Embargoed until: 14:00 (Abuja) / 13:00 (UTC) December 7th 2015

Stanbic IBTC Bank
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Stanbic IBTC Bank Nigeria PMI™

compiled by markit

Private sector expansion gathers speed in November

Key findings:
- **PMI signals healthier improvement in business conditions**
- **Output, new orders and employment all rise more quickly**
- **Stronger cost pressures lead to renewed increase in charges**

This report contains the first public release of data collected from the new monthly survey of business conditions in the Nigerian private sector. The survey, sponsored by Stanbic IBTC Bank and produced by Markit, has been conducted since January 2014 and provides an early indication of operating conditions in Nigeria. The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI™).

The PMI is a composite index, calculated as a weighted average of five individual sub-components: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

At 53.9 in November, the seasonally adjusted PMI pointed to a solid improvement in the health of the Nigerian private sector. It also signalled a rebound in growth since October, when the lowest reading in six months was recorded (52.1). That said, the latest figure was still below the average over the 23-month series history (54.7).

The upward trend in the headline index was helped by improvements in two of its key components in November, namely output and new orders. After having slipped to a five-month low in October, growth of business activity quickened to a robust pace. Likewise, new orders rose more quickly than in the prior month. There were reports that new client wins had contributed to stronger-than-expected sales, which in turn led panellists to raise their output further.

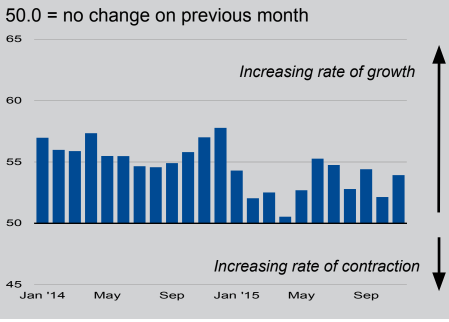
Despite the acceleration in growth of total new work, new business from abroad declined again in November. Firms commented on adverse exchange rates and, in some cases, squeezed cash flow as reasons behind the fall.

Another factor underpinning growth of the sector as a whole was a faster increase in staff numbers. The rate of hiring picked up to the joint-quickest in 17 months. Anecdotal evidence mainly linked job creation to higher new work inflows. The rise in new orders was also a factor behind renewed growth of backlogs. Outstanding business rose for the first time since February.

The quantity of purchases made by Nigerian private sector firms expanded at the sharpest pace so far this year during November. Growth was attributed to the improvement in client demand, and firms built up their input stocks as a result. The rate of inventory building accelerated to a five-month high.

Meanwhile, November data highlighted steeper rises in both salaries and purchasing prices. Subsequently, overall cost pressures intensified, causing charges to increase following a slight fall one month previously.

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



Purchasing Managers' Index

		Unadj.	Seas. Adj.
2015	Sep	55.2	54.4
	Oct	51.6	52.1
	Nov	54.9	53.9

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.

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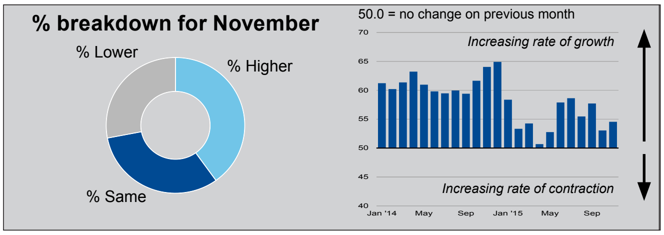
Output Index

Q. Please compare your production/output this month with the situation one month ago.

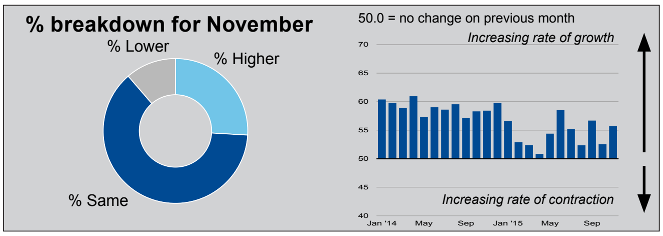
As has been the case throughout the 23-month series history, the seasonally adjusted Output Index posted above the crucial 50.0 threshold in November. The reading pointed to an acceleration in growth since October, with roughly 40% of monitored companies noting a rise in the latest period. Higher output was mainly attributed to stronger-than-expected sales.



