



Stanbic IBTC
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NESG-Stanbic IBTC

Business Confidence Monitor

Tentative Signs of Improvement in Nigeria's
Business Environment Give Hope for a Better
Future.

January 2025

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**Business
Confidence Monitor**

*Tentative Signs of Improvement in Nigeria's Business Environment
Give Hope For a Better Future.*

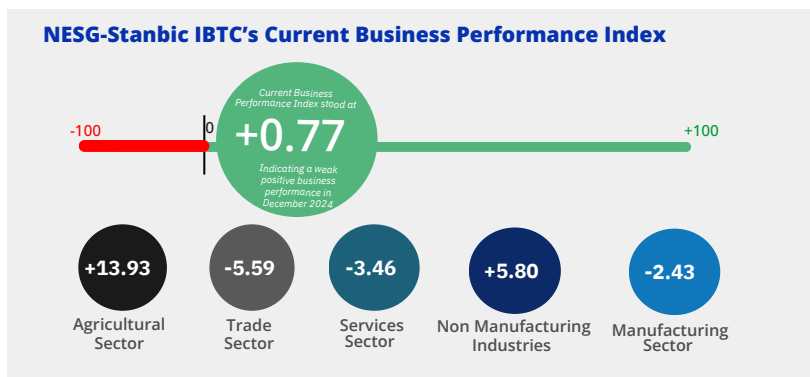
Executive Summary

The NESG-Stanbic IBTC Business Confidence Monitor (BCM) is the flagship survey-based report of the Nigerian Economic Summit Group (NESG), supported by Stanbic IBTC. The report obtains qualitative information on the current state of business sentiment within the Nigerian economy and gauges expectations about overall economic activities in the short term. It is anchored on business managers' optimism on key leading economic indicators such as investment, prices, demand conditions, employment, etc.

Key Findings

Current Business Performance (December 2024):

- Businesses in Nigeria recorded a modest improvement in performance during the month, reflecting a seasonal uplift in the business environment.
- As a result, the current Business Performance Index for December 2024 stands at +0.77, reflecting a rise in business activities and a moderate improvement compared to -2.74 in November 2024.
- Businesses faced significant growth challenges this month, with inadequate power supply, insecurity, limited access to financing, and the complexity of multiple tax regulations topping the list.

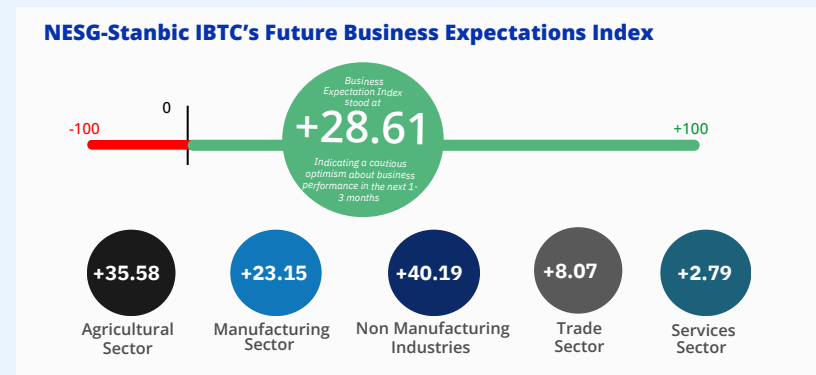


Future Expectations (Next One to Three months):

- The NESG-Stanbic IBTC Business Expectation Index recorded a positive index of +28.61, reflecting a cautiously optimistic expectation for improvement in business performance.
- Anticipated enhancements in cash flow, overall business conditions, production levels, exports, and short-term investments are fuelling this optimism, largely driven by the momentum of a new business year.
- Among sectors, Non-manufacturing industries exhibit the highest optimism with an index of +40.19, while Services, at +2.79, shows the least confidence in future performance.

Sectoral Insights

- The overall outlook across the five economic sectors covered is optimistic, albeit to varying degrees. While two sectors (Non-manufacturing industries and Agriculture) exhibited moderate optimism, others showed stronger or weaker confidence levels.
- The sector indices revealed the following: Non-manufacturing industries (+40.19), Agriculture (+35.58), and Manufacturing (+23.15) demonstrated relatively higher optimism. Conversely, the Services (+2.79) and Trade (+8.07) sectors expressed more restrained optimism regarding business improvement.
- Businesses anticipate improvements in general business conditions, exports, production levels, and cash flow. Additionally, demand conditions and investment are expected to improve, driven by new activities typically associated with the start of a new business year.



BCM Framework

The NESG-Stanbic IBTC BCM combines leading qualitative indicators on Production, Investment, Export, Demand Conditions, Prices, Employment, and the General Business Situation to gauge the overall business optimism of the Nigerian economy.

Target Respondents The target respondents for the BCS are business establishments operating in Nigeria that have been engaged in economic activities since the beginning of 2023. The survey is administered to senior managers and business executives.

The Contextual Definition

For the report, we define "business confidence as a pool of economic indicators that measure the current business condition and the extent of optimism or pessimism that business managers feel about the general state of the Nigerian economy as it affects key business decisions within three months.

