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

## PMI hits three-month high with output rising sharply in October

### Key findings

Output and new order growth quickens to three-month high

Record rate of purchase cost inflation

Confidence moderates amid inflationary concerns

Data were collected 12-27 October 2021

October data revealed a solid improvement in business conditions in Nigeria's private sector with output, new orders and buying activity rising sharply. Staffing levels and inventories continued to rise – albeit at slower rates – while firms reduced their backlogs for the seventeenth month in a row.

However, panellists continued to report higher prices for materials and transportation with purchase costs rising at a record rate. Unfavourable exchange rate movements also exerted upward pressures on costs. Subsequently, confidence moderated.

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 improved from 52.3 in September, to 54.1 in October, indicating a sixteenth successive monthly expansion.

Amid reports of improved market conditions and rising client requirements, new orders continued to expand. The rate of growth was robust, quickened from that seen in September and outpaced the long-run series average.

Consequently, firms raised their output levels at a marked and accelerated pace. Sector data indicated that all four sub-sectors saw faster increases in output. Manufacturers

PMI

sa, >50 = improvement since previous month



Sources: Stanbic IBTC Bank, IHS Markit.

registered the steepest expansion, followed by wholesale & retail, services and agriculture, respectively.

To support an eleventh monthly rise in output, firms raised their buying activity during the month. Purchases have now increased in each month since July 2020, with the latest uptick the second-fastest in the current sequence of growth.

Meanwhile, backlogs fell substantially in October, with the pace of depletion amongst the quickest in the series. Firms reportedly had sufficient capacity to complete incoming new orders. Despite this, companies added to their headcounts, although the rate of growth was only modest.

Overall input prices rose substantially, which firms linked to unfavourable exchange rate movements as well as higher raw material, staff, and transportation costs. In fact, purchase cost inflation quickened to a fresh series high. Firms opted to pass on part of the burden to clients by lifting their selling charges, which they did so at the third-quickest rate in the series history.

Accelerating input costs led firms to protect against future price hikes by adding to their stockpiles. Concerns surrounding prices fed through to sentiment with confidence moderating in October and registering below the average for 2021 so far. Nevertheless, firms remained hopeful that greater investment will encourage output growth in the year ahead.

## Comment

Muyiwa Oni, Head of Equity Research West Africa at Stanbic IBTC Bank commented:

“The relaxed public health restrictions and re-opening of the economy have continued to pave way for economic recovery, as we experienced the sixteenth consecutive month of expansion with the PMI registering at 54.1 in October from 52.3 in September. Indeed, the World Bank Group and IMF revised the 2021 GDP growth forecast for Nigeria to 2.4% and 2.6% from 1.8% and 2.5%, respectively. This reflects increased optimism for economic recovery given the favorable oil price environment. We also saw some improvement in crude oil production trend. Following recent declines since Jun 21; oil production improved to 1.45mbpd in September from 1.3mbpd recorded in August. Nevertheless, high inflation continues to impact on costs and ultimately output prices. The inflationary pressures are partly tied to exchange rate liquidity pressures in the market. We expect that with the successful USD 4billion Eurobond issuance and USD 3.35billion liquidity injection from IMF special drawing rights (SDR), the CBN has greater capacity to improve the liquidity situation in the market. Sure, we have already started to see progress in the FX sales to corporates, though further improvements across the various CBN interventions will be a welcome development.”

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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.

Data were collected 12-27 October 2021.

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

[ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html)

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