News Release

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Stanbic IBTC Bank Nigeria PMI®

New order growth at seven-month low in June

Key findings

Slower increases in new orders and output

Inflationary pressures strengthen

Business confidence remains muted

June data signalled a broad stagnation of the Nigerian private sector as subdued demand and intense price pressures led to slowdowns in growth of output and new orders. In turn, employment rose only fractionally. There were signs of inflationary pressures picking up, with purchase prices, staff costs and selling charges all increasing more quickly than in May.

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 only fractionally above the 50.0 no-change mark in June to signal broadly unchanged business conditions at the end of the second quarter. At 50.1, the index was down from 52.1 in May and the lowest in seven months.

Although new orders continued to rise in June, the rate of expansion was only marginal and the weakest in the current seven-month period of growth. There were some reports of underlying demand improving, but sharp price rises meant that customers faced challenges being able to commit to new projects.

Companies increased their selling prices rapidly again in June, with the pace of inflation quickening slightly from that seen in May.

The sharper rise in output prices was in tandem with a faster increase in input costs. Purchase price inflation was recorded amid currency weakness and higher raw material costs, particularly those related to animal feed. Meanwhile, efforts to help workers with increased living and transportation costs led to a further solid rise in wages.

In line with the picture for new orders, output rose at a slower pace during June. The rate of expansion was slight and the weakest in four months. The agriculture and manufacturing

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sa, >50 = improvement since previous month

Sources: Stanbic IBTC Bank, S&P Global PMI.
Data were collected 12-26 June 2024.

Comment

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

"The Stanbic IBTC headline PMI dropped to a seven-month low of 50.1 points in June from 52.1 in May due to moderation in domestic demand amid the intensification of price pressures, leading to slowdowns in growth of output and new orders. Notably, new orders recorded a near-stagnation as new business increased only marginally and at the slowest pace in the current seven-month sequence of expansion. Besides, financial challenges at customers reportedly limited the ability of firms to fully benefit from any improvement in underlying demand. In line with the picture for new orders, output rose at a slower pace during June, settling at its weakest level in four months. Meanwhile, the rate of inflation in overall input prices remained elevated in June, ticking higher for the second month running to the strongest since March. Close to 60% of respondents posted a rise in input costs during the month. In line with the trend in input costs, companies increased their own selling prices sharply again in June. The pace of inflation quickened slightly from that seen in May.

"Nigeria's private sector activity as measured by the headline PMI ended Q2:24 on a weak note as the domestic economy continues to be affected by elevated price pressures, high interest rates and lingering currency weakness. The PMI reading in the quarter is consistent with a likely slowdown in non-oil sector's growth to 2.6% y/y in Q2:24 from 2.8% y/y in Q1:24. Nonetheless, headline inflation is likely to peak in June, with moderation expected in H2:24 as the year-on-year effects of PMS subsidy removal (which induced higher fuel prices) and significant currency depreciation (which accompanied the FX unification) fade. This, in addition to the commencement of the primary harvest season in September, is likely to provide some respite for consumers in H2:24."

PMI® by S&P Global

NATIONAL BUREAU OF STATISTICS

The Nigeria PMI is endorsed and adopted by NBS.

sectors posted faster increases in business activity than services and wholesale & retail.

Muted demand conditions enabled companies to reduce their backlogs of work for the first time in four months. Some firms indicated that they had cleared all outstanding business. There were other reports, however, that difficulties securing materials (often linked to prices) caused delays in the completion of projects, meaning that the overall reduction in backlogs was only marginal.

With new order growth slowing and backlogs of work down, the vast majority of companies kept their staffing levels unchanged in June. Employment rose fractionally for the second month running.

Firms increased their purchasing activity at a solid pace, reflecting recent rises in new orders and efforts to get ahead of expected future price rises. Inventories also increased.

Business confidence remained among the lowest on record in June. Where firms were optimistic in the outlook for output, this was linked to plans for business expansions, the securing of new funding and efforts to export.

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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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