



Foreign Exchange

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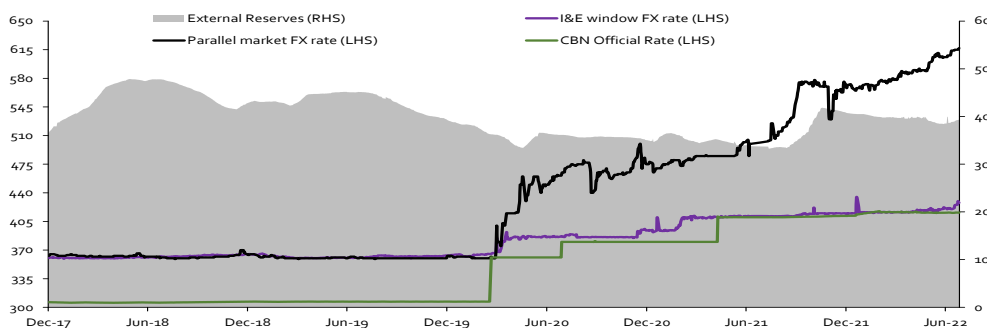
FX scarcity persists

The Naira has fallen to low levels during the week, as traders adjusted prices to reflect the rate Central Bank of Nigeria sold the currency amidst the ongoing dollar scarcity. The Naira fell 0.1% to N428.16/US\$ at the investors and exporters window (I&E window) yesterday. Nigeria is experiencing one of its worst FX crises in history due to increasing demand for FX amidst low supply. According to bank treasurers, the CBN has stopped its bi-weekly sale of FX to Foreign Portfolio Investors (FPIs) for the second week. This, many believe, is to clear the outstanding backlog of contractual obligations to supply FX to FPIs through the banks that have not been met. Based on CBN data, foreign reserves are down 2.9% compared to the position as of December 31, 2021.

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 the 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 few 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.

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, Meanwhile, the current parallel market premium of c.44% 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 sales to the BDCs, and importers of many items remain barred from sourcing FX from the official window. Also, there has been a surge in demand from FX from an increasing number of Nigerians migrating to the UK, taking advantage of the new immigration laws.

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



Source: FMDQ, CBN, CSL Research

MARKET UPDATE

	1 year	31-Dec-21	1 day
NSE - Index*	38,478.26	42,716.44	51,563.73
Naira / US\$	411.45	435.00	428.16
Brent, US\$/bbl	73.43	77.78	104.65
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:

Marketers, depots fight over 16.6bn litre fuel diversion: Oil marketers and depot owners have clashed over allegations of diversion of 16.6 billion litres of fuel to neighbouring countries. A top official of the Depots and Petroleum Products Marketers Association of Nigeria, who craved anonymity, told The PUNCH that the unabated fuel scarcity was partly due to the diversion of products to neighbouring countries by marketers. According to the source, about 46 million litres of petrol is being diverted daily. This means about 16.6 billion litres is allegedly being diverted annually. Findings showed that Nigeria consumes 60 million litres of petrol daily. Source: punchng.com .

<https://punchng.com/marketers-depots-fight-over-16-6bn-litre-fuel-diversion/>

BPE Pre-qualifies 16 Firms for Privatisation of Five Power Assets: The Bureau of Public Enterprises (BPE) has pre-qualified 16 firms for the privatisation of five National Integrated Power Projects (NIPPs) in the country. The BPE Director General, Mr. Alex Okoh who announced this in Abuja, at the Investor Pre-bid Conference for the privatisation of the five plants, listed the plants as Gereggu, Omotosho, Olorunsogo, Calabar and Benin-Ihovbor. He also gave the names of the 16 pre-qualified bidding firms. The pre-qualified bidders included Mota-Engil Nig, Amperion Power, Sifax Energy, Pacific Energy Company Ltd., and Globeleq Africa Limited. Source: thisdaylive.com

<https://www.thisdaylive.com/index.php/2022/07/08/bpe-pre-qualifies-16-firms-for-privatisation-of-five-power-assets-2/>

Pilots oppose 24-hour runway closure, forecast flight diversions: Some Nigerian pilots have rejected the complete closure of the domestic runway of the Murtala Muhammed Airport, Lagos. The Federal Airports Authority of Nigeria had on Wednesday announced the total closure of the domestic runway for 90 days to enable the agency to install Air Field Lighting. The development means international and local airlines will have no other choice but to use only the international runway (18R/36L) for landing and take-off during the three-month period. Already, local and international airlines have said the move will make aircraft to burn more fuel while holding in the air for landing clearances. Source: punchng.com

<https://punchng.com/pilots-oppose-24-hour-runway-closure-forecast-flight-diversions/>

Natural Oil, Gas Suppliers Seek Five-month Licencing Window for Diesel Importation: The Natural Oil and Gas Suppliers Association of Nigeria (NOGASA), a body of organised suppliers, stakeholders and practitioners in the nation's oil and gas sector, yesterday called on the federal government to allow its members a five-month window to import diesel to stabilise supply and prices. This was just as the House of Representatives' Ad-hoc Committee investigating the 'actual daily consumption of petrol in Nigeria, yesterday demanded full details of all the petroleum products seized and auctioned by the Nigerian Customs Service (NCS). Source: thisdaylive.com

<https://www.thisdaylive.com/index.php/2022/07/08/natural-oil-gas-suppliers-seek-five-month-licencing-window-for-diesel-importation/>

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Coverage universe	17	10	5	3	35
% distribution	49%	29%	14%	9%	
Investment banking clients	0	1	1	0	2
% distribution	0%	50%	50%	0%	

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