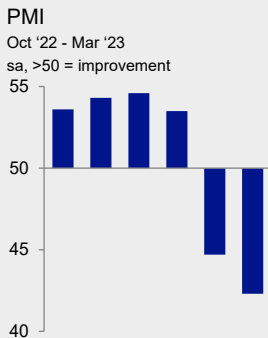


Stanbic IBTC Bank Nigeria PMI®

Downturn deepens in March

42.3

NIGERIA PMI
MAR '23



Sharper falls in output and new orders

Employment down for second month running

Output price inflation at near three-year low

The cash crisis in Nigeria continued to have a severe impact on business conditions in the private sector during March. In fact, output and new orders fell more quickly than in February, while staffing levels and purchasing activity were scaled back again.

While input costs and output prices continued to rise sharply, rates of inflation softened. Output prices increased at the softest pace in almost three years. Meanwhile, suppliers' delivery times shortened after having lengthened in February.

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 42.3 in March from 44.7 in February, moving further below the 50.0 no-change mark and signalling a sharper deterioration in

business conditions in the Nigerian private sector. The decline was the most pronounced since the survey began in January 2014, apart from at the time of the outbreak of the COVID-19 pandemic in 2020.

As was the case in February, there were widespread reports from companies that customers were unable to commit to spending given cash shortages. This led to a substantial decline in new business, with the pace of contraction more pronounced than in the previous survey period.

The same picture was seen with regards to business activity, which decreased at a rate only exceeded in April and May 2020. All four broad sectors posted reductions in activity at the end of the first quarter.

Companies reduced staffing levels slightly for the second month running, in part reflecting lower workloads but also due to difficulties paying wages. Lower workforce numbers limited the

Stanbic IBTC Bank Nigeria PMI
sa, >50 = improvement since previous month



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- Output and demand
- Business expectations
- Employment and capacity
- Purchasing and inventories
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- Further information

pace of staff cost inflation, which eased to a marginal rate that was the slowest since January 2021.

Purchasing activity was also scaled back, falling at the fastest pace since May 2020. In turn, inventory holdings also decreased.

Inflationary pressures eased in March. The pace at which purchase costs increased was the slowest in just under three years, but remained sharp and faster than any seen prior to the pandemic. The same picture was seen with regards to output prices, which

rose at the slowest pace since April 2020.

Suppliers' delivery times shortened in March, following a first lengthening in more than five years during February. Quicker deliveries reportedly reflected competition among suppliers.

The cash crisis acted to dampen confidence in the private sector in March, with sentiment the second-lowest in the series history. Where output was predicted to rise, panellists linked this to investment intentions and business expansion plans.

Comment

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

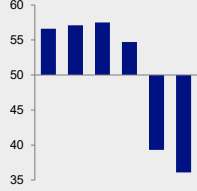
“Stanbic IBTC Bank headline PMI declined to 42.3 in Mar from 44.7 in Feb, the second consecutive contraction in private sector business conditions in over two years. The continuous decline relative to February reflects the negative impact of cash shortage across different segments of the economy over the past two months. Currency in circulation declined by 58% in January 2023 to N1.39tn from N3.01tn in December 2022, while currency outside the banks declined by 72% in January 2023 to N789bn from N2.57tn in December 2022. Nevertheless we expect an improvement in economic conditions given that the Central Bank of Nigeria has stepped back on the cashless policy and is steadily increasing the volume of cash in the economy following the directives from the courts. However, these readings indicate that reported GDP figures for Q1:23 will be weak and broadly behind our expectations of 2.4%. We project the Nigerian economy growing at 3% in 2023.”



