

Embargoed until 0945 WAT (0845 UTC) 1 July 2022

# 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

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.

PMI

sa, >50 = improvement since previous month



Sources: Stanbic IBTC Bank, S&P Global.

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.

## 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 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.”

## Contact

### Stanbic IBTC Bank

Muyiwa Oni  
 Head Equity Research - West Africa  
 T: +234 (1) 422 8667  
[muyiwa.oni@stanbicibtc.com](mailto:muyiwa.oni@stanbicibtc.com)

Fadeke Awolesi  
 Corporate Communications  
 T: +234 701 0179 108  
[fadeke.awolesi@stanbicibtc.com](mailto:fadeke.awolesi@stanbicibtc.com)

### S&P Global Market Intelligence

Shreeya Patel  
 Economist  
 T: +44 134 432 8196  
[shreeya.patel1@spglobal.com](mailto:shreeya.patel1@spglobal.com)

### S&P Global

Joanna Vickers  
 Corporate Communications  
 T: +44 207 260 2234  
[joanna.vickers@spglobal.com](mailto:joanna.vickers@spglobal.com)

### 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](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. <https://ihsmarkit.com/products/pmi.html>

### Disclaimer

Please note that the Stanbic IBTC Bank Nigeria PMI should not be taken as a substitute for official statistics, but may be used in conjunction with them.

Stanbic IBTC Bank Nigeria (“Stanbic IBTC”) has issued and is responsible for production of this publication. This publication should be regarded as being for information only and should not be considered as an offer or solicitation to sell, buy or subscribe to any financial instruments, securities or any derivative instrument, or any other rights pertaining thereto (together, “investments”). Stanbic IBTC does not express any opinion as to the present or future value or price of any investments referred to in this publication. This publication may not be reproduced without the consent of Stanbic IBTC.

The information contained in this publication has been compiled from sources believed to be reliable, but, neither Stanbic IBTC, nor any of its directors, officers, or employees accepts liability for any loss arising from the use hereof or makes any representations as to its accuracy and completeness. The information contained in this publication is valid as at the date of this publication. This information is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the matters discussed herein.

This publication does not constitute investment advice and has been prepared without regard to individual financial circumstances, objectives or particular needs of recipients. Readers should seek their own financial, tax, legal, regulatory and other advice regarding the appropriateness or otherwise of investing in any investments or pursuing any investment strategies. Investec operates exclusively on an execution only basis.

An investment in any of the investments discussed in this publication may result in some or all of the money invested being lost. Past performance is not a reliable guide to future performance. To the extent that this publication is deemed to contain any forecasts as to the performance of any investments, the reader is warned that forecasts are not a reliable indicator of future performance. The value of any investments can fall as well as rise. Foreign currency denominated investments are subject to fluctuations in exchange rates that may have a positive or adverse effect on the value, price or income of such investments. Certain transactions, including those involving futures, options and other derivative instruments, can give rise to substantial risk and are not suitable for all investors.

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global’s prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information (“data”) contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers’ Index™ and PMI® are either registered trade marks of Market Economics Limited or licensed to Market Economics Limited and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings (“Content”) in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers (“Content Providers”) do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.