COWRY RESEARCH ANALYSTS' FLASHNOTE:

NIGERIA'S CAPITAL IMPORTATION - FY 2025

Cowry Research

Nigeria's Capital Inflows Roar Back to $23.22bn in 2025, but Short-Term Bets Still Dominate……

Nigeria saw a sharp rebound in capital inflows in 2025, with total importation rising by 88.45% year-on-year to $23.22 billion from $12.32 billion in the previous year, according to the latest data from the National Bureau of Statistics. Much of this surge was driven by portfolio investors who leaned heavily into money market instruments, fixed income securities, and equities, drawn by elevated interest rates and a relatively stable exchange rate environment throughout the year.

It is important to note that the capital importation figures reflect fresh inflows reported by commercial banks and do not include other components of foreign direct investment such as reinvested earnings. Even so, the 2025 figure marks a significant milestone, representing the highest level of inflows in six years, effectively surpassing pre-pandemic thresholds. This comes after a prolonged period between 2020 and 2023 when annual inflows struggled to cross the $10 billion mark, weighed down by economic uncertainties and policy adjustments around exchange rates and interest rates.

A closer look at the numbers shows that portfolio investment remains the dominant force behind Nigeria's capital inflows. In 2025 alone, portfolio investments climbed sharply to $19.75 billion from $8.38 billion in 2024, accounting for about 85% of total inflows. Investors appeared to take advantage of the relative stability of the naira, which averaged around ₦1,435.76 per dollar, alongside interest rates that hovered near 27%. Money market instruments alone accounted for over 80% of total portfolio inflows at $13.83 billion, nearly doubling from the previous year. This was followed by bonds and other fixed income securities at $4.89 billion, while equity investments, though improved, remained modest at $1.02 billion.

Outside of portfolio flows, other investments contributed a smaller share, accounting for 11% of total inflows at $2.55 billion, though this represented a decline of 22.5% compared to 2024.

Loans made up the bulk of this category at $2.49 billion, while trade credit returned to positive territory for the first time since 2022, albeit at a modest $19.5 million. Currency deposits and other claims remained largely subdued.

Foreign direct investment, often seen as a more stable and long-term indicator of investor confidence, showed a gradual but encouraging improvement. FDI rose by 36.8% year-on-year to $923 million from $674.7 million, marking its highest level since 2020. While still relatively low compared to portfolio flows, the uptick suggests a slow return of long-term investor interest.

On a closer quarterly reading, the composition of inflows reinforces the dominance of short-term capital. In Q4 2025, total capital importation came in at $6.44 billion, with portfolio investment alone contributing $5.49 billion, or just over 85% of the total. Within this, money market instruments remained the clear favourite at $3.08 billion, even though this segment saw a slight year-on-year moderation. Bonds followed strongly at $1.97 billion, reflecting sustained appetite for fixed income securities, while equity inflows rose to $433.05 million with gradual return of risk-taking.

Foreign direct investment stood at $357.80 million during the quarter, while other capital flows remained relatively modest at $599.65 million, weighed down by declines in loans despite some recovery in trade credits and other claims. The picture that emerges is one where investors are still prioritising liquidity, yield, and flexibility over long-term commitments.

The sectoral distribution of these inflows tells an equally revealing story about where foreign capital feels most comfortable. The banking sector alone attracted $3.85 billion in Q4 2025, accounting for nearly 60% of total inflows, underscoring its role as the primary gateway for foreign capital and a key beneficiary of elevated interest rates.

The financing sector followed with $1.94 billion, capturing about 30%, while the real economy lagged significantly behind. Production and manufacturing received just $308.93 million, and sectors such as agriculture, telecommunications, and trading recorded relatively small inflows in comparison.

