

Nigerian Capital Importation report

PRELIMINARY SUMMARY REPORT:
QUARTER TWO 2016

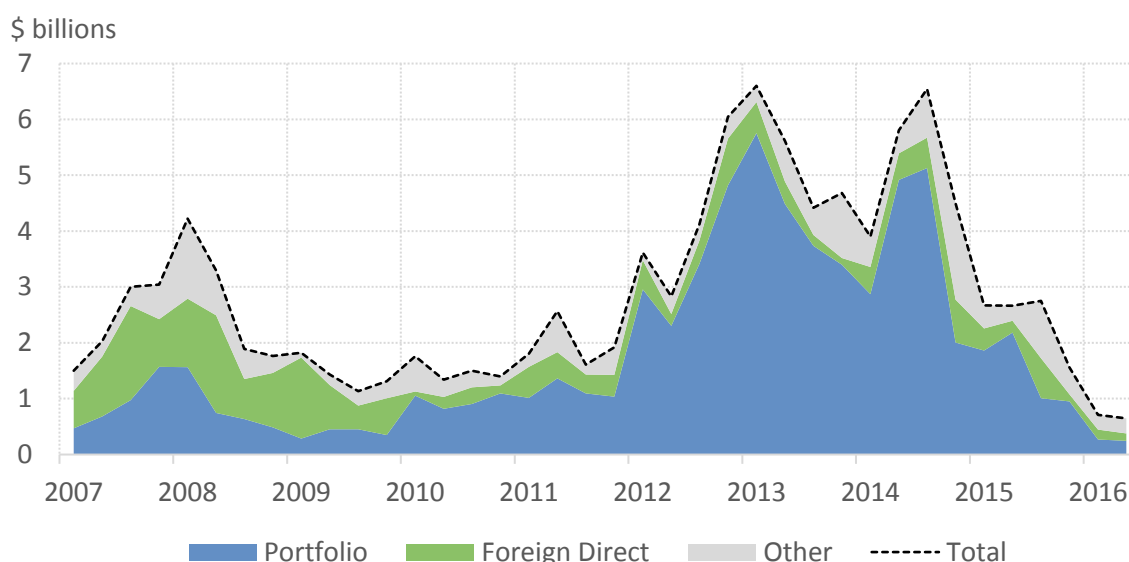


AUGUST, 2016

Summary

The total value of capital imported into Nigeria in the second quarter of 2016 was estimated to be \$647.1 million, which represents a fall of 8.98% relative to the first quarter, and a fall of 75.73% relative to the second quarter of 2015. This provisional figure would be the lowest level of capital imported into the economy on record, and would also represent the largest year on year decrease. This would be the second consecutive quarter in which these records have been set.

Figure 1: Total Capital Imported (\$ billions)



The continuing decline in the value of capital imported into the economy is symptomatic of the difficult period that the Nigerian economy is going through. The second quarter saw the economy enter into the first recession during the rebased period (according to the technical definition of two consecutive periods of decline). This may suggest less profitable opportunities for investment. In addition, in the second quarter there was considerable uncertainty surrounding future exchange rate policy which may have deterred investors. The Naira was allowed to depreciate towards the end of

the quarter. These factors were likely to have contributed to the record decline in capital importation.

Year on year, the importation of capital declined for each broad type (Foreign Direct Investment, Portfolio Investment and Other Investment), but Portfolio investment recorded by far the largest decline of 88.76% year on year, compared with declines of 37.00% and 1.22% for Foreign Direct and Other investment respectively. Compared to the previous quarter however, Foreign Direct Investment recorded the largest decline of 23.75%, compared with a decline of 9.49% for Portfolio investment and an increase of 1.24% for Other investment. As a result of these change, Other investment replaced Portfolio as the largest component of capital importation, and accounted for 41.53%, compared with shares of 37.91% and 20.56% for Portfolio and Foreign Direct investment. In the same quarter of the previous year, Portfolio investment accounted for 81.88% of total investment, which highlights the fact that Portfolio Investment has been the hardest hit by recent economic events. This is possibly due to Portfolio investment having a shorter term focus than other investment types.

