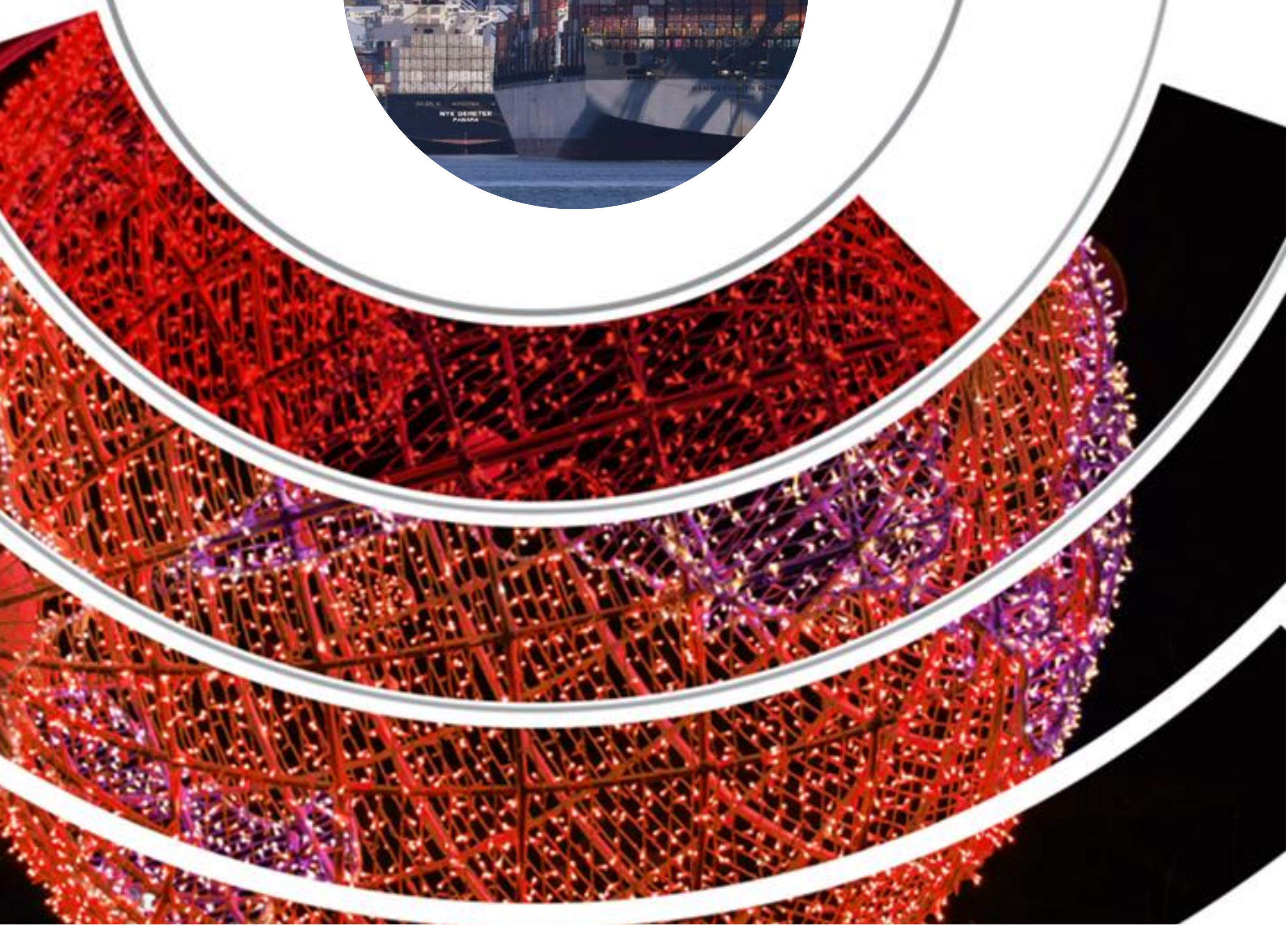
Nigeria's Capital Importation

Q1 2026



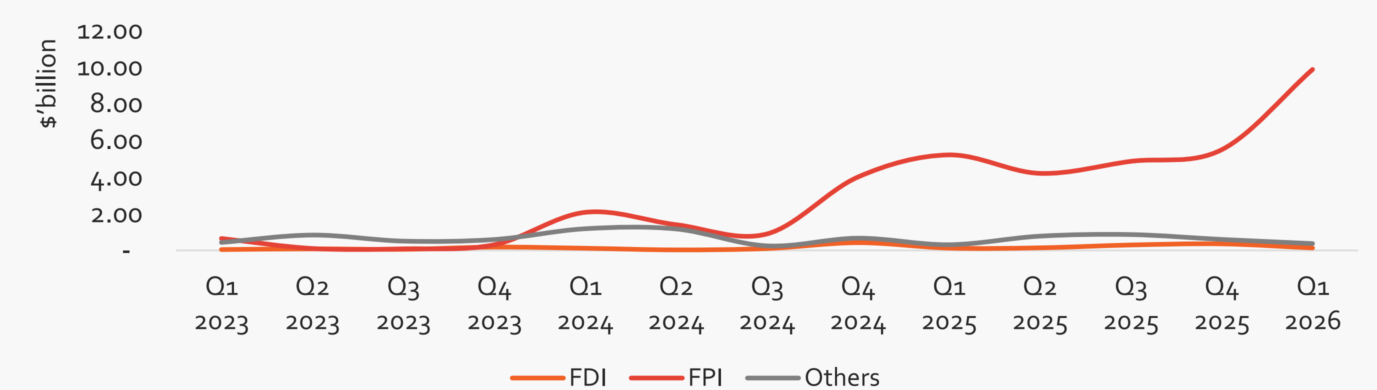
Capital Importation surges 83.8% in Q1 2026

In the first quarter of 2026, Nigeria recorded a total of $10.37 billion in capital importation, the highest quarterly inflow on record since 2013. This represent a year-on-year increase of 83.8% from $5.64 billion recorded in the corresponding period of 2025, and a 60.9% increase from $6.44 billion recorded in the previous quarter.

This growth was largely driven by Foreign Portfolio Investment (FPI), which accounted for 95.01% of total inflow, maintaining its dominant position as the most attractive investment category. On the other hand, Other Investment accounted for 3.61%, while Foreign Direct Investment (FDI) contributed 1.31%.

All three investment categories recorded notable growth in the review period. On a year-on-year basis FPI and Other investment surged by 89.5% and 20.3% to $9.86 billion and $374.5 million, respectively. Similarly, FDI grew by 6.9% to $135.1 million. However, from a quarterly lens, only FPI (+79.78%) increased. FDI (-62.25%) and Other Investment (-37.55%) attracted significantly lower levels of investment from the previous quarter.

