

# Stanbic IBTC Bank Nigeria PMI™

compiled by markit

## Private sector downturn moderates in October

### Key findings:

- PMI edges closer to 50.0 no-change value
- Contraction of new work eases and employment returns to growth...
- ...but output falls sharply again while price pressures remain marked

The health of Nigeria's private sector continued to worsen in October, but latest data hinted at brighter near-term prospects for some companies. Whereas the downturn in output remained steep, the rate of contraction in new work eased to the weakest in five months. With orders falling only modestly, job creation resumed after two months of decline. Input stocks also rose following a reduction in September. On the price front, both input costs and output charges increased sharply.

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 PMI climbed further clear of August's record low in October, rising from 46.8 in September to 47.5. That pointed to only a moderate worsening in business conditions at Nigerian private sector firms. Notably, the latest figure was slightly higher than the average over the third quarter as a whole (47.3).

Lower output remained a prominent drag on the headline index in October. The rate of decline accelerated since the prior month, and was the second-strongest in the series history behind only that seen in August. Some panellists reported falling client demand, while others indicated that they had been unable to afford materials due to rising costs.

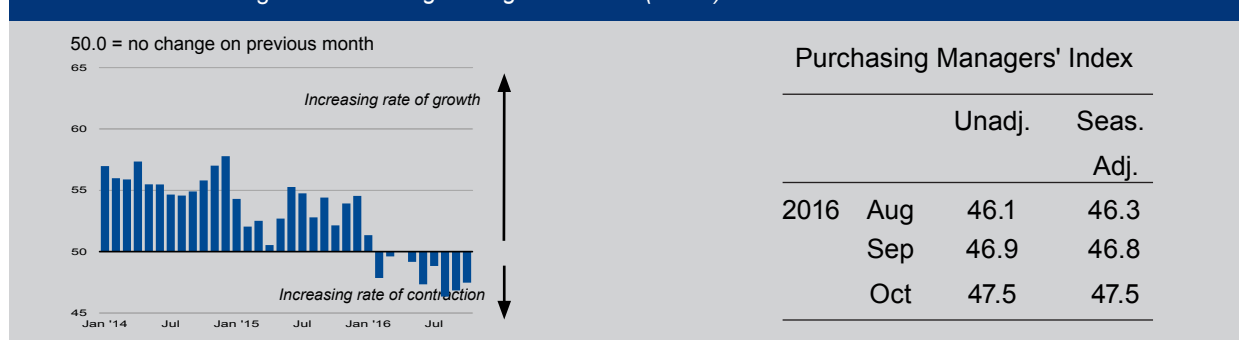
New business fell at a substantially slower pace than output in October. In fact, the rate of contraction slowed to the least marked since May and was only modest overall. Data suggested that much of this easing was driven by domestic sales, as new orders from abroad dropped to the greatest extent in the survey's history.

For the first time in three months, Nigerian private sector employment increased in October. The pace of hiring was only slight, however. With staffing levels returning to growth and new orders still in decline, companies were able to work through backlogs of work.

Purchasing activity decreased only fractionally at the start of the fourth quarter. The latest reduction was the slowest in the current three-month period of decline. Stocks of inputs meanwhile increased, reversing a fall in September. That said, the rate of expansion was only slight.

Cost pressures eased in October, but nevertheless remained marked overall. Panellists frequently reported higher transportation and commodity prices. Charges continued to rise sharply as a result. The rate of inflation slowed for the fourth straight month to its lowest since January, but was still strong in the context of historical data.

