

# Stanbic IBTC Bank Nigeria PMI™

compiled by markit

## Growth of Nigerian private sector accelerates in December

### Key findings:

- PMI ends 2015 at five-month high
- Sharper growth of output and new work
- Cost pressures pick up to most marked since March 2014

Nigeria's private sector ended 2015 in good health, with business conditions improving to the greatest extent since July. A key factor behind growth of the sector as a whole was higher new orders – the latest rise was the fastest in six months. Output rose more quickly as a result, while employment increased at a solid pace. On the price front, cost pressures intensified in December. Higher purchase prices had little impact on charges, however, as they fell for the second time in three months.

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.

The seasonally adjusted PMI posted 54.5 in December, thereby signalling a solid improvement in operating conditions at companies in Nigeria. Up from 53.9 in November, the latest reading was the highest in five months. That said, the quarterly average in Q4 (53.5) was slightly lower than seen in Q3 (54.0).

A sharper expansion in new work was a factor underpinning private sector growth at the end of 2015. Growth of new business picked up to a six-month high, and was broadly similar to the series average. Anecdotal evidence pointed to a general improvement in client demand, while latest data highlighted a renewed increase in exports. Foreign orders rose for the first time since February, albeit only marginally.

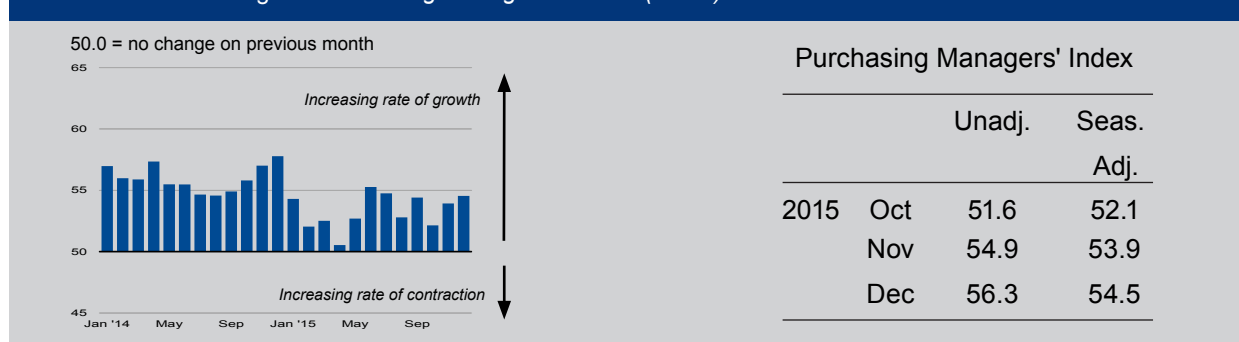
Reflective of higher new business, Nigerian private sector firms raised their output in December. The rate of growth was solid and in line with the 2015 average, although it remained slower than the trend seen over 2014 as a whole.

The rise in new work was also sufficient to encourage more companies to boost their purchasing activity in December. The latest expansion was the most marked in 13 months, and it led to an acceleration in the rate of pre-production inventory building.

Job creation was a further by-product of robust new order growth at the end of the year. The pace of hiring was relatively strong, albeit slightly weaker than in the prior month. Workforce expansions were reportedly behind backlog depletion at some panellists in December. That said, with capacity pressures evident at other firms, work-in-hand was broadly unchanged overall.

Meanwhile, total input prices rose sharply in December. Underlying data showed that the overall increase mainly reflected greater purchasing costs (the respective index was at a 22-month high). Charges fell regardless, however, as competitive pressures meant that lower tariffs were needed at some firms in order to attract new clients.