Economic Sectors Covered in the Report

Trade: Wholesale Trade | Retail Trade

Manufacturing: Food, Beverage, and Tobacco | Textile, Apparel, and Footwear | Cement | Chemical and Pharmaceutical Products | Plastic and Rubber products | Wood and Wood Products | Pulp, Paper and Paper Products | Non-Metallic Products | Electrical and Electronics | Basic metal, Iron and Steel | Motor vehicles & assembly | Other Manufacturing

Non-Manufacturing Industries: Crude Petroleum | Natural Gas | Oil and Gas Services | Construction

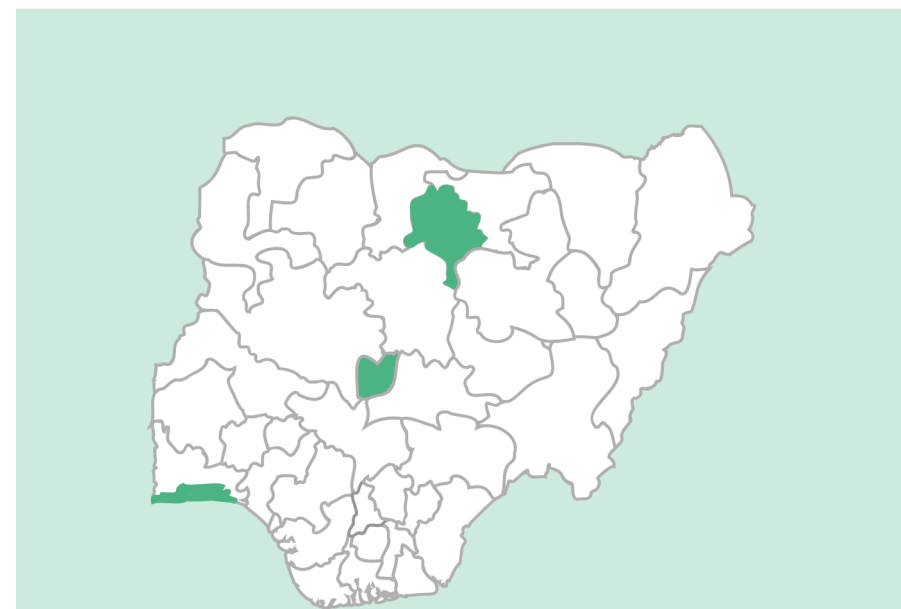
Agriculture: Crop Production | Livestock | Agro-Allied | Forestry | Fishing

Services: Telecomms & Information Services | Broadcasting | Financial Institutions | Real Estate | Professional, Scientific and Technical Services

Data Source

The data set for constructing NESG-Stanbic IBTC's BCM indices is generated from various qualitative responses reported in the Business Confidence Survey (BCS). The BCS, a monthly survey conducted by NESG, gathers information on various variables across different economic activities from owners and managers of businesses operating in Nigeria.

The survey was conducted in Lagos, Kano, and Abuja to provide the key information that turns the NESG-Stanbic IBTC BCM into a representative monthly measure of managers' confidence in the Nigerian business environment.



Business Conditions in December 2024

While business activity experienced some seasonal growth, overall performance across most sectors in Nigeria remained weak yet positive in December 2024. The NESG-Stanbic IBTC Business Confidence Monitor's (BCM) Current Business Index recorded a net balance of +0.77 from -2.74 in November 2024, reflecting an uptick in commercial activities typically associated with the festive period.

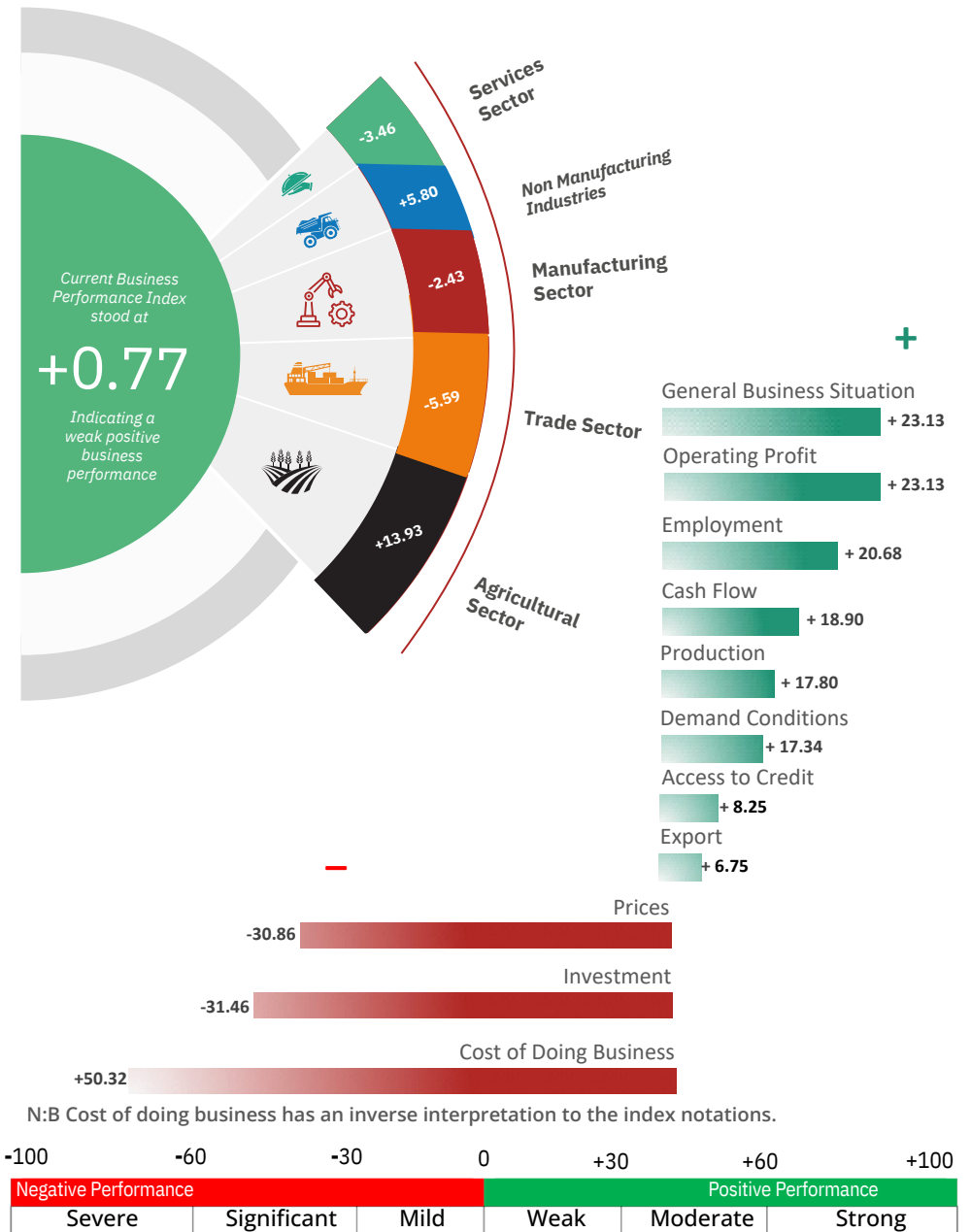
A sub-sectoral analysis revealed broadly subdued outcomes, with a negative performance recorded in Manufacturing (-2.43), Services (-3.46), and Trade (-5.59). Conversely, weakly positive results were observed in the Agriculture (+13.93) and Non-manufacturing (+5.80) sectors.

