

# Stanbic IBTC Bank Nigeria PMI™

Strong growth signalled as Nigeria PMI hits 17-month high

**Key findings:**

- **Headline PMI rises to 54.4, marking strong Nigerian private sector growth**
- **Output expansion at 22-month high**
- **Price pressures ease further**

The health of the Nigerian private sector economy improved further in May, according to the latest PMI™ data. The main drivers behind accelerated growth were output and new orders, which both registered steep expansions. Job creation provided further good news, as employment grew at its fastest for ten months. On the price front, inflationary pressures continued to ease.

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 54.4 in May, the headline PMI rose from 53.6 in April. The latest score continued an upturn in economic performance seen throughout 2017 so far. Furthermore, the rate of expansion signalled in the Nigerian private sector economy was the fastest for 17 months.

Output growth in the Nigerian private sector was the fastest for 22 months in May, and sharp overall. According to some panellists, improving business conditions in the economy led to increased client demand and, therefore, a rise in output requirements.

The increase in demand was corroborated by steep growth in new orders. The rate at which new business grew was the

fastest for 17 months. That said, survey evidence pointed towards demand coming primarily from domestic customers, with new export orders contracting in the latest survey.

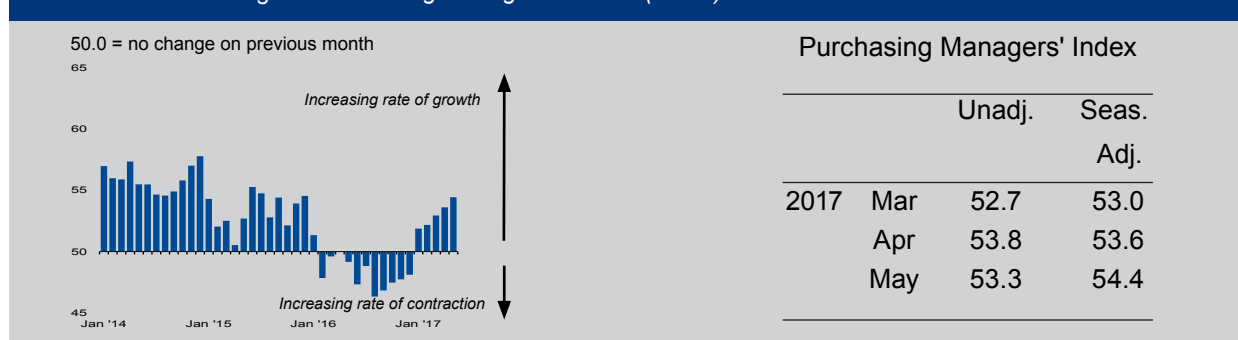
Price pressures in the Nigerian private sector eased further in May. This was signalled by input cost inflation weakening to its slowest in 16 months. In addition, average staff costs fell for the first time since September 2016, adding to the downward pressure on overall inflation. Rising raw material costs was still cited by some panellists as a major factor behind higher overall input prices.

The softening in input price inflation was reflected in a further easing the rate of increase in output charges. Output price inflation dipped to its lowest in 17 months and showed only a slight rise in average charges in May.

Employment returned to growth in May, after no change was indicated in the preceding survey. A higher inflow of new orders enabled firms to expand their workforces, according to panel member reports.

To meet increased output requirements, purchasing activity rose in the Nigerian private sector. Despite easing marginally since April, pace of growth remained sharp. Some input goods went straight into inventories, which was signalled by a solid increase in stocks of purchases.

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

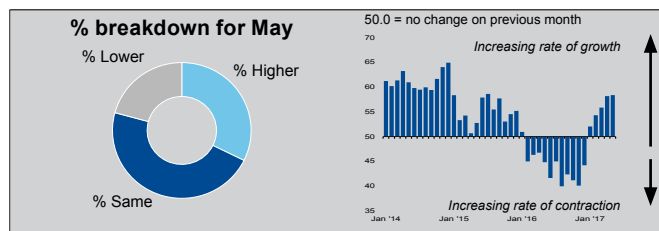


The Stanbic IBTC Bank Nigeria Purchasing Managers' Index™ (PMI™) is a composite indicator designed to provide an overall view of activity in the Nigerian economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times 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.