New Orders Index

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

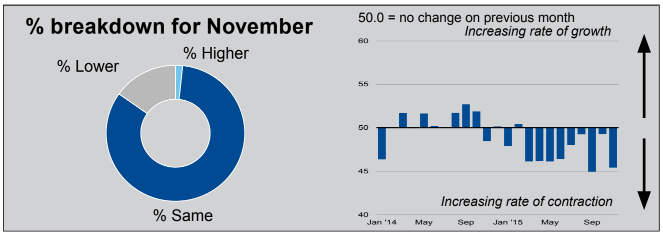
Reports of new client wins were reinforced by survey data in November, as new orders placed with Nigerian private sector firms increased. Reflective of the trend seen for output, the rate of expansion quickened from the prior month. Moreover, it was faster than the average recorded so far this year, with more than twice as many panellists signalling a rise (26%) as those that experienced a fall (11%).



New Export Orders Index

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

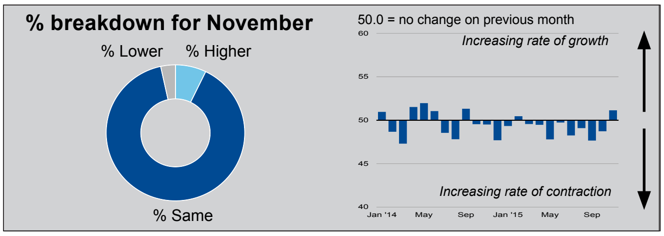
Growth of total new work was held back by another reduction in new business from abroad during November. The respective index posted below the neutral 50.0 mark for the ninth straight month, and pointed to a marked rate of decline overall. Some respondents suggested that international demand had been dampened by exchange rate volatility, while others indicated that they lacked the necessary capital to expand in 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.

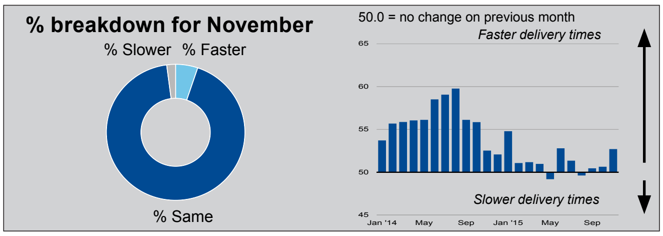
According to anecdotal evidence, the rise in total new orders was sufficient to place renewed pressure on operating capacity in November. Backlogs of work increased for the first time in nine months, and at the fastest pace since September last year. That said, the rate of accumulation was only modest overall, with the vast majority of the panel (89%) seeing no change in work outstanding.



Suppliers' Delivery Times Index

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

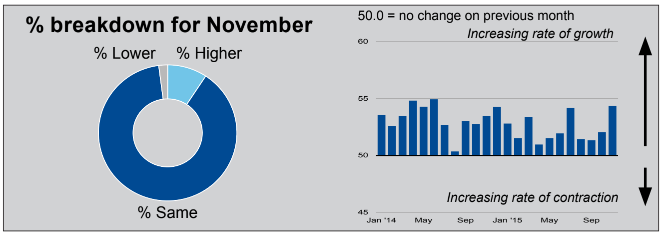
Suppliers' lead times shortened for the third month in a row during November. There were reports that prompt payments and better road conditions had enabled vendors to deliver more quickly. Moreover, the respective index ticked up to a five-month high, pointing to a solid improvement in vendor performance overall.



