

External Reserves

Comment on recent news – this page

Today's headlines – page two

Recommendations and valuations – page three

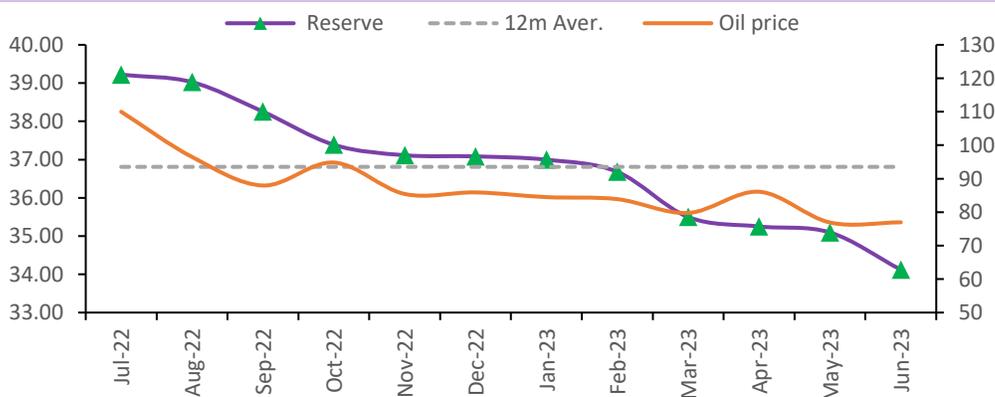
Nation's reserves shrink on low oil production, moderated oil prices and capital flight.

Based on figures obtained from the Central Bank of Nigeria's (CBN) data on movement of external reserves, the country's external reserves fell by US\$2.96bn in H1 2023. The figures show that external reserves fell to US\$34.12bn as of 30 June 2023 from US\$37.1bn as of 30 December 2022 and \$33.97bn as of 20th July 2023. Though other sources like foreign remittances and loans, Eurobonds, foreign assets held in foreign currencies contribute to the nation's external reserves, the major source of inflow is crude oil sales receipt. Therefore, gains in crude oil prices imply an increase in the nation's foreign exchange reserves and for maximum gains, crude oil production numbers need to increase or at best remain consistent.

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 the decrepit oil infrastructure. Again, failure to eliminate subsidies implied subsidy payments grew with rising crude oil prices as landing cost of refined petroleum also increases with higher crude prices. 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 early last year announced the RT200 FX program to boost non-oil remittance into the reserves coffers. Precisely, the guideline stipulated 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 new administration through the acting CBN Governor ended the initiative as it contributed little to increasing the FX reserves. Moreover, there were allegations of fraudulent practices by the exporters, worsening the FX situation. Another initiative was the CBN Naira 4 dollar scheme introduced in 2021. This entailed paying recipients of diaspora remittances through CBN licensed IMTOS N5 for every US\$1 received as remittance inflow. Again, this was ineffective as the parallel market premium was in several multiples of the N5 incentive.

External Reserves (US\$bn) -LHS and Oil prices (US\$) -RHS



Source: CBN, CSL Research

MARKET UPDATE

Indicators	1 year	30-Dec-22	1 day
NSE - Index*	51,400.53	51,251.06	65,003.39
Naira / US\$	416.14	461.50	777.82
Brent, US\$/bbl	105.15	85.91	81.07
MPR %	13.50	16.50	18.50

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

CONTACT INFORMATION

Head of Research: Gloria Fadipe

+234 (1) 448 5436 ext.4516

gloria.fadipe@fcbm.com

Banks: Gloria Fadipe

+234 (1) 448 5436 ext.4516

gloria.fadipe@fcbm.com

Brewers: Goke Adetoyinbo

+234 (1) 448 5436 ext.4457

adegoke.adetoyinbo@fcbm.com

Industrials: Mustapha Umaru

+234 (1) 448 5436 ext.4512

mustaphamaru@fcbm.com

FMCs: Sunmisola Ikoli-Olowo

+234 (1) 448 5436 ext.4516

Sunmisola.ikoli@fcbm.com

Research Team: csresearch@fcbm.com

Retail Team: cslcsu@fcbm.com

Sales Team: cslrmt@fcbm.com



News headlines:

