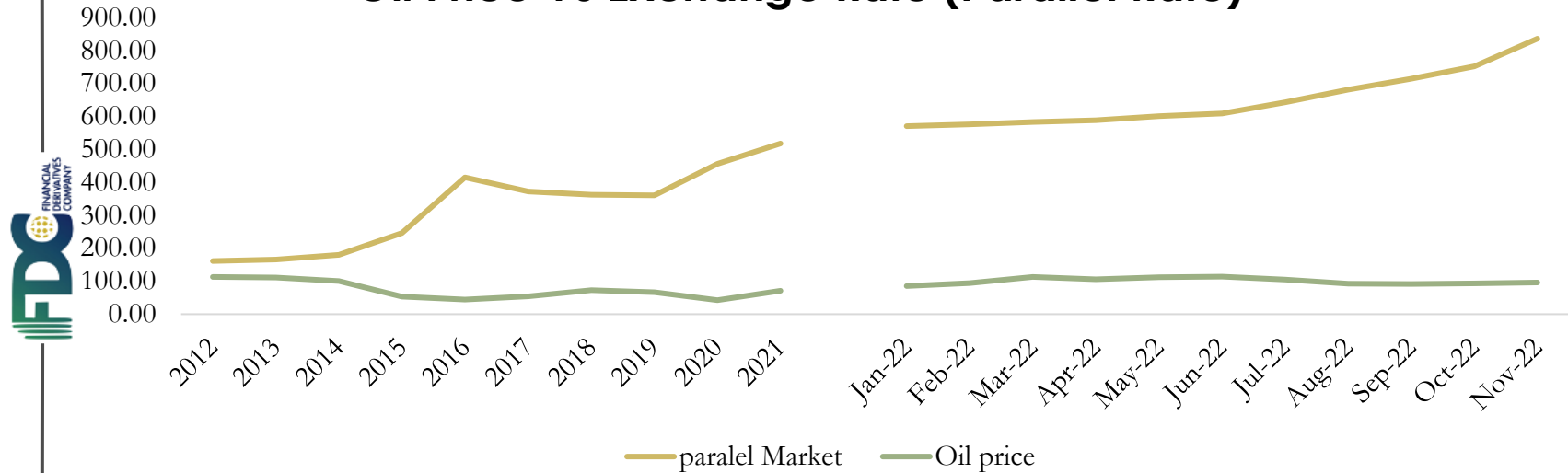
Parallel Rate Vs I&E Window Rate (N/\$)



Oil No longer Beneficial

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Oil Price Vs Exchange Rate (Parallel Rate)



- ❖ Naira on free fall despite higher oil price
- ❖ Due to sub-optimal oil production

Oil No longer Beneficial

❖ Impact on External Reserves

- ❖ External reserves declined by 7.7% YTD
- ❖ Now at \$37.37bn
- ❖ Exchange rate arbitrage is N409/\$

