News Release

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Stanbic IBTC Bank Nigeria PMI®

Employment growth quickens amid efforts to deal with workloads

Key findings

Sharpest rise in staffing levels since June 2018

Softer growth of output and new orders

Inflationary pressures remain elevated

Stanbic IBTC Bank Nigeria PMI

sa, >50 = improvement since previous month

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

The Nigerian private sector registered a slight loss of growth momentum in January. Output and new business continued to rise markedly, but at softer rates than at the end of 2022. On a more positive note, firms raised employment at the fastest pace since June 2018 as part of efforts to complete work on time. On the price front, rates of inflation of input costs and output prices softened in January, but remained elevated.

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 dipped to 53.5 in January from 54.6 in December. Although still signalling a solid monthly strengthening of the private sector and the thirty-first in consecutive months, the rate of improvement was the softest since August 2022.

Business activity increased at a much slower pace at the start of the year, despite the rate of growth remaining marked. The latest rise was the weakest in five months. Demand continued to improve, but some firms reported a moderation in customer numbers. Activity increased across each of the four broad sectors covered by the survey.

The rate of expansion in new business also softened in January, but remained sharp nonetheless, again reflecting higher demand from customers.

A desire to try and complete projects on time led companies to ramp up their hiring activities at the start of the year. Employment increased at a solid pace that was the fastest since June 2018.

Despite expanded staffing levels, backlogs of work increased for the first time in three months. Firms reported having been hindered by issues with machinery and power supply.

Higher workloads and positive expectations regarding the

Comment

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

"Stanbic IBTC headline PMI declined to 53.5 in Jan from 54.6 in Dec 22. Indeed, private sector activities has continued to expand after recovery from the pandemic induced recession, nevertheless, the pace of growth recorded in Jan was the slowest since Aug 22. This was attributed to moderating customer numbers, despite increased demand. Business expansion also softened during the month, which was attributed to power supply and machinery challenges. Notably, the inflation rate for both input and output cost moderated in Jan alluding to our expectation for declining inflation in 2023. We expect inflation to gradually moderate in 2023 on the back of favorable base. Nevertheless, it is likely to still remain above the Central Bank's target rage 6-9%.

"The Central Bank of Nigeria's MPC in Jan however increased policy rate yet again by 100bps to 17.5% to continue taming surging inflation pressures. Despite the persistent policy rate hike, the negative real interest rate have not narrowed meaningfully, even as yields across the curve have also not increased at the same quantum; whereas inflation remains elevated. Moreso, the government's expansionary 2023 budget buttresses its misaligned stance of simultaneously loosening fiscal and tightening monetary policy. Inflation likely peaked in Nov 22 at 21.47% y/y and should continue trending downwards. However, upside risks to inflation persist from petrol subsidy removal during the year and likely lagged impact of flooding experienced during the harvest season in Q4:22."

outlook for activity led companies to expand their purchasing activity sharply again, with the rate of growth unchanged from December. In turn, stocks of purchases also rose further.

Efforts to secure inputs were helped by improving supplier performance. Competition among vendors, quiet road conditions and prompt payments all contributed to a shortening of delivery times, and one that was the most pronounced in four months.

The rate of input cost inflation softened for the second month running in January and was at a one-year low. The slowdown in overall cost inflation largely reflected a softer rise in purchase prices, albeit one that was still substantial. Purchase costs increased on the back of rising fuel and raw material costs, exacerbated by currency weakness.

Meanwhile, staff costs rose at the fastest pace in 11 months as companies increased pay in line with higher living costs.

Output price inflation also remained elevated as higher cost burdens were passed on to customers.

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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@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.
ihsmarkit.com/products/pmi.html

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