

# Central Bank of Nigeria



## Inflation Attitudes Survey Report

Q<sub>4</sub> 2017

Statistics Department

*December 2017*

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## 1.0 Highlights

The highlights of the Q<sub>4</sub> 2017 IAS are as follows:

- Respondents believe that the economy would end up weaker if prices start to rise faster than they do now.
- Given a trade-off between inflation and interest rates, more respondents would prefer higher interest rates to higher inflation.
- Majority of the respondents are of the view that it would be best for the Nigerian economy if interest rates went down.
- Majority of the respondents are aware that the CBN influences the direction of interest rates to control inflation.

## 2.0 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 of the objectives of the Bank is to build public confidence and support for sustainable economic development and public understanding of the Monetary Policy Committee's roles. This is because the understanding and support by the public towards attaining the objectives of price stability would provide an environment conducive for achieving macro-economic stability.

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 last twelve months, and their expectations of price changes over the next twelve months. Respondents' opinions were used to explore the general public's understanding of monetary policy framework. This is because inflation expectations and public understanding of what influences them are important parameters for successful monetary policy formulation. Good estimates of inflation expectations and the level of public understanding of the underlying factors would assist the Bank to assess the impact of its efforts in maintaining price stability in the Nigerian economy.

## 3.0 About the Survey

The Q<sub>4</sub> 2017 Inflation Attitudes Survey was conducted from November 20 - December 02, 2017 with a sample size of 1950 households in 350 randomly selected Enumeration Areas (EAs) across the country.

## 4.0 Inflation

Respondents were asked what would become of the Nigerian economy if prices started to rise faster than they do now. The survey result showed that 57.2 per cent of the respondents believed that the economy would end up weaker, 11.3 per cent stated that it would be stronger, 21.4 per cent of the respondents believed it would make a little difference, while

10.1 per cent did not know. The responses suggest considerable support for price stability, as majority (57.2 per cent) agreed that the economy would end up weaker. This is consistent with the notion that inflation is inimical to economic growth.

Responses on price changes over the past 12 months gave a median answer of 5.1 per cent, which is higher than what was obtained in the two preceding quarters. Of the total respondents, 15.3 per cent thought prices had gone down or not changed, while 62.6 per cent felt that prices had risen by at least 3.0 per cent and 15.5 per cent felt that prices inched up by more than 1.0 per cent, but less than 3.0 per cent. Those that had no idea were 6.6 per cent.

The median expectation of price changes over the next 12 months was 1.2 per cent. Thirty three per cent of the respondents expected prices to rise by at least 3 per cent over the next 12 months, while 13.6 per cent expected prices to rise by more than 1 per cent, but less than 3 per cent. Similarly, 43.9 per cent of the respondents were optimistic that prices over the next 12 months would either go down or remain the same. This shows that less than half of the respondents thought that prices were not likely to rise (Fig. 1, Table 1).

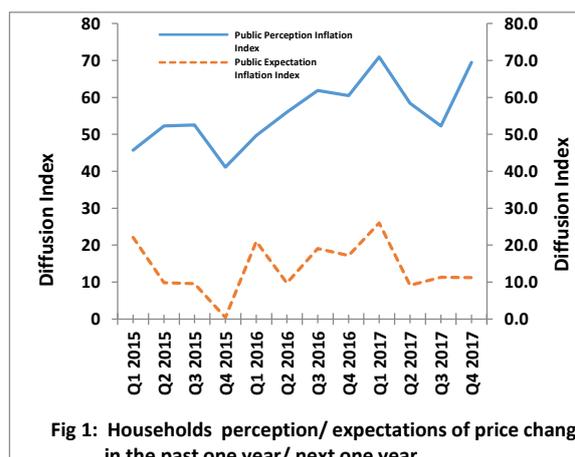


Fig 1: Households perception/ expectations of price change in the past one year/ next one year

## 5.0 Interest Rates

The percentage of respondent households who felt that interest rates had risen in the last 12 months rose by 1.5 points to 56.3 in the current quarter, compared to 54.8 attained in Q4 2016. On the other hand, 8.1 per cent of respondents believed that interest rates had fallen, 15.4 per cent opined that the rates stayed about the same in the last 12 months, while 20.2 per cent of the households had no idea. The result revealed that majority of households perceived that interest on bank loans rose over the past 12 months.

