

Central Bank of Nigeria

Statistics Department



Monthly Business Expectations Survey Report

April 2018

Table of Contents	Page
1.0 Highlights	2
2.0 Introduction	2
3.0 Business Outlook	3
3.1 Business Confidence on Own Operations by Sector	3
3.2 Financial Condition and Access to Credit	4
3.3 Employment and Expansion Plans	4
3.4 Business Constraints	5
3.5 Expectations on Exchange Rate	5
3.6 Expectations on Inflation and Borrowing Rates	5

List of Figures

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

Annexes

Table 1: Business Expectations Survey data	6
--	---

1.0 Highlights

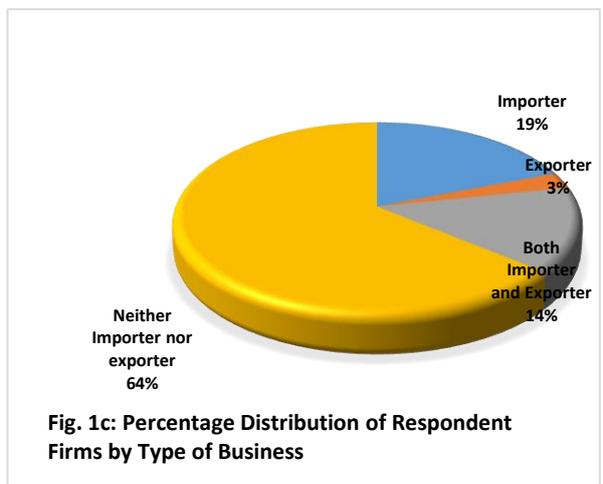
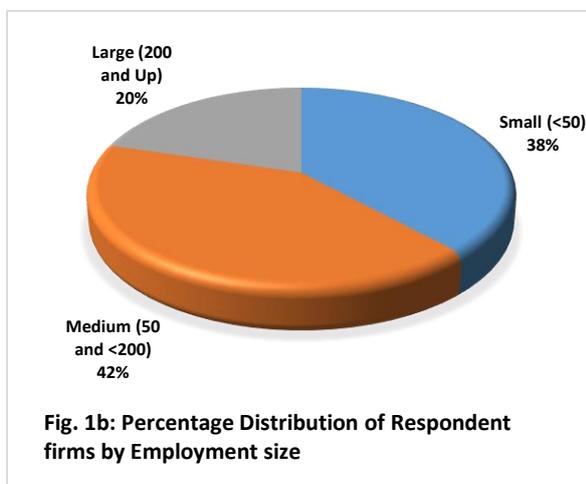
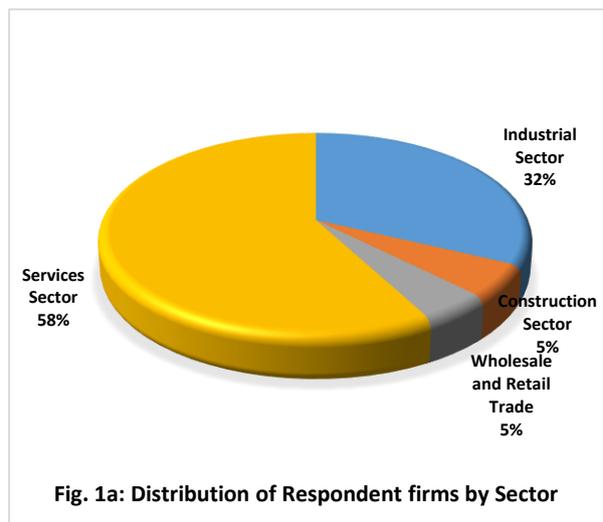
The highlights of the outcome of the Business Expectations Survey in April 2018 are as follows:

- Respondent firms expressed more optimism on the macro economy in April 2018 when compared with the level recorded in the preceding month.
- Respondents' outlook on the volume of total order, business activity and internal liquidity positions (financial conditions) in the review month improved in relation to that of March 2018.
- Firms identified insufficient power supply, high interest rate, unfavourable economic climate, unclear economic laws, financial problems, unfavourable political climate and insufficient demand as the major business constraints in the review period.
- Respondent firms expect the Naira to appreciate in the current and next months; inflation rate to fall in both months; and borrowing rates to rise in the current month but fall in the next month.

