News Release

Stanbic IBTC Bank
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Stanbic IBTC Bank Nigeria PMI®

Output growth accelerates to fastest in just over a year

Key findings

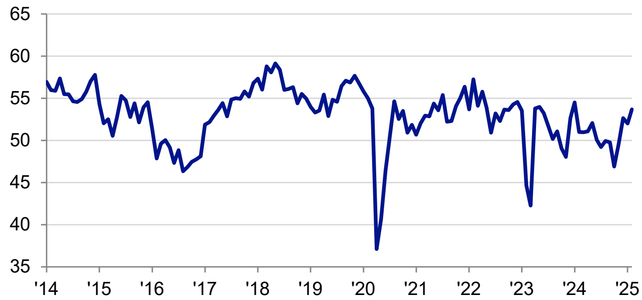
Demand improvements support sharper rise in new orders

Selling price inflation at seven-month low

Employment increases only marginally amid staff cost pressures

Stanbic IBTC Bank Nigeria PMI

sa, >50 = improvement since previous month



Sources: Stanbic IBTC Bank, S&P Global PMI.
Data were collected 10-26 February 2025.

February data pointed to improved growth momentum in the Nigerian private sector. Rates of expansion in output, new orders and purchasing activity all quickened as demand picked up and inflationary pressures showed signs of moderating. That said, with costs continuing to rise sharply, some companies were reluctant to hire additional staff and employment increased only marginally.

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 rose to 53.7 in February from 52.0 in January, signalling a solid monthly improvement in business conditions, and one that was the most pronounced since January 2024. The health of the private sector has now strengthened in three consecutive months.

Output increased for the third month running in February. Moreover, the latest expansion was sharp and the fastest since January 2024. Respondents linked the rise in activity to higher sales amid an improving demand environment.

Output was up in agriculture, manufacturing, services and wholesale & retail, although in wholesale & retail the rise was only fractional.

New orders also increased at a marked pace, with the latest rise the most pronounced in just over a year. Customers were reportedly more willing to commit to new projects.

Signs of strengthening demand coincided with moderating inflationary pressures. Overall input costs increased at the slowest pace in ten months, although the pace of inflation remained elevated amid higher prices for raw materials and a rise in staff costs that was the sharpest since March 2024.

In fact, cost pressures acted to limit the pace of job creation in February. Employment rose only marginally and at the slowest pace in three months, despite marked expansions

Comment

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

"Activity in Nigeria's private sector improved for the third consecutive month with the latest PMI reading of 53.7 points in February at its highest level since January 2024 (54.5 points). A relatively stable exchange rate and moderation in fuel prices are supporting the ease in inflationary pressures, which in turn helped strengthen consumer demand in the month. Thus, new orders increased for the fourth consecutive month, with survey participants noting a greater desire on the part of customers to commit to new projects. In line with the increase in new orders, output also increased sharply in February as the output index settled at 56.9 points from 53.7 points in January. That said, input price inflation eased further in February to its weakest level since April 2024. However, about 39.0% of respondents increased their output prices in the month, with less than 1.0% lowering their charges.

"Nigeria's real GDP growth improved further in Q4:24, rising by 3.84% y/y, from 3.46% y/y in Q3:24. Growth in Q4:24 was the highest since Q4:21 when this economy grew by 3.98% y/y in real terms. Q4:24 GDP now brings 2024 full-year growth to 3.40%, from 2.74% in 2023, supported by both the oil and the non-oil sectors. In terms of contributions to the overall GDP growth in Q4:24, Services continue to dominate with a 79.0% contribution to the country's GDP growth (same as Q3:24), followed by Agriculture with an 11.9% contribution while Industries contributed the remaining 9.0% of the real GDP growth in the review quarter.

"The non-oil sector of the Nigerian economy is now poised to improve further in 2025 as the lingering FX stability and improved FX liquidity bodes well for the real sector activities, including manufacturing, trade and real estate. This, in addition to the anticipated reduction in borrowing costs should further support the growth of the non-oil sector in 2025. Accordingly, we project the non-oil sector to grow by 3.4% y/y in 2025. Therefore, we still expect the Nigerian economy to grow by 3.5% y/y in real terms in 2025 with the Q1:25 growth print forecasted to settle at 3.55% y/y."

in output and new orders. Nevertheless, backlogs of work ticked down.

In line with the picture for input costs, the pace of output price inflation remained sharp in February, but eased to a seven-month low.

While employment rose only marginally, companies ramped up their input buying during the month, with the pace of growth the steepest since May 2023.

Stocks of purchases also increased at a faster pace. Despite rising demand for inputs, suppliers' delivery times shortened to the greatest extent in seven months as prompt payments led to the speedy delivery of goods.

Although companies were optimistic that output will increase further over the next 12 months, sentiment dipped in February and was below the series average. Plans to expand businesses through the opening of new plants and increased export operations were among the factors supporting optimism.

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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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About S&P Global

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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