

# Stanbic IBTC Bank Nigeria PMI®

## Nigerian private sector growth hits 26-month high

### Key findings:

- **Headline PMI up to 55.0 in August, from 54.8**
- **Sharp expansions in output and new orders**
- **Supplier delivery times worsen for first time in over a year**

August's PMI® survey signalled the greatest improvement in operating conditions in Nigeria for over two years. Strong growth in output, new orders and a marginal uptick in job creation were all key components behind the most recent expansion. Meanwhile, average cost burdens faced by Nigerian businesses rose in August, albeit at a more subdued pace than recorded in July.

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 55.0 in August, the headline PMI rose above July's reading of 54.8. The latest seasonally adjusted data indicated a steep rate of growth in the Nigerian private sector, with the most recent figure being above the survey's near four-year average. Furthermore, August data extended the sequence of expansion seen throughout 2017 so far.

Growth of business activity in Nigeria accelerated to its fastest rate of expansion in 32 months in August. Output growth was sharp overall and well above the series' long-run average. Anecdotal evidence suggested that strong client demand led to rising output requirements in the latest survey.

Growth in new orders eased slightly in August, but the pace of

expansion remained strong overall, however. According to the survey data, client demand was mostly in the domestic market, as new export orders contracted for the second month running in August.

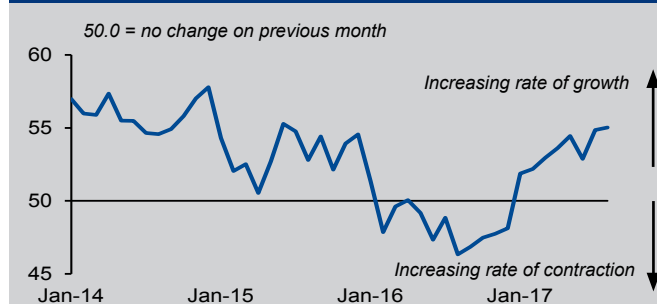
An uptick in job creation was registered in August. Furthermore, the latest improvement of employment levels in the Nigerian private sector extended the current sequence of employment growth to four months.

On the price front, there was a marginal softening in input price inflation during August. Costs continued to rise at a modest rate. The survey's price measures signalled that cost increases were derived from non-staff costs, as wages remained relatively stagnant. Output charge inflation in the Nigerian private sector increased fractionally in August, but remained below the series' historical average.

Supplier delivery times worsened for the first time in 13 months during August, with the rate at which vendor performance deteriorated being modest overall. There were some reports of worsening road conditions.

Finally, buying activity rose markedly in August, albeit to a lesser extent than that recorded in July. Panellists reported that they increased their purchasing activity in response to rising output requirements.

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



### Purchasing Managers' Index

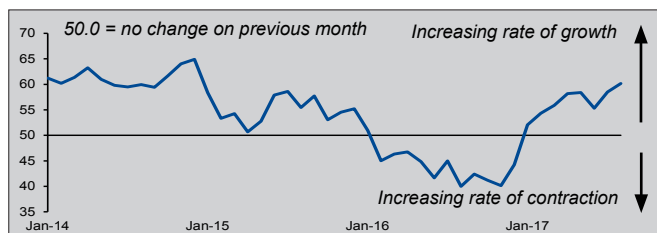
		Unadj.	Seas. Adj.
2017	Jun	51.6	52.9
	Jul	54.9	54.8
	Aug	53.9	55.0

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.*

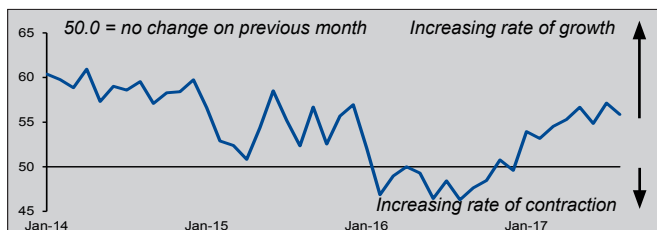
Output growth in the Nigerian private sector accelerated to a 32-month high in August. The latest data signalled a sharp expansion overall, and extended the current sequence of growth to eight months. Approximately 32% of firms noted that their output had increased in August, compared with only 12% that reported the opposite.



## New Orders Index

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

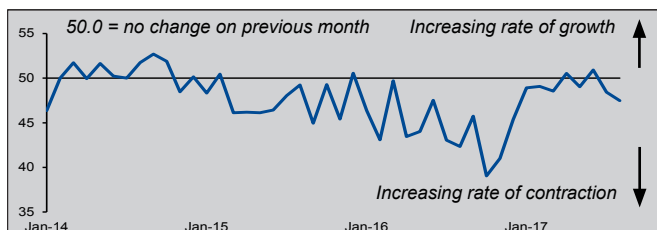
The level of new business received by Nigerian private sector firms rose during the latest survey period. The pace of expansion eased slightly since July, but remained steep overall. Furthermore, the rate of growth remained above the average seen throughout 2017 so far. Anecdotal evidence suggested strong client demand in Nigeria as a key factor behind August's expansion.



