**Access Bank Economic Intelligence Group**

**Market Analysis and Outlook: Sep 2 – Sep 9, 2016**

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### Global Economy

In the US, activities in the manufacturing sector declined in August as the Purchasing Managers’ Index (PMI) came in at 49.4, down from 52.6 recorded in July. A reading above 50 suggest expansion while a reading below 50 signal economic contraction. The result, Therapy, and New Order component indices fell to 48.3, 44.7, and 49.2, respectively. In contrast, globally, the newly released PMI report for the Institute of Supply Management report for the second quarter of 2016, down from a growth of 1.7% y-o-y in the previous quarter, leading to a slowdown in new orders and exports. Despite the drop in government spending by 18.8% from 2.9% in the previous period, this was not significant enough to spur growth in the second quarter. Considering that India is one of the major buyers of Nigerian crude oil, the slowdown in economic activities in India may have an impact on Nigeria’s oil revenues. Elsewhere, in South America, the Brazilian economy contracted by 3.8% y-o-y in the second quarter of 2016, following a 4.5%-y-o-y decline in the previous period, newly released figures from the Brazilian Statistical Office of Brazil showed. Household spending fell 5% while government spending dived by 2.2%, and currency devaluation and high inflation shrunk 8.8%.

### Local Economy

The Nigerian economy contracted by 2.0% y-o-y in the second quarter of 2016, down 0.2 percentage points from the previous quarter of 2015 (2Q’2015). This was contained in the newly released GDP report by the National Bureau of Statistics (NBS). A further breakdown of the new GDP figures shows that the oil sector real GDP contracted by -17.48% in 2Q’2016 (19.6% y-o-y and -21.4% y-o-y), prices fell by 1.5%, 1.6%, and 1.7% respectively in Q1’2016, Q1’2015, and Q1’2014.**

### Money Market

The interbank lending rates were triggered by inflows from foreign reserves, which showed a faster pace with the highest pressure coming in the fish, potatoes, yam, bread & cereal groups. The impact of higher energy prices along with the prices of imported items such as vehicle parts exerted downward pressure on the core sub-index during the period under review. Import prices continued to fall, affected by disequilibria across many divisions that contribute to the core sub-index.

### Stock Market

The equity market closed on a positive note last week as the main performance indicators trended upwards despite the news of depressing macroeconomic fundamentals in the nation. The trended upwards despite the news of depressing macroeconomic fundamentals in the nation. The All-Share Index rose by 305.76 points to close at 23,756.67 points from 23,450.93 on the previous week. The rally witnessed in the local bourse was fuelled by renewed worries about oversupply. Bonny light, Nigeria’s benchmark crude, fell by 2% or 5.5% to close at 44.39 per barrel. Precious metals prices, which are perceived as a safe haven for investors, are expected to decline further as non-OPEC members like Russia hint at higher output. The major buyers of Nigerian crude oil, the slowdown in economic activities in India may have an impact on Nigeria’s oil revenues. Elsewhere, in South America, the Brazilian economy contracted by 3.8% y-o-y in the second quarter of 2016, following a 4.5%-y-o-y decline in the previous period, newly released figures from the Brazilian Statistical Office of Brazil showed. Household spending fell 5% while government spending dived by 2.2%, and currency devaluation and high inflation shrunk 8.8%.

### Commodity Market

For precious metals, we are likely to see further declines on the back of expectations. S. interest rates still rise this year. The US Federal Reserve may be nearing a decision on interest rates. The US current account deficit widened to a record high last week.**

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Sources: CBN, Financial Market Dealers Association of Nigeria, NSE and Access Bank Economic Intelligence Group computation.