

Stanbic IBTC Bank Nigeria PMI™

compiled by markit

Nigeria PMI improves to 14-month high in February

Key findings:

- Output expands at quicker pace amid further rise in total new business
- Input buying increases solidly
- Inflationary pressures ease

Private sector companies in Nigeria signalled an improvement in overall business conditions for the second month running in February. Furthermore, the rate of improvement picked up since the start of 2017, driven primarily by a stronger expansion of output. Growth was supported by a further solid increase in total new work, which occurred despite a further fall in new export sales. The overall increase in new business also led to a marked rise in purchasing activity, while firms added to their inventories at a slightly faster rate. Meanwhile, average input costs and output charges increased at the slowest rates since the start of 2016.

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 52.2 in February, the headline PMI rose from 51.9 at the start of 2017 to signal a second successive monthly improvement in the health of Nigeria's private sector. Notably, the rate of improvement was the strongest seen since December 2015.

The pick up in growth momentum was supported by a stronger expansion in Nigerian private sector output in February. Furthermore, the rate of growth was the fastest seen in 14 months. According to panellists, improved demand conditions

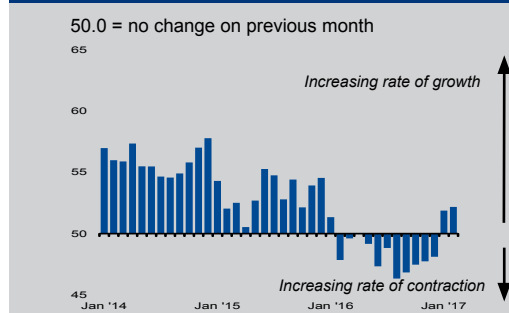
and higher new orders had prompted firms to raise output. Total new work increased for the second month running and, despite slowing since January, the rate of expansion remained solid. The upturn in overall new business was despite a further marginal fall in new export sales.

Greater production schedules led firms to raise their purchasing activity again, with the rate of growth little-changed from January's solid pace. This contributed to a third successive monthly increase in inventories of inputs. Furthermore, the rate of accumulation was the fastest since the end of 2015.

Despite further increases in output and new orders, companies reported a fractional decline in staff numbers, as was the case in the previous month. Where lower employment was reported, this was generally linked to cost-cutting initiatives. As a result, backlogs of work increased for the first time in six months, albeit only slightly.

Prices charged increased solidly in the latest survey period, despite the rate of inflation easing to its weakest since January 2016. Average input costs meanwhile rose at a moderate pace that was also the slowest since the start of 2016. Underlying prices data indicated that a weaker rise in purchasing costs helped to soften cost inflation in February, as staffing costs continued to rise at only a marginal pace.

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



Purchasing Managers' Index

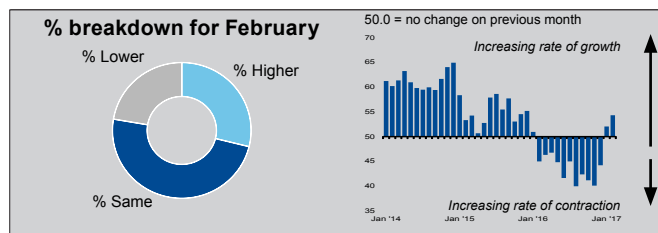
		Unadj.	Seas. Adj.
2016	Dec	50.3	48.1
2017	Jan	53.8	51.9
	Feb	52.0	52.2

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.

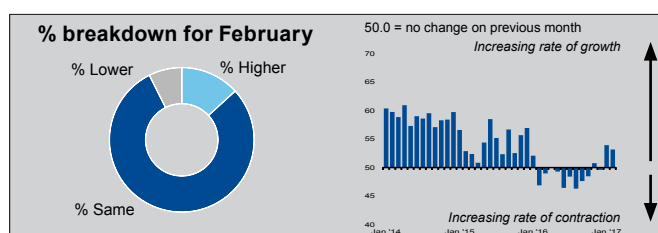
Nigerian private sector companies reported an expansion of output for the second month in a row in February. Furthermore, the rate of growth picked up to a solid pace that was the strongest since December 2015. Increased client bases and improved intakes of new work were linked by respondents to the latest upturn in output.



New Orders Index

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

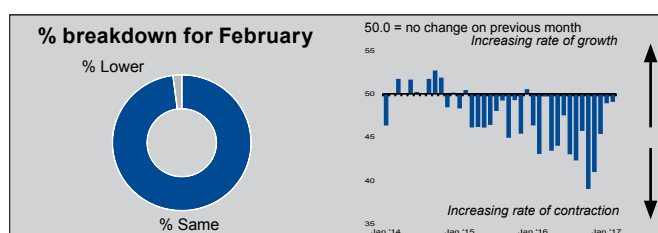
Total new business across Nigeria's private sector increased again in February, as signalled by the seasonally adjusted New Orders Index remaining above the neutral 50.0 value for the second consecutive month. The rate of expansion remained solid overall, despite weakening from that seen at the start of the year. According to panellists, new products and stronger demand conditions lifted overall new business in February.



