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Destination Sectors and Originating Economies of Nigeria's Private Foreign Assets and Liabilities in 2012

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[1]Destination Sectors and Originating Economies of Nigeria's Private Foreign Assets and Liabilities in 2012

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The 2013 survey of foreign assets and liabilities of enterprises in Nigeria was conducted to determine destination sectors of foreign private capital flows and economies where such investments originate. The survey covered 649 large establishments in Nigeria with 87.4 per cent response rate. The cross border transactions/investments of the respondents during 2011 and 2012 indicate total foreign claims on the Nigerian economy as at end 2012 rising to ₦16, 790.78 billion from ₦13, 647.19 billion recorded in 2011. Of this total, 98.1per cent came in the form of direct investments, while portfolio investments and other capital flows accounted for 1.1 and 0.8 per cent, respectively. About 39 per cent of the total inflow originated from Europe, while 16.7 per cent and 16.3 per cent originated from the Middle East and North America, respectively. A breakdown in terms of destination sectors revealed that extractive industries sector attracted 40.5 per cent and is followed by manufacturing, which received 27.7 per cent. Total stock of outward investment as at end 2012 was ₦235.94 billion as against ₦208.44 billion recorded in 2011. In 2012, outward direct investment dominated with 76.5 per cent of the total, while European countries were the preferred investment destination for Nigerian enterprises receiving 57.4 per cent of the total outflow, followed by Africa (27.2 per cent).

1.0 Background

The increasing wave of globalization, enabled by improved information technology has led to rapid and substantial movement of capital across economies. Such cross border capital flows are, amongst other factors, motivated by investors' desire to optimize their investments by seeking destinations that offer higher returns at manageable levels of risk. According to UNCTAD World Investment Report (2013), global foreign direct investment (FDI) stood at $1.35 trillion in 2012, falling from its 2011 level by about 18 per cent. This development was attributable to economic fragility and policy uncertainty in a number of major economies, which gave rise to caution among investors. Similarly, FDI flows to developing economies declined slightly by 4 per cent to $703 billion in 2012 but accounted for 52 per cent of global FDI inflows, exceeding flows to developed economies for the first time ever, by $142 billion.

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In 2012, growth in the global economy was sluggish as world output growth rate declined to 3.9 per cent from 5.3 per cent in 2010 (IMF, 2013). This was in the face of worsening Euro area debt crisis, the low growth of the US economy, and political crisis in the Middle East and North Africa. The international financial market was fragile due to the Euro area crisis. In Sub-Saharan Africa, growth slowed to 5.2 per cent compared with 5.3 per cent in the previous year.

In Nigeria, the real Gross Domestic Product (GDP), measured in 2010 basic prices, grew by 6.7 per cent in 2012, compared with 5.09 per cent in 2011 (Kale, 2014). The non-oil sector which grew by 8.26 per cent in 2012 remained the driver of the economy and the major contributors to the growth were trade (3.33 percentage points), services (2.46 percentage points), industry (1.14 percentage points), manufacturing (1.13 percentage points), agriculture (0.77 percentage points) and construction (0.56 percentage points). The improvements recorded are largely attributable to the conducive macroeconomic environment which included favourable credit conditions that enhanced the financing of the private sector, sustained investment in power and other infrastructure and enabling fiscal incentives.

Inflation rate rose to 12.0 per cent in December 2012 from 10.3 per cent in the preceding year despite series of monetary policy tightening and complementary measures undertaken during the year to rein in inflation. On the external side, the country recorded an improved performance as the overall balance stood at a surplus of ₦1,747.9 billion (or 2.5% of GDP) in 2012, as against ₦47.1 billion (or 0.07 per cent of GDP) in 2011. The stock of external reserves as at end-2012 was US$43.8 billion, which could finance 10.7 months of imports.

The developments that unfolded in the domestic and global economies have been responsible for the movement in capital flows into and out of the country. Since cross border capital flows constitute sources of economic vulnerabilities, countries devote substantial efforts at collecting and analyzing data on their foreign assets and liabilities to ascertain the extent vulnerabilities to the rest of the world.

In order to collect reliable statistics on the stock and flows of inward and outward investments in Nigeria, the Survey of Foreign Assets and Liabilities (SOFAL) of enterprises is conducted annually. Capital flows collected are categorized into; Foreign Direct Investment (FDI), Foreign Portfolio Investment (FPI) and Other Capital Flows (OCF). Amongst other uses, the data collected from the survey are used for the compilation of the country's Balance of Payments (flows) and International Investment Position (stock) statistics.

The 2013 SOFAL, which was conducted during July/August 2013 solicited enterprises' data on their cross border capital flows and stock during the periods 2011 and 2012. The specific objectives of the survey are to measure the size of FDI, FPI and OCF for Nigeria; quantify foreign investments attributed to government investment promotion policies (such as the free trade zone policy); identify the destination sectors of foreign investments in Nigeria; and identify the originating economies of foreign liabilities in Nigeria as well as the destination economies of the country's foreign assets.

The results of the survey outcomes are presented in this report which for ease of exposition is structured into four sections. Following this section, which provides some background information, section two discusses the institutional, methodological and analytical arrangements for the 2013 survey. Section three presents results of the survey while section four concludes the report.

2.0 Survey Methodology and Management

The 2013 SOFAL was conducted by the Central Bank of Nigeria (CBN) and it encompassed the Coordinated Direct Investment Survey (CDIS), which was inaugurated in 2009, as well as two other components of capital: portfolio investment (stock and flows) and other foreign private capital flows. The survey consolidated on the gains of the 2012 SOFAL, which covered 320 establishments.

Like in the previous years, the overall objective of the SOFAL remained to, measure the size of private foreign assets and liabilities in Nigeria during the periods 2011 and 2012. The sum of investments made by Nigerian resident enterprises in direct investment abroad is regarded as the country's "foreign private assets", while "foreign private liabilities" refer to the total investments made by non-resident enterprises in the Nigerian economy. The 2013 SOFAL collected data on three components of capital flows - FDI, FPI and OCF, through the administration of structured questionnaire to enterprises with foreign assets and liabilities.