Output and demand

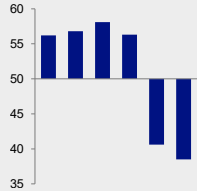
Output Index

Oct '22 - Mar '23
sa, >50 = growth



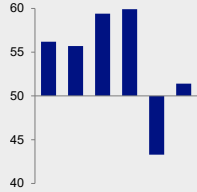
New Orders Index

Oct '22 - Mar '23
sa, >50 = growth



New Export Orders Index

Oct '22 - Mar '23
sa, >50 = growth



Output

As was the case in February, the cash crisis in Nigeria caused a steep drop in business activity during March as customers were unable to pay for goods and services. Furthermore, the rate of contraction accelerated from the previous survey period and was the third-fastest on record, behind only those seen during the opening wave of the COVID-19 pandemic. Output was down across each of the four broad sectors covered by the survey.

New orders

Similar to the picture for business activity, the rate of contraction in new orders quickened in March amid the cash crisis. New business decreased to the greatest extent since May 2020. More than 34% of respondents signalled a drop in new business over the month, with just 10% posting a rise.

New export orders

There were some signs of recovery in new export orders at the end of the first quarter as new business from abroad rose slightly following a sharp decline in the previous month. Companies reported that international demand had improved.

Output Index

sa, >50 = growth since previous month



New Orders Index

sa, >50 = growth since previous month



New Export Orders Index

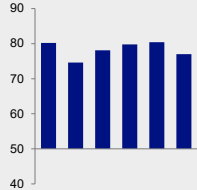
sa, >50 = growth since previous month



Business expectations

Future Output Index

Oct '22 - Mar '23
>50 = growth expected



The cash crisis acted to subdue confidence in the year-ahead outlook in March. Sentiment dropped to the lowest in four months and was the second-weakest since the survey began in January 2014. Where firms did predict a rise in output over the coming year, this was mainly a result of business expansion plans and financial investment.

Future Output Index

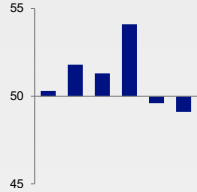
>50 = growth expected over next 12 months



Employment and capacity

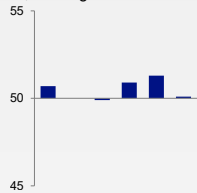
Employment Index

Oct '22 - Mar '23
sa, >50 = growth



Backlogs of Work Index

Oct '22 - Mar '23
sa, >50 = growth



Employment

Nigerian companies scaled back employment for the second month in a row during March. Although slight, the fall was sharper than seen in February and most pronounced since January 2021.

According to respondents, falling staffing levels reflected a combination of lower workloads and difficulties paying wages.

