

Stanbic IBTC Bank Nigeria PMI™

compiled by markit

PMI sinks to nine-month low in January

Key findings:

- Modest improvement in business conditions
- Rates of growth in output, new orders and employment all ease
- Input costs barely rise as salaries are cut for first time in series history

Nigeria's private sector started 2016 on a softer footing, with business conditions improving to the least extent since last April. The slowdown was reflective of weaker expansions in output, new orders and employment during January. With client demand relatively subdued, input buying rose only modestly while backlogs of work fell at the fastest rate in the series history. Meanwhile, prices data signalled a renewed increase in charges despite a sharp easing in cost pressures.

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.

The seasonally adjusted PMI dropped to a nine-month low of 51.3 in January, from a five-month high of 54.5 in December. The reading pointed to a slowdown in growth of Nigeria's private sector, with the latest improvement in business conditions only modest. In fact, the headline index was at its second-lowest level since the survey began in January 2014.

Output rose at the weakest pace since April last year. The expansion was only slight, with reports of improving client demand partially offset by poor sales at some firms.

New work followed an identical trend to output in January, rising at the slowest rate in nine months. Panellists indicated that the

level of incoming new business was dependent on the perceived strength of client demand. Meanwhile, data pointed to renewed weakness in foreign demand. New orders from abroad dropped solidly, having risen slightly during December.

Staff numbers at Nigerian private sector firms continued to expand in January. That said, the rate of job creation eased to a four-month low, with anecdotal evidence signalling that some workers had left voluntarily.

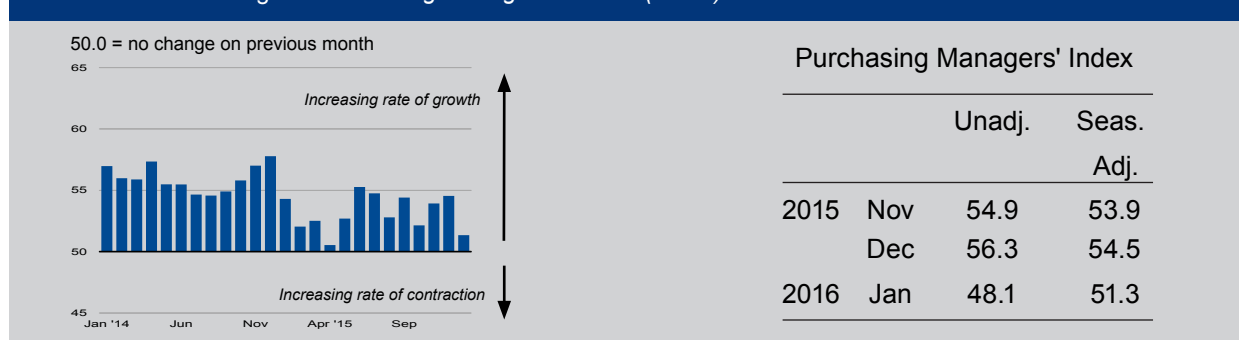
A by-product of the relatively muted rise in new business was a survey-record decline in backlogs of work during January. Moreover, the latest reduction was the first in three months.

Data with regard to purchasing also pointed to a slowing trend at the start of 2016. Buying activity and input stocks both increased at the weakest rate since last April. Nonetheless, there were still reports of stocks being raised in preparation for current and future improvements in demand.

On the price front, total input costs rose at the slowest pace in 11 months. Underlying data pointed to a muted rise in purchase prices and a reduction in salaries. Notably, the fall in wages was a survey-first, with respondents commenting on efforts to cut costs in the face of subdued demand.

Charges increased modestly in January, following a marginal reduction at the end of 2015.

