

# Central Bank of Nigeria

Statistics Department



## Monthly Business Expectations Survey Report

May 2018

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## 1.0 Highlights

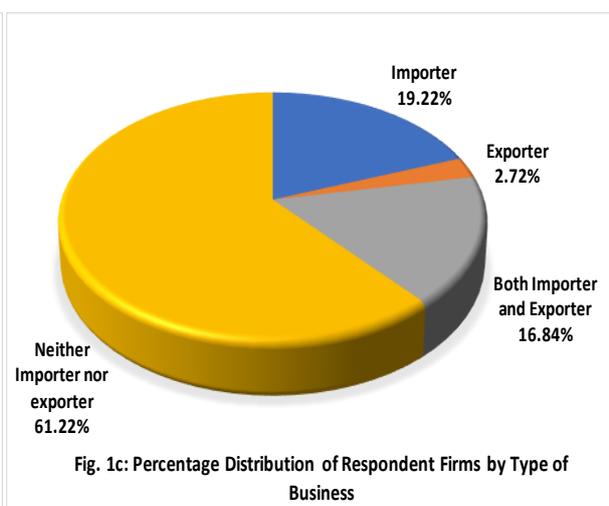
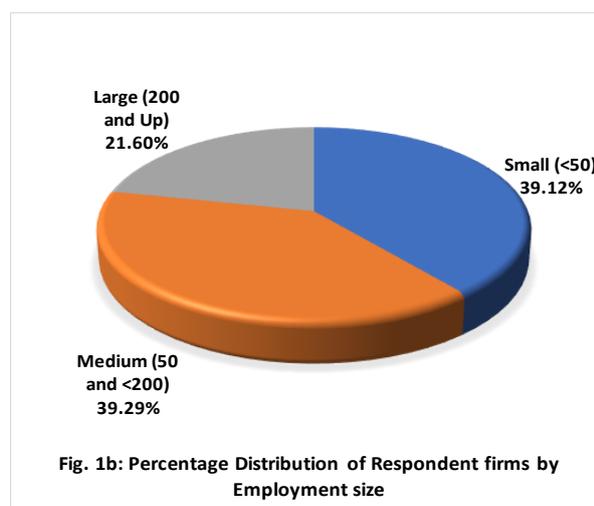
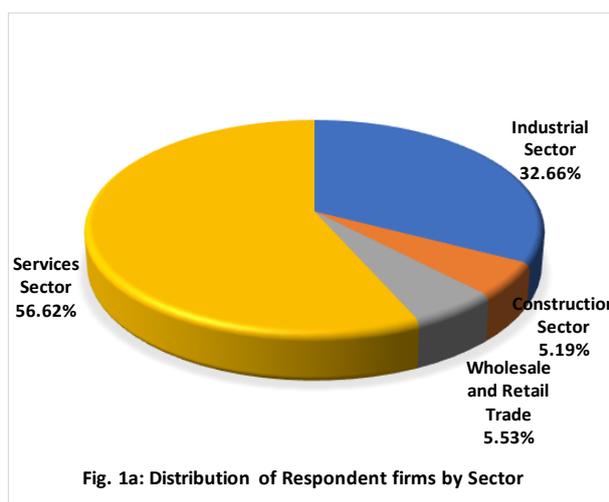
The highlights of the outcome of the Business Expectations Survey in May 2018 are as follows:

- Respondent firms' optimism on the macro economy remained positive in May 2018.
- Respondents' outlook on the volume of total order, business activity and financial conditions (working capital) remained positive during the review period.
- Firms identified insufficient power supply, unfavourable economic climate, high interest rate, unclear economic laws, financial problems, unfavourable political climate, and insufficient demand as the major factors constraining business activity in the current month.
- 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 May 2018 Business Expectations Survey (BES) was carried out during the period May 11-22, 2018 with a sample size of 650 businesses nationwide. A response rate of 91.8 per cent was achieved, and the sample covered the services, industry, wholesale/retail trade and construction sectors<sup>1</sup>. (Fig. 1a, Table 1)