Employment Index

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

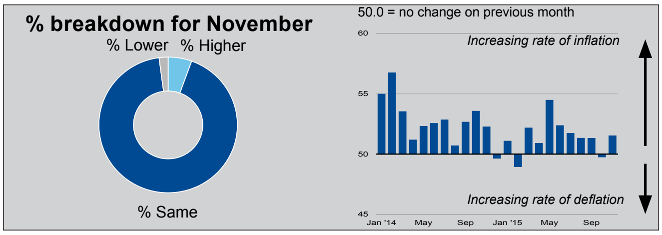
In line with sharper expansions in output and new business, the rate of job creation accelerated in November. In fact, the latest rise was the joint-quickest in 17 months. There were reports that firms had taken on extra staff in order to keep pace with incoming new work. Private sector employment has risen continuously throughout the short series history.



Output Prices Index

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

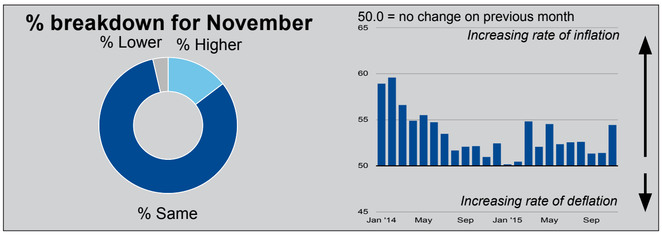
Output prices in Nigeria's private sector rose during November, having fallen for the first time in eight months during October. Though modest, the rate of charge inflation was at a four-month high. Panellists indicated that an improvement in client demand had allowed them to pass higher purchasing costs through to charges.



Overall Input Prices Index

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

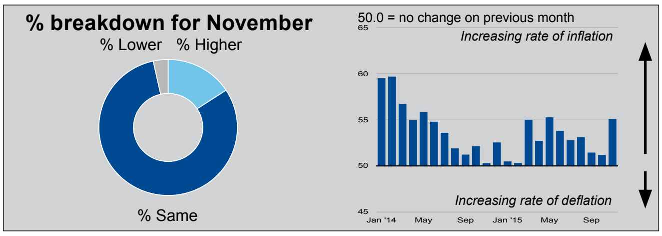
Total cost pressures intensified in November, as signalled by the seasonally adjusted index posting further above the 50.0 no-change value. Both salaries and purchasing prices rose more quickly, leading the overall rate of inflation to pick up to a six-month high. Nearly 15% of survey participants saw an increase in overall costs during the latest period, versus just 4% that registered a decline.



Input Costs: Purchase Prices Index

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

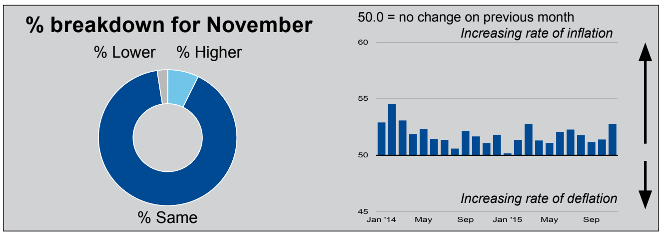
Purchase costs showed a similar trend to overall input prices in November, rising at the fastest rate since May. Furthermore, the rate of inflation was strong in the context of historical data. Greater demand for inputs and a depreciation of the Nigerian naira were cited as the key drivers of higher purchasing prices in the latest period.



Input Costs: Staff Costs Index

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

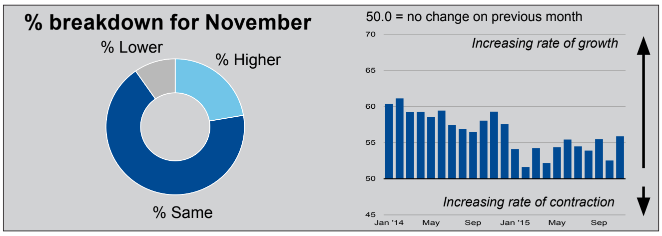
After adjusting for seasonality, the Staff Costs Index climbed to the joint-highest reading since March 2014. It therefore signalled a solid acceleration in salary growth in November, with higher wages awarded to workers in order to encourage them to raise their productivity in line with rising workloads.