2.0 Introduction

The April 2018 Business Expectations Survey (BES) was carried out during the period April 13-23, 2018 with a sample size of 650 businesses nationwide. A response rate of 91.7 per cent was achieved, and the sample covered the services, industry, wholesale/retail trade and construction sectors¹. (Fig. 1a, Table 1)

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



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

3.0 Business Outlook

At 28.9 index points, respondents' overall confidence index (CI) on the macro economy improved in April 2018 when compared with the level of 24.5 index points recorded in March 2018. The businesses outlook for May 2018 shows a greater confidence on the macro economy at 66.9 index points. (Fig.2).

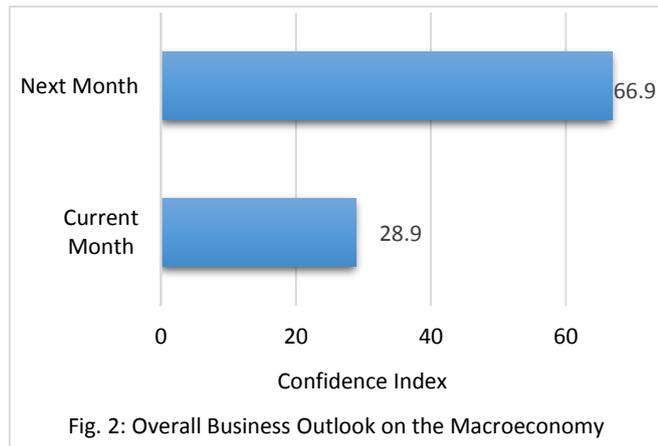


Fig. 2: Overall Business Outlook on the Macroeconomy

The optimism on macroeconomy in the current month was driven by the opinion of respondents from services (18.0 points), industrial (7.6 points) construction (2.7 points) and wholesale/retail trade sectors (0.7), while the drivers of the optimism for next month were services (42.1 points), industrial (18.0 points), construction (3.7 points) and wholesale/retail trade (3.1 points) sectors (Fig. 3).

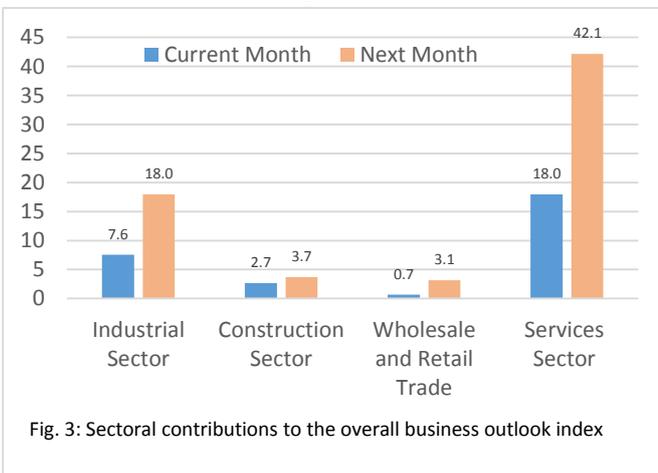


Fig. 3: Sectoral contributions to the overall business outlook index

Furthermore, the positive outlook by type of business in April 2018 was driven by businesses that are neither import- nor export-oriented (20.0 points), import-oriented (4.5 points) both import- and export-oriented (3.9 points), those that are businesses export-related (0.7 points). (Table 1).

