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Stanbic IBTC Bank Nigeria PMI[®]

Nigerian PMI at 17-month high in November

Key findings

Sharp and accelerated rise in output

New business continues to increase markedly

Fastest output price inflation for almost a year

A sharp expansion in business activity helped to drive a pick-up in growth in the Nigerian private sector during November. New business also continued to increase markedly, while job creation was sustained. On the price front, purchase cost inflation accelerated to a 13-month high, while output prices were raised at the fastest pace in the year-to-date.

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 57.7 in November, up from 56.9 in October, the headline PMI signalled a marked improvement in business conditions in the Nigerian private sector, and one that was the strongest in almost a year-and-a-half.

The stronger improvement in the health of the private sector was centred on a substantial rise in business activity, with the rate of growth accelerating to the fastest since mid-2018. Respondents often attributed rises in output to expanded new orders.

The rate of growth in new business remained elevated, despite dipping to a four-month low. New orders have now increased in each of the past 35 months.

With new business up sharply again, capacity remained under pressure in November. Backlogs of work rose for



Sources: Stanbic IBTC Bank, IHS Markit.

the seventh month running, albeit only marginally. Some respondents indicated that additional hiring had helped to limit the pace of accumulation in outstanding business. Employment rose for the thirty-first successive month. That said, the rate of job creation was modest, and weaker than that seen in October.

Purchase costs rose at the fastest pace in 13 months during November. The closure of the border and shortages of inputs were mentioned by panellists as factors behind the latest increase. Higher fabric, meat and raw material costs were reported. Wages and salaries also rose, but only modestly.

Increased input prices were often passed on to customers by way of output charge inflation. The pace at which selling prices increased was solid, having accelerated to an 11-month high.

Companies expanded their purchasing activity at a sharp pace. Meanwhile, suppliers were able to continue the trend of shortening lead times. The combination of higher input buying and quicker deliveries helped lead to a further accumulation of stocks of purchases, and one that was the second-fastest in 18 months.

Business sentiment ticked up and remained strongly positive. Among the factors supporting optimism were planned product launches, business expansion plans and marketing efforts.

Comment

Gbolahan Taiwo, Economist at Stanbic IBTC Bank commented:

“The Nigerian private sector PMI maintained a marked pace of growth in November at 57.7, from 56.9 in October. The growth in the PMI was largely attributable to a surge in the output sub-index, whose reading rose to 65.7 during the month from 62.5 previously, making it the highest reading 17 months. Sure, the closure of Nigeria’s land borders in late August has disrupted economic activities somewhat. This was evident in the further contraction recorded in Nigeria’s trade sector in Q3:19. However, some of the positives from the border closures has been the ramp up in domestic production in some sectors of the economy in a bid to meet the supply shortfall exacerbated by the closures. This is not unconnected with the subsequent and consistent rise in output since August. The supply shortfall has also impacted prices and respondents continue to attest to the rise in purchase costs. Nigeria’s headline inflation rose to its highest level in 17 months at 11.61% and our forecast is for the price metric to end the year closer to 12% owing to the continued closure of the land borders. In all likelihood, the focus of the fiscal authorities on infrastructure spending could bode well for the construction and manufacturing sectors and ultimately prove positive for the PMI trajectory in the short to medium term.”

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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.

November 2019 data were collected 12-27 November 2019.

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. To learn more go to ihsmarkit.com/products/pmi.html.

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