

Central Bank of Nigeria

Statistics Department



Monthly Business Expectations Survey Report

March 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

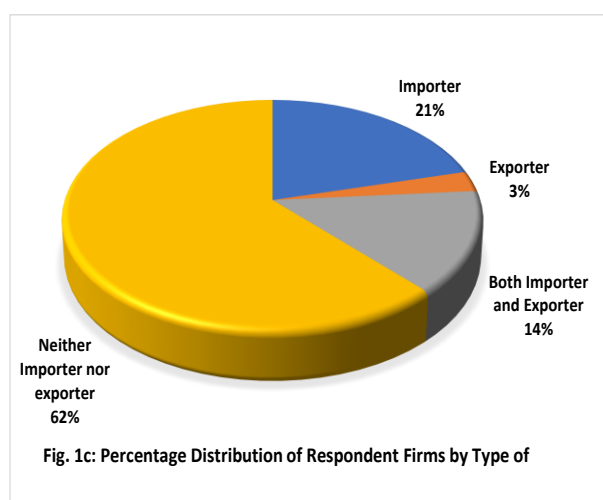
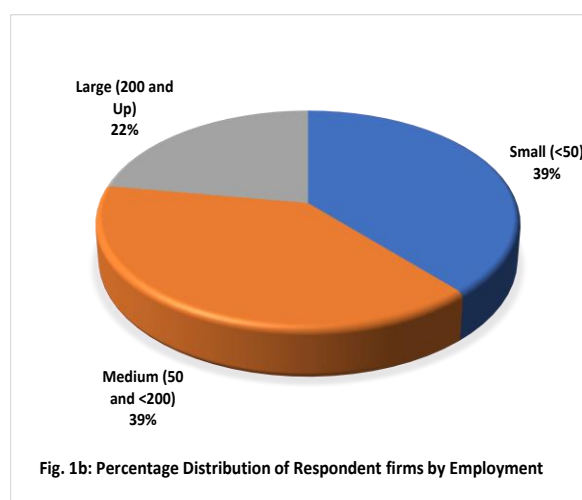
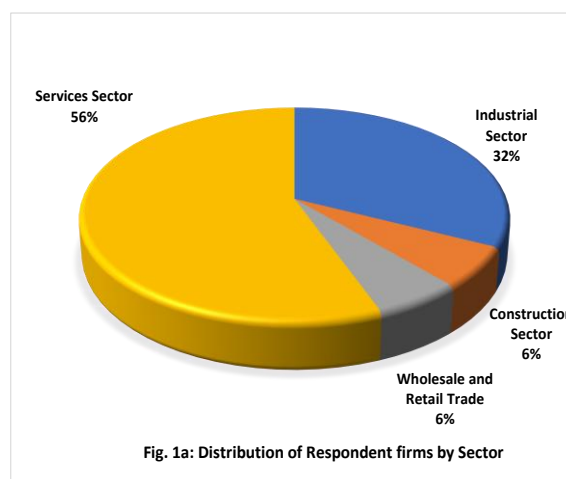
The highlights of the outcome of the Business Expectations Survey in March 2018 are as follows:

- Respondent firms expressed more optimism on the macro economy in March 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 February 2018.
- Firms identified insufficient power supply, high interest rate, unfavourable economic climate, unclear economic policies, financial problems, insufficient demand and unfavourable political climate 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 March 2018 Business Expectations Survey (BES) was carried out during the period March 12-22, 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 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 24.5 index points, respondents' overall confidence index (CI) on the macro economy in March 2018 improved when compared with the level of 14.5 index points recorded in February 2018. The businesses outlook for April 2018 indicated greater confidence on the macro economy at 64.1 index points. (Fig. 2).