3.1 Business Confidence on Own Operations by Sector

Respondents from services, construction, wholesale/retail trade and industrial sectors expressed optimism on own operations in the current month with indices of 7.6, 0.3, 0.3 and 0.0, respectively when compared with 3.4, 0.5, 1.2 and 2.2 in March 2018, respectively (Fig 4, Table 1).

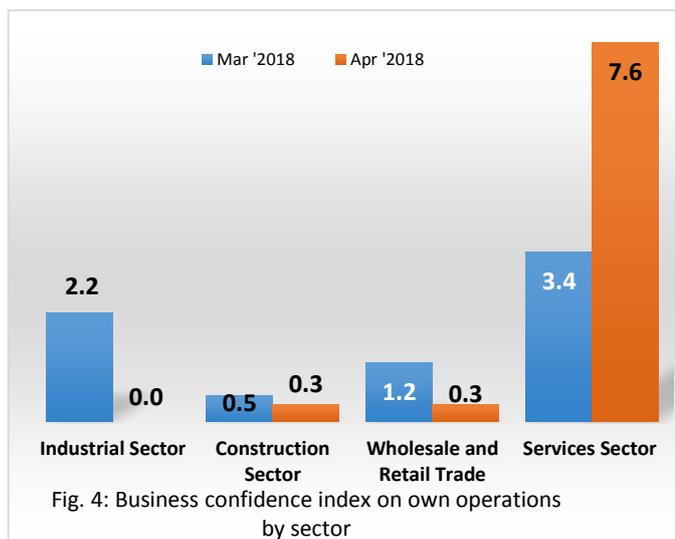
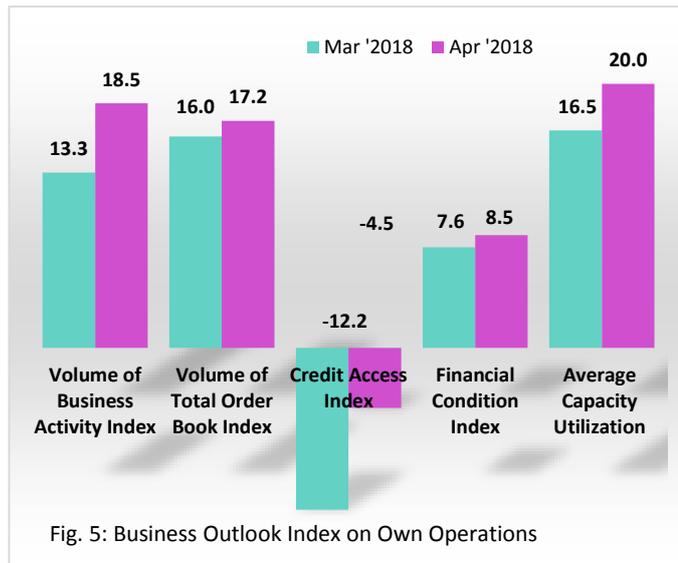


Fig. 4: Business confidence index on own operations by sector

3.2 Financial Condition and Access to Credit

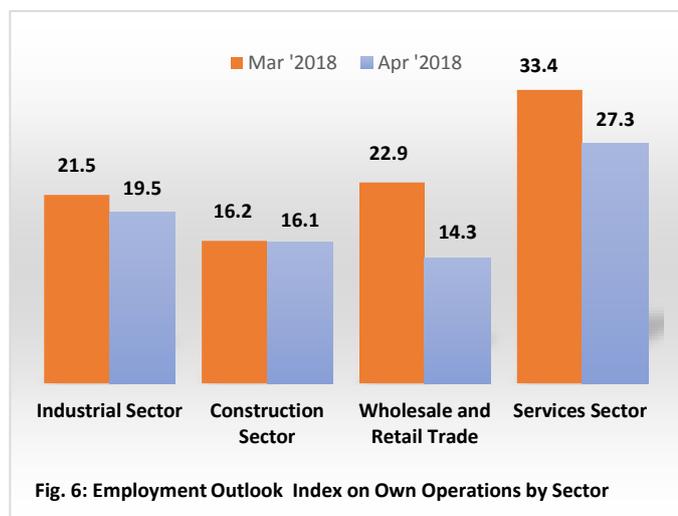
Respondents' outlook on the volume of total order, business activity and financial conditions (working capital) stood at 18.5, 17.2, and 8.5 index points respectively, indicating an improvement in relation to its outlook in March 2018 which was 13.3, 16.0, and 7.6 respectively. (Table1). The average capacity utilization (CUI) index rose to 20.0 points in April 2018 from 16.5 in March 2018 (Fig. 5, Table 1), which can be attributed to the positive outlook on business activity and financial conditions.



