



Central Bank of Nigeria

Statistics Department

**May 2019
Business
Expectations
Survey Report**

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1.0 Highlights

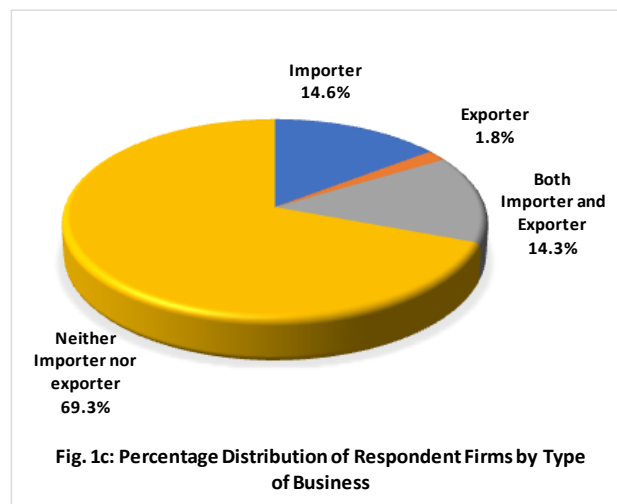
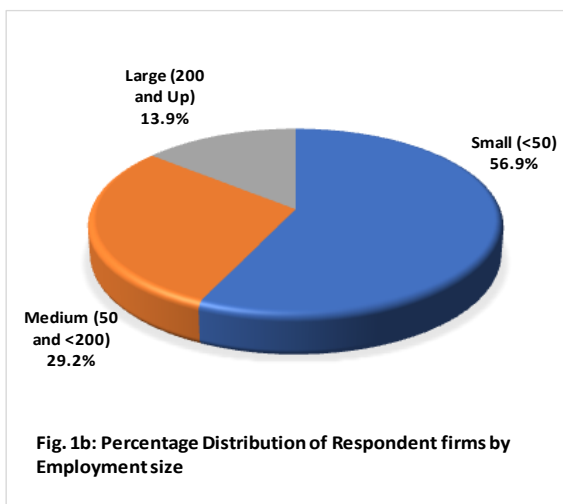
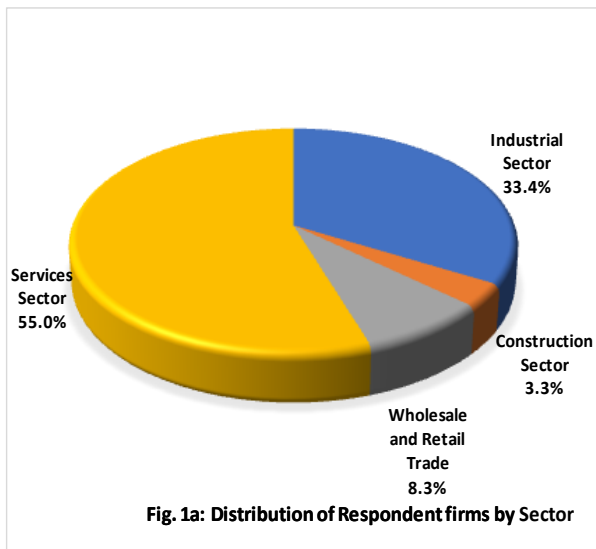
The highlights of the outcome of the Business Expectations Survey in May 2019 are as follows:

- Respondent firms expressed optimism on the macro economy in May 2019.
- Respondents’ outlook on the volume of total order, business activity and financial conditions (working capital) were positive during the review period.
- Firms identified insufficient power supply, high interest rate, unfavourable economic climate, financial problems and unclear economic laws as major factors constraining business activity in May 2019.
- Respondent firms expect the Naira to appreciate in the current month, next month and next twelve months. Level of inflation is expected to moderate in both the next six months and the next twelve months; borrowing rate is expected to rise in the current month, next month and next twelve months.

2.0 Introduction

The May 2019 Business Expectations Survey (BES) was conducted from May 6-10, 2019 with a sample size of 1050 businesses nationwide. A response rate of 97.0 per cent was achieved, and the sample covered the services, industrial, wholesale/retail trade, and construction sectors¹ (Fig. 1a, Table 1).

