



Central Bank of Nigeria

Statistics Department

**March 2019
Business
Expectations
Survey Report**

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 Conditions 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 Borrowing Rates	5
3.7 Expectations on Level of Inflation	5
3.8 Expectations on Economic Growth Rate	6
3.9 Opinion on Control of Inflation	6

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
Fig 10: Business Expectation Index on Level of Inflation	5
Fig 11: Business Expectation Index on Economic Growth Rate	6

Annexes

Table 1: Business Expectations Survey data	7
--	---

1.0 Highlights

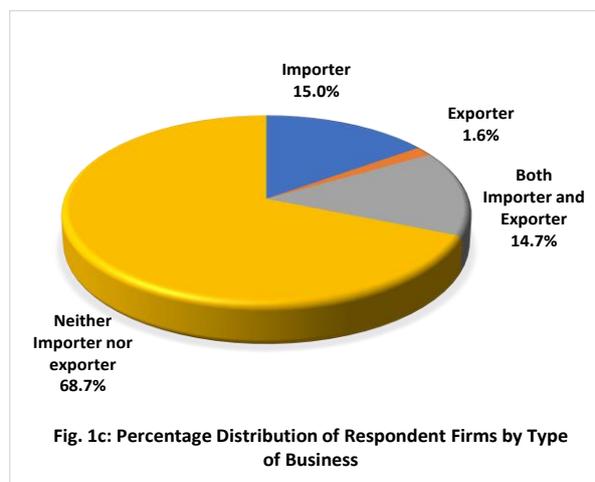
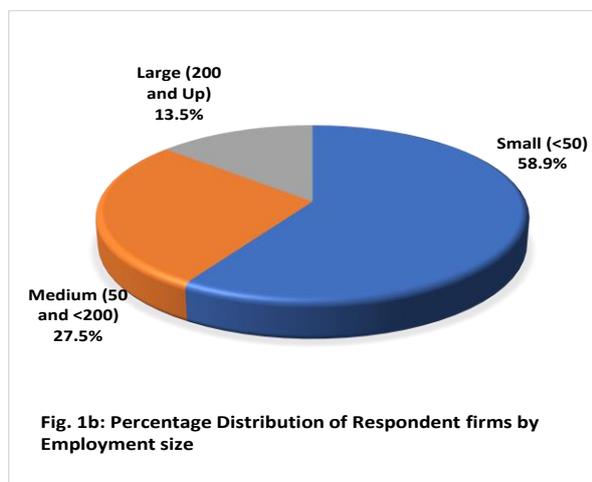
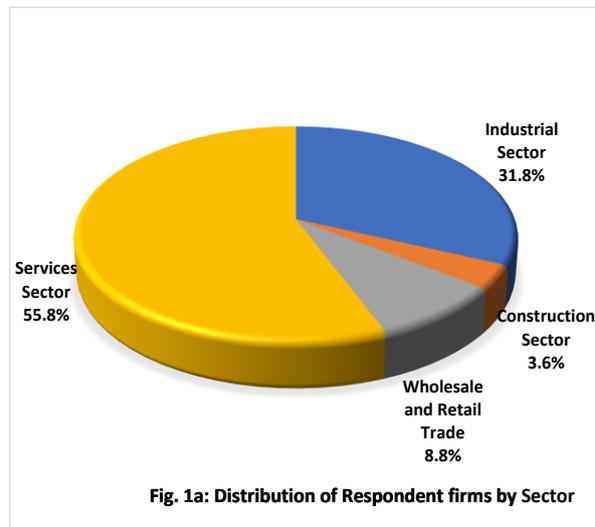
The highlights of the outcome of the Business Expectations Survey in March 2019 are as follows:

- Respondent firms expressed optimism on the macro economy in March 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, financial problems, unfavourable political climate, unclear economic laws, insufficient demand and access to credit as major factors constraining business activity in March 2019.
- Respondent firms expect the Naira to appreciate in the current month, next month and the next twelve months. Level of inflation is expected to moderate in both next six months and the next twelve months; borrowing rates is expected to rise in current month, next month and the next twelve months.

