

# **Inflation Attitudes Survey**

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**Survey Management Division  
Statistics Department  
Central Bank of Nigeria**

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## EXECUTIVE SUMMARY

The 2014 third quarter survey of households' attitudes to inflation and interest rates was conducted by the Statistics Department from 27th October to 07th November, 2014. This was in its bid to assess the general public perceptions of inflation which will help gauge the Bank's macroeconomic policy formulation.

- Respondent households believed that the economy would end up weaker rather than stronger, if prices start to rise faster than they do now, thereby giving a sizeable support to price stability.
- Given a trade-off between inflation and interest rate, more respondents would prefer higher interest rates to higher inflation with a margin of more than two to one.
- The majority of respondents favoured lower interest rates for the Nigerian economy as a whole rather than for themselves.
- Majority of the respondents are satisfied with the way CBN is doing its job to influence the direction of interest rates to control inflation.

## 1. Introduction

The Central Bank of Nigeria (CBN), aside from its price and monetary stability mandate, is also tasked with supporting the Government's policies on economic growth and unemployment reduction. One major objective of the Bank is to build public confidence and support for sustainable economic development, price stability, and public understanding of the Monetary Policy Committee's roles. If people understand and support the objective of price stability as well as understand how the interest rate is used to achieve it, macroeconomic stability which is an essential prerequisite for economic growth and development would be attained. The level of interest rates deemed appropriate to achieve this, is decided by the Monetary Policy Committee (MPC) on periodic basis. The Committee equally articulates other foremost policy framework which is considered as catalyst in moderating price changes and economic stability.

Opinion poll was effectively used in exploring the progression of public views and general understanding of monetary policy matters. A good estimate of inflation expectations and public understanding of what influences them are important parameter for successful monetary policy. In this way, the Bank will be in a position to quantify the impact of its efforts in stabilizing and sustaining prices in the Nigerian economy.

The Statistics Department on a quarterly basis, since June 2009, conducts the inflation Attitudes Survey to sample the views of households on how they view the price changes of goods and services in the shops in the last twelve months, and their expectations of price changes over the next twelve months. The Department also samples respondents' views on interest rate and knowledge of the monetary policy framework. Results of the Q4 2014 survey of the public perceptions on this are discussed.

## 2.0 Survey Methodology

The Q4, 2014 Inflation Attitudes Survey being the most recent in the series was conducted from 27th October to 07th November, 2014 with a sample size of 1900 households in 350 randomly selected Enumeration Areas (EAs) across the six geopolitical zones of the country. The raw data were weighted to match the demographic profile of Nigeria as a whole. Table 1 presents the distribution of sample size and response rate

*Monetary Policy framework will be most effective, if accompanied by wide public understanding and support, both for the objective of price stability and the methods to achieve it.*

About  
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**Table 1: Distribution of sample size and response rate**

ZONE	SAMPLE STATE	Q4 2014 SAMPLE SIZE	Q4 2014 RESPONSES	RESPONSE RATE
North Central	Niger, Kwara, Abuja, Benue, Kogi, Nasarawa and Plateau	350	332	94.9
North East	Bauchi, Yobe, Adamawa, Gombe, and Taraba	250	250	100.0
North West	Kaduna, Katsina, Kano, Zamfara, Jigawa, Sokoto and Kebbi	350	350	100.0
South East	Enugu, Imo, Ebonyi, Anambra and Abia	250	250	100.0
South South	Edo, Delta, Rivers, Bayelsa, Cross River and Akwa-Ibom	300	300	100.0
South West	Lagos, Oyo, Ekiti, Ogun, Osun and Ondo	400	400	100.0
TOTAL		1900	1882	99.1

Inflation expectations do vary amongst households due to the differences in the goods and services bought, which often lead to differences in the prices of the goods and services. Thus, the designed questionnaire captures information on age, sex, income, employment status of the head of the household, among others.

