

Central Bank of Nigeria

Statistics Department



Inflation Attitudes Survey Report

Q4 2020

December 2020

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1.0 Introduction

The conduct of Inflation Attitudes Survey (IAS) by the Statistics Department of the Central Bank of Nigeria commenced in June 2009. It collects on a quarterly basis, the views of households on changes in prices of goods and services in the last twelve months, and their expectations of price changes over the next twelve months. Respondents' opinions were used to further explore the general public's understanding of the country's monetary policy framework. This is because inflation expectations and public understanding of what influences them are important parameters for effective monetary policy formulation.

The Q4 2020 Inflation Attitudes Survey was conducted during the period of 16-25 November 2020 with a sample size of 2070 Households randomly selected from 207 Enumeration Areas (EAs) across the country. The Q4 2020 survey had a response rate of 98.7 per cent.

The highlights of the Q4 2020 IAS are as follows:

- Respondents believe that the economy would end up weaker if prices start to rise faster than they do now.
- Given a trade-off between inflation and interest rates, more respondents prefer interest rates to fall than inflation rate.
- Majority of the respondents have no idea as to who influences the direction of interest rates in Nigeria.

2.0 Inflation

Respondents were asked what would become of the Nigerian economy if prices started to rise faster than they do now. The survey result showed that 60.8 per cent of the respondents believed that the economy would end up weaker, 8.4 per cent stated that it would be stronger, 12.8 per cent of the respondents believed it would make a little difference, while 17.9 per cent did not know. The responses showed considerable support for price stability, as majority (60.8 per cent) agreed that the economy will end up weaker. This is consistent with the notion that inflation constrains economic growth.

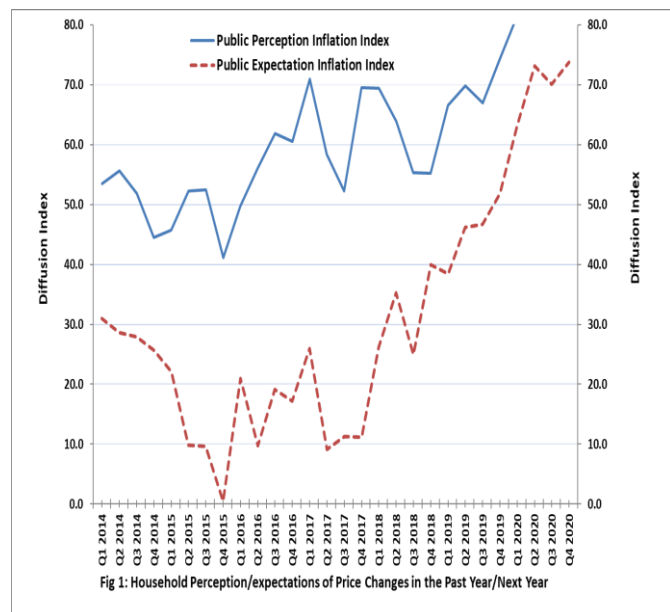


Fig 1: Household Perception/expectations of Price Changes in the Past Year/Next Year

When asked how prices have changed over the past 12 months, respondents gave a median answer of 6.2 per cent. Of the total respondents, 1.7 per cent thought prices had gone down or not changed, 79.1 per cent felt that prices had risen by at least 3.0 per cent, while 18.3 per cent

felt that prices inched up by more than 1.0 per cent, but less than 3.0 per cent. Those that had no idea were 0.9 per cent.

