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Stanbic IBTC Bank
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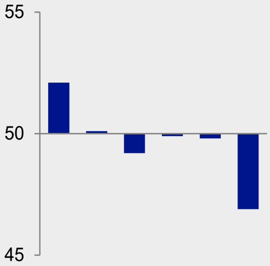
Stanbic IBTC Bank Nigeria PMI®

Output falls at fastest pace in 19 months amid intense cost pressures

46.9

NIGERIA PMI
OCT '24

PMI
May - Oct '24
sa, >50 = improvement



Third-fastest rise in overall input prices on record

Output and new orders down to greatest extent since March 2023

Business sentiment at record low

Severe inflationary pressures caused an intensification of the downturn in the Nigerian private sector at the start of the final quarter of the year. Overall input costs rose at one of the sharpest rates on record, with selling prices increased accordingly. This resulted in marked reductions in new orders and business activity, while business sentiment was the lowest in the survey's history. More positively, firms increased their staffing levels marginally despite the drop in workloads.

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.

The headline PMI dropped to 46.9 in October from 49.8 in September, and signalled a marked deterioration in business conditions that was the most pronounced since March 2023.

Central to the worsening business environment in October was an intensification of already-strong inflationary pressures. Overall input prices surged higher, with the latest rise the third-fastest in the survey's history.

A steep increase in purchase costs reflected currency weakness and higher prices for fuel and transportation. Meanwhile, efforts to help workers with rising living costs meant that staff pay was increased to the greatest extent in seven months.

Faced with sharply rising input costs, Nigerian companies increased their own selling prices rapidly too. The rate of charge inflation was the fastest since March and fourth-strongest on record.

Steep price rises had a severe impact on customer demand, and new orders declined for the first time in three months. Moreover, the rate of contraction was the sharpest since March 2023.

Stanbic IBTC Bank Nigeria PMI
sa, >50 = improvement since previous month

PMI® by S&P Global

NATIONAL BUREAU OF STATISTICS

The Nigeria PMI is endorsed and adopted by NBS.

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Business activity also decreased to the largest extent in 19 months, with only the agriculture sector bucking the wider trend to record a rise in output.

Sharp falls in output and new orders dented business confidence in October, with sentiment falling to the lowest on record.

Companies continued to increase their staffing levels, however, raising employment for the sixth month running, albeit modestly. Some firms took on staff on a short-term basis to make sure work was finished on time, but others reduced workforce numbers amid cost pressures.

Price pressures meanwhile contributed to a reduction in purchasing activity, with firms scaling back their input buying in response to falling client demand. The marked fall in purchasing was the most pronounced since March 2023. In turn, stocks of inputs also decreased, and for the third month running.

Finally, weak demand for inputs, competition among suppliers and prompt payments meant that lead times on the delivery of inputs continued to shorten.

Comment

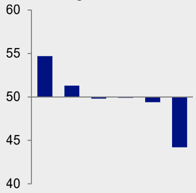
Muyiwa Oni, Head of Equity Research West Africa at Stanbic IBTC Bank commented:

"Nigeria's private sector activity worsened further in October, with the headline PMI settling at a 19-month low of 46.9 points from 49.8 in September. The notable reason for this worsening business environment in October was an intensification of already-strong inflationary pressures, reflecting currency weakness and higher prices for fuel and transportation. Consequently, there was a marked reduction in new orders and business activity, while business sentiment was the lowest since the survey began in January 2014. Three of the four monitored sectors saw output fall, with only the agriculture sector bucking the wider trend to record a rise in output. Despite a sharp fall in new orders during October, Nigerian companies continued to increase their staffing levels slightly, thereby extending the current sequence of job creation to six months.

The downturn in the business environment worsened at the start of Q4:24, still reflecting the impact of price pressures on consumer demand and business investments. Currency pressures and high interest rates are further intensifying the lingering pressure on the private sector. This continues to imply that the non-oil sector's growth will remain weak, although improved crude oil production relative to the prior year may compensate for this lacklustre non-oil sector's performance."

