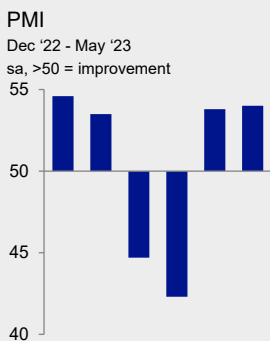


Stanbic IBTC Bank Nigeria PMI[®]

Recovery from cash crisis continues in May

54.0

**NIGERIA PMI
MAY '23**



New order growth hits 13-month high

Employment up only marginally amid more subdued outlook

Slowest rise in output prices since April 2020

Latest PMI data indicated that the Nigerian private sector continued to recover from the cash crisis in May as access to money improved and business conditions returned to normality. Output and new orders expanded for the second month running, with the latter increasing at the fastest pace in just over a year. Confidence remained historically subdued, however, meaning that firms continued to operate a cautious approach with regards to hiring.

Input costs rose sharply again, with output prices up accordingly. That said, the rate of selling price inflation eased to the weakest since April 2020.

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 second month running in May, following the two-month sequence of decline seen around the worst of the cash crisis in the first quarter of the year. At 54.0, up from 53.8 in April, the index signalled a solid improvement in business conditions that was the most marked in 2023 so far.

With access to cash improving, customer numbers increased, enabling firms to secure greater volumes of new orders in May. New business was up sharply, with the rate of expansion the fastest since April 2022.

Similarly, business activity rose for the second month running, and at a marked pace. Here, the expansion was slightly softer than in April, however. Activity was up across each of the four broad sectors covered, with growth led by wholesale & retail.

Although higher new orders encouraged firms to increase their staffing levels for the first time in four

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
- Survey methodology
- Further information

months during May, the rate of job creation was only marginal amid signs that spare capacity remained in the private sector.

The weak pace of employment growth also partly reflected relatively softer sentiment regarding the year-ahead outlook for activity. Although business expansion plans and predictions of further improvements in new orders supported positive forecasts, confidence dipped and was the second-lowest on record.

More positively, firms increased their purchasing activity at a rapid and accelerated pace, with higher input

buying helping companies to expand their inventories.

Purchase prices continued to rise sharply, albeit at a slightly softer pace than in the previous survey period. Higher costs for agricultural inputs such as animal feeds, and rising prices for industrial raw materials, were often mentioned. Staff costs were also up as companies offered higher pay to employees to reflect greater workloads.

Although output prices rose markedly in response to higher costs, the pace of inflation eased to the softest in just over three years as some firms offered discounts to stimulate demand.

Comment

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

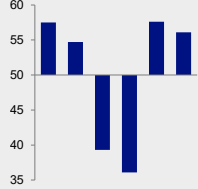
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Output and demand

Output Index

Dec '22 - May '23
sa, >50 = growth



Output

Nigerian companies signalled a second successive monthly rise in business activity during May as better access to cash helped to support growth of new orders. Output was up sharply, albeit at a slightly softer pace than in April. Business activity increased across each of the four broad sectors covered by the survey, with growth led by Wholesale & Retail.

Output Index

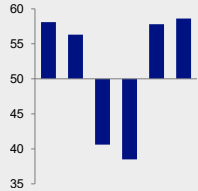
sa, >50 = growth since previous month

56.1
May '23



New Orders Index

Dec '22 - May '23
sa, >50 = growth



New orders

An easing of the cash crisis boosted demand in May, feeding through to higher customer numbers and an expansion in new orders. New business increased for the second month running, and at a rapid pace that was the fastest since April 2022. Around 27% of panellists reported a rise in new orders, against 13% that posted a fall.

