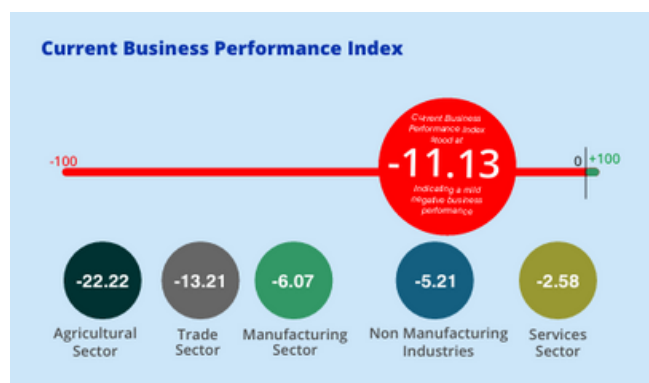


Business Confidence Monitor

Gauging the Pulse of Nigeria's Business Environment

- Most businesses faced significant hurdles, limiting their growth performance.
- The current business performance index (January–September 2024) was -11.13, indicating a decline in business activities compared with the same period of 2023.
- The main obstacles were the high prices (-26.14), limited access to credit (-21.14), and the elevated cost of business (+47.64).
- Limited availability of foreign exchange, inadequate power supply, limited access to finance and insecurity were the major challenges in the period.



In 2024, Nigeria's business environment has been challenging terrain, resulting in a mixed performance across different sectors of the economy. The macroeconomic environment continues to adjust to recent reforms while existing structural issues keep disrupting economic activities and motivating a new pattern of hindrances to business growth.

Based on the responses from firms surveyed across the Trade, Agriculture, Manufacturing, Non-manufacturing, and Services sectors, there is an indication that economic activities will continue to experience fragile recovery and constrained business momentum over the next few months, with key BCM leading indicators showing a cautiously pessimistic outlook.

On average, most businesses across sectors performed poorly in the first nine months of 2024. The BCM's Current Business Index has a net balance of -11.13. Beyond the various economic inertia that dominated the business environment in 2024, the sub-sectoral results showed an uneven degree of negative business mood performance during this period. The weakest performing sector was the Agriculture sector (-22.22), followed by Trade (-13.21) and Manufacturing (-6.07). Non-manufacturing (-5.21) and Services (-2.58) had the least negative business conditions.

Comment from Stanbic IBTC

The Current Business Performance index settled at -11.13 points in 9M:24 relative to 9M:23. This is not surprising given how high interest rates, lingering currency depreciation and elevated inflation continue to dampen business performance, undermining the growth of economic activities in the country. Indeed, survey participants noted that high prices, constrained cashflow, limited credit access, and poor demand conditions were the major obstacle. The result synchronized neatly with the non-oil sector's growth which moderated to a likely average of 2.84% y/y in 9M:24 based on our estimates from 3.03% y/y average in 9M:23. Across all the surveyed sectors, the current business performance was negative relative to 9M:23, with the most significant negative performance stemming from the Agriculture (-22.22 points), Trade (-13.21 points), and Manufacturing (-6.07 points) sectors.

Based on the future business expectations from survey participants which indicated a

The country's business operating environment is largely negative, as underlying business and economic challenges have amplified significantly. The largest negative contributions to the current business condition were from higher prices (-26.14) and constrained access to finance (-21.14), which affected business cash flow (-1.02) and employment (-3.96). The weak production level and poor demand conditions also restrained economic activities and contributed significantly to Nigeria's poor business climate.

While drastic intervention and reforms by the government in the FX market have improved liquidity and stability, businesses continue to grapple with poor credit access. Consequently, this led to higher input costs of production. Similarly, businesses reported that their export order books were below normal levels, resulting in an export index of -13.30.

moderate or cautious optimism on business performance in the next three months, we expect a relative improvement in economic activities in Q4:24 relative to Q3:24 more so that the last quarter of the year is usually characterized by seasonal productive activities. Thus, we estimate the non-oil sector's growth to improve to 3.1% y/y in Q4:24 from an anticipated 2.9% y/y growth in Q3:24.

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Survey methodology

For the BCM report, we define "business confidence as a pool of economic indicators which 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 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 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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