

Embargoed until 0945 WAT (0845 UTC) 1 August 2023

Stanbic IBTC Bank Nigeria PMI[®]

New order growth softens amid steep price pressures

Key findings

Weaker rises in output and new orders

Overall input costs increase at joint-fastest pace on record

Lowest business sentiment in survey's history

Steep price pressures acted to limit the pace of growth in the Nigerian private sector in July. Overall input costs rose at a pace unsurpassed in more than nine-and-a-half years of data collection, with selling prices up rapidly in response. Rising price pressures impacted demand, with growth of both new orders and business activity softening as the second half of the year got underway. Meanwhile, business confidence hit a new low.

There was more positive news on the employment front, however, as the rate of job creation quickened to the fastest since January.

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 posted above the 50.0 no-change mark for the fourth month running in July and thereby signalled a further improvement in business conditions in the Nigerian private sector during the month. That said, at 51.7 the index was down from 53.2 in June and pointed to a modest strengthening of operating conditions that was the least pronounced in the current expansionary sequence.

The softer improvement in the health of the private sector reflected trends in output and new orders during July. In both cases, rates of growth eased to the weakest since the respective returns to expansion following the cash crisis at the start of the year.

While some firms reported having been able to secure new contracts amid rising customer numbers, others highlighted the negative impact on demand of rising prices.

July data signalled a steep increase in overall input prices, with the rate of inflation the joint-fastest since the series began in January 2014, equal with that posted in November 2021.

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



Sources: Stanbic IBTC Bank, S&P Global PMI.
Data were collected 12-27 July 2023.

Comment

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

"Stanbic IBTC headline PMI posted at 51.7 in July down from 53.2 in June, indicating a modest improvement in private sector business conditions. The softer improvement in the health of the private sector was driven by softer growth in output and new orders in July. Notably, rates of growth eased to the weakest for both output and new orders. Elevated price pressures largely limited the pace of growth in business sector activities in the Nigerian private sector during the month. Overall input costs rose at a record high level while selling prices spiked rapidly in response. Consequently, business confidence hit a new low, being the lowest in just over 9-y of data collection.

"Indeed, inflation rose by less than expected in Jun, to 22.79% y/y, from 22.41% y/y in May. Core inflation rose by 22bps, to 20.27% y/y, while food inflation rose by 43bps, to 25.25% y/y. M/m basis inflation rose by 19bps, to 2.13%, with the food, transport and utility sub-basket driving the increase in headline inflation. Y/y, transport inflation rose the fastest of the inflation sub-baskets, by 96bps, to 24.86% y/y. We had expected inflation to rise faster due to the removal of petrol subsidy and its impact on transport inflation. The National Bureau of Statistics has however clarified that the June inflation data only accounts for the first and second week in Jun. Near term, inflation may still rise further due to the lagged impact of higher transport costs across the various inflation sub-baskets. Petrol prices have recently been increased further by about 18%. We still see inflation ending the year closer to 27% y/y levels, given the second-round effects of higher transport and food prices."

Purchase costs were a key driver of overall input price inflation. Higher fuel costs following the subsidy removal and currency weakness were the main factors leading purchase prices to rise. Meanwhile, staff cost inflation hit a six-month high as firms increased pay to help staff deal with rising transport costs.

With input costs up rapidly, companies increased their output prices accordingly, and at one of the strongest rates on record. More than half of companies increased their charges over the month.

More positively, employment increased for the third month running in July, and at a solid pace that was the fastest since the start of the year. Backlogs of work continued to rise, however, as some firms reported delays while checks were made to make sure customers were able to pay for orders.

Input buying and stocks of purchases rose further, but rates of increase softened.

Finally, business confidence continued to trend downwards in July and was the lowest in just over nine-and-a-half years of data collection.

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@ihsmarkit.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. ihsmarkit.com/products/pmi.html

Disclaimer

Please note that the Stanbic IBTC Bank Nigeria PMI should not be taken as a substitute for official statistics, but may be used in conjunction with them.

Stanbic IBTC Bank Nigeria ("Stanbic IBTC") has issued and is responsible for production of this publication. This publication should be regarded as being for information only and should not be considered as an offer or solicitation to sell, buy or subscribe to any financial instruments, securities or any derivative instrument, or any other rights pertaining thereto (together, "investments"). Stanbic IBTC does not express any opinion as to the present or future value or price of any investments referred to in this publication. This publication may not be reproduced without the consent of Stanbic IBTC.

The information contained in this publication has been compiled from sources believed to be reliable, but, neither Stanbic IBTC, nor any of its directors, officers, or employees accepts liability for any loss arising from the use hereof or makes any representations as to its accuracy and completeness. The information contained in this publication is valid as at the date of this publication. This information is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the matters discussed herein.

This publication does not constitute investment advice and has been prepared without regard to individual financial circumstances, objectives or particular needs of recipients. Readers should seek their own financial, tax, legal, regulatory and other advice regarding the appropriateness or otherwise of investing in any investments or pursuing any investment strategies. Investec operates exclusively on an execution only basis.

An investment in any of the investments discussed in this publication may result in some or all of the money invested being lost. Past performance is not a reliable guide to future performance. To the extent that this publication is deemed to contain any forecasts as to the performance of any investments, the reader is warned that forecasts are not a reliable indicator of future performance. The value of any investments can fall as well as rise. Foreign currency denominated investments are subject to fluctuations in exchange rates that may have a positive or adverse effect on the value, price or income of such investments. Certain transactions, including those involving futures, options and other derivative instruments, can give rise to substantial risk and are not suitable for all investors.

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.

Contact

Muyiwa Oni	Fadeke Awolesi
Head Equity Research, West Africa	Corporate Communications
Stanbic IBTC Bank	Stanbic IBTC Bank
T: +234 (1) 422 8667	T: +234 701 0179 108
muyiwa.oni@stanbicibtc.com	fadeke.awolesi@stanbicibtc.com

Andrew Harker	Sabrina Mayeen
Economics Director	Corporate Communications
S&P Global Market Intelligence	S&P Global Market Intelligence
T: +44 134 432 8196	T: +44 7967 447 030
andrew.harker@spglobal.com	sabrina.mayeen@spglobal.com

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, click [here](#).

About Stanbic IBTC Bank

Stanbic IBTC Bank is a subsidiary of Stanbic IBTC Holdings Plc, a full service financial services group with a clear focus on three main business pillars - Corporate and Investment Banking, Personal and Business Banking and Wealth Management. Standard Bank Group, to which Stanbic IBTC Holdings belongs, is rooted in Africa with strategic representation in 20 key sub-Saharan countries and other emerging markets; Standard Bank has been in operation for over 151 years and is focused on building first-class on-the-ground banks in chosen countries in Africa and connecting other selected emerging markets to Africa and to each other.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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