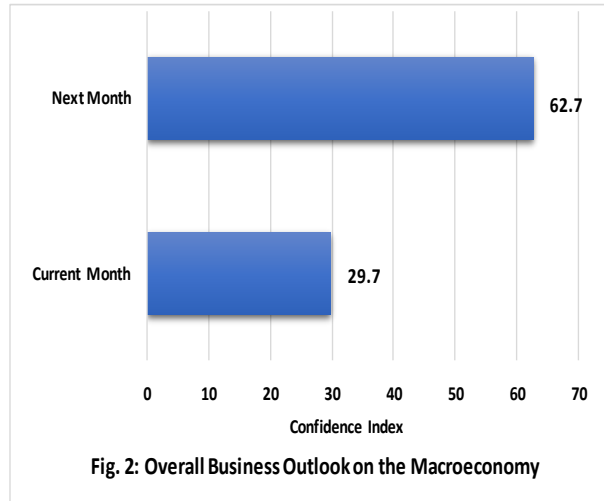
The respondent firms were made up of small, medium and large corporations covering both import- and export-oriented businesses (Figs. 1b and 1c, Table 1).



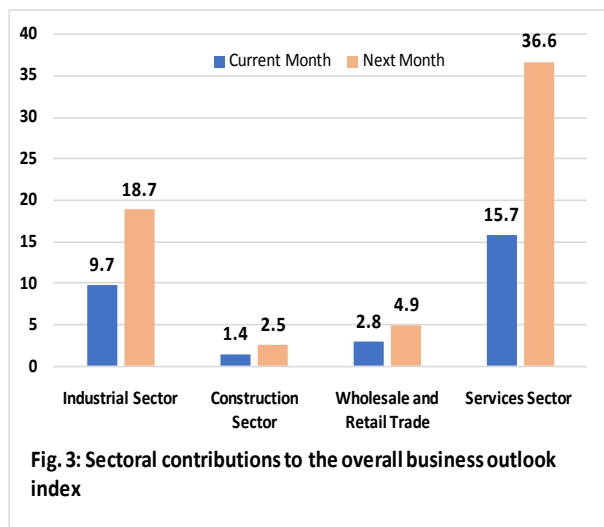
¹The services sector is made up of Financial Intermediation, Hotels & Restaurants, Renting & Business activities and Community & Social Services

3.0 Business Outlook

At 29.7 index points, respondents expressed optimism on the overall confidence index (CI) on the macro economy in the month of May 2019. The business outlook for June 2019 showed greater confidence on the macro economy with 62.7 index points (Fig.2).



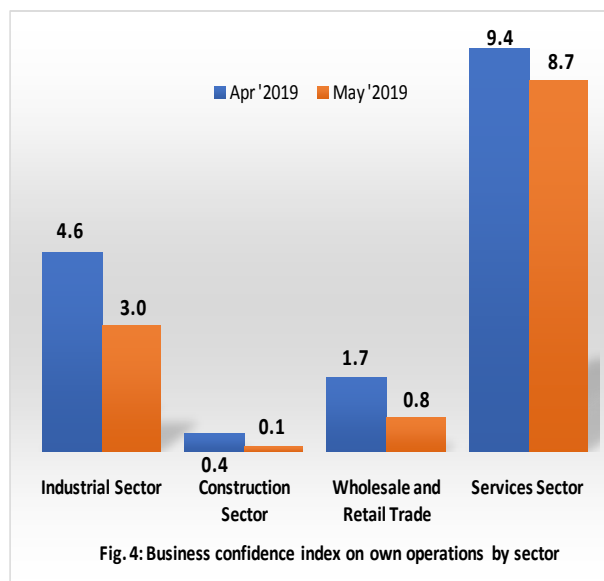
The optimism on the macro economy in the current month was driven by the opinion of respondents from services (15.7 points), industrial (9.7 points), wholesale/retail trade (2.8 points) and construction (1.4 points) sectors. Whereas the major drivers of the optimism for next month were services (36.6 points), industrial (18.7 points), wholesale/retail trade (4.9 points) and construction (2.5 points) sectors (Fig. 3).



The positive outlook by type of business in May 2019 were driven by businesses that are neither import- nor export-oriented (20.8 points), both import- and export-oriented (5.3 points), import-oriented (3.0 points), and those that are export-related (0.7 points) (Table 1).

3.1 Business Confidence on Own Operations by Sector

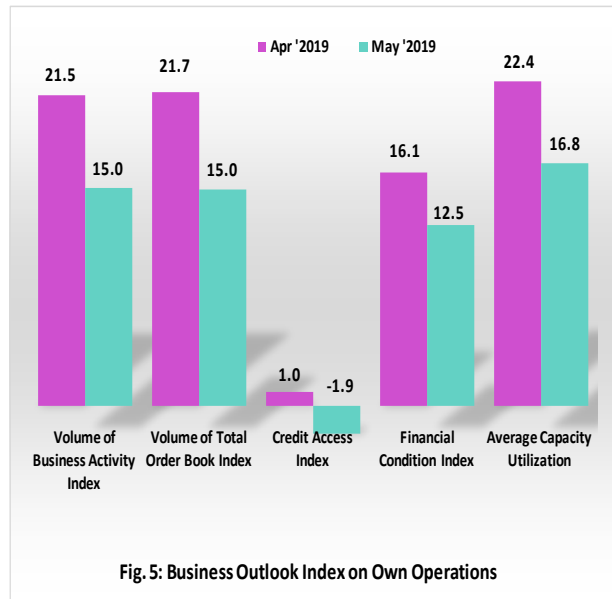
All sectors expressed optimism on own operations in the review month. Respondents from the services sector expressed the greatest optimism on own operation with an index of 8.7 points, followed by the industrial sector with 3.0 points, the wholesale/retail trade with 0.8 points and the construction sector with 0.1 points, respectively (Fig 4, Table 1).