New Export Orders Index

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

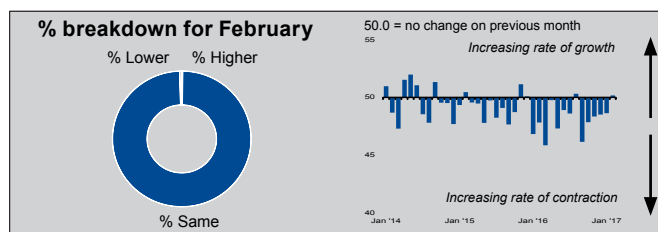
In contrast to the trend for total new work, new export sales continued to decline in February. Adjusted for seasonal factors, the New Export Orders Index signalled only a marginal pace of reduction that was the weakest in 11 months. Furthermore, the vast majority of surveyed companies (98%) saw no change to new export business in the latest survey period.



Backlogs of Work Index

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

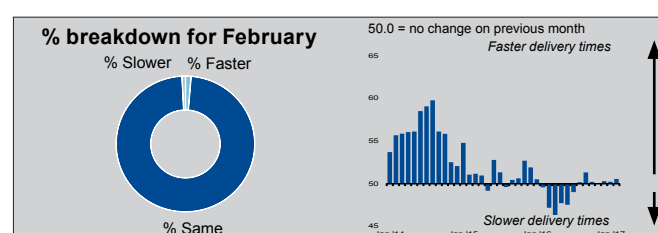
Backlogs of work at Nigerian private sector companies were increased slightly in February, as shown by the respective index posting fractionally above the neutral 50.0 value. This contrasted with falling outstanding business in each of the prior five months. Anecdotal evidence suggested that higher new order intakes had placed some pressure on operating capacity in the latest survey period.



Suppliers' Delivery Times Index

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

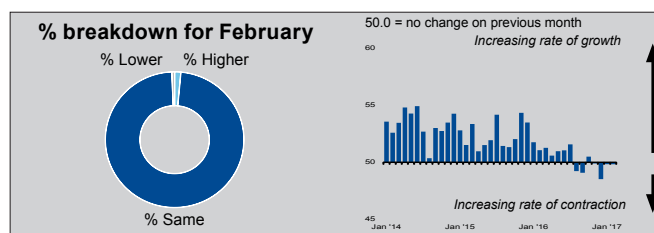
The seasonally adjusted Suppliers' Delivery Times Index posted above the no-change 50.0 threshold to signal a further improvement in average vendor performance in February. Despite quickening slightly since January, the rate of improvement remained marginal, however. Reports from panellists indicated that greater capacity at suppliers and improved logistics had helped to shorten lead times.



Employment Index

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

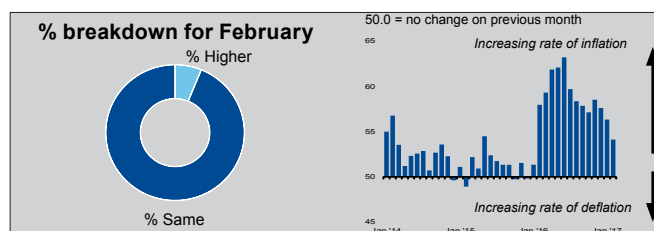
Adjusted for seasonal variance, the Employment Index signalled a further decline in private sector staff numbers across Nigeria. That said, the rate of job shedding was unchanged from the previous month and only fractional. A number of companies mentioned that efforts to reduce costs had led them to trim staffing levels in February.



Output Prices Index

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

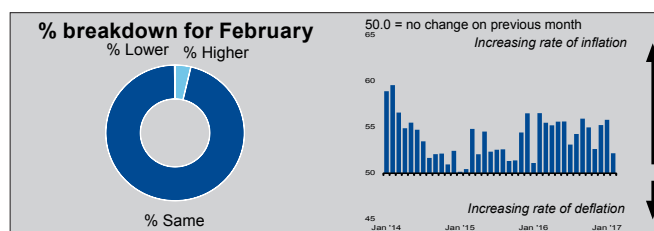
Nigerian private sector businesses continued to increase their output charges in February, thereby extending the current trend to 14 months. The rate of inflation remained solid overall, despite easing to its weakest since January 2016. According to respondents, selling prices increased due to higher input costs and exchange rate fluctuations.



Overall Input Prices Index

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

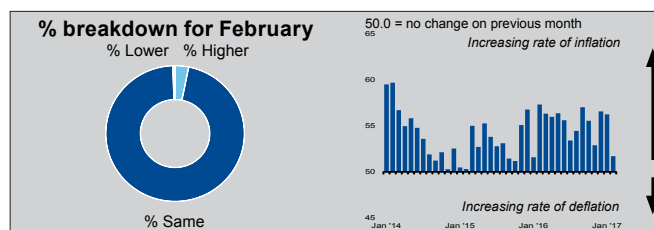
Latest survey data pointed to a further rise in total input costs faced by Nigerian private sector firms. That said, the seasonally adjusted Overall Input Prices Index posted its lowest reading since January 2016, and was consistent with only a modest rate of inflation. Underlying cost data indicated that a softer rise in purchasing prices was a key factor leading to a weaker increase in total cost burdens.