*In-house face-to-face interviews of randomly selected respondents were conducted.*

The survey involves in-house face-to-face interview of randomly selected households. The selection entailed a quota sample of individuals within randomly selected Enumeration Areas (EAs). This was done using the instrumentality of the National Integrated Survey of Households (NISH) of the National Bureau of Statistics (NBS). The survey asked questions about the evolution of prices of 'goods and services', and the questions were designed to reflect the concept of inflation the general public are most likely to be familiar with, instead of any specific measures of inflation, like the Consumer Price Index inflation rate.

The questionnaire was therefore couched in a manner to capture the expectations of respondents. The options for questions asked were in ranges of price change, of which respondent households are expected to select one that best suites their expectations. The options were in the form of "Gone Down", "Not Changed", "Up by 1% but less than 3%", "Up by 3% or Above" and "No Idea". Respondents were made to answer a total of 14 questions which includes; their thought on how prices had changed in the previous twelve months and how they expect prices to change over the next twelve months, in addition to inquiring from them the body that sets the interest rates. Also range of questions seeking information on public knowledge, understanding and attitudes towards MPC process and expectations of interest rates were asked.

The respondents were also requested to state whether they were satisfied or not with the way the Central Bank of Nigeria is doing its job of setting interest rates in order to control inflation. Furthermore, because households focus on particular types of goods and services when thinking about inflation, variation in the answers may therefore be because respondents are thinking about inflation as it relates to their own patterns of spending in addition to media reports about price trends. Re-

*Respondent households believed that the economy would end up weaker rather than stronger, if prices start to rise faster than they do now.*

The Q4, 2014 survey result showed that 38.8 per cent of the respondents believed that the economy would end up weaker while 14.0 per cent opined that it would be stronger, if prices start to rise faster than they do now. Also, 27.9 per cent of the respondents believed it would make little difference. The responses suggest considerable support for price stability, as a good number of people were of the view that inflation is inimical to economic growth (Question 3).

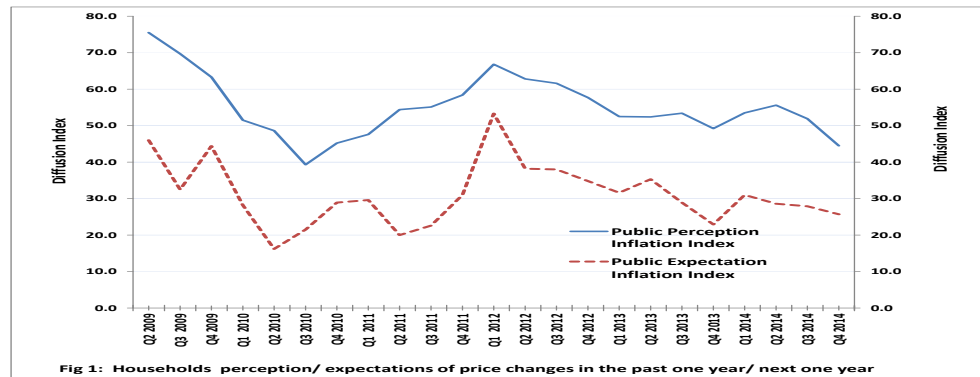


Fig 1: Households' perception/expectations of price changes in the past one year/next one year

When respondents were asked to say how prices have changed over the past 12 months, by making a choice from the five banded options on the questionnaire, they gave a median answer of 1.8 per cent, which is consistent with the previous trends (Question 1). This however, conceals a wide variation, from 32.0 per cent who thought prices had gone down or not changed. While, 27.1 per cent felt that prices had risen by at least 3.0 per cent, 27.8 per cent felt that prices inched up by 1.0 per cent but less than 3.0 per cent.

Respondents' median expectations of the price changes over the next twelve months (Question 2) was that prices would inch up by 1.3 per cent. The views of the respondents on Question 2, on 'how much they expect prices in the shops generally to change over the next 12 months?', showed that 18.0 per cent of the respondent households expect prices to rise by at least 3 per cent in the next 12 months; compared with the 28.3 per cent of respondents that expect prices to rise by 1 per cent but less than 3 per cent in the next 12 months. Similarly, 38.7 per cent of the respondents were optimistic that prices over the next one year would either go down or remain the same. Few people thought that prices were not likely to rise. This pattern has been maintained since Q2 2009 (see Fig. 1).

