

## News Release

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
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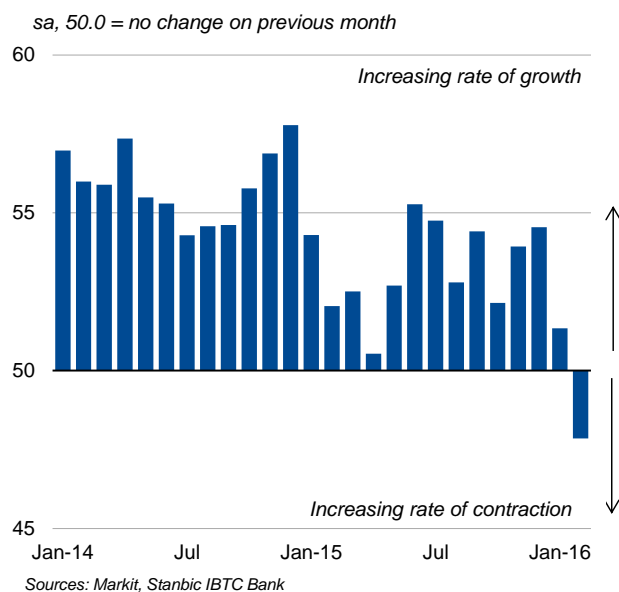
# Stanbic IBTC Bank Nigeria PMI™

## Nigerian private sector contracts for first time in series history

### Data collected 12-25 February

- PMI sinks below 50.0 mark to signal downturn in business conditions
- First falls in output and new orders since survey began in January 2014
- Survey-record rise in charges driven by currency weakness

### Stanbic IBTC Bank Nigeria PMI



The expansion of Nigeria's private sector came to an abrupt end in February. Business conditions worsened for the first time since the series began in January 2014. Falls were signalled for output and new orders, leading to declines in input buying and stocks of purchases – all of which were survey-firsts. Employment resisted the overall contraction, but increased only modestly. The data painted an equally bleak picture for consumers in February. Charges rose at a record pace amid marked cost pressures. These were driven in turn by adverse exchange rates, according to survey respondents.

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 having slipped to a nine-month low of 51.3 in January, the seasonally adjusted **Stanbic IBTC Bank Nigeria PMI** dropped below the neutral 50.0 mark for the first time in the survey's history during February. At 47.9, the latest reading pointed to a solid deterioration in the health of the private sector.

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

*"The February PMI reading suggests a broad-based decline in business conditions symptomatic of the challenging macroeconomic conditions as well as the extremely volatile exchange rate on the parallel market. The seasonally adjusted PMI reading of 47.9 represents the first contraction in over two years and certainly suggests that the level of economic activity may be weakening as disposable income reduces and access to foreign exchange for import activity remains challenged. The parallel market appears to reflect where the FX supply-demand imbalance is pricing USD/NGN, and as such is feeding through to input and output prices. Certainly, the sharp rise in purchase prices can be linked to the widening spread between the official exchange rate (199) and the parallel market rate (315) as at the end of February. In fact, prior to February, businesses had resisted passing on the full input price increases to the final consumer."*

### The main findings of the February survey were as follows:

The overall downturn was underlined by contractions in output and new work in February. Both ended growth trends that had been evident throughout the first 25 months of data collection. Moreover, the respective rates of decline were robust overall. Poor client demand was reportedly behind the fall in new business. This was cited

as the key driver of lower output, though currency weakness was also mentioned by some firms.

Uncertainty surrounding the exchange rate was widely reported to have dampened international demand in February. Data highlighted a survey-record drop in new export work, similar to the trend seen for total new business.

Less incoming new orders meant that output requirements decreased, and purchasing activity dropped as a result. Pre-production inventories also fell in February. Both declines followed periods of expansion which had run throughout the survey's history.

Employment was the only non-price index in which growth was registered in February. Job creation was sustained in spite of falling output and new work, albeit at only a modest rate. Those firms that engaged in hiring did so in order to expand the business.

Meanwhile, a sharp rise in purchase prices meant that total cost pressures intensified in February. In fact, the rate at which purchasing costs increased was the most marked in two years. Anecdotal evidence linked the rise to the weakness of the Nigerian naira relative to the US dollar. Subsequently, firms reported a survey-record increase in tariffs.

-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](mailto:economics@markit.com).

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*Purchasing Managers' Index*<sup>®</sup> (*PMI*<sup>®</sup>) 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/economics](http://www.markit.com/economics).

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