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

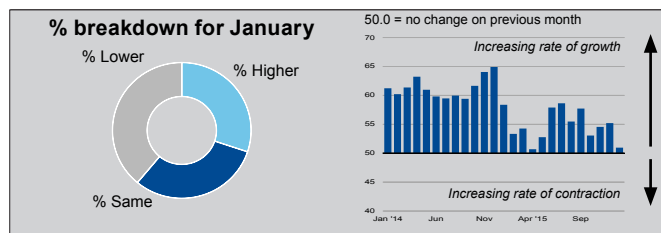


The Stanbic IBTC Bank Nigeria Purchasing Managers' Index™ (PMI™) is a composite indicator designed to provide an overall view of activity in the Nigerian economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times 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. Markit is a registered trade mark of Markit Group Limited.

Output Index

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

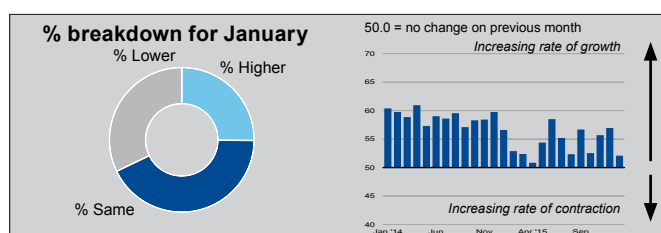
Nigerian private sector firms began 2016 on a softer note, with output rising at the slowest rate since April last year. In fact, the latest seasonally adjusted index reading was the second-lowest in the survey's history, and signalled only modest growth of activity overall. According to panellists, changes in production generally reflected the perceived strength of client demand.



New Orders Index

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

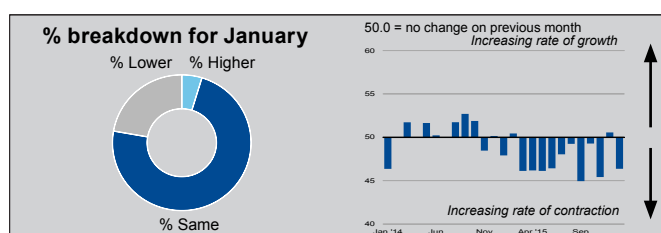
Matching the trend observed for output, growth of new business eased to the second-weakest in over two years of data collection during January. The pace of expansion was only moderate overall. Some companies reported a general improvement in demand conditions, but other firms commented on relatively disappointing sales at the start of 2016.



New Export Orders Index

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

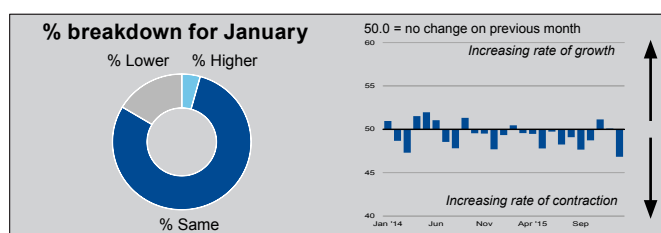
Falling new export work restricted growth of total new orders in January, as highlighted by the seasonally adjusted New Export Orders Index posting below the neutral 50.0 mark. After having risen marginally at the end of 2015, exports dropped solidly and at a faster pace than the series average. A number of respondents commented on weaker demand in international markets.



Backlogs of Work Index

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

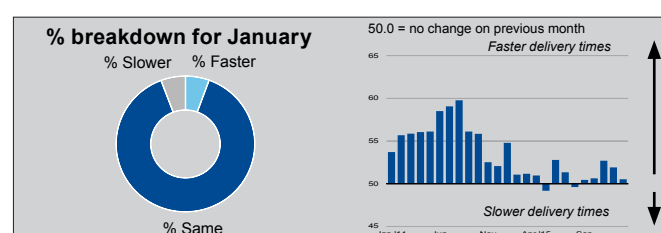
The relative weakness of order books alleviated pressure on operating capacity in January. Backlogs of work fell for the first time in three months, and at the sharpest rate since the survey began at the start of 2014. Around 16% of respondents noted a reduction in outstanding business, four times the proportion that saw an increase (4%).



