

Central Bank of Nigeria

Statistics Department



Monthly Business Expectations Survey Report

January 2019

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1.0 Highlights

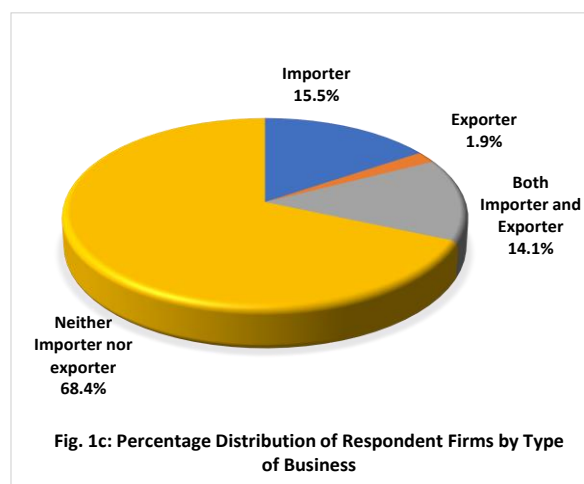
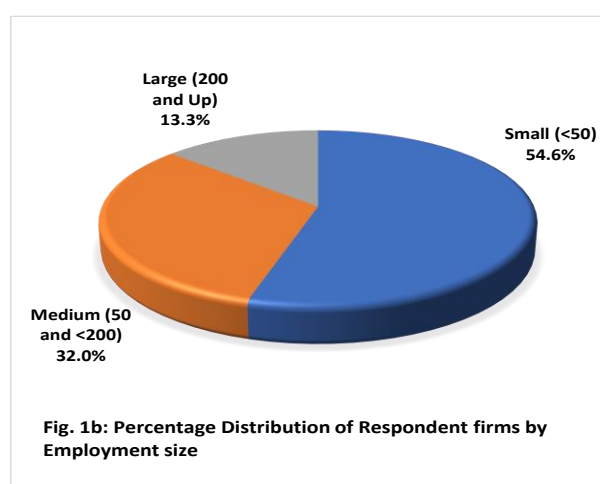
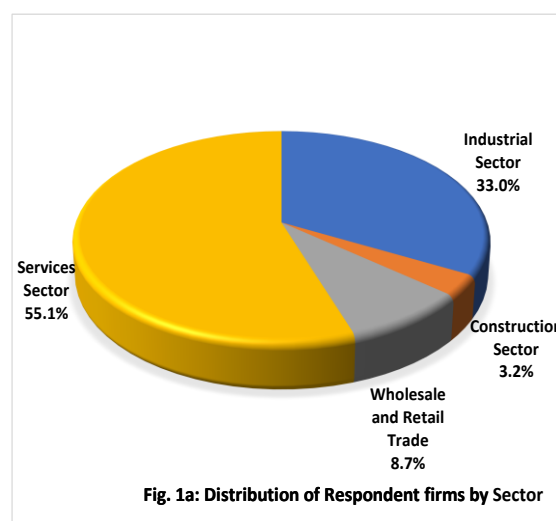
The highlights of the outcome of the Business Expectations Survey in January 2019 are as follows:

- Respondent firms expressed optimism on the macro economy in January 2019.
- Respondents' outlook on the volume of total order, business activity and financial conditions (working capital) were positive during the review period.
- Firms identified insufficient power supply, high interest rate, unfavourable economic climate, unclear economic laws, financial problems, unfavourable political climate, insufficient demand and competition as major factors constraining business activity in the current month.
- Respondent firms expect the Naira to appreciate in the current and next months; inflation to decline in both next six months and the next twelve months; borrowing rates to rise in current month, next month and the next twelve months.

2.0 Introduction

The January 2019 Business Expectations Survey (BES) was carried out during the period January 14-18, 2019 with a sample size of 1050 businesses nationwide. A response rate of 94.8 per cent was achieved, and the sample covered the services, industry, wholesale/retail trade, and construction sectors¹ (Fig. 1a, Table 1).

