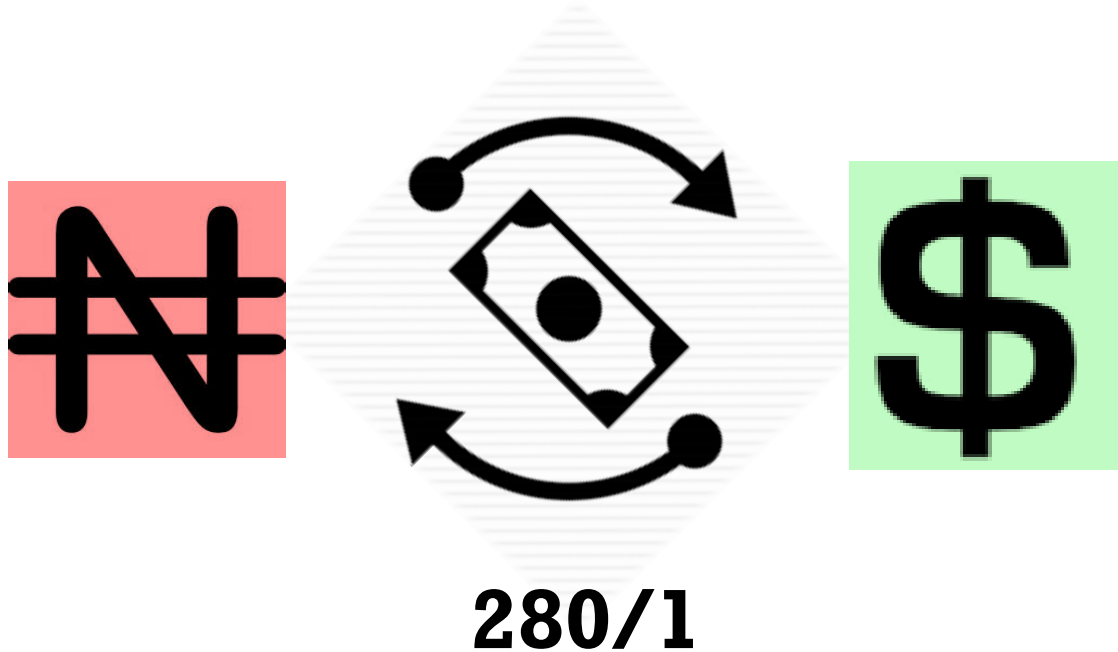
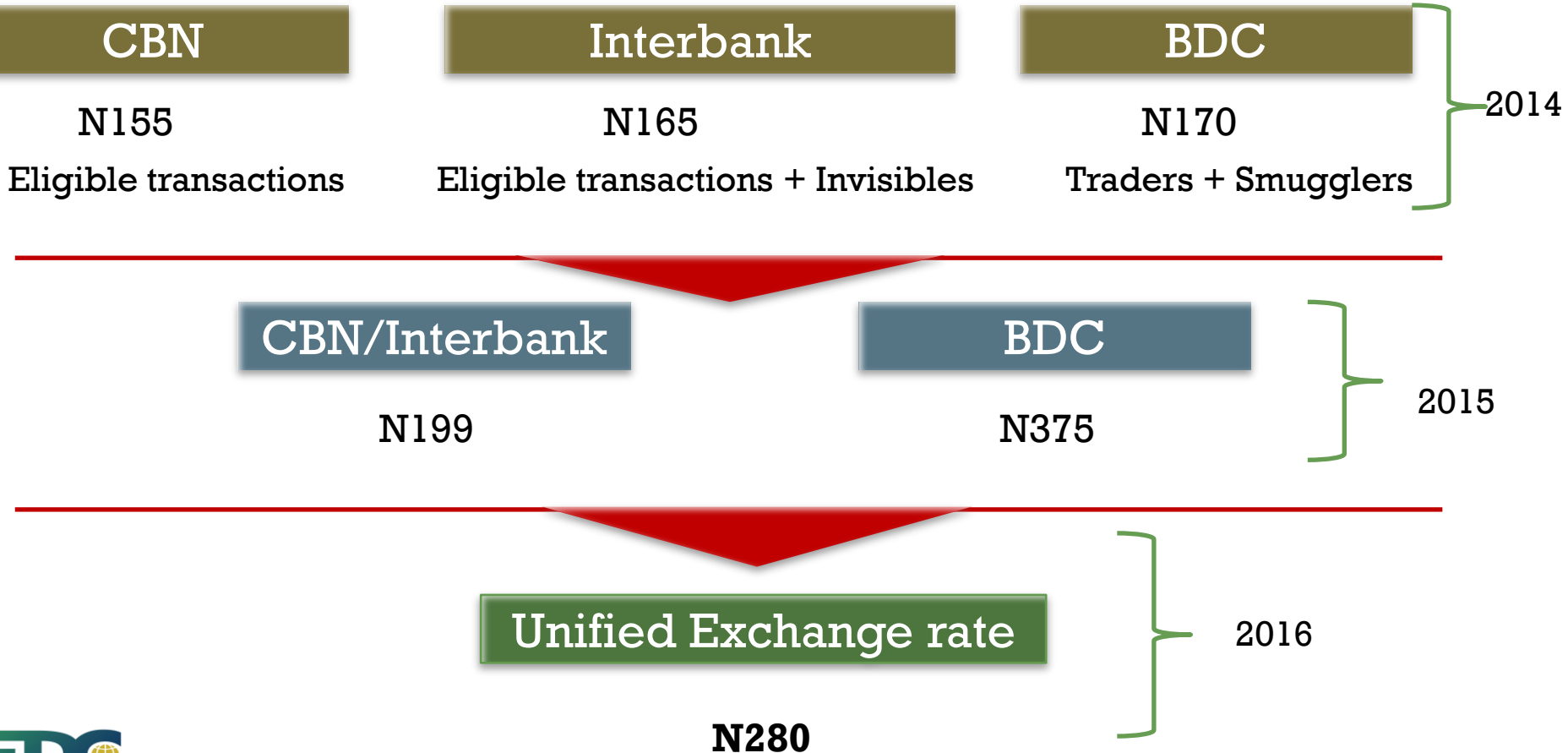


