

Business Expectations Survey

A Quarterly Publication

Second Quarter, 2015

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

TABLE OF CONTENTS

Executive Summary	4
About the Survey	5
Overall Business Outlook on the Macroeconomy	6
Macro economy Outlook by type and size of businesses	7
Business Outlook Index on the Macroeconomy by sector	8
Business Confidence on own operations by sector	8
Access to Credit and Financial Condition	9
Employment and Expansion Plans	10
Business Constraints	10
Expectations on Exchange Rate	11
Expectations on Inflation and Borrowing Rates	11
Business Outlook- North Central Zone	16
Business Outlook- North East Zone	19
Business Outlook- North West Zone	22
Business Outlook- South East Zone	25
Business Outlook- South South Zone	28
Business Outlook- South West Zone	31

LIST OF TABLES

Table 1 Distribution of Sample size and response rate (%)	5
Table 2 Confidence Index – National	13
Table 3 Confidence Index – North Central Zone	17
Table 4 Confidence Index – North East Zone	20
Table 5 Confidence Index – North West Zone	23
Table 6 Confidence Index – South East Zone	26
Table 7 Confidence Index – South South Zone	29
Table 8 Confidence Index – South West Zone	32

LIST OF FIGURES

Fig. 1	National Overall Business Outlook Index	6
Fig. 2	Contribution to the Overall Business Outlook Index on Macro-economy by Sector	7
Fig. 3a	Business Outlook Index on the Macroeconomy by Sector	8
Fig. 3b	Business Confidence on Own Operation by Sector	8
Fig. 4	Volume and Average Capacity Utilization Index	9
Fig. 5	Business Outlook Index on Own Operations: Access to Credit and Financial Condition	9
Fig. 6a	Next Quarter: Employment Outlook and Volume of Business Activity	10
Fig. 6b	Business Constraints Index	10
Fig. 6c	₦/\$ Exchange Rate Index	11
Fig. 7	Inflation Rate Index	11
Fig. 8	Borrowing Rate Index	12
Fig. 9	North Central Zone Business Outlook Index	16
Fig. 10	North East Zone Business Outlook Index	19
Fig. 11	North West Zone Business Outlook Index	22
Fig. 12	South East Zone Business Outlook Index	25
Fig. 13	South South Zone Business Outlook Index	28
Fig. 14	South West Zone Business Outlook Index	31

EXECUTIVE SUMMARY

The Q2, 2015 Business Expectations Survey (BES) was carried out between the period of May 4 –16, 2015 with a sample size of 1,900 business enterprises nationwide. A response rate of 99.4 per cent was achieved, and the sectors covered during the exercise included Industry, Construction, Wholesale/Retail Trade and Services.

The highlights of the BES report are as follows:

- Respondent firms were optimistic on the macro economy as the business condition in Nigeria was expected to improve in Q2 2015. The optimism was driven by the opinion of respondents from the wholesale/retail trade (2.1 points), services sector (1.6 points) and industrial (0.1 points).
- Respondents' optimism in the volume of total order and the internal liquidity position, buoyed the volume of their business activities in the current quarter. Although respondents had a negative outlook in access to credit , majority of firms upped the financial condition in the review quarter.
- The positive outlook in the volume of business activities of the firms implied improved prospects for employment in the next quarter. The sector with the highest prospect for employment is the services, followed by wholesale/retail trade, industrial and construction.
- The respondent firms emphasized that insufficient power supply was the major factor constraining the business activity in Q2 2015. Other constraining factors are high interest rate, financial problems, competition, unfavourable economic climate and unfavourable political climate
- Respondent firms expect the naira exchange rate to depreciate in the current and appreciate in the next quarters. They also expect inflation and borrowing rates to rise in the current and fall in the next quarters.

Business Expectations Survey Second Quarter, 2015

The Q2, 2015 Business Expectations Survey (BES)¹ was conducted during the period May, 4-16 2015. There were 1,900 firms surveyed nationwide, drawn from the updated survey frames of both the Central Bank of Nigeria (CBN) and the National Bureau of Statistics (NBS). The survey produced a response rate of 99.4 per cent in the quarter under review.

The Map and Table 1 below show the sampled states, the sample size and the percentage response rate of the survey.

About the Survey.

*The response
rate from
the 1,900
firms surveyed was
99.4
per cent*

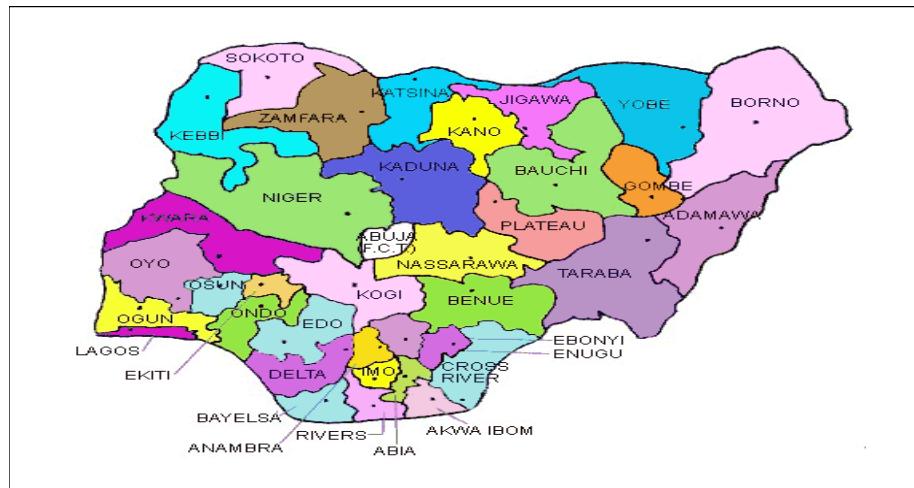


TABLE 1: Distribution of sample size and response rate (%)

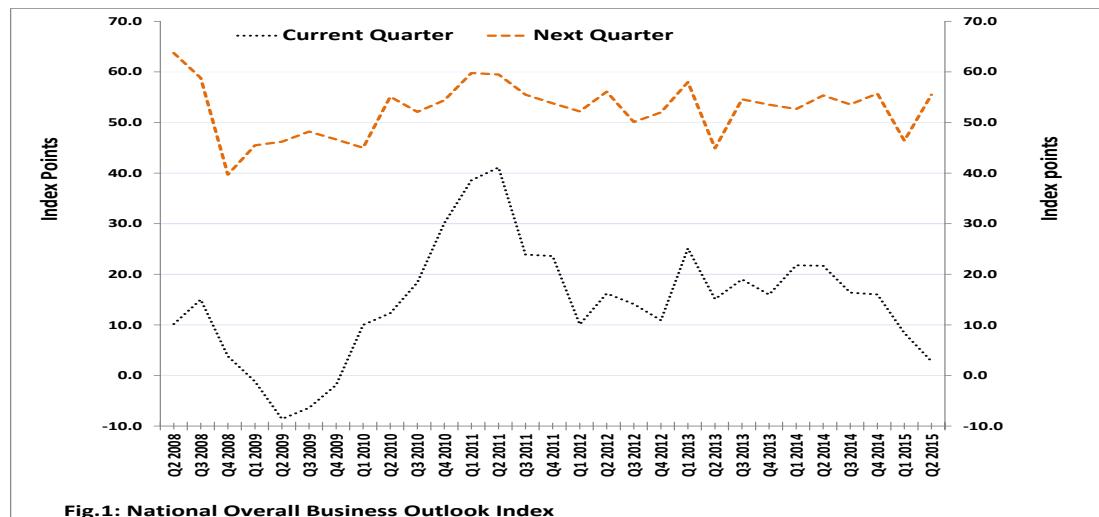
ZONE	SAMPLE STATE	Q2 2015 SAMPLE SIZE	Q2 2015 RESPONSES	Q2 2015 RESPONSE RATE (%)
North Central	Niger, Kwarra, Kogi, Abuja, Nassarawa, Benue and Plateau	350	346	98.9
North East	Bauchi, Adamawa, Gombe, and Taraba	250	250	100.0
North West	Kaduna, Katsina, Kano, Jigawa, Zamfara, Sokoto and Kebbi	350	345	98.6
South East	Anambra, Enugu, Ebonyi, Imo and Abia	250	250	100.0
South South	Edo, Delta, Rivers, Cross River, Bayelsa and Akwa-Ibom	300	300	100.0
South West	Lagos, Oyo, Ekiti, Osun, Ogun and Ondo	400	398	99.5
TOTAL		1900	1889	99.4

