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NATIONAL BUREAU OF STATISTICS

News Release

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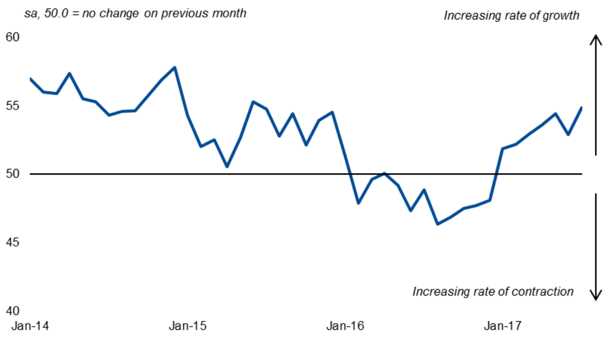
Stanbic IBTC Bank Nigeria PMI®

Nigerian private sector growth hits two-year high

Data collected 12-27 July

- Headline PMI rises to 54.8 in July, from 52.9
- Strong expansions in output and new orders
- Slight contraction in new export orders

Stanbic IBTC Bank Nigeria PMI



Sources: Stanbic IBTC Bank, IHS Markit

July's PMI® survey signalled the sharpest overall improvement of business conditions in the Nigerian private sector for two years, as the economy extended the upturn seen throughout 2017. The latest upswing stemmed from steep expansions in output and new orders, growth of which were at 24- and 25-month highs respectively. Job creation was at its strongest in a year, although employment growth remained marginal overall. On the price front, input and output price inflation remained below their historical averages despite rising slightly in the latest survey.

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 54.8 in July, the headline PMI rose above June's reading of 52.9 indicating a strong start to the third quarter of 2017. Furthermore, the latest survey signalled the sharpest expansion in the Nigerian private sector since July 2015.

Commenting on July's survey findings, Ayomide Mejabi, Economist at Stanbic IBTC Bank said:

"Nigeria's private sector growth remains steady as the Stanbic IBTC Bank PMI rose to 54.8 in July, from an average 53.0 between January and June 2017. The positive PMI readings suggest that the Nigerian economy continues to recover from an economic recession which was prompted by an oil price collapse-induced shock to the terms of trade. Given improvements to Nigeria's trade balance in recent months as a result of improvement in oil prices as well as production volumes, the economy is expected to move back into moderate growth of around 1.0% year-on-year in 2017. That said, effective monetary policy tightness is expected to hinder a more robust economic recovery in the short term as arguably, authorities continue to prioritise FX rate and price stability over faster economic growth."

The main findings of the July survey were as follows:

Output grew sharply in July, indicated by the rate of expansion hitting a two-year high. Many of the Nigerian panellists noted strong customer demand as a key factor behind the latest increase.

The level of new orders received by Nigerian private sector firms increased at the sharpest rate in 25 months in July. Anecdotal evidence pointed towards stronger domestic demand for Nigerian-produced goods and services compared to that seen in export markets. This was signalled by a fall in the level of new orders from abroad in July.

Input price inflation was at a four-month during the latest survey period. The rate at which average cost burdens in the Nigerian private sector increased was solid overall. Anecdotal evidence pointed towards rising raw material costs as a primary cause.

Output charge inflation rose in July, ending the sequence of softening output price inflation seen over the previous seven months. The rate of inflation was solid overall, albeit below the historical average.

To support rising output requirements faced by firms operating in the Nigerian private sector, job creation was at a 12-month high in July. However, the rate of growth was only slight overall and remained below the survey's long-run average.

Backlogs of work increased at the fastest rate for 20 months in July. Anecdotal evidence suggested capacity shortages at Nigerian private sector firms.

Finally, there was sharp growth in buying activity during the latest survey period, as firms responded to rising production requirements.

-Ends-

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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'.

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 30 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 www.markit.com/product/pmi.

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