

Money Supply

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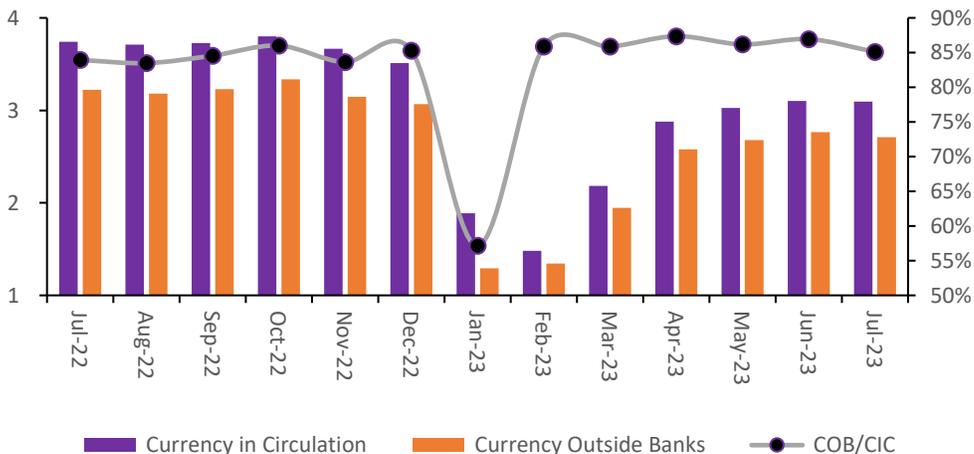
Currency outside banks down by 2.39%.

Money Supply statistics from the Central Bank of Nigeria (CBN) for July 2023 showed that currency in circulation decreased month-on-month marginally by 0.29% in July to N2.59trn from N2.60trn as of June 2023. Also, currency outside banks declined month-on-month by 2.39% to N2.21trn (representing 85.10% of currency in circulation) as of July 2023 from N2.26trn (representing 86.93% of Currency in Circulation) in June 2023. Between January and July 2023, currency in circulation has risen by 87.23% (N1.21trn) while currency outside banks surged by 178.85% (N1.42trn). This is however due to reinjection of some old naira notes previously mopped up by the CBN into the banking system.

The challenge of having a high proportion of currency in circulation outside the banking system has remained since independence despite previous currency redesigns and printing. However, the ex-CBN Governor's efforts at mopping up the currency outside the banking system met with wide criticisms given the circumstances. We reiterate however that the objective of reducing the significant amount of cash outside the banking system to ensure monetary policy effectiveness, curtail criminal activities and promote financial inclusion amongst others is strongly desirable. Reducing the amount of cash outside the banking system also helps to curb money laundering activities if the implementation is done in conjunction with agencies like the EFCC and the banks. Suspicious transactions can easily be flagged as cash comes in and out of the system. That said, we believe the timing and implementation process were flawed.

From reported numbers, we can conclude that the Naira redesign policy would have been moderately successful in mopping up currency outside circulation if it wasn't halted. The currency in circulation reduced by 138% between October 2022 (when the Naira redesign deadline was announced) and January 2023 i.e., from N3.30trn to N1.39trn. Also, percentage of currency outside banks to currency in circulation in October 2022 and January 2023 were 86% and 57.14% respectively, a considerable reduction. With the extension of the validity of old naira notes as legal tender to 31 Dec 2023, we believe the currency outside banks will remain at current levels if actions are not taken to ensure they remain with the banks. For example, we expect the CBN to implement tighter rules around withdrawals to retain the money within the system once the old cash has been taken out of circulation..

Last 12-Month Money Supply-LHS (Ntrn).



Source: CBN, CSL Research

MARKET UPDATE

Indicators	1 year	30-Dec-22	1 day
NSE - Index*	49,218.35	51,251.06	67,324.59
Naira / US\$	431.83	461.50	747.76
Brent, US\$/bbl	82.86	85.91	93.27
MPR %	13.50	16.50	18.75

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

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News headlines:

Nigeria at risk of debt overhang as exchange rate nears N1000/\$1: With its public debt rising to N87.38 trillion in the second quarter (Q2) of 2023 and with N23.7 trillion in Ways and Means added to the domestic component of its debt stock leading to an external debt of \$38.8 billion, Nigeria is already at a risk of a debt overhang should further surge in government's commitment be recorded. This debt overhang, according to economic analysts, could happen with more Naira depreciation. Currently, the Naira exchange rate at the parallel market rose to N1000/\$1 as forex traders continue to grapple with dollar scarcity. Debt overhang occurs when a country's debt burden becomes unsustainable, leading to difficulties in servicing the obligation. Source : The Sun

https://sunnewsonline.com/nigeria-at-risk-of-debt-overhang-as-exchange-rate-nears-1000-1/?expand_article=1#google_vignette

Nigeria's oil rig count rises to 41: Gains from the Petroleum Industry Act(PIA) appears to be gaining traction as Nigeria's oil rig count has risen from 17 in 2019 to 31 as at last month. The improvement in oil drilling activities was disclosed by the Commission Chief Executive(CCE), Nigerian Upstream Petroleum Regulatory Commission (NUPRC), Mr. Gbenga Komolafe, on the sideline event of the World Petroleum Congress (WPC) which ended in Calgary, Canada at the weekend. The event jointly organised by Cabtree Consulting, the Gas Aggregation Company of Nigeria (GACN) and CarbonAi x-rayed the topic "Nigeria and Canada: Collaborating to Decarbonise Nigeria's Oil and Gas Sector. Komolafe who was Represented by the Executive Commissioneril. Source : The Sun

https://sunnewsonline.com/pia-nigerias-oil-rig-count-rises-to-41/?expand_article=1

Oil Majors To Advance Nigeria's Energy Sector With \$55bn Investment: Key operating International Oil Companies (IOCs), in Nigeria are considering investing over \$55 billion in various oil and gas activities up to 2030 in a renewed interest in the country's energy sector. The commitment follows series of engagement with key government officials, according to the special adviser to the President on Energy, Olu Verheijen. About \$13 billion is billed to be invested by these companies within 12 months from now. Apart from oil majors like, Shell, TotalEnergies, ExxonMobil, Eni and Chevron, there are also notable independent energy, oil, and gas companies that are keying into the deal. The Nigerian Upstream Petroleum Regulatory Commission (NUPRC) Source: Punch

<https://leadership.ng/oil-majors-to-advance-nigerias-energy-sector-with-55bn-investment/#:~:text=Key%20operating%20International%20Oil%20Companies,in%20the%20country's%20energy%20sector.>

CBN, partners to engage stakeholders on financial inclusion: The Central Bank of Nigeria and partner agencies within the National Financial Inclusion Governance Committees will host global thought leaders, regulators, and other stakeholders to discuss and collaborate on contemporary strategies for accelerating financial inclusion in the African continent and globally. The second edition of the International Financial Inclusion Conference (#IFIC2023) Nigeria's flagship Financial inclusion event is scheduled to hold October 5&6, 2023 at the Landmark Event Center, Lagos. Themed: "Financial Inclusion for All: Global Insights for Local Impact" and being hosted by the Central Bank of Nigeria. Source: The Sun

<https://sunnewsonline.com/cbn-partners-to-engage-stakeholders-on-financial-inclusion/#:~:text=The%20Central%20Bank%20of%20Nigeria,the%20African%20continent%20and%20globally.>

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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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