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NATIONAL BUREAU OF STATISTICS

News Release

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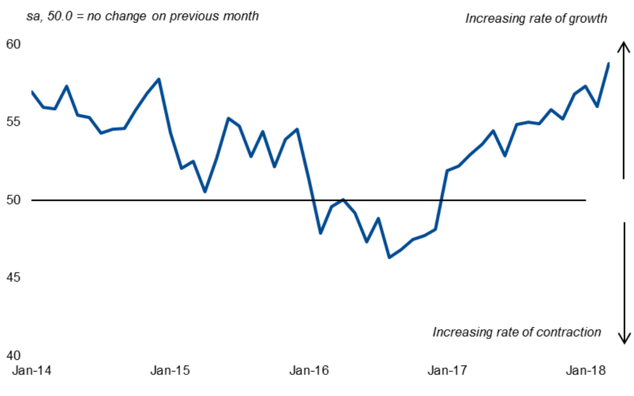
Stanbic IBTC Bank Nigeria PMI®

PMI hits record high in March

Data collected 12-27 March

- Headline PMI accelerates to 58.8 in March, from 56.0
- Inflows of new orders grow at record pace
- Unprecedented job creation as firms look to increase output capacity

Stanbic IBTC Bank Nigeria PMI



Sources: Stanbic IBTC Bank, IHS Markit

Private sector business conditions in Nigeria improved at an unparalleled rate in March, led by record growth in new orders, employment and stocks of purchases. Panel respondents frequently noted an upturn in demand across the domestic market, whilst new export orders also returned to growth in the latest survey. Price pressures sharpened in March, with both input and output charge inflation registering above their respective long-run averages.

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 March's survey findings, Ayomide Mejabi, Economist at Stanbic IBTC Bank said:

"In March, the Stanbic IBTC Bank PMI hit a new record. The reading rose to 58.8 from 56.0 in Feb and 53.0 in Mar 17 due to a combination of substantial increases in new orders and consequently a rise in output levels. The positive momentum was broad based as it also resulted in an increase in employment levels as that sub-index rose at a record pace to 56.1 from 54.0 in Feb and 50.1 a year ago. This rise in employment appeared to be in response to the increase in new orders. Furthermore, the availability of FX coupled with declining inflation expectations should continue supporting Nigeria's economy. The output prices PMI corroborates our benign inflation outlook as it rose at a moderate pace, from 53.9 in Feb to 54.2 in March. We still expect headline inflation to moderate to the 13.0% handle by the end of the year, despite marginal upward pressure which the increase in excise duties on alcoholic beverages and tobacco will exert. This category accounts for only 1% of the inflation basket."

The main findings of the March survey were as follows:

At 58.8, up from 56.0 in February, the figure accelerated to a record high in March, signalling the fastest improvement in business conditions since the survey began in January 2014. Furthermore, the first quarter of 2018 indicated the strongest quarterly expansion on record.

Inflows of new business received by private sector firms was a key component of the latest expansion. The rate of growth was unprecedented in March, with many firms reporting a strong upturn in domestic economic conditions. New order books have been improving continuously since the start of 2017. Meanwhile foreign demand returned to expansion in the latest survey.

In response to record inflows of new orders, firms increased output at a sharp rate. The rate of expansion was strong overall and the third-fastest since the survey's inception.

Reflecting the increase in output requirements, firms hired additional staff at a record pace in March. Job creation has been recorded in every month since May last year. Despite the increase in staff numbers, inflows of new orders outpaced output capacity, as indicated by a solid increase in backlogs of work in the latest survey.

In terms of inflation, average cost burdens increased at a historically elevated pace in March. The rate of input inflation was the fastest recorded for 49 months and was comprised of both rising staff costs and higher raw material prices.

Output charge inflation remained marked in the latest survey, although still well below the highs registered in 2016. According to anecdotal evidence, some firms increased selling prices to increase profit margins.

Buying activity also increased at a record rate in March. Firms increased input purchasing in anticipation of an expected upturn in demand, alongside the current strong level of new orders. Reflecting input buying growth, stocks of purchases accumulated at an unparalleled rate. Despite increasing demand for inputs, supplier delivery times improved to a record extent.

-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 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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