

The Surge in Foreign Direct Investments: A 114% Growth

Foreign Direct Investments (FDIs) are the lifeblood of economic development, injecting capital, technology, and expertise that can significantly boost a host country's economy. Recently, Nigeria witnessed a remarkable 114% growth in FDIs, a testament to the positive impact of recent economic reforms implemented by the administration of President Bola Ahmed Tinubu. These reforms aimed to stabilize and revitalize the economy. The Central Bank of Nigeria (CBN) introduced measures for price discovery and attracting liquidity to the foreign exchange market, making Nigeria a more attractive destination for foreign investors. Additionally, the government reduced fuel subsidy payments, freeing up resources for more productive sectors. Finally, scaling back government financing by the CBN helped control inflation and stabilize the economy.

The impact was swift. FDIs surged from \$86 million in Q2 2023 to \$184 million in Q4 2023, a 114% increase. This growth brings significant benefits:

Increased Capital Inflow: The surge in FDIs brings much-needed capital for infrastructure development, job creation, and boosting economic activities.

Technology Transfer: Foreign investments often come with advanced technologies and expertise, which can help local industries improve their productivity and competitiveness.

Economic Diversification: FDIs can diversify the economy by investing in various sectors like manufacturing, agriculture, and services, reducing reliance on oil revenues.

Challenges and Considerations

Currency Depreciation: Despite the reforms, the naira depreciated against the dollar, which can affect the profitability of foreign investments.

High Borrowing Costs: The increase in the Monetary Policy Rate (MPR) has led to higher borrowing costs for businesses, potentially deterring further investments.

Impact on Local Businesses: The economic reforms, while beneficial in the long run, have had a negative impact on some local businesses and households due to increased costs and inflation.

The 114% growth in FDIs is a clear sign that Nigeria's economic reforms are yielding positive results. However, addressing the challenges and ensuring these benefits are widely distributed across the economy is crucial. Continued efforts to stabilize the currency, control inflation, and create a conducive business environment will be key to sustaining this growth and attracting even more foreign investments in the future.

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