

Central Bank of Nigeria

Statistics Department



Monthly Business Expectations Survey Report

August 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
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1.0 Highlights

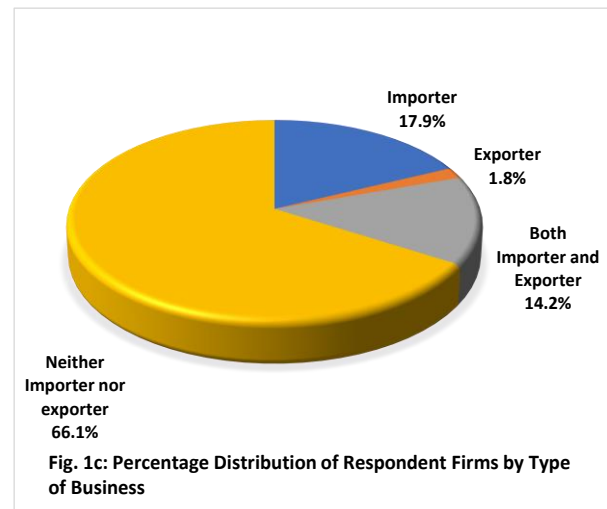
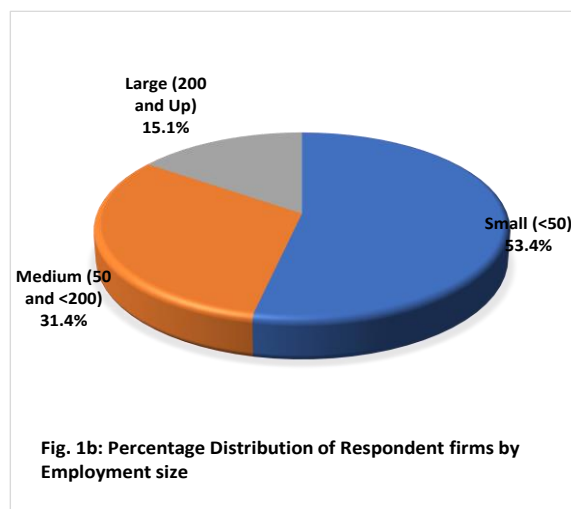
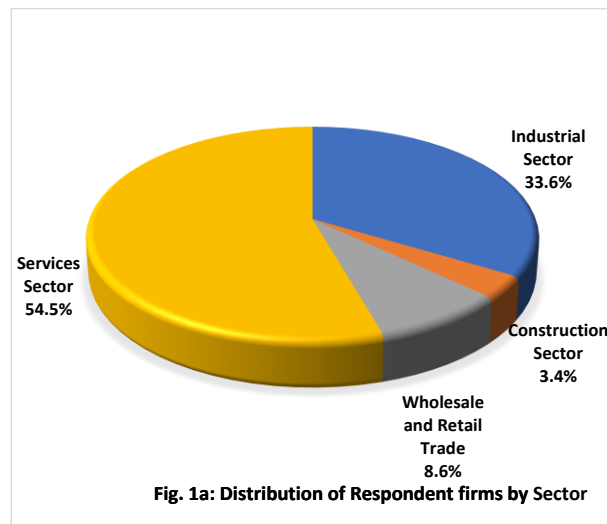
The highlights of the outcome of the Business Expectations Survey in August 2018 are as follows:

- Respondent firms expressed more optimism on the macro economy in August 2018 when compared with the level recorded in the preceding month.
- 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, high interest rate, financial problems, unfavourable economic climate, unclear economic laws, insufficient demand unfavourable political climate and access to credit 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 and fall in the next month.

