

Embargoed until 0945 WAT (0845 UTC) 1 November 2023

## Stanbic IBTC Bank Nigeria PMI<sup>®</sup>

### New orders fall amid record rise in input costs

#### Key findings

Overall input prices and wages increase at record rates

Output and new orders decline

Inflationary pressures cause delays in project completion

The Nigerian private sector dipped into contraction in October as a record increase in input costs impacted customer demand. Sharply rising prices also discouraged firms from purchasing inputs and caused delays in the completion of orders. On a more positive note, employment continued to rise amid company expansion plans.

The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI<sup>®</sup>). 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 below the 50.0 no-change mark for the first time in seven months in October, thereby signalling a deterioration in business conditions in the private sector. At 49.1, the index was down from September's reading of 51.1 and signalled a slight worsening of operating conditions.

Central to the challenges for firms in October was the sharpest rise in overall input prices since the survey began almost a decade ago. Purchase costs were up rapidly, largely due to currency weakness but also the lingering impacts of the removal of the fuel subsidy.

Meanwhile, the extent of the rise in living costs, particularly those related to transportation, led companies to increase their staff pay markedly in October. Moreover, the rate of inflation hit a new survey peak.

With input costs rising rapidly, firms in Nigeria increased their own selling prices accordingly. The pace of inflation quickened from September and was one of the sharpest on record.

The steep inflationary environment acted to depress customer demand in October. New business decreased at a solid pace, thereby ending a six-month sequence of growth.

Business activity was also down, falling for the second time in the past three months and to the largest extent since the

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sa, >50 = improvement since previous month



Sources: Stanbic IBTC Bank, S&P Global PMI.  
Data were collected 12-27 October 2023.

#### Comment

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

*“Nigerian private sector business activity contracted in October, the first time in the last seven months, a reversal from the expansion trend since cashless policy was discontinued in March 2023. Costs have continued to rise, depressing output and new orders. The headline PMI declined to 49.1 in October, from 51.1 in September, pushing business activity trend into negative territory. Before the September print, the PMI had declined consecutively over the past three months. Prices have remained elevated, with input and purchase prices remaining at period highs. Input prices increased materially across the major sectors covered, with inflationary pressures most pronounced in wholesale & retail and manufacturing. The inflationary environment depressed consumer demand in the month of October, pausing the steady pace of new business expansion for the first time in six months. Majority of the respondents also signalled an increase in purchase prices linked mainly to exchange rate weakness and higher fuel costs. The rate of inflation hit a new peak in the survey’s history. September inflation print continued to show increased cost pressure as CPI increased to 26.72% from 25.8% in August. Core inflation increased to 22.1% from 21.5% in July, while food inflation increased to 30.64% from 29.34% in July.”*

cash crisis earlier in the year.

Lower new orders and high prices for inputs led companies to reduce their purchasing activity for the first time in seven months. In some cases an inability to secure inputs led to delays in the completion of projects. Elsewhere, customers had missed payments. As a result, backlogs of work increased for the second month running, and to the largest extent since February.

The build-up of outstanding business was signalled despite a further rise in employment. Staffing levels were up for the sixth month in a row, and at a solid pace. According to respondents, job creation often reflected business expansion plans. Hopes to expand operations and open new branches meanwhile helped to support optimism in the year-ahead outlook for output, although sentiment remained historically muted.

Finally, suppliers' delivery times shortened again in October, with improved vendor performance linked to competition among suppliers, prompt payments and relatively quiet road conditions.

#### 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](mailto: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](http://www.spglobal.com/marketintelligence/en/mi/products/pmi)

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