



THE YEAR AHEAD

# LIGHT AT THE END OF THE TUNNEL

WHAT TO EXPECT NEXT YEAR



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# DISCLAIMER

The data contained in this report is only up to date as of Friday, 4 December 2020. Some of it is subject to change during the natural course of events. SB Morgen cannot accept liability in respect of any errors or omissions that may follow such events that may invalidate data contained herein.

Our researchers employed methods such as one-on-one interviews, desk research and polling to collate the available data. Our editors sifted through the data and prepared the report, using various proprietary tools to fact-check and copy edit the information gathered.

Our publicly released reports are formatted for easy and quick reading and may not necessarily contain all the data that SB Morgen gathered during a given survey. Complete data sets can be made available on request. All forecasts were built using data from a variety of sources. A baseline of accurate and comprehensive historic data is collected from respondents and publicly available information, including from regulators, trade associations, research partners, newspapers and government agencies.

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# INTRODUCTION

The year 2020 has been very eventful. It began with the assassination of a senior military figure of a sovereign nation. From that point, like a good action movie, 2020 never quite let up. From a pandemic, global recession, record breaking bushfires on two continents, locust infestation and many more, 2020 changed the world in ways we will remember for years to come.

The COVID-19 pandemic is a significant part of these changes, reshaping the politics, economy, and healthcare of every country. It was a key factor in the just concluded US elections, and its economic impact was widely felt as countries began to adjust their economic forecast for the year. In Nigeria, the virus claimed the lives of significant political actors, the most prominent of which was President Buhari's powerful Chief of Staff, Abba Kyari, altering the power structures around the highest political office in the land.

The Federal Government announced significant changes to its 2020 budget as measures to contain the effect of the coronavirus on the country's economy. They did this by implementing a 50% cut in revenue from privatisation proceeds, a cut in crude oil benchmark price from \$57 down to \$30, reductions in capital budget by 20 per cent, and 25 per cent cut in recurrent expenditures. Also, annual inflation rose for the sixth straight month to a near two-year high, as the impact of the country's closed borders continued to be felt—the highest inflation rate since April 2018. Also, the country's debt profile continues to increase as it stood at ₦28.63 trillion as of Q1 2020, according to the National Bureau of Statistics (NBS). External debt stood at ₦9.99 trillion (34.89%) while ₦18.64 trillion or 65.11% was domestic debt. The country officially entered its second recession in the Buhari administration this year.

On the security front, banditry, kidnapping and terror attacks continue to plague the country. From bandit attacks in the North-West to Boko Haram and ISWAP attacks in the North-East, kidnapping in the South-South and the Middle-Belt, continuing pastoralist attacks in different regions of the country and piracy off the Gulf of Guinea, Nigeria is in a dire state. This has forced its subunits, like the South West, to develop its own security outfit.

However, beyond the pandemic, the most significant event for Nigeria was the #ENDSARS protests and the aftermath of the protests. In what could be best described as an awakening, young Nigerians took to the streets of various cities, to protest police brutality. The aftermath of these protests included raids into warehouses where COVID-19 palliatives were hidden and, of course, what has now been referred to as the Lekki Massacre.

Looking into 2021, the Federal Government would have to address the key issues like the Academic Staff Union of Universities (ASUU) strike, which has seen a suspension of academic activities in Nigeria's tertiary institutions for over seven months, a resumption of cross-border economic activities, spiralling food inflation and insecurity.

A handwritten signature in black ink, appearing to read 'Ikemesit Effiong'.

**Ikemesit Effiong**  
Head of Research  
SBM Intelligence





POLITICS

# BLEAK TALES OF A YEAR AND SOME MORE: GLOBAL HAPPENINGS IN 2020

By all accounts, it has been a tough year for every country around the world. We discuss a few of these events of international significance.

## Brexit became official:

The United Kingdom officially withdrew from the European Union (EU) on 31 January 2020, commencing an 11-month transition period. The UK exited the European Union under a deal called the “withdrawal agreement”. The agreement lays out the process for a smooth exit of the UK and Gibraltar, a British overseas territory located at the southern tip of the Iberian Peninsula, from the EU. It addressed issues like how long the transition will take and the nitty gritty, the UK financial commitment to the EU, trade, security, healthcare and regulation on medicine, fishing access, among others.

## Trump’s impeachment:

The 45th President of the United States of America, President Donald Trump, got impeached in January 2020, following the House of Representatives approval of articles of impeachment on charges of obstruction of Congress and abuse of power. Trump was impeached on allegations of withholding military aid to Ukraine in exchange for dirt on his political opponent, Joe Biden. He was also accused of inviting the Ukrainian president, Volodymyr Zelensky to the White House to get him to announce an investigation on Biden. However, he was acquitted of all charges in February by the Republican dominated Senate.

## George Floyd and Black Lives Matter:

The United States of America, Canada, the UK and much of Europe experienced another wave of protests following the death of an African American man, George Floyd who was killed by the US police. The protests prompted intense conversations around racism and police brutality, offering more legitimacy to the Black Lives Matter movement. The protests were sparked after videos emerged of Officer Derek Chauvin and his colleagues kneeling on George Floyd’s neck for 8 minutes and 46 seconds despite repeated pleas from the victim that he could not breathe. Shortly after Floyd’s death, protests escalated into riots and looting, forcing the US president to deploy the National Guard to quell tensions. Cases of extrajudicial killings and excessive use of force by the police are not new to the US. The case of George Floyd, however, followed the deaths of other African Americans—Breonna Taylor and Ahmaud Arbery—who were both killed by law enforcement and vigilantes. This gave rise to more outrage when Floyd was killed.





## US elections:

In what could be considered a historic and suspense-filled US election, one that raised concerns around the legitimacy of America's democracy and fears of post-election violence and tribunals, the 45th President of the United States, Donald Trump of the Republican Party, lost to his opponent, Joseph Robinette Biden Jr of the Democratic Party in the November 2020 elections. This makes Trump the first president in 28 years and the sixth in the country's history to lose a re-election bid. According to the Associated Press, President-elect Joe Biden won 306 electoral votes and President Donald Trump 232 electoral college votes. In many states, the elections were too close to call, prompting audits and recounts. Following Trump's claims of election irregularities, lawsuits have been filed before several state courts, challenging the legitimacy of the election. In some of the states where results were too close to call, recounts were mandated, and in a state like Georgia, Biden's win was certified following a successful recount.

## The scramble for the Nile:

The long-standing dispute among Egypt, Ethiopia and Sudan over Ethiopia's Grand Renaissance dam project ended without an agreement, as Ethiopia proceeded to fill the dam, keeping its decades-long schedule. Competition for the Nile Basin's freshwater has been growing markedly for three decades. The negotiations over the Grand Renaissance Dam in Ethiopia have again floundered over the pace at which the country plans to fill the 74 billion cubic meter reservoir, stoking Egypt's concern that it will lose control over its water supply to a regional upstream rival. Ethiopia has asserted its right to fill the reservoir at its own pace, which is associated with a 6,000-megawatt power plant. The disputes over the Nile are along two technical lines: drought mitigation measures and dispute resolution measures. Although Ethiopia's proposed timetable to fill the dam in five to seven years—given average yearly rainfall—has been accepted by Egypt and Sudan. The contention appears to centre on the drought mitigation strategy, which would require Ethiopia to service the other countries with water in a drought, a proposition Ethiopia has rejected.

## Burundi gets a new president:

In June 2020, Burundi swore in a new president, Evariste Ndayishimiye. The 52-year old will be leading a country that is greatly sequestered from her East-African neighbours, facing multiple economic sanctions, and cut off by foreign donors and the international community. Mr Ndayishimiye was sworn in after fifteen years of Pierre Nkurunziza's rule. He was declared president-elect after a keenly contested election in May, and sworn in after Mr Nkurunziza died at age 55 of an alleged "heart failure", a few days after his wife was flown to Nairobi to be treated for COVID-19. Evariste Ndayishimiye served the former President as Minister of Interior and Security and led the Department of Military Affairs in the president's office. He became known as an influential figure and close ally to Mr Nkurunziza. Critics have raised concerns that Mr Ndayishimiye is likely to be confronted with the challenge of trying to please the elites who put him in power and the people he has sworn to serve.

BLEAK TALES OF A YEAR AND SOME MORE: GLOBAL HAPPENINGS IN 2020







## Mali's Junta:

The year 2020 saw a change in Mali's political leadership through a military coup. The West-African regional bloc, ECOWAS, announced that it was ending sanctions imposed against Mali after a military coup in August, saying it wished to back the return to civilian rule. The fifteen-nation group had imposed tough sanctions against one of Africa's poorest countries after President Ibrahim Boubacar Keita was ousted following mass protests. The coup, though bloodless, triggered widespread alarm among Mali's neighbours. The ECOWAS sanctions included border closures, a ban on commercial trade and financial flows but not necessities such as drugs and equipment to fight coronavirus, fuel and electricity. However, ECOWAS walked back on its sanctions. This move is an acknowledgement of a compromise with the Malian junta and concession to the nomination of Bah Ndaw, a retired colonel, as Mali's interim president as well as Moctar Ouane, a former foreign minister, as the country's prime minister. The junta's appointments have set in motion a transition government expected to last up to eighteen months, which will lead the country to an election. As part of this compromise, at least four cabinet posts (defence, national reconciliation, security and territorial administration) have been given to military officials, with one of the coup leaders serving as the defence minister.

## Côte D'Ivoire electoral crisis:

The death of former Ivorian Prime Minister, Amadou Gon Coulibaly, who was billed to be the next president, after President Alassane Ouattara's decision to step aside, put the country through a brief constitutional and political crisis. As the main opposition party, Parti Démocratique de Côte d'Ivoire (PDCI) also known as Democratic Party of Côte d'Ivoire, have accused the governing party, Rally of Houphouetists for Democracy and Peace (RHDP) of using the machinery of government, intimidation and harassment to stifle dissent and political participation from the opposition. Coulibaly's death meant that a new party candidate would have to be selected—an opportunity Mr Ouattara took. In September, Côte d'Ivoire's top court cleared the path for Mr Ouattara to seek a contentious third term, as protests turned violent in several cities. The Constitutional Council also barred former President Laurent Gbagbo and former rebel leader-turned-prime minister, Guillaume Soro from participating in the presidential election. It cleared only four of the 44 candidates for the presidential election. Following what was considered an obvious ploy to re-elect the incumbent president, the main opposition candidates, Pascal Affi N'Guessan and Henri Konan Bédié urged their supporters not to vote in the election. With the boycotts, Mr N'Guessan and Mr Bédié got 1% and 2% of total votes cast respectively, while a fourth candidate, Kouadio Konan Bertin, also got 2%, according to the official results. President Alassane Ouattara won a controversial third term in office by taking 94% of the vote. Observers noted that the election turnout was almost 54%. President Alassane Ouattara's re-election was confirmed by the Constitutional Council.

BLEAK TALES OF A YEAR AND SOME MORE: GLOBAL HAPPENINGS IN 2020





## Japan gets a new prime minister:

In September, Shinzo Abe stepped down as prime minister of Japan after nearly eight years in power and made way for his erstwhile right hand man, Yoshihide Suga, who is widely expected to run out the term until the next general elections. Mr Suga is not expected by many to hold on to power after these elections as a groundswell in the polity of the world's third largest economy is towards a new political order where Japan transits from an ageing giant to a resurgent one.

## Chile protests:

Leaderless protests are on the rise in the world's political equation and nowhere was this more exemplified than in Chile where protesters rallied to press for a referendum this year. In October, the referendum was held, which approved a constitutional change, with a voter turnout of 51%, and 78.2% of voters voting in favour. This marked a landmark in a new way to drive political change, and many such movements are likely to emerge across the world in the years to come.

## Democracy across Africa:

13 of the 54 countries in Africa held elections to choose new national leaders in 2020. In many of these countries such as Togo, Guinea, Cote d'Ivoire and Tanzania, these elections were diminishing, as opposed to strengthening the democratic space. However, in others like Malawi, the re-run after the historic judgement by Constitutional Court on the previous elections went ahead without hitches.

## Disasters

Covid-19: The biggest story of the year is undoubtedly the novel Coronavirus pandemic. The Coronavirus disease, also known as COVID-19, is a contagious respiratory and vascular disease first identified in Wuhan, China, in December of 2019. The disease is caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). Even though the disease was first identified in December 2019 and Wuhan is said to be the origin of the virus, evidence suggests that the virus may have been spreading for months before its discovery.

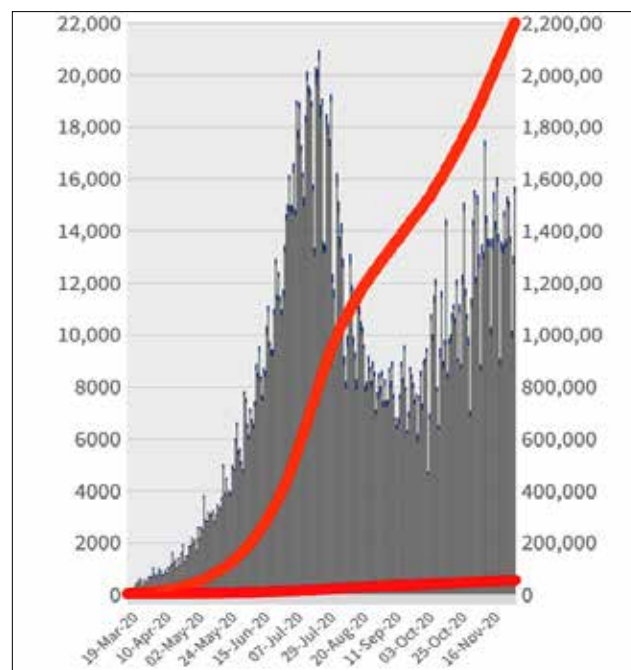
BLEAK TALES OF A YEAR AND SOME MORE: GLOBAL HAPPENINGS IN 2020







**TOTAL CONFIRMED CASES IN AFRICA: 2,199,763**  
**TOTAL DEATHS: 52,551**



— Total confirmed cases (right axis) — Total Deaths (right axis)  
— New Cases Daily (left axis) — News Deaths (left axis)

A cumulative totals of confirmed cases and COVID-19 deaths for Africa as a whole, as well as new cases and deaths per day over time.

Source: Miliken Institute.

