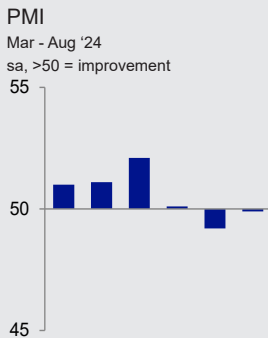


# Stanbic IBTC Bank Nigeria PMI<sup>®</sup>

## Output fails to grow, but new orders tick higher

# 49.9

NIGERIA PMI  
AUG '24



### Modest increase in new business

### Private sector activity down fractionally

### Sharper rises in input costs and output prices

Business conditions in the Nigerian private sector were broadly stagnant in August. Although new orders returned to growth, the rate of expansion was only modest and insufficient to result in a rise in business activity, which fell fractionally. Employment continued to increase, however, as firms worked through outstanding business at a faster pace.

Companies continued to contend with sharply rising input costs, with the rate of inflation quickening since July. In turn, firms increased their own selling prices at a faster pace.

The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI<sup>®</sup>). 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 49.9 in August from 49.2 in July, but remained just below the 50.0 no-change mark

and signalled a broadly stable picture for business conditions in the Nigerian private sector.

The stagnation in overall operating conditions was in line with the trend in business activity, which decreased fractionally for the second consecutive month. Companies reported that demand remained muted amid strong inflationary pressures, but there were some signs of encouragement as new orders returned to growth.

New business was up slightly, reversing a decline seen in July. That said, the pace of expansion was much softer than the series average. New business rose across three of the four monitored sectors, the exception being services.

Employment also increased, extending the current sequence of job creation to four months. Although modest, the latest rise in staffing levels was the fastest since last November.

Rising staffing levels and muted new

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



## Contents

- Overview and comment
- Output and demand
- Business expectations
- Employment and capacity
- Purchasing and inventories
- Prices
- International PMI
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- Further information

order inflows meant that firms were able to deplete their backlogs of work at the joint-fastest pace since June 2022.

Input costs rose rapidly again midway through the third quarter. The rate of purchase cost inflation hit a five-month high amid increases in prices for materials and transportation, with cost pressures exacerbated by currency weakness. Staff costs were also up as firms increased pay in response to higher living costs.

Higher input costs were often passed on to customers, and output prices subsequently increased at the sharpest

pace in five months.

Sharply rising material costs and muted demand led firms to scale back purchasing activity, while stocks of inputs decreased for the first time in 17 months. Moreover, the reduction in inventories was one of the sharpest on record, if COVID-19 pandemic months are excluded. Meanwhile, supplier lead times continued to shorten.

Business expansion plans meant that companies were optimistic that output will increase over the coming year. Although rising from July's record low, sentiment remained among the least optimistic since the survey began.

## Comment

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

*"Nigeria's headline PMI increased slightly to 49.9 points in August from 49.2 in July but remained just below the 50.0 no-change mark and signalled a broadly stable picture for business conditions in the Nigerian private sector. The stagnation in overall operating conditions was in line with the trend in business activity; Nigerian companies posted a fractional reduction in business activity during August, as was the case in July. Although a renewed expansion of sales led some companies to increase their output, others reported that demand remained weak amid marked cost pressures. Activity rose in the manufacturing and wholesale & retail categories but fell in agriculture and services. On purchase prices, respondents noted higher costs for materials, most notably animal feed and paper, while logistics and transportation were also a source of inflation amid higher fuel prices. Some panellists noted the weakness in the USD/NGN pair. The rate of output price inflation also quickened to a five-month high in August as just under half of all respondents signalled a rise in charges. The increase in output prices reflected the pass-through of higher costs to customers."*

