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Stanbic IBTC Bank Nigeria PMI[®]

Output falls at fastest pace in 19 months amid intense cost pressures

Key findings

Third-fastest rise in overall input prices on record

Output and new orders down to greatest extent since March 2023

Business sentiment at record low

Severe inflationary pressures caused an intensification of the downturn in the Nigerian private sector at the start of the final quarter of the year. Overall input costs rose at one of the sharpest rates on record, with selling prices increased accordingly. This resulted in marked reductions in new orders and business activity, while business sentiment was the lowest in the survey's history. More positively, firms increased their staffing levels marginally despite the drop in workloads.

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 dropped to 46.9 in October from 49.8 in September, and signalled a marked deterioration in business conditions that was the most pronounced since March 2023.

Central to the worsening business environment in October was an intensification of already-strong inflationary pressures. Overall input prices surged higher, with the latest rise the third-fastest in the survey's history.

A steep increase in purchase costs reflected currency weakness and higher prices for fuel and transportation. Meanwhile, efforts to help workers with rising living costs meant that staff pay was increased to the greatest extent in seven months.

Faced with sharply rising input costs, Nigerian companies increased their own selling prices rapidly too. The rate of charge inflation was the fastest since March and fourth-strongest on record.

Steep price rises had a severe impact on customer demand, and new orders declined for the first time in three months. Moreover, the rate of contraction was the sharpest since March 2023.

Business activity also decreased to the largest extent in 19

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sa, >50 = improvement since previous month



Sources: Stanbic IBTC Bank, S&P Global PMI.
Data were collected 10-29 October 2024.

Comment

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

“Nigeria’s private sector activity worsened further in October, with the headline PMI settling at a 19-month low of 46.9 points from 49.8 in September. The notable reason for this worsening business environment in October was an intensification of already-strong inflationary pressures, reflecting currency weakness and higher prices for fuel and transportation. Consequently, there was a marked reduction in new orders and business activity, while business sentiment was the lowest since the survey began in January 2014. Three of the four monitored sectors saw output fall, with only the agriculture sector bucking the wider trend to record a rise in output. Despite a sharp fall in new orders during October, Nigerian companies continued to increase their staffing levels slightly, thereby extending the current sequence of job creation to six months.

The downturn in the business environment worsened at the start of Q4:24, still reflecting the impact of price pressures on consumer demand and business investments. Currency pressures and high interest rates are further intensifying the lingering pressure on the private sector. This continues to imply that the non-oil sector’s growth will remain weak, although improved crude oil production relative to the prior year may compensate for this lacklustre non-oil sector’s performance.”

months, with only the agriculture sector bucking the wider trend to record a rise in output.

Sharp falls in output and new orders dented business confidence in October, with sentiment falling to the lowest on record.

Companies continued to increase their staffing levels, however, raising employment for the sixth month running, albeit modestly. Some firms took on staff on a short-term basis to make sure work was finished on time, but others reduced workforce numbers amid cost pressures.

Price pressures meanwhile contributed to a reduction in purchasing activity, with firms scaling back their input buying in response to falling client demand. The marked fall in purchasing was the most pronounced since March 2023. In turn, stocks of inputs also decreased, and for the third month running.

Finally, weak demand for inputs, competition among suppliers and prompt payments meant that lead times on the delivery of inputs continued to shorten.

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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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