2.1 Scope and Coverage

The register of enterprises used for the survey was revised with information from various sources including; Corporate Affairs Commission (CAC), Nigeria Investment Promotion Commission (NIPC), Nigeria Export Promotion Zone Authority (NEPZA), Oil and Gas Free Zone Authority (OGFZA), Federal Inland Revenue Service (IFRS) and Manufacturers Association of Nigeria (MAN). These enterprises cut across manufacturing; agriculture, hunting, forestry and fishing; construction; transport, storage and communication; financing, real estate, insurance and business services; wholesale and retail trade, catering and accommodation; and extractive (oil and gas) sectors. However, manufacturing and extractive industries sectors received particular attention. Overall, 649 enterprises were surveyed while returns were received and processed for 567, implying a response rate of 87.4 per cent.

Preceding the 2013 survey, some members of the survey team visited the Bank of Ghana on experience sharing, and received an International Monetary Fund technical assistance mission on the compilation of the financial account of the Balance of Payments (BOP) and International Investment Position (IIP) statistics. Outcomes of these discussions resulted in the redesigned SOFAL questionnaire and production of the handbook of terminologies to guide respondents and make for easier completion of the questionnaire. The redesigned questionnaire was structured into five parts to capture data on enterprises' foreign assets and liabilities. The first and the last parts relate to enterprise's characteristics and respondent's feedback, respectively. Parts two to four seek data on equity inward investments, non-equity inward investments, equity outward investments and non-equity outward investments, respectively.

The survey period was divided into three parts namely: lodgment during which enumerators were expected to lodge the survey instruments with responding enterprises; completion period during which the respondents were expected to complete the forms and; and retrieval period in which the enumerators returned to the enterprises to retrieve the completed forms. Enterprises were also asked to submit their financial statements from which necessary data were extracted to augment the completed questionnaire.

2.2 Stakeholder Sensitization and Mobilization

In order to enlighten the respondents on the importance and gains of the SOFAL as well as enhance their understanding of the survey instrument, a stakeholders' forum was held during the year. The forum also created a platform for a feedback system which has been useful in the improvement of the SOFAL questionnaire as well as the survey methodology. On the SOFAL project are other relevant agencies such as NIPC, NEPZA, Federal Ministry of Trade and Investment, MAN, National Association of Chambers of Commerce, Industries and Agriculture, and OGFZA. These agencies played different roles in galvanizing support for the SOFAL.

2.3 Field Staff Training

The 2013 SOFAL fieldwork was conducted with active collaboration of NEPZA and OGFZA. In this regard, the Statistics Department of the CBN held training sessions for field enumerators of each of the collaborating agencies with a view to enhancing their understanding of the survey instrument. The training sessions were held at Lagos (for MAN), Calabar (for NEPZA) and Port Harcourt (for OGFZA). The enumerators were tutored on survey etiquettes, objectives of SOFAL and ways of conducting consistency checks on completed questionnaire.

3.0 Results and Discussions

The results presented in this section are based on returns retrieved from 567 respondent enterprises during the 2013 survey. These enterprises cut across the different sectors of the economy and the respondents were required to supply their assets/liabilities data (which could be in form of equity, debt or other capital flows) for both 2011 and 2012.

3.1 Private Foreign Liabilities

Survey returns revealed that total inward capital flow to Nigeria from the rest of the world amounted to ₦16,790.78 billion as at end 2012, representing an increase of 23.03 per cent above the level of ₦13,647.19 billion recorded in 2011 (Table 1).

A breakdown of the 2012 figure by category of capital showed that ₦16,476.74 billion or 98.13 per cent came in the form of direct investments, while portfolio investments and other capital flows accounted for ₦178.83

billion or 1.07 per cent and ₦135.20 billion or 0.81 per cent, respectively. A further breakdown of total inward capital by originating economy in 2012 showed that ₦6,561.44 billion or 39.08 per cent was from the European countries. This was followed by Middle East and North America which accounted for ₦2, 805.87 (or 16.71 per cent) and ₦2, 733.56 (or 16.28 per cent), respectively. Other regions of capital origin were Asia contributing 13.72 per cent, Caribbean (6.05 per cent), Africa (5.62 per cent), Central America (0.90 per cent) and other countries (1.64 per cent). A further breakdown of investments from Africa revealed that investments from Southern Africa dominated (2.59 per cent), while East and Central Africa and West African sub-regions accounted for 1.49 and 1.37 per cent of total inward capital, respectively (Table 2).

Table 1: Nigeria's Foreign Liabilities by Category of Capital (N'Billion)

Category of Capital	2011		2012		Annual Growth (%)
	(N' b)	% Share in Total	(N' b)	% Share in Total	
Foreign Direct Investment (FDI)	13,402.37	98.21	16,476.74	98.13	22.94
Foreign Portfolio Investment (FPI)	120.85	0.89	178.83	1.07	47.98
Other Capital Flows (OCF)	123.97	0.91	135.20	0.81	9.06
Total	**13,647.19**	**100.00**	**16,790.78**	**100.00**	**23.03**

Analysis of inward investments by recipient sector revealed that the extractive industries sector ranked highest as it accounted for ₦6,794.87 billion or 40.47 per cent of the total foreign liabilities in the economy as at end 2012. This was followed by manufacturing (₦4, 651.59 billion or 27.70 per cent) and transport, storage & communication (₦2, 175.27 billion or 12.96 per cent).

Five sectors of the economy attracted higher foreign liabilities in 2012 compared with their levels a year earlier. These sectors were manufacturing with relative contribution of 8.93 percentage points, extractive industries (4.94 percentage points), transport, storage and communication (4.80 percentage points), wholesale and retail trade, catering and accommodation (3.21 percentage points) and financing, insurance, real estate and business services (1.41 percentage points). Foreign investments flow to the construction sector decelerated, as against growth recorded in other sectors. This may be indications that the government's efforts at attracting investments to other sectors outside of construction were yielding results (Table 3).

