

Stanbic IBTC Bank Nigeria PMI™

compiled by markit

New business rises for first time since January

Key findings:

- Private sector downturn eases amid renewed growth of new work
- Output continues to fall sharply, employment stagnates
- Purchasing activity remains in decline

Nigeria's private sector downturn continued in November, but a renewed rise in new orders provided a welcome boost to business conditions. Though only slight, the expansion of new work was the first since January. Output and purchasing activity both fell regardless, with the decline in the former accelerating to a steep rate. Employment was meanwhile broadly stagnant. On the price front, cost pressures eased in the latest period, whereas charges rose at a faster 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.

Business conditions in Nigeria's private sector worsened for the seventh straight month in November. This was signalled by the seasonally adjusted PMI posting 47.7, up slightly from 47.5. The latest reading indicated that the pace of contraction had moderated further from August's record (46.3), but was nevertheless sharper than the 2016 average (48.4).

The main bright spot from November's survey was renewed growth of new work. The rise ended a nine-month sequence of either stagnant or falling new business. That said, with new orders from abroad continuing to fall sharply, the increase in total new work was weaker than the series average and only modest overall.

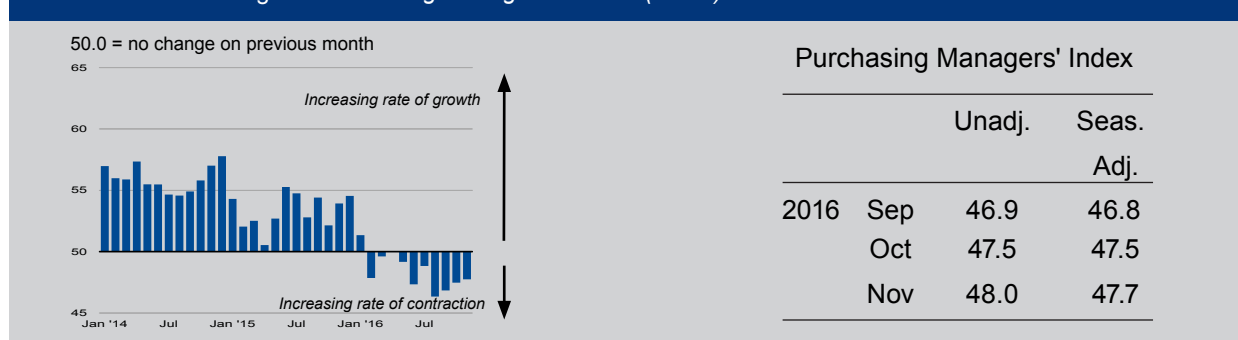
Output remained a significant drag on the headline index. The latest fall in activity was the second-quickest since data collection started in January 2014, behind only that seen in August. Panellists attributed the reduction to a number of factors including subdued demand, high raw material costs and an erratic power supply.

In spite of a return to new business growth, purchasing activity dropped for the fourth month running in November. The marginal rise in new work was insufficient to motivate firms to step up their input buying. Stocks of purchases were meanwhile stable, as reports of inventory building in line with higher new orders were offset by depletion amid relatively weak sales and costly raw materials.

Nigerian private sector employment was broadly stagnant in November, following modest job creation in the previous month. Backlogs of work fell for the third consecutive month, although the rate of depletion eased to the weakest in this period.

Finally, November data pointed to diverging price trends. Total input costs rose at the slowest rate since January. On the other hand, charges increased to the greatest extent in four months. Businesses were reportedly able to pass higher costs on to clients thanks in part to an improvement in underlying demand.

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

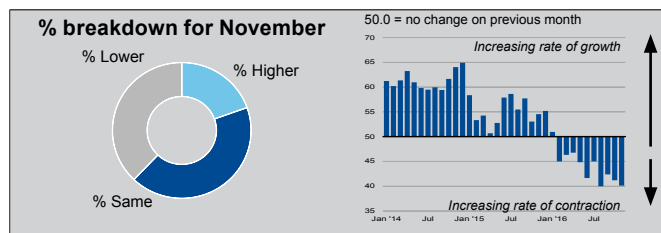


The Stanbic IBTC Bank Nigeria Purchasing Managers' Index™ (PMI™) is a composite indicator designed to provide an overall view of activity in the Nigerian economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times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

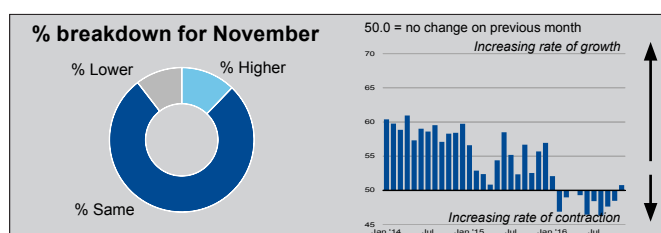
Nigerian private sector output fell at an accelerated pace in November. In fact, the rate of contraction was close to August's survey-record, with nearly twice as many respondents seeing a fall (38%) than a rise (20%). Subdued client demand, high raw material costs and an erratic power supply were all cited as factors behind lower activity in the latest period.



