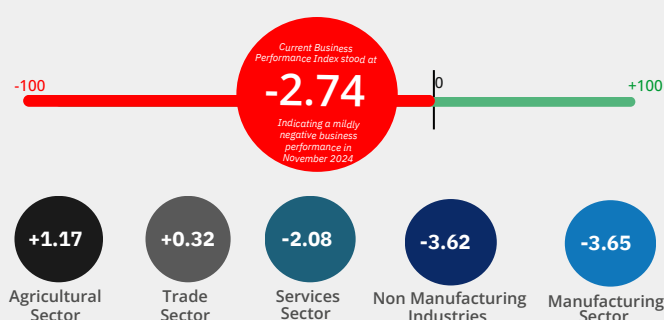


NESG-Stanbic IBTC Business Confidence Monitor

Strong Coping Mechanisms Fueled Businesses' Weak Recovery & Moderate Optimistic Outlook

- Despite high seasonal business activity, Nigeria's business performance remained weak in November 2024.
- The NESG-Stanbic IBTC Business Index for November 2024 was -2.74, showing a decline in activity but an improvement from -23.24 in October 2024.
- Inadequate power and foreign exchange liquidity constraints topped the structural challenges limiting business performance.

NESG-Stanbic IBTC's Current Business Performance Index - November 2024



While seasonal factors such as holiday shopping, harvest activities, concerts, and increased travel provided a modest boost to business activity, overall performance across most sectors in Nigeria remained subdued in November 2024. The NESG-Stanbic IBTC Business Confidence Monitor's (BCM) Current Business Index recorded a net balance of -2.74, reflecting the challenges businesses face in navigating the prevailing economic environment. Despite leveraging the typically busier year-end period, businesses are rapidly adjusting their operations to contend with these persistent headwinds.

A sub-sectoral analysis highlighted broadly subdued outcomes, with negative performance noted in Manufacturing (-3.65), Non-manufacturing (-3.62), and Services (-2.08). Meanwhile, modest and weak positive business performance were observed in Agriculture (+1.17) and Trade (+0.32) sectors.

Structural challenges in Nigeria's business environment persist, driven by growth-limiting economic conditions. Elevated inflation and a depreciating local currency have kept operational costs and consumer prices significantly high. The Cost of Doing Business Index surged by +51.50, while the Prices Index fell to -32.05, reflecting

mounting pressures. The Central Bank of Nigeria's (CBN) recent hike in the Monetary Policy Rate (MPR) has further exacerbated credit costs, placing additional strain on businesses. Despite opportunities for expansion this quarter, access to credit saw only marginal improvement, with fewer firms seeking funds due to prohibitive borrowing costs.

The most pronounced negative impacts were observed in reduced investment (-9.00) and exports (-4.52), both of which severely hindered overall business activity.

Businesses cited frequent power shortages as the most critical challenge in November 2024, with many firms relying on expensive alternative energy sources, compounded by already high fuel costs. Current fuel prices have failed to alleviate the burden on businesses, despite improved demand conditions (+5.38) and production growth (+10.20).

Moreover, exchange rate instability has driven up import costs, adversely affecting profitability and pricing strategies. Limited access to financing remains a significant structural barrier, further constraining business performance in November 2024.

Comment from Stanbic IBTC

Although Nigeria's current business performance remained weak in November, the seasonal increase in business activities ensured that the weak current performance was modest when compared with October's performance. Thus, we were not surprised that the Agriculture (+1.17 index points vs October: -22.22 points) and Trade (+0.32 points vs October: -23.45 points) sectors recorded positive current business performance, albeit modest – still underscoring the view of a seasonal improvement in real sector activity even as it was modest. Nonetheless, the modest positive performance in Agriculture and Trade (at a time when the performance should be much higher), in addition to lingering negative performance noted across Manufacturing (-3.65 points vs October: -28.72 points), Non-manufacturing (-3.62 points vs October: -28.16 points), and Services (-2.08 points vs October: -6.19 points) shows how business conditions remain challenging in Nigeria. According to the survey respondents, high inflation, a persistent drop in the value of the local currency, prohibitively high interest rates on loans, and frequent power outages are the main things that hold back business performance.

We expect the economic performance to improve in Q4:24, supported by the festive-induced increase in economic activity and sustained improvement in crude oil production. Indeed, survey participants were moderately optimistic about business performance over the next one to three months. An anticipated improvement in short-term investment, supply orders, cashflows, and overall business situation drove this optimistic expectation. Nonetheless, business confidence is still being weighed by weakened purchasing power exacerbated by rising costs amid limited income growth. On a balance of factors, the economy is on track to grow by an estimated 3.24% y/y in real terms in Q4:24, implying a 2024 full-year growth estimate at a likely 3.22% from 2.74% in 2023.

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Survey methodology

For the NESG-Stanbic IBTC BCM 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.

The Business Confidence Survey (BCS) questions are structured to elicit qualitative responses. The focus of the qualitative information is narrowed down to specific details that gauge production levels, changes in response to policy initiatives or market sentiments, and businesses' plans and expectations for the future.

A weighting system is applied to the BCS responses to have indices representing the Nigerian economy and signal the future direction of economic activities. The weighting system captures the differences in sectoral contribution to GDP, industry value-added, employment size, and sample representation.

About Business Confidence Monitor

The 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 process begins with administering the Business Confidence Survey (BCS), a prominent tool that provides a unique data set for the BCM Report. The survey gathers information on a range of variables that capture the directions of leading indicators across different economic sectors.

The data set for constructing the NESG-Stanbic IBTC 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 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.

About 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.

About Stanbic IBTC Bank

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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