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# Stanbic IBTC Bank Nigeria PMI<sup>®</sup>

## Employment growth at 18-month high as workloads increase

### Key findings

Stronger rises in employment and purchasing

Business activity up sharply again

Marked increase in purchase costs

The Nigerian private sector remained comfortably inside growth territory at the end of 2019, with further marked increases in output and new orders recorded. Efforts to keep on top of workloads led companies to accelerate their expansions of both staffing levels and purchasing activity. Meanwhile, further solid rises in both purchase prices and staff costs were noted.

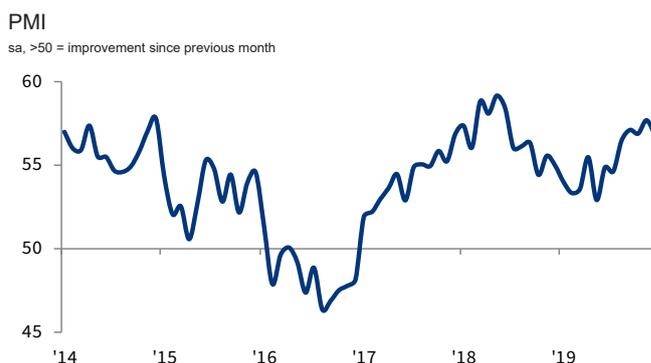
The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI<sup>®</sup>). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

The headline PMI registered at 56.8 in December, down slightly from 57.7 in November but still pointing to a marked monthly improvement in the health of the Nigerian private sector.

Business activity rose sharply again, despite the rate of expansion softening from November's 17-month high. Greater customer numbers helped to support growth of activity, while a general improvement in demand was mentioned.

This strengthening of demand was highlighted by a further marked expansion of new business, although the rate of growth softened to a six-month low.

Ongoing sharp increases in new orders imparted further pressure on capacity at firms, with backlogs of work



Sources: Stanbic IBTC Bank, IHS Markit.

rising for the eighth month running. Respondents also indicated that issues with machinery and staff shortages contributed to the latest accumulation.

Efforts to keep on top of workloads led companies to expand both their staffing levels and purchasing activity at sharper rates at the end of the year. The pace of job creation quickened to the fastest in a year-and-a-half, while purchasing activity rose to the greatest extent since May 2018.

Increased purchasing activity led to a further rise in inventories, helped by shorter lead times. That said, the improvement in supplier performance was the weakest since October 2018 amid some reports of poor road infrastructure hampering deliveries.

Purchase prices continued to rise at a marked and above-average pace in December, with panellists reporting that the border closure and scarcity of certain products had been behind higher costs. Wages and salaries also rose, and at the fastest pace for a year.

Companies responded to higher input costs by raising their output prices, extending the current sequence of inflation to four years. The pace of increase was solid, albeit slightly softer than in November.

Optimism improved to an 11-month high, with respondents planning to invest in and expand their business over the coming year to support output growth.

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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.

December 2019 data were collected 05-19 December 2019.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

#### About PMI

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