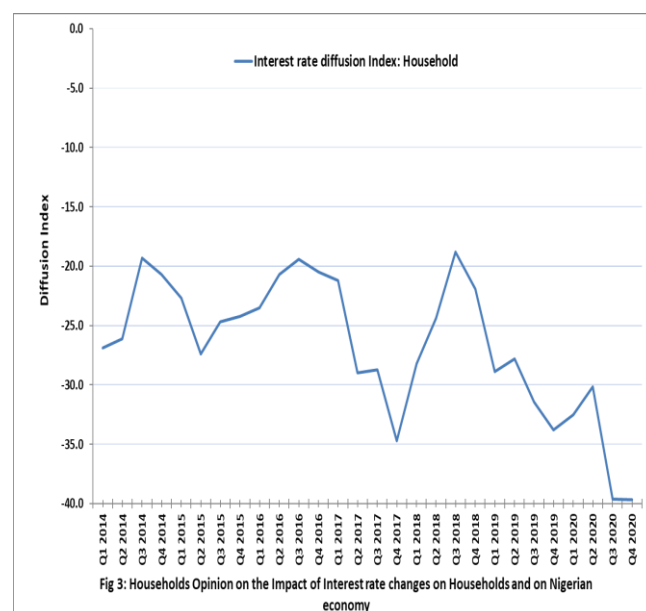
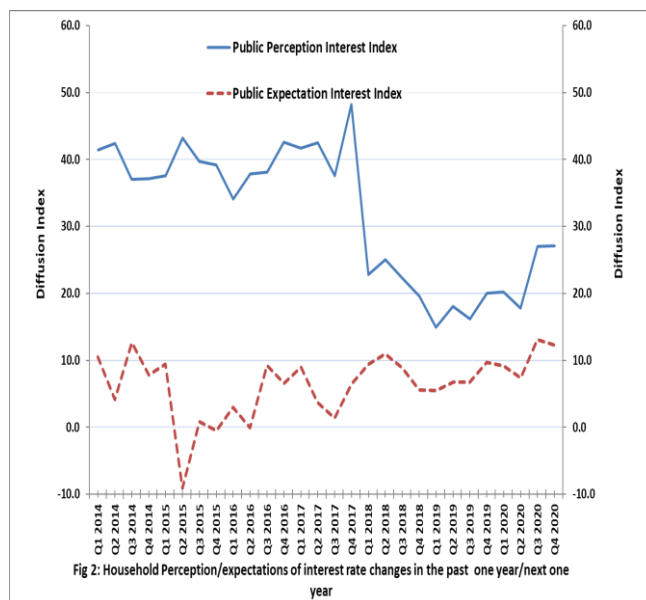
The median expectation of price changes over the next 12 months was that prices would inch up by 5.0 per cent. From the total responses, 66.7 per cent of the respondents expected prices to rise by at least 3 per cent over the next 12 months, 17.0 per cent expected prices to increase by more than 1 per cent, but less than 3 per cent. However, 15.1 per cent of the respondents were optimistic that prices over the next 12 months would either go down or remain the same (Fig. 1, Table 1).

3.0 Interest Rates

The percentage of respondent households who felt that interest rates had risen in the last 12 months decreased by 2.1 points to 33.2 points in the current quarter when compared to 35.3 points attained in Q3, 2020. On the other hand, 6.1 per cent of respondents believed that interest rates had fallen, while 45.5 per cent of the households had no idea. The result revealed that majority of the households had no idea about the direction of interest rates in the past 12 months.

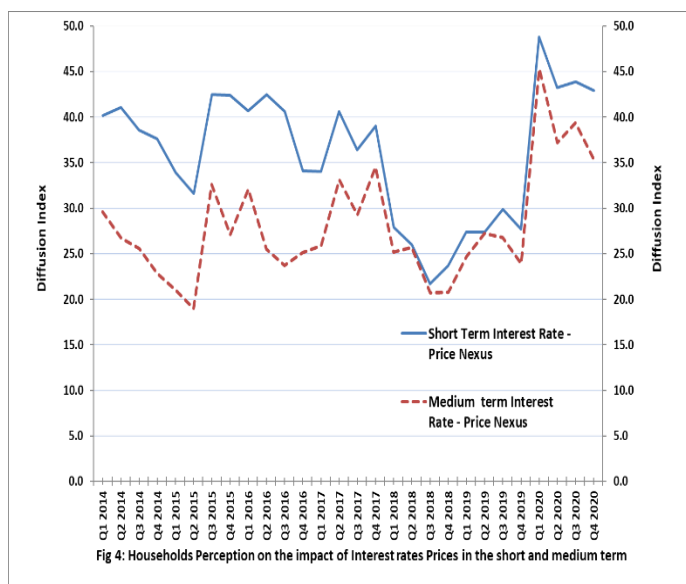
On the expected change in interest rates on bank loans and savings over the next 12 months, (27.6 per cent) of the respondents were of the view that the rates will rise, while 15.2 per cent believed that the rates will fall. However, 43.4 per cent of the respondents had no idea.

