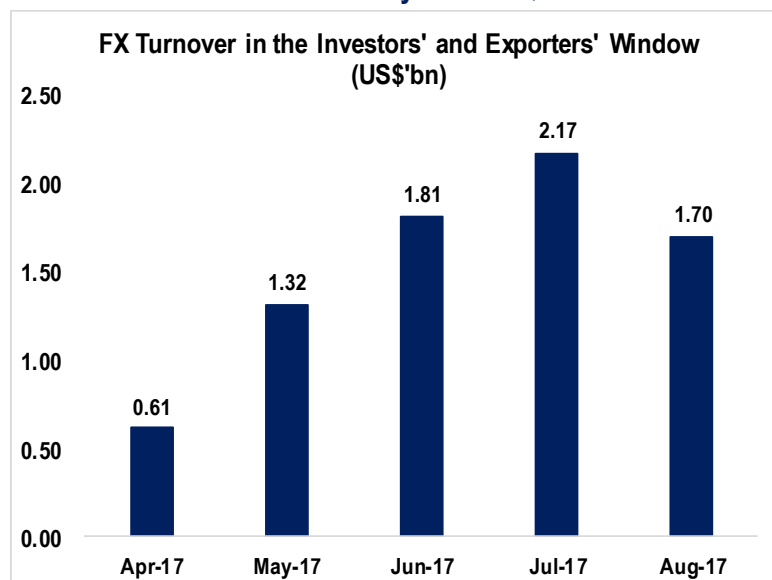


The Gains of Investors' and Exporters' (I&E) FX Window

The implementation of the Investors' and Exporters' Foreign Exchange (FX) Window has increased the supply of foreign exchange into the Nigerian economy. In addition, it has attracted more investments into Nigeria. Consequently, we observed relative stability in the foreign exchange market. Companies and individuals are now able to access more foreign exchange in the market than before to carry out eligible transactions and economic activities are gradually picking up. The Central Bank of Nigeria (CBN) introduced the special window for investors, exporters and end-users of FX on April 21, 2017 as part of its efforts to deepen the FX market and accommodate all the FX obligations. According to the CBN, the objective of the window is to increase liquidity in the FX market and ensure timely execution and settlement of eligible transactions. The eligible transactions in the window are: 1) Invisible transactions such as loan repayment, capital repatriation, management services fees, consultancy fees, software subscription, technology transfer agreements, personal home remittances and any other eligible invisible transactions. 2) Bills for Collection 3) Any other trade-related obligations (at the instance of the customers). The CBN stipulates that the supply of foreign currency to the window shall be through portfolio investors, exporters, authorized dealers and other parties with foreign currency to exchange to Naira. The CBN is also a market participant in the window to promote liquidity and professional market conducts.

As at August 11, 2017 the total turnover in the I&E FX window stood at US\$7.62bn. Our monthly analysis of the turnover shows that it increased consistently from US\$0.61bn in

April 2017 to US\$2.17bn in July 2017. At US\$1.7bn as of August 11, 2017, there are indications that the turnover in August 2017 will be higher than the July 2017 turnover. The introduction of the window has encouraged exporters to bring back their export proceeds to the country and through the official sources, thus increasing the stock of foreign



Source: Central bank of Nigeria (CBN)

exchange in the country. Another important gain of the window is that it has attracted more foreign capital into Nigeria for various

The Investors' and Exporters' FX Window has increased the supply of foreign exchange into the Nigerian economy and attracted more investments into Nigeria.

As at August 11, 2017 the total turnover in the I&E FX window stood at US\$7.62bn.

The introduction of the window has encouraged exporters to bring back proceeds to the country through official channels. It has also attracted more foreign capital into Nigeria for various forms of investment.

