

Nigerian Capital Importation



Summary Report:
QUARTER TWO 2016
(Revised)

This report supersedes the preliminary report that was published earlier, which estimated capital import for June 2016 which was not available then but is available now.

This is nevertheless a summary report. An updated and final report will include breakdowns by state and country of origin

September 2016

Capital Importation Data

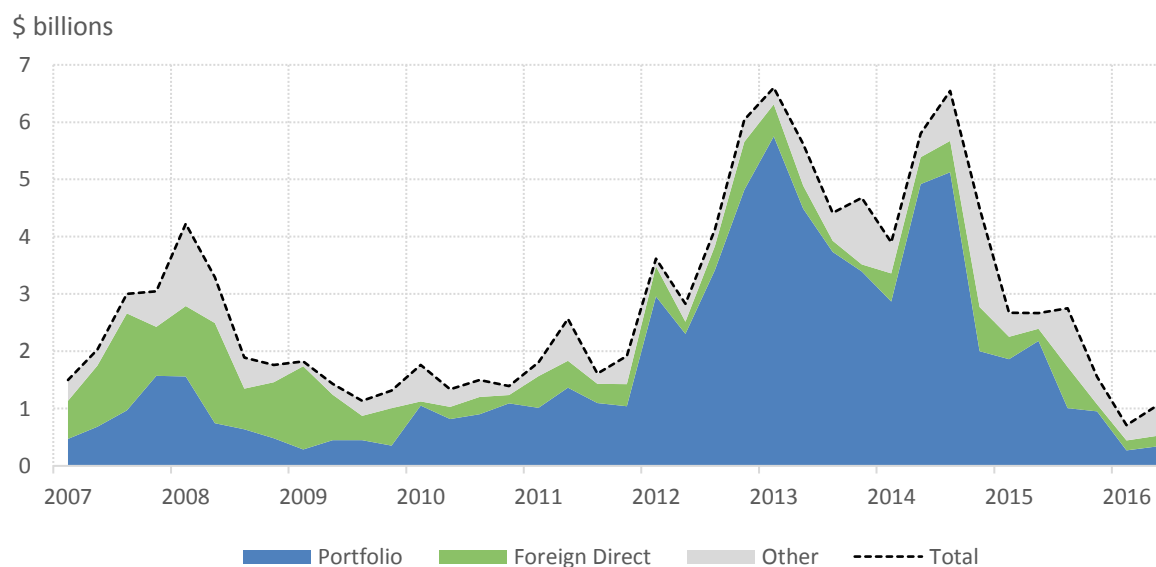
The data on Capital Importation used in this report was obtained from the Central Bank of Nigeria (CBN). The data is compiled using information on Banking transactions, gathered through Electronic Financial Analysis and Surveillance System (e-FASS) software, which enables the automatic reporting of all banking transactions to CBN. E-FASS follows WTO classification systems and covers all registered financial institutions in Nigeria, thus complying with international standards as well as being highly comprehensive. E-FASS data is supplemented by that from customs, through the analysis of declaration forms for physical capital imported. Data is therefore inclusive of both imported physical capital, such as that of plants and machinery, as well as financial capital importation.

NOTE: Data is subject to revisions within the quarter subsequent to its release. Finalised data and reports updated accordingly and published online.

Summary

The total value of capital imported into Nigeria in the second quarter of 2016 was estimated to be \$1,042.17 million, which represents an increase of 46.58% relative to the first quarter, and a fall of 60.91% relative to the second quarter of 2015. This contrasts with the preliminary estimate which was based on the first two months of the quarter, which indicated a quarter on quarter on decrease of 8.98%. However, a sharp increase in June outweighed the low values recorded in April and May. The level of capital imported in June was the highest monthly value in 2016 so far. Further analysis reveals that the sharp rise in June in particular and Q2 2016 over Q1 2016 in general was due to a **115.12% quarter on quarter and 239.48% year on year rise in loans** predominantly to the **oil and gas (862.02% quarter on quarter rise and 4,023.25% rise year on year) and telecoms sectors (783.25% quarter on quarter and 14.22% rise year on year).**

[Figure 1: Total Capital Imported \(\\$ billions\)](#)



The increase in capital importation in the second quarter was despite low levels of capital importation in both April and May, of \$305.82 million and \$125.58 million respectively. In May the value of capital imported was the lowest since August 2009. However, in June the value rose to \$610.77 million,

more than the previous three months combined due to a surge in loans as aforementioned.

