

Embargoed until 0945 WAT (0845 UTC) 6 May 2020

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

## PMI sinks to record low in April

### Key findings

Severe declines in output and new orders

Prices rise amid supply chain disruption

Employment falls modestly

The coronavirus disease 2019 (COVID-19) and lockdown imposed to try and prevent its spread led to a severe deterioration in business conditions across the Nigerian private sector during April. Both output and new orders decreased at rates unprecedented in more than six years of data collection.

Firms scaled back employment and purchasing activity, although the majority of respondents opted to keep staffing levels stable during the month. Difficulties in securing materials led to a sharp rise in purchase costs, with companies passing these on in the form of higher output prices.

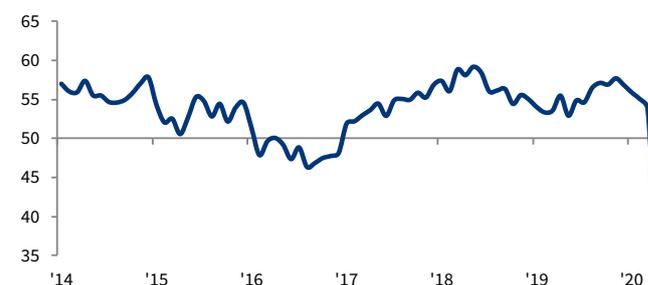
The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI<sup>®</sup>). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

The headline PMI sank to 37.1 in April, down from 53.8 in March and signalling the first decline in the health of the private sector since the survey began in January 2014. Prior to April, the worst deterioration in business conditions had been in August 2016, but the latest contraction was much stronger.

The lockdown imposed to help limit the spread of the disease in Nigeria contributed to record declines in both output and new orders, with a lack of customers and falling demand mentioned by panellists.

PMI

sa, >50 = improvement since previous month



Sources: Stanbic IBTC Bank, IHS Markit.

The introduction of the lockdown meant that some firms were unable to complete outstanding orders, thereby leading backlogs of work to increase for the first time in three months. Employment was also scaled back, but only modestly as the vast majority of respondents (97%) kept their staffing levels unchanged at the start of the second quarter.

Firms reduced their purchasing activity at a severe pace, with fewer inputs needed during lockdown. As a result, stocks of purchases decreased at a record rate.

Restrictions on movement led to difficulties securing items from suppliers, and resulted in companies registering the weakest improvement in vendor performance for just under two-and-a-half years.

Difficulties in acquiring raw materials led to a sharp increase in purchase costs. Moreover, the rate of inflation quickened to a new record. Meanwhile, staff costs decreased slightly. With prices for purchases rising rapidly, companies also increased their output charges. The pace of inflation was marked and little-changed from that signalled in March.

April saw a drop in confidence among companies in Nigeria. That said, firms on balance still expect activity to expand over the coming year, with a return to growth predicted once the pandemic eases.

## Comment

Gbolahan Taiwo, Economist at Stanbic IBTC Bank commented:

*“The twin shocks of the Covid-19 pandemic and lower oil prices are sure going to significantly impact economic activities in Nigeria as the PMI readings for April has shown - sinking to its lowest reading on record of 37.1 from 53.8 in March. In all likelihood, the Nigerian economy will fall into a recession this year. The effective lock down of major cities in the country during the month of April largely impacted the significantly lower PMI reading. Although the President has announced some level of easing of the lockdown from May 4, another challenge that the manufacturing sector is likely to face is the disruption in supply chains. The supply chain disruption is brought about by a couple of factors. One is the restriction in movement of goods and services globally as most international borders are closed. The second is the FX liquidity concerns which is sure to disrupt and delay orders for raw materials and other processing inputs. In effect, this will further lead to inflationary concerns as producers and manufacturers will look to pass on these higher input costs to the final consumer. Being a month-on-month reading, we expect the PMI to pick up somewhat in the coming months as lockdowns are eased but underlying concerns will likely restrain a significant pick-up in economic activities.”*

## Contact

### Stanbic IBTC Bank

Gbolahan Taiwo  
 Economist, Research  
 T: +234 (1) 422 8290  
[gbolahan.taiwo@stanbicibt.com](mailto:gbolahan.taiwo@stanbicibt.com)

Usman Imanah  
 Communications Manager  
 T: +234 7066 3172 67  
[usman.imanah@stanbicibt.com](mailto:usman.imanah@stanbicibt.com)

### IHS Markit

Andrew Harker  
 Economics Director  
 T: +44 1491 461 016  
[andrew.harker@ihsmarkit.com](mailto:andrew.harker@ihsmarkit.com)

Katherine Smith  
 Public Relations  
 T: +1 781 301 9311  
[katherine.smith@ihsmarkit.com](mailto:katherine.smith@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.

April data were collected 07-28 April 2020.

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://www.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 © 2020 IHS Markit Ltd. All rights reserved.

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