By the 11 March 2020, the World Health Organisation (WHO) announced the COVID-19 outbreak as a pandemic, causing nations to follow China's styled lockdown to curtail the spread of the virus. As a result, this halted international trading and economic activities globally, causing nations to adjust economic expectations and forecasts for the year. In addition, it plunged many countries into a recession, forcing them to take loans from the World Bank and the International Monetary Fund (IMF) to cushion the effect of the lockdown and to provide palliatives and economic stimulus packages for businesses and citizens. So far, 57,379,080 cases have been recorded, 1,368,469 deaths confirmed, 39,845,377 persons recovered, and 16,165,234 active cases have been confirmed globally as at 14:00hr GMT + 1 on 20 November 2020, according to data from Worldometer.

## Wildfires:

The year 2020 saw unprecedented bushfires as three states of emergency were called in New South Wales, Australia— in terms of duration and intensity. The fires were said to have affected an estimated 18.6 million hectares, with over 5,900 buildings destroyed, at least 34 people killed and almost half a billion (480 million) animals killed. Given the magnitude of the air pollution caused by the smoke, the Medical Journal of Australia estimates that more than 400 people in the country's southeast might have been killed because of smoke inhalation.

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## Earthquakes:

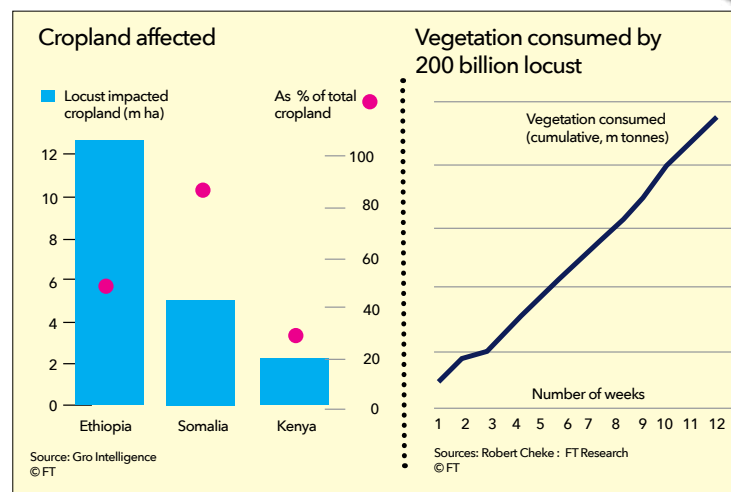
Turkey, Iran and the Caribbeans were hard-hit by earthquakes this year. A 6.7 magnitude earthquake rocked the town of Sivrice in Turkey, leaving about 1,607 injured and 41 persons dead. The Caribbeans witnessed a 7.7 magnitude earthquake, which prompted tsunami warnings and evacuation. It was said to be the largest earthquake in the Caribbean since 1946.

## Floods:

Indonesia's capital, Jakarta, experienced increased flooding this year that killed 66 people and forced almost 400,000 to flee their homes. Reports indicated that no fewer than 182 neighborhoods were submerged in the city's greater area, causing the destruction of thousands of homes and buildings including the presidential palace. On the African continent, Sudan experienced increased rainfall, which lasted for about three months and led to the Nile overflowing its banks in the worst floods ever experienced by the country. The case in West-Africa is not quite different; this year alone, there has been an increase in rainfalls across the subregion, leading to an increase in water levels on the Niger, especially around the inland Niger's levee—in Mali as well as the Benue in Cameroon/Nigeria. This has also exacerbated the food security crisis in the region.

## Locusts swarm:

East-Africa and South-Asia witnessed the worst infestation of locusts for a quarter of a century as hundreds of billions of locusts swarmed through parts of these regions, threatening the food supply of tens of millions. According to a report by the Food and Agricultural Organisation (FAO), the locusts' infestation could affect the food security of about 25 million people.



Locust infestation in Africa in 2020. Source: Financial Times

BLEAK TALES OF A YEAR AND SOME MORE: GLOBAL HAPPENINGS IN 2020





## Beirut explosion:

On 4 August, Lebanon's capital, Beirut, witnessed an unprecedented explosion when a large amount (2,750 tonnes) of highly explosive ammonium nitrate stored in Beirut's port exploded. The explosion, according to reports, rendered an estimated 300,000 people homeless. It caused about 205 deaths and left nearly 6,500 others injured. Preliminary assessment of property damages put it at about US \$15 billion. This event led to the resignation of Lebanon's government on 10 August.

## SECURITY

### US-Iran standoff:

In January of 2020, Iranian General, Qasem Soleimani and Iraqi paramilitary leader, Abu Mahdi al-Muhandis, were killed in a US drone strike. This prompted drumbeats of war and an eventual ballistic missile strike by Iran on two military bases in Iraq, injuring American soldiers. Following this incident, at the state funeral of General Soleimani, 56 people were reported to have been killed and over 200 injured in a stampede in the city of Kerman, Iran. Following the tension in the region, a Ukrainian flight crashed in Tehran, Iran, killing all its 176 passengers on board after being shot down by a missile shortly after its takeoff in the Iranian capital.

### Libyan crisis:

This year also saw a renewed wave of the Libyan Civil War, with the Turkish President, Recep Tayyip Erdoğan, announcing that Turkish troops will be deployed to Libya on behalf of the United Nations-backed Government of National Accord (GNA). This was seen as an affront by the Egyptian government whose parliament unanimously approved the deployment of troops outside the country and particularly its western border, a clear reference to its neighbour, Libya. The Libyan crisis is torn between two factions: the Turkish and United Nations-backed Government of National Accord (GNA) and General Haftar's Libyan National Army (LNA), which has garnered support from Egypt, the United Arab Emirates, Russia and France. These backers have repeatedly provided arms, drones, mercenaries from Russia and Syria, and even diplomatic cover. Russia and Egypt are the two strong supporters of Haftar that have backed their words with military support.

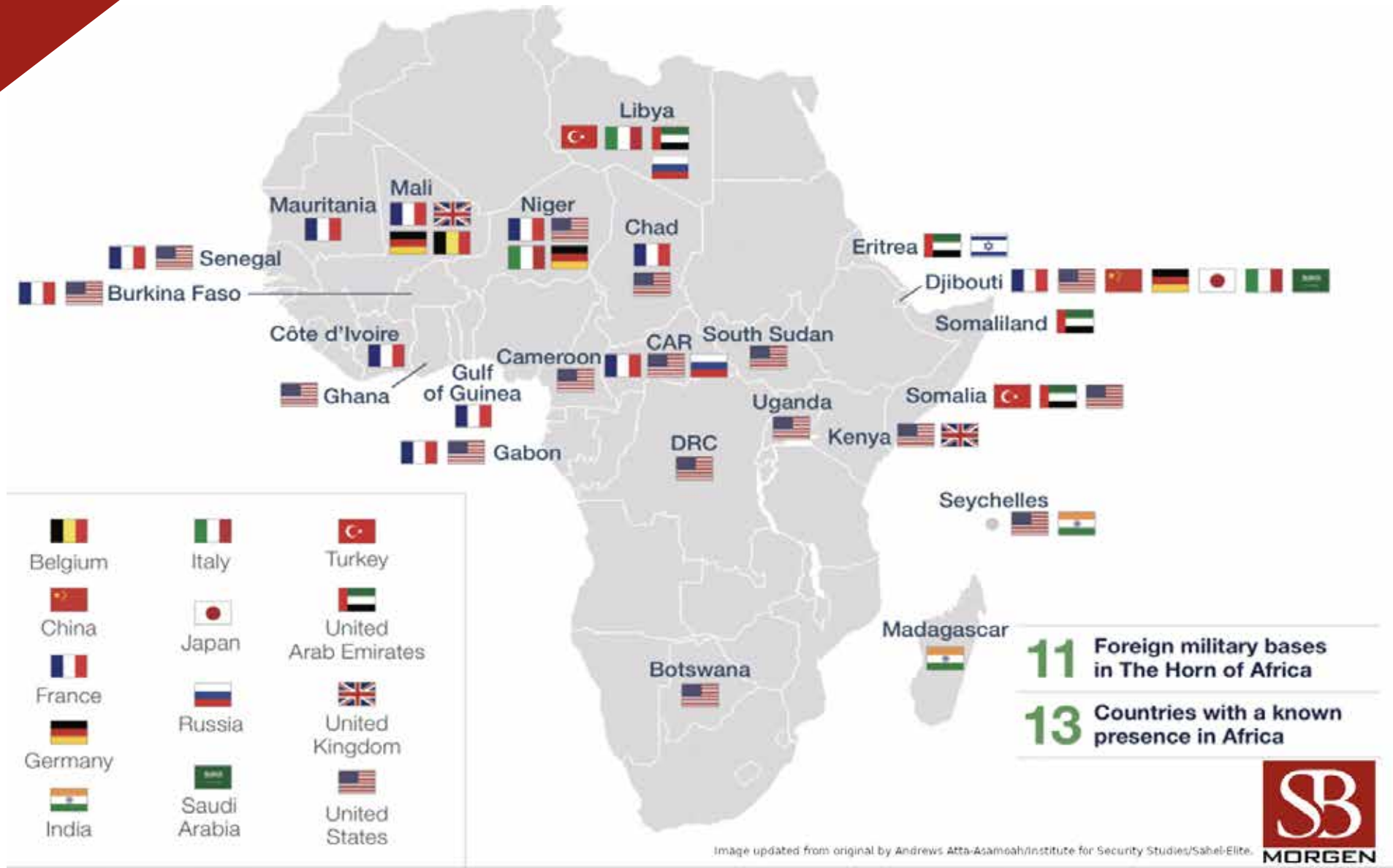
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BLEAK TALES OF A YEAR AND SOME MORE: GLOBAL HAPPENINGS IN 2020





## Ethiopia's civil war:

Even with a Nobel Peace laureate at the wheel, Ethiopia is still in crisis. In November, ethnic tensions escalated as Prime Minister Abiy Ahmed waged a military offensive against local leaders defiant of his authority, prompting about 2,500 refugees to flee to Sudan and the African Union appealing for a ceasefire in the restive Tigray region. Following airstrikes and fighting, hundreds have died, thereby confirming fears that the country could slip into a full-scale civil war. Ethnic groups of Tigrayans and the largest, Oromo ethnic group, have a long history of deep-seated animosity. The northern Tigray region—home to a people with a distinct culture, language and governing tradition—was the predominant power in Ethiopia before the rise of Abiy Ahmed, and they have defied him since he came to office. The Tigray have been the driving force behind devolution in Ethiopia under an Ahmed administration that has been trying to centralise power at lightning pace.

## China and India skirmish at the borders:

In May 2020, a fight broke out between Indian and Chinese forces along the Sino-Indian border in the Tibetan Autonomous Region. The fighting escalated over a period of three months before deescalation announcements were made. However, despite this, calls were made on the Indian side to block entry of Chinese technology and telecommunications companies into India, continuing a pattern of moving the theatre of conflict to the economic front against the Chinese.

## ECONOMY

## Signing of the Regional Comprehensive Economic Partnership (RCEP):

In November 2020, the ten countries of the Association of Southeast Asian Nations (ASEAN) and five Asia-Pacific countries (China, Japan, Korea, Australia and New Zealand) signed a landmark trade based on regional trade agreement covering 30% of the world's population and including the second and third largest economies in the world. This happened just as Brexit and other fractures appeared in the European equivalent. This is perhaps a more significant representation of an ongoing shift in the centre of gravity of the global economy.

BLEAK TALES OF A YEAR AND SOME MORE: GLOBAL HAPPENINGS IN 2020





## BLEAK TALES OF A YEAR AND SOME MORE: GLOBAL HAPPENINGS IN 2020

### African Continental Free Trade Area (AfCFTA) becomes operational:

In a related development on regional trade agreements, on 30 May 2020, the twenty-fourth African country deposited the instruments of ratification of the AfCFTA. By doing this, the treaty came into force, and later in the year, it became operational. However, big countries like Nigeria have ratified though actions on ground such as border closures are still against the spirit of the agreement. It remains to be seen the impact on actual trade on ground that this has in the coming years.

### Oil and Energy prices:

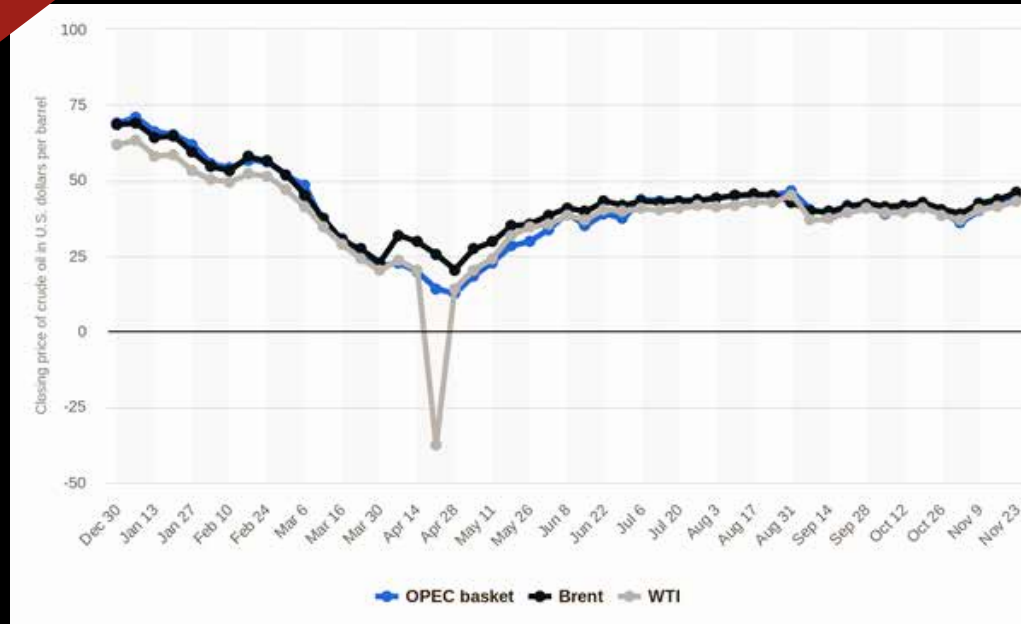
Crude oil performed well at the beginning of 2020, but it experienced a huge shock in March when OPEC+ members, Russia and Saudi Arabia began a price war. The second shock came from the pandemic-induced lockdown and these two factors led prices to plummet to generational lows. Subsequent agreement amongst OPEC+ members, including Russia and Saudi Arabia, has helped more than double the benchmark Brent crude from the lows of April when the virus outbreak was estimated to have taken out about a third of global demand. Compliance from OPEC+ countries have been stronger than usual, as the scale of the demand collapsed, and risk of a renewed price decline encouraged adherence. Saudi Arabia has sacrificed its oil output to ensure the consortium stays within the agreed quotas. Positive news regarding COVID-19 vaccine efficacy and US post-election developments has seen Brent crude prices rise to \$47 per barrel, its highest since March 2020. In addition, the market has fixed its price in expectation that OPEC+ will roll over the current cuts







## BLEAK TALES OF A YEAR AND SOME MORE: GLOBAL HAPPENINGS IN 2020



### Economic impact of COVID-19:

Globally, COVID-19 was the most significant economic impactful factor. Entire industries and countries shut down, with the GDP of several countries experiencing negative growth. Large job loss numbers were recorded globally, and countries had to create extraordinary emergency financial measures to support businesses and individuals who lost their jobs. The pandemic accelerated the acceptance of remote work, which has become a more permanent fixture of the workplace going forward. Recovery has been at a short lived, with fears of and the reality of a second

wave leading to new lockdown measures. However, the news on various vaccine test successes towards the end of the year may see COVID-19 finally relegated to a manageable disease that does not require a global shutdown to manage.

