KPMG

Macroeconomic Snapshot

Research & Insights | KPMG in Nigeria

Wednesday 3rd May, 2023

Brent Oil Price

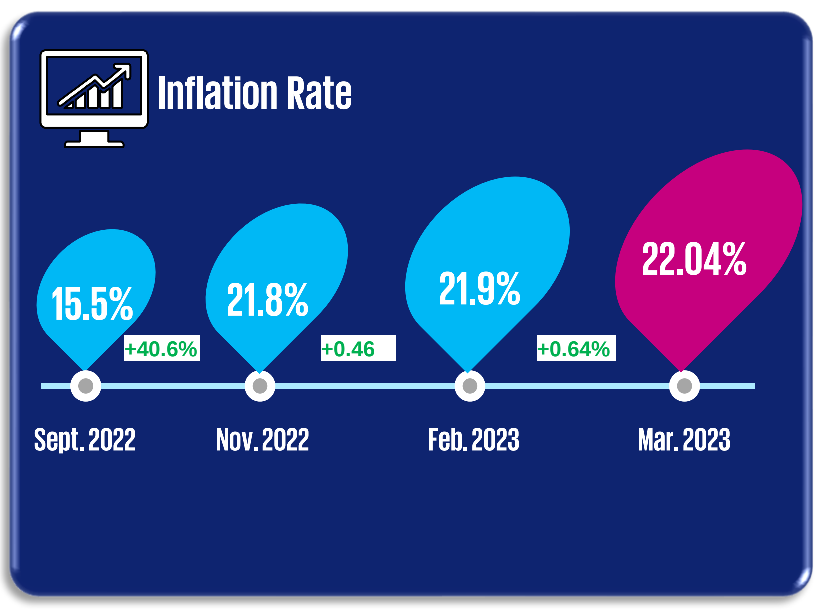
$84.71 ↑ 0.58%

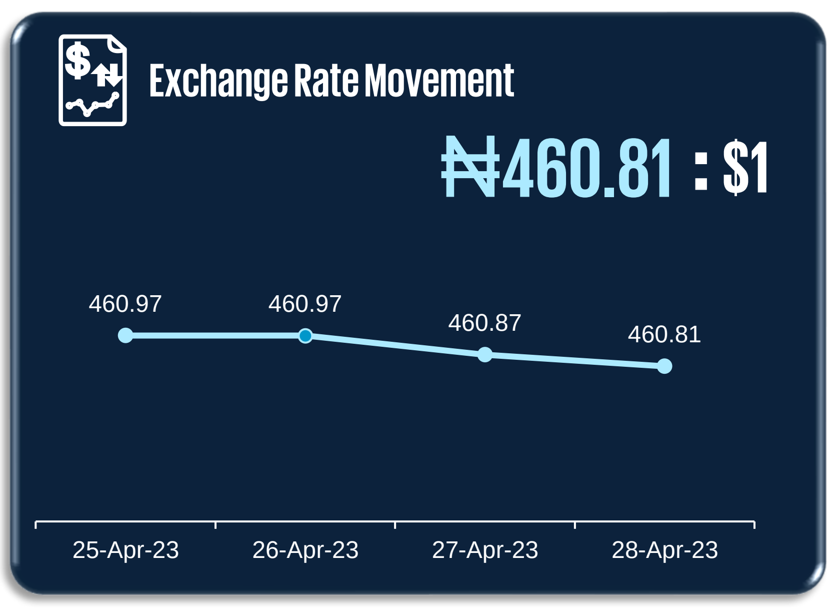
$84.22 Previous

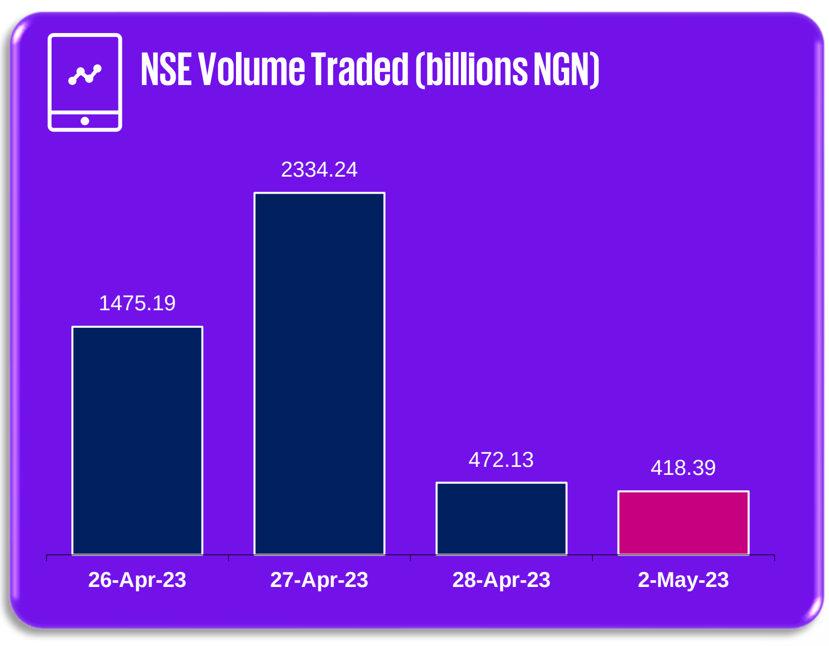
FX Reserve

$35.25b ↓ 0.03%

$35.26b Previous







Market Capitalization

28.53b ↑ 2.04%

27.96b Previous

Currency in circulation

N1683.4tr ↑ 71.4%

N982.09b Previous

KPMG Analysis: Earnings Squeeze from Naira Crunch

This week we highlight the reported challenges various businesses have been facing in Q1 2023 growing earnings. Dangote Cement, UACN, Nigerian Breweries, Notore Chemical, GlaxoSmithKline, MTN and ABC Transport are just a few of the companies who have released their Q1 2023 results revealing slower growth in earnings or posted year on year losses. We had earlier stated that we believed the cash crunch challenge faced by Nigerian consumers and businesses and the associated service disruptions in the electronic payment channels experienced by businesses in Q1 2023, were likely to combine with already existing headwinds in the macroeconomic environment in squeezing earnings of business both in the formal and informal sector.

In Q1 2023, businesses faced substantial challenges from both the demand and supply sides of their operations. On the demand side, the combination of higher taxes on goods and services, hyperinflation which averaged 21.9% in Q1 2023, monetary policy targeting demand to control inflation and the cash shortages and disruptions in the electronic payment channels following the naira redesign policy constrained consumer demand. We are estimating a year-on-year contraction in nominal household consumption