Furthermore, respondents were asked whether it would be best for the Nigerian economy if interest rates rise or fall. The results showed that 46.7 per cent indicated that it would be best for the Nigerian economy if interest rates fell, while 7.1 per cent opted for higher interest rates. Those that thought that it would make no difference accounted for 10.8 per cent, while 35.3 per cent had no idea (Table1). These responses revealed that, while many of the respondents favored lower interest rates for the Nigerian economy, quite a number had no idea whether it should rise or fall (Fig. 2).



4.0 Interest Rate-Inflation Nexus

Responses on what the impact of a rise in interest rates in the short and medium terms would have on prices showed that 50.2 per cent thought a rise in interest rates would make prices in the street rise slowly in the short term, against 7.3 per cent that disagreed. While in the medium term, 45.2 per cent agreed that a rise in interest rates would make prices in the street to rise slowly but 9.8 per cent disagreed (Fig. 3).



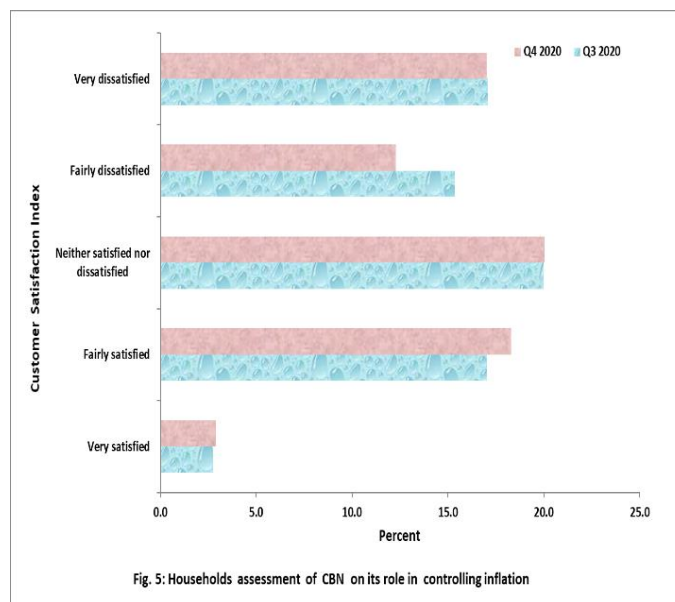
Respondents were asked to choose between raising interest rates to keep inflation down and keeping interest rates down to allow prices to rise. Responding, 26.3 per cent preferred interest rates to rise to keep inflation down while 38.4 per cent said they would prefer prices to rise faster, 35.3 per cent of the respondents had no idea.

These responses suggest that given a trade-off, most of the respondents would prefer higher interest rates to higher inflation, which is suggestive of the respondent households' support for the Bank's price stability objective (Fig. 4).

5.0 Opinions on the Central Bank of Nigeria

To assess whether people are aware of the way monetary policy works in Nigeria, respondents were asked if they knew which group of people meet to set Nigeria's monetary policy rate. Responding, 6.9 per cent felt it was the Monetary Policy Committee, 22.6 per cent felt it was the Federal Ministry of Finance, 35.0 per cent believed it was the Government, 3.0 per cent felt it was the National Assembly, while 0.9 and 31.7 per cent answered, 'others' and 'do not know', respectively.

When asked to identify which group mostly influences the direction of interest rates, the result indicated that majority of the respondent (42.4 per cent) were aware that the Central Bank of Nigeria influences the direction of interest rates. However, 10.4 per cent stated that it was the Government ministers, 3.0 and 14.2 per cent were of the opinion that civil servants and banks influence the rates, respectively, while 30.0 per cent have no idea.