2.0 Introduction

The March 2019 Business Expectations Survey (BES) was carried out during the period March 11-15, 2019 with a sample size of 1050 businesses nationwide. A response rate of 96.2 per cent was achieved, and the sample covered the services, industrial, 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 28.2 index points, respondents expressed optimism on the overall confidence index (CI) on the macro economy in the month of March 2019. The businesses outlook for April 2019 showed greater confidence on the macro economy with 64.8 index points (Fig.2).

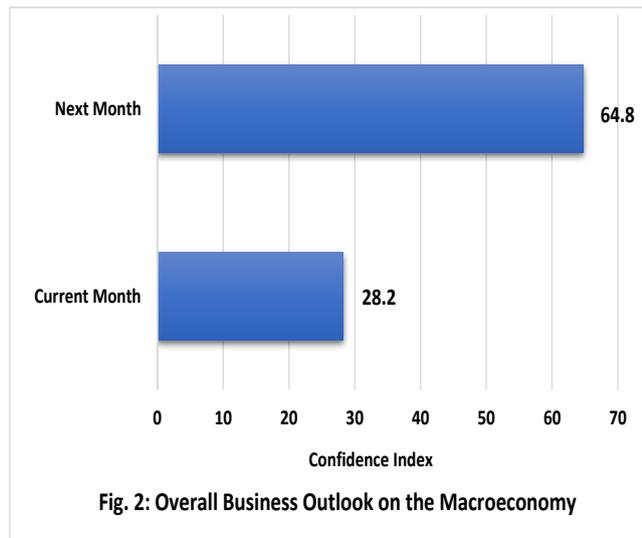


Fig. 2: Overall Business Outlook on the Macroeconomy

The optimism on the macro economy in the current month was driven by the opinion of respondents from services (16.8 points), industrial (8.6 points), wholesale/retail trade (2.3 points) and construction sectors (0.5 points). Whereas the major drivers of the optimism for next month were services (37.0 points), industrial (19.4 points), wholesale/retail trade (6.2 points) and construction sectors (2.2 points) (Fig. 3).

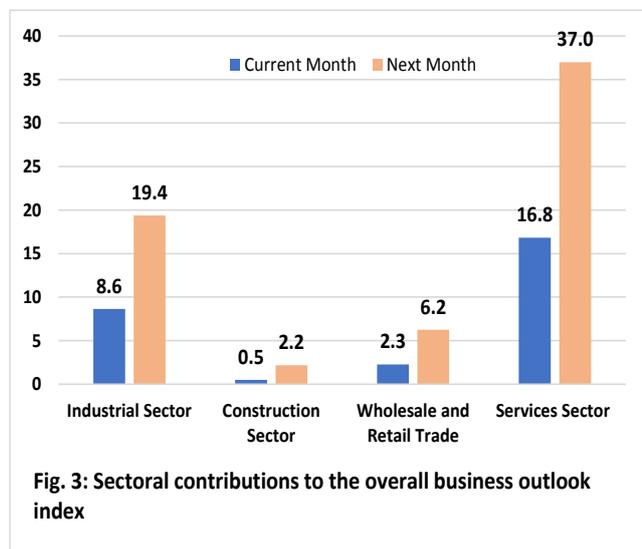


Fig. 3: Sectoral contributions to the overall business outlook index

The positive outlook by type of business in March 2019 were driven by businesses that are neither import- nor export-oriented (20.3 points), both import- and export-oriented (4.1 points), import-oriented (3.5 points), and those that are export-related (0.2 points) (Table 1).

3.1 Business Confidence on Own Operations by Sector

All the four sectors expressed optimism on own operations in the review month. However, respondents from the services sector expressed the greatest optimism on own operation with an index of 7.1 points, followed by the industrial sector with 3.3 points, the wholesale and retail trade with 2.0 points and the construction sector with 0.5 points respectively (Fig 4, Table 1).