Table 2: Nigeria's Foreign Liabilities by Region (N'Billion)

Region	2011		2012		Annual Growth (%)	Relative Contribution in percentage points
	(N' b)	% Share in Total	(N' b)	% Share in Total		
Asia	**2,299.91**	**16.85**	**2,304.51**	**13.72**	**0.20**	**0.03**
Caribbean	**715.67**	**5.24**	**1,016.18**	**6.05**	**41.99**	**2.20**
Central America	**141.77**	**1.04**	**150.59**	**0.90**	**6.22**	**0.06**
Europe	**6,196.99**	**45.41**	**6,561.44**	**39.08**	**5.88**	**2.67**
Europian Union	*5,677.79*	41.60	*5,953.63*	35.46	4.86	2.02
Other	*519.21*	3.80	*607.81*	3.62	17.07	0.65
Middle East	**1,183.94**	**8.68**	**2,805.87**	**16.71**	**137.00**	**11.88**
North America	**2,379.54**	**17.44**	**2,733.56**	**16.28**	**14.88**	**2.59**
Oceania	**0.35**	**0.00**	**0.35**	**0.00**	**-**	**-**
South America	**0.37**	**0.00**	**0.37**	**0.00**	**-**	**-**
Africa	**677.30**	**4.96**	**942.95**	**5.62**	**39.22**	**1.95**
Southern Africa	*305.79*	2.24	*434.52*	2.59	42.10	0.94
West Africa	*121.57*	0.89	*230.01*	1.37	89.20	0.79
East and Central Africa	*226.36*	1.66	*250.11*	1.49	10.49	0.17
North Africa	*23.58*	0.17	*28.32*	0.17	20.12	0.03
Others	**51.35**	**0.38**	**274.95**	**1.64**	**435.44**	**1.64**
Total	**13,647.19**	**100.00**	**16,790.78**	**100.00**	**23.03**	**23.03**

Table 3: Nigeria's Foreign Liabilities by Recipient Sector (N'Billion)

Sector	2011		2012		Annual Growth (%)	Relative Contribution in percentage points
	(N' b)	% Share in Total	(N' b)	% Share in Total		
Agriculture, Hunting, Forestry and Fishing	**6.18**	**0.05**	**6.39**	**0.04**	**3.33**	**0.00**
Financing, Insurance, Real Estate & Business Services	**656.01**	**4.81**	**848.88**	**5.06**	**29.40**	**1.41**
Banking	*506.90*	3.71	*687.56*	4.09	*35.64*	*1.32*
Insurance	*11.22*	0.08	*11.84*	0.07	*5.51*	*0.00*
Business Services	*137.89*	1.01	*149.48*	0.89	*8.40*	*0.08*
Real Estate	-	-	-	-		*0.00*
Extractive (Oil & Gas)	**6,120.54**	**44.85**	**6,794.87**	**40.47**	**11.02**	**4.94**
Non Free Trade Zones	*6,120.42*	44.85	*6,792.18*	40.45	*10.98*	*4.92*
Free Trade Zone	*0.12*	0.00	*2.69*	0.02	*2,142.90*	*0.02*
Construction	**853.67**	**6.26**	**818.29**	**4.87**	**-4.14**	**-0.26**
of which Free Trade Zone	*463.90*	3.40	*422.08*	2.51	*-9.01*	*-0.31*
Manufacturing	**3,432.45**	**25.15**	**4,651.59**	**27.70**	**35.52**	**8.93**
of which Free Trade Zone	*218.14*	1.60	*218.14*	1.30	*0.00*	*0.00*
Transport, Storage and Communication	**1,520.43**	**11.14**	**2,175.27**	**12.96**	**43.07**	**4.80**
Transport	*947.56*	6.94	*1,435.81*	8.55	*51.53*	*3.58*
Storage	-	-		-		
Communication	*572.87*	4.20	*739.46*	4.40	*29.08*	*1.22*
Wholesale & Retail Trade, Catering and Accomodation	**1,057.90**	**7.75**	**1,495.49**	**8.91**	**41.36**	**3.21**
Wholesale & Retail	*1,055.37*	7.73	*1,492.96*	8.89	*41.46*	*3.21*
Catering	*0.28*	0.00	*0.28*	0.00	*0.00*	*0.00*
Accomodation	*2.25*	0.02	*2.25*	0.01	*0.00*	*0.00*
Global Total	**13,647.19**	**100.00**	**16,790.78**	**100.00**	**23.03**	**23.03**

3.2 Private Foreign Liabilities by Category of Capital

3.2.1 Foreign Direct Investment (FDI)

A breakdown of total capital inflows as at end-2012 showed that ₦16, 476.74 billion came in the form of direct investments, representing about 98.13 per cent (Table 1). Of the total FDI stock recorded in 2012, the sum of ₦10,723.90 billion or 65.09 per cent was in the form of equity, while the balance of ₦5,752.84 billion or 34.91 per cent came in the form of debt (Table 4).

Table 4: Nigeria's Inward FDI by Recipient Sector and Instrument Type, 2012 (N'Billion)