¹The Business Expectations Survey (BES) is a quarterly survey of leading firms drawn from Business Establishment updated frames of Central Bank of Nigeria and the National Bureau of Statistics. The BES result provides advance indication of change in the overall business activity in the economy and in the various measures of activity of the companies' own operations as well as selected economic indicators.

Respondents were drawn from the Industrial, Construction, Wholesale/Retail Trade and Services sectors made up of: Financial Intermediation, Hotels and Restaurants, Renting and Business Activities and Community and Social Services.

The overall response rate for the quarter, at 99.4 per cent was 0.5 percentage point above the level attained in the previous quarter. A breakdown of the responses received by type of business showed that the “neither importer nor exporter” category of the respondents accounted for the highest of 72.5 per cent followed by the “importer” with 16.7 per cent. “Both Importer and Exporter” respondents accounted for 8.2 per cent, while 2.7 per cent represented the exporter” category (Table 2 sections 16 & 18).

Overall Business Outlook on the Macro economy

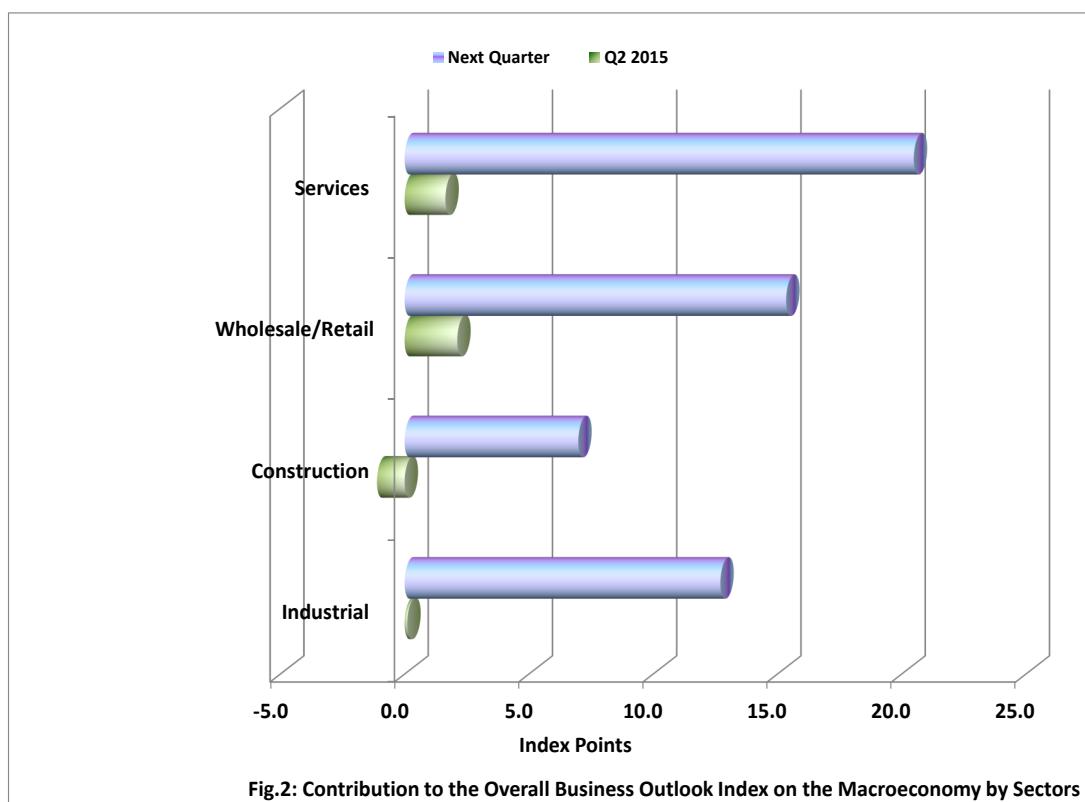


Respondent firms were optimistic on the macro economy as the business condition index is expected to improve in Q2 2015 and the next quarter.

The overall confidence index (CI)² which stood at 2.8 index points indicates the respondent firms optimism on the macro economy as the business condition in Nigeria is expected to improve in Q2 2015. At 55.5 points, the overall CI for next quarter indicates that the respondents expect that the macro economy would improve.

The optimism in Q2 2015 is driven by the opinion of respondents from the wholesale/retail trade (2.1 points) followed by services sector (1.6 points), and industrial (0.1 points). Also, the expected drivers for the optimism on the macro economy in the next quarter are services (20.5 points), wholesale/retail trade (15.4 points), industrial (12.7 points) and construction sectors(7.0 points) (Table 2, Sections 19& 20).

²The CI is computed as the percentage of firms that answered in the affirmative less the percentage of firms that answered in the negative in a given indicator. A positive CI indicates a favourable view, except for the average inflation rate and the average naira borrowing rate, where a positive CI indicates the opposite.



Macro economy Outlook by Type and Size of Business

The drivers by type of business for the optimism on the macro economy in the current quarter are “neither importer nor exporter” (3.3 per cent), followed by “exporter” (0.5 per cent) and “importer” (0.1 per cent) . (Table 2 Section 23).

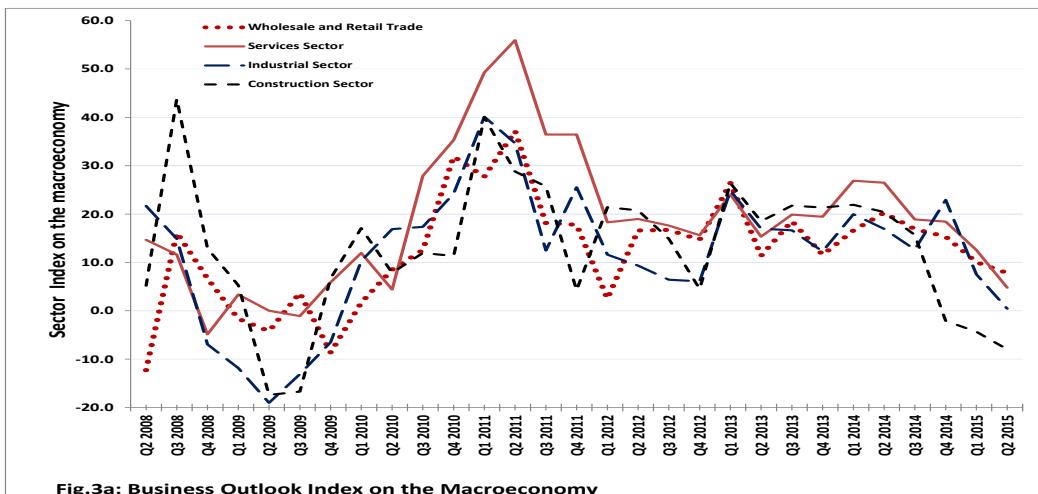
The percentage distribution of respondent firms by type of business shows that “neither importer nor exporter” constitutes the highest percentage of responses (72.5 per cent), followed by “importer” (16.7 per cent), “both importer and exporter” (8.2 per cent) and “exporter” (2.7 per cent) (Table 2 Section 16).