FG to halt multiple revenue agencies: Following persistent outcry of the Nigerian Organised Private Sector against multiple taxation from the three tiers of government, has hinted of an impending plan to shrink the number of revenue collection agencies in a bid to boost ease of doing business and reduce tax leakages in the economy. This is even as it noted that the Federal Inland Revenue Service (FIRS) would be renamed as Nigeria Revenue Service (NRS) as it seeks to harmonise all tax collection activities of the government. The Special Adviser to President on Revenue matters, Zacch Adedeji, disclosed this during a virtual TOPAZ 88 lecture series titled "Revenue Challenges and Opportunities in Nigeria Today. Speaking during the lecture. Source : Sunnewsonline.com

<https://sunnewsonline.com/fg-to-halt-multiple-revenue-agencies/?amp>

NAICOM to deepen specialised products for oil, gas sector: The further deepen its collaboration with the Nigerian Content Development and Monitoring Board(NCDMB), the Nigerian Insurance Commission(NAICOM) has disclosed plans to encourage specialized products that addresses the needs of the oil and gas industry. Commissioner for Insurance and Chief Executive Officer (CEO) of NAICOM, Mr. Olorundare Sunday Thomas, stated this at the Oriental News Summit on 'Building Local Content Synergy Between the Oil and Gas and Insurance Sector in Nigeria'. He added that there is the urge to intensify the ongoing drive to facilitate platforms that address the demand-supply gap; address all potential regulatory impediments; support the development of human capacity and ensure technical capacities of insurance suppliers. Source : Sunnewsonline.com

<https://sunnewsonline.com/naicom-to-deepen-specialised-products-for-oil-gas-sector/>

First post-Emefiele MPC holds investment community in speculations: Investors are betting on the possible outcome of this week's meeting of the Central Bank of Nigeria (CBN) Monetary Policy Committee, MPC, amid profit taking and portfolio repositioning in the stock market. The meeting, the first since the removal of Mr. Godwin Emefiele as the CBN Governor, appears to be setting the investment community in a frenzy of speculations. Analysts have noted that the outcome of the MPC meeting which starts today in Abuja, should give the nation's financial market and economy a direction, with the possibility of continued rates cut or a pause, even as they note that monetary policy reforms and financial sector reset are ongoing aimed at achieving the 6% Gross Domestic Product, GDP growth target of the government, while attracting domestic and foreign investments.

Source: Vanguardngr.com

<https://www.vanguardngr.com/2023/07/first-post-emefiele-mpc-holds-investment-community-in-speculations/>

Dollar now N876 as forex shortage worsens: The naira maintained its downward trend against the dollar as it traded for 876/\$ at the parallel market on Sunday.

Some Bureau de Change operators, who spoke to *The PUNCH*, said the local currency had earlier exchanged to the dollar at 820 a week earlier. Since the unification of the exchange rates in the country by the Central Bank of Nigeria in recent weeks, the naira had continued to slide to the dollar, due to liquidity crunch, speculations, and other challenges. Speaking with our correspondent, a BDC operator in Lagos, Alhaji Sanni Abdul, stated, "Naira is currently bought and sold at 850/\$ and 876/\$. The exchange rate has not been stable for some time now." Source: Punchng.com

<https://punchng.com/dollar-now-n876-as-forex-shortage-worsens/>

Analyst Certification

Each research analyst principally responsible for the preparation and content of all or any identified portion of this research report hereby certifies that all the views expressed in this research report accurately reflect his/her personal views about those issuer(s) or securities that the research analyst covers in this research report. Each research analyst also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this research report.

Important disclosures

Analysts' compensation is based upon activities and services intended to benefit the investor clients of CSL Stockbrokers Limited, Lagos and the affiliates of FCMB Group, Lagos, Nigeria ("the Group"). Analysts receive compensation that is impacted by overall profitability of the Group, which includes revenues from, among other business units, Institutional Sales and Trading and Capital Markets/Investment Banking.