New Orders Index

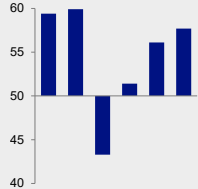
sa, >50 = growth since previous month

58.6
May '23



New Export Orders Index

Dec '22 - May '23
sa, >50 = growth



New export orders

May data pointed to a further increase in new business from abroad in the Nigerian private sector, thereby extending the current sequence of expansion to three months. Moreover, the rate of growth quickened to the fastest since the opening month of the year.

New Export Orders Index

sa, >50 = growth since previous month

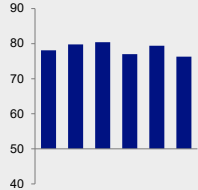
57.7
May '23



Business expectations

Future Output Index

Dec '22 - May '23
>50 = growth expected



Plans to expand businesses and expected growth of new orders supported confidence in the year-ahead outlook for output in May. That said, optimism remained subdued by historical standards despite an alleviation of the cash crisis, with sentiment dropping to a six-month low. In fact, the outlook was the second-weakest in the survey's history.

Future Output Index

>50 = growth expected over next 12 months

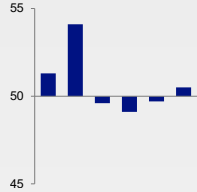
76.3
May '23



Employment and capacity

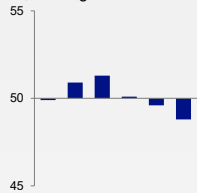
Employment Index

Dec '22 - May '23
sa, >50 = growth



Backlogs of Work Index

Dec '22 - May '23
sa, >50 = growth



Employment

There were tentative signs of improvement with regards to employment in the Nigerian private sector in May, with staffing levels up for the first time in four months on the back of rising new orders. That said, the rate of job creation was only marginal amid a general lack of pressure on capacity. Employment increased in the agriculture, manufacturing and wholesale & retail sectors, but decreased in services.

Backlogs of work

With companies able to make fuller use of their resources following the easing of the cash crisis, they were thus able to reduce their backlogs of work in May. Outstanding business was down for the second month in a row. Although modest, the drop in backlogs was the sharpest since July last year.

