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

### Output falls for second month running as inflationary pressures remain elevated

#### Key findings

Second successive declines in output and new orders

Purchase cost inflation at near two-year high

Employment continues to rise

Companies in Nigeria continued to be negatively impacted by strong inflationary pressures in November, with new orders and output both falling as customers were either reluctant or unable to pay higher charges. Purchase prices rose at the fastest pace in almost two years amid exchange rate weakness and higher costs for fuel and materials.

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 48.0 in November, down from 49.1 in October, the headline PMI remained below the 50.0 no-change mark for the second month running midway through the final quarter of the year. The index signalled a modest deterioration in business conditions, and one that was the most marked since the cash crisis in the opening quarter of the year.

The overall decline in operating conditions was in large part driven by further reductions in output and new orders. Both fell for the second month running, and to greater extents than in October.

Activity decreased particularly strongly at wholesale & retail companies, while agriculture was the only sector that posted an increase in output.

The declines in output and new orders generally reflected steep price rises and the impact these had on customer demand.

Companies raised their selling prices rapidly again in November, with the rate of inflation slowing only slightly and remaining among the strongest on record. Close to half of all respondents raised their charges during the month.

The rise in selling prices was in response to higher input costs. Purchase price inflation quickened to a near two-year high on the back of exchange rate weakness and higher costs for fuel and materials. Wages also increased as companies

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sa, >50 = improvement since previous month



Sources: Stanbic IBTC Bank, S&P Global PMI.  
Data were collected 09-28 November 2023.

#### Comment

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

*“Business activity decreased for the second month consecutive month in November, and at a substantial pace since the cash crisis in the opening quarter of the year. The heightened inflationary environment appears to depress consumer demand considerably as lack of customers was a reason for the reduced output. Sharp increases in prices deterred clients from making new orders during November. As a result, new business decreased for the second consecutive month. Headline inflation rose to 27.33% y/y in Oct, from 26.72% y/y in Sep according to the National Bureau of Statistics (NBS). On a m/m basis, the headline inflation rate in Oct was 1.73%, which was 0.37 percentage points lower than the rate recorded in Sep. Food inflation in Oct was 31.52% y/y, from 30.6% y/y in Sep, due to higher prices for assorted food items. Core inflation stood at 22.58% y/y in Oct, with the highest increases recorded in the prices of passenger transport by road and air, medical services, and actual and imputed rentals for housing. Nevertheless, the GDP has maintained a growth trend albeit weak at 2% levels which is similar to population growth. According to data from the National Bureau of Statistics (NBS), Nigeria’s GDP grew by 2.54% y/y in Q3:23, exceeding 2.25% y/y in Q3:22 and 2.51% y/y in Q2:23. Growth in Q3:23 was driven mainly by the services sector growing by 3.99% y/y. The oil sector recorded an average daily oil production of 1.45m barrels per day (mbpd) in Q3:23, exceeding the average of 1.22 mbpd in Q2:23. On a q/q basis, the oil sector grew by 12.47% in Q3:23.”*

looked to help staff with higher living and transportation costs.

Although business activity decreased again in November, firms continued to expand their staffing levels. Employment increased for the seventh month running, albeit modestly and to a lesser extent than in October.

Purchasing activity, meanwhile, was broadly unchanged following a fall in the previous survey period. Meanwhile, a reduction in activity meant that fewer inputs were needed than had been expected, resulting in a further build-up of stocks of purchases.

Reduced demand for inputs, prompt payments and competition among suppliers meant that vendor lead times continued to shorten. Moreover, the rate of improvement hit a one-and-a-half year high.

Worries about the impact of inflationary pressures on demand caused business confidence to fall to the weakest since July's record low. That said, business investment and plans to open new plants supported optimism that output will increase over the coming year.

#### 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](mailto: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](http://www.spglobal.com/marketintelligence/en/mi/products/pmi)

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