On the expected change in interest rates on bank loans over the next 12 months, 36.9 per cent of the respondents were of the view that the rates will rise, while 30.4 per cent believed that the rates will fall. A net rise value of 6.5 per cent was recorded compared to 6.6 per cent attained in the corresponding quarter of 2016. About 32.6 per cent of the respondents either expected no change or had no idea.

Similarly, the respondents were asked whether it would be best for the Nigerian economy for interest rates to rise or fall. The results showed that 54.3 per cent indicated that it would be best for the Nigerian economy if interest rates fell, while 19.6 per cent opted for higher interest rates. The results further revealed that 11.7 per cent thought that it would make no difference, while 14.0 had no idea (Table1). These responses revealed that most of the respondents favored lower interest rates for the Nigerian economy (Fig 2).

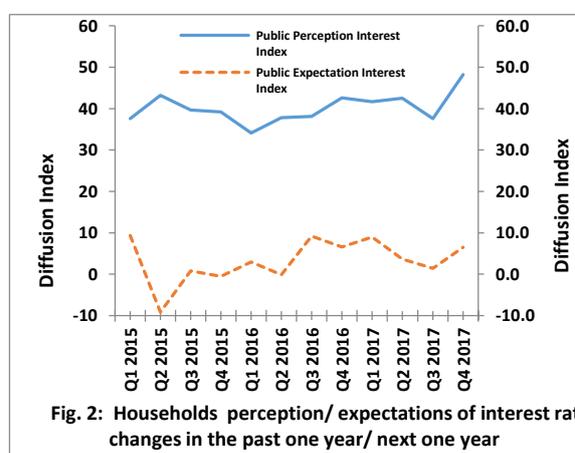


Fig. 2: Households perception/ expectations of interest rate changes in the past one year/ next one year

## 6.0 Interest Rate-Inflation Nexus

Responses on what the impact a rise in interest rates in the short and medium terms would have on prices showed that: 56.2 per cent agreed that a rise in interest rates would make prices in the street rise slowly in the short term, as against 17.2 per cent that disagreed. While in the medium term, 52.7 per cent agreed that a rise in interest rates would make prices in the street rise slowly, 18.2 per cent disagreed (Fig. 3).

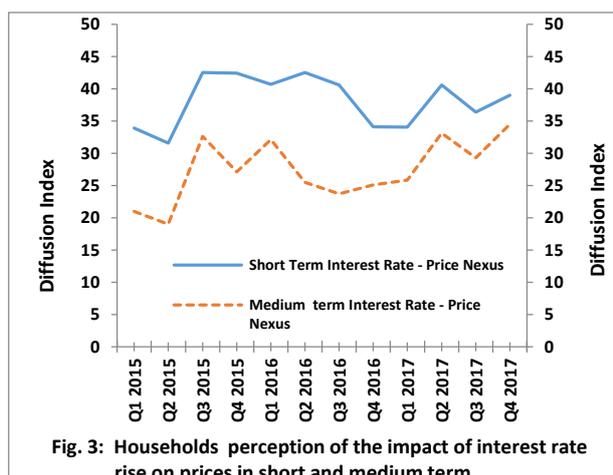


Fig. 3: Households perception of the impact of interest rate rise on prices in short and medium term

Respondents were asked to choose between raising interest rates in order to keep inflation down, and keeping interest rates down to allow inflation to rise. Responding, 38.6 per cent preferred interest rates to be higher in order to keep inflation down, compared to 36.5 per cent who said they would prefer inflation to rise, while 24.7 per cent had no idea.