*More respondents were of the view that price increase is inimical to economic growth.*

Informed in Question 4 that the Government has anticipated an inflation rate of between 6 to 9 per cent in this year's budget, 19.2 per cent of the respondents thought that the target was 'about right', 39.2 per cent believe it was 'too high', 16.9 per cent said 'too low' while the rest 24.7 per cent had no idea. This pattern had been relatively steady in all the series so far, and equally maintained in every zone and demographic group, suggestive of their support for low inflation.

*The percentage of respondent households who felt that interest rate has risen in the last 12 months increased by 4.4 percentage points to 49.8 per cent in the current quarter.*

*The public expectation on interest rate was consistently lower than their perception index indicating that the public have greater confidence in the monetary authority to control inflation.*

The percentage of respondent households (Question 5) who felt that interest rate has fallen in the last 12 months decreased by 4.4 percentage points to 49.4 per cent in the current quarter, from the 53.8 per cent attained in Q4, 2013. On the other hand, 12.3 per cent of respondents believed that interest rates will fall, while 20.1 per cent of the respondents were of the opinion that the rates stayed about the same in the last 12 months. Also 18.2 per cent of the households had no idea. The result revealed that majority of households perceived that interest on bank loans and savings rose over the past 12 months and this is consistent with the trend observed since Q2 2009 (see Fig. 2).

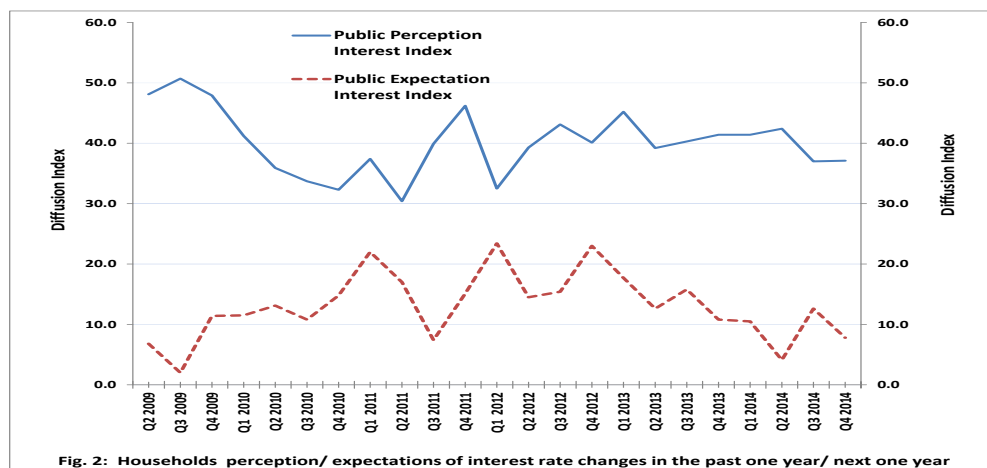


Fig. 2: Households perception/ expectations of interest rate changes in the past one year/ next one year

Respondents views differed on whether the interest rate on bank loans and savings will rise or fall over the next 12 months. While 37.1 per cent of the respondents were of the view that the rates would rise, 29.3 per cent believed it would fall. The ‘net rise’ value of 7.8 per cent was achieved compared to 10.8 per cent attained in the corresponding quarter a year ago. Almost one-third of the respondents either expected no change or had no idea. As illustrated in Fig. 2, the public expectation on interest rate index was consistently lower than their perception indicating that the public have greater confidence in the monetary authority to control inflation.

Respondents were in Question 8 asked what would be ‘best for you personally, for interest rates to go up or go down’. Respondents answers showed that 55.9 per cent reported that it would be best for them personally if interest rates go down, while about 9.1 per cent of the respondents opted for higher interest rates. The results further revealed that 17.6 per cent expressed the thought that it would make no difference.

