

Stanbic IBTC Bank Nigeria PMI®

Solid growth in Nigerian private sector in June

Key findings:

- **Headline PMI dips to 52.9 in June, from 54.4**
- **Strong expansions in both new orders and output**
- **New export orders return to growth**

The Nigerian private sector ended the second quarter on a solid footing, despite growth easing in June. Strong expansions in output and new orders underpinned the overall improvement in business conditions, alongside a return to growth in new export orders. On the price front, cost pressures faced by Nigerian companies grew slightly but remained subdued when compared with the historical trend, while output charge inflation softened further and was only marginal overall.

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 52.9 in June, the headline PMI fell from 54.4 in May. The latest reading was the lowest in four months, but it remained above the historical average of 52.6. Furthermore, it extended the current sequence of growth in the Nigerian private sector to six months.

Despite output growth easing in June, the rate of expansion remained strong overall and above the series average. Furthermore, the latest increase extended the current sequence of growth to six months.

Following the trend seen by output, growth in new orders softened during the latest survey period, but remained sharp

overall. Anecdotal evidence linked the latest expansion in new work to rising levels of client demand for goods and services from Nigerian companies.

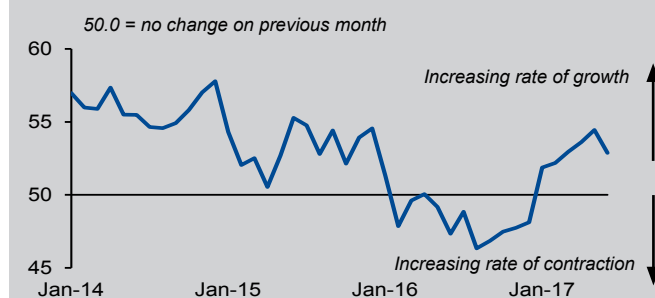
New export orders returned to growth in June, after a slight contraction had been signalled during May. That said, the rate of expansion was only marginal overall.

In response to a rise in output, Nigerian private sector firms increased their staffing numbers during June. The latest data extended the sequence of growth to two months, although job creation remained below the average seen over the survey's three-and-a-half year history. Meanwhile, firms indicated a slight decline in work outstanding in June.

Average cost burdens faced by firms operating in the Nigerian private sector rose in the latest survey. The rate of growth was above that seen in the preceding survey, albeit moderate overall. Anecdotal evidence linked higher input prices to higher purchase cost inflation, which was above that of wages in June. Companies continued to pass on part of the burden of increased input costs by raising output charges. That said, output charge inflation was only marginal overall.

Finally, vendor performance in the Nigerian private sector improved further in June, stretching the current sequence of shortening lead times to seven months.

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



Purchasing Managers' Index

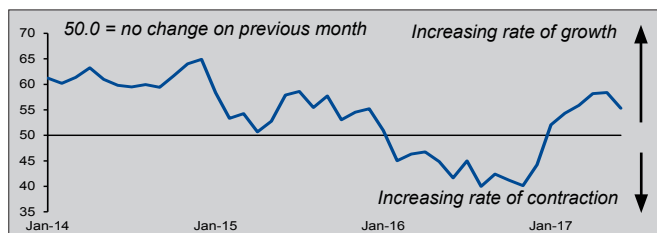
		Unadj.	Seas. Adj.
2017	Apr	53.8	53.6
	May	53.3	54.4
	Jun	51.6	52.9

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.

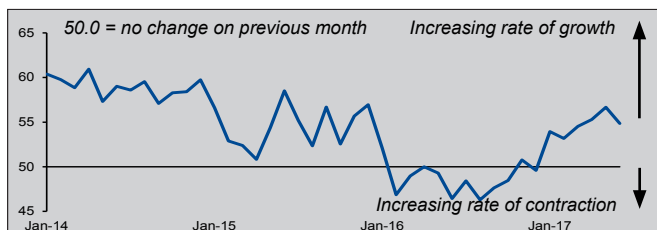
June's survey data signalled a moderate softening in the rate of growth of output. That said, the latest expansion was strong overall and extended the current sequence of growth to six months. Firms commonly noted strong underlying client demand for goods and services in the Nigerian private sector.



New Orders Index

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

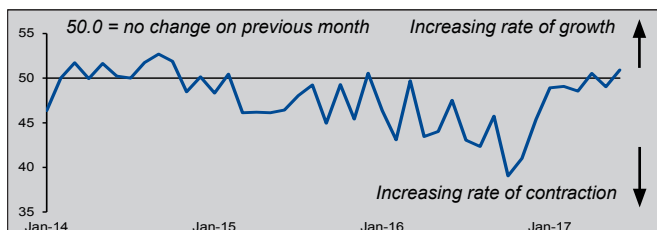
The latest survey data indicated a marked improvement in the level of new orders received by Nigerian private sector companies. Around 12% of firms reported an increase in incoming new business, in comparison to 5% that noted a fall. That said, the rate of growth eased slightly from May's recent high.



