

## News Release

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
Embargoed until: 09:45 (Abuja) / 08:45 (UTC) June 3<sup>rd</sup> 2016

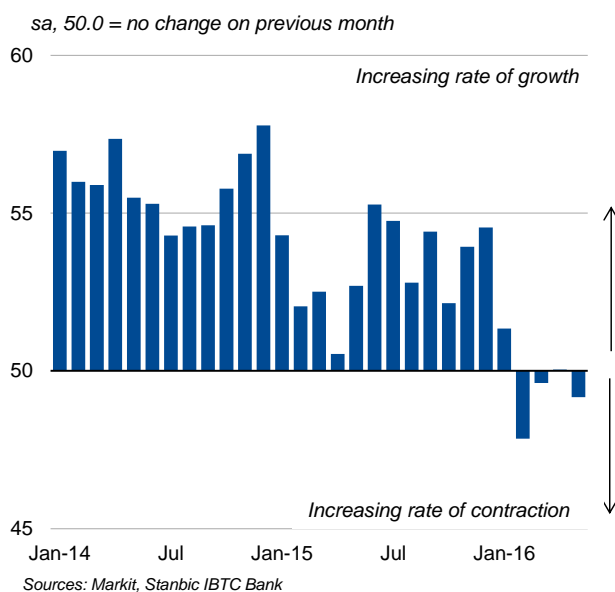
# Stanbic IBTC Bank Nigeria PMI™

## Nigeria's private sector slips back into decline

### Data collected 12-26 May

- PMI signals renewed downturn after stabilisation in April
- Output falls at survey-record pace
- New business drops for third time in four months

### Stanbic IBTC Bank Nigeria PMI



Latest data indicated that Nigeria's private sector had contracted for the third time in four months during May. After stabilising in April, business conditions worsened at a marginal pace, reflective of a renewed fall in new business. Output remained a key area of underperformance – the latest decline was the fourth in as many months and the fastest in the series history. On a more positive note, both employment and purchasing activity increased in May, albeit only slightly. Meanwhile, currency weakness and a scarcity of fuel continued to place upward pressure on costs and charges, with the latter rising at a survey-record pace for the fourth month in a row.

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** posted 49.2 in May, down from 50.0 in April. Though contrasting with growth signalled across the series on average (53.8), the latest figure marked a resumption of the downward trend seen in February and March. That said, it pointed to only a slight contraction of the sector overall.

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

*"After a brief period of respite, the Stanbic IBTC Bank PMI for May signalled a renewed downturn in business conditions. The private sector continued to struggle due to limited FX liquidity as a result of the fall in crude oil prices as well as policy decisions which have arguably exacerbated the deterioration in the economy. The scarcity of FX, and consequently a scarcity of imported finished goods, significantly higher inflation and inflation expectations, disruptions to electricity supply as well as petrol shortages are a number of factors which have contributed to the deterioration of the economy over the last four months. For the Nigerian economy to recapture robust growth levels once again, authorities must be willing to attract foreign funding in order to finance domestic investments. It appears that policy makers may be more willing to relax currency controls which will be key to a more constructive short term outlook. However, in the medium term, key structural bottlenecks such as the huge electricity supply deficit, a challenged merchandise distribution network as well as a lack of local oil refining capacity need to be solved."*

### The main findings of the May survey were as follows:

Lower output was a key factor behind the downturn. Activity fell for the fourth successive month, with the rate of decline picking up to the most marked in the survey's

history. Some firms suggested that the fuel scarcity had hampered production, but most noted that poor sales had been the main driver of the contraction.

In line with the headline index, new business dropped in May having briefly stabilised in April. Though only slight, the latest fall was the third in four months. Data showed that subdued demand conditions extended to international markets, as exports declined for the fifth month running. Moreover, the rate at which foreign new work decreased was sharp overall.

Despite the contractions in output and new orders, Nigeria's private sector firms continued to hire additional staff in May. Sustained jobs growth and a lack of

incoming new work allowed companies to clear outstanding business for the fifth consecutive month. However, the rate of job creation was among the weakest recorded over 29 months of data collection so far.

