News Release

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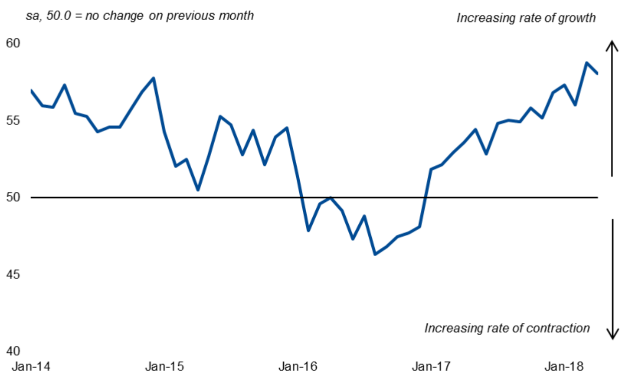
Stanbic IBTC Bank Nigeria PMI®

Private sector output grows at survey-record rate

Data collected 12-26 April

- Headline PMI at 58.1 in April, easing from 58.8 in March
- Record rates of output and purchasing activity growth
- Input price pressures sharpen to 50-month high

Stanbic IBTC Bank Nigeria PMI



Sources: Stanbic IBTC Bank, IHS Markit

The Nigerian private sector started the second quarter on a solid footing, with respondents noted a sharp improvement in business conditions during April. In fact, the latest expansion was the second-strongest since the survey began, following the all-time high registered in March. Record output growth and marked improvements in new orders and employment all contributed to the latest expansion. On the price front, input cost inflation sharpened whilst output charge inflation eased, reflecting comments of a budget squeeze from some businesses.

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

"The Stanbic IBTC Bank headline PMI continued to show that the Nigerian economy is still on a strong recovery path despite easing to 58.1 in April from a record 58.8 in March. In fact the data shows that private sector output grew at a strong pace despite the fact that new orders grew at a slightly slower pace. On the other hand, new export orders jumped markedly in April probably due to a combination of both oil and non-oil exports. Output prices rose at quite a sluggish pace suggesting that the recent trend of lower headline inflation readings should continue, perhaps paving the way for a first policy rate cut by the central bank in years. In any case, the central bank has begun an effective easing in monetary conditions with Treasury bill rates now offering yields of around 13% from about 18% in November 2017. The more supportive commodity price environment coupled with a functional foreign exchange regime and easier monetary conditions should result in a better than expected recovery in the Nigerian economy."

The main findings of the April survey were as follows:

At 58.1 in April, down from 58.8 in March, the latest figure was indicative of a sharp improvement in the health of the private sector. Moreover, the implied rate of growth was the second-strongest since data collection began in January 2014. The latest finding extended the current phase of expansion to 16 months.

April data signalled a record pace of output growth in the Nigerian private sector. According to anecdotal evidence, sustained strong inflows of new business led to higher output requirements. Output has risen continuously since January 2017.

Reflecting unprecedented output growth, the quantity of purchases increased at a record rate as firms ramped up production in April. That said, capacity pressures remained solid, signalled by a rise in backlogs of work for the eighth month running.

Incoming new business continued to grow at a sharp rate during April. Although the rate of growth eased since the record high recorded in March, the latest expansion was the second-strongest in the survey's near four-and-a-half year history. Meanwhile, increasing foreign demand was registered for the second month running.

Although job creation softened from the survey high recorded in March, employment growth remained marked overall. Some firms noted that they hired additional staff to raise operating capacity.

Average cost burdens faced by Nigerian private sector businesses increased at a sharp rate in April. Moreover, the rate of inflation was the steepest registered since February 2014. Despite this, companies raised their output charges at only a marginal rate overall, as some respondents noted that they had implemented price discounting to stimulate client demand.

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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 https://ihsmarkit.com/products/pmi.html.

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