Sector	Equity		Debt		Total Foreign Direct Investment	% Share in Total
	(N' b)	% Share in Total	(N' b)	% Share in Total		
Agriculture, Hunting, Forestry and Fishing	**6.14**	**0.06**	**0.25**	**0.00**	**6.39**	**0.04**
Financing, Insurance, Real Estate & Business Services	**528.51**	**4.93**	**194.17**	**3.38**	**722.68**	**4.39**
Banking	*376.61*	*3.51*	*184.75*	*3.21*	561.36	3.41
Insurance	*11.85*	*0.11*	*-0.01 -*	*0.00*	11.84	0.07
Business Services	*140.05*	*1.31*	*9.43*	*0.16*	149.48	0.91
Real Estate	-	-	*0.00*	-	-	-
Extractive (Oil & Gas)	**4,692.08**	**43.75**	**2,102.64**	**36.55**	**6,794.72**	**41.24**
Non Free Trade Zones	*4,689.39*	*43.73*	*2,102.64*	*36.55*	6,792.03	41.22
Free Trade Zone	*2.69*	*0.03*	*0.00*	-	2.69	0.02
Construction	**729.29**	**6.80**	**86.65**	**1.51**	**815.94**	**4.95**
of which Free Trade Zone	*422.08*	*3.94*	*0.00*	-	422.08	2.56
Manufacturing	**3,095.89**	**28.87**	**1,408.46**	**24.48**	**4,504.35**	**27.34**
of which Free Trade Zone	*218.06*	*2.03*	*0.08*	*0.00*	218.14	1.32
Transport, Storage and Communication	**1,104.11**	**10.30**	**1,033.06**	**17.96**	**2,137.17**	**12.97**
Transport	*906.62*	*8.45*	*529.19*	*9.20*	1,435.81	8.71
Storage	-	-		-	-	-
Communication	*197.48*	*1.84*	*503.88*	*8.76*	701.36	4.26
Wholesale & Retail Trade, Catering and Accomodation	**567.88**	**5.30**	**927.60**	**16.12**	**1,495.48**	**9.08**
Wholesale & Retail	*565.35*	*5.27*	*927.60*	*16.12*	1,492.95	9.06
Catering	*0.28*	*0.00*	*0.00*	-	0.28	0.00
Accomodation	*2.25*	*0.02*	*0.00*	-	2.25	0.01
Global Total	**10,723.90**	**100.00**	**5,752.84**	**100.00**	**16,476.74**	**100.00**
Memo: % Share in Total	**65.09**		**34.91**		**100.00**	

An analysis of FDI by originating economies revealed that the bulk of investments as at end-2012 came from European economies (₦6, 483.05 billion or 39.35 per cent) (Table 5). Europe was followed by the Middle East (₦2, 733.00 billion or 16.59 per cent), North America (₦2, 666.66 billion or 16.18 per cent), Asia (₦2, 300.34 billion or 13.96 per cent), Caribbean (₦1,000.43 billion or 6.07 per cent) and Africa (₦877.33 billion or 5.32 per cent). Other regions from which Nigeria attracted direct investments were Central America (₦150.26 billion or 0.91 per cent) and others (₦264.95 billion or 1.61 per cent). A further breakdown of FDI from Africa showed that Southern Africa, East and Central Africa, West Africa and North Africa sub-regions contributed 2.42, 1.52, 1.31 and 0.08 per cent, respectively. In terms of regional relative contributions to inward FDI growth in 2012, inflows from Middle East, Europe, North America, Caribbean, Africa and others contributed 11.79, 2.65, 2.58, 2.25, 1.83 and 1.77 percentage points, respectively (Table 5).

Table 5: Nigeria's Inward FDI by Region of Origin (N'Billion)

Region	2011		2012		*Annual Growth (%)*	Relative Contribution in percentage points
	(N' b)	% Share in Total	(N' b)	% Share in Total		
Asia	**2,299.82**	**17.16**	**2,300.34**	**13.96**	**0.02**	**0.00**
Caribbean	**698.38**	**5.21**	**1,000.43**	**6.07**	**43.25**	**2.25**
Central America	**141.47**	**1.06**	**150.26**	**0.91**	**6.21**	**0.07**
Europe	**6,128.10**	**45.72**	**6,483.05**	**39.35**	**5.79**	**2.65**
Europian Union	*5,614.64*	*41.89*	*5,881.31*	*35.69*	4.75	1.99
Other	*513.46*	*3.83*	*601.74*	*3.65*	17.19	0.66
Middle East	**1,152.99**	**8.60**	**2,733.00**	**16.59**	**137.04**	**11.79**
North America	**2,321.54**	**17.32**	**2,666.66**	**16.18**	**14.87**	**2.58**
Oceania	**0.35**	**0.00**	**0.35**	**0.00**	-	-
South America	**0.37**	**0.00**	**0.37**	**0.00**	-	-
Africa	**632.05**	**4.72**	**877.33**	**5.32**	**38.81**	**1.83**
Southern Africa	*287.99*	*2.15*	*397.96*	*2.42*	38.19	0.82
West Africa	*105.33*	*0.79*	*215.35*	*1.31*	104.45	0.82
East and Central Africa	*226.35*	*1.69*	*250.02*	*1.52*	10.46	0.18
North Africa	*12.38*	*0.09*	*14.00*	*0.08*	13.09	0.01
Others	**27.290**	**0.20**	**264.95**	**1.61**	**870.87**	**1.77**
Total	**13,402.36**	**100.00**	**16,476.74**	**100.00**	**22.94**	**22.94**

A breakdown of total FDI to Nigeria by recipient sector showed that the extractive sector received the largest share as at end-2012, with a sum of ₦6,794.72 billion or 41.24 per cent. Enterprises in the oil and gas sub-sector in the none free trade zones largely accounted for about 41.22 per cent of total FDI inflows to the sector (Table 4). About 69.05 per cent of investments into the oil and gas subsector were in the form of equity while the balance of 30.95 per cent came in the form of debt instruments. The extractive sector was followed by manufacturing (₦4,504.35 billion or 27.34 per cent) and transport, storage & communication (₦2,137.17 billion or 12.97 per cent). Wholesale and retail trade, catering and accommodation received (₦1,495.48 or 9.08 per cent), construction (₦815.94 billion or 4.95 per cent, financing, insurance, real estate and business services (₦722.68 or 4.39 per cent) and

Agriculture, hunting, forestry & fishing got the least investment (N6.39 billion or 0.04 per cent).

Six sectors of the economy attracted higher inward FDI in 2012 compared with their levels in 2011. These were manufacturing with relative contribution to growth of 8.84 percentage points, extractive (5.03 percentage points), transport, storage and communication (4.61 percentage points), wholesale and retail trade, catering and accommodation (3.27 percentage points) and agriculture, hunting, forestry and fishing (0.002 percentage points). However, inflows of direct investment to construction sector fell by 4.14 per cent (Table 6).

