

Stanbic IBTC Bank Nigeria PMI™

compiled by markit

Nigeria's private sector downturn softens at the end of 2016

Key findings:

- **Headline PMI at five-month high of 48.1 in December**
- **Output contracts at weakest pace since July**
- **Job cuts at sharpest rate in series three-year history**

The health of Nigeria's private sector continued to deteriorate in the final month of 2016, albeit at the weakest rate since July. Firms reported a slower decline in output and a marginal contraction in new business levels. Meanwhile, businesses continued to work through their backlogs, subsequently lowering headcounts at the sharpest pace in the survey's three-year history.

The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI™). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

At 48.1 in December, up from November's 47.7, the headline figure rose to a five-month high but remained below the crucial 50.0 no-change mark, thereby signalling a further contraction of Nigeria's private sector. Moreover, the latest figure lengthened the current downturn to eight successive months.

The weakening contraction of Nigeria's private sector stemmed from a slower decline in output, with panel members citing weaker underlying demand. Furthermore, business activity has decreased in every month since February.

Latest survey data signalled a return to contraction territory for new business following a marginal increase in November. The fall was broad-based, as new export orders also lowered.

Inflationary pressures weighed on consumer demand, according to several survey respondents.

Meanwhile, firms continued to work through their outstanding business levels in December. Although the rate of deterioration eased to the slowest in four months, it remained strong in comparison to the three-year series average.

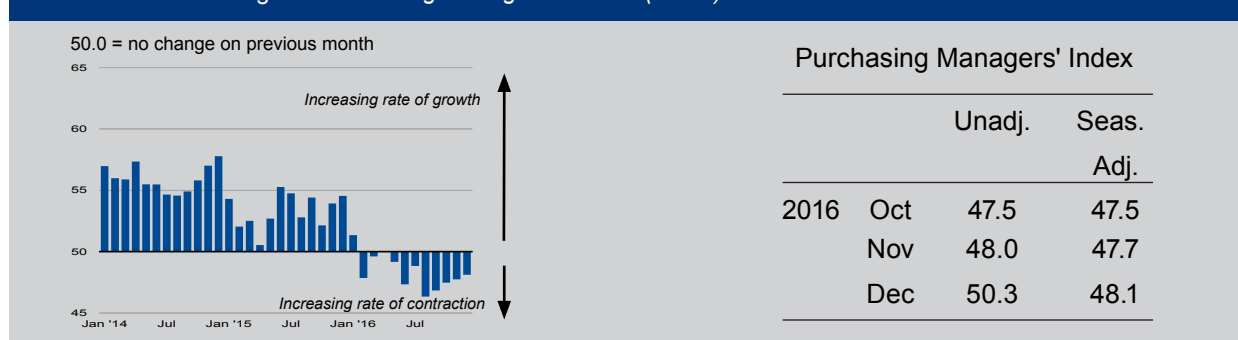
Job cuts in Nigeria's private sector were evident for the second month in a row. In fact, the rate of job shedding was the fastest in the series history, despite being relatively moderate.

Nigerian businesses raised output prices again in December. The rate of inflation was marked despite slowing since the previous month. Moreover, output charges rose at a stronger pace than input prices. Nigerian private sector firms commented on exchange rate depreciation, rising delivery costs and higher foods prices as the main factors driving inflation.

For the fifth time in as many months, input buying in the private sector of Nigeria decreased. The rate of decline was little-changed from November, with firms linking the fall to a lack of working capital. That said, pre-production inventories accumulated at a fractional rate in December.

Finally, suppliers' lead times shortened in Nigeria's private sector during the month. However, the rate at which vendor performance improved was only slight.

Stanbic IBTC Bank Nigeria Purchasing Managers' Index™ (PMI™)

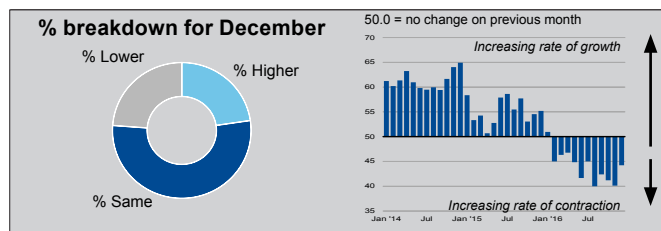


The Stanbic IBTC Bank Nigeria Purchasing Managers' Index™ (PMI™) is a composite indicator designed to provide an overall view of activity in the Nigerian economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and stocks of goods purchased. A reading of the PMI below 50.0 indicates that the economy is generally declining; above 50.0, that it is generally expanding. A reading of 50.0 signals no change. The greater the divergence from 50.0, the greater the rate of change signalled by the index. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Stanbic IBTC Bank use the above marks under licence. IHS Markit is a registered trade mark of IHS Markit Group Limited.