New Export Orders Index

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

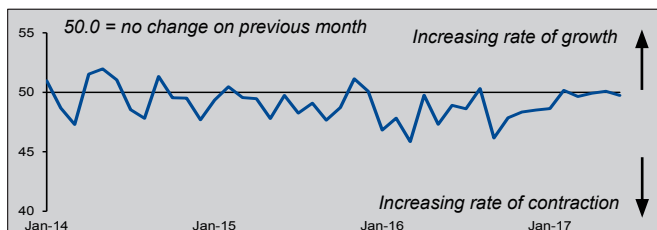
The seasonally adjusted New Export Orders Index rose above the critical 50.0 no-change mark in June, signalling a marginal expansion in the volume of incoming new business from abroad. Although the rate of growth was only marginal overall, it was the fastest recorded since October 2014.



Backlogs of Work Index

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

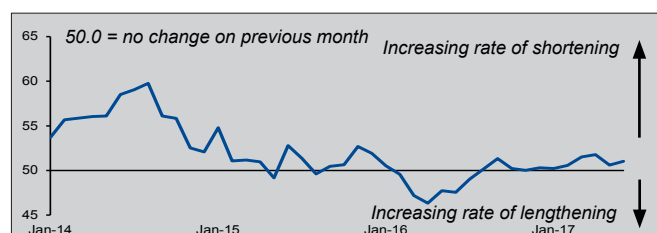
Work outstanding in the Nigerian private sector fell in the latest survey, as indicated by the seasonally adjusted Backlogs of Work Index registering below the neutral 50.0 threshold in June. That said, the rate at which backlogs declined at Nigerian firms was fractional overall and slower than the average recorded across the series' history since January 2014.



Suppliers' Delivery Times Index

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

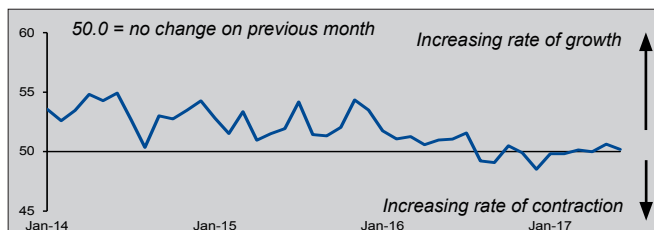
June's survey data signalled a slight improvement in vendor performance across the Nigerian private sector. The extent to which times shortened was greater than in the preceding survey, although less marked than the long-run trend. Supplier delivery times have now quickened (on average) in each of the past seven months.



Employment Index

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

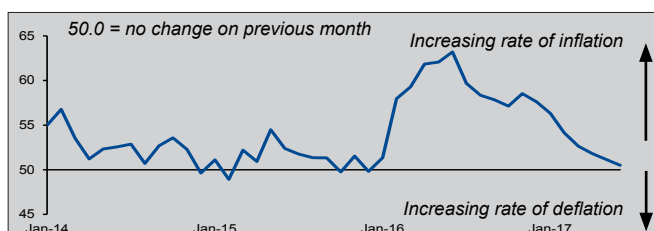
June's survey data indicated a fractional rise in the level of employment in the Nigerian private sector. That said, the rate of job creation was below the average recorded over the survey's three-and-a-half year history. The vast majority of reported no change in their payroll numbers in the latest survey.



Output Prices Index

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

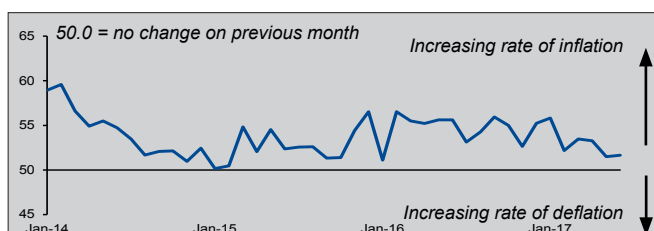
Output charges in the Nigerian private sector increased at a slower rate in June, following the downward trend in inflation seen since December 2016. The extent to which Nigerian businesses increased their output prices was marginal overall and well below the series' long-run average. Approximately 4% of firms reported that a rise in output prices, compared to 2% that noted the opposite.



Overall Input Prices Index

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

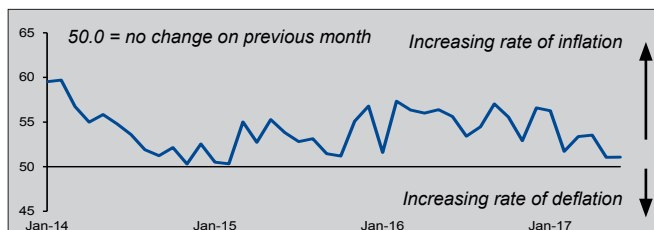
The seasonally adjusted Overall Input Prices Index rose from the preceding survey in June, and indicated a modest rate of inflation in average cost burdens for companies operating in the Nigerian private sector. Around 5% of respondents noted an increase in input costs, whereas none reported a reduction.