### South Africa's COVID and unemployment:

South Africa's rand weakened this year as data showed the economy entered its second recession in two years. The country's Gross Domestic Product (GDP) fell for the fourth consecutive quarter, effectively putting Africa's most advanced economy into a recession. According to Statistics SA, the country's GDP fell by just about 16.4% between the first quarter and second quarter of 2020, resulting in an annualised growth rate of -51%. The recession is another setback in President Cyril Ramaphosa's efforts to revive the economy and stave off a downgrade of the country's sovereign debt below investment grade by the rating agency, Moody. The current recession is not unconnected with the ongoing coronavirus pandemic, of which South Africa maintained one of the strictest lockdowns in the continent, thus stifling economic activities as part of its measures to curb the spread of the virus owing to its large population of immunocompromised persons living with HIV and tuberculosis.

South Africa's unemployment rate rose to 30.8 percent between July and September, the highest level since the 2008 global financial crisis, according to government figures. The outlook for South Africa's labour market remains gloomy, as new data indicate a growing number of job losses. This is unsurprising in a country that is dealing with the continent's highest COVID-19 burden—over 757,144 reported cases and 20,000 deaths according to the South African COVID-19 Resource Portal. Despite a R500 billion (US\$1 = ZAR15.50, 19/Nov/20) injection into the economy (about 10% of the country's GDP) the informal sector received little government support during the lockdown; a sector which provides employment to almost a third of all South Africans, according to the World Bank. Like most African countries, South Africa has had to take a loan from the International Monetary Fund (IMF) to cushion the economic impact of the pandemic. The country has also had to make significant adjustments to its financial expectations for the 2020/2021 period, with a projected budget deficit for 2020/2021 adjusted from 6.8% to 14.6% of GDP. Projected revenue during this period is expected to fall by R300 billion while expenditure will increase by R44 billion.



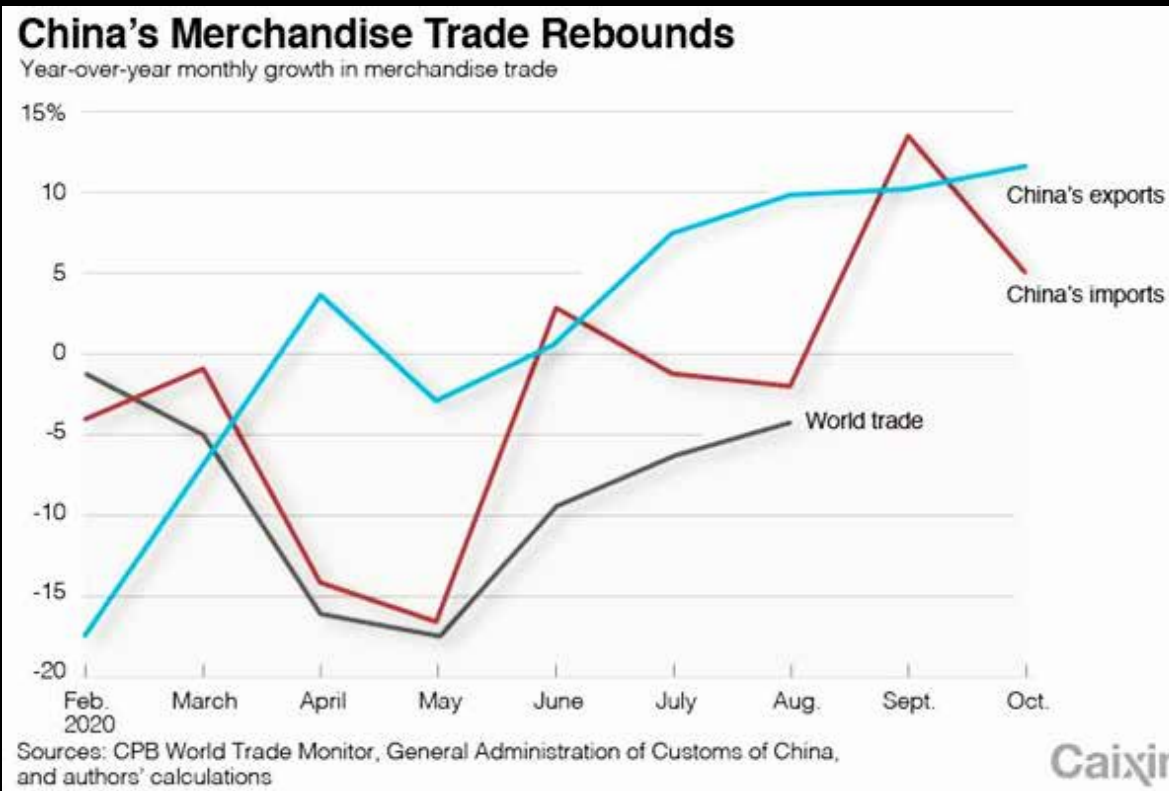
## BLEAK TALES OF A YEAR AND SOME MORE: GLOBAL HAPPENINGS IN 2020

### Ecos of suspense:

Earlier in the year, the Francophone bloc of the Economic Community of West African States (ECOWAS) under the Union Economique et Monétaire Ouest Africaine (in English, the West African Economic and Monetary Union) comprising of Mali, Burkina Faso, Senegal, Côte d'Ivoire, Niger, Benin and Togo, opted to replace the CFA franc with the Eco ahead of other ECOWAS member states. Following the devastating economic effects of the Coronavirus pandemic, Cote D'Ivoire Président, Alassane Ouattara said that this plan has been shelved and may not happen for at least another five years. Countries in the bloc have agreed to work towards reducing their budget deficits to below 3% of GDP, which is a measure of the value of their economies. But according to the Ivorian president, that is unlikely to happen for three to five years. The decision by the West African Economic and Monetary Union (French acronym, UEMOA) to halt its plans to replace the CFA franc with the Eco is not a surprise and more importantly, this gives room for the regional English and French-speaking blocs to revisit initial agreements aimed at achieving a uniformed roll out of the Eco across all of West Africa.

### US-China trade war:

Due to increase in tariffs, Chinese goods are no longer as competitive, therefore, US consumers are looking elsewhere for their gadgets. In 2019, China was the source of 18% of US imports, down from 23% the previous year—a decrease of over \$25billion. The downside for US consumers is that they now pay higher for goods from China and other countries. Major beneficiaries of the dispute have been Mexico, Vietnam, Taiwan and Japan.





# IN THE EYE OF THE STORM: REFLECTIONS ON NIGERIA IN 2020

## POLITICS

### #EndSARS protests:

Apart from the Coronavirus pandemic, the #EndSARS protest was Nigeria. Protests began following public outrage over human rights abuses Anti-Robbery Squad (SARS). Assurances by the government and police chief met with scepticism because it was estimated to be the fourth time such a directive promise to reform or overhaul the unit. In each case, nothing changed, indicative of police. This time, there appeared to have been some gains as the Inspector-General of up the Special Weapons and Tactics team that will replace the disbanded Special Anti-Robbery gains, Nigerians rejected the creation of the new unit because it does not sufficiently address the police brutality, a clear call for wider police reform, which led the protests to continue to an unfortunate

### Media censorship:

As part of the Federal Government's attempt to censor the media, the National Broadcasting Commission (NBC) fined Channels Television, Arise Television and Africa Independent Television (AIT) 3 million each for what it termed "unprofessional coverage" of the #EndSARS protests. The NBC had warned all television and radio stations against reporting the #EndSARS protests in a manner that could embarrass the government or private individuals or cause disaffection, incite panic or rift in the society. Meanwhile, Lai Mohammed, Nigeria's Information Minister, has continuously mooted that the only way to keep citizens in check is to replicate China's clampdown on civil liberties. This is not the first time that the current administration has tried to regulate free speech.



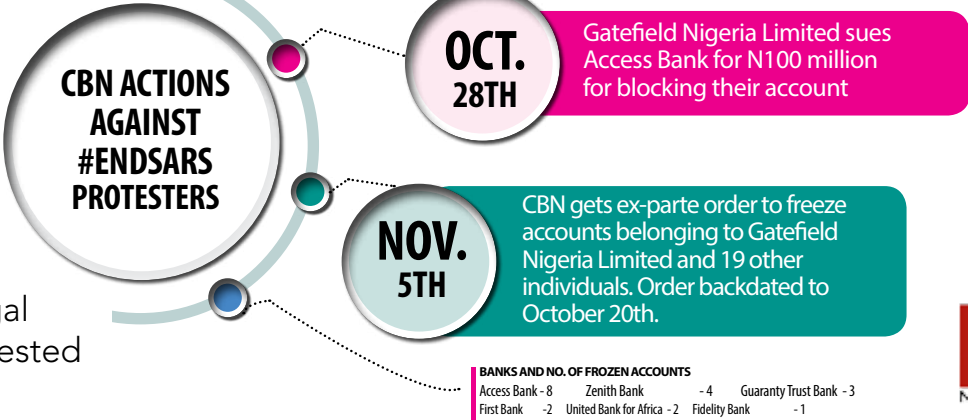




Government associates in the National Assembly have failed to pass two different bills seeking to regulate social media.

Undemocratic actions:

Following the aftermath of the #EndSARS protests, the Federal Government appeared to go back to pre-democratic ways even though it denied generating a “no-fly” list of youths and persons who participated in the recent #EndSARS protests against police brutality. This denial came on the heels of news that the Nigeria Immigration Service (NIS) prevented a prominent #EndSARS facilitator, Modupe Odele, from leaving the country. Although the officers did not disclose the reason for their action, there is widespread suspicion that it is because she had offered free legal services to persons who were arrested during the demonstrations.



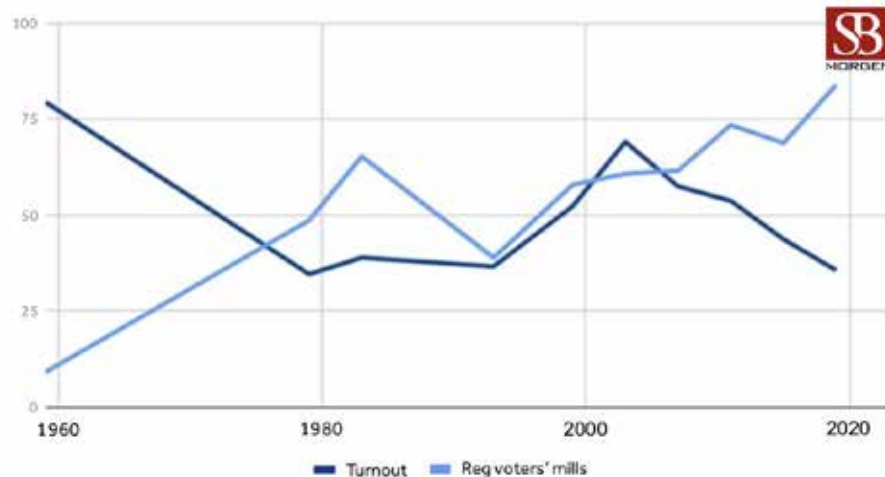
IN THE EYE OF THE STORM: REFLECTIONS ON NIGERIA IN 2020







They seized her passport despite existing Supreme Court rulings to the effect that seizures of this nature are illegal except ordered by a court of law. This follows news of the CBN blocking the accounts of persons who participated in the #EndSARS protests even without a warrant, prompting young people to close their accounts with prominent banks and forcing Access Bank and others to issue an apology. The participation of the CBN in intimidating protestors is a clear sign that the apex bank lacks true institutional independence.



## Edo gubernatorial election:

In Edo state, the gubernatorial elections saw the incumbent Godwin Obaseki emerging victorious over Pastor Ize Iyamu in what would have appeared to outside observers as a repeat of the 2016 gubernatorial elections. This is however not this case. In 2016, the two contestants were in the opposite parties. In 2020, there was a contest between Obaseki and his erstwhile godfather, former APC chairman, Adams Oshiomole. Obaseki's victory marked the death knell to Oshiomole's political dominance, which will have implications towards the 2023 general elections.

IN THE EYE OF THE STORM: REFLECTIONS ON NIGERIA IN 2020



## Ondo election:

On 10 October 2020, Ondo State held its gubernatorial election. Governor Rotimi Akeredolu reclaimed his seat matching Olusegun Mimiko's record to become the second person to be voted for a second term at the Alagbaka Government House. For him, it was almost a sense of déjà vu as his opponents were familiar faces. Eyitayo Jegede lost to him in 2016, while Agboola Ajayi was his running mate four years ago. Mr Rotimi Akeredolu, 64, retained his seat by winning 15 out of the 18 Local Government Areas. Rotimi Akeredolu was duly returned as the APC candidate for the elections, but his deputy, Agboola Ajayi had ambitions to contest, and decamped to the PDP, only to lose the primary to Eyitayo Jegede. Mr Ajayi decamped again, this time to the Zenith Labour Party and secured the ticket there. The governor under the APC's banner clinged 51.1% of vote cast—a sum of 292,830 votes; his opponents Eyitayo Jegede obtained 34.2% with 195,791 votes, and Agboola Ajayi obtained 12.1% with 69,127 votes.