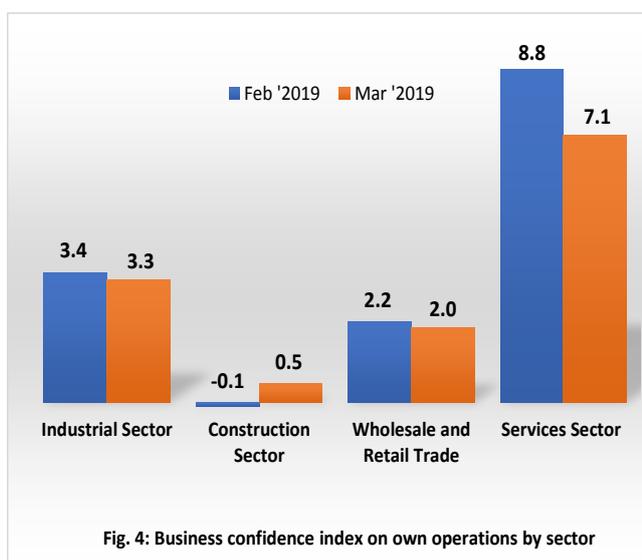


Fig. 4: Business confidence index on own operations by sector

3.2 Financial Conditions and Access to Credit

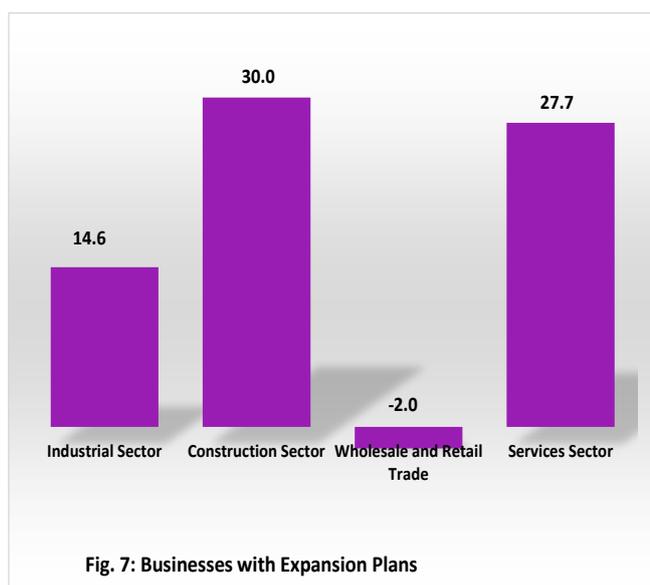
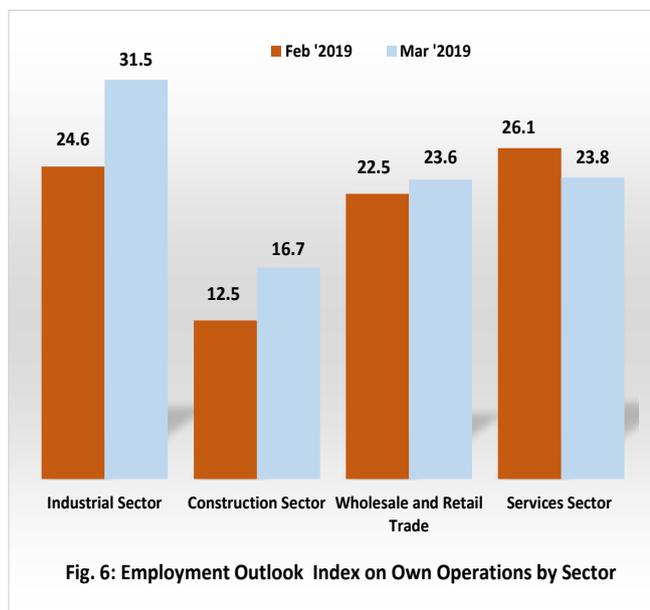
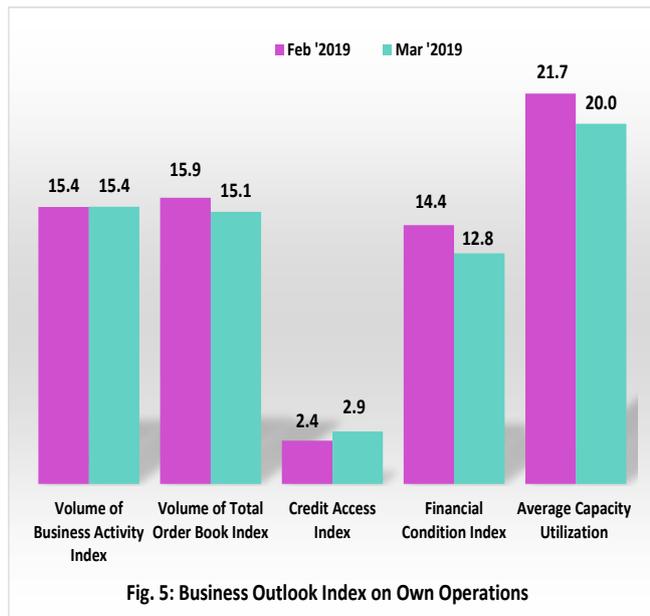
Respondents' outlook on the volume of total order and business activity in March 2019 remained positive, as the indices stood at 15.1 and 15.4 points, respectively. Similarly, respondents' were optimistic in their outlook on financial conditions (working capital) and average capacity utilization as the indices stood at 12.8 and 20.0 index points, respectively (Fig.5).