Similarly, the respondents were also asked in Question 7 what would be ‘best for the Nigerian economy, for interest rates to go up or go down’. Respondents answers showed that 40.8 per cent reported that it would be best for Nigerian economy if interest rates go down, while about 20.1 per cent of the respondents opted

could serve as catalyst for economic and economic development could be responsible for the respondents holding such views.

*The majority of respondents favoured lower interest rates for the Nigerian economy as a whole rather than for themselves.*

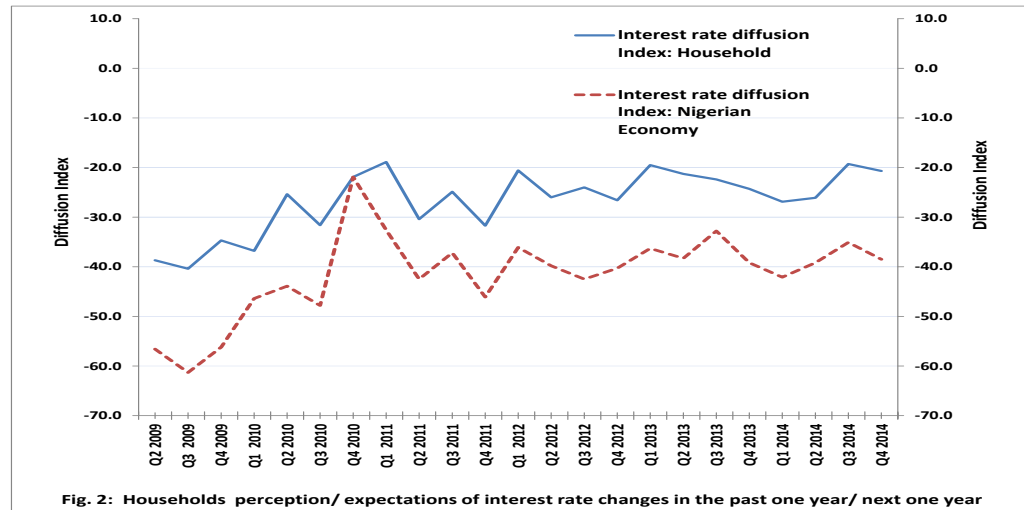


Fig. 2: Households perception/ expectations of interest rate changes in the past one year/ next one year

### 5.0 Interest Rate—Inflation Nexus



*Given a trade-off between inflation and interest rate, more people would prefer higher interest rates to higher inflation with a margin of more than two to one.*

