News Release

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Stanbic IBTC Bank Nigeria PMI®

PMI dips to 17-month low in June

Key findings

Output falls for the first time in 19 months

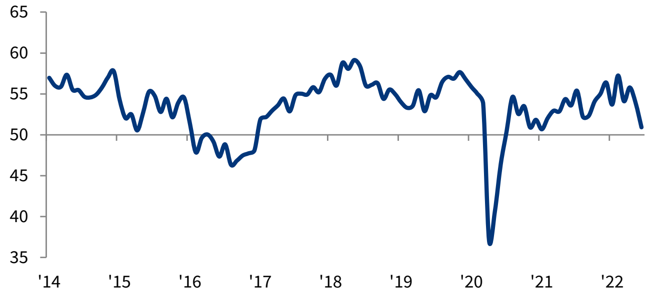
New order growth moderates to weakest for two years

Overall input price inflation quickens to four-month high

Data were collected 13-28 June 2022

PMI

sa, >50 = improvement since previous month



Sources: Stanbic IBTC Bank, S&P Global.

The Nigerian private sector remained in growth territory at the end of the second quarter, although recent challenges around cash shortages led to weaker new order growth and a renewed decline in output. As a result, business conditions improved at the weakest rate for almost a-year-and-a-half. Companies responded by raising their staffing levels, purchases and stocks of inputs at softer rates in June.

On the price front, steep cost pressures persisted with overall input price inflation quickening to a four-month high.

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.

At 50.9 in June, down from 53.9 in May, the headline PMI signalled a twenty-fourth successive monthly improvement in business conditions in Nigeria's private sector. That said, the latest result was indicative of the weakest improvement for 17 months

Central to the moderation was a renewed contraction in output which fell for the first time in 19 months. Although marginal overall, the latest fall contrasted with sharp expansions in recent months. Firms overwhelmingly blamed weaker inflows of new work, but there were also mentions of cash shortages.

Meanwhile, new orders rose for the twenty-fourth month in a row. The rate of growth was marginal and eased to the softest in this sequence, however, as elevated costs deterred some clients from placing orders.

Turning to prices, overall input price inflation quickened from May, and was the fourth-steepest in the series history. Firms reported higher purchase costs (particularly for fuel and raw materials) and rising staff costs.

Subsequently, and in line with weaker inflows of new work, purchasing activity rose at the weakest pace since January 2021. Stocks of purchases continued to rise sharply however, and at a rate that was in line with the long-run series average.

Staffing levels rose for the seventeenth month in succession during June amid efforts to boost output. That said, the rate of growth was modest with some firms engaging in restructuring efforts.

Modest expansions in new business, paired with another uptick in headcounts led to a twenty-fifth successive reduction in backlogs. Shortages of some key parts resulted in the weakest decline in backlogs for 17 months, however.

Finally, sentiment regarding output in the year ahead remained firmly in positive territory in June. Although, there were some signs that soaring inflation weighed slightly on hopes with the degree of optimism moderating from May.

PMI® by S&P Global

NATIONAL BUREAU OF STATISTICS

The Nigeria PMI is endorsed and adopted by NBS.

Comment

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

“The Stanbic IBTC PMI signaled an improvement in private sector activity for twenty-fourth consecutive month. However, the headline PMI index printed at 50.9 in June, down from 53.9 in May, with the latest figure at a 17- month low.

“Private sector output fell during the period, halting 18 months of expansion, while elevated costs weighed on consumers’ demand. Indeed, overall input costs reached a four-month high in June.

“Rising input costs will continue to threaten output, in turn adding further pressures on inflation. We now see inflation averaging 18% this year as supply-side challenges, amid domestic structural constraint, persist. Headline inflation has trended upwards for the fourth consecutive month reaching 17.71%y/y in June from 16.82% y/y in May. Rising diesel cost, petrol scarcity, domestic insecurity and supply-chain challenges in the global space still serves as a upside risk to inflation in the coming months. Sure, we forecast a real GDP growth of 3.2% in 2022 , persistent rise in inflation and FX illiquidity challenges continue serving as downside risks.”

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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.

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.

Data were collected 13-28 June 2022.

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. https://ihsmarkit.com/products/pmi.html

About Stanbic IBTC Bank

Stanbic IBTC Bank is a subsidiary of Stanbic IBTC Holdings Plc, a full service financial services group with a clear focus on three main business pillars - Corporate and Investment Banking, Personal and Business Banking and Wealth Management. Standard Bank Group, to which Stanbic IBTC Holdings belongs, is rooted in Africa with strategic representation in 20 key sub-Saharan countries and other emerging markets; Standard Bank has been in operation for over 151 years and is focused on building first-class on-the-ground banks in chosen countries in Africa and connecting other selected emerging markets to Africa and to each other.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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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