Respondents remained positive on access to credit in the review month, with an index of 2.9 points.

3.3 Employment and Expansion Plans

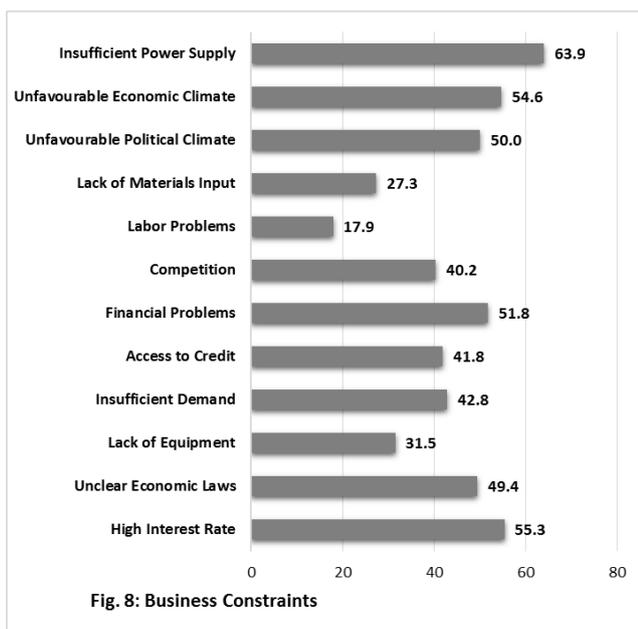
The positive outlook in the volume of business activities (69.3 index points) and employment (25.9 index points) indicated a favourable business outlook in the next month. The employment outlook index by sector showed that the industrial sector (31.5 points), indicates the highest prospects for creating jobs followed by services (23.8 points), wholesale/retail trade sector (23.6 points) and construction sector (16.7 points) (Fig. 6, Table 1).

The analysis of businesses with expansion plans by sector in the next month showed that the construction sector indicates higher disposition for expansion with an index of (30.0 points) followed by services sector (27.7 points) and industrial sector (14.6 points). The wholesale/retail trade sector indicated no intention of expanding business in the next 12 months as the index stood at -2.0 index points (Fig. 7, Table 1).



3.4 Business Constraints

The surveyed firms identified insufficient power supply (63.9 points), high interest rate (55.3 points), unfavourable economic climate (54.6 points), financial problems (51.8 points), unfavourable political climate (50.0 points), unclear economic laws (49.4 points), insufficient demand (42.8 points) and access to credit (41.8 points) as the major factors constraining business activity in the current month (Fig. 8, Table 1).

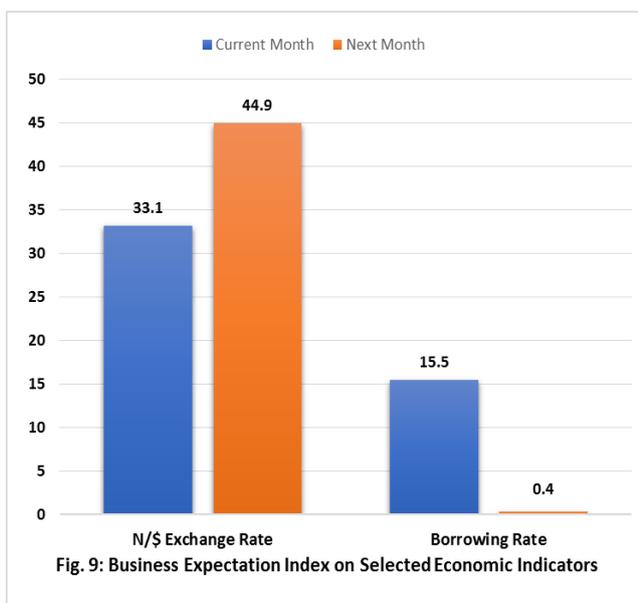


3.5 Expectations on Exchange Rate

Majority of the respondent firms expect the naira to appreciate in the current, next and the next twelve months as their confidence indices stood at 33.1, 44.9 and 55.7 index points, respectively (Fig. 9, Table 1).