Respondents were less optimistic on access to credit in the review month with an index of -4.5 points.

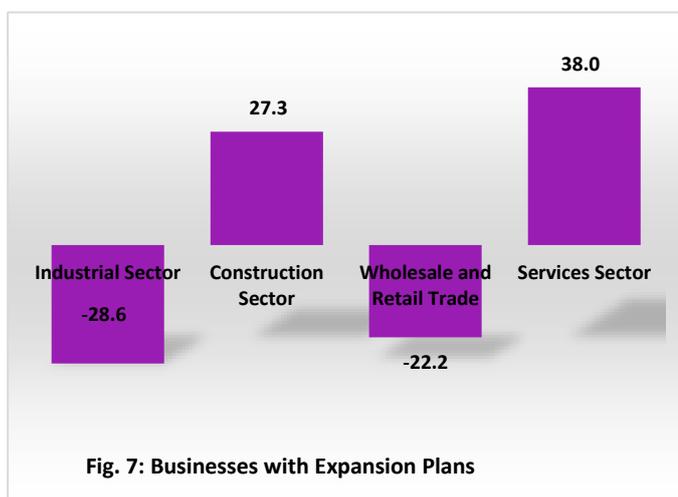
3.3 Employment and Expansion Plans

The positive outlook in the volume of business activities (71.1 index points) and employment (23.6 index points) indicated a favourable outlook in the next month. The employment outlook index by sector showed that the services sector (27.3 points) indicates the highest prospects for creating jobs, followed by industrial (19.5 points), construction (16.1 points) and wholesale/retail trade (14.3 points)



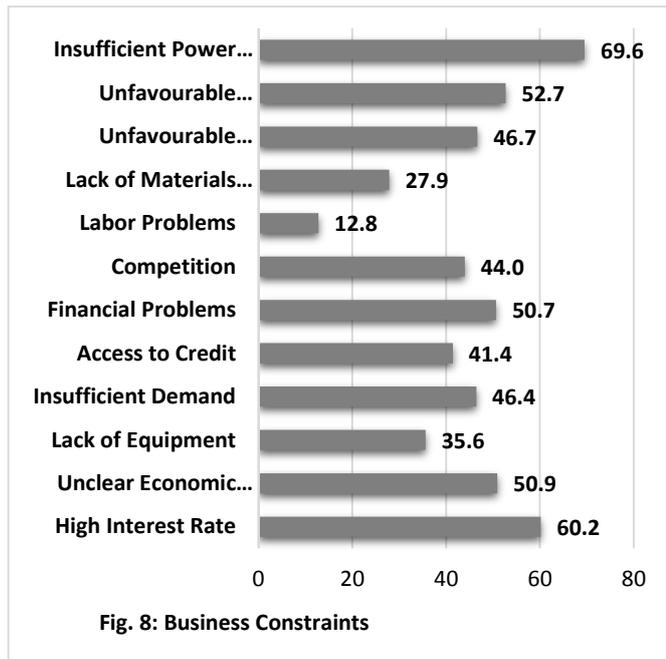
sectors (Fig. 6, Table 1).

