



E-NEWSLETTER

TOP TEN BUSINESS RISKS IN NIGERIA FOR 2018



Business risk is the risk associated with the overall operations of a business entity. It is the possibility that a business will have lower than expected profit or experience a loss rather than making profit. Allianz Global Corporate & Specialty, a global insurance company and risk consultant, recently published the 2018 global risk outlook and the following are the top ten business risks for Nigeria according to their ranking.



1. Theft, Fraud and Corruption: This is ranked number 1. Corruption in Nigeria is endemic and deeply rooted in our society but what is surprising is that even with the anti-corruption drive of the present administration this risk jumped three places from being fourth ranked in 2017 to being number 1 in 2018.

2. Market developments: This encompasses issues such as volatility, intensified competition / new entrants, M&A, market stagnation, market fluctuation. This is the second highest risk faced by businesses in Nigeria in 2018. It's ranking in 2017 was also number 2.

3. Changes in legislation and regulation including change in government, economic sanctions, protectionism, Brexit, Eurozone disintegration etc.: It is not surprising that this risk is ranked number three since we have a culture of lack of continuation in policies and legislation.

4. Macroeconomic developments such as austerity programs, commodity price increase, deflation, inflation etc.: In 2017 this risk was ranked number 1. Its present ranking seems to suggest that there is a measure of macroeconomic stability in 2018 compared with 2017.

5. Cyber incidents like cyber crime, IT failure, data breaches and hacking: This risk is reflective of the reality of the digital age. Globally, the risk of cyber incidents is quite high. In the UK, local governments have been hit with 100 million cyber attacks in the last five years. In Nigeria the risk has more to do with IT failure than cyber attacks because of the state of our IT infrastructure which is not as advanced as that of Europe or the U.S.

6. Political risks and violence involving war, terrorism, civil commotion: The activities of Boko Haram, the killings by Fulani herdsmen, the threats by Niger Delta militants, unrests among Igbo youths are all pointers to how widespread political risks and violence is in Nigeria.

7. Fire and explosion: This risk is ranked number 7.

8. Power and Energy blackouts: Power blackouts ties with Fire, explosion at being ranked 7th. Given the deplorable state of our power sector- we are the second worst country in terms of ease of getting electricity globally- it is a surprise that this risk did not make it to the top five spot.

9. Business interruption including supply chain disruption: This stands at number 9 and has to do with issues such as suppliers not delivering on time which affects the time to market of businesses.

10. New technologies such as impact of increasing interconnectivity, nanotechnology, artificial intelligence, 3D printing, drones: This risk was also ranked number 10 in 2017.