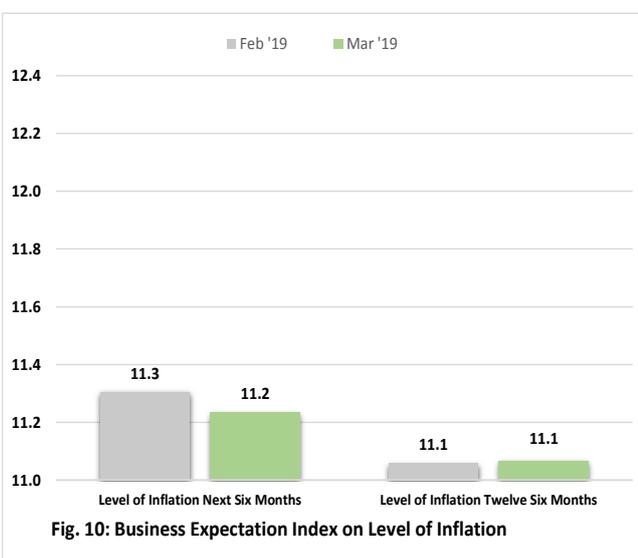
3.6 Expectations on Borrowing Rates

Respondent firms expect borrowing rates to rise in current, next and the next twelve months as the confidence indices stood at 15.5, 0.4 and 1.8 points, respectively. (Fig. 9, Table 1).



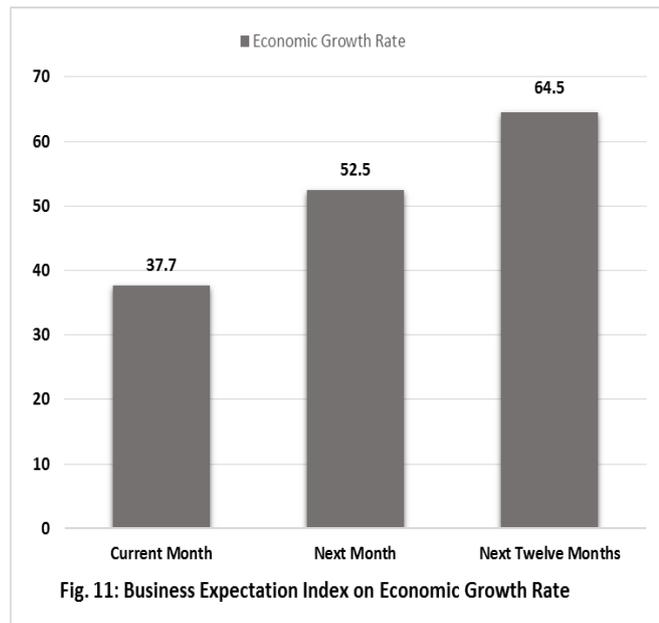
3.7 Expectations on Level of Inflation

The respondents' average expected inflation rate in the next six months and twelve months stood at 11.2 and 11.1 percent, respectively (Table 1).



3.8 Expectations on Economic Growth Rate

Respondents 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 37.7, 52.5 and 64.5 points for the current month, next six months and next twelve months, respectively (Table 1).



3.9 Opinion on Control of Inflation

More respondent firms are satisfied with the management of inflation by the Government with a net satisfaction index of 8.0 per cent in March 2019. The net satisfaction index is the proportion of satisfied less the proportion of dissatisfied respondents (Table 1).

