

NESG-Stanbic IBTC

Business Confidence Monitor

Enduring Infrastructure and Financial
Conundrum Constraint Business Growth



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**Business
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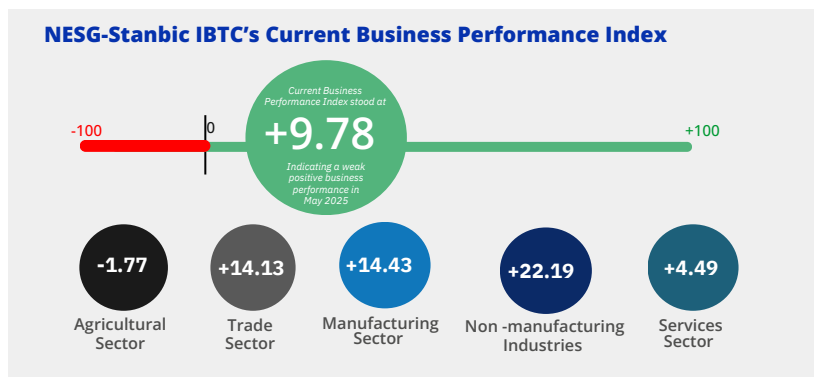
Executive Summary

The 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 business performance 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 (May 2025):

- Businesses in Nigeria maintained a positive performance streak for the fifth consecutive month in 2025, as reflected in the May 2025 results of the Current Business Performance Index.
- The Current Business Performance Index for May 2025 stands at +9.78, signalling mildly positive business activity, though slightly lower than the +12.29 recorded in April 2025.
- Over the past three months, the key business challenges ranking has been largely unchanged. Persistent power supply shortages continue to be the most significant constraint on business growth, followed by limited access to finance, high commercial lease and rental costs, and restricted availability of foreign exchange.

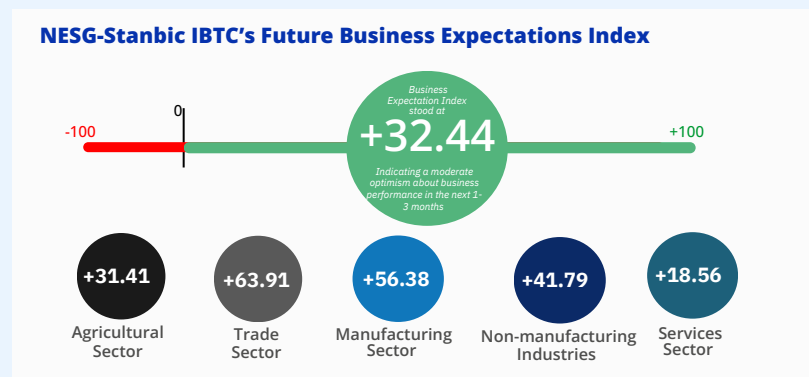


Future Expectations (Next One to Three months):

- The Business Confidence Measure (BCM) recorded a positive index of +32.44 in May 2025, indicating moderate optimism about future business conditions. This performance represents a slight improvement compared to the April 2025 reading.
- The improved outlook is driven by anticipated gains in the overall business environment, including expectations for higher production levels, increased investment and exports, improved operating profits and cash flow, and stronger demand conditions.
- Across sectors, the Trade sector reflects the highest level of optimism, while the Services sector shows the lowest confidence in future performance.

Sectoral Insights

- The business expectations outlook across the five key economic sectors remains moderately optimistic. The Manufacturing, Non-Manufacturing, and Agriculture sectors showed moderate optimism, while the Trade and Services sectors recorded strong and cautious optimism, respectively.
- Sectoral indices reveal that Trade (+63.91), Manufacturing (+56.38), and Non-manufacturing (+41.79) expressed stronger optimism. In contrast, Agriculture (+31.41) and Services (+18.56) sectors indicated relatively weaker expectations for business performance and short-term improvement.
- Businesses anticipate improvements in the general business climate, operating profits, cash flow, production levels, and demand conditions, which are expected to drive enhanced business activity throughout 2025.



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.

The target respondents for the Business Confidence Survey (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

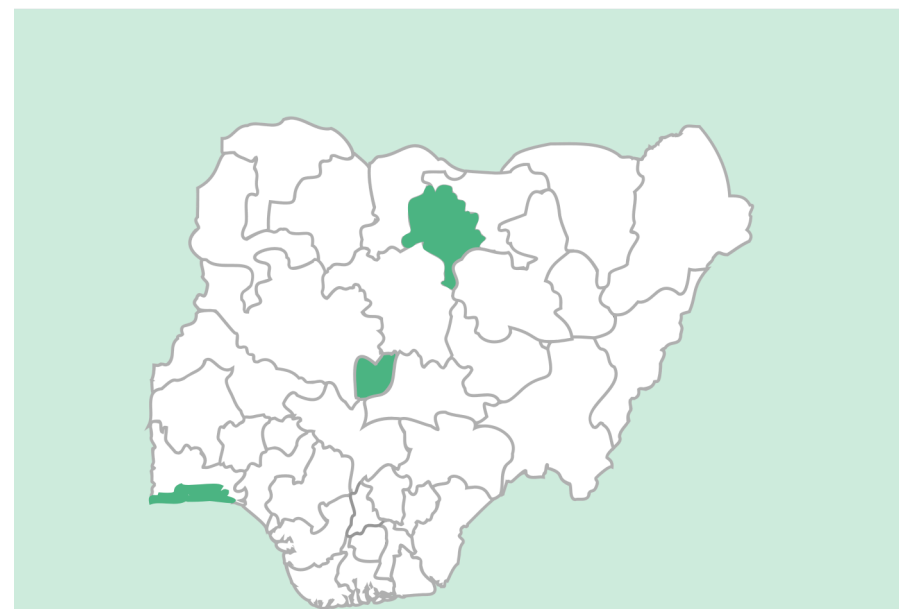
Agriculture: Crop Production | Livestock | Agro-Allied | Forestry | Fishing

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 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 May 2025

Nigeria’s business environment sustained its positive trajectory in May 2025, although with a slight moderation in momentum compared to previous months. According to the NESG–Stanbic IBTC Business Confidence Monitor (BCM), the Current Business Index declined to +9.78 in May, down from +12.29 in April 2025.