CSL Research Ratings Distribution

	Buy	Hold	Sell	Not Rated	Total
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%	

Explanation of CSL Research's equity research rating system

Buy:	The analyst expects the stock to outperform the Benchmark over the next 12 months or the stated investment horizon.
Hold:	The analyst expects the stock to perform in line with the Benchmark over the next 12 months or the stated investment horizon.
Sell:	The analyst expects the stock to underperform the Benchmark over the next 12 months or the stated investment horizon.
Not Rated:	The rating and price target have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when CSL Capital UK or the Group is acting in an advisory capacity in a merger or strategic transaction involving the company or due to factors which limits the analysts ability to provide forecasts for the company in question.
Benchmark:	The benchmark is the trailing three-year average yield of the 12-month T-Bill plus one standard deviation rounded to the nearest %.
Price targets:	Price targets, if discussed, reflect in part the analyst's estimates for the company's earnings. The achievement of any price target may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market, and may not occur if the company's earnings fall short of estimates.
Asset allocation:	Asset allocation is the responsibility of the strategy team. The recommended weight (Buy, Hold and Sell) for equities, cash and fixed income instruments is based on a number of metrics and does not relate to a particular size change in one variable.

Important Risk Warnings and Disclaimers

CSL Stockbrokers Limited ("CSLS") is regulated by the Securities and Exchange Commission, Nigeria. CSLS is a member of the Nigerian Stock Exchange. CSL Capital (UK) Ltd (Firm Reference Number: 913994, Registered Number: 11818051), trading in the name of 'CSL Stockbrokers' for its activities, is authorised by the Financial Conduct Authority (FCA).

Both CSLS and CSL Capital (UK) Ltd are members of the FCMB Group ("the Group") of Nigeria, a group of companies which also includes First City Monument Bank Ltd.

RELIANCE ON THIS PUBLICATION FOR THE PURPOSE OF ENGAGING IN ANY INVESTMENT ACTIVITY MAY EXPOSE YOU TO A SIGNIFICANT RISK OF LOSS. By receiving this document, you will not be deemed a client or provided with the protections afforded to clients of CSLS and CSL Capital (UK) Ltd. When distributing this document, CSLS, or any member of the Group is not acting for any recipient of this document and will not be responsible for providing advice to any recipient in relation to this document. Accordingly, CSLS or any member of the Group will not be responsible to any recipient for providing the protections afforded to its clients.

If you are in the UK, you are a person to whom either Articles 19 or 49 of the Financial Services and Markets 2000 (Financial Promotion) Order 2005 apply or a person to whom this communication may otherwise be lawfully made.

In the United Kingdom, this document is available only to such persons described above and persons of any other description should not rely on this document. Transmission of this document to any other person in the United Kingdom is unauthorized and may contravene the Financial Services and Markets Act 2000 (FSMA). If you are not such a person or if the distribution of this document is otherwise unlawful where you are, you are required to return the document immediately to CSLS. This document is not intended for Retail Clients in the UK.

This document is not an offer to buy or sell or to solicit an offer to buy or sell any securities. This document does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The appropriateness of a particular investment will depend on an investor's individual circumstances and objectives. The investments and shares referred to in this document may not be suitable for all investors.

CSLS or any other member of the Group may effect transactions in shares mentioned herein and may take proprietary trading positions in those shares and may receive remuneration for the publication of its research and for other services. Accordingly, this document may not be considered as objective or impartial. Additionally, information may be available to CSLS, or the Group, which is not reflected in this material. Further information on CSLS' policy regarding potential conflicts of interest in the context of investment research and CSLS' policy on disclosure and conflicts in general are available on request.

This document is based on publicly available information obtained from sources which CSLS believes are reliable, but which it has not independently verified. Neither CSLS, or their advisors, directors or employees make any guarantee, representation, or warranty as to the accuracy, reasonableness or completeness of this information and neither CSLS or their advisors, directors or employees accepts any responsibility or liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document. The opinions contained in this document are subject to change without notice and are not to be relied upon and should not be used in substitution for the exercise of independent judgment.

Past performance is not a guarantee of future performance. Investments may go down in value as well as up and you may not get back the full amount invested. Where an investment is denominated in a currency other than the local currency of the recipient of the research report, changes in the exchange rates may have an adverse effect on the value, price or income of that investment. In case of an investment for which there is no recognised market it may be difficult for investors to sell their investment or to obtain reliable information about their value or the extent of the risk to which they are exposed.



The information contained in this document is confidential and is solely for use of those persons to whom it is addressed and may not be reproduced, further distributed to any other person, or published, in whole or in part, for any purpose.

@Copyright CSL Stockbrokers Limited, 2022. All rights reserved.

CSL Stockbrokers Limited

Member of the Nigerian Stock Exchange

PO Box 9117

Lagos State, NIGERIA

CSL Stockbrokers

A trading name of CSL Capital (UK) Ltd

43-44 New Bond Street

London

W1s 2SA

United Kingdom