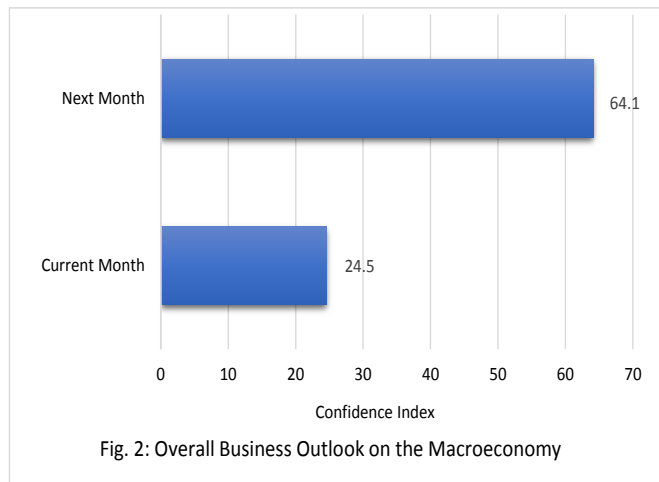


Fig. 2: Overall Business Outlook on the Macroeconomy

The optimism in the current month was driven by the opinion of respondents from services (13.9 points), industrial (7.5 points) construction (1.8 points) and wholesale/retail trade sectors (1.2), while the drivers of the optimism for next month were services (38.5 points), industrial (16.8 points), construction (4.9 points) and wholesale/retail trade (4.0 points) sectors (Fig. 3).

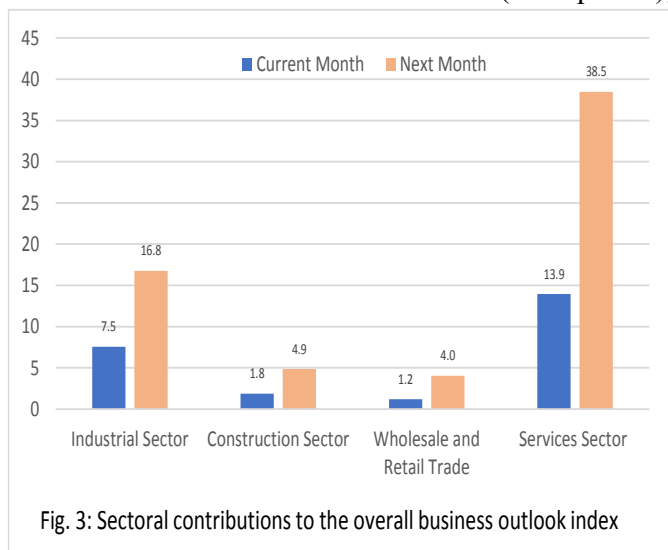


Fig. 3: Sectoral contributions to the overall business outlook index

Furthermore, the positive outlook by type of business in March 2018 was driven by businesses that are both import- and export-oriented (29.1 points), those that are neither import- nor export-oriented (25.9 points), businesses that are export-related (23.5 points), and those that are import-oriented (17.7 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 3.4, 2.2, 1.2 and 0.5, respectively when compared with 1.9, 2.5, -0.3 and -0.5 in February 2018, respectively (Fig 4, Table 1).

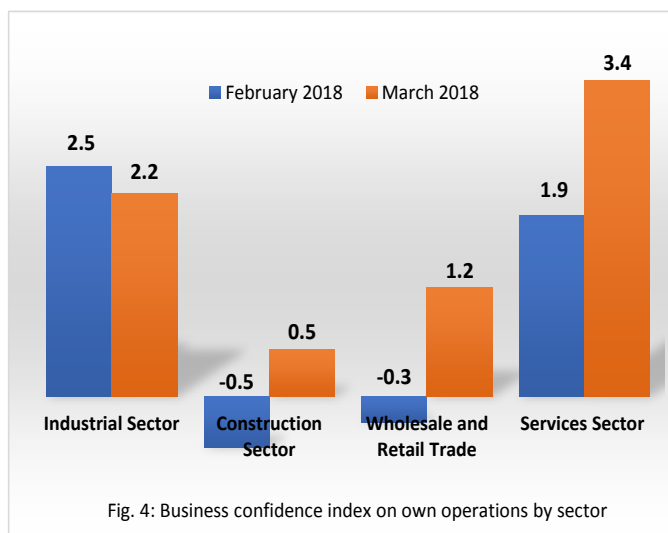
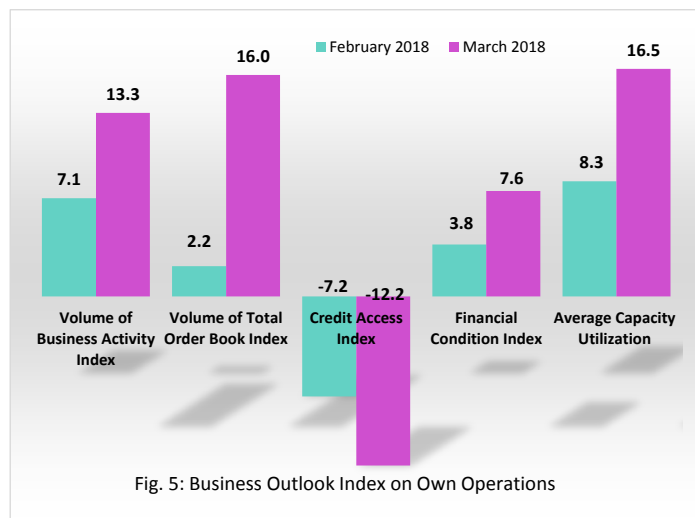


