

# Central Bank of Nigeria

Statistics Department



## Inflation Attitudes Survey Report

Q1 2020

March 2020

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## 1.0 Executive Summary

The Central Bank of Nigeria (CBN), aside from its price and monetary stability mandate, is also tasked with supporting 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.

Since June 2009, the Statistics Department conducts the inflation attitudes survey on quarterly basis, 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.

The highlights of the Q1 2020 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 prefer interest rates to fall, while inflation rate rises.
- While some of the respondents are aware that the CBN influences the direction of interest rates to control inflation, majority have no idea.

## 2.0 Introduction

The Q1 2020 Inflation Attitudes Survey was conducted during the period February 24th – March 3<sup>rd</sup>, 2020 from a sample size of 2070 Households randomly selected from 207 Enumeration Areas (EAs) across the country, with a response rate of 99.8 per cent.

## 3.0 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 56.3 per cent of the respondents believed that the economy would end up weaker, 7.6 per cent stated that it would be stronger, 20.7 per cent of the respondents believed it would make a little difference, while 15.4 per cent did not know. The responses showed considerable support for price stability, as majority (56.3 per cent) agreed that the economy will end up weaker. This is consistent with the notion that inflation constrains economic growth.

When asked how prices have changed over the past 12 months, respondents gave a median answer of 3.6 per cent. Of the total respondents, 13 per cent thought prices had gone down or not changed, 57.6 per cent felt that prices had risen by at least 3.0 per cent, while 27.8 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 1.7 per cent.

The median expectation of price changes over the next 12 months was that prices would inch up by 3.2 per cent. From the total responses, 51.3 per cent of the respondents expected prices to rise by at least 3.0 per cent over the next 12 months, 24 per cent expected prices to increase by more than 1 per cent, but less than 3 per cent. However, 22.1 per cent of the respondents were optimistic that prices over the next 12 months would either go down or remain the same (Fig. 1, Table 1).

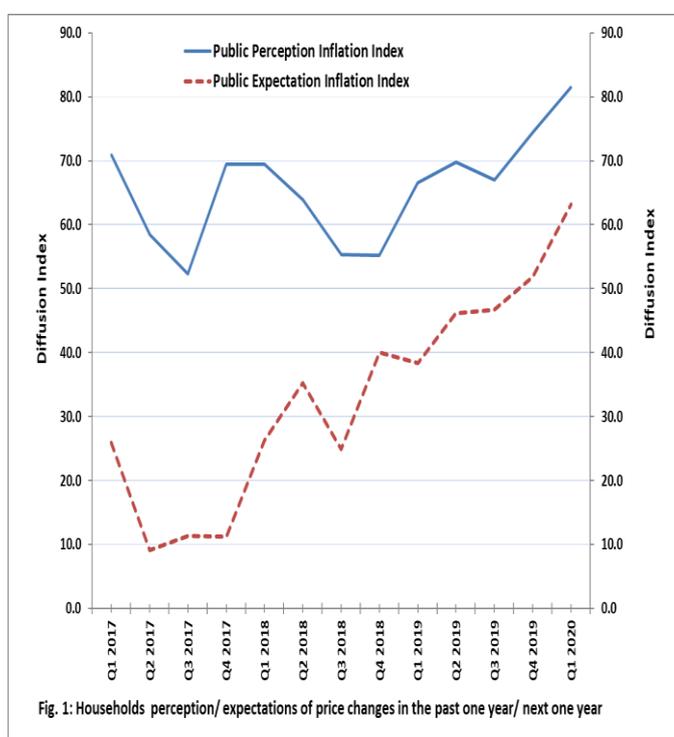


Fig. 1: Households perception/ expectations of price changes in the past one year/ next one year

