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

## New order growth quickens to 17-month high in June

### Key findings

Output growth moderates but remains sharp

Backlogs fall at second most marked rate in the series

Steep rise in purchase costs

Data were collected 11-28 June 2021

June data revealed a positive end to the first half of 2021 with a solid expansion recorded in the Nigerian private sector. Greater client demand in both domestic and international markets led to a sharp and accelerated rise in new orders. That said, output, purchasing and employment growth softened during the month. Meanwhile, firms reduced their backlogs at the second most marked rate in the series. Sentiment regarding output in the year ahead was weak in the context of the historical average, but firms continued to foresee a rise in output by June 2022. On the price front, overall input price inflation was robust, but eased to the softest since December 2020 despite a sharper rise in purchase costs.

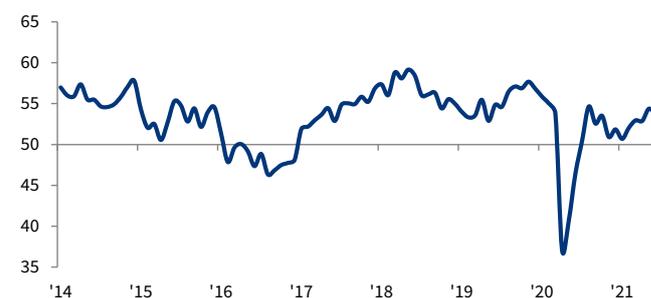
The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI<sup>®</sup>). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

At 53.6 in June, down from 54.4 in May, the headline PMI registered a solid rate of growth, but one which moderated from May's nine-month peak. The latest uptick extended the period of expansion to 12 consecutive months, however.

New order inflows rose strongly in June, with the pace of expansion quickening to the fastest since January 2020. Greater client demand was often mentioned by respondents. International demand for Nigerian goods and services also increased, and at the fourth-quickest rate in

PMI

sa, >50 = improvement since previous month



Sources: Stanbic IBTC Bank, IHS Markit.

the series.

Although client demand rose at a sharp and accelerated pace, output growth moderated in June. The rate of expansion was still solid but posted below the long-run series average. Sector data revealed services recorded the sharpest increase in activity followed by wholesale & retail and manufacturing respectively. Agriculture meanwhile registered a fractional rise.

To support higher output, firms engaged in buying activity with growth now seen in each month since July 2020. Inventories also rose at a similar pace, though the rate of expansion softened in both.

Workforce numbers rose marginally in June, which coincided with only a slight rise in staff costs. Amid efforts to keep on top of outstanding business, backlogs fell at the second most marked rate in the series, surpassed only by that seen in February.

On the price front, higher raw material costs underpinned a rise in purchase prices which quickened to a three-month high. Overall input prices rose sharply, though at the softest rate since December 2020. Higher prices were passed on to clients, with the rate of charge inflation robust overall.

Finally, firms remain optimistic about their output prospects over the year ahead, but the degree of positivity was far below the series average in June.

## Comment

Gbolahan Taiwo, Economist at Stanbic IBTC Bank commented:

“Although the Stanbic IBTC PMI moderated to 53.6 in June from 54.4 in May, Nigerian private sector activity remained strong with the index registering a score above 50 for the 12th consecutive month. Of course, unwinding base effects from the contraction of economic activities last year will ensure a more robust growth for the services sector this year and survey showed that the services sector recorded the sharpest increase in activity this month. It is very likely that economic growth will be protracted this year across most economies owing to the rapidly evolving nature of the pandemic. The rapid global vaccination drive across most global economies have yielded some fruit but Africa is largely lagging. To that effect, we have seen some economies across the continent institute some level of public health restrictions amid a third wave of the pandemic. Interestingly, daily Covid-19 infection numbers in Nigeria still remain low and hence talks about new public health restrictions have been very muted. However, given the fact that the country’s land and air borders remain largely open, there remains a risk of third wave stemming from imported cases. In that instance, a return to more stringent public health restrictions could tame the continued recovery expected this year.”

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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 11-28 June 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)

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