Capital Importation by Type

Capital Importation can be divided into three main investment types: Foreign Direct Investment (FDI), Portfolio Investment and Other Investments, each comprising various subsectors.

In the second quarter of 2016, Other investment was the largest component of imported capital and accounted for \$268.77 million, or 41.53%. This was despite only one type of Other investment being carried out during the quarter: Other Investment Loans.

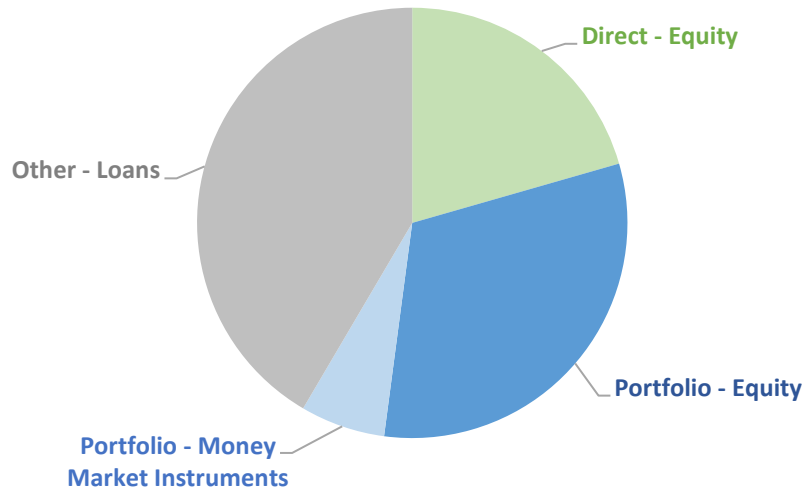
The second largest component was Portfolio investment, which accounted for \$245.32 million, or 37.91%. As in all previous quarters, Portfolio investment was dominated by Equity, which accounted for 83.18% of this type of capital; a slightly lower share than a year previous (when the share was 84.56%) but

higher than in the previous quarter when it accounted for 74.41%. Despite the overall fall in Portfolio investment of 9.49%, Portfolio Equity investment increased by 1.18%. The majority of the fall was accounted for Portfolio Money investment, which fell by \$26.60 million, or 39.20%, although investment in bonds fell to zero from \$1.50 million in the previous quarter, and from \$50.54 million in the second quarter of 2015. The decline to zero in capital imported in the form of Bonds is particularly striking when compared to the high of \$1000.28 million recorded in the third quarter of 2014, at which time Nigeria was included in the JP Morgan Emerging Markets Bond Index.

As in each quarter over the past two years, Foreign Direct investment accounted for the smallest share of imported capital. A total of \$133.02 million was imported as Foreign Direct investment, representing 20.56% of the total. For the first time since the series began, Equity accounted for the entirety of this investment type, as no capital was imported in the form of Other Capital. This implies that there were five different investment types (across all three categories) to not record any capital importation; this is the first quarter that the number has been that high on record.¹

¹ However this is based on estimates and may change following revision of the figures.

Figure 2: Composition of capital imported, 2016 Q2



Capital Importation by Sector

Capital is either imported in the form of shares, or directly imported by different sectors of the economy.

In the second quarter of 2016 the value of share capital imported was estimated to be \$202.70 million, which as for capital importation as a whole sets the record for the lowest value for the second consecutive quarter. The figure represents a decline of 16.77% relative to the previous quarter, and a decline of 84.17% relative to the same quarter of 2015. This is a smaller year on year decline than in the previous quarter, in which it was 87.41%. Share capital accounted for 31.32% of total capital imported, less than half its share in the second quarter of 2015 of 70.41% and the lowest level in seven years. Nevertheless, share capital still accounts for a larger proportion of total imported capital than any individual sector.