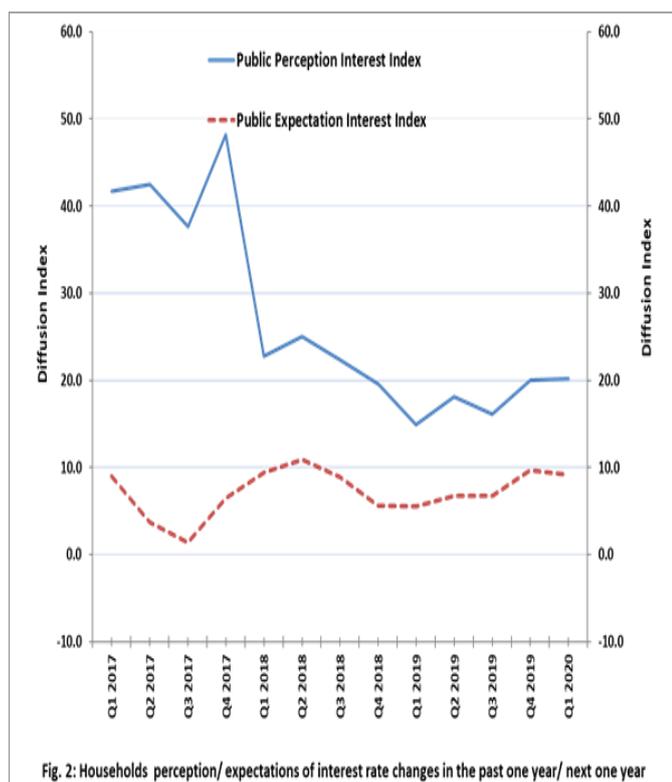
## 4.0 Interest Rates

The percentage of respondent households who felt that interest rates had risen in the last 12 months decreased by 0.4 points to 27.2 points in the current quarter when compared to 27.6 points attained in Q4, 2019. On the other hand, 7.0 per cent of respondents believed that interest rates had fallen, while 46.4 per cent of the households had no idea. The result revealed that more households had no idea on the direction of interest rate in the past 12 months.

On the expected change in interest rates on bank loans and savings over the next 12 months,

some respondents (24.8 per cent) were of the view that the rates will rise, while 15.6 per cent believed that the rates will fall. However, more respondents (43.3 per cent) of the respondents had no idea.

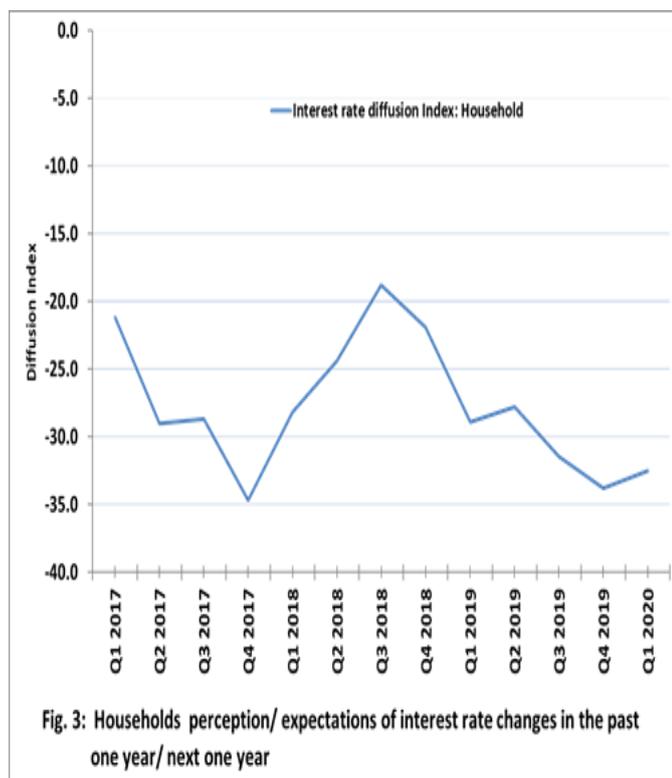
Furthermore, respondents were asked whether it would be best for the Nigerian economy if interest rates rise or fall. The results showed that 39.2 per cent indicated that it would be best for the Nigerian economy if interest rates fell, while 6.7 per cent opted for higher interest rates. Those that thought that it would make no difference accounted for 16.9 per cent, while 37.2 per cent had no idea (Table1). These responses revealed that, while many of the respondents favored lower interest rates for the Nigerian economy, quite a number had no idea whether it should rise or fall (Fig 2).