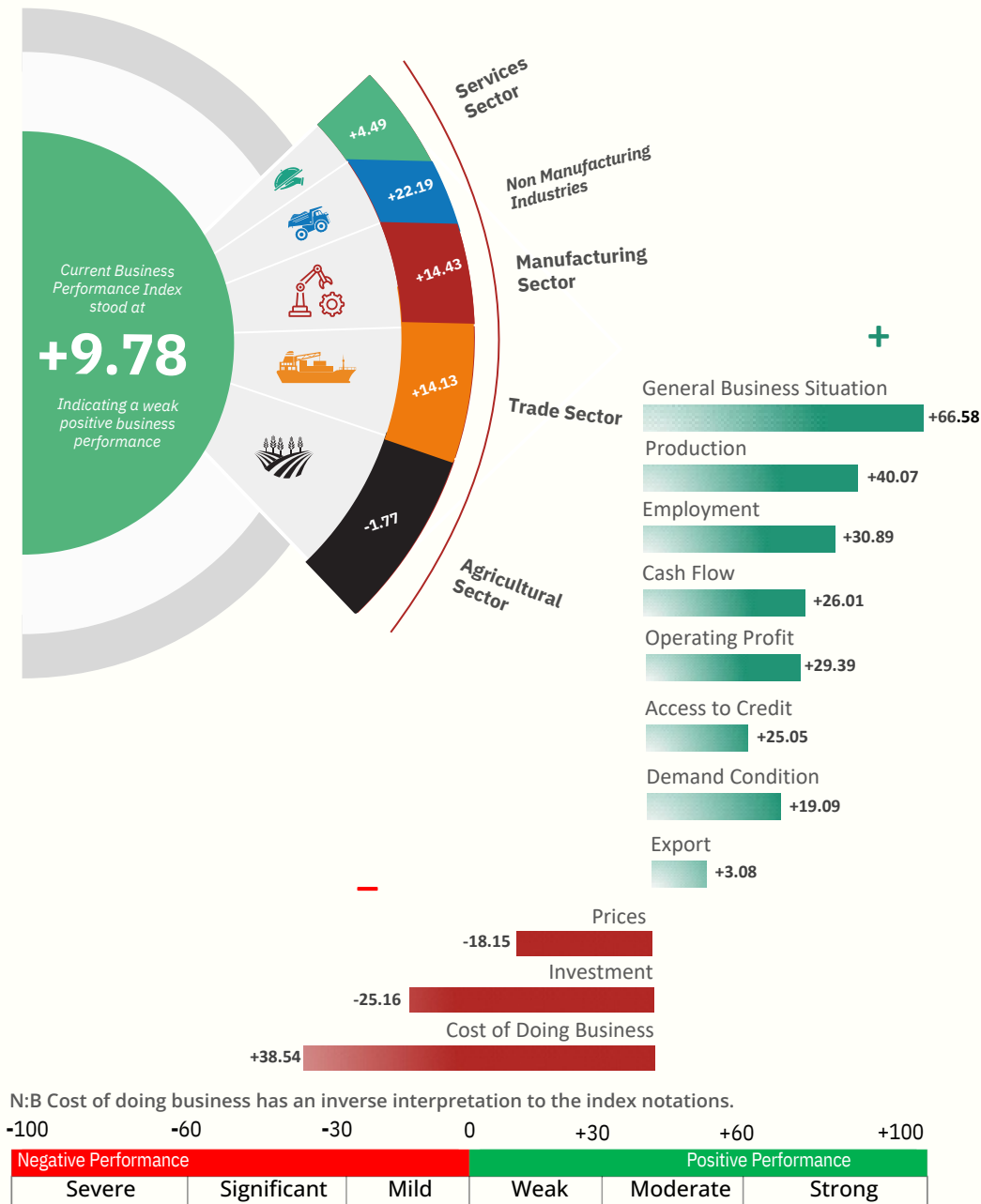
Sectoral analysis revealed mildly positive outcomes across most sectors, except for Agriculture, which recorded a negative performance. Strong performances were noted in Non-manufacturing (+22.19), followed by Manufacturing (+14.43), Trade (+14.13), and Services (+4.49). In contrast, Agriculture posted a negative index of -1.77, primarily driven by existing structural issues, and amplified by the intensified impacts of climate change, including prolonged droughts, erratic rainfall, extreme heat waves, and shorter wet seasons.

Compared to April 2025, all sectors experienced a slowdown in performance, except Manufacturing, which remained resilient.

Most BCM sub-indices showed lower values compared to the previous month. The general business situation remained positive, with reported improvements in production levels, operating profits, cash flow, and employment. However, the cost of doing business declined to +38.54 in May from +51.79 in April.

Notably, the most significant negative indicators were a sharp reduction in investment confidence (-25.61) and declining price levels (-18.15), contributing to slower business activity and growth during the month.

Key constraints to business expansion in May 2025 included persistent power supply shortages, limited access to financing, high commercial lease and rental costs, inadequate foreign exchange availability, inconsistent economic policies, and worsening insecurity. In particular, the resurgence of security challenges posed severe disruptions to business operations. Similarly, restricted access to finance has remained a structural bottleneck, further dampening business prospects.