Structural challenges in Nigeria's business environment intensified, restraining growth despite higher seasonal demand. Elevated inflation and exchange rates drove up operational costs and consumer prices. The Cost of Doing Business Index rose sharply by +50.32, underscoring mounting pressures. Access to credit improved slightly (+8.25) driven by response to expanding business activities typical; of this period. However, businesses identified the high cost of financing as a critical barrier to current performance and future growth expectations.

The most significant negative impacts were seen in reduced investment (-31.46) and declining price levels (-30.86), both of which severely hampered overall business activity and demand conditions.

Frequent power shortages emerged as the most pressing challenge in December 2024, forcing many firms to depend on alternative energy sources. These constraints contributed to weak positive outcomes in the general business situation (+23.13) and production levels (+17.80).

Additionally, the high exchange rate of the local currency against global trading currencies escalated import costs, adversely affecting profitability and pricing strategies. Limited access to financing remained a persistent structural obstacle, further hindering business growth throughout December 2024.



AGRICULTURE

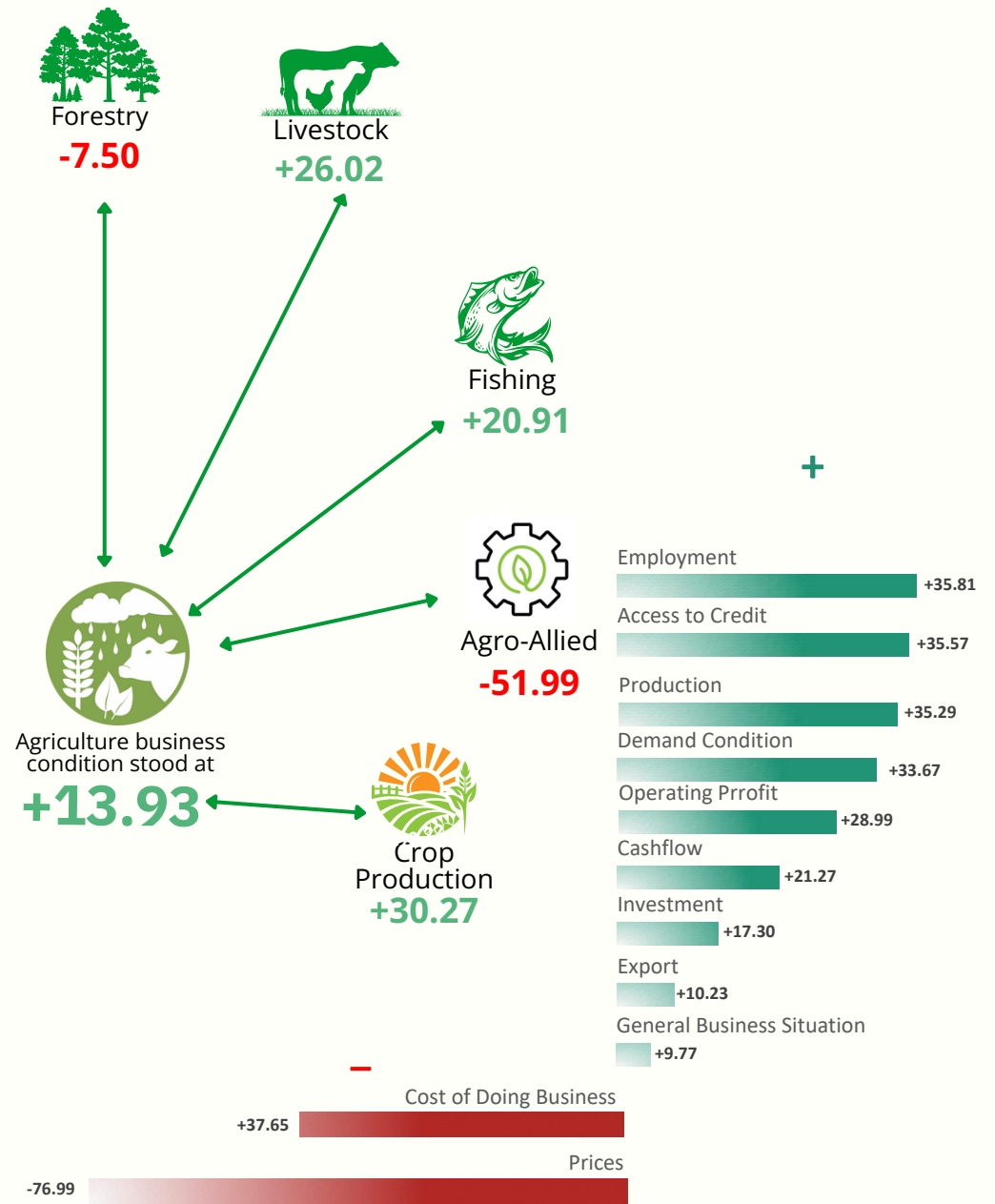
In December 2024, the Agriculture sector sustained its improved business performance as the NESG-Stanbic IBTC BCM index rose to 13.93 points from 1.2 points in November 2024. This growth was driven by mixed outcomes across subsectors, supported by the bumper harvest season and enhanced security in critical food-producing regions of Nigeria. Furthermore, ongoing dry season planting activities, coupled with heightened efforts surrounding the main harvest season and off-season land preparation, bolstered agricultural business activities during the month.