### 5.0 Interest Rate-Inflation Nexus

Responses on what the impact of a rise in interest rates in the short and medium terms would have on prices showed that 54.2 per cent thought a rise in interest rates would make prices in the street rise slowly in the short term, as against 5.4 per cent that disagreed. While in the medium term, 52.2 per cent agreed that a rise in interest rates would make prices in the street rise slowly, 6.9 per cent disagreed (Fig. 3).

Respondents were asked to choose between raising interest rates in order to keep inflation down and keeping interest rates down to allow prices to rise. Responding, 30.4 per cent preferred interest rates to rise in order to keep inflation down while 32.8 per cent said they would prefer prices to rise faster, 36.8 per cent of the respondent had no idea.



These responses suggest that given a trade-off, more of the respondents would prefer higher interest rates to higher inflation, which is suggestive of the respondent households' support for the Bank's price stability objective (Fig. 4).

## 6.0 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, 5.5 per cent felt it was the Monetary Policy Committee, 21.9 per cent felt it was the Federal Ministry of Finance, 31 per cent believed it was the Government, 3.2 per cent felt it was the National Assembly, while 1.5 and 36.9 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 30.8 per cent of the respondents were aware that the Central Bank of Nigeria influences the direction of interest rates. However, 10 per cent stated that it was the Government ministers, 4.1 and 18.5 per cent were of the opinion that civil servants and banks influence the rates, respectively. **Majority of the respondents (36.6 per cent) had no idea.**

On what best describes the Monetary Policy Committee, 25.7 per cent felt it was influenced by the Government, 6.9 per cent felt it was the federal ministry of finance, and 5.3 per cent believed that it was the national assembly, while 17.2 per cent thought it was not influenced by any arm of government and 44.9 percent had no idea.

Respondents were asked how satisfied 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, stood at 3.6 per cent. Among the satisfied group, 3.1 per cent were 'very satisfied', while 20.4 per cent were 'fairly satisfied'. However, 21.3 per cent were 'neither satisfied nor dissatisfied' whereas 9.4 per cent were 'very dissatisfied'. Those who had no opinion accounted for 35.2 per cent of the respondents (Fig. 5).

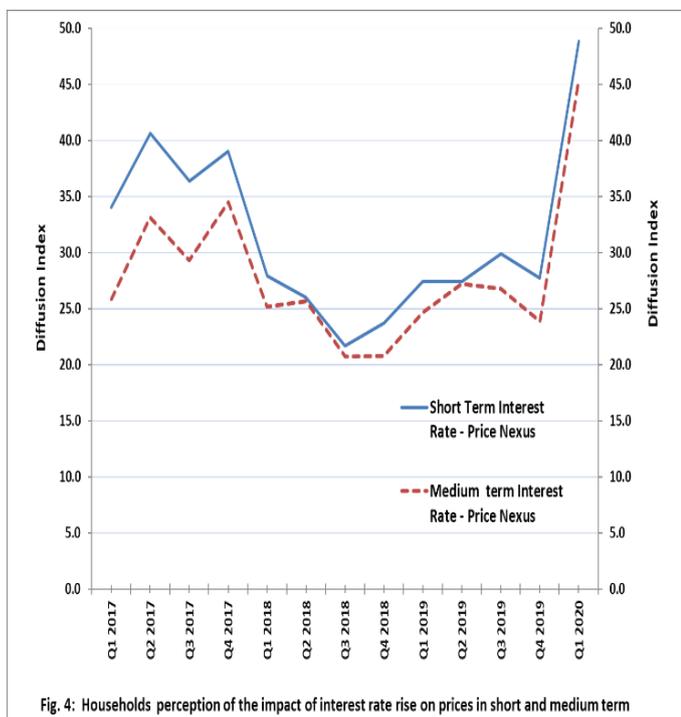


Fig. 4: Households perception of the impact of interest rate rise on prices in short and medium term