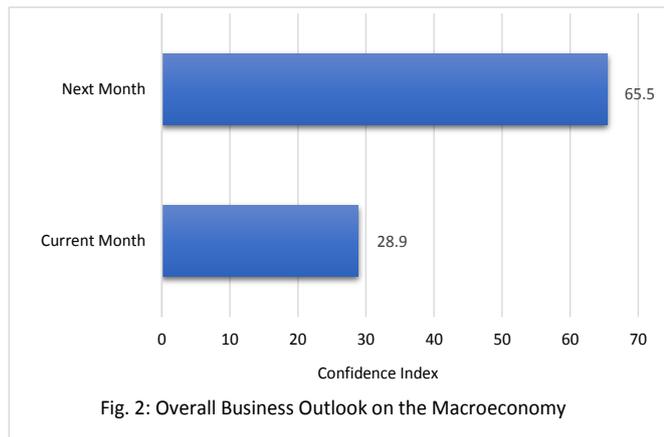
The respondent firms were made up of small, medium and large organisations covering both import- and export-oriented businesses (Figs. 1b and 1c, Table 1).



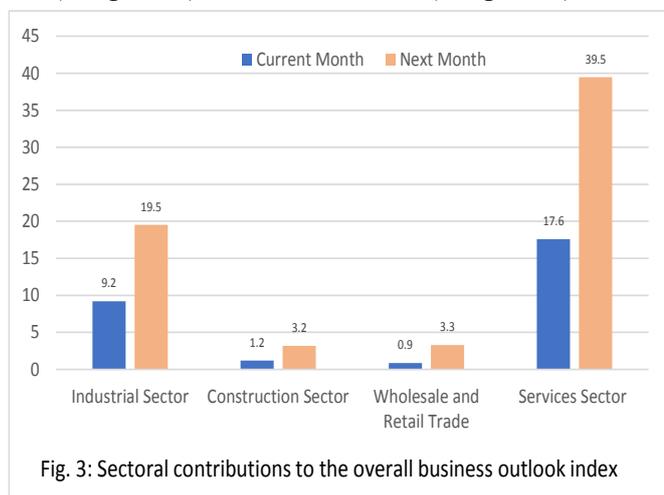
<sup>1</sup> The services sector is made up of Financial Intermediation, Hotels & Restaurants, Renting & Business activities and Community & Social Services

### 3.0 Business Outlook

At 28.9 index points, respondents' overall confidence index (CI) on the macro economy May 2018 remained the same as the level recorded in April 2018. The businesses outlook for June 2018 shows a greater confidence on the macro economy at 65.5 index points. (Fig.2).



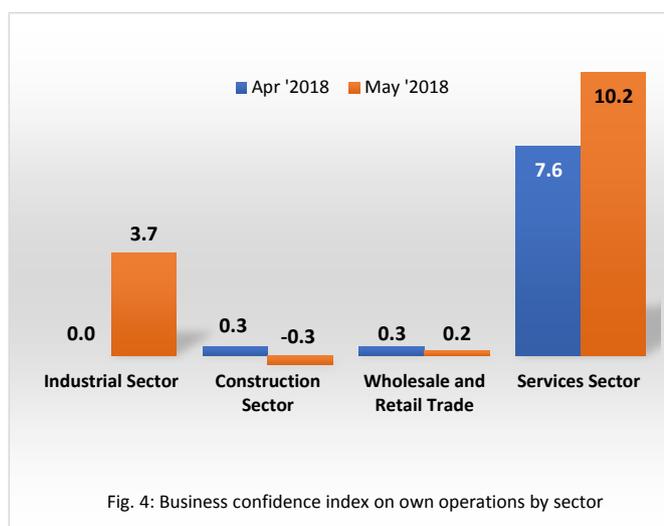
The optimism on macroeconomy in the current month was driven by the opinion of respondents from services (17.6 points), industrial (9.2 points) construction (1.2 points) and wholesale/retail trade sectors (0.9), while the drivers of the optimism for next month were services (39.5 points), industrial (19.5 points), wholesale/retail trade (3.3 points) and construction (3.2 points) sectors (Fig. 3).