Output Index

Q. Please compare your production/output this month with the situation one month ago.

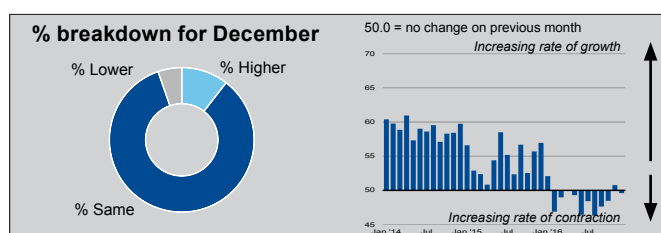
Output in Nigeria's private sector contracted again during December, lengthening the current sequence of decline to 11 straight months. That said, the extent of the fall weakened to a five-month low. According to panel members, the drop in business activity reflected weaker underlying demand for Nigerian goods and services.



New Orders Index

Q. Please compare the level of new orders received this month with the situation of one month ago.

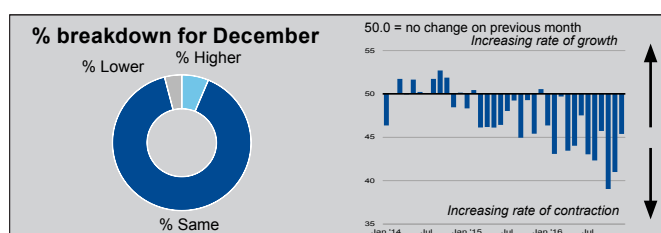
December survey data signalled a marginal decline in new business intakes in Nigeria's private sector. The drop follows a modest increase reported in November. Moreover, the rate at which new work fell remained less marked than earlier in 2016. There was some evidence that inflationary pressures in the economy weighed on consumer demand.



New Export Orders Index

Q. Please compare the level of new export orders received this month with the situation of one month ago.

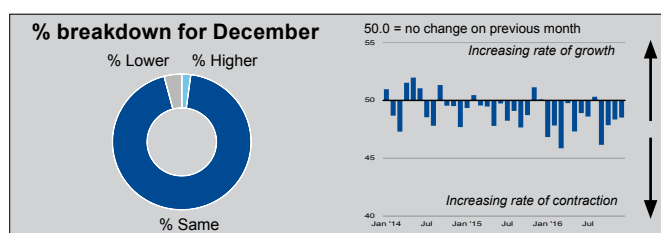
The decline in total new orders was broad based at Nigerian private sector companies at the end of 2016, as new business from abroad fell further. This was highlighted by the respective seasonally adjusted index remaining below the crucial 50.0 no-change mark. That said, the rate of decrease eased to the weakest since September.



Backlogs of Work Index

Q. Please compare the level of outstanding business in your company this month with the situation one month ago.

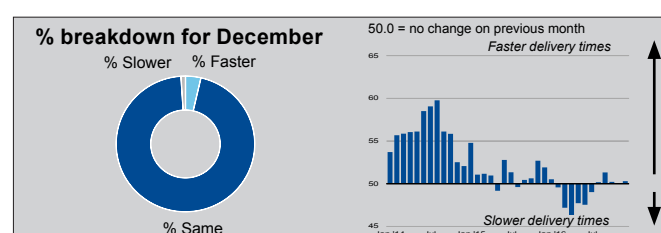
With a lower volume of new work, Nigerian private sector firms were able to work through their outstanding business in December. The latest decline extends the current trend to four successive months. Although the rate of deterioration was the weakest during this trend, it remained stronger than the historical average.



Suppliers' Delivery Times Index

Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.

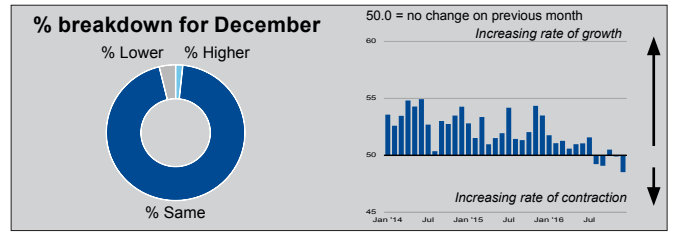
The seasonally adjusted Suppliers' Delivery Times Index posted above the 50.0 no-change mark in December, thereby signalling an improvement in vendor performance in Nigeria's private sector. However, the rate at which average lead times shortened was slight, around 95% of firms recorded no change in delivery times.