Among the five (5) agriculture sub-sectors, the NESG-Stanbic IBTC index displayed varied performances, with most activities achieving moderate positive outcomes. The Livestock (+26.02) and Fishing (+20.91) sub-sectors recorded weak positive performance, while Crop Production (+30.27) achieved moderate gains, largely due to steady progress in the harvest season. Conversely, Forestry (-7.50) and Agro-allied (-51.99) businesses faced challenges hampered by rising input costs and the periodic year-end downtime typical of these sub-sectors.

Key performance indicators in December 2024 reflected a mixed yet improving agri-business environment. Employment and production recorded moderate gains, supported by better access to farmland and stronger demand conditions.

Other sub-indices of the Agriculture NESG-Stanbic IBT BCM—including access to credit, overall business conditions, operating cash flow, demand, operating profit, and investment—showed slight improvements. However, significant challenges persisted within the agri-business sector. The cost of doing business and price indices deteriorated sharply, highlighting continued pressure on agri-business profitability.

-100	-60	-30	0	+30	+60	+100
Negative Performance			Positive Performance			
Severe	Significant	Mild	Weak	Moderate	Strong	



N:B Cost of doing business has an inverse interpretation to the index notations.

MANUFACTURING

The NESG-Stanbic IBTC Manufacturing BCM Index for December stood at -2.43, signalling a mildly negative business performance. However, this marks a notable recovery from the -3.65 recorded in November 2024.

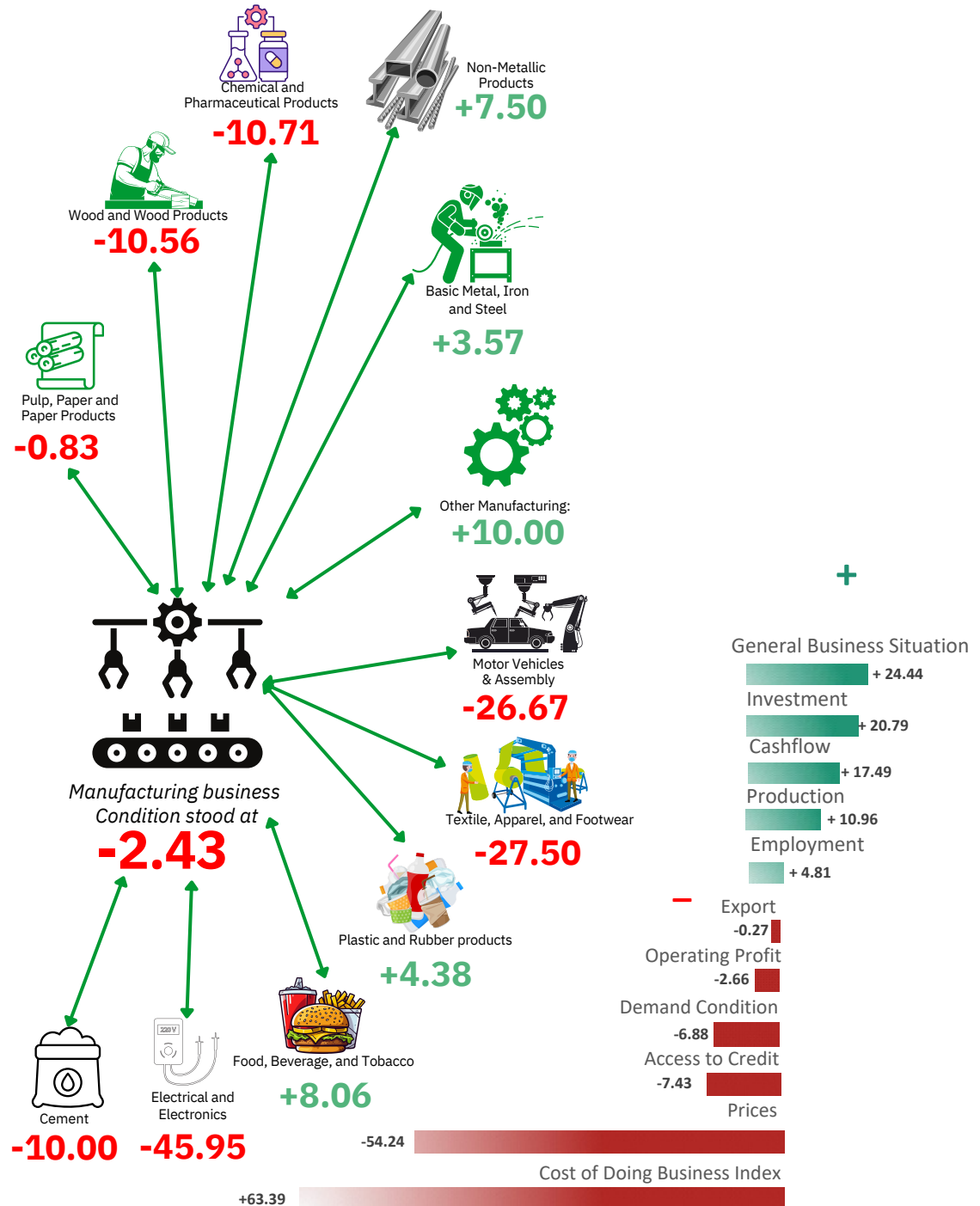
Most sub-sectors (7 out of 12) reported negative performance, generally weak, except for Electrical and Electronic, which showed significant declines during the month. The affected sub-sectors include Textile, Apparel, and Footwear, Cement, Chemical and Pharmaceutical Products, Wood and Wood Products, Pulp, Paper and Paper Products, and Motor Vehicles and Assembly.

