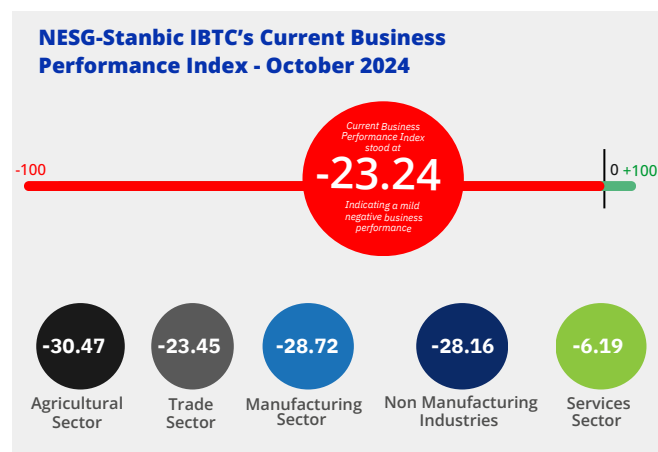


NESG-Stanbic IBTC Business Confidence Monitor

Weak Performance & Uncertain Future Define Nigeria's Business Environment

- Most challenges limiting business growth amplified significantly in October 2024.
- The NESG-Stanbic IBTC's current business performance index (October 2024) was -23.24, indicating a decline in business activities compared with September 2024.
- Inadequate power supply, insecurity, limited access to financing and multiplicity of tax regulations ranked highest on the list of structural challenges limiting business performance in October 2024.



In October 2024, business performance across most sectors in Nigeria remained weak. The NESG-Stanbic IBTC Business Confidence Monitor's (NESG-Stanbic IBTC BCM) Current Business Index recorded a net balance of -23.24, reflecting the overall economic inertia dominating the month. Sub-sectoral analysis revealed a broadly negative business sentiment, with significant declines in Agriculture (-30.47), Manufacturing (-28.72), Non-manufacturing (-28.16), and Trade (-23.45). The Services sector also faced a mildly negative business condition, marked by a net balance of -6.19.

The country's business operating environment continues to face severe challenges, with several underlying economic issues intensifying. Inflation remains high, eroding purchasing power and raising operational costs. Additionally, the Central Bank of Nigeria's (CBN) hike in the Monetary Policy Rate (MPR) has led to higher credit costs, further straining business operations. The most substantial negative impacts on the current business climate stem from constrained access to finance (-38.04), poor employment levels (-17.30), and limited cash flow (-15.61), all of which significantly hampered business activities.

These conditions have cumulatively increased the cost of doing business, discouraged investment, weakened demand, and worsened the overall business climate. The energy sector's unreliability, marked by frequent power shortages, forces many companies to rely on costly generators, further escalating fuel expenses. The recent surge in fuel prices has placed considerable pressure on operational budgets, particularly for small and medium-sized enterprises (SMEs).

Moreover, the Naira instability has raised import costs and complicated financial planning, negatively impacting profitability and pricing strategies. Export performance has also been weak, with businesses reporting below-normal export order books, resulting in an export index of -12.65.

Lastly, inadequate power supply, insecurity, limited access to financing and multiplicity of tax regulations ranked highest on the list of structural business challenges limiting business performance in October 2024.

Comment from Stanbic IBTC

Nigeria's private sector performance deteriorated further in October compared to September as underlying business and economic challenges were weaker in the month. Notably, the NESG-Stanbic IBTC's Current Business Performance index weakened to -23.24 points in October from -11.13 points in 9M:24. The weakness in business performance continues to reflect the impact of high interest rates, lingering currency depreciation, and elevated inflation, thereby dampening business performance and undermining the growth of economic activities in the country. Aside from the existing factors noted by survey participants as major obstacles to business performance in 9M:24, inadequate power supply and a deteriorating state of internal security featured prominently as significant hurdles businesses faced in October. Elsewhere, headline inflation remains high at 32.70% y/y as of September, exacerbated by high transport costs and below-average harvest season. Accordingly, food inflation printed 37.77% y/y in September from 37.52% y/y in August, while non-food inflation settled at 26.49% y/y in September compared to 26.36% y/y in August. Consequently, the current business performance was negative across the surveyed sectors, with the most significant negative performance witnessed in the Agriculture (-30.47 points) and Manufacturing (-28.72 points) sectors, as well as Non-manufacturing (-28.16 points) industries.

Over the next one to three months, survey participants expressed cautious pessimistic expectations for the improvement in business performance, with the Trade sector expected to witness the most pessimistic business performance even as Manufacturers are more optimistic about their performances in the next one to three months. Nonetheless, demand conditions and operating profits are expected to improve in line with an uptick in business activities usually associated with the last quarter of the year. Overall, 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 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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