

Stanbic IBTC Bank Nigeria PMI™

compiled by markit

Nigeria's economy maintains upward momentum

Key findings:

- **Headline PMI at 15-month high of 53.0 in March**
- **Marked growth in new orders and output**
- **Strongest upturn in quantities of purchases since December 2015**

March survey data signalled a solid end to the first quarter of 2017 as the Nigerian private sector continued to pick-up growth momentum. Furthermore, business conditions improved for the third straight month indicating an ongoing recovery in the Nigerian economy. The improvement was fuelled by marked and accelerated expansions in output and new orders. In addition, employment rose for the first time since October 2016 and firms scaled up buying levels. On the price front, there were further increases in both input and output prices.

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 53.0 in March, the headline PMI rose from 52.2 in February, indicating a robust improvement in the health of the Nigerian private sector. The latest reading was the highest in 15 months and above its long-run average.

The main upward contributions to the index came from the expansions of new orders and output. Respondents reported that improving economic conditions led to higher volumes of new orders and subsequently activity.

Rates of expansion accelerated in both cases, with the rise in new business inflows being the most pronounced since

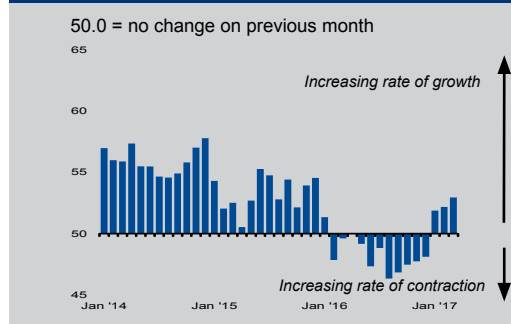
December 2015 and output growth climbing to an 18-month high. The upturn in the latter was reported to be caused by increased investment and sustained demand growth. Concurrently, new export orders fell in March for the fifteenth month running. Despite accelerating since February, the downturn in new business from abroad was only slight.

Employment growth was indicated for the first time since October 2016. Anecdotal evidence suggested that an increase in workloads meant firms required more staff. That said, the expansion in payroll numbers was only fractional and below the series average.

Input prices rose again in March, with the scale of inflation accelerating since February and being solid overall. Upon analysis of the respective sub-indices, higher overall cost burdens stemmed from rising purchase prices as opposed to wages, which remained relatively unchanged. In response to greater cost burdens, firms raised their selling prices in March. However, output price inflation softened for the fourth month running, reaching its lowest level for 14 months.

Buying activity increased in March, with the respective index indicating the strongest upturn in quantities of purchases since December 2015. As a result of increased input buying, growth of stocks of purchases reached a 15-month high.

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



Purchasing Managers' Index

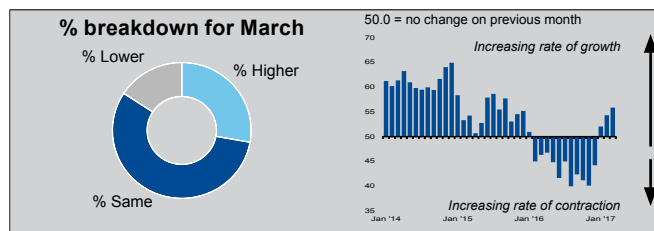
		Unadj.	Seas. Adj.
2017	Jan	53.8	51.9
	Feb	52.0	52.2
	Mar	52.7	53.0

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.

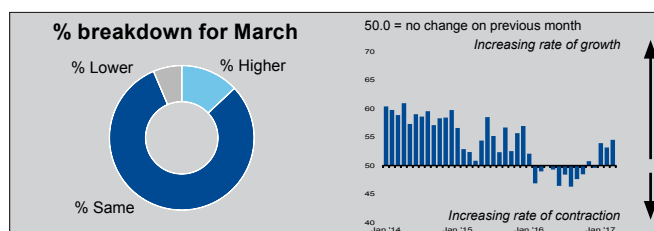
As has been the case since the start of 2017, output in the Nigerian private sector rose in March. Moreover, the rate of growth accelerated to an 18-month high and was sharp with almost 28% of respondents reporting higher output. Firms noted increased investment and a high level of demand as factors behind the expansion.



New Orders Index

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

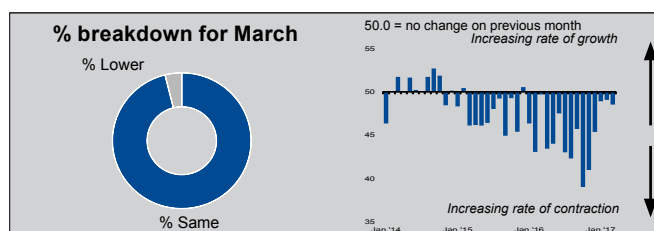
Following a trend that started in January, there was a solid expansion in new orders received by private sector firms in Nigeria. Furthermore, March's upturn was the most pronounced in 15 months. Panellists noted that improving economic conditions and stronger demand led to growth of new work.



