

Stanbic IBTC Bank Nigeria PMI™

compiled by markit

Nigeria PMI reaches 16-month high in April

Key findings:

- **Headline PMI rises to 16-month high of 53.6**
- **Steep growth in both output and new orders**
- **Output price pressures ease further**

The health of Nigeria's private sector continued to improve in April, as the latest survey data indicated the strongest performance for 16 months. Growth in output and new orders accelerated further, and were the key factors behind the improved headline PMI™. On the price front, input price and output price inflation both eased but remained solid.

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.

At 53.6 in April, the headline PMI rose from 53.0 in March. This extended the current sequence of expansion in the Nigerian private sector to four months. Moreover, the rate of improvement signalled was the fastest for 16 months. In the context of historical data, the index was above the series average since January 2014 (52.6).

Output expansion was a key driver behind the strong headline PMI score. Growth was steep overall and the fastest signalled for 21 months. Firm underlying demand, improving business conditions and strong new order books in the Nigerian economy were commonly noted by panellists as explanations for the latest increase in output.

A further rise in new business at Nigerian private sector

companies was recorded in April. The rate of increase in new orders was sharp overall and accelerated from the preceding survey. Furthermore, the latest rise extended the current sequence of growth to four months. Despite expansion in both output and new orders, no change in employment was signalled in April as job creation stagnated.

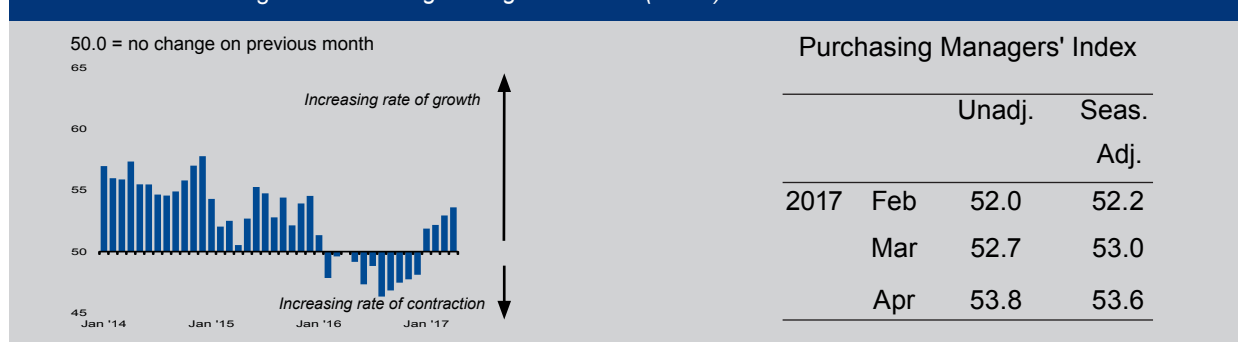
The level of exports sold by Nigerian private sector firms rose for the first time in 16 months in April. Growth was marginal overall but represented a marked improvement from the steep declines in the final quarter of 2016.

In line with the trend for new business, the volume of inputs purchased by private sector firms increased for the fourth month running and at the fastest pace in 16 months. Meanwhile, input stocks grew for the fifth successive month.

Vendor performance improved in April, despite rising demand for items. Panellists commonly noted that suppliers had invested in capital, in order to achieve faster delivery times.

Cost pressures eased in April, as input price inflation slowed fractionally from the preceding survey. In addition, the latest survey data signalled a further softening of output price inflation for the fifth month in a row. Anecdotal evidence suggested that input prices had influenced the output charges set by Nigerian firms.

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

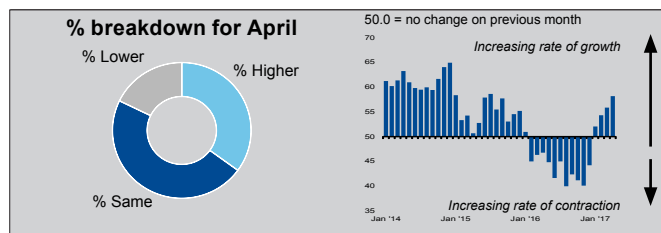


The Stanbic IBTC Bank Nigeria Purchasing Managers' Index™ (PMI™) is a composite indicator designed to provide an overall view of activity in the Nigerian economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times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

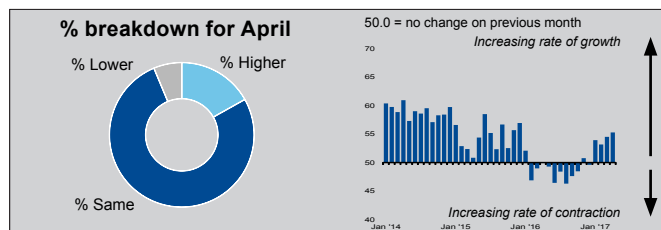
Output growth in the Nigerian private sector accelerated to its fastest in 21 months in April. Furthermore, the rate of expansion was steep overall and notably stronger than the series average since January 2014. Exactly 35% of panellists reported an increase, whereas 18% reported a fall. Firms attributed growth to high demand from clients.



