

Central Bank of Nigeria

Statistics Department



Monthly Business Expectations Survey Report

February 2019

Table of Contents	Page
1.0 Highlights	3
2.0 Introduction	3
3.0 Business Outlook	4
3.1 Business Confidence on Own Operations by Sector	4
3.2 Financial Conditions and Access to Credit	5
3.3 Employment and Expansion Plans	5
3.4 Business Constraints	6
3.5 Expectations on Exchange Rate	6
3.6 Expectations on Borrowing Rates	6
3.7 Expectations on Level of Inflation	6
3.8 Expectations on Economic Growth Rate	7
3.9 Opinion on Control of Inflation	7

List of Figures

Fig. 1a: Distribution of Respondent Firms by Sector	3
Fig. 1b: Distribution of Respondent Firms by Employment Size	3
Fig. 1c: Distribution of Respondent Firms by Type of Business	3
Fig. 2: Overall Business Outlook on the Macro-economy	4
Fig. 3: Sectoral Contributions to the Overall Business Outlook Index	4
Fig. 4: Business Confidence Index on own operations by Sector	4
Fig. 5: Business Outlook Index on own operations	5
Fig. 6: Employment Outlook Index on own Operations by Sector	5
Fig. 7: Businesses with Expansion Plans	5
Fig. 8: Business Constraints	6
Fig. 9: Business Expectation Index on Selected Economic Indicators	6
Fig 10: Business Expectation Index on Level of Inflation	6
Fig 11: Business Expectation Index on Economic Growth Rate	7

Annexes

Table 1: Business Expectations Survey data

8

1.0 Highlights

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

- Respondent firms expressed optimism on the macro economy in February 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, unfavourable political climate, unclear economic laws, insufficient demand and access to credit as major factors constraining business activity in the current month.
- Respondent firms expect the Naira to appreciate in the current and next months; inflation to rise in both next six months and the next twelve months; borrowing rates to rise in current month, next month and the next twelve months.

2.0 Introduction

The February 2019 Business Expectations Survey (BES) was carried out during the period February 11-15, 2019 with a sample size of 1050 businesses nationwide. A response rate of 97.4 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).

