

Embargoed until 0945 WAT (0845 UTC) 1 September 2022

Stanbic IBTC Bank Nigeria PMI[®]

Private sector activity growth eases in August

Key findings

Output and new orders rise at softer pace

Near-record increase in overall input price inflation

Sentiment moderates to nine-month low

Data were collected 12-26 August 2022

Business conditions in Nigeria's private sector improved modestly midway through the third quarter, but the rate of growth slowed from that seen in July. Softer upticks were recorded in output, new orders and purchasing activity while employment rose at a quicker pace. At the same time, overall input price inflation rose at the second-fastest rate on record while sentiment moderated to the weakest since last November.

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 registered at 52.3 in August, down from 53.2 in July, signalling another improvement in business conditions. That said, the rate of growth was weaker than the long-run series average.

New orders rose for the twenty-sixth month running in August which panellists linked to general improvements in customer demand. The rate of growth did ease from July, however, amid elevated prices.

Higher sales underpinned a second successive uptick in output in the Nigerian private sector. The rate of growth was broadly in line with that seen in July but was softer than the long-run series average. Of the four monitored sub-sectors, three registered output growth. Agriculture topped the rankings, followed by wholesale & retail and services,

PMI

sa, >50 = improvement since previous month



Sources: Stanbic IBTC Bank, S&P Global.

respectively. Manufacturers, meanwhile, recorded a fall in output levels during August.

Despite slowdowns in output and new order growth, firms added to their headcounts at a quicker pace in August. The overall rate of job creation was modest and the highest for three months. Subsequently, firms continued to reduce their backlogs, but the rate of decline was fractional amid difficulties sourcing some key inputs.

Advance payments led to quicker supplier delivery times in August. In fact, vendor performance improved to the greatest extent in three months. Quicker lead times allowed firms to add to their inventory holdings. Stocks of purchases rose at a slower pace to that seen in July, however.

On the price front, higher commodity and transportation expenses exerted upward pressures on purchase costs. At the same time, firms raised their staff wages to motivate their workforces and in light of higher living expenses. The overall rate of input price inflation was the second-fastest in the survey's history, surpassed only by that seen in November 2021.

Looking ahead, firms remained optimistic of output growth in the year ahead, as has been the case since the survey began in January 2014, but the degree of positivity was the weakest for nine months.

Contact

Stanbic IBTC Bank

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

Fadeke Awolesi
 Corporate Communications
 T: +234 701 0179 108
fadeke.awolesi@stanbicibtc.com

S&P Global Market Intelligence

Shreeya Patel
 Economist
 T: +44 134 432 8196
shreeya.patel1@spglobal.com

Sabrina Mayeen
 Corporate Communications
 T: +44 (0) 7967 447030
sabrina.mayeen@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 12-26 August 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>

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.