

Stanbic IBTC Bank Nigeria PMI™

compiled by markit

Private sector downturn eases in July

Key findings:

- PMI climbs from June's low but remains below neutral 50.0 mark
- Slower contractions of output and new work
- Costs and charges rise at weaker rates

The downturn of Nigeria's private sector showed signs of easing in July. Both output and new business fell at slower rates, having dropped to the greatest extent in the series history during June. Meanwhile, growth of employment and purchasing activity picked up. Added together these contributed to a slowdown in the overall rate of contraction, as business conditions worsened only modestly. On the price front, companies reported weaker cost pressures. Charges subsequently rose at a softer, albeit still sharp, pace.

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.

Adjusted for seasonal influences, the PMI posted 48.8 in July and pointed to a fifth deterioration in business conditions in the past six months. However, the latest reading was up from June's survey-record low of 47.3, thereby signalling that the overall rate of contraction had eased.

Lower output was a key factor behind the private sector downturn. Though slower than in June, the rate of decline was marked and broadly in line with the average over the current six-month sequence of falls. According to panellists, activity fell for a number of reasons, including subdued demand, high prices and an unfavourable exchange rate.

Data showed that the reduction in output was largely reflective of another contraction in new business. Over the past six months, new orders have either fallen or remained unchanged. The latest decline was only modest, however.

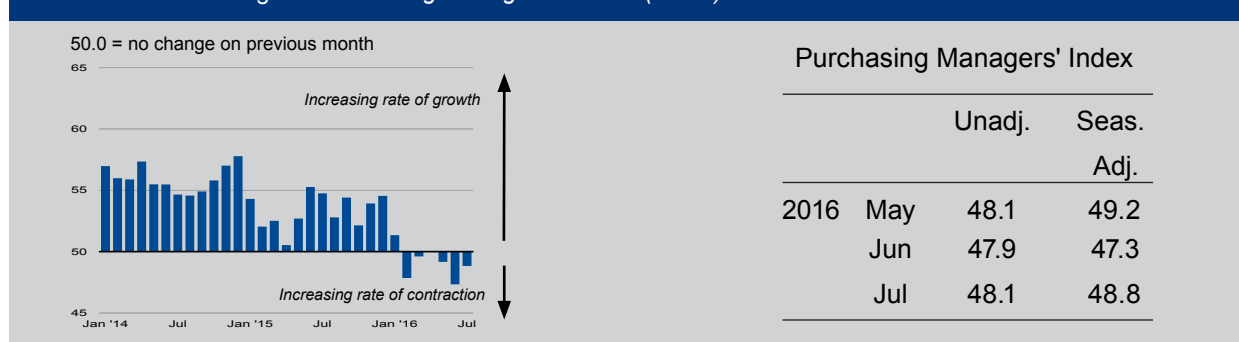
New export orders fell to a greater extent than total new work in July, suggesting that the downturn in foreign demand was more pronounced than that seen in domestic markets. Firms reported that client interest from abroad had been muted. In fact, new business from abroad dropped at a survey-record pace.

Employment meanwhile continued to rise in July. The rate of job creation accelerated to a six-month high, but remained weaker than the average over 31 months of data collection so far. A larger workforce helped to clear some backlogs of work, particularly amid falling new orders.

Purchasing activity increased for the fourth straight month, and at the fastest pace since the turn of the year. There was also a renewed expansion of input stocks, albeit only modest.

Finally, total input prices rose at a slower rate in July. Currency weakness remained a factor behind higher costs (notably fuel), but anecdotal evidence suggested that its impact had waned. The increase in charges eased as a result, but was nevertheless marked overall.

