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Stanbic IBTC Bank Nigeria PMI[®]

Record increase in selling prices

Key findings

Purchase costs and output prices rise at sharpest rates on record

Slower rise in new orders

Employment down for second month running

The impact of currency weakness on the Nigerian private sector was evident again in March. Purchase costs rose at the sharpest rate on record, meaning companies increased their own selling prices at an unprecedented pace. The rate of expansion in business activity ticked higher, but steep price rises acted to limit demand and the pace of new order growth eased to a four-month low. Meanwhile, employment decreased for the second month running.

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 was unchanged at 51.0 in March, the joint-lowest in four months. The latest reading pointed to a slight improvement in business conditions during the month, and one that was softer than the series trend.

Price pressures remained elevated in March. In fact, the rate of purchase price inflation hit a fresh record high for the second consecutive month, largely due to the impact of currency weakness. There were also some reports of higher transportation costs. Employee pay was also increased in response to cost-of-living pressures, resulting in the sharpest rise in staff costs since last November.

In line with the picture for purchase costs, the rate of output price inflation was also the steepest since the series began in January 2014 as close to 69% of respondents increased their charges over the month.

With prices rising sharply, firms faced challenges securing new orders. Although new business increased for the fourth month running as some companies noted greater client interest, the rate of expansion was the softest in the current sequence of growth.

The rate of expansion in business activity quickened slightly from February, but remained relatively modest. Increases in

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



Sources: Stanbic IBTC Bank, S&P Global PMI.
Data were collected 12-26 March 2024.

activity were seen in each of the agriculture, manufacturing, wholesale & retail and services categories.

While output and new orders continued to rise, employee resignations caused staffing levels to decrease marginally for the second month running.

Purchasing activity returned to growth, however, following a reduction in the previous survey period. Where input buying increased, this was linked to efforts to meet new order requirements in a timely manner. This was also a factor behind sustained growth of inventories.

That said, backlogs of work ticked higher amid the high cost of materials and delays in payments by customers. Suppliers' delivery times, meanwhile, continued to shorten, in part thanks to muted demand for inputs and prompt payments.

Confidence in the year-ahead outlook for business activity strengthened from the previous month's record low, but remained relatively weak at the end of the first quarter of the year.

Contact

Muyiwa Oni Head Equity Research, West Africa Stanbic IBTC Bank T: +234 (1) 422 8667 muyiwa.oni@stanbicibtc.com	Fadeke Awolesi Corporate Communications Stanbic IBTC Bank T: +234 701 0179 108 fadeke.awolesi@stanbicibtc.com
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Andrew Harker Economics Director S&P Global Market Intelligence T: +44 134 432 8196 andrew.harker@spglobal.com	Sabrina Mayeen Corporate Communications S&P Global Market Intelligence T: +44 7967 447 030 sabrina.mayeen@spglobal.com
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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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