Furthermore, the positive outlook by type of business in May 2018 was driven by businesses that are neither import- nor export-oriented (20.1 points), import-oriented (3.8 points) both import- and export-oriented (3.7 points), those that are businesses export-related (0.9 points). (Table 1).

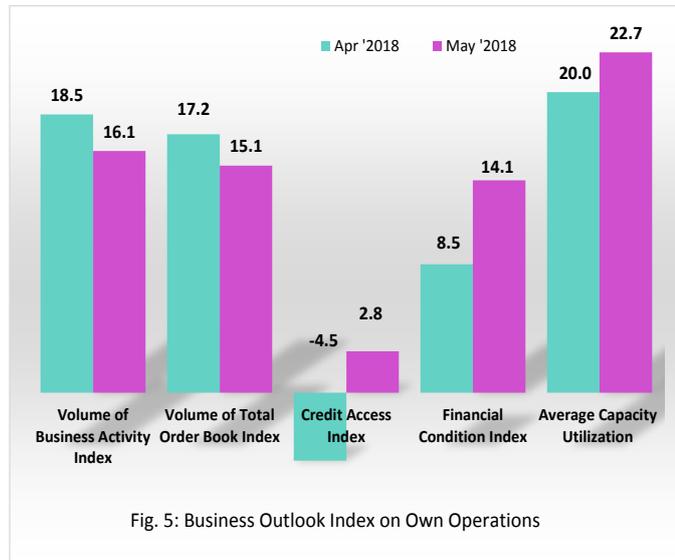
### 3.1 Business Confidence on Own Operations by Sector

Respondents from services, industrial, wholesale/retail trade and construction sectors expressed optimism on own operations in the current month with indices of 10.2, 3.7, 0.2 and -0.3, respectively when compared with 7.6, 0.0, 0.3 and 0.3 in April 2018, respectively (Fig 4, Table 1).



### 3.2 Financial Condition and Access to Credit

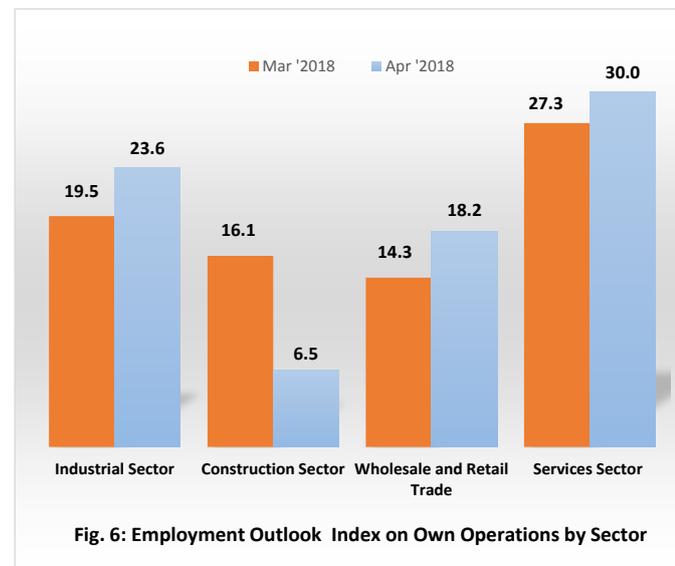
Respondents' outlook on the volume of total order and business activity in May 2018 was less optimistic, as the index stood at 15.1 and 16.1 points, respectively when compared to 17.2 and 18.5 points, respectively recorded in the previous month. However, respondents' outlook on financial conditions (working capital) and average capacity utilization improved, as the indices stood at 14.1 and 22.7 index points, respectively when compared with the 8.5 and 20.0 points, respectively recorded in April 2018. The improvement in the average capacity utilization (CUI) index can be attributed to the positive outlook on financial conditions.