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

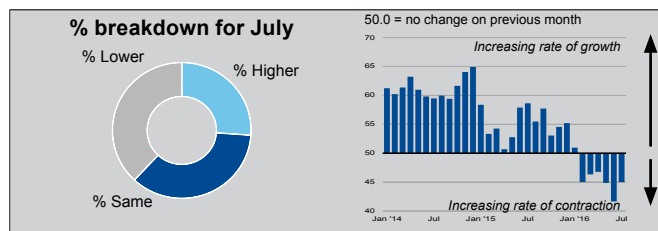


The Stanbic IBTC Bank Nigeria Purchasing Managers' Index™ (PMI™) is a composite indicator designed to provide an overall view of activity in the Nigerian economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times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

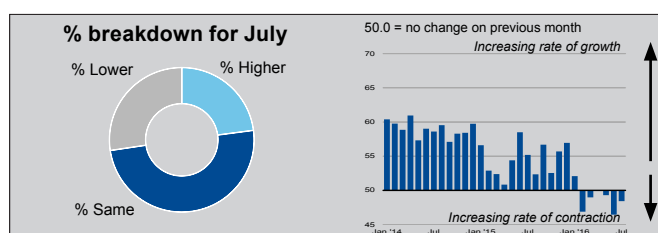
Nigerian private sector output fell for the sixth straight month in July. Though easing from June's survey-record, the rate of contraction was marked and broadly in line with the average over the current sequence. Exactly 38% of respondents noted lower activity, versus 26% that saw an increase. Subdued demand, high prices and an unfavourable exchange rate were all cited as reasons behind the downturn.



New Orders Index

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

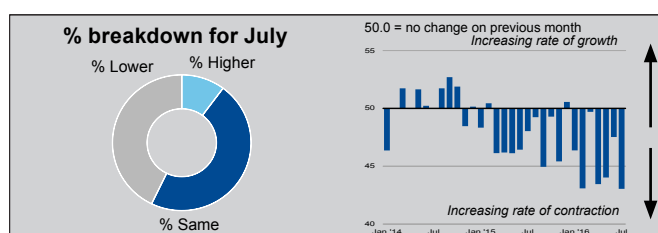
New business followed a similar pattern to output in July, falling for the fifth time in six months. April was the only exception to the downward trend, when new orders briefly stabilised. The latest decline was only modest, however, contrasting with the sharp decline seen in the previous month. Some panellists reported a low customer turnout, outnumbering those that enjoyed stronger-than-expected sales.



New Export Orders Index

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

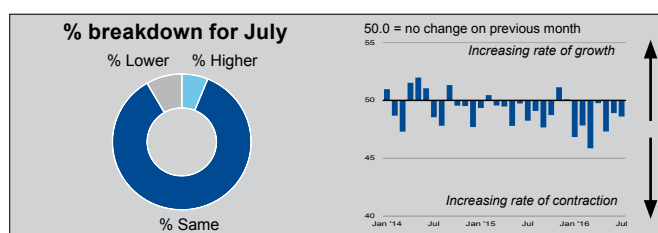
As has been the case in every month of 2016 so far, new export orders decreased in July. Moreover, the rate of decline accelerated to the most marked since the survey began over two-and-a-half years ago. A number of monitored firms referred to subdued demand conditions across international markets.



Backlogs of Work Index

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

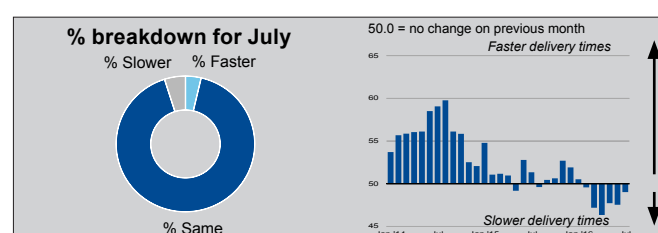
The level of unfinished work in Nigeria's private sector fell for the seventh month in a row during July. Companies indicated that they had been able to clear backlogs in the face of weakening client demand. That said, the rate of depletion was little-changed from June's modest pace, with the vast majority of respondents (86%) seeing no change since the prior month.



