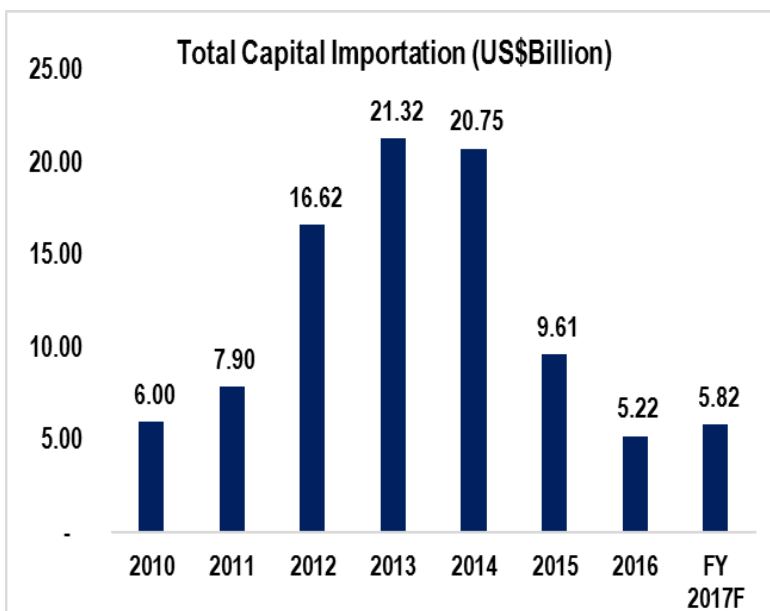


Foreign Investors Boost Foreign Exchange Supply

The foreign exchange supply into the Nigerian economy received a major boost in the second quarter of 2017 (Q2, 2017) from foreign investors. According to the data on Nigerian Capital Importation that the National Bureau of Statistics (NBS) released for Q2, 2017, the total capital imported into the country increased to US\$1.79bn in Q2, 2017 from US\$908mn in Q1, 2017 and US\$1.04bn in Q2, 2016

The capital importation figure in Q2, 2017 represents a growth of 97.34% over the figure reported in Q1, 2017 and a growth of 71.98% over the US\$1.04bn recorded in Q2, 2016. Cumulatively, a total of US\$2.70bn capital was imported into the country in the first half of 2017 (HY1, 2017), representing a growth of 54% over the US\$1.75bn imported in the corresponding period of 2016. Looking at the developments in the HY1, 2017 and based on historical trend, our forecast shows that capital importation for the full year 2017 (FY 2017) should increase to US\$5.82bn,



Source: National Bureau of Statistics

representing a growth of 11.35% over the capital of US\$5.22bn imported into the

country in 2016. Although our forecast represents the second lowest figure since 2010, it signifies an improvement in the foreign investors' perception about the short-to-medium term outlook of the Nigerian economy.

A further analysis of the total capital imported into the Nigerian economy in Q2, 2017 shows that the highest figure occurred in May 2017 (US\$616.5mn); followed by June (US\$612.6mn) and April (US\$563.3mn). **Foreign Portfolio Investment (FPI) was the main driver of the growth in capital importation in Q2, 2017. FPI represented 42.99% of capital importation at US\$771mn; Foreign Direct Investment (FDI) contributed 15.31% (US\$274mn); while Other Investments (Trade Credits, Loans, Currency Deposits, and Other Claims) contributed 41.70% (US\$747mn).** The breakdown of the capital importation by instrument shows that equity investment accounted for the highest portion of both FPI and FDI in Q2 2017. Equity investment accounted for 79.7% and 99.9% of the FPI and FDI, respectively. Other sectors that attracted foreign capital in Q2, 2017 are oil and gas, servicing and production/manufacturing.

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We forecast that capital importation should grow by 11.35% to US\$5.82bn in FY 2017.

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The initiative of the Central Bank of Nigeria (CBN) to create the Investors' and Exporters' Foreign Exchange Window (I&E Window) boosted foreign investors' confidence in the Nigerian economy and helped to attract foreign capital.

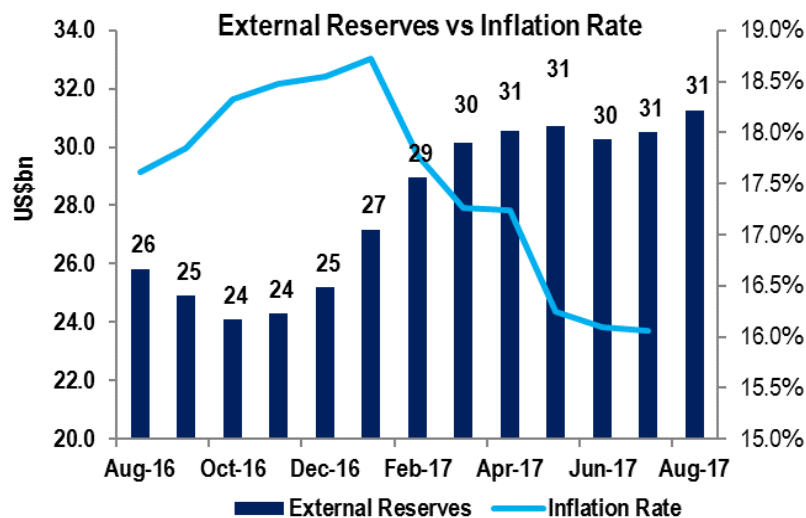
We observed that the monthly average external reserves increased to US\$30bn in March 2017, and has not dropped below that level. A combination of an increase in foreign investments in Nigeria, and improvement in crude oil production and price have had positive impact on the country's external reserves. Consequently, the CBN has been able to increase the supply of foreign exchange in the various foreign exchange markets, leading to foreign exchange rate stability and appreciation. The equity market has also received a major lift, with the Nigerian Stock Exchange All Share Index (NSE ASI) recording the best Year-to-Date (YTD) performance in three years. In another development, the Consumer Price Index (CPI) report that the NBS released on August 28, 2017 shows that inflation rate (Year-on-Year) dropped marginally to 16.05% in July 2017, from 16.10% in June 2017. This is the sixth consecutive month of decline in the inflation rate in 2017. There was also a further deceleration in the rate of increase in the Month-on-Month inflation rate in July 2017, compared with the rate in June 2017. The month-on-month change in the Consumer Price Index (CPI) stood at 1.21% in July 2017, lower than 1.58% recorded in June 2017. Our forecast shows that the inflation rate will remain in the range of 15.5% - 16.2% for the remainder of 2017. **With better policy initiatives and implementation, we believe the Nigerian economy can attract more foreign capital up to the levels attained in the year 2013.**

The I&E Window boosted foreign investors' confidence in the Nigerian economy and helped to attract foreign capital.

With better policy initiatives and implementation, we believe the Nigerian economy can attract more foreign capital up to the levels attained in the year 2013.

Nigerian Capital Importation (US\$ Million)				
Year	FDI	FPI	Other Investments	Total
2010	729	3,867	1,400	5,996
2011	1,753	4,513	1,637	7,903
2012	2,000	13,488	1,129	16,617
2013	1,279	17,369	2,670	21,318
2014	2,277	14,917	3,557	20,751
2015	1,447	5,975	2,191	9,613
2016	1,044	1,813	2,367	5,224
2017*	486	1,084	1,131	2,701
FY 2017F	1,577	1,707	2,533	5,817

Source: National Bureau of Statistics, *HY1,2017



Sources: Central Bank of Nigeria and National Bureau of Statistics

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