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Research Article

Impact of Macroeconomic Instability on Foreign Direct Investment (FDI) in Nigeria: An Analysis of GlaxoSmithKline, Kimberly-Clark, and Procter & Gamble (P&G) Exits

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Abstract

This study explores the impact of macroeconomic instability on Foreign Direct Investment (FDI) in Nigeria, with a particular focus on the recent exits of popular multinational corporations such as GlaxoSmithKline, Kimberly-Clark, and Procter & Gamble. FDI contributes significantly to the economic growth of developing countries like Nigeria driving industrialization. The research investigates the influence of key macroeconomic variables, including inflation and exchange rate volatility, on FDI inflows between 2013 and 2022. Using a mixed-methods approach which combines qualitative and quantitative techniques, the study employs Ordinary Least Squares (OLS) regression, correlation analysis, and case study analysis to understand the relationship between macroeconomic instability and FDI trends. These selected multinational corporations provide more insights into the factors influencing their decision to exit the Nigerian market. The findings reveal that exchange rate volatility has a more significant negative impact on FDI inflows compared to inflation, which suggests that frequent and unpredictable fluctuations in the value of the Nigerian naira play a vital role in investors' confidence and inform their decision-making. The study concludes with policy recommendations to stabilize Nigeria's macroeconomic environment. These recommendations are targeted at creating an investor-friendly climate to retain existing investors and to attract foreign direct investments into the country ultimately contributing to the country's economic growth and development.

Keywords

Foreign Direct Investment (FDI), Macroeconomic Instability, Exchange Rate Volatility, Inflation, GlaxoSmithKline, Kimberly-Clark, Procter & Gamble, Multinational Corporations

1. Introduction

1.1. Background and Context

Foreign Direct Investment (FDI) is recognized as a crucial driver of economic growth in developing nations, having gained significant momentum since the rise of globalization in the early 1990s [24]. Its contribution to the economic growth of host countries cannot be overstated, as FDI is widely seen as a key stimulus for development, prompting many countries to actively seek it. FDI inflows provide much-needed capital, which helps bridge the investment gap and stimulate productive sectors.

Foreign Direct Investment (FDI) refers to an investment

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that establishes a long-term relationship, indicating sustained interest and control by a resident entity of one economy, known as the foreign direct investor or parent enterprise, over an enterprise located in another economy, referred to as the FDI enterprise, affiliate enterprise, or foreign affiliate. This type of investment implies that the investor maintains significant influence over the management of the enterprise in the host economy [27].

However, macroeconomic instability—characterized by high inflation, declining purchasing power of consumers, foreign exchange instability, volatile interest rates, and inconsistent fiscal policies—poses significant risks to maintaining a stable and attractive investment environment. In Nigeria, worsening economic conditions and declining revenues have led to significant challenges for multinational corporations, resulting in notable exits. For instance, GlaxoSmithKline (GSK) announced plans to cease operations in Nigeria due to these deteriorating conditions [19]. Similarly, Kimberly-Clark (K-C) decided to exit the Nigerian market after nearly 15 years, attributing the decision to recently refocused global strategic priorities as well as economic developments in the country [16]. Procter & Gamble (P&G) also cited similar reasons for their exit, reflecting broader trends affecting multinational corporations in Nigeria [23].

1.2. Problem Statement

The recent exits of multinational companies such as GlaxoSmithKline, Kimberly-Clark, and Procter & Gamble from Nigeria's market have highlighted the negative impact of macroeconomic instability. These companies, once pillars in the country's manufacturing and consumer goods sector, have cited a combination of factors including inflationary pressures, exchange rate volatility, and tough business environment challenges. This raises concerns about the long-term viability of FDI in Nigeria and its ability to attract and retain global investors amidst these macroeconomic headwinds.

1.3. Research Objectives

1. Analyze the relationship between macroeconomic instability and FDI in Nigeria.
2. Investigate the specific macroeconomic conditions leading up to the exits of GlaxoSmithKline, Kimberly-Clark, and Procter & Gamble.
3. Examine the broader impact of these exits on investor confidence and economic growth.
4. Provide policy recommendations to mitigate the adverse effects of macroeconomic instability on FDI.

1.4. Research Questions

1. What is the impact of macroeconomic instability on FDI in Nigeria?
2. How did inflation and exchange rate volatility contribute to the exits of GlaxoSmithKline, Kimberly-Clark, and Procter & Gamble?
3. What are the implications of these corporate exits for Nigeria's investment climate?
4. What policies can be implemented to stabilize Nigeria's macroeconomic environment and retain FDI?