New Orders Index

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

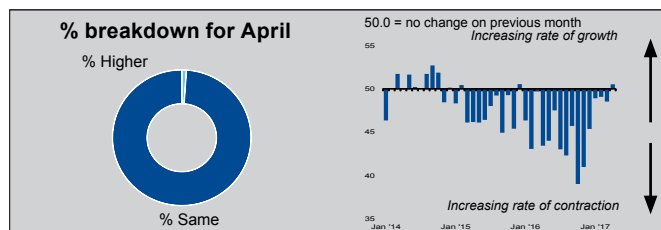
Growth in new business was the highest since the end of 2015 in April. Data indicated that the rate of expansion in new orders was sharp overall, with growth now having been recorded for four months in a row. Panellists commonly noted that improving business conditions in the economy led to higher sales.



New Export Orders Index

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

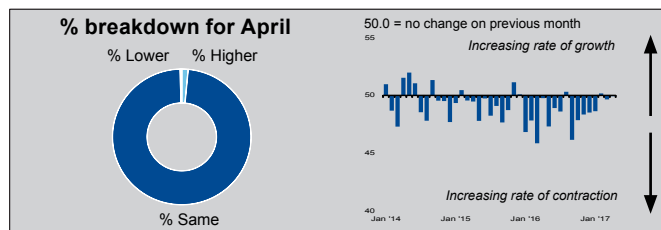
Latest survey data showed a rise in the level of export orders received by Nigerian companies for the first time in 16 months. This was indicated by the seasonally adjusted New Export Orders Index climbing above the 50.0 no-change mark, albeit only signalling fractional growth overall. The vast majority of panellists reported no change in exports.



Backlogs of Work Index

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

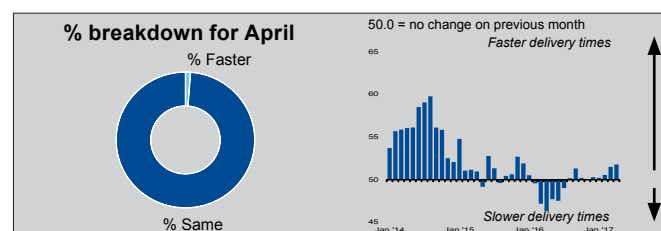
April saw little change in the amount of outstanding business among Nigerian private sector companies. This was indicated by the seasonally adjusted Backlogs of Work Index posting just shy of the 50.0 no-change mark. This followed decreases in work-in-hand (both in progress and not yet started) in six of the past seven months.



Suppliers' Delivery Times Index

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

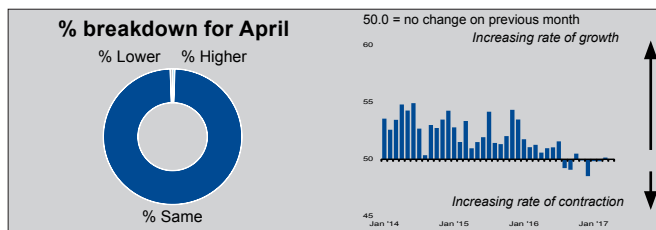
Vendor performance improved in April, thus extending the current sequence of shortening delivery times to five months. Anecdotal evidence suggested that suppliers had invested more capital in order to hasten delivery times and meet demand. The extent to which lead times improved was the greatest for 16 months.



Employment Index

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

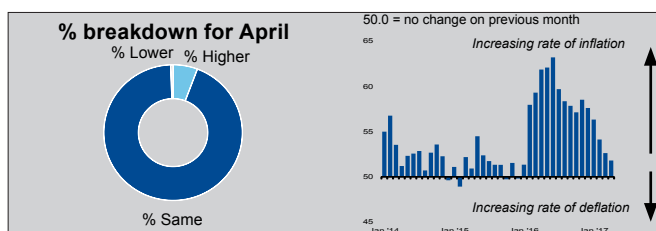
The seasonally adjusted Employment Index signalled no change in overall Nigerian private sector employment in April. The stagnation in workforce numbers was broadly in line with the trend seen throughout the year so far. Some companies reported that they cut their staffing levels, whereas others expanded their workforce in order to meet rising demand.



Output Prices Index

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

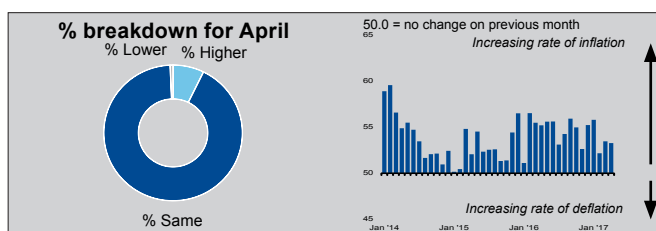
In April, output price inflation eased to its lowest for 15 months and was lower than the series long-run average. A modest rate of inflation was signalled as approximately 6% of firms noted that they had increased their prices (versus only 1% reporting a fall). Anecdotal evidence suggested that Nigerian companies passed on part of the burden of rising input costs.



