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

### Downturn deepens in March

#### Key findings

Sharper falls in output and new orders

Employment down for second month running

Output price inflation at near three-year low

The cash crisis in Nigeria continued to have a severe impact on business conditions in the private sector during March. In fact, output and new orders fell more quickly than in February, while staffing levels and purchasing activity were scaled back again.

While input costs and output prices continued to rise sharply, rates of inflation softened. Output prices increased at the softest pace in almost three years. Meanwhile, suppliers' delivery times shortened after having lengthened in February.

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 42.3 in March from 44.7 in February, moving further below the 50.0 no-change mark and signalling a sharper deterioration in business conditions in the Nigerian private sector. The decline was the most pronounced since the survey began in January 2014, apart from at the time of the outbreak of the COVID-19 pandemic in 2020.

As was the case in February, there were widespread reports from companies that customers were unable to commit to spending given cash shortages. This led to a substantial decline in new business, with the pace of contraction more pronounced than in the previous survey period.

The same picture was seen with regards to business activity, which decreased at a rate only exceeded in April and May 2020. All four broad sectors posted reductions in activity at the end of the first quarter.

Companies reduced staffing levels slightly for the second month running, in part reflecting lower workloads but also due to difficulties paying wages. Lower workforce numbers limited the pace of staff cost inflation, which eased to a marginal rate that was the slowest since January 2021.

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sa, >50 = improvement since previous month



Sources: Stanbic IBTC Bank, S&P Global.  
Data were collected 10-29 March 2023.

#### Comment

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

*“Stanbic IBTC Bank headline PMI declined to 42.3 in Mar from 44.7 in Feb, the second consecutive contraction in private sector business conditions in over two years. The continuous decline relative to February reflects the negative impact of cash shortage across different segments of the economy over the past two months. Currency in circulation declined by 58% in January 2023 to N1.39tn from N3.01tn in December 2022, while currency outside the banks declined by 72% in January 2023 to N789bn from N2.57tn in December 2022. Nevertheless we expect an improvement in economic conditions given that the Central Bank of Nigeria has stepped back on the cashless policy and is steadily increasing the volume of cash in the economy following the directives from the courts. However, these readings indicate that reported GDP figures for Q1:23 will be weak and broadly behind our expectations of 2.4%. We project the Nigerian economy growing at 3% in 2023.”*

Purchasing activity was also scaled back, falling at the fastest pace since May 2020. In turn, inventory holdings also decreased.

Inflationary pressures eased in March. The pace at which purchase costs increased was the slowest in just under three years, but remained sharp and faster than any seen prior to the pandemic. The same picture was seen with regards to output prices, which rose at the slowest pace since April 2020.

Suppliers' delivery times shortened in March, following a first lengthening in more than five years during February. Quicker deliveries reportedly reflected competition among suppliers.

The cash crisis acted to dampen confidence in the private sector in March, with sentiment the second-lowest in the series history. Where output was predicted to rise, panellists linked this to investment intentions and business expansion plans.

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## Survey methodology

The Stanbic IBTC Bank Nigeria PMI<sup>®</sup> 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<sup>™</sup> (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<sup>™</sup> (PMI<sup>®</sup>) 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](https://ihsmarkit.com/products/pmi.html)

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