New Orders Index

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

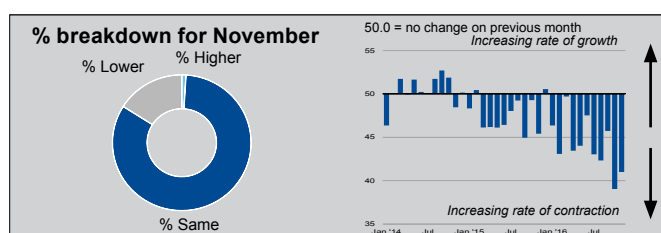
Contrasting with a sharp reduction in output, new business rose for the first time since January midway through the fourth quarter. That said, the proportion of panellists reporting greater new work (12%) only slightly outnumbered that which noted a decline (10%). As a result, the rate of expansion was weaker than the series average and only modest overall.



New Export Orders Index

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

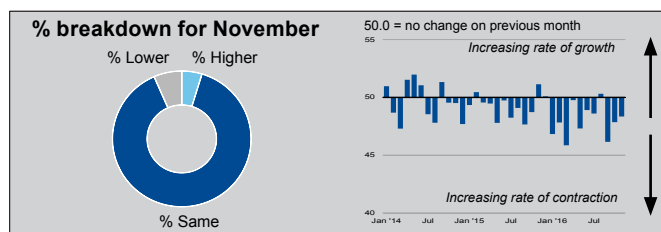
November data showed that the rise in total new orders was centred on domestic demand, as exports fell for the eleventh straight month. The pace of reduction eased from October's survey-record, but was still the second-quickest since data collection started in January 2014. There were reports of a downturn in demand across export markets.



Backlogs of Work Index

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

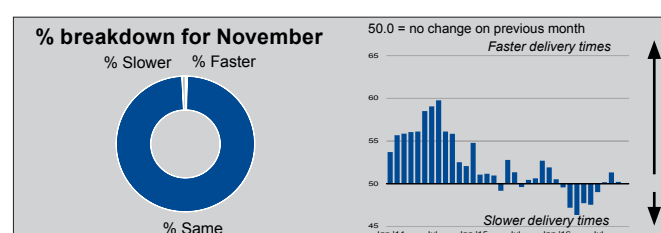
The level of unfinished work in Nigeria's private sector decreased for the third successive month in November. According to anecdotal evidence, the modest rise in new business was insufficient to place pressure on operating capacity. The rate of backlog depletion slowed, however, and was the least marked in the current sequence of decline.



Suppliers' Delivery Times Index

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

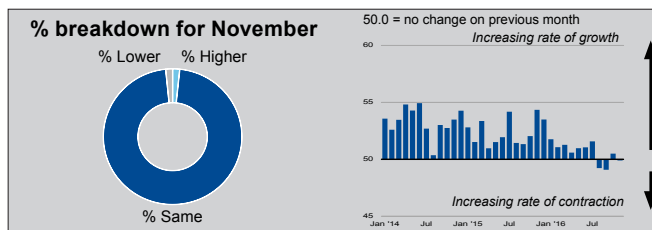
Average lead times were unchanged in November, as signalled by the seasonally adjusted index posting exactly at the neutral 50.0 value. Nearly the entire survey panel indicated that vendor performance had remained the same. Suppliers' delivery times had quickened slightly in the preceding three months, after having worsened in six consecutive months up until July.



Employment Index

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

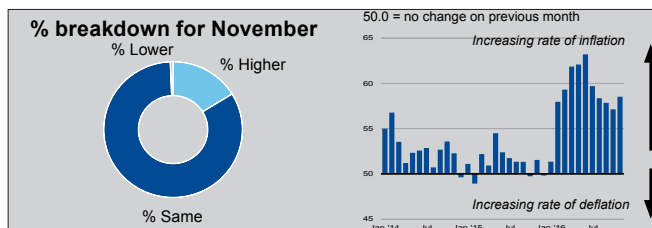
Employment at Nigerian private sector companies was broadly stagnant in November, following a marginal expansion the previous month. Prior to October, staffing levels had fallen slightly in two successive months. The overwhelming majority of monitored firms (97%) registered no change in the latest period.



Output Prices Index

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

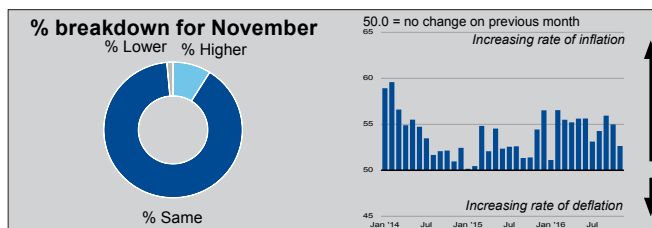
Output prices increased for the eleventh month in a row during November. Moreover, the rate at which they rose accelerated for the first time since June, and was substantially quicker than the series average. A number of panellists mentioned passing higher costs on to clients in the form of greater selling prices.