AGRICULTURE

In May 2025, the NESG–Stanbic IBTC Business Confidence Monitor (BCM) Index for the Agriculture sector reflected a reversal of the modest recovery recorded in the previous month. The sector index declined to -1.77, a negative business performance compared to +7.02 in April 2025. This setback was primarily driven by a sharp downturn in the Crop Production sub-sector, contributing over 80 percent of the total output.

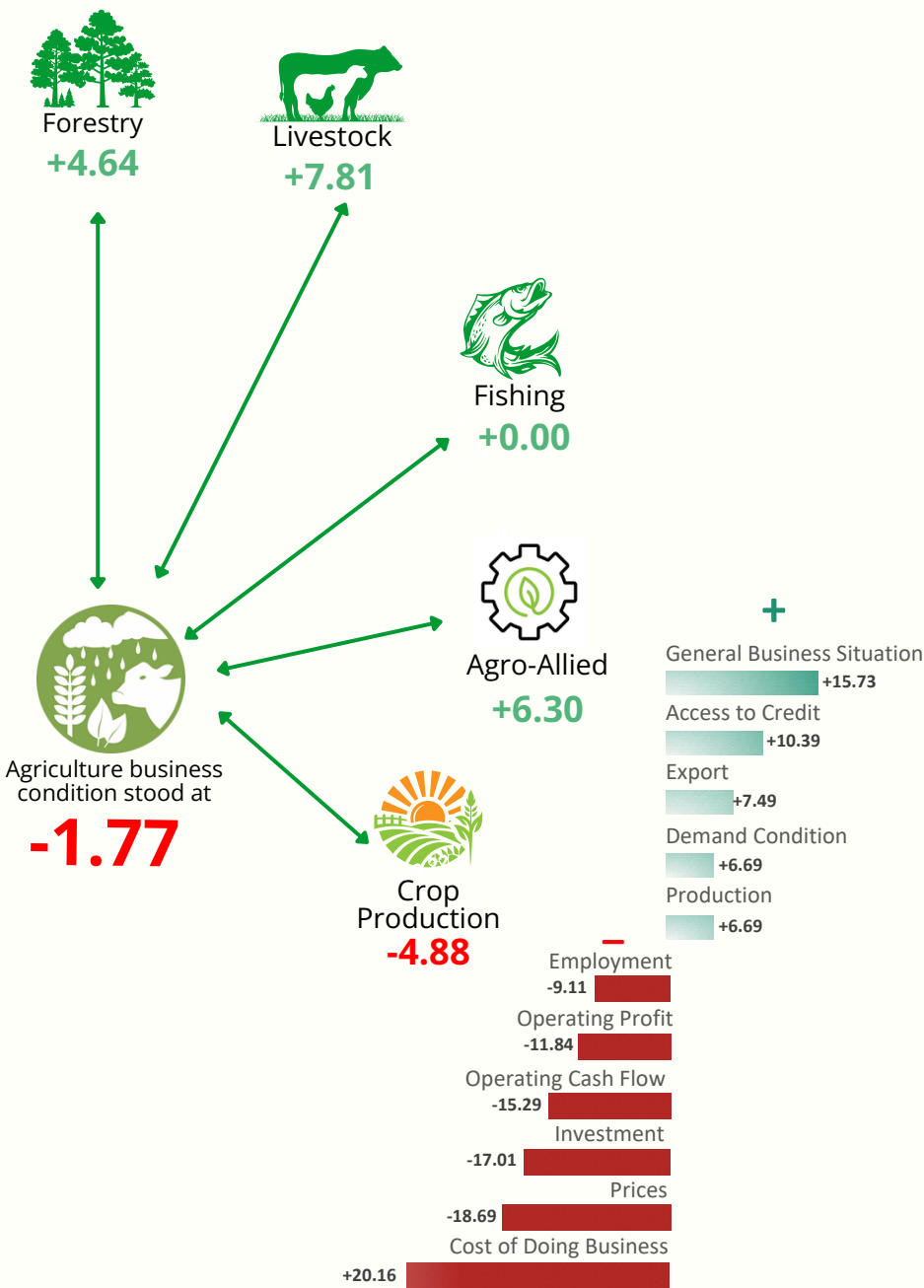
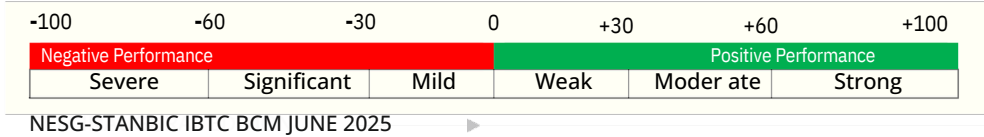
The reversal in fortunes is attributed primarily to existing structural issues and amplified by the intensified impacts of climate change, alongside worsening insecurity. Daily attacks on farms, theft of livestock, and destruction of crops by armed groups and roaming herders have severely disrupted operations, forcing many agribusinesses to operate at a loss.

A breakdown in performance across the five agricultural sub-sectors reveals that only Crop Production recorded a negative business index at -4.88. Other sub-sectors posted positive, albeit modest, performances: Livestock (+7.81), Agro-Allied (+6.30), Forestry (+4.64), and Fishing (+0.00). Despite these figures, business owners, particularly those in Crop Production, continue to grapple with structural constraints that threaten long-term sustainability.

One of the most significant constraints is the inadequate and unreliable power supply. Many agribusinesses rely heavily on electricity to operate critical equipment such as dryers and chick warmers. Frequent power outages have necessitated reliance on diesel generators, significantly increasing operational costs. This situation contributed to a rise in the cost-of-doing-business index to +20.16 in May 2025.

While some indicators showed marginal improvement, such as access to credit, production levels, and demand conditions, the overall operating climate remains adverse for many agricultural enterprises.