When asked what best describes the independence of the Monetary Policy Committee, 29.6 per cent felt it was influenced by the Government, 9.6 per cent felt it was the federal ministry of finance and 7.6 per cent believed that it was the national assembly, while 15.7 per cent thought it was not influenced by any arm of government and 37.5 percent had no idea.

Respondents were asked how satisfied they were with the Central Bank's management of interest rates in Nigeria. The net satisfaction index, which is the proportion satisfied less the proportion dissatisfied, stood at -8.1 per cent. This index indicates net dissatisfaction with CBN's management of interest rates. Among the group, 2.9 per cent were 'very satisfied', while 18.3 per cent were 'fairly satisfied'. 12.3 per cent were 'fairly dissatisfied'. However, 20.0 per cent were 'neither satisfied nor dissatisfied' whereas 17.0 per cent were 'very dissatisfied'. Those who had no opinion accounted for 29.5 per cent of the respondents (Fig. 5).

ANNEX: TABLES

TABLE 1														
INFLATION ATTITUDES SURVEY DATA														
	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Q.1 Generally, price of items that were sold N1,000 a year ago now sells for														
Less than N1000	10.8	8.6	8.7	11.6	14.7	15.5	9.7	8.2	10.0	6.3	3.9	1.2	1.8	1.2
N1000	15.3	6.7	7.5	6.6	8.7	8.4	11.4	11.0	9.1	8.8	9.1	2.1	1.7	0.5
N1010 to N1030	17.9	15.5	16.9	17.5	13.5	17.0	19.6	28.4	22.0	21.2	27.8	22.3	21.5	18.3
Above N1030	45.2	62.6	61.2	58.0	56.5	53.7	56.7	49.6	54.9	59.5	57.6	71.5	73.7	79.1
No idea	10.8	6.6	5.8	6.3	6.5	5.3	2.6	2.8	3.8	4.1	1.7	2.9	1.4	0.9
Median (%)	3.1	5.1	4.7	4.3	4.5	3.8	3.8	3.1	0.1	4.1	3.6	5.1	5.3	6.2
Q. 2 How much will you expect prices of items that are currently sold for N1,000 to														
Less than N1000	27.8	35.4	29.1	24.3	28.4	22.5	22.3	19.2	17.7	15.3	12.1	8.9	11.4	9.9
N1000	18.8	8.5	7.8	7.6	8.5	8.4	12.3	12.2	12.4	12.7	10.0	5.5	5.0	5.2
N1010 to N1030	19.1	13.6	14.2	15.8	12.5	14.3	16.5	22.1	20.4	19.3	24.0	25.0	21.8	17.0
Above N1030	20.0	33.0	41.1	43.9	40.8	48.2	44.2	43.3	44.0	47.8	51.3	57.0	59.7	66.7
No idea	14.3	9.5	7.8	8.4	9.6	6.4	4.7	3.2	5.4	5.0	2.7	3.6	2.1	1.2
Median (%)	0.6	1.2	2.3	2.8	2.3	2.3	2.3	2.3	2.7	3.0	3.2	3.7	4.0	5.0
Q. 3 If prices started to rise faster than they do now, do you think Nigeria's														
End up stronger	12.1	11.3	11.6	11.0	12.1	14.2	8.1	5.3	6.4	6.7	7.6	4.9	9.0	8.4
Make little difference	23.7	21.4	16.2	17.7	17.7	18.3	20.7	22.3	19.5	20.9	20.7	14.2	12.6	12.8
Be weak	47.0	57.2	54.7	49.7	48.4	44.0	49.3	51.5	52.9	50.1	56.3	57.0	62.1	60.8
