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NATIONAL BUREAU OF STATISTICS

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
Embargoed until: 09:45 (Abuja) / 08:45 (UTC) July 5th 2016

Stanbic IBTC Bank Nigeria PMI™

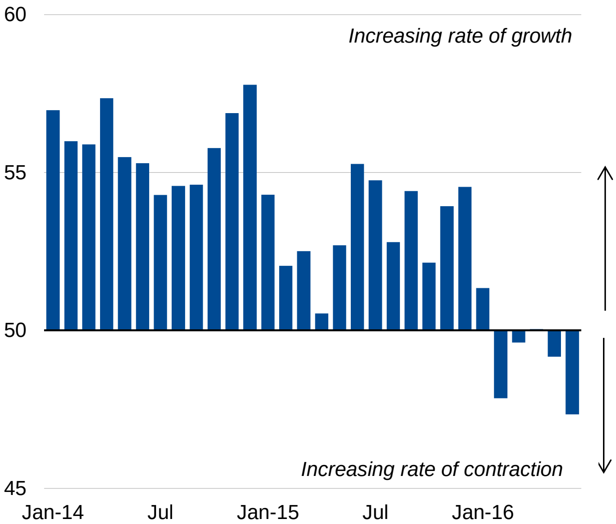
Contraction of Nigerian private sector accelerates to new survey-record

Data collected 13-28 June

- Business conditions worsen for fourth time in five months
- Survey-record fall in new work leads to substantial drop in output
- Charges rise at fastest pace in series history

Stanbic IBTC Bank Nigeria PMI

sa, 50.0 = no change on previous month



Sources: Markit, Stanbic IBTC Bank

Nigeria's private sector sank further into contraction territory in June, as business conditions worsened for the fourth time in five months. Moreover, the rate of deterioration accelerated to a survey-record, driven by a sharp contraction of output. Lower new orders also contributed to the downturn – the rate of decline was the fastest in the series history. In contrast, both employment and purchasing activity increased, albeit only slightly. High prices was reportedly a factor behind subdued client demand. Charges rose at the sharpest rate on record, reflective of strong 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 **Stanbic IBTC Bank Nigeria PMI** tumbled to a new series low of 47.3 in June, from 49.2 in May. The latest deterioration in business conditions was the fourth in the past five months. Prior to February, Nigeria's private sector had grown continuously for more than two years. June's reading meant that the second quarter average (48.9) was the lowest since the survey began two-and-a-half years ago.

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

"The June print of the Stanbic IBTC Bank PMI suggests that economic conditions deteriorated further, falling to a record low 47.3. The output PMI fell sharply to its lowest level on record suggesting that consumer and business sentiment deteriorated significantly during the period. The deterioration in economic conditions was perhaps exacerbated by the scarcity of foreign exchange for import-related trade activities, continued disruption to electricity supply as well as higher headline inflation. Indeed, the output price index accelerated at its quickest pace as businesses suggested that prices were increased in order to reflect higher costs of production. Although the introduction of a more flexible exchange rate suggests that FX liquidity should improve momentarily, the depreciated USD/NGN perhaps means that headline inflation will remain on an upward trajectory in the short term. It is plausible that once the Nigerian FX market starts to normalise as the USD/NGN reaches a level that induces an increase in net capital inflows, economic conditions should improve and thus prove supportive of private sector business activities."

The main findings of the June survey were as follows:

Underpinning the overall contraction was a steep fall in activity at Nigerian private sector firms. The rate of decline was by far the sharpest recorded by the survey.

Currency weakness and high inflation were cited as factors behind lower output.

Subdued client demand was highlighted by panellists as a key reason behind the reduction. This was borne out by latest data, which showed new business falling at a survey-record pace. There were reports that rising prices had led some customers to postpone orders. New export work also declined, albeit to only a moderate extent.

Purchasing activity continued to rise in the face of weakening demand during June, but the pace of growth remained muted compared to the series average. Meanwhile, pre-production inventories were depleted for the first time in four months.

The rate of job creation picked up to a three-month high in June, though it remained subdued in the context of historical data. In fact, hiring over the second quarter on average was the weakest since the survey's inception in 2014. As well as the larger workforce, a lack of new work contributed to a sixth successive fall in outstanding business.

On the price front, output charges increased at the quickest rate in two-and-a-half years of data collection during June. The rate of inflation has accelerated to record highs in each of the past five months. Panellists pointed to the impact of higher input costs, which were linked in part to the weakness of the naira.

-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/economics.

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