

Global Economy

Final estimate of the US Q3 2019 GDP released last week showed the economy grew by 2.1% YoY compared to 2% and 2.9% YoY in Q2 19 and Q3 18 respectively. The slower growth over Q3 was driven by deceleration in personal consumption expenditure (3.2% YoY vs 4.6% YoY in Q2 18), fixed investment spending (1.1% YoY vs 6.4% YoY in Q2 18), public sector spending (1.7% YoY vs. 4.8% YoY in Q2 18) and contraction in the external sector (imports grew 1.8% compared to 1% growth in exports). On a broad base, the still resilient growth despite the neutral impact of the tax cut in 2018 and ongoing trade dispute with China, largely reflects the strong persisting growth in real personal consumption expenditures (PCE) and government spending, both of which more than outweighed the impact of the recession in private investment (-1.0% YoY vs. -6.3% YoY in Q2 18).

Also, data released during the week by the Office for National Statistics in the UK indicated consumer prices reached the lowest level in three years despite rising energy prices. The headline CPI held steady at same level as October at 1.5% YoY (below BoE target of 2%). Accordingly, the Bank of England kept interest rates steady at its last meeting on Thursday. The BoE's policy makers cited uncertainty regarding Brexit. On the positive, lawmakers last week agreed to the Brexit bill in principle as submitted by Boris Johnson. The bill will now be further debated by both chambers of Parliament early next year. With the expiration of the term of Mark Carney, Andrew Bailey has been appointed as the next governor of the Bank of England.

Domestic Economy

President Muhammadu Buhari signed the 2020 appropriation bill into law as submitted by the National Assembly. Compared to the executive proposal, the approved budget was increased by N264 billion to N10.59 trillion from N10.33 trillion following inclusion of some key projects. However, there was no clear details on the source of funding the increase in the budget as key benchmarks (crude oil price of \$57 per barrel, crude oil production of 2.18millionb/d and exchange rate of N305/\$1)

Figure 1: US GDP Growth Trend

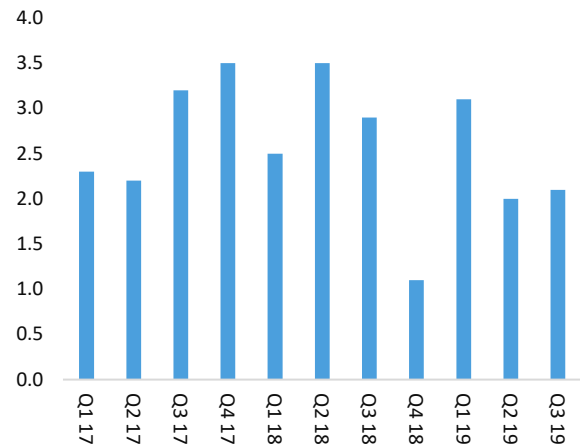


Figure 2: UK Headline Inflation Trend

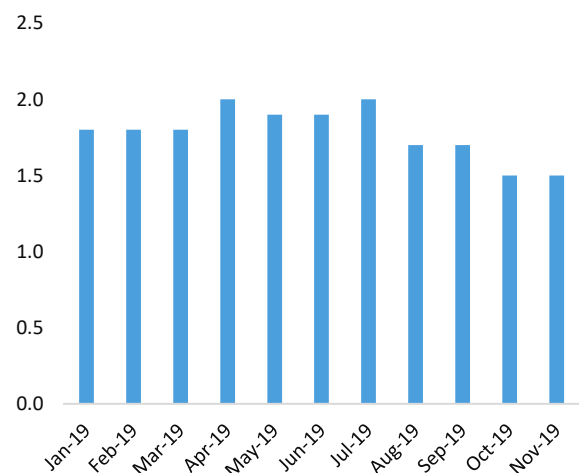
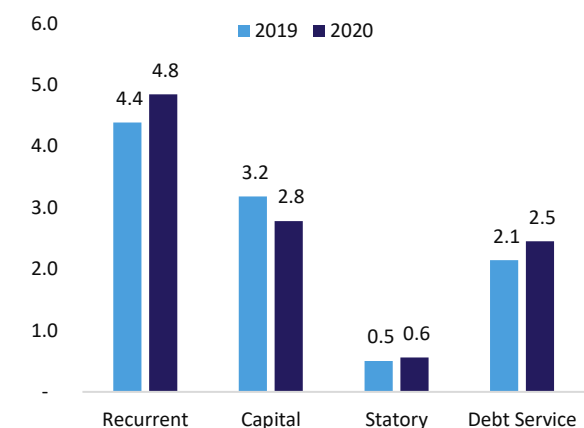


Figure 3: Approved Budget Breakdown (N'Trn)



were maintained, with the budgeted deficit increasing to N2.28 trillion. The budget allocated N560 billion for statutory transfer, N2.7 trillion for debt servicing, N4.8 trillion for recurrent expenditure and N2.5 trillion for capital expenditure.