## SECURITY

### #EndSARS protests and the aftermath:

The EndSARS protests took a dramatic turn after up to 41 protesters were killed by state-backed actors across various parts of the country, according to a tally by Nigeria's Daily Independent newspaper. In Lagos, the country's commercial capital, soldiers and the police opened fire on Nigerian protesters in the Lekki Toll Plaza, witnesses said. A popular female disc jockey, DJ Switch, took to her Instagram Live to show the aftermath of the shooting. Eyewitnesses claimed that several persons were killed at the Lekki venue of the protests, but this was disputed by the Lagos State Government and the Nigeria Army despite overwhelming evidence. Investigative reports by Premium Times and CNN showed that the Nigerian Police were also at the site of the

IN THE EYE OF THE STORM: REFLECTIONS ON NIGERIA IN 2020







## IN THE EYE OF THE STORM: REFLECTIONS ON NIGERIA IN 2020

military and some thrown into the Lekki waters, evidenced by the floating bodies found by members of a local community a few miles away from the Lekki Toll plaza.

The news of the Lekki massacre was accompanied by outrage, riots, vandalism and looting across the country. The real level of poverty in Nigeria was revealed after reports of hidden food items, which were to serve as palliatives following the COVID-19 lockdown, were found in warehouses across the country. This quickly degenerated into the looting of shops owned by private individuals, malls and a few houses owned by politicians. As the news of the carnage, riots and looting travelled around the country, there was a jailbreak from a prison facility in Benin and an attempted jailbreak at the Ikoyi Correctional Centre. According to reports, the attempted jailbreak in Ikoyi, which started when inmates set some properties on fire as diversion, left at least 50 inmates killed. It was reported that members of the correctional service centre called for military support from the Dodan Barracks a few kilometers away.

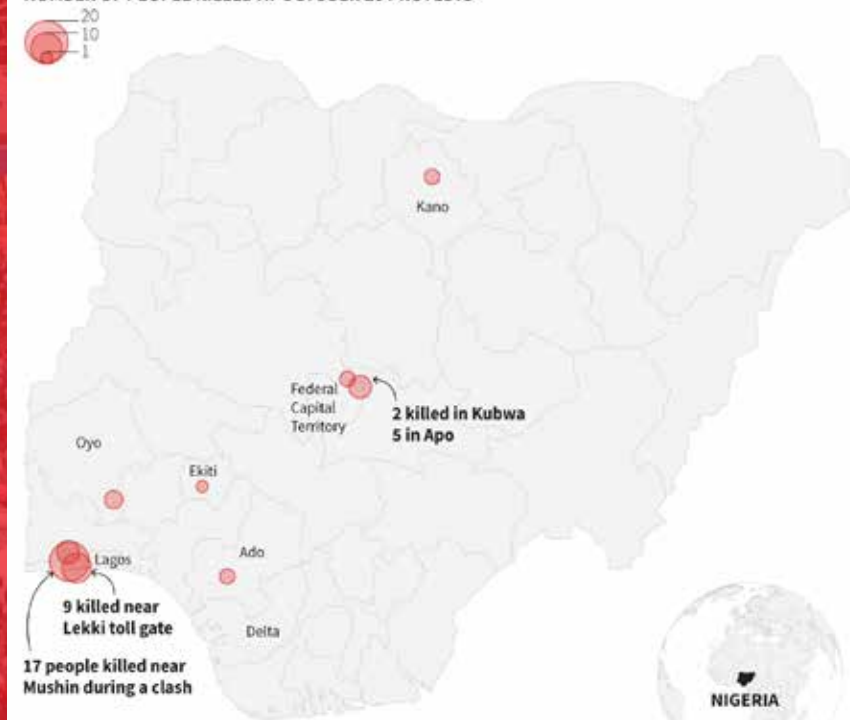
With the spate of violence, destruction and looting amounting to over 3 trillion according to some estimates, authorities imposed a round-the-clock curfew on Lagos. This was followed by other states such as Cross River, Ekiti, Plateau, Oyo and Edo. The United States, the UK and other countries shut down their embassies and consulate offices following the violence.

### #EndSARS protests in Nigeria

Thousands of Nigerians demanding an end to alleged police brutality have taken to the streets every day for nearly two weeks. At least 46 people were killed on Tuesday Oct 20, according to SBM Intelligence, a Lagos-based risk advisory firm.

Rights groups had for years accused the Special Anti-Robbery Squad (SARS), a police unit targeting violent crime, of extortion, harassment and torture. But a video allegedly showing SARS officers killing a man in Delta state sparked recent protests. Police denied the incident and disbanded SARS on Oct. 11, but #EndSARS protests have persisted.

#### NUMBER OF PEOPLE KILLED AT OCTOBER 20 PROTESTS



Source: SBM Intelligence, Datawrapper, Indiemapper  
P. K. Dutta, M. Ovaska, 22/10/2020

REUTERS



## Piracy on our waters:

The Gulf of Guinea recorded the third-highest number of ship losses, the most yet, according to Allianz Global Corporate & Specialty SE, a unit of Munich-based Allianz SE. The International Maritime Bureau said abductions in the region accounted for 90% of the global total. Incidents on West Africa-bound vessels have recently been rising steadily, with attacks targeting crew rather than the ship or its cargo. The head of maritime safety and security at the Baltic and International Maritime Council in Copenhagen asserted that, "Piracy in the Gulf of Guinea emanates almost exclusively from Nigeria. The Nigerian pirates use the Niger Delta as the staging point for attacks on shipping across the whole eastern part of the Gulf of Guinea and take hostages, holding them for ransom in camps in the Niger Delta." Piracy and attacks on seafarers are an increasingly worrisome issue off the coast of Nigeria, such that India, in May 2019, banned its seafarers from the region due to the security issues. It is estimated that about 45% of global piracy occurred in the Gulf of Guinea in the first quarter of this year. It appears that the pirates, likely former militants, have changed the targets of their attacks (from cargo to crew) for ransoms, and have increased their capacity to go further into the sea to stage attacks as far as 315km offshore, suggesting better boats and weaponry.

## Banditry, terrorism and kidnapping:

Nigeria's track record of being among the top three most terrorised states in the world was maintained, with an extension of the banditry carried out by cattle rustlers and kidnappers alike to areas previously untouched. In the North-West, economically important states such as Kano, Jigawa and Kebbi came under incessant attacks by organised militias. Kano experienced increased

IN THE EYE OF THE STORM: REFLECTIONS ON NIGERIA IN 2020





# IN THE EYE OF THE STORM: REFLECTIONS ON NIGERIA IN 2020

attacks on its capital following the staging of an armed robbery at three locations in the same city by a yet to be identified armed militia on 13 October, which is believed to be the prelude to a major terrorist attack. The entire country continued to grasp with the menace of kidnap for ransom, as members of the elite class also felt the heat of insecurity—the emir of Potiskum’s convoy was attacked on 15 January at the Kaduna-Zaria road, leading to the death of 30 people and the abduction of 100 others. Between January and 22 November, SBM recorded at least 271 incidents of banditry in the country, 79 pastoral conflicts, which has now been extended to the Federal Capital territory, with an incident recorded in Iddo on the 16th of November in which 3 people were killed.

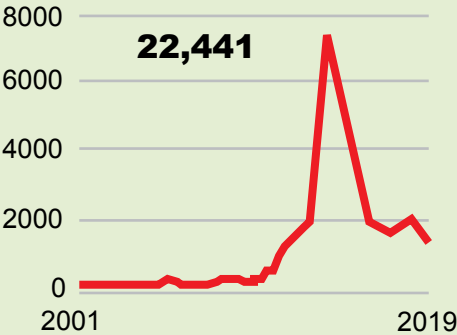
## Nigeria

GTI RANK  
**3**

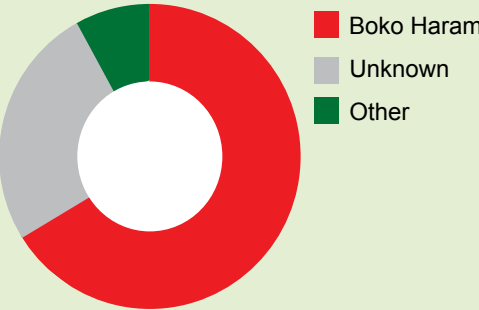
GTI SCORE  
**8.314**

1,245 **DEAD**  
419 **INJURED**  
411 **INCIDENTS**

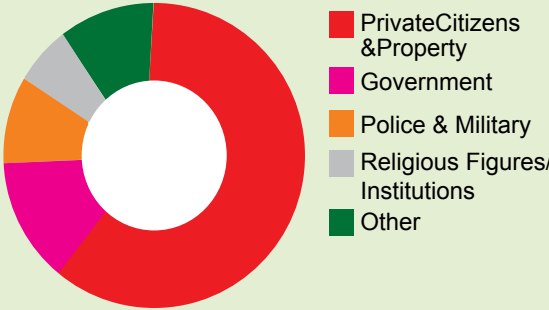
### Total deaths since 2001



### Deaths by group



### Attacks by target



On 27 November, the Global Terrorism Index released its latest ranking, placing Nigeria third among the most terrorised states on earth.



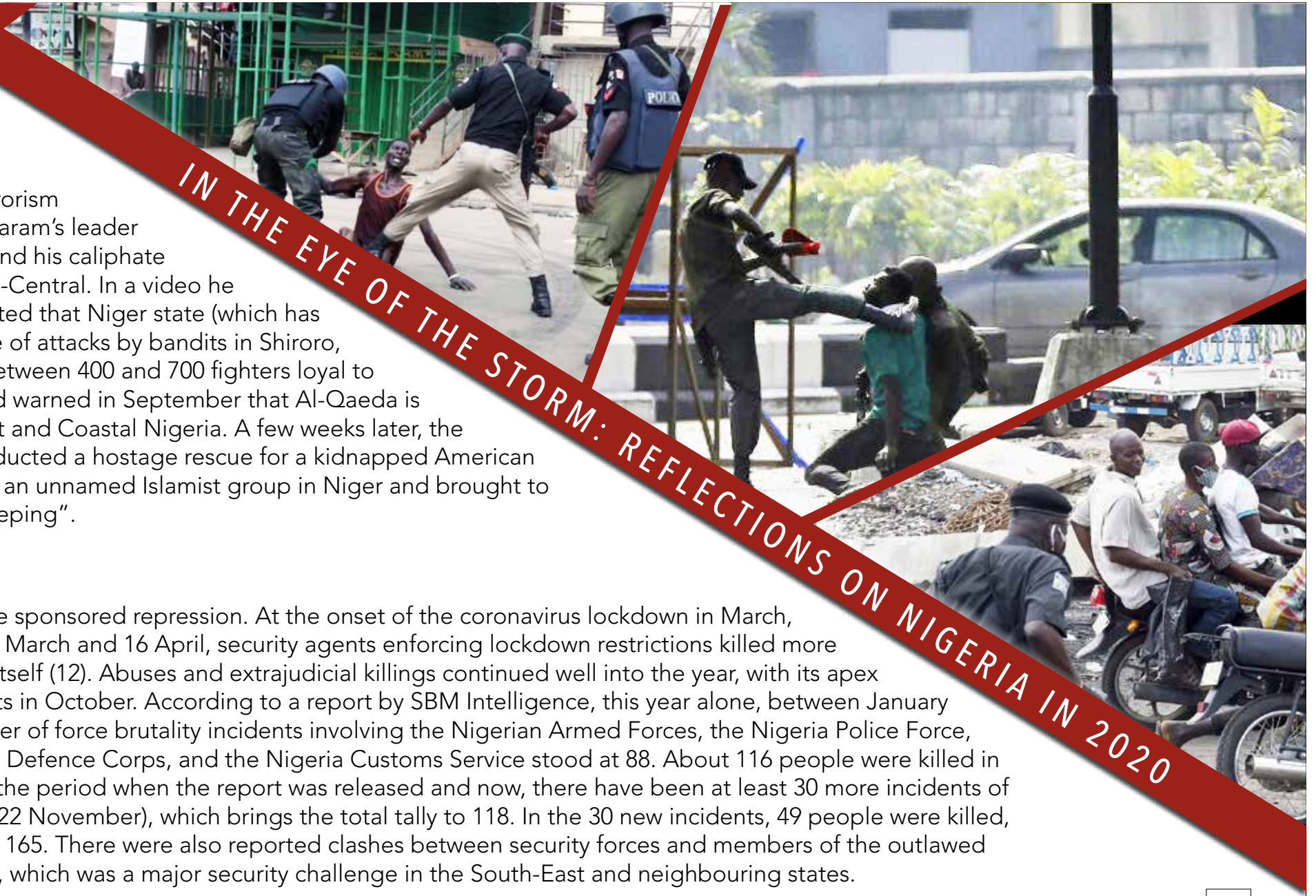


The spectre of terrorism was raised, as Boko Haram's leader Abubakar looked to expand his caliphate to the North-West and North-Central. In a video he appeared on in July, he boasted that Niger state (which has witnessed an increased spate of attacks by bandits in Shiroro, Rafi and Mariga) alone has between 400 and 700 fighters loyal to him. The US Africa Command warned in September that Al-Qaeda is making a play for North-West and Coastal Nigeria. A few weeks later, the US Navy's Seal Team Six conducted a hostage rescue for a kidnapped American citizen who was abducted by an unnamed Islamist group in Niger and brought to Northern Nigeria for "safekeeping".

### Brute force:

Insecurity was fuelled by state sponsored repression. At the onset of the coronavirus lockdown in March, it was reported that between March and 16 April, security agents enforcing lockdown restrictions killed more Nigerians (18) than the virus itself (12). Abuses and extrajudicial killings continued well into the year, with its apex during the #EndSARS protests in October. According to a report by SBM Intelligence, this year alone, between January and October 2020, the number of force brutality incidents involving the Nigerian Armed Forces, the Nigeria Police Force, the Nigeria Security and Civil Defence Corps, and the Nigeria Customs Service stood at 88. About 116 people were killed in these 88 incidents. Between the period when the report was released and now, there have been at least 30 more incidents of force brutality (11 October – 22 November), which brings the total tally to 118. In the 30 new incidents, 49 people were killed, which brings the total tally to 165. There were also reported clashes between security forces and members of the outlawed Indigenous Peoples of Biafra, which was a major security challenge in the South-East and neighbouring states.