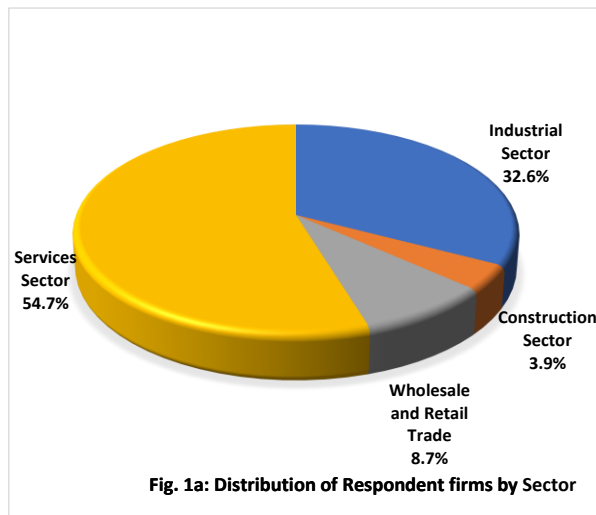


Fig. 1a: Distribution of Respondent firms by Sector

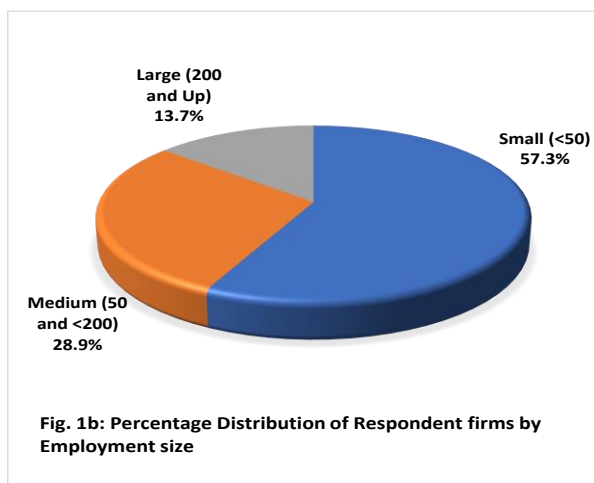


Fig. 1b: Percentage Distribution of Respondent firms by Employment size

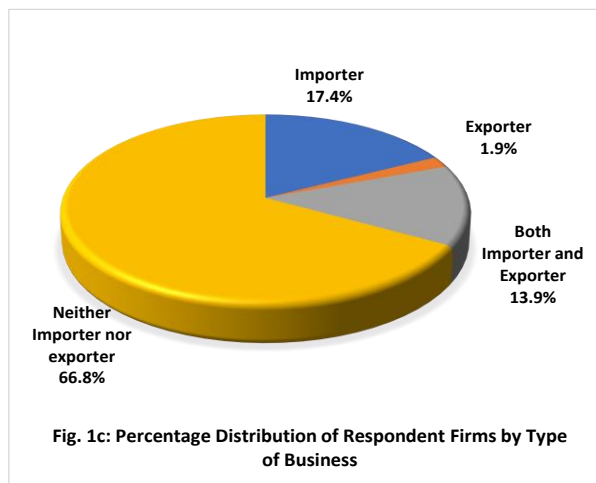
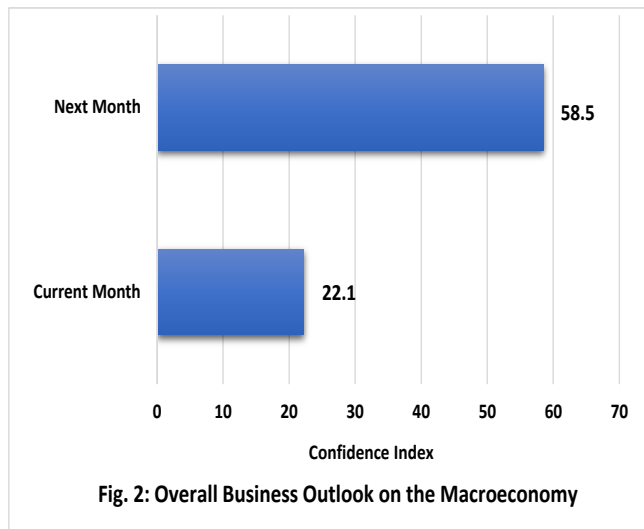


Fig. 1c: Percentage Distribution of Respondent Firms by Type of Business

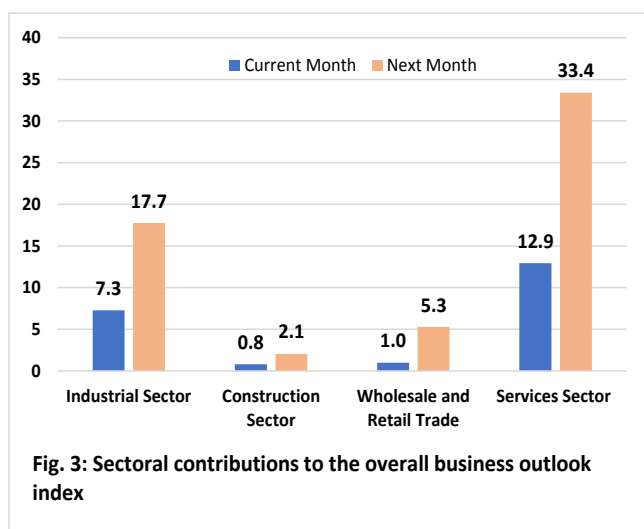
¹ The services sector is made up of Financial Intermediation, Hotels & Restaurants, Renting & Business activities and Community & Social Services

3.0 Business Outlook

At 22.1 index points, respondents expressed optimism on the overall confidence index (CI) on the macro economy in February 2019. The businesses outlook for March 2019 showed greater confidence on the macro economy with 58.5 index points (Fig.2).



