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

## Improving demand supports fastest rise in new orders for three months

### Key findings

New order growth quickens

Further increases in employment and purchasing

Rates of inflation remain muted

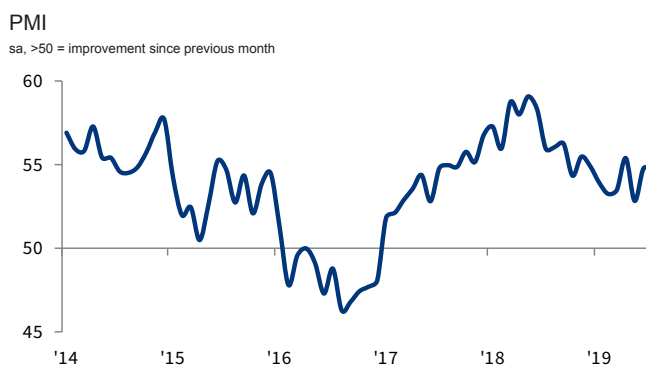
Stronger inflows of new business fed through to continued growth of business activity, employment and purchasing in the Nigerian private sector during July as overall business conditions improved at a marked pace. Meanwhile, inflationary pressures remained relatively muted, despite both input costs and output prices rising at slightly faster rates than seen in June.

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 posted 54.6 in July, down fractionally from 54.8 in June but still signalling a marked monthly improvement in business conditions across the Nigerian private sector. Although weaker than seen through much of 2018, the latest strengthening of operating conditions was still greater than the average since the survey began in January 2014.

Improving customer demand was widely mentioned by panellists at the start of the third quarter of the year. New business increased sharply, with the rate of growth quickening for the second month running. Output also rose at a marked pace, albeit one that was softer than in June and one of the slowest for two years.

The strength of new order growth imparted some pressure on companies' operations in July. As a result, backlogs of



Sources: Stanbic IBTC Bank, IHS Markit.

work increased for the third consecutive month.

The rate of accumulation in outstanding business was only slight, however, as firms expanded both their staffing levels and purchasing activity in line with higher workloads.

Employment rose for the twenty-seventh successive month. Although the rate of job creation remained modest, it was the fastest since April.

Purchasing activity expanded at a sharp pace again in July. Higher input buying fed through to a steep accumulation of stocks of inputs. Moreover, the pace at which inventories increased was the fastest since January.

Overall input prices rose at the sharpest pace in the year-to-date, but the rate of inflation remained relatively modest. Slightly faster increases in both purchase prices and staff costs were recorded.

The rate of output price inflation also ticked up in July amid efforts by companies to maintain profit margins. As was the case with input costs, however, the pace of inflation was relatively weak.

Business expansion plans supported continued optimism that output will increase over the coming year, although sentiment dipped to a seven-month low.

## Comment

Gbolahan Taiwo, Economist at Stanbic IBTC Bank commented:

*“Business activities in Nigeria private sector moderated in July as the output sub-index declined to 56.2 in July from the 59.7 recorded in June although there was a slight rise in new orders during the period. Consequently, the Stanbic IBTC Nigeria whole economy PMI declined marginally to 54.6 during the same period from 54.8 previously. This is still below the average PMI series average in the past 30 months of 55.2. There is no immediate evidence to suggest that economic and business activities in the country will pick up significantly or rise at a much faster pace to perhaps the series peak of 59.1 recorded in May 2018. On a somewhat positive note, inflationary pressures have been muted for over 3 months now and there is perhaps scope to see a moderation into the rest of the year. We believe businesses are still mired with infrastructural challenges and operational bottlenecks as it pertains to doing business in Nigeria. Hence, the reason for our moderate view on the PMI growth dynamics at least over the next 6 months.”*

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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.

July 2019 data were collected 12-29 July 2019.

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. To learn more go to [ihsmarkit.com/products/pmi.html](http://ihsmarkit.com/products/pmi.html).

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