1.5. Significance of the Study

Understanding the connection between macroeconomic instability and FDI is crucial for policymakers aiming to stabilize Nigeria's economy and enhance its global competitiveness. This study not only sheds light on the recent exits of major multinationals but also provides insights into the broader macroeconomic challenges that undermine foreign investments. The findings will inform the development of policies aimed at creating a conducive environment for sustainable FDI, which is vital for Nigeria's economic diversification and growth.

2. Literature Review

2.1. Conceptual Review

The Organization for Economic Cooperation and Development (OECD) defines Foreign Direct Investment (FDI) as a type of cross-border investment in which an investor from one economy establishes a lasting interest in and exerts significant influence over an enterprise in another economy. Ownership of 10 per cent or more of the voting power in the enterprise by the investor from the other economy is evidence of such a relationship [18].

The International Monetary Fund (IMF) differentiates Foreign Direct Investment (FDI) from foreign portfolio investment by highlighting that FDI is aimed at gaining substantial influence over foreign operations and fostering enduring commercial relationships. Investors in FDI typically contribute beyond just capital; they also offer expertise, management practices, technological advancements, and marketing strategies. In contrast, foreign portfolio investors have a more passive role with limited control over company decisions, which can affect how future business operations and financial transactions unfold [26].

A Foreign Direct Investment (FDI) relationship is formed when a foreign investor owns at least 10% of a company's ordinary shares or voting stock. Ownership below this threshold is classified as a portfolio investment. Beyond greenfield investments and mergers and acquisitions (M&A), other forms of FDI include reinvested earnings and capital transfers such as loans between parent companies and their subsidiaries [31].

The dynamics of FDI inflows are influenced by a range of factors which findings have categorized into micro, macro, strategic, and sector-specific dimensions [4]. Micro factors include the knowledge and experience of the foreign market, the size of the firm, technology capabilities, and product differentiation. These factors impact a firm's ability to effectively engage with and compete in international markets. Macro factors such as market size, human resource availability, infrastructure quality, political and governmental stability, profit retention conditions, and overall economic factors shape the broader investment environment. Lastly, strategic factors involve decisions related to defending existing foreign markets, diversifying business activities, and addressing competitive threats. Each of these elements plays a crucial role in determining the flow and success of FDI, underscoring the interplay between firm-specific attributes, environmental conditions, and strategic imperatives in the global investment arena.

Macroeconomic instability refers to a situation where an economy experiences persistent economic difficulties and fails to stabilize, ultimately requiring intervention to restore equilibrium. Essentially, this instability is characterized by a lack of predictability in the domestic macroeconomic environment. It manifests either through fluctuations in key macroeconomic variables or through unsustainable patterns in their behavior. This unpredictability can disrupt economic planning and decision-making, highlighting the need for measures to stabilize the economy [14].

Macroeconomic instability describes a state of persistent economic disorder where the economy struggles to find stability, often characterized by erratic fluctuations in key variables. This instability can significantly impact investment and economic growth, particularly through high inflation, exchange rate instability, and policy inconsistencies. High inflation erodes purchasing power and creates uncertainty in economic planning, making it difficult for businesses and consumers to make informed decisions. Exchange rate instability further complicates economic conditions by affecting the value of a country's currency, leading to unpredictable costs for imports and exports, which can deter foreign investment. Additionally, policy inconsistencies, such as frequent changes or lack of coherence in economic policies, undermine investor confidence and disrupt long-term economic strategies. Together, these factors contribute to a volatile economic environment, making it challenging to achieve sustained economic stability and growth.

Foreign Direct Investment (FDI) inflows into Nigeria are influenced by various factors, including human capital, infrastructure, and policy frameworks. In terms of human capital, the availability of a skilled workforce and the quality of education play a crucial role. Research shows that multinational corporations (MNCs) are more likely to invest in regions where the workforce is well-trained and adaptable, as this minimizes costs related to training and increases productivity [17]. However, Nigeria faces challenges in this regard, as the education system requires significant improvements to meet global standards, making it harder to attract long-term, high-value investments. The inadequate investment in human capital restricts the growth potential of the Nigerian economy, which in turn affects FDI inflows.

Infrastructural inadequacies, such as poor electricity supply and transport networks, are also significant barriers to FDI. Investors look for stable and reliable infrastructure that can support business operations with minimal disruptions. Nigeria’s inconsistent power supply and underdeveloped road and rail systems increase operational costs for businesses, deterring potential investors [17]. While the country has made efforts to improve its infrastructure, the gap between demand and supply remains wide, limiting the positive impact of FDI on the economy.