Don't know	17.1	10.1	17.2	21.5	21.6	22.8	21.9	20.9	21.2	22.3	15.4	23.9	16.4	17.9
Q. 4 What do you think of this year's Governmentrate anticipated inflation rate?														
Too high	35.9	42.6	30.8	27.2	30.0	26.4	16.5	14.4	17.5	19.7	18.5	22.3	29.8	28.6
Too low	18.3	18.2	17.2	14.3	16.6	19.7	16.4	15.8	14.9	15.6	13.1	13.6	12.9	14.0
About right	20.0	20.5	14.9	19.5	19.3	22.0	17.7	22.2	20.0	20.9	23.1	14.9	15.8	15.0
No idea	25.6	18.6	37.0	38.7	33.8	31.6	49.4	47.6	47.5	43.8	45.3	49.2	41.5	42.4
Q. 5 How has interest on bank loans changed over the last 12 months?														
Risen significantly	28.4	28.9	14.8	14.5	14.8	14.9	6.0	4.3	4.4	5.9	7.6	8.5	13.6	12.4
Risen marginally	22.0	27.4	16.8	17.9	14.5	13.7	16.2	21.1	19.8	21.7	19.6	16.8	21.7	20.8
No change	19.2	15.4	15.3	17.0	18.1	16.8	17.9	18.7	20.0	20.8	19.5	16.4	13.1	15.2
Fallen marginally	8.5	4.7	4.5	5.4	4.7	6.4	4.9	4.6	6.5	6.2	5.1	5.7	6.8	4.6
Fallen significantly	4.3	3.4	4.3	2.0	2.3	2.6	2.4	2.7	1.6	1.4	1.9	1.7	1.5	1.5
No idea	17.5	20.2	44.3	43.2	45.4	45.6	52.6	48.6	47.6	44.1	46.4	50.8	43.4	45.5
Total saying 'rise'	50.4	56.3	31.6	32.4	29.3	28.6	22.2	25.4	24.2	27.6	27.2	25.3	35.3	33.2
Total saying 'fall'	12.8	8.1	8.8	7.4	7.0	9.0	7.3	7.3	8.1	7.6	7.0	7.5	8.3	6.1
Net rise	37.6	48.2	22.8	25.0	22.3	19.6	14.9	18.1	16.1	20.0	20.2	17.8	27.0	27.1
Q. 6 How would you expect interest rates to change over the next 12														
Rise a lot	14.4	15.2	12.2	11.0	10.0	10.0	5.4	4.3	4.9	7.5	6.5	9.3	12.3	10.9
Rise a little	20.2	21.7	14.7	15.6	13.5	13.0	14.5	17.6	16.5	17.3	18.3	13.5	17.5	16.7
Stay about the same	17.7	15.8	13.2	16.3	17.3	13.5	15.5	16.6	17.8	17.8	16.3	15.2	12.9	13.8
Fall a little	20.4	17.7	10.9	9.7	7.9	11.0	9.6	8.4	9.9	9.5	10.6	10.2	11.1	8.9
Fall a lot	12.8	12.7	6.6	5.9	6.7	6.4	4.8	6.8	4.8	5.6	5.1	5.3	5.6	6.3
No idea	14.4	16.8	42.4	41.5	44.5	46.1	50.1	46.3	46.0	42.3	43.3	46.5	40.6	43.4
Total saying 'rise'	34.6	36.9	26.9	26.6	23.5	23.0	19.9	21.9	21.4	24.8	24.8	22.8	29.8	27.6
Total saying 'fall'	33.2	30.4	17.5	15.6	14.6	17.4	14.4	15.2	14.7	15.1	15.6	15.5	16.7	15.2
Net rise	1.4	6.5	9.4	10.9	8.9	5.6	5.5	6.7	6.7	9.7	9.2	7.3	13.0	12.3
Q. 7 What do you think would be best for the Nigerian economy, for lending interest rates														
Go up	16.4	19.6	13.3	12.8	15.6	11.1	5.9	4.9	6.5	5.2	6.7	7.4	8.2	7.1
Go down	45.1	54.3	41.5	37.2	34.4	33.0	34.8	32.7	37.9	39.0	39.2	37.5	47.9	46.7
Make no difference	23.3	11.7	8.5	13.2	11.1	12.7	14.6	18.1	14.6	16.2	16.9	14.0	11.8	10.8
No idea	15.1	14.0	36.4	35.0	38.3	40.2	44.7	44.3	40.6	39.5	37.2	41.1	32.1	35.3