Overall Input Prices Index

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

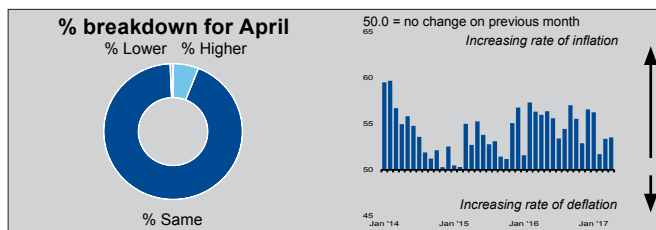
Despite being below the historical series average and easing fractionally since the preceding survey, input price inflation in the Nigerian private sector remained solid in April. Over 7% of respondents reported an increase in input prices, many of which linked this to rises in that raw material cost hikes.



Input Costs: Purchase Prices Index

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

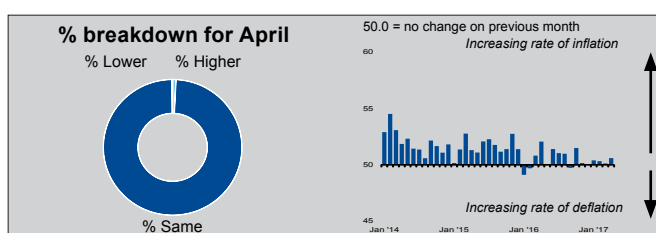
Purchase prices increased at a slightly faster rate in April, and one that was solid overall. That said, the rate at which prices rose was slower than the series average since the start of 2014. Nigerian private sector companies commonly reported that the weak exchange rate led to higher imported raw material 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.

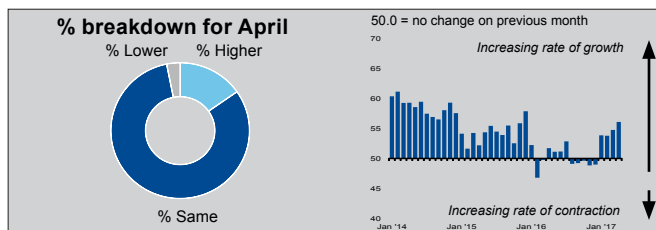
Staff costs rose at the fastest rate for six months in April. The latest survey data extended the current sequence of rising wages in the Nigerian private sector to four months. Anecdotal evidence suggested that workers received pay rises in order to keep up with the rising cost of living in Nigeria.



Quantity of Purchases Index

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

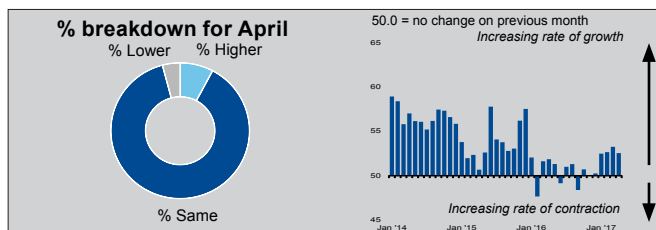
Companies in the Nigerian private sector increased their purchasing activity in April. Furthermore, the rate of growth in buying levels was the fastest for 16 months and steep overall. Over 15% of respondents reported that they increased their quantities of purchases, whereas only 3% signalled a contraction.



Stocks of Purchases Index

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

There was a modest expansion in companies' inventories in the latest survey. Furthermore, April's data extended the current sequence of growth in stocks of purchases to five months. That said, there was a marginal easing in the rate of expansion as the seasonally adjusted Stocks of Purchases Index moved to its lowest level for three months.

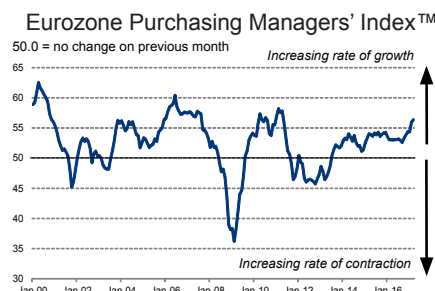


International PMI summary



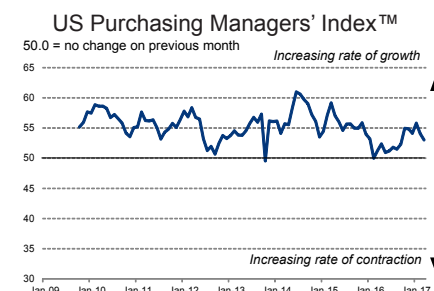
Sources: IHS Markit, Caixin

The Caixin China Composite PMI data (which covers both manufacturing and services) pointed to a weaker increase in total Chinese output at the end of the first quarter. At 52.1 in March, the Composite Output Index fell from 52.6 in February to signal the slowest increase in Chinese business activity for six months.



Source: IHS Markit

The Markit Eurozone PMI Composite Output Index rose to a 71-month high of 56.4 in March, up from 56.0 in February. The index has signalled expansion in each of the past 45 months.



Source: IHS Markit

The seasonally adjusted Markit U.S. Composite PMI Output Index registered 53.0 in March, to remain above the 50.0 no-change value for the thirteenth consecutive month. However, the latest reading was down from 54.1 in February and signalled the slowest expansion of private sector output since September 2016.

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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