Nigeria grapples with numerous challenges, largely stemming from economic shocks such as unpredictable macroeconomic policies, external disruptions, and a debt overhang. These issues create significant barriers to investment by increasing the perceived riskiness of future returns. Unstable economic conditions that heighten the perceived risks associated with future investments can deeply influence investor behavior. Consequently, many investors are reluctant to embark on new projects when faced with high levels of economic instability, as the potential for adverse outcomes outweighs the perceived benefits [10].

2.1.1. Inflation in Nigeria

The easing of Nigeria’s headline inflation rate to 33.4% in July 2024, after reaching a 28-year high of 34.19% the previous month, provides slight relief but still reflects a highly inflationary environment. With food inflation—comprising the majority of Nigeria's inflation basket—remaining elevated at 39.5%, coupled with rising core inflation, the purchasing power of consumers continues to be severely eroded. The high costs of essential goods, housing, utilities, and transportation further strain household budgets, making basic needs increasingly unaffordable [28]. This prolonged erosion of purchasing power diminishes local demand, creating an unfavorable business climate for multinational corporations (MNCs).

Multinational corporations often rely on stable consumer demand and predictable market conditions to remain profitable. However, in an economy where inflation consistently weakens consumers’ ability to purchase goods and services, the profitability of these companies is threatened. The rising costs associated with operating in such an unstable macroeconomic environment—driven by inflationary pressures and a weakening currency—further compound the difficulties for MNCs. With inflation printing in double digits for over five years, this prolonged instability has already contributed to the exits of companies like GlaxoSmithKline, Kimberly-Clark, and Procter & Gamble. If these trends persist, more multinationals may follow suit, reconsidering their investments in Nigeria.

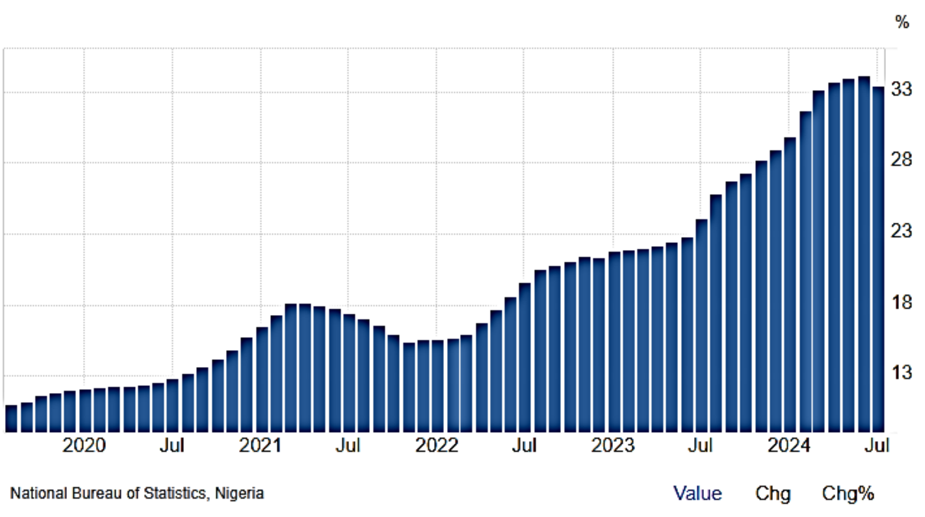

Figure 1. *Nigeria's 5-year Inflation Figures (Trading Economics, 2024).*

2.1.2. Foreign Exchange Instability

In an effort to address the ongoing issues, Nigeria's government relaxed long-standing foreign exchange restrictions in mid-2023 [25]. The local currency, the naira, which had been pegged at an artificially high rate against the dollar for years, subsequently depreciated by 70%. This policy shift aimed to attract foreign capital and enhance Nigeria's appeal as an investment destination. However, in the short term, it resulted in a surge in inflation to a 28-year high, triggering a cost-of-living crisis that threatens to destabilize Africa's most populous country [6].

Figure 2. *Naira to Dollar Exchange Rate Trends (2020–2024) [29].*

2.2. Theoretical Framework

2.2.1. Eclectic Paradigm (OLI Framework)

The eclectic paradigm, based on British economist J. H. Dunning's internalization theory, serves as a comprehensive method for evaluating the attractiveness of Foreign Direct Investment (FDI) [8]. It operates under the OLI framework, which stands for ownership, location, and internalization. According to this model, firms are less inclined to pursue FDI if they can deliver the same product or service internally at a lower cost [7]. The paradigm highlights that FDI decisions depend on a combination of ownership advantages, the appeal of the host location, and the benefits of internalizing operations rather than relying on external markets or providers.