Employment Index

sa, >50 = growth since previous month

50.5

May '23

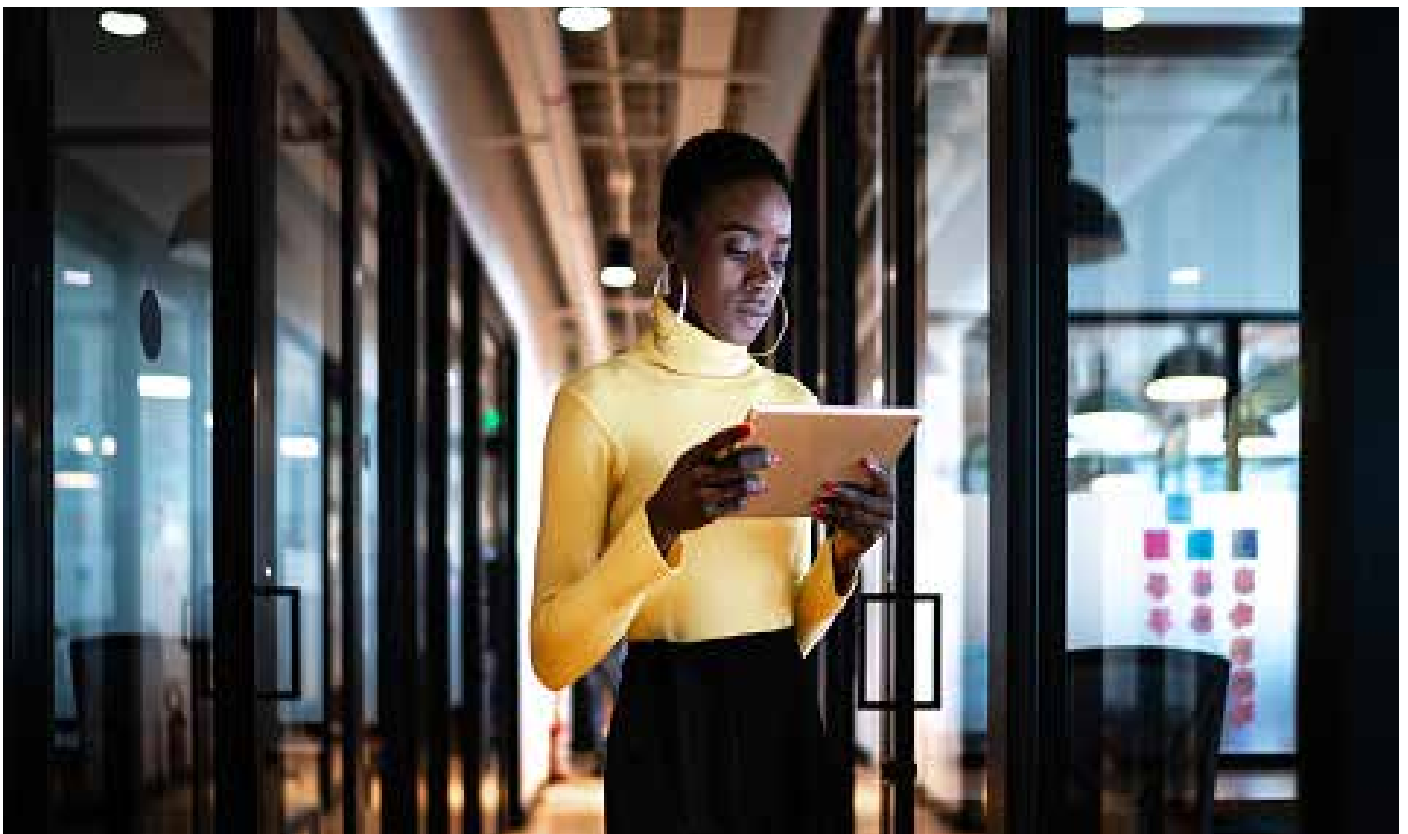


Backlogs of Work Index

sa, >50 = growth since previous month

48.8

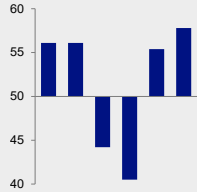
May '23



Purchasing and inventories

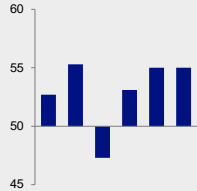
Quantity of Purchases Index

Dec '22 - May '23
sa, >50 = growth



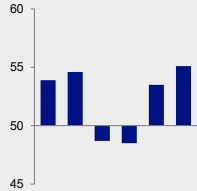
Suppliers' Delivery Times Index

Dec '22 - May '23
sa, >50 = faster times



Stocks of Purchases Index

Dec '22 - May '23
sa, >50 = growth



Quantity of purchases

Growth of purchasing activity was signalled for the second consecutive month in May. The rate of expansion was substantial and quickened to a ten-month high. Anecdotal evidence suggested that input buying had been raised in response to greater new orders.

Suppliers' delivery times

Suppliers' delivery times continued to improve, following the delays caused by the cash crisis in Nigeria during February. Lead times shortened for the third month running, and to the same extent as in April. Prompt payments and competition for business were reportedly the key factors resulting in shorter lead times.

Stocks of purchases

Improvements in demand and higher activity requirements meant that companies expanded their stocks of purchases again in May. The marked accumulation was the fastest since last November. Inventories have now risen in two successive months following a two-month period of reduction during the worst of the cash crisis.