IN THE EYE OF THE STORM: REFLECTIONS ON NIGERIA IN 2020





## IN THE EYE OF THE STORM: REFLECTIONS ON NIGERIA IN 2020

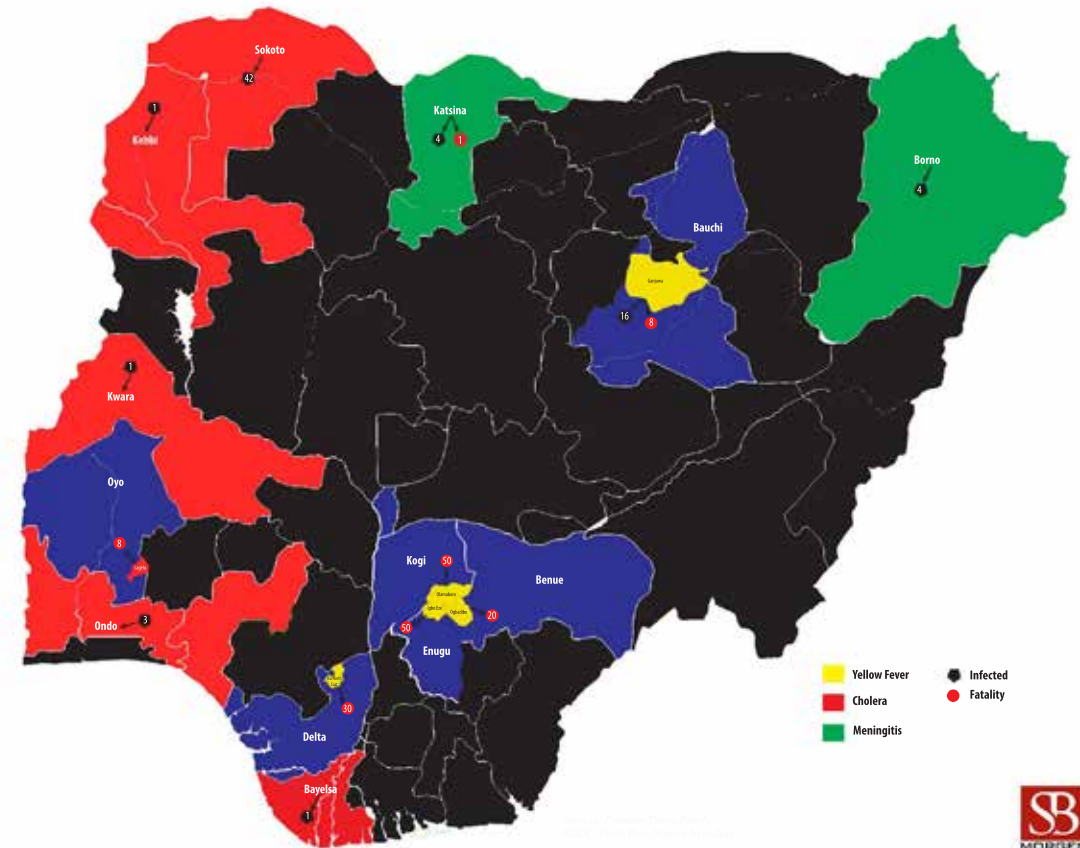
### COVID-19:

From its apparent origin in Wuhan, China in December 2019, Covid-19 first shut down the world's second largest economy, and then everywhere else. As of 27 November, over 61 million cases have been confirmed globally, with 1.4 million deaths. In Nigeria, the first case was reported on 27 February. By the end of March, several states had begun closing their borders and restricting inter-state travel. On 29 March, the Federal Government declared lockdown in Lagos and Ogun states. By 27 November, the country had recorded 67,000 cases, with 1,169 fatalities. To combat the pandemic, the private sector joined with the government in a Coalition Against Covid-19 (CACOVID) to provide palliatives, hospital equipment and tents for the treatment of the disease.

### Gas explosion in Lagos:

An explosion at a gas processing plant in March, according to the National Emergency Management Agency (NEMA) killed at least 23 persons, injured 25 others and left about 50 buildings destroyed after a fire broke out in Abule-Ado, a suburb of Lagos. The Nigerian National Petroleum Corporation (NNPC) said that the explosion was triggered after a truck hit a couple of gas cylinders stacked in a gas processing plant near the corporation's pipeline in Abule-Ado area of Lagos state. However, a BBC documentary showed evidence that this claim by the NNPC was false. Among those injured were students from the Bethlehem Girls College, Abule-Ado, which was destroyed. The

### OUTBREAKS OF INFECTIOUS DISEASE IN NIGERIA, AUG - OCT 2020







school also lost their principal, Henrietta Alokha, who died while trying to save her students from the inferno at the school. Aside from the damages done to the surrounding properties, the resultant damage of the pipeline caused the NNPC to halt pumping operations on the Atlas Cove-Mosimi pipeline.

### Market fires:

A market fire occurred in Dugbe market in April 2020 causing significant damage to property. Other market fires include one in Birnin Kebbi and another in Lagos during the year. In most cases, there was little by the way of firefighting during these incidents.

### Flood:

Nigeria experienced another wave of flooding this year, which inadvertently played a major part in the current food inflation. According to a report by the International Federation of the Red Cross and Red Crescent Societies (IFRC), over 155 people died and around 25,000 are currently displaced because of flooding that began in September. The flooding was caused by torrential rainfall, river floods and flash floods cumulatively impacting over 192,594 people across 22 states in the country. Also, about 826 injuries have been recorded. The heavy rains this year caused the overflowing of the Benue and Niger rivers along with dam releases in neighbouring countries of Niger, Cameroon and Benin. All these other countries have experienced flooding, leading to severe floods in Jigawa, Kebbi, Kwara, Sokoto and Zamfara states, affecting about 91,254 people, which is approximately 15,209 households. Other states also saw more minor flooding during this period. In the southern parts of the country, Bayelsa, Anambra, Rivers and Delta also experienced flooding. According to the Nigerian Meteorological Agency (NiMet), the rainy season is expected to extend to late December in the southern parts of the country. It is important to note that this flooding along with bandit and herdsmen attacks on farmers are responsible for the current food shortage and inflation experienced in the country.

IN THE EYE OF THE STORM: REFLECTIONS ON NIGERIA IN 2020







## IN THE EYE OF THE STORM: REFLECTIONS ON NIGERIA IN 2020

### THE ECONOMY

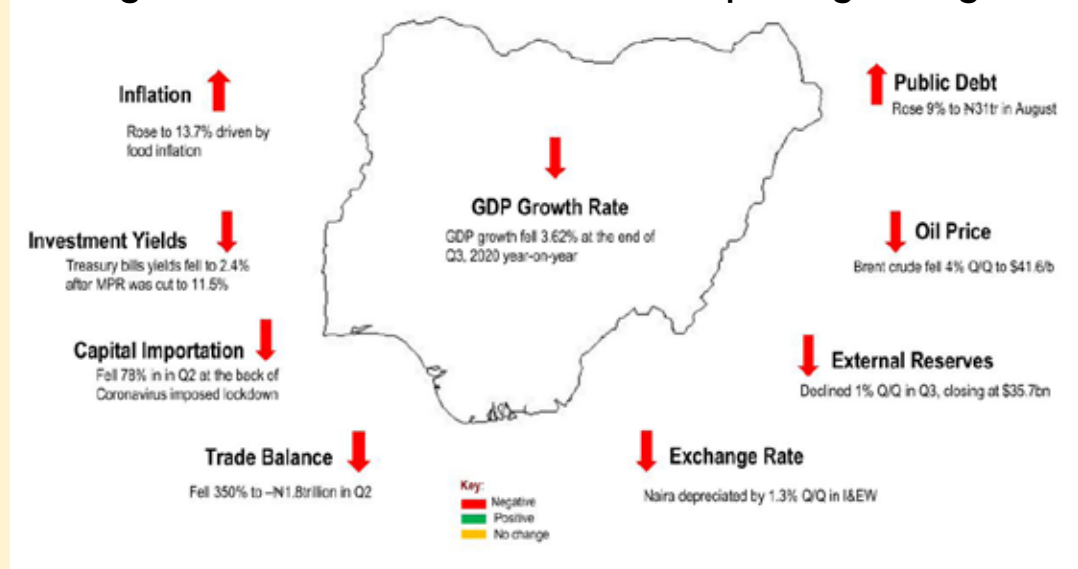
#### Recession:

Nigeria experienced severe economic shocks in 2020. This resulted into the country's second recession in five years, as its GDP contracted by 3.62% in the third quarter of the year. This is not unconnected to the economic impact caused by the border closure and more importantly, the coronavirus pandemic, which slowed down cross-border and other economic activities across the world. For the second consecutive quarter, the country's GDP contracted by 3.6% in Q3 2020 when compared to -6.10% in Q2 2020, wiping out the 2.28% positive growth recorded in Q3 of 2019. The non-oil GDP took a dip by about 2.51% in Q3 2020 as against -6.05% in Q2 2020 and the 1.85% positive growth of Q3 2019. Owing to the decline in patronage of Nigeria's crude, oil GDP contracted by 13.89% in Q3 2020 when compared to -6.63% in Q2 of the same year. This erased the positive growth of 2.28% recorded in Q3 of 2019.

#### Budget crisis:

An analysis of the highlights of 2020 budget performance presented by the Minister of Finance, Budget and National Planning, Zainab Ahmed, showed that between January and August 2020, the FG realised ₦2.5 trillion in revenue and spent about ₦6.25 trillion, creating a record budget deficit of ₦3.7 trillion. To put this into perspective, Nigeria budgeted to spend just ₦6.06 trillion for FY2016.

### Nigeria's economic indicators make for depressing reading



As recently as 2018, total government spending was just ₦6.94 trillion. The government is now creating debt at a record pace never seen in Nigeria's history. This has now pushed the budget deficit to revenue to 174% as of August 2020. The debt service burden has worsened to ₦2.1 trillion or 85% of revenue as of August 2020 and total public debts of Nigeria would hit ₦38 trillion by December 2021. In H1 2020, the Debt Management Office reported that the national public debt had reached ₦31 trillion.

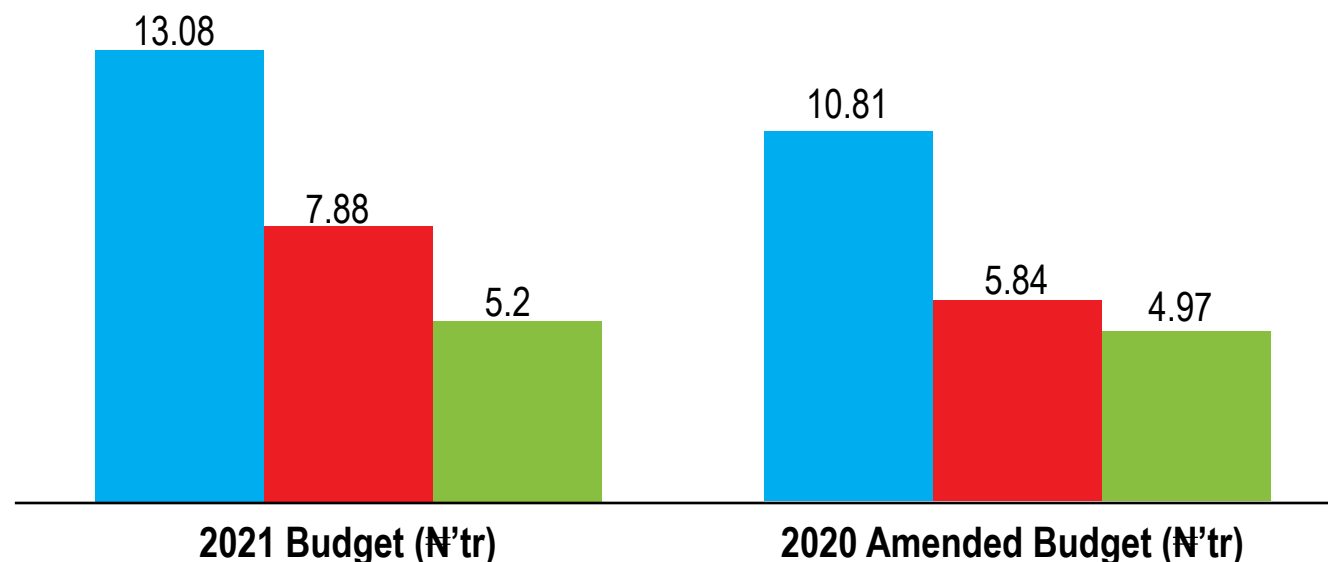




## IN THE EYE OF THE STORM: REFLECTIONS ON NIGERIA IN 2020

### 2021 v 2020 Budget Proposals

■ Expenditure ■ Revenue ■ Deficit



Clearly, Nigeria is hurtling towards a fiscal crisis, the likes of which we have never seen before. Unsustainable debt coupled with economically stifling policies and a government that is unwilling to pull back on wasteful spending have created an untenable cycle of sub-par revenue collections and ballooning expenditure. The case for more debt financing was recently made for the Nigerian government by the IMF, which expressly stated that governments should step up public investments to boost their economies after the massive shock from the COVID-19 pandemic. This brings us to the second point, debt burden. Rather than borrowing to spend on public infrastructure, the Nigerian government is borrowing to spend on recurrent expenditure—salaries, allowances and debt service. This is not sustainable and will not have any positive impact on Nigeria's recovery.