Fig. 4: Business confidence index on own operations by sector

3.2 Financial Condition and Access to Credit

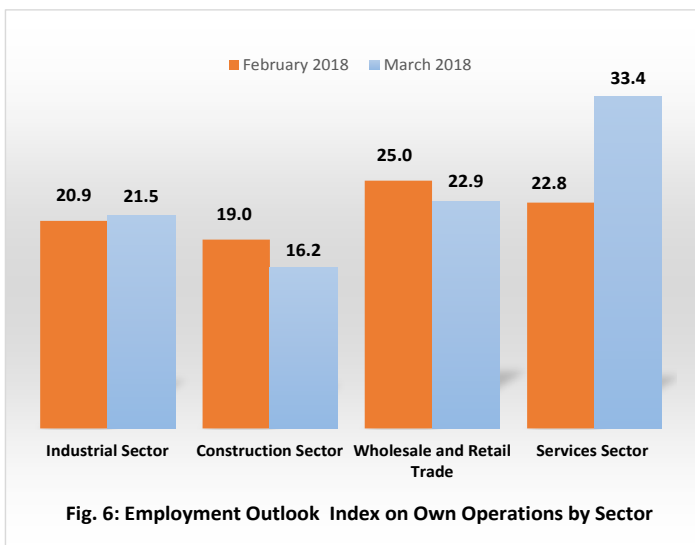
Respondents' outlook on the volume of total order, business activity and financial conditions (working capital) stood at 16.0, 13.3, and 7.6 index points respectively, indicating an improvement in relation to its outlook in February 2018 which was 2.2, 7.1, and 3.8 respectively. (Table 1). The average capacity utilization (CUI) index rose to 16.5 points in March 2018 from 8.3 in February 2018 (Fig. 5, Table 1), which can be attributed to the positive outlook on business activity and financial conditions.



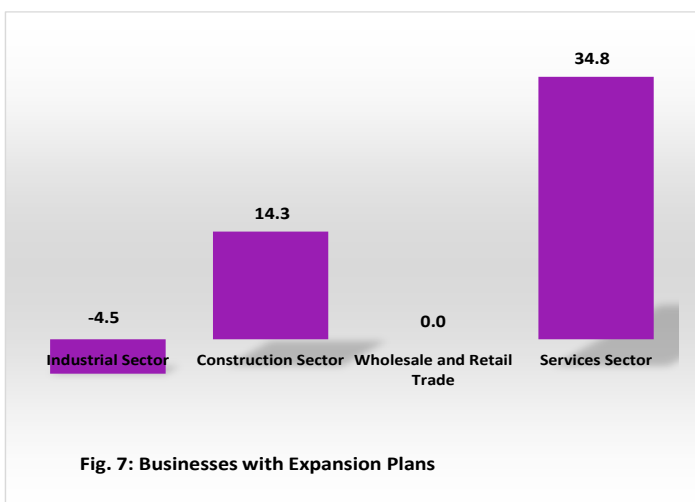
Respondents were however pessimistic on access to credit in the review month with an index of -12.2 points, which is a decline from the 7.2 point recorded in the preceding month.

3.3 Employment and Expansion Plans

The positive outlook in the volume of business activities (69.2 index points) and employment (27.9 index points) indicated a favourable outlook in the next month. The employment outlook index by sector showed that the services sector (33.4 points) indicates the highest prospects for creating jobs, followed by wholesale/retail trade (22.9 points), industrial (21.5 points) and construction (16.2 points) sectors (Fig. 6, Table 1).