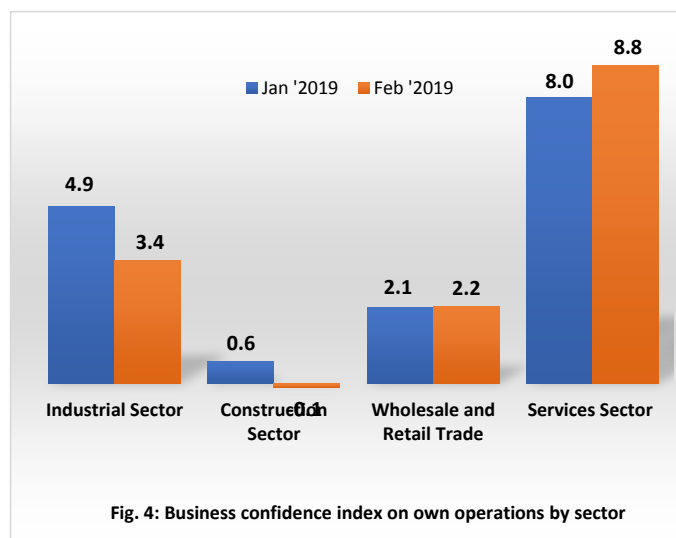
The optimism on the macro economy in the current month was driven by the opinion of respondents from services (12.9 points), industrial (7.3 points), wholesale/retail trade (1.0 points) and construction sectors (0.8 points). Whereas the major drivers of the optimism for next month were services (33.4 points), industrial (17.7 points), wholesale/retail trade (5.3 points) and construction sectors (2.1 points) (Fig. 3).



The positive outlook by type of business in February 2019 were driven by businesses that are neither import- nor export-oriented (14.3 points), import-oriented (4.0 points), both import- and export-oriented (3.2 points), and those that are export-related (0.6 points) (Table 1).

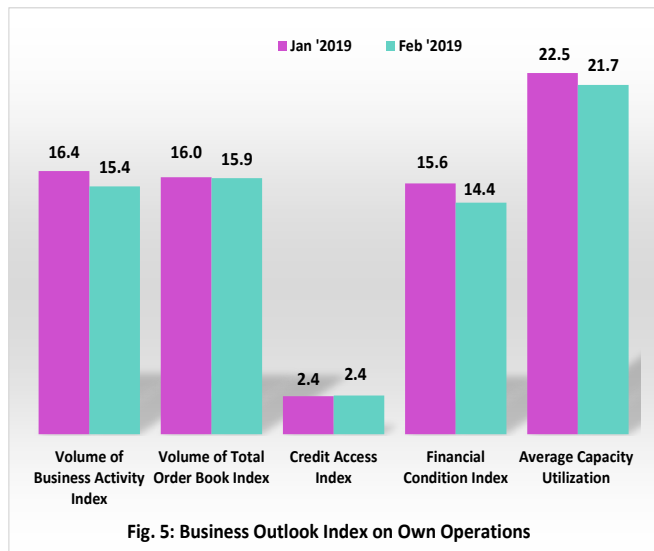
3.1 Business Confidence on Own Operations by Sector

All sectors except the construction sector, expressed optimism on own operations in February 2019. Respondents from the services sector expressed the greatest optimism on own operation with an index of 8.8 points, followed by the industrial sector with 3.4 points and then the wholesale and retail trade with 2.2 index points (Fig 4, Table 1).



3.2 Financial Conditions and Access to Credit

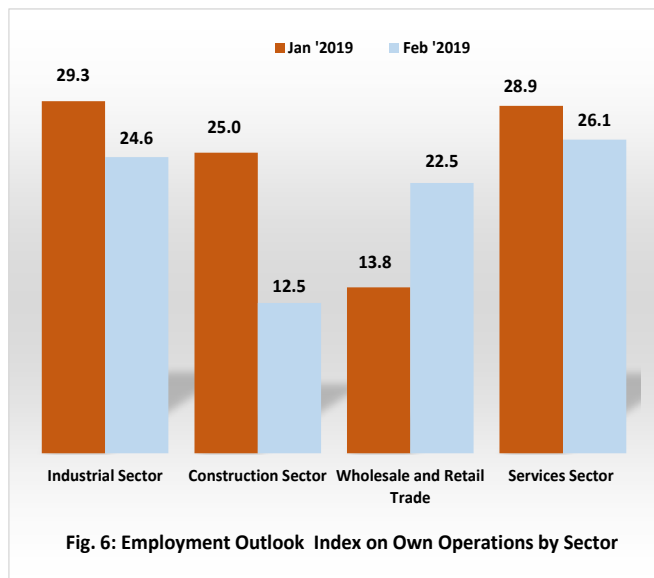
Respondents' outlook on the volume of total order and business activity in February 2019 remained positive, as the index stood at 15.9 and 15.4 points, respectively. Similarly, respondents' outlook on financial conditions (working capital) and average capacity utilization was optimistic, as the indices stood at 14.4 and 21.7 index points, respectively (Fig.5).