Employment Index

sa, >50 = growth since previous month

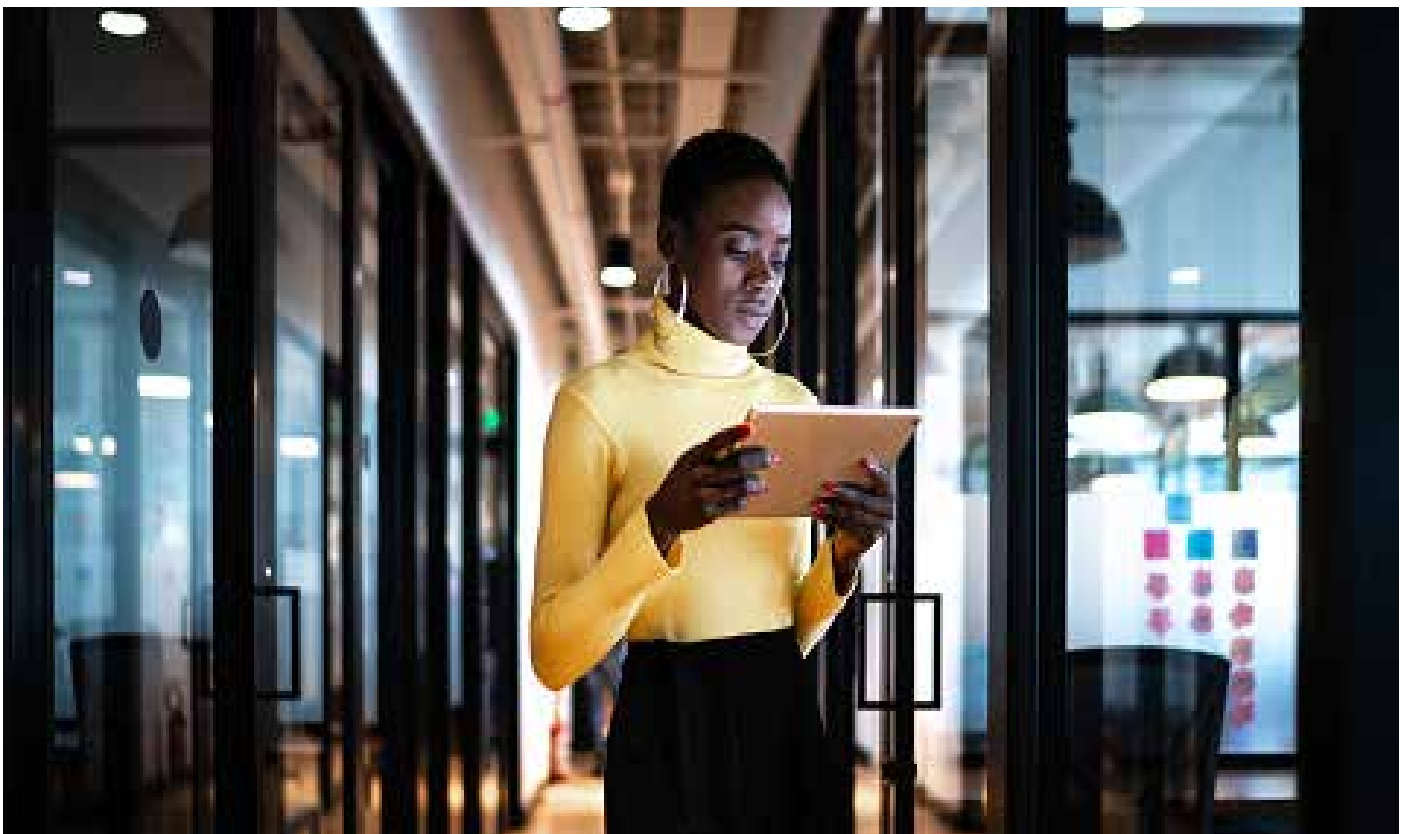


Backlogs of work

March data signalled broadly unchanged volumes of outstanding business, following rises in January and February. Some companies reported that they had been unable to secure the funds to fulfil orders, but this upwards pressure on work-in-hand was counterbalanced by sharp falls in new business.

Backlogs of Work Index

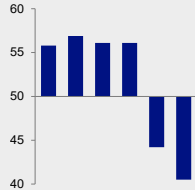
sa, >50 = growth since previous month



Purchasing and inventories

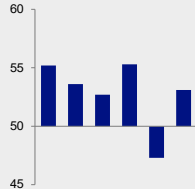
Quantity of Purchases Index

Oct '22 - Mar '23
sa, >50 = growth



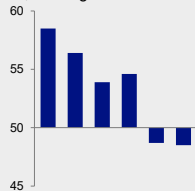
Suppliers' Delivery Times Index

Oct '22 - Mar '23
sa, >50 = faster times



Stocks of Purchases Index

Oct '22 - Mar '23
sa, >50 = growth



Quantity of purchases

Falling sales and a lack of money to pay for goods meant that Nigerian companies registered a decline in purchasing activity again in March. Furthermore, the rate of reduction accelerated and was the fastest in the survey's history, outside of the initial outbreak of the COVID-19 pandemic.

Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' delivery times

After lengthening for the first time in over five years in February, suppliers' delivery times shortened in March. Respondents largely attributed improved vendor performance to competition between suppliers. On the other hand, there were still reports that shortages of money and fuel had caused delivery delays.

Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of purchases

Nigerian companies recorded a drop in stocks of purchases for the second successive month at the end of the first quarter of the year. The fall was modest, but quickened slightly from that seen in February and was the most marked since May 2020. Panellists indicated that the drop in inventories mainly reflected reduced input buying.

