CSEA
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Weekly Digest

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Decline in Purchasing Managers Index

The manufacturing Purchasing Managers Index (PMI) declined from 59.2% to 58.3% between January and February 2020[1]. However, considering that the Index remains above the 50% threshold at 58.3%, the PMI still indicates a sectoral expansion. The manufacturing PMI decline was driven by a month-on-month decline of production in printing and related support activities. Similarly, the non-manufacturing Index which covers the level of employment and raw material inventories experienced a 1% decline putting the non-manufacturing PMI at 58.6%. With borrowing rates expected to rise in upcoming months as the overall confidence index (CI) stands at 4.2 points for the next month (March)[2], we expect a further decline in the manufacturing and non-manufacturing PMI. Going forward, sustained stability in the foreign exchange market, improved domestic demand as the economy continues to recover and expansionary fiscal policy will contribute to persistent growth in PMI.

Improvements in Business Outlook

The Central Bank of Nigeria's recent business expectation report noted a 118% rise in the business outlook for March relative to February. The overall positive outlook for the month of March (58.1 index point) was driven by optimism in the service sector (31.6 points), industrial sector (19.5 points) and wholesale trade (5.4 points)3. With the service and industrial sectors growing at 2.60% and 2.75% respectively within Q420194, the optimism appears to be translating to real improvements in the sectors. Given the successful past performance of these sectors and positive consumer perception about the future, we expect continuous improvements in the business outlook in the coming months. However due to restrictions on movement of people, goods and services, and containment measures as a result of the coronavirus outbreak, there may be a negative impact on economic prospects through limitations on supply chains and business travel. Government officials should closely monitor the economic impact of the coronavirus and position themselves to act if required.

Decline in Stock Market Indices

The Nigerian Stock Exchange All Share Index and market capitalisation declined by 4.28% to close the week at 26,216.46 and N13.658 trillion respectively4. This rise was primarily driven by the Financial Services industry, particularly Guaranty Trust Bank Plc, United Bank for Africa Plc, and Zenith Bank Plc, which comprised 82% of the total trade volume valued at N17.2 billion. Despite this, the top six price gainers were mostly non-financial services firms including May & Baker Nigeria, Ekocorp, Neimeth International Pharmaceuticals, BUA Cement, and Ardova Plc. As the equities prices continue to drop, the dividend yields will remain attractive not only to local investors but also to global portfolio managers which will drive improvements in market activities.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'19Q2	'19Q3
GDP Growth Rate (%)	2.1	2.3
Oil GDP (%)	5.15	6.49
Non-oil GDP (%)	1.64	1.85
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US $ Million)	222.89	200.08
Portfolio Investment (US $Millions)	4,292.89	2,999.50
Other Investment (US $Million)	1,304.43	2,167.98
External Debt (FGN & States- N'Billion)	8,322	NA
Domestic Debt (FGN + States & FCT N'billion)	17,379	NA
Manufacturing Capacity utilization (%)	184.2	179.7
Headline Inflation (%)	11.61	11.85
Food Sub-Index (%)	14.09	15.34
Core Sub-Index (%)	8.88	9.67
External Reserves (End Period) (US$ Million)	44,903.03	43,607.80
Official Rate Approx. (N/US$)	305	307
BDC Rate Approx. (N/US$)	362	362
Manufacturing PMI	58.2	59.3
Non-Manufacturing PMI	58.2	60.1
Crude Oil Price (US$/Barrel)	NA	NA
Petrol (PMS-N/litre)	145.00	145.5
Diesel (AGO -N/Litre)	224.96	229.08
Kerosene (HHK -N/Litre	324.72	NA
MPR (%)	13.5	13.5
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	10.03	NA
Savings Deposit (%)	3.93	NA
Prime Lending (%)	15.07	NA
Maximum Lending (%)	30.56	NA
Narrow Money (N'Billion)	10,617.42	10,930.57
Broad Money (N'Billion)	35,450.01	36,478.12
Net Domestic Credit (N'Billion)	34,937.93	35,513.08
Credit to the Government (N'Billion)	9,089.56	9,100.34
Credit to the Private Sector(N'Billion)	25,848.37	26,412.74

*Revised GDP figures/tentative figures
NA: Not Available

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

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

2CBN(2020) February 2020 Business Expectations Survey Report, retrieved from

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

3CBN(2020) February 2020 Business Expectations Survey Report, retrieved from

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

4NBS (2020) Nigerian Gross Domestic Product Report (Q4 2019) retrieved from :

https://nigerianstat.gov.ng/download/1066

5Nigerian Stock Exchange (2020) STOCK MARKET REPORT FOR FEBRUARY 28TH 2020 retrieved

from:http://www.nse.com.ng/market_data-site/other-market-information-site/Week%20Market%20Report/Weekly%20Market%20Report%20for%20the%20Week%20Ended%2028-02-2020.pdf