Conversely, sub-sectors such as Food, Beverages and Tobacco, Plastic and Rubber Products, Non-Metallic Products, Basic Metal, Iron and Steel, and Other Manufacturing recorded weak positive performance.

Key NESG-Stanbic IBTC BCM indicators supported the sector's overall performance. The business environment index rose to +24.44, while production (+10.96), investment (+20.79), and operating cash flow (+17.49) were positive performances but adjusted slightly downward when compared with their November 2024 levels.

Despite these positive trends, the sector's overall performance remains subdued by persistent challenges. The cost of doing business registered a deeply adverse value of +63.39, while prices were at -54.24, reflecting the continued impact of inflation, the high exchange rate of Naira, and high interest rates on the overall operational expenses of the sector. These challenges resulted in constrained access to credit (-7.43), weaker exports (-0.27), and negative operating profits (-2.66).

Inflationary pressures, in particular, continue to weigh heavily on demand conditions (-6.88) and overall business conditions, slowing the sector's recovery.



-100	-60	-30	0	+30	+60	+100
Negative Performance			Positive Performance			
Severe	Significant	Mild	Weak	Moderate	Strong	

NON-MANUFACTURING INDUSTRIES

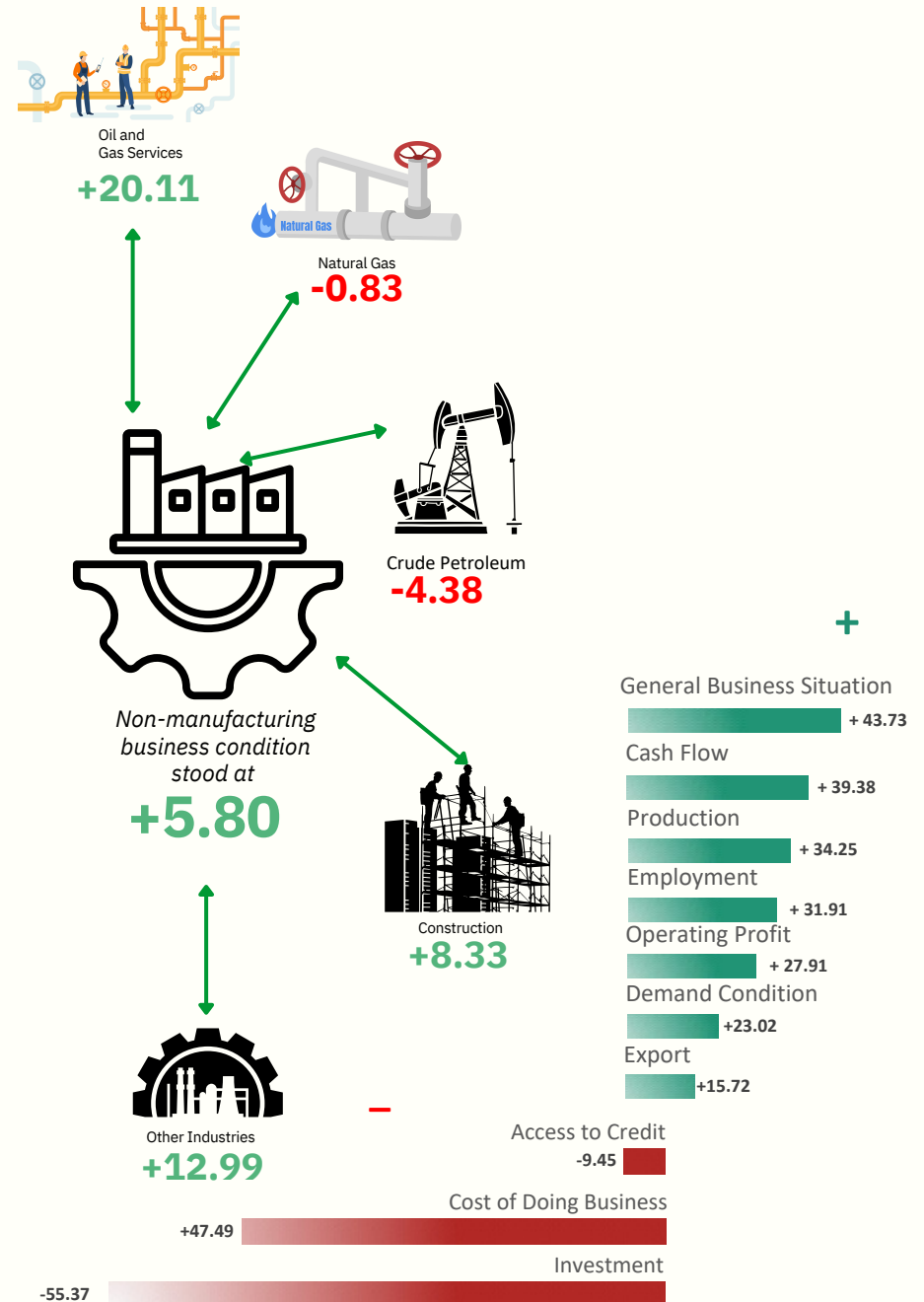
In December 2024, the NESG-Stanbic IBTC BCM index for Nigeria's Non-manufacturing industrial sector stood at +5.80, indicating a weak positive business performance compared to a mild negative performance of -3.62 in November 2024. This rebound was primarily driven by positive outcomes across most sub-sectors, with the exception of Natural Gas and Crude Petroleum, which recorded indices of -0.83 and -4.38, respectively.

Leading the recovery were Oil and Gas Services, with a robust index of +20.11, followed by Other Non-Manufacturing at +12.99 and Construction at +8.33.

The sector's improved performance was underpinned by moderate increase in cash flow and employment, which posted indices of +39.38 and +31.91, respectively. However, access to credit remained a critical bottleneck, with an index of -9.45 reflecting the challenges posed by high interest rates that constrained borrowing capacity.

