

Macroeconomic Snapshot

Research & Insights | KPMG in Nigeria

Monday 6 November, 2023

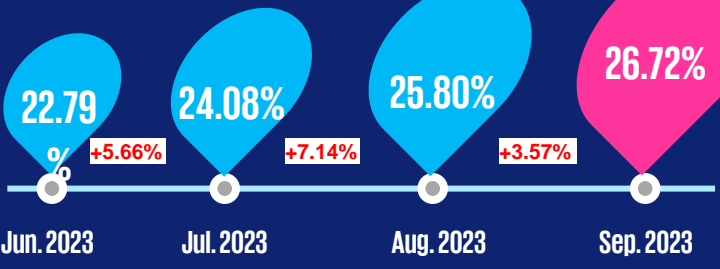
Crude Oil Price



\$91.89
\$92.46 Previous

↓
0.62%

Inflation Rate



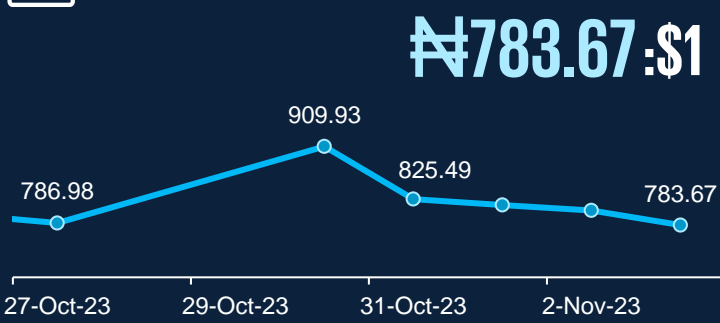
FX Reserve



\$33.40b
\$33.37b Previous

↑
0.07%

Exchange Rate Movement (CBN)