Buying activity in Nigeria's private sector also increased in May. Stocks of purchases rose as a result. That said, the overall downturn of the sector ensured that the respective rates of expansion were only modest overall.

On the price front, a weak naira and a shortage of fuel meant that input costs rose sharply again in May. Subsequently, charges increased at a survey-record pace for the fourth straight month.

-Ends-

#### **For further information, please contact:**

##### **Stanbic IBTC Bank:**

Ayomide Mejabi, Economist, Research  
Telephone +234 1 422 8324  
Email [ayomide.mejabi@stanbicibtc.com](mailto:ayomide.mejabi@stanbicibtc.com)

Usman Imanah, Communications Manager  
Telephone +234 7066 3172 67  
Email [usman.imanah@stanbicibtc.com](mailto:usman.imanah@stanbicibtc.com)

##### **Markit:**

Philip Leake, Economist  
Telephone +44-1491-461-014  
Email [philip.leake@markit.com](mailto:philip.leake@markit.com)

Joanna Vickers, Corporate Communications  
Telephone +44-207-260-2234  
Email [joanna.vickers@markit.com](mailto:joanna.vickers@markit.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@markit.com](mailto:economics@markit.com).

##### **Stanbic IBTC Bank:**

Stanbic IBTC Bank is a subsidiary of Stanbic IBTC Holdings Plc, a full service financial services group with a clear focus on three main business pillars - Corporate and Investment Banking, Personal and Business Banking and Wealth Management. Standard Bank Group, to which Stanbic IBTC Holdings belongs, is rooted in Africa with strategic representation in 20 key sub-Saharan countries and other emerging markets; Standard Bank has been in operation for over 151 years and is focused on building first-class on-the-ground banks in chosen countries in Africa and connecting other selected emerging markets to Africa and to each other.

##### **About Markit**

Markit is a leading global diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund

administrators and insurance companies. Founded in 2003, we employ approximately 4,000 people in 11 countries. Markit shares are listed on Nasdaq under the symbol MRKT. For more information, please see [www.markit.com](http://www.markit.com).

#### About PMI

*Purchasing Managers' Index*<sup>®</sup> (PMI<sup>®</sup>) 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](http://www.markit.com/economics).

#### Disclaimer

Please note that the Stanbic IBTC Bank Nigeria PMI should not be taken as a substitute for official statistics, but may be used in conjunction with them.

Stanbic IBTC Bank Nigeria ("**Stanbic IBTC** ") has issued and is responsible for production of this publication. This publication should be regarded as being for information only and should not be considered as an offer or solicitation to sell, buy or subscribe to any financial instruments, securities or any derivative instrument, or any other rights pertaining thereto (together, "**investments**"). Stanbic IBTC does not express any opinion as to the present or future value or price of any investments referred to in this publication. This publication may not be reproduced without the consent of Stanbic IBTC.

The information contained in this publication has been compiled from sources believed to be reliable, but, neither Stanbic IBTC, nor any of its directors, officers, or employees accepts liability for any loss arising from the use hereof or makes any representations as to its accuracy and completeness. The information contained in this publication is valid as at the date of this publication. This information is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the matters discussed herein.

This publication does not constitute investment advice and has been prepared without regard to individual financial circumstances, objectives or particular needs of recipients. Readers should seek their own financial, tax, legal, regulatory and other advice regarding the appropriateness or otherwise of investing in any investments or pursuing any investment strategies. Investec operates exclusively on an execution only basis.

An investment in any of the investments discussed in this publication may result in some or all of the money invested being lost. Past performance is not a reliable guide to future performance. To the extent that this publication is deemed to contain any forecasts as to the performance of any investments, the reader is warned that forecasts are not a reliable indicator of future performance. The value of any investments can fall as well as rise. Foreign currency denominated investments are subject to fluctuations in exchange rates that may have a positive or adverse effect on the value, price or income of such investments. Certain transactions, including those involving futures, options and other derivative instruments, can give rise to substantial risk and are not suitable for all investors.

The intellectual property rights to the Stanbic IBTC Bank Nigeria PMI<sup>™</sup> provided herein are owned by or licensed to Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index<sup>™</sup> and PMI<sup>™</sup> 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.