Other sub-indices largely showed positive outcomes, with the general business situation achieving the highest index at +43.73. This improvement was attributed to enhanced production and demand conditions, driven by stockpiling and increased purchases ahead of year-end festivities. Anticipating price hikes, consumers engaged in panic buying, which bolstered revenues, as evidenced by a positive operating profit index of +27.91.

Despite these gains, businesses continued to face elevated costs of operation, reflected in a +47.49 index for the cost of doing business. This surge resulted from high borrowing costs, inflation, exchange rate volatility, and rising energy and logistics expenses, which collectively inflated production costs and deterred investment. Consequently, the investment index fell sharply to -55.37, underscoring a lack of confidence in deploying additional resources into non-manufacturing ventures.



N:B Cost of doing business has an inverse interpretation to the index notations.

-100	-60	-30	0	+30	+60	+100
Negative Performance			Positive Performance			
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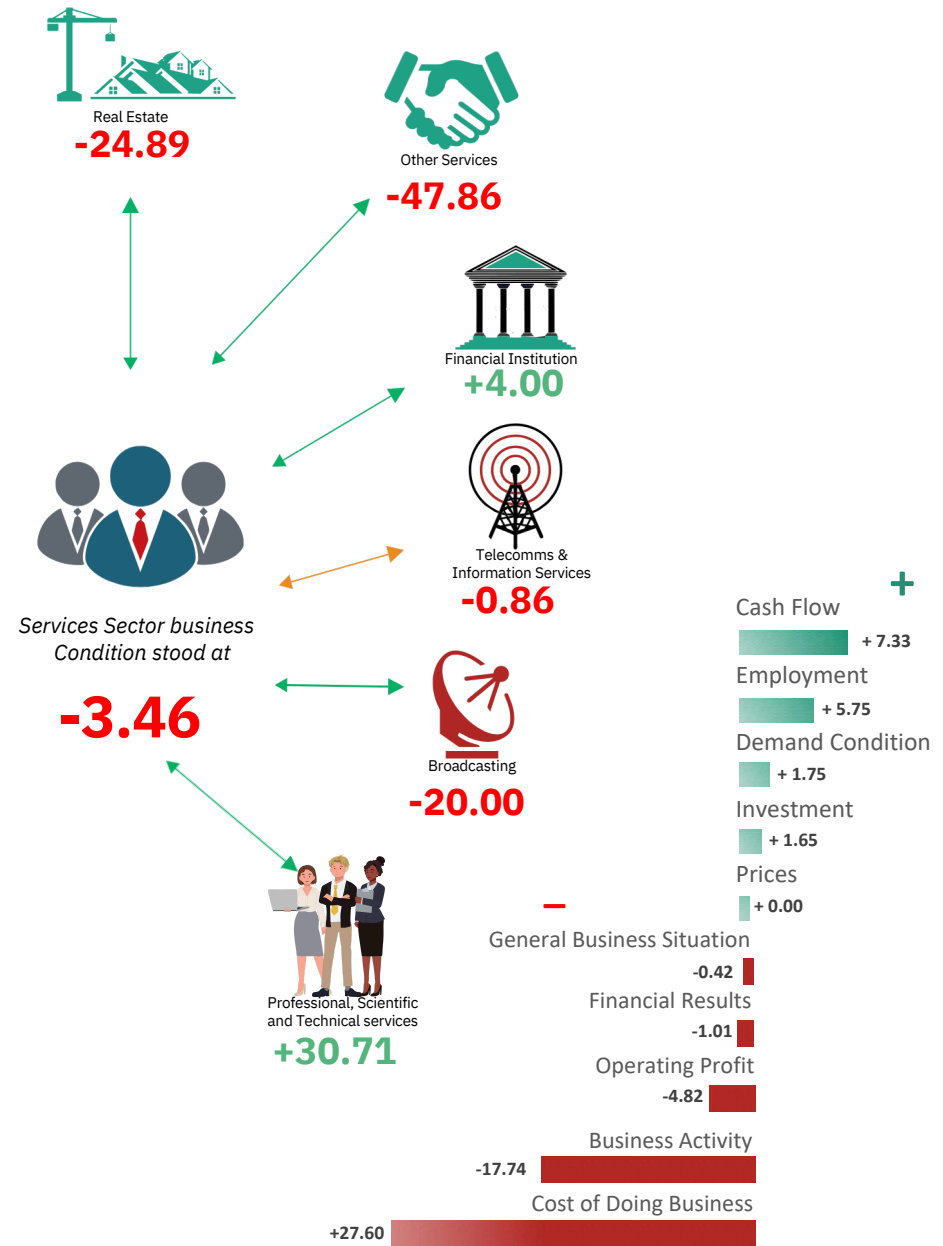
SERVICES

In December 2024, the Services sector continued to face substantial challenges, as evidenced by the Services Business Confidence Monitor (BCM) index, which stood at -3.46 points. This figure, slightly lower than November 2024's -2.10, highlights a continued decline in business performance. The downturn reflects persistent operational difficulties amid elevated uncertainty.

Key factors driving these challenges include escalating operational costs, driven by surging energy prices, exchange rate depreciation, and increased logistics expenses. These rising costs continue to erode business competitiveness, limiting firms' ability to withstand shocks and sustain profitability.

Performance across the sector's six major subsectors varied considerably. Only Professional Services (+30.71) and Financial Institutions (+4.00) recorded positive business performance. In contrast, Real Estate (-24.89), Telecommunications and Information Services (-0.86), Broadcasting (-20.00), and Other Services (-47.86) all reported negative outcomes, underscoring the widespread impact of the challenging operating environment.

A closer analysis of key performance indicators (KPIs) provides a more nuanced perspective. Slight improvements were noted in investment levels, demand conditions, cash flow, and employment. These gains indicate that some firms are cautiously pursuing expansion and hiring opportunities. However, other critical metrics revealed declining conditions. Indicators such as the general business situation, business activity, financial performance, and operating profit all experienced mild downturns. Of particular concern was the cost of doing business index, which registered an elevated level of +27.60 index point, underscoring the mounting financial pressures faced by service-oriented businesses.