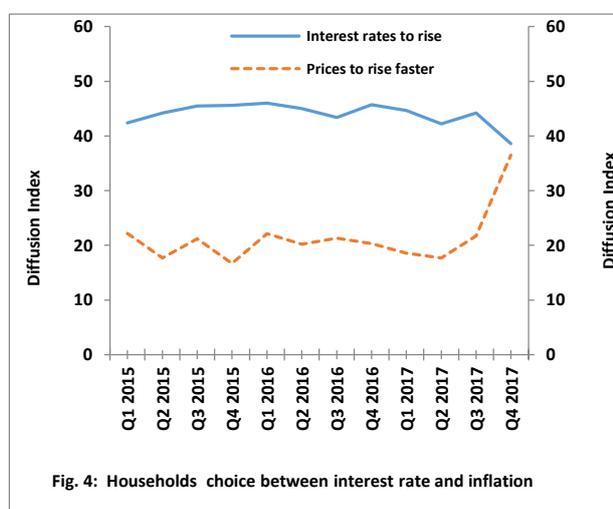


Fig. 4: Households choice between interest rate and inflation

These responses suggest that given a trade-off, majority of the people would prefer higher interest rates to higher inflation, with a ratio of more than 2:1; which is suggestive of the respondent households' support for the Bank's price stability objective (Fig. 4).

## 7.0 Opinions on the Central Bank of Nigeria

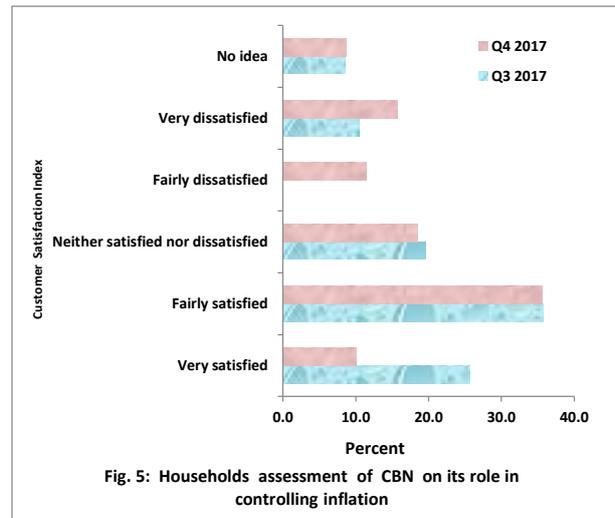
To assess whether people are aware of the way monetary policy works in Nigeria, respondents were asked if they knew which group of people meet to set Nigeria's monetary policy rate. Responding, 55.1 per cent felt it was the Monetary Policy Committee, 14.4 per cent felt it was the Federal Ministry of Finance, 14.3 per cent believed it was the Government, 3.9 per cent felt it was the National Assembly, while 2.1 and 10.3 per cent answered others' and do not know, respectively.

When asked to identify which group mostly influences the direction of interest rates, the result indicated that majority of the respondents (70.0 per cent) were aware that the Central Bank of Nigeria influences the direction of interest rates. About 6.5 per cent stated that it was the Government ministers, 5.1 and 10.8 per cent were of the opinion that civil servants and Banks influence the rates, respectively, while 7.6 per cent had no idea. These proportions have not significantly changed in the series since the commencement of the survey in 2009.

On what best describes the independence of the Monetary Policy Committee, 27.4 per cent felt it was influenced by the government, 24.4 per cent felt it was the federal ministry of

finance, and 8.5 per cent believed that it was the national assembly, while 23.4 per cent thought that it was not influenced by any arm of government and 16.2 per cent had no idea.

Respondents were asked how satisfied/dissatisfied they were with the CBN’s management of interest rates in Nigeria. The net satisfaction index, which is the proportion satisfied less the proportion dissatisfied, was 18.6 per cent compared with 46.2 per cent recorded in Q4 2016. Among the satisfied group, 10.1 per cent were ‘very satisfied’ while 35.6 were ‘fairly satisfied’. However, 18.5 per cent were ‘neither satisfied nor dissatisfied’, whereas 15.7 per cent were ‘very dissatisfied’ and 11.4 per cent were fairly dissatisfied. Those who had no idea accounted for 8.7 per cent of the respondents (Fig. 5).