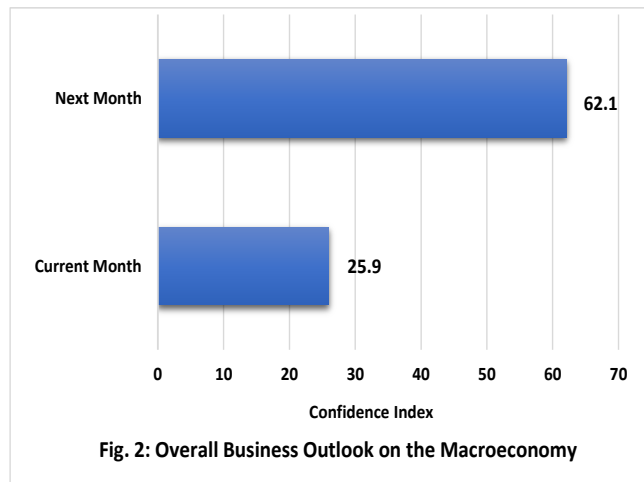
The respondent firms were made up of small, medium and large corporations covering both import- and export-oriented businesses (Figs.1b and 1c, Table 1).



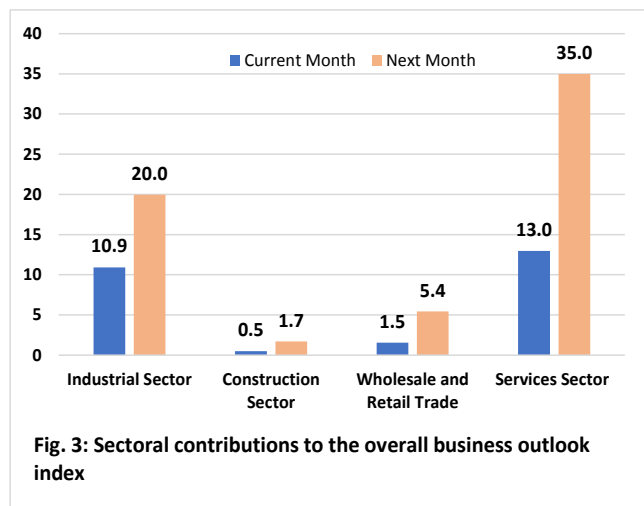
¹ The services sector is made up of Financial Intermediation, Hotels & Restaurants, Renting & Business activities and Community & Social Services

3.0 Business Outlook

At 25.9 index points, respondents expressed optimism on the overall confidence index (CI) on the macro economy in January 2019. The businesses outlook for February 2019 showed greater confidence on the macro economy with 62.1 index points (Fig.2).



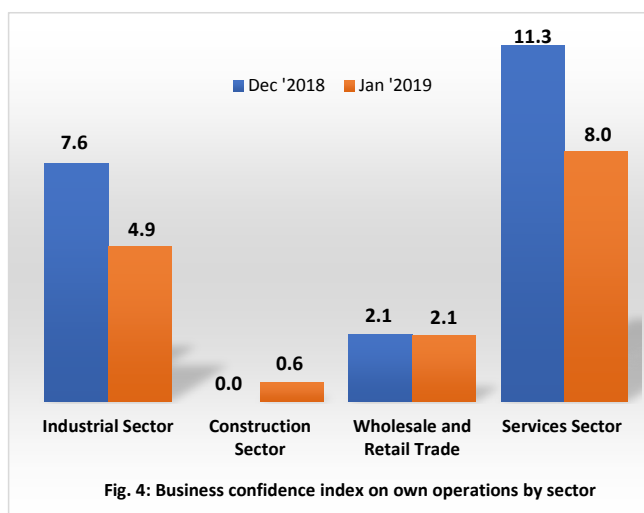
The optimism on the macro economy in the current month was driven by the opinion of respondents from services (13.0 points), industrial (10.9 points), wholesale/retail trade (1.5 points) and construction sectors (0.5 points). Whereas the major drivers of the optimism for next month were services (35.0 points), industrial (20.0 points), wholesale/retail trade (5.4 points) and construction sectors (1.7 points) (Fig. 3).



The positive outlook by type of business in January 2019 were driven by businesses that are neither import- nor export-oriented (17.6 points), both import- and export-oriented (4.2 points), import-oriented (3.5 points) and those that are export-related (0.6 points) (Table 1).