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

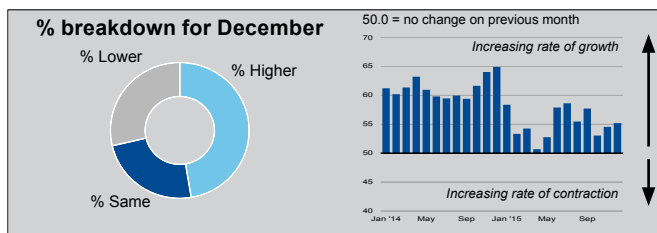


The Stanbic IBTC Bank Nigeria Purchasing Managers' Index™ (PMI™) is a composite indicator designed to provide an overall view of activity in the Nigerian economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times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

## Output Index

Q. Please compare your production/output this month with the situation one month ago.

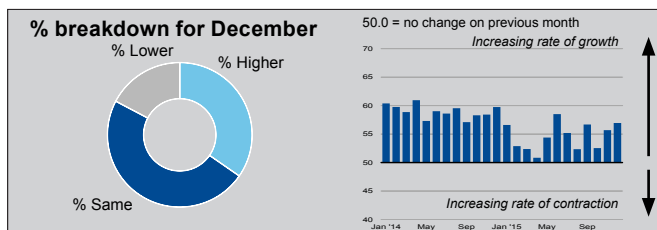
Growth of Nigerian private sector output accelerated to a three-month high in December. Stronger client demand, helped by effective marketing strategies, was reportedly behind the rise in business activity. That said, while in line with the 2015 average, the latest expansion was still subdued compared with the two-year series trend.



## New Orders Index

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

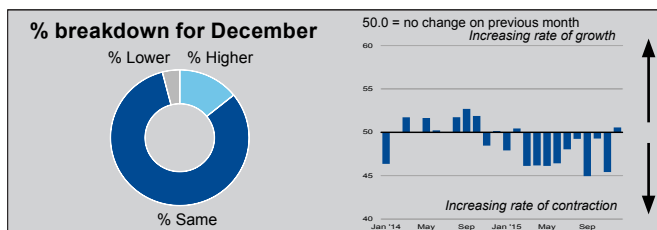
The rate of expansion in new work quickened to a greater extent than that for output in December, as signalled by the respective seasonally adjusted index posting at a six-month high. Growth was marked and similar to the survey average, with nearly 35% of respondents noting an increase since November. A general improvement in demand conditions was cited as the key driver of higher new business.



## New Export Orders Index

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

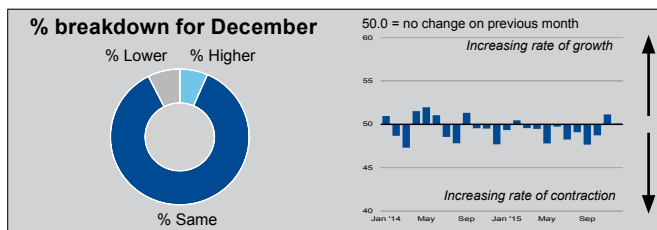
Latest data showed that growth of total new work was boosted by a renewed increase in foreign orders at the end of 2015. The rise in exports was the first recorded since February, amid reports that some firms had secured new clients in international markets. However, the pace of expansion was only slight overall.



## Backlogs of Work Index

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

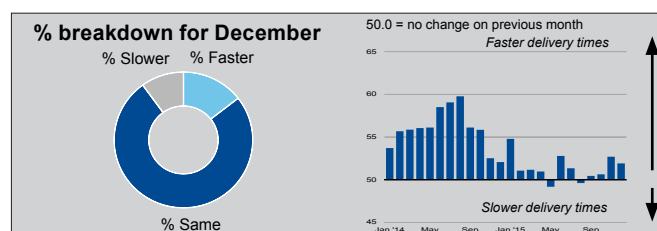
Volumes of outstanding business in Nigeria's private sector barely rose in December, as highlighted by the seasonally adjusted index posting only fractionally above the neutral 50.0 mark. Panellists that signalled pressure on operating capacity commented on an increased volume of incoming new orders. On the other hand, some companies indicated that their workforce was sufficient to make inroads into backlogs of work.



