News Release

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Stanbic IBTC Bank Nigeria PMI®

Business activity falls for first time in eight months

Key findings

Renewed reductions in output and new orders

Cost pressures remain elevated

Business confidence at record low

The Nigerian private sector moved back into contraction territory in July as steep price pressures hit demand and resulted in renewed reductions in both business activity and new orders. Input costs and selling prices continued to rise rapidly, although there were some signs that efforts to secure sales resulted in a softer pace of output price inflation. Meanwhile, confidence hit a new record low.

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 posted 49.2 in July, down from 50.1 in June and below the 50.0 no-change mark for the first time in eight months. The index signalled a slight deterioration in business conditions as the second half of the year got underway.

The renewed worsening in the health of the private sector mainly reflected the first reductions in output and new orders since November last year. In both cases, rates of decline were only modest, however.

Anecdotal evidence continued to highlight the negative impact of sharp price increases on customer demand, with clients often unwilling or unable to commit to new projects.

Three of the four broad sectors covered by the report saw business activity decrease in July, the exception being manufacturing where production increased.

Selling prices continued to increase sharply at the start of the third quarter as companies passed higher input costs through to their customers. This was despite the rate of inflation easing to the slowest since May 2023 amid reports from some panellists that they had lowered charges as part of efforts to secure sales.

Further increases in purchase prices and staff costs were registered in July. Purchase price inflation quickened to a

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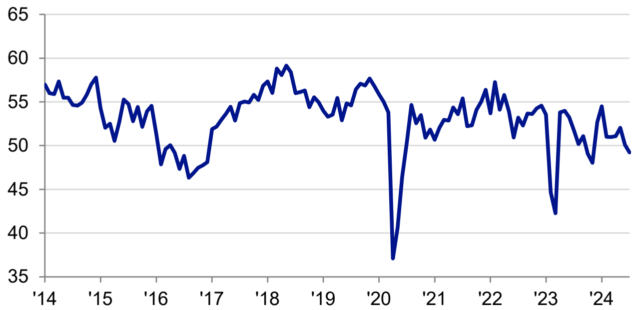
sa, >50 = improvement since previous month



Sources: Stanbic IBTC Bank, S&P Global PMI.
Data were collected 11-29 July 2024.

Comment

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

"The Stanbic IBTC headline PMI declined for the second consecutive month to 49.2 points in July – its lowest level since November 2023. Anecdotal evidence continued to highlight the negative impact of sharp price increases on customer demand, resulting in renewed reductions in both business activity and new orders. Notably, output and new orders printed below 50.0 thereby ending a seven-month sequence of expansion and reinforcing a renewed worsening in the health of the private sector. Even as output and new orders declined, companies continued to expand their staffing levels during the month. Moreover, the rate of job creation picked up to the strongest in 2024 so far. Meanwhile, overall input prices continued to rise sharply in July with the rate of inflation quickening for the third month running and was the fastest since March. Although output prices continued to rise rapidly during July, the pace of inflation eased from that seen in June and was the slowest since May 2023. Where selling prices increased, panelists linked this to higher input costs. On the other hand, some companies lowered charges as part of efforts to attract customers. That said, companies remained confident overall that output will increase over the next 12 months, reflecting business expansion plans including efforts to start exporting and open more branches. On a year-on-year basis, headline inflation may have peaked 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, thereby likely supporting a slight improvement in domestic economic activities in H2:24."

four-month high, often due to currency weakness but also higher raw material costs. Meanwhile, the rise in employee expenses was broadly in line with that seen in June as companies continued to help workers with higher living costs, particularly those related to transportation.

The renewed decline in output was accompanied by a reduction in business confidence, with firms at their least optimistic since the survey began. That said, business expansion plans meant that firms still expect output to rise over the coming year.

Companies scaled back purchasing activity, with reduced demand for inputs and prompt payments helping lead to a further shortening of suppliers' delivery times. Meanwhile, stocks of inputs increased.

Employment also continued to rise slightly, with the pace of job creation quickening to the fastest in 2024 so far. Higher staffing levels and a drop in new orders meant that backlogs of work were cleared for the second consecutive month.

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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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