3.1 Business Confidence on Own Operations by Sector

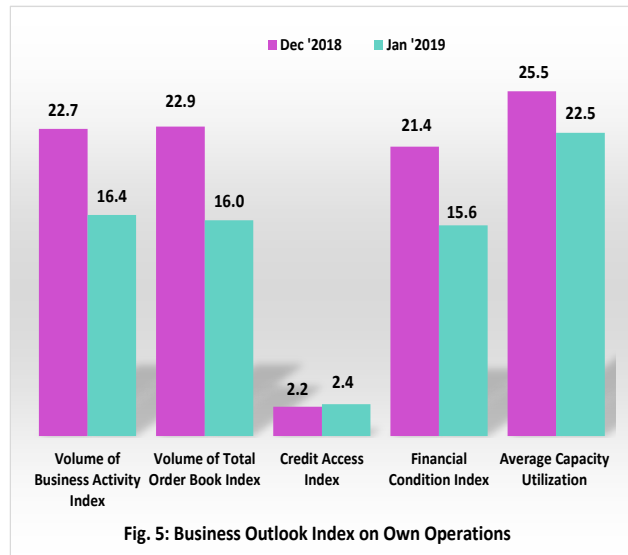
All sectors expressed optimism on own operations in January 2019. Respondents from the services sector expressed the greatest optimism on own operation with an index of 8.0 points. Comparatively, the construction sector expressed high optimism as the index rose from 0.0 point in the previous month to 0.6 points in the current month (Fig 4, Table 1).



3.2 Financial Conditions and Access to Credit

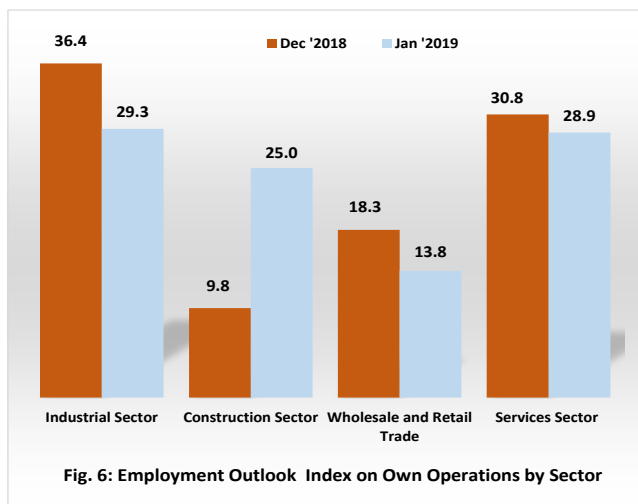
Respondents' outlook on the volume of total order and business activity in January 2019 remained positive, as the index stood at 16.0 and 16.4 points, respectively. Similarly, respondents' outlook on financial conditions (working capital) and average capacity utilization was optimistic, as the indices stood at 15.6 and 22.5 points respectively (Fig.5).

Respondents were positive on access to credit in the review month, with an index of 2.4 points.

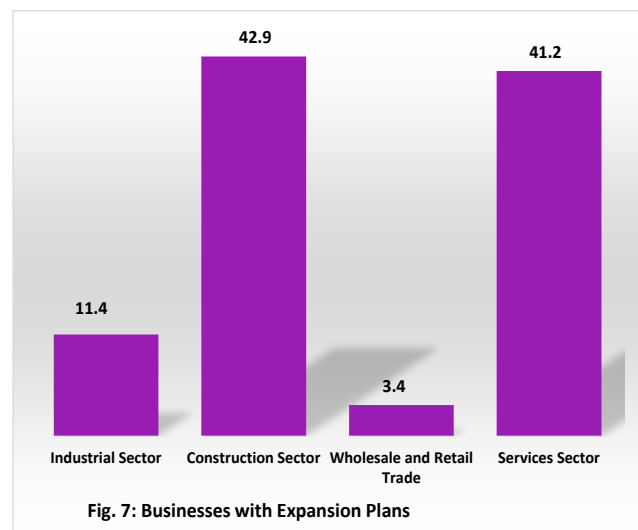


3.3 Employment and Expansion Plans

The positive outlook in the volume of business activities (67.4 index points) and employment (27.6 index points) indicated a favourable business outlook in the next month. The employment outlook index by sector showed that the industrial sector (29.3 points) indicates the highest prospects for creating jobs, followed by services (28.9 points), construction (25.0 points) and wholesale/retail trade sector (13.8 points) (Fig. 6, Table 1).