## Suppliers' Delivery Times Index

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

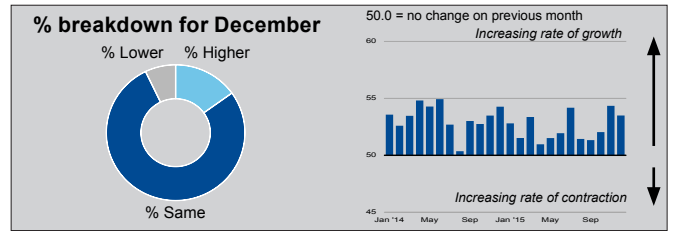
Average lead times shortened for the fourth successive month in December. Though stronger than the 2015 average, the rate of improvement in vendor performance was weaker than in November and only moderate overall. Those firms that recorded faster supplier deliveries made reference to prompt payments and more efficient transportation.



**Employment Index**

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

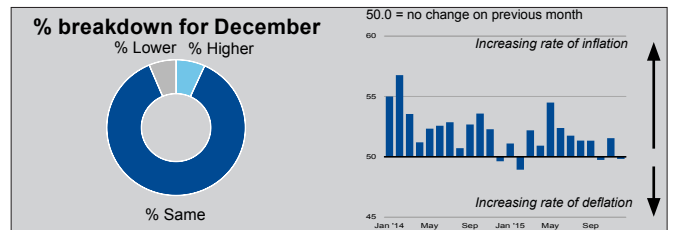
Reflective of ongoing growth in output and new business, employment continued to rise solidly in December. Although easing slightly from November's recent high, the rate of hiring remained strong in the context of historical data. More than twice as many panellists noted an increase (15%) than those that saw a decline (7%), with greater inflows of new work reportedly the key factor behind job creation.



**Output Prices Index**

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

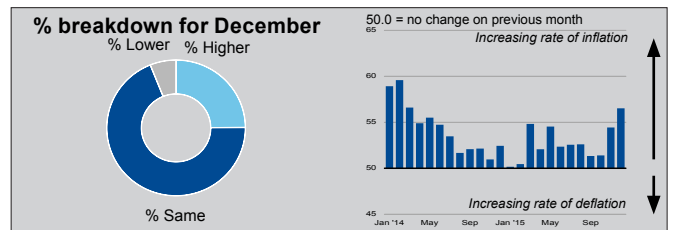
Output prices fell for the second time in three months during December. That said, the pace of decline was only fractional, as shown by the seasonally adjusted index posting just below the crucial 50.0 threshold. Lower charges generally reflected efforts to attract new customers, although those companies less afflicted by competitive pressures were able to raise tariffs in response to improving client demand.



**Overall Input Prices Index**

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

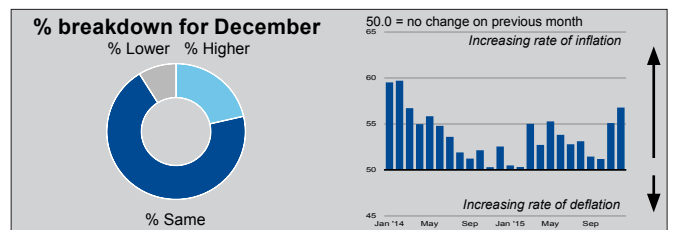
Total input costs faced by Nigerian private sector firms increased further in December, continuing the trend observed throughout the survey's two-year history. Moreover, the pace at which they rose picked up to the sharpest since March 2014, with higher input prices seen at one-in-four respondents in the latest period. The acceleration was mainly driven by a marked rise in purchase costs, as salaries increased only modestly.



**Input Costs: Purchase Prices Index**

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

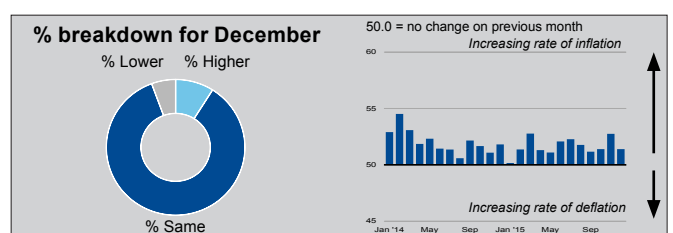
In line with the trend seen for overall input costs, purchase prices rose at the fastest rate in just under two years. Around 21% of the panel noted an increase since November, versus just 9% that registered a reduction. According to anecdotal evidence, greater demand for inputs led to higher purchasing costs in December.