ANNEX: TABLES

TABLE 1

BUSINESS EXPECTATIONS SURVEY DATA

Year	2018					2019		
Month	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
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	22.1	28.2
Next Month	61.6	64.5	64.4	65.6	67.2	62.1	58.5	64.8
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	22.3	27.2
Construction Sector	22.9	16.2	7.7	25.0	26.8	15.6	20.5	13.9
Wholesale and Retail Trade	10.2	26.0	25.3	27.3	36.6	17.6	11.2	25.8
Services Sector of which:	25.2	28.8	25.3	24.6	30.8	23.5	23.6	30.1
Financial Intermediation	29.3	46.4	30.5	34.7	38.0	30.9	22.6	42.5
Hotels and Restaurants	20.4	24.5	22.4	20.6	28.6	5.6	21.2	13.0
Renting and Business Activities	33.9	32.7	33.1	28.3	39.3	33.3	28.3	41.7
Community and Social Services	18.6	19.4	17.9	18.6	21.9	24.3	22.6	27.7
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	54.4	60.9
Construction Sector	64.7	67.6	59.0	72.5	73.2	53.1	52.5	61.1
Wholesale and Retail Trade	48.9	65.8	69.0	77.3	66.7	62.1	60.7	70.8
Services Sector of which:	66.1	67.9	65.0	68.5	67.8	63.6	61.0	66.3
Financial Intermediation	70.7	75.3	71.6	63.3	72.0	59.8	60.7	70.8
Hotels and Restaurants	69.4	73.3	72.6	74.8	64.4	67.5	61.6	66.7
Renting and Business Activities	70.3	70.6	61.4	72.3	73.2	65.2	63.0	67.4
Community and Social Services	59.1	59.7	60.5	64.4	63.5	61.6	59.1	62.6
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	10.5	10.3
Construction Sector	-5.9	-22.2	-10.5	2.5	0.0	18.8	-2.5	13.9
Wholesale and Retail Trade	15.9	5.5	24.1	12.6	23.7	24.1	24.7	22.5
Services Sector	14.9	17.0	16.7	15.0	20.9	14.4	16.1	12.7
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	15.4	15.4
Volume of Total Order Book Index	9.1	16.0	17.4	17.4	22.9	16.0	15.9	15.1
Credit Access Index	-1.0	-0.7	-0.1	0.3	2.2	2.4	2.4	2.9
Financial Condition Index	8.4	11.6	15.6	13.0	21.4	15.6	14.4	12.8
Average Capacity Utilization	15.9	18.3	23.0	20.8	25.5	22.5	21.7	20.0
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	64.4	69.3
Employment Outlook Index	24.5	24.4	27.5	25.1	30.7	27.6	24.8	25.9
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	24.6	31.5
Construction Sector	11.4	16.2	10.3	17.5	9.8	25.0	12.5	16.7
Wholesale and Retail Trade	20.5	17.8	29.9	21.8	18.3	13.8	22.5	23.6
Services Sector	27.5	27.7	30.3	25.3	30.8	28.9	26.1	23.8
8. Business with Expansion Plans (in per cent): Next Month								
Industrial Sector	5.9	-4.1	6.5	4.2	14.3	11.4	4.0	14.6
Construction Sector	-10.0	18.5	0.0	-8.3	-7.1	42.9	4.0	30.0
Wholesale and Retail Trade	7.7	16.7	17.9	11.1	5.7	3.4	10.0	-2.0
Services Sector of which:	21.9	24.0	25.3	26.7	28.3	41.2	27.1	27.7
Financial Intermediation	43.3	44.1	53.8	38.5	44.1	81.8	72.4	59.5
Hotels and Restaurants	0.0	8.5	9.4	14.7	5.6	20.0	22.4	2.5
Renting and Business Activities	41.1	49.0	33.3	35.1	38.3	41.3	25.0	47.6
Community and Social Services	6.2	1.5	12.1	19.7	24.2	31.6	9.1	10.3

