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News Release

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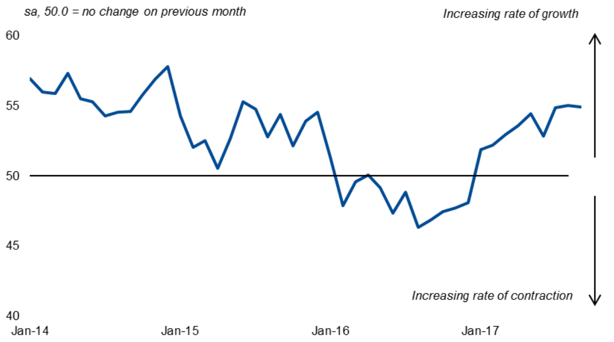
Stanbic IBTC Bank Nigeria PMI®

Sharp growth signalled in Nigerian private sector

Data collected 12-27 September

- Headline PMI remains strong at 54.9
- Steep expansions in both new business and output
- Output price inflation accelerates to seven-month high

Stanbic IBTC Bank Nigeria PMI



Sources: Stanbic IBTC Bank, IHS Markit

The Nigerian private sector ended its best quarter since the end of 2014 on a strong footing. The improvement in business conditions in September was driven by steep expansions in both output and new business. Meanwhile, new export orders grew for the first time in three months and job creation accelerated to its fastest in almost two years. On the price front, input cost inflation continued to ease, while output charge inflation ticked up to the sharpest since February.

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 54.9 in September, the headline PMI was down only fractionally from 55.0 in August. The figure was the second-strongest recorded in 2017 so far and represented a sharp improvement in the health of the Nigerian private sector. The PMI also registered 54.9 over Q3 as a whole, the highest quarterly average since Q4 2014.

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

"The improvement in private sector activity in Nigeria this year, as measured by the Stanbic IBTC Bank PMI, remains intact. The headline PMI reached 54.9 in September from 55.0 in August due to solid expansions in new orders and output. In addition to strong output levels, employment growth continued to recover as growth in backlogs of work returned, thus signalling a return of the economy into growth territory. However, despite the relatively more supportive business environment, economic growth is still expected to only rebound moderately towards 0.7% y/y in 2017 before rising towards the 2.5% y/y region next year. Interestingly, output prices are rising once more, perhaps suggesting that our expectation that going forward, headline inflation will probably moderate at a slower pace may not be out of place."

The main findings of the September survey were as follows:

Despite softening in the latest survey, output growth remained steep in September. Anecdotal evidence suggested that the expansion was partly driven by increasing demand for goods and services produced in Nigeria.

In line with the trend seen for output, inflows of new business also rose at a steep rate. The pace of growth accelerated since August and was above the series' long-run average. Survey data suggest that new orders were mostly from the domestic market. That said, new orders from abroad returned to growth in September, albeit with only a fractional expansion overall.

Nigerian private sector firms continued to hire additional staff to meet rising output requirements. Moreover, job creation accelerated in September and was the fastest since December 2015. The latest data marked the fifth month in a row that employment growth has been registered. In the context of historical data, it rose above the long-run average.

Staff wage inflation, along with higher input costs, contributed towards the latest rise in average cost burdens faced by Nigerian private sector firms. That said, the overall rate of increase was the slowest recorded for since January 2016.

Contrary to the trend seen for input prices, output charges inflation accelerated to a seven-month high in September. Selling prices have increased in every month since January 2016.

Supplier delivery times improved during the latest survey, after a deterioration in vendor performance was recorded in August. Wait times only improved marginally overall, however.

Buying activity rose at a sharp rate in September. Some panel members reported that this was in response to rising output 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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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 www.markit.com/product/pmi.

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