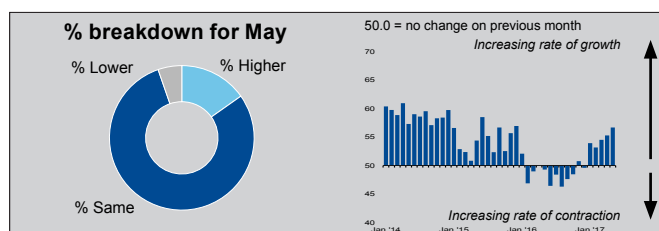
Output growth in the Nigerian private sector was the highest for 22 months in May. Furthermore, the latest data extended the current sequence of expansion to five months. Approximately 32% of panellists reported that their output increased, whereas 21% noted a fall. Anecdotal evidence pointed to increased consumer demand as a key factor behind May's increase in output.



## New Orders Index

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

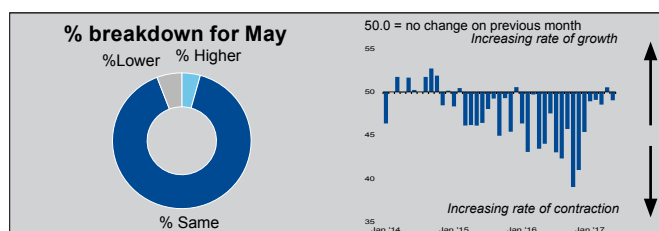
The level of incoming new business at Nigerian private sector firms grew at the fastest rate since December 2015, as the pace of increase accelerated for the third month in a row. Growth in May was sharp overall and above the series' long-run average. Respondents commonly noted an improvement in customer demand during the latest survey period.



## New Export Orders Index

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

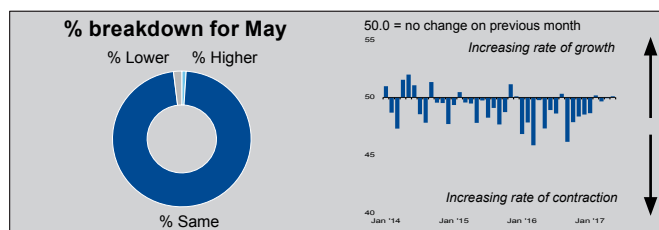
The seasonally adjusted New Export Orders Index fell below the crucial 50.0 no-change mark in May, with the index signalling a slight contraction in new orders from abroad. This showed a return to deteriorating exports after marginal growth was indicated in April. Around 6% of firms reported a fall in new export orders, compared to only 4% that noted an increase.



## Backlogs of Work Index

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

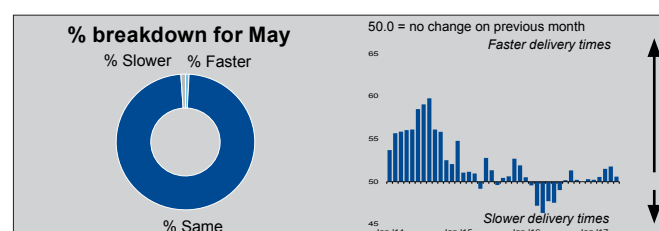
Nigerian private sector companies reported virtually no change in work outstanding during May, as signalled by the seasonally adjusted Backlogs of Work Index registering broadly in line with the 50.0 no-change threshold, as had been the case in April. According to anecdotal evidence, some companies' level of backlogs rose as they received higher levels of new orders.