Suppliers' Delivery Times Index

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

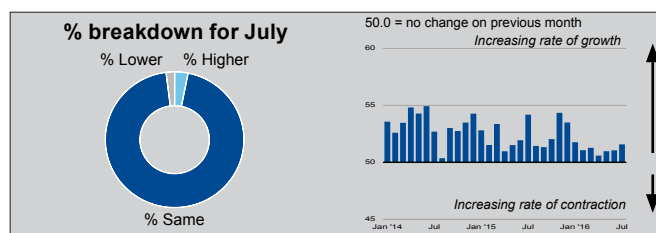
The seasonally adjusted Suppliers' Delivery Times Index posted below the crucial 50.0 threshold for the sixth consecutive month in July. It therefore signalled a further deterioration in vendor performance. Anecdotal evidence highlighted traffic congestion and raw material scarcities as factors behind slower deliveries. However, the extent to which lead times lengthened was only slight overall.



Employment Index

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

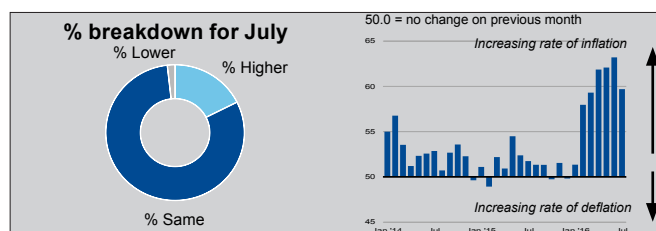
Nigerian private sector firms continued to hire staff in the face of ongoing contractions in output and new work during July. The rate of job creation picked up slightly to a six-month high, but remained muted in the context of historical data. Around 3% of survey participants raised employment, while most (95%) recorded no change.



Output Prices Index

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

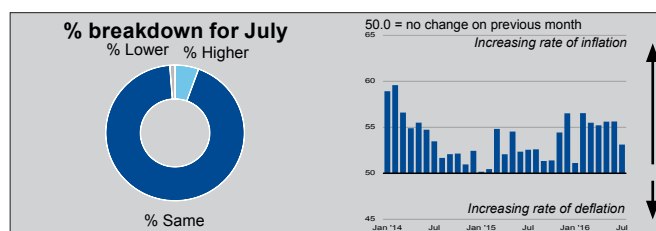
Output prices continued to rise sharply in July, stretching the current sequence of increases to seven months. Though below the record highs seen throughout the second quarter, the respective seasonally adjusted index remained well above its series average. Higher charges were widely attributed to rising raw material costs, particularly fuel.



Overall Input Prices Index

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

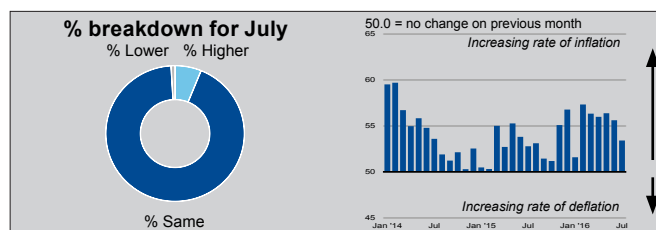
July data signalled weaker cost pressures in Nigeria's private sector economy. The latest rise was solid but the slowest since January, with the vast majority of monitored companies (93%) seeing no change since June. The slowing trend was evident across both salaries and purchasing costs, leading to the relatively subdued overall increase.



Input Costs: Purchase Prices Index

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

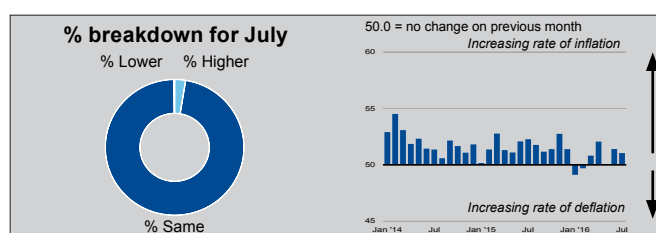
Purchasing costs rose to the least extent in six months at the start of the third quarter. The proportion of respondents signalling a rise was down from 16% in June to 6% in the latest period. Those firms that reported higher purchase prices commented on the impact of currency weakness, as well as rising raw material and transportation 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.