Nevertheless, Nigerian farmers continue to demonstrate remarkable resilience. They underscore the urgent need for targeted government interventions, including subsidies for essential inputs, robust security measures, and investment in rural infrastructure. Without such support, food production will decline further, deepening the country's critical food security crisis.



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

MANUFACTURING

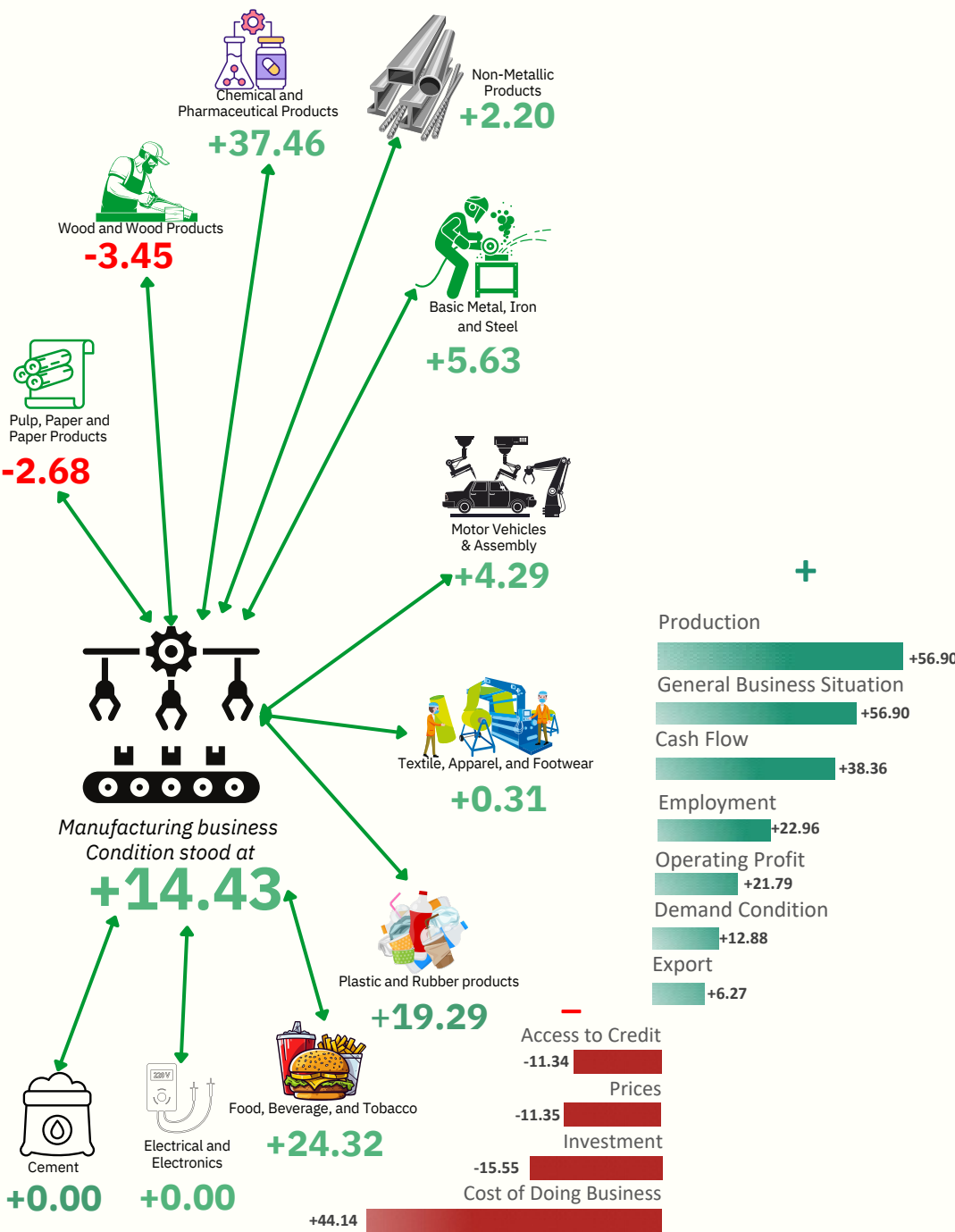
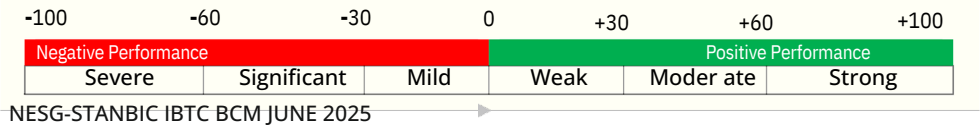
The NESG-Stanbic IBTC Business Confidence Monitor (BCM) Index for the Manufacturing sector posted a positive performance of +14.43 in May 2025, significantly improving from +8.78 recorded in April 2025. This uptick reflects stronger business performance across critical sub-sectors contributing significantly to overall manufacturing output. Notable contributors to this growth include Food, Beverages and Tobacco; Textile, Apparel and Footwear; Chemical and Pharmaceutical Products; and Plastic and Basic Metal (Iron and Steel) sub-sectors.

Despite this improvement, manufacturing businesses in Nigeria continue to grapple with a wide range of structural and operational challenges that hinder growth and expansion. Inadequate power supply remains the most pervasive issue. Frequent electricity outages compel businesses to rely on generators and other alternative energy sources, driving up operational costs. High electricity tariffs further exacerbate the situation, making it increasingly unsustainable for energy-intensive firms to operate efficiently. In addition, the high cost of diesel and inconsistent power quality have resulted in machine underperformance and frequent breakdowns, especially for high-voltage equipment.