Stocks of Purchases Index

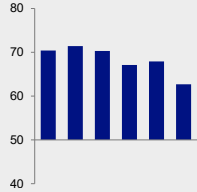
sa, >50 = growth since previous month



Prices

Input Prices Index

Oct '22 - Mar '23
sa, >50 = inflation

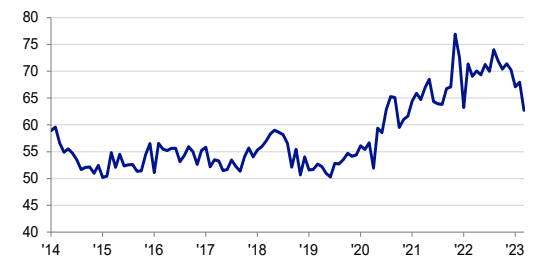


Input prices

Although overall input prices continued to rise sharply during March, the rate of inflation slowed to the weakest since December 2020. Sector data indicated that cost pressures were most pronounced in manufacturing and softest in services. Approximately 29% of panellists reported a rise in overall input costs, against 4% that posted a fall.

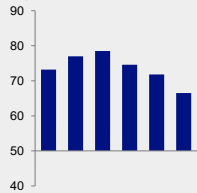
Input Prices Index

sa, >50 = inflation since previous month



Purchase Prices Index

Oct '22 - Mar '23
sa, >50 = inflation



Purchase prices

There were further signs of the rate of purchase cost inflation softening in March. The pace of increase slowed for the third month running and was the weakest since April 2020, though was still stronger than at any point prior to the COVID-19 pandemic.

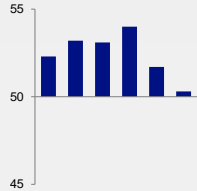
Purchase Prices Index

sa, >50 = inflation since previous month



Staff Costs Index

Oct '22 - Mar '23
sa, >50 = inflation



Staff costs

Staff costs were up only marginally in March, with inflation the softest since January 2021. Some firms indicated that higher living costs prompted them to increase wages. Other companies reported a drop in staff costs, however, linked to reductions in workforce numbers.

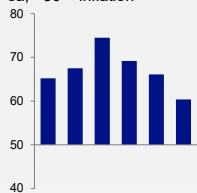
Staff Costs Index

sa, >50 = inflation since previous month



Output Prices Index

Oct '22 - Mar '23
sa, >50 = inflation



Output prices

The picture for output prices mirrored that for input costs in March, with charges continuing to rise but at a slower pace. The rate of inflation eased for the third consecutive month and was the softest in just under three years. Some panellists reported having lowered charges to try and attract customers.

