



Managing Capital Flows In Frontier and Emerging Markets: Lessons From Nigeria

Central Bank of Nigeria

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Outline

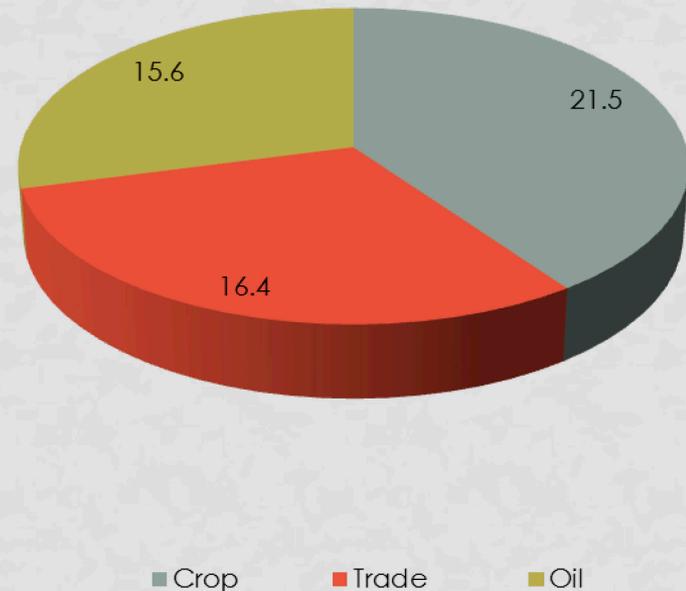


Introduction

- Characteristics and Types of Capital Flows
- Capital flows and economic Conditions
- Challenges of managing Capital flows
- Policy Responses
- Concluding Remarks

INTRODUCTION

- Changing structure of the Nigerian economy
- Agric. and Trade has overtaken oil individually
- Economy relatively diversified
- But highly concentrated in terms of fiscal resources and forex earnings





Capital Flows: Typologies and Trends

Typologies	2007	2008	2009	2010	2011	2012	2013	2014
FDI (Equity)	\$4.24b	\$4.95b	\$3.305b	\$668.35m	\$1.498b	\$1.932b	\$1.250b	\$2.264b
FDI(Other Capital)	\$38.03m	\$63.60m	\$20.71m	\$60.58m	\$254.43m	\$67.85m	\$28.73m	\$13.02m
FPI (Equity)	\$2.48b	\$2.34	\$1.44b	\$2.98b	\$3.69b	\$11.82b	\$15.12b	\$11.44b
FPI(Bonds)	\$1.05b	\$420.05m	\$12.62m	\$68.47m	\$66.49m	\$585.18m	\$1.20b	\$2.44b
PI(Money Market Instruments)	\$147m	\$659.67m	\$81.65m	\$883.84m	\$775.26m	\$1.08b	\$1.04b	\$1.02b
FPI(Total)	\$3.69b	\$3.43b	\$2.34b	\$3.86b	\$4.51b	\$13.48b	\$17.36b	\$14.92b
Other Investments (Loans)	\$1.50b	\$2.73	\$816.66m	\$1.39b	\$1.69b	\$1.03b	\$2.15b	\$1.44b
Other Investments	\$13.01m	\$328.13m	\$2.708	\$2.15m	\$24.37m	\$20.83m	\$528.39m	\$2.12b
TOTAL	\$5.20b	\$6.49b	\$5.67b	\$5.99b	\$7.90b	\$16.58b	\$21.31b	\$20.75b