Table 6: Nigeria's Inward FDI by Recipient Sector (N'Billion)

Sector	2011		2012		*Annual Growth (%)*	Relative Contribution in percentage points
	(N' b)	% Share in Total	(N' b)	% Share in Total		
Agriculture, Hunting, Forestry and Fishing	**6.18**	**0.05**	**6.39**	**0.04**	**3.33**	**0.00**
Financing, Insurance, Real Estate & Business Services	**527.23**	**3.93**	**722.68**	**4.39**	**37.07**	**1.46**
Banking	*378.12*	*2.82*	*561.36*	*3.41*	*48.46*	*1.37*
Insurance	*11.22*	*0.08*	*11.84*	*0.07*	*5.51*	*0.00*
Business Services	*137.88*	*1.03*	*149.48*	*0.91*	*8.41*	*0.09*
Real Estate	-	-	-	-		*0.00*
Extractive (Oil & Gas)	**6,120.43**	**45.67**	**6,794.72**	**41.24**	**11.02**	**5.03**
Non Free Trade Zones	*6,120.42*	*45.67*	*6,792.03*	*41.22*	*10.97*	*5.01*
Free Trade Zone	*0.00*	*0.00*	*2.69*	*0.02*	*173,208.44*	*0.02*
Construction	**851.19**	**6.35**	**815.94**	**4.95**	**-4.14**	**-0.26**
of which Free Trade Zone	*463.90*	*3.46*	*422.08*	*2.56*	*-9.01*	*-0.31*
Manufacturing	**3,320.03**	**24.77**	**4,504.35**	**27.34**	**35.67**	**8.84**
of which Free Trade Zone	*218.14*	*1.63*	*218.14*	*1.32*	*0.00*	*0.00*
Transport, Storage and Communication	**1,519.43**	**11.34**	**2,137.17**	**12.97**	**40.66**	**4.61**
Transport	*947.56*	*7.07*	*1,435.81*	*8.71*	*51.53*	*3.64*
Storage	-	-		-		*0.00*
Communication	*571.87*	*4.27*	*701.36*	*4.26*	*22.64*	*0.97*
Wholesale & Retail Trade, Catering and Accomodation	**1,057.89**	**7.89**	**1,495.48**	**9.08**	**41.36**	**3.27**
Wholesale & Retail	*1,055.36*	*7.87*	*1,492.95*	*9.06*	*41.46*	*3.27*
Catering	*0.28*	*0.00*	*0.28*	*0.00*	*0.00*	*0.00*
Accomodation	*2.25*	*0.02*	*2.25*	*0.01*	*0.00*	*0.00*
Global Total	**13,402.37**	**100.00**	**16,476.74**	**100.00**	**22.94**	**22.94**

3.2.2 Foreign Portfolio Investment (FPI)

The stock of FPI in Nigeria as at end-2012 stood at ₦178.83 billion, representing an increase of 47.98 per cent over the 2011 level and about 1.07 per cent of total inward capital (Table 1). Survey returns showed that the manufacturing sector was the preferred sector in FPI as against financing, insurance, real estate and business services sector as it received ₦115.14 billion or 64.39 per cent of the total in 2012. Other sectors that attracted FPI inflows included financing, insurance, real estate & business services (₦46.41 billion or 25.95 per cent), transport, storage & communication (₦15.22 billion or 8.51 per cent), construction (₦1.99 or 1.11 per cent), and extractive (₦0.08 billion or 0.04 per cent), respectively (Table 7).

An analysis of FPI by originating economies revealed that significant amount of investments as at end-2012 came from Middle East and the European countries with ₦ 71.33 billion or 39.88 per cent and ₦51.47 billion or 28.78 per, respectively. These regions were followed by Africa with ₦36.57 billion or 20.45per cent, North America (₦19.21 billion or 10.74 per cent). Other region from where Nigeria attracted portfolio investments was Central America (₦0.25 billion or 0.14 per cent). A further breakdown of FPI inflows

Table 7: Nigeria's Inward FPI by Recipient Sector (N'Billion)

Sector	2011		2012		*Annual Growth (%)*	Relative Contribution in percentage points
	(N' b)	% Share in Total	(N' b)	% Share in Total		
Agriculture, Hunting, Forestry and Fishing	-	-	-	-		-
Financing, Insurance, Real Estate & Business Services	**36.64**	**30.32**	**46.41**	**25.95**	**26.66**	**8.08**
Banking	*36.63*	*30.31*	*46.41*	*25.95*	*26.69*	*8.09*
Insurance	-	-	-	-		
Business Services	*0.01*	*0.00*	*- 0.00*	*- 0.00*	*-119.12*	*-0.01*
Real Estate	-	-	-	-		
Extractive (Oil & Gas)	**0.07**	**0.06**	**0.08**	**0.04**	**13.43**	**0.01**
Non Free Trade Zones	*0.07*	*0.06*	*0.08*	*0.04*	*13.43*	*0.01*
Free Trade Zone	-	-	-	-		
Construction	**2.07**	**1.72**	**1.99**	**1.11**	**-4.26**	**-0.07**
of which Free Trade Zone	-	-	-	-		
Manufacturing	**81.07**	**67.08**	**115.14**	**64.39**	**42.03**	**28.19**
of which Free Trade Zone	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
Transport, Storage and Communication	**1.00**	**0.83**	**15.22**	**8.51**	**1,420.73**	**11.76**
Transport	-	-	-	-		
Storage	-	-		-		
Communication	*1.00*	*0.83*	*15.22*	*8.51*	*1,420.73*	*11.76*
Wholesale & Retail Trade, Catering and Accomodation	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Wholesale & Retail	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
Catering	-	-	-	-		
Accomodation	-	-	-	-		
Global Total	**120.85**	**100.00**	**178.83**	**100.00**	**47.98**	**47.98**

from Africa showed that the bulk of investments originated from Southern Africa

Table 8: Nigeria's Inward FPI by Region (N'Billion)

