

# NESG-Stanbic IBTC Business Confidence Monitor

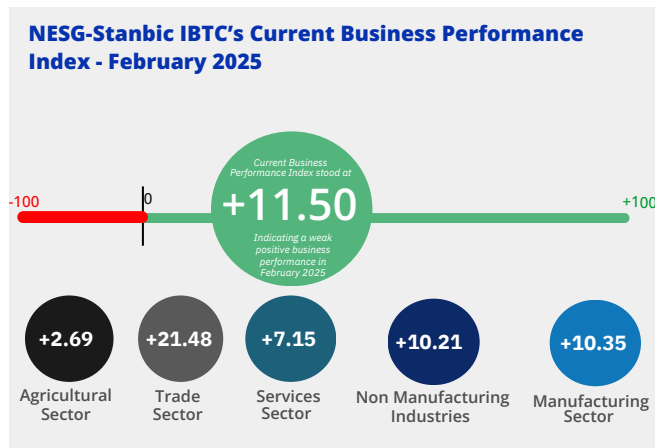
## Sustained Recovery Momentum Fuels Optimism for Strong Business Performance in 2025

- Businesses in Nigeria reported a sustained improvement in performance for the second consecutive month in 2025.
- As a result, the current Business Performance Index for February 2025 stands at +11.50, reflecting a rise in business activities and a moderate improvement compared to +5.69 points in January 2025.
- **Businesses** faced significant growth challenges this month, with foreign exchange constraints, and inadequate power supply topping the list.

Maintaining the positive momentum from the start of the year, Nigeria's business environment showed stronger performance in February 2025. The NESG-Stanbic IBTC Business Confidence Monitor (BCM) recorded a rise in the Current Business Index to +11.50, up from +5.69 in January 2025, signalling a sustained improvement in business activities.

A sub-sectoral analysis revealed a generally weak business performance despite positive trends in Trade (+21.48), Manufacturing (+10.35), Non-Manufacturing (+10.21), Services (+7.15), and Agriculture (+2.69). However, most sectors experienced relative improvements compared to January, except Agriculture, which saw a slowdown.

Structural challenges in Nigeria's business environment eased slightly, supporting the observed improvements. The overall business climate strengthened, but a higher exchange rate remained a key driver of operational costs and consumer prices. The cost of doing business index remained elevated at +47.18, though slightly lower than in January 2025. Access to credit also deteriorated (+24.84) due to unfavourable macroeconomic conditions and reduced commercial activity. High



financing costs continued to constrain both current business performance and future growth expectations.

The most significant negative impacts were reduced investment (-39.50) and declining price levels (-23.78), severely dampening business activity and demand.

Limited foreign exchange availability, persistent power shortages, unclear economic policies, restricted access to finance, and high commercial lease costs emerged as the most pressing challenges in February, hindering business expansion.

A primary concern remains the elevated exchange rate of the local currency against major trading currencies, which, alongside rising import costs, continues to erode profitability and disrupt pricing strategies. Limited financing access persisted as a structural barrier, further restricting 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 for the third consecutive month, settling higher at 11.50 index points in February from 5.69 points recorded in January. This further increase reflects a slight moderation in the structural challenges faced by Nigerian businesses and the strengthening of the business climate in the review period. Accordingly, we witnessed an improvement in the current business conditions across all the sectors covered by the survey, save for the agricultural sector which showed moderation in the business condition index. This Agriculture sector moderation was driven by mixed performances across sub-sectors, where weak growth in four out of five sub-sectors - Crop Production, Livestock, Agro-Allied, and Fishing - were offset by persistent challenges in Forestry.

Nigeria's real GDP growth improved further in Q4:24, rising by 3.84% y/y from 3.46% y/y growth print in Q3:24. The Q4:24 growth print is the highest since Q4:21 when the economy grew by 3.98% y/y in real terms. The Q4:24 GDP now brings the 2024 full-year growth to 3.40% from 2.74% seen in 2023, supported by improved growth in both Oil and Non-Oil sectors of the economy. In terms of contributions to the overall GDP growth in Q4:24, Services continue to dominate with a 79.0% contribution to the country's GDP growth (same as Q3:24), followed by Agriculture with an 11.9% contribution, while Industries contributed the remaining 9.0% of the real GDP growth in the review quarter.

We retain our expectation that crude oil production may increase to an average of 1.63m bpd in 2025 from 1.55m bpd average in 2024, but it may not likely reach the 2.10m bpd government's aspiration until at least late 2026. Consequently, we maintain our 2025 oil GDP growth forecast of 7.6% y/y in our Jan AMR. The lingering FX stability and improved liquidity bode well for the real sector activities, including Manufacturing, Trade, and Real Estate. This, in addition to the anticipated reduction in borrowing costs, should further support the growth of the non-oil sector in 2025. Accordingly, we project the non-oil sector to grow by 3.4% y/y in 2025. Therefore, we still expect the Nigerian economy to grow by 3.5% y/y in real terms in 2025, with the Q1:25 growth print forecasted to settle at 3.55% y/y.

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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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