Overall Input Prices Index

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

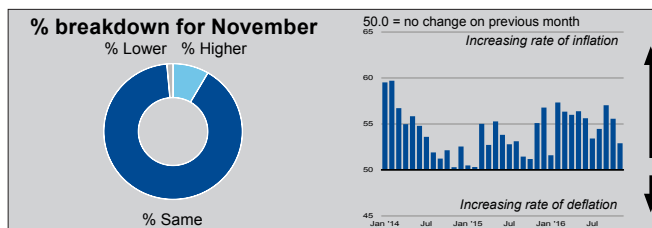
Total input costs faced by Nigerian private sector businesses rose at a weaker pace in November. In fact, the latest increase was the least marked since the start of the year. It was also well below the average over nearly three years of data collection. Both salaries and purchasing costs rose more slowly than in October.



Input Costs: Purchase Prices Index

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

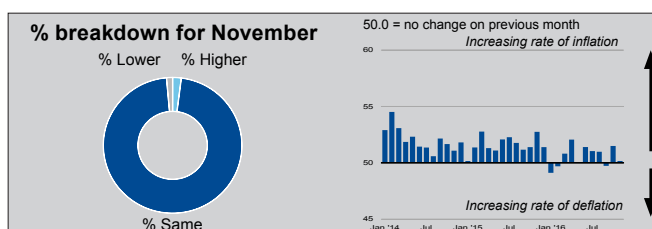
Average purchasing costs followed a similar trend to overall input prices in November, with the seasonally adjusted index slipping to a ten-month low but remaining above the crucial 50.0 threshold. Panellists commented on a general rise in raw material costs. That said, the vast majority of respondents (90%) saw no change since October.



Input Costs: Staff Costs Index

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

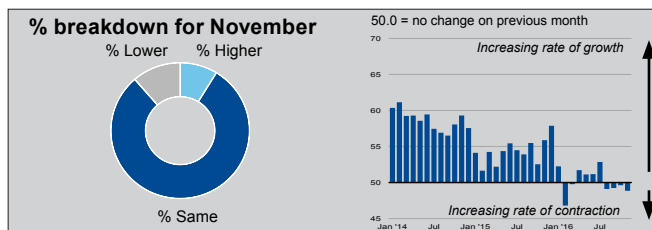
Salaries almost stagnated in November, with the respective index posting just above the 50.0 no-change mark. The negligible increase in wages was below the average since the survey's inception in January 2014. Some firms raised salaries as they sought to attract new staff, whereas others lowered them in an effort to cut costs and boost margins.



Quantity of Purchases Index

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

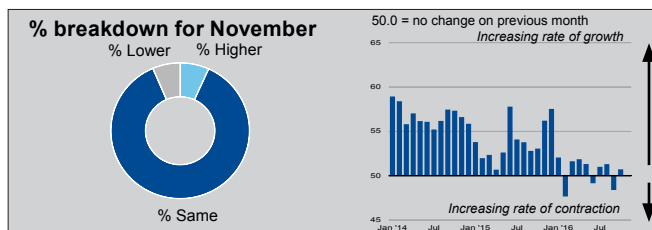
Despite renewed growth of new business, purchasing activity declined for the fourth month running in November. Though remaining modest, the rate of contraction accelerated slightly and was the second-fastest on record (behind February 2016). Some surveyed firms indicated that client demand had remained weaker than expected, leading them to cut down on input buying.



Stocks of Purchases Index

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

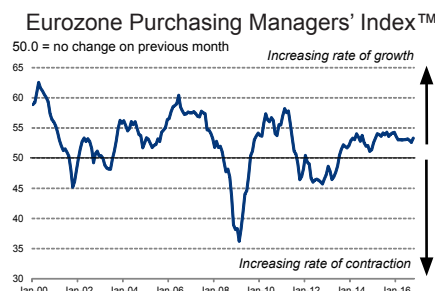
Stocks of purchases in the Nigerian private sector were unchanged in November. That followed a sequence of three rises in the previous four months. Some respondents reported having raised input stocks in order to cope with greater new work, but others reduced their inventories in line with high raw material costs and relatively low client demand.



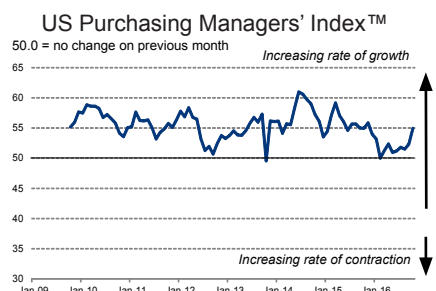
International PMI summary



Sources: IHS Markit, Caixin



Source: IHS Markit



Source: IHS Markit

Caixin China Composite PMI data (which covers both manufacturing and services) indicated the fastest expansion in Chinese business activity since early-2013 during October. This was shown by the Composite Output Index rising from 51.4 in September to 52.9 at the start of the fourth quarter.

The rate of eurozone economic expansion gathered pace at the start of the fourth quarter. The Markit Eurozone PMI Composite Output Index rose to 53.3 in October, up from 52.6 in September. Faster output growth was seen in both the manufacturing and service sectors, reaching a 30-month high in the former.

The seasonally adjusted Markit U.S. Composite PMI Output Index rose to 54.9 in October, from 52.3 in the previous month. The latest reading signalled the strongest upturn in private sector output since November 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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