

External Reserve

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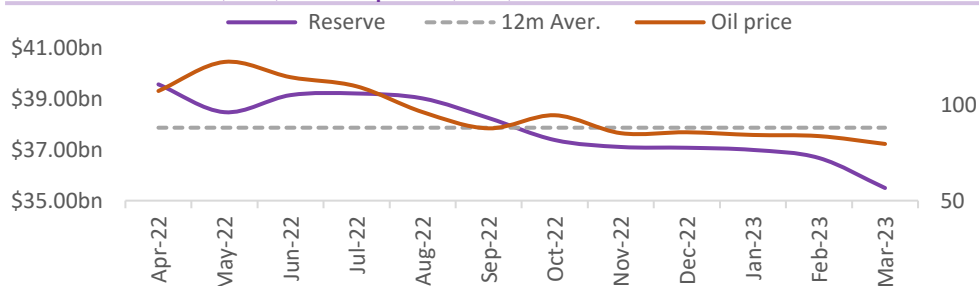
Reserves wane on falling oil prices.

According to figures obtained from the CBN's data on movement of external reserves, the country's external reserves fell by US\$1.6bn in Q1 2023. The figures show that external reserves fell to US\$35.50bn as of 31 March 2023 from US\$37.1bn as of 30 December 2022. Though other sources contribute to the country's external reserves like foreign remittances and loans, the major source of inflow is crude oil sales receipt. In other words, gains in crude oil prices imply increase in the nation's foreign exchange reserves. Oil prices trended up last year, given the impact of the Russia-Ukraine war on the global energy market but the country failed to benefit from the high oil prices due to the drop in production numbers attributed to crude oil theft and decrepit oil infrastructure. Again, failure to eliminate subsidies implies subsidy payments grow with rising crude oil prices as landing cost of refined petroleum also increases. In 2023 however, crude oil prices started to moderate as the impact of the war began to wane.

Recent efforts by the CBN to boost the country's external reserves have had little or no impact. The CBN had announced the RT200 FX programme to boost non-oil remittance into the reserve's coffers. Precisely, the guideline stipulates that exporters will be paid N65.00 for every US\$1.00 repatriated and sold at the Investors & Exporters Foreign Exchange (I&E) to Authorized Dealing Banks (ADB) for other third-party use and N35.00 for every US\$1.00 repatriated and sold at the I&E window for own use on eligible transactions only. The RT200 FX Program was unveiled in February 2022. The initiative was anchored on five pillars, namely: Value-adding Exports Facility, Non-oil Commodities Expansion Facility, Nonoil FX Rebate Scheme, Dedicated Non-oil Export Terminal, and Biannual Non-oil Exports.

At the end of last year, the World Bank asked the Central Bank to reconsider the RT-200 Programme despite the good intentions behind it. According to the World Bank, the program has created an additional foreign exchange window further worsening the nation's FX problems. Exporters and their agents are alleged to be involved in a scheme where settle transactions are settled outside the I&E window at the parallel rate after benefiting from the RT-200 rebate, taking advantage of the wide parallel market premium and the CBN's N65 and N35 per US\$ incentives. Issues around the implementation program make us believe it may not be the solution to the country's lingering FX scarcity. The parallel market premium remains wide despite over a year of the scheme's introduction.

External Reserves (LHS) and Oil prices (RHS)



Source: CBN, CSL Research

MARKET UPDATE

Indicators	1 year	30-Dec-22	1 day
NSE - Index*	46,687.85	51,251.06	54,190.28
Naira / US\$	416.22	461.50	463.50
Brent, US\$/bbl	107.53	85.91	84.93
MPR %	11.50	16.50	18.00

Source: NGX Exchange, Central Bank of Nigeria, Bloomberg. *NGX Exchange All-Share Index.

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News headlines:

IATA warns Nigeria as airlines trapped funds hit \$802m: The total amount of foreign airlines' trapped funds in Nigeria has risen to \$802m, according to latest figure by the International Air Transport Association-the Switzerland-based trade association of world airlines. As a result, IATA warned the Nigerian government that the situation could hamper air connectivity, economic growth, and the development of the country's aviation sector. The Director-General, IATA, Willie Walsh, spoke on Monday while launching "Focus Africa", a new initiative aimed at strengthening aviation's contribution to Africa's economic and social development. The project will also improve connectivity, safety, and reliability for passengers and shippers. "Airlines may be forced to reduce their service in the countries blocking funds; this is a very important issue to airlines and IATA. It can affect the growth of African aviation," Walsh noted. Source punchng.com

<https://punchng.com/iata-warns-nigeria-as-airlines-trapped-funds-hit-802m/>

CBN, Bankers' Committee Urge C'River Traders to Embrace eNaira, Other e-Payment Channels: The Central Bank of Nigeria (CBN) and the Bankers' Committee have enjoined traders in Cross River State to embrace the eNaira and other electronic payment channels in system in other to reduce physical use of cash and promote seamless business transactions. The CBN working in collaboration with the Bankers' Committee, made the appeal yesterday, at Watt Market, Calabar, when they staged an awareness and sensitisation campaign on cashless policy and the use of e-Naira by traders for business transactions. Addressing the traders, Assistant Director, Payment System Management, CBN, Mr. Chika Ugwueze, said the sensitisation exercise was aimed at providing adequate information to traders, and members of the public about the cashless policy as an alternative to the use of cash in the country. Source: [thisdaylive.com](https://www.thisdaylive.com)

<https://www.thisdaylive.com/index.php/2023/04/04/cbn-bankers-committee-urge-cr-iv-er-traders-to-embrace-enaira-other-e-payment-channels/>

Naira records highest ever fall amid declining external reserves: Naira fell to an all-year low on the first trading day of April, following increased demand for dollars amid declining external reserves. At the close of trading on Monday naira depreciated by 0.46 percent as the dollar was quoted at N463.50 as against the last close of N461.38 on Friday at the Investors and Exporters (I&E) forex window, Nigeria's official foreign exchange (FX) market. Last week, the exchange rate at the Investors and Exporters Window lost 0.01 percent to close at N461.38/\$1. Naira weakened marginally by ₦1 closing at ₦746 per dollar on Monday, as against ₦745/\$ last week on the parallel market. Source businessday.ng

<https://businessday.ng/business-economy/article/naira-records-highest-ever-fall-amid-declining-external-reserves>

Oil price jumps as OPEC+ cuts production: Brent, the global benchmark for crude oil, jumped in price on Monday, following the voluntary production cuts by member nations of the Organisation of Petroleum Exporting Countries, as well as OPEC allies, jointly referred to as OPEC+. Oil price, which hovered around \$70/barrel a month ago, the lowest in about 15 months, suddenly jumped to \$84.7/barrel as at 5.23pm Nigerian time on Monday, global oil price data showed. This came as the Joint Ministerial Monitoring Committee of OPEC held its 48th meeting via videoconference on Monday, OPEC stated on its website, where it also officially announced the voluntary oil production cuts by some countries. Source: punchng.com

<https://punchng.com/oil-price-jumps-as-opec-cuts-production/>

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% distribution	49%	29%	14%	9%	
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% distribution	0%	50%	50%	0%	

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