## IN THE EYE OF THE STORM: REFLECTIONS ON NIGERIA IN 2020

### Inflation and food inflation:

Annual inflation in Nigeria rose for the eleventh straight month in July, the National Bureau of Statistics (NBS) noted, as the novel coronavirus pandemic took its toll on imports and logistics. Inflation climbed to 12.82%, its highest level in more than two years, from 12.56% in June, the NBS said. A separate index for food, which accounts for the bulk of the inflation basket, showed a price increase of 15.48% from 15.18% in June. Food inflation has been in double digits for more than three years. The bureau said the rise in the food index was caused by increases in prices of bread and cereals, potatoes, yam, and other tubers. Meat, fruits, oils and fats, and fish are regarded as the food items with the highest increases in price. The core inflation indexes were recorded in prices of medical services, passenger transport by air, pharmaceutical products, hospital services, passenger transport by road, maintenance and repair of personal transport equipment, paramedical services, and vehicle spare parts. In Nigeria, measuring food inflation is particularly important as most people within the borders of the country spend most of their income on food. An SBM study from last year found that only 37% of Nigerians had any discretionary income after expenditure on food. One of the economic legacies of the Buhari administration will be high inflation. Even though he assumed office in May 2015 with inflation at 9%, poor economic decisions made it peak at

18.7% in January 2017, at the same time the country was in the grip of recession. In his five years as President, headline inflation has averaged 13.2%, while food inflation has averaged 15%. Yields on treasury bills and bonds have now fallen below inflation, a major stumbling block for the central bank's push to attract foreign inflows to support the naira and boost the economy.

A major reason for this high inflation is the unending quest to defend the value of the naira. To control dollar demand following the crash of oil prices, the CBN banned 41 items from accessing foreign exchange in June 2015. Several capital controls were also put in place to prevent foreign exchange leaving the country. This widened the gap between the official rate and the parallel market rate, which was nearly 200 Naira at one point in 2017. It also had the effect of driving away investment and tipped the country into recession. In addition, land borders have been closed since October 2019, further strangling trade, a sector that is the second largest employer of labour in Nigeria.

### Unemployment:

Data published in August by the NBS showed Nigeria's overall unemployment at 27.1%, with underemployment at 28.6%. Investors who have been unable to take duly earned profits out of the country

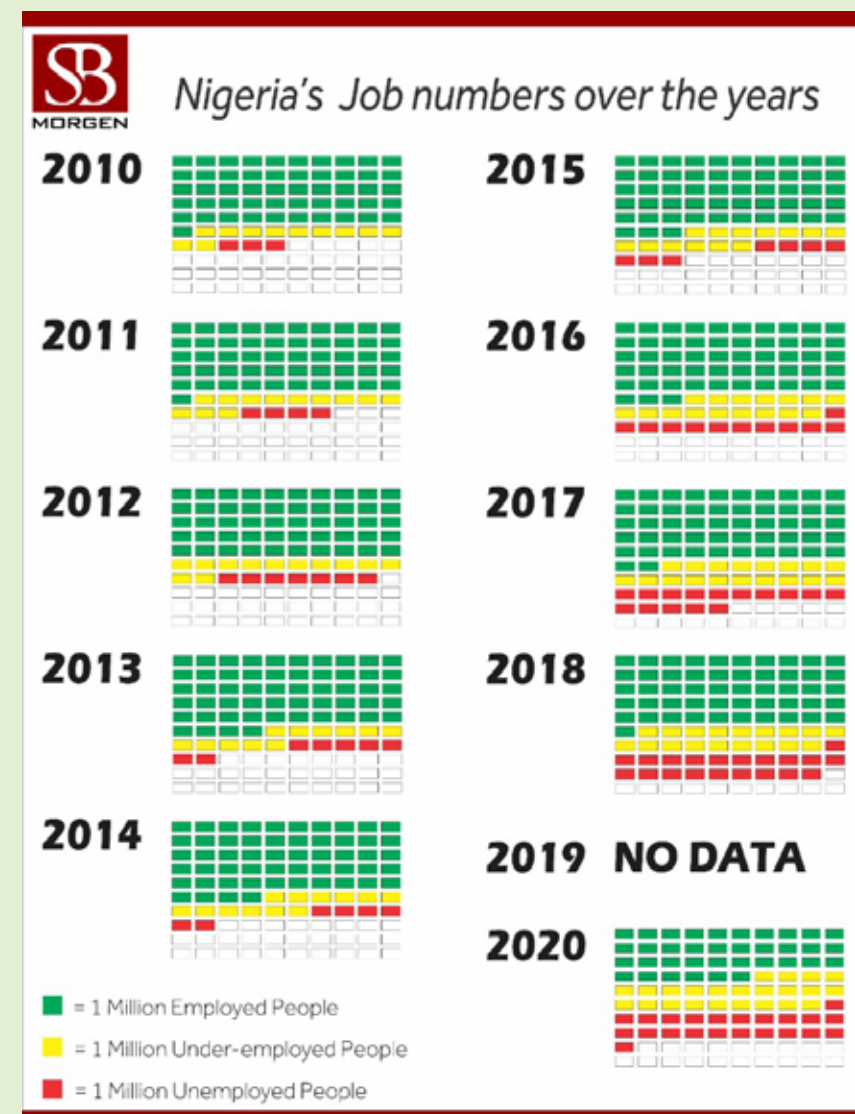




## IN THE EYE OF THE STORM: REFLECTIONS ON NIGERIA IN 2020

due to the administration's policies either shut up shop or stayed away altogether. This coupled with the coronavirus-induced lockdown reduced economic activities, which resulted not only in job loss but in jobs not being created as well. The gravity of the unemployment numbers is best appreciated when compared with previous data. By 29 May 2015, Nigeria had 54.4 million people in full time work. Today, Nigeria has only 35.6 million people working. Nigeria has 44.7 million people out of work. On the African continent, only the Democratic Republic of the Congo, Egypt, Ethiopia, Kenya, South Africa, Tanzania, Uganda, and of course Nigeria, have more people. In Q3 2015, Nigeria had 27% of its working population outside full time employment; that number is 56% today. In addition, at least 10 million people are no longer participating in the workforce, ostensibly giving up the search for work to rely on those with jobs. This has a potential to spread poverty.

Another interesting point to note is the correlation between high underemployment and high food inflation in the North, as well as inflation generally. On a month-on-month basis, Adamawa was the only state in the country that saw a general decrease in food prices while food inflation was highest in Zamfara (3.40%), Kogi (3.32%) and Yobe (3.00%) and lowest in Niger and Ogun, (0.44%) and Lagos (0.41%). This suggests reduced food production







## IN THE EYE OF THE STORM: REFLECTIONS ON NIGERIA IN 2020

due to disruptions caused by the activities of bandits and kidnappers across the region.

### CBN's aggressive regulatory behaviour:

It is no news that Nigeria is experiencing a forex crunch following a dip in the prices of crude. In addition, the economic implications of the coronavirus-induced lockdowns are becoming clearer as released numbers of Q2 GDP along with company financial results show. A slump in oil prices and exports means a reduction in dollar revenue, which has led to reduced liquidity of the currency. The CBN has tried to be proactive by plugging leakages in the official market. However, the reduction in inflows has put pressure on its capacity to meet dollar

obligations to investors and businesses, and the regulator's insistence on using demand control as a means to hold the value of the naira against the dollar up is at the base of many struggles and imbalances in the wider economy. The implications of dollar shortages will be negative as it will continue to impact the ability of manufacturers and traders to source inputs and goods in the international market, and thus, productivity may decline. Letting the naira float and allowing a "willing buyer-willing seller" FX market appears to be the best approach, and one it appears the CBN is unwilling to follow through. If supported by regulations to eschew price gouging and allow properly timed interventions, the currency will be more stable and many of these freak market situations will not arise.

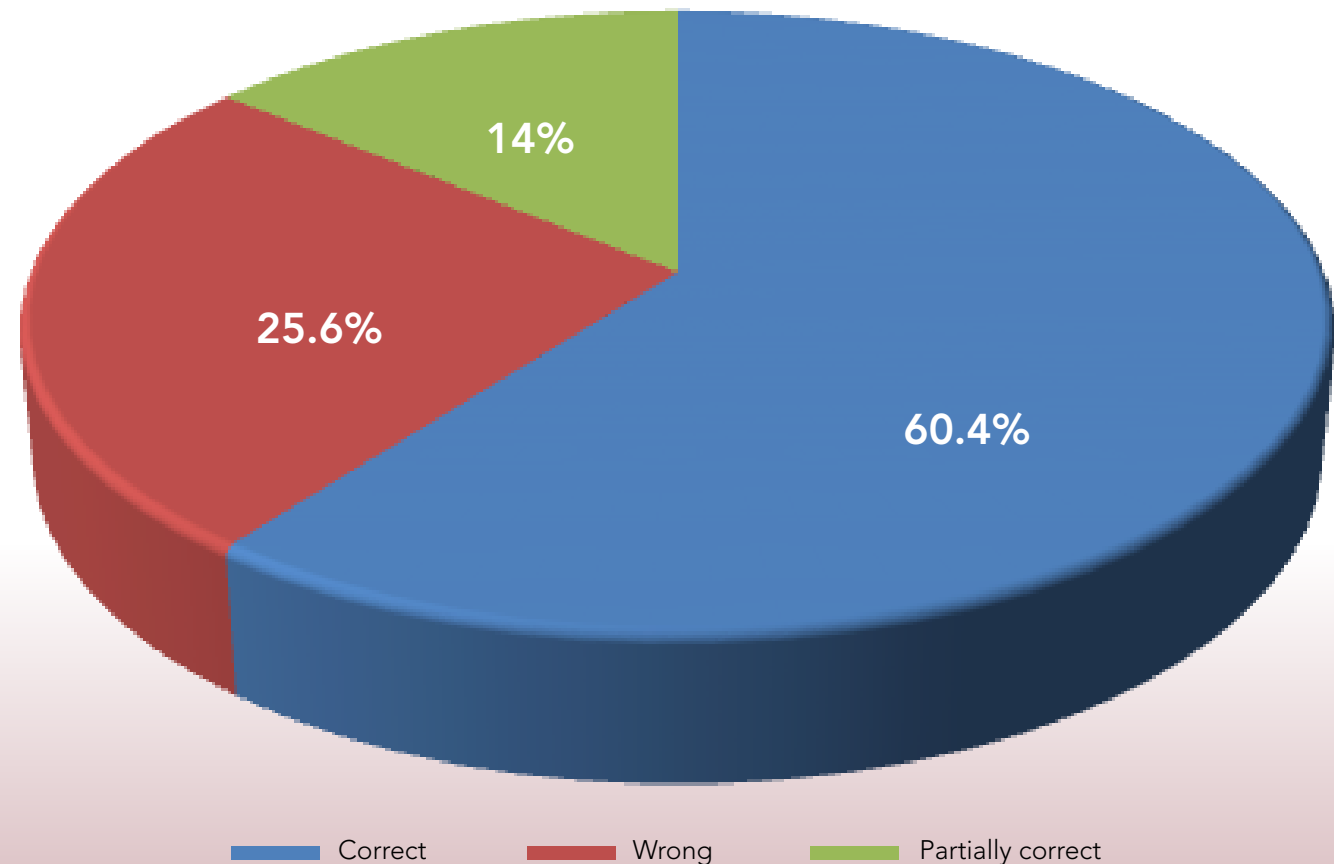




# SCORECARD

## ASSESSING OUR PREDICTIONS FOR 2020

At the end of every year, SBM makes projections of what we think will take place in Nigeria during the coming year. While the prophecy business is not an exact science, our record thus far has been good. Until 2019 that is, where our record reads: twenty-six correct; six partly correct and eleven wrong speech.







## SCORECARD: ASSESSING OUR PREDICTIONS FOR 2020

### ECONOMY



01

Expect slightly better growth in 2020: The World Bank and the International Monetary Fund (IMF) have respectively projected that the global economy will grow at 2.6% and 3% in 2019. If so, this will mean a slight reduction from 2018 growth figures. The culprits of this slow growth include rising trade and geopolitical tensions, which have increased uncertainty about the future of the global trading system and international cooperation, thereby taking a toll on business confidence and investment decisions. The direction of global growth in 2020 will, therefore, be heavily reliant on the outcome of US-China trade talks and Brexit, and we foresee that because Donald Trump is facing re-election in 2020, he will be more open to dialogue with China thus opening the way for more global growth in 2020. Like pretty much every analyst out there, we got this wrong. The coronavirus saw to that.



02

Expect volatile oil prices in 2020 as OPEC struggles to rein in production. OPEC has forecast that oil process prices may dip against the backdrop of US-China trade war negotiations. With the likes of Nigeria and Iraq still overproducing their quotas, OPEC will rely on Saudi Arabia to keep a lid on production. The Saudis have continuously expressed their desire to see oil prices around \$65, but at these prices, US Shale producers will be incentivised to crank up their own production, which will again tip the balance on the supply side and exert downward pressure on prices. Considering the US entering into the net exporter markets for the first time in decades, Trump's economic outlook and the slowdown in China mirroring a global slowdown, it is likely that oil prices will be fixed at \$40 by the end of 2020. Correct. Whilst oil price dipped below \$20 during the year, it is on track to finish the year above \$40.



03

As for Nigeria, we expect 2020 growth to beat the World Bank's forecast and come in about 2.4% on the back of improved oil revenues. We believe that Nigeria would be stuck in a low-growth cycle for the next few years unless more critical reforms are implemented. A high growth rate will require attracting targeted investment in identified growth-driving sectors like oil and gas, agriculture, manufacturing, and telecoms, all of which are unlikely. Wrong, COVID-19.



## SCORECARD: ASSESSING OUR PREDICTIONS FOR 2020



04

The government will struggle to meet its 2020 revenue targets. The Buhari administration has proposed a ₦10.33trillion budget (+20%/y) due to higher revenue target from Tax and Customs Duty. The government will likely struggle to meet its revenue targets like in recent years. For example, only 47% of the revenue target was achieved in 2018, and for the first half of 2019, only 58% of the revenue target for the period was achieved. Correct. The government did not meet its revenue target.

05

Despite the increase in VAT to 7.5% starting in January 2020, we expect FAAC numbers, which were lower in 2019 compared to 2018, to continue to fall in 2020. This revenue shortfall will force the government to increase its borrowing. Correct.

06

Inflation will continue its sharp rise in 2020 leading with food inflation. The last few months in 2019 have seen an increase in inflation at the back of FX supply restrictions on certain food items and partial border closure. While the CBN Governor expects inflation to moderate within 3 to 4 months, we expect an average of 13% in 2020. This is because beside the two factors already listed, we expect the VAT increase and a possible increase in electricity tariffs and the retail price of petrol to further drive inflation higher. Correct.

07

Nigeria's land borders will not be reopened on 31st January, and we believe that more reasons will be offered as to why the borders should remain closed deep into the year. Correct. As of the end of November, and despite signing and ratifying the African Continental Free Trade Agreement, the borders remain closed.

