

August 5, 2016

Purchasing Managers Index

Recent data shows a marginal improvement in PMI for the month of July (a positive PMI start for second quarter 2016) relative to June. Specifically, Manufacturing and Non-manufacturing PMI increased to 44.1 and 43.2 index points respectively (but remained below the average growth benchmark)¹. The increase is attributable to improved forex supply in the review period, which led to manufacturing sector's improvement in productivity (43.0) and non-manufacturing Business activity (42.8) and Agricultural (56.0) growth in the review month. However, the general slow growth (below 50) is likely due to persistent weak aggregate demand occasioned by first quarter unfavorable economic environment. Invariably, further improvements in PMI is dependent on increased sustained forex availability for business end-users.



External Reserve and Exchange Rate

External reserve declined (week on week) by 0.8 percent to \$26.2 billion on August 5, 2016². The decrease in reserve may have been occasioned by the significant decline in crude oil price (to \$38.86³) and the resumption in dollar sales to BDCs after a seven-month sales suspension⁴. On the other hand, naira depreciated by 3.8 percent to N395/\$⁵ (parallel segment rate). This is explained by the persistent strain in the supply of forex to end users, as demand continued to rise in the (vacation) period. With incessant dwindling reserve and currency depreciation, economic outlook for the rest of the year seems bleak. Going forward, the CBN may need to encourage the widespread adoption of the new forex futures to discourage currency hoarding and improve the forex supply.



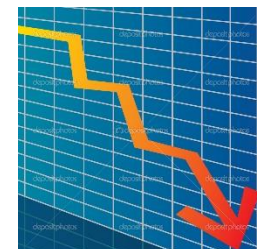
Power Sector Statistics

Recent NBS data shows a significant decline in power generated in 2016Q2. Precisely, power generated declined by 31 percent (quarter on quarter) from a total quarterly average of 92,352 MWH in 2016Q1 to 63,692.39 MWH in 2016Q2⁶. Remarkably, the reoccurrences of pipeline vandalism in 2016Q2 prompted the shortage of gas for power generation. Thus, there were about eight recorded system collapses in the quarter which led to several days of power outages. However, subsequent quarterly declines in power generation could be averted if efforts to repair vandalized pipelines and adopt hydro sources are intensified.



Stock Market

The All-share Index and Market Capitalization depreciated (week on week) by 2.1 percent to close the week at 27,425.86 points and Ng.4 trillion respectively⁷. The decline is attributable to increased profit-taking and sell-off activities in the stock market following the bullish position recorded in the preceding week. In effect, present trends in stock market performance may trigger further exit of investors. Successive improvements in stock market performance is highly dependent on positive macroeconomic and financial signals (such as inflation, GDP, and company earnings data) to redirect investors' sentiments.



Compiled by the Information and Data Management (IDM) Unit, CSEA

¹Central Bank of Nigeria (2016). “Purchasing Managers’ Index for July 2016” Retrieved from, http://www.cbn.gov.ng/Out/2016/SD/PMI_Report_July%202016.pdf

²cbn.gov.ng. External Reserve (2016). Retrieved from, <http://www.cbn.gov.ng/IntOps/Reserve.asp?MoveDate=8/8/2016%208:59:00%20AM>

³OPEC weekly oil price. Accessed August 8, 2016. http://www.opec.org/opec_web/en/data_graphs/40.htm

⁴The Herald (2016). “CBN resumes Dollar Sales to BDCs”. Accessed August 8, 2016, <http://www.herald.ng/cbn-resumes-dollar-sales-bdcs/>

⁵Abokifx (2016). Black Market Rate. Accessed August 8, 2016. <http://abokifx.com/previous-rates-2/>

⁶ NBS (2016). “Power generation statistics 2015-2016”. Accessed August 5, 2016. <http://www.nigerianstat.gov.ng/report/415>

⁷ Nigerian Stock Exchange (2016). “Stock Market Report for August 8, 2016”. Retrieved from, http://www.nse.com.ng/market_data-site/other-market-information-site/Week%20Market%20Report/Weekly%20Market%20Report%20for%20the%20Week%20Ended%2005-08-2016.pdf