An analysis of businesses with expansion plans by sector in the next month showed that the services and construction sectors indicate greater disposition for expansion with indices of 38.0 and 27.3 points respectively (Fig. 7, Table 1).



3.4 Business Constraints

The surveyed firms identified insufficient power supply (69.6 points), high interest rate (60.2 points), unfavourable economic climate (52.7 points), unclear economic laws (50.9 points), financial problems (50.7), unfavourable political climate (46.7 points), and insufficient demand (46.4 points), and insufficient demand (46.4 points) as the major factors constraining business activity in the current month (Fig. 8, Table 1).



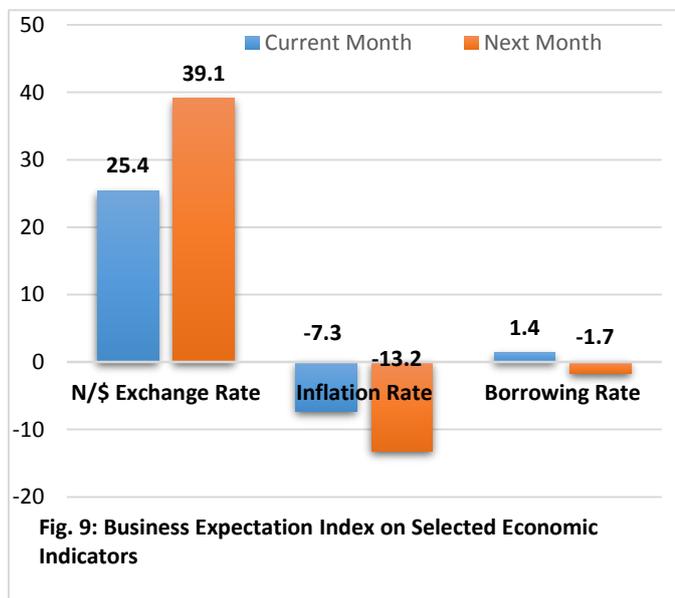
3.5 Expectations on Exchange Rate

Majority of the respondent firms expect the naira to appreciate in the current and next months as the confidence indices stood at 25.4 and 39.1 points, respectively (Fig. 9, Table 1).

3.6 Expectations on Inflation and Borrowing Rates

Respondent firms expect inflation rate to fall in both the current and next months, with confidence indices of -7.3 and -13.2 points for the current and next months, respectively (Fig. 9).

Similarly, respondent firms expect borrowing rates to rise in the current month but fall in the next month, as the confidence indices stood at 1.4 and -1.7 points, respectively (Fig. 9, Table 1).



