

Embargoed until 0945 WAT (0845 UTC) 5 February 2020

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

## Nigerian private sector sees positive start to 2020

### Key findings

New orders rise sharply, albeit at softer pace

Modest increase in employment

Purchase price inflation at 15-month high

Nigerian companies continued to experience improving business conditions at the start of 2020, despite growth momentum softening. New orders and business activity rose sharply again, but a relatively modest increase in employment led to a build-up of outstanding business. The rate of input cost inflation accelerated, with firms raising their selling prices at a solid pace as a result.

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.

The headline PMI registered 55.9 in January to signal a marked improvement in operating conditions for companies in the Nigerian private sector. Business conditions have now strengthened in 37 consecutive months. That said, the latest reading was down from 56.8 in December and pointed to the softest improvement since last July.

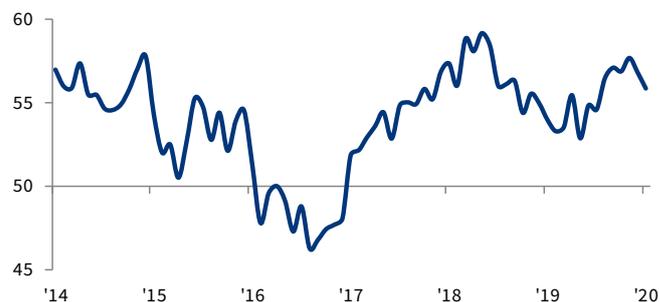
Strengthening customer demand was widely reported by panel members in the latest survey period, supporting further increases in both new orders and business activity.

New business rose at a sharp pace, although the rate of expansion eased for the fourth successive month and was the weakest since May 2019.

The rate of growth in activity also softened and was the slowest in five months. Output has now increased in each

PMI

sa, >50 = improvement since previous month



Sources: Stanbic IBTC Bank, IHS Markit.

of the past 37 months.

Sustained sharp rises in new orders fed through to an increase in backlogs of work in January, with the rate of accumulation picking up to a 14-month high. Some panellists reported that workforce numbers were insufficient to cope with inflows of new work. Despite this, companies raised employment at only a modest pace, and one that was softer than seen in December.

The rate of purchase cost inflation quickened to a 15-month high in January, with panellists mainly linking the latest rise to a combination of increased demand for inputs and product shortages. Purchasing activity increased at a substantial pace again as firms responded to stronger client demand.

Despite a further marked expansion of purchasing activity, suppliers' delivery times continued to shorten as vendors faced pressure to speed up deliveries or face losing contracts. This enabled Nigerian companies to expand inventories.

A rise in overall input costs encouraged firms to increase their selling prices at the start of the year. Charges were up solidly, with the rate of inflation unchanged from the previous month.

Finally, companies remained confident that output will rise over the coming year amid investment plans and predictions of expanded operations.

## Comment

Gbolahan Taiwo, Economist at Stanbic IBTC Bank commented:

*“The Nigerian private sector PMI although printed at 55.9 in January, was at a 6-month low. The pace of growth for the output and new orders sub-index have steadily declined since November; printing at 61.3 and 59.3 from 65.7 and 62.6 respectively. A number of factors could have resulted in the slowdown in economic activities. Most notable is the border closures between Nigeria and some its neighboring countries which took effect in September. The impact of these border closures have also been felt in the recent upward trajectory in the headline inflation owing to the supply shortages which has impacted food inflation mostly. However, expectations will be that domestic production could be ramped up in a bid to cover some of the supply shortages at the incidence of the border closures. The impact of which could be felt in the headline PMI over the next few months. Also, with the country’s budget cycle now moved to a January to December cycle, we expect that fiscal releases for capital projects should come in earlier and quicker and this will prove supportive for the manufacturing and construction sectors. It is very likely that the pressures on prices will remain for most of the year partly as the borders remain closed along with proposed VAT and electricity tariff increases.”*

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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.

January data were collected 13-29 January 2020.

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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