Quantity of Purchases Index

sa, >50 = growth since previous month

57.8

May '23



Suppliers' Delivery Times Index

sa, >50 = faster times since previous month

55.0

May '23



Stocks of Purchases Index

sa, >50 = growth since previous month

55.1

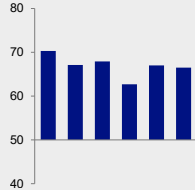
May '23



Prices

Input Prices Index

Dec '22 - May '23
sa, >50 = inflation



Input prices

Although overall input price inflation ticked lower midway through the second quarter of the year, cost pressures remained pronounced. Around one-third of respondents posted an increase in input prices over the month. The sharpest pace of inflation was in agriculture, with service providers recording the softest rise.

Input Prices Index

sa, >50 = inflation since previous month

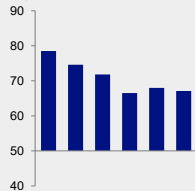
66.5

May '23



Purchase Prices Index

Dec '22 - May '23
sa, >50 = inflation



Purchase prices

Although the pace of increase in purchase prices softened in May and was among the weakest in the past three years, costs continued to rise rapidly and more quickly than the series average. A number of respondents highlighted greater costs for agriculture such as animal feeds, and this was reflected in the sector posting the fastest pace of inflation over the month. Elsewhere, there were widespread reports of higher industrial raw material costs.

Purchase Prices Index

sa, >50 = inflation since previous month

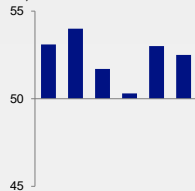
67.1

May '23



Staff Costs Index

Dec '22 - May '23
sa, >50 = inflation



Staff costs

May data pointed to a further increase in staff costs, thereby extending the current sequence of inflation to 29 months. The latest rise was solid, but softer than in April. Some firms indicated that staff members had been rewarded for hard work with higher salaries as workloads built up.

Staff Costs Index

sa, >50 = inflation since previous month

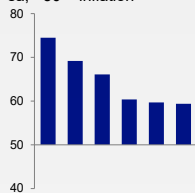
52.5

May '23



Output Prices Index

Dec '22 - May '23
sa, >50 = inflation



Output prices

The rate of output price inflation continued to soften in May, easing for the fifth successive month to the slowest since April 2020. Where charges increased, this was linked to the passing on of higher input costs to customers. On the other hand, some panellists reported offering discounts to try and attract customers.

