

## Foreign Reserves

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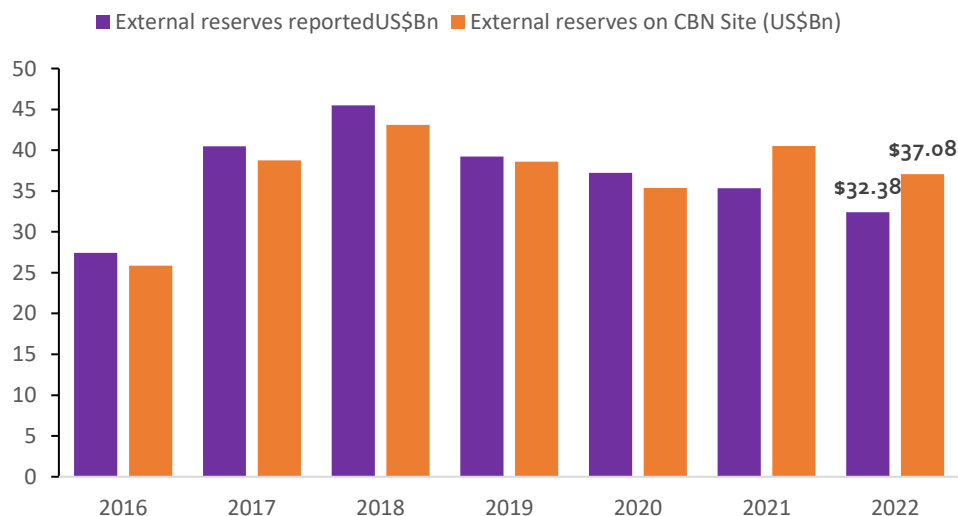
### FX reserves; net or gross?

After a long wait, the Central Bank of Nigeria released its consolidated and separate financial statements for the first time since 2015. This follows President Bola Ahmed Tinubu's order to the appointed special investigator -CEO of Financial Reporting Council of Nigeria, Jim Obase to probe CBN activities two weeks earlier. It appears the CBN has not been complying with the provisions of section 50(1) of the CBN Act which compels the CBN to within two months after the close of each financial year, to transmit to the National Assembly and the President a copy of its annual accounts certified by the Auditor.

The report shows Interest Income from loan and receivables, AMCON, FG securities and other foreign securities grew by 43.2% y/y to N3.29trn from N2.3trn, while Interest Expense grew by 16.93% y/y. Operating Income dropped significantly by 47.8% y/y to N326.1bn from N624.59bn. The apex bank reported Net Profit of N103.85bn, a 38.24% y/y growth. Even though the income statement showed improved profitability largely due to interest gained from loans to the Federal Government, the debt to asset ratio of 97% appears high to us.

Also, it is noteworthy that there's disparity of US\$4.9bn between the external reserve balance shown on CBN website as of December 2022 (US\$37.1bn) and the one reported in the balance sheet (US\$32.2bn). Though the CBN reports gross numbers, if we net off the securities lending of US\$7.5bn owed to Goldman Sachs and JP morgan, and the US\$6.8bn FX forward payable as of December 2022, the nation's net reserve figures as of December 2022 will be c.US\$17.9bn compared with the gross figure of US\$37.1bn reported. We opine that with stretched FX reserves, CBN has very little means of defending Naira and we could see rates decline further at the I&E window.

### External Reserves Movements 2016-2022 -US\$Bn.



Source: CBN, CSL Research

### MARKET UPDATE

Indicators	1 year	30-Dec-22	1 day
NSE - Index*	49,657.33	51,251.06	65,325.37
Naira / US\$	420.46	461.50	740.6
Brent, US\$/bbl	95.1	85.91	86.81
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:

**Fresh fuel price hike looms as landing cost rises by 37.4%:** There are strong indications that pump price of petrol is expected to record another round of increases, the third within 10 weeks as oil marketers hint that the landing cost of petrol has risen month-on-month, MoM, by 37.4 per cent to N632.17 per litre in July 2023, from N460 per litre in June 2023. The landing cost excludes other additional costs which includes depot related charges, transportation logistics and marketers' margin, which would combine to bring delivery at filling stations at nearly N700/litre. Sources around oil marketers told Financial Vanguard that the landing cost for August is expected to rise further as the factors that propelled the rise in July figures have worsened as at last week. Source : Vanguard

<https://www.vanguardngr.com/2023/08/why-another-round-of-fuel-price-hike-looks/#:~:text=There%20are%20strong%20indications%20that,per%20litre%20in%20June%202023.>

**NPA facilitates export of 3.5m metric tonnes of trade in H1'23:** Efforts by the Nigerian Ports Authority (NPA) in eliminating the challenges facing export in Nigeria are beginning to yield results as a total of 3.5 million metric tonnes of export trade were facilitated through the nation's seaports in the first half of this year, H1'23. Speaking during a panel session on the export of non-oil products at the 2023 Zenith Bank International Trade Seminar held last week in Lagos, Mohammed Bello-Koko, managing director of NPA said Authority has been recording growth in export since 2019. According to him, in 2019, the ports recorded about 2.8 million metric tons of export, and it increased to 3.8 million metric tons in 2020.

Source : Vanguard

<https://www.vanguardngr.com/2023/08/npa-facilitates-export-of-3-5m-metric-tonnes-of-trade-in-h123/#:~:text=Efforts%20by%20the%20Nigerian%20Ports,this%20year%2C%20H1'23.>

**Govt approves 154 digital money lenders:** The Federal Government through the Federal Competition and Consumer Protection Commission has released new a list of 154 fully approved digital lenders licensed to operate in the country. It gave 40 others conditional approval, added 20 to its watch list, and delisted nine apps. It also noted that four others comprising of Fastcredit Limited, Greenbond Finance Company Limited, Baines Microfinance Bank Limited, and Ekondo Microfinance Bank Limited, had been licensed by the Central Bank of Nigeria. The announcement of approved digital lenders followed a recent shake-up of the digital money lending sector by the FCCPC, after the sustained harassment of Nigerians by the lenders. Source: Punch

<https://punchng.com/govt-approves-154-digital-money-lenders/#:~:text=Approved%20loan%20apps%20in%20Nigeria,%2C%20Carbon%20app%2C%20and%20more.>

**Naira slides further as dollar shortage hits banks:** The widening gap between the demand and supply of dollars in the banks and at the parallel market has continued to worsen the value of the naira, findings by The PUNCH have revealed. In less than three weeks, the naira lost N100 after sliding from 860/\$ to 960/\$ at the parallel market as of Friday. Before the Central Bank of Nigeria enabled the free float of the naira against other global currencies in June, the naira had traded at 471/\$ at the Investor & Exporter window. Source: Punch

<https://punchng.com/naira-slides-further-as-dollar-shortage-hits-banks/#:~:text=The%20widening%20gap%20between%20the,parallel%20market%20as%20of%20Friday.>

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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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