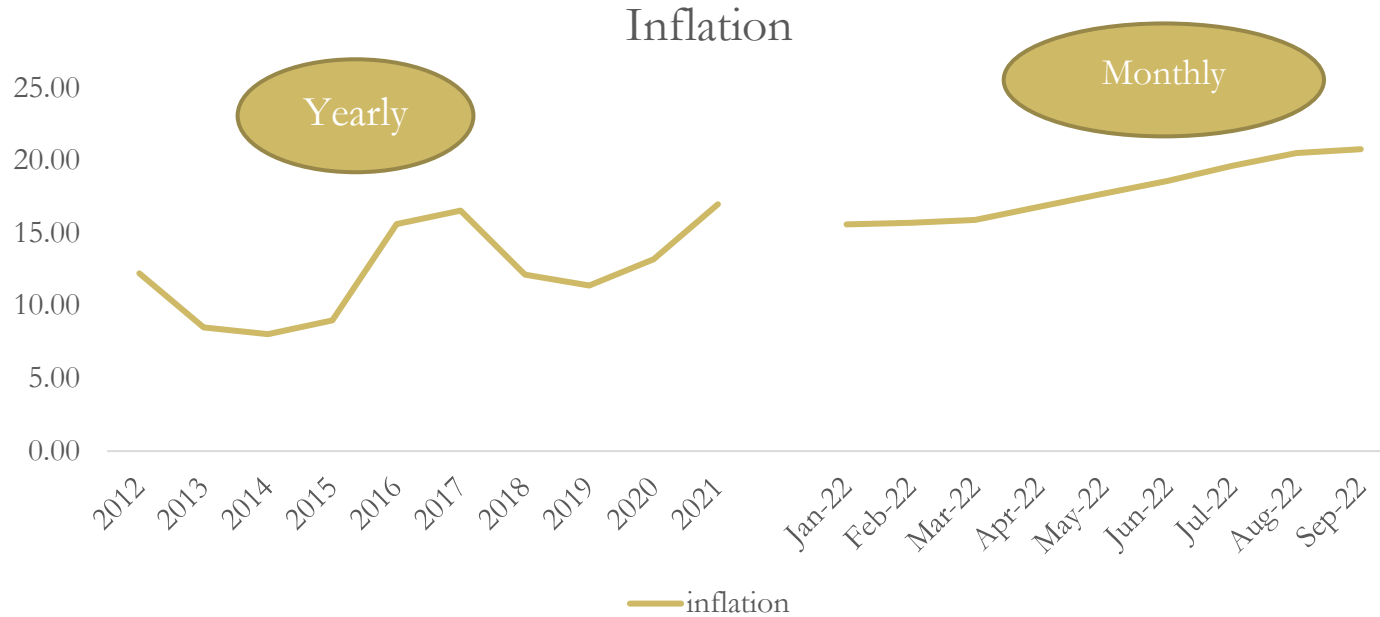
❖ Leading to a Shortage of Forex

- ❖ Aviation block fund is now above \$300mn
- ❖ Foreign Airlines operators are shutting down
- ❖ Leading to a downgrading of the business environment
- ❖ Increasing debt default probability of companies



Policy Responses – Inadequate and Mistimed

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❖ Nigeria is ranked 136 out of 167 countries in the cost of living index in 2021

Bank of America Says....

- ✓ Official market rate to be devalued by 20% to N520/\$ in 2023
- ✓ Why?

Naira is 20%
overvalued

Nigeria balance
of trade under
pressure

Forex market
structure
inefficient

If Official Rate is Adjusted By 20%- Implication on Parallel Market

IEFX Rate

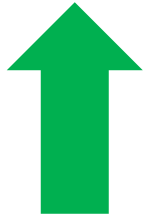
N520/\$



20%

Parallel Market Rate

N647/\$



✓ Assumptions

- ✓ Amount of naira is fixed
- ✓ Interest rate in Naira is closer to Inflation rate



