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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™

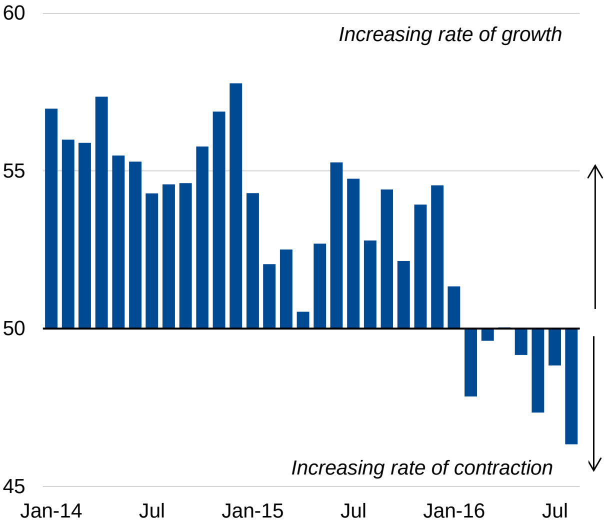
Record low PMI signals continued economic downturn in August

Data collected 12-26 August

- Private sector output drops substantially
- Total new work declines amid record contraction of export orders
- Employment falls for first time in series history

Stanbic IBTC Bank Nigeria PMI

sa, 50.0 = no change on previous month



Sources: IHS Markit, Stanbic IBTC Bank

Nigeria's private sector economy was firmly entrenched in a downturn during August. Business conditions worsened for the sixth time in seven months, and at the sharpest pace in the survey's history. Output fell substantially, with firms reporting a lack of new work, particularly from abroad. The severity of the contraction was highlighted by employment data, which pointed to job losses for the first time since the series started in January 2014. Purchasing activity also decreased, amid doubts among firms about the near-term demand outlook. Meanwhile, currency weakness and rising costs led companies to raise their charges further.

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.

After showing signs of easing in July, Nigeria's private sector downturn deepened in August. This was signalled by the seasonally adjusted **Stanbic IBTC Bank Nigeria PMI** falling from 48.8 to a record low of 46.3. It was the sixth sub-50.0 reading in the past seven months.

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

"After a modest deterioration in business conditions in July, the Stanbic IBTC Bank PMI for August signalled a faster contraction reaching a survey record low of 46.3. The brief relief experienced in July was probably a result of improved market sentiment following the introduction of reforms in the foreign exchange market, which were aimed at attracting foreign capital flows that are needed to boost domestic investment. The PMI readings for July and August suggest that the economic contraction experienced in the first half of the year may still have some way to go as the foreign exchange market struggles to clear out the FX backlog overhang. The effects of the continued FX supply-demand imbalance appeared to be anecdotally confirmed by the output PMI index which fell to its lowest in the history of the survey. The substantial number of survey respondents who reported a downturn in output due to weakening demand and the weakening naira suggests that it could take a while before conditions improve. The slowing pace of increase in the output prices PMI index suggests that inflation may have eased in August."

The main findings of the August survey were as follows:

A key driver of the overall contraction was falling output in August. Activity has dropped in every month since February, with the latest decline the most marked in the series history. Subdued underlying demand was cited as the main reason for lower output. Some panellists also blamed currency weakness, particularly against the US dollar.

New orders fell for the fourth month in a row during August. Though slower than that seen for output, the rate of decline accelerated to a survey record. Data showed that lower exports contributed to the downturn in total new work. New business from abroad decreased at the sharpest pace in more than two-and-a-half years of data collection. According to respondents, uncertainty towards the exchange rate led to the postponement of orders by some export clients.

Employment joined output and new orders in contraction territory during August. Though only slight, job shedding was recorded for the first time in the survey's history. Backlogs of work meanwhile rose for the first time in eight months, albeit only fractionally.

There was a renewed decline in purchasing activity at Nigerian private sector firms, contrasting with a sustained rise in input stocks. Inventory building was linked to the hope of future demand growth, while the lack of buying activity was more reflective of current order books.

With salaries and purchasing costs rising again, overall input prices increased solidly during August. Charges rose as a result, and at a sharp rate amid the ongoing weakness of the naira.

-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@markit.com.

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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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