**Input Costs: Staff Costs Index**

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

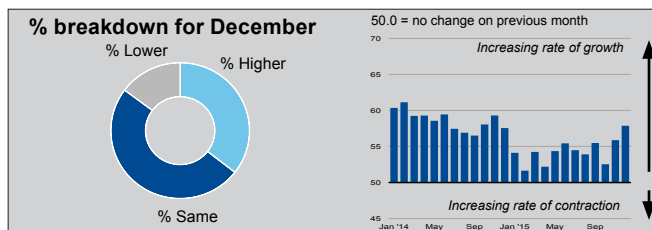
Prices paid for wages and salaries continued to rise in December, stretching the current upward trend which has run since the survey's inception in January 2014. The rate of growth eased, however, and was slightly slower than the series average. There were reports that staff had been awarded higher pay as motivation to raise their productivity at the end of the year.



## Quantity of Purchases Index

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

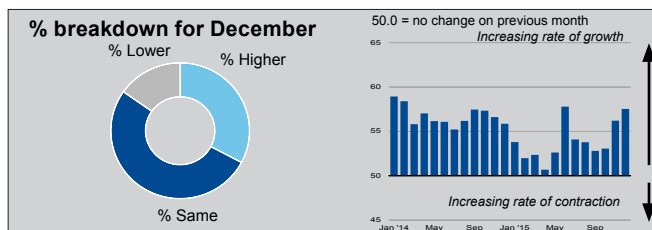
Accelerated expansions in output and new work contributed to another rise in purchasing activity at companies in Nigeria. The rate of growth quickened to the most marked in over a year, with more than one-third of the panel noting an increase in December. Firms suggested that they had raised their input buying in order to keep pace with client demand.



## Stocks of Purchases Index

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

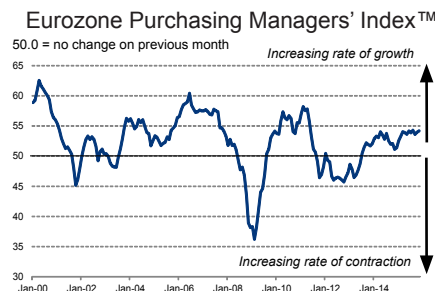
After adjusting for seasonality, the Stocks of Purchases Index climbed to a six-month high in December. It pointed to a sharp rise in pre-production inventories, similar to the expansion seen in buying activity. Rising input stocks were widely linked by panellists to higher new business intakes in the latest period.



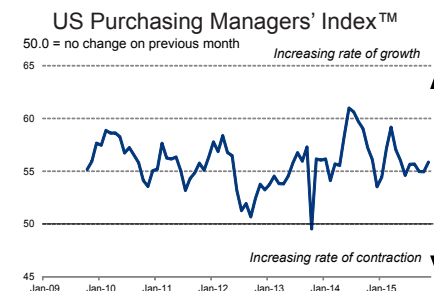
## International PMI summary



Sources: Markit, Caixin



Source: Markit



Source: Markit

Caixin China Composite PMI data (which covers both manufacturing and services) indicated that business activity in China increased for the first time in four months in November. That said, the rate of expansion was only marginal, as signalled by the Caixin Composite Output Index posting 50.5, up from 49.9 in October.

November saw a further positive step forward for the eurozone economic recovery. The Markit Eurozone PMI Composite Output Index rose to 54.2 in November, up from 53.9 in October, to stay above the no-change mark of 50.0 for the twenty-ninth successive month. The average reading so far during the final quarter (54.1) is slightly above that for the prior quarter (53.9).

At 55.9 in November, up from 55.0 in October, the seasonally adjusted Markit U.S. Composite PMI Output Index signalled the strongest expansion of private sector activity since May. Faster service sector growth helped to offset a slowdown in manufacturing production during November.

## 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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