Employment Index

Q. Please compare the level of employment at your unit with the situation one month ago.

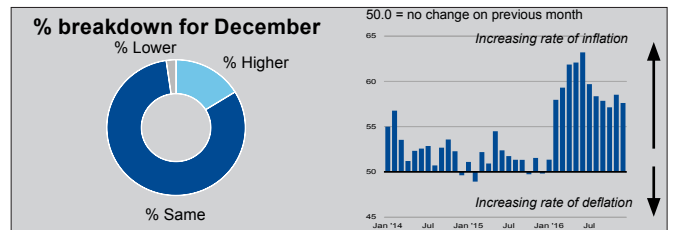
Nigerian private sector businesses reduced their headcounts for a second month in succession during December. In fact, the rate of job shedding was the sharpest in the surveys three-year history, despite being only moderate. The vast majority of panel members (nearly 95%) maintained the same staffing levels as in November.



Output Prices Index

Q. Please compare the average prices you charged this month with the situation one month ago.

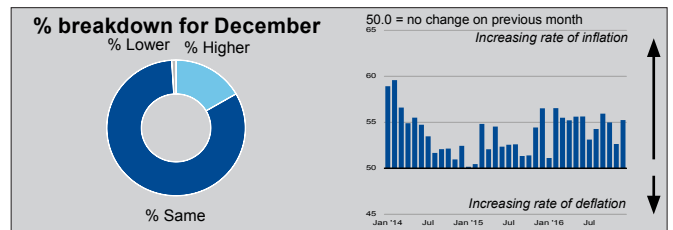
Output prices continued to increase in Nigeria's private sector in the final month of 2016, consequently extending the current sequence of inflation to one full year. Although selling prices rose at a slower pace than in November, it remained relatively marked. Panel members which increased their average charges partly reflected on the passing through of higher input costs.



Overall Input Prices Index

Q. Please compare your overall average input prices this month with the situation one month ago.

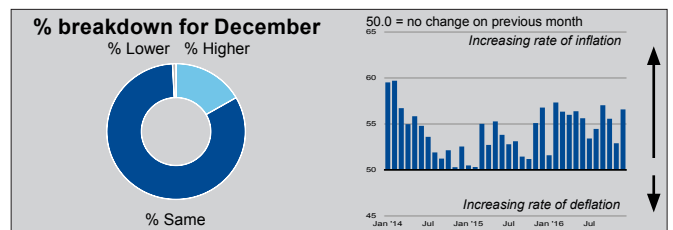
Average cost burdens rose further in Nigeria's private sector in December, as highlighted by the seasonally adjusted Overall Input Prices Index posting above the all-important 50.0 neutral mark. According to panel members, exchange rate depreciation, rising delivery costs and higher food prices were some of the main factors driving inflation.



Input Costs: Purchase Prices Index

Q. Please compare the price of your purchases (volume-weighted) this month with the situation one month ago.

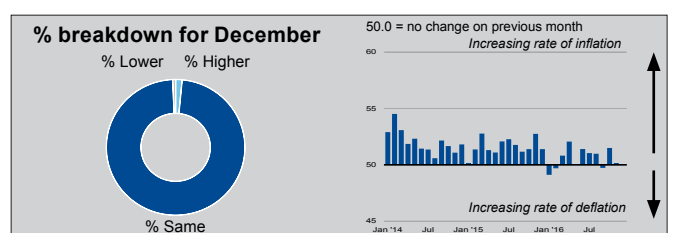
Nigeria's private sector registered a further increase in the price for paid goods during December, continuing a trend which has so far defined the series three-year history. Moreover, the rate of inflation quickened to the sharpest since September. Higher paid prices were registered at nearly 17% of panel members, while just 1% reported lower costs.



