

Nigerian Economy Signals Recovery

The Nigerian economy, which was severely hit in 2016 by the drop in the crude oil price and crude oil production, is beginning to show some signs of positive outlook and recovery. The economy, which officially entered into a recession in Q2 2016 following the release of the Gross Domestic Product (GDP) figures showing two consecutive quarters of GDP contraction, is showing strong signs of recovery. The recovery seems to be coming on the back of the recent increase in crude oil price, the increase in crude oil production in Nigeria and the Central Bank of Nigeria's (CBN) continued supply of foreign exchange to both retail and corporate users.

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The Purchasing Managers' Index (PMI) report of the CBN shows that both the Composite PMI and the Production level in the manufacturing sector improved in March 2017. Although the Composite PMI in March 2017 at 47.7 points was below the 50 point level (which suggests a decline in activities), it was an improvement from the month of February 2017 figure of 44.6 points. The Index for the production level in the manufacturing sector at 50.8 points is however higher than the 50 point level (which suggests an improvement). The monthly rates of increase in both the Composite PMI and the Production level were the second highest in two years and the highest since January 2017. **Analysts' consensus is that the inflation rate will continue to trend downward in 2017. This means that the purchasing power of Nigerians should improve and stimulate demand for both consumer and industrial goods.**

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In March, the equity market recorded its first Month-on-Month (MoM) appreciation of year 2017, after depreciating for two consecutive months. The Nigerian Stock Exchange All Share Index (NSE ASI) appreciated marginally by 0.74% in March 2017 to close at 25,516.34 points. The NSE ASI depreciated 3.12% and 2.72% in January 2017 and February 2017 respectively. All the NSE Sectoral Indices appreciated in the month of March 2017 except the NSE Banking Index. Although the Year-to-Date (YTD) performance of the NSE ASI remained in negative territory at the end of the month of March 2017, the monthly performance is an indicator of investors' improving outlook on the economy. **Analysts expect that the positive Q1, 2017 results of quoted companies will further boost the performance of the equity market in Q2, 2017.**

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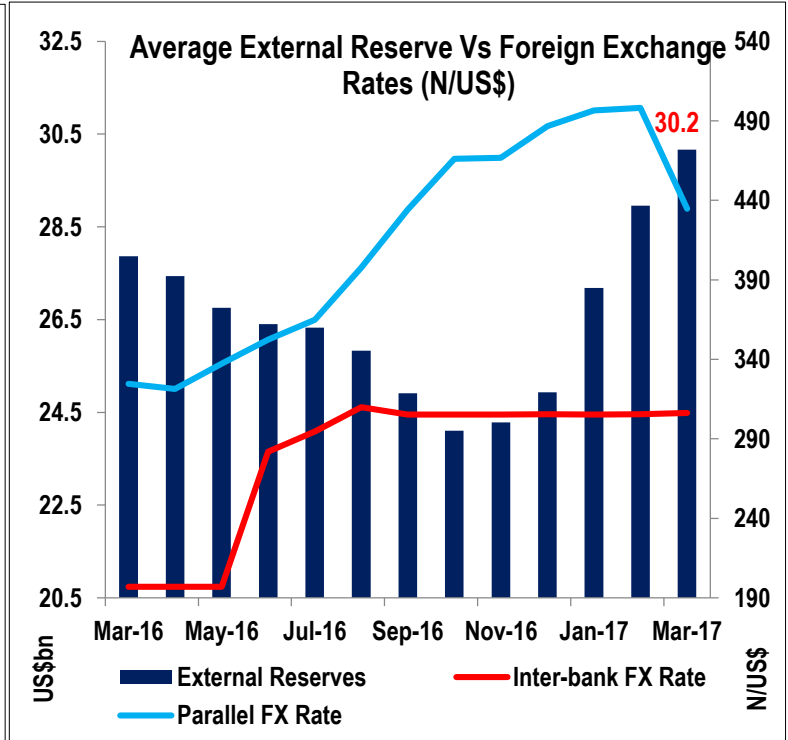
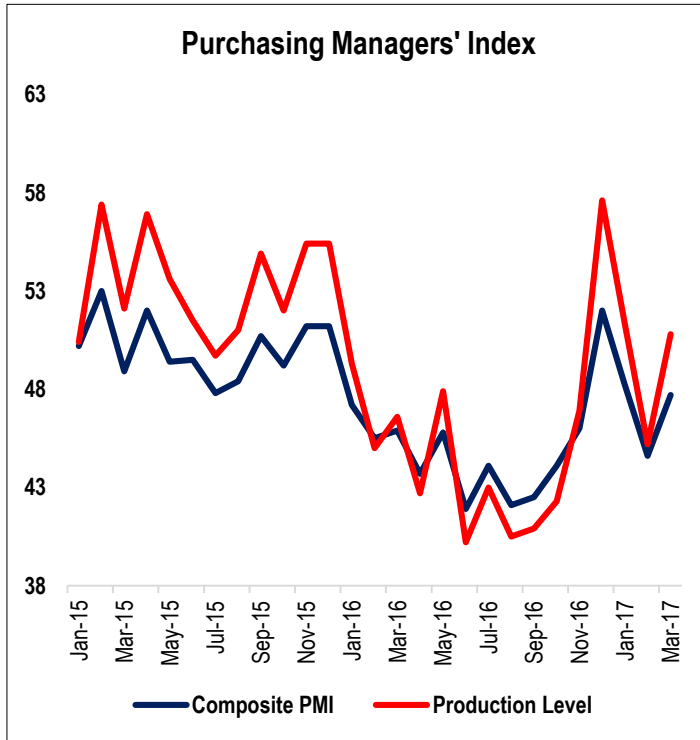
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The improvement in the macroeconomic environment and the efforts of various stakeholders to promote made-in-Nigeria goods should stimulate economic activity in the short to medium-term.

