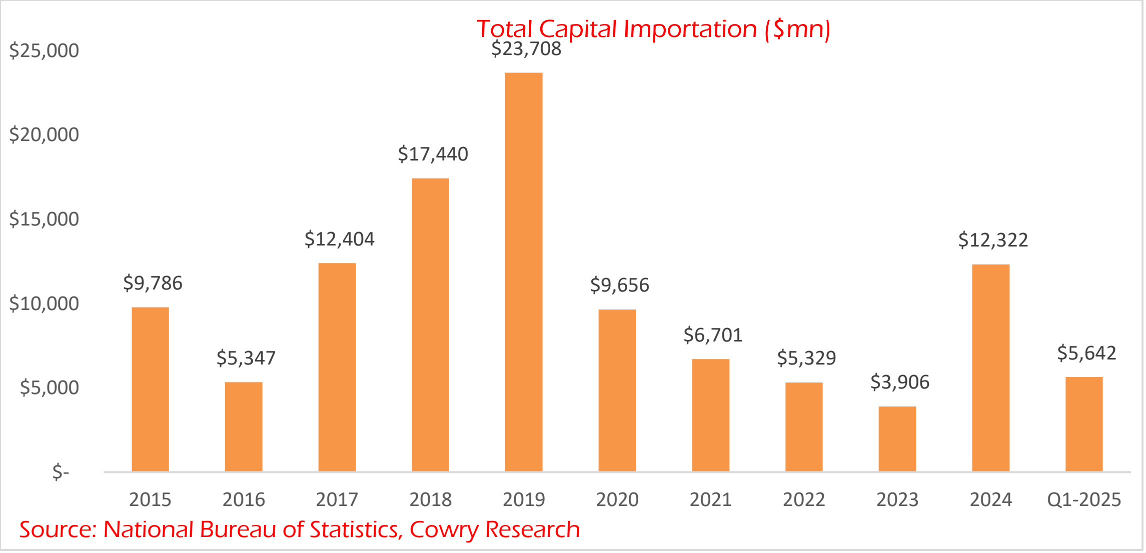
Analyst's Note on: Nigeria's Q1 2025 Capital Importation Report – Q1 2025

Nigeria Attracts $5.6bn in Capital Inflows in Q1'25 on Yield Play and FX Stability …

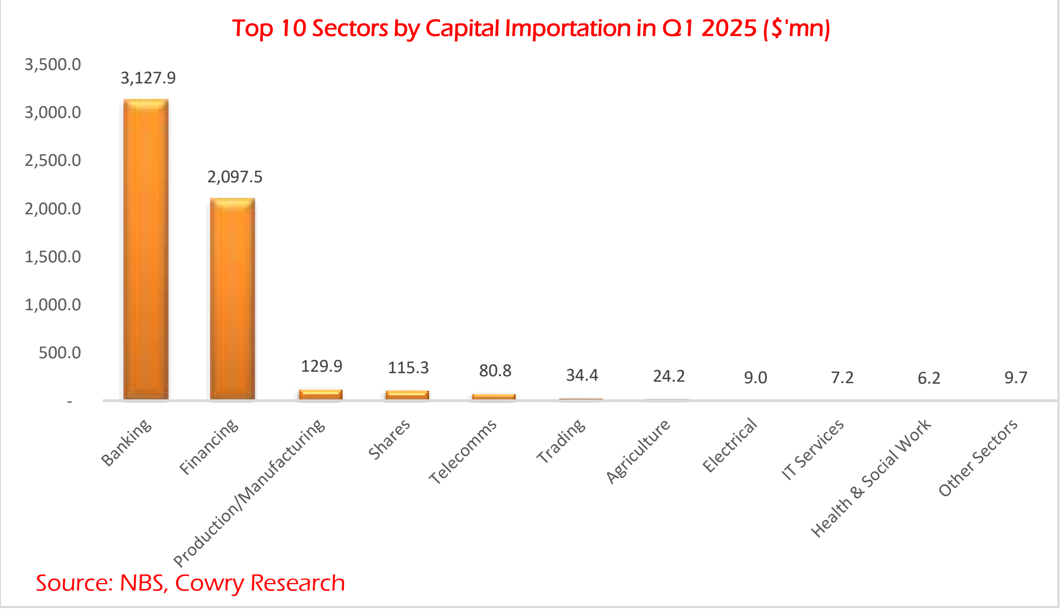
- *Highest in 5 Years as Offshore Investors Pile into Money Markets….*