Input Costs: Staff Costs Index

Q. Please compare the average prices you paid for salaries/wages this month with the situation one month ago.

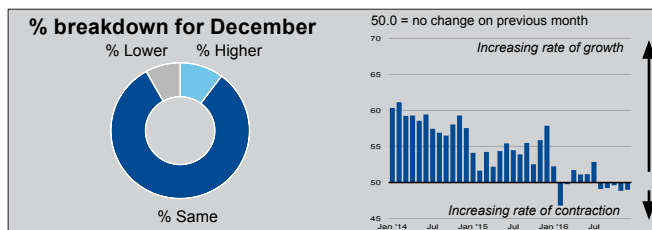
Average salaries in Nigeria's private sector remained unchanged in December. This was highlighted by the respective seasonally adjusted index posting exactly at the crucial 50.0 no-change mark, with the latest figure bringing to an end a two-month sequence of wage growth. While firms which raised wages linked this to jobs growth, lower salaries reflected worker retirements.



Quantity of Purchases Index

Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.

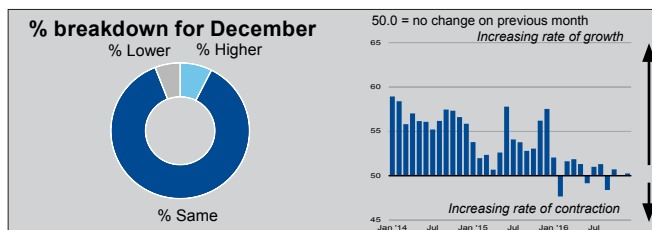
Latest survey data continued to point to falling buying activity across Nigeria's manufacturing sector. This was highlighted by the fifth straight month that the seasonally adjusted Quantity of Purchases Index posted below the 50.0 neutral threshold. Some firms reported a lack of working capital had led to a reduction in input buying during December.



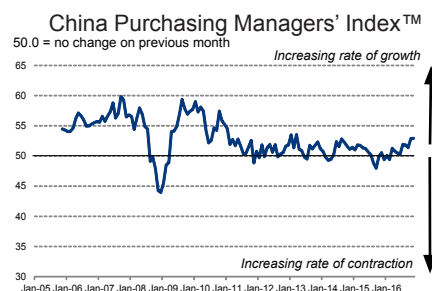
Stocks of Purchases Index

Q. Please compare your stocks of purchases (in units) with the situation one month ago.

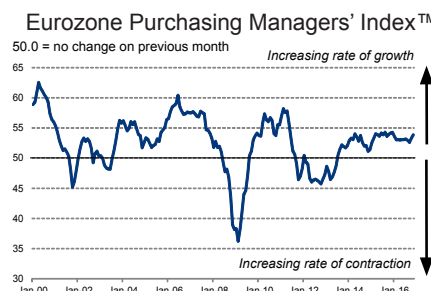
Survey data for the final month of the year signalled an increase in pre-production inventories held at Nigerian private sector companies. That said, the rate of increase was fractional and far weaker than the historical average. Almost 87% of panel members reported the same level of input stock as the previous month.



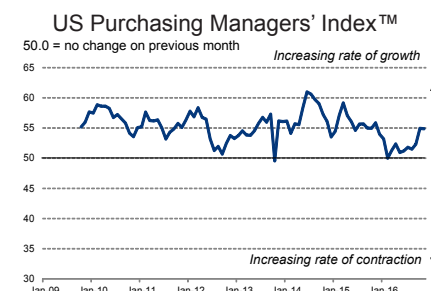
International PMI summary



Sources: IHS Markit, Caixin



Source: IHS Markit



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Caixin China Composite PMI data (which covers both manufacturing and services) showed a further solid increase in Chinese business activity in November. The Composite Output Index was unchanged from October's 43-month record of 52.9 in November.

The rate of eurozone economic expansion accelerated to its highest in the year to date during November. This was highlighted by the Markit Eurozone PMI Composite Output Index posting 53.9, the best reading since December 2015.

At 54.9 in November, the seasonally adjusted Markit U.S. Composite PMI Output Index was unchanged from October's 11-month high and therefore signalled a further robust expansion of private sector business activity. Growth of manufacturing production picked up in November, but this was offset by a fractionally slower expansion of service sector activity than in October.

Notes on the Data and Method of Presentation

The Purchasing Managers' Index™ is based on data compiled from monthly replies to questionnaires sent to purchasing executives in approximately 400 private sector companies, which have been carefully selected to accurately represent the true structure of the Nigerian economy, including agriculture, mining, manufacturing, construction, retail and services. The panel is stratified by Standard Industrial Classification (SIC) group, based on industry contribution to GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The Purchasing Managers' Index™ (PMI™) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease. Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

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