

## News Release

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**Embargoed until: 09:45 (Abuja) / 08:45 (UTC) February 3<sup>rd</sup> 2016**

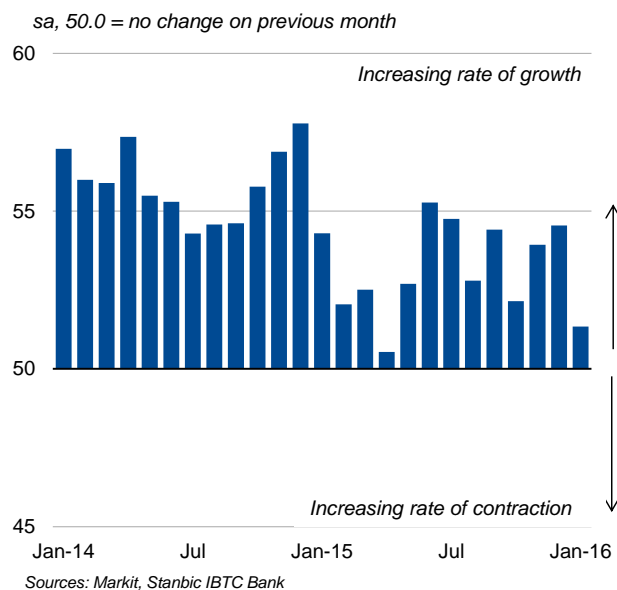
# Stanbic IBTC Bank Nigeria PMI™

## PMI sinks to nine-month low in January

### Data collected 12-27 January

- Modest improvement in business conditions
- Rates of growth in output, new orders and employment all ease
- Input costs barely rise as salaries are cut for first time in series history

### Stanbic IBTC Bank Nigeria PMI



Nigeria's private sector started 2016 on a softer footing, with business conditions improving to the least extent since last April. The slowdown was reflective of weaker expansions in output, new orders and employment during January. With client demand relatively subdued, input buying rose only modestly while backlogs of work fell at the fastest rate in the series history. Meanwhile, prices data signalled a renewed increase in charges despite a sharp easing in cost pressures.

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 **Stanbic IBTC Bank Nigeria PMI** dropped to a nine-month low of 51.3 in January, from a five-month high of 54.5 in December. The reading pointed to a slowdown in growth of Nigeria's private sector, with the latest improvement in business conditions only modest. In fact, the headline index was at its second-lowest level since the survey began in January 2014.

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

*"The January PMI reading suggests that the recovery in private sector activity experienced towards the end of 2015 may be short-lived as the challenging state of the macro economy appears to be weighing negatively. At 51.3 the reading represents a nine-month low and, anecdotally, suggests that consumer sentiment may be waning as government revenues dwindle. Certainly, given the reliance on oil revenues and the further decline in oil prices, the government seems to be finding it more challenging to remain current on salary payments. The challenges related to access to foreign exchange and the subsequent drop in import related trade activity likely weighed negatively on business conditions. Furthermore, the persistent spread between the official Naira exchange rate (199) and the parallel market rate (290) in January, due to dollar supply challenges, may have placed upward price pressure on imported input items which inevitably pushed output costs higher."*

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

Output rose at the weakest pace since April last year. The expansion was only slight, with reports of improving client demand partially offset by poor sales at some firms.

New work followed an identical trend to output in January, rising at the slowest rate in nine months. Panellists indicated that the level of incoming new business was dependent on the perceived strength of client demand. Meanwhile, data pointed to renewed

weakness in foreign demand. New orders from abroad dropped solidly, having risen slightly during December.

Staff numbers at Nigerian private sector firms continued to expand in January. That said, the rate of job creation eased to a four-month low, with anecdotal evidence signalling that some workers had left voluntarily.

A by-product of the relatively muted rise in new business was a survey-record decline in backlogs of work during January. Moreover, the latest reduction was the first in three months.

Data with regard to purchasing also pointed to a slowing trend at the start of 2016. Buying activity and input stocks both increased at the weakest rate since last April. Nonetheless, there were still reports of stocks being

raised in preparation for current and future improvements in demand.

On the price front, total input costs rose at the slowest pace in 11 months. Underlying data pointed to a muted rise in purchase prices and a reduction in salaries. Notably, the fall in wages was a survey-first, with respondents commenting on efforts to cut costs in the face of subdued demand.

Charges increased modestly in January, following a marginal reduction at the end of 2015.

-Ends-

#### **For further information, please contact:**

##### **Stanbic IBTC Bank:**

Ayomide Mejabi, Economist, Research  
Telephone +234 1 422 8324  
Email [ayomide.mejabi@stanbicibtc.com](mailto:ayomide.mejabi@stanbicibtc.com)

Usman Imanah, Communications Manager  
Telephone +234 7066 3172 67  
Email [usman.imanah@stanbicibtc.com](mailto:usman.imanah@stanbicibtc.com)

##### **Markit:**

Philip Leake, Economist  
Telephone +44-1491-461-014  
Email [philip.leake@markit.com](mailto:philip.leake@markit.com)

Joanna Vickers, Corporate Communications  
Telephone +44-207-260-2234  
Email [joanna.vickers@markit.com](mailto:joanna.vickers@markit.com)

#### **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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