In June there was a significant change in exchange rate policy, as the Central Bank of Nigeria opted to move to a more flexible regime.

Quarter on quarter, each broad investment type (Foreign direct investment (FDI), Portfolio Investment and Other Investment) recorded increases. The largest was for Other Investment which recorded an increase of 96.09% relative to the previous quarter, nearly double. Portfolio and FDI recorded increases of 24.45% and 5.64% respectively. In each case this was as a consequence of large monthly increases in June, following disappointing values in April and May. The composition of total capital importation also changed: the larger quarterly increase in Other investment resulted in this investment type accounting for 49.95% of imported capital, roughly half. FDI remained the smallest component and accounted for 17.68%, and Portfolio accounted for 32.37%.

Despite the quarterly increases, FDI and Portfolio investment recorded year on year decreases, of 12.71% and 84.55% respectively. The larger decrease in Portfolio investment may reflect the fact that Portfolio investment tends to have a shorter terms focus, and therefore is affected by the current economic circumstances to a greater extent. Other investment, mostly loans, by contrast recorded an increase of 91.34% relative to the same quarter of the previous year, however this type of investment has been volatile in recent periods.

Capital Importation by Type

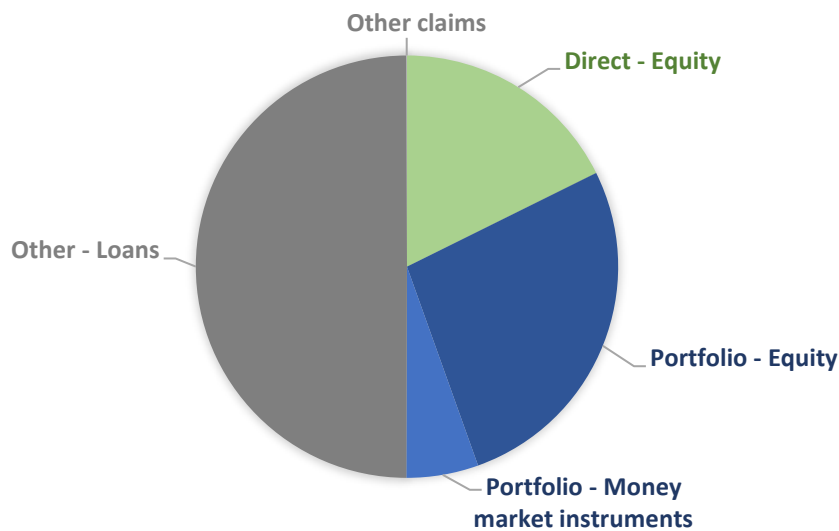
Capital Importation are divided into three main investment types: Foreign Direct Investment (FDI), Portfolio Investment and Other Investments, each comprising various sub-categories.

In the second quarter of 2016, Other investment was the largest component of imported capital and accounted for \$520.57 million, or 49.95%. This was despite the fact that Other Investment – Loans was the only sub-component to record significant investment; apart from this only Other Claims recorded any investment within this type, of only \$0.38 million. The value of Other Investment Loans increased by 115.12% relative to the previous quarter, and by 239.47% relative to the same quarter of the previous year, considerably outweighing decreases in Other Claims and Other Currency.

The second largest component was Portfolio investment, which accounted for \$337.31 million, or 32.37%. As in all previous quarters, Portfolio investment was dominated by Equity, which accounted for 82.95% 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%. Equity was solely responsible for the increase in Portfolio investment relative to the first quarter of 2016, and increased by 38.73%. By contrast, Money Market Instruments decreased by 15.25% and Bonds decreased to zero over the same period. Compared to the second quarter of 2015, Equity declined by 84.84%, and Money Market instruments by 79.93%. 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 \$184.29 million was imported as Foreign Direct investment, representing 17.68% of the total. Equity accounted for the vast majority of this investment type; only \$0.08 million was imported in the form of Other Capital.