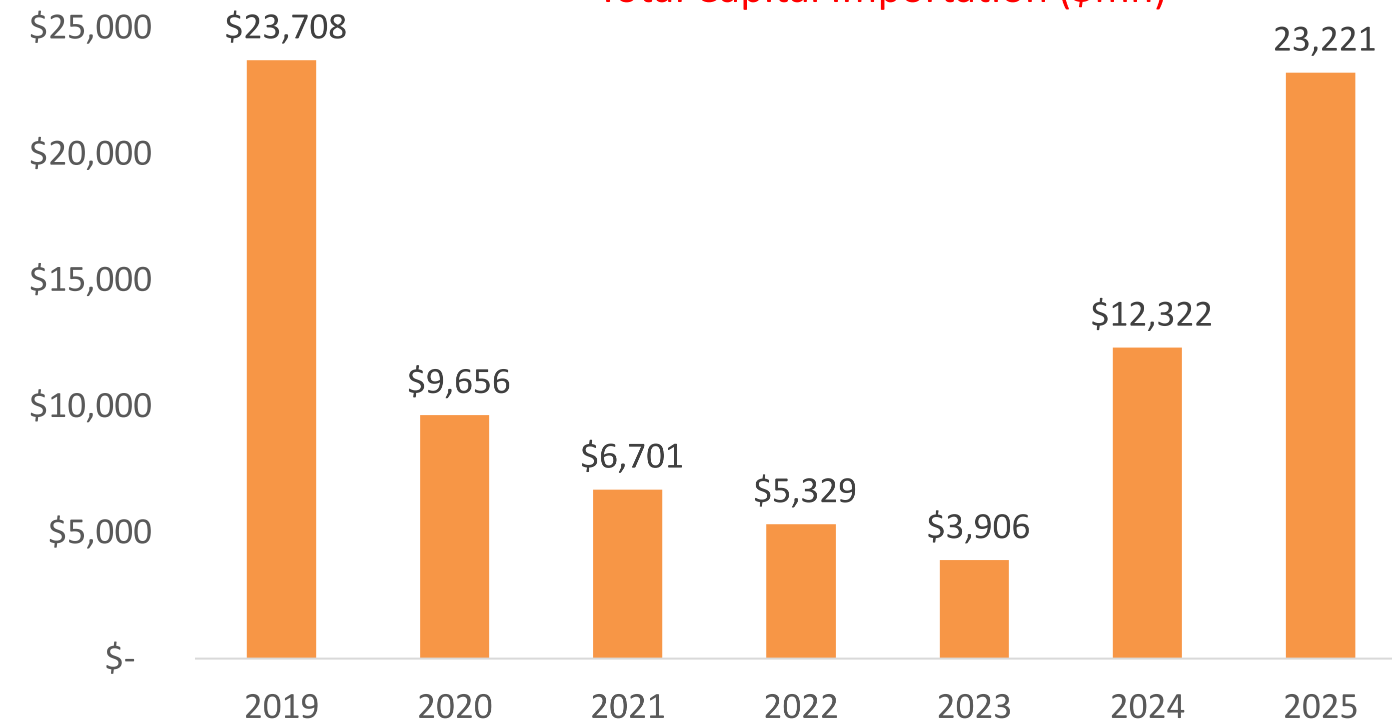
Critical areas like oil and gas, infrastructure-related segments such as transport, and even high-employment sectors like construction and real estate saw minimal participation. This shows capital is flowing into financial assets rather than productive sectors that can drive broad-based economic growth and job creation.

A further breakdown of inflows through financial institutions shows a high level of concentration within a few key players. Stanbic IBTC Bank Plc led the pack with inflows of $2.23 billion, accounting for over a third of total capital imported in the quarter. This was followed by Standard Chartered Bank Nigeria Ltd with $1.85 billion and Citibank Nigeria Ltd at $840.72 million.