ANNEX: TABLES

TABLE 1
BUSINESS EXPECTATIONS SURVEY DATA

Year	2018		
Month	Feb	Mar	Apr
1. Overall Business Outlook on the Macroeconomy			
Confidence Index: All Sectors			
Current Month	14.5	24.5	28.9
Next Month	57.8	64.1	66.9
2. Business Outlook Index on the Macroeconomy by Sector: Current Month			
Industrial Sector	16.3	23.4	23.6
Construction Sector	4.8	29.7	50.0
Wholesale and Retail Trade	0.0	20.0	14.3
Services Sector of which:	15.5	25.0	31.0
Financial Intermediation	19.4	42.9	41.7
Hotels and Restaurants	9.5	17.9	15.0
Renting and Business Activities	17.2	24.8	37.9
Community and Social Services	15.4	19.3	27.9
3. Business Outlook Index on the Macroeconomy by Sector: Next Month			
Industrial Sector	52.0	52.1	56.0
Construction Sector	57.1	78.4	68.8
Wholesale and Retail Trade	31.3	68.6	66.7
Services Sector of which:	65.0	69.0	72.8
Financial Intermediation	52.8	71.4	76.7
Hotels and Restaurants	69.0	69.1	75.0
Renting and Business Activities	73.0	77.5	76.7
Community and Social Services	59.0	55.7	66.4
4. Business Confidence Index on Own Operations by Sector: Current Month			
Industrial Sector	6.1	6.8	0.0
Construction Sector	-9.5	8.1	6.3
Wholesale and Retail Trade	-6.3	20.0	7.1
Services Sector	3.9	6.1	13.1
5. Business Outlook Index on Own Operations : Current Month			
Volume of Business Activity Index	7.1	13.3	18.5
Volume of Total Order Book Index	2.2	16.0	17.2
Credit Access Index	-7.2	-12.2	-4.5
Financial Condition Index	3.8	7.6	8.5
Average Capacity Utilization	8.3	16.5	20.0
6. Business Outlook Index on Own Operations : Next Month			
Volume of Business Activity Index	67.0	69.2	71.1
Employment Outlook Index	21.9	27.9	23.6
7. Employment Outlook Index on Own Operations by Sector: Next Month			
Industrial Sector	20.9	21.5	19.5
Construction Sector	19.0	16.2	16.1
Wholesale and Retail Trade	25.0	22.9	14.3
Services Sector	22.8	33.4	27.3
8. Business with Expansion Plans (in per cent): Next Month			
Industrial Sector	-2.9	-4.5	-28.6
Construction Sector	-6.7	14.3	27.3
Wholesale and Retail Trade	28.6	0.0	-22.2
Services Sector of which:	40.0	34.8	38.0
Financial Intermediation	48.4	64.4	51.2
Hotels and Restaurants	-13.0	-7.0	-10.0
Renting and Business Activities	53.8	45.7	50.0
Community and Social Services	55.6	27.9	44.4

TABLE 1 (continued)
BUSINESS EXPECTATIONS SURVEY DATA

Year	2018		
	Feb	Mar	Apr
Month			
9. Business Constraints: Current Month			
High Interest Rate	65.2	61.0	60.2
Unclear Economic Laws	49.6	52.7	50.9
Lack of Equipment	30.3	32.3	35.6
Insufficient Demand	45.3	48.1	46.4
Access to Credit	43.4	42.6	41.4
Financial Problems	47.9	50.5	50.7
Competition	45.0	41.4	44.0
Labor Problems	7.6	12.8	12.8
Lack of Materials Input	22.5	27.8	27.9
Unfavourable Political Climate	45.2	43.7	46.7
Unfavourable Economic Climate	57.0	53.8	52.7
Insufficient Power Supply	72.0	70.7	69.6
10. Business Expectation Index on Selected Economic Indicators: Current Month			
N/\$ Exchange Rate	19.9	26.7	25.4
Inflation Rate	-8.0	-13.4	-7.3
Borrowing Rate	4.5	2.6	1.4
11. Business Expectation Index on Selected Economic Indicators: Next Month			
N/\$ Exchange Rate	33.1	40.8	39.1
Inflation Rate	-15.2	-15.8	-13.2
Borrowing Rate	-11.2	-4.2	-1.7
12. Business Outlook index on the Macroeconomy by Type of Business: Current Month			
Importer	15.6	17.7	23.9
Exporter	50.0	23.5	25.0
Both Importer and Exporter	21.8	29.1	27.1
Neither Importer nor exporter	10.4	25.9	31.3
13. Business Outlook index on the Macroeconomy by Type of Business: Next Month			
Importer	48.1	58.9	53.6
Exporter	70.0	70.6	62.5
Both Importer and Exporter	50.9	62.8	63.5
Neither Importer nor exporter	62.2	65.7	71.8
14. Business Outlook index on the Macroeconomy by Size of Business: Current Month			
Small (<50)	-3.9	13.5	19.4
Medium (50 and <200)	14.1	26.8	33.2
Large (200 and Up)	27.9	38.3	38.8
15. Business Outlook index on the Macroeconomy by Size of Business: Next Month			
Small (<50)	54.5	62.0	69.9
Medium (50 and <200)	62.5	64.1	64.4
Large (200 and Up)	52.7	67.7	66.1
16. Percentage Distribution of Respondent Firms by Type of Business			
Importer	21.1	20.8	19.0
Exporter	2.7	2.9	2.7
Both Importer and Exporter	15.1	14.5	14.3
Neither Importer nor exporter	61.1	61.8	64.0
17. Percentage Distribution of Respondent Firms by Employment Size			
Small (<50)	21.0	38.6	38.2
Medium (50 and <200)	48.4	39.1	41.5
Large (200 and Up)	30.6	22.4	20.3
No Response	0.0	0.0	0.0
18. Distribution of Respondent Firms by Sector			
Sample Size (N)	497	650	650
Response Rate(%)	73.6	91.8	91.7
All Sectors	366	597	596
Industrial Sector	148	192	191
Construction Sector	21	37	32
Wholesale and Retail Trade	16	35	28
Services Sector of which:	<u>181</u>	<u>333</u>	<u>345</u>
Financial Intermediation	36	56	60
Hotels and Restaurants	42	68	60
Renting and Business Activities	64	121	103
Community and Social Services	39	88	122