New Export Orders Index

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

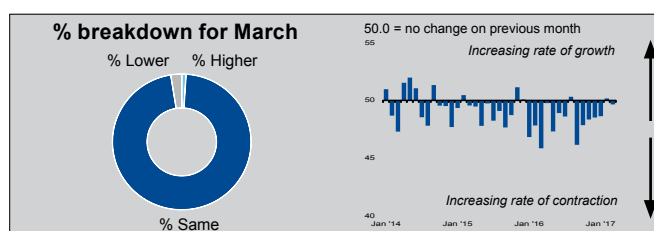
Client demand from foreign markets weakened again in March, continuing a downward trend seen since the start of 2016. That said, the seasonally adjusted New Export Orders Index pointed to a slight rate of contraction that was softer than its series average. Indeed, less than 4% of firms signalled lower levels of new work from abroad, with the remaining panellists reporting no change.



Backlogs of Work Index

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

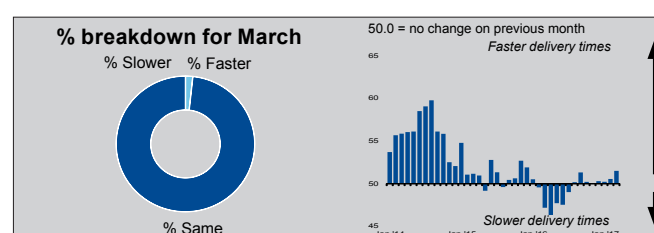
March survey data pointed to a decrease in work outstanding in the Nigerian private sector. The seasonally adjusted Backlogs of Work Index fell below the neutral 50.0 threshold, reversing the increase in outstanding business noted in February. The rate of contraction was only marginal, however.



Suppliers' Delivery Times Index

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

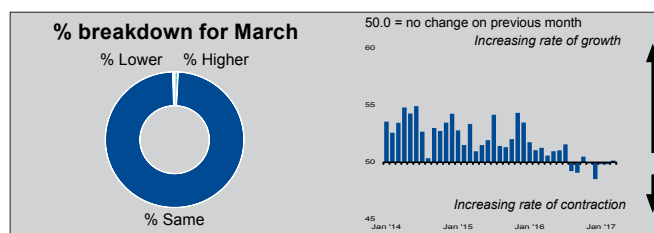
Survey data highlighted faster delivery times facing private sector companies in Nigeria during March, stretching the current trend of improving vendor performance to four months. Average lead times shortened to the greatest extent since December 2015, though the respective index recorded below its long-run average.



Employment Index

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

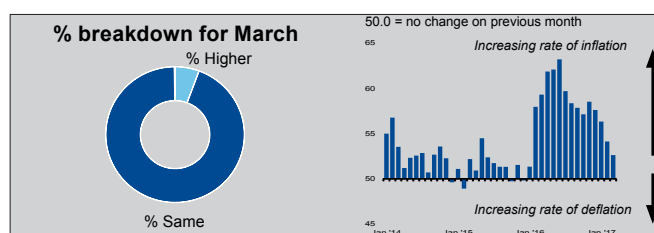
The seasonally adjusted Employment Index rose above the 50.0 no-change mark for the first time since October 2016, indicating growth of payroll numbers in Nigeria's private sector. Anecdotal evidence suggested that panellists hired additional employees to meet output requirements. That said, the overall rate of job creation was only fractional as the vast majority of firms kept staffing levels unchanged.



Output Prices Index

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

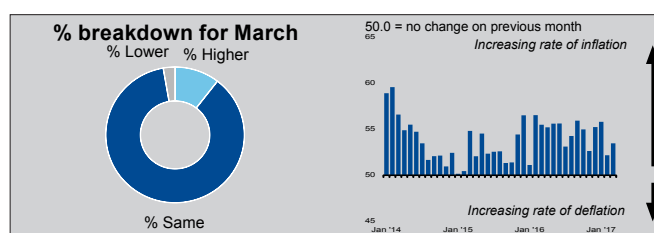
March data suggested a modest increase in selling prices with only 6% of respondents reporting higher charges. The rate of inflation eased for the fourth month running to the lowest since January 2016. Panellists frequently mentioned that higher output prices stemmed from rising input costs, with fuel mentioned in particular.



Overall Input Prices Index

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

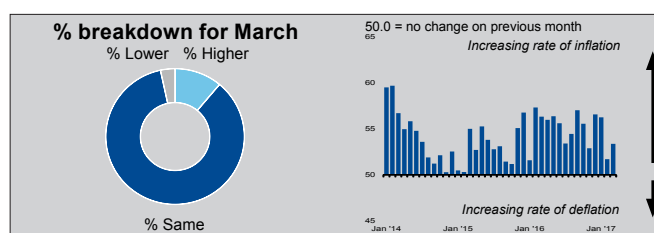
Input price inflation quickened in March and was solid, with almost 11% of panellists reporting greater cost burdens. Meanwhile, just 3% of respondents noted a fall in overall input costs. Underlying data showed that overall input price pressure was mostly driven by a solid increase in purchase prices, as staff costs only rose fractionally.