TABLE 1 (Continued)
BUSINESS EXPECTATIONS SURVEY DATA

Year Month	2018					2019		
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
9. Business Constraints: Current Month								
High Interest Rate	57.0	54.9	54.4	57.9	57.5	60.0	55.2	55.3
Unclear Economic Laws	48.1	47.1	48.8	51.0	52.0	53.5	48.9	49.4
Lack of Equipment	34.8	31.9	31.6	32.4	32.3	36.6	33.7	31.5
Insufficient Demand	47.3	44.5	44.0	41.2	42.9	45.7	42.4	42.8
Access to Credit	42.2	40.4	42.7	41.3	42.6	43.7	41.4	41.8
Financial Problems	54.9	51.6	52.2	51.2	53.4	52.9	53.0	51.8
Competition	41.9	39.3	39.0	39.4	42.4	44.2	41.6	40.2
Labor Problems	12.9	14.0	14.4	16.6	14.4	21.3	19.5	17.9
Lack of Materials Input	30.2	24.5	24.7	23.8	26.8	28.4	27.6	27.3
Unfavourable Political Climate	46.0	46.9	48.0	48.6	47.5	50.8	51.8	50.0
Unfavourable Economic Climate	54.8	53.6	53.3	55.1	54.3	55.3	55.2	54.6
Insufficient Power Supply	66.0	65.9	67.2	64.7	64.0	61.6	63.3	63.9
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	23.3	33.1
Borrowing Rate	2.6	3.7	4.7	5.8	7.1	20.0	17.6	15.5
Economic Growth Rate	-	-	-	-	-	35.5	34.3	37.7
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	32.6	44.9
Borrowing Rate	-0.6	1.8	2.0	2.2	2.9	6.7	0.3	0.4
Economic Growth Rate	-	-	-	-	-	42.7	45.7	52.5
12. Business Expectation Index on Selected Economic Indicators: Next Twelve Months								
N/\$ Exchange Rate	-	-	-	-	-	44.6	54.7	55.7
Borrowing Rate	-	-	-	-	-	7.6	2.1	1.8
Economic Growth Rate	-	-	-	-	-	56.4	63.3	64.5
13. Business Outlook index on the Level of Inflation: Next Six Months and Twelve Months (in %)								
Level of Inflation Next Six Months	-	-	-	-	-	11.7	11.3	11.2
Level of Inflation Twelve Six Months	-	-	-	-	-	11.6	11.1	11.1
14. Business Outlook Satisfaction index on the Management of Inflation: (in %)								
Net Satisfaction Index	-	-	-	-	-	3.8	3.3	8.0
15. 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	22.7	23.2
Exporter	27.8	30.0	6.3	25.0	50.0	31.6	31.6	12.5
Both Importer and Exporter	24.0	27.8	15.2	15.2	31.0	29.5	23.2	27.7
Neither Importer nor exporter	23.0	26.3	27.3	26.0	32.1	25.8	21.4	29.5
16. 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	48.0	53.0
Exporter	44.4	65.0	43.8	70.0	88.9	73.7	47.4	31.3
Both Importer and Exporter	57.2	61.9	64.9	60.1	63.5	61.2	64.8	63.9
Neither Importer nor exporter	67.9	67.3	66.9	68.6	68.5	63.3	60.3	68.2
17. 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	21.4	29.0
Medium (50 and <200)	23.6	29.2	22.3	25.7	30.4	30.5	23.5	30.0
Large (200 and Up)	23.9	30.1	21.6	29.9	27.7	23.7	20.4	19.3
18. 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	62.2	68.4
Medium (50 and <200)	61.4	62.3	61.1	68.4	68.4	63.0	56.3	63.0
Large (200 and Up)	47.4	57.7	61.6	54.2	66.2	56.1	47.1	52.2
19. Percentage Distribution of Respondent Firms by Type of Business								
Importer	17.9	17.3	17.4	17.6	15.9	15.5	17.4	15.0
Exporter	1.8	2.0	1.6	1.9	1.7	1.9	1.9	1.6
Both Importer and Exporter	14.2	12.8	12.8	13.4	12.2	14.1	13.9	14.7
Neither Importer nor exporter	66.1	67.8	68.3	67.1	70.1	68.4	66.8	68.7
20. Percentage Distribution of Respondent Firms by Employment Size								
Small (<50)	53.4	55.8	55.6	56.0	55.4	54.6	57.3	58.9
Medium (50 and <200)	31.4	31.6	30.9	29.9	32.0	32.0	28.9	27.5
Large (200 and Up)	15.1	12.6	13.6	14.0	12.6	13.3	13.7	13.5

