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NATIONAL BUREAU OF STATISTICS

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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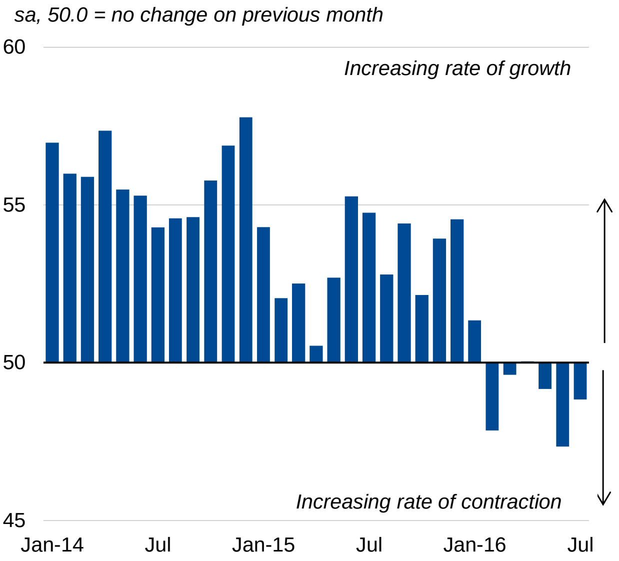
Stanbic IBTC Bank Nigeria PMI™

Private sector downturn eases in July

Data collected 12-27 July

- 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

Stanbic IBTC Bank Nigeria PMI



Sources: IHS Markit, Stanbic IBTC Bank

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 **Stanbic IBTC Bank Nigeria 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.

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

"The Stanbic IBTC Bank Nigeria PMI for July signalled a slower downturn in Nigeria's business operating conditions by reaching 48.8 from a survey low of 47.3 in June. While the overall survey result suggests some improvement, it remains below 50 and implies that macroeconomic conditions are weak. Perhaps an explanation for the improved sentiment in consumer and business activity can be traced to the recent reforms implemented by authorities especially in the foreign exchange market. Indeed, after a likely contraction in growth during the first half of the year, it is expected that recent reforms in the FX market aimed at attracting net capital inflows will finally be able to boost domestic investment and consequently growth. Although output and input prices rose at weakened rates in July, the rates of increase still remain elevated and suggest that headline inflation may continue to rise for a few more months."

The main findings of the July survey were as follows:

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.

-Ends-

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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@markit.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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