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Stanbic IBTC Bank Nigeria PMI[®]

Output returns to growth, but cost pressures limit demand

Key findings

Renewed, but modest rise in output

Near-record increase in input costs

Business confidence unchanged

Strong cost pressures meant that firms operating in the Nigerian private sector remained under pressure in September. Although new order growth quickened, helping to support a renewed increase in business activity, rates of expansion in each were only modest. Input prices increased at one of the sharpest rates on record, largely due to exchange rate weakness and higher fuel costs.

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 51.1 in September, up from 50.2 in August but still only just above the 50.0 no-change mark. As such, the index signalled a slight monthly improvement in business conditions.

New orders increased for the sixth month running in September as some firms signalled an improvement in demand. While the rate of expansion quickened from that in August, it remained only modest as market conditions remained weak and customers were deterred by price hikes.

Output returned to growth, meanwhile, following a slight reduction in August. In a similar vein to new orders, however, the pace of increase was only modest amid widespread demand weakness. Three of the four monitored sectors saw output expand, the exception being manufacturing.

Sharp rises in prices were a key factor limiting demand in the private sector at the end of the third quarter. Overall input costs rose at a pace that was only marginally weaker than August's survey record.

Purchase costs were up substantially, mainly due to exchange rate weakness and higher fuel costs. Meanwhile, efforts by companies to help their staff deal with higher transportation costs meant that wages were raised markedly. The rate of staff cost inflation was only marginally softer than the series

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sa, >50 = improvement since previous month



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

Comment

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

"Nigerian private sector business activity expanded slightly in September, a reversal from the contraction in August, reflecting a slight improvement business activity but still showing price pressure strain on businesses. The headline PMI increased to 51.1 in September, from 50.2 in August which was the lowest point over the past five months. Before the September print, the PMI had declined consecutively over the past three months. Prices remained elevated, with input and purchase prices remaining at period highs. Input prices increased materially across the major sectors covered, with inflationary pressures most pronounced in wholesale & retail and manufacturing. Majority of the respondents also signalled an increase in purchase prices linked mainly to exchange rate weakness and higher fuel costs. Staff costs were also increased at the second fastest pace since the survey began in January 2014 because of high transportation costs for workers. August inflation print continued to show increased cost pressure as CPI increased to 25.8% from 24.08% in July. Core inflation increased to 21.5% from 20.8% in July, while food inflation increased to 29.34% from 26.98% in July."

record posted in August.

Sharp increases in purchase costs fed through to a further steep rate of selling price inflation, despite the latest rise being the weakest since May.

Employment increased for the fifth successive month in September, albeit only slightly. Firms also expanded their purchasing activity, but the rate of growth eased to the weakest in six months. This was also the case with regards to stocks of purchases.

Suppliers' delivery times shortened amid competition among vendors, prompt payments and quiet traffic conditions.

Confidence in the year-ahead outlook for output was unchanged in September, thereby remaining among the weakest on record. Those companies that predicted a rise in activity linked this to plans to take on extra staff to help with business expansions.

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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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