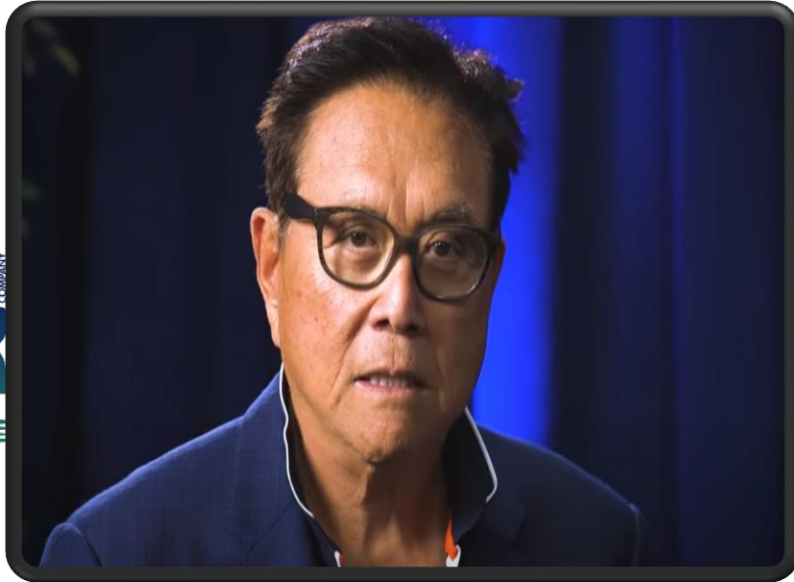
Economic
Failure



Unemployment



Resentment &
Social Unrest

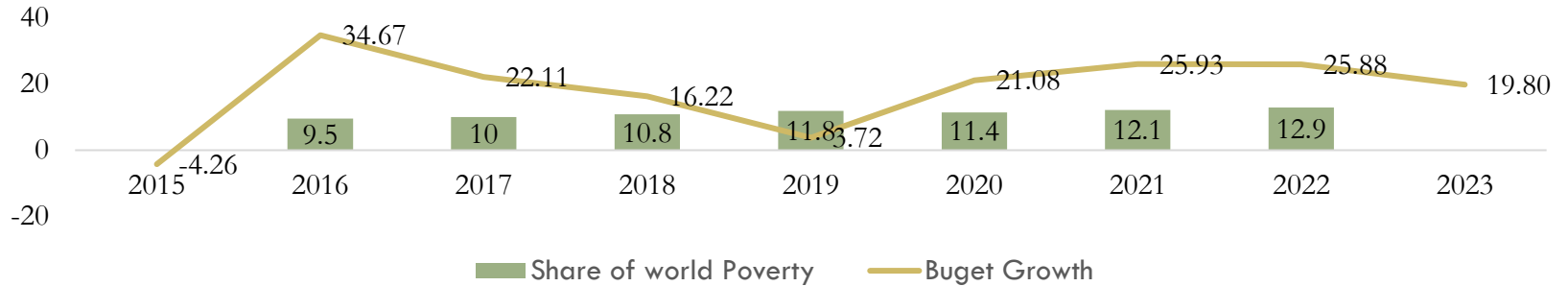


Robert Kiyosaki

“History reminds us that dictators and despots arise during times of severe economic crisis”

The Irony of Two Growths – More Spending, Less Growth 37

Expenditure Growth Vs Share of the World Poverty (%)



- ❖ Government expenditure increased by 356% in the last 8 years
- ❖ But not reflecting on the life of average Nigerians as
- ❖ 92 million Nigerians live in poverty
- ❖ Projected to hit 95 million in 2022 by World Bank
- ❖ Nigeria was tagged home of poor people in 2018 as 13% of the global poor people live in Nigeria

The Irony of Two Growths – More Spending, Less Growth

% Growth of Military Expenditure Vs Peace Index

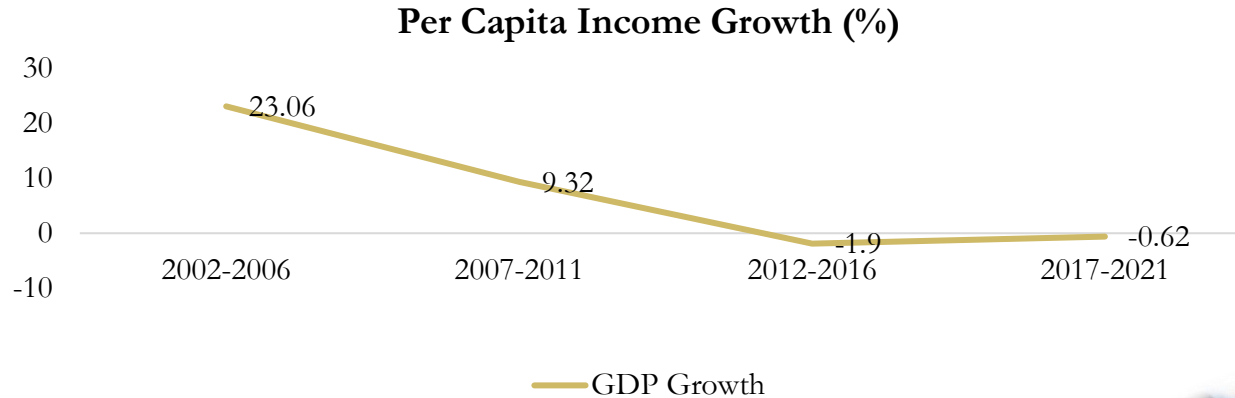
Peace Index: Lowest = Best



- ❖ Military expenditure has grown by more than 200% in the last decade due to insurgency
- ❖ The Higher the expenditure, the lesser the peace