3.2 Financial Conditions and Access to Credit

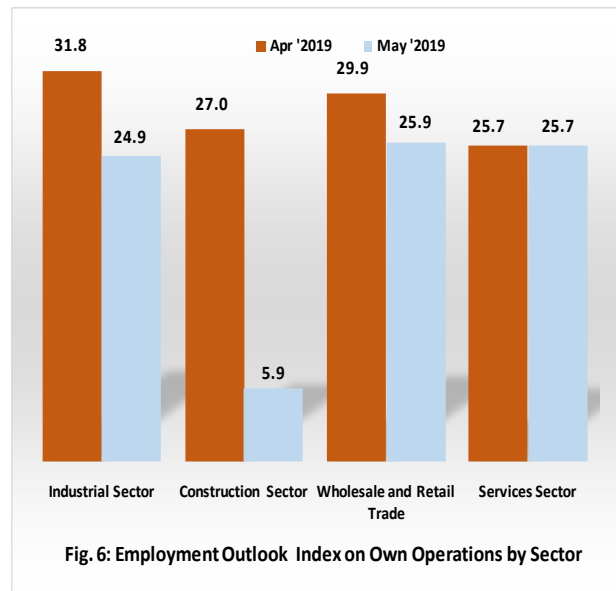
Respondents' outlook on the volume of total order and business activity in May 2019 remained positive, as both the indices stood at 15.0 points. Similarly, respondents were optimistic in their outlook on financial conditions (working capital) and average capacity utilization as the indices stood at 12.5 and 16.8 index points, respectively (Fig. 5).

Respondents expressed pessimism on access to credit in the review month, with an index of -1.9 points.

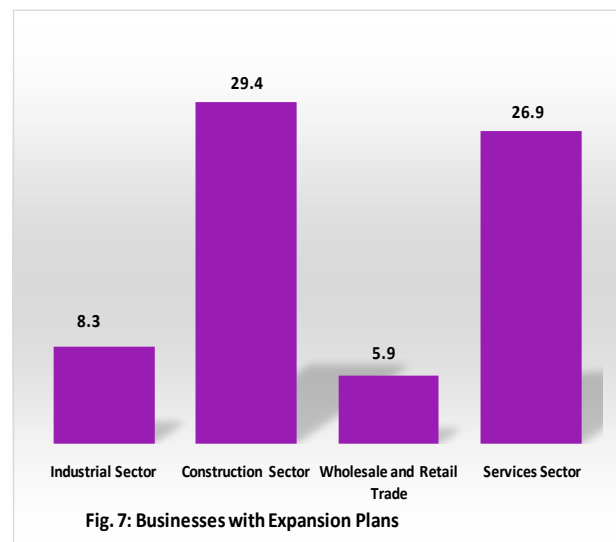


3.3 Employment and Expansion Plans

Respondent firms' opinions on the volume of business activities (68.6 points) and employment (24.8 points) indicated a favourable business outlook in next month. The employment outlook index by sector showed that the wholesale/retail trade sector indicates higher employment expansion plans with an index of (25.9 points) followed by services sector (25.7 points), industrial sector (24.9 points) and construction sector (5.9 points) (Fig. 6, Table 1).

