

HKTDC World SME Expo

**BUSINESS OUTLOOK &
OPPORTUNITIES IN NIGERIA**

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2nd December, 2011

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- Reasons to invest in Nigeria
- Investment in oil and gas
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Business Outlook (Nigeria)

▣ Introduction

- Foreign direct investment is very important
- The exercise spearheaded by the President
- Specific Ministry created as Ministry of Trade and Investment
- Nigeria's foreign policy to emphasise on economic diplomacy

Business Outlook Contd.

- ▣ Business outlook is great for Small Medium Enterprises (SMEs) and large scale investments.
- ▣ Nigeria is the largest country in Africa
- ▣ Population is 167 million
- ▣ Therefore is positioned as the largest market in Africa.
- ▣ Endowed with rich natural resources; minerals & agricultural produce

Business Outlook Contd.

- ▣ An investment in Nigeria implies an investment in the West Africa sub-region.
- ▣ Nigeria serves as hub to goods manufactured or imported for distribution to many West African countries.
- ▣ Government has provided an enabling environment for growth of the economy

Business Outlook Contd.

- ▣ Government policies aimed at making Nigeria to be among the first twenty largest economies in the world by year 2020
- ▣ Framework is known as the Vision 20-20-20

Business Outlook Contd.

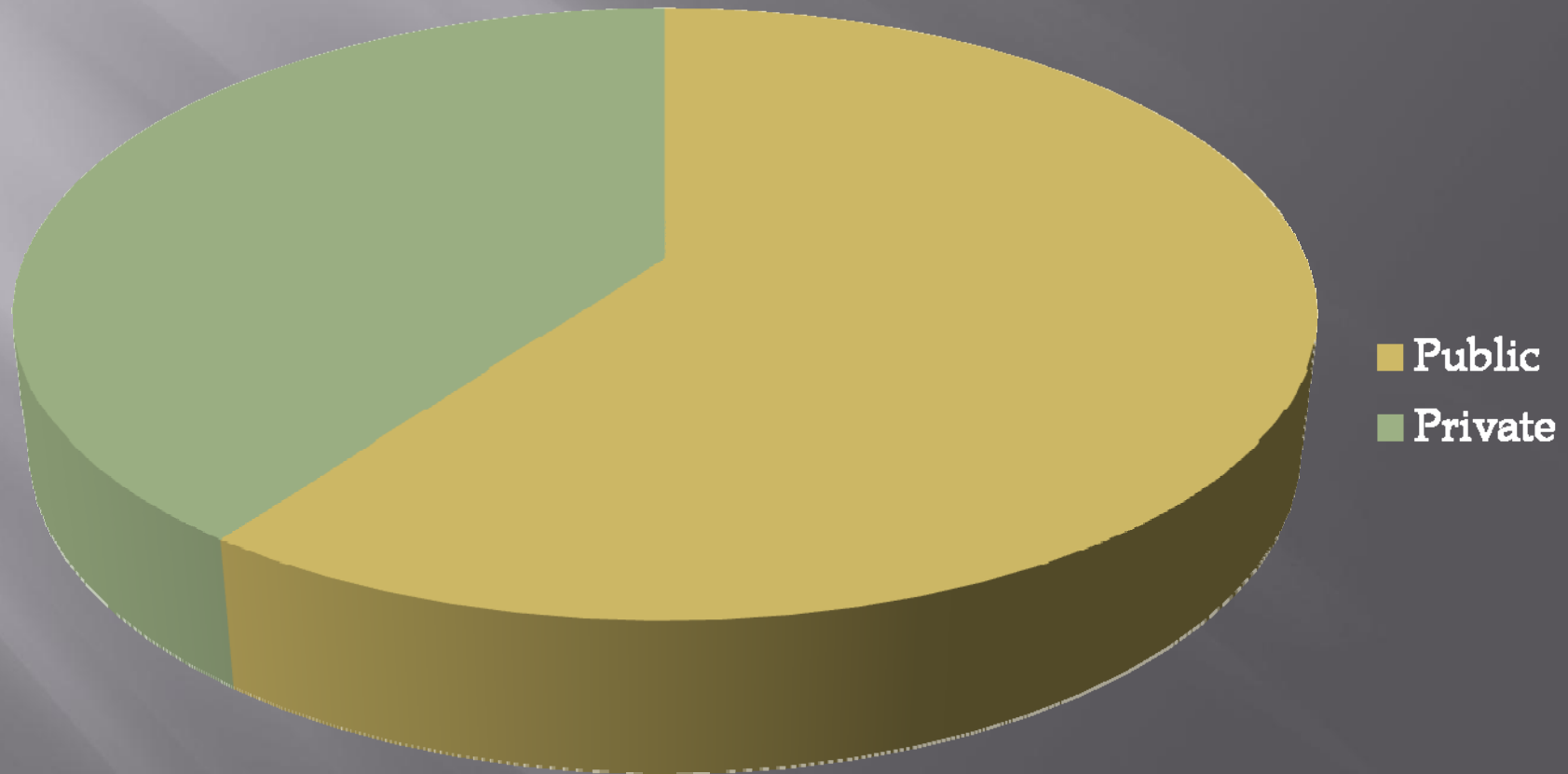
Macro economic framework and economic direction