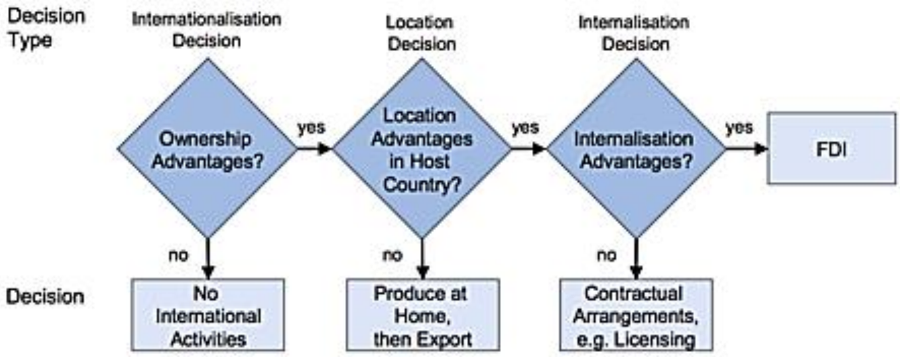

Figure 3. *OLI Decision Process [9].*

The OLI paradigm describes the process of internationalization for firms as a step-by-step progression. Each step must be fulfilled before advancing to the next. The model identifies three key conditions:

1. *Ownership advantages (O)*: The unique assets or capabilities that a firm possesses, giving it a competitive edge.
2. *Location advantages (L)*: The benefits of conducting business in a specific geographic location, such as access to resources or favorable market conditions.
3. *Internalization advantages (I)*: The incentives for managing activities within the firm, rather than outsourcing or licensing, to minimize transaction costs and protect proprietary knowledge.

These conditions work together to guide firms in their decision-making process for foreign direct investment [5].

2.2.2. Risk-Reward Theory

This theory posits that investors seek to maximize returns while minimizing risks [22]. In the context of FDI, multinational corporations weigh the risks associated with economic instability (such as inflation and currency fluctuations) against potential returns. High macroeconomic instability often increases perceived risks, potentially leading to disinvestment or strategic exits as firms reassess the risk-return balance of their investments in a given country.

The Risk-Return Theory is a foundational concept in finance and investment, primarily associated with modern portfolio theory (MPT), which was developed by Harry Markowitz in 1952 [13]. The theory asserts that investors make decisions based on the trade-off between risk and return, seeking to maximize returns for a given level of risk or minimize risk for a given level of return.

2.3. Empirical Review

Empirical studies have shown that macroeconomic instability, particularly inflation and exchange rate volatility, negatively impacts FDI inflows. For instance, a study examining a sample of 28 developing countries from 1987 to 2000 identified significant Spearman correlations between Foreign Direct Investment (FDI) inflows and several key factors. These included per capita GDP, risk factors, years of schooling, foreign trade restrictions, complementary production factors, administrative inefficiencies, and cost-related elements. Each of these factors played a notable role in influencing the flow of FDI during the period [12].

A study analyzed the impact of macroeconomic variables on Foreign Direct Investment (FDI) inflows in Nigeria over a 32-year period (1986-2017). Using the Autoregressive Distributive Lag (ARDL) estimation technique, the research examined the relationship between FDI and several key variables. The findings revealed that real Gross Domestic Product (GDP), government size, and interest rates had a positive effect on FDI inflows, while exchange rates and inflation had a negative impact. In the short run, the Error Correction Model (ECM) was correctly signed and significant at the 5% level, leading to a 54% increase in FDI, with all variables showing a positive relationship with FDI. Additionally, exchange rate, interest rate, GDP, and government size were significantly related to FDI, while inflation was found to be insignificant. The study concluded that there is a long-term relationship between macroeconomic variables and FDI in Nigeria. It recommended that the government implement policies to create a more conducive business environment for attracting foreign investors and adopt measures to stabilize exchange rate fluctuations, which are crucial for business operations [11].