Output Prices Index

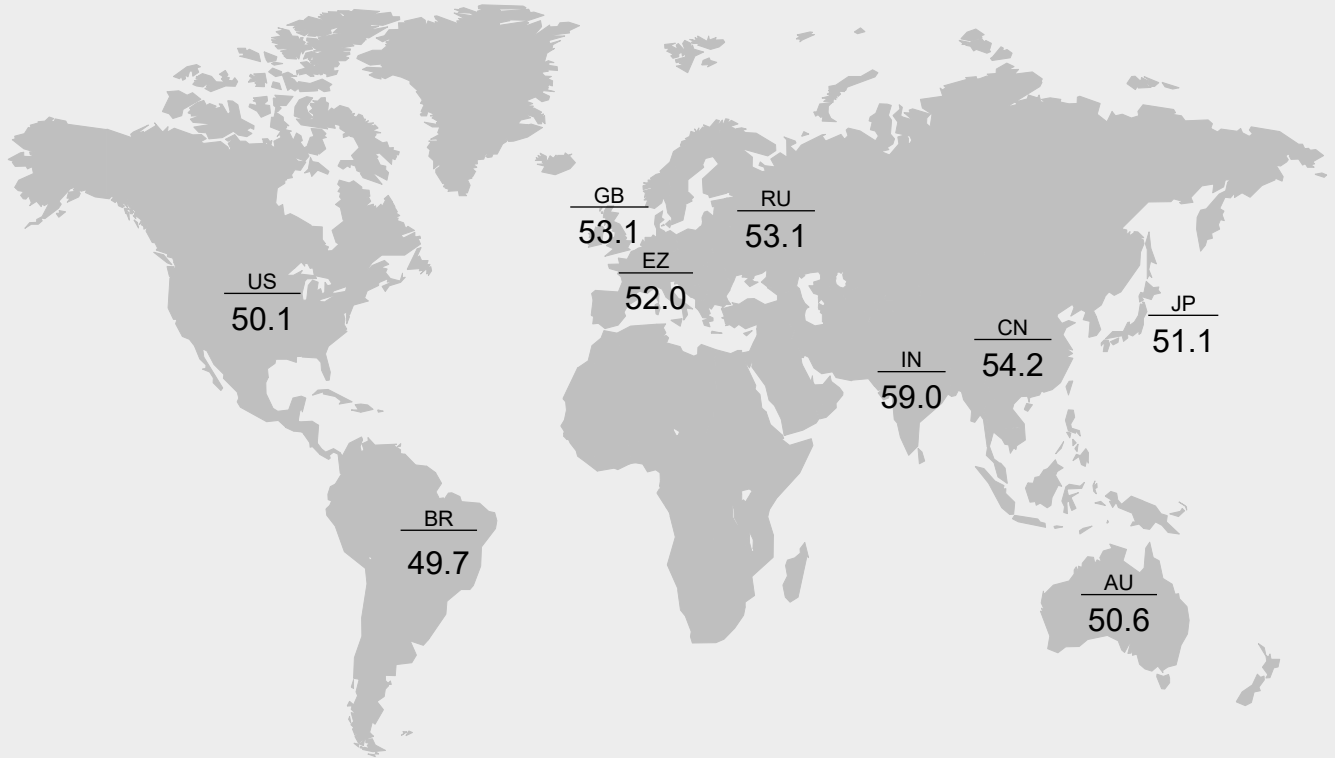
sa, >50 = inflation since previous month



