News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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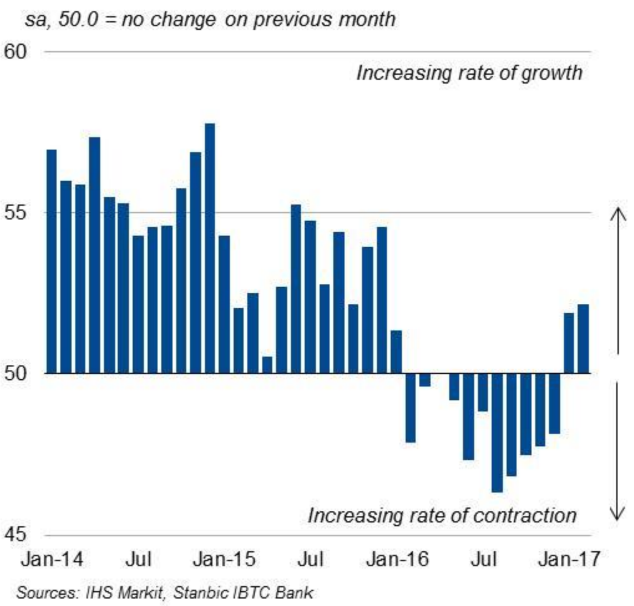
Stanbic IBTC Bank Nigeria PMI™

Nigeria PMI improves to 14-month high in February

Data collected 10-24 February

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

Stanbic IBTC Bank Nigeria PMI



Sources: IHS Markit, Stanbic IBTC Bank

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.

Commenting on February's survey findings, Ayomide Mejabi, Economist at Stanbic IBTC Bank said:

"The February reading of the Stanbic IBTC Bank Nigeria PMI showed that perhaps the private sector may have benefited from improved business conditions for the second month running. This is as the seasonally adjusted reading moved to a 14-month high of 52.2 from 51.9 in January. Although the PMI reading still lies below the long-run trend, consistently improving readings suggest that the economy may indeed be experiencing some re-balancing. While we still maintain that economic growth in 2017 will likely remain depressed, at about 1.0% y/y, recent PMI reads actually suggest that real GDP growth may well return into positive territory earlier than previously anticipated. The faster than anticipated recovery in the economy may not be unrelated to the fact that survey respondents continue reporting an expansion of output, perhaps due to increased supply of FX needed for import activity and domestic investment. Interestingly, while output prices continued to rise in February, they rose at a significantly slower pace and fell to their lowest level since January 2016. This reinforces our expectation that inflation should fall substantially over the next couple of months due to favourable base effects."

The main findings of the February survey were as follows:

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.

-Ends-

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Note to Editors:

The Stanbic IBTC Bank Nigeria 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 formal economy, including agriculture, manufacturing, services, construction and retail. 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. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@ihsmarkit.com.

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