TABLE 1 (Continued)
BUSINESS EXPECTATIONS SURVEY DATA

Year	2018					2019		
Month	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
21. Distribution of Respondent Firms by Sector								
Sample Size (N)	1050	1050	1050	1050	1050	1050	1050	1050
Response Rate(%)	97.9	93.4	98.4	98.3	98.6	94.8	97.4	96.2
All Sectors	1028	981	1033	1032	1035	995	1023	1010
Industrial Sector	345	318	352	346	339	328	334	321
Construction Sector	35	37	39	40	41	32	40	36
Wholesale and Retail Trade	88	73	87	88	93	87	89	89
Services Sector of which:	<u>560</u>	<u>553</u>	<u>555</u>	<u>558</u>	<u>562</u>	<u>548</u>	<u>560</u>	<u>564</u>
Financial Intermediation	92	97	95	98	100	97	84	106
Hotels and Restaurants	98	102	107	107	119	125	152	138
Renting and Business Activities	165	153	158	159	151	141	138	132
Community and Social Services	205	201	195	194	192	185	186	188
22. 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	7.3	8.6
Construction Sector	0.8	0.6	0.3	1.0	1.1	0.5	0.8	0.5
Wholesale and Retail Trade	0.9	1.9	2.1	2.3	3.3	1.5	1.0	2.3
Services Sector	13.7	16.2	13.6	13.3	16.7	13.0	12.9	16.8
23. 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	17.7	19.4
Construction Sector	2.2	2.5	2.2	2.8	2.9	1.7	2.1	2.2
Wholesale and Retail Trade	4.2	4.9	5.8	6.6	6.0	5.4	5.3	6.2
Services Sector	36.0	38.3	34.9	37.0	36.8	35.0	33.4	37.0
24. Business Confidence Index on Own Operations by Sector: Current Month								
Industrial Sector	-1.1	2.1	4.5	3.3	7.6	4.9	3.4	3.3
Construction Sector	-0.2	-0.8	-0.4	0.1	0.0	0.6	-0.1	0.5
Wholesale and Retail Trade	1.4	0.4	2.0	1.1	2.1	2.1	2.2	2.0
Services Sector	8.1	9.6	9.0	8.1	11.3	8.0	8.8	7.1
25. Employment Outlook Index on Own Operations by Sector: Next Month								
Industrial Sector	7.4	6.8	8.3	8.9	11.9	9.6	8.0	10.0
Construction Sector	0.4	0.6	0.4	0.7	0.4	0.8	0.5	0.6
Wholesale and Retail Trade	1.8	1.3	2.5	1.9	1.6	1.2	2.0	2.1
Services Sector	15.0	15.6	16.3	13.7	16.7	15.9	14.3	13.3
26. Drivers of macroeconomic Outlook by type of business: Current Month								
Importer	2.4	2.8	2.4	3.9	3.3	3.5	4.0	3.5
Exporter	0.5	0.6	0.1	0.5	0.9	0.6	0.6	0.2
Both Importer and Exporter	3.4	3.6	1.9	2.0	3.8	4.2	3.2	4.1
Neither Importer nor exporter	15.2	17.8	18.6	17.5	22.5	17.6	14.3	20.3
27. Drivers of macroeconomic Outlook by type of business: Next Month								
Importer	7.8	9.6	9.7	10.3	9.9	8.6	8.4	7.9
Exporter	0.8	1.3	0.7	1.4	1.5	1.4	0.9	0.5
Both Importer and Exporter	8.1	8.0	8.3	8.1	7.7	8.6	9.0	9.4
Neither Importer nor exporter	44.9	45.6	45.7	46.0	48.0	43.3	40.3	46.8
28. Drivers of macroeconomic Outlook by Size of Business: Current Month								
Small (<50)	10.7	11.8	13.4	12.4	17.4	13.3	12.3	17.1
Medium (50 and <200)	7.4	9.2	6.9	7.7	9.7	9.8	6.8	8.3
Large (200 and Up)	3.6	3.8	2.9	4.2	3.5	3.2	2.8	2.6
29. Percentage Distribution of Respondent Firms by Sector								
Industrial Sector	33.6	32.4	34.1	33.5	32.8	33.0	32.6	31.8
Construction Sector	3.4	3.8	3.8	3.9	4.0	3.2	3.9	3.6
Wholesale and Retail Trade	8.6	7.4	8.4	8.5	9.0	8.7	8.7	8.8
Services Sector	54.5	56.4	53.7	54.1	54.3	55.1	54.7	55.8