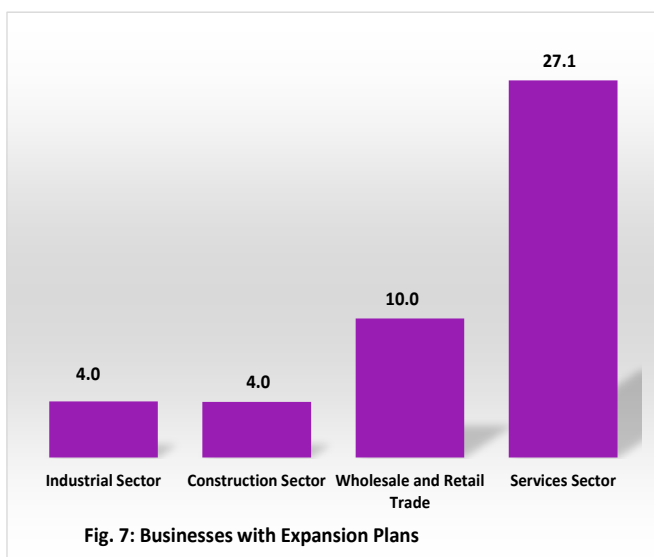
Respondents remained positive on access to credit in the review month, with an index of 2.4 points.

3.3 Employment and Expansion Plans

The positive outlook in the volume of business activities (64.4 index points) and employment (24.8 index points) indicated a favourable business outlook in the next month. The employment outlook index by sector showed that the services (26.1 points), indicates the highest prospects for creating jobs, followed by industrial sector (24.6 points), wholesale/retail trade sector (22.5 points) and construction sector (12.5 points) (Fig. 6, Table 1).

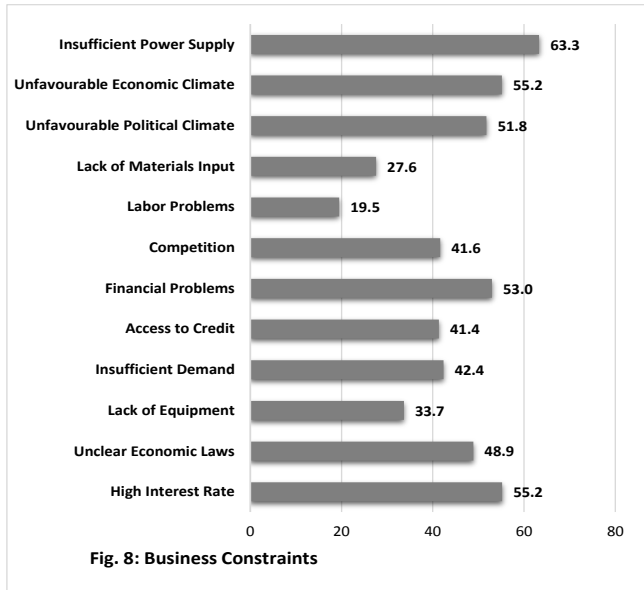


The analysis of businesses with expansion plans by sector in the next month showed that the services sector indicates higher disposition for expansion with an index of 27.1 points followed by wholesale/retail trade (10.0 points), both industrial and construction sectors (4.0 points) apiece (Fig. 7, Table 1).



3.4 Business Constraints

The surveyed firms identified insufficient power supply (63.3 points), high interest rate (55.2 points), unfavourable economic climate (55.2 points), financial problems (53.0 points), unfavourable political climate (51.8 points), unclear economic laws (48.9 points), insufficient demand (42.4 points) and access to credit (41.4 points) as the major factors constraining business activity in the current month (Fig. 8, Table 1).