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 \$347.99 million, which as for capital importation as a whole, is a significant increase relative to the first quarter, of 42.89%. Year on year, share capital declined by 72.83%. Despite the large quarterly increase, the proportion of total imported capital that shares accounted for in the second quarter was 33.39%, slightly lower than the proportion of 34.25% recorded in the first quarter. It is also less than half the proportion it accounted for in the same quarter of 2015, of 70.41%. 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 Oil and Gas, which accounted for \$200.39 million, or 19.23% of the total. In all previous quarters, the sector to import the most capital had been either Banking, Financing, Production or Telecommunications. The Oil and Gas

sector is characterised by occasional high levels of capital importation, interspersed with periods in which very little capital is imported. This sector imported \$20.83 million in the previous quarter, and only \$4.86 million a year previous.

The sector to import the second largest amount of capital was Servicing, which imported capital worth \$119.75 million in the second quarter, or 11.49% of the total. This represents a large increase relative to both the same quarter previous year when capital worth \$12.83 million was imported, and the previous quarter in which the value was \$55.05 million.

There were five sectors to record no capital importation in the second quarter of 2016 (Marketing, Hotels, Tanning, Transport and Weaving), one more than in the previous quarter. In addition, half of the 20 sectors recorded either a decline in the amount of capital imported relative to the previous quarter, or no change. The largest fall was in the Electrical sector, which recorded \$57.31 million less. By contrast, Oil and Gas recorded the largest increase, and imported \$179.56 million more than in the previous quarter, but Telecommunications also recorded a notable increase of \$105.27 million, from \$13.44 million in the first quarter, to \$118.71 million in the second quarter of 2016. Figure 3 plots the eight sectors to import the most capital in the second quarter of 2016.

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

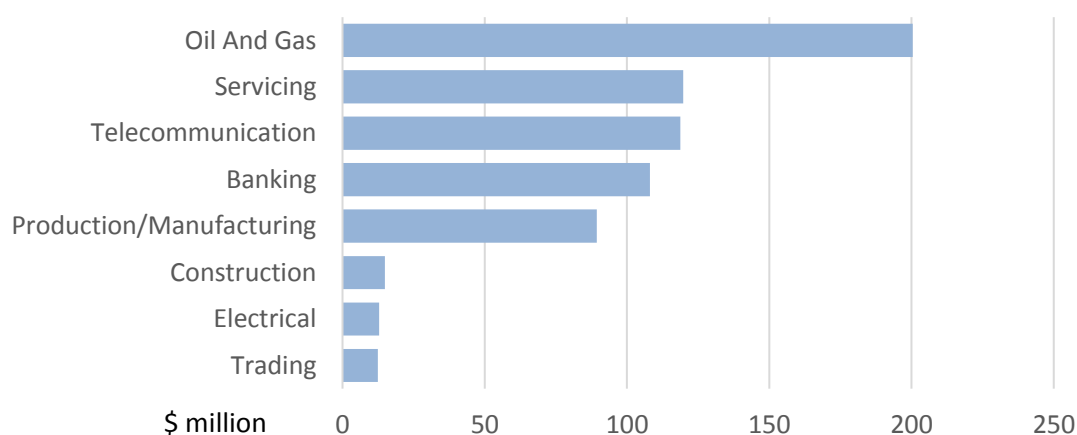


TABLE 1: Capital Importation by Type of Investment (\$ million)

	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	184.29
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	184.21
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	0.08
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	337.31
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	279.81
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	57.50
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	520.57
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	520.19
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	0.38

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	347.99
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	1.00
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	108.11
Brewering	17.15	15.64	3.82	0.76	-	-	-	-	-	-	9.06	-	11.64	11.32
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	14.95
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	0.20
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	-	0.41
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	12.84
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	1.08
Fishing	5.08	-	-	-	0.45	-	0.10	-	-	-	-	0.01	-	3.00
I T 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	0.63
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	200.39
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	89.42
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	119.75
Hotels	20.00	0.09	0.08	-	0.57	0.53	1.34	8.83	-	-	1.15	-	0.75	-
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	118.71
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	12.37
Transport	-	-	0.13	0.55	0.30	1.64	-	0.53	2.10	0.24	6.11	1.55	0.86	-
Weaving	-	-	-	-	-	-	-	-	-	-	0.20	-	-	-