While most manufacturing sub-sectors recorded positive business performance, a few, particularly Wood and Wood Products and Pulp, Paper and Paper Products, posted negative business performance. Nevertheless, the strong performance of the major sub-sectors more than offset these declines, accounting for the overall improvement in the sector's index.

Sub-sector indices for demand conditions (+12.88), operating cashflow (+38.36), exports (+6.27), operating profit (+21.79), and employment (+22.96) all improved in May 2025. Indicators such as the general business situation (+56.90) and production levels (+62.88) also remained positive and reflected gains relative to April 2025.

However, persistent structural bottlenecks continue to weigh heavily on the sector. The Cost of Doing Business Index climbed to +44.14, indicating that operational expenses are rising rapidly. Meanwhile, access to credit deteriorated from a previously positive position to -11.34, highlighting the growing difficulty in securing financing amidst inflationary pressures and high interest rates. Firms report escalating operational costs driven by inflation, raw material shortages, and persistent macroeconomic instability.



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

NON-MANUFACTURING INDUSTRIES

Maintaining its positive momentum for the fourth consecutive month in 2025, the NESG-Stanbic IBTC Business Confidence Monitor (BCM) Index for Nigeria's non-manufacturing sector recorded a score of +22.19 in May. While this reflects a modestly positive business performance, it slightly declines from +23.59 in April 2025.

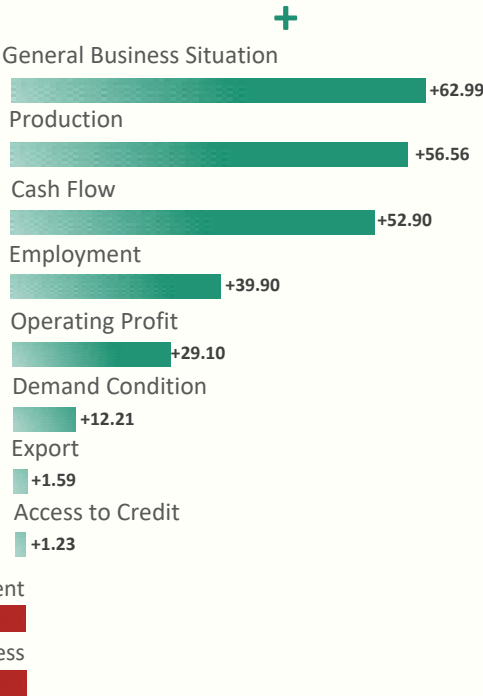
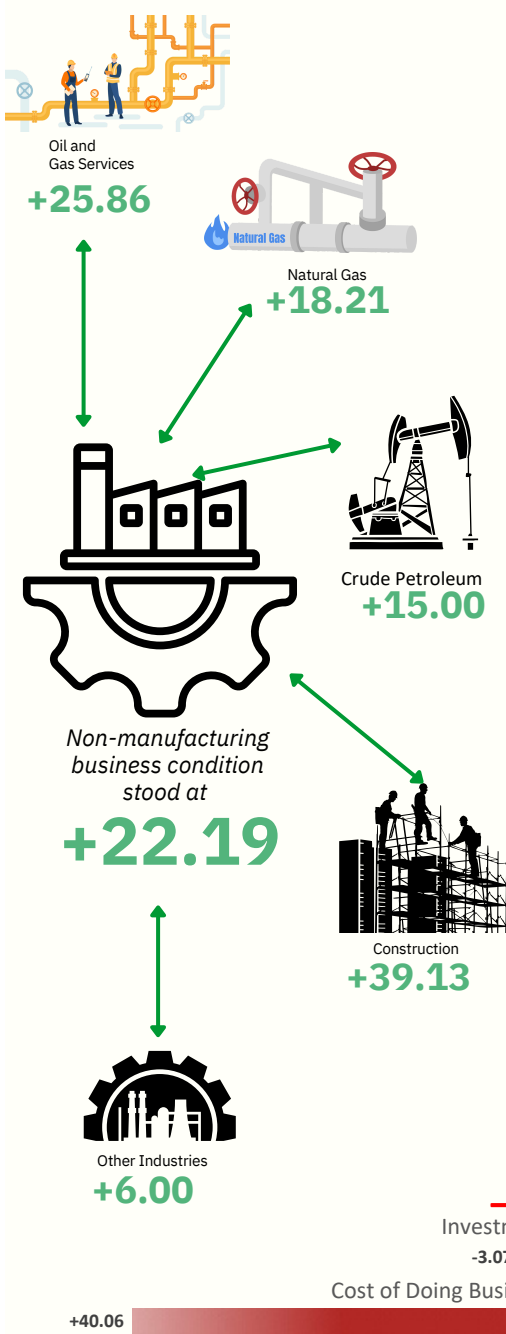
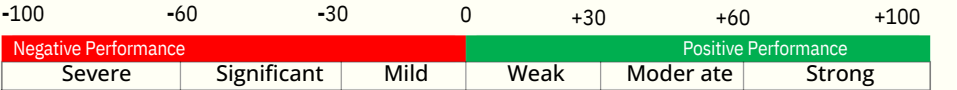
Operators attributed the sector's sustained growth to increased public infrastructure development activities, which boosted contract awards and improved liquidity. The extended dry season also created favourable weather conditions that allowed for uninterrupted construction and production activities throughout the non-manufacturing sector.

The overall positive trend was evident across key sub-sectors. Notably, the Construction and Crude Petroleum segments recorded improvements, with performance indices rising to +39.13 and +15.00, respectively. These gains were driven mainly by the rollout of multiple infrastructure projects to enhance national connectivity and economic stimulation, alongside relatively stable Naira exchange rates that helped keep imported material costs predictable.

The sector's recovery was further supported by improvements in the general business environment, increased production levels, stronger demand, export growth, and higher operating profits. These developments suggest that businesses increasingly leverage opportunities in Nigeria's Oil & Gas and Construction industries.