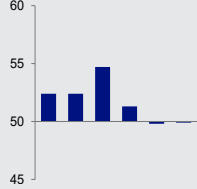
*The Nigerian economy grew by 3.19% y/y in Q2:24, from 2.98% y/y in Q1:24, as oil sector growth was almost doubled that of Q1:24, even as the non-oil sector flatlined at 2.80% y/y, the same as in Q1:24. The lingering weakness in the non-oil sector continues to reflect elevated interest rates, persistent inflationary pressures, and local currency depreciation. Across sectors, the Services sector remains the growth engine of the economy, contributing 69.3% to the real GDP growth rate (although down from 83.2% GDP growth contribution in Q1:24), with Industries and Agriculture contributing 20.5% and 10.2% respectively to real GDP growth. Nonetheless, the contribution of information and communication – ICT (a major source of services sector growth) to the overall economic growth has been moderating since Q3:23. However, gains from the oil sector have been proven to be compensating, keeping the overall economy on a 2.5-3.2% y/y growth path. For H2:24, the anticipated moderation in headline inflation should provide some respite for domestic demand. However, elevated interest rate and local currency depreciation remain headwinds for the non-oil sector. Besides, weak growth in internet and telephone subscribers may continue to put a cap on the ICT's growth, even with increased data traffic. Overall, we retain our 2024 growth forecast of 3.1%."*



## Output and demand

### Output Index

Mar - Aug '24  
sa, >50 = growth



### Output

As was the case in July, Nigerian companies posted a fractional reduction in business activity during August. Although a renewed expansion of sales led some companies to increase their output, others reported that demand remained weak amid marked cost pressures. Activity rose in the manufacturing and wholesale & retail categories, but fell in agriculture and services.

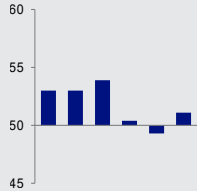
### Output Index

sa, >50 = growth since previous month



### New Orders Index

Mar - Aug '24  
sa, >50 = growth



### New orders

August data pointed to a renewed increase in new business in the Nigerian private sector, following a slight fall in July. Some firms reported having received new requests from customers amid an improvement in demand. The rate of expansion was only modest, however, and much slower than the series average.

### New Orders Index

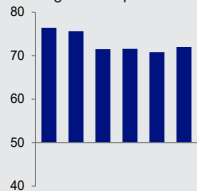
sa, >50 = growth since previous month



## Business expectations

### Future Output Index

Mar - Aug '24  
>50 = growth expected



Despite ticking up to a four-month high in August following July's nadir, business sentiment remained among the lowest on record midway through the third quarter of the year. A number of respondents indicated that they plan to take out loans to invest and expand their businesses, including through the opening of new branches. Exactly 44% of panellists predicted a rise in activity over the coming year.

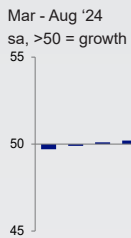
### Future Output Index

>50 = growth expected over next 12 months



## Employment and capacity

### Employment Index

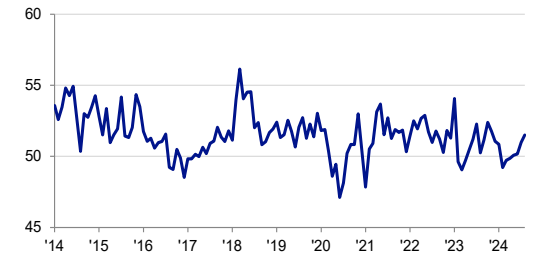


### Employment

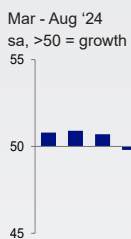
A return to growth of new orders encouraged companies in Nigeria to increase their staffing levels again in August. Employment rose for the fourth month running. The rate of job creation was modest, but quickened again to the fastest since last November. Wholesale & retail was the only monitored sector not to increase workforce numbers during the month.