- ▣ GDP growth rate at 11.7 % p. a. - 2011 to 2015

- ▣ GDP growth of 2011 to 2015 will be driven largely by
 - Oil & gas
 - Solid minerals
 - Agriculture
 - ICT equipment & software
 - Telecommunication
 - Wholesale & retail trade
 - Tourism & entertainment
 - Manufacturing and
 - Building and construction

Business Outlook Contd.

Total Investment 2011 to 2015 - N40.75



Business Outlook Contd.

- ▣ Total investment projection - N40.75 trillion for the period 2011 to 2015
 - Public sector - N24.45 trillion or 60 %
 - Private sector - N16.30 trillion or 40 %

Business Outlook Contd.

- ▣ Some key policies to be pursued by government during the programme period are as follows:
 - Ensure greater harmony between fiscal & monetary policy – National Economic Management (NEM) Team – strengthened
 - Pursue macroeconomic policies; **fiscal prudence** supported by **appropriate monetary policy** to contain inflation at single digit.

Business Outlook Contd.

- Budget process shall be reviewed – clarity of roles between executive & legislature –bill enactment
- Institutionalising the culture of development planning at all levels of government
 - Job creation
 - Public expenditure management
 - Governance

Business Outlook Contd.

- ▣ Infrastructure policies, programmes and projects – deficit addressed in:
 - Transportation
 - Housing
 - Information Communication Technology (ICT)
 - Federal Capital Territory (FCT) and
 - Niger Delta.

Business Outlook Contd.

Infrastructure Development Estimates

Sector	Amount (Naira)	Equivalence (USD)
Power	1 .896 trillion	12.23 billion
ICT	22.2 billion	143.23 million
Transportation	4.465 billion	28.81 million

Business Outlook Contd.

- Power
 - Generation
 - Transmission
 - Distribution
 - Alternative energy

- ICT
 - Knowledge based economy (KBE)
 - 10 yrs Strategic plan
 - Creation of favorable enterprise environment

Business Outlook Contd.

- **Transportation**
 - Roads
 - Railways
 - Inland waterways
 - Ports and
 - Airports
- The main policy thrust is to evolve a **multimodal, integrated and sustainable transport system**, with greater emphasis on **rail** and **inland waterways transportation**.

Business Outlook Contd.

- **Public-Private Partnership (PPP)** created by designing new **policies, legislation & institutional framework** that would support transformation of the sector

Business Outlook Contd.

- ▣ **Financial sector contribution to the real economy**
 - Three million estimated SMEs in Nigeria making up 97 % of the economy.
 - Nigeria is addressing the problems faced by SMEs central among which is **needed capital**.
 - The **Central Bank of Nigeria** is spearheading a major role in the **transformation process**.

Business Outlook Contd.

- ▣ Key interventions in the real sector include:
 - N200 Billion Commercial Agricultural Credit Scheme (CACCS)
 - N300 Billion Power and Aviation Intervention Fund
 - N200 Billion Restructuring/Refinancing to the Manufacturing Sector/SME

Business Outlook Contd.

- N200 Billion Small and Medium Scale Enterprises Guarantee Scheme (SMECGS)
- Nigeria Incentive- Based Risk Sharing for Agricultural Lending

Macroeconomic Environment

	2003	2004	2005	2006	2007	2008	2009	2010*
Inflation Rate – Year on Year (%)	23.80	10.00	11.60	8.50	6.60	15.1	13.9	11.8
Interest Rate – Prime Lending Rate (%)	19.60	18.91	17.78	17.33	16.46	15.26	19.55	15.74
Exchange Rate (=N=/USD) (End period)	137.0	132.86	130.29	128.27	117.97	132.56	149.58	150.66
External Debt (US\$' Billion)	32.92	35.94	20.48	3.54	3.65	3.72	3.95	4.58
Credit to Private Sector* (N' Billion)	1,211.99	1,534.45	2,007.36	2,650.82	5,056.72	8,059.55	10,206.09	9,703.70
Credit to Core Private Sector* (N' Billion)	1,191.55	1,507.89	1,950.38	2,556.92	4,968.97	7,909.78	9,895.76	9,333.89
Net Domestic Credit* (N' Billion)	1,803.94	2,020.17	2,313.39	714.2	2,688.24	4,951.86	7,903.79	8,962.97

Note: * 2010 figures are provisional. Source: CBN, NBS

Growth Rate of Sectoral Real GDP (%)