expenditure by 9% in Q1 2023 following these challenges. On the supply side, high cost of financing with the CBN interest rate hikes, higher energy costs, transport and distribution costs and higher input costs especially given FX unavailability and instability have also increased costs substantially year on year. Purchaser Manager Indices covering Q1 2023 have also shown persistent declining trends with some levels lower than what was obtained during the covid 19 pandemic when the economy contracted and eventually entered a recession.

Accordingly, given our expectation of slower consumer demand and hence, reduced earnings for businesses and at the same time, rising costs of their operations, we are maintaining our earlier estimate of a N10-15 trillion drop in nominal GDP and a Q1 real GDP growth of between 1.5%-2.0% on the assumption that the oil sector can reverse its 11-quarter long contraction. Further contraction from the oil sector may result in Q1 2023 real GDP growth of -0.23%-1.18%.

Other Stories

- Firms earnings take a hit from Naira Crunch
- Currency Outside circulation rises by N602 billion in one month
- DMO defends $13bn indebtedness to World Bank
- Poor network: Reps summon telecom firms
- Manufacturing capacity utilization drops to 54.9%
- SEC blacklists six illegal online trading platforms
- We're not phasing out redesigned Naira notes —CBN
- Bank deposits dropped by N210bn in Q1

Sources: CBN, NBS, NGX & KPMG Research

For further information, contact:

Dr Yemi Kale
Partner/Chief Economist
KPMG Nigeria
Oyeyemi.Kale@ng.kpmg.com

Olanrewaju-Afuye, Busayo
Associate, Research and Insights
KPMG Nigeria
Busayo.Olanrewaju-Afuye@ng.kpmg.com

home.kpmg/ng
home.kpmg/socialmedia