The Latest report from the National Bureau of Statistics (NBS) shows that the total value of capital imported into Nigeria increased by 11% quarter-on-quarter to $5.6 billion in Q1 2025, the highest quarterly capital inflow recorded since Q1 2020. On a year-on-year basis, capital imports jumped by 67%, reflecting renewed investor interest in Nigerian assets. Although the quarterly growth appears modest, it underscores the continuation of positive momentum from the previous quarter. Nigeria recorded its strongest quarterly capital inflow in over five years in Q1 2025, signalling a resurgence of foreign investor confidence in the country's financial markets.



The surge was largely driven by a sharp rise in portfolio investment inflows (PFIs), which climbed to $5.2 billion in the first three months of 2025 from $3.9 billion in Q4 2024 and $2.1 billion in Q1 2024. Portfolio investments, which typically dominate total capital imports, accounted for approximately 92% of total inflows in Q1 2025 — up from 79% in Q4 2024.

Within the PFI segment, money market instruments attracted the lion's share, totalling $4.2 billion and representing 81% of total PFI inflows. This marks quarter-on-quarter and year-on-year increases of 20% and 162%, respectively. Investment inflows into the bond market also surged, rising 166% quarter-on-quarter and 109% year-on-year to $877.4 million. Conversely, equity-related bond investments dipped by 19% quarter-on-quarter but still recorded a 138% increase year-on-year to $117.3 million. The sustained interest from offshore investors in Nigeria's fixed income market reflects lucrative carry-trade opportunities, bolstered by the Central Bank of Nigeria's tight monetary policy stance.



By contrast, Foreign Direct Investment (FDI) remained weak, highlighting ongoing macroeconomic headwinds. FDI plummeted to $126 million in Q1 2025 from $421.9 million in the preceding quarter. Similarly, other investments fell sharply by 53% quarter-on-quarter and 74% year-on-year to $311.2 million, largely comprising loans. A sectoral breakdown shows the banking sector leading inflows with $3.13 billion (55.44% of the total), followed by the financing sector at $2.1 billion (37.18%) and the production/manufacturing sector at $129.92 million (2.30%). Capital imports into industries such as automobile, construction, packaging, brewing, oil and gas, and transport remained muted due to prevailing downside risks and weak prospects for near- to long-term returns under current market conditions.

In terms of origin, the United Kingdom remained the largest source of capital, contributing $3.7 billion (65.26% of total inflows). This was followed by South Africa with $501.29 million (8.88%) and Mauritius with $394.51 million (6.99%). Regarding the destination of inflows, Abuja (FCT) retained its position as the top recipient, attracting $3.05 billion (54.11% of the total). Lagos State followed with $2.56 billion (45.44%), while Ogun State received $7.95 million (0.14%). Oyo and Kaduna States recorded $7.81 million and $4.06 million, respectively. Other northern states remained largely unattractive to investors due to persistent insecurity, which continues to hinder growth and investment prospects in the region.

Cowry Research notes the strong rebound in capital imports which signals an improved sentiment toward Nigeria's macroeconomic outlook. The convergence of stabilising FX rates, moderating inflation since January 2025, and reforms aimed at strengthening investor confidence have helped reposition Nigeria as a viable destination for portfolio inflows.

However, we caution that the dominance of short-term capital flows underscores lingering fragility. A sudden shift in global risk appetite, rising geopolitical tensions, or intensified trade protectionism — notably from President Trump's tariff regime — could trigger a reversal of these gains. To sustain momentum and attract long-term capital, Nigeria will need to deepen structural reforms, tackle insecurity, and maintain a stable macroeconomic environment.