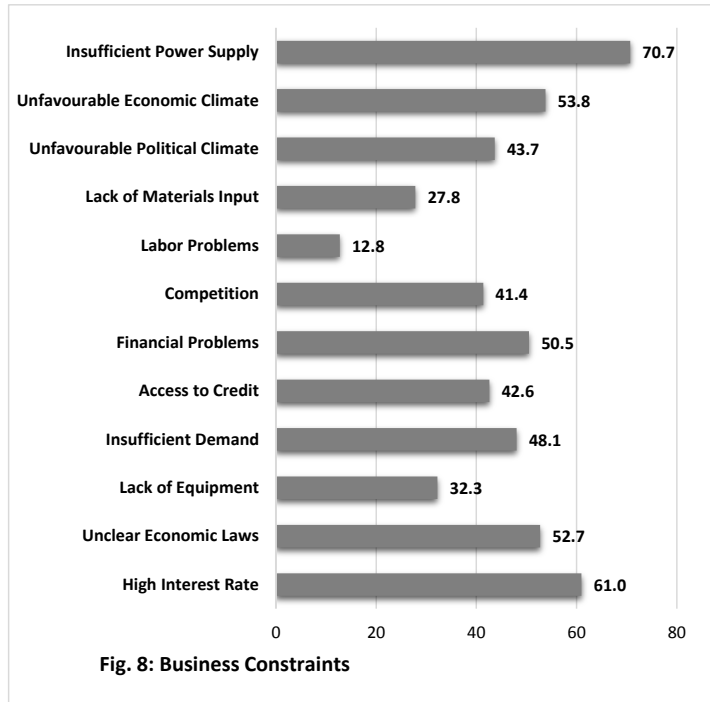


An analysis of businesses with expansion plans by sector in the next month showed that the services and construction sectors indicate greater disposition for expansion with indices of 34.8 and 14.3 points respectively (Fig. 7, Table 1).



3.4 Business Constraints

The surveyed firms identified insufficient power supply (70.7 points), high interest rate (61.0 points), unfavourable economic climate (53.8 points), unclear economic laws (52.7 points), financial problems (50.5), insufficient demand (48.1 points), and unfavourable political climate (43.7 points) as the major factors constraining business activity in the current month (Fig. 8, Table 1).



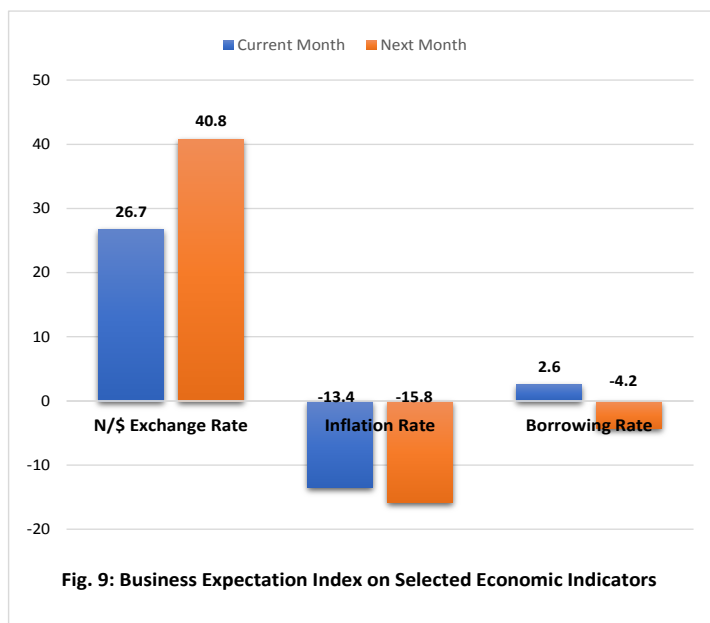
3.5 Expectations on Exchange Rate

Majority of the respondent firms expect the naira to appreciate in the current and next months as the confidence indices stood at 26.7 and 40.8 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 -13.4 and -15.8 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 2.6 and -4.2 points, respectively (Fig. 9, Table 1).