### Employment Index

sa, >50 = growth since previous month



### Backlogs of Work Index

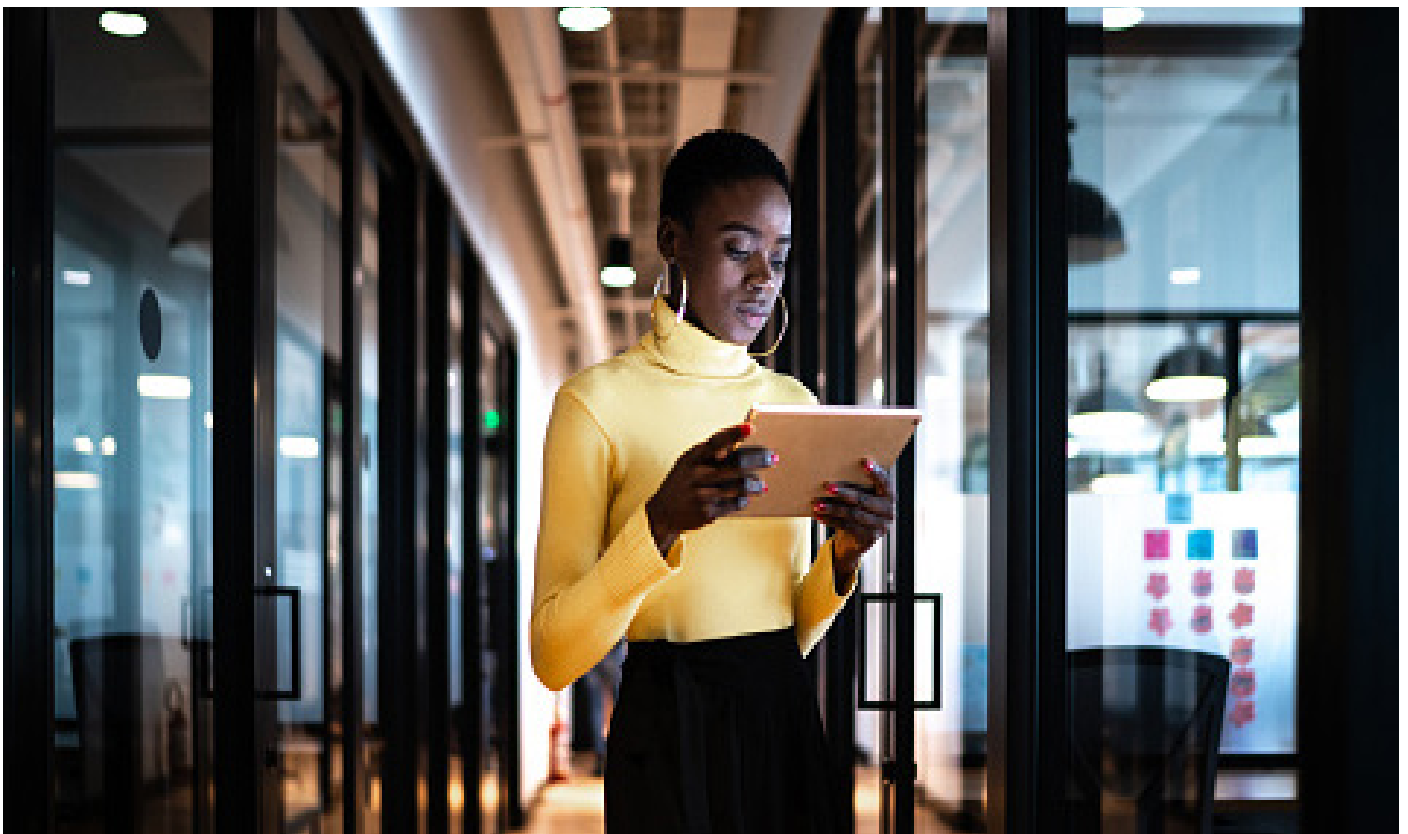


### Backlogs of work

Companies depleted their backlogs of work for the third consecutive month in August as a still muted demand environment led to spare capacity in the private sector. The reduction in outstanding business was modest, but quickened for the second month running and was the joint-strongest since June 2022, equal with that seen in November 2023.