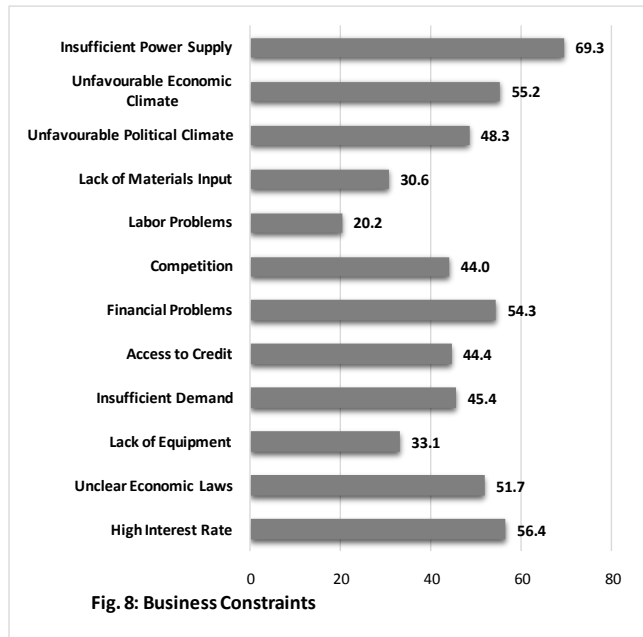


The analysis of businesses with expansion plans by sector in the next month showed that the construction sector indicates higher disposition to expansion with an index of (29.4 points) followed by services sector (26.9 points), industrial sector (8.3 points) and wholesale/retail trade sector (5.9 points) (Fig. 7, Table 1).



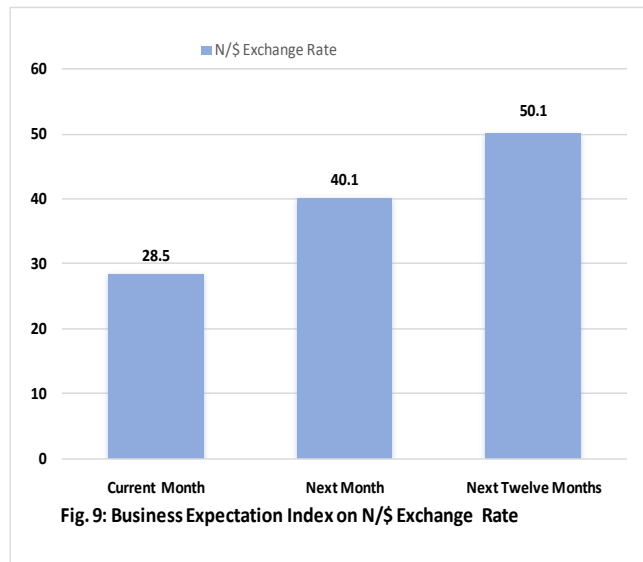
3.4 Business Constraints

The surveyed firms identified insufficient power supply (69.3 points), high interest rate (56.4 points), unfavourable economic climate (55.2 points), financial problems (54.3 points), unclear economic laws (51.7 points), unfavourable political climate (48.3 points), insufficient demand (45.4 points) access to credit (44.4 points), competition (44.0 points) and lack of equipment (33.1 points) as the factors constraining business activity in the current month (Fig. 8, Table 1).



3.5 Expectations on Exchange Rate

Majority of the respondent firms expect the naira to appreciate in the current month, next month and next twelve months as their confidence indices stood at 28.5, 40.1 and 50.1 index points, respectively (Fig. 9, Table 1).



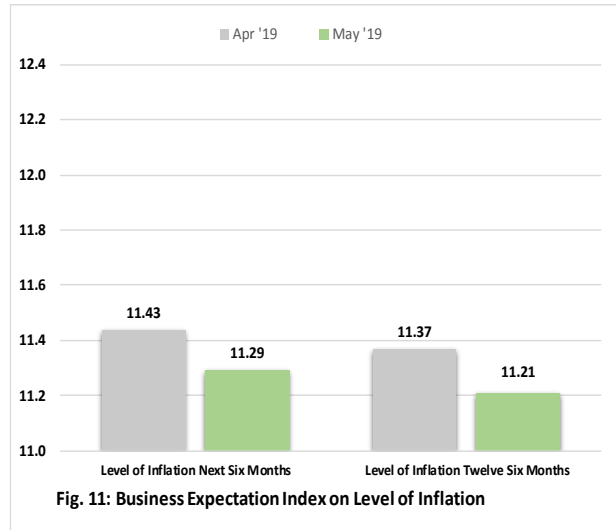
3.6 Expectations on Borrowing Rates

Respondent firms expect borrowing rates to rise in the current and next months, as well as in the next twelve months as the confidence indices stood at 3.7, 2.4 and 6.9 points, respectively (Fig. 10, Table 1).



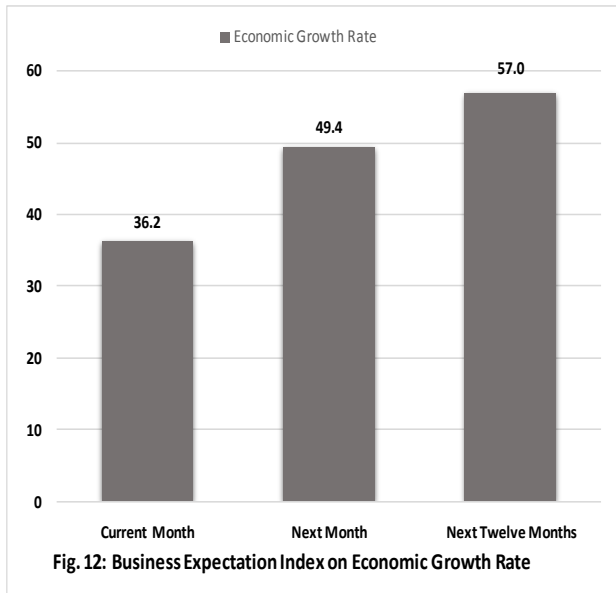
3.7 Expectations on Level of Inflation

The respondents' average expected inflation rate in the next six months and the next twelve months stood at 11.29 and 11.21 percent, respectively (Fig. 11, Table 1).



