



Economy

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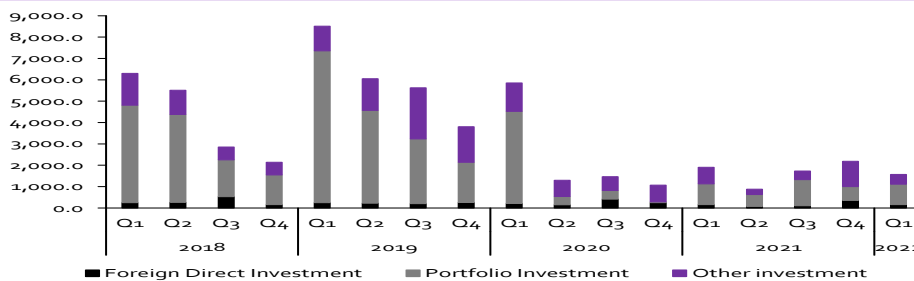
Decline in Nigeria's capital inflows in Q1, but already expected

Analysis of the recently released data by the National Bureau of Statistics (NBS) on capital importation for Q1 2022 revealed that the total amount of foreign investment inflows into the Nigerian economy declined by 28.1% q/q and 17.5% y/y to US\$1.57bn in Q1 2022 from US\$2.19bn in Q4 2021 and US\$1.91bn in Q1 2021. This was expected as the Nigerian market still lacks the long-awaited catalysts, such as FX clarity, improved security profile, stable government and business policies, which typically attract foreign investments. Moreso, a pre-election year, with its many uncertainties, is not the time to expect an influx of foreign investments.

A breakdown of the Q1 data showed that the dominant portfolio investments increased contribution to the total inflows from 29.4% in Q4 2021 to 60.9% in Q1 2022, leaving other investments (29.3%) and foreign direct investments (9.9%) to plug the balance. Notably, the q/q decrease in foreign inflows in Q1 stems from a steep decline in Other Investments (-61.2% q/q) trailed by a 56.7% q/q fall in Foreign Direct Investment while portfolio investments increased by 49.0% q/q. Foreign Portfolio Investments (FPIs) remained skewed to investment in money market instruments (64.3% of the FPIs in Q1 2022). This continues to make the economy extremely vulnerable to external factors beyond the control of policymakers. Also, there was a sharp increase in bonds investment, rising by 575.4% q/q as equity investments dipped by 16.4% q/q. However, when compared to Q1 2021, Other Investments and Portfolio Investments declined by 40.7% y/y and 1.7% y/y, respectively.

The Nigerian market still lacks the needed catalysts to boost foreign inflows into the economy, especially as politics take the center stage, raising political risk in the country. Besides political risk, capital controls continue to undermine confidence and prevent the free flow of capital. However, the recent 150bps hike in the monetary policy rate, if it translates to a significant increase in market rates, may attract more foreign investments into the fixed income market. That said, passive investments like portfolio investments, which remain the driver of foreign inflows into Nigeria, put the economy in a slippery position. Again, the perennial inability of over 50% of the 36 states to attract capital inflows cannot be ignored, and this has over time hindered inclusive investments across the country.

FDI, FPI and Other Investments (Q1 2018-Q1 2022)



Source: NBS, CSL Research

MARKET UPDATE

	1 year	31-Dec-21	1 day
NSE - Index*	38,688.98	42,716.44	53,270.88
Naira / US\$	411.07	435.00	420.75
Brent, US\$/bbl	71.49	77.78	120.57
MPR %	11.50	11.50	11.50

Source: Nigerian Stock Exchange, Central Bank of Nigeria, Bloomberg. *Nigerian Stock Exchange All-Share Index

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Today's news headlines

Nigeria's public debt climbs by N2.04tn in Q1 – DMO: The Debt Management Office said on Tuesday that Nigeria's total public debt stock increased to N41.60tn in the first quarter of 2022 from N39.56tn as of December 2021. This shows an increase of N2.04tn within a period of three months. The public debt stock covers the total domestic and external debt of the Federal Government and state governments and the Federal Capital Territory. This was disclosed in a statement on Tuesday on the DMO's website. It read in part, "The total public debt stock as at March 31, 2022, was N41.60tn or \$100.07bn, according to the Debt Management Office. Source: punchng.com

<https://punchng.com/nigerias-public-debt-climbs-by-n2-04tn-in-q1-dmo/>

High-grade lithium discovered in Nigeria attracting investors – FG: The Director-General, Nigerian Geological Survey Agency, Dr Abdulrazaq Garba, has said that high-grade lithium discovered in Nigeria has been attracting foreign investors. He said this while briefing journalists on mineral exploration activities in Abuja. Lithium is a highly reactive metal that is used for making energy-dense rechargeable batteries for electronics, such as laptops, cell phones, electric vehicles, and grid storage. Garba said, "Nigeria lithium is hot cake now, the mineral was discovered in several parts of the country in the course of the National Integrated Mineral Exploration Project during exploration and we did investigation and came up with analysis and discovered that Nigeria lithium is of high grade. Source: punchng.com

<https://punchng.com/high-grade-lithium-discovered-in-nigeria-attracting-investors-fg/>

ABCON Urges CBN Engage BDCs to End Multiple Exchange Rates: President, the Association of Bureaux De Change Operators of Nigeria (ABCON), Aminu Gwadabe has urged the Central Bank of Nigeria (CBN) to use Bureaux De Change (BDCs) towards putting an end to multiple rate practices, in a bid to enable stability in the forex market. Gwadabe has therefore called for collaboration between the BDCs and the CBN in the implementation of market-friendly policies that will make the BDCs impact more positively in the market and promoting exchange rate stability in the economy. Source: [thisdaylive.com](https://www.thisdaylive.com)

<https://www.thisdaylive.com/index.php/2022/06/08/abcon-urges-cbn-engage-bdcs-to-end-multiple-exchange-rates/>

New steel plant plans to reduce \$3.3bn imports: The Group Managing Director, African Industries Group, Alok Gupta, has said Nigeria needs to develop its large steel deposits and stop depending on steel imports. He also disclosed that the African Natural Resources and Mines Limited, a subsidiary of the African Industries Group, has established a fully integrated mining and steel processing plant in Gujeni village in the Kagarko Local Government Area of Kaduna State. He also said that the fully-integrated mining and steel processing plant had a mining capacity of over five million tonnes per annum, and would promote Nigeria's position in the world due to its peculiar nature Source: punchng.com

<https://punchng.com/new-steel-plant-plans-to-reduce-3-3bn-imports/>

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	Buy	Hold	Sell	Not Rated	Total
Coverage universe	17	10	5	3	35
% distribution	49%	29%	14%	9%	
Investment banking clients	0	1	1	0	2
% distribution	0%	50%	50%	0%	

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