Output and demand

Output
Index
May - Oct '24
sa, >50 = growth

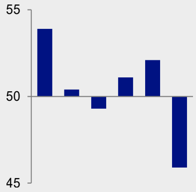


Output

The rate of decline in private sector output in Nigeria gathered pace in October, quickening to a marked rate that was the most pronounced since March 2023. Respondents indicated that challenging economic conditions and high prices had deterred customers, thereby feeding through to reduced activity. Three of the four monitored sectors saw output fall, the exception being agriculture.

Output Index
sa, >50 = growth since previous month

New Orders
Index
May - Oct '24
sa, >50 = growth



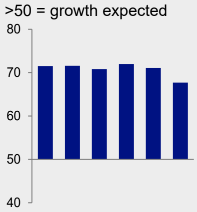
New orders

A recent two-month period of increasing new business came to an abrupt end in October as new orders decreased solidly. In fact, the rate of contraction was the sharpest in just over a year-and-a-half. Panellists reported low customer demand amid rapid inflation.

New Orders Index
sa, >50 = growth since previous month

Business expectations

Future
Output Index
May - Oct '24
>50 = growth expected

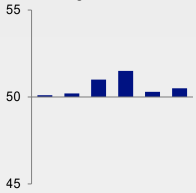


Sharp falls in output and new orders resulted in a further decline in business sentiment in October. Moreover, confidence was the lowest since the survey began in January 2014, dropping below the previous nadir seen in July. Those respondents that expect output to rise over the coming year linked this to business expansion and investment plans. Wholesale & retail posted the lowest optimism of the four monitored sectors.

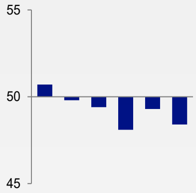
Future Output Index
>50 = growth expected over next 12 months

Employment and capacity

Employment Index
May - Oct '24
sa, >50 = growth



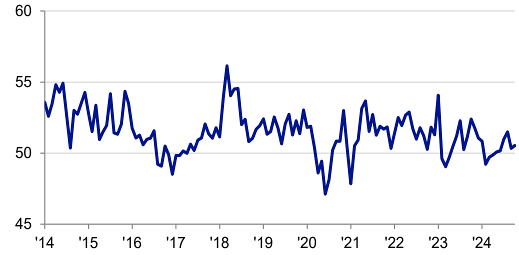
Backlogs of Work Index
May - Oct '24
sa, >50 = growth



Employment

Despite a sharp fall in new orders during October, Nigerian companies continued to increase their staffing levels slightly, thereby extending the current sequence of job creation to six months. Some companies reported taking on staff on a short-term basis to help complete work on time. In contrast, other firms reduced employment due to cost pressures. Workforce numbers rose in the agriculture and services sectors, but fell in manufacturing and wholesale & retail.

Employment Index
sa, >50 = growth since previous month



Backlogs of work

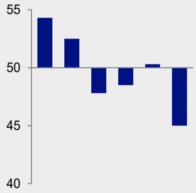
Lower new orders meant that companies were able to work on outstanding business in October, with a number of respondents indicating that all backlogs had been cleared during the month. Work-in-hand has now decreased in each of the past five months. The latest fall was modest, but slightly sharper than in September.

Backlogs of Work Index
sa, >50 = growth since previous month

Purchasing and inventories

Quantity of
Purchases Index

May - Oct '24
sa, >50 = growth



Quantity of purchases

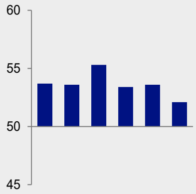
October data pointed to a renewed fall in purchasing activity, following a first increase in three months during September. Moreover, the decline was marked and the sharpest since March 2023. Anecdotal evidence suggested that the decline in purchasing was due to a combination of falling customer demand and high prices for inputs.