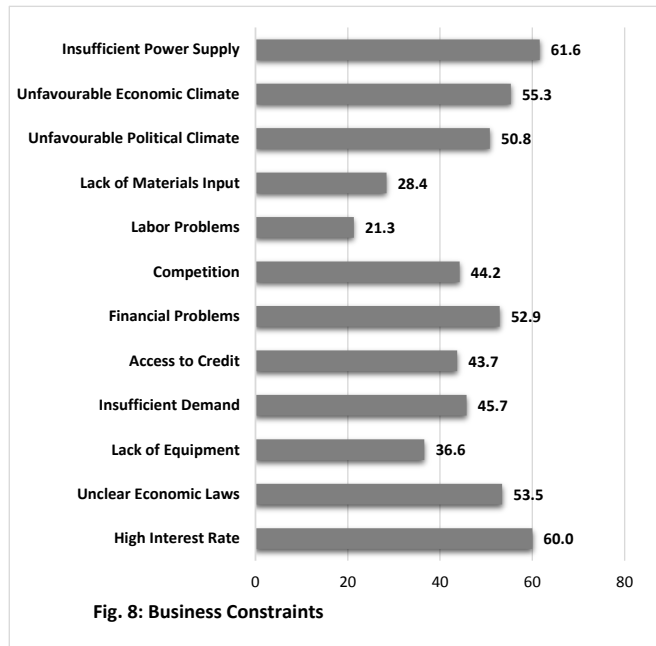


The analysis of businesses expansion plans by sector next month showed that the construction sector indicates higher disposition for expansion with an index of 42.9 points followed by services and industrial sectors with 41.2 and 11.4 index points, respectively (Fig. 7, Table 1).



3.4 Business Constraints

The surveyed firms identified insufficient power supply (61.6 points), high interest rate (60.0 points) unfavourable economic climate (55.3 points), unclear economic laws (53.5 points), financial problems (52.9 points), unfavourable political climate (50.8 points), insufficient demand (45.7 points) and competition (44.2 points) as the major factors constraining business activity in the current month (Fig. 8, Table 1).

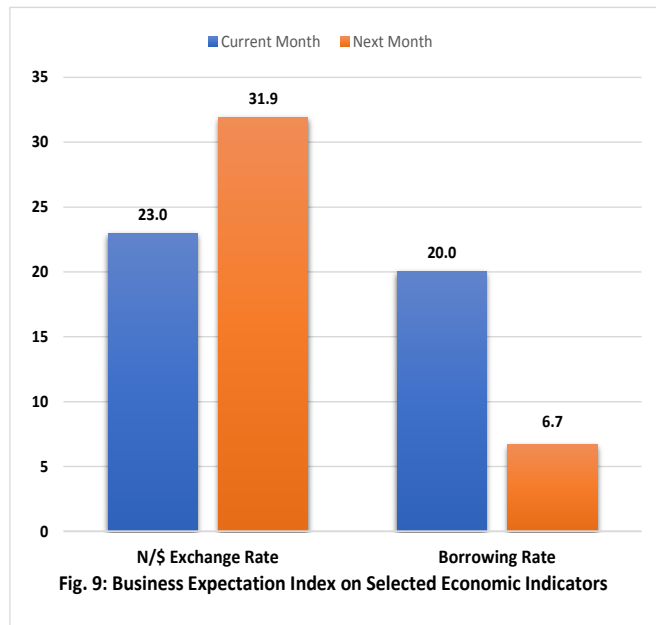


3.5 Expectations on Exchange Rate

Majority of the respondent firms expect the naira to appreciate in the current, next and the next twelve months respectively as their confidence indices stood at 23.0, 31.9 and 44.6 points. (Fig. 9, Table 1).

3.6 Expectations on Borrowing Rates

Respondent firms expect borrowing rates to rise in current, next and the next twelve months as the confidence indices stood at 20.0, 6.7 and 7.6 points, respectively. (Fig. 9, Table 1).



3.7 Expectations on Level of Inflation

Respondents' expectation of inflation rate in the next six months and twelve months in January stood at 11.7 and 11.6 percent respectively (Table 1).

3.8 Expectations on Economic Growth Rate

Respondent were optimistic of better economic conditions as their expectations on the growth of the economy rose steadily in the short run with an index of 35.5, 42.7 and 56.4 points for the current month, next six months and next twelve months respectively (Table 1).

3.9 Opinion on Control of Inflation

Respondent firms were asked how satisfied they are with the management of inflation by the Government. The net satisfaction index, which is the proportion satisfied less the proportion dissatisfied, stood at 3.8 per cent in January, 2019 (Table 1).