## New Export Orders Index

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

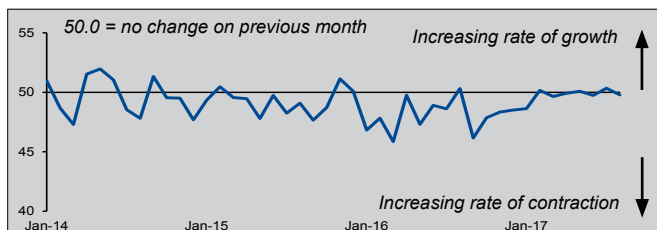
Adjusted for seasonal influences, the New Export Orders Index remained below the critical 50.0 no-change mark in August for the second month running. Furthermore, the rate at which new business from abroad contracted was the fastest in eight months. Only 7% of firms noted a rise in export orders, compared with 14% that reported a fall.



## Backlogs of Work Index

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

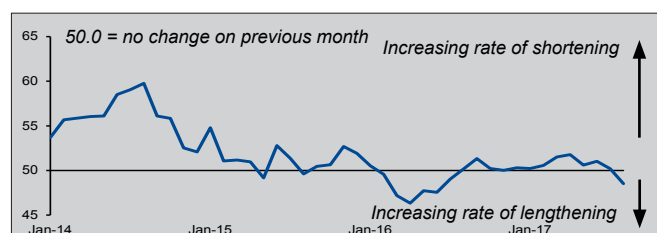
On average, the level of work outstanding at Nigerian private sector firms contracted in August. This was signalled by the seasonally adjusted Backlogs of Work Index registering a reading below the 50.0 no-change mark for the fifth time this year, after having signalled a marginal build up in work outstanding in July.



## Suppliers' Delivery Times Index

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

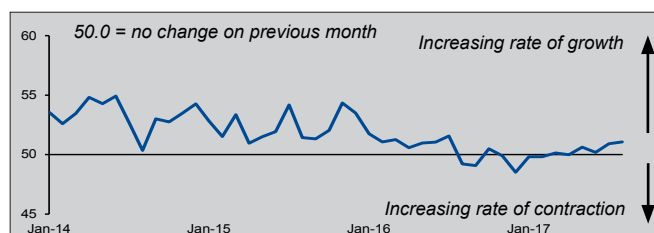
Vendor performance in the Nigerian private sector deteriorated for the first time since July 2016 in the most recent survey. The rate at which wait times lengthened was moderate overall, but the fastest recorded for 14 months. Some panellists noted poor road conditions as a cause behind longer delivery times.



### Employment Index

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

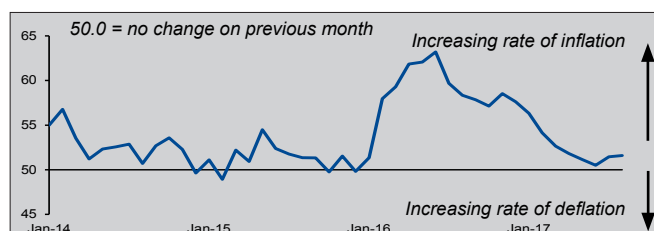
Job creation hit a 13-month high in August, with the most recent data extending the current sequence of expansion to four months. However, the rate of growth remained below the series' historical average. There were some reports of companies hiring additional staff to meet rising output requirements.



### Output Prices Index

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

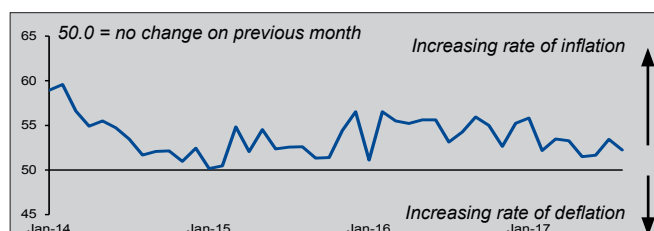
Output price inflation accelerated for the second month in a row in August. Anecdotal evidence suggested that firms passed on part of the burden of increased input costs. That said, the rate at which Nigerian private sector firms increased their output charges was only slight overall and remained below the survey's long-run average.



### Overall Input Prices Index

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

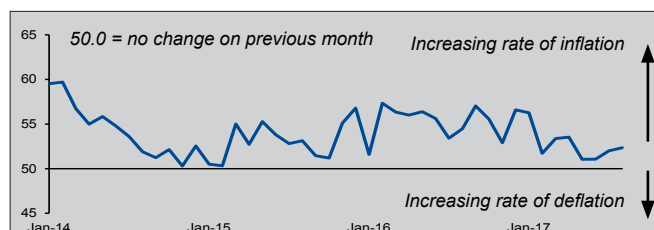
Cost burdens faced by firms operating in the Nigerian private sector rose in August, albeit to a lesser extent than that seen in the preceding survey. The rate of input price inflation was below the series' long-run average. Survey data indicated that rising cost burdens were mostly derived from non-staff costs in August.