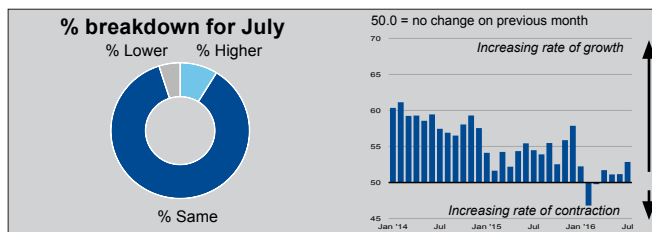
Average staff costs faced by Nigerian private sector businesses increased for the fifth month running in July. The rate of salary growth was only modest, however, having eased slightly since the previous month. Nearly the entire survey panel (97%) registered no change in salaries compared to June.



Quantity of Purchases Index

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

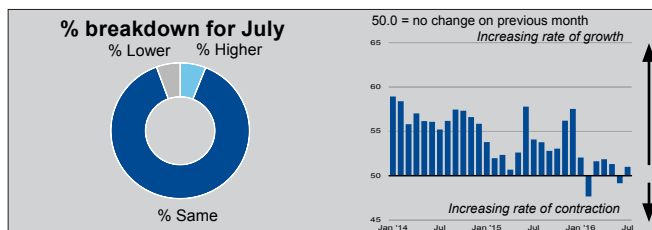
Despite new orders falling further, the rate of expansion in purchasing activity quickened to a seven-month high during July. Nearly twice as many panellists noted a rise (9%) than a fall (5%), but most (86%) recorded no change since the end of the second quarter. The increase remained muted relative to the series average.



Stocks of Purchases Index

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

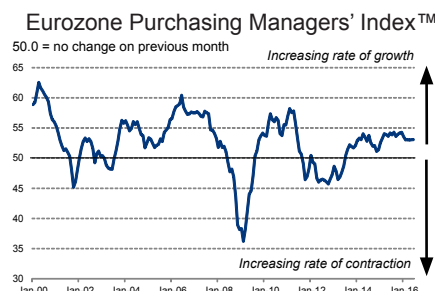
Resulting from increased input buying, stocks of pre-production items rose for the fourth time in five months at the start of the third quarter. Some respondents indicated that they had built up inventories in anticipation of future sales, with their optimism based around recent advertising campaigns. However, most panel members (89%) saw no change since June, and the pace of expansion was only marginal overall.



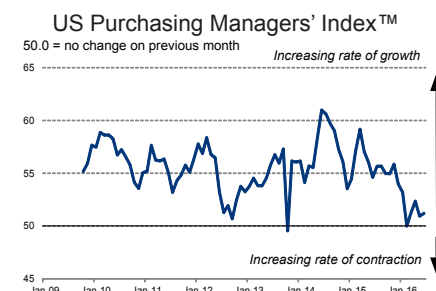
International PMI summary



Sources: IHS Markit, Caixin



Source: IHS Markit



Source: IHS Markit

Caixin China Composite PMI data (which covers both manufacturing and services) signalled increased total business activity across China at the end of the second quarter. That said, the Composite Output Index posted 50.3 in June, down from 50.5 in May, to signal a fractional rate of growth that was the weakest in four months.

June saw the growth rate of eurozone economic output hold steady at a moderate pace. The Markit Eurozone PMI Composite Output Index posted 53.1, unchanged from May. This left the average reading for the headline index for the second quarter a shade below that for the opening quarter (53.1 versus 53.2) and at its lowest level since the final quarter of 2014.

The seasonally adjusted Markit U.S. Composite PMI Output Index registered 51.2 in June, to signal a further marginal expansion of private sector output. The latest reading was up from 50.9 in May but still well below the post-crisis average. Marginal growth was recorded for both service sector activity and manufacturing production.

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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