The drivers by size of business for the optimism on the macro economy in the current quarter are the small and medium firms whose contributions are 2.5 and 0.2 per cent, respectively (Table 2 Section 25).

The percentage distribution of respondent firms by employment size shows that small size firms constitute the highest percentage of responses (77.9 per cent), followed by medium size firms (15.7 per cent), and large size firms (6.4 per cent) (Table 2 Section 17).

Business Outlook Index on the Macroeconomy by Sector

The business sentiment was upbeat across all sectors except the construction sector in Q2 2015.

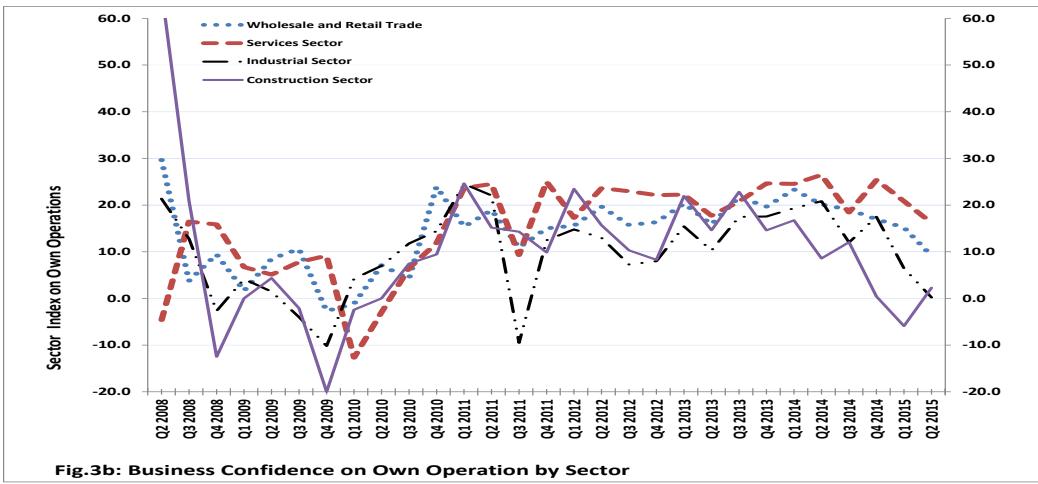


Business sentiment across most sectors was optimistic in the current quarter and likely to remain so in the next quarter. The indices of the wholesale/retail , services, and industrial stood at 7.8, 4.8 and 0.4 points, respectively (Fig. 3a). The construction sector remained downbeat at –8.0 points in the review quarter.

The distribution of respondent firms by sector shows that services sector constitutes the highest number of responses (649), followed by wholesale/retail (512), industrial (465) and construction (263) (Table 2 Section 18).

Business Confidence on Own Operations by Sector

Business confidence on own operations was less optimistic across all sectors compared with the outlook a year ago.



The respondents' confidence index on own operations in the current quarter was less optimistic across all sectors when compared to the level a year ago. The confidence index of services, wholesale/retail trade, construction and industrial sectors stood at 16.2, 9.2, 2.3 and 0.2 in Q2, 2015 from their levels of 26.5, 20.1, 8.6 and 20.8 in the corresponding quarter of 2014, respectively. (Table 2 Section 4).

Average capacity utilization dipped by 13.5 points in the current quarter when compared with Q2 2014.

The average capacity utilization index (CUI) at 15.2 points in Q2, 2015 dipped by 13.5 points when compared with the 28.7 points achieved a year earlier (Fig. 4).

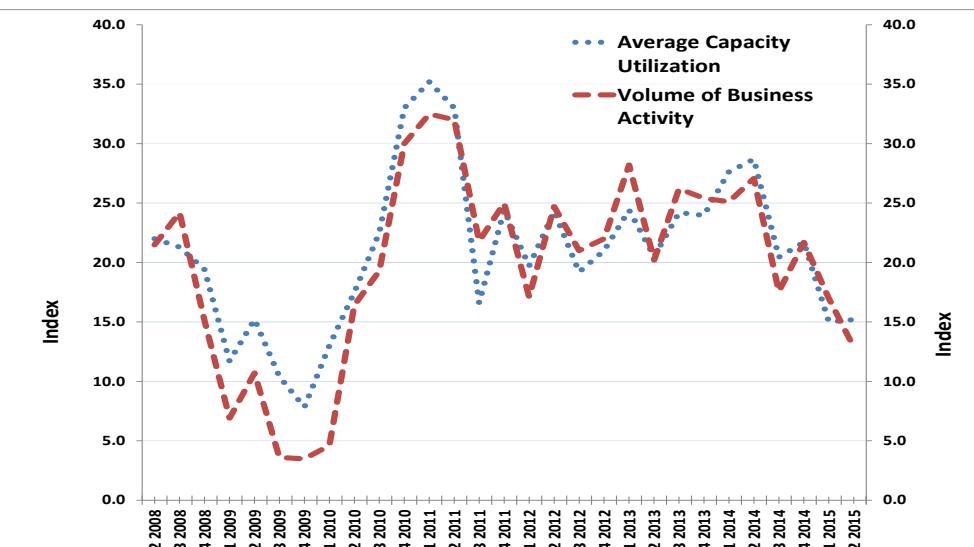
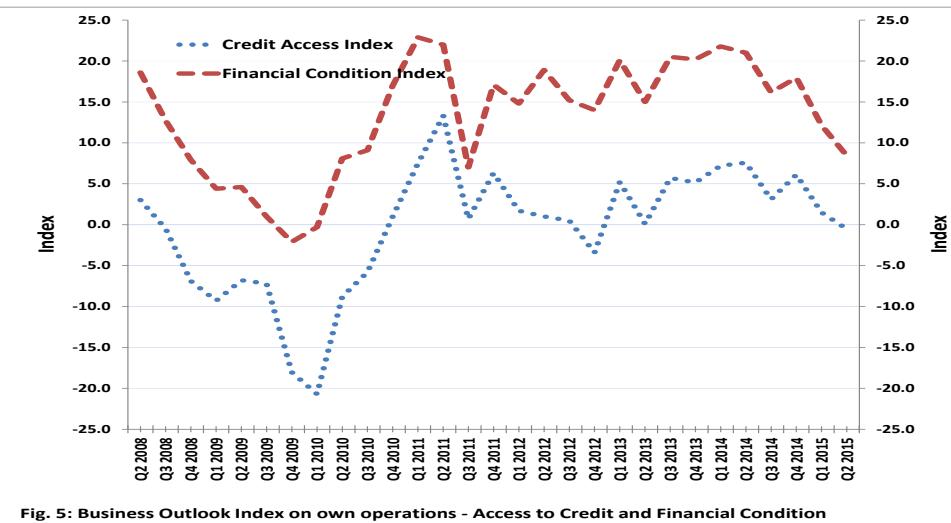