Another study explored the impact of macroeconomic instability and policy uncertainty on aggregate investment in Nigeria from 1990 to 2020. The analysis revealed that aggregate investment as a percentage of GDP was inadequate during this period, as key macroeconomic indicators such as real exchange rates and external debt did not align with expectations. The level of investment relative to GDP, according to the study, is significantly below the threshold needed to drive sustainable economic growth. To achieve growth rates compatible with macroeconomic objectives like long-term Balance of Payment (BOP) stability and external equilibrium, Nigeria must substantially increase investment as a percentage of GDP. The study emphasized that the government should enhance the investment climate by fostering confidence and ensuring policy consistency [10].

2.4. Methodology

2.4.1. Research Design

This study utilizes a descriptive research design with an emphasis on both qualitative and quantitative analysis. The descriptive design is suitable for examining the trends, patterns, and relationships between macroeconomic instability and Foreign Direct Investment (FDI) in Nigeria. By focusing on real-world case studies of GlaxoSmithKline, Kimberly-Clark, and Procter & Gamble, alongside economic data, the research aims to explore how macroeconomic volatility impacts multinational corporations' decisions to exit the Nigerian market.

2.4.2. Data Sources

The research will incorporate secondary data sources to ensure a comprehensive analysis:

1. *Macroeconomic Data:* Time-series data on key economic variables such as inflation rates, interest rates, exchange rate fluctuations, GDP growth, and FDI inflows will be sourced from the Central Bank of Nigeria (CBN). This data will be used to track macroeconomic trends over time.
2. *Media and Academic Sources:* Reputable news reports from *The Cable, BusinessDay,* and scholarly articles will provide additional context on the external challenges these firms faced, including policy changes, regulatory barriers, and competitive pressures.

2.4.3. Sampling and Data Collection

Sampling of Corporations: The study will focus on three multinational corporations—GlaxoSmithKline, Kimberly-Clark, and Procter & Gamble—each of which has exited or scaled down operations in Nigeria due to macroeconomic instability. These companies were selected based on their prominence in the Nigerian market, the visibility of their exits, and their substantial foreign investments in the country.

2.4.4. Analytical Framework

A mixed-methods approach will be used, integrating qualitative insights with quantitative analysis to provide a well-rounded understanding of the phenomenon:

1. *Case Study Analysis*: A detailed comparative case study approach will be applied to explore the specific reasons behind the exits of GlaxoSmithKline, Kimberly-Clark, and Procter & Gamble. This will involve examining financials, and public announcements to understand how factors like currency devaluation, and inflation influenced their decisions.
2. *Macroeconomic Analysis*: Statistical techniques, such as regression analysis and correlation analysis, will be used to examine the relationship between macroeconomic instability and FDI inflows over a specified time period (2013–2022). This will include testing the effects of inflation, exchange rate volatility, and interest rates on FDI, using data from the CBN and National Bureau of Statistics (NBS).
3. *Trend Analysis*: A longitudinal trend analysis will be conducted to assess how fluctuations in macroeconomic variables correspond with shifts in FDI inflows. Graphs and charts will visually depict these trends, helping to illustrate the timeline of events that coincided with the corporate exits.

2.4.5. Validity and Reliability

To ensure the reliability of the research findings:

Triangulation will be applied by cross-referencing information from multiple sources (e.g., corporate reports, macroeconomic data, and expert interviews) to ensure accuracy and consistency.

2.4.6. Limitations

The study recognizes several potential limitations:

Data Availability: Access to complete and up-to-date financial information for all companies may be restricted, and macroeconomic data may have limitations in accuracy due to reporting delays.

3. Data Analysis Result

This section presents the results of the data analysis conducted to examine the impact of macroeconomic instability—specifically inflation rate and exchange rate volatility—on Foreign Direct Investment (FDI) inflows in Nigeria from 2013 to 2022. Using Ordinary Least Squares (OLS) regression and correlation analysis, the relationship between these variables was quantified and evaluated.

3.1. Macroeconomic Indicators and FDI Trends

Table 1. *Nigeria's Inflation, Exchange Rate and FDI Inflows Figures (2013-2022)*

Year	Inflation Rate (%)	Exchange Rate (Naira/USD)	FDI Inflows (Billion USD)
2013	8.5	159.27	5.56
2014	8.05	165.2	4.69
2015	9.01	197.9	3.06
2016	15.7	257.66	3.45
2017	16.5	305.8	2.41
2018	12.09	324.2	0.78
2019	11.4	325	2.31
2020	13.25	359.2	2.39
2021	16.95	398.9	3.31
2022	18.85	423.9	-0.19

3.2. Inflation Rate and FDI Inflows

Over the observed period, Nigeria's inflation rate displayed significant fluctuations, ranging from 8.05% in 2014 to a high of 18.85% in 2022. Despite this trend, the OLS regression analysis did not find inflation to be a statistically significant determinant of FDI inflows ($p = 0.800$). The coefficient for inflation (0.0482) suggests a very weak positive relationship, but the correlation analysis revealed a moderately negative relationship with a correlation coefficient of -0.606, indicating that higher inflation may have a discouraging effect on foreign investment.