However, despite these gains, several persistent challenges continue to constrain sector-wide growth. Businesses highlighted the burden of multiple and unclear tax regulations, prevailing insecurity, volatile macroeconomic conditions, high operational costs, and limited access to finance. Many also reported that unfriendly government policies and harsh economic realities erode consumer purchasing power, disrupt supply chains, and increase operational uncertainty.

High input costs, low income levels, and inconsistent policy frameworks undermine profitability and dampen the incentive to invest in long-term expansion. Without addressing these structural constraints, the sector's positive trajectory may prove difficult to sustain.



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

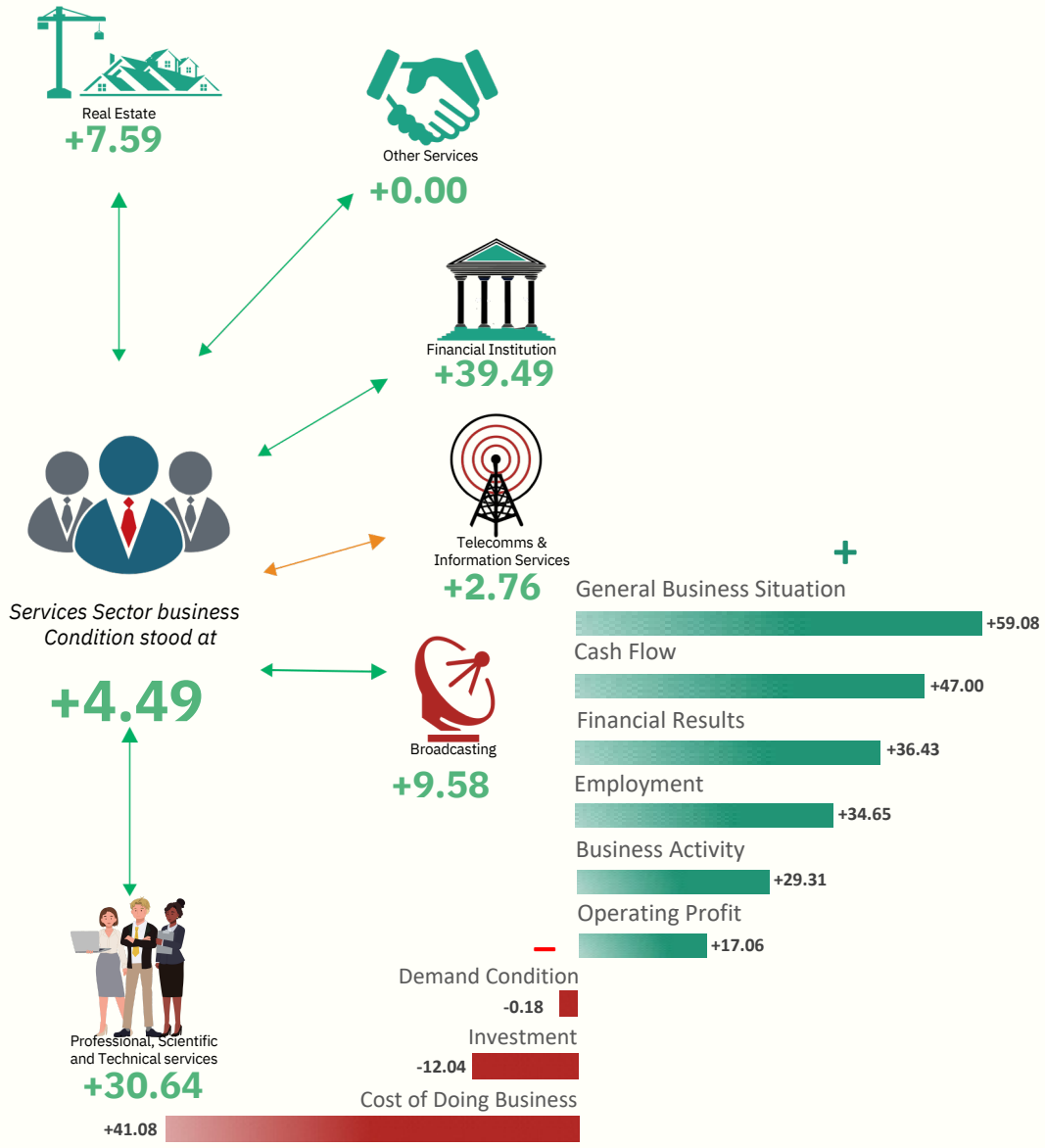
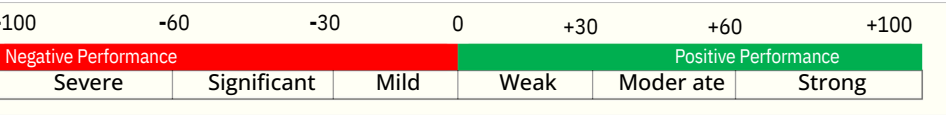
SERVICES

Nigeria's Services sector sustained its positive business performance for the second time in the second quarter of 2025. The NESG–Stanbic IBTC Services Business Confidence Monitor (BCM) index declined slightly to +4.49 in May from +6.54 in April. This positive, though slower, performance was driven by sustained consumer demand in essential service categories (e.g., ICT, financial services, and logistics) and stable business operations in key professional services, supported by relatively predictable exchange rates and improved access to technology infrastructure.

Five of the six major service sub-sectors recorded weak but positive business performance. Financial Institution led with moderate growth of +39.49, followed by Professional Services (+30.64), Broadcasting (+9.58), Real Estate (+7.59), and Telecommunications & Information Services (+2.76).

