



## Aviation

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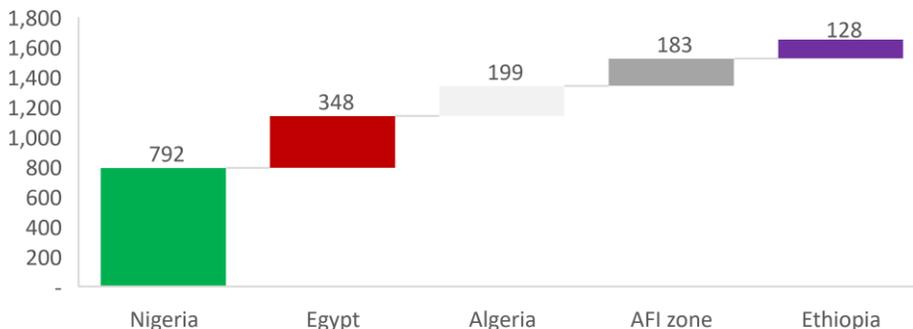
### Foreign airlines at breaking point due to trapped funds.

Speaking at a media briefing held last weekend, the International Air Transport Association (IATA) noted that funds trapped in Nigeria belonging to foreign airlines are estimated at US\$792 million. The world airline body warned that rapidly rising levels of blocked funds are a threat to airline connectivity in the affected markets and are gradually becoming a threat to global operations. Nigeria has been facing a severe FX crisis which has made it impossible for international carriers to repatriate accumulated funds from tickets sold in Naira. Many airlines have resorted to various methods to get the attention of the government such as stopping ticket sales and UAE's Emirate airline recently suspended all flights to Nigeria.

The total global airline industry blocked funds have increased by 3.96% to US\$2.36 billion in September 2023 from US\$2.27 billion in April 2023. Of this, US\$1.65 billion is trapped in Africa, of which 48% (US\$792m) is trapped in Nigeria. The Central Bank of Nigeria (CBN) prohibits international airlines from issuing tickets to locals in foreign currency according to section 20(l) of the CBN Act. Nigeria has been experiencing a huge shortage of FX amidst a growing demand and it appears the CBN has not been prioritising airlines in accessing foreign exchange. This has earned Nigeria the top position on the debt list with 33.6% of the total global airlines' blocked funds.

Late September, President Bola Ahmed Tinubu directed the CBN to create a platform for quarterly reconciliatory meetings with foreign airlines to address the backlog of trapped funds and earlier last month, plans to clear FX backlogs were rolled out, unfortunately little progress has been made. In recent years, airline operators in Nigeria have been hit by pertinent concerns. First, was the scarcity and rising cost of aviation fuel (which accounts for c.40% of their operational costs), with the attendant impact on the cost of operations and conditions of service. Beyond the high cost of aviation fuel, the current acute shortage of FX has become a big problem for airline operators. Given the systemic importance of air travel for the conduct of trade and other economic activities and the impact of actions like this on foreign direct investments, immediate steps to ensure FX availability for the airlines must be taken.

### Blocked Funds by Country (US\$m).



Source: IATA, News media, CSL Research

### MARKET UPDATE

| Indicators      | 1 year    | 30-Dec-22 | 1 day     |
|-----------------|-----------|-----------|-----------|
| NSE - Index*    | 44,279.65 | 51,251.06 | 72,299.26 |
| Naira / US\$    | 442.19    | 461.50    | 904.56    |
| Brent, US\$/bbl | 92.25     | 85.91     | 74.26     |
| MPR %           | 15.50     | 16.50     | 18.75     |

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

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## News headlines:

**Nigerians under poverty line rise to 104m — World Bank:** A World Bank report has indicated that Nigeria's poverty level has taken a notch higher, at the backdrop of the recent economic and fiscal reforms. The key reforms include the removal of petrol subsidy and the foreign exchange market rate restructuring. The bank, however, commended the Federal Government for what it considered 'bold reforms' necessary to rescue Nigeria from fiscal cliff, describing the current pains as temporary. But it also said the policies have created intense pressures on cost of living, which have pushed more Nigerians into hardship, with 104 million now living below the poverty line. The World Bank report also indicated that the number of poor people in Nigeria had grown from 95 million in 2021 to 100 million in 2022

Source : Vanguard.

<https://www.vanguardngr.com/2023/12/nigerians-under-poverty-line-rise-to-104m-world-bank/>

**NNPCL generates N4.5trn revenue for govt in 10 months –Kyari:** The Nigerian National Petroleum Company Limited ( NNPC), on Wednesday, said that it remitted N4.5 trillion generated revenue as of October this year into Federation Account. The national oil company also declared that prosperity beckons for the country as indices and parameters in that direction are already showing and being strategically leveraged on by NNPC Ltd and other key players in the oil sector. Submissions to this effects were made by the Group Chief Executive Officer of the Company, Mele Kyari, during an interactive session with the Senate Committee on Finance. Kyari in his presentation assured the Committee members that better days were ahead for the company: Punch

[https://sunnewsonline.com/nnpcl-generates-n4-5trn-revenue-for-govt-in-10-months-kyari/?expand\\_article=1](https://sunnewsonline.com/nnpcl-generates-n4-5trn-revenue-for-govt-in-10-months-kyari/?expand_article=1)

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<https://www.vanguardngr.com/2023/12/nigerians-under-poverty-line-rise-to-104m-world-bank/>

**CBN Suspends New Request For Intervention Loans – Daily Trust:** The Central Bank of Nigeria (CBN) has announced the suspension of new loan applications under its intervention programme. The announcement was communicated in a circular entitled "Suspension of Acceptance of New Applications under the Existing Central Bank of Nigeria, CBN Development Finance Intervention Programme," addressed to the chief executives of banks. The circular, signed by Sa'ad Hamidu, Acting Director of the Development Finance Department, marks a significant shift in its approach to development finance intervention funds, which was the cornerstone of the previous central bank governor.

Source: Daily Trust. <https://dailytrust.com/cbn-suspends-new-request-for-intervention-loans/>

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|                            | 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%        |       |

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|                          |                                                                                                                                                                                                                                                                                                                                                                                               |
|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Buy:</b>              | The analyst expects the stock to outperform the Benchmark over the next 12 months or the stated investment horizon.                                                                                                                                                                                                                                                                           |
| <b>Hold:</b>             | The analyst expects the stock to perform in line with the Benchmark over the next 12 months or the stated investment horizon.                                                                                                                                                                                                                                                                 |
| <b>Sell:</b>             | The analyst expects the stock to underperform the Benchmark over the next 12 months or the stated investment horizon.                                                                                                                                                                                                                                                                         |
| <b>Not Rated:</b>        | 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. |
| <b>Benchmark:</b>        | The benchmark is the trailing three-year average yield of the 12-month T-Bill plus one standard deviation rounded to the nearest %.                                                                                                                                                                                                                                                           |
| <b>Price targets:</b>    | 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.                                                                 |
| <b>Asset allocation:</b> | 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.                                                                                                                                     |

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