3.8 Expectations on Economic Growth Rate

Respondents anticipate better economic conditions as their index of economic growth rose in the short run with an index of 36.2, 49.4 and 57.0 points for the current month, next six months and next twelve months, respectively (Fig. 12, Table 1).



3.9 Opinion on Control of Inflation

Respondent firms expressed satisfaction with the management of inflation by the Government with a positive net satisfaction index of 3.9 in May 2019. The net satisfaction index is the proportion of satisfied less the proportion of dissatisfied respondents (Table 1).

ANNEX: TABLES

TABLE 1

BUSINESS EXPECTATIONS SURVEY DATA

Year	2018					2019				
Month	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
1. Overall Business Outlook on the Macroeconomy										
Confidence Index: All Sectors										
Current Month	21.5	24.8	23.2	24.0	30.5	25.9	22.1	28.2	29.2	29.7
Next Month	61.6	64.5	64.4	65.6	67.2	62.1	58.5	64.8	64.1	62.7
2. Business Outlook Index on the Macroeconomy by Sector: Current Month										
Industrial Sector	18.3	18.6	21.1	22.3	28.6	33.1	22.3	27.2	27.3	29.2
Construction Sector	22.9	16.2	7.7	25.0	26.8	15.6	20.5	13.9	16.2	41.2
Wholesale and Retail Trade	10.2	26.0	25.3	27.3	36.6	17.6	11.2	25.8	26.4	34.1
Services Sector of which:	25.2	28.8	25.3	24.6	30.8	23.5	23.6	30.1	31.6	28.6
Financial Intermediation	29.3	46.4	30.5	34.7	38.0	30.9	22.6	42.5	42.3	35.6
Hotels and Restaurants	20.4	24.5	22.4	20.6	28.6	5.6	21.2	13.0	21.6	18.0
Renting and Business Activities	33.9	32.7	33.1	28.3	39.3	33.3	28.3	41.7	36.2	37.4
Community and Social Services	18.6	19.4	17.9	18.6	21.9	24.3	22.6	27.7	28.7	26.0
3. Business Outlook Index on the Macroeconomy by Sector: Next Month										
Industrial Sector	57.1	57.9	63.0	57.2	65.5	60.6	54.4	60.9	62.7	56.2
Construction Sector	64.7	67.6	59.0	72.5	73.2	53.1	52.5	61.1	67.6	73.5
Wholesale and Retail Trade	48.9	65.8	69.0	77.3	66.7	62.1	60.7	70.8	67.8	58.8
Services Sector of which:	66.1	67.9	65.0	68.5	67.8	63.6	61.0	66.3	64.1	66.5
Financial Intermediation	70.7	75.3	71.6	63.3	72.0	59.8	60.7	70.8	70.2	77.9
Hotels and Restaurants	69.4	73.3	72.6	74.8	64.4	67.5	61.6	66.7	67.2	71.4
Renting and Business Activities	70.3	70.6	61.4	72.3	73.2	65.2	63.0	67.4	67.4	67.9
Community and Social Services	59.1	59.7	60.5	64.4	63.5	61.6	59.1	62.6	55.8	56.0
4. Business Confidence Index on Own Operations by Sector: Current Month										
Industrial Sector	-3.2	6.6	13.4	9.9	23.1	14.9	10.5	10.3	14.2	8.8
Construction Sector	-5.9	-22.2	-10.5	2.5	0.0	18.8	-2.5	13.9	10.8	2.9
Wholesale and Retail Trade	15.9	5.5	24.1	12.6	23.7	24.1	24.7	22.5	19.5	9.4
Services Sector	14.9	17.0	16.7	15.0	20.9	14.4	16.1	12.7	17.1	15.7
5. Business Outlook Index on Own Operations : Current Month										
Volume of Business Activity Index	10.0	15.2	18.8	18.7	22.7	16.4	15.4	15.4	21.5	15.0
Volume of Total Order Book Index	9.1	16.0	17.4	17.4	22.9	16.0	15.9	15.1	21.7	15.0
Credit Access Index	-1.0	-0.7	-0.1	0.3	2.2	2.4	2.4	2.9	1.0	-1.9
Financial Condition Index	8.4	11.6	15.6	13.0	21.4	15.6	14.4	12.8	16.1	12.5
Average Capacity Utilization	15.9	18.3	23.0	20.8	25.5	22.5	21.7	20.0	22.4	16.8
6. Business Outlook Index on Own Operations : Next Month										
Volume of Business Activity Index	68.2	70.4	69.8	64.7	75.7	67.4	64.4	69.3	69.6	68.6
Employment Outlook Index	24.5	24.4	27.5	25.1	30.7	27.6	24.8	25.9	28.1	24.8
7. Employment Outlook Index on Own Operations by Sector: Next Month										
Industrial Sector	22.0	21.1	24.4	26.6	36.4	29.3	24.6	31.5	31.8	24.9
Construction Sector	11.4	16.2	10.3	17.5	9.8	25.0	12.5	16.7	27.0	5.9
Wholesale and Retail Trade	20.5	17.8	29.9	21.8	18.3	13.8	22.5	23.6	29.9	25.9
Services Sector	27.5	27.7	30.3	25.3	30.8	28.9	26.1	23.8	25.7	25.7
8. Business with Expansion Plans (in per cent): Next Month										
Industrial Sector	5.9	-4.1	6.5	4.2	14.3	11.4	4.0	14.6	7.4	8.3
Construction Sector	-10.0	18.5	0.0	-8.3	-7.1	42.9	4.0	30.0	23.8	29.4
Wholesale and Retail Trade	7.7	16.7	17.9	11.1	5.7	3.4	10.0	-2.0	0.0	5.9
Services Sector of which:	21.9	24.0	25.3	26.7	28.3	41.2	27.1	27.7	28.3	26.9
Financial Intermediation	43.3	44.1	53.8	38.5	44.1	81.8	72.4	59.5	56.9	61.8
Hotels and Restaurants	0.0	8.5	9.4	14.7	5.6	20.0	22.4	2.5	5.1	24.1
Renting and Business Activities	41.1	49.0	33.3	35.1	38.3	41.3	25.0	47.6	36.3	22.7
Community and Social Services	6.2	1.5	12.1	19.7	24.2	31.6	9.1	10.3	21.1	11.9