### Backlogs of Work Index

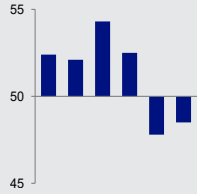
sa, >50 = growth since previous month



# Purchasing and inventories

Quantity of Purchases Index

Mar - Aug '24  
sa, >50 = growth



## Quantity of purchases

With customer demand remaining muted and material costs rising sharply, companies again expressed a reluctance to purchase additional inputs during August. Buying activity decreased for the second consecutive month, although the pace of decline eased from that seen in July.

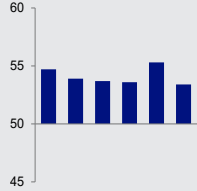
Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index

Mar - Aug '24  
sa, >50 = faster times

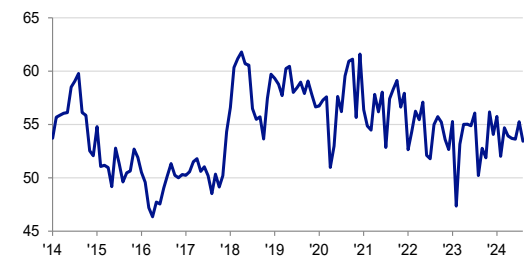


## Suppliers' delivery times

Suppliers' delivery times shortened again in August, thereby extending the current sequence of improving vendor performance to one-and-a-half years. Lead times shortened to a solid degree, albeit one that was the least marked in six months. According to respondents, quicker deliveries were often the result of competition among suppliers.

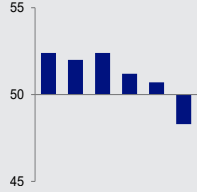
Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index

Mar - Aug '24  
sa, >50 = growth



## Stocks of purchases

August data pointed to a renewed fall in stocks of purchases, thereby ending a 16-month sequence of expansion. The reduction was modest, albeit the most pronounced since May 2020. In fact, excluding the COVID-19 pandemic months, the decline was among the steepest on record. Panellists linked lower inventories to weak customer demand, reduced output requirements and difficulties securing materials due to high prices.

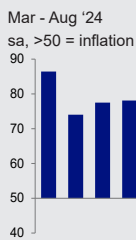
Stocks of Purchases Index

sa, >50 = growth since previous month



# Prices

## Input Prices Index



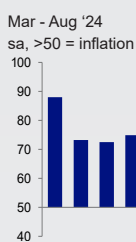
## Input prices

The pace of overall input cost inflation quickened for the fourth consecutive month and was the fastest since March. Moreover, the latest rise was steeper than anything seen in the survey prior to October 2023. Rapid increases in input costs were seen across the four monitored sectors, led by agriculture.

## Input Prices Index



## Purchase Prices Index



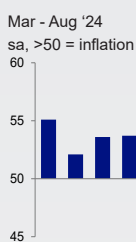
## Purchase prices

Purchase costs increased at a substantial pace during August as 61% of panellists reported a rise over the course of the month. Respondents noted higher costs for materials, most notably animal feed and paper, while logistics and transportation were also a source of inflation amid higher fuel prices. Some panellists noted the weakness of the naira against the US dollar.

## Purchase Prices Index



## Staff Costs Index



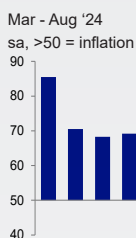
## Staff costs

Nigerian companies continued to increase their staff pay in response to higher living and transportation costs during August. Staff costs have risen in each month since January 2021. The latest solid increase was broadly in line with those seen in the preceding three months.

## Staff Costs Index



## Output Prices Index



## Output prices

The rate of output price inflation quickened to a five-month high in August as just under half of all respondents signalled a rise in charges. The increase in output prices reflected the pass-through of higher costs to customers. Each of the four broad sectors covered by the survey saw rapid rises in charges.