N:B Cost of doing business has an inverse interpretation to the index notations.

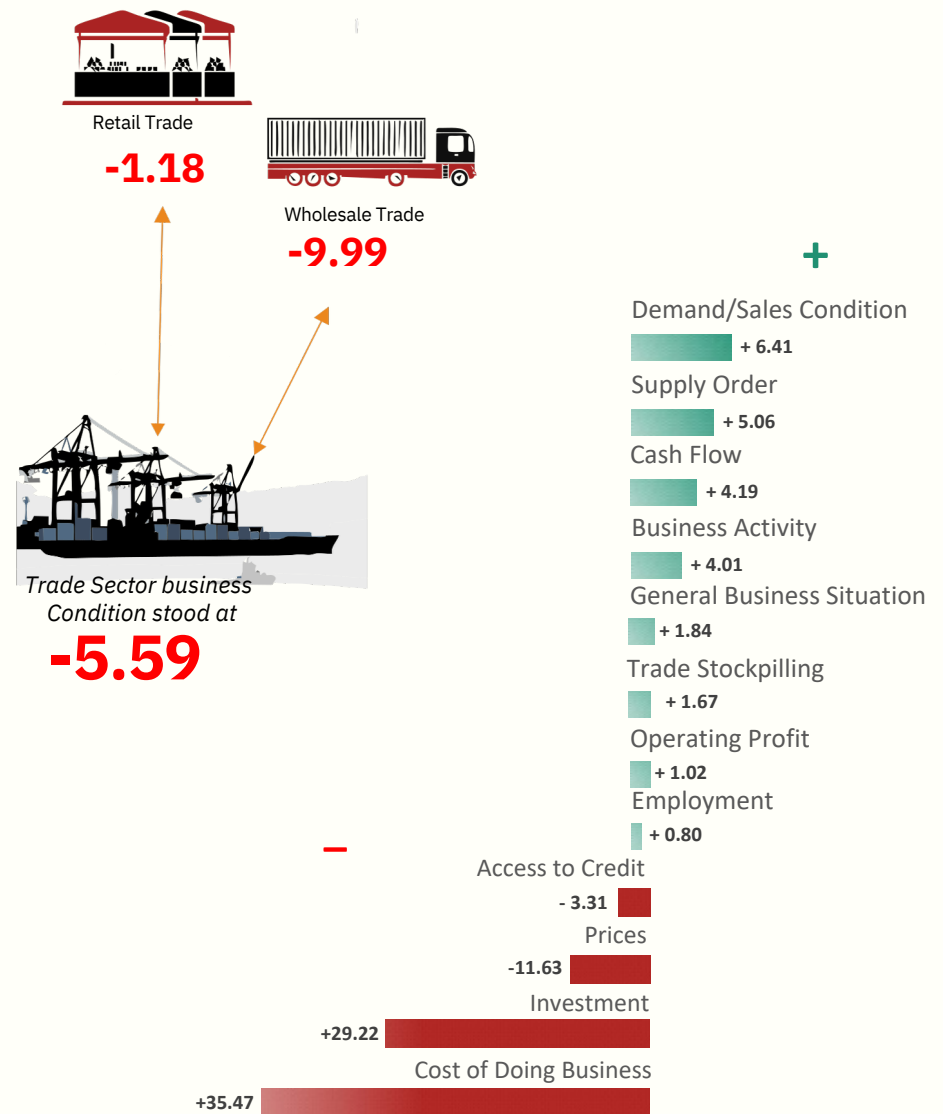
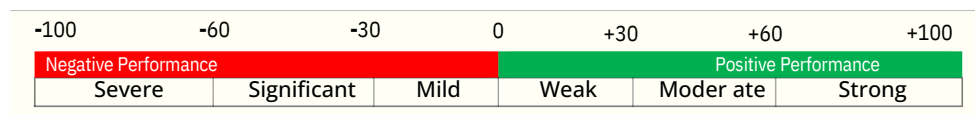
-100	-60	-30	0	+30	+60	+100
Negative Performance			Positive Performance			
Severe	Significant	Mild	Weak	Moderate	Strong	

TRADE

The NESG-Stanbic IBTC Trade BCM index declined to -5.59 in December 2024, indicating a significant drop in business performance from +0.32 in November 2024 and signalling mild outcomes for the sector. Both sub-sectors experienced mild negative performance, with the Wholesale sub-sector recording the sharpest decline at -9.99 from +4.98 in November 2024. In contrast, the Retail sub-sector showed some improvement, with its index rising to -1.18 from -4.35 in November 2024.

Key performance indicators were mostly positive. Although investment remained negative at -29.22 and the cost of doing business index stood at +35.47, other indicators—including the general business situation, demand/sales conditions, investment, supply orders, trade stockpiling, and operating profit—exhibited mild positive trends. The demand/sales condition index recorded the highest positive outcome at +6.41, reflecting increased demand typical of the year's final month. Business activity also showed improvement, benefiting from the seasonal surge in sales during the last quarter.

The sector's improved performance was largely driven by its strong capacity to generate employment, particularly within the informal segment, reaffirming its position as one of Nigeria's largest employers. However, the sector's positive outcomes remain below potential due to persistent challenges such as limited access to credit, high borrowing costs, strained cash flows, and elevated prices. Wholesale businesses were largely exposed to hurdles limiting business growth, while retailers remained more resilient due to their smaller operational scale.



N:B Cost of doing business has an inverse interpretation to the index notations.

