

money

External reserves fall to \$37.1bn

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THE nation's external reserves have fallen to \$37.1bn, a new report from the Central Bank of Nigeria has shown.

The report, posted on the central bank's website, showed that the reserves depleted by \$2bn within one month. Specifically, the foreign reserves depleted from \$39.1bn as of October 21 to \$37.1bn on November 21, 2014.

The external reserves have been falling fast again, no thanks to the falling oil price and high demand for dollars from portfolio investors.

It had fallen by \$1.6bn within three weeks, dropping from \$39.5bn on October 14 to \$37.9bn as of November 7, 2014.

The CBN has been selling huge amount of dollars to prop up the value of the naira.

The central bank had said it would continue to defend the naira, which has fallen six per cent so far this year on concerns about lower oil prices and an exit from the local debt and equity markets by offshore investors.

The central bank's intervention at the interbank foreign exchange market several times last week, however, failed to lift the naira. The local currency crashed from N169 to N177 on Friday.

It, however, closed at N173 on Monday.

According to forex dealers, the high demand for dollars is being fuelled by importers. The nation

imports around 80 per cent of what it consumes.

The CBN had, in a bid to preserve the external reserves, a few weeks ago barred importers of certain items including electronics and generators from buying dollars at the central bank's official forex market called Retail Dutch Auction System.

The CBN referred the importers to the interbank forex market for their dollar needs.

Some analysts said this action by the CBN was partially responsible for the naira's depreciation at the interbank level.

Some analysts termed the move as a partial devaluation of the naira at the interbank market by the central bank. They said the action could lead to inflation in the medium or long term.

The naira has also witnessed sharp depreciation at the parallel market in the last one week.

It fell against the dollar at the parallel market to N180 on Tuesday, down from around N175. On Thursday, it went further down to N183.

Industry analysts are, however, optimistic that the naira will close the year moderately at about N170 at the interbank market.

Beyond the demand for dollars by importers, some analysts said the falling global oil prices and the uncertain outlook for the naira had sparked off panic buying of dollars by investors.

Activities of speculators have also contributed to the high demand for the greenback.

Analysts said that the demand for the dollar had been growing while the supply was dropping.