

Stanbic IBTC Bank Nigeria PMI™

compiled by markit

Nigerian private sector contraction eases slightly in September

Key findings:

- PMI picks up slightly from August's low
- September sees output, new orders, employment and purchasing all in decline
- Rising material costs keep pressure on prices

Nigeria's private sector downturn eased slightly from August's record in September, but remained the second-quickest in the series history. That rounded off the worst quarterly performance since the survey began at the start of 2014. September saw another steep decline in output, as well as further reductions in new orders, employment and purchasing. Rising costs continued to squeeze firms' margins, and charges rose sharply again as a result.

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 picked up from August's record low of 46.3 in September, but only slightly to 46.8. That still pointed to a solid deterioration in business conditions, and was lower than any other reading except August's. The average for the third quarter as a whole (47.3) was the lowest since data collection started in January 2014.

A sharp contraction of activity was again a key factor behind the overall downturn. Output fell for the eighth straight month amid further reports of weak client demand.

New business also declined in September, albeit at a much slower rate than activity. The latest reduction was weaker than

in August, but still faster than the 2016 average. Lower exports continued to weigh on total new orders. New work from abroad has fallen in each of the past nine months.

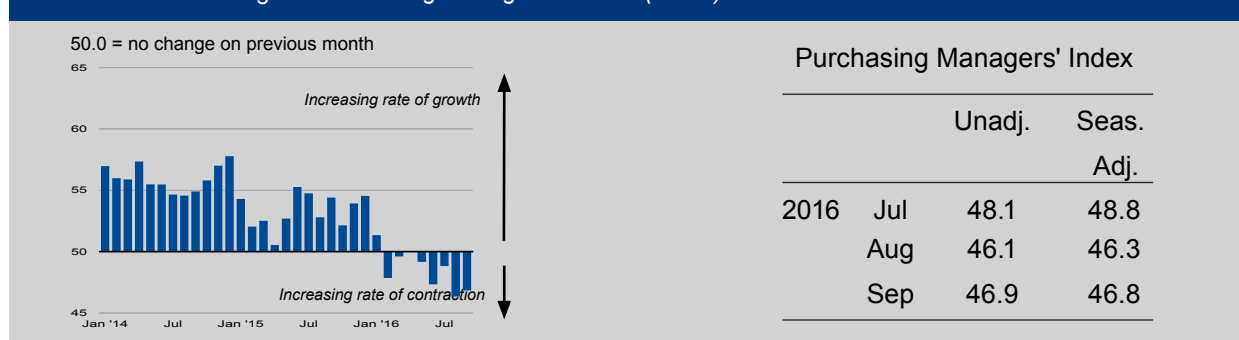
Subdued demand led to a second successive reduction in purchasing activity at Nigerian private firms. Though only slight, the back-to-back decline contrasted with four straight months of growth from April to July. Input stocks also decreased, for just the third time in the series history.

Job losses were meanwhile sustained in September, amid doubts about the demand outlook for the remainder of 2016. The fall was the second in as many months, following 31 months of continuous hiring up until August. Backlogs of work were depleted regardless of a smaller workforce, with weak order books often resulting in spare capacity.

Prices data pointed to ongoing pressure on margins. The rise in input prices reflected higher purchasing costs rather than salary growth, according to latest figures. Whereas purchase costs rose at the fastest pace since February in line with higher fuel and raw material prices, salaries fell for the first time in seven months as firms sought to cut costs.

Subsequently, charges were raised at a marked pace. That said, the rate of increased eased since the prior month, continuing the softer trend seen throughout the third quarter.