Sectors	2003	2004	2005	2006	2007	2008	2009	2010*
Agriculture	6.98	6.29	7.06	7.40	7.19	6.27	5.88	5.74
Min. & Quarry	5.49	17.68	9.53	10.27	12.75	12.77	12.09	12.29
Manufacturing	5.66	11.90	9.61	9.39	9.57	8.89	7.85	7.64
Communication	23.82	55.79	29.60	33.66	33.84	34.02	34.18	34.47
Oil & Gas	23.90	3.30	0.50	-4.51	-4.54	-6.19	0.45	4.56
Others	3.40	23.61	9.80	11.03	11.22	10.65	9.18	9.13

Note: * Figures are provisional. Source: National Bureau of Statistics (NBS)

▣ Economic Growth Rate of Nigeria

Year	Real Rates
2011	Over 7 %
2010	7.4 %
2009	5.9 %

This Day Business News Analysis, 2011

Business Outlook Contd.

- ▣ This year, Nigeria was picked by some of the most influential investors in emerging markets finance at the **Reuters Emerging Markets Summit** in Sao Paulo in July as one of the **foremost destination for investment in Africa.**

Investment Opportunities

▣ Reasons to Invest in Nigeria

- Abundant Resources
- Large Market
- Political Stability
- Free Market Economy
- Robust Private Sector
- Free Flow of Investment
- Attractive Incentives
- Fast Growing Financial Sector
- Skilled and Low Cost Labour
- Infrastructure

Investment Opportunities Contd.

- ▣ Market economy dominated by
 - **crude oil exports** accounting for 90% of forex earnings and 65% of budgetary revenues
 - Other exports; cocoa, palm oil, groundnuts, cotton, timber and rubber.
- ▣ Nigeria's imports - \$14.54 billion USD.
 - machinery
 - chemicals
 - transport
 - equipment
 - manufactured goods and
 - live animals.

Investment Opportunities Contd.

▣ Investment in Oil and Gas

▪ Upstream Opportunities

- ▣ Surveying
- ▣ Civil Works
- ▣ Seismic data acquisition and interpretation
- ▣ Drilling operations
- ▣ Pipelining
- ▣ Crude oil transportation and storage
- ▣ Exploration and production of oil and gas products
- ▣ Manufacturing of consumable materials in exploration such as explosives, detonators, steel casting, magnetic tapes etc.
- ▣ Search for development of local substitutes for items such as medium pressure valves, pumps, shallow drilling equipment, drilling mud, bits fittings, drilling cement etc

Investment Opportunities Contd.

▣ Downstream Opportunities

- ▣ Domestic Production and Marketing of Liquefied Natural Gas (LPG).
- ▣ Domestic Manufacturing of LPG cylinders, valves and regulators, installation of filling plants, retail distribution and development of simple, flexible and less expensive gas burners to encourage the use of gas instead of wood.
- ▣ Establishment of processing plants and industries for the production of:
 - ▣ refined mineral oil, petroleum jelly and grease
 - ▣ bituminous based water / damp proof building materials e.g. roofing sheets, floor tiles, tarpaulin, and
 - ▣ building of asphalt storage, packaging and blending that may export these products.
- ▣ Establishment of chemical industries e.g. distillation units for the production of Naphtha and other special boiling point solvents used in food processing.
- ▣ Linear Alkyl Benzene, Carbon Black and Polypropylene producing industries.

Investment Opportunities Contd.

- Development of Phase II (Phase III to commence later) in Nigeria's Petrochemical Programme.
- The NLNG Projects.
- Small-scale production of chemicals and solvents e.g. chlorinated methane, Formaldehyde, Acetylene etc. from natural gas.
- Crude oil refining with efficient export facilities. Companies with the technology can undertake turn around maintenance of refineries. There is a tremendous scope for small-scale joint venture manufacturing concerns with foreign technical partners. Such ventures can start warehousing arrangements that will ensure continuity of supply at competitive prices.
- Products Transportation and Marketing Associated with products distribution and marketing is a chain of manufacturing and maintenance businesses e.g. Lubricating Oil reprocessing, LPG bottles and accessories, oil cans reconditioning etc.

Investment Opportunities Contd.

▣ Investment in Solid Minerals

- limestone, coal, tin, columbite, gold, silver, lead-zinc, gypsum, glass sands, clays, asbestos, graphite, and iron ore, among others.
- A total of 34 minerals in commercial quantities have been found in Nigeria far more than the value of oil.
- **Incentives and strategies for investment**

Conclusion

- ▣ Nigeria's business outlook is real
- ▣ The environment is stable & enabling
- ▣ Numerous opportunities for investment
- ▣ Government's transformation agenda is supportive and opening up new areas for foreign direct investments
- ▣ The infrastructural deficits are being addressed with massive injection of funds to encourage and provide an investment climate

Thank you

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