Global Economy

The India economy witnessed its weakest growth since the first quarter of 2016, driven by a 4.7% year-on-year in Q4 2019, following an upwardly revised 5.1% expansion in Q3 (4.5% earlier reported) according to the Ministry of Statistics and Programme Implementation (MoSPI). On the expenditure side, side, faster declines were seen for fixed capital formation, exports and imports while private consumption growth accelerated. On the production side, gross value added expanded while output for utilities and manufacturing contracted. In a separate development, the US consumer sentiment index increased by 5.1% in February 2020 from a preliminary estimate of 90.9. It is the highest reading since March 2018. The pace for current conditions was higher than expected (114.8 from a preliminary figure of 113.8 while expectations rose less (92.5 from 92.6). Inflation for the year ahead was seen at 2.4%, down from a preliminary estimate of 2.5% while those for the five-year outlook fell unchanged at 2.3%. The coronavirus was mentioned by 6% of all consumers in February although on the last days of the February survey, 20% mentioned the coronavirus due to the additional spread in equity prices as well as the Centre for Disease Control and Prevention (CDC) warnings about the potential domestic effects of the virus. Elsewhere in Brazil, the Brazilian Institute of Geography and Statistics (IBGE) reported that unemployment rate fell to 11.2% in the three months to January 2020 from 11.6% in August to October 2019. The number of unemployed declined by 3.7% to 11.9 million while employment rose by 1.1% to 141.5 million. The labour force participation rate declined 0.4% to 61.7% while the unemployment rate fell to 5.4%.5.

Domestic Economy

The Nigerian economy advanced 2.55% year-on-year in Q4 2019 compared to an upwardly revised 2.28% rise in Q3 2018. It was the strongest expansion since the Q3 2015, mainly driven by the services sector (3.65% vs 6.49% in Q3), amid higher crude oil production 12.00 million barrels per day, up from 1.91 mbpd in the same period a year earlier and more favourable prices. Growth in the non-oil sector of the economy advanced further in Q4 2019, coming in at 2.26% annual (Q1: +1.84% year-on-year) propelled by information and communication (telecommunications), agriculture (crop production), financial and insurance services (financial institutions), and manufacturing. According to the Nigeria Bureau of Statistics (NBS), the overall GDP in 2019 indicated a real growth of 2.27%, compared to 1.91% in 2018. In a separate development, the Manufacturing Purchasing Managers’ Index (PMI) stood at 58.3 points in January 2020. This indicates an expansion in the manufacturing sector for the thirty-fifth consecutive month. The index grew at a slower pace when compared to the previous month (59.2 points). This performance was shown in the latest PMI report by the Central Bank of Nigeria. A PMI above 50 points indicates that the manufacturing sector is generally expanding, while a reading below 50 points indicates a contraction. Twelve of the sub-sectors surveyed reported growth during the month, while the primary metal and printing & related support activities subsector recorded decline in the period under review.

Stock Market

The Nigerian Stock Exchange (NSE) extended its losing streak and negative sentiment last week amid the continued selling pressure among large-cap stocks. The market is also reflecting sentiments from the global market as the coronavirus outbreak to spread dampening economic growth economy. Consequently, the All Share Index (ASI) declined 4.26% over to close at 26,216.46 points from 27,388.62 points the prior week. Similarly, market capitalization dipped by 4.28% to close at N16.66 trillion from N24.27 trillion the prior week. This week, market might remain depressed due to the spread of the coronavirus and the report of a known coronavirus patient in Nigeria.

Money Market

Cost of borrowing spiked up due to CBN Reserves Reserve (CBR) debt of N50 billion and FX auction held at the close of the prior week. Short-dated placements such as Open Buy Back (OBB) and Overnight (O/N) rates settled higher at 15.5% and 16.42% from 1.83% and 3% previous week. The slightly longer dated instruments such as 30-day and 90-day Naira Interbank Offered Rate (NIBOR) closed at 6.69% and 6.65% from 8.87% and 8.99% the prior week. This week, rates are expected to decline slightly as liquidity is restored and OMO maturity of N50bn biqk.