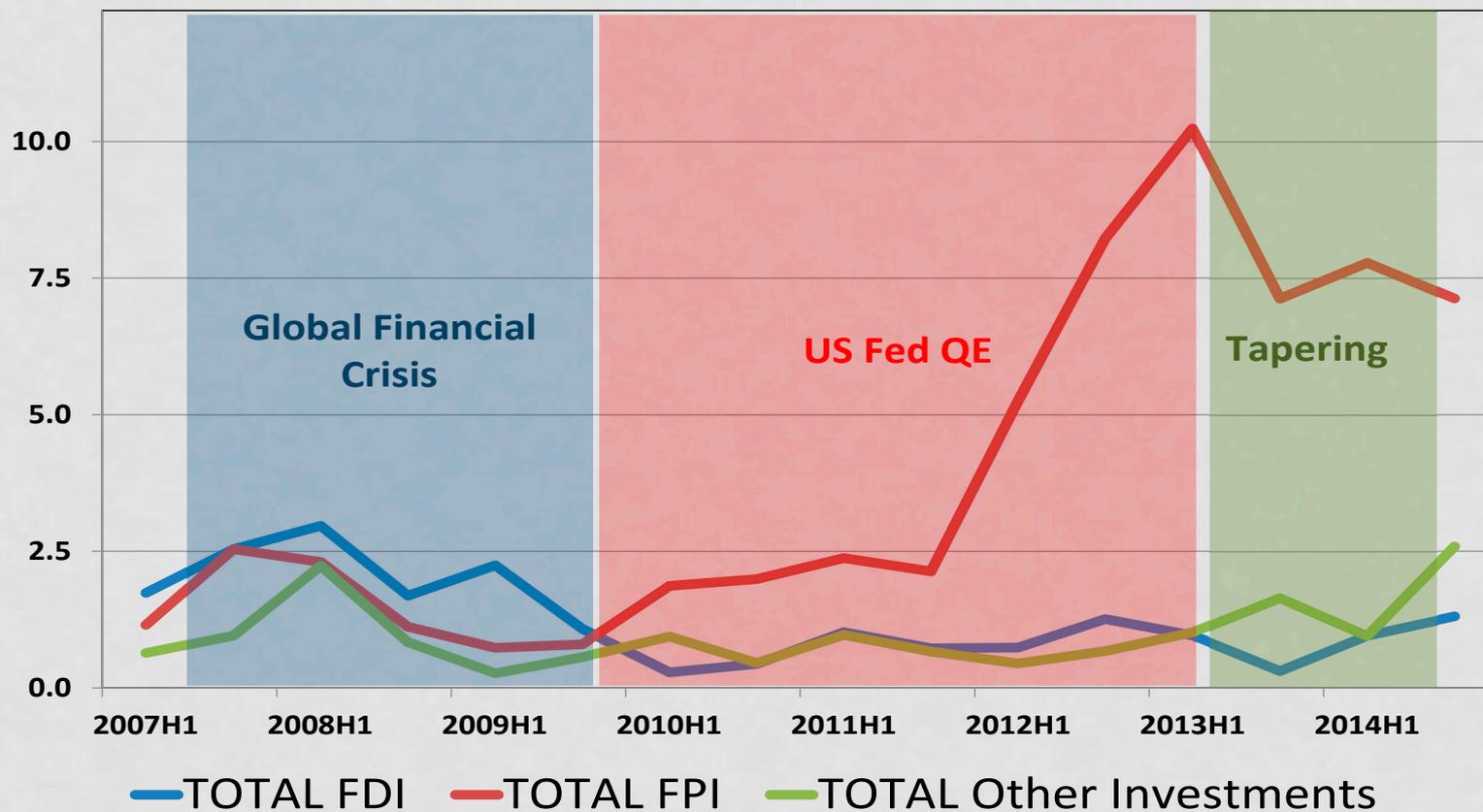
- ❑ High oil prices and growth in external reserves provide confidence for capital inflows into Nigeria**

- ❑ The US quantitative easing and FEDs reduction in interest rates motivated “flight to profit” by international investors from US and other European countries into frontier economies including Nigeria**

- ❑ US tapering program provided impetus for capital reversal and interest rates picked up that started in the mid 2014.**