NEW FOREX REGIME KICKS OFF



3 Markets Fuse Into One



What Happened Today?

- Market opened at 10:00AM
- Amount sold Σ \$4.02bn
 - Spot market: \$532.87m (N255/\$)
 - Auction forward (90-days): \$3.48bn
- Number of dealers = 21
- Marginal rate: N280/\$

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True Value Of The Naira

- Spot price Open: N255/\$, Close: N281.95/\$,
- Auction/forward: N280/\$
- **PPP value: N299/\$**
- Parallel market: N340/\$



Impact of Change



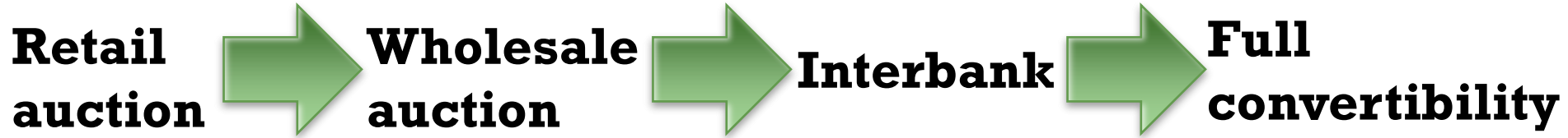
- Market structure (perfect market)
- Market liquidity (600% higher than April)
- Transparency (open market/ live TV)

What does it mean?

- Naira equivalent of N1.125trn mopped up
- 5.45% of money supply
- 4 months equivalent of FAAC
- Commodity prices declining
 - Tomatoes: N30k
 - Rice: N13k
 - Semovita: N2.7k



Transition (1/2)



Forex policy complements trade policy

Forex policy not a silver bullet

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State Governments are Laughing

- Average FAAC to increase by 40% to N392bn
 - 40% increase in FAAC using the new marginal rate of N280/\$
 - Naira Injection = (Forex subsidy + Fuel Subsidy)
= (40% + 68%) = 108%
 - Naira Withdrawal = (Forex subsidy + Fuel Subsidy)
= (40% + 68%) = 108%
- Effect Is Neutral**
- Increased economic activity



Impact

Segments	Impact
PMS importers	▪ Price below PMS benchmark (N145/litre could drop)
Manufacturing	▪ Forex rate clarity and certainty (lower inventory)
Airlines	▪ Clearing the blocked funds (cheaper tickets)
School fees	▪ More expensive (many Nigerians will stay at home)
Medicals	▪ More expensive (local substitutes will thrive)
Traders & Retailers	▪ Downward pressure on prices
BDCs	▪ To be patronized by smugglers

Outlook

- No futures market until the 27th of June
- External reserves will decline (\$22bn)
- Supplier and trade credit to be restored
- State government bailouts unnecessary
- Trade balance to improve