Region	2011 (N' b)	2011 % Share in Total	2012 (N' b)	2012 % Share in Total	*Annual Growth (%)*	Relative Contribution in percentage points
Asia	**0.04**	**0.04**	**0.01**	**0.00**	**-80.85**	**-0.03**
Caribbean	**0.00**	**0.00**	**0.00**	**0.00**	**1.74**	**0.00**
Central America	**0.27**	**0.22**	**0.25**	**0.14**	**-7.86**	**-0.02**
Europe	**47.96**	**39.68**	**51.47**	**28.78**	**7.33**	**2.91**
Europian Union	*46.64*	*38.59*	*49.93*	*27.92*	7.05	2.72
Other	*1.31*	*1.09*	*1.54*	*0.86*	17.49	0.19
Middle East	**29.42**	**24.34**	**71.33**	**39.88**	**142.46**	**34.68**
North America	**25.35**	**20.97**	**19.21**	**10.74**	**-24.23**	**-5.08**
Oceania	-	-	-	-		
South America	-	-	-	-		
Africa	**17.82**	**14.74**	**36.57**	**20.45**	**105.26**	**15.52**
Southern Africa	*17.80*	*14.73*	*36.56*	*20.44*	105.35	15.52
West Africa	*0.02*	*0.01*	*0.02*	*0.01*	0.00	0.00
East and Central Africa	*0.00*	*0.00*	*0.00*	*0.00*	56.37	0.00
North Africa	-	-	-	-		
Others	-	-	-	-		
Total	**120.85**	**100.00**	**178.83**	**100.00**	**47.98**	**47.98**

(20.44 per cent) while the balance of ₦0.02 billion (or 0.01 per cent) came from East & Central Africa. However, the regions that contributed to the 47.98 per cent FPI growth in 2012 were the Middle East (34.68 percentage points), Africa (15.52 percentage points) and Europe (2.91 percentage points). In contrast, the regions that moderated the FPI growth in 2012 were North and Central America and Asia (Table 8).

3.2.3 Other Foreign Capital Flows (OCF)

Survey returns showed that inward OCF as at end 2012 amounted to ₦135.20 billion, representing about 0.81 per cent of total inward capital inflows to the country (Table 1). The 2012 inward flows represented an increase of 9.06 per cent above its level a year ago.

Table 9 shows that the financing, insurance, real estate and business services received ₦79.79 billion or 59.02 per cent of total OCF (inward) stock in the country as at end-2012. This was followed by the manufacturing sector (₦32.10 billion or 23.74 per cent), transport, storage and communication (₦22.88 billion or 16.93 per cent), construction industry (₦0.36 billion or 0.27 per cent) and extractive industry (₦0.07 billion or 0.05 per cent). Of the ₦79.79 billion that came into the country's financing, insurance, real estate and business services sector, the banking sub-sector received the whole of the investments, accounting for ₦79.79 billion or 59.02 per cent of total OCF stock (Table 9).

When compared with the levels in the previous year, the inward OCF to transport, storage and communication rose significantly by 18.46 percentage points to ₦22.88 billion. The increase in transport, storage and communication was wholly explained by increase in OCF to communication sub-sector. Similarly, manufacturing sector also experienced 0.61 percentage point increase in OCF from ₦31.35 billion in 2011 to ₦32.10 billion in 2012. However, OCF to financing, insurance, real estate and business services dropped by 13.41 per cent to ₦79.79 billion from ₦92.15 billion achieved in 2011 (Table 9). Similarly, the construction sector recorded 12.84 per cent decrease in inflow of OCF as it received only ₦0.36 billion in 2012

Table 9: Nigeria's Inward OCF by Recipient Sector (N'Billion)

Sector	2011		2012		*Annual Growth (%)*	Relative Contribution in percentage points
	(N' b)	% Share in Total	(N' b)	% Share in Total		
Agriculture, Hunting, Forestry and Fishing	-	-	-	-		-
Financing, Insurance, Real Estate & Business Services	**92.15**	**74.33**	**79.79**	**59.02**	**-13.41**	**-9.97**
Banking	*92.15*	*74.33*	*79.79*	*59.02*	*-13.41*	*-9.97*
Insurance	-	-	-	-		
Business Services	-	-	-	-		
Real Estate	-	-	-	-		
Extractive (Oil & Gas)	**0.05**	**0.04**	**0.07**	**0.05**	**28.36**	**0.01**
Non Free Trade Zones	*0.05*	*0.04*	*0.07*	*0.05*	*28.36*	*0.01*
Free Trade Zone	-	-	-	-		
Construction	**0.41**	**0.33**	**0.36**	**0.27**	**-12.84**	**-0.04**
of which Free Trade Zone	-	-	-	-		
Manufacturing	**31.35**	**25.29**	**32.10**	**23.74**	**2.39**	**0.61**
of which Free Trade Zone	-	-	-	-		*0.00*
Transport, Storage and Communication	**0.00**	**0.00**	**22.88**	**16.93**	**1,721,761.24**	**18.46**
Transport	-	-	-	-		
Storage	-	-		-		
Communication	*0.00*	*0.00*	*22.88*	*16.93*	*1,721,761.24*	*18.46*
Wholesale & Retail Trade, Catering and Accomodation	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Wholesale & Retail	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
Catering	-	-	-	-		
Accomodation	-	-	-	-		
Global Total	**123.97**	**100.00**	**135.20**	**100.00**	**9.06**	**9.06**

Available data from survey returns revealed that ₦47.70 billion or 35.28 per cent of OCF to the country in 2012 originated from North America while ₦29.05 billion or 21.49 per cent came from Africa (Table 10). The West

African sub-region contributed about 10.83 per cent of OCF inflows being responsible for ₦14.64 billion. This was followed by North Africa (₦ 14.32 billion or 10.59 per cent and East and Central Africa (₦0.09 billion or 0.07 per cent). Other notable regions from which substantial inflows of OCF came into Nigeria during 2012 included Europe (₦26.92 billion or 19.91 per cent), Caribbean (₦15.75 billion or 11.65 per cent) and Asia (₦4.16 billion or 3.08 per cent).