Input Costs: Purchase Prices Index

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

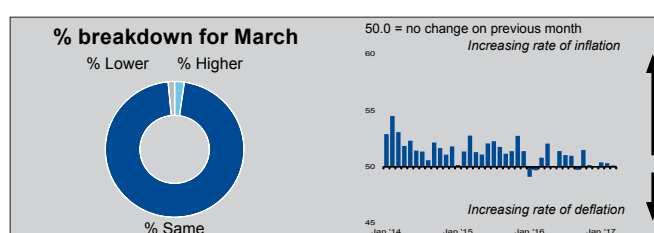
Survey data pointed to a solid rise in purchase prices in the Nigerian private sector. Anecdotal evidence suggested that an increase in demand for input materials led suppliers to raise prices. However, the seasonally adjusted Purchase Prices Index scored below the long-run series average in March.



Input Costs: Staff Costs Index

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

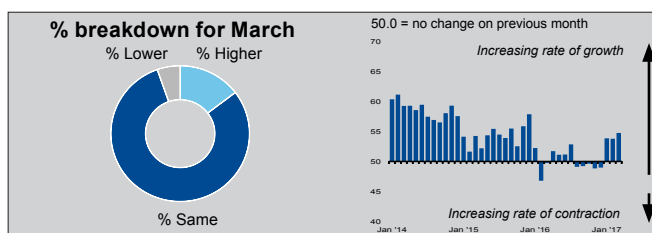
Wages and salaries increased in March, stretching the current sequence of inflation to three months. However, the latest rise was negligible overall, with the respective seasonally adjusted index registering only fractionally above the crucial 50.0 threshold. In fact, only 2% of panel members signalled higher staff remuneration and 96% reported no change.



Quantity of Purchases Index

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

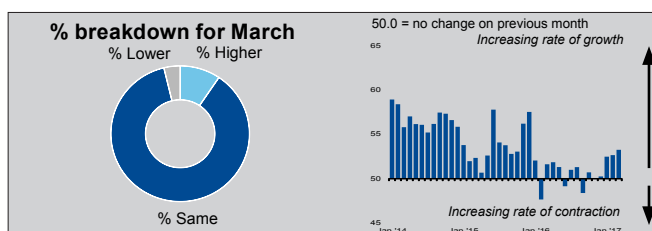
Private sector firms in Nigeria signalled a further increase in purchasing activity in March, thereby stretching the current sequence of expansion to three months. Furthermore, the rate of growth was sharp and the strongest since December 2015. Greater output requirements reportedly led to the rise in input buying.



Stocks of Purchases Index

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

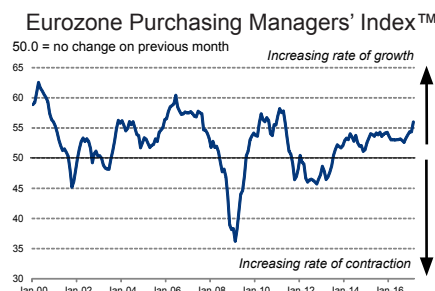
The upturn in buying levels resulted in a further accumulation of stocks of purchases. Moreover, the rate of growth accelerated to a 15-month high. Around one-in-ten Nigerian private sector companies reported an increase in their pre-production inventories in March, while less than 4% signalled depletion.



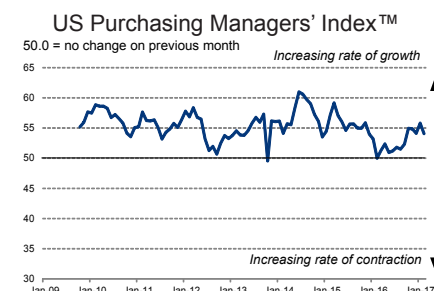
International PMI summary



Sources: IHS Markit, Caixin



Source: IHS Markit



Source: IHS Markit

The Caixin China Composite PMI data indicated a slight improvement in the rate of output expansion across China in February. The Index rose from January's four-month low of 52.2 to stand at 52.6 in February, to signal a moderate increase in overall business activity.

Growth of eurozone economic output accelerated to a near six-year record in February. At 56.0, up from 54.4 in January, the Markit Eurozone PMI Composite Output Index rose to a 70-month high.

Adjusted for seasonal influences, the final Markit U.S. Composite PMI™ Output Index fell from 55.8 in January to 54.1. February's reading was indicative of a robust expansion in private sector activity. That said, it also pointed to a slowdown in growth – the index was down from January's 14-month high and below the average since the series started in October 2009 (55.3).

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. 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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