



Economy

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Low base in the prior period magnifies y/y growth in foreign inflows

Analysis of the recently released data by the National Bureau of Statistics (NBS) on capital importation for Q2 2022 revealed that the total amount of foreign investment inflows into the Nigerian economy increased by 75.3% y/y to US\$1.5bn in Q2 2022 from US\$875.6m in Q2 2021. However, q/q, foreign inflows declined by 2.4% from US\$1.6bn in Q1 2022. The significant y/y growth was magnified by the low base in the prior period (Q2 2021) 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.

A breakdown of the Q2 data showed that the contribution from the dominant portfolio investments to the total inflows reduced from 60.9% in Q1 2022 to 49.3% in Q2 2022 and foreign direct investment (from 9.9% in Q1 2022 to 9.6% in Q2 2022), while the contribution from other investment which increased from 29.3% in Q1 2022 to 41.1% in Q2 2022 plugged the balance. Notably, the q/q decrease in foreign inflows in Q2 stems from a steep decline in Portfolio Investments (-20.9% q/q) trailed by a 5.0% q/q fall in Foreign Direct Investment while Other Investment increased by 37.0% q/q.

The contribution of Foreign Portfolio Investments (FPIs) remained skewed towards investments in money market instruments (hot money) by foreign investors (55.8% of the FPIs in Q2 2022). This continues to make the economy extremely vulnerable to external factors beyond the control of policymakers. Also, there was a significant decrease in equity investments, declining by 60.0% q/q which lends credence to the paltry foreign participation seen in the local bourse as the ytd foreign investors' share of the equities market was 14.7% as of June 2022. On the other hand, bond investments increased by 3.9% q/q.

The Nigerian market still lacks the catalysts to boost foreign inflows into the economy, especially as political campaigns intensify, raising political risk in the country. Besides political risk, FX constraints hindering the inability of foreign investors to repatriate funds continue to hinder the free flow of capital despite the continued hike in the Monetary Policy Rate (MPR) (cumulative rate hike of 250bps). Only recently, British Airways (BA) threatened to suspend flight operations in Nigeria following difficulty to repatriate trapped funds in Nigeria. Again, the perennial inability of over 50% of the 36 states to attract capital inflows cannot be ignored, as it has, over time, hindered inclusive investments across the country.

MARKET UPDATE

	1 year	31-Dec-21	1 day
NSE - Index*	39,184.22	42,716.44	49,889.88
Naira / US\$	411.50	435.00	430.00
Brent, US\$/bbl	71.59	77.78	92.36
MPR %	11.50	11.50	14.00

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

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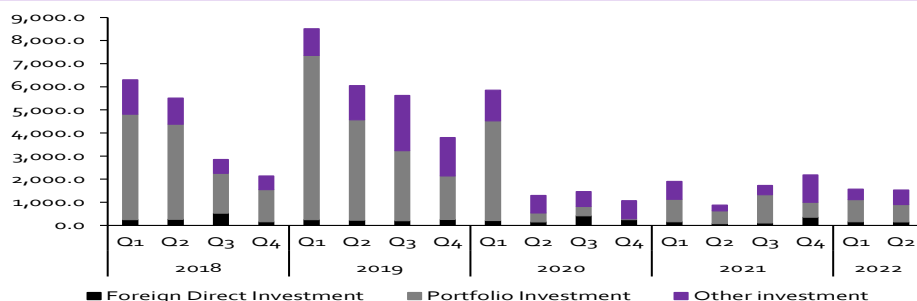
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FDI, FPI and Other Investments (Q1 2018-Q1 2022)



Source: NBS, CSL Research



Today's news headlines:

NNPC can't justify N6.34tn petrol subsidy – Customs: The Comptroller-General of Nigeria Customs Service, Col. Hameed Ali (retd.), has stated that the Nigerian National Petroleum Company Limited (formerly Nigerian National Petroleum Corporation) cannot justify the volume of Premium Motor Spirit (petrol) being consumed in the country daily to warrant the over N6.34tn subsidy payment on the commodity annually. Ali, in his presentation to the House of Representatives' Committee on Finance at the continued hearing on the proposed 2023-2025 Medium Term Expenditure Framework and Fiscal Strategy Paper in Abuja on Thursday, argued that the NNPC cannot scientifically prove the 98 million litres/day consumption it was claiming, alleging that the nation's oil company was supplying an excess of 38 million litres of PMS daily. Source: punchng.com

<https://punchng.com/nnpc-cant-justify-n6-34tn-petrol-subsidy-customs/>

FG Urged to Establish Tobacco Control Fund: The Nigeria Tobacco Control Alliance (NTCA) has made a case for the operationalisation of the Tobacco Control Fund in order to ensure the protection of public health from the destructive effects of tobacco in Nigeria. It said the Central Bank of Nigeria, Federal Ministry of Finance and the office of the Accountant General of the Federation must play their roles in setting up of the account to ensure that the revenue loss was stopped as prescribed by the NTC Act, 2015. Addressing a press conference in Abuja yesterday, the Chairman of NTCA, Akinbode Oluwafemi said. Nigeria has lost a lot of funds that should accrue to it through licencing of Tobacco Industry players. Source: thisdaylive.com

<https://www.thisdaylive.com/index.php/2022/09/02/fg-urged-to-establish-tobacco-control-fund/>

Cash call: FG clears \$3.81bn, owes IOCs \$873.34m: The Federal Government, through the Nigerian National Petroleum Company Limited, has paid \$3.81bn cash call arrears in joint ventures to international oil companies, The Punch has learnt. Figures seen in Abuja on Thursday showed that the \$3.81bn repayment was done as at May 31, 2022, leaving an outstanding balance of \$873.34m. The total negotiated debt between the government and the five IOCs was put at \$4.68bn. Cash calls are sent by joint venture operators to non-operating partners for payment in the light of anticipated future capital, operating expenditures or the need for additional capital contributions. Source: punchng.com

<https://punchng.com/cash-call-fg-clears-3-81bn-owes-iocs-873-34m/>

Nigeria's Total Debt Profile Now N41.60trn, Says DMO: The Director-General of the Debt Management Office (DMO), Mrs. Patience Oniha yesterday confirmed that Nigeria's total debt profile as at March, 2022 stood at N41.60 trillion. Oniha said this during her appearance at the ongoing engagement on the 2023 – 2025 Medium Term Expenditure Framework (MTEF) and Fiscal Policy Paper held by the House of Representatives Committee on Finance yesterday. She attributed Nigeria's high debt profile to shortfall in revenues and the deficit in the annual budget as approved by the National Assembly. These, according to her, increased the debt stock of the country. She revealed that, "as at December 2020, the debt stock of Nigeria and that includes the federal, state governments and the Federal Capital Territory was N32.92 trillion. Source: thisdaylive.com

<https://www.thisdaylive.com/index.php/2022/09/02/nigerias-total-debt-profile-now-n41-60trn-says-dmo/>

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% distribution	49%	29%	14%	9%	
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% distribution	0%	50%	50%	0%	

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