

# Stanbic IBTC Bank Nigeria PMI®

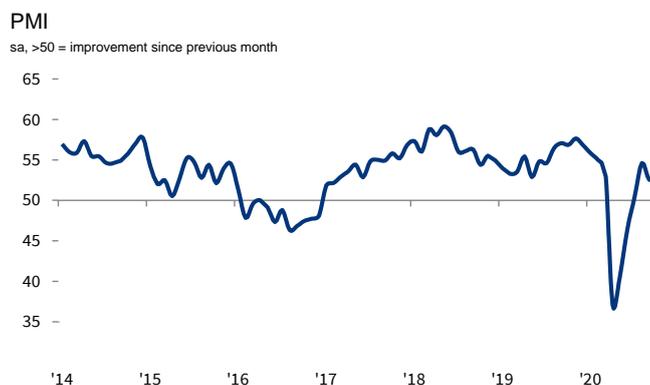
## Business conditions improve amid strengthening demand

### Key findings

Sharp and accelerated rises in output and new orders

Marked improvement in vendor performance

Sentiment improves to three-month high



Data were collected 12-28 October 2020

The Nigerian private sector experienced a positive start to the final quarter of 2020 with output and new orders both rising at a robust and accelerated pace. Firms continued to expand purchasing activity and employment in line with higher levels of new work. Sufficient capacity and higher staffing numbers led to another decline in the level of incomplete work. Companies remained optimistic about output in the year ahead, with many firms hoping to expand operations.

On the price front, input costs rose, with higher wage and material costs linked to the latest uptick. Cost burdens were passed on to customers which led to a robust 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 registered at 53.5 in October, up from 52.5 in September, signalling a solid expansion in business activity at Nigerian private sector firms.

Higher customer numbers and easing restrictions associated with the coronavirus disease 2019 (COVID-19) were widely reported by panelists, helping lead to stronger growth of both output and new orders. In both cases, continuous expansion has been recorded for four consecutive months.

Employment continued to rise modestly, with the rate of job creation in line with that seen in the previous survey period. Efforts to keep on top of workloads were largely successful as outstanding business decreased at one of the fastest rates since the start of the survey almost seven years ago.

Purchasing activity also rose sharply in line with higher output levels, contributing to a substantial accumulation of inventories. Despite rising demand for inputs and political unrest, competition among suppliers and prompt payments meant delivery times shortened to the greatest extent in 30 months.

The rate of purchase cost inflation slowed slightly from the previous survey period but remained solid overall. Respondents often linked the latest rise to unfavourable exchange rate conditions and rising raw material prices. Meanwhile, staff costs increased modestly. Firms reportedly passed on higher costs to customers resulting in an accelerated rise in selling prices.

Looking ahead, businesses continue to foresee a rise in output levels over the year ahead with plans to expand operations and implement marketing strategies. That said, sentiment was below the series average as a number of firms mentioned uncertainty surrounding COVID-19 developments.

## Comment

Gbolahan Taiwo, Economist at Stanbic IBTC Bank commented:

## Contact

### Stanbic IBTC Bank

Gbolahan Taiwo  
 Economist, Research  
 T: +234 (1) 422 8290  
[gbolahan.taiwo@stanbicibtc.com](mailto:gbolahan.taiwo@stanbicibtc.com)

Usman Imanah  
 Communications Manager  
 T: +234 7066 3172 87  
[usman.imanah@stanbicibtc.com](mailto:usman.imanah@stanbicibtc.com)

### IHS Markit

Shreeya Patel  
 Economist  
 T: +44 134 432 8196  
[shreeya.patel1@ihsmarkit.com](mailto:shreeya.patel1@ihsmarkit.com)

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

October data were collected 12-28 October 2020

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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](https://www.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.