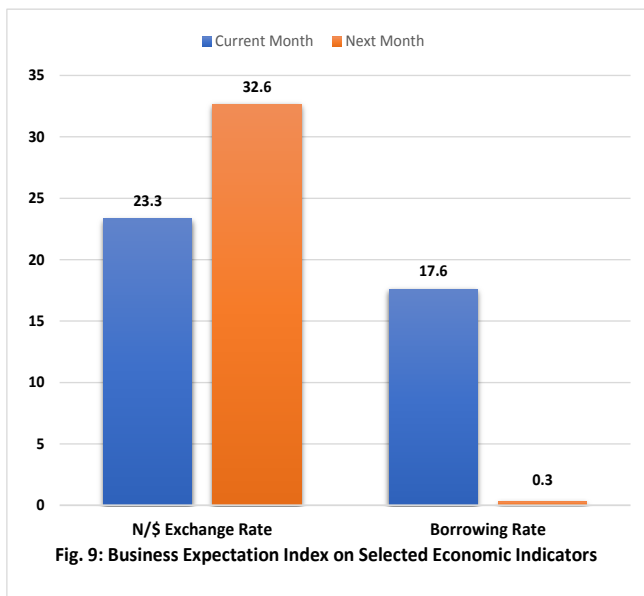


3.5 Expectations on Exchange Rate

Majority of the respondent firms expect the naira to appreciate in the current, next and the next twelve months as their confidence indices stood at 23.3, 32.6 and 54.7 index points, respectively (Fig. 9, Table 1).

3.6 Expectations on Borrowing Rates

Respondent firms expect borrowing rates to rise in current, next and the next twelve months as the confidence indices stood at 17.6, 0.3 and 2.1 points, respectively. (Fig. 9, Table 1).



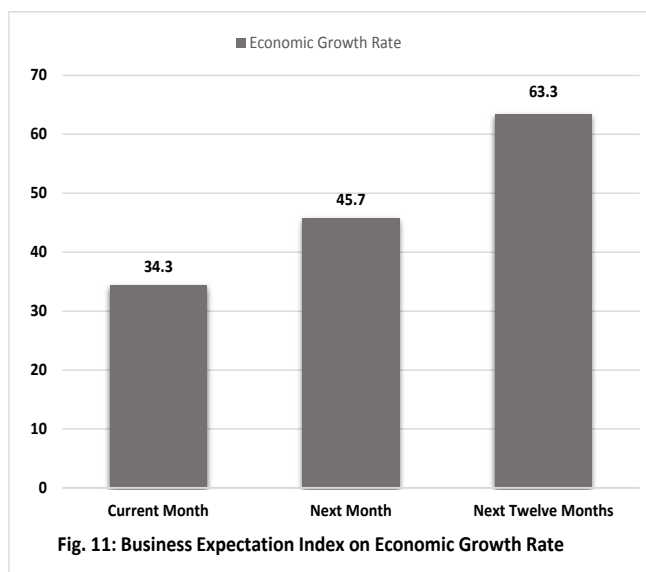
3.7 Expectations on Level of Inflation

The respondents' average expectation inflation rate in the next six months and twelve months stood at 11.3 and 11.1 percent, respectively (Table 1).



3.8 Expectations on Economic Growth Rate

Respondents were optimistic of better economic conditions as their expectations on the growth of the economy rose steadily in the short run with an index of 34.3, 45.7 and 63.3 points for the current month, next six months and next twelve months, respectively (Table 1).