ANNEX: TABLES

TABLE 1

BUSINESS EXPECTATIONS SURVEY DATA

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

TABLE 1 (Continued)
BUSINESS EXPECTATIONS SURVEY DATA

Year	2018	
Month	Feb	Mar
9. Business Constraints: Current Month		
High Interest Rate	65.2	61.0
Unclear Economic Laws	49.6	52.7
Lack of Equipment	30.3	32.3
Insufficient Demand	45.3	48.1
Access to Credit	43.4	42.6
Financial Problems	47.9	50.5
Competition	45.0	41.4
Labor Problems	7.6	12.8
Lack of Materials Input	22.5	27.8
Unfavourable Political Climate	45.2	43.7
Unfavourable Economic Climate	57.0	53.8
Insufficient Power Supply	72.0	70.7
10. Business Expectation Index on Selected Economic Indicators: Current Month		
N/\$ Exchange Rate	19.9	26.7
Inflation Rate	-8.0	-13.4
Borrowing Rate	4.5	2.6
11. Business Expectation Index on Selected Economic Indicators: Next Month		
N/\$ Exchange Rate	33.1	40.8
Inflation Rate	-15.2	-15.8
Borrowing Rate	-11.2	-4.2
12. Business Outlook index on the Macroeconomy by Type of Business: Current Month		
Importer	15.6	17.7
Exporter	50.0	23.5
Both Importer and Exporter	21.8	29.1
Neither Importer nor exporter	10.4	25.9
13. Business Outlook index on the Macroeconomy by Type of Business: Next Month		
Importer	48.1	58.9
Exporter	70.0	70.6
Both Importer and Exporter	50.9	62.8
Neither Importer nor exporter	62.2	65.7
14. Business Outlook index on the Macroeconomy by Size of Business: Current Month		
Small (<50)	-3.9	13.5
Medium (50 and <200)	14.1	26.8
Large (200 and Up)	27.9	38.3
15. Business Outlook index on the Macroeconomy by Size of Business: Next Month		
Small (<50)	54.5	62.0
Medium (50 and <200)	62.5	64.1
Large (200 and Up)	52.7	67.7
16. Percentage Distribution of Respondent Firms by Type of Business		
Importer	21.1	20.8
Exporter	2.7	2.9
Both Importer and Exporter	15.1	14.5
Neither Importer nor exporter	61.1	61.8
17. Percentage Distribution of Respondent Firms by Employment Size		
Small (<50)	21.0	38.6
Medium (50 and <200)	48.4	39.1
Large (200 and Up)	30.6	22.4
No Response	0.0	0.0

TABLE 1 (Continued)
BUSINESS EXPECTATIONS SURVEY DATA

Year	2018	
	Feb	Mar
Month		
18. Distribution of Respondent Firms by Sector		
Sample Size (N)	497	650
Response Rate(%)	73.6	91.8
All Sectors	366	597
Industrial Sector	148	192
Construction Sector	21	37
Wholesale and Retail Trade	16	35
Services Sector of which:	<u>181</u>	<u>333</u>
Financial Intermediation	36	56
Hotels and Restaurants	42	68
Renting and Business Activities	64	121
Community and Social Services	39	88
19. Business Outlook Index on the Macroeconomy by Sector Contribution: Current Month		
Industrial Sector	6.6	7.5
Construction Sector	0.3	1.8
Wholesale and Retail Trade	0.0	1.2
Services Sector	7.7	13.9
	14.5	24.5
20. Business Outlook Index on the Macroeconomy by Sector Contribution: Next Month		
Industrial Sector	21.0	16.8
Construction Sector	3.3	4.9
Wholesale and Retail Trade	1.4	4.0
Services Sector	32.1	38.5
	57.8	64.1
21. Business Confidence Index on Own Operations by Sector: Current Month		
Industrial Sector	2.5	2.2
Construction Sector	-0.5	0.5
Wholesale and Retail Trade	-0.3	1.2
Services Sector	1.9	3.4
	3.6	7.2
22. Employment Outlook Index on Own Operations by Sector: Next Month		
Industrial Sector	8.5	6.9
Construction Sector	1.1	1.0
Wholesale and Retail Trade	1.1	1.3
Services Sector	11.3	18.6
Employment Outlook Index	21.9	27.9
23. Drivers of macroeconomic Outlook by type of business: Current Month		
Importer	3.3	3.7
Exporter	1.4	0.7
Both Importer and Exporter	3.3	4.2
Neither Importer nor exporter	6.3	16.0
Macroeconomic Outlook Index	14.3	24.6
24. Drivers of macroeconomic Outlook by type of business: Next Month		
Importer	10.1	12.3
Exporter	1.9	2.0
Both Importer and Exporter	7.7	9.1
Neither Importer nor exporter	38.0	40.6
Macroeconomic Outlook Index: Next Month	57.7	64.0
25. Drivers of macroeconomic Outlook by Size of Business: Current Month		
Small (<50)	-0.8	5.2
Medium (50 and <200)	6.8	10.5
Large (200 and Up)	8.5	8.6
Macroeconomic Outlook Index: Current Month	14.6	24.3
26. Percentage Distribution of Respondent Firms by Sector		
Industrial Sector	40.4	32.2
Construction Sector	5.7	6.2
Wholesale and Retail Trade	4.4	5.9
Services Sector	49.5	55.8