TABLE 1 (Continued)

BUSINESS EXPECTATIONS SURVEY DATA

Year	2018					2019				
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
9. Business Constraints: Current Month										
High Interest Rate	57.0	54.9	54.4	57.9	57.5	60.0	55.2	55.3	55.5	56.4
Unclear Economic Laws	48.1	47.1	48.8	51.0	52.0	53.5	48.9	49.4	49.8	51.7
Lack of Equipment	34.8	31.9	31.6	32.4	32.3	36.6	33.7	31.5	33.3	33.1
Insufficient Demand	47.3	44.5	44.0	41.2	42.9	45.7	42.4	42.8	43.6	45.4
Access to Credit	42.2	40.4	42.7	41.3	42.6	43.7	41.4	41.8	42.0	44.4
Financial Problems	54.9	51.6	52.2	51.2	53.4	52.9	53.0	51.8	52.5	54.3
Competition	41.9	39.3	39.0	39.4	42.4	44.2	41.6	40.2	43.2	44.0
Labor Problems	12.9	14.0	14.4	16.6	14.4	21.3	19.5	17.9	18.0	20.2
Lack of Materials Input	30.2	24.5	24.7	23.8	26.8	28.4	27.6	27.3	28.9	30.6
Unfavourable Political Climate	46.0	46.9	48.0	48.6	47.5	50.8	51.8	50.0	48.6	48.3
Unfavourable Economic Climate	54.8	53.6	53.3	55.1	54.3	55.3	55.2	54.6	54.1	55.2
Insufficient Power Supply	66.0	65.9	67.2	64.7	64.0	61.6	63.3	63.9	67.8	69.3
10. Business Expectation Index on Selected Economic Indicators: Current Month										
N/\$ Exchange Rate	27.9	29.9	23.3	19.4	22.3	23.0	23.3	33.1	26.1	28.5
Borrowing Rate	2.6	3.7	4.7	5.8	7.1	20.0	17.6	15.5	16.5	3.7
Economic Growth Rate	-	-	-	-	-	35.5	34.3	37.7	38.1	36.2
11. Business Expectation Index on Selected Economic Indicators: Next Month										
N/\$ Exchange Rate	43.9	41.5	41.3	33.2	35.4	31.9	32.6	44.9	41.4	40.1
Borrowing Rate	-0.6	1.8	2.0	2.2	2.9	6.7	0.3	0.4	1.9	2.4
Economic Growth Rate	-	-	-	-	-	42.7	45.7	52.5	49.2	49.4
12. Business Expectation Index on Selected Economic Indicators: Next Twelve Months										
N/\$ Exchange Rate	-	-	-	-	-	44.6	54.7	55.7	52.3	50.1
Borrowing Rate	-	-	-	-	-	7.6	2.1	1.8	1.7	6.9
Economic Growth Rate	-	-	-	-	-	56.4	63.3	64.5	62.1	57.0
13. Business Outlook index on the Level of Inflation: Next Six Months and Twelve Months (in %)										
Level of Inflation Next Six Months	-	-	-	-	-	11.7	11.3	11.2	11.4	11.3
Level of Inflation Twelve Six Months	-	-	-	-	-	11.6	11.1	11.1	11.4	11.2