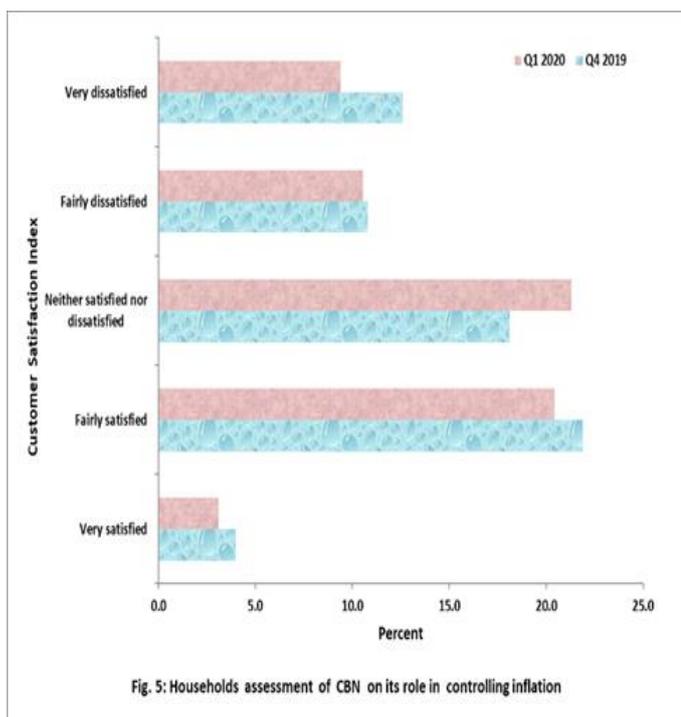


Fig. 5: Households assessment of CBN on its role in controlling inflation

## ANNEX: TABLES

TABLE 1													
INFLATION ATTITUDES SURVEY DATA													
	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
<b>Q.1 Generally, price of items that were sold N1,000 a year ago now sells for</b>													
Less than N1000	2.3	7.6	10.8	8.6	8.7	11.6	14.7	15.5	9.7	8.2	10.0	6.3	3.9
N1000	6.9	14.4	15.3	6.7	7.5	6.6	8.7	8.4	11.4	11.0	9.1	8.8	9.1
N1010 to N1030	11.1	13.9	17.9	15.5	16.9	17.5	13.5	17.0	19.6	28.4	22.0	21.2	27.8
Above N1030	62.1	52.1	45.2	62.6	61.2	58.0	56.5	53.7	56.7	49.6	54.9	59.5	57.6
No idea	17.6	11.8	10.8	6.6	5.8	6.3	6.5	5.3	2.6	2.8	3.8	4.1	1.7
Median (%)	6.8	4.2	3.1	5.1	4.7	4.3	4.5	3.8	3.8	3.1	0.1	4.1	3.6
<b>Q. 2 How much will you expect prices of items that are currently sold for N1,000 to change in the next 12</b>													
Less than N1000	21.23	30.2	27.8	35.4	29.1	24.3	28.4	22.5	22.3	19.2	17.7	15.3	12.1
N1000	12.1	15.9	18.8	8.5	7.8	7.6	8.5	8.4	12.3	12.2	12.4	12.7	10.0
N1010 to N1030	16.6	17.7	19.1	13.6	14.2	15.8	12.5	14.3	16.5	22.1	20.4	19.3	24.0
Above N1030	30.6	21.6	20.0	33.0	41.1	43.9	40.8	48.2	44.2	43.3	44.0	47.8	51.3
No idea	19.5	14.7	14.3	9.5	7.8	8.4	9.6	6.4	4.7	3.2	5.4	5.0	2.7
Median (%)	1.8	0.6	0.6	1.2	2.3	2.8	2.3	2.3	2.3	2.3	2.7	3.0	3.2
<b>Q. 3 If prices started to rise faster than they do now, do you think Nigeria's economy would...?</b>													
End up stronger	13.5	13.4	12.1	11.3	11.6	11.0	12.1	14.2	8.1	5.3	6.4	6.7	7.6
Make little difference	18.61	20.3	23.7	21.4	16.2	17.7	17.7	18.3	20.7	22.3	19.5	20.9	20.7
Be weak	50.4	50.0	47.0	57.2	54.7	49.7	48.4	44.0	49.3	51.5	52.9	50.1	56.3
Don't know	17.4	16.3	17.1	10.1	17.2	21.5	21.6	22.8	21.9	20.9	21.2	22.3	15.4
<b>Q. 4 What do you think of this year's Governmentrate anticipated inflation rate?</b>													
Too high	39.9	38.9	35.9	42.6	30.8	27.2	30.0	26.4	16.5	14.4	17.5	19.7	18.5
Too low	17.2	18.3	18.3	18.2	17.2	14.3	16.6	19.7	16.4	15.8	14.9	15.6	13.1
About right	20.9	19.4	20.0	20.5	14.9	19.5	19.3	22.0	17.7	22.2	20.0	20.9	23.1
