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Purchasing Managers' Index

Recently released report by the CBN indicates a general expansion (above the 50-index points benchmark for expansion) in both Manufacturing and Non-manufacturing sectors for the month of May 2017, relative to April 2017¹. Precisely, the measure of their performances, PMI, improved by 2.7 percent to 52.5 index points in the Manufacturing sector, driven by expansion in production level and raw material inventory among others. The Non-manufacturing PMI stood at 52.7 index points - a 6.5 percentage increase from the preceding month – indicating expansion (above 50) for the first time in 16 months. Recent remarkable improvements in business activities is attributable to improved forex liquidity thereby stimulating increased access to raw materials for production and business. Going forward, pursuing policies that improve access to credit and create an enabling business environment would be useful in sustaining the increase in PMI in both the short- and medium-terms.



Aviation Sector

Available data from Nigeria Bureau of Statistics shows a decline in the Nigeria Aviation sub-sector (Transport Sector) real growth rate in 2017Q1. Compared to the preceding quarter, the sub-sector declined significantly by 9.6 percent², due to decline in the number of passengers and movement of aircrafts – this may be connected to the closure of the Abuja airport for infrastructural development during the period. To ensure a near-optimal performance of the aviation sector, the government should also make efforts to improve aviation safety and security, establish a national carrier, and improve aircraft maintenance to world class standards.



External Reserves

Nigeria's external reserves declined between April and May 2017. Data from the CBN reveals that the reserve declined from \$30.9 billion as at the end of April, to \$30.3 billion as at May 31, 2017 – suggesting a 1.7 percent decrease³. After several weeks of improvements, the external reserve began depleting, possibly due to downward pressure exerted by the continued CBN's forex intervention policies. Specifically, the CBN had intervened to the tune of \$483 million⁴ on May 31, 2017, bringing the total amount pumped in by the CBN to \$7.1 billion (January to May 2017)⁵. This suggests that the intervention policy may have started having negative effects on the reserves. Going forward, there is urgent need to explore alternative means of stabilizing the naira, in order to conserve foreign reserves. In this regard, the economy can benefit from strong policy interventions that improve the supply-side and competitiveness. This should be complemented with forex policy that hinges on the market mechanism in order to improve trade balance, reduce pressure on naira, and conserve foreign reserves.



Stock Market

The stock exchange market recorded a remarkable increase in the week under review. All-Share Index and Market Capitalization appreciated by 7.9% to close the week at 31,371.63 points and N10.9 trillion respectively on June 2, 2017⁶. Overall surge in investors' demand for equities and a boost in market confidence triggered the extended bullish position in the market – with 0% selling position and 100% buying position in the review week⁷. This is at the backdrop of favourable economic outlook, expectations of improved companies' earnings, more liquidity, and the decision by MSCI₁ to increase weight ratings assigned to Nigerian stocks (from 6.5 percent to 7.9 percent)⁸. However, a clear forex policy and stability in macro policy environment remain critical towards improving investors' confidence and sustainability of recent stock market performance.



ECONOMIC INDICATORS

QUARTERLY ECONOMIC INDICATORS	2016Q3	2016Q4	2017Q1
GDP Growth Rate (%)	-2.34*	-1.73*	-0.52
Oil GDP (%)	-23.04*	-17.70*	-11.64
Non-Oil GDP (%)	0.03	-0.33	0.72
Unemployment Rate (%)	13.9	NA	NA
Underemployment Rate (%)	19.7	NA	NA
Foreign Direct Investment (US \$'Million)	340.64	344.63	211.38
Portfolio Investment (US \$'Million)	920.32	284.22	313.61
Other Investments (US \$'Million)	561.16	920.03	383.28
External Debt (FGN & States - N'Billion)	3,535.58	3,478.91	NA
Domestic Debt (FGN - N'Billion)	10,845.22	11,058.20	NA
Manufacturing Capacity Utilisation (%)	48.4	48.5	NA
MONTHLY ECONOMIC INDICATORS	Feb-2017	Mar-2017	Apr-2017
Headline Inflation (%)	17.78	17.26	17.24
Food Sub-Index (%)	18.53	18.44	19.30
Core Sub-Index (%)	16.00	15.40	14.80
External Reserve (US\$ Million)	29,975.38	29,996.38	NA
All Share Index (Points)	25,329.08	25,516.34	25758.51
Market Capitalization (N' Billion)	8,765.92	8,828.96	8912.90
Exchange Rate (BDC - N/US\$)	494.7	429.48	392.89
Official Rate (N/US\$)	305.31	306.4	306.05
Manufacturing PMI	44.6	47.7	51.1
Non-Manufacturing PMI	44.5	47.1	49.5
Crude Oil Price(US\$/Barrel)	46.39	52.13	52.94
Petrol (PMS - N/litre)	149.8	149.4	149.9
Diesel (AGO - N/litre)	249.38	234.55	229.25
Kerosene (NHK - N/litre)	352.42	311.56	280.80
MPR (%)	14	14	14
Private Sector CRR (%)	22.5	22.5	22.5
Public Sector CRR (%)	22.5	22.5	22.5
91 Day T-Bill Rate (%)	13.75	13.60	13.58
Savings Deposit (%)	4.22	4.23	4.24
Prime Lending (%)	17.13	17.43	17.44
Maximum Lending (%)	29.26	30.18	30.31
Narrow Money (N'Billion)	10,212.65	9,955.24	9,760.42
Broad Money (N'Billion)	22,365.65	22,024.98	21,712.98
Net Domestic Credit (N'Billion)	26,771.07	27,472.69	27,534.71
Credit to Government (N'Billion)	4,408.656	5,199.69	5,591.83
Credit to Private Sector (N'Billion)	2,2362.41	2,227.30	2,194.29
Currency in Circulation (N'Billion)	1,978.887	1,983.63	1,975.81
FAAC (N' Billion)	514.15	496.39	NA

*Revised GDP figures

NA: Not Available

¹National Bureau of Statistics (2017). “Purchasing Managers’ Index: May 2017 Report”.

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²National Bureau of Statistics (2017). “Air Transportation Data Q1 2017”. Retrieved from,

<http://www.nigerianstat.gov.ng/report/563>

³cbn.gov.ng

⁴ThisDay (2017). “CBN Pumps \$482.6m into Forex Market”. Accessed June 6, 2017.

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⁵Leadership (2017). “CBN Foreign Market Intervention Hits N7.13bn in 22weeks”. Accessed June

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⁶Nigeria Stock Exchange (2017). “Stock Market Report for June 2nd, 2017”. Retrieved from,

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⁷Channelstv (2017). “MSCI Raises Nigeria’s weighting In Frontier Markets”. Accessed June 5,

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[markets/](http://www.channelstv.com/2017/06/01/msci-raises-nigerias-weighting-frontier-markets/)

¹MSCI: Morgan Stanley Capital International (MSCI) Frontier Index