14. Business Outlook Satisfaction index on the Management of Inflation: (in %)										
Net Satisfaction Index	-	-	-	-	-	3.8	3.3	8.0	4.7	3.9
15. Business Outlook index on the Macroeconomy by Type of Business: Current Month										
Importer	13.6	15.9	14.0	22.1	20.6	22.4	22.7	23.2	15.1	20.5
Exporter	27.8	30.0	6.3	25.0	50.0	31.6	31.6	12.5	22.7	38.9
Both Importer and Exporter	24.0	27.8	15.2	15.2	31.0	29.5	23.2	27.7	40.6	36.8
Neither Importer nor exporter	23.0	26.3	27.3	26.0	32.1	25.8	21.4	29.5	29.7	30.0
16. Business Outlook index on the Macroeconomy by Type of Business: Next Month										
Importer	43.5	55.3	55.9	58.6	61.8	55.6	48.0	53.0	51.8	52.4
Exporter	44.4	65.0	43.8	70.0	88.9	73.7	47.4	31.3	72.7	44.4
Both Importer and Exporter	57.2	61.9	64.9	60.1	63.5	61.2	64.8	63.9	69.9	67.1
Neither Importer nor exporter	67.9	67.3	66.9	68.6	68.5	63.3	60.3	68.2	64.9	64.4
17. Business Outlook index on the Macroeconomy by Size of Business: Current Month										
Small (<50)	20.0	21.1	24.1	22.1	31.5	24.3	21.4	29.0	30.4	28.5
Medium (50 and <200)	23.6	29.2	22.3	25.7	30.4	30.5	23.5	30.0	26.6	31.9
Large (200 and Up)	23.9	30.1	21.6	29.9	27.7	23.7	20.4	19.3	31.3	30.5
18. Business Outlook index on the Macroeconomy by Size of Business: Next Month										
Small (<50)	65.8	67.8	66.9	66.8	66.5	63.1	62.2	68.4	68.0	63.7
Medium (50 and <200)	61.4	62.3	61.1	68.4	68.4	63.0	56.3	63.0	57.5	64.7
Large (200 and Up)	47.4	57.7	61.6	54.2	66.2	56.1	47.1	52.2	59.5	55.3
19. Percentage Distribution of Respondent Firms by Type of Business										
Importer	17.9	17.3	17.4	17.6	15.9	15.5	17.4	15.0	14.0	14.6
Exporter	1.8	2.0	1.6	1.9	1.7	1.9	1.9	1.6	2.2	1.8
Both Importer and Exporter	14.2	12.8	12.8	13.4	12.2	14.1	13.9	14.7	13.4	14.3
Neither Importer nor exporter	66.1	67.8	68.3	67.1	70.1	68.4	66.8	68.7	70.4	69.3
20. Percentage Distribution of Respondent Firms by Employment Size										
Small (<50)	53.4	55.8	55.6	56.0	55.4	54.6	57.3	58.9	59.0	56.9
Medium (50 and <200)	31.4	31.6	30.9	29.9	32.0	32.0	28.9	27.5	27.8	29.2
Large (200 and Up)	15.1	12.6	13.6	14.0	12.6	13.3	13.7	13.5	13.2	13.9

TABLE 1 (Continued)