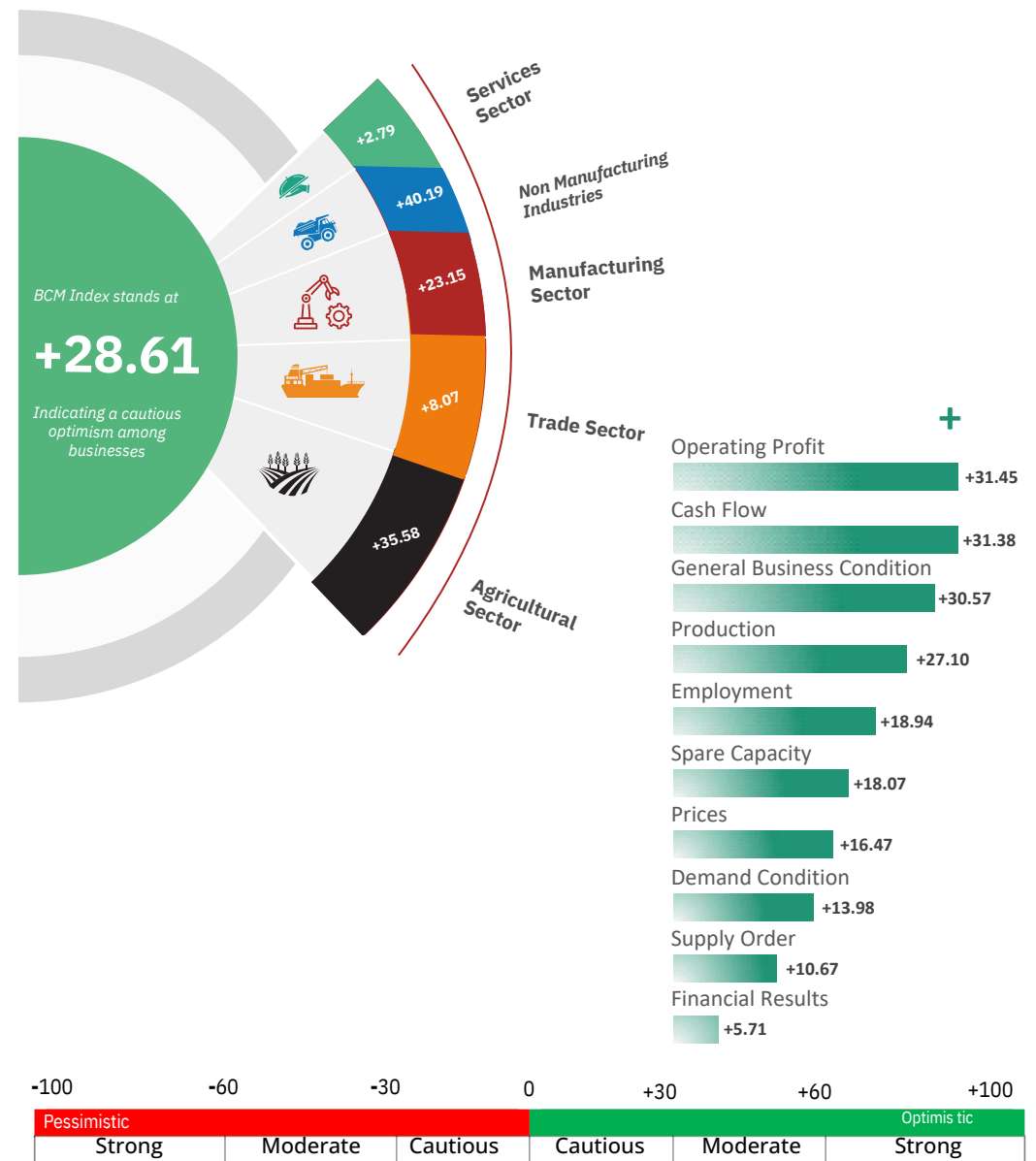
Future Business Expectations

Looking ahead, the NESG-Stanbic IBTC Future Business Expectation Index stood at +28.61, reflecting cautious optimism across sectors about the future business environment. This represents a decline from +33.17 in November 2024, signalling a slight drop in business sentiment.

Optimism was evident across all sectors, albeit with varying intensity. The Services (+2.79) and Trade (+8.07) sectors displayed cautious optimism, while Manufacturing (+23.15), Non-manufacturing (+40.19), and Agriculture (+35.58) indicated stronger but still moderate confidence in short-term business performance. Notably, sentiment improvements were consistent across all sectors, similar to trends observed in November 2024.

Key indicators reinforced this positive outlook. The general business index reached +30.57, highlighting an overall positive sentiment for the future (one to three months), albeit with a moderate tone. Supporting indices included the demand condition index (+13.98), investment index (+22.20), spare capacity index (+18.07), financial results index (+5.71), supply order index (+10.67), and price expectations index (+16.47). Major drivers of optimism included the production index (+27.10), export index (+29.36), operating profit index (+31.45), cash flow index (+31.38), and employment index (+18.94).

Expectations around prices, demand, investment, and financial performance remain pivotal to the cautiously optimistic outlook for business performance in the first quarter of 2025. However, ongoing concerns over rising inflation, high interest rates, and weakened purchasing power continue to weigh on business confidence.



ABOUT THE NESG

The NESG is an independent, non-partisan, non-sectarian organisation committed to fostering open and continuous dialogue on Nigeria's economic development. The NESG strives to forge a mutual understanding between leaders of thought to explore, discover and support initiatives to improve Nigeria's economic policies, institutions and management.

Our views and positions on issues are disseminated through electronic and print media, seminars, public lectures, policy dialogues, workshops, specific high-level interactive public-private sessions and special presentations to the executive and legislative arms of government.

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ABOUT STANBIC IBTC

Stanbic IBTC Bank, a member of the Standard Bank Group, is a leading financial services institution in Nigeria. Established in 1989, it provides a wide range of banking solutions including personal, business, and corporate banking services.

The bank is renowned for its innovative digital banking platforms, investment options, wealth management services, and corporate financing solutions.

Stanbic IBTC is also a significant player in Nigeria's capital markets, offering asset management and pension fund administration. With a strong commitment to customer satisfaction and financial inclusion, the bank continues to support the economic development of Nigeria and West Africa.

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