

Stanbic IBTC Bank Nigeria PMI®

Nigerian private sector growth hits two-year high

Key findings:

- **Headline PMI rises to 54.8 in July, from 52.9**
- **Strong expansions in output and new orders**
- **Slight contraction in new export orders**

July's PMI® survey signalled the sharpest overall improvement of business conditions in the Nigerian private sector for two years, as the economy extended the upturn seen throughout 2017. The latest upswing stemmed from steep expansions in output and new orders, growth of which were at 24- and 25-month highs respectively. Job creation was at its strongest in a year, although employment growth remained marginal overall. On the price front, input and output price inflation remained below their historical averages despite rising slightly in the latest survey.

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 54.8 in July, the headline PMI rose above June's reading of 52.9 indicating a strong start to the third quarter of 2017. Furthermore, the latest survey signalled the sharpest expansion in the Nigerian private sector since July 2015.

Output grew sharply in July, indicated by the rate of expansion hitting a two-year high. Many of the Nigerian panellists noted strong customer demand as a key factor behind the latest increase.

The level of new orders received by Nigerian private sector

firms increased at the sharpest rate in 25 months in July. Anecdotal evidence pointed towards stronger domestic demand for Nigerian-produced goods and services compared to that seen in export markets. This was signalled by a fall in the level of new orders from abroad in July.

Input price inflation was at a four-month during the latest survey period. The rate at which average cost burdens in the Nigerian private sector increased was solid overall. Anecdotal evidence pointed towards rising raw material costs as a primary cause.

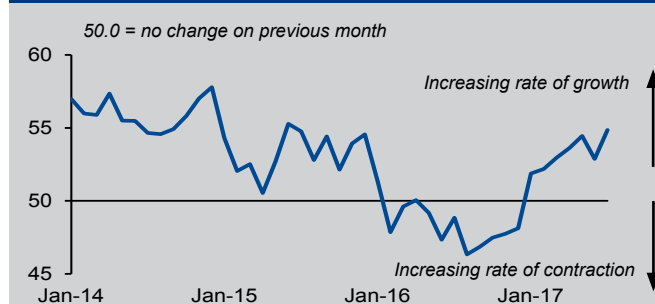
Output charge inflation rose in July, ending the sequence of softening output price inflation seen over the previous seven months. The rate of inflation was solid overall, albeit below the historical average.

To support rising output requirements faced by firms operating in the Nigerian private sector, job creation was at a 12-month high in July. However, the rate of growth was only slight overall and remained below the survey's long-run average.

Backlogs of work increased at the fastest rate for 20 months in July. Anecdotal evidence suggested capacity shortages at Nigerian private sector firms.

Finally, there was sharp growth in buying activity during the latest survey period, as firms responded to rising production requirements.

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



Purchasing Managers' Index

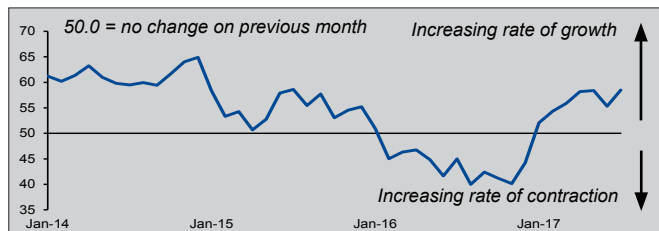
		Unadj.	Seas. Adj.
2017	May	53.3	54.4
	Jun	51.6	52.9
	Jul	54.9	54.8

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.

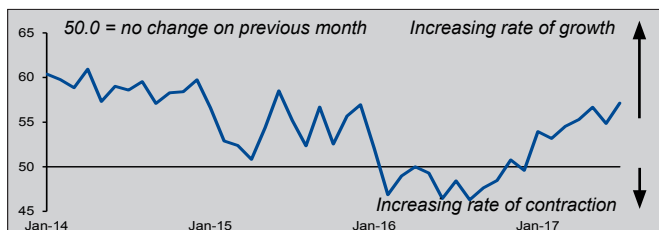
Output growth in the Nigerian private sector rose to a two-year high in July. Furthermore, the rate of expansion was sharp overall and extended the current sequence of growth to seven months. According to anecdotal evidence, there was strong underlying demand for Nigerian-produced goods and services in July.



New Orders Index

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

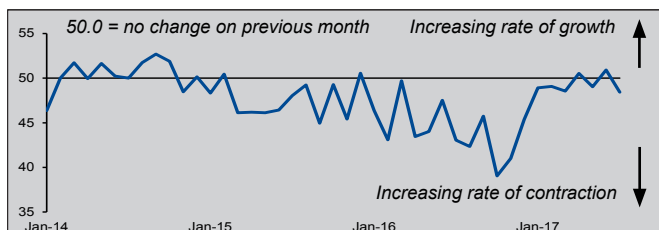
Growth in the level of new orders received by Nigerian private sector firms hit a 25-month high in July, and continued the trend of expansion seen throughout 2017 so far. The rate of growth was sharp overall and well above the series long-run average. Approximately 16% of firms noted an increase in new business in July, compared with only 3% that reported a fall.



