

NESG-Stanbic IBTC Business Confidence Monitor

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

- 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.

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

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



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.

Comment from Stanbic IBTC

Nigeria's current business performance turned positive for the first time since the inception of the NESG-Stanbic IBTC Business Confidence Monitor (BCM) in September 2024 aided by the improvement in business activity that accompanies the festive period in December. Specifically, Nigeria's current business performance notched higher at +0.77 points in December 2024, relative to the modest decline of -2.74 points in November. Nonetheless, only two out of the five surveyed sectors recorded positive current business performance, suggesting that the current business performance may be one-off (induced by the festive season) as structural challenges limiting business conditions remain intact. For instance, high interest rate and elevated inflation continue to undermine business investments, consumer expenditures, and even general trade conditions.

Survey participants expect business conditions to improve in Q1:25, evidenced by the Future Business Expectation Index which settled at +28.61 in December from +33.17 in November. Participants expect business conditions to improve across all the five sectors covered over the next three months, with Non-manufacturing, Agriculture, and Manufacturing expected to see the most significant improvements.

We expect headline inflation to remain sticky in 9M:25 but settle below 30.0% from September 2025 as high petrol cost gets smoothed out of the year-on-year headline inflation, barring any unexpected negative shocks to petrol prices. This expectation, in addition to our prognosis on the USD/NGN pair, fiscal deficits, and food supplies, informs our forecast that the headline inflation may average 30.5% y/y in 2025 and settle at 27.1% by December 2025. In our view, this could induce the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) to switch to an accommodative monetary policy stance in late 2025. A relatively lower headline inflation in H2:24 should support consumer spending, and business activity should also improve as the impact of the government's two-flagship policies (FX liberalization and fuel subsidy removal) subside. Overall, we estimate the Nigerian economy to grow by 3.5% y/y in 2025 from an estimated 3.2% y/y in 2024.

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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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