3.9 Opinion on Control of Inflation

More respondent firms are satisfied with the management of inflation by the Government with a net satisfaction index of 3.3 per cent in February 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
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
Next Month	61.6	64.5	64.4	65.6	67.2	62.1	58.5
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
Construction Sector	22.9	16.2	7.7	25.0	26.8	15.6	20.5
Wholesale and Retail Trade	10.2	26.0	25.3	27.3	36.6	17.6	11.2
Services Sector of which:	25.2	28.8	25.3	24.6	30.8	23.5	23.6
Financial Intermediation	29.3	46.4	30.5	34.7	38.0	30.9	22.6
Hotels and Restaurants	20.4	24.5	22.4	20.6	28.6	5.6	21.2
Renting and Business Activities	33.9	32.7	33.1	28.3	39.3	33.3	28.3
Community and Social Services	18.6	19.4	17.9	18.6	21.9	24.3	22.6
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
Construction Sector	64.7	67.6	59.0	72.5	73.2	53.1	52.5
Wholesale and Retail Trade	48.9	65.8	69.0	77.3	66.7	62.1	60.7
Services Sector of which:	66.1	67.9	65.0	68.5	67.8	63.6	61.0
Financial Intermediation	70.7	75.3	71.6	63.3	72.0	59.8	60.7
Hotels and Restaurants	69.4	73.3	72.6	74.8	64.4	67.5	61.6
Renting and Business Activities	70.3	70.6	61.4	72.3	73.2	65.2	63.0
Community and Social Services	59.1	59.7	60.5	64.4	63.5	61.6	59.1
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
Construction Sector	-5.9	-22.2	-10.5	2.5	0.0	18.8	-2.5
Wholesale and Retail Trade	15.9	5.5	24.1	12.6	23.7	24.1	24.7
Services Sector	14.9	17.0	16.7	15.0	20.9	14.4	16.1
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
Volume of Total Order Book Index	9.1	16.0	17.4	17.4	22.9	16.0	15.9
Credit Access Index	-1.0	-0.7	-0.1	0.3	2.2	2.4	2.4
Financial Condition Index	8.4	11.6	15.6	13.0	21.4	15.6	14.4
Average Capacity Utilization	15.9	18.3	23.0	20.8	25.5	22.5	21.7
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
Employment Outlook Index	24.5	24.4	27.5	25.1	30.7	27.6	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
Construction Sector	11.4	16.2	10.3	17.5	9.8	25.0	12.5
Wholesale and Retail Trade	20.5	17.8	29.9	21.8	18.3	13.8	22.5
Services Sector	27.5	27.7	30.3	25.3	30.8	28.9	26.1
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
Construction Sector	-10.0	18.5	0.0	-8.3	-7.1	42.9	4.0
Wholesale and Retail Trade	7.7	16.7	17.9	11.1	5.7	3.4	10.0
Services Sector of which:	21.9	24.0	25.3	26.7	28.3	41.2	27.1
Financial Intermediation	43.3	44.1	53.8	38.5	44.1	81.8	72.4
Hotels and Restaurants	0.0	8.5	9.4	14.7	5.6	20.0	22.4
Renting and Business Activities	41.1	49.0	33.3	35.1	38.3	41.3	25.0
Community and Social Services	6.2	1.5	12.1	19.7	24.2	31.6	9.1

TABLE 1 (Continued)
BUSINESS EXPECTATIONS SURVEY DATA

Year	2018					2019	
	Aug	Sep	Oct	Nov	Dec	Jan	Feb
9. Business Constraints: Current Month							
High Interest Rate	57.0	54.9	54.4	57.9	57.5	60.0	55.2
Unclear Economic Laws	48.1	47.1	48.8	51.0	52.0	53.5	48.9
Lack of Equipment	34.8	31.9	31.6	32.4	32.3	36.6	33.7
Insufficient Demand	47.3	44.5	44.0	41.2	42.9	45.7	42.4
Access to Credit	42.2	40.4	42.7	41.3	42.6	43.7	41.4
Financial Problems	54.9	51.6	52.2	51.2	53.4	52.9	53.0
Competition	41.9	39.3	39.0	39.4	42.4	44.2	41.6
Labor Problems	12.9	14.0	14.4	16.6	14.4	21.3	19.5
Lack of Materials Input	30.2	24.5	24.7	23.8	26.8	28.4	27.6
Unfavourable Political Climate	46.0	46.9	48.0	48.6	47.5	50.8	51.8
Unfavourable Economic Climate	54.8	53.6	53.3	55.1	54.3	55.3	55.2
Insufficient Power Supply	66.0	65.9	67.2	64.7	64.0	61.6	63.3
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
Borrowing Rate	2.6	3.7	4.7	5.8	7.1	20.0	17.6
Economic Growth Rate	-	-	-	-	-	35.5	34.3
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
Borrowing Rate	-0.6	1.8	2.0	2.2	2.9	6.7	0.3
Economic Growth Rate	-	-	-	-	-	42.7	45.7
12. Business Expectation Index on Selected Economic Indicators: Next Twelve Months							
N/\$ Exchange Rate	-	-	-	-	-	44.6	54.7
Borrowing Rate	-	-	-	-	-	7.6	2.1
Economic Growth Rate	-	-	-	-	-	56.4	63.3
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
Level of Inflation Twelve Six Months	-	-	-	-	-	11.6	11.1
14. Business Outlook Satisfaction index on the Management of Inflation: (in %)							
Net Satisfaction Index	-	-	-	-	-	3.8	3.3
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
Exporter	27.8	30.0	6.3	25.0	50.0	31.6	31.6
Both Importer and Exporter	24.0	27.8	15.2	15.2	31.0	29.5	23.2
Neither Importer nor exporter	23.0	26.3	27.3	26.0	32.1	25.8	21.4
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
Exporter	44.4	65.0	43.8	70.0	88.9	73.7	47.4
Both Importer and Exporter	57.2	61.9	64.9	60.1	63.5	61.2	64.8
Neither Importer nor exporter	67.9	67.3	66.9	68.6	68.5	63.3	60.3
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
Medium (50 and <200)	23.6	29.2	22.3	25.7	30.4	30.5	23.5
Large (200 and Up)	23.9	30.1	21.6	29.9	27.7	23.7	20.4
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
Medium (50 and <200)	61.4	62.3	61.1	68.4	68.4	63.0	56.3
Large (200 and Up)	47.4	57.7	61.6	54.2	66.2	56.1	47.1
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
Exporter	1.8	2.0	1.6	1.9	1.7	1.9	1.9
Both Importer and Exporter	14.2	12.8	12.8	13.4	12.2	14.1	13.9
Neither Importer nor exporter	66.1	67.8	68.3	67.1	70.1	68.4	66.8
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
Medium (50 and <200)	31.4	31.6	30.9	29.9	32.0	32.0	28.9
Large (200 and Up)	15.1	12.6	13.6	14.0	12.6	13.3	13.7