08

More Oil majors will sell off assets in Nigeria. Wrong. Due to COVID-19 the value of oil assets fell considerably in 2020 so whilst oil companies took major impairments on their books they postponed sell-offs as recovery of oil prices will give them a chance to sell the assets at slightly higher prices in future years and write back the profits on the books.







## SCORECARD: ASSESSING OUR PREDICTIONS FOR 2020



09

Just like in 2019, the FX market will likely have a stable 2020. In the absence of positive macroeconomic news, FDIs will keep away while FPIs will only take short term positions and the net FX inflows will oscillate. Keeping the exchange rate stable in 2019 came at a cost, with depletion of the reserves by over \$3.3bn in the second half of the year, to just over \$40billion levels presently. The CBN Governor has already stated the triggers for devaluation – reserves at \$25 billion to \$30 billion, and oil prices at \$50 to \$45. If the current trend continues, the CBN will have to take a decision regarding devaluing the naira to relieve some pressure on the reserves. Partially correct. Whilst the FX market was anything but stable in Q2, FDIs did keep away and the CBN was forced to devalue the naira.

10



11

The naira will be devalued. We expect the OMO bubble to burst and much of the hot money propping up the naira to take flight. The Federal Government's revenue position is alarmingly untenable, and with the modest increase in the National Minimum Wage still yet to take effect, the CBN simply cannot continue to defend the naira at current levels. We expect the government to be forced into the hard choice of devaluing the currency sometime within the first half of 2020. Correct. The CBN was forced by the various tiers of government to devalue to naira in Q2 as oil revenues fell. This allowed FAAC numbers to maintain a "dignified" appearance.

Fixed income yields to trail inflation. Correct.

12



CBN's drive to increase credit to boost growth with its LDR target of 65% will persist in 2020, and this will force banks to reject high-cost deposits. Since the FPIs and banks have not been excluded from the OMO window, the pressure for the CBN to reverse its ban on non-banks from accessing the window will be manageable. This basically means there are two fixed-income rates—the OMO rate and the T-bills rate. We expect the former to remain above inflation rate to keep FPIs in the market while the latter is closer to single digits. This should persist in 2020. Partially correct. After COVID-19 shock, the CBN junked inflation and focused on growth. This led to a collapse of interest rates whilst inflation ballooned.





## SCORECARD: ASSESSING OUR PREDICTIONS FOR 2020



13

Equity prices should improve. Correct. As interest rates plummeted, FPIs fled whilst local investors, led by the pension funds, turned to the stock market.

With the OMO window closed to pension funds and other non-bank investors, we expect some funds to rotate to equities by Q1, 2020, as investors seek attractive dividend yields of blue-chip stocks. We do not expect the market to rally like previous years, but prices should appreciate to levels higher than in 2019. Correct.

14



The petrol subsidy will be adjusted/ removed: The subsidy is unsustainable and is a drag on government revenues. Despite the populist stance of his administration, we expect President Buhari to announce an increase in the price of petrol at some point in 2020. Whether this administration has the political will to go for full deregulation of the sector remains to be seen. Correct.

15



The economy will remain sluggish: The third quarter of 2019 saw modest economic growth of 2.6% as the economy continues to struggle out of recession. Given the food price inflation caused by the border closure, we expect to see even these modest gains wiped out in the fourth quarter of the year as the border closure continues to bite. With the government unable to inject any kind of stimulus due to its precarious financial position, the economy may dip back into recession before 2020 is out. Correct.







## SCORECARD: ASSESSING OUR PREDICTIONS FOR 2020

### SECURITY



16

The death of Abu Bakr al-Baghdadi has left ISIS in a strange position. Its "caliphate" has been completely wiped out, and its organised armies have been dispersed. Crediting the aforementioned Turkish invasion of Syria, a few hundred of them have been able to escape to sub-Saharan Africa, which is hospitable to them at the moment. We expect to see an influx of battle-hardened ISIS fighters from the Middle-East to reinforce their comrades in the Sahel and create a bigger problem for the Nigerian military. Correct.



17

Boko Haram insurgents will remain a significant threat with attacks remaining at the levels in the first half of the year of 2019 and witness a decline afterwards as both sides settle into an uneasy accommodation. Partially correct. While Boko Haram did remain a significant threat all through the year, the attacks worsened in the second half of the year, the worst in terms of optics coming with November's massacre of farmers at Zabarmari village in Borno State.

18

Piracy on the Gulf of Guinea will increase as seafaring groups range further for targets. We think that during 2020, other countries will follow India's lead and place restrictions on their seafarers coming to the region. Wrong.

19

There will be a decline in the intensity of the pastoral conflict as villages are empty of people. The IDP camps will struggle to cope with the now settled refugees. We got this wrong. In 2020, clashes between herders and farmers escalated and this began to show on dinner tables in Southern Nigeria. Attacks by pastoralists and bandits increased this year, with the total number of people killed so far in 2020 in these attacks at 624, compared with fewer figures from last year (521). The trouble extended to hitherto "safe" states like Jigawa and Kano which saw more attacks this year.





Between the start of January and the end of November 2020, there were a total of 142 incidents involving Boko Haram or ISWAP insurgents in the three North-Eastern Nigerian states of Adamawa, Borno and Yobe, making an average of 13 incidents a month. Of these 142 events, 17 ended with no fatalities. At least 1,606 people were killed in the 125 fatal incidents, making an average of 13 deaths per violent event in the Boko Haram insurgency in 2020.







## SCORECARD: ASSESSING OUR PREDICTIONS FOR 2020



20

The threat of cultism will persist and intensify in the Niger-Delta as more young people will be drawn to these groups in the face of increasing economic hardships. We got this correct.

21

The threat of kidnapping will persist across the country and possibly escalate. Correct. Kidnapping has become one of the few "industries" in Nigeria that can be defined as a growth industry.

22

Economic hardship will likely sustain the high level of crime across the country. This was sadly correct.

23

There will be a decline in the intensity of the pastoral conflict as villages are empty of people. The IDP camps will struggle to cope with the now settled refugees. We got this wrong. In 2020, clashes between herders and farmers escalated and this began to show on dinner tables in Southern Nigeria. Attacks by pastoralists and bandits increased this year, with the total number of people killed so far in 2020 in these attacks at 624, compared with fewer figures from last year (521). The trouble extended to hitherto "safe" states like Jigawa and Kano which saw more attacks this year.

24

The service chiefs are likely to be replaced by the president in 2020. We got this wrong. President Buhari, despite growing calls and measurably abysmal performances, has kept faith with his service chiefs.



## SCORECARD: ASSESSING OUR PREDICTIONS FOR 2020

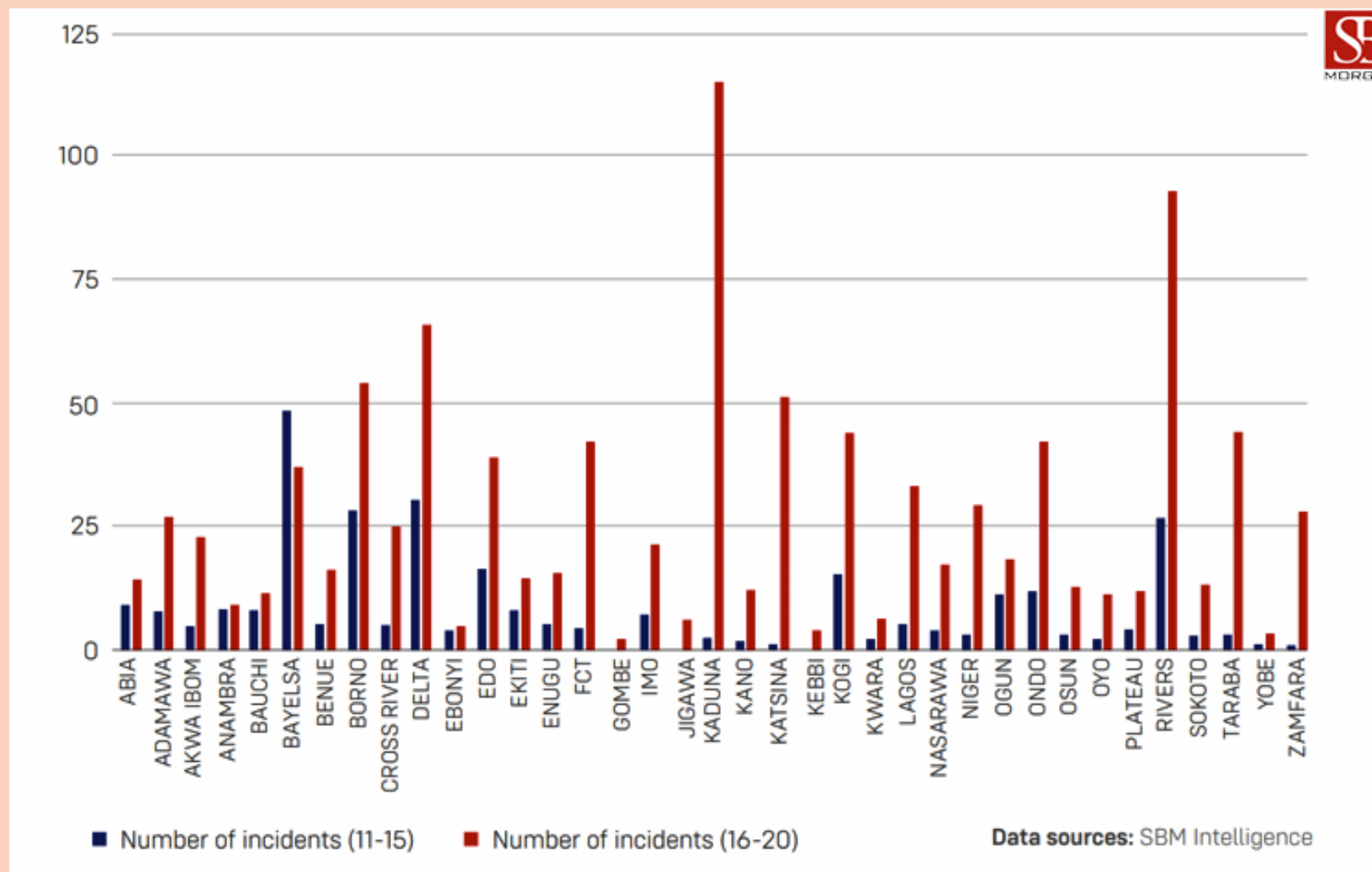


Figure: Kidnapping has become more of a problem over the last five years than in the previous five.



## SCORECARD: ASSESSING OUR PREDICTIONS FOR 2020

### POLITICS



25

The year 2020 will be a year of limited governance and more focus on politicking as various groups within the ruling APC will try to position themselves in anticipation of the 2023 elections. We expect that the president's closest allies will fall out with one another in 2020. Correct.

26



Within the larger APC, cracks that have started to appear between the South-West based ACN faction of the party, and the Northern CPC faction will widen, leading to these groups seeking allies in the Niger-Delta and the South-East. Correct.

27



The opposition PDP will decline further in 2020 as infighting and a lack of access to funds will see more of its members decamp to the ruling APC. By the end of the year, we expect that Nigeria will have moved closer to be a one-party state with opposition mainly from within the APC itself. Partially Correct. While the PDP has weakened, there have only been two high profile defections from the party this year—David Umahi (governor, Ebonyi) and Elisha Abbo (senator, Adamawa North) who both decamped to APC. The PDP however, received Godwin Obaseki, who won a second term in the election in Edo State.







# WILL NIGERIA FINALLY LOOSEN ITS GRIP ON TRADE?

Two developments this year have the potential to shape Nigeria's international trade dynamics in 2021. First, former finance minister, Dr Ngozi Okonjo-Iweala emerged as the front-runner for director-general of the World Trade Organization (WTO). Secondly, the federal government ratified the African Continental Free Trade Area (AfCFTA) agreement, just in time for the January 2021 implementation date. How will these events affect Nigeria's trade relationships and the economic environment in the country next year?

Okonjo-Iweala's candidacy for WTO director-general has received broad support across Africa, the EU, Latin America and Japan, but has faced pushback from the United States government. However, with a transition to the Biden-led US administration in the coming year, consensus will likely be reached for Okonjo-Iweala's appointment. Nigeria's nominee landing the position would give the country's international reputation a much-needed boost. However, it will also invite greater scrutiny of the government's trade policies: how can a country be hostile to imports if its own citizen heads the largest global organisation committed to free trade? What this will mean in practical terms for businesses in the country will depend on whether the Buhari administration cares enough about the country's reputation to change course.



**GUEST WRITER: EBEHI IYOKA**



## WILL NIGERIA FINALLY LOOSEN ITS GRIP ON TRADE?

Trade protectionism has been a feature of Nigeria's economic policy over the last four decades. Since the 1980s, all government administrations have placed varying levels of import restrictions in the hopes of boosting local production, often with support from interest groups such as farmer and manufacturer associations. The current administration is no different and has doubled down on trade restrictions, including closing Nigeria's land borders with Benin, Niger, and Cameroon in October last year. This policy, which is ostensibly aimed at controlling smuggling, is reminiscent of similar actions taken by Buhari's military regime in 1984. Given this history, any claims about Nigeria's commitment to free trade are often taken with a grain of salt.

Does ratifying the AfCFTA agreement signal a more positive stance towards free trade? That would be an overly optimistic view. The Nigeria Customs Service currently maintains a 45-item list of banned imports despite the country's membership of the WTO and the implementation of the ECOWAS Common External Tariff. This list is unlikely to get shorter anytime soon. However, reopening the land borders would at least demonstrate a credible commitment to the letter and spirit of the



Fig: Decline in real trade growth, Source:NBS



## WILL NIGERIA FINALLY LOOSEN ITS GRIP ON TRADE?

free trade agreement. On this front, there is at least some hope: the minister of finance, Zainab Ahmed, has recently indicated that borders may reopen in the near future.

However, the impact of the AfCFTA will not be determined by government policies alone but also by how much the private sector leverages opportunities available in the free trade area. When a new trade agreement is signed, businesses usually have to make substantial preparations such as understanding which of their product lines are affected, as well as, forming supplier and customer relationships that may be more advantageous under the new rules. In countries like Ghana, Kenya and Niger, which had ratified the agreement in 2018, companies that had been working towards the original implementation date of 1st July 2020, are likely to be well-prepared come January. The Nigerian government's delay in ratifying the AfCFTA agreement has meant less time for businesses to get ready. For this reason, I expect that many Nigerian businesses will not begin to take advantage of the free trade area in earnest until the second half of 2021.

