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Stanbic IBTC Bank Nigeria PMI[®]

Private sector activity growth quickens in April

Key findings

Output and new order growth accelerates

Overall input price inflation fourth-strongest in series history

Sentiment dips to four-month low amid uncertainty

Data were collected 11 - 27 April 2022

Marked and accelerated expansions in output and new orders helped drive a pick-up in growth in the Nigerian private sector during April. However, private sector performance was once again impacted by elevated rates of inflation, uncertainty and unfavourable exchange rate movements. Nevertheless, strong demand encouraged firms to add to their inventories and raise their headcounts at an accelerated 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 55.8 in April, up from 54.1 in March, the headline PMI signalled a sharp improvement in business conditions in Nigeria's private sector. Growth has now been seen in each of the last 22 months with the latest uptick quicker than the long-run series average.

Central to the improvement was an accelerated uptick in new orders. The overall rate of expansion was marked and the third-quickest in the current 22-month sequence of growth. Panellists indicated that stronger demand and greater client requirements had been behind the latest increase in new business, with growth signalled across each of the four broad sectors covered by the survey.

Strong inflows of new work resulted in a further uplift in output. The rate of growth was robust and quickened

PMI

sa, >50 = improvement since previous month



Sources: Stanbic IBTC Bank, S&P Global.

from that in March. Sub-sector data revealed expansions across the board, though agriculture recorded the quickest expansion. Wholesale & retail, manufacturing and services followed, respectively.

With workloads increasing, and demand expanding over the last 22 months, firms sought to boost headcounts in a bid to ramp up activity. Subsequently, backlogs fell at the quickest pace for four months.

To cater for higher output volumes, firms increased their buying activity in April. Stocks of purchases also rose, and at a quicker pace than in March.

Turning to prices, Russia's invasion of Ukraine exacerbated costs for a wide range of raw materials as well as fuel. Firms also indicated higher transportation fees. The overall rate of input price inflation was substantial and the fourth-quickest in the survey's eight-year history. Firms chose to pass on a large part of the burden to clients, with selling price inflation among the quickest in the series history.

Finally, firms were optimistic about growth in the year ahead, but sentiment dipped to a four-month low. Uncertainty surrounding the global environment and a lack of plans to expand operations led to the moderation in confidence.

Comment

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

"As in past months, the Stanbic IBTC PMI continues to indicate strong expansion in private sector activities. The April PMI index printed at 55.8 from 54.1 in March, recording an uptick in output and new orders during the period. However, business owners indicated reduced optimism about growth this year given the uncertainty surrounding global geopolitical tension. Indeed, the International Monetary Fund recently reduced global growth projection to 3.6% for 2022 from 4.4% in the initial forecast, even as they expect higher inflation levels in the global space. However, IMF revised Nigeria's growth upwards to 3.4% given the higher oil price environment and the robust recovery recorded in 2021, even though we believe that the declining level of oil production serves as a downside risk.

"Inflation has become a global phenomenal in recent times driven by elevated energy prices. Sure, with the possibility of supply-chain disruptions, unrecovered from the pandemic and intensified by the Russia/ Ukraine crisis, we see inflation further pressured and the pass-through imported inflation in our domestic market."

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Methodology

The Stanbic IBTC Bank Nigeria PMI® is compiled by S&P Global 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 11-27 April 2022.

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. <https://ihsmarkit.com/products/pmi.html>

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