New Export Orders Index

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

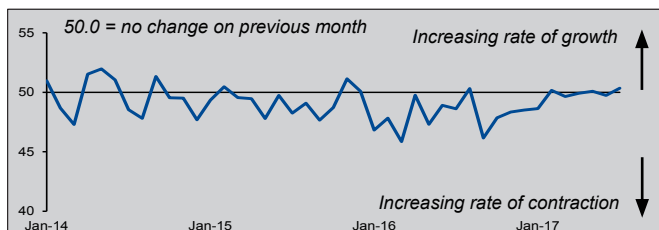
The seasonally adjusted New Export Orders Index fell below the 50.0 no-change mark in July, signalling a slight fall in the level of new business from abroad. Around 14% of firms noted a fall in the level of new export orders compared with only 2% that reported a rise. That said, the latest rate of decline was not as sharp as the long-run average.



Backlogs of Work Index

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

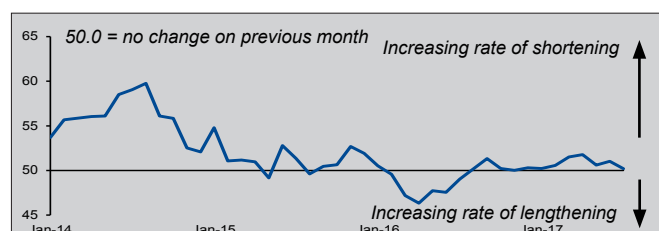
July's survey signalled a return to growth in backlogs of work in the Nigerian private sector, following the marginal contraction that was registered in the preceding survey. Furthermore, the rate of growth was marginal overall and the fastest recorded in 20 months. Anecdotal evidence suggested that output requirements exceeded capacity during 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.

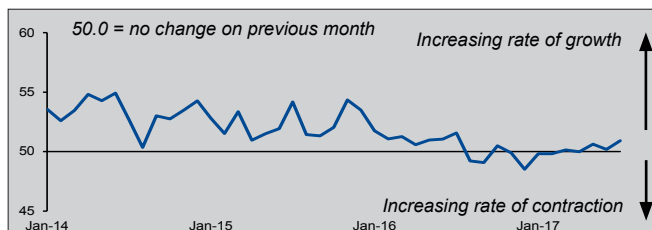
The latest survey indicated that vendor performance improved to the smallest extent in six months in July. The rate at which supplier delivery times shortened was only fractional overall. Some panellists commented on upgrades to the road network as the primary factor behind the small improvement.



Employment Index

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

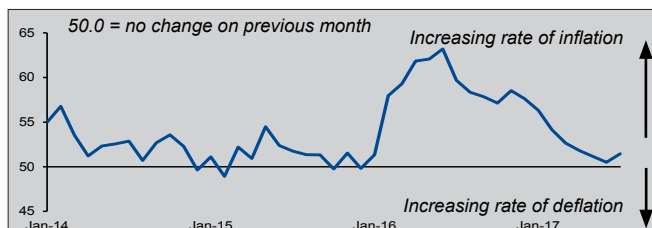
The level of employment in the Nigerian private sector increased slightly during the latest survey period, thus extending the current sequence of growth to three months. The rate of job creation was the fastest recorded for a 12 months, although it remained below the series' long-run average in July.



Output Prices Index

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

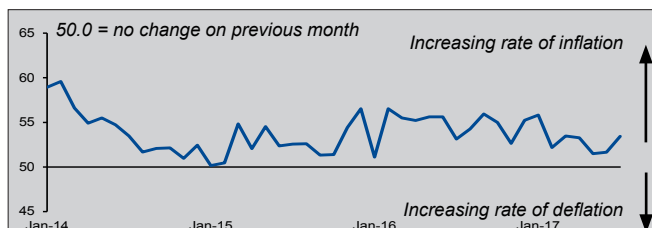
Output price inflation in the Nigerian private sector rose for the first time in eight months in the latest survey. The rate of inflation was slight overall and the fastest recorded since April. That said, it remained below the long-run series average. Panellists commonly noted that they passed on part of the burden of increased input costs to customers.



Overall Input Prices Index

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

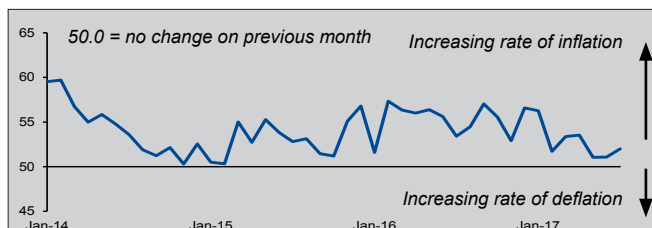
Average cost burdens faced by Nigerian private sector firms increased at the fastest rate in four months during the latest survey period. The pace of input price inflation was solid overall, albeit below the series' historical average. Approximately 4% of respondents noted an increase in overall average input prices in July, compared with only 1% that noted the opposite.