How this all plays out will also depend on the FX regime implemented by the Central Bank of Nigeria (CBN). At the moment, the CBN is handicapped by Nigeria's reduced FX earnings and deficit trade balance. To limit FX outflow, the central bank has enacted several regulations, many of which have failed as can be seen in the divergence of the official exchange rate and parallel market rate. The FX shortage, CBN's import restriction and border closure by the

federal government have had a direct impact on food and headline inflation. With regards to import restriction, the list of 41 items created by the CBN in 2015 was expanded to include NPK Fertilisers, maize and milk/dairy products this year. Based on statements made by CBN Governor, Godwin Emefiele in November, more food items will likely be added to that list next year, dampening imports in these categories. As long as the CBN pursues these policies, most importers and the companies that rely on these products will continue to face significant hurdles in doing business, regardless of trade agreements or opened borders.

For micro, small and medium enterprises (MSMEs), policy uncertainty will be the most important factor in their decision to engage in international trade. MSMEs tend to have a lower capacity to accommodate risks because even small adverse events can lead to business failure. Since these enterprises are responsible for almost half of Nigeria's Gross Domestic Product (GDP), any potential gains from the AfCFTA may not materialise unless the government clearly states and maintains a streamlined, consistent position in favour of free trade.

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# THE YEAR AHEAD: OUR 2021 PREDICTIONS FOR NIGERIA

## ECONOMY

The financial struggles of the Nigerian government will continue: poor revenue due to a slow global economic recovery from the coronavirus pandemic, which will keep oil prices low, and high cost of debt servicing will eat away at what revenue comes in— non-oil revenue will be nowhere near enough.

The low revenue will force Nigeria to borrow more from concessional and multilateral lenders such as the World Bank and the IMF as commercial lenders will not be willing to lend or will only lend at high-interest rates. World Bank and IMF lending will come with conditions demanding reforms which are already happening albeit at a very slow pace – harmonising exchange rates which will devalue or float the naira, full removal of subsidy on petrol, allowing electricity tariffs to rise, etc.

There will continue to be some opposition to market-oriented policies from President Buhari who will continue to show his preference for a statist economy. However, the financial constraints will force his hand in that direction. The government will drag its feet on these reforms in the hope of a rebound in the price of oil.

The desperation to drive investment into the country and unlock growth in the oil sector, as well as current financial struggles, will force out the political will needed for the Petroleum Industry Bill (PIB) to be passed, likely in the second half of the year. So far, there has been no visible opposition to the draft from the industry, trade unions or any organised groups. Combined with the fact that the leadership of the National Assembly is allied with the Executive (especially the Senate), this signals a good omen for the bill being passed, breaking a 13-year deadlock.

Despite flirting with bankruptcy, it is unlikely that the FG will trim its costs, especially around its wage bill by implementing the Oronsaye report even in part. There does not seem to be any political will for this, which is also likely to be unpopular too.

Nigeria should return to positive growth by Q4, 2021 thus exiting the recession. This is likely to be driven by slightly higher oil prices, as well as a reopening of borders which will reverse the decline of the trade sector, one of the largest employers of labour in the country. Productivity will continue to decline as the government and private sector lack the financial muscle to launch the economy back to the fast lane of growth. With the adoption of online work, there is little incentive for companies to hire. Rather, many contract staff will be laid off, and governments will recruit less employees. What we are likely to experience in 2021 is jobless growth.



## THE YEAR AHEAD: OUR 2021 PREDICTIONS FOR NIGERIA

The CBN's interventionist stance will accelerate in 2021 as the presidency and finance minister have ceded their fiscal policy responsibilities to the CBN. The CBN may try new tricks, including cutting MPR further or increasing CRR and LDR. It will also ramp up extra-monetary interventions and expand its regulatory oversight over banking and other sectors closely tied to finance. Regardless, the outcome will be sluggish and painful economic growth.

We expect slight devaluation of the Naira in 2021 as the CBN will face renewed pressure to fund forex requests as economic activities and travel pick up. In addition, low revenues will cause reviewed pressure from the various tiers of government to call for devaluation so they can meet budget expenditure requirements. There will be a managed float of the naira at some point in the first half of 2021.

We do not believe that the borders will be opened on 1st January 2021. However, Nigeria will come under pressure from the IMF and World Bank to reopen them as part of the conditions for loans and will cave at some point in 2021.

Oil prices should settle round \$45 per barrel as COVID-19 vaccination gains momentum and economic activities and travel pick up. However, Nigeria's forex crisis will remain through 2021 due to difficulties in generating revenues.

Inflation will continue to increase on the back of food inflation. The government has threatened to ban importation of fish and other goods so the likelihood of opening the borders is slim. Local food production will continue to be hindered due to insecurity and with more mouths to feed, there can be no other outcome.





## THE YEAR AHEAD: OUR 2021 PREDICTIONS FOR NIGERIA

### SECURITY

As 2021 goes on, the problem of ungoverned spaces in Nigeria will become more pronounced in urban centres, and non-state actors will take advantage of these gaps to entrench themselves deeper in society.

The stalemate between the Nigerian military and Boko Haram would continue. More states will be brought into the conflict as terrorists are looking to expand into the North-Central. The military would be fighting on several fronts—the North-East (with Gombe seeing more attacks) and the North-Central, especially states like Nasarawa and Niger.

In the South-East and South-South, the Indigenous Peoples of Biafra (IPOB) will become more belligerent, and as the economic effects of high inflation, lower wages and joblessness bite deeper, IPOB will find more support in both regions.

Insecurity will continue to remain a daunting challenge with more attacks in urban areas across the country, as people looking to escape attacks in villages and towns will crowd the urban environment for security. In the North-Central and North-West, more clashes between bandits, farmers and herders, and local communities should be expected.

Militant activity will become more pronounced in Niger State in 2021.

Conversations around police reforms will continue in 2021. Operation Amotekun did not do much this year despite the fanfare which greeted its inauguration. In the coming year, however, mounting security challenges would force states to turn increasingly to Amotekun and similar security networks, which will lead to more friction with the federal government as regards the role of the police.







## THE YEAR AHEAD: OUR 2021 PREDICTIONS FOR NIGERIA

Police reforms will not be achieved because reforms cost money and political will, both of which the federal government lacks.

More Nigerians will be forced into refugee camps in neighbouring countries.

The Gulf of Guinea will continue to be a hotbed of pirate attacks on shipping activity.

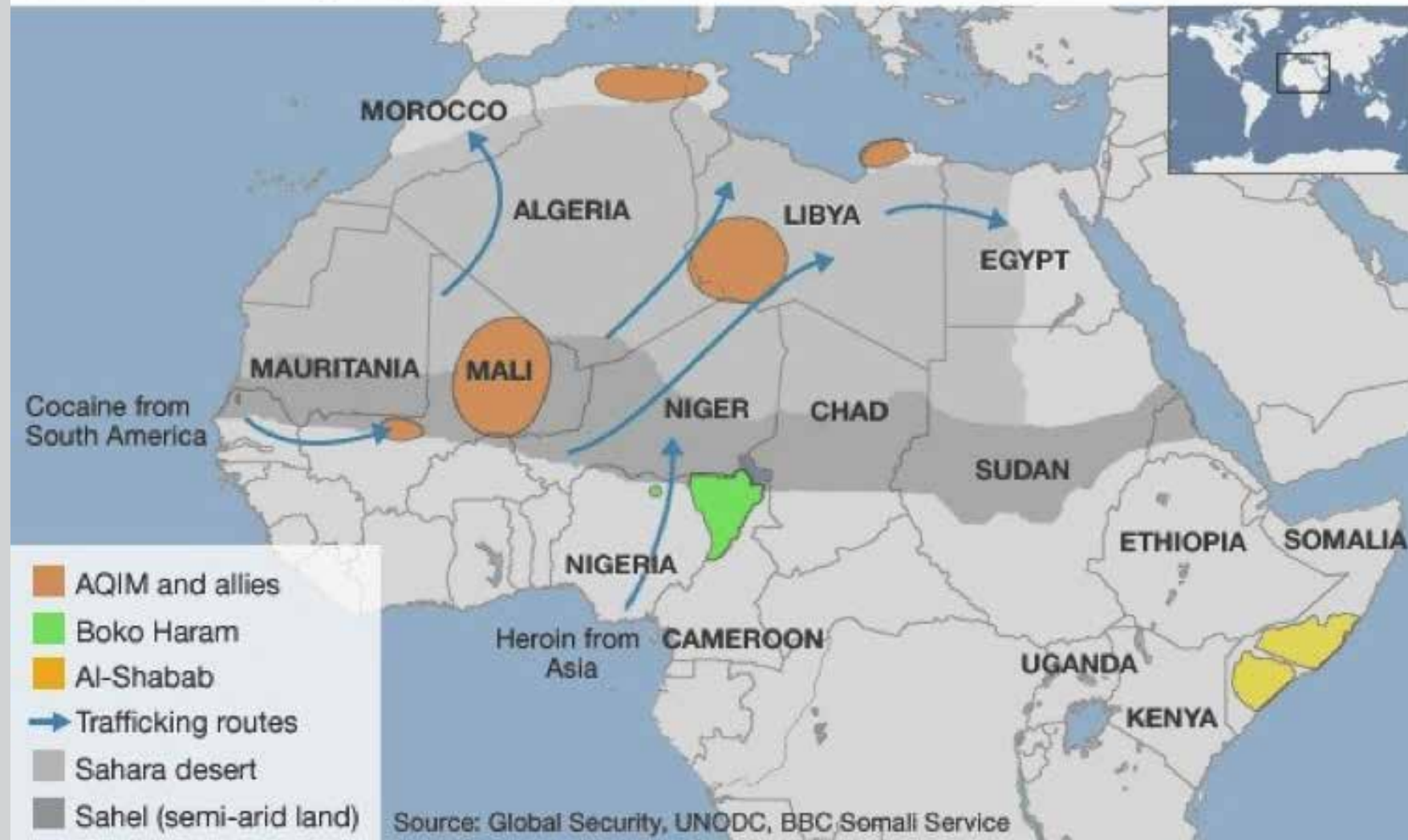
IDP camps will not be closed by the May 2021 date set by the governor of Borno State. A fresh wave of civilian casualties will force more people into the camps, raising Nigeria's IDP profile in an already bad league table.

Jihadist groups will keep trying to exploit the situation to plant cells – Boko Haram factions and groups operating in the Sahel region such as Mali, Burkina Faso and the Niger Republic. The latter groups will be helped by porous borders and weak governance in the region to carry out their activities.



## THE YEAR AHEAD: OUR 2021 PREDICTIONS FOR NIGERIA

### Islamist militant groups and their areas of influence in Africa





## THE YEAR AHEAD: OUR 2021 PREDICTIONS FOR NIGERIA

### POLITICS

In 2021, SBM projects that there would be stiffer media regulations. The NBC's decision to fine three TV stations for the coverage of the #EndSARS protest has come hand in hand with calls for the regulation of social media by a growing number of elected officials across the country. With authorities facing significant and sustained censure for their role in the Lekki Massacre and other human rights abuses, these calls will only grow. So far, all attempts to put laws on the books that regulate social media have come to naught, but there will continue to be attempts in this direction. We are also fairly certain that the fines dished out to TV stations this year will not be the last.

October 2020 saw the country rocked by #EndSARS protests, and the security apparatus was completely unable to keep the peace after curfews were declared. There will be more protests in 2021 that are likely to be triggered by unsustainable food inflation. The states in which these protests will erupt will be under pressure to curb them, perhaps violently, to avoid being accused of bringing "embarrassment" to President Buhari and the APC. How these incidents are handled when they occur will go a long way to determine the general climate in the country post-2021.

Some prominent political figures will be at the receiving end of foreign sanctions in 2021 over their roles in protests and elections. This will have the effect of calming the space, a little.

After the budget is passed, attention is expected to turn to the constitutional review being led by the Deputy Senate President, Ovie Omo-Agege. While the constitution amendment process will not result in the creation of any new state, there will be increased agitations for new states, and for some groups to be reassigned to new regions. These will increase the mutual distrust among the various constituent parts of the country.

The tensions between the ACN and CPC components of the APC will become more obvious in 2021, and at some point in the year, the CPC faction (read North) will openly begin to court allies in the South-East and South-South.







## THE YEAR AHEAD: OUR 2021 PREDICTIONS FOR NIGERIA

An APC party member will be sworn in as governor in Anambra State to succeed Willie Obiano.

Over the course of the year, political lines will harden and various camps jockeying for influence at the highest levels of political power, will make the effects of cabal politics on policy setting to become more prominent.

There will be increased interest in voter registration and political participation over the course of 2021, but this increased interest will not translate to any significant increase in participation in any sub-national election during the year.

Judicial panels of inquiry set up in response to the #EndSARS protests will submit their reports, but there will be a slow response to prosecuting indicted officers, if at all any.

The Attorney-General, Abubakar Malami, will become an even more central figure in the cabinet, and will use his increased standing to send the prosecutorial agencies after perceived opponents.

We project that there would be more infighting in the Buhari administration. The passing of Chief of Staff, Abba Kyari in April, appears to have removed the lid on a cauldron of tensions within the Buhari administration. One of those tensions was between Attorney-General, Abubakar Malami and former EFCC Acting Chairman, Ibrahim Magu, which became an all-out war. As 2021 progresses, these tensions will escalate as various players seek to position themselves in a bid to be relevant in a Post-Buhari APC. Get ready for the fireworks.





## ABOUT SBM

SBM Intel is an Africa focused geopolitical research and strategic communications consulting firm focused on addressing the critical need for political, social, economic and market data, and big data analytics. We employ various methods of data collection. Our Data Collection Methodology team advises on data collection methods for all ONS social and business surveys. With clients both within the business and the wider government community, we aim to provide expert advice on data collection procedures and carry out research leading to improvements in survey quality.

Since 2013, we have provided data analytics and strategic communication solutions to clients across various sectors in Nigeria, Ghana, the Ivory Coast, Kenya, South Africa, the UK, France and the United States. ■