## ANNEX: TABLES

<b>INFLATION ATTITUDES SURVEY DATA</b>					
	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
<b>Q.1 Generally, prices of items that were sold N1,000 a year ago now sells for?</b>					
Less than N1000	6.9	2.3	7.6	10.8	8.6
₦1000	13.7	6.9	14.4	15.3	6.7
₦1010 to ₦1030	12.6	11.1	13.9	17.9	15.5
Above N1030	54.8	62.1	52.1	45.2	62.6
No idea	12.0	17.6	11.8	10.8	6.6
Median (%)	4.7	6.8	4.2	3.1	5.1
<b>Q. 2 How much will you expect prices of items that are currently sold for N1,000 to change in the next 12 months?</b>					
Less than N1000	26.9	21.23	30.2	27.8	35.4
₦1000	13.1	12.1	15.9	18.8	8.5
₦1010 to ₦1030	19.4	16.6	17.7	19.1	13.6
Above N1030	24.7	30.6	21.6	20.0	33.0
No idea	15.9	19.5	14.7	14.3	9.5
Median (%)	1.2	1.8	0.6	0.6	1.2
<b>Q. 3 If prices started to rise faster than they do now, do you think Nigeria's economy would...?</b>					
End up stronger	10.4	13.5	13.4	12.1	11.3
Make no difference	20.4	18.61	20.3	23.7	21.4
Be weak	48.4	50.4	50.0	47.0	57.2
Don't know	20.9	17.4	16.3	17.1	10.1
<b>Q. 4 What do you think of this year's Government anticipated inflation rate?</b>					
Too high	40.8	39.9	38.9	35.9	42.6
Too low	17.3	17.2	18.3	18.3	18.2
About right	18.9	20.9	19.4	20.0	20.5
No idea	22.9	22.0	23.3	25.6	18.6
<b>Q. 5 How has interest on bank loans changed over the last 12 months?</b>					
Risen significantly	31.5	30.03	30.9	28.4	28.9
Risen marginally	23.3	24.58	22.8	22.0	27.4
No change	15.4	16.04	16.6	19.2	15.4
Fallen marginally	7.3	8.2	7.1	8.5	4.7
Fallen significantly	4.9	4.78	4.1	4.3	3.4
No idea	17.6	16.4	18.6	17.5	20.2
Total saying 'rise'	54.8	54.6	53.7	50.4	56.3
Total saying 'fall'	12.2	13.0	11.2	12.8	8.1
Net rise	42.6	41.7	42.5	37.6	48.2
<b>Q. 6 How would you expect interest rates to change over the next 12 months?</b>					
Risen significantly	17.9	16.4	14.0	14.4	15.2
Risen marginally	19.5	21.85	21.9	20.2	21.7
No change	16.9	17.38	17	17.7	15.8
Fallen marginally	19.2	18.71	20.5	20.4	17.7
Fallen significantly	11.6	10.5	11.7	12.8	12.7
No idea	14.9	15.06	15	14.4	16.8
Total saying 'rise'	37.4	38.3	35.9	34.6	36.9
Total saying 'fall'	30.8	29.3	32.2	33.2	30.4
Net rise	6.6	9.0	3.7	1.4	6.5
<b>Q. 7 What do you think would be best for the Nigerian economy - for lending interest rates to?</b>					
Go up	20.4	19.1	16.2	16.4	19.6
Go down	40.9	40.3	45.2	45.1	54.3
Remain unchanged	20.6	23.2	21.4	23.3	11.7
No idea	18.1	17.3	17.1	15.1	14.0

TABLE 1 (CONT'D)