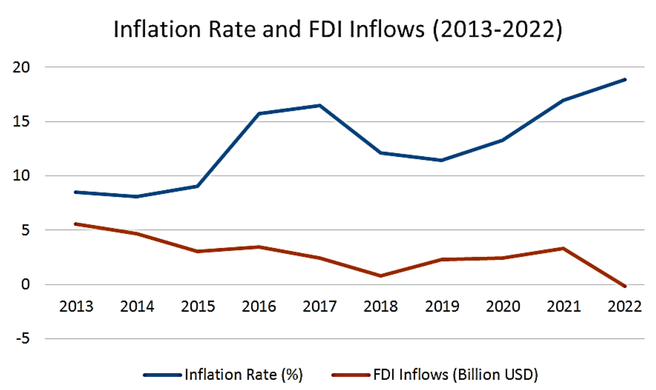

Figure 4. *Historical Inflation Rates and FDI Inflows (MacroTrends, Statista)*

3.3. Exchange Rate Volatility and FDI Inflows

Exchange rate volatility, as measured by fluctuations in the Naira/USD exchange rate, experienced an upward trend, increasing from 159.27 in 2013 to 423.9 in 2022. The regression analysis shows a negative relationship between exchange rate volatility and FDI inflows, with a coefficient of -0.0156 and a borderline significant p-value of 0.076. The correlation analysis supports this result, showing a strong negative correlation ($r = -0.778$), suggesting that greater volatility in the exchange rate leads to a reduction in FDI inflows.

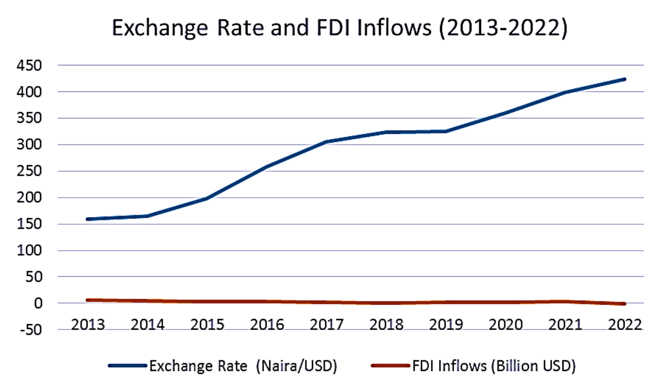

Figure 5. *Historical Exchange Rates and FDI Inflows (Statista, Exchange Rate Org UK).*

3.4. FDI Inflows Overview

FDI inflows into Nigeria during the period ranged from a high of \$5.56 billion in 2013 to a low of -\$0.19 billion in 2022. A sharp decline in FDI was observed in the years following 2015, coinciding with increased macroeconomic instability, such as higher inflation and greater exchange rate volatility. The R-squared value from the regression (0.609) indicates that approximately 60.9% of the variation in FDI inflows can be explained by the inflation rate and exchange rate volatility.

4. Discussion

4.1. Impact of Inflation on FDI

While inflation has often been seen as a key macroeconomic indicator that can deter foreign investment, the data analysis in this study suggests that its impact on FDI inflows in Nigeria from 2013 to 2022 is not statistically significant. Despite the negative correlation between inflation and FDI (-0.606), the regression analysis reveals that inflation alone is not a strong predictor of FDI inflows ($p = 0.800$). This finding is consistent with some studies in the literature that argue inflation may have a delayed or indirect effect on investment decisions. However, the continued rise in inflation, particularly in the post-2015 period, could have contributed to declining investor confidence and the exit of multinational corporations (MNCs) like GlaxoSmithKline and Kimberly-Clark.

4.2. Exchange Rate Volatility and FDI

The data provides stronger evidence that exchange rate volatility has a more profound and direct impact on FDI inflows. The strong negative correlation (-0.778) and the near-significant p-value (0.076) from the regression analysis suggest that exchange rate instability has been a critical factor in shaping FDI trends in Nigeria. Exchange rate fluctuations create uncertainty for foreign investors, particularly in terms of converting local currency profits into hard currencies like United States dollars or euro. This is particularly relevant to sectors like manufacturing, where MNCs rely heavily on imported raw materials, and the increased cost of imports due to exchange rate devaluation can severely impact profitability. The sharp rise in exchange rate volatility from 2016 onwards corresponds with the declining FDI trends, suggesting that this was a significant factor contributing to the exit of companies like P&G and Kimberly-Clark.

