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NATIONAL BUREAU OF STATISTICS

News Release

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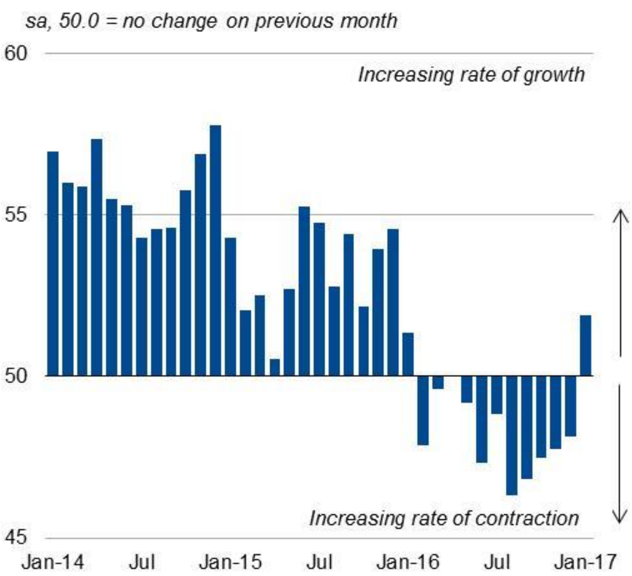
Stanbic IBTC Bank Nigeria PMI™

Operating conditions improve for first time in a year

Data collected 12-27 January

- Headline PMI reaches 13-month high of 51.9
- Renewed expansions in output and new orders
- Input buying increases solidly

Stanbic IBTC Bank Nigeria PMI



Sources: IHS Markit, Stanbic IBTC Bank

January data signalled a renewed improvement in the health of Nigeria's private sector, with output levels increasing for the first time in a year. As a result, businesses increased their purchasing activity solidly which in turn led to a stronger accumulation in stocks of inputs. The rate of job shedding meanwhile eased since the end of 2016, and was fractional overall. At the same time, inflationary pressures remained marked, with input cost inflation reaching a four-month high and prices charged 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 headline PMI registered 51.9 in January, up from 48.1 in December, and above the crucial 50.0 no-change level to signal a renewed improvement in overall operating conditions. Though modest, it was the first improvement in the health of Nigeria's private sector for a year.

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

"The first Stanbic IBTC Bank Nigeria PMI reading of the 2017 suggested that the private sector expanded for the first time in a year as it appears that some macro economic rebalancing may have ensued. Having said that, the overall PMI reading still lies below the long-run trend of the series and as a result may not necessarily mean the economy is back on a firm upward trajectory. Despite this reading, the expectation is for real GDP growth to remain depressed in 2017, only recovering towards the 1.0% y/y region as a result of favourable base effects and potential fiscal benefits from higher oil prices and production levels. Favourable upside risks to the base case would probably come from government delivering on its mandate to boost public infrastructure spend while also restoring monetary and fiscal policy credibility. In any case, FX shortages will probably continue to be a significant factor disrupting economic activity. Subsequent positive reads of the PMI should confirm the economy's modest recovery in 2017 from the low base of 2016 as inflation likely continues to decelerate. The output prices PMI continues to point towards lower inflation reads in coming months."

The main findings of the January survey were as follows:

Leading the PMI higher in January was the first increase in output for 12 months. Furthermore, the rate of expansion was the quickest since December 2015, with a number of panellists commenting on stronger underlying client demand and higher new orders. Highlighting this, new business also rebounded in January, with the rate of growth the most marked in 13 months. Data indicated that stronger domestic demand led the expansion, as new export work continued to decline.

To support higher production, companies increased their purchasing activity for the first time since July 2016 and at a solid pace. Consequently, stocks of inputs rose at the most marked rate in 13 months as firms made efforts to build up their inventories due to stronger client demand.

Job shedding meanwhile eased to only a fractional pace in January. Where lower staff numbers were reported, they were generally linked to plans to streamline costs. Despite lower employment, backlogs of work continued to decline at the start of the year. The rate of depletion was modest overall and similar to that recorded in the previous month.

Nigerian private sector companies reported a further sharp rise in overall input costs during January. Furthermore, the rate of inflation was the quickest seen since September 2016. Survey respondents indicated that a steep increase in purchasing costs was the key driver of higher cost burdens, as staffing costs rose only slightly. Companies generally passed on higher input costs in the form of higher selling prices. Notably, the rate of charge inflation was also sharp, despite easing to its weakest in one year.

-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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About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 30 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/product/pmi.

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