Quantity of Purchases Index

sa, >50 = growth since previous month

Suppliers' Delivery
Times Index

May - Oct '24
sa, >50 = faster times



Suppliers' delivery times

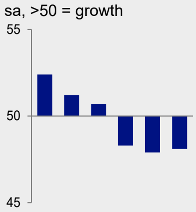
As has been the case in each month since March 2023, suppliers' delivery times shortened in October. That said, the latest improvement in vendor performance was the least marked in eight months. The latest shortening of lead times reflected a range of factors, including competition among suppliers, prompt payments and falling demand for inputs.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month

Stocks of
Purchases Index

May - Oct '24
sa, >50 = growth

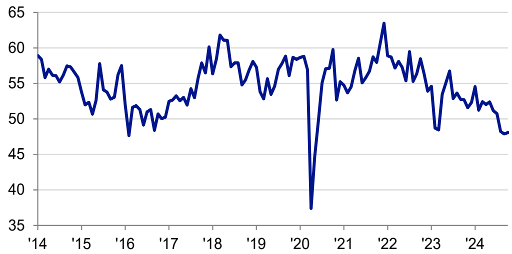


Stocks of purchases

Lower output requirements and the high cost of inputs led companies in Nigeria to scale back their inventory holdings during October, the third month running in which this has been the case. The latest fall was modest and broadly in line with those seen in August and September.

Stocks of Purchases Index

sa, >50 = growth since previous month

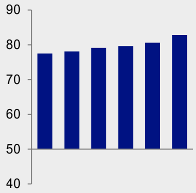


Prices

Input Prices Index

May - Oct '24

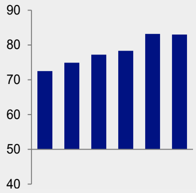
sa, >50 = inflation



Purchase Prices Index

May - Oct '24

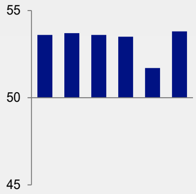
sa, >50 = inflation



Staff Costs Index

May - Oct '24

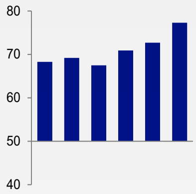
sa, >50 = inflation



Output Prices Index

May - Oct '24

sa, >50 = inflation



Input prices

The rate of overall input cost inflation quickened for the sixth month running in October and was the fastest since March. In fact, the latest increase was the third-highest on record. Wholesale & retail posted the steepest rise in overall input costs of the four monitored sectors, while manufacturing was the only one to see the pace of inflation soften from September.

Input Prices Index

sa, >50 = inflation since previous month

Purchase prices

Purchase costs increased at one of the sharpest rates on record in October, with the pace of inflation broadly similar to that seen in the previous survey period. Currency weakness was a key factor behind the latest rise in purchase prices, while there were widespread reports of higher fuel and transportation costs. Around two-thirds of respondents signalled a rise in purchase prices during the month.

Purchase Prices Index

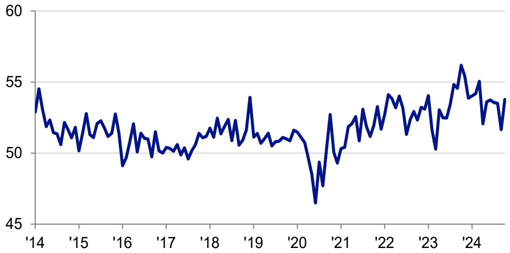
sa, >50 = inflation since previous month

Staff costs

Staff costs increased solidly in October, with the rate of inflation accelerating to a seven-month high. Adjustments in line with higher living costs, and transportation specifically, were behind the latest rise in staff pay. Stronger increases were seen across each of the four broad sectors.

Staff Costs Index

sa, >50 = inflation since previous month



Output prices

The rate of output price inflation quickened markedly over the course of the month, reaching the highest since March and fourth-fastest in the survey history. Approximately 57% of panellists raised their selling prices in October, reflecting the pass-through of higher input costs to customers.