4.3. Overall Model Insights

The regression model's R-squared value of 0.609 indicates that macroeconomic factors such as inflation and exchange rate volatility explain about 60.9% of the variation in FDI inflows in Nigeria. This suggests that while these factors are important, other variables—such as political instability, security concerns, and infrastructure deficits—might also play significant roles in determining FDI inflows. The borderline significance of exchange rate volatility in the model supports the idea that currency risk is a primary concern for foreign investors, and further research could explore more nuanced dynamics between currency policies and investment flows.

4.4. Analyzing the Exits of GSK, P&G, and K-C

Figure 6. *Nigeria's FDI Figures (2010-2022)*

In the dynamic landscape of global investment, the exit of multinational corporations from emerging markets often serves as a stark indicator of underlying macroeconomic challenges. The recent departures of industry giants such as GlaxoSmithKline, Kimberly-Clark, and Procter & Gamble from Nigeria provide a compelling case study of how severe macroeconomic instability can reshape the investment climate. These exits are not mere corporate decisions but reflections of broader economic realities that significantly impact foreign direct investment (FDI). As these companies grappled with rising operational costs, currency devaluation, and regulatory hurdles, their exits underscore the profound effects of macroeconomic instability on business viability. By examining the specific factors that drove these corporations to withdraw from the Nigerian market, we gain valuable insights into the intricate interplay between macroeconomic conditions and investment decisions, revealing critical lessons for both policymakers and investors.

4.4.1. GlaxoSmithKline (GSK)

In August 2023, GlaxoSmithKline (GSK) declared its decision to cease operations in Nigeria, marking the end of its 51-year presence in the country. GSK, a prominent British pharmaceutical and biotechnology firm, is renowned for its well-known products like Panadol and Sensodyne. According to a corporate filing, the company will now shift to a distributor-led model for the distribution of its products in Nigeria.

In the first half of 2023, GSK Nigeria's revenue fell to N7.75 billion from N14.8 billion during the same period the previous year. The company reported difficulties related to foreign exchange (FX) availability, which affected its ability to meet foreign currency obligations to suppliers, resulting in inconsistent product supply [3]. Increased competition from local firms and imports from India and China, along with other significant issues, played a role in the decision [19].

The departure of GSK, known for its high-quality products such as Theraflu, Neosporin, Panadol, Sensodyne, Advair, and Neosporin, could significantly impact public access to safe and effective medications. This exit may have broader economic repercussions, including job losses, reduced tax revenues, and a downturn in economic activities related to the pharmaceutical sector, such as manufacturing, distribution, and research and development. The overall effect could be a substantial disruption in both the healthcare system and the economy at large [15].

4.4.2. Procter and Gamble (P&G)

Procter & Gamble (P&G) recently announced its decision to dissolve its on-ground operations in Nigeria and transition the country into an import-only market. This strategic shift, revealed by the company's Chief Financial Officer, Andre Schulten, during the Morgan Stanley Global Consumer & Retail Conference in December 2023, highlights the growing difficulties faced by foreign dollar-denominated companies operating in Nigeria [30]. P&G attributed its decision to the macroeconomic environment in the country, which has made it increasingly challenging to generate U.S. dollar value. Schulten noted that similar market conditions in Argentina also contributed to the company's broader restructuring program, focusing on adjusting its operational model to maintain discipline in its portfolio [20].

From a financial perspective, Nigeria represents a $50 million net sales business for P&G, which is relatively small when compared to the company's global portfolio valued at $85 billion. As a result, P&G does not foresee a significant impact on its overall balance sheet in terms of sales or profitability. However, this decision signals broader concerns about Nigeria's macroeconomic instability, which has been adversely affecting foreign companies, particularly those dealing in U.S. dollars [30].

P&G's exit from on-ground operations in Nigeria reflects a broader trend of multinational corporations reassessing their presence in markets with challenging economic environments. The decision highlights the delicate balance foreign companies must maintain between navigating local macroeconomic instability and preserving global profitability. As P&G transitions to an import-only model, it not only signals a contraction in Nigeria's manufacturing and employment landscape but also raises concerns about the country's long-term attractiveness as a destination for foreign direct investment. With persistent issues such as exchange rate volatility, policy uncertainty, and a forex backlog, Nigeria's ability to retain and attract multinational firms remains precarious, despite government efforts to implement reforms aimed at stabilizing the economy and fostering a more conducive business climate.

