

Coronation Economic Note

28 January '22

Uptick in capital imports in Q3 '21

The National Bureau of Statistics (NBS) has released its latest report on capital importation for Q3 '21. The data was obtained from the CBN and compiled using information on banking transactions from all registered financial institutions in Nigeria. The total value of capital imported in Q3 '21 was estimated at USD1.7bn, representing a rise of 98% q/q and 18% y/y. The data are gross, and not adjusted for capital exports.

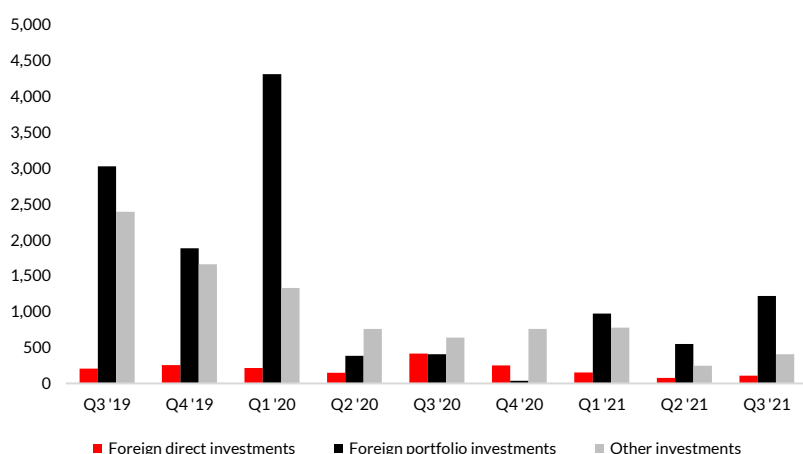
The category referred to as portfolio investment accounted for the largest share (70%) of total capital importation in Q3'21. There was a q/q increase of 121% in Q3. Money market instruments accounted for 65% of total portfolio investments and increased by 76% q/q. Similar to Q1 and Q2, there was relatively lower contribution from bonds to portfolio investments in Q3. Bonds contributed 30% to total portfolio investments.

Based on the data release, demand for equities was low in Q3. This asset class accounted for just 5% (USD57m) of total portfolio investments; inflow declined by -34% q/q but rose by 28% y/y. The challenging macroeconomic landscape impacted the performance of the equities market, as the Nigerian Exchange Group All Share Index (NGX-ASI) posted a negative return of -5.9% in H1 '21.

Foreign direct investment (FDI) inflow grew by 38% y/y to USD108m but posted a q/q decline of -74% y/y. FDI inflow accounted for just 6% of total capital importation in Q3 '21. Until definitive steps are taken to address Nigeria's structural and infrastructural challenges, FDI inflow will likely remain relatively low.

The increase in capital importation in Q3' 21 can be partly attributed to relatively better economic conditions in Nigeria during the period under review. We note that the economy posted a GDP growth of 5.01% y/y in Q3'21 and a few green shoots within the non-oil economy supported the economic recovery trend.

Capital importation by type (USD 'm)



Indicators	NG
Inflation rate (December '21, %)	15.63
GDP (Q3 '21, %)	4.03
Gross Official Reserves (27 January '22, USD bn)	40.2
UK Brent (28 January '22, USD)	89.7

Source: Bloomberg, CBN, NBS, Coronation MB Research

FGN bond yields (28 January '22, %)			
14.20%	13.98%	12.15%	12.40%
Mar-24	Feb-28	Jul-34	Mar-36
8.78	11.78	12.61	12.77

T-bill yields (28 January '22, %)			
31-	30-	29-	24-
Mar-22	Jun-22	Sep-22	Nov-22
3.42	4.31	5.39	5.11

Source: FMDQ, Coronation MB Research

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