BUSINESS EXPECTATIONS SURVEY DATA

Year	2018					2019				
Month	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
21. Distribution of Respondent Firms by Sector										
Sample Size (N)	1050	1050	1050	1050	1050	1050	1050	1050	1050	1050
Response Rate(%)	97.9	93.4	98.4	98.3	98.6	94.8	97.4	96.2	94.9	97.0
All Sectors	1028	981	1033	1032	1035	995	1023	1010	996	1019
Industrial Sector	345	318	352	346	339	328	334	321	324	340
Construction Sector	35	37	39	40	41	32	40	36	37	34
Wholesale and Retail Trade	88	73	87	88	93	87	89	89	87	85
Services Sector of which:	560	553	555	558	562	548	560	564	548	560
Financial Intermediation	92	97	95	98	100	97	84	106	104	104
Hotels and Restaurants	98	102	107	107	119	125	152	138	125	133
Renting and Business Activities	165	153	158	159	151	141	138	132	138	131
Community and Social Services	205	201	195	194	192	185	186	188	181	192
22. Business Outlook Index on the Macroeconomy by Sector Contribution: Current Month										
Industrial Sector	6.1	6.0	7.2	7.5	9.4	10.9	7.3	8.6	8.9	9.7
Construction Sector	0.8	0.6	0.3	1.0	1.1	0.5	0.8	0.5	0.6	1.4
Wholesale and Retail Trade	0.9	1.9	2.1	2.3	3.3	1.5	1.0	2.3	2.3	2.8
Services Sector	13.7	16.2	13.6	13.3	16.7	13.0	12.9	16.8	17.4	15.7
23. Business Outlook Index on the Macroeconomy by Sector Contribution: Next Month										
Industrial Sector	19.2	18.8	21.5	19.2	21.4	20.0	17.7	19.4	20.4	18.7
Construction Sector	2.2	2.5	2.2	2.8	2.9	1.7	2.1	2.2	2.5	2.5
Wholesale and Retail Trade	4.2	4.9	5.8	6.6	6.0	5.4	5.3	6.2	5.9	4.9
Services Sector	36.0	38.3	34.9	37.0	36.8	35.0	33.4	37.0	35.2	36.6
24. Business Confidence Index on Own Operations by Sector: Current Month										
Industrial Sector	-1.1	2.1	4.5	3.3	7.6	4.9	3.4	3.3	4.6	3.0
Construction Sector	-0.2	-0.8	-0.4	0.1	0.0	0.6	-0.1	0.5	0.4	0.1
Wholesale and Retail Trade	1.4	0.4	2.0	1.1	2.1	2.1	2.2	2.0	1.7	0.8
Services Sector	8.1	9.6	9.0	8.1	11.3	8.0	8.8	7.1	9.4	8.7
25. Employment Outlook Index on Own Operations by Sector: Next Month										
Industrial Sector	7.4	6.8	8.3	8.9	11.9	9.6	8.0	10.0	10.3	8.3
Construction Sector	0.4	0.6	0.4	0.7	0.4	0.8	0.5	0.6	1.0	0.2
Wholesale and Retail Trade	1.8	1.3	2.5	1.9	1.6	1.2	2.0	2.1	2.6	2.2
Services Sector	15.0	15.6	16.3	13.7	16.7	15.9	14.3	13.3	14.2	14.1
26. Drivers of macroeconomic Outlook by type of business: Current Month										
Importer	2.4	2.8	2.4	3.9	3.3	3.5	4.0	3.5	2.1	3.0
Exporter	0.5	0.6	0.1	0.5	0.9	0.6	0.6	0.2	0.5	0.7
Both Importer and Exporter	3.4	3.6	1.9	2.0	3.8	4.2	3.2	4.1	5.4	5.3
Neither Importer nor exporter	15.2	17.8	18.6	17.5	22.5	17.6	14.3	20.3	20.9	20.8
27. Drivers of macroeconomic Outlook by type of business: Next Month										
Importer	7.8	9.6	9.7	10.3	9.9	8.6	8.4	7.9	7.3	7.7
Exporter	0.8	1.3	0.7	1.4	1.5	1.4	0.9	0.5	1.6	0.8
Both Importer and Exporter	8.1	8.0	8.3	8.1	7.7	8.6	9.0	9.4	9.4	9.6
Neither Importer nor exporter	44.9	45.6	45.7	46.0	48.0	43.3	40.3	46.8	45.7	44.6
28. Drivers of macroeconomic Outlook by Size of Business: Current Month										
Small (<50)	10.7	11.8	13.4	12.4	17.4	13.3	12.3	17.1	17.9	16.2
Medium (50 and <200)	7.4	9.2	6.9	7.7	9.7	9.8	6.8	8.3	7.4	9.3
Large (200 and Up)	3.6	3.8	2.9	4.2	3.5	3.2	2.8	2.6	4.1	4.2
29. Percentage Distribution of Respondent Firms by Sector										
Industrial Sector	33.6	32.4	34.1	33.5	32.8	33.0	32.6	31.8	32.5	33.4
Construction Sector	3.4	3.8	3.8	3.9	4.0	3.2	3.9	3.6	3.7	3.3
Wholesale and Retail Trade	8.6	7.4	8.4	8.5	9.0	8.7	8.7	8.8	8.7	8.3
Services Sector	54.5	56.4	53.7	54.1	54.3	55.1	54.7	55.8	55.0	55.0