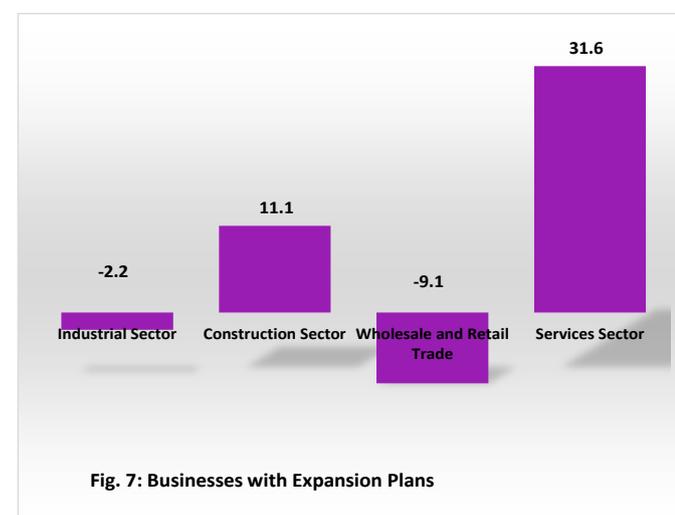
Respondents were more optimistic on access to credit in the review month, with an index of 2.8 points.

### 3.3 Employment and Expansion Plans

The positive outlook in the volume of business activities (64.4 index points) and employment (26.0 index points) indicated a favourable outlook in the next month. The employment outlook index by sector showed that the services sector (30.0 points) indicates the highest prospects for creating jobs, followed by industrial (23.6 points), wholesale/retail trade (18.2 points) and construction (6.5 points) sectors (Fig. 6, Table 1).

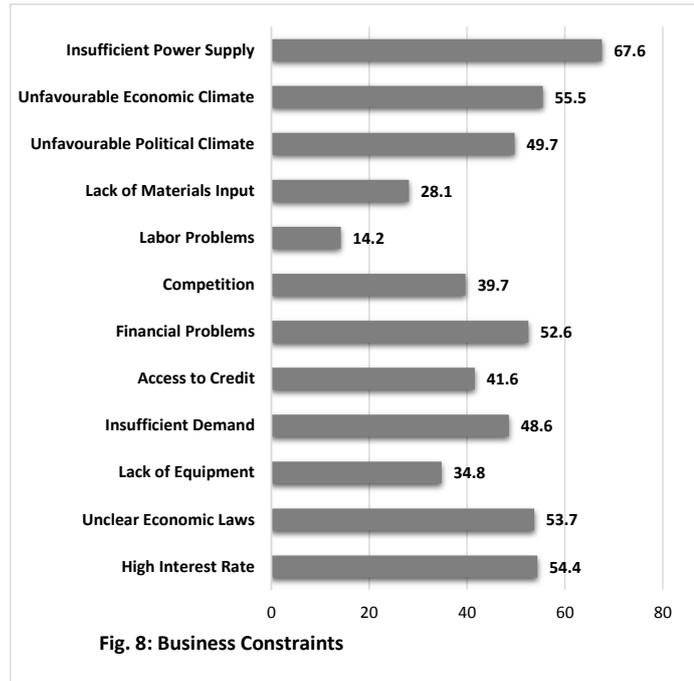


An analysis of businesses with expansion plans by sector in the next month showed that the services and construction sectors indicate greater disposition for expansion with indices of 31.6 and 11.1 points respectively (Fig. 7, Table 1).



### 3.4 Business Constraints

The surveyed firms identified insufficient power supply (67.6 points), unfavourable economic climate (55.5 points), high interest rate (54.4 points), unclear economic laws (53.7 points), financial problems (52.6), unfavourable political climate (49.7 points), and insufficient demand (48.6 points) as the major factors constraining business activity in the current month (Fig. 8, Table 1).