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

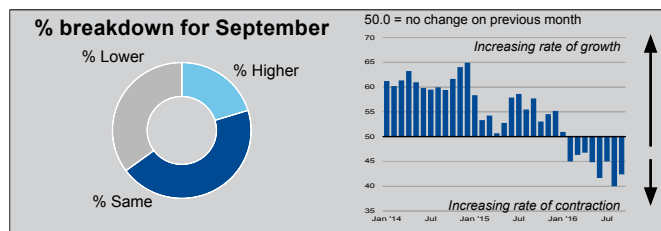


The Stanbic IBTC Bank Nigeria Purchasing Managers' Index™ (PMI™) is a composite indicator designed to provide an overall view of activity in the Nigerian economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times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

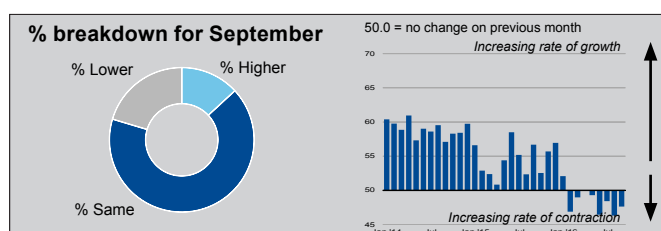
Nigerian private sector output continued on its downward path in September, as signalled by the seasonally adjusted index posting below the crucial 50.0 threshold for the eighth straight month. The rate of contraction eased from August's record, but remained steep overall. Out of the 35% of respondents that saw a drop in activity, most blamed the ongoing downturn in client demand.



New Orders Index

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

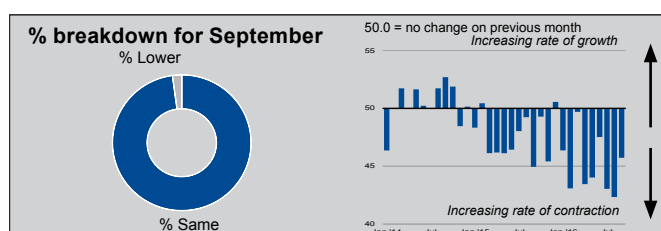
New business fell for the fifth consecutive month in September, and at a stronger pace than seen on average so far this year. That said, the rate of decline eased since August and was much less severe than that observed for output. Some firms reported tentative signs of a recovery in demand, but these were outnumbered by panellists who experienced poor sales.



New Export Orders Index

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

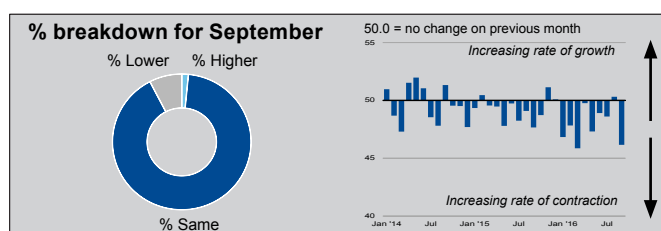
As has been the case in every month of 2016 to date, new export orders declined in September. The rate of contraction was solid overall, albeit weaker than that seen in the preceding two months. Notably, the downturn was slower than the 2016 average but sharper than the trend over the survey's entire 33-month history.



Backlogs of Work Index

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

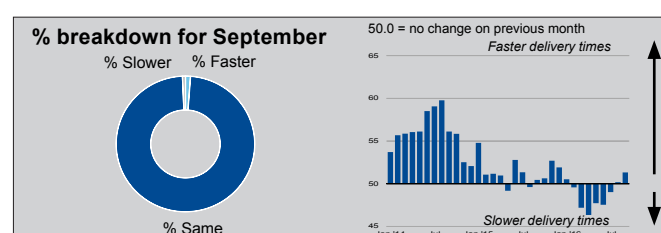
Volumes of outstanding business in Nigeria's private sector fell in September, thereby reversing a marginal expansion seen in August. Furthermore, the rate of backlog depletion was the most marked in six months. Anecdotal evidence suggested that a lack of demand had enabled companies to work through unfinished orders.