TABLE 1 (CONT'D)

INFLATION ATTITUDES SURVEY DATA

	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Q. 8 Do you agree with the following statements? A rise in interest rates would make prices in the street rise slowly in the short term - say a month or two														
Agree strongly	22.1	21.8	13.1	15.0	11.2	10.4	5.4	7.3	8.6	7.5	11.2	11.6	12.5	13.6
Agree	30.9	34.4	27.1	24.9	25.2	24.8	30.2	28.2	30.5	29.8	43.0	36.7	39.7	36.6
Neither agree nor disagree	20.0	15.3	12.6	10.0	11.9	12.8	15.4	17.9	16.0	18.3	13.1	13.7	14.3	16.7
Disagree	12.8	11.9	9.2	10.0	9.6	8.5	5.9	6.0	6.0	7.2	4.2	4.0	7.4	5.8
Disagree strongly	3.8	5.3	3.2	4.0	5.1	3.0	2.3	2.1	3.1	2.4	1.2	1.1	0.9	1.6
Don't know	10.4	11.3	34.9	36.1	37.0	40.5	40.8	38.4	35.7	34.9	27.3	32.9	25.2	25.7
Total agree	53.0	56.2	40.2	40.0	36.4	35.2	35.6	35.5	39.0	37.3	54.2	48.3	52.2	50.2
Total disagree	16.6	17.2	12.3	14.0	14.7	11.5	8.2	8.1	9.1	9.6	5.4	5.1	8.3	7.3
Net agree	36.4	39.0	27.9	26.0	21.7	23.7	27.4	27.4	29.9	27.7	48.8	43.2	43.9	42.9
8b) A rise in interest rates would make prices in the street rise slowly in the medium term - say a year or two														
Agree strongly	17.3	17.7	10.9	13.1	9.1	10.5	6.4	7.7	8.8	8.5	12.1	11.4	10.9	12.5
Agree	30.6	35	28.3	26.1	26.2	23.1	27.9	27.9	27.8	26.9	40.1	33.1	38.2	32.7
Neither agree nor disagree	20.9	17.5	12.5	11.2	12.4	13.1	15.7	17.6	16.2	18	13.8	15.2	16.0	19.4
Disagree	12.5	13.5	10.3	9.8	10.0	8.9	7.0	5.8	6.6	8.4	5.4	6.1	8.4	7.9
Disagree strongly	6.1	4.7	3.71	3.67	4.6	3.9	2.6	2.6	3.3	3.1	1.5	1.1	1.3	1.9
Don't know	12.5	11.7	34.3	36.2	37.7	40.5	40.5	38.4	37.1	35.1	27.2	33.0	25.2	25.5
Total agree	47.9	52.7	39.2	39.2	35.3	33.6	34.3	35.6	36.7	35.4	52.2	44.5	49.1	45.2
Total disagree	18.6	18.2	14.0	13.5	14.6	12.8	9.6	8.4	9.9	11.5	6.9	7.3	9.7	9.8
Net agree	29.3	34.5	25.2	25.7	20.7	20.8	24.7	27.2	26.8	23.9	45.3	37.2	39.4	35.4
Q.9 If a choice had to be made, either to raise interest rates to try to keep inflation down; or keep interest rates down and allow inflation to rise, which would you prefer?														
Interest rates to rise	44.2	38.6	27.2	26.3	23.9	21.5	20.8	23.7	22.5	19.0	30.4	25.2	25.6	26.3
Interest rates to fall	21.7	36.5	31.6	28.0	28.2	25.4	29.3	29.4	33.7	38.1	32.8	34.1	43.3	38.4
No idea	33.9	24.7	40.9	45.6	47.9	50.9	49.9	46.9	43.4	42.9	36.8	40.6	31.1	35.3
Q.10 Which group of people meets to set Nigeria's monetary policy rate?														