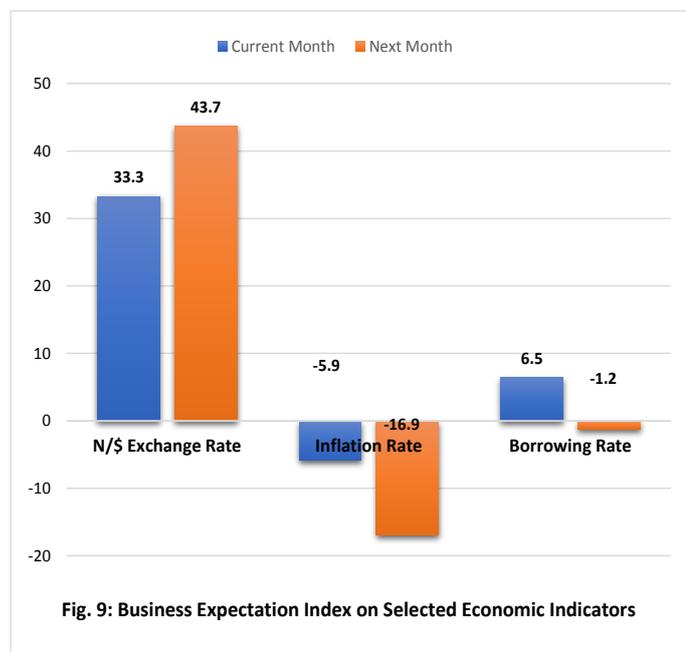
### 3.5 Expectations on Exchange Rate

Majority of the respondent firms expect the naira to appreciate in the current and next months as the confidence indices stood at 33.3 and 43.7 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 -5.9 and -16.9 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 6.5 and -1.2 points, respectively (Fig. 9, Table 1).



## ANNEX: TABLES

### TABLE 1 (continued)

#### BUSINESS EXPECTATIONS SURVEY DATA

Year	2018			
Month	Feb	Mar	Apr	May
<b>1. Overall Business Outlook on the Macroeconomy</b>				
<b>Confidence Index: All Sectors</b>				
Current Month	14.5	24.5	28.9	28.9
Next Month	57.8	64.1	66.9	65.5
<b>2. Business Outlook Index on the Macroeconomy by Sector: Current Month</b>				
Industrial Sector	16.3	23.4	23.6	28.2
Construction Sector	4.8	29.7	50.0	22.6
Wholesale and Retail Trade	0.0	20.0	14.3	15.6
Services Sector of which:	15.5	25.0	31.0	31.1
Financial Intermediation	19.4	42.9	41.7	40.4
Hotels and Restaurants	9.5	17.9	15.0	5.6
Renting and Business Activities	17.2	24.8	37.9	45.2
Community and Social Services	15.4	19.3	27.9	26.0
<b>3. Business Outlook Index on the Macroeconomy by Sector: Next Month</b>				
Industrial Sector	52.0	52.1	56.0	59.8
Construction Sector	57.1	78.4	68.8	61.3
Wholesale and Retail Trade	31.3	68.6	66.7	59.4
Services Sector of which:	65.0	69.0	72.8	69.7
Financial Intermediation	52.8	71.4	76.7	77.2
Hotels and Restaurants	69.0	69.1	75.0	59.3
Renting and Business Activities	73.0	77.5	76.7	74.8
Community and Social Services	59.0	55.7	66.4	66.7
<b>4. Business Confidence Index on Own Operations by Sector: Current Month</b>				
Industrial Sector	6.1	6.8	0.0	11.3
Construction Sector	-9.5	8.1	6.3	-6.5
Wholesale and Retail Trade	-6.3	20.0	7.1	3.0
Services Sector	3.9	6.1	13.1	18.1
<b>5. Business Outlook Index on Own Operations : Current Month</b>				
Volume of Business Activity Index	7.1	13.3	18.5	16.1
Volume of Total Order Book Index	2.2	16.0	17.2	15.1
Credit Access Index	-7.2	-12.2	-4.5	2.8
Financial Condition Index	3.8	7.6	8.5	14.1
Average Capacity Utilization	8.3	16.5	20.0	22.7
<b>6. Business Outlook Index on Own Operations : Next Month</b>				
Volume of Business Activity Index	67.0	69.2	71.1	64.4
Employment Outlook Index	21.9	27.9	23.6	26.0
<b>7. Employment Outlook Index on Own Operations by Sector: Next Month</b>				
Industrial Sector	20.9	21.5	19.5	23.6
Construction Sector	19.0	16.2	16.1	6.5
Wholesale and Retail Trade	25.0	22.9	14.3	18.2
Services Sector	22.8	33.4	27.3	30.0
<b>8. Business with Expansion Plans (in per cent): Next Month</b>				
Industrial Sector	-2.9	-4.5	-28.6	-2.2
Construction Sector	-6.7	14.3	27.3	11.1
Wholesale and Retail Trade	28.6	0.0	-22.2	-9.1
Services Sector of which:	40.0	34.8	38.0	31.6
Financial Intermediation	48.4	64.4	51.2	31.7
Hotels and Restaurants	-13.0	-7.0	-10.0	-27.3
Renting and Business Activities	53.8	45.7	50.0	54.4
Community and Social Services	55.6	27.9	44.4	33.3

