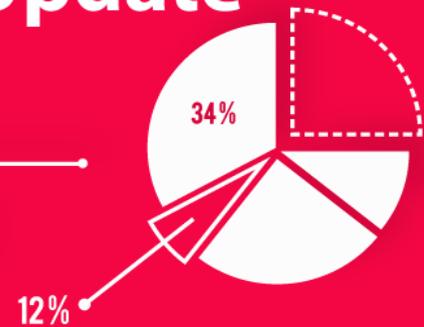




Nigeria Economic Update



Decline in Purchasing Managers Index

The manufacturing sectors' PMI declined from 51.1 index points to 42.4 index points between March and May 2020 which is its lowest since August 2016.¹ The slowdown was driven by reductions across 13 out of 14 subsectors: petroleum & coal products, printing & related support activities, furniture & related products, textile apparel leather & footwear, paper products, fabricated metal products & food, beverage & tobacco products inclusive¹. The non-manufacturing PMI also contracted significantly from 49.2 index points to 25.3 index points between March and May 2020 which was driven by a decline in all 17 subsectors. The overall contraction was due to the limited economic activity, resulting in a decline in inventory, new orders, business activity, employment and consequently production levels. However, given that the restrictions to movement and business operations have been lifted, albeit partially, improvements to the PMI is expected in the coming months.

Decline in Business Expectation

A recently released CBN report indicates a weakened business outlook of -66.2 points for the month of May. The agriculture and service sectors are the worst hit, recording a decline in activity of -37.7 index point for May. According to the survey the pessimism is maintained in June as businesses expect an economic outlook of -4.2². The employment outlook is pessimistic across the construction, manufacturing, agriculture and service sectors as employment is expected to decline by -18.5, -10.9 and -4.1 points respectively. The weakened outlook towards the macroeconomy results from limited economic activity with businesses that are import and/or export oriented and those that are neither import nor export oriented expressing pessimism. Considering that the factors that constrain business activity including power supply insufficiencies, access to finance and credit, high interest rate, and insufficient demand are still present, business outlook in the coming months is expected to continue to weaken considerably.

Poor Growth Outlook

The World Bank revised Nigeria's Gross Domestic Product (GDP) growth downward to -3.2 percent in 2020 from 2.2 percent estimates in 2019.³ The contraction is expected to weaken the oil and non-oil sectors by a 10.6 percent and 2.1 percent respectively. The gloomy economic outlook is driven by the COVID-19 pandemic that has led to a fall in economic activities and an unprecedented collapse in crude oil prices. Domestic remittances which has hitherto served as a lifeline for many vulnerable and low-income households has also declined as a result of a fall in employment and wages of Nigerian migrant workers in their host countries⁴. The limited international inflows, which also affects investments and access to funds, has led to the government domestically sourcing for funds in order to finance current deficits⁵. However, the economy is expected to recover in 2021 with growth rate projected at 1.7 percent.

ECONOMIC SNAPSHOT		
Quarterly Indicators	*19Q3	*19Q4
GDP Growth Rate (%)	2.3	2.5
Oil GDP (%)	6.49	7.23
Non-oil GDP (%)	90.23	92.68
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	200.08	257.25
Portfolio Investment (US \$Millions)	2,999.50	1883.58
Other Investment (US \$Million)	2,167.98	1661.55
External Debt (FGN & States- N'Billion)	NA	NA
Domestic Debt (FGN + States & FCT N'billion)	NA	NA
Manufacturing Capacity utilization (%)	181.2	185.1
Headline Inflation (%)	11.40	12.13
Food Sub-Index (%)	14.67	14.86
Core Sub-Index (%)	9.33	9.35
External Reserves (End Period) (US\$ Million)	38,595.25	31,009.76
Official Rate Approx. (N/US\$)	306.5	306.5
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	60.8	59.2
Non-Manufacturing PMI	62.1	59.6
Crude Oil Price (US\$/Barrel)	67.31	63.83
Petrol (PMS-N/litre)	145.35	145.37
Diesel (AGO -N/Litre)	229.81	229.78
Kerosene (HHK -N/Litre)	320.47	323.46
MPR (%)	13.5	13.5
CRR (%)	22.5	27.5
91 Day T-Bill Rate (%)	4.47	3.45
Savings Deposit (%)	3.89	3.86
Prime Lending (%)	14.99	30.77
Maximum Lending (%)	30.72	NA
Narrow Money (N'Billion)	10,533.13	10,331.40
Broad Money (N'Billion)	34,776.37	34,146.48
Net Domestic Credit (N'Billion)	36,178.34	35,815.11
Credit to the Government (N'Billion)	9,483.81	9,252.81
Credit to the Private Sector(N'Billion)	26,694.52	26,562.69

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*Revised GDP figures/tentative figures

NA: Not Available

CBN (2020) "Purchasing Managers' Index (PMI) Survey Report" retrieved from:

<https://www.cbn.gov.ng/Out/2020/STD/MAY%202020%20PMI%20Report.pdf>

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3 World Bank (2020), "June 2020 Global Economic Prospects". Retrieved from

<https://openknowledge.worldbank.org/bitstream/handle/10986/33748/9781464815539.pdf>

4 CBN(2020), "Weekly International Payments Data" Retrieved from

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5 DMO(2020), Press Release on Conversion of ₦850 Billion New External Borrowing in the 2020

Appropriation Act to Domestic Borrowing. retrieved from [https://www.dmo.gov.ng/news-and-](https://www.dmo.gov.ng/news-and-events/dmo-in-the-news/press-release-on-conversion-of-850-billion-new-external-borrowing-in-the-2020-appropriation-act-to-domestic-borrowing)

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