



## Foreign Exchange

Comment on recent news – this page

Today's headlines – page twos

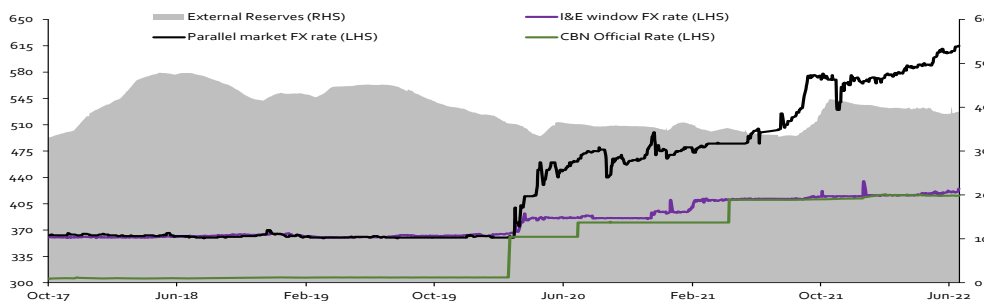
Recommendations and valuations – page three

### FX scarcity biting hard

The recent shortage in Dollar supply amidst increased demand has worsened the pressure on the Naira. Though the exchange rate at the I&E window has remained stable due to the sustained intervention in the FX market by the CBN, there has been considerable depreciation at the parallel market. It has become increasingly difficult for Nigerian students studying abroad to access the funds they need for their fees and upkeep because of the FX shortage in the county as many commercial banks now take a much longer time to process FX demands via Form A. A number of banks now require as long as six weeks to process form A requests, and many banks had in March, significantly dropped spending limit on their Naira cards to as low as US\$20 monthly from US\$100 previously.

Nigeria is experiencing one of its worst FX crises in history due to increasing demand for FX amidst low supply. Despite the high oil price, occasioned by the Russia-Ukraine war, Nigeria has failed to benefit from it, due to limited production and, the maintenance of a subsidy regime, which is estimated to cost the country at least N4trn this year. High oil prices imply increased cost of refined products and Nigeria continues to spend a huge part of its FX earnings on importation of Petroleum Motor Spirit (PMS) and other refined products due to the complete absence of local refining capacity. The country has also failed to increase its non-oil exports despite a number of projects introduced by the CBN such as the RT200 FX programme. Crude oil, with decreasing production capacity continues to dominate the export earnings with a total value of N5.62trn representing 79.16% of total exports as of Q1 2022.

### FX rate (I&E versus Parallel market) and Reserve



Source: FMDQ, CBN, CSL Research

CBN is unlikely to ramp up intervention levels at the I&E window in the near term as inflows remain tepid. We project the FX reserves to deplete to US\$35.00 billion by the end of 2022, translating to goods and services import cover of 5.4x. With that reserve level, we expect the CBN to maintain its current monthly intervention in the FX market. Meanwhile, the parallel market premium of c.45% continues to fuel arbitrage opportunities while FX rationing at the IEW has magnified the demand pressure at the parallel market. Our prognosis is for the premium to remain widened, as the CBN is yet to resume FX sale to the BDCs. Beyond this, corporates and individuals who import items restricted by the CBN will continue to source FX from the black market.

### MARKET UPDATE

	1 year	31-Dec-21	1 day
NSE - Index*	37,907.28	42,716.44	51,817.59
Naira / US\$	411.50	435.00	425.50
Brent, US\$/bbl	75.13	77.78	109.03
MPR %	11.50	11.50	13.00

Source: Nigerian Stock Exchange, Central Bank of Nigeria, Bloomberg. \*Nigerian Stock Exchange All-Share Index.

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## Today's news headlines:

**\$1bn natural gas sold to Portugal in 2022, says NNPC:** The Nigerian National Petroleum Company Limited on Thursday said it had sold over \$1bn worth of natural gas to Portugal this year. It disclosed this during the Nigeria-Portugal Business and Trade Forum, which held on the sidelines of the state visit to Portugal by Nigeria's President, Major General Muhammadu Buhari (retd.). Speaking at the forum, the Chief Executive Officer, NNPC, Mele Kyari, said Nigeria had been supplying energy to Portugal for decades. Kyari's comments and the visit by Buhari were tweeted via the official Twitter handle of NNPC on Thursday. The national oil firm said, "President Muhammadu Buhari is on a state visit to Portugal for the second United Nations Ocean Conference. Source: [punchng.com](https://punchng.com)

<https://punchng.com/1bn-natural-gas-sold-to-portugal-in-2022-says-nnpc/>

**Marketers deny FG's N74bn payment, warn of massive fuel queues:** Oil marketers on Thursday warned that Nigeria could witness "the mother of all queues" from next week if the Federal Government fails to pay the 12 months bridging claims being owed operators in the downstream oil sector. Dealers under the aegis of the Independent Petroleum Marketers Association of Nigeria, which controls about 70 per cent of filling stations across the country, also denied being paid N74bn by the Federal Government as bridging claims for the transportation of petroleum products. On Wednesday, the Federal Government through its Nigeria Midstream and Downstream Petroleum Regulatory Authority said it paid N74bn as bridging claims to oil marketers for the transportation of petroleum products across the country in seven months. Source: [punchng.com](https://punchng.com)

<https://punchng.com/marketers-deny-fgs-n74bn-payment-warn-of-massive-fuel-queues/>

**Despite low broadband, Nigeria's data usage rises by 413%:** Despite boasting a less than 50 per cent broadband penetration, Nigeria's data usage increased by 413.79 per cent as 41.38 million subscribers joined the nation's Internet population in four years, according to data from the Nigerian Communications Commission. Nigeria's Internet data usage increased from 68,154.12 terabytes in 2018 to 350,165.39 terabytes in 2021 based on industry statistics from the NCC. Within the time under review, broadband penetration increased from 19.97 per cent (38.12 million) in January 2018 to 40.88 per cent (78.04 million). GSM Internet subscribers increased from 100.23 million in January 2018 to 141.62 million. Despite its low broadband penetration, Nigeria has made strides in expanding its broadband capacity. Source: [punchng.com](https://punchng.com)

<https://punchng.com/despite-low-broadband-nigerias-data-usage-rises-by-413/>

**Tourism as Crucial Driver of Global Economic Recovery:** One situation that unfortunately has remained definitive of the human experience in the past three years, and which stimulates a concert of responses, is the outbreak and onslaught of the coronavirus, that has negatively impacted our conditions of living, well-being and the economy of nations. It is without doubt that tourism was one of the sectors greatly disrupted in the wake of the COVID-19 advance, with adverse consequences for livelihoods, jobs, and the general global economy, seeing to a huge erosion of over 80 per cent of value across a chain of related industries – from travel to hospitality, fashion, and others. Source: [thisdaylive.com](https://www.thisdaylive.com)

<https://www.thisdaylive.com/index.php/2022/06/30/tourism-as-crucial-driver-of-global-economic-recovery/>

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% distribution	49%	29%	14%	9%	
Investment banking clients	0	1	1	0	2
% distribution	0%	50%	50%	0%	

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