

Embargoed until 0945 WAT (0845 UTC) 1 September 2021

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

## Softer inflows of new work prompt moderation in private sector activity growth during August

### Key findings

Output and new orders rise at softer pace

Stocks of purchases expand sharply

Optimism dips to third-weakest in the series

Data were collected 12-26 August 2021

Business conditions in Nigeria's private sector improved modestly midway through the third quarter, but the rate of growth slowed to a six-month low. Softer upticks in output, new orders and employment contrasted with quicker expansions in held inventories as firms seek to take advantage of faster lead times, and protect against any future supply shocks. However, a loss of momentum in demand resulted in a dip in optimism. Sentiment was the third-weakest in the series history.

Meanwhile, purchase prices continued to rise sharply, although the rate of inflation softened from that seen in July.

The headline figure derived from the survey is the Purchasing Managers' Index<sup>™</sup> (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.

At 52.2 in August, down from 55.4 in July, the headline PMI registered a rate of growth that was the softest since February.

New orders rose for the fourteenth month in succession during August which panellists linked to greater domestic demand. The rate of expansion eased notably from that seen in the previous survey period, however, with some firms mentioning that higher prices led to weaker sales growth.

Consequently, firms raised their output levels at a softer

### PMI

sa, >50 = improvement since previous month



Sources: Stanbic IBTC Bank, IHS Markit.

pace, and one which was subdued in the context of historical data. Those firms increasing output mentioned higher customer numbers. Of the four monitored sub-sectors, two recorded growth. Manufacturers registered the steepest uptick, followed by wholesale & retail. Meanwhile, services saw a marginal decline, while agriculture recorded a sharp contraction.

To cater for higher output levels, firms raised their headcounts marginally during the month. A further increase in staffing levels underpinned a solid reduction in outstanding business. In fact, backlogs fell at the fourth-quickest rate in the series history.

Quieter road conditions and prompt payments led to shorter delivery times in August. Quicker lead times allowed firms to add to their inventory holdings. Stocks of purchases rose at a sharp and accelerated pace which firms linked to efforts to protect against any future supply shocks.

Turning to prices, higher raw material, commodity, and staff costs as well as unfavourable exchange rate movements led to a marked uptick in input prices. Firms looked to raise selling prices in a bid to protect profit margins.

Finally, sentiment moderated to the third-weakest in the series. Panel comments suggested the longer-term economic implications of COVID-19 weighed on optimism.

## Comment

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

*“The Stanbic IBTC PMI moderated to 52.2 in August from 55.4 in July. Sure, the Q2:21 GDP numbers showed continued economic recovery posting a growth of 5.01% y/y, attributed to the low base of Q2:20 and relatively increased levels of economic activities. With the moderation of the PMI, although still above 50 level, it still supports the notion that economic activities are still on an increase, albeit at a slower pace than the previous month. Lower optimism for growth seems to be drawn from the rise in Covid-19 infections in recent times as since Jul:21, there have been an uptick in Covid-19 positive cases. Although there have been no talks on increased restriction, the surge in cases will continue to lower optimism for economic growth. From the PMI report, we saw that the Agricultural sector contracted in August, this can somewhat be attributed to the wrap of the planting season and continued insecurity challenges that has impacted output in the sector.*

*However, we do not expect stringent public health restrictions as we saw in Q2:20 in the near term, thus, expect the PMI to remain above 50 levels for the rest of the year.”*

## Contact

### Stanbic IBTC Bank

Muyiwa Oni  
 Head Equity Research - West Africa  
 T: +234 (1) 422 8667  
[muyiwa.oni@stanbicibtc.com](mailto:muyiwa.oni@stanbicibtc.com)

Fadeke Awolesi  
 Corporate Communications  
 T: +234 701 0179 108  
[fadeke.awolesi@stanbicibtc.com](mailto:fadeke.awolesi@stanbicibtc.com)

### IHS Markit

Shreya Patel  
 Economist  
 T: +44 134 432 8196  
[shreya.patel1@ihsmarkit.com](mailto:shreya.patel1@ihsmarkit.com)

Joanna Vickers  
 Corporate Communications  
 T: +44 207 260 2234  
[joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

### 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 12-26 August 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)

### Disclaimer

Please note that the Stanbic IBTC Bank Nigeria PMI should not be taken as a substitute for official statistics, but may be used in conjunction with them.

Stanbic IBTC Bank Nigeria (“Stanbic IBTC”) has issued and is responsible for production of this publication. This publication should be regarded as being for information only and should not be considered as an offer or solicitation to sell, buy or subscribe to any financial instruments, securities or any derivative instrument, or any other rights pertaining thereto (together, “investments”). Stanbic IBTC does not express any opinion as to the present or future value or price of any investments referred to in this publication. This publication may not be reproduced without the consent of Stanbic IBTC.

The information contained in this publication has been compiled from sources believed to be reliable, but, neither Stanbic IBTC, nor any of its directors, officers, or employees accepts liability for any loss arising from the use hereof or makes any representations as to its accuracy and completeness. The information contained in this publication is valid as at the date of this publication. This information is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the matters discussed herein.

This publication does not constitute investment advice and has been prepared without regard to individual financial circumstances, objectives or particular needs of recipients. Readers should seek their own financial, tax, legal, regulatory and other advice regarding the appropriateness or otherwise of investing in any investments or pursuing any investment strategies. Investec operates exclusively on an execution only basis.

An investment in any of the investments discussed in this publication may result in some or all of the money invested being lost. Past performance is not a reliable guide to future performance. To the extent that this publication is deemed to contain any forecasts as to the performance of any investments, the reader is warned that forecasts are not a reliable indicator of future performance. The value of any investments can fall as well as rise. Foreign currency denominated investments are subject to fluctuations in exchange rates that may have a positive or adverse effect on the value, price or income of such investments. Certain transactions, including those involving futures, options and other derivative instruments, can give rise to substantial risk and are not suitable for all investors.

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit’s prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information (“data”) contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers’ Index™ and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

### About Stanbic IBTC Bank

Stanbic IBTC Bank is a subsidiary of Stanbic IBTC Holdings Plc, a full service financial services group with a clear focus on three main business pillars - Corporate and Investment Banking, Personal and Business Banking and Wealth Management. Standard Bank Group, to which Stanbic IBTC Holdings belongs, is rooted in Africa with strategic representation in 20 key sub-Saharan countries and other emerging markets; Standard Bank has been in operation for over 151 years and is focused on building first-class on-the-ground banks in chosen countries in Africa and connecting other selected emerging markets to Africa and to each other.

### About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world’s leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2021 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com). To read our privacy policy, click here.