2.0 Introduction

The August 2018 Business Expectations Survey (BES) was carried out during the period August 09-17, 2018 with a sample size of 1050 businesses nationwide. A response rate of 97.9 per cent was achieved, and the sample covered the services, industry, wholesale/retail trade and construction sectors¹. (Fig. 1a, Table 1)

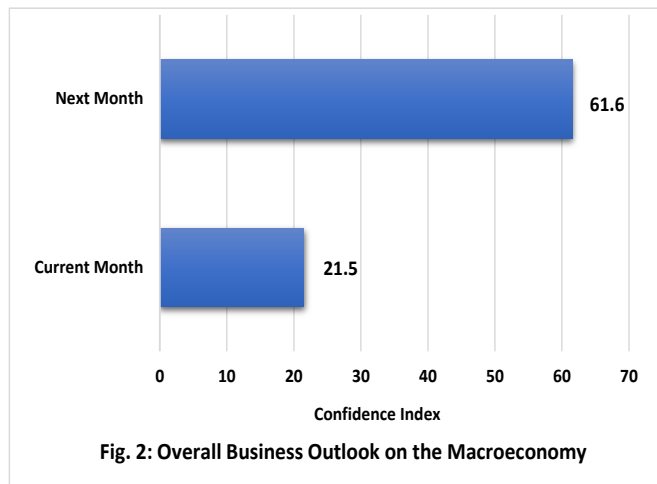
The respondent firms were made up of small, medium and large organisations covering both import- and export-oriented businesses (Figs.1b and 1c, Table 1).



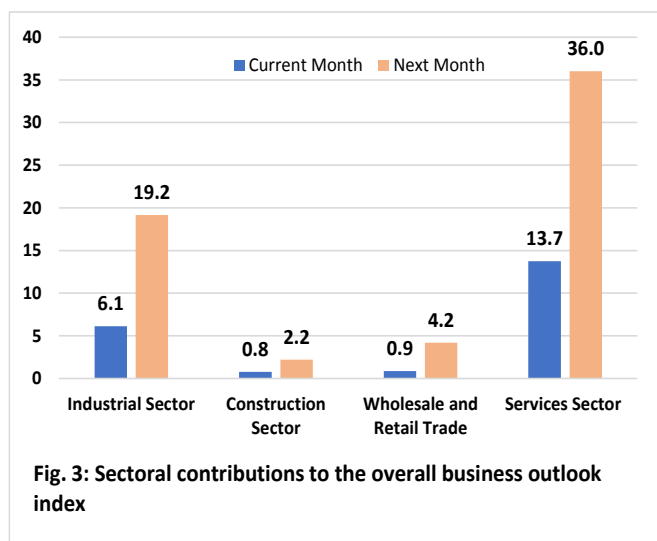
¹ The services sector is made up of Financial Intermediation, Hotels & Restaurants, Renting & Business activities and Community & Social Services

3.0 Business Outlook

At 21.5 index points, respondents' overall confidence index (CI) on the macro economy in August 2018 was more optimistic when compared with the level of 13.6 index points recorded in July 2018. The businesses outlook for September 2018 showed more confidence on the macro economy at 61.6 index points. (Fig.2).



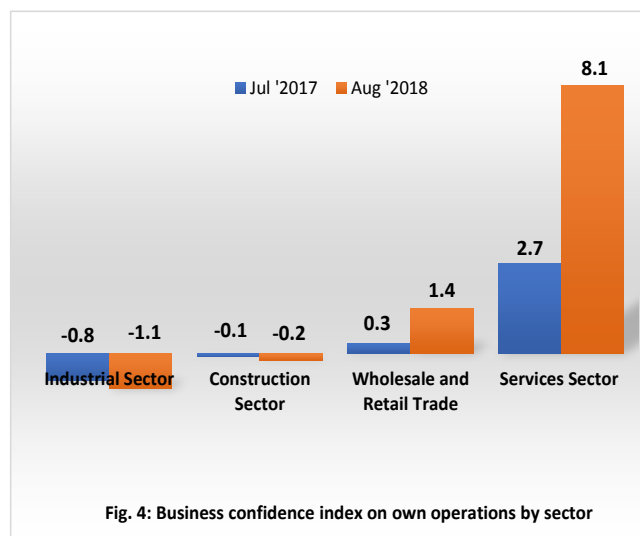
The optimism on the macro economy in the current month was driven by the opinion of respondents from services (13.7 points), industrial (6.1 points), wholesale/retail trade (0.9 points), and construction (0.8 points), sectors, while the drivers of the optimism for next month were services (36.0 points), industrial (19.2 points), wholesale/retail trade (4.2 points), construction (2.2 points) sectors (Fig. 3).