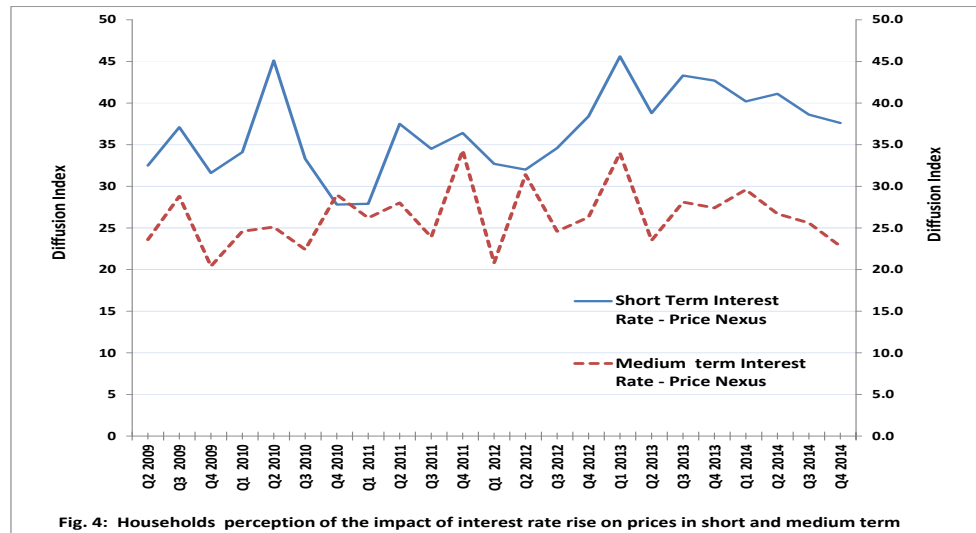
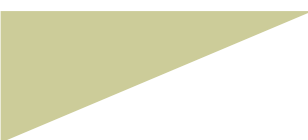
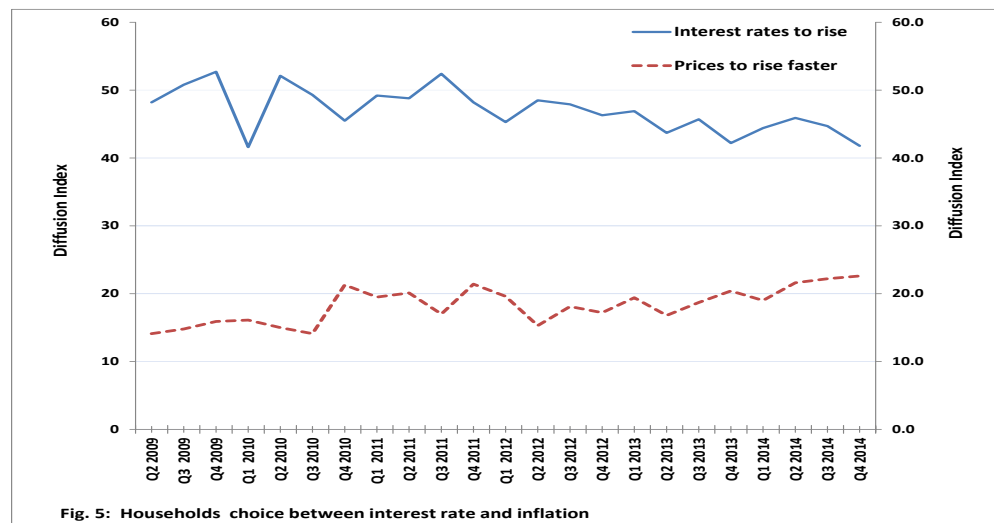


Fig. 4: Households perception of the impact of interest rate rise on prices in short and medium term

Question 9 was designed to measure peoples’ understanding of how interest rates would affect changes in prices. In response to what the impact would be on prices, of a rise in interest rates in the short term and in the medium term, over half the respondents (53.5 per cent) agreed that ‘a rise in interest rates would make prices in the street rise more slowly in short term’, as against 15.9 per cent that disagreed. While in the medium term under half of the respondents (44.6 per cent) agreed, that ‘a rise in interest rates would make prices in the street rise more slowly, while 21.8 per cent disagreed (See Fig. 4).



(see Fig. 5).



*Majority of respondents (48.4 per cent) are aware who influences the direction of Nigeria's 'basic interest rate level'.*

## 6.0 Opinions on the Central Bank of Nigeria

Questions 11 and 12 assess whether people are aware of the way monetary policy works in Nigeria. Question 11 asked respondents if they knew which group of people meets to set Nigeria's monetary policy rate. Responding, 48.4 per cent felt it is Monetary Policy Committee, as against 15.7 per cent for Federal Ministry of Finance and 11.6 per cent who believed it was the Government, about 7.5 per cent felt it was the National Assembly, 2.9 and 13.8 per cent answered 'others' and "do not know", respectively.