### Input Costs: Purchase Prices Index

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

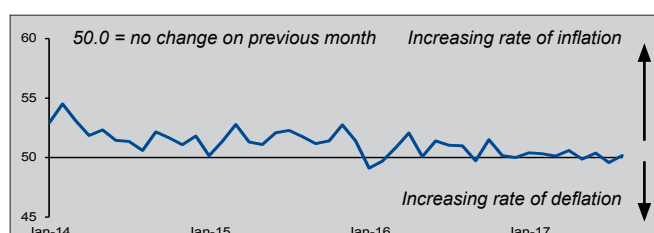
Purchases price inflation accelerated for the third month in a row in August. The rate of non-staff cost inflation in the Nigerian private sector was modest overall but the fastest recorded since April this year. That said, in the context of historical data, the rate of purchase price inflation remained below the long-run average.



### Input Costs: Staff Costs Index

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

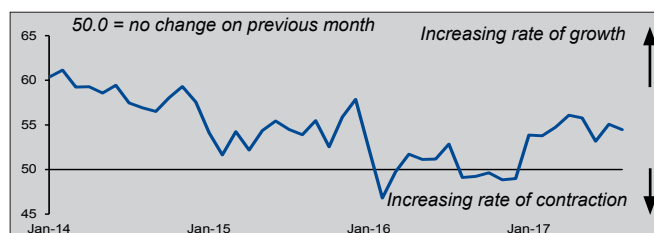
Nigerian businesses reported a negligible rise in staff wages in August, as highlighted by the respective seasonally adjusted index registering fractionally above the 50.0 no-change threshold. Anecdotal evidence suggested that some firms increased salaries in response to rising output requirements.



## Quantity of Purchases Index

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

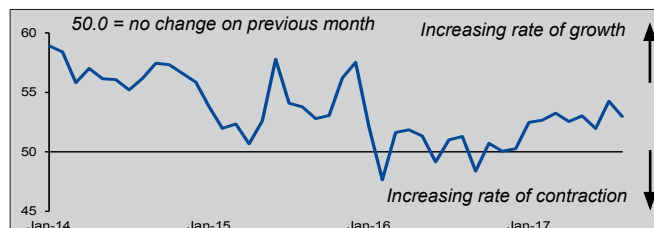
Despite easing slightly since July, the most recent survey data signalled a marked increase in buying activity in August. Nigerian private sector firms frequently reported that greater output requirements had led them to increase their quantity of purchases during the latest survey period. Exactly 10% of respondents noted higher buying activity, compared with only 2% that reported a fall.



## Stocks of Purchases Index

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

Pre-production stocks held by Nigerian private sector companies rose in August. The pace of expansion was solid overall, albeit slightly below that signalled in the preceding survey. In the context of historical data, the latest build-up in stockpiles was below the average recorded over the survey's near four-year history.

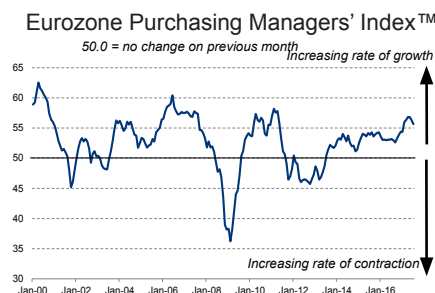


## International PMI summary



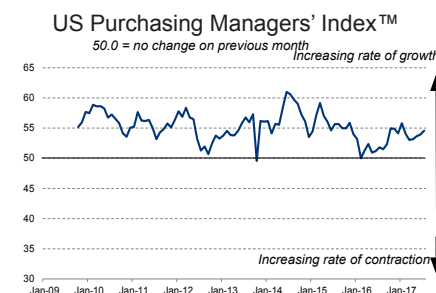
Sources: IHS Markit, Caixin

The Caixin China Composite PMI data (which covers both manufacturing and services) signalled an improvement in the rate of Chinese business activity growth at the start of the third quarter. This was shown by the Composite Output Index rising from June's recent low of 51.1 to a four-month high of 51.9 in July.



Source: IHS Markit

The IHS Markit Eurozone PMI Composite Output Index posted a six-month low of 55.7 in July, down from 56.3 in June. The headline index has signalled expansion throughout the past 49 months.



Source: IHS Markit

The IHS Markit US Services Business Activity Index registered 54.7 in July, up from 54.2 in June. The latest reading signalled the largest expansion of business activity since January and the fourth consecutive month of accelerated growth. Despite being marginally below the long-run series average, the latest upturn in activity was solid overall.

## 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. IHS 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

The intellectual property rights to the Stanbic IBTC Bank Nigeria PMI® provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS 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 IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. 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 Limited.