No idea	22.0	23.3	25.6	18.6	37.0	38.7	33.8	31.6	49.4	47.6	47.5	43.8	45.3
<b>Q. 5 How has interest on bank loans changed over the last 12 months?</b>													
Risen significantly	30.03	30.9	28.4	28.9	14.8	14.5	14.8	14.9	6.0	4.3	4.4	5.9	7.6
Risen marginally	24.58	22.8	22.0	27.4	16.8	17.9	14.5	13.7	16.2	21.1	19.8	21.7	19.6
No change	16.04	16.6	19.2	15.4	15.3	17.0	18.1	16.8	17.9	18.7	20.0	20.8	19.5
Fallen marginally	8.2	7.1	8.5	4.7	4.5	5.4	4.7	6.4	4.9	4.6	6.5	6.2	5.1
Fallen significantly	4.78	4.1	4.3	3.4	4.3	2.0	2.3	2.6	2.4	2.7	1.6	1.4	1.9
No idea	16.4	18.6	17.5	20.2	44.3	43.2	45.4	45.6	52.6	48.6	47.6	44.1	46.4
Total saying 'rise'	54.6	53.7	50.4	56.3	31.6	32.4	29.3	28.6	22.2	25.4	24.2	27.6	27.2
Total saying 'fall'	13.0	11.2	12.8	8.1	8.8	7.4	7.0	9.0	7.3	7.3	8.1	7.6	7.0
Net rise	41.7	42.5	37.6	48.2	22.8	25.0	22.3	19.6	14.9	18.1	16.1	20.0	20.2
<b>Q. 6 How would you expect interest rates to change over the next 12 months?</b>													
Rise a lot	16.4	14.0	14.4	15.2	12.2	11.0	10.0	10.0	5.4	4.3	4.9	7.5	6.5
Rise a little	21.85	21.9	20.2	21.7	14.7	15.6	13.5	13.0	14.5	17.6	16.5	17.3	18.3
Stay about the same	17.38	17	17.7	15.8	13.2	16.3	17.3	13.5	15.5	16.6	17.8	17.8	16.3
Fall a little	18.71	20.5	20.4	17.7	10.9	9.7	7.9	11.0	9.6	8.4	9.9	9.5	10.6
Fall a lot	10.5	11.7	12.8	12.7	6.6	5.9	6.7	6.4	4.8	6.8	4.8	5.6	5.1
No idea	15.06	15	14.4	16.8	42.4	41.5	44.5	46.1	50.1	46.3	46.0	42.3	43.3
Total saying 'rise'	38.3	35.9	34.6	36.9	26.9	26.6	23.5	23.0	19.9	21.9	21.4	24.8	24.8
Total saying 'fall'	29.3	32.2	33.2	30.4	17.5	15.6	14.6	17.4	14.4	15.2	14.7	15.1	15.6
Net rise	9.0	3.7	1.4	6.5	9.4	10.9	8.9	5.6	5.5	6.7	6.7	9.7	9.2
<b>Q. 7 What do you think would be best for the Nigerian economy, for lending interest rates to rise or to fall?</b>													
Go up	19.1	16.2	16.4	19.6	13.3	12.8	15.6	11.1	5.9	4.9	6.5	5.2	6.7
Go down	40.3	45.2	45.1	54.3	41.5	37.2	34.4	33.0	34.8	32.7	37.9	39.0	39.2
Make no difference	23.2	21.4	23.3	11.7	8.5	13.2	11.1	12.7	14.6	18.1	14.6	16.2	16.9
No idea	17.3	17.1	15.1	14.0	36.4	35.0	38.3	40.2	44.7	44.3	40.6	39.5	37.2