The continued positive performance during the month was primarily due to strong growth in the Financial Institutions and Professional Services sub-sectors. However, structural challenges—such as the rising cost of service delivery, driven mainly by energy expenses, logistics bottlenecks, currency volatility, and persistent security issues, particularly in Northern and rural regions—continued to constrain service expansion and increase the cost of operations. These factors eroded competitiveness and weighed down business activity during the period.

Key performance indicators reflected a generally positive trend, albeit with a notable decline compared to their April 2025 levels. General business situation (+59.08), cash flow (+47.00), financial results (+36.43), employment (+34.65), and business activity (+29.31) all remained positive. Despite this, investment performance lagged at -12.04. At the same time, the cost of doing business remained a significant concern, rising slightly to +41.08 in May from +40.49 in April, still underscoring the significant financial pressures facing service-oriented firms.



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

TRADE

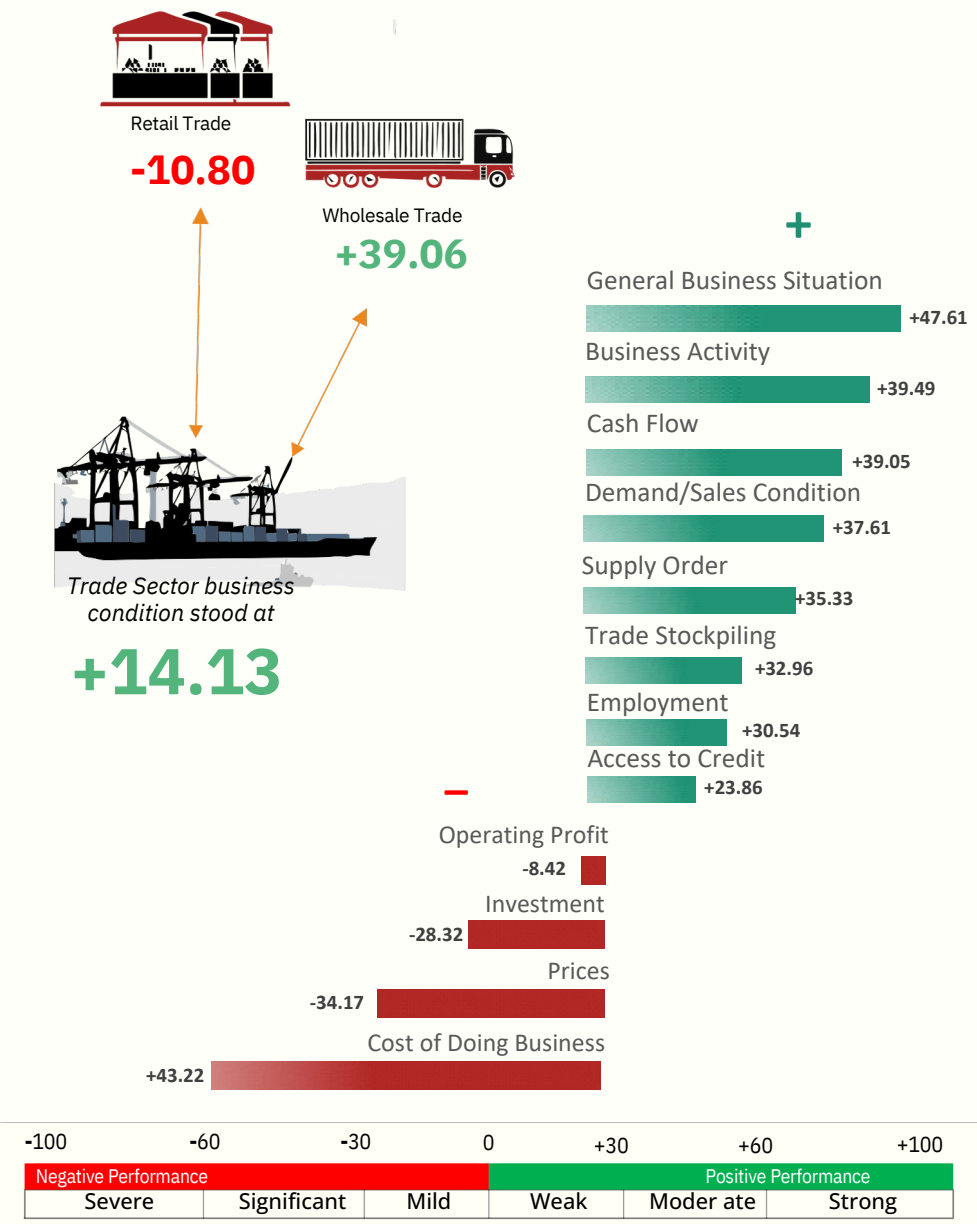
The NESG-Stanbic IBTC Trade Business Confidence Monitor (BCM) index declined slightly to +14.13 in May 2025 from +25.12 in April, reflecting a significant constraint on business performance during the month. While Wholesale sub-sectors recorded moderate growth (+39.06), Retail sub-sectors slipped into negative performance territory at -10.80. This trend highlights the persistent structural and macroeconomic challenges weighing on the sector.

The modest improvement in certain areas of sectoral performance was primarily driven by increased consumer footfall in essential goods markets, relative stabilisation in retail prices of fast-moving consumer goods (FMCGs), and moderate easing of supply chain disruptions. Traders in key urban centres observed improved sales volumes in food items, personal care products, and household essentials—categories regarded as non-discretionary amid Nigeria’s ongoing cost-of-living crisis.

Despite these limited gains, key indicators such as the cost of doing business (+43.22), prices (-34.27), and investment (-28.32) underscore persistent constraints. Many businesses reported that growth remains difficult to sustain despite improvements in general business conditions, trade volumes, stockpiling, and supply orders. Trade operators cited major challenges, including volatile foreign exchange rates, which affected import costs and pricing, rising logistics and transportation costs, weak consumer purchasing power, and limited access to working capital, particularly among MSMEs, which dominate Nigeria’s trade landscape.

