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Stanbic IBTC Bank Nigeria PMI®

Business activity rises for first time in six months

Key findings

Second successive increase in new orders

Renewed expansions in output, employment and purchasing

Inflationary pressures remain elevated

There were tentative signs of improvement in the Nigerian private sector during the final month of 2024. Overall business conditions improved as new orders increased for the second month running and renewed expansions were seen in output, employment and purchasing. That said, rates of inflation remained elevated.

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 moved back above the 50.0 no-change mark for the first time in six months during December. At 52.7, the index was up from 49.6 in November and signalled a solid improvement in the health of the private sector that was the most pronounced since January 2024.

New orders increased for the fourth time in the past five months, with the pace of expansion quickening to the fastest since May. Respondents noted improving client demand and rising customer numbers.

Sustained growth of new orders led to a renewed expansion of business activity in December, thereby ending a five-month sequence of contraction. All four broad sectors signalled rising output at the end of 2024.

Companies also responded to higher new orders by recording fresh rises in both employment and purchasing activity. Growth of input buying helped firms to accumulate stocks of purchases for the first time in five months.

Firms were able to keep on top of workloads and depleted backlogs for the seventh month running, albeit marginally.

There were some signs of capacity pressures emerging in supply chains, however, with lead times shortening only fractionally and to the least extent since August 2023. While prompt payments and competition among suppliers meant that lead times continued to shorten, poor road conditions

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sa, >50 = improvement since previous month



Sources: Stanbic IBTC Bank, S&P Global PMI.
Data were collected 05-19 December 2024.

Comment

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

"In line with the increase in economic activity usually associated with festive season in Nigeria, the private sector activity moved above the 50-points psychological threshold for the first time in six months, settling higher at 52.7 in December from 49.6 in November – its most pronounced improvement since January 2024. This improved private sector activity reflects renewed expansions in output, purchasing, and employment level. New orders also increased for the second consecutive month, with the latest increase being the highest since May 2024, reflecting improvement in consumer demand. Nonetheless, while some firms increased employment in response to the higher new orders, others reported having to let staff go due to difficulties paying wages.

"Elsewhere, output (54.8 points vs November: 49.6) ended a five-month sequence of decline, with survey participants linking the rise in activity to increased customer numbers. Growth was recorded across each of the four broad sectors covered by the survey. Meanwhile, input prices remained elevated in December – prices increased across all four monitored sectors, with the most pronounced increase in the manufacturing sector. As a result, output prices also remained elevated in December and ticked higher from that seen in November.

"We maintain our expectation that the broad economy is likely to maintain the Q3:24 growth momentum in Q4:24, supported by festive-induced increase in economic activity and sustained improvement in crude oil production. On balance, we estimate the economy to grow by 3.24% y/y in real terms in Q4:24 and adjust our 2024 growth estimate upward to 3.2% (previously: 3.1%). Over the medium term, some firms were optimistic of improvements in access to funding, helping them to invest in business expansions, while others were hopeful of an improvement in economic conditions in 2025, and a softening of inflationary pressures."

and higher demand for inputs caused delays in some cases.

Improving trends across the private sector were recorded in spite of ongoing strong inflationary pressures. Purchase prices were up amid currency weakness and higher costs for fuel and transportation. Transportation price pressures also contributed to an increase in staff costs.

In turn, companies continued to increase their output prices at a rapid pace, with the rate of inflation quickening slightly from that seen in November.

Although strengthening from the series low seen in the previous survey period, business confidence was still the third-lowest on record. Some firms linked optimism to expected improvements in access to funding, helping them to invest in business expansions, while others were hopeful of an improvement in economic conditions in 2025, and a softening of inflationary pressures.

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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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