TABLE 1 (CONT'D)

INFLATION ATTITUDES SURVEY DATA													
	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
<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	22.1	23.0	22.1	21.8	13.1	15.0	11.2	10.4	5.4	7.3	8.6	7.5	11.2
Agree	29.8	32.5	30.9	34.4	27.1	24.9	25.2	24.8	30.2	28.2	30.5	29.8	43.0
Neither agree nor disagree	18.6	18.4	20.0	15.3	12.6	10.0	11.9	12.8	15.4	17.9	16.0	18.3	13.1
Disagree	13.8	10.7	12.8	11.9	9.2	10.0	9.6	8.5	5.9	6.0	6.0	7.2	4.2
Disagree strongly	4.0	4.2	3.8	5.3	3.2	4.0	5.1	3.0	2.3	2.1	3.1	2.4	1.2
Don't know	11.7	11.3	10.4	11.3	34.9	36.1	37.0	40.5	40.8	38.4	35.7	34.9	27.3
Total agree	51.9	55.5	53.0	56.2	40.2	40.0	36.4	35.2	35.6	35.5	39.0	37.3	54.2
Total disagree	17.8	14.9	16.6	17.2	12.3	14.0	14.7	11.5	8.2	8.1	9.1	9.6	5.4
Net agree	34.0	40.6	36.4	39.0	27.9	26.0	21.7	23.7	27.4	27.4	29.9	27.7	48.8
<b>8b) 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	17.7	18.4	17.3	17.7	10.9	13.1	9.1	10.5	6.4	7.7	8.8	8.5	12.1
Agree	29.0	32.9	30.6	35	28.3	26.1	26.2	23.1	27.9	27.9	27.8	26.9	40.1
Neither agree nor disagree	18.4	16.5	20.9	17.5	12.5	11.2	12.4	13.1	15.7	17.6	16.2	18.0	13.8
Disagree	14.8	13.0	12.5	13.5	10.3	9.8	10.0	8.9	7.0	5.8	6.6	8.4	5.4
Disagree strongly	6.07	5.2	6.1	4.7	3.71	3.67	4.6	3.9	2.6	2.6	3.3	3.1	1.5
Don't know	14.0	13.9	12.5	11.7	34.3	36.2	37.7	40.5	40.5	38.4	37.1	35.1	27.2
Total agree	46.7	51.3	47.9	52.7	39.2	39.2	35.3	33.6	34.3	35.6	36.7	35.4	52.2
Total disagree	20.9	18.2	18.6	18.2	14.0	13.5	14.6	12.8	9.6	8.4	9.9	11.5	6.9
Net agree	25.9	33.1	29.3	34.5	25.2	25.7	20.7	20.8	24.7	27.2	26.8	23.9	45.3
<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 rates to rise	44.7	42.2	44.2	38.6	27.2	26.3	23.9	21.5	20.8	23.7	22.5	19.0	30.4
Interest rates to fall	18.6	17.7	21.7	36.5	31.6	28.0	28.2	25.4	29.3	29.4	33.7	38.1	32.8
No idea	36.5	39.8	33.9	24.7	40.9	45.6	47.9	50.9	49.9	46.9	43.4	42.9	36.8
<b>Q.10 Which group of people meets to set Nigeria's monetary policy rate?</b>													
Monetary Policy Committee	52.7	54.5	55.4	55.1	24.7	27.6	21.4	23.6	19.3	21.7	22.2	21.7	5.5
The Government	10.1	11.2	10.3	14.3	16.5	17.0	20.8	18.6	26.3	24.7	29.6	29.9	31.0