The positive outlook by type of business in August 2018 were driven by businesses that are neither import- nor export-oriented (15.2 points), both import- and export-oriented (3.4 points) import-oriented (2.4 points), and those that are export-related (0.5 points) (Table 1).

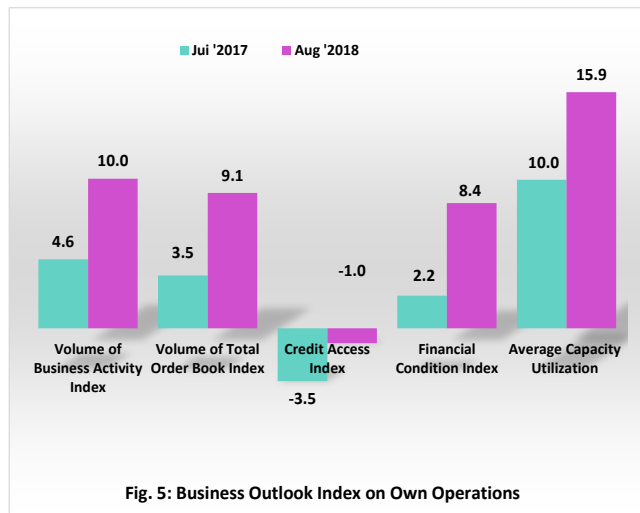
3.1 Business Confidence on Own Operations by Sector

Businesses expressed high optimism on own operations in August 2018 when compared to the previous month. However, respondents from services and wholesale/retail trade sectors expressed relatively more optimism on own operations in the current month with indices of 8.1 and 1.4 respectively when compared with 2.7 and 0.3 reported in July 2018, respectively (Fig 4, Table 1).



3.2 Financial Condition and Access to Credit

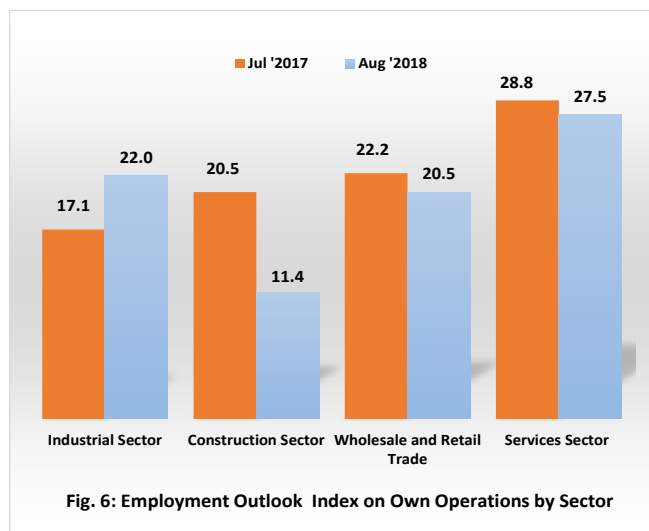
Respondents' outlook on the volume of total order and business activity in August 2018 remained positive, as the index stood at 10.0 and 9.1 points, respectively when compared to 4.6 and 3.5 points, respectively recorded in the previous month. Similarly, respondents' outlook on financial conditions (working capital) and average capacity utilization improved, as the indices stood at 8.4 and 15.9 index points, respectively when compared with the 2.2 and 10.0 points, respectively recorded in July 2018 (Fig.5).