Suppliers' Delivery Times Index

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

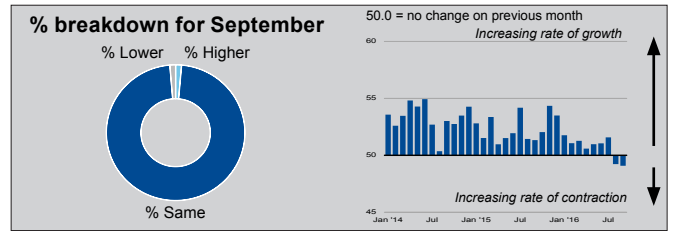
Average lead times shortened for the second month running in September. The improvement in vendor performance was modest overall and muted in the context of historical data, but nevertheless contrasted with six successive months of delays seen up until August. Some panellists mentioned that suppliers had employed more staff and thus sped up deliveries.



Employment Index

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

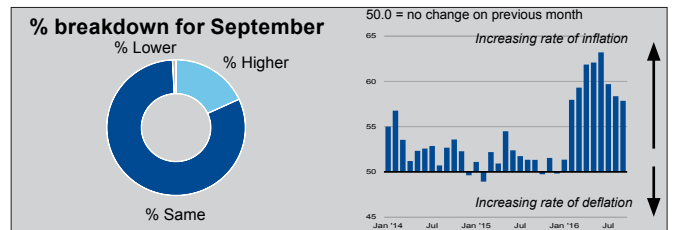
September data highlighted a back-to-back decline in employment, following 31 consecutive months of growth up until July. Job shedding was largely reflective of lower output requirements. Some respondents also mentioned trimming headcounts in an effort to cut costs. That said, with the vast majority of the panel (97%) seeing no change since the prior month, the pace of reduction was only slight overall.



Output Prices Index

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

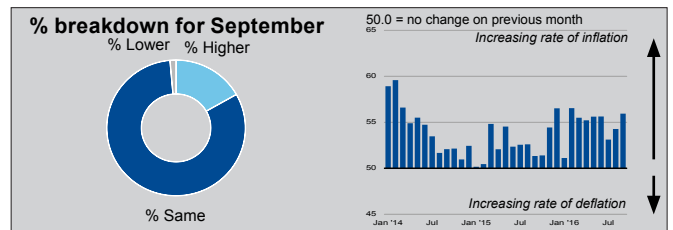
Output prices rose for the ninth month in a row at the end of the third quarter. Though remaining sharp, the rate at which they rose eased further from June's high, with the majority of respondents (81%) noting no change in selling prices. Those firms that raised charges did so in line with higher input costs.



Overall Input Prices Index

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

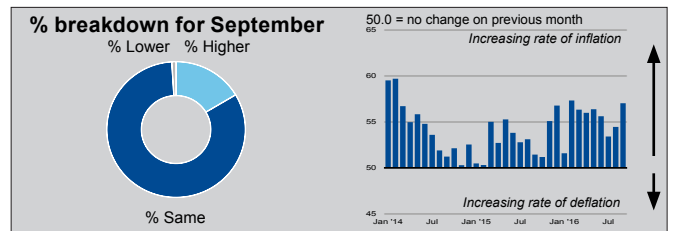
Total input costs faced by Nigerian private sector businesses rose markedly in September. The respective seasonally adjusted index climbed to a seven-month high. Underlying data showed that overall cost pressures were mostly driven by a sharp rise in purchase prices, as salaries dropped for only the third time in the series history.



Input Costs: Purchase Prices Index

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

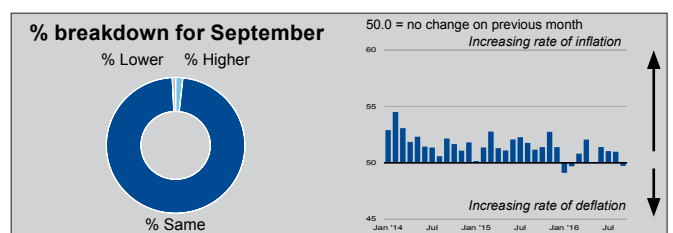
Purchasing costs rose at a sharp and accelerated pace in September. In fact, the latest rise was close to the fastest recorded since the opening months of data collection in early-2014. Approximately one-in-six panellists noted an increase, against just 1% that posted a fall. There were reports of higher raw material prices, as well as increased fuel costs (which also fed through to a rise in transportation costs).