Capital Importation Trend



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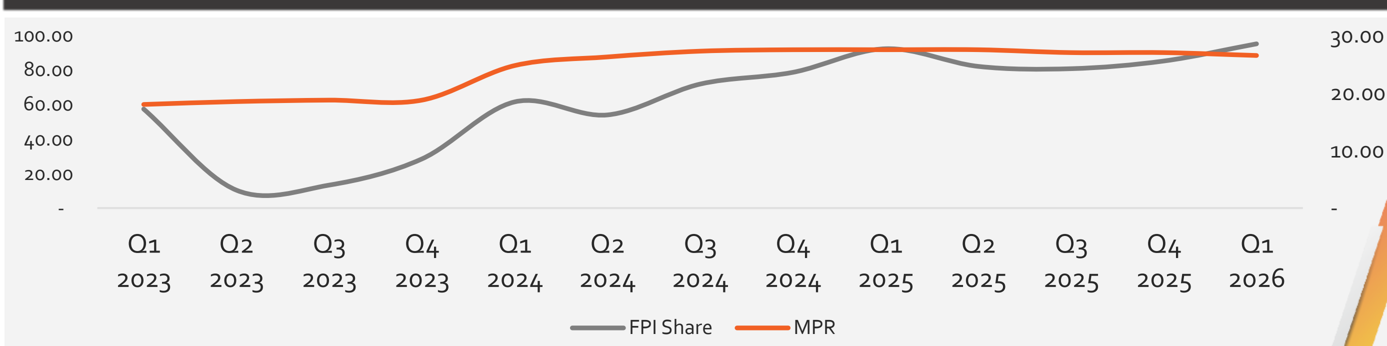
FPI Dominance

In the review period, FPI contributed $9.87 billion (95.1%) to total inflows. This skewed allocation was driven by evolving macroeconomics dynamics, particularly elevated yields in the capital market. In Q1 2026, the Monetary Policy Committee (MPC) kept interest rate at relative high levels in a bid to curb inflation and stabilize prices. As a result, yields on fixed income investment remained elevated, incentivizing investors to funnel fresh capital into the market. In addition, the relatively stable FX environment contributed to foreign investor confidence in the Nigerian market.

An analysis of portfolio investment revealed that the largest chunk of inflows went into money market instruments. Of the total $9.86 billion portfolio inflow, 65.95% was allocated to money market instruments while the bond market attracted 32.71%, and equities accounted for 1.38%.

