

Stanbic IBTC Bank Nigeria PMI®

Record fall in employment as activity continues to decline

Key findings

Sharpest reduction in employment in survey's history

Output and new orders fall, but at weaker rates

Business sentiment at new low

Data were collected 12-26 June 2020

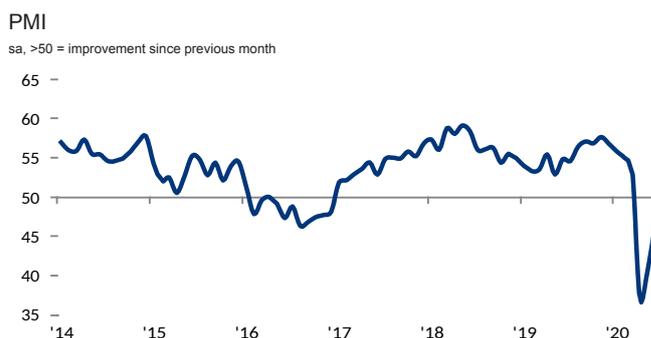
The Nigerian private sector has remained in decline at the end of the second quarter of the year, with the coronavirus disease 2019 (COVID-19) and associated restrictions to prevent its spread continuing to impact operations. That said, a loosening of the lockdown led to softer declines in output and new orders. On the other hand, difficulties in paying staff led to a record fall in employment, while business confidence was the lowest in the survey so far.

Firms also had to contend with a substantial increase in purchase costs, which resulted in a near-record rise in selling prices.

The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI®), a property of Stanbic IBTC Bank PLC. 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 rose to 46.4 in June, up from 40.7 in May to signal a softer deterioration in business conditions in the private sector. That said, operating conditions have now worsened in three consecutive months.

Both output and new orders continued to fall, albeit at reduced rates. Restrictions to prevent the spread of COVID-19, a lack of customers and insufficient funds to commit to new orders were all mentioned by respondents. New export orders also fell, and to a greater extent than total new business.



Sources: Stanbic IBTC Bank, IHS Markit.

Difficulties in paying staff led to a third successive fall in employment. Moreover, the rate of job cuts was the fastest since the survey began in January 2014. A combination of pay cuts and job losses resulted in a decline in staff costs, also the sharpest on record.

In contrast to falling staff costs, purchase prices continued to increase substantially, with the rate of inflation hitting a new record for the third month running. Raw material shortages and currency weakness were reportedly behind the latest rise in purchase prices.

The strong increase in purchase costs fed through to a steep rise in selling prices, with the rate of inflation little-changed from the record posted in May.

The prospect of further price rises led some firms to purchase inputs in June to guard against this. Both input buying and stocks of purchases decreased only marginally. Meanwhile, suppliers' delivery times shortened to the greatest extent in three months amid competitive pressures and a lack of capacity pressure at vendors.

The impact of COVID-19 led to a marked drop in confidence regarding the 12-month outlook for business activity. In fact, sentiment was the lowest in the survey's six-and-a-half year history.

The Nigeria PMI is endorsed and adopted by NBS.

By IHS Markit

Comment

Gbolahan Taiwo, Economist at Stanbic IBTC Bank commented:

“Business activities in the Nigerian private sector remained firmly in contraction territory in June although the easing of containment measures have ensured activities continue to pick up month-on-month. The June PMI reading rose to 46.4 in June from 40.7 in May as output and new orders improved markedly. With Covid-19 incidences in Nigeria still largely on the rise, proving that community transmission is in full effect, we remain cautious above the level of improvement expected over the remainder of the year. In all likelihood, a major part of the services sector will not recover, say to their pre-Covid levels, perhaps until a vaccine is found. We believe the FX liquidity shortages in the country with increasing backlog of demand will likely continue to dampen the level of economic recovery erstwhile expected. More concerning is the employment sub-index which fell to its lowest on record in June at 47.1 as businesses continue to struggle to maintain wages during this economic slowdown. Official unemployment numbers haven’t been published since Q3:18 which was at 23.1%. This statistic undoubtedly has worsened since the turn of the year and could in turn impact aggregate demand meaningfully, leading to lower output.”

Contact

Stanbic IBTC Bank

Gbolahan Taiwo
 Economist, Research
 T: +234 (1) 422 8290
gbolahan.taiwo@stanbicibt.com

Usman Imanah
 Communications Manager
 T: +234 7066 3172 67
usman.imanah@stanbicibt.com

IHS Markit

Andrew Harker
 Economics Director
 T: +44 1491 461 016
andrew.harker@ihsmarkit.com

Katherine Smith
 Public Relations
 T: +1 781 301 9311
katherine.smith@ihsmarkit.com

Methodology

The Stanbic IBTC Bank Nigeria PMI® is compiled by IHS Markit 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.

June data were collected 12-26 June 2020.

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.

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 IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit 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 IHS Markit 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 Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.