News Release

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Stanbic IBTC Bank Nigeria PMI®

Input costs rise at record pace in February

Key findings

Unprecedented increases in input costs and output prices

Growth of output and new orders eases

Lowest business confidence on record

Price pressures intensified in the Nigerian private sector during February and were unprecedented in over a decade of data collection. Both input costs and output prices increased at the sharpest rates on record, with rising prices impacting demand. As a result, rates of expansion in output and new orders slowed sharply over the month, while employment decreased for the first time in ten months. Meanwhile, business confidence dropped to the lowest on record.

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 dropped markedly in February to 51.0 from 54.5 in January, remaining above the 50.0 no-change mark for the third month running but only just. The improvement in business conditions was the weakest since the recovery in the private sector began last December.

Input costs surged higher in February, often as a result of exchange rate weakness, which drove up material costs, but also higher fuel prices. The latest rise in overall input costs was by far the sharpest since the survey began in January 2014, with around 78% of respondents signalling an increase over the month.

Similarly, output price inflation also hit a fresh record high in February as firms passed through rising input costs to their customers.

Steep price pressures acted to limit new orders in the private sector. Although new business increased for the third successive month amid some positive signs for underlying demand, the rate of expansion slowed sharply and was the weakest in this sequence.

This was also the case with business activity, which increased only slightly. Rising activity in the agriculture and services sectors contrasted with falls in manufacturing and

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sa, >50 = improvement since previous month

Sources: Stanbic IBTC Bank, S&P Global PMI.
Data were collected 12-27 February 2024.

Comment

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

"The Nigerian economy grew by 3.46% y/y in Q4:23, an improvement when compared with 2.54% y/y growth witnessed in Q3:23. The improvement in the Q4:23 print was in line with improvement across the oil and non-oil sectors. On the one hand, crude oil production settled at an average 1.55mb/d (Q3:23: 1.45mbpd), propelling the oil GDP growth to 12.11% y/y – its first quarterly growth since Q1:20 (5.06% y/y). On the other hand, the non-oil sector's growth improved to 3.07% y/y in Q4:23, exceeding 2.75% y/y growth in Q3:23, driven largely by finance and insurance (29.78% y/y vs Q3:23: 28.21% y/y), information & communication (6.33% y/y vs Q3:23: 6.69% y/y), agriculture (2.10% y/y vs Q3:23: 1.30% y/y), manufacturing (1.38% y/y vs Q3:23: 0.48% y/y), and trade (1.40% y/y vs Q3:23: 1.53% y/y).

"Stanbic IBTC Bank headline PMI slowed to its weakest level since Dec 23, moderating remarkably to 51.0 in Feb from 54.5 in Jan. Employment level dropped below the 50.0 no-change mark for the first time in 10 months while the output and new order's expansion both weakened significantly in the month. These weaknesses were in line with the sharp local currency depreciation, increase in fuel prices, and rapidly rising food costs in February, thereby driving overall cost pressures in the month. These lingering pressures may push domestic demand low, limiting growth potentials in Q1:24.

"Furthermore, price pressures remain biased to the upside over H1:24 and tight monetary conditions could constrain business investments. Notably, interest-rate sensitive sectors like the manufacturing, construction, real estate, and trade are likely to see moderation in growth levels relative to the prior year. Accordingly, the non-oil sector's growth is on track to moderate in 2024 compared to 2023. We project the Nigerian economy will grow by 2.9% in 2024."

wholesale & retail.

Signs of weakness in the private sector led companies to lower their staffing levels for the first time in ten months, albeit marginally. Purchasing activity was also scaled back following a marked expansion in the previous survey period. Firms were able to keep on top of workloads, however, and reduced outstanding business for the first time in three months.

A desire to be able to respond to new orders in a timely manner meant that companies continued to increase their inventories. Meanwhile, suppliers' delivery times shortened again.

Unprecedented inflationary pressures amid currency weakness and signs of demand softening meant that business confidence dropped to the lowest on record in February. Firms remained optimistic regarding the year-ahead outlook for activity, however, often reflecting business expansion plans and hopes for an improvement in economic conditions.

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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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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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The Nigeria PMI is endorsed and adopted by NBS.