Input Costs: Purchase Prices Index

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

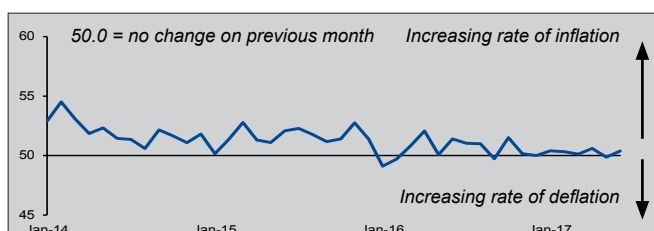
Across the Nigerian private sector, purchase prices increased in June. The rate of inflation was marginal overall and little-changed from that seen in May. Approximately 5% of respondents reported that their average purchase prices had increased during the latest survey period, while there were no reports of a reduction.



Input Costs: Staff Costs Index

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

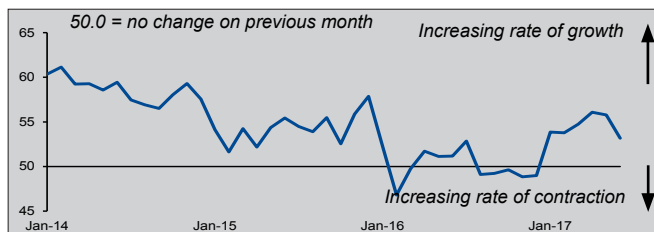
Staff wages returned to growth during the latest survey period, as signalled by June's seasonally adjusted Staff Costs Index registering above the 50.0 no-change mark. Salaries were increased in order to meet rising living costs in Nigeria, according to anecdotal evidence given by panellists. Staff pay has now risen in five of the past six months.



Quantity of Purchases Index

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

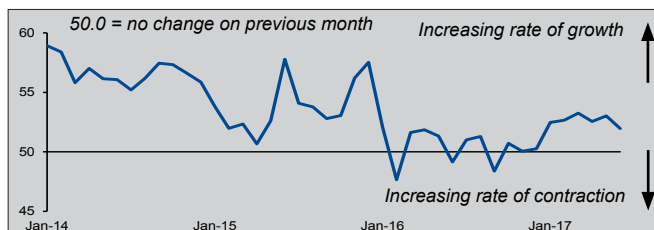
Buying activity in the Nigerian private sector increased during the latest survey period. Despite growth easing to its lowest in 2017 so far and being below the series' long-run average, the rate of expansion remained solid overall. Approximately 10% recorded an increase in their quantities of purchases in June, compared to 3% that noted the opposite.



Stocks of Purchases Index

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

In June, the level of stocks of purchases held by Nigerian private sector firms rose, extending the current sequence of growth to seven months. The rate at which inventories rose was moderate overall. That said, expansion eased since the preceding survey and was below the series' long-run average.

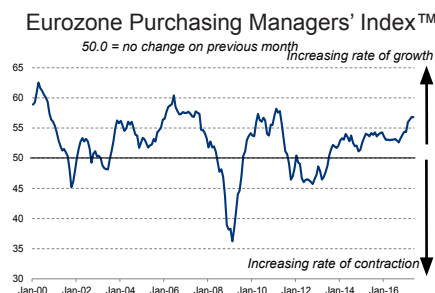


International PMI summary



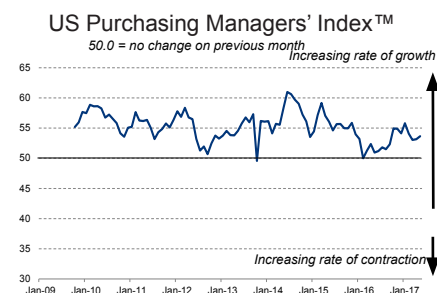
Sources: IHS Markit, Caixin

The Caixin China Composite PMI data (which covers both manufacturing and services) indicated only a modest expansion of overall output during May. At 51.5, the Composite Output Index rose slightly from April's ten-month low of 51.2, but nonetheless posted the second-lowest reading seen since September 2016.



Source: IHS Markit

The rate of eurozone economic growth continued to run at the quickest pace in six years during May. This was signalled by the IHS Markit Eurozone PMI Composite Output Index posting 56.8, unchanged from April's reading.



Source: IHS Markit

The seasonally adjusted IHS Markit US Composite PMI Output Index rose to 53.6 in May, up from the previous month's reading of 53.2. Although the rate of growth in both sectors was relatively subdued, the trend for the first five months of 2017 is stronger than the same period in 2016.

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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