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Stanbic IBTC Bank Nigeria PMI[®]

PMI hits five-month high in March

Key findings

New orders rise at sharp and accelerated pace

Employment growth continues whilst backlogs fall markedly

Input price inflation remains historically elevated

Data were collected 12-29 March 2021

Growth in the Nigerian private sector gained momentum in March with business conditions improving to the greatest extent in five months at the end of the first quarter. Output and new order growth strengthened for the second successive month which led to a solid rise in purchases. Employment meanwhile rose marginally, and firms continued to reduce their backlogs at near-record rates. Looking forward, firms remain hopeful that their output levels will increase over the next 12 months, but there were signs of optimism moderating as sentiment fell to the lowest in three months.

Input price inflation remained robust with material shortages driving a sharp increase in purchase costs. In turn, firms raised their selling prices at a faster pace.

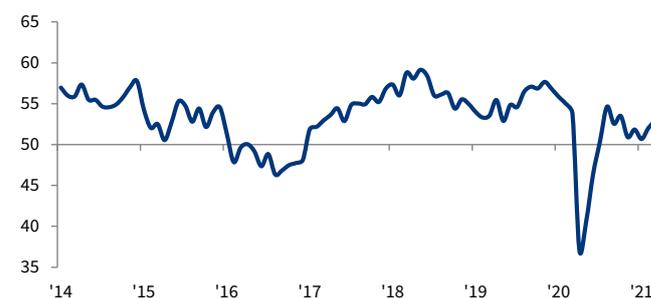
The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI[®]). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

At 52.9 in March, up marginally from 52.0 in February, the headline seasonally adjusted PMI signalled expansion, and one which extended the current sequence of growth to nine months.

Higher customer numbers led to a rise in new orders with the rate of growth the strongest since last October. This supported another expansion in output, and one which

PMI

sa, >50 = improvement since previous month



Sources: Stanbic IBTC Bank, IHS Markit.

was solid overall. Sub-sector PMI readings indicated that manufacturing posted the fastest rise in output in March, followed by services and agriculture respectively. Wholesale & retail meanwhile recorded a decline in activity.

Rising output encouraged firms to increase their purchases and employment in March. Higher staffing allowed firms to complete outstanding work. The rate of reduction was the second-fastest in the series, surpassed only by that seen in February.

Meanwhile, the sustained growth in new orders supported a sharp accumulation in the stocks of purchases. Despite the higher demand for inputs, supplier delivery times continued to shorten, although the degree to which lead times improved was the weakest in ten months. Panellists mentioned that material shortages weighed slightly on vendor performance.

As a result of a shortage in the supply of raw materials, purchase prices rose at the joint second-sharpest rate in the series. Higher staffing costs also contributed to a robust rise in overall expenses. The passing on of cost burdens to clients led output prices to increase a sharp and accelerated rate.

Finally, business expansion plans underpinned optimism at the end of the quarter, although the degree of positive sentiment dipped to a three-month low amid uncertainty.

Comment

Gbolahan Taiwo, Economist at Stanbic IBTC Bank commented:

“Business activities in the Nigerian Private Sector continued to gain momentum during March as the PMI rose to 52.9 from 52.0 in February. The Output, New orders and Employment sub-indices continued to improve. Indeed, the rate of new Covid-19 infections has declined considerably in the country over the past month and this has encouraged businesses across the country to operate as per usual. That said, there are still a number of corporate organizations that continue to encourage remote working, despite the significant decline in new infections. The government also took receipt of close to four million doses of the Covid-19 vaccine under the COVAX initiative and the inoculation drive is well underway. Barring any resurgence in new infections that could lead to a third wave in the country, we believe private sector activity will continue to improve over the coming months. Dollar illiquidity has been a major concern for businesses who rely on importation of raw materials over the past few months and that still remains concerning. In effect, corporates have had to source FX from the more expensive parallel market- which trades at some 15% premium to the IEFX market. This continues to have subsequent effect on input and output prices which remain quite elevated.”

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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 12-29 March 2021.

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.

ihsmarkit.com/products/pmi.html

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