From Affluence to Poverty

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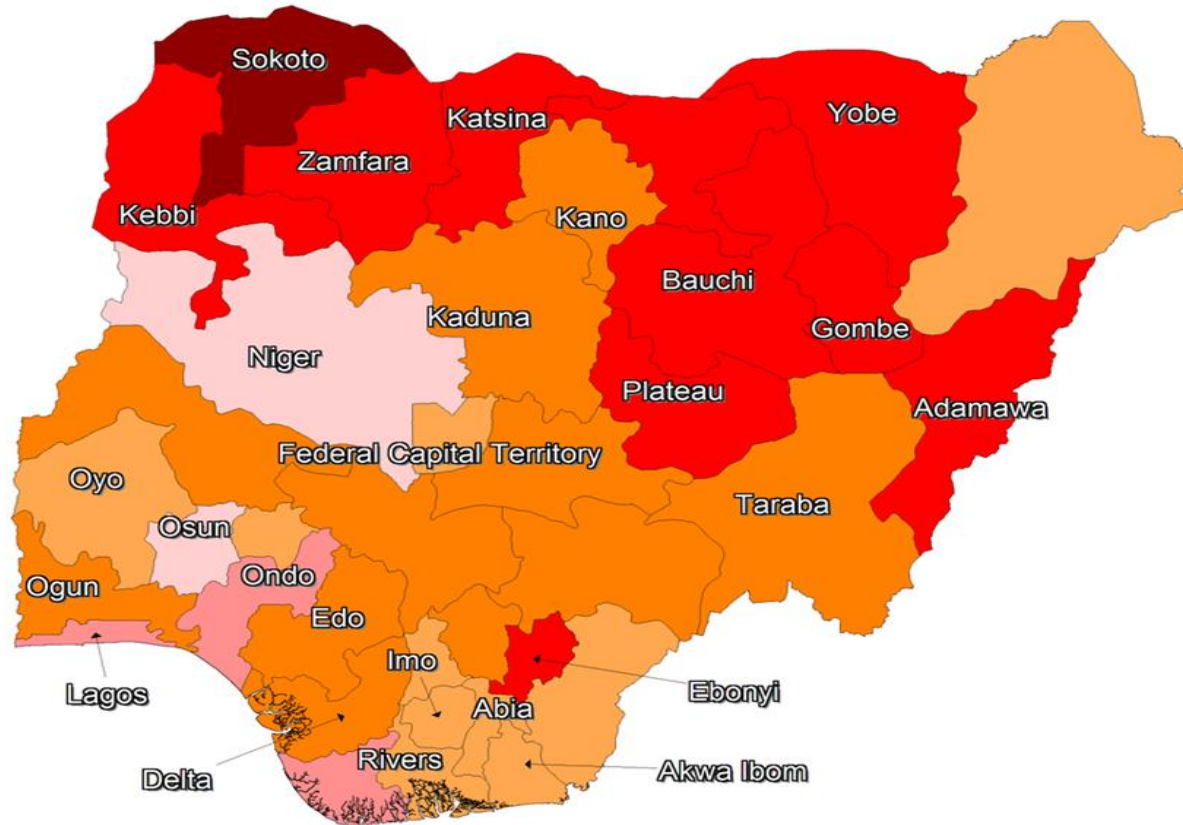


- ❖ Nigerians were once rich and were living in affluence
- ❖ But now living on the shoestring
- ❖ In the last decade, per capita income has fallen by 40%