Input Costs: Purchase Prices Index

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

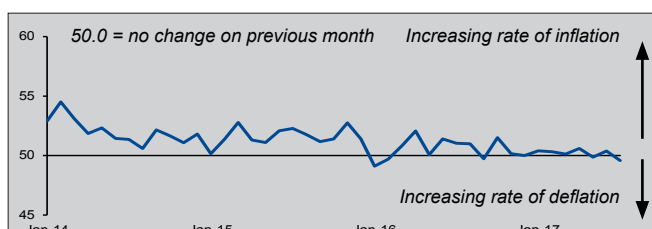
Average purchase prices further increased the Nigerian private sector, and the rate of inflation accelerated slightly during the latest survey period. Anecdotal evidence pointed towards an increase in raw material costs as a key factor. That said, the extent to which purchase prices rose was only modest overall.



Input Costs: Staff Costs Index

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

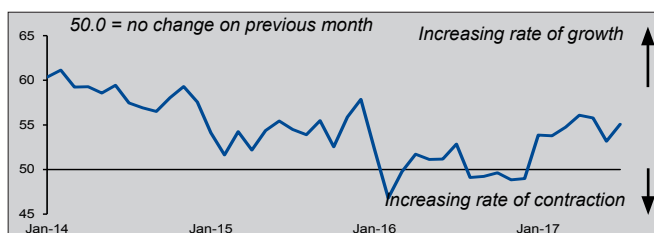
The seasonally adjusted Staff Costs Index fell below the 50.0 no-change mark during the latest survey period. Furthermore, the rate of reduction was the second fastest recorded over the survey's three-and-a-half year history. That said, the majority of respondents (99%) reported that they had seen no change in average staff costs in July.



Quantity of Purchases Index

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

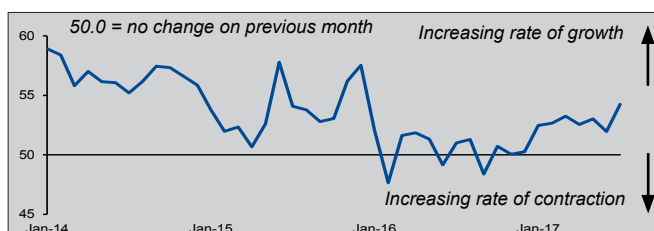
Nigerian private sector purchasing activity increased sharply in July. The latest result extended the current sequence of expansion seen throughout 2017 so far. Furthermore, the rate of growth was above the series' long-run average. Approximately 14% of firms noted an increase in their buying activity, compared with only 4% that noted the opposite.



Stocks of Purchases Index

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

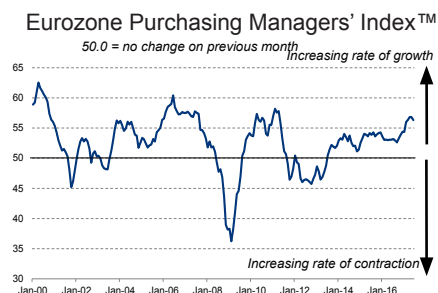
Pre-production inventories held at Nigerian private sector firms rose markedly in July, extending the current sequence of growth to eight months. Moreover, the rate of growth was the sharpest recorded since December 2015. Anecdotal evidence suggested that firms increased their quantities of purchases in response to higher output requirements.



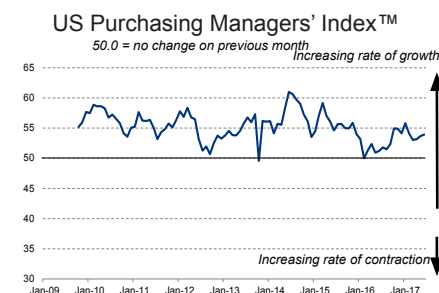
International PMI summary



Sources: IHS Markit, Caixin



Source: IHS Markit



Source: IHS Markit

The Caixin China Composite PMI data (which covers both manufacturing and services) pointed to a marginal increase in total Chinese business activity at the end of the second quarter. At 51.1 in June, the Composite Output Index fell from 51.5 in May to signal the slowest rate of expansion in a year.

The IHS Markit Eurozone PMI Composite Output Index fell to a four-month low of 56.3 in June. The expansion was again led by the manufacturing sector, where production rose to the greatest extent since April 2011. Although the rate of growth in service sector activity moderated, it was still among the strongest seen over the past six years.

The IHS Markit US Composite PMI Output Index rose to 53.9 in June, up from 53.6 in the previous month. Although the composite figure picked up in June, the rate of growth remained historically muted. Nonetheless, the average pace of expansion indicated over the first half of the year was faster than that seen during the same period last year.

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.

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