News Release

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Stanbic IBTC Bank Nigeria PMI®

New order growth at ten-month high

Key findings

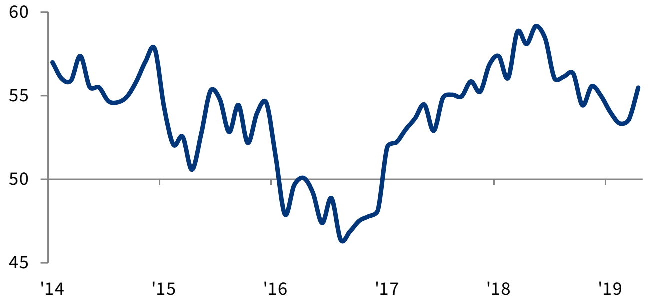
Sharper rises in both new orders and activity

Rate of job creation picks up

Inflationary pressures remain muted

PMI

sa, >50 = improvement since previous month



Sources: Stanbic IBTC Bank, IHS Markit.

There were signs that the recent soft patch in the Nigerian private sector may have come to an end in April as business conditions improved to the greatest extent since late last year. Stronger customer demand was reported, leading to much faster rises in output and new orders. As a result, purchasing activity increased sharply and the rate of job creation quickened. Meanwhile, inflationary pressures remained relatively muted.

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.

The headline PMI rose to 55.5 in April from 53.6 in March, thereby pointing to a marked and stronger improvement in the health of the Nigerian private sector. In fact, the latest strengthening of business conditions was the sharpest since last November.

According to respondents, the pick-up in growth momentum was largely due to stronger customer demand, which fed through to increases in both new orders and business activity. Moreover, rates of expansion quickened sharply to the fastest in ten and seven months respectively.

These improvements followed signs of a soft patch in recent months – new order growth had been at a 16-month low in March. Relatively weak increases in new work in the first quarter of the year meant that companies were able to work through outstanding business in April. Backlogs of work decreased for the first time in nine months.

Rising output requirements encouraged firms to increase their purchasing activity and employment at the start of the second quarter. Job creation has now been recorded on a monthly basis throughout the past two years, with the latest solid rise in employment the most marked since June 2018.

Meanwhile, the rate of growth in purchasing activity accelerated sharply and was the fastest in three months. This supported a marked accumulation of stocks of purchases. Despite higher demand for inputs, suppliers' delivery times continued to shorten amid competition among vendors.

Relatively modest increases in both purchase prices and staff costs were registered in April. The passing on of higher input costs to customers led output prices to rise for the fortieth successive month. That said, here the rate of inflation was also muted.

Optimism around the 12-month outlook for output improved to a three-month high amid planned investment in operations and new products, as well as expected openings of new outlets.

The Nigeria PMI is endorsed and adopted by NBS.

Comment

Gbolahan Taiwo, Economist at Stanbic IBTC Bank commented:

"The faster rise we saw in the headline PMI didn't come as a surprise with business activities picking up post the elections related softening. There are early indications that some key macroeconomic indicators could also begin to recover on a broader basis. For one, price pressures have remained fairly muted over the past 4 months and this corroborates the stickiness we have seen in the headline inflation over the period. We believe there is scope for the headline inflation to trend downwards over the coming months barring any shocks. There has been a consistent rise in the employment sub index over the past 24 months, if these numbers are anything to go by, there is scope to see a moderation in the general unemployment numbers for Q4:18 and Q1:19 when they are released early May. In all likelihood, the improvement in business sentiments in the private sector could prove supportive for the economic growth dynamics over the course of the 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.

April 2019 data were collected 10-26 April 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.

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 (Nasdaq: 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.