Output Prices Index

sa, >50 = inflation since previous month

59.4

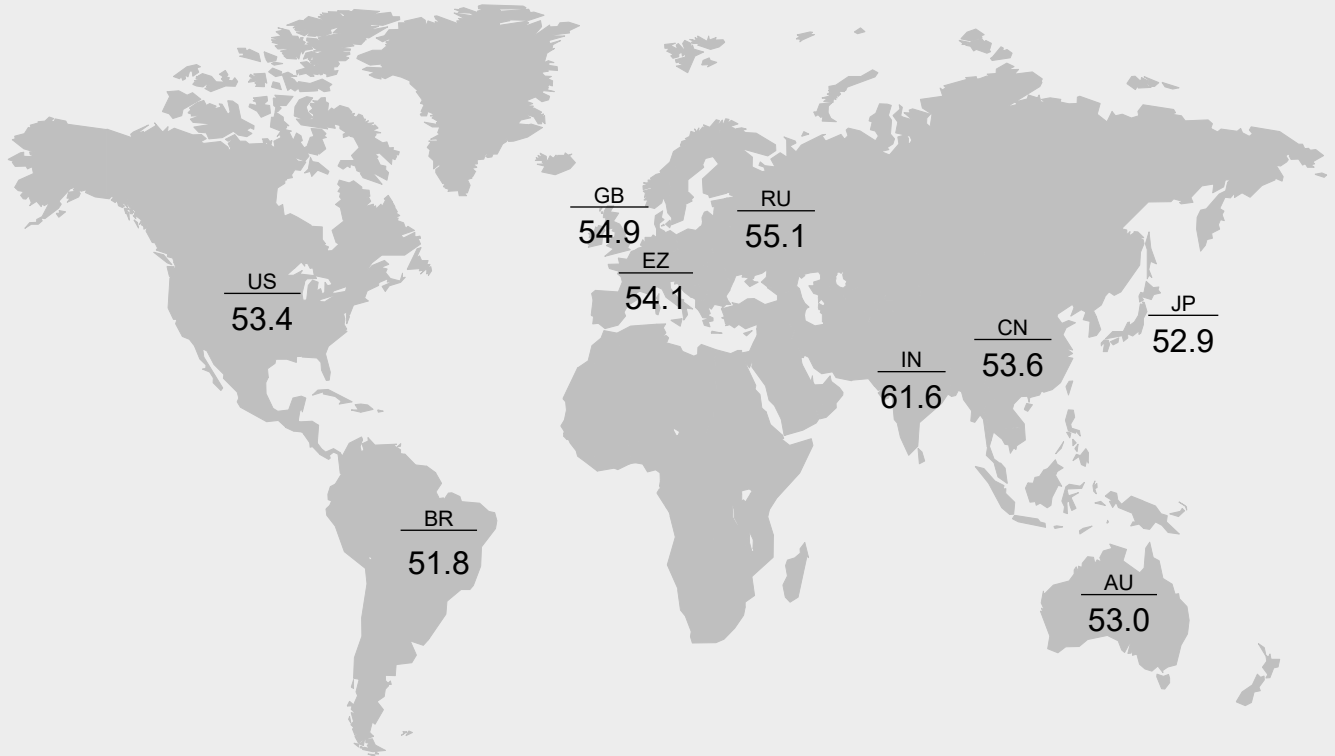
May '23



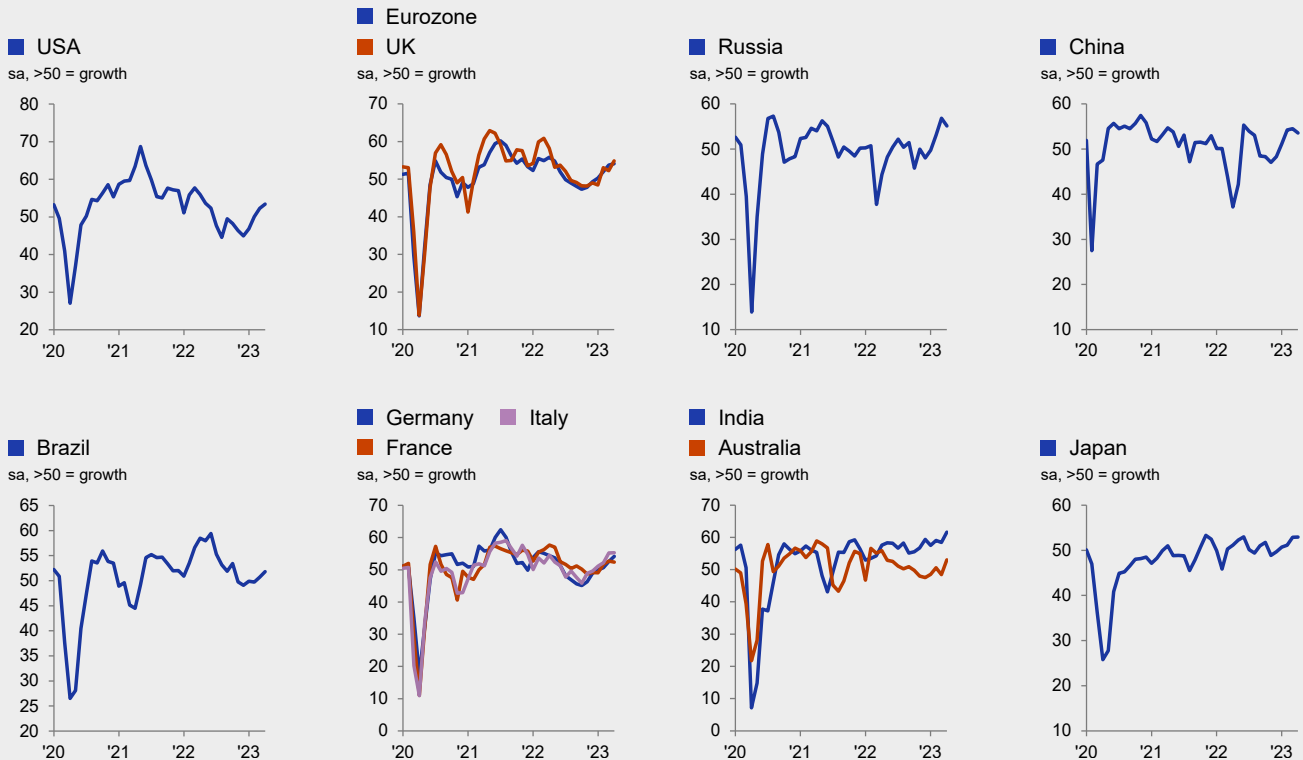
International PMI

Composite Output Index, Apr '23
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@ihsmarkit.com.

Survey dates

Data were collected 12-26 May 2023.

Survey questions

Private sector

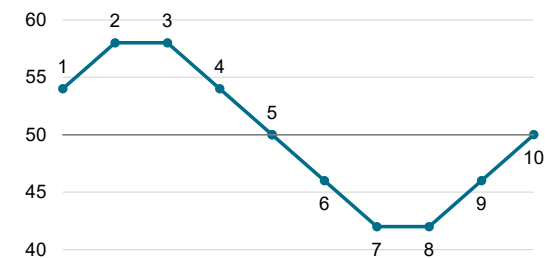
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

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

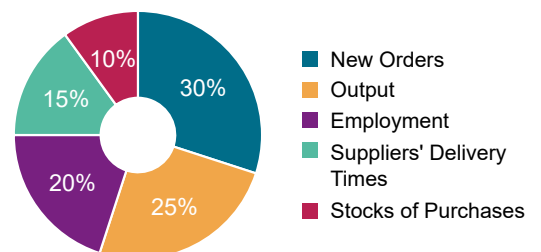
Index interpretation

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

Index summary

Private sector

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	PMI	Output	New Orders	New Export Orders	Future Output*	Employment	Backlogs of Work	Quantity of Purchases	Suppliers' Delivery Times	Stocks of Purchases	Overall Input Prices	Purchase Prices	Staff Costs	Output Prices
