



**THE LAGOS CHAMBER OF COMMERCE**

## ***NIGERIAN BUSINESS CONFIDENCE INDEX***



**Q1-2015**

### **BUSINESS CONFIDENCE LEVEL MODERATES**

#### **Aggregate BCI**

The 1st quarter 2015 aggregate Business Confidence Index (BCI) drops from 30% it posted in Q4-2014 to 22.3%. This represents 7.7% point slack of the confidence level among business operators over the last three months. This is the largest quarter on quarter point drop of the BCI score over the last three years. Conventionally, movement of the BCI score by up to five points indicates the presence of significant positive or adverse development in the country's economic/business environment. The drop of the BCI scores at this time suggests that business leaders are largely pessimistic about expanding their business and investment spending over the next few months.





Factors that mostly lowered the confidence level of business leaders at this time are; heightened uncertainty surrounding the 2015 general elections, depressed crude oil price in the international market and the volatile exchange rate leading to significant depreciation of the local currency. Over the last few months, business managers and investors have faced heightened anxiety and commercial risks associated to the political uncertainty in the country. Unpredictable political developments has engendered uncertainty among economic agents, increased the risk profile of new contracts and distorted investment plans. Initial commercial plans and investment decisions across the economy have become very fragile leading to less than optimal operations and delay tactics by companies pending when things will start to normalise.

Over the years, Nigeria's BCI scores over continues to trail below the 50% global business confidence threshold due to the lingering infrastructural and institutional shortcomings. The Q1-2015 BCI survey presented far reaching and very worrisome picture about the state of the economy triggered by profound political uncertainty and oil price fluctuations.

BCI Thresholds	
Assessment	Index Range
Significantly Less Confident	-100 to -50
Slightly Less Confident	-50 to -1
No Change	0
Slightly More Confident	1 to 50
Significantly More Confident	50 to 100

**Q1 -2015**  
**BCI = 22.3**



## **Sources of Uncertainties across the sectors**

**Oil and Gas:** Operators in the oil and gas industry are mostly disturbed by the uncertainty surrounding delayed passage of the PIB coupled with the adverse developments in the global oil and gas market.

**Professional Services:** Approval delay of the 2015 draft budget, influx and rising patronage of offshore consultants/advisers and political risks in the country were mostly the concern of players in the professional business services sector.

**IT/Telecoms:** Uncertainty relating to approval and contents of the 2015 budget, security challenges, regulatory issues and 2015 elections top the concerns of players in the IT/telecoms sector

**Trade:** Declining patronage due to weak consumer demand, depreciation of the local currency (Naira), e-trade platforms and rising cost of goods/services.

**Finance:** Business leaders in the financial services sector mentioned that macroeconomic fluctuations, flight to safety due to the general elections, downgrade of sovereign ratings by international rating agencies, policy uncertainty and exchange rate volatility.

**Agriculture:** The agricultural sector is mostly troubled by the continued challenges of access to and cost of credit, infrastructure shortcoming, weak agricultural-industry linkages, transport and logistics constraints

**Manufacturing:** Manufacturers (both the big players and SMEs) major challenges are 2015 general elections, cost and access to credit, rising cost of production, exchange rate fluctuation, influx of fake and substandard products, regulatory infractions and worsening public power supply.

**Hotel and Tourism Sector:** Operators in the hotel and tourism sector confirmed that sharp drop in the number of events and conferences occasioned by election uncertainties, lower room occupancy rate and the recent emergence of new entrants into the sector were largely responsible for slower patronage recorded in the sector at this time.

**Building and Construction:** Building and construction industry confirmed that election spending, delayed payment of contractors, weaker demand for real estate and increasing security challenges are issues that mostly affected their business and investing activities during the period.



## About the BCI

BCI is a leading economic indicator designed to measure the degree of optimism on the state of the economy that business leaders are expressing through their activities of investing and spending. Decreasing business confidence is often a pointer to slowing economic activities because business owners are likely to decrease their investment. The more confident entrepreneurs and managers feel about the business environment, the more likely they are to make new investments, create job and impact the economy.

**About The Survey:** The 1st quarter 2015 BCI survey covered 180 top business executives in 162 companies over the period, 6<sup>th</sup> - 23<sup>rd</sup> January 2014. Only top decision makers (Owners, CEO/MD, directors and top managers) participated in the survey.

## Contact Us

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