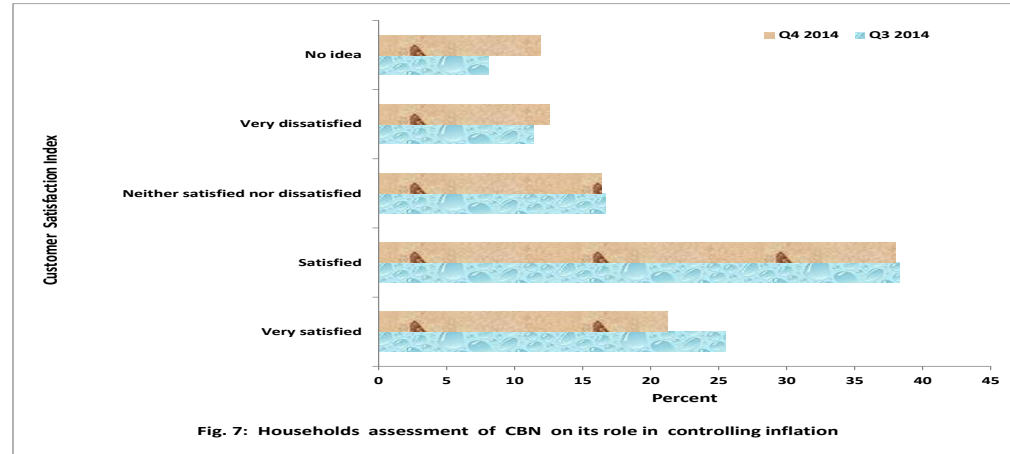
Question 12 then prompted respondents to identify which group mostly influences the direction of interest rates. The result indicated that majority of the respondents (72.7 per cent) are aware that Central Bank of Nigeria influences the direction of interest rate. Other respondents opinions that the Government (4.8 per cent) now influences interest rates. About 8.0 and 4.6 per cent of the respondents are of the opinion that civil servants and other banks influence the rates, while 10.0 per cent had no idea. This level of proportions has not significantly changed in all the series since the commencement of the survey (see Table 1).

Responding to Question 13 about the nature of the MPC, 29.7 per cent felt that the Committee is a body wholly owned and appointed by the Government, while 26.0 per cent believed that it is an independent body partly appointed by the Government and 10.2 per cent believed that it is completely independent.

However, 26.0 per cent regard the MPC as 'part of the Government'. This shows

per cent recorded in Q4, 2014. Among the satisfied group, 21.2 per cent were 'very satisfied' while 38.0 were 'fairly satisfied'. However, 16.4 per cent were 'neither satisfied nor dissatisfied' whereas 12.6 per cent were 'very dissatisfied'. Those who had no idea accounted for 11.9 per cent of the respondents (see Fig. 6).

*74.0 per cent of the respondents are not aware of the composition of the MPC membership.*