4.4.3. Kimberly-Clark (K-C)

Kimberly-Clark's decision to exit Nigeria, coming just under three years after the opening of a US$100-million manufacturing facility in Lagos, underscores the mounting challenges that multinational companies face in the country. Despite its initial optimism and significant investment in local production, the company cited both global strategic shifts and worsening local economic conditions as the main reasons for its withdrawal. This marks the end of Kimberly-Clark's manufacturing, marketing, and sales of its popular Huggies and Kotex brands in Nigeria. The closure of its Lagos facility reflects the harsh business environment, which has been exacerbated by high inflation, a weakened naira, foreign exchange shortages, and declining consumer spending power [1].

The company's decision to write off its investment and cease local production of Huggies and Kotex products reinforces the deepening concerns over Nigeria's business climate. The broader trend of multinational corporations scaling back or exiting Nigeria, as seen with Unilever, GlaxoSmithKline, and PZ Cussons, reflects a growing exodus prompted by macroeconomic instability. High inflation rates, electricity costs, and restricted access to foreign currency have severely limited the profitability and operational sustainability of these firms, forcing them to either drastically reduce their local footprint or leave the market entirely [21].

Honorable Babajimi Benson of Ikorodu Federal Constituency presenting a motion on Kimberly-Clark's exit from Nigeria highlighted the firm's reasons for leaving, which include the challenging business environment, high energy costs, insecurity, and the rising expense of raw materials. He emphasized that the company's departure would result in significant economic consequences, notably massive job losses.

Kimberly-Clark, through its factory in Ikorodu and various partnerships across the country, has generated over 10,000 direct and indirect jobs. The exit, he warned, could further strain the availability of safe and affordable sanitary products in Nigeria, exacerbating the challenges facing consumers in the market [2].

5 Conclusion

5.1. Summary of Findings

This study examined the impact of macroeconomic instability, focusing on inflation rate and exchange rate volatility, on FDI inflows in Nigeria from 2013 to 2022. The analysis indicates that exchange rate volatility has a more significant and negative impact on FDI inflows than inflation. The results suggest that as the Naira became more volatile, foreign investors were less likely to commit to long-term investments in the Nigerian market. Inflation, on the other hand, while negatively correlated with FDI inflows, was not a statistically significant predictor in this study. These findings reflect broader concerns about the challenges facing Nigeria's economy, particularly regarding exchange rate management and macroeconomic stability.

5.2. Implications for Policy

To improve Nigeria's attractiveness to foreign investors, the government must prioritize stabilizing the exchange rate. This could involve adopting more flexible exchange rate policies, building foreign reserves, and ensuring consistency in currency policy to reduce uncertainty. Additionally, measures to control inflation, such as reducing fiscal deficits and improving domestic production, could further enhance investor confidence. Given the significant influence of exchange rate volatility, a stable and predictable currency regime will be crucial in restoring and boosting FDI inflows into Nigeria.

5.3. Recommendations for Future Research

Future studies could benefit from expanding the scope of the analysis to include other potential determinants of FDI inflows, such as political risk, infrastructure development, and security concerns. Case studies on specific sectors that have been more resilient or disproportionately affected by macroeconomic instability could also provide more granular insights. Moreover, research into the strategies used by foreign companies that remain in Nigeria despite macroeconomic challenges could offer valuable lessons for future investors.

Abbreviations

FDI	Foreign Direct Investment
OLS	Ordinary Least Squares
GSK	GlaxoSmithKline
K-C	Kimberly-Clark
P&G	Procter & Gamble
OECD	Organization for Economic Cooperation and Development
IMF	International Monetary Fund
M&A	Mergers and Acquisitions
MNCs	Multinational Corporations
OLI	Ownership Location, and Internalization
MPT	Multi Portfolio Theory
GDP	Gross Domestic Product
ARDL	Autoregressive Distributive Lag
ECM	Error Correction Model
BOP	Balance of Payment
CBN	Central Bank of Nigeria
NBS	National Bureau of Statistics
FX	Foreign Exchange

Author Contributions

David Babatunde Ayoola is the sole author. The author read and approved the final manuscript.

Conflicts of Interest

The author declares no conflicts of interest.

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