When compared to its level in 2011, capital from North America grew significantly from ₦32.65 billion to ₦47.70 billion in 2012 (Table 10). Similarly, other capital inflows from Europe, Asia, Africa and Central America contributed 4.83, 3.32, 1.32 and 0.04 percent points to the 9.06 growth in OCF stock in 2012, respectively. However, inflow of other capital from the Caribbean region fell by 8.91 per cent from ₦17.29 billion in 2011 to ₦15.75 billion in 2012 (Table 10).

Table 10: Nigeria's Inward Other Capital Flows by Region (N'Billion)

Region	2011		2012		*Annual Growth (%)*	Relative Contribution in percentage points
	(N' b)	% Share in Total	(N' b)	% Share in Total		
Asia	**0.05**	**0.04**	**4.16**	**3.08**	**8,365.46**	**3.32**
Caribbean	**17.29**	**13.94**	**15.75**	**11.65**	**-8.91**	**-1.24**
Central America	**0.03**	**0.03**	**0.08**	**0.06**	**163.73**	**0.04**
Europe	**20.94**	**16.89**	**26.92**	**19.91**	**28.58**	**4.83**
Europian Union	*16.50*	*13.31*	*22.39*	*16.56*	35.67	4.75
Other	*4.43*	*3.57*	*4.53*	*3.35*	2.15	0.08
Middle East	**1.53**	**1.23**	**1.54**	**1.14**	**1.08**	**0.01**
North America	**32.65**	**26.34**	**47.70**	**35.28**	**46.07**	**12.13**
Africa	**27.42**	**22.12**	**29.05**	**21.49**	**5.95**	**1.32**
Southern Africa	-	-	-	-		
West Africa	*16.22*	*13.09*	*14.64*	*10.83*	-9.75	-1.28
East and Central Africa	-	-	*0.09*	*0.07*		0.07
North Africa	*11.20*	*9.03*	*14.32*	*10.59*		2.52
Others	**24.06**	**19.41**	**10.00**	**7.40**	**-58.44**	**-11.34**
Total	**123.97**	**100.00**	**135.20**	**100.00**	**9.06**	**9.06**

3.3 Nigeria's Private Foreign Assets

The total stock of outward investments at end 2012 stood at ₦235.94 billion. Of this amount, ₦161.57 billion (or 68.48 per cent) was in the form of debt while the balance of ₦74.37 billion (or 31.52 per cent) was invested in the form of equity (Table 11).

Table 11: Nigeria's Private Foreign Assets by Instrument Type (N' Billion)

Year	Equity		Debt		Total Foreign Assets
	(N' b)	% Share in Total	(N' b)	% Share in Total	
2011	52.51	25.19	155.94	74.81	208.44
2012	74.37	31.52	161.57	68.48	235.94

Outward FDI remained the dominant component of total outward investments during the year, accounting for ₦180.38 billion and representing 76.45 per cent of private foreign assets. This was followed by other capital outflows, which amounted to ₦55.53 billion (or 23.54 per cent). Outward FPI stood at ₦0.03 billion (or 0.01 per cent), accounting for the balance (Table 12). When compared to their levels in the previous year, FDI outflow rose by 18.80 per cent while FPI and OC outflows declined by 66.67 and 1.75 per cent, respectively (Table 12).

Table 12: Nigeria's Private Foreign Assets by Category of Capital (N' Billion)

Category of Capital	2011		2012		Annual Growth (%)
	(N' b)	% Share in Total	(N' b)	% Share in Total	
FDI	151.83	72.84	180.38	76.45	18.80
FPJ	0.09	0.04	0.03	0.01	-66.67
OCF	56.52	27.12	55.53	23.54	-1.75
Total	**208.44**	**100.00**	**235.94**	**100.00**	**13.19**

Analysis of total private foreign assets by destination showed that ₦135.53 billion or 56.17 per cent went to Europe (Table 13). Of this amount, ₦ 132.53 billion went to EU and the balance of 1.27 per cent to non-EU member countries. Other notable regions that attracted Nigerian investors in 2012 included: Africa (₦ 64.28 billion or 27.24 per cent), North America (₦117.38 billion or 7.37 per cent), Middle East (₦ 13.89 billion or 5.89 per cent and Asia (₦4.46 billion or 1.89 per cent). Of the total for the African continent, the West African sub-region received ₦48.05 billion or 20.36 per cent, East & Central Africa ₦10.13 billion or 4.29 per cent, Southern Africa (₦3.40 billion or 1.44 per cent and North Africa ₦2.70 billion or 1.14 per cent.

When compared to its level in 2011, outward capital flow increased by ₦27.51 billion or 13.20 per cent to ₦235.95 billion in 2012. The regions that contributed to the 13.20 per cent growth in outward capital flows were Europe with relative contribution of 9.61 percentage points, followed by Africa (5.17 percentage points), North America (2.26 percentage points), Asia (1.31 percentage points) and Caribbean (0.19 percentage points). However, outward capital outflow to Middle East fell by 44.55 per cent from ₦ 25.05 billion to ₦ 13.89 billion in 2012 (Table 13).