<b>INFLATION ATTITUDES SURVEY DATA</b>					
	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
<b>Q.8 Do you agree with the following statements? A rise in interest rates would make prices in the street rise slowly in the short term - say a month or two,</b>					
Agree strongly	24.0	22.1	23.0	22.1	21.8
Agree	28.4	29.8	32.5	30.9	34.4
Neither agree nor disagree	18.6	18.6	18.4	20.0	15.3
Disagree	13.2	13.8	10.7	12.8	11.9
Disagree strongly	5.1	4.0	4.2	3.8	5.3
Don't know	10.7	11.7	11.3	10.4	11.3
Total agree	52.4	51.9	55.5	53.0	56.2
Total disagree	18.3	17.8	14.9	16.6	17.2
Net agree	34.1	34.0	40.6	36.4	39.0
<b>b) A rise in interest rates would make prices in the street rise slowly in the medium term - say a year or two</b>					
Agree strongly	17.2	17.7	18.4	17.3	17.7
Agree	28.9	29.0	32.9	30.6	35
Neither agree nor disagree	19.5	18.4	16.5	20.9	17.5
Disagree	16.3	14.8	13.0	12.5	13.5
Disagree strongly	4.7	6.07	5.2	6.1	4.7
Don't know	13.3	14.0	13.9	12.5	11.7
Total agree	46.1	46.7	51.3	47.9	52.7
Total disagree	21.0	20.9	18.2	18.6	18.2
Net agree	25.1	25.9	33.1	29.3	34.5
<b>Q. 9 If a choice had to be made, either to raise interest rates to try to keep inflation down; or keep interest rates down and allow inflation to rise, which would you prefer ?</b>					
Interest rate to rise	45.7	44.7	42.2	44.2	38.6
Interest rate to fall	20.3	18.6	17.7	21.7	36.5
No idea	33.9	36.5	39.8	33.9	24.7
<b>Q. 10 Which group of people meets to set the Monetary Policy Rate?</b>					
Monetary Policy Committee	53.0	52.7	54.5	55.4	55.1
The Government	9.6	10.1	11.2	10.3	14.3
Federal Ministry of Finance	16.2	15.6	13.1	15.3	14.4
National Assembly	5.7	5.9	5.0	4.6	3.9
Others	1.9	2.8	1.8	1.8	2.1
Don't know	13.6	13.0	14.4	12.6	10.3
<b>Q. 11 Which of these groups do you think influences the direction of the interest rates?</b>					
Government ministers	8.1	6.4	8.7	7.8	6.5
Civil servants	5.4	7.2	5.6	6.6	5.1
CBN	73.4	73.8	72.1	73.2	70.0
Banks	3.8	3.2	3.7	4.0	10.8
No idea	9.4	9.4	9.9	8.3	7.6
<b>Q. 12 Which of the followings best describes the independence of the Monetary Policy Committee?</b>					
Influenced by the Government	22.1	20.6	22.1	23.6	27.4
Influenced by the federal ministry of finance	30.4	29.5	30.7	29.6	24.4
Influenced by National Assembly	25.0	26.2	26.4	26.3	8.5
Not influenced by any arm of Government	10.0	8.7	7.0	8.6	23.4
No idea	12.5	15.0	13.7	11.7	16.2
<b>Q. 13 How satisfied are you with the management of interest rate in Nigeria?</b>					
Very satisfied	20.3	18.6	23.3	25.6	10.1
Fairly satisfied	37.8	30.1	40.9	35.7	35.6
Neither satisfied nor dissatisfied	19.1	17.9	14.4	19.6	18.5
Fairly dissatisfied	0.0	0.0	0.0	0.0	11.4
Very dissatisfied	11.9	15.9	10.3	10.4	15.7
No idea	11.0	11.4	11.1	8.6	8.7
Total satisfied	58.1	48.7	64.2	61.3	45.7
Total dissatisfied	11.9	15.9	10.3	10.4	27.1
Net satisfied	46.2	32.7	53.9	50.9	18.6