During the week, the National Bureau of Statistics released the inflation figure for November 2019, which showed that headline inflation expanded to 11.85% year-over-year (YoY) from 11.61% in October. Much of the expansion over the past three months stemmed from the feedthrough of the land border closure on food prices, which more than outweighed the onset of the main harvest season. However, in a slight twist from the prior month wherein the core index decelerated, it expanded 11bps to 8.99%YoY compared to 8.88% in October. Food price growth on the other hand maintained the uptick, expanding 41bps to 14.48% YoY from 14.07% in October. As a result, the twelve-month average headline rate settled at 11.35% (5bps higher than 11.30% recorded in October). With our expectation of further uptick in the headline number to 12.14% in December, we expect the average for the year to settle at 11.41% YoY (2018: 12.15% YoY).

Crude Oil

Bonny light gained 1.04% last week to close at \$67.02/barrel. Most of the gains emanated from positive news regarding trade negotiation between US and China, and upbeat economic sentiment.

Foreign Exchange and Reserve

The gross foreign reserves depleted by \$274.76 million last week to \$38.96 billion (19th Dec 2019). Meanwhile, the CBN sustained its weekly FX interventions, selling \$210.00 million (same as prior week) across the different segments of the FX market – \$100.00 million to the Wholesale segment, \$55.00 million to the SMEs segment, and \$55.00 million to the Invisibles segment. The Naira was stable at the parallel market to close at NGN363.00/\$1, but weakened 0.2% at the I&E Window to close at NGN364.06/\$1.

Fixed Income

The FG held both NTB and Bond auctions last week. At the NTB auction last week, the FG rolled over maturing bills of N7 billion despite subscription level of N100 billion. As a result, average primary market auction rates declined further by 119bps to 4.83% with the one year down 139bps to 5.5%. At the bond auction, while the FG offered N150 billion, the higher subscription level (N288.43 billion) resulted in the FG selling a total of N264.4 billion at an average rate 12% (-77bps lower). In the secondary market, the still high liquidity level despite the two auctions saw NTB yields dropped 44bps WoW to 5.84%. In contrast, average bond yield finished the week 17bps higher

Figure 4: Nigeria YoY and MoM Inflation Trend

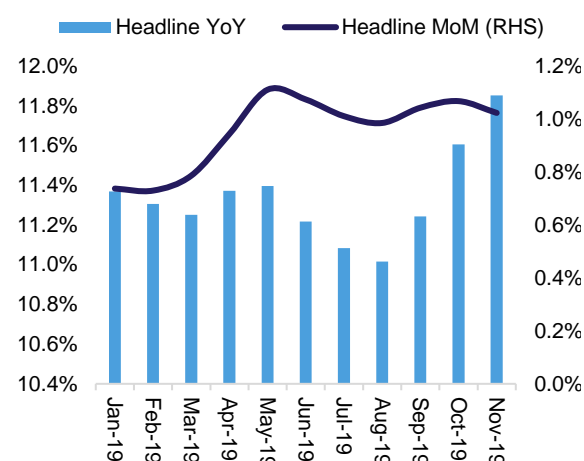


Figure 5: Brent Crude Price Trend

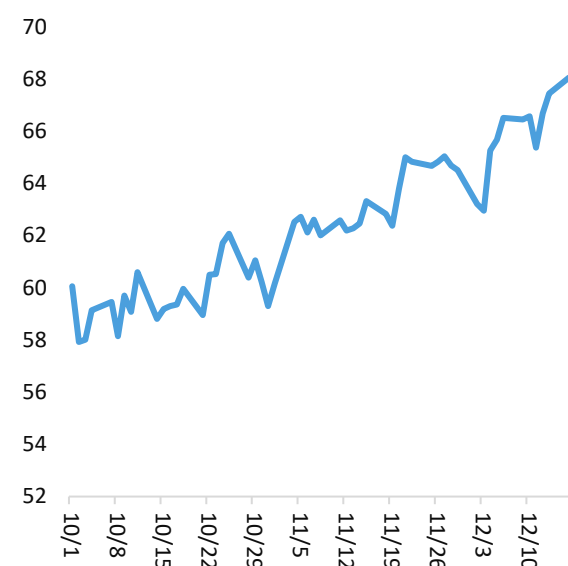
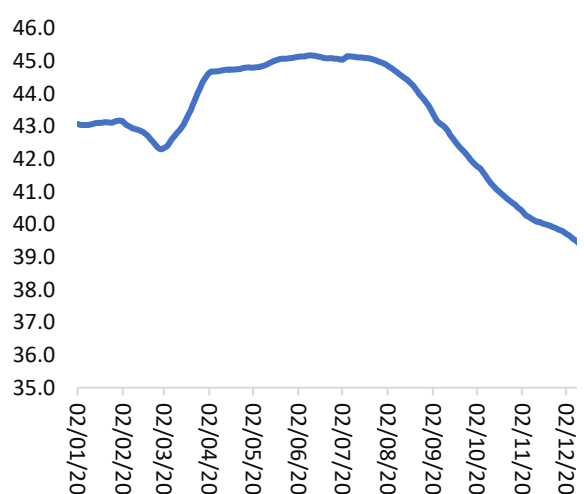


Figure 6: Movement in Gross Reserve (\$'Billion)



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