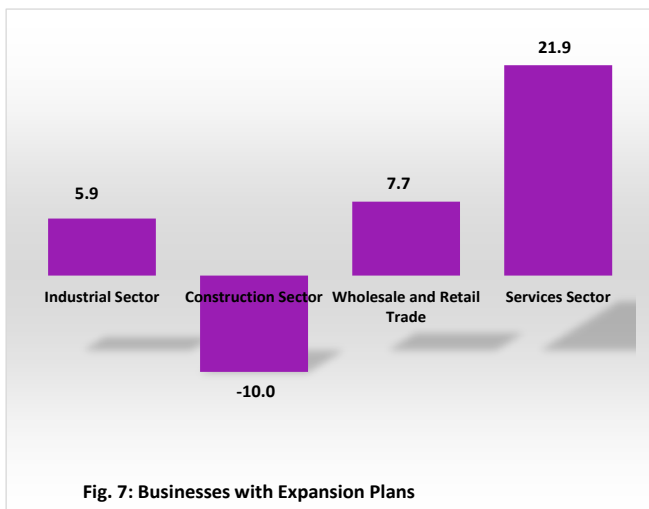
Respondents were pessimistic on access to credit in the review month, with an index of -1.0 points.

3.3 Employment and Expansion Plans

The positive outlook in the volume of business activities (68.2 index points) and employment (24.5 index points) indicated a favourable business outlook in the next month. The employment outlook index by sector showed that the services sector (27.5 points) indicates the highest prospects for creating jobs, followed by industrial (22.0 points), wholesale/retail trade (20.5 points), and construction (11.4 points), sectors (Fig. 6, Table 1).

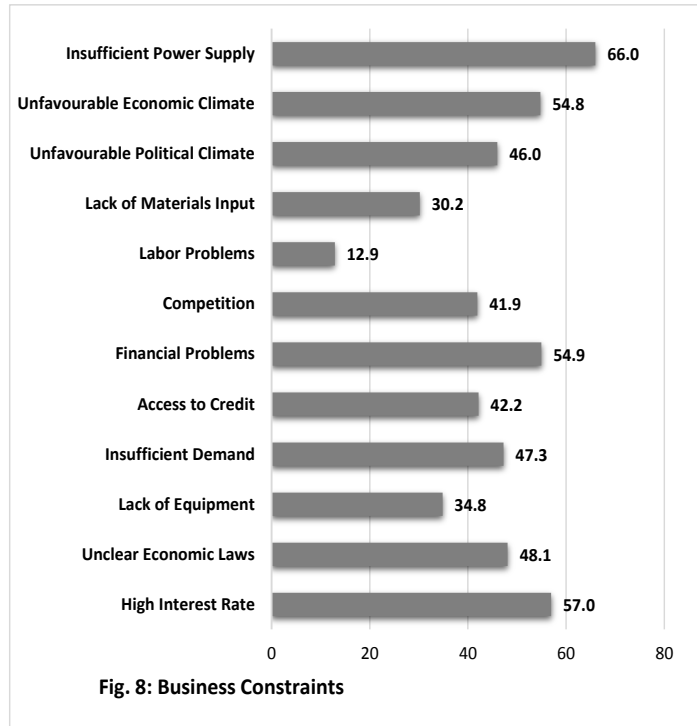


The analysis of businesses expansion plans by sector next month showed that the services sector indicates greater disposition for expansion with an index of 21.9 followed by wholesale/retail trade and industrial sectors with 7.7 and 5.9 index points respectively (Fig. 7, Table 1).



