



Foreign Exchange

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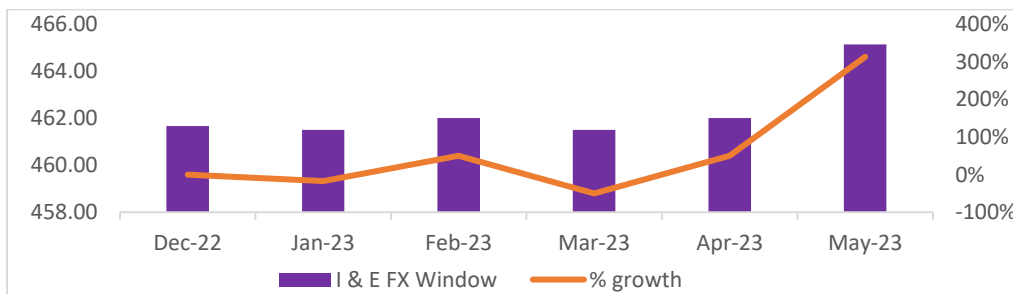
FX shortages continue to weaken the Naira.

The Naira fell to N465.13/US\$ (the biggest drop since 29 December 2023) at the I&E window this week as the country continues to battle FX shortages amidst growing demand. The Naira has fallen to low levels in the past weeks, amidst the ongoing dollar scarcity. Nigeria is experiencing one of its worst FX crises in history due to increasing demand for FX amidst low supply. Fundamental market pressures are clearly depreciatory and are likely to remain so over the remainder of the year amid declining investment inflows and fiscal expansion. However, the rate is clearly still being managed by the CBN. As such, the rate for the rest of the year depends more on the CBN's willingness and ability to maintain it at its current level than on fundamental or valuation pressures.

Despite the relatively high oil prices, Nigeria has failed to benefit from it, due to limited production and, the maintenance of a subsidy regime. The country has also failed to increase its non-oil exports despite several projects introduced by the CBN such as the FT 200 FX programme. Crude oil, with a relatively low production capacity, continues to dominate the export earnings. The country has also failed to significantly increase its non-oil exports. These, coupled with the almost non-existent FPI inflows, which were a major source of dollars for the economy previously, makes the situation dire. The high number of people relocating to the UK and Canada taking advantage of current visa laws has increased the demand for invisibles in the form of school fees and upkeep. The only respite remains remittances.

CBN is unlikely to ramp up intervention levels at the I&E window in the near term as inflows remain tepid and FX reserves remain depressed. We however expect that the CBN will maintain its current monthly intervention in the FX market. Meanwhile, the parallel market premium of c.63% 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. We maintain our view that the Naira could devalue to N510.00 at the I&E window by year end.

I & E FX Window (₦)



Source: CSL Research, CBN

MARKET UPDATE

Indicators	1 year	30-Dec-22	1 day
NSE - Index*	53,275.49	51,251.06	52,109.43
Naira / US\$	415.94	461.50	463.00
Brent, US\$/bbl	112.04	85.91	75.86
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:

Federal allocation drops again as FG, states share N655bn: The Federation Account Allocation Committee says it shared N655.93bn among the three tiers of government in April 2023. The figure represents a decrease of N58.7bn compared to the N714.63bn shared in March 2023. FAAC disclosed this in a communiqué issued at the end of its latest meeting in Abuja on Thursday. The PUNCH observed that the allocation shared has been on a decline throughout this year. The total amount includes gross statutory revenue, Value Added Tax, Augmentations from Forex and Non-oil Mineral Revenue, and electronic money transfer levies. The Federal Government received N248.81bn, the states received N218.31bn, and the local government councils got N160.6bn, while the oil-producing states received N28.22bn as derivation (13 percent of mineral revenue). Source: Punchng.com

<https://punchng.com/federal-allocation-drops-again-as-fg-states-share-n655bn/>

Buhari: Nigeria Targeting 30GW Electricity By 2030: President Muhammadu Buhari yesterday declared that Nigeria was targeting 30GW electricity by the year 2030. Speaking while inaugurating virtually the Kashimbila Multipurpose Dam, 40MW Hydropower Station and Associated 132KV Switchyard, Transmission Line and Distribution Substation (Phase I) Project, located at the Kashimbila Dam site in Taraba State, at the Council Chamber, State House, Abuja, the president underscored the importance of the project, highlighting its role in his government's commitment to achieving the target of 30GW of electricity in the country by 2030, under the Electricity Vision 30:30:30. Buhari, noted that the Electricity Vision initiative aims to have renewable energy contribute at least 30 percent to the energy mix, thereby expediting the expansion of electricity access. Source: thisdaylive.com

<https://www.thisdaylive.com/index.php/2023/05/19/buhari-nigeria-targeting-30gw-electricity-by-2030/>

NNPCL begins oil supply to Dangote Refinery next week: As the Dangote Refinery begins operations next week, the supply of 300,000 barrels of crude oil per day by the Nigerian National Petroleum Company Limited to the facility is going to commence, the Group Chief Executive Officer, NNPCL, Mele Kyari, announced on Thursday. Kyari, who disclosed this at the ongoing 4th Nigerian Oil and Gas Opportunity Fair in Yenagoa, Bayelsa State, also urged all stakeholders to join the national oil company in growing crude oil and gas production in Nigeria. He said the NNPCL, which had 20 per cent stake in the refinery, was ready to meet its crude supply obligations to the facility. Source: Punchng.com

<https://punchng.com/nnpcl-begins-oil-supply-to-dangote-refinery-next-week/>

AFDB approves \$15m loan to support infrastructure financing in Nigeria: A \$15 million subordinated loan was approved by the Board of Directors of the African Development Bank to Infrastructure Credit Guarantee Company Limited (InfraCredit) to strengthen its capital base and help close Nigeria's infrastructure financing gap. Lamin Barrow, Director General of the Bank's Nigeria Country Department, said, "The African Development Bank is pleased to continue to support an innovative financial institution – InfraCredit – which has objectives that align closely with our priorities to mobilize institutional financing for the delivery of infrastructure for Nigeria in key sectors including transport, energy, water, agriculture and infrastructure." The financing will enable InfraCredit to leverage domestic capital markets to bolster access to long-term local currency infrastructure financing in Nigeria. Source: Vanguardngr.com

<https://www.vanguardngr.com/2023/05/afdb-approves-15m-loan-to-support-infrastructure-financing-in-nigeria/>

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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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