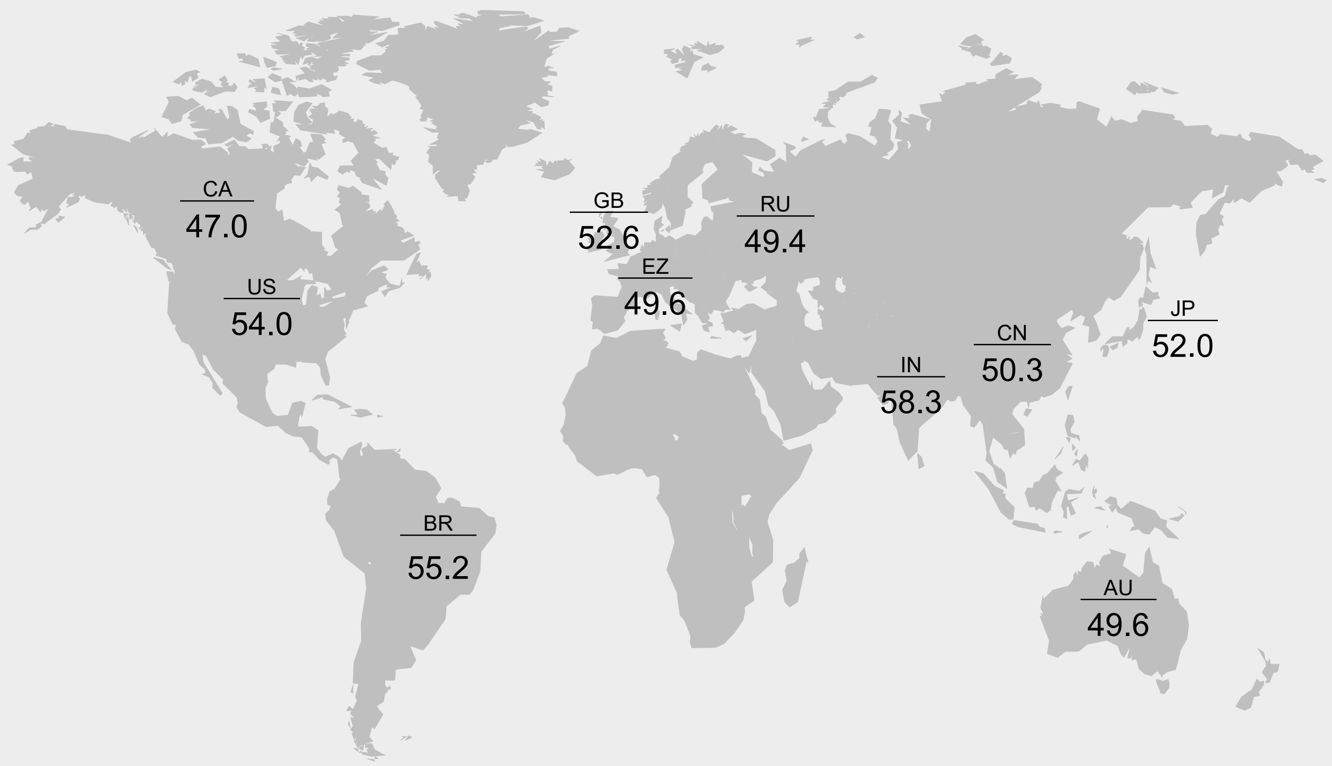
Output Prices Index

sa, >50 = inflation since previous month

International PMI

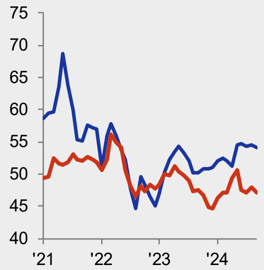
Composite Output Index, Sep '24
sa, >50 = growth since previous month

The Composite Output Index is a GDP-weighted average of the Manufacturing Output Index and the Services Business Activity Index.

