

NIGERIA IN 2023

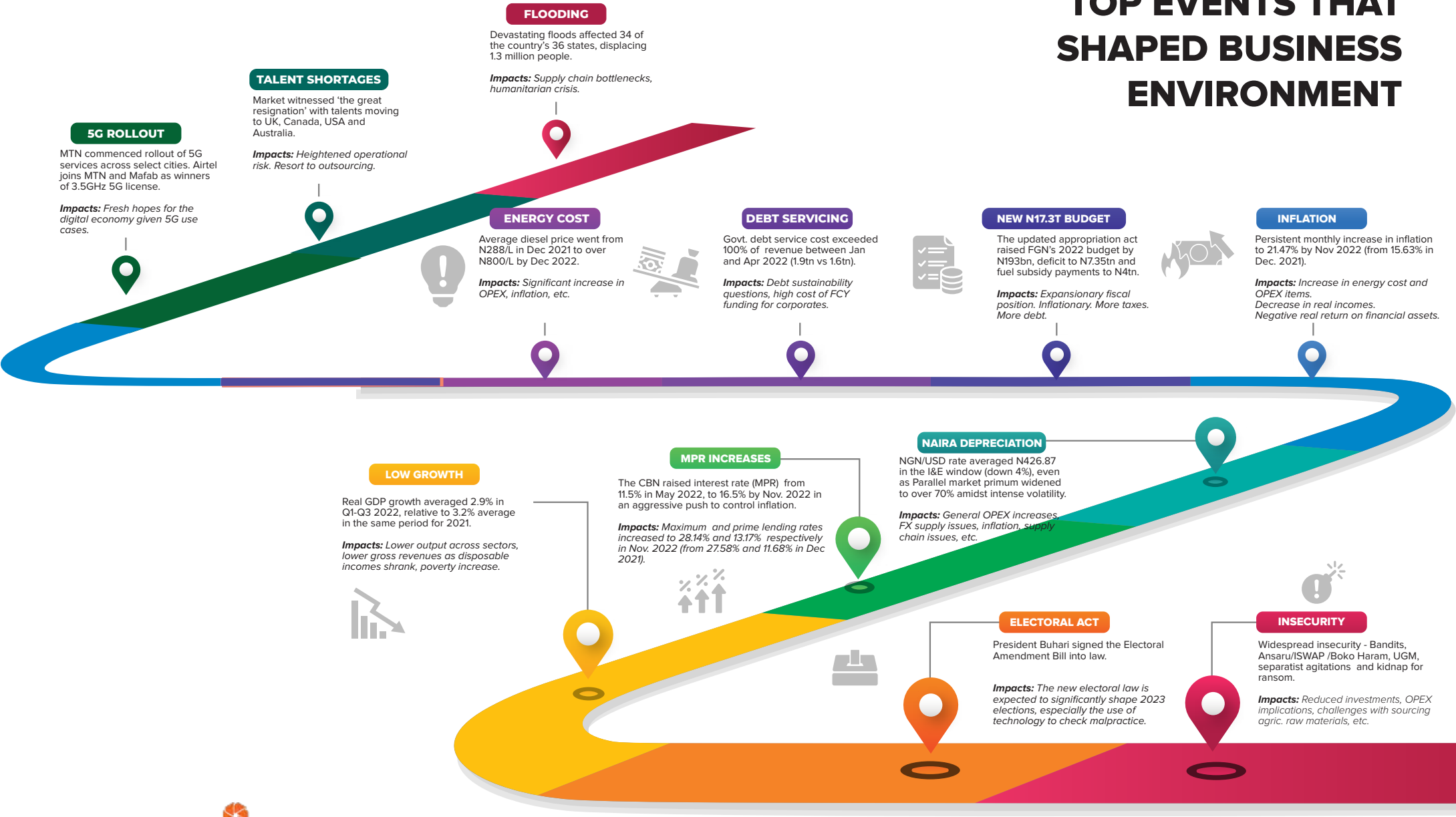
LIKELY EVENTS AND IMPLICATIONS
FOR BUSINESSES

JANUARY 2023



2022

TOP EVENTS THAT SHAPED BUSINESS ENVIRONMENT



2023

LIKELY EVENTS AND IMPLICATIONS

KNOWN-KNOWNs

GDP GROWTH

Nigerian economy to sustain a low c3% growth as fiscal stress continues.

