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Stanbic IBTC Bank Nigeria PMI®

New order growth quickens to 15-month high

Key findings

Faster increases in output and new orders

Input cost inflation at nine-month high

Business sentiment strengthens

The Nigerian private sector ended the third quarter of the year on a strong note, with accelerated expansions of output and new orders recorded. Companies increased purchasing activity sharply in response, but job creation remained relatively muted. Meanwhile, both input costs and output prices rose at slightly sharper rates in September.

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.

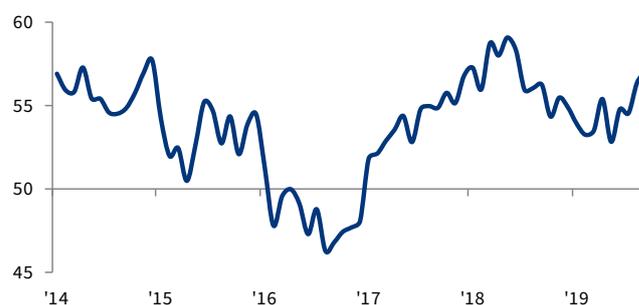
Rising to 57.1 in September from 56.4 in August, the headline PMI was at a 15-month high and signalled a sharp monthly improvement in business conditions at the end of the third quarter. Operating conditions have now strengthened in 33 consecutive months.

Strong client demand was widely reported by panellists in the latest survey period, and this helped lead to a substantial monthly rise in new orders during September. Moreover, the rate of expansion quickened for the fourth successive month to the fastest since June 2018.

Companies responded to improving new business by expanding their output. Business activity has now increased in 33 successive months, with the latest rise the sharpest for a year.

PMI

sa, >50 = improvement since previous month



Sources: Stanbic IBTC Bank, IHS Markit.

The strong inflow of new orders led to an accumulation of backlogs of work, the fifth month running in which this has been the case. Despite pressure on capacity, companies increased their staffing levels only modestly, and to a lesser extent than was seen in August.

On the other hand, substantial growth of purchasing activity was recorded, helping to contribute to the sharpest accumulation of inventories since May 2018. Companies were aided in stock-building efforts by faster suppliers' delivery times. Lead times shortened markedly thanks to good relationships with vendors and competition among suppliers.

The rate of purchase price inflation quickened for the third month running in September, with higher raw material costs widely mentioned. Wages and salaries also increased, albeit modestly.

In response to higher input costs, companies raised their own selling prices. Charges were up for the forty-fifth month running, and to the greatest extent since January.

Optimism regarding the 12-month outlook for activity improved to a five-month high in September. Planned investment and business expansions were often mentioned by those panellists expecting activity to increase.

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Methodology

The Stanbic IBTC Bank Nigeria PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. The sectors covered by the survey include agriculture, mining, manufacturing, construction, wholesale, retail and services.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

September 2019 data were collected 12-26 September 2019.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 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 ihsmarkit.com/products/pmi.html.

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