Table 13: Nigeria's Private Foreign Assets by Destination Region (N'Billion)

Region	2011 (N' b)	2011 % Share in Total	2012 (N' b)	2012 % Share in Total	*Annual Growth (%)*	Relative Contribution in percentage points
Asia	**1.73**	**0.83**	**4.46**	**1.89**	**157.80**	**1.31**
Caribbean	**-**	**-**	**0.40**	**0.17**		**0.19**
Central America	**0.01**	**0.00**	**0.01**	**0.00**	**0.00**	**0.00**
Europe	**115.49**	**55.41**	**135.53**	**57.44**	**17.35**	**9.61**
Europian Union	*108.42*	*52.01*	*132.53*	*56.17*	22.24	11.57
Other	*7.07*	*3.39*	*3.00*	*1.27*	-57.57	-1.95
Middle East	**25.05**	**12.02**	**13.89**	**5.89**	**-44.55**	**-5.35**
North America	**12.66**	**6.07**	**17.38**	**7.37**	**37.29**	**2.26**
Africa	**53.50**	**25.67**	**64.28**	**27.24**	**20.14**	**5.17**
Southern Africa	*2.88*	*1.38*	*3.40*	*1.44*	18.06	0.25
West Africa	*37.70*	*18.09*	*48.05*	*20.36*	27.44	4.96
East and Central Africa	*9.59*	*4.60*	*10.13*	*4.29*	5.63	0.26
North Africa	*3.33*	*1.60*	*2.70*	*1.14*	-18.92	-0.30
Others	**-**	**-**	**-**	**-**		
Total	**208.44**	**100.00**	**235.95**	**100.00**	**13.20**	**13.20**

Table 14: Nigeria's Private Foreign Assets by Sector (N'Billion)

Sector	2011 (N' b)	2011 % Share in Total	2012 (N' b)	2012 % Share in Total	*Annual Growth (%)*	Relative Contribution in percentage points
Financing, Insurance, Real Estate & Business Services	**113.29**	**54.35**	**136.76**	**57.96**	**20.72**	**11.26**
Banking	*111.21*	*53.35*	*134.64*	*57.06*	*21.06*	*11.24*
Insurance	*1.04*	*0.50*	*1.05*	*0.45*		*0.01*
Business Services	*1.03*	*0.50*	*1.07*	*0.45*		*0.02*
Real Estate	*-*	*-*	*-*	*-*		*0.00*
Extractive (Oil & Gas)	**78.58**	**37.70**	**77.89**	**33.01**	**-0.88**	**-0.33**
Construction	**2.90**	**1.39**	**3.12**	**1.32**	**7.37**	**0.10**
Manufacturing	**5.84**	**2.80**	**6.26**	**2.65**	**7.12**	**0.20**
Transport, Storage and Communication	**7.01**	**3.36**	**9.54**	**4.04**	**36.08**	**1.21**
Transport	*1.86*	*0.89*	*1.40*	*0.59*		*-0.22*
Communication	*5.15*	*2.47*	*8.14*	*3.45*	*58.06*	*1.43*
Wholesale & Retail Trade, Catering and Accomodation	**0.82**	**0.39**	**2.38**	**1.01**	**190.94**	**0.75**
Wholesale & Retail	*0.82*	*0.39*	*2.38*	*1.01*	*190.94*	*0.75*
Catering	*-*	*-*	*-*	*-*		
Accomodation	*-*	*-*	*-*	*-*		
Global Total	**208.44**	**100.00**	**235.94**	**100.00**	**13.19**	**13.19**

A breakdown of total outward investment from Nigeria by investing sector showed that the financing, insurance, real estate and business services sector invested the largest share as at end-2012, contributing a sum of ₦136.76

billion or 57.96 per cent. The banking sub sector accounted for 57.06 per cent of the total. The financing, insurance, real estate and business services sector was followed by the extractive industry which invested a sum of ₦77.89 billion or 33.01 per cent of total foreign assets (Table 14).

Five sectors of the economy invested more outside the country in 2012 compared with 2011. The financing, insurance, real estate and business services sector had the highest contribution of 11.26 percentage points, followed by transport, storage and communication (1.21 percentage points), wholesale and retail trade, catering and accommodation (0.75 percentage points), manufacturing (0.20 percentage points) and construction (0.10 percentage points). However, outward capital flows from extractive sector fell by 0.88 per cent, during the review period (Table 14).

3.4 Impact of Free Trade Zone Policy

Enterprises in the Free Trade Zones (FTZs) in the country attracted basically FDI in line with expectations by the policy framework. About 3.83 per cent of total capital inflows to the country as at end-2012 went to the free trade zones. This was 5.74 per cent lower than the total stock of inward capital into the zone in 2011 (Table 15).

Table 15: Sectoral Distribution of Foreign Investment into the FTZs (N'Billion)

Sector	2011		2012		*Annual Growth (%)*	Relative Contribution in percentage points
	(N' b)	% Share in Total	(N' b)	% Share in Total		
Agriculture, Hunting, Forestry and Fishing	-	-	-	`		0.00
Financing, Insurance, Real Estate & Business Services	-	-	-	-		0.00
Extractive (Oil & Gas)	0.00	0.00	2.69	0.42	173,208.44	0.39
Construction	463.90	68.02	422.08	65.65	-9.01	-6.13
Manufacturing	218.14	31.98	218.14	33.93	0.00	0.00
Global Total	682.04	100.00	642.91	100.00	-5.74	-5.74
Total Inward Liabilities (TIL)	13,647.19		16,790.78		23.03	
Global Total as % share of TIL	5.00		3.83			

4.0 Summary and Conclusion

Survey returns showed that total inward investments to Nigeria grew by 23.03 per cent in 2012 from the level of ₦13,647.19 billion recorded in 2011. Similarly, the stock of outward investments stood at ₦235.94 billion, representing an increase of 13.2 per cent above its level in 2011. The stock of inward investments attracted by the free trade zones stood at ₦642.91 billion representing a decrease of 5.74 per cent when compared to ₦682.04 billion recorded in 2011.

The 23.03 per cent growth in inward investment recorded in 2012 was largely attributable to the 11.88 percentage points contribution in investments from the Middle East countries. Also investments from Europe, North America, Caribbean and Africa contributed 2.67, 2.59, 2.20 and 1.95 percentage points, respectively. In terms of sectoral distribution of inward investment, the extractive industry of the Nigerian economy remained the preferred sector of foreign investors as it received about 40.5 per cent of the total. This was followed by the manufacturing sector, which received 27.7 per cent.

It is hoped that the findings presented in this report will influence Nigeria's bilateral trade and investment policies with a view to further encouraging foreign capital inflows for improved economic performance. Domestic investment policies need to be backed up with solid infrastructural base in order for the country to continue to sustain inward capital flows, especially to the manufacturing sector.

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