Fig. 4: Volume and Average Capacity Utilization Indices

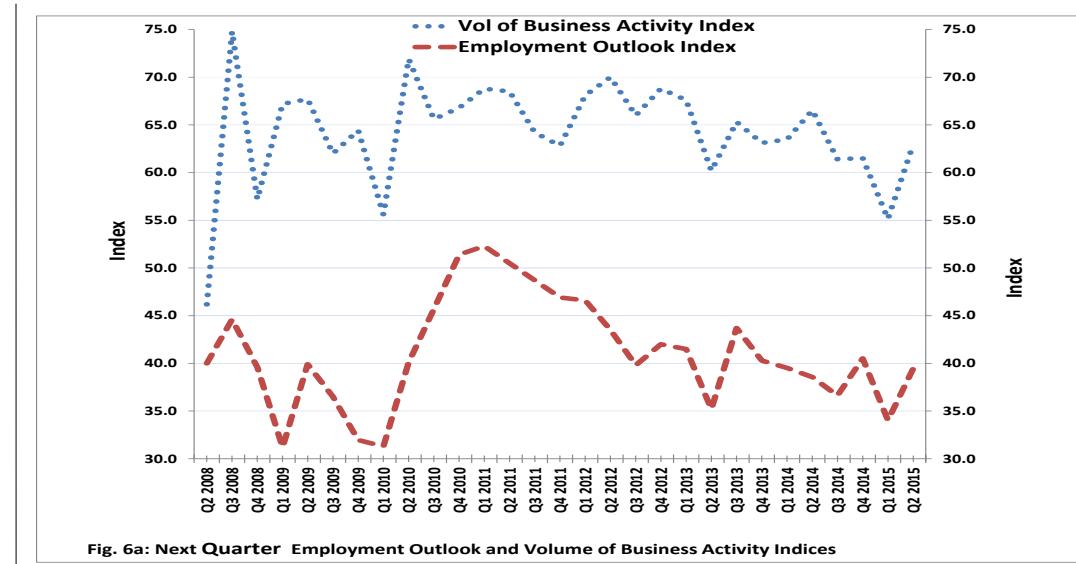
Access to Credit and Financial Condition

The financial condition index in the current quarter stood at 8.4 per cent and was driven by the services (5.6 points), wholesale /retail trade (2.5 points), construction (0.3 points) and industrial sector (0.1 points). (Table 2 Sections 5 & 21).

Respondents' optimism in the volume of total order and the internal liquidity position, buoyed the volume of their business activities in the current quarter. In spite of the negative outlook of firms in access to credit, majority of firms upped their financial condition in the review quarter (Table 2 Section 5).



The positive outlook of the volume of business activities of the firms suggests higher prospect for employment in the next quarter.



The employment outlook index by sector shows that the services sector has more prospects for employment in the next quarter.

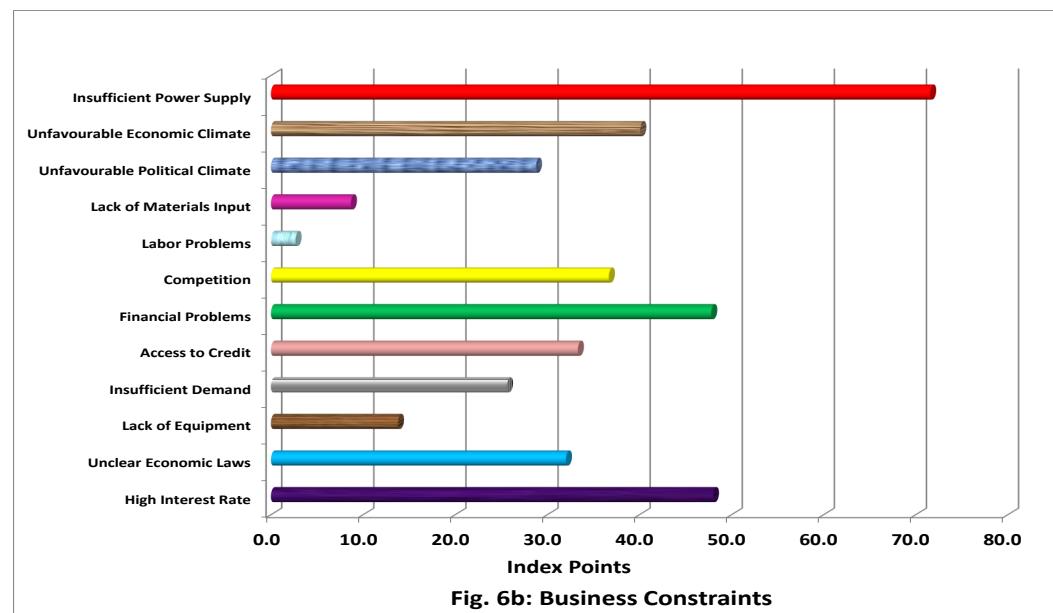
Employment and Expansion Plans

At 62.9 index points, the positive outlook in the volume of business activities implied higher prospect for employment in the next quarter, as the employment index stood at 39.4 points. The employment outlook index by sector, shows that the services sector (14.6 per cent) has higher prospect for creating jobs, followed by the wholesale/retail trade sector (11.5 per cent) Industrial (7.7 per cent) and Construction (5.6 per cent), (Table 2 Sections 6 & 22).

On the analysis of businesses with expansion plans by sector, the wholesale/retail sector indicated higher interest for expansion with an index of 71.0 points, in the next quarter. Similarly, services, construction and industrial firms indicated interest in expanding their businesses in Q3, 2015 with indices of 66.0, 63.9 and 62.3 points, respectively (Table 2 Section 8).

Business Constraints

Insufficient power supply, financial problems, competition, unfavourable economic climate and high interest rate, remain major constraints to business in Nigeria.



The respondent firms emphasized, insufficient power supply (71.6 index points), high interest rate (48.0 index points), financial problems (47.8 index points), unfavourable economic climate (40.1 index points) and competition (36.7 index points) as the major factors constraining the business activity in the current quarter (Fig. 6b).