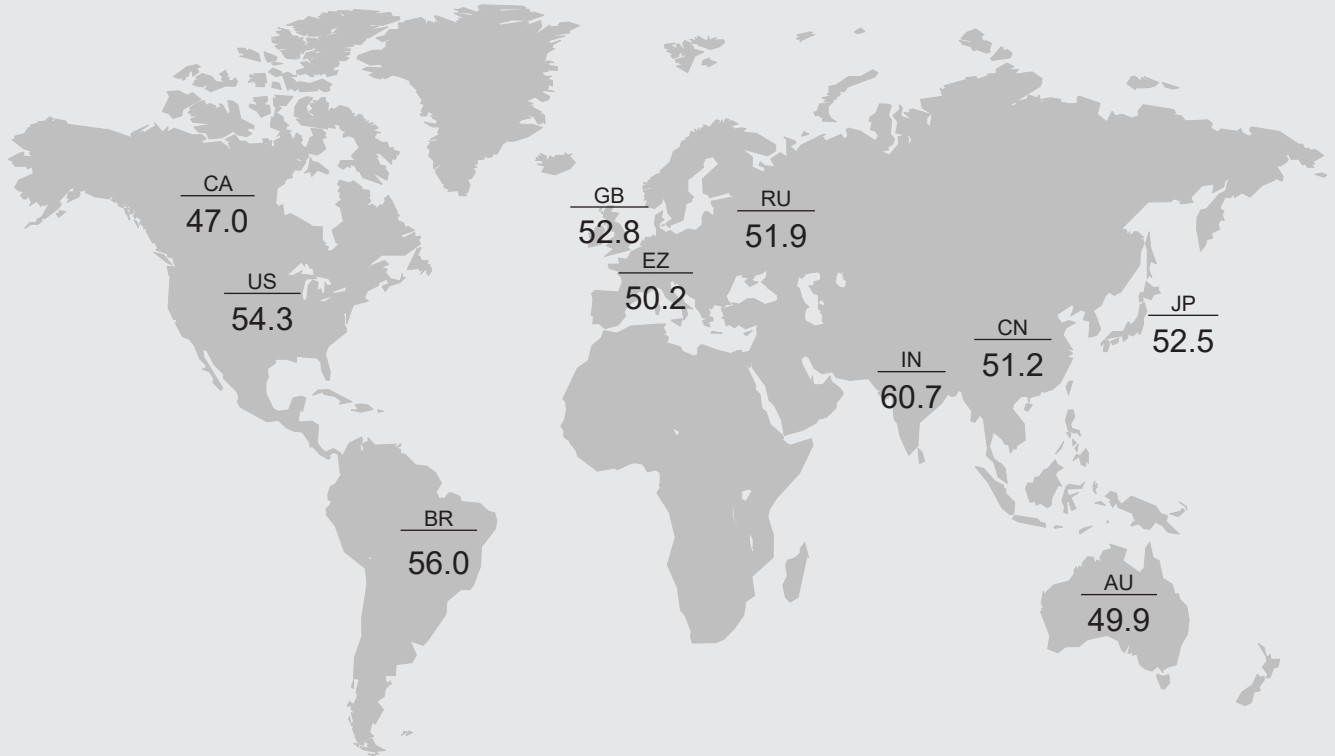
## Output Prices Index



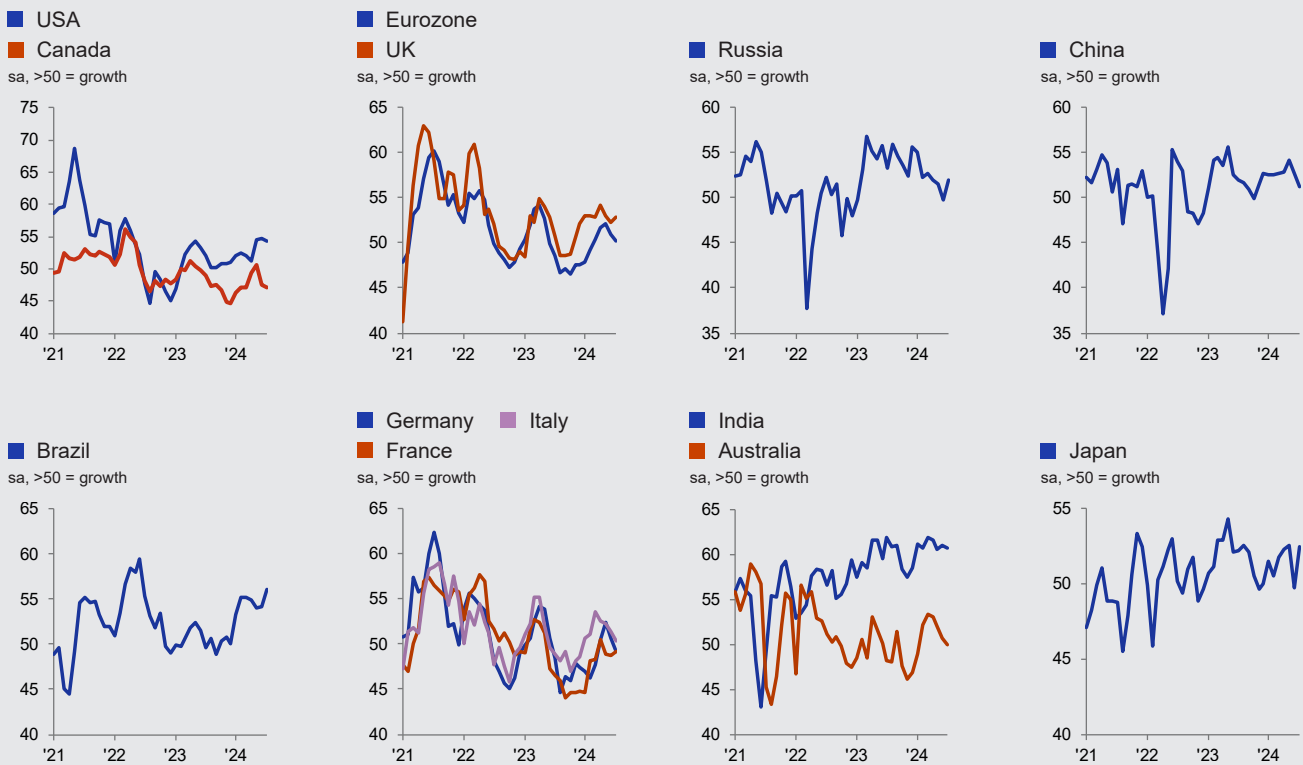
# International PMI

Composite Output Index, Jul '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



## 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](mailto:economics@spglobal.com).

## Survey dates

Data were collected 12-28 August 2024.

### Survey questions

Private sector

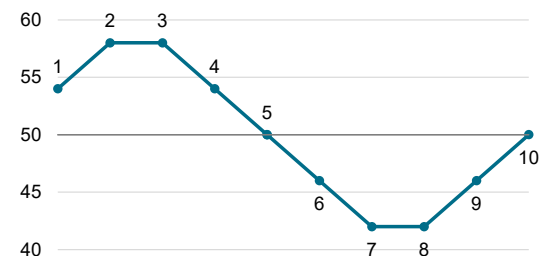
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

### Index calculation

$$\% \text{ "Higher"} + (\% \text{ "No change"})/2$$

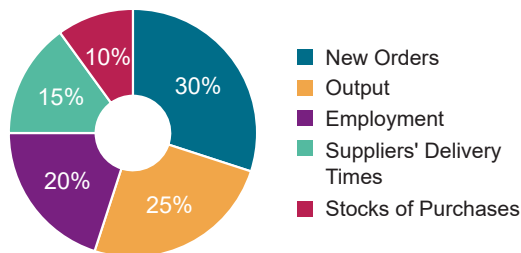
### Index interpretation

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 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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