

Purchasing Managers' Index

Available PMI reports show a remarkable improvement in business activities for the month of December 2017. Still above the benchmark for expansion (50 index points), Manufacturing PMI increased to 59.3 from 55.9 index points while Non-manufacturing PMI rose to 62.1 index points, from 59.3 index points in November 2017¹– the highest PMI recorded since commencement of the index in January 2015. The December increase may be attributed to the general transformation in access to forex thereby supporting seasonal boost in demand for goods and services. This is in addition to the end-year holidays: Evidence can be drawn from increases recorded in production levels (63.2), new orders (60.0), Raw materials/inventory (61.1) among others. Going forward, government can further improve PMI by addressing issues of fuel scarcity and long queues, as this adds to production cost and makes the business environment less conducive, especially for small and medium size businesses.



External Reserves

Nigeria's external reserves improved in 2017. The reserve stood at approximately \$39 billion as at the end of December 2017, up by about 50 percent from the \$26 billion at the beginning of the year 2017². The surge in reserve was particularly boosted by increased capital importation, and crude revenue earnings prompted by a relatively higher crude oil price and improved domestic production. Given that the recent uptick in external reserves is still largely associated with improved crude oil price, efforts should be geared towards conserving current reserve gain so as to cushion future external shock. In the medium term, there is need to diversify export earning away from oil so as to mitigate the effects of volatility in crude oil prices.



Exchange Rate

The foreign exchange market experienced steady improvements in 2017. The Naira strengthened against the dollar (From January to December 2017) by 26.4 percent to exchange at N363/\$ at the parallel (BDC) market³. The official exchange rate remained stable throughout the year at approximately N305/\$⁴. During the year, the CBN introduced comprehensive policy reforms to the forex market; from opening special forex windows to several weekly market interventions, among others. However, it is imperative that the monetary authority allow unhindered free interplay of market forces in the exchange rate market especially given the recent improvement in the country's external reserve. Allowing market to guide international value of naira would improve confidence in the forex market.



Credit Outlook

Recently released CBN survey report shows an increase in availability and demand for unsecured household lending (-15 to -4 points) and corporate credit across all firms (-27.1 to -7.0 points) in 2017Q4, and an optimistic outlook in 2018Q1⁵. Household lenders' responses reveal that the proportion of approved total loan applications for households increased due to higher appetite for risks on the back of better economic outlook. Similarly, corporate lending was driven by brighter economic outlook, market share objectives, favorable liquidity conditions among others. Going forward, government should take step to improve the business environment, such as addressing deficiencies in power supply, in order to increase the prospect and ease of loan repayment.



ECONOMIC SNAPSHOT		
Quarterly Indicators	'17Q2	'17Q3
GDP Growth Rate (%)	0.72*	1.40
Oil GDP (%)	3.52*	25.89
Non-oil GDP (%)	0.45	-0.76
Unemployment Rate (%)	16.2	18.8
Foreign Direct Investment (US \$ Million)	274.4	117.60
Portfolio Investment (US \$Millions)	770.5	2,767.42
Other Investment (US \$Million)	747.5	1,260.08
External Debt (FGN & States- N'Billion)	4,602.88	4,693.91
Domestic Debt (FGN-N'billion)	15,034.11	15,678.0
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	Oct'17	Nov'17
Headline Inflation (%)	15.91	15.90
Food Sub-Index (%)	20.31	20.30
Core Sub-Index (%)	12.14	12.20
External Reserves (US\$ Million)	33,835.1	34,945.6
Official Rate (N/US\$)	305.8	306.0
BDC Rate (N/US\$)	362	364
Manufacturing PMI	55.0	55.9
Non-Manufacturing PMI	55.3	57.6
Crude Oil Price (US\$/Barrel)	48.66	52.07
Petrol (PMS-N/litre)	146.0	145.6
Diesel (AGO -N/Litre)	201.96	199.26
Kerosene (HHK -N/Litre)	273.44	267.14
MPR (%)	14	14
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	13.18	NA
Savings Deposit (%)	4.08	NA
Prime Lending (%)	17.88	NA
Maximum Lending (%)	31.39	NA
Narrow Money (N'Billion)	10,393.06	NA
Broad Money (N'Billion)	22,500.62	NA
Net Domestic Credit (N'Billion)	27,174.81	NA
Credit to the Government (N'Billion)	5,245.89	NA
Credit to the Private Sector(N'Billion)	2,192.82	NA
Currency in Circulation (N'Billion)	1,791.19	NA
FAAC (N'Billion)	532.8	609.9

*Revised GDP figures/tentative figures
NA: Not Available

¹Central Bank of Nigeria (2018). “Purchasing Managers’ Index (PMI) Survey Report: December 2018”.

Retrieved from,

<https://www.cbn.gov.ng/Out/2018/SD/December%202017%20PMI%20final%20Report.pdf>

²Central Bank of Nigeria (2018). “The Movement in Reserves”. Accessed January 9, 2018.

<https://www.cbn.gov.ng/IntOps/Reserve.asp?MoveDate=1/10/2018%206:38:23%20AM>

³Abokifx (2018). “BDC Rates”. Accessed January 9, 2018. https://abokifx.com/bdc_rate

⁴cbn.gov.ng

⁵Central Bank of Nigeria (2018). “Credit Conditions Survey Report: Q4, 2017”. Retrieved from,

[https://www.cbn.gov.ng/Out/2018/SD/2017%20Q4%20CCS%20REPORT_Final_Dec29%20\(3\).pdf](https://www.cbn.gov.ng/Out/2018/SD/2017%20Q4%20CCS%20REPORT_Final_Dec29%20(3).pdf)

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