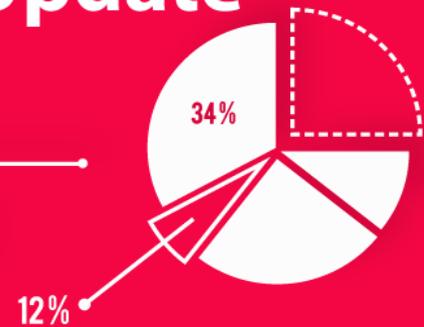




# Nigeria Economic Update



## ***Decline in PMI***

The manufacturers Purchasing Managers Index (PMI) declined by 3 percent to 41.1 index points between May and June 2020, indicating an increased shrinking in the sector<sup>1</sup>. The slowdown was noted across 9 of the 14 surveyed subsectors and was attributed to continued decline in production levels, supply deliveries and new orders within the manufacturing sector. Conversely, the non-manufacturers PMI rose from 25.3 to 35.7 index points albeit lower than the 50-point benchmark. This was driven by an increase in employment, inventories and overall business activity. This rise follows the gradual removal of the lockdown measures and is expected to persist as next month's business outlook for the manufacturing and non-manufacturing sectors is 2.7 and 2.4 percent higher respectively<sup>2</sup>. Firms should be prepared to shift their supply chains and adjust to the new business environment. For instance, as remote working becomes the new normal, the increased demand for computing infrastructure is an opportunity firms can seize.

## ***Rise in Petroleum Importation***

The In the first quarter of 2020, petroleum product importation stood at 7.59 billion liters compared to 6.85 billion liters in the corresponding quarter of 2019<sup>3</sup>. The imports comprised of premium motor spirit (5.26 billion liters), automotive gas oil (1.66 billion liters), aviation turbine kerosene (258.27 million liters), low pour fuel oil (28.33 million liters) and liquefied petroleum gas (135.14 million liters). Furthermore, 7.52 million liters were distributed, 33.36 percent of which was trucked out to the south west region. The continuous importation of refined petroleum products amid increasing domestic demand for the products continue to pose significant pressure on the demand for foreign exchange and domestic price level. Hence, government and stakeholders in the oil and gas industry must find plausible ways towards developing local refining capacity by attracting new investments and the revival of the existing moribund refineries.

## ***Rise in Currency in Circulation***

According to the CBN, currency in circulation for the month of May rose by 6.7 percent to ₦2.623 trillion when compared to the preceding month. The movement was driven by a decline in M2 (2 percent) and M3 (0.15 percent )<sup>5</sup>. The overall currency outside the bank rose by ₦72.57 billion, consequently leading to a 6.5 percent rise in M1. The increase in liquidity is indicative of the current desire to hold cash amid persisting economic uncertainty. As the situation continues to unfold, people will continue holding cash to safeguard themselves against salary cuts or job losses. However, the increased money in circulation is unlikely to cause a rise in inflation given that households have put their discretionary spending on hold as they are unsure of their permanent income.

<b>ECONOMIC SNAPSHOT</b>		
<b>Quarterly Indicators</b>	<b>'19Q4</b>	<b>'20Q1</b>
<b>GDP Growth Rate (%)</b>	2.5	1.87
<b>Oil GDP (%)</b>	7.23	9.50
<b>Non-oil GDP (%)</b>	92.68	90.50
<b>Unemployment Rate (%)</b>	NA	NA
<b>Foreign Direct Investment (US \$ Million)</b>	257.25	214.25
<b>Portfolio Investment (US \$Millions)</b>	1883.58	4,309.47
<b>Other Investment (US \$Million)</b>	1661.55	1,330.65
<b>External Debt (FGN &amp; States- N'Billion)</b>	NA	NA
<b>Domestic Debt (FGN + States &amp; FCT N'billion)</b>	NA	NA
<b>Manufacturing Capacity utilization (%)</b>	185.1	NA
<b>Monthly Indicators</b>	<b>April</b>	<b>May</b>
<b>Headline Inflation (%)</b>	12.34	12.40
<b>Food Sub-Index (%)</b>	14.86	15.04
<b>Core Sub-Index (%)</b>	9.35	10.12
<b>External Reserves (End Period) (US\$ Million)</b>	31,009.76	36,594.99
<b>Official Rate Approx. (N/US\$)</b>	306.5	306.5
<b>BDC Rate Approx. (N/US\$)</b>	362	
<b>Manufacturing PMI</b>	NA	42.4
<b>Non-Manufacturing PMI</b>	NA	25.3
<b>Crude Oil Price (US\$/Barrel)</b>	13.88	33.91
<b>Petrol (PMS-N/litre)</b>	130.84	NA
<b>Diesel (AGO -N/Litre)</b>	224.11	NA
<b>Kerosene (HHK -N/Litre)</b>	342.33	NA
<b>MPR (%)</b>	13.5	12.5
<b>CRR (%)</b>	*27.5	27.5
<b>91 Day T-Bill Rate (%)</b>	1.19	NA
<b>Savings Deposit (%)</b>	3.69	NA
<b>Prime Lending (%)</b>	14.92	NA
<b>Maximum Lending (%)</b>	30.73	NA
<b>Narrow Money (N'Billion)</b>	11,587.04	NA
<b>Broad Money (N'Billion)</b>	31,763.94	NA
<b>Net Domestic Credit (N'Billion)</b>	39,098.31	NA
<b>Credit to the Government (N'Billion)</b>	10,427.89	NA
<b>Credit to the Private Sector(N'Billion)</b>	9,683.28	NA
<b>Currency in Circulation (N'Billion)</b>		

\*Revised GDP figures/tentative figures

NA: Not Available

1 CBN(2020) PMI report June 2020 retrieved from:

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

2 CBN(2020) June 2020 Business Expectations Survey Report retrieved from:

<https://www.cbn.gov.ng/Out/2020/STD/Business%20Expectations%20Survey%20Report%20June%202020.pdf>

3 NBS(2020) Petroleum Products Imports and Consumption (Truck Out) retrieved from: <https://nigerianstat.gov.ng/download/1121>

4 NBS(2019) Petroleum Products Imports and Consumption (Truck Out) retrieved from: <https://nigerianstat.gov.ng/download/945>

5 CBN (2020), Money and Credit statistics retrieved from

<https://www.cbn.gov.ng/rates/mnycrredit.asp?year=2020&month=5>

THE ECONOMIES OF AFRICA

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