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

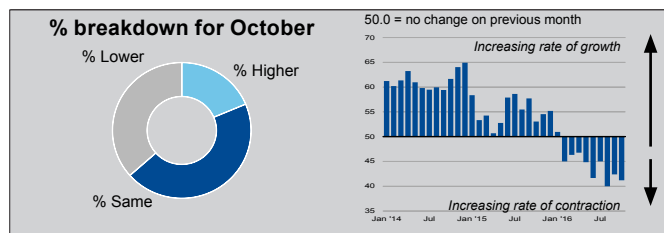


The Stanbic IBTC Bank Nigeria Purchasing Managers' Index™ (PMI™) is a composite indicator designed to provide an overall view of activity in the Nigerian economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times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

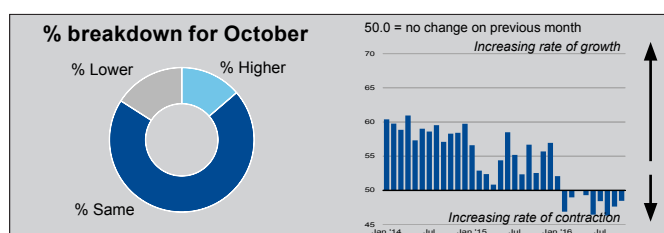
Nigerian private sector firms reported another steep drop in output during October. Moreover, the rate of decline accelerated since September and was close to August's survey-record. Nearly twice as many respondents noted a fall (37%) than a rise (19%). A number of panellists commented on a continued downturn in client demand, although there were also reports of lower output at companies that were unable to afford costly materials.



## New Orders Index

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

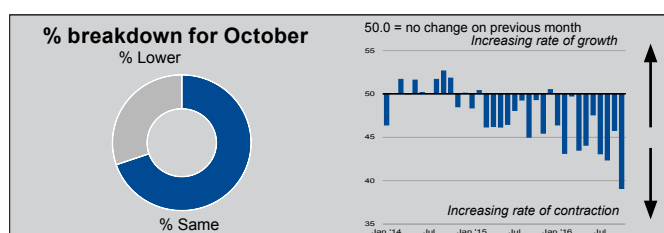
Contrasting with a sharper contraction of output, new business fell at a weaker pace in October. This was signalled by the respective seasonally adjusted index edging up to a five-month high. Though still pointing to decline, the latest reading was above the average since new orders first contracted in February and consistent with only a modest reduction overall.



## New Export Orders Index

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

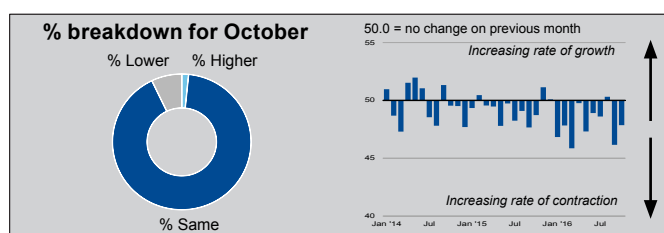
October data showed that the easing in the downturn of total new work was driven by domestic sales, as exports dropped at the sharpest rate since the survey began in January 2014. The pace of contraction had eased at the end of the third quarter, but accelerated markedly in the latest period. New orders from abroad have now fallen in every month of 2016 to date.



## Backlogs of Work Index

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

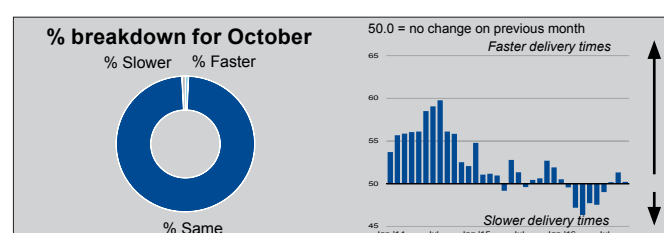
The level of unfinished work in Nigeria's private sector fell for the second month running in October. Firms indicated that falling demand had allowed them to work through backlogs. The rate of depletion slowed since September, however, and was only moderate overall. The vast majority of survey participants (91%) saw no change in outstanding business.