From Affluence to Poverty

40



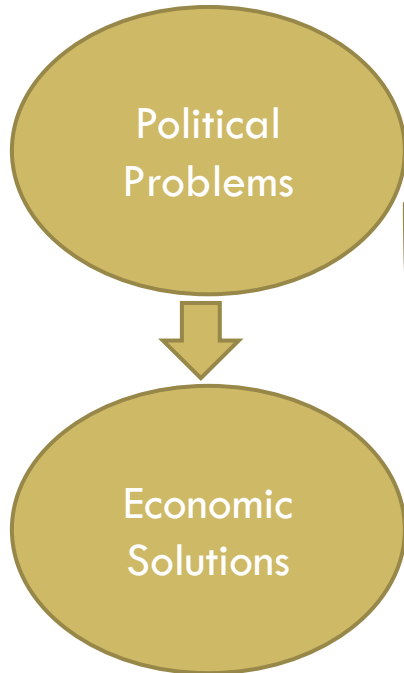


Way Forward – Leadership Required

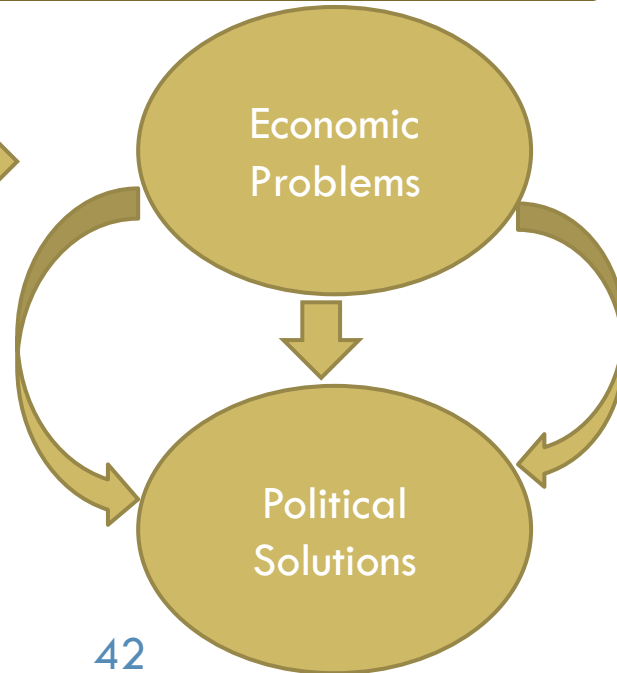
Leadership Required

Breaking Away from the Norms

What used to be



What it ought to be now



- ❖ Economic Problems such as
- ❖ slippery Growth, Debt, Dwindling revenue & deteriorating living condition
- ❖ Require Strong Political wills and Policies

Leadership Required – Characters

- ❖ Nigeria's Peculiar situation requires a leader who is:
 - ❖ Ready to break away from the usual conundrum
 - ❖ Must be Ruthless & Courageous
 - ❖ Visionary
 - ❖ Ready to confront the situations the way they are
 - ❖ Ready to step on toes



Hard But Necessary Decisions

Complete Liberation of the economy – moving toward perfect Market

- ❖ Complete removal of Subsidies
- ❖ Floating the exchange rate
- ❖ Improve Inter/Intra regional trades – open borders

Complete rejuvenation of Institutions

- ❖ Complete Autonomous of Judiciary, Central Bank of Nigeria & security institutions
- ❖ Complete commercialization of NNPC
- ❖ Autonomous for states and local governments

Policies Marriage (Monetary and Fiscal Policies)

- ❖ Fiscal & Monetary Policies authorities need to work hand-in-hand

Dealing with 3 Dysfunctional Groups



Warlords in Niger Delta

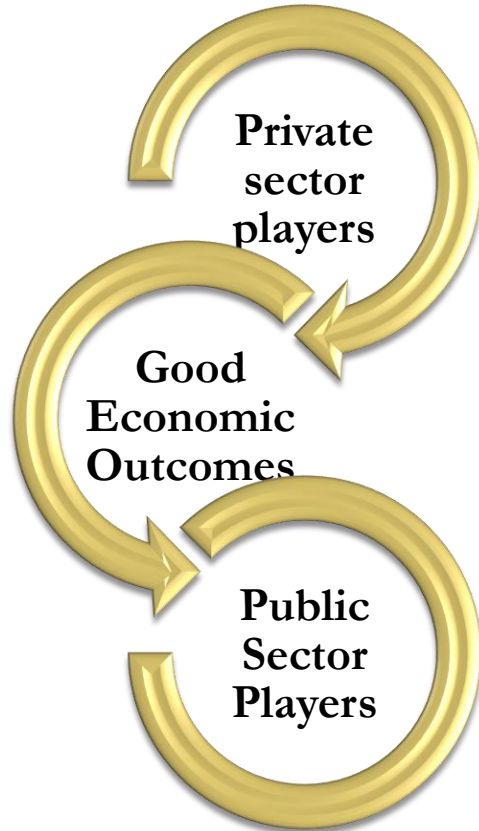


Boko Haram



Regulatory & Policy
Terrorists & Oligarch

Execution of Policies – Stakeholder



- ❖ Engagement and involvement of private sector players will be key to achieving good economic outcomes
- ❖ There is a need for a high level of involvement of the private sector players

The New Political Dispensation

- ❖ Angry, hungry & bitter electorate
- ❖ Remember 100 fools cannot make a right choice

New Leader...

It is about The “HOW” and not The “WHAT”



“Beware of glossy manifestos because talk is cheap”

What Needs to be done

- ❖ June – Nominate Ministers
- ❖ Make key appointments

Tell me your friends and I will tell you who you are

If you lie down with pigs you smell of a carcass

Sectors with Growth Opportunities

- ❖ ICT
- ❖ Construction
- ❖ Petroleum
- ❖ Agriculture

Where competitive and comparative advantage are aligned

*Thank
you*