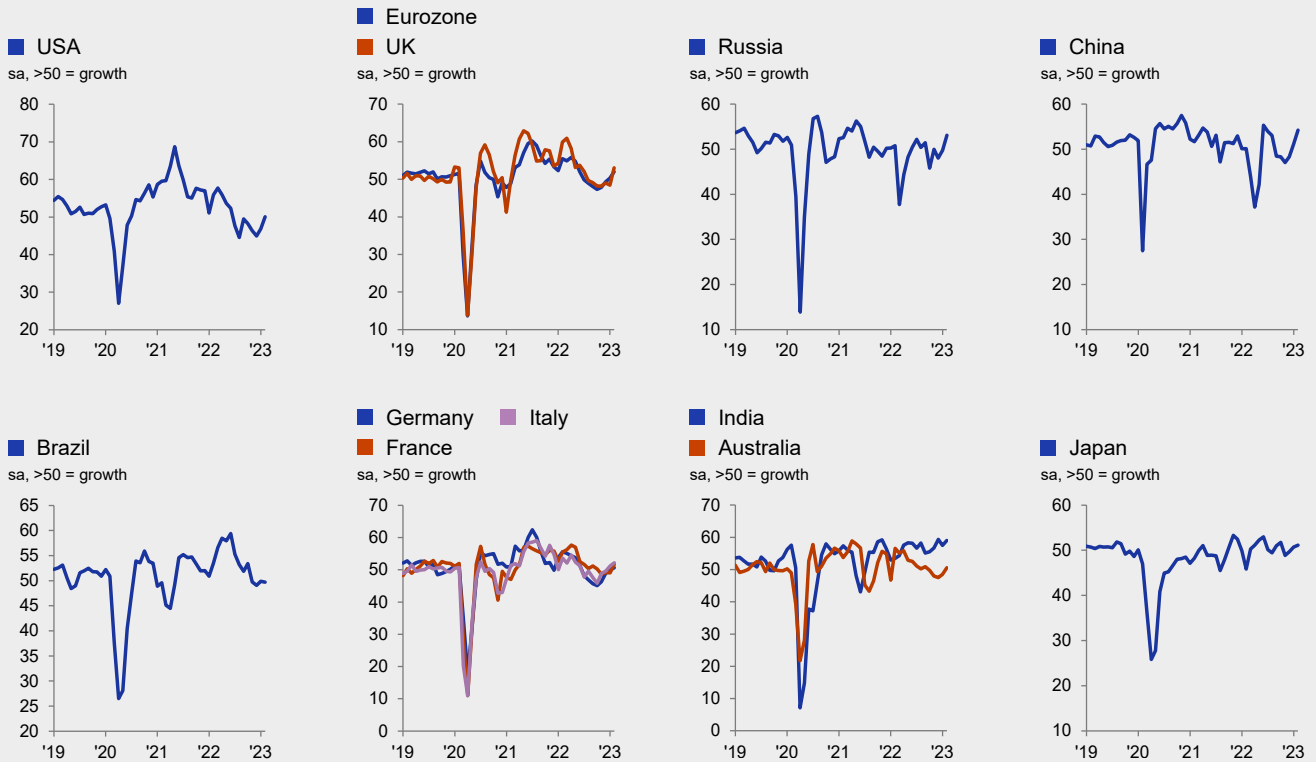
International PMI

Composite Output Index, Feb '23
sa, >50 = growth since previous month

The Composite Output Index is a GDP-weighted average of the Manufacturing Output Index and the Services Business Activity Index.



Composite Output Index



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@ihsmarkit.com.

Survey dates

Data were collected 10-29 March 2023.

Survey questions

Private sector

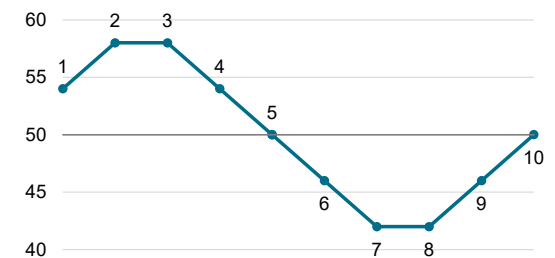
Output	Suppliers' Delivery Times
New Orders	Stocks Of Purchases
New Export Orders	Input Prices
Future Output	Purchase Prices
Employment	Staff Costs
Backlogs Of Work	Output Prices
Quantity Of Purchases	

Index calculation

$$\% \text{ "Higher"} + (\% \text{ "No change"})/2$$

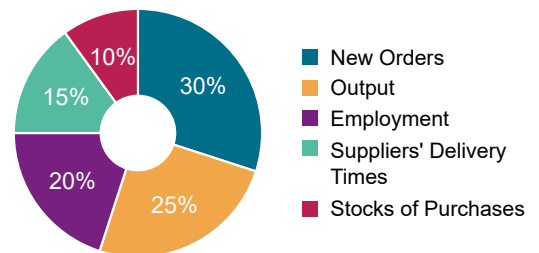
Index interpretation

50.0 = no change since previous month



- | | |
|--------------------------|----------------------------|
| 1 Growth | 6 Decline, from no change |
| 2 Growth, faster rate | 7 Decline, faster rate |
| 3 Growth, same rate | 8 Decline, same rate |
| 4 Growth, slower rate | 9 Decline, slower rate |
| 5 No change, from growth | 10 No change, from decline |

PMI component weights



Sector coverage

PMI data include responses from companies operating in sectors classified according to the following ISIC Rev.4 codes:

A Agriculture, Forestry and Fishing	K Financial and Insurance Activities
B Mining and Quarrying	M Professional, Scientific and Technical Activities
C Manufacturing	N Administrative and Support Service Activities
F Construction	P Education*
G Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	Q Human Health and Social Work Activities*
H Transportation and Storage	R Arts, Entertainment and Recreation
I Accommodation and Food Service Activities	S Other Service Activities
J Information and Communication	

*Private sector

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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

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