ANNEX: TABLES

TABLE 1
BUSINESS EXPECTATIONS SURVEY DATA

| Year | 2018 | | | | | 2019 |
|--|-------|-------|-------|------|------|------|
| Month | Aug | Sep | Oct | Nov | Dec | Jan |
| 1. Overall Business Outlook on the Macroeconomy | | | | | | |
| Confidence Index: All Sectors | | | | | | |
| Current Month | 21.5 | 24.8 | 23.2 | 24.0 | 30.5 | 25.9 |
| Next Month | 61.6 | 64.5 | 64.4 | 65.6 | 67.2 | 62.1 |
| 2. Business Outlook Index on the Macroeconomy by Sector: Current Month | | | | | | |
| Industrial Sector | 18.3 | 18.6 | 21.1 | 22.3 | 28.6 | 33.1 |
| Construction Sector | 22.9 | 16.2 | 7.7 | 25.0 | 26.8 | 15.6 |
| Wholesale and Retail Trade | 10.2 | 26.0 | 25.3 | 27.3 | 36.6 | 17.6 |
| Services Sector of which: | 25.2 | 28.8 | 25.3 | 24.6 | 30.8 | 23.5 |
| Financial Intermediation | 29.3 | 46.4 | 30.5 | 34.7 | 38.0 | 30.9 |
| Hotels and Restaurants | 20.4 | 24.5 | 22.4 | 20.6 | 28.6 | 5.6 |
| Renting and Business Activities | 33.9 | 32.7 | 33.1 | 28.3 | 39.3 | 33.3 |
| Community and Social Services | 18.6 | 19.4 | 17.9 | 18.6 | 21.9 | 24.3 |
| 3. Business Outlook Index on the Macroeconomy by Sector: Next Month | | | | | | |
| Industrial Sector | 57.1 | 57.9 | 63.0 | 57.2 | 65.5 | 60.6 |
| Construction Sector | 64.7 | 67.6 | 59.0 | 72.5 | 73.2 | 53.1 |
| Wholesale and Retail Trade | 48.9 | 65.8 | 69.0 | 77.3 | 66.7 | 62.1 |
| Services Sector of which: | 66.1 | 67.9 | 65.0 | 68.5 | 67.8 | 63.6 |
| Financial Intermediation | 70.7 | 75.3 | 71.6 | 63.3 | 72.0 | 59.8 |
| Hotels and Restaurants | 69.4 | 73.3 | 72.6 | 74.8 | 64.4 | 67.5 |
| Renting and Business Activities | 70.3 | 70.6 | 61.4 | 72.3 | 73.2 | 65.2 |
| Community and Social Services | 59.1 | 59.7 | 60.5 | 64.4 | 63.5 | 61.6 |
| 4. Business Confidence Index on Own Operations by Sector: Current Month | | | | | | |
| Industrial Sector | -3.2 | 6.6 | 13.4 | 9.9 | 23.1 | 14.9 |
| Construction Sector | -5.9 | -22.2 | -10.5 | 2.5 | 0.0 | 18.8 |
| Wholesale and Retail Trade | 15.9 | 5.5 | 24.1 | 12.6 | 23.7 | 24.1 |
| Services Sector | 14.9 | 17.0 | 16.7 | 15.0 | 20.9 | 14.4 |
| 5. Business Outlook Index on Own Operations : Current Month | | | | | | |
| Volume of Business Activity Index | 10.0 | 15.2 | 18.8 | 18.7 | 22.7 | 16.4 |
| Volume of Total Order Book Index | 9.1 | 16.0 | 17.4 | 17.4 | 22.9 | 16.0 |
| Credit Access Index | -1.0 | -0.7 | -0.1 | 0.3 | 2.2 | 2.4 |
| Financial Condition Index | 8.4 | 11.6 | 15.6 | 13.0 | 21.4 | 15.6 |
| Average Capacity Utilization | 15.9 | 18.3 | 23.0 | 20.8 | 25.5 | 22.5 |
| 6. Business Outlook Index on Own Operations : Next Month | | | | | | |
| Volume of Business Activity Index | 68.2 | 70.4 | 69.8 | 64.7 | 75.7 | 67.4 |
| Employment Outlook Index | 24.5 | 24.4 | 27.5 | 25.1 | 30.7 | 27.6 |
| 7. Employment Outlook Index on Own Operations by Sector: Next Month | | | | | | |
| Industrial Sector | 22.0 | 21.1 | 24.4 | 26.6 | 36.4 | 29.3 |
| Construction Sector | 11.4 | 16.2 | 10.3 | 17.5 | 9.8 | 25.0 |
| Wholesale and Retail Trade | 20.5 | 17.8 | 29.9 | 21.8 | 18.3 | 13.8 |
| Services Sector | 27.5 | 27.7 | 30.3 | 25.3 | 30.8 | 28.9 |
| 8. Business with Expansion Plans (in per cent): Next Month | | | | | | |
| Industrial Sector | 5.9 | -4.1 | 6.5 | 4.2 | 14.3 | 11.4 |
| Construction Sector | -10.0 | 18.5 | 0.0 | -8.3 | -7.1 | 42.9 |
| Wholesale and Retail Trade | 7.7 | 16.7 | 17.9 | 11.1 | 5.7 | 3.4 |
| Services Sector of which: | 21.9 | 24.0 | 25.3 | 26.7 | 28.3 | 41.2 |
| Financial Intermediation | 43.3 | 44.1 | 53.8 | 38.5 | 44.1 | 81.8 |
| Hotels and Restaurants | 0.0 | 8.5 | 9.4 | 14.7 | 5.6 | 20.0 |
| Renting and Business Activities | 41.1 | 49.0 | 33.3 | 35.1 | 38.3 | 41.3 |
| Community and Social Services | 6.2 | 1.5 | 12.1 | 19.7 | 24.2 | 31.6 |