**RESULTS INFLATION ATTITUDES SURVEY**

	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014
ou agree with the following statements? A rise in interest rates	21.3	23.8	18.8	25.2	30.1	27.8	22.4	22.8	24.6	24.9	22.9	22.0	20.0	21.3	24.2	27.4	24.9	24.3	23.3	24.0	
the street rise more slowly in the (a) short term - stay a month or	32.2	33.6	32.5	27.8	31.0	28.9	28.2	28.7	31.5	29.9	29.9	30.0	32.9	31.3	31.4	33.5	29.4	34.7	33.8	33.5	33.9
the street rise more slowly in the (b) short term - stay a month or	13.8	14.1	15.3	13.6	14.0	11.9	14.2	12.3	12.7	13.8	12.6	15.2	15.9	17.8	17.1	13.6	14.5	14.2	15.3	15.3	16.1
	7.2	6.2	5.2	6.8	5.1	4.4	6.9	6.3	6.2	5.0	5.1	5.5	4.4	4.9	3.5	4.0	4.8	3.7	4.4	3.7	4.4
	12.1	10.5	13.8	14.5	8.6	12.0	12.5	12.6	12.5	11.2	12.0	13.6	10.4	11.5	10.1	10.2	15.7	11.8	11.2	11.2	9.1
	53.5	57.4	51.3	53.0	61.1	54.7	50.6	51.5	56.1	54.8	55.9	52.0	52.9	52.6	55.6	60.9	54.3	58.6	58.1	56.8	57.9
	21.0	20.3	19.7	18.9	16.0	21.4	22.8	23.6	18.6	20.3	19.5	19.3	20.9	18.0	17.2	15.3	15.5	15.3	15.4	16.6	16.8
	32.5	37.1	31.8	34.1	45.1	33.3	27.8	27.9	37.5	34.5	38.4	32.7	32.0	34.6	38.4	45.6	38.8	43.3	42.7	40.2	41.1
es would make prices in the street rise more slowly in the medium	14.8	17.1	11.7	18.1	18.6	20.1	20.6	21.2	19.2	17.6	20.7	17.1	16.5	17	18.6	19.7	17.0	16.5	18.7	17.7	18.1
	32.5	34.8	32.9	27.8	29.3	28.3	28.4	28.4	30.3	30.7	33.2	26.8	34.6	29.6	29.8	33.4	28.3	32.9	30.3	32	31.1
	14.1	12.3	16.4	16.3	14.8	11.3	13.1	12.7	16.1	15.7	14	17.5	16.8	17.6	16	15.1	15.7	15.5	15.5	17.2	17.0
	15.2	17.8	15.8	14.5	17.6	19.6	15.4	15.4	12.7	15.8	13.8	16.1	14.8	16.8	16.4	13.8	15.5	15.5	15.5	13.7	15.2
	8.5	5.3	8.4	6.8	8.5	6.4	7.1	8.0	8.8	8.6	5.8	7	4.9	5.2	5.3	6.3	5.8	6.1	6.4	7.3	6.1
	6.7	12.4	14.9	15.6	12.4	14.3	14.3	14.3	12.3	11.6	12.5	15.5	12.4	13.8	13.3	12.6	17.2	13.7	14	13.2	11.3
	47.3	51.9	44.6	45.9	47.9	48.4	50.8	49.6	49.5	48.3	53.9	43.9	51.1	46.6	48.4	53.1	45.3	49.4	49.0	49.7	49.2
	23.7	23.1	24.2	21.3	22.8	26.0	21.8	23.4	21.5	24.4	19.6	23.1	19.7	22.0	22.1	19.1	21.8	21.3	21.6	20.1	22.5
	23.6	28.8	20.4	24.5	25.1	22.4	29.0	26.2	28.0	23.9	34.3	20.8	31.4	24.6	26.3	34.0	23.5	28.1	27.4	29.6	26.7
be made, either to raise interest rates to try to keep inflation	48.2	50.8	52.7	41.6	52.1	49.3	45.5	49.2	48.8	52.4	48.2	45.3	48.5	47.9	46.3	46.9	43.7	45.7	42.2	44.4	45.9
rates down and allow prices in the shops to rise faster, which	14.1	14.8	15.9	16.1	15.0	14.1	21.3	19.5	20.1	17.0	21.4	19.6	15.3	18.1	17.2	19.4	16.8	18.7	20.4	19.0	21.6
	38.8	34.1	31.3	42.2	32.4	36.6	33.2	31.2	30.9	30.7	30.5	33.2	32.1	33.7	38.2	33.4	39.3	35.4	37.2	38.5	32.3
h, a group of people meet to set Nigeria's basic interest rate level.	55.9	59.5	61.2	54.7	55.6	49.6	40.6	45.5	49.2	49.9	55.8	44.7	49.8	53.9	51.0	53.0	53.2	49.3	50.3	52.6	54.4