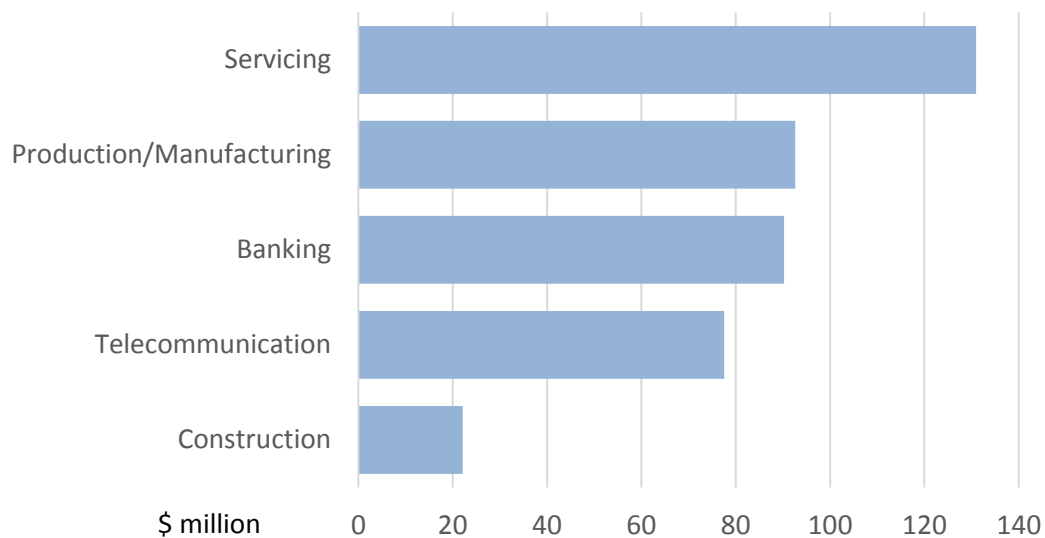
For the first time on record, the sector to import the largest amount of capital was Servicing, which accounted for \$130.98 million, or 20.24% of the total. This follows a large increase relative to both the second quarter of 2015 when the

value was \$12.83 million, and the previous quarter when the value was \$55.05 million. In all previous quarters, the sector to import the most capital had been either Banking, Financing, Production or Telecommunications.

For the second consecutive quarter, Production was the sector to import the second largest amount of capital. This sector imported \$92.62 million, equivalent to 14.31% of the total, following a quarterly increase of \$14.86 million, or 19.10%. Year on year, capital imported by the Production sector increased by 80.92%. There were six sectors to record no capita importation in the second quarter of 2016 (Fishing, Marketing, Hotels, Tanning, Transport and Weaving), two more than in the previous quarter. In addition, half of the 20 sectors recorded a decline in the amount of capital imported relative to the previous quarter. The largest fall was in the Electrical sector, which recorded \$61.32 million less. By contrast, Telecommunications recorded the largest increase, and imported \$64.10 million more than in the previous quarter.

Figure 3 plots the 10 sectors to import the most capital in the second quarter of 2015.

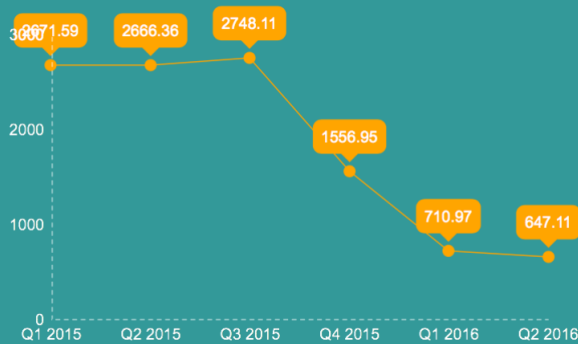
Figure 3: Capital imported by key sectors in 2016 Q2 (\$ millions)



CAPITAL IMPORTATION REPORT Q2 2016

TOTAL VALUE OF
CAPITAL IMPORT **Q2** = **\$647.1m**

TOTAL CAPITAL IMPORTED 2014- Q2 2016 (\$' BILLION)



Total capital imported declined by **8.98%** in Q2 2016 from \$710m in Q1 2016.

