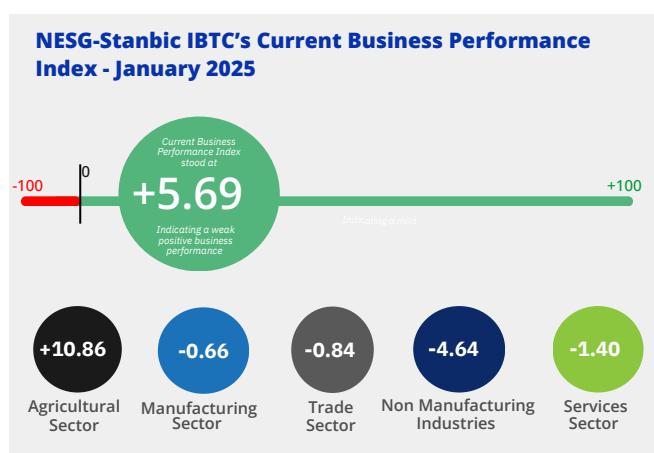


NESG-Stanbic IBTC Business Confidence Monitor

Ongoing Business Recovery Sets the Stage for Improved Business Performance in 2025

- Businesses in Nigeria saw a modest performance boost, indicating a better environment and potential growth in 2025.
- The January 2025 Business Performance Index is +8.12, up from +0.77 in December 2024, indicating increased business activity.
- Businesses struggled to grow this month due to power shortages, FX scarcity, limited financing, and unclear policies.



Despite a weak recovery in January 2025, Nigeria's business environment began the year on a positive note. The NESG-Stanbic IBTC Business Confidence Monitor's (BCM) Current Business Index rose to +5.69 from +0.77 in December 2024, reflecting an uptick in commercial activity typical of this period.

A sub-sectoral analysis revealed broadly subdued outcomes, with negative performances in Non-manufacturing (-4.64), Services (-1.40), Trade (-0.84), and Manufacturing (-0.66). However, these sectors showed relative improvement compared to December 2024. In contrast, Agriculture recorded a weakly positive performance at +10.86.

Structural challenges in Nigeria's business environment eased slightly, supporting the improved business performance observed during the month. Exchange rate stability and moderated price increases led to a slower rise in operational costs and consumer prices. The cost of doing business index declined to +47.58 from +50.32 in December, signalling reduced pressure on business growth. Access to credit improved slightly (+31.98) due to increased commercial activity at the start of the

financial year. However, high financing costs remained a critical constraint on both current performance and future growth expectations.

The most significant negative impacts were reduced investment (-27.50) and declining price levels (-26.62), which severely dampened overall business activity and demand.

Frequent power shortages alongside limited foreign exchange availability, and restricted access to finance emerged as the most pressing challenges in January, constraining business expansion. These factors contributed to only weakly positive results in the general business situation (+44.82) and production levels (+23.74).

A key concern remains the high exchange rate of the local currency against major trading currencies, which, alongside rising import costs, continues to erode profitability and disrupt pricing strategies. Limited access to financing persisted as a major structural barrier, further hindering business growth throughout the month.

Comment from Stanbic IBTC

Nigeria's current business performance, as measured by the NESG-Stanbic IBTC Business Confidence Monitor (BCM), increased further in January 2025 to 5.69 points from 0.77 points recorded in December. This is the highest print since the inception of the BCM in September 2024, supported by a sharp increase in production, demand conditions, access to credit, and general business situation indices. These indices outweighed the negative contribution from the investment, prices, and cost of doing business index. Notably, after appreciating 7.2% m/m in December 2024, the USD/NGN pair appreciated further by 1.2% m/m to an average of 1535.95 in January 2025. This supported the improvement in the general business conditions in the period. Nonetheless, the challenges—high interest rates, consumer price pressures, and infrequent power supplies—continue to limit business expansion, undermining current performance, albeit future expectations have improved.

On future expectations, survey participants (like in December) continue to anticipate much-improved business conditions over the next one to three months, pointing to higher non-oil sector growth in Q1:25. Besides, possible stable FX conditions influenced a significant increase in the Manufacturing sector business expectation relative to December 2024. All the other sectors covered by the survey also showed a significant improvement in terms of the future business environment. This implies growing confidence in the general macroeconomy, which, if it persists over the near term, suggests that the Nigerian economy is likely to grow by more than the anticipated growth level in 2024.

While the inflation rate is expected to decelerate sharply in February due to the high base effect induced by FX depreciation in the corresponding period of last year, we do not anticipate a moderation below 30.0% until late Q3:25. In addition, we expect headline inflation to settle at 27.1% y/y by year-end. However, headline inflation is likely to be high in H1:25, the 2025 average inflation rate may settle at 30.5% y/y. 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. 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 liberalisation and fuel subsidy removal) subsides. Overall, we maintain our expectation that the Nigerian economy may 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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