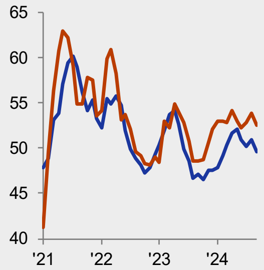


Composite Output Index

USA
Canada
sa, >50 = growth

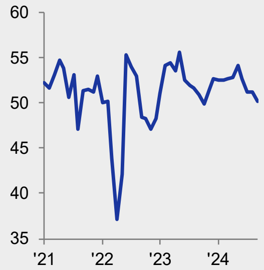


Eurozone
UK
sa, >50 = growth

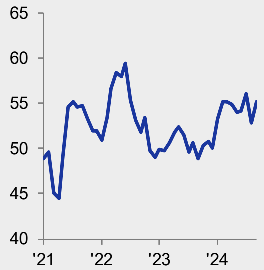


Russia
sa, >50 = growth

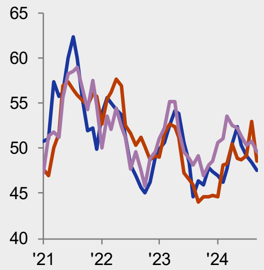
China
sa, >50 = growth



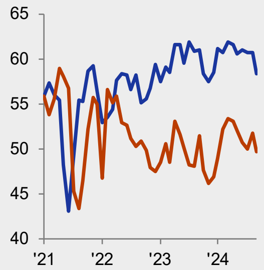
Brazil
sa, >50 = growth



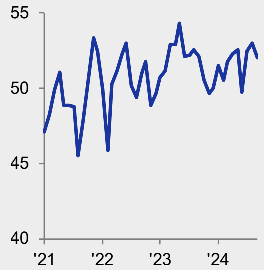
Germany
Italy
France
sa, >50 = growth



India
Australia
sa, >50 = growth



Japan
sa, >50 = growth



The Nigeria PMI is endorsed and adopted by NBS.

Survey methodology

The Stanbic IBTC Bank Nigeria PMI® is compiled by S&P Global 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. Data were first collected January 2014.

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.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

Survey dates

Data were collected 10-29 October 2024.

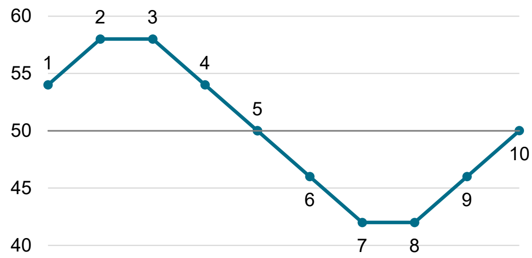
Survey questions
Private sector

Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

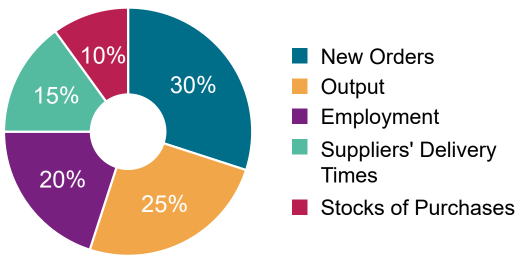
% "Higher" + (% "No change")/2

Index interpretation
50.0 = no change since previous month



1 Growth	6 Decline, from no change
2 Growth, faster rate	7 Decline, faster rate
3 Growth, same rate	8 Decline, same rate
4 Growth, slower rate	9 Decline, slower rate
5 No change, from growth	10 No change, from decline

PMI component weights



Sector coverage
PMI data include responses from companies operating in sectors classified according to the following ISIC Rev.4 codes:

A	Agriculture, Forestry and Fishing	K	Financial and Insurance Activities
B	Mining and Quarrying	M	Professional, Scientific and Technical Activities
C	Manufacturing	N	Administrative and Support Service Activities
F	Construction	P	Education*
G	Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	Q	Human Health and Social Work Activities*
H	Transportation and Storage	R	Arts, Entertainment and Recreation
I	Accommodation and Food Service Activities	S	Other Service Activities
J	Information and Communication		

*Private sector

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About Stanbic IBTC Bank
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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today. www.spglobal.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.
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