TABLE 1 (continued)
BUSINESS EXPECTATIONS SURVEY DATA

Year	2018		
Month	Feb	Mar	Apr
19. Business Outlook Index on the Macroeconomy by Sector Contribution: Current Month			
Industrial Sector	6.6	7.5	7.6
Construction Sector	0.3	1.8	2.7
Wholesale and Retail Trade	0.0	1.2	0.7
Services Sector	7.7	13.9	18.0
	14.5	24.5	28.9
20. Business Outlook Index on the Macroeconomy by Sector Contribution: Next Month			
Industrial Sector	21.0	16.8	18.0
Construction Sector	3.3	4.9	3.7
Wholesale and Retail Trade	1.4	4.0	3.1
Services Sector	32.1	38.5	42.1
	57.8	64.1	66.9
21. Business Confidence Index on Own Operations by Sector: Current Month			
Industrial Sector	2.5	2.2	0.0
Construction Sector	-0.5	0.5	0.3
Wholesale and Retail Trade	-0.3	1.2	0.3
Services Sector	1.9	3.4	7.6
	3.6	7.2	8.3
22. Employment Outlook Index on Own Operations by Sector: Next Month			
Industrial Sector	8.5	6.9	6.2
Construction Sector	1.1	1.0	0.9
Wholesale and Retail Trade	1.1	1.3	0.7
Services Sector	11.3	18.6	15.8
Employment Outlook Index	21.9	27.9	23.6
23. Drivers of macroeconomic Outlook by type of business: Current Month			
Importer	3.3	3.7	4.5
Exporter	1.4	0.7	0.7
Both Importer and Exporter	3.3	4.2	3.9
Neither Importer nor exporter	6.3	16.0	20.0
Macroeconomic Outlook Index	14.3	24.6	29.1
24. Drivers of macroeconomic Outlook by type of business: Next Month			
Importer	10.1	12.3	10.2
Exporter	1.9	2.0	1.7
Both Importer and Exporter	7.7	9.1	9.1
Neither Importer nor exporter	38.0	40.6	46.0
Macroeconomic Outlook Index: Next Month	57.7	64.0	66.9
25. Drivers of macroeconomic Outlook by Size of Business: Current Month			
Small (<50)	-0.8	5.2	7.4
Medium (50 and <200)	6.8	10.5	13.8
Large (200 and Up)	8.5	8.6	7.9
Macroeconomic Outlook Index: Current Month	14.6	24.3	29.1
26. Percentage Distribution of Respondent Firms by Sector			
Industrial Sector	40.4	32.2	32.0
Construction Sector	5.7	6.2	5.4
Wholesale and Retail Trade	4.4	5.9	4.7
Services Sector	49.5	55.8	57.9