Suppliers' Delivery Times Index

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

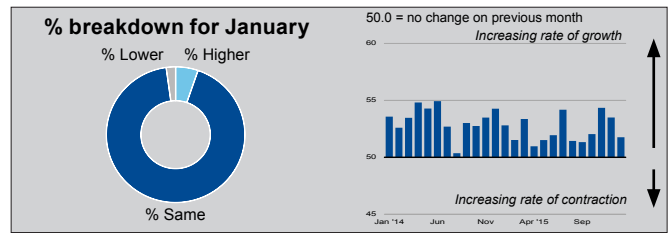
Suppliers' delivery times in the Nigerian private sector continued to shorten in January, as has been the case in each of the past five months. Shorter lead times were linked to more efficient transportation. That said, the degree to which vendor performance improved was only slight, with the vast majority of the panel (89%) seeing no change since December.



Employment Index

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

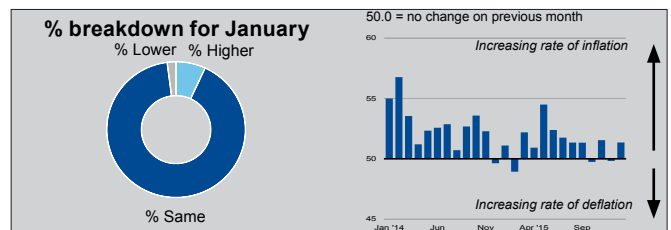
The rate of job creation was relatively muted in January, mirroring the trends seen for output and new work. Employment growth was the weakest in four months, with most companies (93%) noting stability in staff numbers. Where hiring was evident, this was due to improving client demand. On the other hand, there were reports that some workers had left their posts voluntarily.



Output Prices Index

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

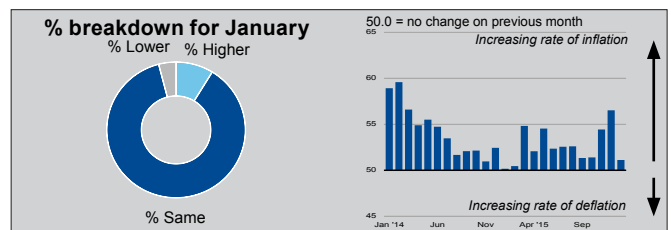
After adjusting for seasonality, the Output Prices Index pointed to a modest rise in charges at Nigerian private sector firms. Though subdued in the context of historical data, the latest increase reversed the downward trend seen in December. Those companies that raised tariffs did so in line with rising input costs and currency weakness against the US dollar.



Overall Input Prices Index

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

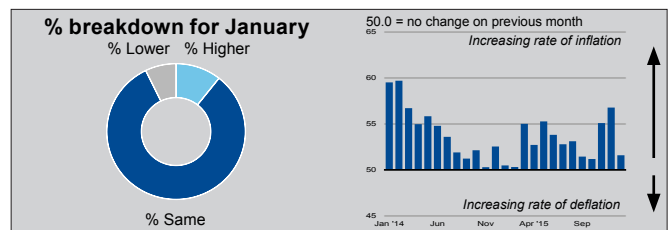
The pace at which overall input prices increased slipped to an 11-month low at the start of 2016. The latest rise was only marginal overall, with the majority of survey participants (87%) recording no change since the prior month. Underlying data showed that the easing in total cost pressures was driven by a much slower rise in purchase prices and a slight fall in salaries.



Input Costs: Purchase Prices Index

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

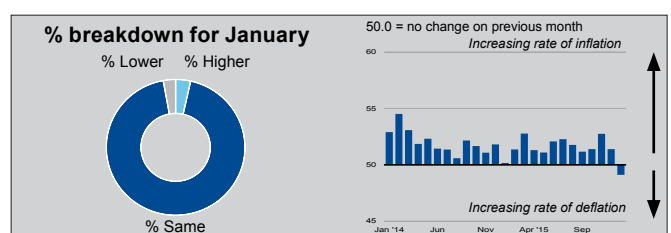
After having risen at the sharpest pace in 22 months during December, purchasing costs increased only modestly in January. The seasonally adjusted index was at its lowest level since October 2015. Reports of greater demand for inputs were much less prevalent than in the previous month, meaning that purchase prices rose more slowly in the latest period.