Investors appetite for money market investment was supported by elevated yields. Specifically, Treasury Bills (T-Bills) yields averaged at 17.748% in Q1 2026 relative to 17.34% in the preceding quarter. Consequently, allocation to money market instruments grew by 110.98% relative to the last quarter.

FPI Share vs MPR



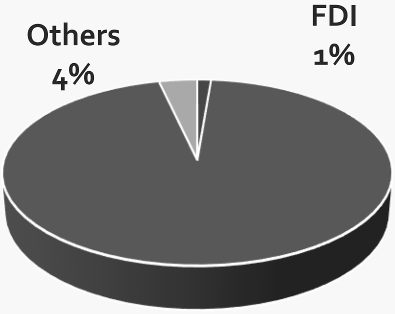
Notably, allocation to equities moderated by 69.56%. This is despite the impressive performance of the equity market in Q1. Compared to Q1 2025 (2.66%), the equity market delivered 29.35% by the end of the first quarter of 2026. Additionally, data from the Nigerian Exchange (NGX) revealed that foreign participation in equities dropped significantly from 36.47% and 23.84% in Q1 and Q4 2025 respectively to 13.06% in Q1 2026. This suggest a cautious approach to market participation by foreign investors, preferring to lock in yields in the fixed income market.

FDI Struggle

In Q1 2026, FDI accounted for approximately 1.3% of total foreign capital in Nigeria. In absolute terms, this means the portion of foreign investment that went into long term economic development was a meagre $135.1 million. Of the total amount, 89.09% was invested in equities, while the remainder was allocated to other capital activities.

Relative to portfolio investments, FDI numbers reflect a highly skewed capital allocation by foreign investors, tilting more towards short-term FPI's. To put the scale of that gap in perspective, portfolio inflows of $9.86 billion is more than 73 times the size of FDI inflows in Q1 2026.

Capital Importation by Type



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Nigeria's weak FDI performance is not a new problem. FDI inflows has remained subdued since 2013 and has not crossed the $500 million mark since Q3 2018 ($530.63 million). Since then, quarterly FDI has ranged between $100 million and $400 million indicating that the FDI problem is more structural than cyclical. Several factors contribute to this trend.

On the policy front, Nigeria's tight monetary policy informs monetary authorities to pay high interest on financial assets, which in turn attracts foreign portfolio investors. In other words, a 26.5% Monetary Policy Rate (MPR) makes short-term investing attractive that it crowds out the patient, long-term capital that FDI represents.

More than monetary policy, the operating environment in Nigeria remains a deterrent for long-term investors. Infrastructure deficits, insecurity, regulatory unpredictability, and repatriation concerns are all priced in by any investor considering a long-term commitment to the Nigerian economy.

Sector Allocation

The banking sector remained the primary destination for foreign capital during the review period, accounting for 72.8% of total capital importation, an improvement from 59.75% recorded in the preceding quarter. The financing sector ranked second, attracting 23.42% of total inflows, reflecting sustained investor interest in financial intermediation and related investment activities. Meanwhile, the production sector accounted for 2.47% of total capital imported, while shares (0.73%) and trading (0.63%) attracted a marginal proportion of inflows.

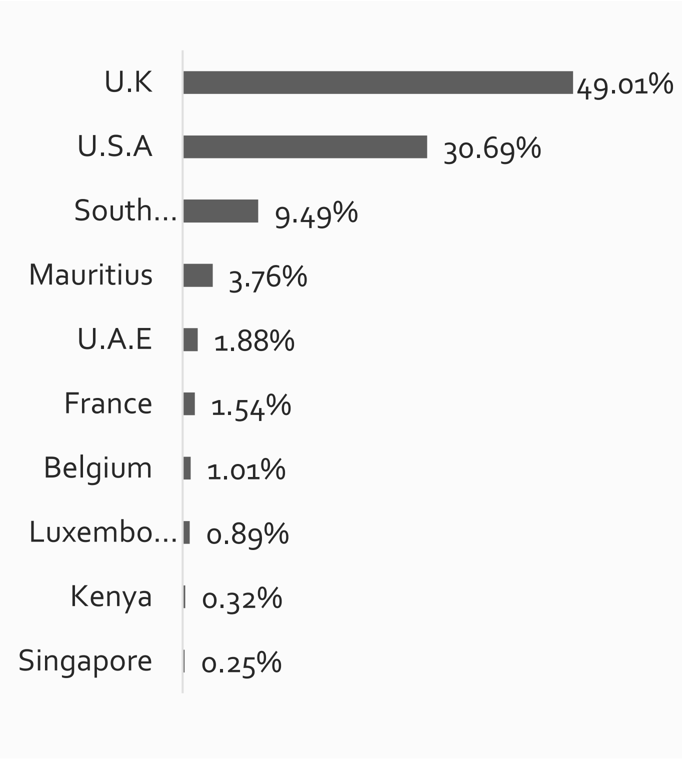
The concentration of capital inflows in the banking and financing sectors suggests that foreign investors remained largely focused on financial assets and short-term investment opportunities rather than real-sector investments. This trend highlights the influence of attractive yields in Nigeria's financial markets, while also pointing to the need for stronger investment flows into productive sectors capable of driving long-term economic growth, job creation, and industrial development.

