News Release

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Stanbic IBTC Bank Nigeria PMI®

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

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

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.

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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 indexes: 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 indexes.

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.

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