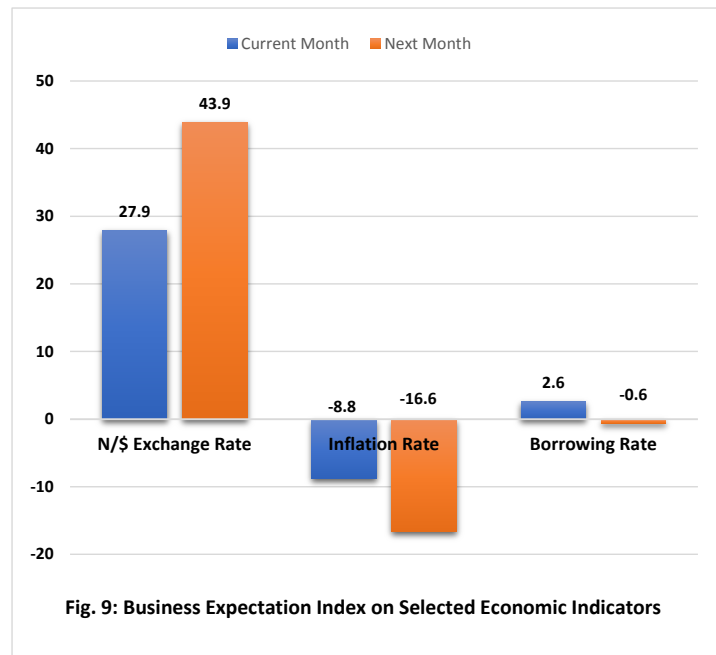
3.4 Business Constraints

The surveyed firms identified insufficient power supply (66.0 points), high interest rate (57.0 points), financial problems (54.9 points), unfavourable economic climate (54.8 points), unclear economic laws (48.1 points), insufficient demand (47.3 points), unfavourable political climate (46.0 points) and access to credit (42.2 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 and next months as the confidence indices stood at 27.9 and 43.9 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 -8.8 and -16.6 points for the current and next months, respectively (Fig. 9).

However, respondent firms expect borrowing rates to rise in August but decline in September 2018, as the confidence indices stood at 2.6 and -0.6 points, respectively (Fig. 9, Table 1).