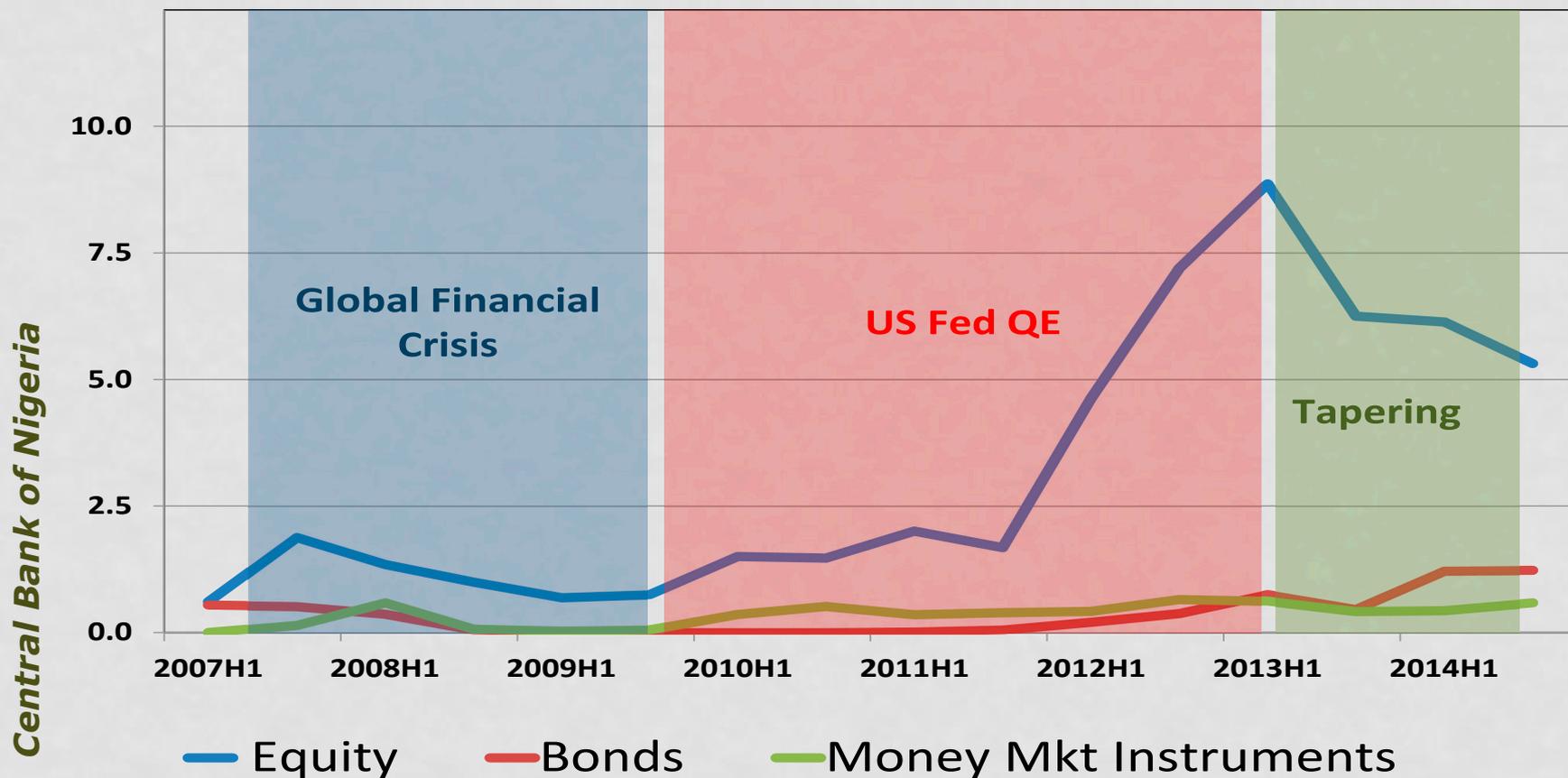


Foreign Inflows Respond to Domestic and External shocks



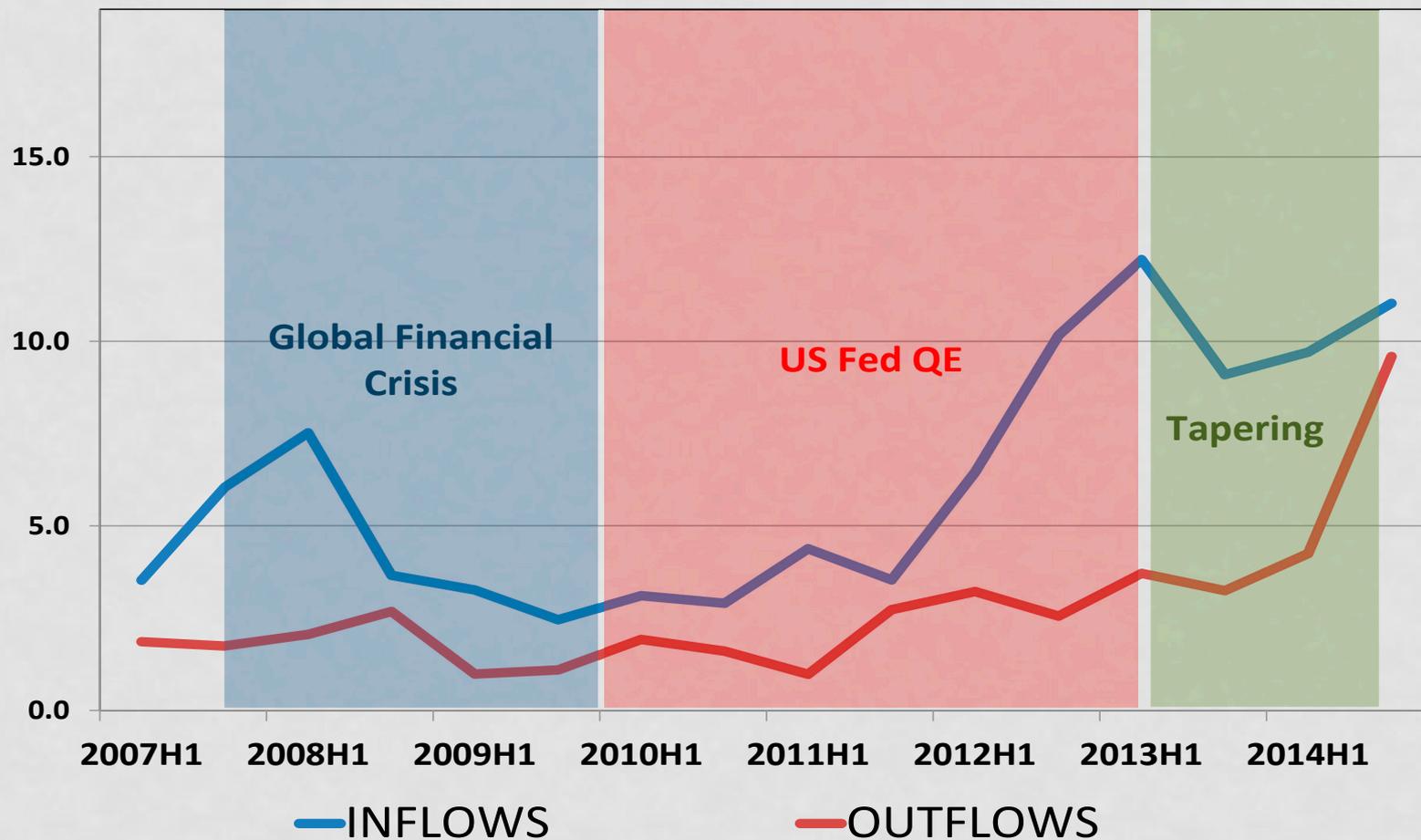


Portfolio Flows

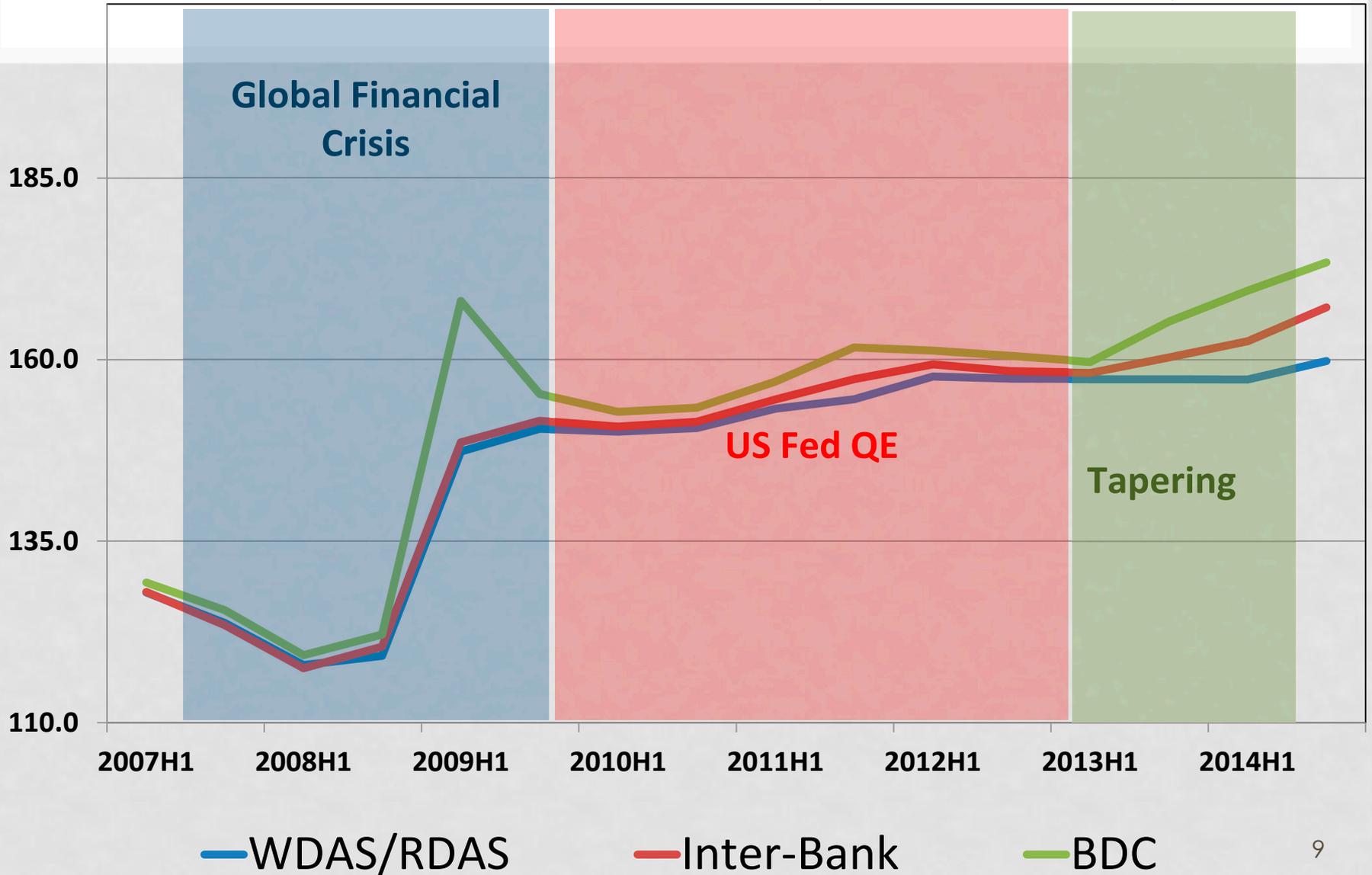




Exchange Rate Trends



EXCHANGE RATE (NGN/US\$)



RESERVE TRENDS (2007-2014)

Year	RESERVES (\$b)
2007	51.3
2008	53.0
2009	42.3
2010	32.3
2011	32.6
2012	43.8
2013	42.8
2014	35.2



Policy Responses/ Conclusion

- Stable Macroeconomic Environment
- Robust Macro- Prudential policies for banks
- Enhanced Fiscal and Monetary Policy Coordination
- Central Bank enhanced Monetary Policy Credibility



THANK YOU FOR LISTENING