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

## Sharp rise in new orders leads PMI to 14-month high in August

### Key findings

Stronger increases in output and new business

Employment and purchasing activity raised

Output price inflation at 13-month low

Growth of the Nigerian private sector picked up during August, with output and new orders rising at much stronger rates than in July. As a result, companies were encouraged to take on additional staff and increase purchasing activity. Meanwhile, input costs rose at a broadly similar pace to the previous month and output price inflation slowed to a marginal pace.

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.

Business conditions in the Nigerian private sector improved markedly in August, as highlighted by the headline PMI posting 56.4. This was up from 54.6 in July and signalled the strongest improvement in the health of the private sector since June 2018.

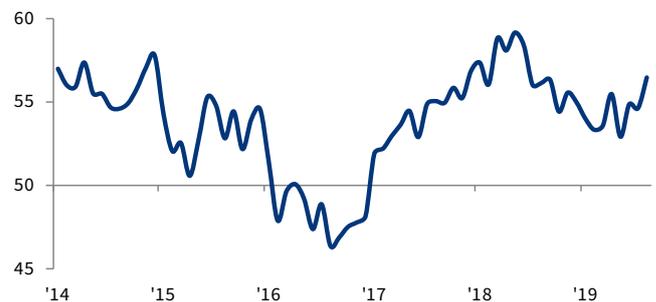
The rate of growth in new business was also the fastest in 14 months in August amid reports from panellists of stronger customer demand.

This improvement in demand and an associated rise in customer numbers also supported growth of business activity. Output increased for the thirty-second month running, and at the steepest pace since last September.

Companies responded to sharp rises in new orders by taking on additional staff and ramping up purchasing

PMI

sa, >50 = improvement since previous month



Sources: Stanbic IBTC Bank, IHS Markit.

activity. Employment increased at a solid pace, and one that was the fastest since June 2018.

Meanwhile, the latest expansion of input buying was much faster than that seen in July, and the strongest overall in 14 months. Stocks of purchases also rose sharply as a result, and to the greatest extent in 2019 so far. Stockbuilding efforts were helped by suppliers delivering items more quickly, with competition among vendors and good road logistics reportedly behind shorter delivery times.

Despite increasing operating capacity, the strength of new order growth meant that backlogs of work were accumulated again in August. There were also some mentions of payment delays from customers. That said, the rate of increase in outstanding business was only marginal, and the weakest in the current four-month sequence of accumulation.

Higher raw material costs led to a solid increase in purchase prices in August, and one that was the sharpest since January. Meanwhile, staff costs rose at the same modest pace as seen in July. The passing on of higher input costs led output prices to rise, albeit only marginally.

Planned investment in new products and branches, as well as predictions of new order growth, supported optimism that activity will rise over the coming year.

## Comment

Gbolahan Taiwo, Economist at Stanbic IBTC Bank commented:

*“The Stanbic IBTC Nigeria PMI rose to its highest level this year and in 14 months at 56.4 as output and new orders also recorded marked growth during the period. Output rose to 60.3 while new orders growth surged to 63 - a 14 month high. The August data points towards improving dynamics for business activities in the country as price pressures continue to soften. On an aggregate basis, we expect the broader economic growth numbers to come through at 2.4% y/y in 2019 and only marginally higher in 2020. There is nothing to suggest at this point that the pace of economic growth will surpass our current forecast trajectory. Perhaps, the inauguration of the new cabinet by the president last month will provide some succor for growth dynamics in terms of investment spending. In any case, we believe most of the major CAPEX spending needed to stimulate a faster pace of growth will probably be pushed to the year 2020.”*

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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.

August 2019 data were collected 12-28 August 2019.

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. To learn more go to [ihsmarkit.com/products/pmi.html](http://ihsmarkit.com/products/pmi.html).

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