12 '22	54.6	57.5	58.1	59.4	78.1	51.3	49.9	56.1	52.7	53.9	70.3	78.5	53.1	74.5
01 '23	53.5	54.7	56.3	59.9	79.8	54.1	50.9	56.1	55.3	54.6	67.1	74.6	54.0	69.2
02 '23	44.7	39.3	40.6	43.3	80.4	49.6	51.3	44.2	47.3	48.7	67.9	71.8	51.7	66.1
03 '23	42.3	36.1	38.5	51.4	77.0	49.1	50.1	40.5	53.1	48.5	62.7	66.5	50.3	60.4
04 '23	53.8	57.6	57.8	56.1	79.4	49.7	49.6	55.4	55.0	53.5	67.0	68.0	53.0	59.7
05 '23	54.0	56.1	58.6	57.7	76.3	50.5	48.8	57.8	55.0	55.1	66.5	67.1	52.5	59.4

Contact

Muyiwa Oni
 Head Equity Research, West Africa
 Stanbic IBTC Bank
 T: +234 (1) 422 8667
muyiwa.oni@stanbicibt.com

Fadeke Awolesi
 Corporate Communications
 Stanbic IBTC Bank
 T: +234 701 0179 108
fadeke.awolesi@stanbicibt.com

Andrew Harker
 Economics Director
 S&P Global Market Intelligence
 T: +44 1491 461 016
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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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

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