

External Reserves

Comment on recent news – this page

Today's headlines – page two

Recommendations and valuations – page three

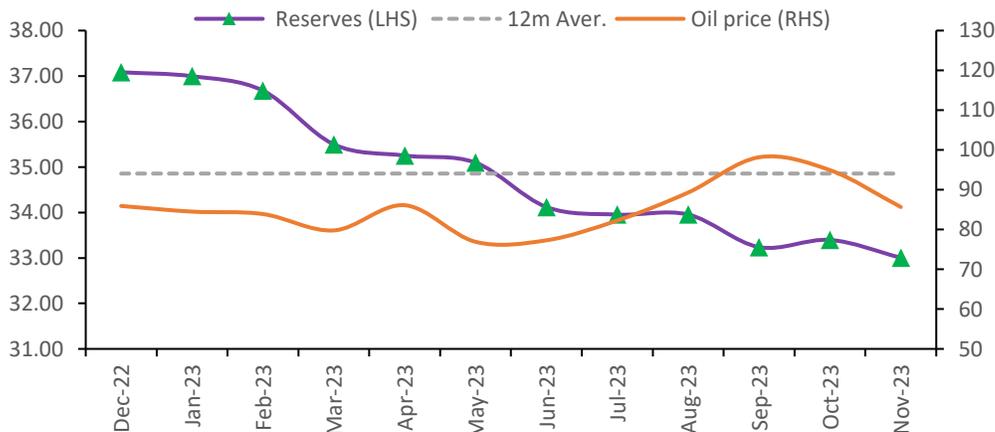
Reserves shrink by US\$1.65b post-FX unification.

Based on figures obtained from the Central Bank of Nigeria (CBN) on movement of external reserves, the country's external reserves have declined by US\$1.65bn since the FX unification in June. The figures show that external reserves fell from US\$34.12bn as of 30 June 2023 to US\$32.88bn as of 4 December 2023, a 5% drop. Though other sources like foreign remittances, foreign currency loans, and yields from foreign assets contribute to the nation's external reserves, the major source of inflow is crude oil sales receipt. Therefore, gains in crude oil prices and an increase in crude oil production levels imply an 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 the decrepit oil infrastructure. Again, failure to eliminate subsidies earlier implied subsidy payments grew with rising crude oil prices as landing cost of refined petroleum also increases with higher crude prices. The Tinubu administration announced the unification of the rates at the various FX windows and the commencement of a floating rate FX regime in June as one of the critical policies to be implemented to boost FX liquidity and the black-market rate was used as reference closing the gap between the official rates and the black-market rates.

We had expected improved FX liquidity and reduced pressure on the nation's reserves following the FX unification as private sector inflow of FX into the economy increases and the CBN ceases to aggressively intervene in the FX market. However, FX pressures remain and the CBN has continued to intervene in the market as another wide margin between the official rate and the parallel market rate has since been created. We have always argued that a focus on rate convergence without structural reforms to increase the supply of FX will be a case of treating the symptoms while ignoring the underlying cause of the problem which is an acute shortage of supply amidst a growing demand for FX.

External Reserves (US\$bn) and Oil prices (US\$)



Source: CBN, CSL Research

MARKET UPDATE

Indicators	1 year	30-Dec-22	1 day
NSE - Index*	44,279.65	51,251.06	71,457.92
Naira / US\$	442.19	461.50	843.07
Brent, US\$/bbl	92.25	85.91	74.05
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:

950,000 barrels oil cargo berths at Dangote refinery: The first crude oil cargo to herald the production of petroleum products will berth at the Dangote refinery receiving terminal by 8pm(yesterday) December 7 from Agbami. The development is set to douse speculations over the actual date of production at 650,000 barrels per day. Though the chairman of Dangote Industries Limited, Aliko Dangote, had in a recent interview with Financial Times said the refinery is scaling down production to now begin with 350,000 barrels per day. Quoting industry sources and tanker tracking data, S&P Global, in a report on its website, spglobal.com, said that the OTIS tanker, carrying a 950,000 barrel cargo of Nigeria's Agbami crude, set sail on December 6 and is currently en route to Lekki, the nearest land port to Dangote's offshore crude receiving terminal.. Source : The Sun

<https://sunnewsonline.com/950000-barrels-oil-cargo-berths-at-dangote-refinery/>

Import duty rises as FG hikes exchange rate: Duties payable on imported goods at Nigerian ports have gone up following the hike in the exchange rate for cargo clearance by the Federal Government through the Central Bank of Nigeria. The PUNCH reports that the exchange rate for payment of duty paid on imported vehicles on the portal of the Nigeria Customs Service was raised from N783/\$ to N952/\$ on Thursday. This became the fourth time the exchange rate for cargo clearance was raised this year. The CBN had in June, adjusted the exchange rate from N422.30/\$1 to N589/\$1. In July, it was adjusted to N770.88/\$1, while in November, it was adjusted to N783.174/\$1. Reacting to this, importers and clearing agents said the increase had led to increase in import duty and tariffs. Source : Punch

<https://punchng.com/import-duty-rises-as-fg-hikes-exchange-rate/>

NIBSS Bars Fintechs From Banks' Fund Transfer Channels: Nigerian banks have received a circular from the Nigeria Interbank Settlement System Plc (NIBSS) instructing them to remove non-deposit-taking financial institutions, such as switching companies, payment solution providers, and super agents, from their NIP fund transfer channels. The NIP channels encompass USSD, mobile banking apps, POS, ATMs, as well as web and internet platforms. The NIBSS circular states, "listing non-deposit-taking financial institutions such as switching companies (switches), Payment Solution Service Providers (PSSP), and Super Agents (SA) as beneficiary institutions on your NIP funds transfer channels contravenes the CBN guidelines.

Source: Leadership

<https://leadership.ng/nibss-bars-fintechs-from-banks-fund-transfer-channels/>

NPA blames concession for \$853m, N1.8bn revenue shortfall: The Nigerian Port Authority has absolved itself before the Senate Committee on Public Accounts on Thursday over \$852m and N1.8bn unremittances from private operators. The Office of Auditor General for the Federation had in the 2019 audit report, alleged that NPA did not collect remittances from terminal operators which amounted to \$852m and N1.8bn. The Senate Committee on Public Accounts, on the strength of the audit queries against NPA on Tuesday, gave its Managing Director, Mohammed Bello-Koko, and other management staff, to appear before it unflinchingly within 48 hours. In response to the committee's directive, the Managing Director of NPA explained to the committee that the lump sums of \$852m and N1.8bn, raised in the queries, were an accumulation of unremittances from private port operators who came on board through 2006 concession agreement. Source: Punch

<https://punchng.com/npa-blames-concession-for-853m-n1-8bn-revenue-shortfall/>

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% distribution	0%	50%	50%	0%	

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