Quantity of Purchases Index

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

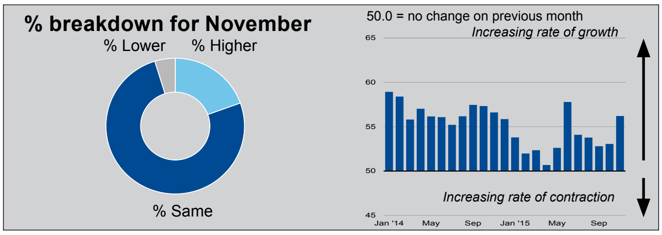
A rise in output requirements encouraged Nigerian private sector firms to engage in greater input buying during November. Growth picked up to the strongest recorded so far this year, with approximately 22% of panel members seeing an increase since October. As well as higher output, the improvement in demand conditions was a key factor behind expansions in purchasing activity.



Stocks of Purchases Index

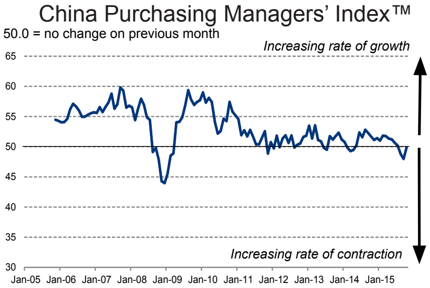
Q. Please compare your stocks of purchases (in units) with the situation one month ago.

With purchasing activity expanding further, stocks of inputs rose in November. The latest increase was the sharpest since June, stretching the current upward trend which has run throughout the short series history. One-in-five monitored companies noted a build-up of inventories, with many attributing this to inflows of new business.



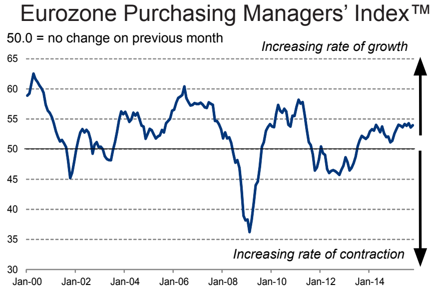
International PMI summary

China Purchasing Managers' Index™



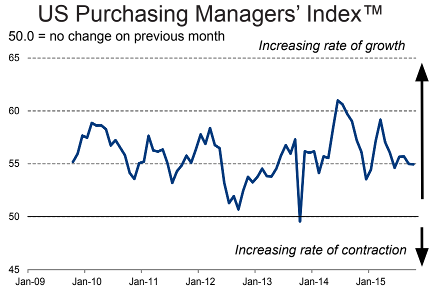
Sources: Markit, Caixin

Eurozone Purchasing Managers' Index™



Source: Markit

US Purchasing Managers' Index™



Source: Markit

Caixin China Composite PMI data (which covers both manufacturing and services) pointed to a broad stabilisation of Chinese business activity in October. This was highlighted by the Caixin Composite Output Index posting only fractionally below the neutral 50.0 value at 49.9, up from September's 80-month low of 48.0.

The eurozone economy registered a mild growth acceleration at the start of the final quarter, with the rate expansion edging up from September's four-month low (53.6). At 53.9, the Markit Eurozone PMI Composite Output Index signalled growth for the twenty-eighth successive month.

The seasonally adjusted Markit U.S. Composite PMI Output Index posted 55.0 in October, unchanged from September's three-month low, but still pointing to a robust rate of growth. Sector data indicated that a stronger expansion of manufacturing output was offset by slower service sector growth.

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.

Warning