Expectations on Exchange Rate

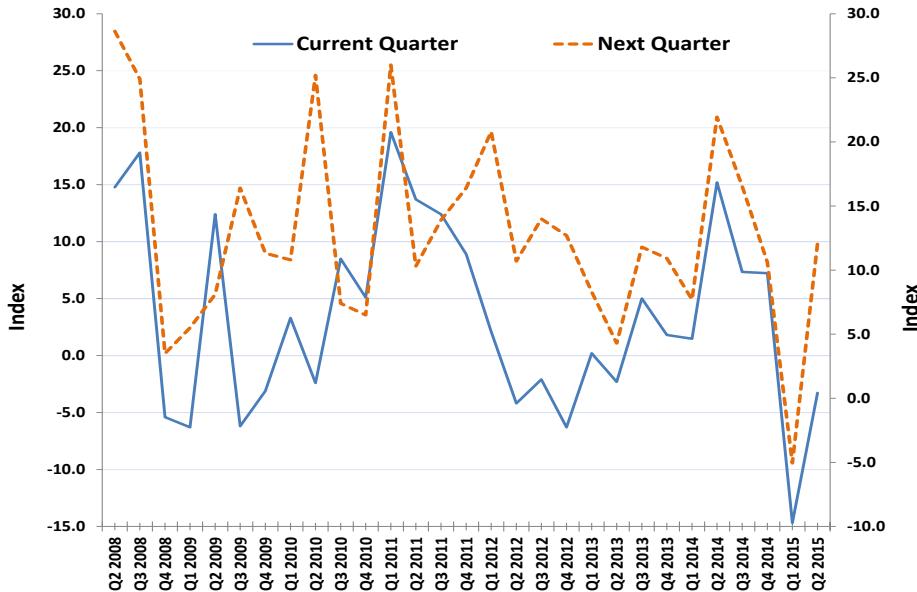
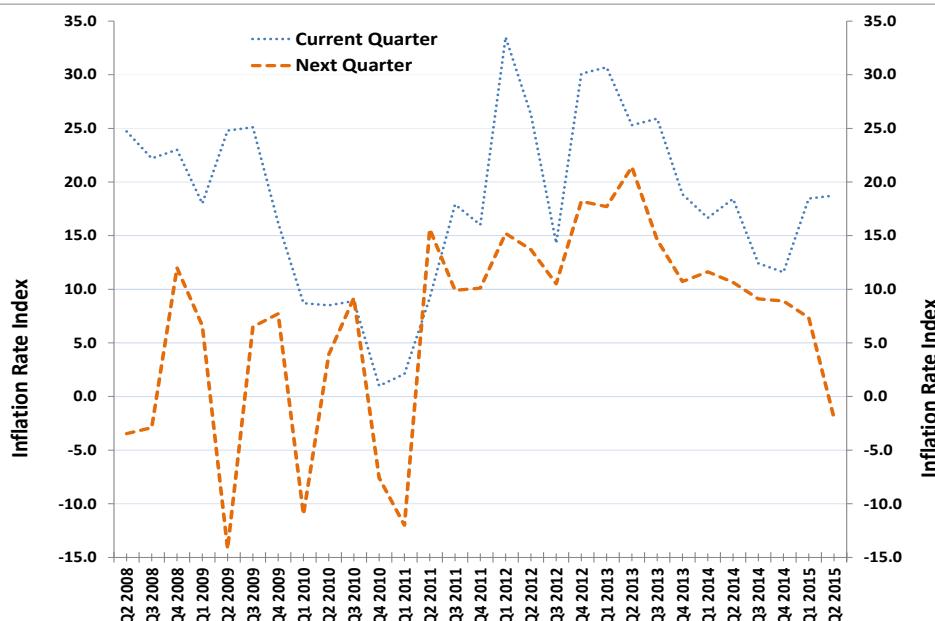


Fig. 6c: ₦/\$ Exchange Rate Index

The respondent firms expect the Naira exchange rate to depreciate in the current and appreciate in the next quarters.

Majority of the respondent firms expect the naira exchange rate to depreciate in the current but appreciate in the next quarters, as the confidence indices stood at -3.3 and 12.1 points, respectively (Fig. 6c).

Expectations on Inflation and Borrowing Rates



Inflation rate is expected to rise in the current and fall next quarters.

Fig.7: Inflation Rate Index

Respondent firms expect inflation rate to rise in the current and fall in the next quarters, as the confidence indices stood at 18.7 and -2.0 points, respectively (Fig. 7).

*Borrowing
rate is expected
to rise in the
current and
fall in the next
quarter.*

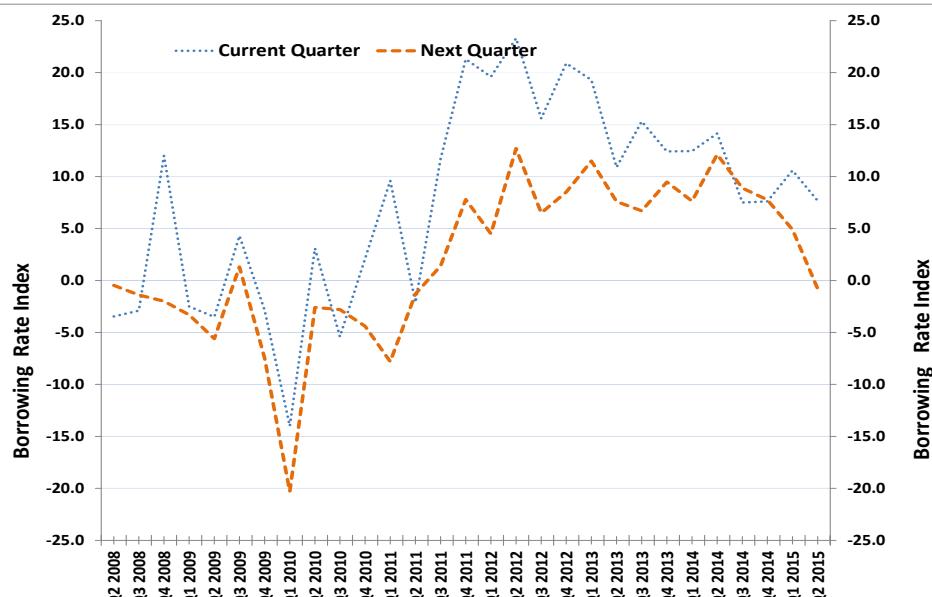


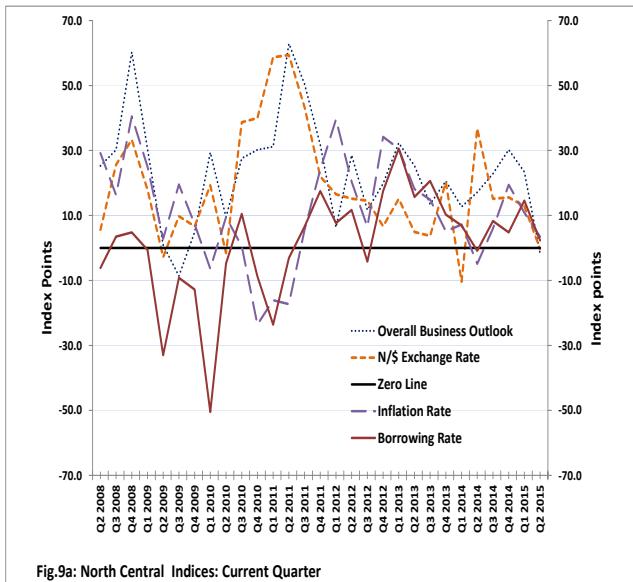
Fig.8: Borrowing Rate Index

Respondent firms expect the borrowing rate to rise in the current and fall in the next quarters as the confidence indices stood at 7.7 and -0.8 points, respectively (Fig. 8).

Business Expectations Survey

Q2 2015 North Central Zone

Business Outlook

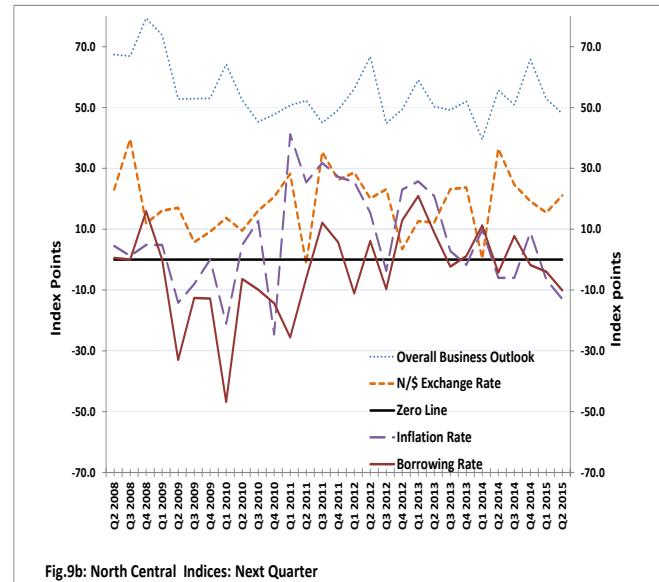


Respondents in the North Central zone were pessimistic on business activities in the quarter under review as overall confidence index stood at -1.7 index points, down by 18.8 points below the level achieved in the corresponding quarter of 2014. However, at 48.0 points, respondents were more optimistic about business activities in the next quarter (Fig. 9).