ANNEX: TABLES

TABLE 1
BUSINESS EXPECTATIONS SURVEY DATA

Year	2018						
Month	Feb	Mar	Apr	May	Jun	Jul	Aug
1. Overall Business Outlook on the Macroeconomy							
Confidence Index: All Sectors							
Current Month	14.5	24.5	28.9	28.9	34.7	13.6	21.5
Next Month	57.8	64.1	66.9	65.5	64.9	58.7	61.6
2. Business Outlook Index on the Macroeconomy by Sector: Current Month							
Industrial Sector	16.3	23.4	23.6	28.2	27.2	11.3	18.3
Construction Sector	4.8	29.7	50.0	22.6	50.0	10.3	22.9
Wholesale and Retail Trade	0.0	20.0	14.3	15.6	36.1	3.7	10.2
Services Sector of which:	15.5	25.0	31.0	31.1	37.8	16.6	25.2
Financial Intermediation	19.4	42.9	41.7	40.4	60.5	19.2	29.3
Hotels and Restaurants	9.5	17.9	15.0	5.6	8.1	-1.1	20.4
Renting and Business Activities	17.2	24.8	37.9	45.2	45.9	37.4	33.9
Community and Social Services	15.4	19.3	27.9	26.0	31.4	6.5	18.6
3. Business Outlook Index on the Macroeconomy by Sector: Next Month							
Industrial Sector	52.0	52.1	56.0	59.8	56.9	51.1	57.1
Construction Sector	57.1	78.4	68.8	61.3	70.0	71.1	64.7
Wholesale and Retail Trade	31.3	68.6	66.7	59.4	61.1	56.3	48.9
Services Sector of which:	65.0	69.0	72.8	69.7	69.8	62.6	66.1
Financial Intermediation	52.8	71.4	76.7	77.2	81.4	51.0	70.7
Hotels and Restaurants	69.0	69.1	75.0	59.3	67.6	64.0	69.4
Renting and Business Activities	73.0	77.5	76.7	74.8	78.2	70.6	70.3
Community and Social Services	59.0	55.7	66.4	66.7	58.5	61.2	59.1
4. Business Confidence Index on Own Operations by Sector: Current Month							
Industrial Sector	6.1	6.8	0.0	11.3	7.7	-2.5	-3.2
Construction Sector	-9.5	8.1	6.3	-6.5	3.3	-2.6	-5.9
Wholesale and Retail Trade	-6.3	20.0	7.1	3.0	13.9	3.7	15.9
Services Sector	3.9	6.1	13.1	18.1	14.1	4.9	14.9
5. Business Outlook Index on Own Operations : Current Month							
Volume of Business Activity Index	7.1	13.3	18.5	16.1	16.1	4.6	10.0
Volume of Total Order Book Index	2.2	16.0	17.2	15.1	16.4	3.5	9.1
Credit Access Index	-7.2	-12.2	-4.5	2.8	4.4	-3.5	-1.0
Financial Condition Index	3.8	7.6	8.5	14.1	11.7	2.2	8.4
Average Capacity Utilization	8.3	16.5	20.0	22.7	23.4	10.0	15.9
6. Business Outlook Index on Own Operations : Next Month							
Volume of Business Activity Index	67.0	69.2	71.1	64.4	66.7	66.2	68.2
Employment Outlook Index	21.9	27.9	23.6	26.0	27.0	24.2	24.5
7. Employment Outlook Index on Own Operations by Sector: Next Month							
Industrial Sector	20.9	21.5	19.5	23.6	26.4	17.1	22.0
Construction Sector	19.0	16.2	16.1	6.5	16.7	20.5	11.4
Wholesale and Retail Trade	25.0	22.9	14.3	18.2	25.0	22.2	20.5
Services Sector	22.8	33.4	27.3	30.0	28.7	28.8	27.5
8. Business with Expansion Plans (in per cent): Next Month							
Industrial Sector	-2.9	-4.5	-28.6	-2.2	-10.4	8.8	5.9
Construction Sector	-6.7	14.3	27.3	11.1	21.7	0.0	-10.0
Wholesale and Retail Trade	28.6	0.0	-22.2	-9.1	21.7	31.8	7.7
Services Sector of which:	40.0	34.8	38.0	31.6	33.6	28.7	21.9
Financial Intermediation	48.4	64.4	51.2	31.7	45.5	45.7	43.3
Hotels and Restaurants	-13.0	-7.0	-10.0	-27.3	-9.1	11.1	0.0
Renting and Business Activities	53.8	45.7	50.0	54.4	48.2	47.7	41.1
Community and Social Services	55.6	27.9	44.4	33.3	23.9	12.1	6.2