## Suppliers' Delivery Times Index

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

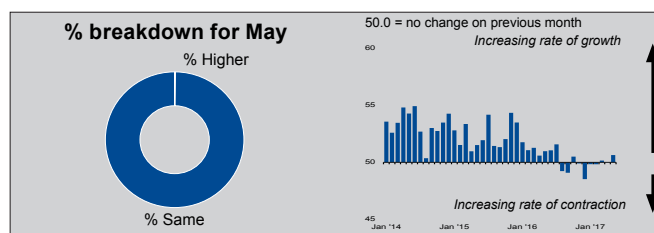
Delivery times shortened across the Nigerian private sector during the latest survey period. That said, the extent to which times quickened was marginal overall and less marked than the rates of improvement seen in April and March. According to some panellists, suppliers faced less delays when making deliveries during May.



### Employment Index

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

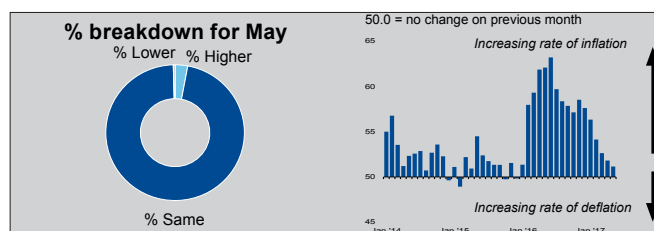
In May, there was a marginal rise in employment in the Nigerian private sector, following no change in the previous month. An increase in output requirements led to panellists increasing their payroll numbers, according to anecdotal evidence. That said, the rate of growth was below the series' historical average.



### Output Prices Index

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

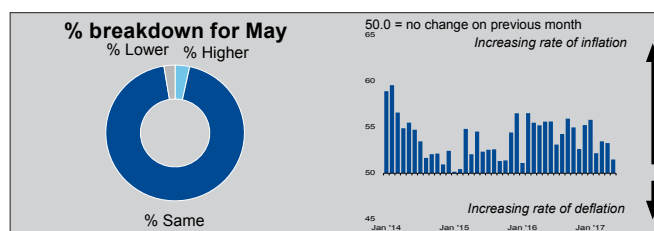
May's survey data indicated a further softening of output charge inflation in the Nigerian private sector, as the rate of increase eased to its lowest in 17 months. The rate at which output prices rose was slight overall and well below the average recorded since the series began in January 2014. Around 3% of panellists noted that they had increased prices, linked to higher costs.



### Overall Input Prices Index

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

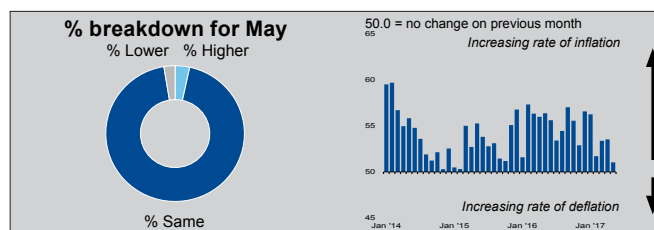
The seasonally adjusted Overall Input Prices Index dipped for the second month running during the latest survey period. The rate of input price inflation signalled was slight overall and the slowest seen since January 2016. Anecdotal evidence suggested that raw material price hikes were a key factor behind May's rise in average cost burdens for Nigerian private sector firms.



### Input Costs: Purchase Prices Index

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

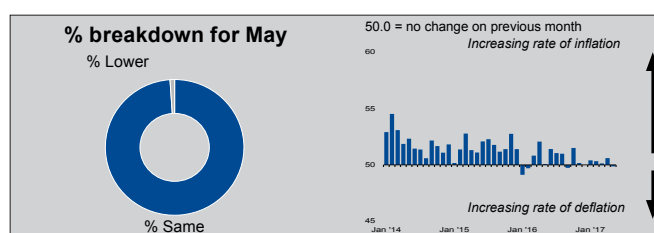
The seasonally adjusted Purchase Prices Index fell to a 27-month low in May, signalling a notably slower rate of inflation compared to the preceding survey period. The index was below the historical series average of 54.2. Firms continued to note higher raw material prices as a key factor driving inflation.