The pessimism in the overall business outlook in the zone were driven by the services (-1.4 points), construction sector (-1.2 points) and the industrial sector (-0.9points) (Table 3 Sections 2 & 14).

Respondents' optimism in the volume of total order and financial condition of the firms in the zone, buoyed the volume of business activity in the current quarter. Although, respondents expressed pessimism in access to credit , firms were optimistic that their financial condition will improve in the review quarter.

The financial condition (or internal liquidity position) of the firms at 1.2 points in the current quarter was driven by services (1.4 points) and wholesale/retail trade (0.9 points) (Table 3 sections 5, 5 & 15).



Respondents in the zone cited insufficient power supply, financial problems, high interest rate, competition, unfavourable economic climate, unclear economic laws, and insufficient demand as major constraints to the growth of business activities (Table 3 Section 8).

Respondent firms in the zone expect naira exchange rate to depreciate in the current and appreciate in the next quarters. Similarly, they expect inflation and borrowing rate to rise in the current quarter, while the rates are expected to fall in the next quarter (Tables 3 Sections 9 & 10).

The respondent firms by type of business show that “neither importer nor exporter” category constituted the majority with 75.1 per cent, followed by “importer” 15.7 per cent “both importer and exporter” 6.1 per cent and “exporter” 3.2 per cent (Table 3 Section 11).

Business Expectations Survey

Q2 2015 North East Zone

Business Outlook

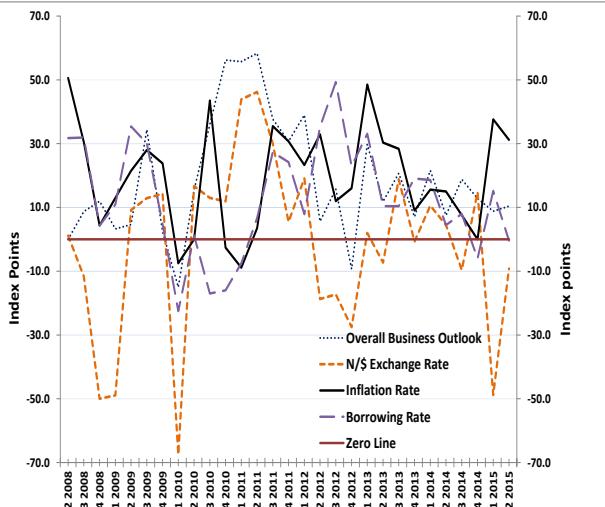


Fig.10a: North East Indices: Current Quarter

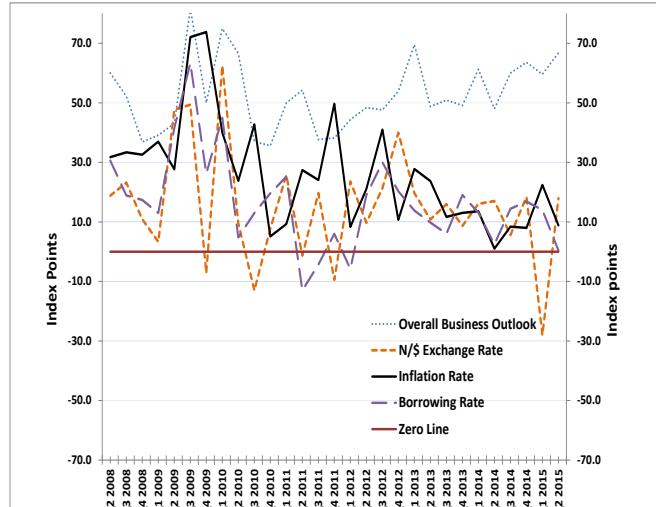


Fig.10b: North East Indices: Next Quarter

Respondents in the North East zone were more optimistic on business activities in the quarter under review. At 10.4 points overall confidence index rose by 2.9 index points, compared with the level achieved in the corresponding quarter of 2014. However, respondents were more optimistic about business activities in the next quarter as the index will be expected to rise to 66.8 points from the level achieved in the current quarter (Fig. 10).

The optimism in the overall business outlook in the zone could be adduced to services (4.4 points), industrial (3.6 points), wholesale and retail sectors (1.2 points), and the construction sector (1.2 points) (Table 4 Sections 2 & 14).

The volume of total order and financial condition of the firms in the zone, buoyed the volume of business activity in the current quarter. Similarly, respondent optimism in access to credit by the firms upped their financial condition in the review quarter.

The financial condition (or internal liquidity position) of the firms which stood at 25.2 points in the current quarter was driven by services (8.4 points), wholesale and retail (7.6 points), industrial (4.8 points) and construction sector (4.4 points) (Table 4 Sections 5 & 15).

Respondents in the zone cited insufficient power supply, financial problems, unfavourable economic climate, high interest rate, unclear economic laws, unfavourable political climate, and access to credit as factors limiting the growth of business activities in the zone (Table 4 Section 8).

Respondent firms expect naira exchange rate to depreciate in the current quarter and appreciate in the next quarters. Inflation rates are expected to rise in both current and next quarters, while borrowing rates are expected to fall in the current quarter and rise in the next quarter (Tables 4 Sections 9).

The respondent firms by type of business show that “neither importer nor exporter” category constituted the majority with 85.6 per cent, followed by “Importer” with 10.4 per cent and “both importer and exporter” with 2.8 per cent and “exporter” with 1.2 per cent (Table 4 Section 11).