In addition, multiple and overlapping tax regulations at various government levels continue to burden businesses, diverting crucial resources from operations and eroding competitiveness. On the demand side, weak consumer purchasing power, worsened by school holidays and a challenging macroeconomic climate, has limited sales. Furthermore, insecurity in some regions continues to disrupt operations and impose additional costs on security measures, deepening operational difficulties for businesses in the sector.

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



Future Business Expectations

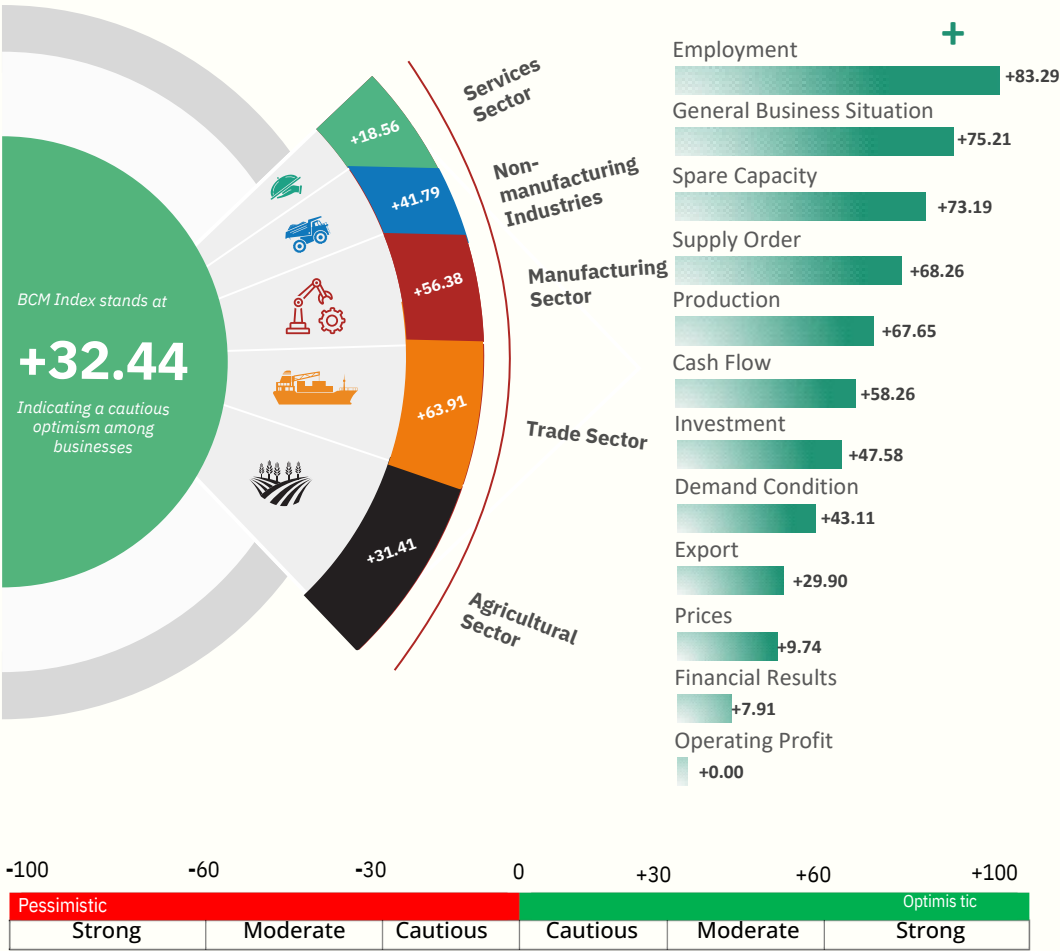
For the next one to three months, the NESG-Stanbic IBTC Future Business Expectation Index stood at +32.44 in May 2025, reflecting a slight improvement from +28.98 in April 2025. Business expectations strengthened to a weakly moderate optimism, driven primarily by increased confidence in the Manufacturing and Agriculture sectors compared to April levels.

Across sectors, the Trade sector reported the highest optimism at +63.91, followed by moderate confidence in the Non-Manufacturing, Manufacturing, and Agriculture sectors. Meanwhile, the Services sector displayed the lowest level of cautious optimism regarding improvements in the business environment. Notably, a decline in sentiment was observed in three sectors—Non-Manufacturing, Trade, and Services—relative to April, indicating that despite higher index scores, businesses are moderating their expectations amid ongoing macroeconomic uncertainty.

The Services sector posted the weakest short-term outlook at +18.56, reflecting subdued expectations due to persistent structural challenges and elevated operational costs. Agriculture registered a moderate optimism level at +31.41. In contrast, Manufacturing (+56.38) and Non-Manufacturing (+41.79) exhibited stronger confidence, with moderate expectations for improved business conditions in the near term. Encouragingly, the Trade sector retained its strong, optimistic outlook, consistent with sentiment trends observed in Q1 2025.

Key indicators underpinned this broadly positive sentiment. The general business index rose to +75.21, signalling widespread optimism. Additional supportive indicators included the demand conditions index (+43.11), export index (+29.90), spare capacity index (+7.91), financial results index (+68.11), supply order index (+58.26), and price expectations index (+9.74).

The most significant drivers of optimism were the employment index (+83.29), production index (+67.65), investment index (+47.58), operating profit index (+73.19), and cash flow index (+75.42). These metrics suggest rising expectations for enhanced business activity, stronger financial performance, and job creation. However, risks remain, particularly rising inflation, high interest rates, and weak consumer purchasing power, which could dampen the pace of economic recovery in the second half of 2025 despite the prevailing optimistic sentiment.



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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