

## Capital Importation

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### Foreign investments in manufacturing declined by 35% in Q1 2023.

According to the Nigerian Bureau of Statistics (NBS), foreign investments to the manufacturing sector dropped by 35% to US\$256m in the first quarter of 2023 from US\$392.5m in the fourth quarter of 2022. According to the report, the total capital imported into Nigeria in Q1 2023 was US\$1.1bn down by 28% compared with US\$1.5bn recorded in Q1 2022. Despite the decrease, capital importation into the production sector ranked second with a 22% share of total investments while the banking sector recorded the highest inflow of US\$304.5m, representing 26.89% of total capital imported in Q1 2023. The manufacturing sector in recent years has been struggling with several cost pressures like high energy and transport costs.

The Manufacturers Association of Nigeria recently cautioned that the increasingly difficult business environment caused by high energy costs, a lack of access to capital, and multiple taxes, among other factors has contributed to reduced investment in the sector. According to the Manufacturers Association of Nigeria's bi-annual economic review, investment in the manufacturing sector fell to N145.59bn in the second half of 2022 from N160.88bn in the same period in 2021 and down by 18% when compared to N178.39bn in the first half of 2022. Investment in the manufacturing sector totalled N323.98bn in 2022, up from N305.02bn in 2021.

The manufacturing sector grew modestly by 2.4% in 2022, reflecting the negative impact of CBN's hawkish rendition, especially in the second half of the year. In fact, the sector contracted by 1.91% in Q3 2022, the first contraction since covid hit in 2020. Though at a slower pace, the CBN has maintained its hawkish stance and the fortunes of the sector appeared to have worsened with the latest reforms of the new administration such as the fuel subsidy removal and the unification of the exchange rates at the various windows. In Q1 2023, the growth rate reduced to 1.61% compared with 2.83% in Q4 2022 and we believe conditions will worsen in H2.

### MARKET UPDATE

	1 year	30-Dec-22	1 day
NSE - Index*	52,122.00	51,251.06	63,930.72
Naira / US\$	423.80	461.50	768.16
Brent, US\$/bbl	103.86	85.91	79.59
MPR %	13.00	16.50	18.50

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

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### Capital Importation into the Manufacturing sector (US\$m)



Source: NBS, CSL Research



## News headlines:

**FAAC shares N907bn, Tinubu approves infrastructure fund:** The Federation Account Allocation Committee says it shared N907.05bn among the three tiers of government for June 2023. The figure represents a marginal increase of N120.89bn compared to the N786.16bn shared for May 2023, and it is the highest this year and the second increase following a constant decline since January. FAAC disclosed this in a communiqué issued at the end of its latest meeting in Abuja on Thursday. The meeting was chaired by the new Accountant General of the Federation, Dr Oluwatoyin Madein. The PUNCH observed, however, that the increase recorded for May was higher than that of June despite the fuel subsidy removal. The total amount includes gross statutory revenue, Value Added Tax, and electronic money transfer levies and exchange rate difference revenue. Source: Punchng.com  
<https://punchng.com/faac-shares-n907bn-tinubu-approves-infrastructure-fund/>

**NNPC Merges Select Business Units to Cut Overhead Costs, Tackle Headwinds:** The Nigerian National Petroleum Company Limited (NNPC) has continued its in-house reorganisation in its efforts to meet the new operational demands as a commercial entity, with the rationalisation of a number of its Strategic Business Units (SBUs). Insider sources with deep knowledge of the workings of the national oil company told THISDAY on Thursday that the move which affected its data services unit, shipping departments and refineries management, among others was in line with the firm's recent halt of its operations as a corporation. Previously perceived as wasteful, the oil company had recently disclosed that it was repositioning itself as a commercially driven entity under the new Petroleum Industry Act (PIA). Source: thisdaylive.com  
<https://www.thisdaylive.com/index.php/2023/07/21/nnpc-merges-select-business-units-to-cut-overhead-costs-tackle-headwinds>

**FG fails to recover N13.33bn gas flaring fines:** The Federal Government recorded a revenue shortfall of N13.33bn from gas flaring penalties issued against oil and gas firms in January and February 2023, according to findings by The PUNCH. Earlier, The PUNCH reported that the Federal Government would impose \$49m (N22bn) fine on oil and gas firms operating onshore for flaring 24 billion Standard Cubic Feet of gas valued at about N40bn (\$86m) between January and February 2023. This was according to a recent gas flare data by the National Oil Spill Detection and Response Agency, which noted that the companies operating onshore would pay the penalties for violating the gas flaring rule. "Companies operating onshore flared 24.5 billion SCF of gas valued at \$85.8m, with \$49m penalties payable," the agency wrote. Source: punchng.com  
<https://punchng.com/fg-fails-to-recover-n13-33bn-gas-flaring-fines/>

**FIRS exceeds set target, as revenue hits N5.5 trn in 6 months:** The Federal Inland Revenue Service (FIRS) has announced a total tax revenue collection of N5.5 trillion for the half-year period of January to June 2023, higher than N5.3 trillion mid-year revenue target. Muhammad Nami, executive chairman of the FIRS disclosed this while presenting the 2023-2024 tax revenue outlook to the National Economic Council at its meeting held in Abuja on Thursday. According to a statement issued by Johannes Wojuola, special assistant on Media & Communication to the executive chairman, FIRS, the total revenue for the period is the highest tax revenue collection ever recorded by the Service in any first six months of a fiscal year. This is as the Service made a total collection of N10.1 trillion in the year 2022. Source: businessday.ng  
<https://businessday.ng/news/article/firs-exceeds-set-target-as-revenue-hits-n5-5-trn-in-6-months>

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% distribution	49%	29%	14%	9%	
Investment banking clients	0	1	1	0	2
% distribution	0%	50%	50%	0%	

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