Business Expectations Survey

Q2 2015 North West Zone

Business Outlook

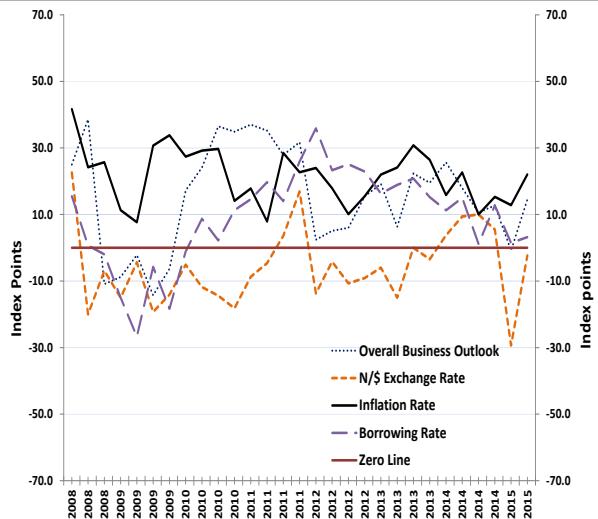


Fig.11a: North West Indices: Current Quarter

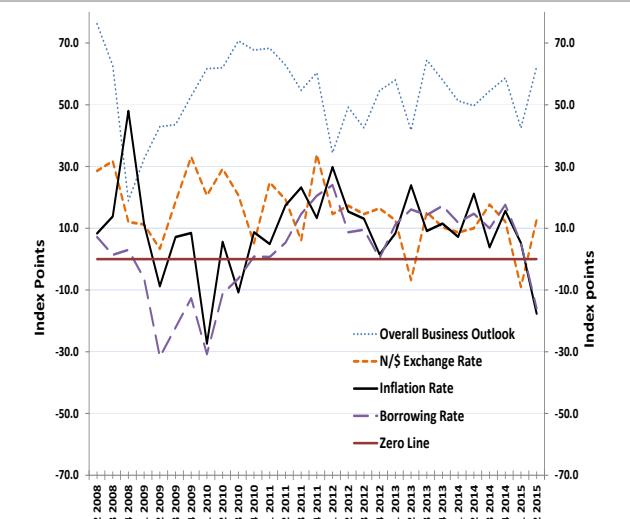


Fig.11b: North West Indices: Next Quarter

Respondents in the North West zone were more optimistic on business activities in the quarter under review. At 14.5 points overall confidence index dipped by 3.4 index points, compared with the level achieved in the corresponding quarter of 2014. However, respondents were optimistic about business activities in the next quarter as the index will be expected to rise to 62.3 points from 14.5 points achieved in the current quarter (Fig. 11).

The optimism in the overall business outlook in the zone could be adduced to the contributions of services (7.5 points), wholesale and retail (4.9 points) and industrial sector (4.1 points) (Table 5 Sections 2 & 14).

The volume of total order book and financial condition of the firms in the zone, buoyed the volume of business activity in the current quarter. Similarly, the optimism in access to credit by the firms upped their financial condition in the review quarter.

The financial condition (or internal liquidity position) of the firms which stood at 4.9 points in the current quarter was driven by the services (6.1 points) (Table 5 Sections 5 & 15).

Respondents in the zone cited insufficient power supply, financial problems, unfavourable economic climate, high interest rate, unclear economic laws, insufficient demand and unfavourable political climate as limiting factors to the growth of business activities (Table 5 Section 8).

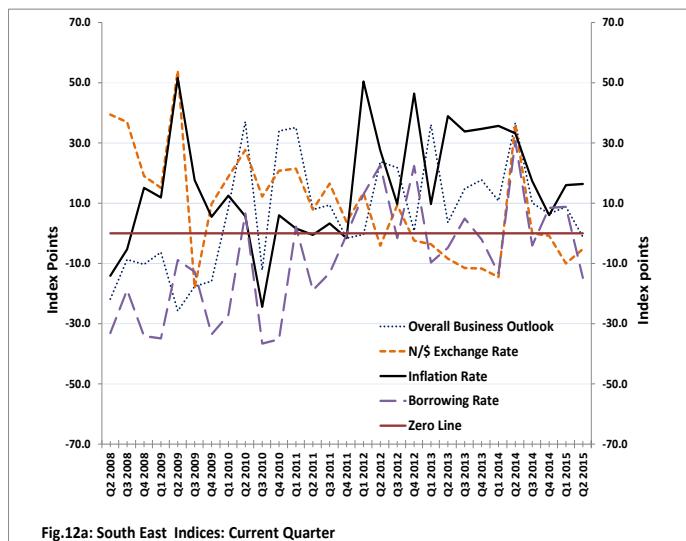
Respondent firms expect naira exchange rate to depreciate in the current quarter and appreciate in the next quarter. Similarly, a rise in both inflation and borrowing rates is expected in the current quarter, while the rates are expected to fall in the next quarter (Table 5 Sections 9 & 10).

The respondent firms by type of business show that “neither importer nor exporter” category constituted the majority with 72.8 per cent, followed by “importer” 13.0 per cent, “both importer and exporter” 11.9 per cent, “and “exporter” 2.3 per cent (Table 5 Section 11).

Business Expectations Survey

Q1 2015 South East Zone

Business Outlook

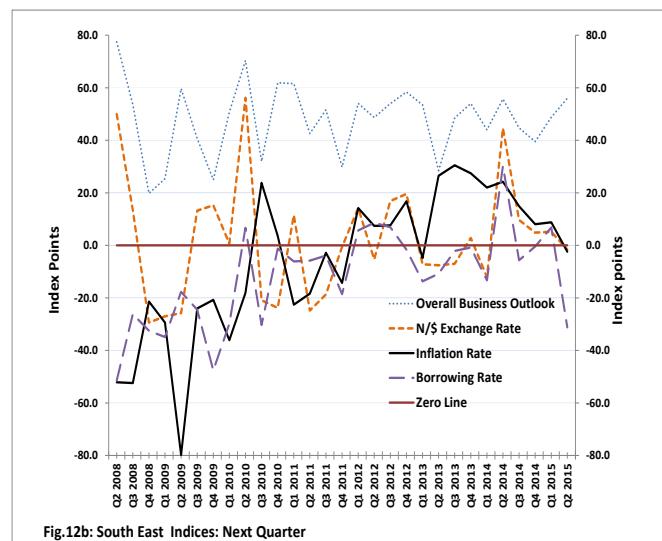


Respondents in the South East zone were pessimistic on business activities in the quarter under review. At -1.2 points, the overall confidence index dipped by 37.9 index points, compared with the level achieved in the corresponding quarter of 2014. However, respondents were more optimistic about business activities in the next quarter as the index would be expected to rise to 56.0 points from the level achieved in the current quarter (Fig. 12).

The pessimism in the overall business outlook in the zone could be adduced to the contributions of construction (-2.0 points), wholesale/retail (-1.2 points) and industrial (-0.8 points) (Table 6 Sections 2 & 14).

Respondents' optimism in the volume of total order in the zone, buoyed the volume of business activity in the current quarter. The pessimistic outlook of firms in access to credit, dampened their financial condition in the review quarter.

The financial condition (or internal liquidity position) of the firms which stood at -6.4 points in the current quarter was driven by industrial (-4.0 points), construction (-2.0 points) and services sectors (-0.8 points) (Table 6 Sections 5 & 15).



Respondents in the zone cited insufficient power supply, high interest rate, financial problems, access to credit, competition, unfavourable economic climate, and unclear economic laws as limiting factors to the growth of business activities (Table 6 Section 8).

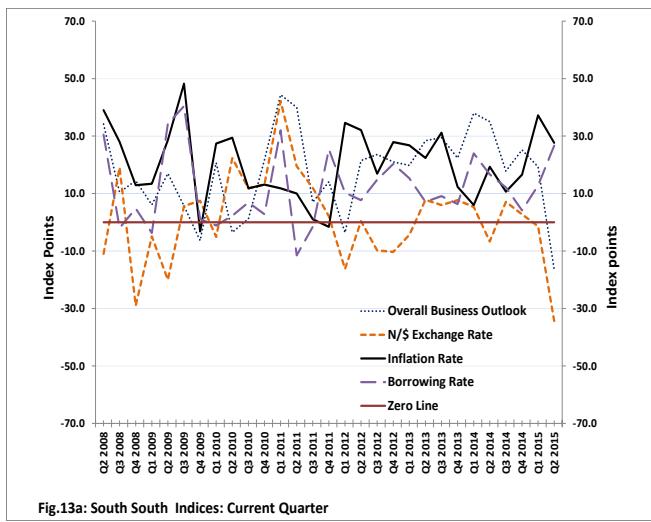
Respondent firms expect naira exchange rate to depreciate in the current quarter and next quarter. However, while a rise in inflation rate is expected in the current quarter, a fall is expected in the next quarter. Borrowing rates is expected to fall in both current and next quarters (Table 6 Section 9 & 10).

