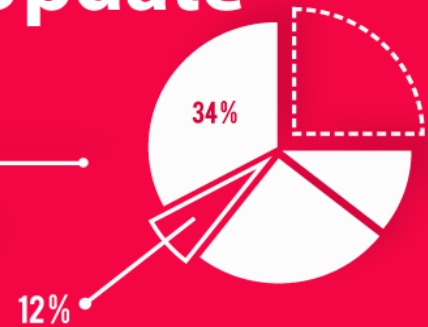




Nigeria Economic Update



Weekly
Digest

Decline in Purchasing Managers Index

The manufacturing sector PMI declined from 58.3 points to 51.1 points between February and March 2020. The slowdown was triggered by reduced growth in 7 subsectors including electrical equipment, chemical and pharmaceutical products, primary metals and non-metallic mineral products. Similarly, the non-manufacturing PMI index declined to 49.2 percent, falling below the 50 percent threshold for the first time in over 2 years¹. The overall contraction is due to the depression in global economic activity which has led to a reduction in new orders, inventory and consequently employment levels across the manufacturing and non-manufacturing sectors. In the coming months, the reduced activity across both sectors is expected to continue as a result of the decline in global demand for exports and the reduction in local consumption. In the meantime, some manufacturers can switch to producing essential commodities that are required to tackle the pandemic. In addition, the cash transfers by the government should be distributed to manufacturing and non-manufacturing workers that would be laid off or furloughed as a result of the pandemic.

Aggregate Credit Rises

Aggregate credit grew by N2.35 trillion, reflecting the effectiveness of the increment of the loan-to-deposit ratio for banks from 60 to 65 percent in October 2019². The manufacturing sector received the highest sectorial credit of N533.06 trillion between the period of May 2019 and February 2020. This was followed by other sectors including General Retail and Consumer Loans (N380.71 billion); General Commerce (N229.87 billion); Information and Communications (N163.69 billion); Agriculture, Forestry and Fishing (N163.04 billion)². The increased availability of credit is supported by the moderate reduction in non-performing loans by 0.05 percentage points to 6.54 percent. While the primary objective of encouraging banks to provide loans is to boost the performance of the real sector, the slowdown in economic activities globally could undermine the attainment of the objective. All sectors, particularly the manufacturing sector, should reduce their dependency on any single country by diversifying their sources of input supply. However, banks should continue to provide loans during these perilous times to ensure that businesses remain solvent.

Worsening Consumer Outlook

A recent report released by the Central Bank of Nigeria noted that the consumer outlook for the first quarter of 2020 was pessimistic. This was indicated by a quarter-on-quarter decline in the consumer overall confidence index (COCI) from 3.3 points to -0.3 points.³ Consumers had downward outlook for employment, family income and economic conditions. This gloomy outlook was also echoed in the business outlook index (BOI) of the current month of march which declined by 20 points to 6.6 points.⁴ Although, surveyed firms expressed optimism on the macroeconomy with next month's expectations projected at 48.34 points. However, given the identified business constraints which include insufficient power, high interest rate, insufficient demand and unfavourable economic climate, amid the slow-down in global economic activity and the current lockdown in Nigeria, next month's BOI may dip further.

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

*Revised GDP figures/tentative figures

NA: Not Available

1CBN (2020) Purchasing Managers' Index (PMI) Survey Report retrieved from:

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

2CBN (2020) CENTRAL BANK OF NIGERIA COMMUNIQUÉ NO. 129 OF THE MONETARY POLICY COMMITTEE MEETING OF MONDAY 23RD AND TUESDAY 24TH MARCH 2020 retrieved from :

<https://www.cbn.gov.ng/Out/2020/MPD/Central%20Bank%20of%20Nigeria%20Communique%20No.%20129%20of%20the%20Monetary%20Policy%20Committee%20Meeting%20held%20on%20Monday%2023rd%20and%20Tuesday%2024th%20March%202020.pdf>

3CBN (2020). "Consumer Expectation Survey Report Q1 2020". Retrieved from;

<https://www.cbn.gov.ng/Out/2020/STD/Q1%202020%20CES%20REPORT.pdf>

4CBN (2020). "March 2020 Business Expectations Survey Report". Retrieved from;

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