TABLE 1 (continued)
BUSINESS EXPECTATIONS SURVEY DATA

Year	2018						
Month	Feb	Mar	Apr	May	Jun	Jul	Aug
9. Business Constraints: Current Month							
High Interest Rate	65.2	61.0	60.2	54.4	59.9	58.1	57.0
Unclear Economic Laws	49.6	52.7	50.9	53.7	49.5	48.9	48.1
Lack of Equipment	30.3	32.3	35.6	34.8	27.7	32.6	34.8
Insufficient Demand	45.3	48.1	46.4	48.6	47.9	45.1	47.3
Access to Credit	43.4	42.6	41.4	41.6	41.6	40.9	42.2
Financial Problems	47.9	50.5	50.7	52.6	50.4	50.6	54.9
Competition	45.0	41.4	44.0	39.7	42.3	39.8	41.9
Labor Problems	7.6	12.8	12.8	14.2	13.2	11.5	12.9
Lack of Materials Input	22.5	27.8	27.9	28.1	22.1	21.6	30.2
Unfavourable Political Climate	45.2	43.7	46.7	49.7	46.0	45.1	46.0
Unfavourable Economic Climate	57.0	53.8	52.7	55.5	52.7	54.3	54.8
Insufficient Power Supply	72.0	70.7	69.6	67.6	63.6	64.1	66.0
10. Business Expectation Index on Selected Economic Indicators: Current Month							
N/\$ Exchange Rate	19.9	26.7	25.4	33.3	29.5	27.3	27.9
Inflation Rate	-8.0	-13.4	-7.3	-5.9	-7.8	-6.9	-8.8
Borrowing Rate	4.5	2.6	1.4	6.5	1.6	5.6	2.6
11. Business Expectation Index on Selected Economic Indicators: Next Month							
N/\$ Exchange Rate	33.1	40.8	39.1	43.7	44.6	44.8	43.9
Inflation Rate	-15.2	-15.8	-13.2	-16.9	-13.2	-15.0	-16.6
Borrowing Rate	-11.2	-4.2	-1.7	-1.2	3.1	-0.9	-0.6
12. Business Outlook index on the Macroeconomy by Type of Business: Current Month							
Importer	15.6	17.7	23.9	19.6	29.3	13.7	13.6
Exporter	50.0	23.5	25.0	31.3	23.1	33.3	27.8
Both Importer and Exporter	21.8	29.1	27.1	22.2	36.7	18.5	24.0
Neither Importer nor exporter	10.4	25.9	31.3	32.8	36.8	11.8	23.0
13. Business Outlook index on the Macroeconomy by Type of Business: Next Month							
Importer	48.1	58.9	53.6	59.8	52.6	50.8	43.5
Exporter	70.0	70.6	62.5	43.8	69.2	47.6	44.4
Both Importer and Exporter	50.9	62.8	63.5	63.3	58.9	61.5	57.2
Neither Importer nor exporter	62.2	65.7	71.8	68.8	70.2	60.5	67.9
14. Business Outlook index on the Macroeconomy by Size of Business: Current Month							
Small (<50)	-3.9	13.5	19.4	24.5	33.2	8.3	20.0
Medium (50 and <200)	14.1	26.8	33.2	31.2	31.3	17.0	23.6
Large (200 and Up)	27.9	38.3	38.8	30.7	43.4	24.8	23.9
15. Business Outlook index on the Macroeconomy by Size of Business: Next Month							
Small (<50)	54.5	62.0	69.9	68.1	69.4	58.9	65.8
Medium (50 and <200)	62.5	64.1	64.4	63.5	59.4	59.0	61.4
Large (200 and Up)	52.7	67.7	66.1	64.3	65.6	56.8	47.4
16. Percentage Distribution of Respondent Firms by Type of Business							
Importer	21.1	20.8	19.0	19.2	20.4	18.5	17.9
Exporter	2.7	2.9	2.7	2.7	2.3	2.1	1.8
Both Importer and Exporter	15.1	14.5	14.3	16.8	15.8	13.7	14.2
Neither Importer nor exporter	61.1	61.8	64.0	61.2	61.4	65.7	66.1
17. Percentage Distribution of Respondent Firms by Employment Size							
Small (<50)	21.0	38.6	38.2	39.1	41.3	53.5	53.4
Medium (50 and <200)	48.4	39.1	41.5	39.3	37.3	31.5	31.4
Large (200 and Up)	30.6	22.4	20.3	21.6	21.4	15.0	15.1
No Response	0.0	0.0	0.0	0.0	0.0	0.0	0.0
18. Distribution of Respondent Firms by Sector							
Sample Size (N)	497	650	650	650	650	1050	1050
Response Rate(%)	73.6	91.8	91.7	91.8	87.5	94.7	97.9
All Sectors	366	597	596	597	569	994	1028
Industrial Sector	148	192	191	195	195	321	345
Construction Sector	21	37	32	31	30	39	35
Wholesale and Retail Trade	16	35	28	33	36	81	88
Services Sector of which:	<u>181</u>	<u>333</u>	<u>345</u>	<u>338</u>	<u>308</u>	<u>553</u>	<u>560</u>
Financial Intermediation	36	56	60	57	43	99	92
Hotels and Restaurants	42	68	60	54	37	90	98
Renting and Business Activities	64	121	103	104	110	163	165
Community and Social Services	39	88	122	123	118	201	205