TABLE 1 (Continued)
BUSINESS EXPECTATIONS SURVEY DATA

Year	2018					2019	
	Aug	Sep	Oct	Nov	Dec	Jan	Feb
21. Distribution of Respondent Firms by Sector							
Sample Size (N)	1050	1050	1050	1050	1050	1050	1050
Response Rate(%)	97.9	93.4	98.4	98.3	98.6	94.8	97.4
All Sectors	1028	981	1033	1032	1035	995	1023
Industrial Sector	345	318	352	346	339	328	334
Construction Sector	35	37	39	40	41	32	40
Wholesale and Retail Trade	88	73	87	88	93	87	89
Services Sector of which:	<u>560</u>	<u>553</u>	<u>555</u>	<u>558</u>	<u>562</u>	<u>548</u>	<u>560</u>
Financial Intermediation	92	97	95	98	100	97	84
Hotels and Restaurants	98	102	107	107	119	125	152
Renting and Business Activities	165	153	158	159	151	141	138
Community and Social Services	205	201	195	194	192	185	186
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
Construction Sector	0.8	0.6	0.3	1.0	1.1	0.5	0.8
Wholesale and Retail Trade	0.9	1.9	2.1	2.3	3.3	1.5	1.0
Services Sector	13.7	16.2	13.6	13.3	16.7	13.0	12.9
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
Construction Sector	2.2	2.5	2.2	2.8	2.9	1.7	2.1
Wholesale and Retail Trade	4.2	4.9	5.8	6.6	6.0	5.4	5.3
Services Sector	36.0	38.3	34.9	37.0	36.8	35.0	33.4
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
Construction Sector	-0.2	-0.8	-0.4	0.1	0.0	0.6	-0.1
Wholesale and Retail Trade	1.4	0.4	2.0	1.1	2.1	2.1	2.2
Services Sector	8.1	9.6	9.0	8.1	11.3	8.0	8.8
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
Construction Sector	0.4	0.6	0.4	0.7	0.4	0.8	0.5
Wholesale and Retail Trade	1.8	1.3	2.5	1.9	1.6	1.2	2.0
Services Sector	15.0	15.6	16.3	13.7	16.7	15.9	14.3
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
Exporter	0.5	0.6	0.1	0.5	0.9	0.6	0.6
Both Importer and Exporter	3.4	3.6	1.9	2.0	3.8	4.2	3.2
Neither Importer nor exporter	15.2	17.8	18.6	17.5	22.5	17.6	14.3
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
Exporter	0.8	1.3	0.7	1.4	1.5	1.4	0.9
Both Importer and Exporter	8.1	8.0	8.3	8.1	7.7	8.6	9.0
Neither Importer nor exporter	44.9	45.6	45.7	46.0	48.0	43.3	40.3
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
Medium (50 and <200)	7.4	9.2	6.9	7.7	9.7	9.8	6.8
Large (200 and Up)	3.6	3.8	2.9	4.2	3.5	3.2	2.8
29. Percentage Distribution of Respondent Firms by Sector							
Industrial Sector	33.6	32.4	34.1	33.5	32.8	33.0	32.6
Construction Sector	3.4	3.8	3.8	3.9	4.0	3.2	3.9
Wholesale and Retail Trade	8.6	7.4	8.4	8.5	9.0	8.7	8.7
Services Sector	54.5	56.4	53.7	54.1	54.3	55.1	54.7