TABLE 1 (Continued)
BUSINESS EXPECTATIONS SURVEY DATA

| Year | 2018 | | | | | 2019 |
|---|------|------|------|------|------|------|
| | Aug | Sep | Oct | Nov | Dec | Jan |
| 9. Business Constraints: Current Month | | | | | | |
| High Interest Rate | 57.0 | 54.9 | 54.4 | 57.9 | 57.5 | 60.0 |
| Unclear Economic Laws | 48.1 | 47.1 | 48.8 | 51.0 | 52.0 | 53.5 |
| Lack of Equipment | 34.8 | 31.9 | 31.6 | 32.4 | 32.3 | 36.6 |
| Insufficient Demand | 47.3 | 44.5 | 44.0 | 41.2 | 42.9 | 45.7 |
| Access to Credit | 42.2 | 40.4 | 42.7 | 41.3 | 42.6 | 43.7 |
| Financial Problems | 54.9 | 51.6 | 52.2 | 51.2 | 53.4 | 52.9 |
| Competition | 41.9 | 39.3 | 39.0 | 39.4 | 42.4 | 44.2 |
| Labor Problems | 12.9 | 14.0 | 14.4 | 16.6 | 14.4 | 21.3 |
| Lack of Materials Input | 30.2 | 24.5 | 24.7 | 23.8 | 26.8 | 28.4 |
| Unfavourable Political Climate | 46.0 | 46.9 | 48.0 | 48.6 | 47.5 | 50.8 |
| Unfavourable Economic Climate | 54.8 | 53.6 | 53.3 | 55.1 | 54.3 | 55.3 |
| Insufficient Power Supply | 66.0 | 65.9 | 67.2 | 64.7 | 64.0 | 61.6 |
| 10. Business Expectation Index on Selected Economic Indicators: Current Month | | | | | | |
| N/\$ Exchange Rate | 27.9 | 29.9 | 23.3 | 19.4 | 22.3 | 23.0 |
| Borrowing Rate | 2.6 | 3.7 | 4.7 | 5.8 | 7.1 | 20.0 |
| Economic Growth Rate | - | - | - | - | - | 35.5 |
| 11. Business Expectation Index on Selected Economic Indicators: Next Month | | | | | | |
| N/\$ Exchange Rate | 43.9 | 41.5 | 41.3 | 33.2 | 35.4 | 31.9 |
| Borrowing Rate | -0.6 | 1.8 | 2.0 | 2.2 | 2.9 | 6.7 |
| Economic Growth Rate | - | - | - | - | - | 42.7 |
| 12. Business Expectation Index on Selected Economic Indicators: Next Twelve Months | | | | | | |
| N/\$ Exchange Rate | - | - | - | - | - | 44.6 |
| Borrowing Rate | - | - | - | - | - | 7.6 |
| Economic Growth Rate | - | - | - | - | - | 56.4 |
| 13. Business Outlook index on the Level of Inflation: Next Six Months and Twelve Months (in %) | | | | | | |
| Level of Inflation Next Six Months | - | - | - | - | - | 11.7 |