### Input Costs: Staff Costs Index

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

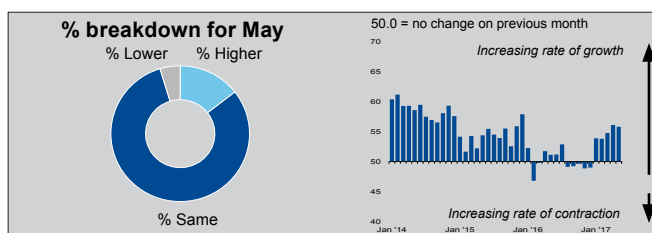
Average staff costs fell for the first time since September 2016 during the latest survey period. That followed marginal wage inflation in each of the previous four months. In the context of historical data, it was only the fourth time a decrease has been indicated since the survey began in January 2014.



### Quantity of Purchases Index

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

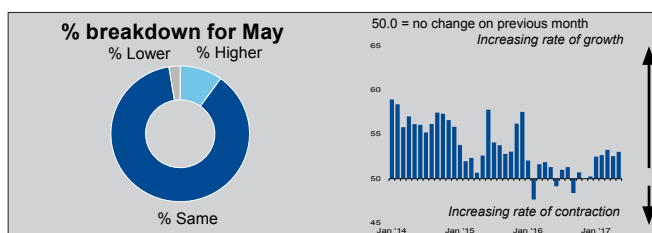
Despite the rate of expansion easing marginally since the preceding survey, there was a further sharp rise in buying activity in the Nigerian private sector during May. The latest data extended the current sequence of growth to five months. Around 15% of panellists noted higher quantities of purchases in May, whereas 5% reported declines.



### Stocks of Purchases Index

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

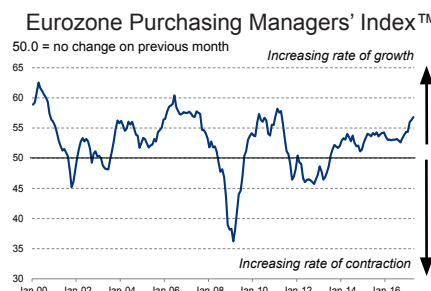
Nigerian private sector companies inventories' rose for the sixth month running during May. Furthermore, the rate of growth was solid overall and above that seen in the preceding survey. According to anecdotal evidence, increased output requirements were a driving factor behind firms increasing their inventories in the latest survey.



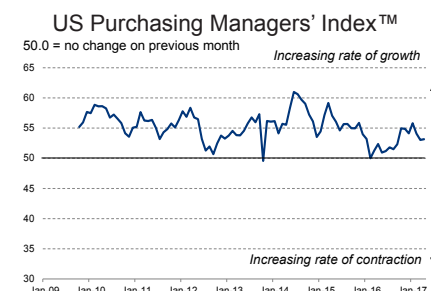
### International PMI summary



Sources: IHS Markit, Caixin



Source: IHS Markit



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The Caixin China Composite PMI data (which covers both manufacturing and services) signalled a further slowdown in growth momentum at the start of the second quarter. This was highlighted by the Composite Output Index posting 51.2 in April, down from 52.1 in March, and the lowest reading for ten months.

Euro area economic growth accelerated to a six-year high at the start of the second quarter. This was signalled by the Eurozone PMI Composite Output Index rising to 56.8 in April, up from 56.4 in March. Activity has expanded for 46 months in a row.

The seasonally adjusted US Composite PMI Output Index rose to a level of 53.2 in April, up from 53.0 in the previous month. While a slight improvement, and indicative of a solid increase in private sector output, the rate of growth remained down on those seen on average over the past six months.

### 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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