TABLE 1 (continued)
BUSINESS EXPECTATIONS SURVEY DATA

Year	2018						
Month	Feb	Mar	Apr	May	Jun	Jul	Aug
19. Business Outlook Index on the Macroeconomy by Sector Contribution: Current Month							
Industrial Sector	6.6	7.5	7.6	9.2	9.3	3.6	6.1
Construction Sector	0.3	1.8	2.7	1.2	2.6	0.4	0.8
Wholesale and Retail Trade	0.0	1.2	0.7	0.9	2.3	0.3	0.9
Services Sector	7.7	13.9	18.0	17.6	20.5	9.3	13.7
20. Business Outlook Index on the Macroeconomy by Sector Contribution: Next Month							
Industrial Sector	21.0	16.8	18.0	19.5	19.5	16.5	19.2
Construction Sector	3.3	4.9	3.7	3.2	3.7	2.8	2.2
Wholesale and Retail Trade	1.4	4.0	3.1	3.3	3.9	4.6	4.2
Services Sector	32.1	38.5	42.1	39.5	37.8	34.8	36.0
21. Business Confidence Index on Own Operations by Sector: Current Month							
Industrial Sector	2.5	2.2	0.0	3.7	2.6	-0.8	-1.1
Construction Sector	-0.5	0.5	0.3	-0.3	0.2	-0.1	-0.2
Wholesale and Retail Trade	-0.3	1.2	0.3	0.2	0.9	0.3	1.4
Services Sector	1.9	3.4	7.6	10.2	7.6	2.7	8.1
22. Employment Outlook Index on Own Operations by Sector: Next Month							
Industrial Sector	8.5	6.9	6.2	7.7	9.0	5.5	7.4
Construction Sector	1.1	1.0	0.9	0.3	0.9	0.8	0.4
Wholesale and Retail Trade	1.1	1.3	0.7	1.0	1.6	1.8	1.8
Services Sector	11.3	18.6	15.8	17.0	15.5	16.0	15.0
23. Drivers of macroeconomic Outlook by type of business: Current Month							
Importer	3.3	3.7	4.5	3.8	6.0	2.5	2.4
Exporter	1.4	0.7	0.7	0.9	0.5	0.7	0.5
Both Importer and Exporter	3.3	4.2	3.9	3.7	5.8	2.5	3.4
Neither Importer nor exporter	6.3	16.0	20.0	20.1	22.6	7.8	15.2
24. Drivers of macroeconomic Outlook by type of business: Next Month							
Importer	10.1	12.3	10.2	11.5	10.7	9.4	7.8
Exporter	1.9	2.0	1.7	1.2	1.6	1.0	0.8
Both Importer and Exporter	7.7	9.1	9.1	10.7	9.3	8.4	8.1
Neither Importer nor exporter	38.0	40.6	46.0	42.1	43.1	39.7	44.9
25. Drivers of macroeconomic Outlook by Size of Business: Current Month							
Small (<50)	-0.8	5.2	7.4	9.6	13.7	4.4	10.7
Medium (50 and <200)	6.8	10.5	13.8	12.2	11.7	5.4	7.4
Large (200 and Up)	8.5	8.6	7.9	6.6	9.3	3.7	3.6
26. Percentage Distribution of Respondent Firms by Sector							
Industrial Sector	40.4	32.2	32.0	32.7	34.3	32.3	33.6
Construction Sector	5.7	6.2	5.4	5.2	5.3	3.9	3.4
Wholesale and Retail Trade	4.4	5.9	4.7	5.5	6.3	8.1	8.6
Services Sector	49.5	55.8	57.9	56.6	54.1	55.6	54.5