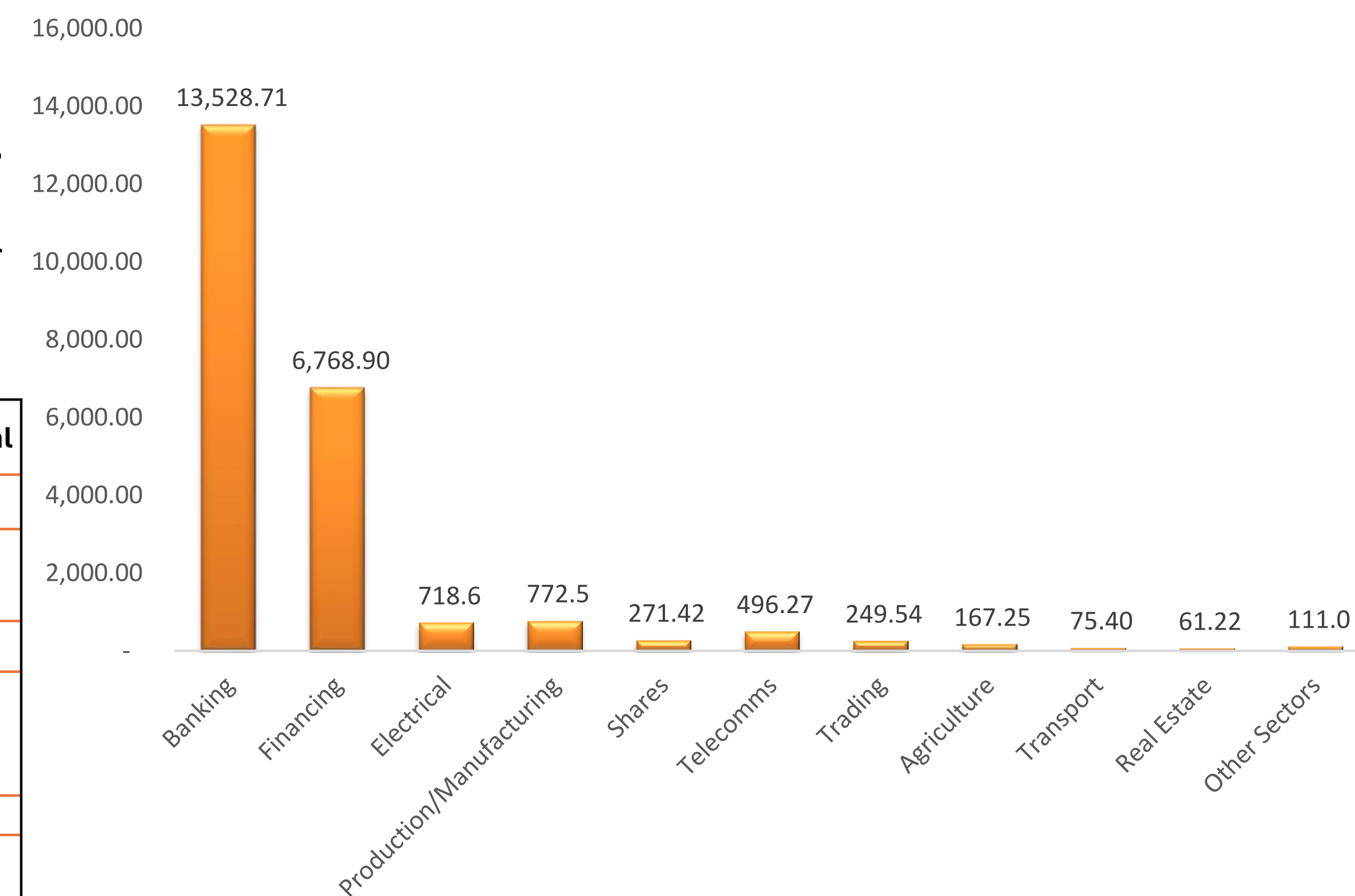
Other banks recorded moderate inflows with marginal contributions and suggests that foreign investors are channeling funds through institutions with strong international linkages, robust balance sheets, and established credibility, further reinforcing the idea that confidence in the broader financial system remains a critical factor in attracting and sustaining capital inflows.

Total Capital Importation Schedule in 2025 ($'mn)			% share of total	FY 2024 ($'mn)	% share of total
Foreign Direct Investment		**923.01**	3.97%	**674.71**	5.48%
	Equity	868.29		665.51	
	Other Capital	54.72		9.20	
Portfolio Investment		**19,744.63**	0.85	**8,378.77**	68.00%
	Equity	1,023.65		428.29	
	Bonds	4,892.64		998.99	
	Money market instruments	13,828.34		6,951.49	
Other Investment		**2,553.18**	0.11	**3,268.85**	26.53%
	Trade credits	19.50		-	
	Loans	2,486.74		3,206.87	
	Currency deposits	5.00		0.03	
	Other claims	41.94		61.95	
Grand Total		**23,220.83**		**12,322.33**	

Total Capital Importation ($mn)



Top 10 Sectors by Capital Importation in 2025 ($'mn)



Source: National Bureau of Statistics, Cowry Research

Cowry Research believes the strong recovery in capital importation reflects an improvement in Nigeria's macroeconomic sentiment, supported by monetary policy adjustments from the Central Bank of Nigeria aimed at attracting foreign inflows. The combination of exchange rate stability, high yields, and easing inflationary pressures since early 2025 has helped reposition the country as an attractive destination for short-term capital.

However, beneath the surface, the story is less straightforward. The overwhelming dominance of portfolio inflows highlights a continued reliance on short-term, and often volatile, capital. These flows can reverse quickly in response to shifts in global risk appetite, geopolitical tensions, or tighter financial conditions abroad. Events such as escalating tensions in the Middle East or a rise in global trade protectionism could easily unsettle these gains.

For Nigeria to build on this momentum, the focus will need to shift toward attracting more durable, long-term capital. That means deepening structural reforms, addressing security challenges, and maintaining a stable and credible macroeconomic environment. While the return of foreign capital is a positive signal, the real test lies in turning these short-term inflows into sustained investment that supports long-term economic growth.

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