



## Foreign Investments

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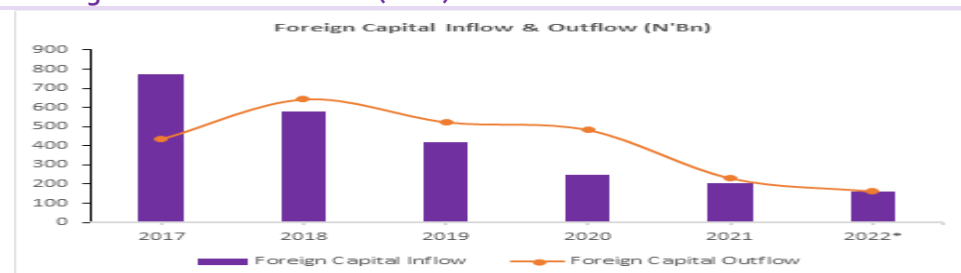
### Foreign Portfolio Investment on a steady decline in 5years

In periods of heightened risks and uncertainty, flight to safety becomes the only option. On the back of the global inflation triggered by the Russia – Ukraine war and its associated sanctions and supply chain disruption, most of the advanced economies have relied on contractionary monetary measures to stabilize prices. Expectedly, most foreign lines initially advanced to emerging markets and developing economies' financial institutions were recalled while portfolio investors have continued to scale down their portfolio. Based on data from the Nigerian Exchange, Foreign portfolio inflows have declined steadily to N160.05bn as at September 2022 from N204.88bn in 2021, N247.27bn in 2020, N419.13bn in 2019, N576.45bn in 2018 and N772.25bn in 2017.

In September 2022, the total foreign portfolio transactions on the Nigerian Exchange stood at N19.67bn (comprising N10.08bn inflow and N9.59bn outflow) compared to N41.31bn (comprising N18.10bn inflow and N23.21bn outflow) in January and N45.43bn (comprising N20.86bn inflow and N24.57bn outflow) in February. Beyond global uncertainty as the trigger for the sell offs by foreign portfolio investors, the Naira exchange rate volatility created another layer of risk. Not only has the exchange rate been volatile, but the Central Bank has also not been liquid enough to timely meet foreign currency demands by foreign investors who needed to repatriate their investment proceeds. Recently, some operators in the aviation sector threatened to shut down operations over non-payment of trapped ticket funds with the Central Bank. Consequently, it was reported that the sum of US\$265m out of US\$650m trapped funds was paid on August 26, 2022. This has also been the experience of most foreign portfolio investors.

While, an overhaul of the country's FX policies will be required, in the immediate, we believe it is critical to close the existing premium between the various official foreign exchange windows and the parallel market. There is currently about 76.58% premium between the I&E window and the parallel market. It is apparent that the CBN does not have sufficient capacity to continue its interventions at the official windows. Beyond the CBN's monetary policies and interventions, accretion to the external reserves has been a function of the nation's crude oil earnings. Fiscal policies and interventions aimed at boosting crude oil & gas earnings is a critical factor in ensuring exchange rate stability in the near term.

### Foreign Portfolio Investments (N'Bn)



Source: CSL Research, NGX Exchange

### MARKET UPDATE

	1 year	31-Dec-21	1 day
NSE - Index*	42,038.60	42,716.44	43,912.64
Naira / US\$	415.10	435.00	444.75
Brent, US\$/bbl	84.38	77.78	93.77
MPR %	11.50	11.50	15.50

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

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## Today's news headlines:

**Why 1.9 million MSMEs shut down in 3 years:** COVID-19, regulatory pressures, difficult operating environment and foreign exchange (FX) volatility forced 1.9 million micro, small and medium enterprises (MSMEs) to exit the Nigerian business landscape between 2018 and 2020, according to the National Bureau of Statistics and the Small and Medium Enterprises Development Agency of Nigeria. The MSMEs are left to battle with various issues, ranging from poor power supply to restrictive economic policies, FX volatility and tax multiplicity. "The manufacturing world has not yet recovered from COVID-19. And the rising cost of inflation has caused an increase in the cost of input which will have a multiplier effect on the manufacturers' cost of output," ....Source: [businessday.ng](https://businessday.ng)

<https://businessday.ng/business-economy/article/why-1-9-million-msmes-shut-down-in-3-years/>

**Governors snooze as states face fiscal crisis:** Many state governors in Nigeria have yet to wake up to the fiscal crisis facing their states as they have continued to incur increasingly unsustainable expenses amid low internally generated revenues, economists polled by BusinessDay indicated. At least 50 percent of the total revenue of 33 states was federal transfers, with 13 states relying on federal transfers for at least 70 percent of their total revenues in 2021, according to the recently released Budget 2022 State of States report. For example, Akwa Ibom State had total revenue of N190.82 billion last year, of which N159.43 billion was federal allocation and N31.39 billion was internally generated... Source: [punchng.com](https://punchng.com)

<https://businessday.ng/business-economy/article/governors-snooze-as-states-face-fiscal-crisis/>

**FG set to pioneer carbon market:** The Federal Government is set to pioneer a voluntary Carbon Market on the continent. According to the government, the carbon market is a new and innovative climate change solution that will create, over the period of an energy transition, millions of new jobs in Nigeria. It stated that this is part of its effort to attain the global net-zero emissions target. A statement by the Senior Special Assistant to the President on Media and Publicity, Office of the Vice President, Laolu Akande, revealed that the Vice President, Prof. Yemi Osinbajo, is a member of the recently formed international Steering Committee for the Africa Carbon Markets Initiative which is aimed at facilitating the emergence and growth of the market in Africa..... Source: [Punchng.com](https://punchng.com)

<https://punchng.com/fg-set-to-pioneer-carbon-market/>

**President: CBN Has My Backing to Redesign Naira Notes:** President Muhammadu Buhari, yesterday, doused tensions surrounding the plan by the Central Bank of Nigeria (CBN) to redesign and replace N1, 000, N500, and N200 notes by December 15, saying the country would gain a lot from the exercise. Buhari, according to a statement issued yesterday by his spokesman, Mallam Garba Shehu, said the CBN's decision had his support. Speaking in an Hausa language radio interview with journalists Halilu Ahmed Getso and Kamaluddeen Sani Shawai, to be aired Wednesday morning on Tambari TV on Nilesat, Buhari said reasons given by the CBN for the change of banknotes convinced him that the economy stood to benefit in terms of reduction in inflation, currency counterfeiting, and excess cash in circulation.,.... Source: [Thisdaylive.com](https://thisdaylive.com)

<https://www.thisdaylive.com/index.php/2022/10/31/president-cbn-has-my-backing-to-redesign-naira-notes/>

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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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