Input Costs: Staff Costs Index

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

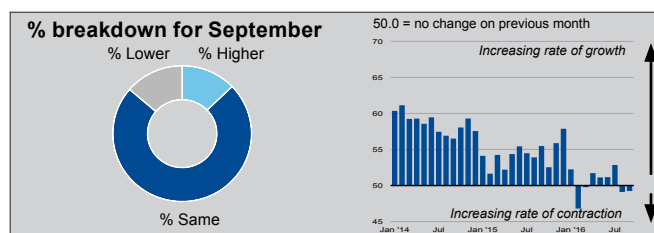
Nigeria's private sector firms cut back on salaries for just the third time in the survey's history during September. The drop in staff costs ended a six-month sequence of growth. Some panellists indicated that lower wages were a reflection of falling sales. The rate of decline was marginal, however, with most respondents (98%) registering no change since August.



Quantity of Purchases Index

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

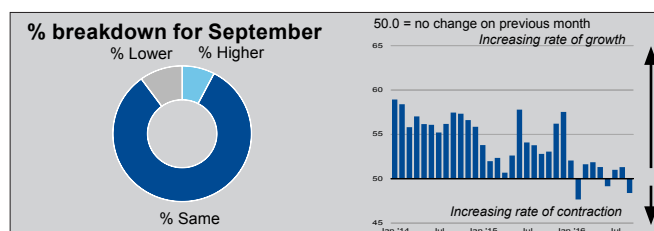
With output and new business still in decline, buying activity fell for the second straight month in September. As well as weak demand, some firms mentioned the high cost of items for purchase as a factor behind the decline. The rate of contraction was little-changed from August's fractional pace, however.



Stocks of Purchases Index

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

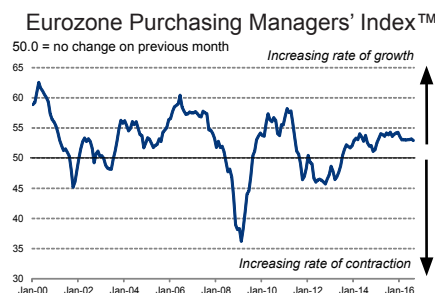
Stocks of purchases in Nigeria's private sector decreased at a modest pace during September. Notably, this was the third reduction during 2016 to date, whereas continuous growth had been signalled prior to this year. Panel members indicated that they were able to use current stocks in order to satisfy subdued demand.



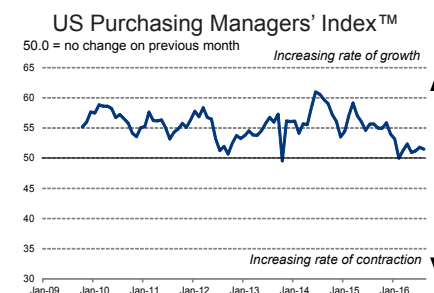
International PMI summary



Sources: IHS Markit, Caixin



Source: IHS Markit



Source: IHS Markit

The latest set of Caixin China Composite PMI data (which covers both manufacturing and services) pointed to a further rise in Chinese business activity during August, with the rate of expansion little changed from that seen in July. This was shown by the Composite Output Index falling only fractionally from July's 22-month high of 51.9 to 51.8 in August.

The eurozone economy continued to expand at a broadly steady pace in August. The rate of increase edged down to a 19-month low, however. The Markit Eurozone PMI Composite Output Index posted 52.9 in August, down from 53.2 in July.

The Markit U.S. Composite PMI Output Index registered 51.5 in August, down slightly from 51.8 in July. The latest reading signalled a marginal expansion of private sector activity and was in line with the average recorded in 2016 so far. Manufacturing production growth was unchanged from July's eight-month high, and continued to outperform services activity.

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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