News Release

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Stanbic IBTC Bank Nigeria PMI®

New orders rise as inflationary pressures ease

Key findings

Modest growth of output and new business

Rates of increase in input costs and output prices slow sharply

Staffing levels broadly stable

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sa, >50 = improvement since previous month

Sources: Stanbic IBTC Bank, S&P Global PMI.
Data were collected 11-26 April 2024.

Inflationary pressures softened in the Nigerian private sector during April, following record increases in purchase costs and selling prices in March. Rates of inflation remained elevated, however, and limited growth of output and new orders as well as leading some firms to reduce employment.

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 ticked up to 51.1 in April from 51.0 in March, pointing to a fifth consecutive monthly improvement in business conditions in the Nigerian private sector, but one that was only slight overall.

Conditions for firms continued to be heavily influenced by movements in the naira and the subsequent impact on prices. An improvement in the strength of the currency over the past month led to sharp slowdowns in rates of increase in purchase prices and output charges, although inflationary pressures remained substantial nonetheless. The latest rise in selling prices was the softest in just under a year. Slower price increases were seen across all four broad sectors covered by the survey.

Although price increases were less pronounced than in March, the extent of inflationary pressures continued to limit rates of growth in output and new orders in April, both of which were unchanged from the previous month.

Agriculture and manufacturing both saw output increase sharply, while wholesale & retail activity also rose. On the other hand, services activity decreased.

As well as seeing purchase cost inflation soften in April, firms also saw a slower rise in employee expenses. Staff costs increased modestly, and at the weakest pace in 13 months. Nevertheless, cost pressures led some companies to reduce staffing levels. This was broadly cancelled out by hiring

Comment

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

"Nigeria's private sector activity started the second quarter on strong, albeit modest footing as the slower rate of price increases supported a rise in the growth of new orders. Notably, the USD/NGN pair appreciated by 22.5% m/m to an average 1,236.05 in April. This provided support for a slowdown in the pace of price increases more so that the conditions for firms continued to be heavily influenced by movements in the naira and the subsequent impact on prices. Still, inflationary pressures remain at record highs, suggesting limited headroom for private sector activity to improve substantially. Accordingly, the headline PMI ticked up to 51.1 in April from 51.0 in March, pointing to a fifth consecutive monthly improvement in business conditions in the Nigerian private sector, but one that was only slight overall."

"Based on our current estimates, headline inflation is already nearing its peak, which is likely to occur in May. This, in conjunction with tight monetary conditions could constrain household consumption and business investments. On tight monetary conditions, the odds are in favour of further rate hikes by the Monetary Policy Committee (MPC) of the CBN at their May policy meeting. Consequently, we expect to see moderation in the growth of interest-rate sensitive sectors like the manufacturing, construction, real estate, and trade. Accordingly, we maintain our expectation that the non-oil sector's growth will moderate in 2024 relative to 2023. Overall, we estimate that the Nigerian economy will grow by 2.9% in 2024."

elsewhere, however, meaning that overall employment was little changed in April following falls in February and March.

The sustained absence of job creation at a time of rising new orders meant that backlogs of work accumulated for the second month running. Delays were also caused by issues securing materials due to higher prices and difficulties receiving payment for orders from customers.

Rising new orders led to modest expansions in purchasing activity and inventory holdings at the start of the second quarter of the year. Meanwhile, suppliers' delivery times continued to shorten, thanks to prompt payments and competition among vendors.

Although investment in business expansions, higher new orders and advertising activity are all expected to lead to growth of output over the coming year, sentiment ticked down from March and remained among the lowest in the series history. Nevertheless, just over half of respondents predicted an increase in activity over the next 12 months.

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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.

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.
www.spglobal.com/marketintelligence/en/mi/products/pmi

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