**TABLE 1 (continued)**  
**BUSINESS EXPECTATIONS SURVEY DATA**

Year	2018			
Month	Feb	Mar	Apr	May
<b>9. Business Constraints: Current Month</b>				
High Interest Rate	65.2	61.0	60.2	54.4
Unclear Economic Laws	49.6	52.7	50.9	53.7
Lack of Equipment	30.3	32.3	35.6	34.8
Insufficient Demand	45.3	48.1	46.4	48.6
Access to Credit	43.4	42.6	41.4	41.6
Financial Problems	47.9	50.5	50.7	52.6
Competition	45.0	41.4	44.0	39.7
Labor Problems	7.6	12.8	12.8	14.2
Lack of Materials Input	22.5	27.8	27.9	28.1
Unfavourable Political Climate	45.2	43.7	46.7	49.7
Unfavourable Economic Climate	57.0	53.8	52.7	55.5
Insufficient Power Supply	72.0	70.7	69.6	67.6
<b>10. Business Expectation Index on Selected Economic Indicators: Current Month</b>				
N/\$ Exchange Rate	19.9	26.7	25.4	33.3
Inflation Rate	-8.0	-13.4	-7.3	-5.9
Borrowing Rate	4.5	2.6	1.4	6.5
<b>11. Business Expectation Index on Selected Economic Indicators: Next Month</b>				
N/\$ Exchange Rate	33.1	40.8	39.1	43.7
Inflation Rate	-15.2	-15.8	-13.2	-16.9
Borrowing Rate	-11.2	-4.2	-1.7	-1.2
<b>12. Business Outlook index on the Macroeconomy by Type of Business: Current Month</b>				
Importer	15.6	17.7	23.9	19.6
Exporter	50.0	23.5	25.0	31.3
Both Importer and Exporter	21.8	29.1	27.1	22.2
Neither Importer nor exporter	10.4	25.9	31.3	32.8
<b>13. Business Outlook index on the Macroeconomy by Type of Business: Next Month</b>				
Importer	48.1	58.9	53.6	59.8
Exporter	70.0	70.6	62.5	43.8
Both Importer and Exporter	50.9	62.8	63.5	63.3
Neither Importer nor exporter	62.2	65.7	71.8	68.8
<b>14. Business Outlook index on the Macroeconomy by Size of Business: Current Month</b>				
Small (<50)	-3.9	13.5	19.4	24.5
Medium (50 and <200)	14.1	26.8	33.2	31.2
Large (200 and Up)	27.9	38.3	38.8	30.7
<b>15. Business Outlook index on the Macroeconomy by Size of Business: Next Month</b>				
Small (<50)	54.5	62.0	69.9	68.1
Medium (50 and <200)	62.5	64.1	64.4	63.5
Large (200 and Up)	52.7	67.7	66.1	64.3
<b>16. Percentage Distribution of Respondent Firms by Type of Business</b>				
Importer	21.1	20.8	19.0	19.2
Exporter	2.7	2.9	2.7	2.7
Both Importer and Exporter	15.1	14.5	14.3	16.8
Neither Importer nor exporter	61.1	61.8	64.0	61.2
<b>17. Percentage Distribution of Respondent Firms by Employment Size</b>				
Small (<50)	21.0	38.6	38.2	39.1
Medium (50 and <200)	48.4	39.1	41.5	39.3
Large (200 and Up)	30.6	22.4	20.3	21.6
No Response	0.0	0.0	0.0	0.0
<b>18. Distribution of Respondent Firms by Sector</b>				
<b>Sample Size (N)</b>	497	650	650	650
Response Rate(%)	73.6	91.8	91.7	91.8
<b>All Sectors</b>	<b>366</b>	<b>597</b>	<b>596</b>	<b>597</b>
Industrial Sector	148	192	191	195
Construction Sector	21	37	32	31
Wholesale and Retail Trade	16	35	28	33
Services Sector of which:	<u>181</u>	<u>333</u>	<u>345</u>	<u>338</u>
Financial Intermediation	36	56	60	57
Hotels and Restaurants	42	68	60	54
Renting and Business Activities	64	121	103	104
Community and Social Services	39	88	122	123