NEW NAIRA POLICY

Redesigned Naira notes and daily cash withdrawal limits take full effect.

FINANCE ACT

Implementation of the 2022 Finance Act will increase taxes on businesses.



IMPLICATIONS

- The global growth will remain low (sub 2%) and fragile, hanging on the fate of Europe, China and global energy market.
- The operating environment will remain VUCA (volatile, uncertain, complex and ambiguous) given the headwinds.
- 2023 elections spendings to create opportunities in few economic sectors, even as business risks become elevated.
- OPEX will come under pressure from high energy, personnel and other costs. Higher taxes are also anticipated.

KNOWN-UNKNOWNs

NEW PRESIDENT

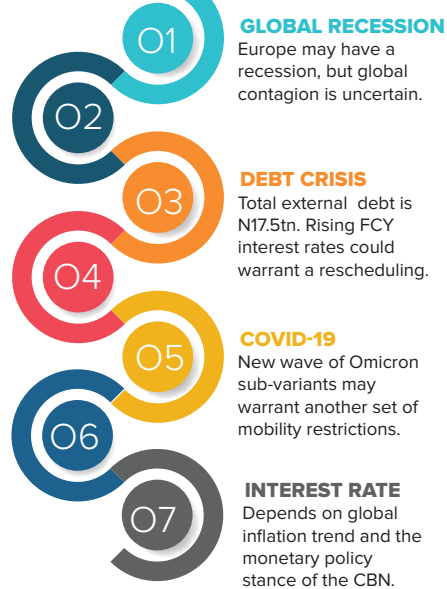
We do not know who will emerge as the new President by May 29.

INSECURITY

Security threats to remain, with unknown dimensions and intensity.

EXCHANGE RATE

Naira exchange rate to remain volatile as supply pressures remains.



IMPLICATIONS

- More tightening is expected in countries where inflation remains high and broad-based.
- Major business decisions may drag into H2: 2023 as stakeholders watch the 2023 elections closely.
- Increased insecurity in Nigeria (in an election year) will continue to hurt businesses, investments and growth.
- Pressure on the Naira will worsen with increased FX demand, even as supply continues to shrink.

UNKNOWN-UNKNOWNs

EAST AND SOUTHEAST ASIA TENSIONS

China vs. Taiwan, S. Korea vs N. Korea, South/East China sea.

ARTIFICIAL INTELLIGENCE SERVICES

Rise of bots in different sectors. e.g. ChatGPT

CREDIT DEFAULTS

The fate of debt-laden less-developed countries with FCY interest rate hikes.



IMPLICATIONS

- What if the Russia-Ukraine war escalates to NATO-Russia confrontation?
- A global debt crisis is a potential consequence of persistent increase in policy rates globally.
- Climate crisis could take unprecedented dimensions. A repeat of 2022 flood in Nigeria will not go well.
- What if the 2023 elections in Nigeria takes a completely different dimension?
- Rising use of AI in different sectors presents both opportunities and risks.

2023

STRATEGIES FOR BUSINESS RESILIENCE AND GROWTH

01

A ROBUST RISK RESPONSE PLAN

Businesses need to proactively weight 2023 headwinds, scan the environment and develop strategic fallback plans to reduce threats to their supply chains.



02

PROTECT YOUR SUPPLY CHAIN

More disruptions to supply are anticipated. It may be useful to have a robust supply-chain risk-management framework, with attention of the impact on speed and precision.



03

PROTECT YOUR WORKFORCE

The hiring pool will shrink further. Motivate employees enough to keep them productive and help them navigate the elevated macro-related welfare issues.



04

BUILD A RISK-AWARE CULTURE

This will ensure that the organisation maintains strong defensive layers against unknown risks, and the organisational capability to respond effectively (and early) when the need arises.

PLAYING TO WIN...



07

DELEVERAGE

Debt will become more expensive in 2023. Organisations with sufficient room may consider several deleveraging strategies to strengthen their balance sheet.



06

REVENUE DIVERSIFICATION

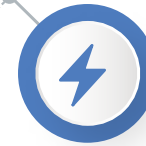
Some non-oil economic sectors have shown impressive resilience since the pandemic. There are upsides in capturing good market share and opportunities across these sectors.



05

ENERGY COSTS

Removal of subsidies in Nigeria and global high oil & gas prices demands that businesses brace up for some cost shocks. It may be instructive to explore and budget for renewable energy.



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