| Level of Inflation Twelve Six Months | - | - | - | - | - | 11.6 |
| 14. Business Outlook index on the Macroeconomy by Type of Business: Current Month | | | | | | |
| Importer | 13.6 | 15.9 | 14.0 | 22.1 | 20.6 | 22.4 |
| Exporter | 27.8 | 30.0 | 6.3 | 25.0 | 50.0 | 31.6 |
| Both Importer and Exporter | 24.0 | 27.8 | 15.2 | 15.2 | 31.0 | 29.5 |
| Neither Importer nor exporter | 23.0 | 26.3 | 27.3 | 26.0 | 32.1 | 25.8 |
| 15. Business Outlook index on the Macroeconomy by Type of Business: Next Month | | | | | | |
| Importer | 43.5 | 55.3 | 55.9 | 58.6 | 61.8 | 55.6 |
| Exporter | 44.4 | 65.0 | 43.8 | 70.0 | 88.9 | 73.7 |
| Both Importer and Exporter | 57.2 | 61.9 | 64.9 | 60.1 | 63.5 | 61.2 |
| Neither Importer nor exporter | 67.9 | 67.3 | 66.9 | 68.6 | 68.5 | 63.3 |
| 16. Business Outlook index on the Macroeconomy by Size of Business: Current Month | | | | | | |
| Small (<50) | 20.0 | 21.1 | 24.1 | 22.1 | 31.5 | 24.3 |
| Medium (50 and <200) | 23.6 | 29.2 | 22.3 | 25.7 | 30.4 | 30.5 |
| Large (200 and Up) | 23.9 | 30.1 | 21.6 | 29.9 | 27.7 | 23.7 |
| 17. Business Outlook index on the Macroeconomy by Size of Business: Next Month | | | | | | |
| Small (<50) | 65.8 | 67.8 | 66.9 | 66.8 | 66.5 | 63.1 |
| Medium (50 and <200) | 61.4 | 62.3 | 61.1 | 68.4 | 68.4 | 63.0 |
| Large (200 and Up) | 47.4 | 57.7 | 61.6 | 54.2 | 66.2 | 56.1 |
| 18. Percentage Distribution of Respondent Firms by Type of Business | | | | | | |
| Importer | 17.9 | 17.3 | 17.4 | 17.6 | 15.9 | 15.5 |
| Exporter | 1.8 | 2.0 | 1.6 | 1.9 | 1.7 | 1.9 |
| Both Importer and Exporter | 14.2 | 12.8 | 12.8 | 13.4 | 12.2 | 14.1 |
| Neither Importer nor exporter | 66.1 | 67.8 | 68.3 | 67.1 | 70.1 | 68.4 |
| 19. Percentage Distribution of Respondent Firms by Employment Size | | | | | | |
| Small (<50) | 53.4 | 55.8 | 55.6 | 56.0 | 55.4 | 54.6 |
| Medium (50 and <200) | 31.4 | 31.6 | 30.9 | 29.9 | 32.0 | 32.0 |
| Large (200 and Up) | 15.1 | 12.6 | 13.6 | 14.0 | 12.6 | 13.3 |