## Suppliers' Delivery Times Index

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

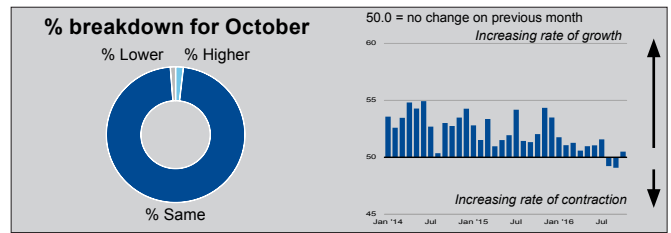
The seasonally adjusted Suppliers' Delivery Times Index remained above the crucial 50.0 threshold for the third successive month in October. That said, it was only just above the neutral value, and therefore signalled a negligible improvement in vendor performance. Nearly the entire panel (99%) reported no change in lead times compared to September.



### Employment Index

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

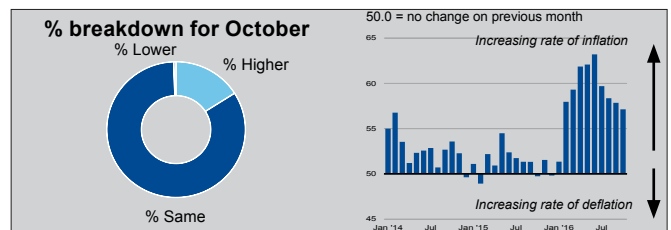
Nigerian private sector employment rose for the first time in three months during October. That marked a resumption of the trend seen throughout the survey's history up until July. However, with the overwhelming majority of panel members (97%) seeing no change since September, the rate of hiring was only slight overall.



### Output Prices Index

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

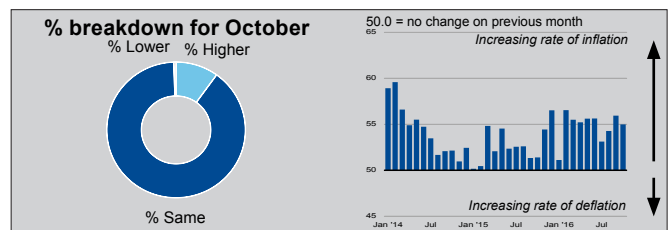
The rate at which output prices rose eased for the fourth consecutive month in October, as shown by the respective index slipping further below June's record high. The latest increase was nevertheless sharp, with exactly 16% of respondents noting a rise. Higher purchase costs were reportedly behind firms' decisions to raise charges.



### Overall Input Prices Index

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

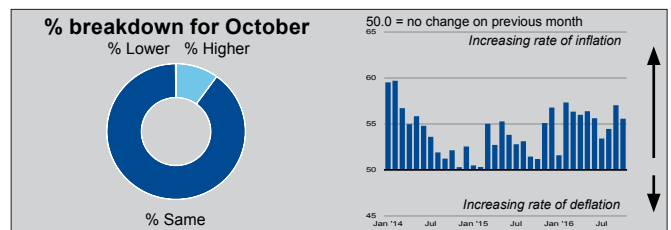
Continuing the trend seen throughout 34 months of data collection so far, total input costs increased at the start of the fourth quarter. The rise was strong relative to the series average, albeit slightly weaker than in September. Underlying data indicated that higher purchase prices remained the key driver of the overall rise, as salaries increased only modestly.



### Input Costs: Purchase Prices Index

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

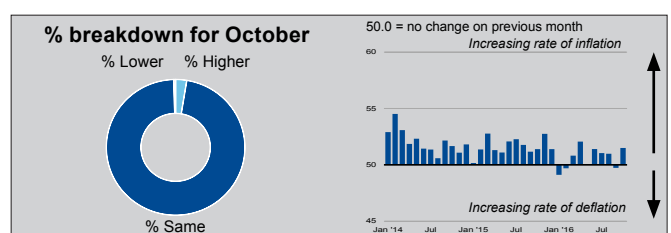
Purchasing costs followed a similar pattern to overall input prices in October, with the respective index ticking down since September but still pointing to a marked rise overall. Exactly one-in-ten surveyed companies saw an increase in the latest period, which they widely linked to rising transportation and commodity prices.