Total capital imported declined by **75.7%** in Q2 2016 from \$2,672m in Q2 2015.

Fall in total Capital Import is

- The lowest level of capital imported into the economy on record
- The largest year on year decrease
- The second consecutive quarter in which these records have been set.

CAPITAL IMPORTATION REPORT Q2 2016

PORTFOLIO INVESTMENT

Portfolio investment
declined by **9.5%**
from \$271.0m in Q1 2016
to \$245.3m in Q2 2016.

Portfolio investment
declined by **88.8%**
from \$2,183.2m in Q2 2015
to \$245.3m in Q2 2016.

FOREIGN DIRECT INVESTMENT

Foreign Direct investment
declined by **23.8%**
from \$174.4m in Q1 2016
to \$133.0m in Q2 2016.

Foreign Direct investment
declined by **37.0%**
from \$211.1m in Q2 2015
to \$133.0m in Q2 2016.

OTHER INVESTMENTS

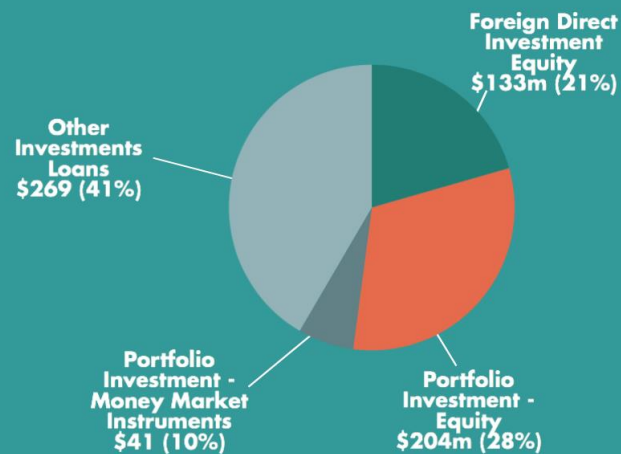
Other investments
rose by **1.2%**
from \$265.5m in Q1 2016
to \$268.7m in Q2 2016.

Other investments
declined by **1.22%**
from \$272.1m in Q2 2015
to \$268.7m in Q2 2016.



CAPITAL IMPORTATION REPORT Q2 2016

CAPITAL IMPORTATION BY INVESTMENT TYPE



- Other investment replaced Portfolio as the largest component of capital importation
- In the same quarter of the previous year (2015 Q2), Portfolio investment accounted for 81.88% of total investment
- Portfolio Investment has been the hardest hit by recent economic events
- Five different investment types (across all three categories) to not record any capital importation - first quarter on record with a number that high.

TABLE 1: Capital Importation by Type of Investment (\$ million)

	2013				2014				2015				2016	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Foreign Direct Investment	561.42	400.91	195.28	121.82	490.69	472.99	544.5	768.86	394.61	211.14	717.72	123.15	174.46	133.02
Equity	541.31	400.80	194.63	113.95	490.39	461.58	544.21	767.83	394.56	211.01	715.86	120.98	173.73	133.02
Other Capital	20.11	0.11	0.65	7.87	0.30	11.41	0.29	1.03	0.05	0.13	1.86	2.17	0.73	-
Portfolio Investment	5750.51	4487.5	3735.49	3395.77	2869.19	4917.13	5127.75	2003.1	1860.64	2183.15	1009.13	952.5	271.04	245.32
Equity	4,930.55	3,934.21	3,532.53	2,719.29	2,260.36	3,875.35	3,770.37	1,542.08	1,139.38	1,846.08	879.97	792.12	201.69	204.07
Bonds	599.42	150.74	31.64	427.65	482.49	731.74	1,000.28	229.48	705.12	50.54	20.34	0.28	1.50	-
Money market instruments	220.54	402.55	171.32	248.83	126.34	310.04	357.10	231.54	16.14	286.53	108.82	160.10	67.85	41.25
Other Investment	288.64	729.25	487.99	1163.81	544.67	413.76	870.32	1727.79	416.34	272.07	1021.26	481.3	265.47	268.77
Trade credits	-	-	-	-	14.70	1.37	5.08	0.88	-	-	-	-	-	-
Loans	286.27	690.61	239.69	920.52	436.41	236.99	349.93	391.00	384.83	153.23	696.38	420.84	241.81	268.77
Currency deposits	1.73	-	-	2.48	-	-	-	-	-	0.99	7.11	-	-	-
Other claims	0.64	38.64	248.30	240.81	93.56	175.40	515.31	1,335.91	31.51	117.85	317.77	60.46	23.66	-

