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News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
Embargoed until: 09:45 (Abuja) / 08:45 (UTC) January 5th 2017

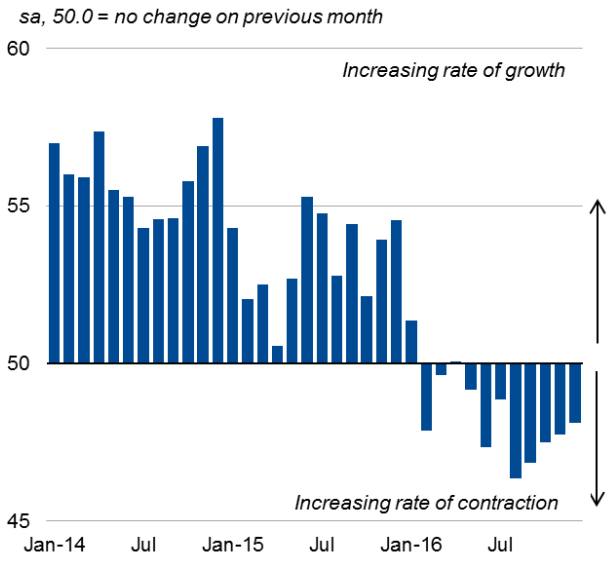
Stanbic IBTC Bank Nigeria PMI™

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

Data collected 6-20 December

- 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

Stanbic IBTC Bank Nigeria PMI



Sources: IHS Markit, Stanbic IBTC Bank

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.

Commenting on December's survey findings, Ayomide Mejabi, Economist at Stanbic IBTC Bank said:

"The rate of contraction in Nigeria's private sector slowed in December as a result of weaker declines in output and new export orders as well as a slower increase in output prices. The headline PMI rose to its best level in the last five months, perhaps indicating that underlying macro-economic bottlenecks are being resolved. Having said that, most other facets of activity continue to deteriorate as new business orders returned to contraction territory. In addition, after recording marginal growth in October, employment extended its recent decline from November into December. The price PMI sub-indices on the other hand show that underlying inflationary pressures may be subsiding, as while output prices continue to increase, they are doing so at a slower pace compared to earlier in the year. In summary, it is perhaps still too early to ascertain if a turnaround in Nigeria's economic challenges is imminent as anecdotal evidence still suggests that many of the productive sectors continue to struggle with foreign exchange needed to boost domestic investment and consequently, growth."

The main findings of the December survey were as follows:

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.

-Ends-

For further information, please contact:

Stanbic IBTC Bank:

Ayomide Mejabi, Economist, Research
Telephone +234 1 422 8324
Email ayomide.mejabi@stanbicibtc.com

Usman Imanah, Communications Manager
Telephone +234 7066 3172 67
Email usman.imanah@stanbicibtc.com

IHS Markit:

Samuel Agass, Economist
Telephone +44-1491-461-006
Email samuel.agass@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44-207-260-2234
Email joanna.vickers@ihsmarkit.com

Note to Editors:

The Stanbic IBTC Bank Nigeria 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 formal economy, including agriculture, manufacturing, services, construction and retail. 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. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@ihsmarkit.com.

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Purchasing Managers' Index® (PMI®) surveys are now available for over 30 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/product/pmi.

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