**TABLE 1 (continued)**  
**BUSINESS EXPECTATIONS SURVEY DATA**

<b>Year</b>	<b>2018</b>			
<b>Month</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>
<b>19. Business Outlook Index on the Macroeconomy by Sector Contribution: Current Month</b>				
Industrial Sector	6.6	7.5	7.6	9.2
Construction Sector	0.3	1.8	2.7	1.2
Wholesale and Retail Trade	0.0	1.2	0.7	0.9
Services Sector	7.7	13.9	18.0	17.6
<b>20. Business Outlook Index on the Macroeconomy by Sector Contribution: Next Month</b>				
Industrial Sector	21.0	16.8	18.0	19.5
Construction Sector	3.3	4.9	3.7	3.2
Wholesale and Retail Trade	1.4	4.0	3.1	3.3
Services Sector	32.1	38.5	42.1	39.5
<b>21. Business Confidence Index on Own Operations by Sector: Current Month</b>				
Industrial Sector	2.5	2.2	0.0	3.7
Construction Sector	-0.5	0.5	0.3	-0.3
Wholesale and Retail Trade	-0.3	1.2	0.3	0.2
Services Sector	1.9	3.4	7.6	10.2
<b>22. Employment Outlook Index on Own Operations by Sector: Next Month</b>				
Industrial Sector	8.5	6.9	6.2	7.7
Construction Sector	1.1	1.0	0.9	0.3
Wholesale and Retail Trade	1.1	1.3	0.7	1.0
Services Sector	11.3	18.6	15.8	17.0
<b>23. Drivers of macroeconomic Outlook by type of business: Current Month</b>				
Importer	3.3	3.7	4.5	3.8
Exporter	1.4	0.7	0.7	0.9
Both Importer and Exporter	3.3	4.2	3.9	3.7
Neither Importer nor exporter	6.3	16.0	20.0	20.1
<b>24. Drivers of macroeconomic Outlook by type of business: Next Month</b>				
Importer	10.1	12.3	10.2	11.5
Exporter	1.9	2.0	1.7	1.2
Both Importer and Exporter	7.7	9.1	9.1	10.7
Neither Importer nor exporter	38.0	40.6	46.0	42.1
<b>25. Drivers of macroeconomic Outlook by Size of Business: Current Month</b>				
Small (<50)	-0.8	5.2	7.4	9.6
Medium (50 and <200)	6.8	10.5	13.8	12.2
Large (200 and Up)	8.5	8.6	7.9	6.6
<b>26. Percentage Distribution of Respondent Firms by Sector</b>				
Industrial Sector	40.4	32.2	32.0	32.7
Construction Sector	5.7	6.2	5.4	5.2
Wholesale and Retail Trade	4.4	5.9	4.7	5.5
Services Sector	49.5	55.8	57.9	56.6