



AFRICAN TRADE ENCOURAGED BY IMPROVED 2023 COUNTRY RISK OUTLOOKS

Written by Robert Besseling, CEO, PANGEA-RISK. Published by PANGEA-RISK in February 2023.

If all goes according to plan – which is not assured –, Nigeria will hold its most contested presidential elections in a generation on 25 February, marking only the second time that no incumbent is on the ballot since the return of democracy. The ruling party is facing a backlash from a weak economy and deteriorating insecurity, while the main opposition is deeply divided, thus potentially opening the door to an unprecedented second round run-off vote, or even a third-party challenger.

Regardless of who wins the elections, Nigeria will witness incremental changes once the new government is formed. Indeed, all major presidential candidates agree on the need for extensive structural reforms to be implemented. These include privatisations of state companies and assets, exchange rate reform to replace the distrusted multiple exchange regime, and an end to the ludicrously expensive and inefficient fuel subsidy, as well as some form of debt restructuring of both unaffordable domestic bonds and rapidly growing foreign loans.

All candidates agree to boost economic growth, cut inflation, and attract foreign investment. Obstinate central bank policies and harsh political realities may hamper some of these campaign promises, but at least Nigeria's ruling class – for once – agrees on the best way forward after the elections. Even the obstinate central bank is widely expected to devalue the currency by the steepest margin in six years by the second quarter. If the central bank proves too resistant to such reforms, its controversial governor may be ousted well before his term expires in mid-2024.

The big candidates also seek to decentralise the police force to allow state and municipal authorities more control over their own security. This is a positive development in a country where federal soldiers are deployed in almost all 36 states. If left unchecked, insecurity will spread southwards, as indicated by the recent attack trends. Some early security policy successes should be noted in the oil sector, where Nigeria has partially reversed a long-term slump by cracking down on oil theft. The government has revived production from record lows by hiring security companies linked to armed gangs in the oil-producing Niger River delta region.

Nigeria has many remaining obstacles on its road to recovery, but the early indicators for 2023 are notably brighter than previous years. Indeed, Pangea-Risk is forecasting a notable improvement in country risk ratings this year for several other countries, such as South Africa, Ghana, Ethiopia, Sudan, and Ethiopia. If you want to know more, you should read the unlocked briefings below. On top of that, according to the IMF's latest forecasts, Africa will once again achieve the world's fastest economic growth in 2023 – at least marginally and from a low base.

So set aside the doom and gloom prevalent elsewhere, because in Africa (and perhaps even Nigeria), things are looking up this year.