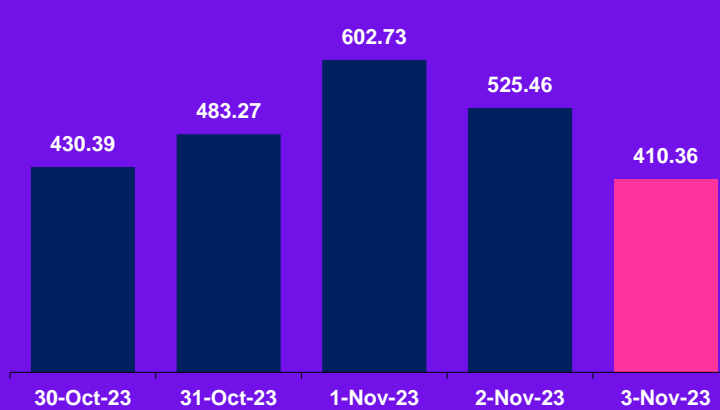
Market Capitalization



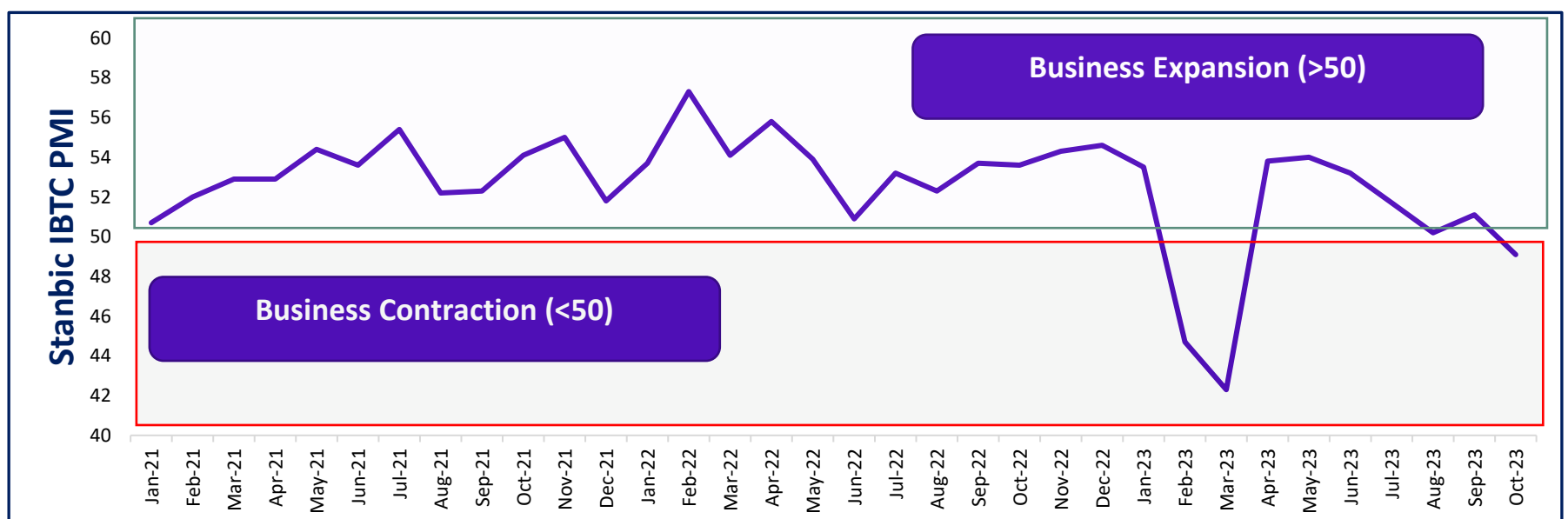
N38.56tr
N36.89tr Previous

↑
4.53%

NSE Volume Traded (millions NGN)



N87.4tr Debt
\$113.4bn Stock



KPMG Analysis: Decline in Nigeria's Purchasers Managers Index (PMI)

This week, we highlight the Stanbic IBTC Purchasing Managers' Index (PMI) report for the month of October 2023 which showed a slowdown in economic activity in October 2023. The Stanbic IBTC PMI is a weighted composite index of new orders, output, employment, suppliers' delivery times and stocks of purchases that together approximate monthly business conditions in Nigeria. The report indicates that business activity trended into negative region as the PMI for the Nigerian private sector dropped to 49.1 in October from 51.1 in September 2023. This is a major reversal of the gains recorded following the reversal of the naira redesign policy that led to cash crunch earlier this year and squeezed both businesses and households.

The decline recorded in the PMI figure in October is not surprising as it mirrors the generally slower growth of the economy occasioned by the twin reforms of fuel subsidy removal and FX unification implemented in Q2 2023. Data from the National Bureau of Statistics (NBS) indicates that inflation climbed to 26.72% in September 2023 as average petrol pump price across the nation surged by over 160% since the removal of fuel subsidy in May 2023, significantly raising the production costs in addition to the myriads of challenges already confronting businesses in Nigeria. Additionally, higher transport costs and depreciation of the Naira, despite recent gains, continue to dampen consumer demand by eroding the purchasing power of their income. Consequently, business conditions continue to deteriorate, and corporate earnings of major businesses continue to dwindle as consumers increasingly rationalize cut back on spending.

A reading less than 50 for October indicates the economy has started Q3 2023 with a risk of the economy posting a negative GDP growth for Q3 2023 unless this trend is reversed, otherwise it can potentially degenerate into an economy-wide recession if sustained into Q4 2023. This may include adopting better cost management strategies such as optimizing supply chains in addition to reducing their foreign exchange exposure and investing in innovations that can potentially produce cost-leadership and higher productivity gains. Furthermore, government should focus on channeling efforts to control inflation, sustain the recent gains in the FX market, expedite implementation of its various palliatives interventions and eliminate the various bottlenecks faced by businesses, generally creating a more stable and enabling macroeconomic environment for businesses to thrive.

Sources: CBN, NGX, NBS, DMO & KPMG Research

Other Stories

- [Nigeria's PMI drops to 49.1 in October as businesses signal deteriorating business conditions](#)
- [Reps summon CBN, DISCOs, others over \\$321m, N18.2bn electricity projects](#)
- [Senate approves Tinubu's N2.18tn Supplementary budget](#)
- [Tinubu's government targets N750/\\$ exchange rate by year end](#)
- [JP Morgan projects N850/\\$ by December](#)
- [NNPCL to give Dangote refinery six million barrels of crude](#)
- [CBN denies currency redenomination as C'tee assures of Naira stability by Dec](#)
- [Net foreign exchange inflow falls 54% to \\$7.29bn in H1'23](#)
- [Naira gains as CBN pays banks \\$6.7bn forex backlog](#)
- [FG to spend N610 billion for cash transfer program, wage award](#)

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