### Input Costs: Staff Costs Index

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

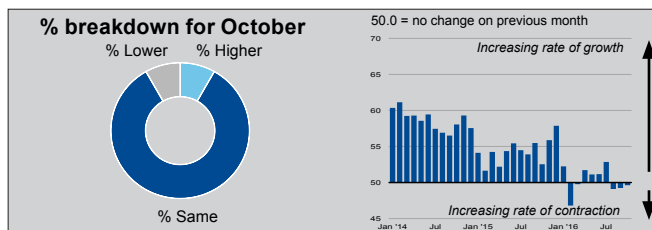
Nigerian private sector businesses reported a renewed rise in staff costs during October. That followed a slight decline in September, which was just the third fall since data collection started in January 2014. The rate of salary growth was only modest, however, with the vast majority of survey participants (97%) noting no change since the prior month.



### Quantity of Purchases Index

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

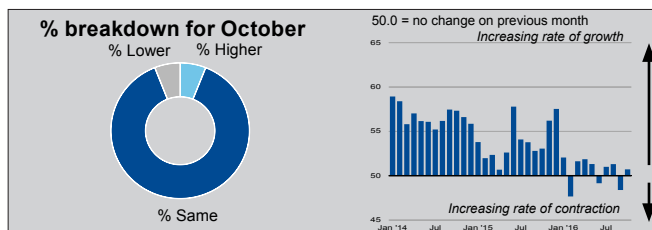
Purchasing activity in Nigeria's private sector fell for the third straight month in October. Panellists attributed the drop in input buying to a combination of high raw material costs and subdued client demand. That said, the rate of decline eased and was only fractional overall, with some companies reporting that extra inputs were needed to satisfy incoming new work.



### Stocks of Purchases Index

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

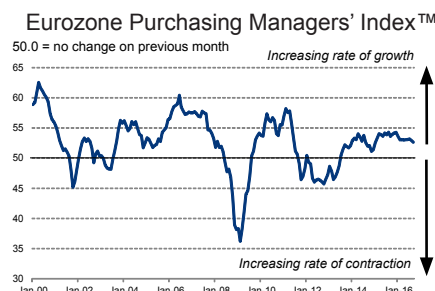
Stocks of purchases rose for the third time in four months during October, with the exception being a modest decline recorded in September. The rate of inventory building was only slight, however, and well below the average seen over 34 months of data collection. Most panel members (88%) registered no change in stock levels.



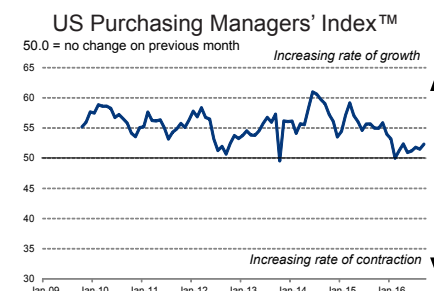
### International PMI summary



Sources: IHS Markit, Caixin



Source: IHS Markit



Source: IHS Markit

Caixin China Composite PMI data (which covers both manufacturing and services) signalled increased Chinese business activity for the seventh successive month in September. However, at 51.4, down from August's 51.8, the Composite Output Index indicated that the rate of expansion slowed to a three-month low.

The rate of economic expansion across the eurozone eased to a 20-month low in September. The Markit Eurozone PMI Composite Output Index posted 52.6, down from 52.9 in August. The average index reading during the third quarter as a whole (52.9) was the weakest since the final quarter of 2014.

At 52.3 in September, the Markit U.S. Composite PMI Output Index was up from 51.5 in August and signalled the fastest rise in private sector business activity since April. The latest increase in private sector output reflected moderate rises in both manufacturing production and service sector activity.

### 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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