Input Costs: Staff Costs Index

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

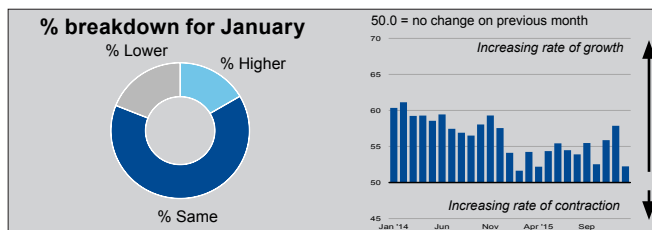
Average staff costs in Nigeria's private sector decreased for the first time in the series history during January. Anecdotal evidence suggested that relatively subdued demand conditions had led companies to cut back on salaries. The rate of decline was only fractional, however, with the seasonally adjusted Staff Costs Index posting only slightly below the no-change 50.0 value.



Quantity of Purchases Index

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

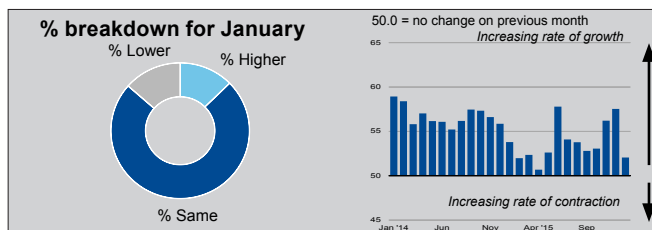
With rates of expansion in output and new work both easing, growth of purchasing activity slowed in January. The rise was the least marked since last April. Monitored firms indicated that their input buying was a reflection of incoming new work – expansions were attributed to higher sales whereas declines were blamed on poor demand.



Stocks of Purchases Index

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

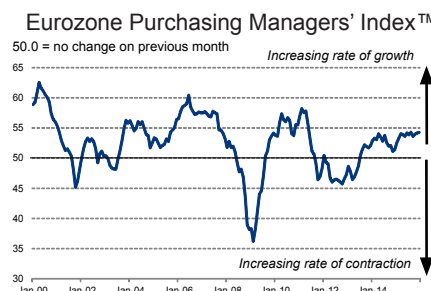
Companies in Nigeria reported a moderate rise in pre-production inventories during January, in contrast to the marked expansion seen at the end of 2015. The rate of growth eased in line with that for input buying to a nine-month low. Where stocks were built up, this was in order to cater for current and future improvements in client demand.



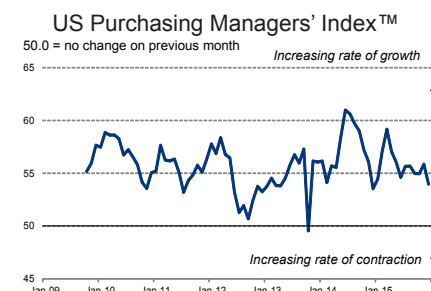
International PMI summary



Sources: Markit, Caixin



Source: Markit



Source: Markit

Caixin China Composite PMI data (which covers both manufacturing and services) signalled reduced business activity in China in December, with the headline Caixin Composite Output Index posting below the neutral 50.0 value at 49.4. This was down from 50.5 in November, and pointed to a marginal rate of reduction. Overall business activity has now fallen in four of the past five months.

The eurozone economy ended 2015 on a positive note, with the rate of expansion in output rising to a four-month high and growth over the final quarter as a whole the quickest in four-and-a-half years. The Markit Eurozone PMI Composite Output Index rose to 54.3, up from 54.2 in November. The headline index has now signalled expansion for 30 successive months.

The seasonally adjusted Markit U.S. Composite PMI Output Index posted 54.0 in December, down from 55.9 in November, to signal the slowest expansion of private sector business activity for 12 months. Softer output growth reflected a weaker contribution from both services and manufacturing at the end of 2015.

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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