Monetary Policy Committee	55.4	55.1	24.7	27.6	21.4	23.6	19.3	21.7	22.2	21.7	5.5	5.3	5.9	6.9
The Government	10.3	14.3	16.5	17.0	20.8	18.6	26.3	24.7	29.6	29.9	31.0	34.1	37.0	35.0
Federal Ministry of Finance	15.3	14.4	10.7	10.0	9.7	10.4	5.3	6.6	7.2	8.4	21.9	23.0	22.7	22.6
National Assembly	4.6	3.9	4.0	4.7	4.3	4.2	2.1	1.9	2.1	3.3	3.2	3.3	3.1	3.0
Others	1.8	2.1	2.2	2.3	2.5	1.9	1.2	1.0	0.7	0.9	1.5	0.7	0.8	0.9
Don't know	12.6	10.3	41.9	38.3	41.3	41.2	45.8	44.1	38.2	35.8	36.9	33.5	30.4	31.7
Q.11 Which of these groups do you think influences the direction of the interest:														
Government ministers	7.8	6.5	9.3	8.7	10.6	10.4	10.6	10.0	9.6	8.6	10.0	9.7	10.8	10.4
Civil servants	6.6	5.1	5.2	4.3	4.9	3.8	3.0	3.5	3.9	4.1	4.1	2.5	2.9	3.0
CBN	73.2	70.0	38.2	40.6	35.0	33.3	31.7	35.7	37.2	39.9	30.8	39.9	41.1	42.4
Banks	4.0	10.8	9.8	10.8	10.9	10.9	13.3	9.7	13.8	13.1	18.5	15.7	18.4	14.2
No idea	8.3	7.6	37.3	35.4	38.3	38.9	41.4	41.2	35.4	34.3	36.9	32.1	26.8	30.0
Q.12 Which of the following best describes the independence of the Monetary														
Influenced by the Government	23.6	27.4	18.8	20.6	20.7	21.7	25.6	25.0	27.5	27.8	25.7	31.8	33.0	29.6
Influenced by the Federal Ministry of Finance	29.6	24.4	13.7	12.6	14.2	13.6	8.9	8.7	10.1	10.4	6.9	5.2	10.2	9.6
Influenced by the National Assembly	26.3	8.5	5.4	8.1	5.1	6.5	4.1	5.4	5.8	6.6	5.3	6.8	5.5	7.6
Not influenced by any arm of Government	8.6	23.4	14.2	10.7	9.5	9.4	7.5	9.9	11.0	14.6	17.2	15.5	14.9	15.7
No idea	11.7	16.2	47.7	47.4	49.7	48.4	54.0	50.9	45.5	40.6	44.9	40.8	36.4	37.5
Q.13 Overall, how satisfied or dissatisfied are you with the way the Central Bank														
Very satisfied	25.6	10.1	6.0	6.6	8.2	11.4	4.3	3.6	6.5	4.0	3.1	2.3	2.8	2.9
Fairly satisfied	35.7	35.6	22.8	21.0	20.3	17.6	20.6	22.1	18.9	21.9	20.4	17.8	17.0	18.3
Neither satisfied nor dissatisfied	19.6	18.5	12.8	11.1	10.3	9.8	16.6	17.0	18.9	18.1	21.3	18.7	20.0	20.0
Fairly dissatisfied	0.0	11.4	8.1	7.3	9.0	8.5	6.2	7.0	8.0	10.8	10.6	14.1	15.4	12.3
Very dissatisfied	10.4	15.7	14.4	17.6	12.9	14.6	11.7	11.7	12.3	12.6	9.4	14.9	17.1	17.0
No idea	8.6	8.7	35.8	36.4	39.3	38.1	40.6	38.7	35.4	32.6	35.2	32.2	27.8	29.5
Total satisfied	61.3	45.7	28.8	27.6	28.5	29.0	24.9	25.7	25.4	25.9	23.5	20.1	19.8	21.2
Total dissatisfied	10.4	27.1	22.5	24.9	21.9	23.1	17.9	18.7	20.3	23.4	19.9	29.0	32.4	29.3
Net satisfied	50.9	18.6	6.3	2.7	6.6	5.9	7.0	7.0	5.1	2.5	3.6	-9.0	-12.7	-8.1