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Stanbic IBTC Bank Nigeria PMI®

Private sector growth continues in April

Key findings

Output and new orders rise solidly

Backlogs deplete at second-fastest rate on record

Overall input price inflation quickens to series high

Data were collected 12-28 April 2021

April data revealed another solid overall expansion in the Nigerian private sector, underpinned by further growth in output and new orders. Firms added to their workforces and inventory holdings in anticipation of greater demand, while vendor performance improved further. A rise in headcounts allowed firms to clear their backlogs, with the rate of depletion the second-sharpest in the seven-year history of the survey.

Inflationary pressures continued to build however, with material shortages contributing to the sharpest overall rate of inflation in the series to date. Firms responded by raising selling prices to protect their profit margins.

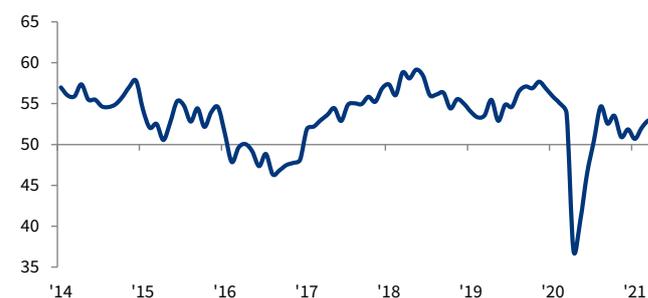
The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI®). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

At 52.9 in April, the headline PMI registered a rate of growth that was unchanged from that in March and extended the period of expansion to ten consecutive months.

Higher domestic demand led to a rise in new orders, with the rate of growth substantial in April. This supported another expansion in output, albeit one that was softer than that in March. Sector data revealed that agriculture posted the fastest rise in output followed by services and

PMI

sa, >50 = improvement since previous month



Sources: Stanbic IBTC Bank, IHS Markit.

manufacturing respectively. Wholesale & retail meanwhile recorded a decline.

To support the sustained growth in output, firms increased their purchasing activity, with the rate of growth the quickest in 14 months. According to panellists, expectations of higher customer numbers, and business expansion plans fuelled stockpiling efforts. Lead times shortened, meanwhile, with quiet road conditions and increased competition amongst vendors often mentioned.

Amid efforts to expand output, Nigerian private sector firms added to their headcounts at the start of the second quarter. The rate of growth was solid and the sharpest in nearly three years. A rise in employment also contributed to a marked reduction in backlogs, which fell at the second-sharpest rate on record.

Elsewhere, price pressures intensified with overall input price inflation quickening to the fastest in the series. Material scarcity in particular, and higher staff costs, were linked to the uptick. Subsequently, firms raised selling prices to protect their profit margins.

Finally, sentiment regarding the year ahead remained upbeat, with plans to expand operations and invest in marketing fuelling hopes. That said, expectations were below the long-run series average suggesting uncertainty surrounding the economic impact of COVID-19 weighed on optimism.

Comment

Gbolahan Taiwo, Economist at Stanbic IBTC Bank commented:

“The Stanbic IBTC PMI reading at 52.9 in April continues to suggest improved private sector activity as the Nigerian economy continues its recovery following the economic fall-out of the pandemic. Although the rate of increase in output and new orders softened slightly compared to March, a respective 53.8 and 56.0 for both sub categories still shows solid expansion, inferring overall aggregate demand is improving. According to the sectoral analysis, Agriculture recorded the fastest pace of output growth during the month while the services and manufacturing sectors also showed signs of expansion. In all likelihood, the Agriculture sector will continue the strong rate of growth, such as was witnessed during the 4th quarter of 2020. However, rising food inflation could perhaps suggest supply chain disruptions and infrastructural bottlenecks as opposed to disruption to actual output. Another key positive from the April reading is the solid pace of expansion in the Employment sub-index, suggesting that companies have started hiring again. Although, this is off a low base, it could sure complement the improvement in general level of aggregate demand over the 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.

Data were collected 12-28 April 2021.

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.

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