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

### Business conditions continue to improve in October

#### Key findings

Output and new orders continue to expand, albeit at softer rates

Purchasing activity increases at sharply

Inflationary pressures cool, but remain historically strong

The start of the fourth quarter revealed a solid improvement in the health of Nigeria's private sector. Output and new orders rose sharply while purchasing activity increased at an accelerated pace. At the same time, backlogs increased for the second month in a row, with sustained accumulation of outstanding business suggesting that hiring activity could continue in the months ahead.

On the price front, price pressures showed further signs of abating with the overall rate of input cost inflation the weakest for three months, but still marked by historical standards. Selling prices were also raised, albeit at a softer rate than that seen in September.

The headline figure derived from the survey is the Purchasing Managers' Index<sup>™</sup> (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.

The headline PMI posted at 53.6 in October, little-changed from 53.7 in September, indicating a solid improvement in the health of the private sector.

A key driver of growth was a sharp rise in new orders following reports of favourable and improving market conditions.

In turn, firms raised their output levels and for the fourth month in a row. Moreover, the rate of increase was quicker than the long-run series average. Manufacturing firms registered the strongest increase in output, followed by services, wholesale & retail and finally agriculture.

Backlogs increased for the second month in a row during October, but the rate of increase eased from that in September. Firms subsequently continued hiring activity, but the rate of growth was mild, and the joint-weakest in the current 21-month sequence of job creation.

Sustained expansions in new orders led Nigerian private sector firms to raise their purchasing activity, with the rate of

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sa, >50 = improvement since previous month



Sources: Stanbic IBTC Bank, S&P Global.  
Data were collected 12-27 October 2022.

#### Comment

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

"The PMI reading for October was at 53.6, a touch down from 53.7 in September. This continues to show an improvement in private sector activities driven by growth in output and new orders, hence purchasing activity increasing at an accelerated pace during the month. Notably, manufacturing firms registered the strongest increase in output, followed by services, wholesale & retail, and agriculture. However, compared to earlier months, price pressure showed signs of abating with the overall rate of input cost inflation the weakest for three months, but still high by historical standard. Indeed, m/m inflation has declined for the second consecutive month as the commencement of domestic harvest is expected to be positive for price levels in the coming months. However, there remains an upside risk to inflation from the prevalent flooding situation spread across the country which has dampened harvest yields and could drive up food prices. We forecast inflation as averaging about 19% in 2022."

growth quickening on the month. Pre-production inventories also rose robustly, with the rate of growth quickening to a three-month high amid firms' efforts to boost their stockpiles.

Supply-chain performance improved, with lead times now shortening in each month for the last five years.

Meanwhile, prices data revealed another month of overall input price inflation. Higher purchase and staff costs underpinned the latest rise which eased from September, but was sharp and historically elevated, nevertheless. Selling prices also rose, but at the weakest pace for almost two years.

Whilst firms maintained an optimistic view towards output in the next 12 months, the degree of positivity was the second lowest in the series history, with that only recorded in September 2020 weaker.

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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](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.

[ihsmarkit.com/products/pmi.html](http://ihsmarkit.com/products/pmi.html)

## Disclaimer

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