News Release

Embargoed until 0945 WAT (0845 UTC) 7 June 2019

Stanbic IBTC Bank Nigeria PMI®

Business conditions continue to improve, albeit at weaker pace

Key findings

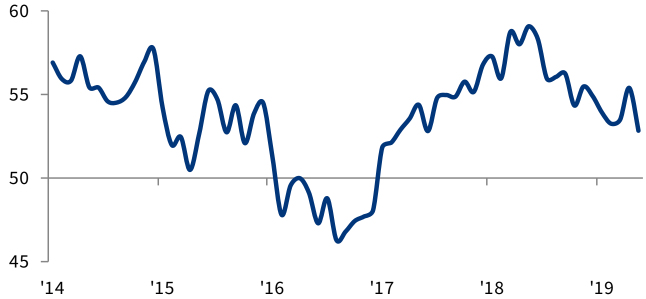
Softer increases in output and new orders

Modest job creation recorded

Slower rises in input costs and output prices

PMI

sa, >50 = improvement since previous month



Sources: Stanbic IBTC Bank, IHS Markit.

The Nigerian private sector remained comfortably inside growth territory midway through the second quarter of 2019, although the rate of improvement took a step back from that seen in April. Inflationary pressures were muted, with both overall input costs and output prices rising at slower rates in May.

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 headline PMI came in at 52.9 in May, above the 50.0 no-change mark but below the previous month's reading of 55.5, signalling a softer improvement in the health of the private sector in Nigeria. In fact, the latest figure was the lowest for almost two years.

Stronger client demand was widely reported in the latest survey. Although the rate of growth in total new orders eased from April's ten-month high, it remained sharp. The rate of expansion in new export orders, meanwhile, quickened to the fastest in the year-to-date.

Rising demand placed pressure on operating capacity, with backlogs of work increasing following a slight reduction in April. Delayed payments from customers also reportedly contributed to the accumulation as firms held off work on the associated projects.

Higher sales and rising customer numbers fed through to an increase in business activity during May. Output has now expanded in 29 successive months, but the latest rise was the softest since June 2017.

The rate of job creation also eased in May, with employment up modestly. That said, panellists reported that the taking on of additional workers added to their average staff costs, which increased modestly.

Overall input price inflation softened in May and was the weakest in six months. Purchase costs, meanwhile, rose to the least extent since September 2017. Where purchase prices increased, this was mainly linked to higher raw material costs and currency weakness.

In line with the slowdown in overall input cost inflation, output prices also increased at a weaker pace in May. The latest modest rise in charges was softer than the series average as some companies offered discounts to attract new customers.

Higher demand encouraged firms to raise purchasing activity in May, and at a sharp pace. Despite this, suppliers' delivery times continued to shorten, in some cases linked to improved road infrastructure.

Finally, business confidence remained strong, but dipped to the lowest in the year-to-date.

The Nigeria PMI is endorsed and adopted by NBS.

Comment

Gbolahan Taiwo, Economist at Stanbic IBTC Bank commented:

“The Stanbic IBTC Nigeria PMI grew at its slowest pace in close to 2 years, printing at 52.9 (a level of growth last seen in June 2017). We had expected to see a steady level of growth post the elections as business activities somewhat returned to normal. However, it would seem that the demand dynamics backed by lower consumer purchasing power and disposable incomes since the devaluation of the currency is still a drag on output growth. In truth, credit to private sector has not quite picked up in a manner that will spur output growth faster. The banks are obviously still somewhat risk averse in terms of credit growth and will favour chasing returns of risk-free government securities as opposed to creating risk assets particularly for start-ups and SMEs that could potentially be the engine for the next phase of growth. The CBN has continued in its developmental efforts to abate the issues of credit growth but will need the commercial banks to join in on the party in a bid to stimulate growth faster.”

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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.

May 2019 data were collected 13-29 May 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.

About Stanbic IBTC Bank
Stanbic IBTC Bank is a subsidiary of Stanbic IBTC Holdings Plc, a full service financial services group with a clear focus on three main business pillars - Corporate and Investment Banking, Personal and Business Banking and Wealth Management. Standard Bank Group, to which Stanbic IBTC Holdings belongs, is rooted in Africa with strategic representation in 20 key sub-Saharan countries and other emerging markets; Standard Bank has been in operation for over 151 years and is focused on building first-class on-the-ground banks in chosen countries in Africa and connecting other selected emerging markets to Africa and to each other.

About IHS Markit
IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world’s leading financial institutions.

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