TABLE 1 (Continued)
BUSINESS EXPECTATIONS SURVEY DATA

| Year | 2018 | | | | | 2019 |
|---|-------------|------------|-------------|-------------|-------------|------------|
| Month | Aug | Sep | Oct | Nov | Dec | Jan |
| 20. Distribution of Respondent Firms by Sector | | | | | | |
| Sample Size (N) | 1050 | 1050 | 1050 | 1050 | 1050 | 1050 |
| Response Rate(%) | 97.9 | 93.4 | 98.4 | 98.3 | 98.6 | 94.8 |
| All Sectors | 1028 | 981 | 1033 | 1032 | 1035 | 995 |
| Industrial Sector | 345 | 318 | 352 | 346 | 339 | 328 |
| Construction Sector | 35 | 37 | 39 | 40 | 41 | 32 |
| Wholesale and Retail Trade | 88 | 73 | 87 | 88 | 93 | 87 |
| Services Sector of which: | <u>560</u> | <u>553</u> | <u>555</u> | <u>558</u> | <u>562</u> | <u>548</u> |
| Financial Intermediation | 92 | 97 | 95 | 98 | 100 | 97 |
| Hotels and Restaurants | 98 | 102 | 107 | 107 | 119 | 125 |
| Renting and Business Activities | 165 | 153 | 158 | 159 | 151 | 141 |
| Community and Social Services | 205 | 201 | 195 | 194 | 192 | 185 |
| 21. Business Outlook Index on the Macroeconomy by Sector Contribution: Current Month | | | | | | |
| Industrial Sector | 6.1 | 6.0 | 7.2 | 7.5 | 9.4 | 10.9 |
| Construction Sector | 0.8 | 0.6 | 0.3 | 1.0 | 1.1 | 0.5 |
| Wholesale and Retail Trade | 0.9 | 1.9 | 2.1 | 2.3 | 3.3 | 1.5 |
| Services Sector | 13.7 | 16.2 | 13.6 | 13.3 | 16.7 | 13.0 |
| 22. Business Outlook Index on the Macroeconomy by Sector Contribution: Next Month | | | | | | |
| Industrial Sector | 19.2 | 18.8 | 21.5 | 19.2 | 21.4 | 20.0 |
| Construction Sector | 2.2 | 2.5 | 2.2 | 2.8 | 2.9 | 1.7 |
| Wholesale and Retail Trade | 4.2 | 4.9 | 5.8 | 6.6 | 6.0 | 5.4 |
| Services Sector | 36.0 | 38.3 | 34.9 | 37.0 | 36.8 | 35.0 |
| 23. Business Confidence Index on Own Operations by Sector: Current Month | | | | | | |
| Industrial Sector | -1.1 | 2.1 | 4.5 | 3.3 | 7.6 | 4.9 |
| Construction Sector | -0.2 | -0.8 | -0.4 | 0.1 | 0.0 | 0.6 |
| Wholesale and Retail Trade | 1.4 | 0.4 | 2.0 | 1.1 | 2.1 | 2.1 |
| Services Sector | 8.1 | 9.6 | 9.0 | 8.1 | 11.3 | 8.0 |
| 24. Employment Outlook Index on Own Operations by Sector: Next Month | | | | | | |
| Industrial Sector | 7.4 | 6.8 | 8.3 | 8.9 | 11.9 | 9.6 |
| Construction Sector | 0.4 | 0.6 | 0.4 | 0.7 | 0.4 | 0.8 |
| Wholesale and Retail Trade | 1.8 | 1.3 | 2.5 | 1.9 | 1.6 | 1.2 |
| Services Sector | 15.0 | 15.6 | 16.3 | 13.7 | 16.7 | 15.9 |
| 25. Drivers of macroeconomic Outlook by type of business: Current Month | | | | | | |
| Importer | 2.4 | 2.8 | 2.4 | 3.9 | 3.3 | 3.5 |
| Exporter | 0.5 | 0.6 | 0.1 | 0.5 | 0.9 | 0.6 |
| Both Importer and Exporter | 3.4 | 3.6 | 1.9 | 2.0 | 3.8 | 4.2 |
| Neither Importer nor exporter | 15.2 | 17.8 | 18.6 | 17.5 | 22.5 | 17.6 |
| 26. Drivers of macroeconomic Outlook by type of business: Next Month | | | | | | |
| Importer | 7.8 | 9.6 | 9.7 | 10.3 | 9.9 | 8.6 |
| Exporter | 0.8 | 1.3 | 0.7 | 1.4 | 1.5 | 1.4 |
| Both Importer and Exporter | 8.1 | 8.0 | 8.3 | 8.1 | 7.7 | 8.6 |
| Neither Importer nor exporter | 44.9 | 45.6 | 45.7 | 46.0 | 48.0 | 43.3 |
| 27. Drivers of macroeconomic Outlook by Size of Business: Current Month | | | | | | |
| Small (<50) | 10.7 | 11.8 | 13.4 | 12.4 | 17.4 | 13.3 |
| Medium (50 and <200) | 7.4 | 9.2 | 6.9 | 7.7 | 9.7 | 9.8 |
| Large (200 and Up) | 3.6 | 3.8 | 2.9 | 4.2 | 3.5 | 3.2 |
| 28. Percentage Distribution of Respondent Firms by Sector | | | | | | |
| Industrial Sector | 33.6 | 32.4 | 34.1 | 33.5 | 32.8 | 33.0 |
| Construction Sector | 3.4 | 3.8 | 3.8 | 3.9 | 4.0 | 3.2 |
| Wholesale and Retail Trade | 8.6 | 7.4 | 8.4 | 8.5 | 9.0 | 8.7 |
| Services Sector | 54.5 | 56.4 | 53.7 | 54.1 | 54.3 | 55.1 |