

Embargoed until 0945 WAT (0845 UTC) 1 June 2022

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

## Private sector activity growth slows in May, but demand conditions remain favourable

### Key findings

Output growth slows notably in May...

...but, new orders continue to expand sharply

Overall input price inflation fifth-highest on record

Data were collected 12-27 May 2022

Business conditions in Nigeria's private sector strengthened in May, but the rate of improvement slowed from April. Softer uplifts were recorded in output, new orders, purchasing activity and input inventories. That said, new orders continued to rise sharply which prompted a quicker expansion in headcounts. In turn, sentiment improved with companies also hoping that fruitful marketing campaigns would support output growth over the next 12 months.

Sharp price pressures were once again evident, however, with overall input price inflation among the quickest in the survey's more than eight-year history. Firms passed on higher expenses and sought to increase profit margins with output price inflation quickening in May.

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.

At 53.9 in May, down from 55.8 in April, the headline PMI signalled a twenty-third successive monthly improvement in business conditions in Nigeria's private sector.

New orders rose sharply in May, albeit at a softer pace than in April. Firms raised their output levels, extending the current run of output growth to 18 months. All four of the monitored sub-sectors recorded marked expansions, led by the manufacturing sector. Services, wholesale & retail and agriculture followed behind, respectively.

PMI

sa, >50 = improvement since previous month



Sources: Stanbic IBTC Bank, S&P Global.

Firms continued to raise purchasing activity, with expansions now seen in each of the last 23 months. The overall rate of growth was sharp but eased to an eight-month low amid elevated costs. Nevertheless, companies were committed to raising their inventories as part of efforts to protect against future price hikes.

Despite the latest moderation in output growth, firms were optimistic that their output levels would expand over the next 12 months. In fact, the degree of optimism improved from April. Firms reported that business expansions would support growth in output and as a result added to their headcounts. Staffing levels have risen in each of the last 16 months with the latest uptick the third-quickest in this sequence.

Larger workforces and higher prices for fuel, raw materials, transportation and other inputs led to another substantial increase in overall input prices in May. Moreover, firms raised staff wages at the third-strongest rate in the series history. Higher expenses were passed on to clients with selling price inflation quickening in May.

Lead times shortened to the greatest extent for five months. As a result, firms received inputs in a timely manner and were able to reduce their backlogs, as has been the case in each month over the last two years.

## Comment

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

"The Stanbic IBTC PMI headline index touched lower to 53.9 in May from 55.8 in April, but it continued to indicate expansions in private sector activity. Growth was driven by increasing demand and output levels. Indeed, Nigeria's GDP growth was 3.11% y/y in Q1:22, down slightly from 3.98% y/y in Q4:21, due to the favourable base of Q1:21 and sound activity in the services sector. 2022 real GDP growth may reach 3.2% y/y due to the non-oil sector. The oil sector however remains hamstrung by oil theft, pipeline sabotage and structural impediments.

"Notably, the manufacturing sector has posted its strongest growth since October 2021. Output has expanded for 16 consecutive months in the sector, averaging at 60.9 in 2021 compared to 62.3 so far this year.

"However, the manufacturing sector faces sharply rising diesel prices and insufficient FX supply. Average diesel prices rose 21% m/m and 176% y/y in Apr due to rocketing global energy prices."

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### 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.

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.

Data were collected 12-27 May 2022.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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. <https://ihsmarkit.com/products/pmi.html>

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