Capital Origination

From a geographical perspective, the United Kingdom remained Nigeria's largest source of foreign capital during the period, accounting for 49% of total inflows. The United States followed with a substantial 30.7% share.

The concentration of inflows from the United Kingdom and the United States highlights the significant role played by developed financial markets in channelling foreign capital into Nigeria. It also suggests that global investors from these jurisdictions continue to view Nigeria as an attractive destination for portfolio investments.

Capital Importation by Source Country



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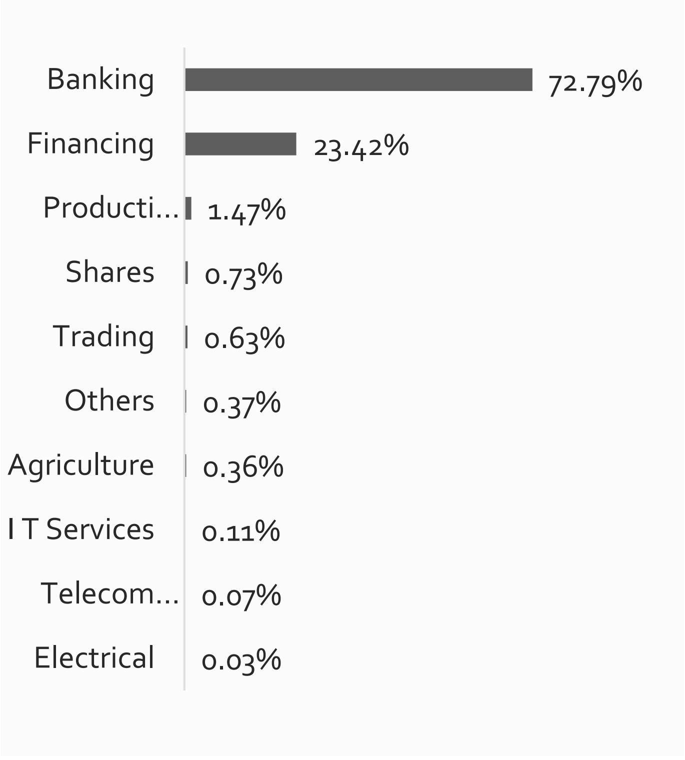
Capital Importation by Sector



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In terms of channel for foreign capital inflow, Standard Chartered Bank Nigeria Ltd accounted for the largest share of capital importation during the period, receiving $4.41 billion (42.56%) of total inflows. This was followed by Stanbic IBTC Bank Ltd $2.78 billion (26.79%), Rand Merchant Bank $930.8 million (8.97%), Citibank Nigeria Limited $782.8 million (7.55%), and Access Bank Ltd $710.03 million (6.85%).

Bottom Line

Over the last decade, about 65% of net inflow has been attributed to FPI, while FDI accounted for less than 7%, underscoring an unbalanced structure of capital allocation. While recent reforms have restored foreign investor confidence and attracted substantial portfolio capital, Nigeria continues to struggle to attract long-term productive investment.

Until Nigeria lowers the cost and complexity of long-term investment, through infrastructure development, security improvement, regulatory consistency, and a more competitive real sector environment, FDI will remain the smallest line in its capital importation table, no matter how impressive the headline number becomes.

nörrenberger

Head Office
11 Volta Street,
Off Thames Street,
Ministers Hill, Maitama,
Abuja, Nigeria.

+234 700 066 7736

Lagos Office
2B, Bayo Kuku Road,
Off Alfred Rewane Road,
Ikoyi,
Lagos, Nigeria.

+234 916 032 4627

Port Harcourt Office
10, Evo Road,
GRA II, Port Harcourt,
Rivers State, Nigeria.

+234 700 066 7736

Kano Office
17, Magajin Rumfa Road,
Nassarawa GRA,
Kano State,
Nigeria.

+234 700 066 7736

research@norrenberger.com

www.norrenberger.com

@norrenberger

RESEARCH TEAM

Samuel Oyekanmi

samuel.oyekanmi@norrenberger.com

Abigael Adesina

abigael.adesina@norrenberger.com

Damilola Odesanya

damilola.odesanya@norrenberger.com

Uyomi Eya

uyomi.eya@norrenberger.com