The increased supply of FX led to an appreciation in the value of the Naira

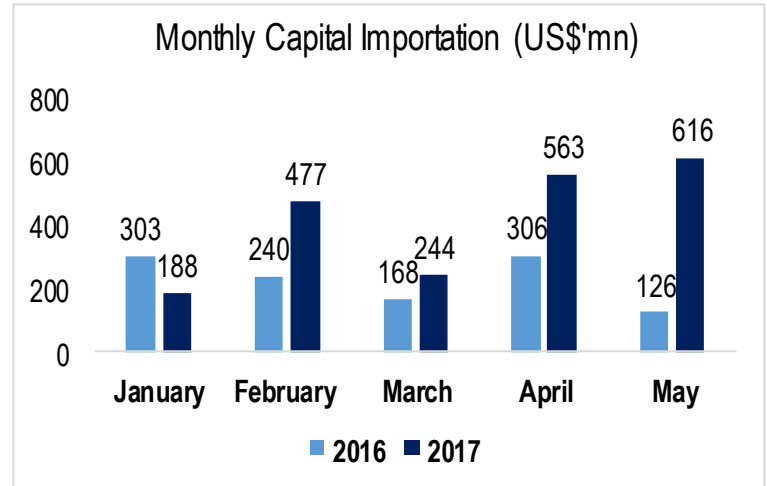
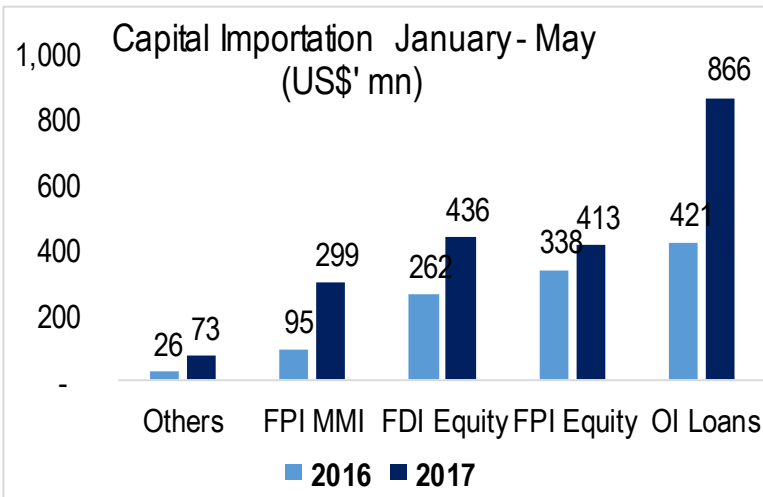
forms of investment. Our analysis of the capital importation data from the CBN between January and May, 2017 shows that there was a growth in capital importation in 2017 compared with 2016. The total capital importation in the five months ended May 2017 stood at US\$2.09bn representing a growth of 82.78% compared with the US\$1.42bn recorded in the corresponding period of 2016. Other Investments (OI) – Loans attracted the highest capital of US\$886mn between January and May in 2017, followed by Foreign Direct Investment (FDI) – Equity of US\$436mn and closely followed by Foreign Portfolio Investment (FPI) – Equity of US\$413mn.

The commencement of the I & E FX window has led to improvements in the leading indicators during the period.

We also observed that the capital imported into Nigeria increased significantly from US\$244mn in March to US\$563mn in April 2017 following the commencement of the programme. The increased supply of FX led to an appreciation in the value of the Naira. In the parallel market, the value of the Naira appreciated by 7.87% from N396/US\$ on April 25, 2017 to N367.50/US\$ as at August 11, 2017. At the I&E window, the Naira gained 2.82% from N374.96/US\$ on April 25, 2017 to N364.78/US\$ as at August 11, 2017. In the inter-bank market it also gained 0.1% from N305.9/US\$ on April 25, 2017 to N305.65/US\$ on August 11, 2017. The 30-day moving average external reserves also appreciated by 1.95% during the period while the equity market appreciated by 40.66% during the same period. The manufacturing and non-manufacturing purchasing managers' indices appreciated by 5.9% and 9.9% respectively during the period. All these leading indicators show the improved performance of the Nigerian economy during the period.

Although we commend the initiative and note the gains the Nigerian economy recorded since its implementation, we believe that the gains could be short-lived in the absence of complementary measures that will improve the competitiveness of the Nigerian economy.

Although we commend the initiative and note the gains the Nigerian economy recorded since its implementation, we believe that the gains could be short-lived in the absence of complementary measures that will improve the competitiveness of the Nigerian economy. There is the need for concerted efforts to improve physical and human infrastructure in order to increase local production to meet local consumption and boost exports to generate diversified foreign exchange earnings.



Source: Central bank of Nigeria (CBN)

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