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NATIONAL BUREAU OF STATISTICS

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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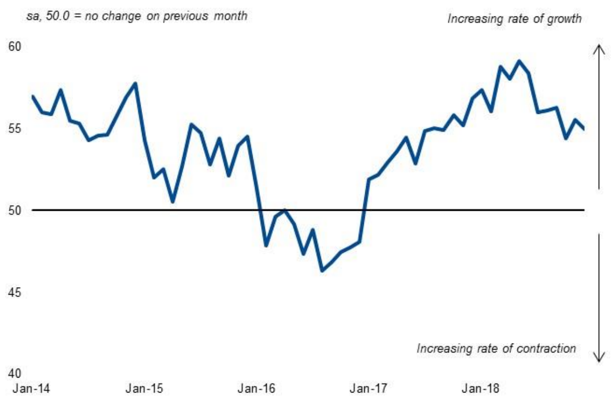
Stanbic IBTC Bank Nigeria PMI®

Growth remains marked, but softens in December

Data collected 5-19 December

- PMI at 55.0, below 2018 average
- Employment rises modestly amid near-record increase in staff costs
- Output price inflation strongest since January 2017

Stanbic IBTC Bank Nigeria PMI



Sources: Stanbic IBTC Bank, IHS Markit

The final month of 2018 saw sustained marked expansion in the Nigerian private sector. Output and new orders continued to rise strongly, albeit at weaker rates than seen earlier in the year. Despite sharp increases in workloads, companies raised employment only modestly amid a near-record increase in staff costs. Purchase price inflation also gathered pace during December, leading to the fastest rise in output prices in almost two years.

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.

Commenting on December's survey findings, Gbolahan Taiwo, Economist at Stanbic IBTC Bank said:

"The December reading of the Stanbic IBTC dropped to one of the lowest levels in 2018 at 55.0 and even lower than the year average of 56.8. A combination of a slight moderation in output and new orders ensured the lower reading recorded in December. Sure, we saw a definite improvement in business conditions for the Nigerian private sector in 2018 albeit from a low base after the economy exited recession in 2017; 2017 PMI index average stood at 54.2. However, the outlook for further growth in business conditions in 2019 still look rather benign at this point particularly given the anticipated political headwinds in the coming months. Foreign exchange liquidity and stability will remain a major pressure point for the Nigerian private sector in 2019 given the continued dependency on it for a good portion of their raw material."

The main findings of the December survey were as follows:

At 55.0 in December, the PMI signalled a further marked monthly improvement in the health of the Nigerian private sector, and one which extended the current sequence of strengthening business conditions to two years. That said, down from 55.5 in November, the reading pointed to a more modest improvement than was seen across 2018 as a whole (56.8).

Both output and new orders continued to rise sharply, albeit at weaker rates than were seen earlier in 2018. In both cases, panellists indicated that growth was driven by improvements in customer demand. In turn, rising new business led to a further accumulation of backlogs of work.

Despite continued strong growth of workloads, companies increased their staffing levels at a relatively modest pace. The rate of job creation did quicken, however, and was the fastest in four months.

Relatively muted hiring in December coincided with a solid rise in staff costs, and one that was the second-fastest in the survey's history behind the record seen in February 2014. Respondents indicated that wages had been raised in order to motivate workers.

Higher staff costs were part of a more general pick-up in inflationary pressures at the end of 2018. Purchase price inflation also quickened amid reports of rising raw material costs. In response to increased cost burdens, companies raised their output prices at a marked pace, and one that was the steepest since January 2017.

Firms responded to strong customer demand by raising their purchasing activity at a sharp and accelerated pace in December. Prompt orders and payments, alongside competition among suppliers, meant that vendor delivery times shortened to the greatest extent in six months. Strong rises in purchasing and quicker deliveries from suppliers led to the most marked accumulation of stocks of purchases since May.

-Ends-

For further information, please contact:

Stanbic IBTC Bank:

Gbolahan Taiwo, Economist, Research
Telephone +234 (1) 422 8290
Email Gbolahan.taiwo@stanbicibtc.com

Usman Imanah, Communications Manager
Telephone +234 7066 3172 67
Email usman.imanah@stanbicibtc.com

IHS Markit:

Andrew Harker, Associate Director
Telephone +44-1491-461-016
Email andrew.harker@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44-207-260-2234
Email joanna.vickers@ihsmarkit.com

Note to Editors:

The Stanbic IBTC Bank Nigeria Purchasing Managers' Index™ is based on data compiled from monthly replies to questionnaires sent to purchasing executives in approximately 400 private sector companies, which have been carefully selected to accurately represent the true structure of the Nigerian formal economy, including agriculture, manufacturing, services, construction and retail. The panel is stratified by Standard Industrial Classification (SIC) group, based on industry contribution to GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

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The Purchasing Managers' Index (PMI®) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

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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 https://ihsmarkit.com/products/pmi.html.

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