The respondent firms by type of business show that "neither importer nor exporter" category constituted the majority with 66.0 per cent, followed by "importer" 30.8 per cent, "both importer and exporter" 2.8 per cent, and "Exporter" 0.4 per cent (Table 6 Section 11).

Business Expectations Survey

Q1 2015 South South Zone

Business Outlook

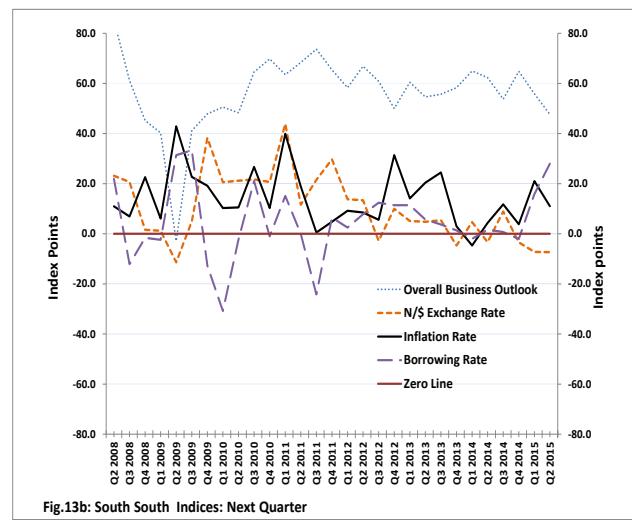


Respondents in the South South zone were pessimistic on business activities in the quarter under review. At -16.3 points, the overall confidence index dipped by 51.3 index points, below the level achieved in the corresponding quarter of 2014. Respondents were more optimistic about business activities in the next quarter as the index would be expected to rise to 47.7 points from the level achieved in the current quarter (Fig. 13).

The pessimism in the overall business outlook in the zone could be adduced to the contributions of services (-6.7 points), construction (-6.3 points) and industrial (-4.7 points) (Table 7 Sections 2 & 14).

Respondents' optimism in the volume of total order and financial condition of the firms in the zone, buoyed the volume of business activity in the current quarter. However, respondents expressed pessimism in access to credit in the quarter.

The financial condition (or internal liquidity position) of the firms which stood at 7.0 points in the current quarter was driven by services (7.0 points) and wholesale/retail trade (1.7 points) (Table 7 Sections 5 & 15).



Respondents in the zone cited insufficient power supply, competition, financial problems, high interest rate, unfavourable economic climate, unfavourable political climate, and unclear economic laws as limiting factors to the growth of business activities (Table 7 Section 8).

Respondent firms expect naira exchange rate to depreciate in the current and next quarter. Similarly, inflation and borrowing rates are expected to rise in the current and next quarter (Table 7 Sections 9 & 10).

The respondent firms by type of business show that “neither importer nor exporter” category constituted the majority with 75.3 per cent, followed by “both importer and exporter” 13.0 per cent “importer” 9.0 per cent, and “exporter” firms 2.7 per cent (Table 7 Section 11).

Business Expectations Survey

Q1 2015 South West Zone

Business Outlook

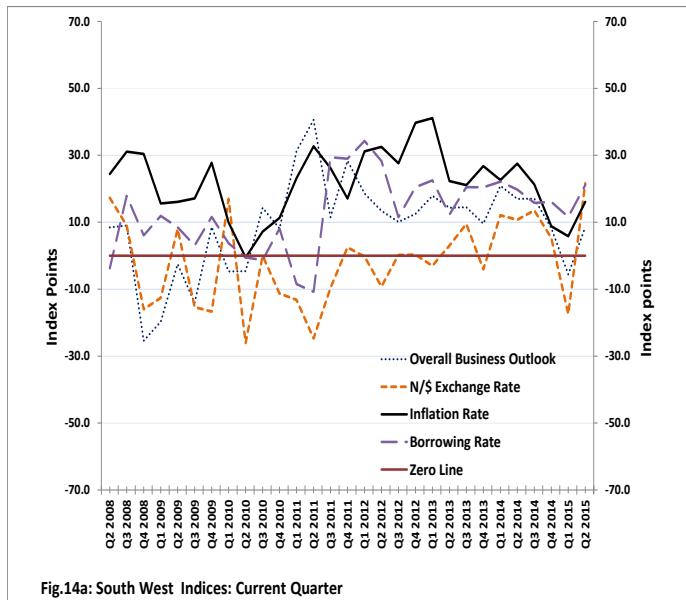


Fig.14a: South West Indices: Current Quarter

Respondents in the South West zone were more optimistic on business activities in the quarter under review. At 8.5 points, the overall confidence index dropped by 8.5 index points, compared with the level achieved in the corresponding quarter of 2014. Respondents were more optimistic about business activities in the next quarter as the index would be expected to rise to 54.8 points from the level achieved in the current quarter (Fig. 14).

The optimism in the overall business outlook in the zone could be attributed to the wholesale/retail (3.3 points), services (3.0 points) and construction sector(2.8 points) (Table 8 Sections 2 & 14).

The volume of total order book and financial condition of the firms in the zone, buoyed the volume of business activity in the current quarter. Similarly, the optimism in access to credit by the firms upped their financial condition in the review quarter.

The financial condition (or internal liquidity position) of the firms which stood at 17.6 points in the current quarter was driven by services sector (9.8 points), wholesale/retail trade (5.5 points), industrial (1.8 points) and construction (0.5 points) sectors. (Table 8 Sections 5 & 15).

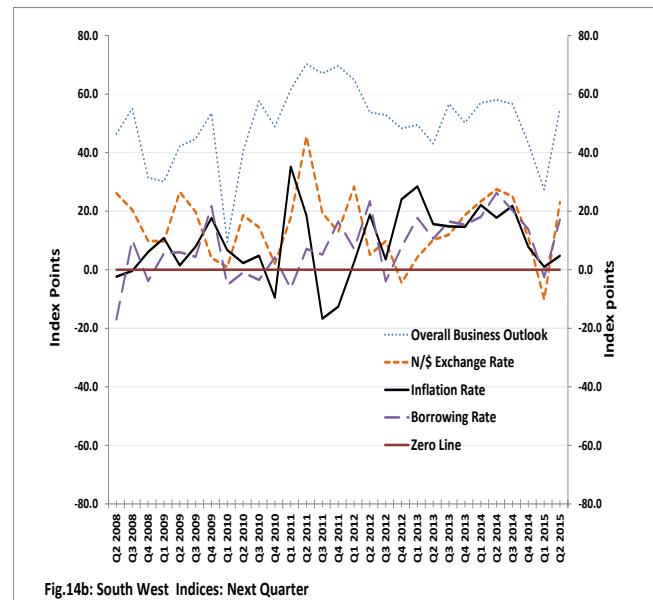


Fig.14b: South West Indices: Next Quarter

Respondents in the zone cited insufficient power supply, high interest rate, unfavourable economic climate, financial problems , unclear economic laws, competition, and unfavourable political climate as limiting factors to the growth of business activities (Table 8 Section 8).

Respondent firms expect naira exchange rate to appreciate in the current and next quarters. However, inflation and borrowing rates are expected to rise in the current and next quarters (Table 8 Sections 9 & 10).

The respondent firms by type of business show that “neither importer nor exporter” category constituted the majority with 63.6 per cent, followed by “importer” 21.6 per cent, “both importer and exporter” 9.8 per cent and “exporter” firms 5.0 per cent (Table 8 Section 11).