	9.4	7.0	7.0	10.4	9.7	11.4	10.0	9.7	10.1	12.0	11.1	7.5	9.3	8.5	11.1	11	7.2	10.3	10.7	9.6	8.4
	8.7	10.5	9.5	12.5	11.6	12.5	24.8	21.4	18.3	17.8	12.7	16.5	18.7	12.5	13.7	12.9	12.7	16.9	13.7	15	15.2
	4.0	2.4	3.2	3.9	2.8	4.9	5.2	5.8	6.0	5.1	4.9	6.5	5.3	6.5	4.7	6	5.7	6.4	7.3	6.3	6.0
	1.2	1.0	2.0	2.0	1.1	2.2	2.7	2.3	2.4	2.1	2.6	4	2.2	2.1	2.6	1.9	2.1	2.4	1.6	2	2.1
	20.0	19.2	17.0	17.6	14.2	19.4	16.6	15.3	13.9	13.1	0.0	20.9	14.7	16.5	16.9	15.3	19.1	14.8	16.4	14.6	13.9
roups do you think see the interest rates?	3.1	2.4	4.3	4.9	4.7	6.8	40.6	6.7	4.3	8.9	5.2	5.7	5.2	6.4	8.3	7.2	4.5	7.0	4.7	4.8	5.0
	2.8	1.8	2.4	3.2	3.6	4.1	10.0	7.2	6.7	6.6	5.7	5.7	5.2	4.3	6	5.1	5	4.7	6.9	6.2	6.2
	76.9	82.3	77.5	75.9	75.7	70.4	24.8	70.0	74.1	70.3	75.8	69.5	73.8	76.2	70.3	72.8	70.2	73.6	71.1	74.1	75.8
	3.4	3.5	4.5	4.4	4.1	4.6	5.2	5.1	4.4	4.2	4.1	4.3	4.7	3.2	5	4.2	4.9	4.2	4.1	5.3	3.5
	13.1	9.8	11.2	11.6	11.8	14.2	2.7	11.0	10.6	9.9	9.1	14.8	11.0	9.9	10.3	10.7	15.4	10.3	13.1	9.6	9.3
roups are taken by the Monetary Policy Committee of the Central Bank of Nigeria.	26.3	22.3	16.9	27.5	23.0	25.3	26.6	26.8	22.3	20.9	25.3	24	23.7	24.1	23.5	23.8	19.7	23.3	20.4	20.4	19.3
roups are taken by the Monetary Policy Committee of the Central Bank of Nigeria.	27.2	33.6	42.4	26.5	32.9	28.9	26.7	30.1	32.3	20.9	32.8	26.6	26.4	26.1	27.7	27.3	27.7	29.0	28.4	27.7	29.2
	20.0	19.8	21.3	20.2	24.1	20.5	21.0	21.4	25.7	21.1	20.1	22.6	28.1	23.5	26.1	27.4	25.7	24.7	26.3	28.9	27.5
	6.8	6.2	5.2	7.2	6.5	8.0	8.6	7.5	7.2	7.9	7.9	7.9	10.2	11.5	8.3	9.1	10.4	9.2	9.7	10.1	10.7
	15.3	17.5	14.2	14.4	13.3	17.2	15.0	14.1	12.4	13.8	14.8	18.6	13.7	12.7	14.2	12.3	15.5	13.5	15.0	12.9	13.2
ailed or dissatisfied are you with the way the Central Bank of Nigeria	20.2	27.1	21.4	30.8	27.5	26.0	28.6	35.7	28.7	35.6	35.5	28.8	20.7	23.7	22.4	23.1	21.2	22.6	23.3	23.7	24.3
interest rates in order to control inflation?	44.6	44.6	41.6	38.7	45.2	38.8	39.7	35.2	44.7	35.3	34.6	34.8	40.8	41.1	38.2	39	41.2	40.1	39.7	39.9	39.3
	12.4	12	11.0	13.6	10.5	14.5	10.5	10.5	13.3	13.5	13.5	12.8	12.8	16.4	19.2	16.5	13.7	16.8	15.2	14.8	16.3
	12.8	8.4	8.6	7.3	8.0	9.7	8.0	9.0	7.6	8.4	8.1	7.9	10.0	10.7	12.2	14.3	11.7	11.2	11.1	12.4	10.7
	9.2	7.1	8.7	9.5	8.3	11.3	14.0	9.6	7.6	7.2	8.2	15	7.7	8.0	8.0	8.0	12.2	9.2	10.7	9.2	9.3
	64.8	71.7	63.0	67.5	72.7	64.6	69.3	70.9	73.4	70.9	70.1	63.6	61.5	64.8	60.6	61.1	62.4	62.7	63.0	63.6	63.6
	12.8	8.4	8.6	7.3	8.0	9.7	8.6	9.0	5.8	8.4	8.1	7.9	10.0	10.7	12.2	14.3	11.7	11.2	11.1	12.4	10.7
	52.0	63.3	54.4	60.2	64.7	54.9	63.2	61.9	67.8	62.5	62.0	55.7	51.5	54.1	48.4	46.8	50.7	51.5	51.9	51.2	52.9

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ailed or dissatisfied are you with the way the Central Bank of Nigeria

interest rates in order to control inflation?