The country recorded its highest level of external reserves in 16 months, US\$30.30billion, on March 31, 2017. The average external reserves in the month of March 2017 stood at US\$30.2billion. The increase in the crude oil price in the international market and the increase in crude oil production in Nigeria contributed to the accretion in the external reserves. On account of the increase in external reserves, the CBN has been able to maintain an improved supply of foreign exchange through authorised dealers (the banks) to end-users. The U.S Energy Information Administration (EIA) released a revised forecast for average Brent crude oil price of US\$54.23/b for 2017 in its monthly Short-Term Energy Outlook (STEO) report for the month of April 2017. The 2017 forecast represents an increase of 23.98% over the average Brent crude oil price of US\$43.74/b recorded in 2016. With an average crude oil price above US\$50/b in 2017 and continued improvement in the level of crude oil production in Nigeria, the external reserves should continue to grow. Consequently, the CBN should be able to meet all non-speculative demand for foreign exchange. This will ensure a continued improvement in the level of economic activity.

In January 2017, the International Monetary Fund (IMF) and the World Bank released growth forecasts of 0.8% and 1% respectively for Nigeria in 2017. These forecasts were more muted than the 2.19% growth forecast by the Federal Government of Nigeria (FGN) in its Economic Recovery and Growth Plan, and the 1.6% growth forecast by FSDH Research for the country in 2017. **The expectation is that the current improvement in the macroeconomic environment and the efforts of various stakeholders to promote made-in-Nigeria goods should stimulate economic activity in the short to medium-term.**



Source: Central Bank of Nigeria (CBN)

For enquiries please contact us at our offices:

Lagos Office: 5th-8th floors UAC House, 1/5 Odunlami Street, Lagos. Tel: 234-1-2702880-2; 234-1-2702887

Port Harcourt Office: 2nd Floor, Skye Bank Building (Former Mainstreet Bank Building) 5 Trans Amadi Road, Port Harcourt. Tel: 234-8024081331

Abuja Office: Leadway House (First Floor), Plot 1061 Herbert Macaulay way, Central Business District, Abuja-Nigeria. Tel.: 234-9-2918821

Website: www.fsdhgroup.com

email: research@fsdhgroup.com

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