Note: Q2 are provisional figures

TABLE 2: Capital Importation by Sector (\$ million)

	2013				2014				2015				2016	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Shares	5,244.37	3,897.50	3,476.70	3,046.67	2,773.36	4,575.25	4,523.86	1,934.32	1,280.67	1,877.26	1,736.48	831.88	243.53	202.70
Agriculture	17.10	0.32	40.10	24.85	15.08	0.22	0.83	8.19	2.68	0.05	95.10	0.50	0.20	1.50
Banking	142.84	378.83	55.65	94.48	104.93	191.10	330.99	337.16	114.89	360.92	244.24	193.49	107.58	90.24
Brewering	17.15	15.64	3.82	0.76	-	-	-	-	-	-	9.06	-	11.64	5.87
Construction	19.06	4.33	22.29	2.03	10.63	4.62	4.88	35.56	4.30	3.24	11.10	9.38	10.16	22.13
Consultancy	1.02	0.97	0.51	12.81	2.81	6.96	7.74	8.91	0.70	0.10	0.23	9.56	0.14	0.30
Drilling	6.24	0.04	0.21	0.06	0.01	1.01	39.24	1.00	1.01	0.01	0.13	0.17	-	0.62
Electrical	1.50	1.62	4.46	3.36	5.95	1.79	5.84	2.44	0.83	73.39	0.58	137.52	70.15	8.84
Financing	553.14	606.95	357.56	858.12	345.28	723.14	1,073.83	566.06	763.49	46.54	35.15	13.71	42.57	0.29
Fishing	5.08	-	-	-	0.45	-	0.10	-	-	-	-	0.01	-	-
IT Services	1.16	2.52	10.00	16.70	2.50	2.57	1.65	3.25	1.40	5.75	2.02	3.61	1.02	0.94
Marketing	0.03	0.87	0.17	2.36	0.06	-	0.03	-	-	-	0.15	0.80	0.20	-
Oil And Gas	3.52	70.83	1.62	53.65	201.14	3.83	3.16	0.05	9.47	4.86	2.21	13.22	20.83	8.09
Production	169.44	116.33	72.59	32.98	104.07	107.88	365.10	366.92	118.36	51.20	162.42	91.72	77.77	92.62
Servicing	360.59	145.52	105.63	19.22	32.36	53.58	110.49	354.88	6.29	12.83	65.64	115.71	55.05	130.98
Hotels	20.00	0.09	0.08	-	0.57	0.53	1.34	8.83	-	-	1.15	-	0.75	0.00
Telecomms	20.02	357.79	180.31	355.47	135.68	61.66	27.07	769.92	336.87	138.40	369.49	93.37	13.44	77.54
Tanning	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trading	18.30	17.50	86.94	157.32	169.35	68.11	46.43	101.72	28.54	91.57	6.66	40.77	55.08	4.45
Transport	-	-	0.13	0.55	0.30	1.64	-	0.53	2.10	0.24	6.11	1.55	0.86	-
Weaving	-	-	-	-	-	-	-	-	-	-	0.20	-	-	-

Note: Q2 are provisional figures