Federal Ministry of Finance	15.6	13.1	15.3	14.4	10.7	10.0	9.7	10.4	5.3	6.6	7.2	8.4	21.9
National Assembly	5.9	5.0	4.6	3.9	4.0	4.7	4.3	4.2	2.1	1.9	2.1	3.3	3.2
Others	2.8	1.8	1.8	2.1	2.2	2.3	2.5	1.9	1.2	1.0	0.7	0.9	1.5
Don't know	13.0	14.4	12.6	10.3	41.9	38.3	41.3	41.2	45.8	44.1	38.2	35.8	36.9
<b>Q.11 Which of these groups do you think influences the direction of the interest rates?</b>													
Government ministers	6.4	8.7	7.8	6.5	9.3	8.7	10.6	10.4	10.6	10.0	9.6	8.6	10.0
Civil servants	7.2	5.6	6.6	5.1	5.2	4.3	4.9	3.8	3.0	3.5	3.9	4.1	4.1
CBN	73.8	72.1	73.2	70.0	38.2	40.6	35.0	33.3	31.7	35.7	37.2	39.9	30.8
Banks	3.2	3.7	4.0	10.8	9.8	10.8	10.9	10.9	13.3	9.7	13.8	13.1	18.5
No idea	9.4	9.9	8.3	7.6	37.3	35.4	38.3	38.9	41.4	41.2	35.4	34.3	36.6
<b>Q.12 Which of the following best describes the independence of the Monetary Policy Committee?</b>													
Influenced by the Government	20.6	22.1	23.6	27.4	18.8	20.6	20.7	21.7	25.6	25.0	27.5	27.8	25.7
Influenced by the Federal Ministry of Finance	29.5	30.7	29.6	24.4	13.7	12.6	14.2	13.6	8.9	8.7	10.1	10.4	6.9
Influenced by the National Assembly	26.2	26.4	26.3	8.5	5.4	8.1	5.1	6.5	4.1	5.4	5.8	6.6	5.3
Not influenced by any arm of Government	8.7	7.0	8.6	23.4	14.2	10.7	9.5	9.4	7.5	9.9	11.0	14.6	17.2
No idea	15.0	13.7	11.7	16.2	47.7	47.4	49.7	48.4	54.0	50.9	45.5	40.6	44.9
<b>Q.13 Overall, how satisfied or dissatisfied are you with the way the Central Bank of Nigeria</b>													
Very satisfied	18.6	23.3	25.6	10.1	6.0	6.6	8.2	11.4	4.3	3.6	6.5	4.0	3.1
Fairly satisfied	30.1	40.9	35.7	35.6	22.8	21.0	20.3	17.6	20.6	22.1	18.9	21.9	20.4
Neither satisfied nor dissatisfied	17.9	14.4	19.6	18.5	12.8	11.1	10.3	9.8	16.6	17.0	18.9	18.1	21.3
Fairly dissatisfied	0.0	0.0	0.0	11.4	8.1	7.3	9.0	8.5	6.2	7.0	8.0	10.8	10.6
Very dissatisfied	15.9	10.3	10.4	15.7	14.4	17.6	12.9	14.6	11.7	11.7	12.3	12.6	9.4
No idea	11.4	11.1	8.6	8.7	35.8	36.4	39.3	38.1	40.6	38.7	35.4	32.6	35.2
Total satisfied	48.7	64.2	61.3	45.7	28.8	27.6	28.5	29.0	24.9	25.7	25.4	25.9	23.5
Total dissatisfied	15.9	10.3	10.4	27.1	22.5	24.9	21.9	23.1	17.9	18.7	20.3	23.4	19.9
Net satisfied	32.7	53.9	50.9	18.6	6.3	2.7	6.6	5.9	7.0	7.0	5.1	2.5	3.6