Input Costs: Purchase Prices Index

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

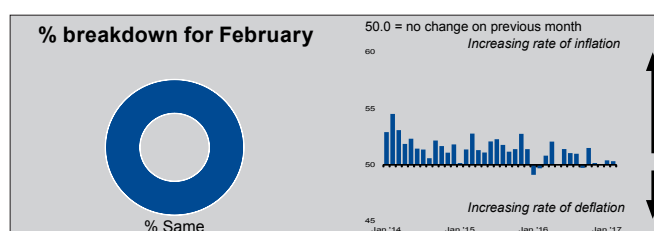
After rising sharply in each of the prior two months, the seasonally adjusted Purchase Prices Index pointed to only a modest increase in average purchasing costs across Nigeria's private sector in February. Furthermore, it was the weakest rate of inflation recorded since the start of 2016. Anecdotal evidence suggested that higher raw material and transportations costs had raised purchasing 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.

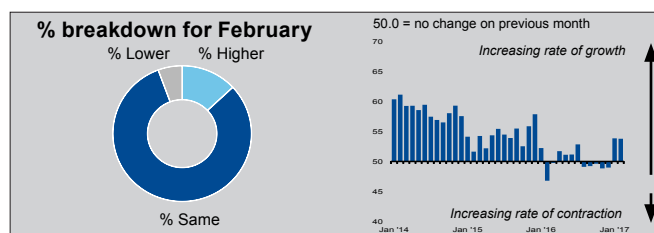
Private sector companies operating in Nigeria signalled a second successive monthly rise in average staffing costs during February. That said, the respective index pointed to only a marginal pace of wage inflation that was little-changed from January. Overall, staffing costs have been broadly stable over the past four months.



Quantity of Purchases Index

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

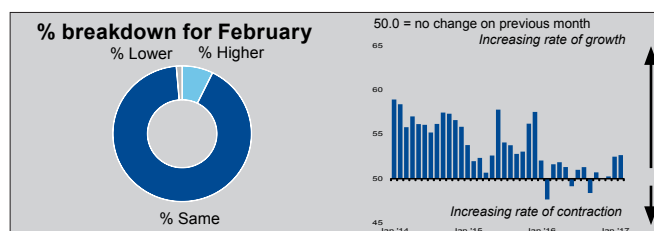
Greater customer demand and higher new orders contributed to a further rise in purchasing activity during February. Notably, the rate of expansion was similar to that seen at the start of the year and solid. Exactly 13% of panellists reported higher input buying in the latest survey period, compared with less than 6% that registered a decline.



Stocks of Purchases Index

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

The seasonally adjusted Stocks of Purchases Index remained above the neutral 50.0 value to signal increased stocks of purchases for the third month in a row. Furthermore, the rate of accumulation edged up to its strongest since December 2015. A number of monitored companies mentioned raising their inventories due to strengthening client demand.

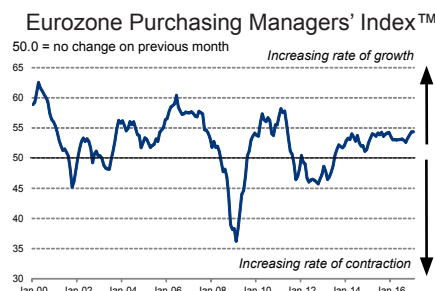


International PMI summary



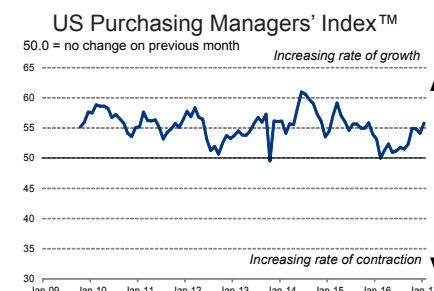
Sources: IHS Markit, Caixin

The Caixin China Composite PMI™ data (which covers both manufacturing and services) signalled a slight softening of growth momentum across China at the start of 2017. At 52.2 in January, the Composite Output Index fell from December's 45-month high of 53.5 to indicate a moderate rate of expansion that was the slowest since September 2016.



Source: IHS Markit

The eurozone economy made a strong start to 2017, with output growth maintained at December's five-and-a-half year high and job creation accelerating to a near-nine year record. The Markit Eurozone PMI Composite Output Index posted 54.4 in January, unchanged from December. The headline index has signalled expansion in each of the past 43 months.



Source: IHS Markit

At 55.8 in January, up from 54.1 in December, the Markit U.S. Composite PMI™ Output Index signalled the strongest rise in private sector business activity since November 2015. This reflected positive contributions to growth from both the manufacturing and service sectors at the start of 2017.

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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