



**BUSINESS CONFIDENCE LEVEL DROPS in Q4-2013**

**Aggregate BCI**

The 4<sup>th</sup> quarter 2013 aggregate Business Confidence Index (BCI) moderated to 17.6% from 24% it posted in Q3. This represents 6.4% point drop of the index over Q4 and Q4 2013. The index had maintained a steady improvement over the first three quarters of the year (10.5% in Q1, 16.5% in Q2 and 24% in Q3). The moderation of the BCI score at this time suggests that business leaders are likely going to be softer towards expanding their investments in Nigeria in the months to come.

| <b>BCI Thresholds</b>        |                    |
|------------------------------|--------------------|
| <b>Assessment</b>            | <b>Index Range</b> |
| 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          |

**Q4, 2013**  
**BCI = 17.6%**

Factors such as poor access to credit, challenging security situation, dwindling public power supply and the increasing spate of non-performing trade credit largely contributed to the depressed index score.

**Sectoral BCI**

All the sectors except manufacturing reported positive but weak business confidence levels. We are mostly worried by the negative (-2%) confidence level reported by operators in the manufacturing sector at this time. Over the last one year, the manufacturing sector has consistently remained at the bottom of BCI league table by trending between negative and neutral confidence levels. The most disturbing factor for manufacturers includes: the influx of imported and substandard products, poor access to credit, high cost of doing business and inhibitive activities of government regulatory/monitoring agencies.

The agricultural sector remains impressive at 19% from the adverse business confidence it posted in Q1-2013. The story suggest that while operators in the agricultural sector are hopeful of better days ahead, expansion and new investment in the Nigerian manufacturing sector will potentially remain held



down by the lingering challenges confronting business environment in the country.

Finance sector reported the largest drop of 20 points from 35% in Q3-2013 to 15% in Q4-2013. This drop is quite significant and a call for concern for a sector that just reported record profit and impressive performance. Impact of the newly introduced 50% Cash Reserved Ratio (CRR) on public sector deposits by CBN and the ongoing systemic challenge of the Discount House businesses may partly explain the source of uncertainty currently brewing in the Nigerian financial.

| Sector BCI Scores       |         |         |         |         |
|-------------------------|---------|---------|---------|---------|
|                         | Q4-2013 | Q3-2013 | Q2-2013 | Q1-2013 |
| Hotel & Restaurant      | 19%     | 29%     | 35%     | 37%     |
| Telecoms / Postal       | 27%     | 27%     | 27%     | 8%      |
| Oil & Gas               | 11%     | 15%     | 11.5%   | 7%      |
| Finance & Insurance     | 15%     | 35%     | 21%     | 7%      |
| Professional Services   | 19%     | 22%     | 17%     | 3%      |
| Others                  | 22%     | 21%     | 16%     | 4%      |
| Distributive Trade      | 23%     | 23%     | 12%     | -1%     |
| Agriculture             | 19%     | 18%     | 9%      | -1%     |
| Building & Construction | 5%      | 13%     | 10%     | -8%     |
| Manufacturing           | -2%     | 5%      | 5%      | -11%    |

### Regional BCI

The confidence level of businesses located in the South West Nigeria moderated from the 44% and 38% it reported in Q3 and Q2 respectively to 28% in Q4. This is also the trend exhibited by companies operating in the South East and South South with BCI score of 19%, 11% and 21% respectively in Q4- 2013. The confidence level of businesses located in the Northern part of the country remains flat at zero and negative confidence levels. The initial gain that came from FG's special security intervention which saw BCI score of North Central region jump to 11% in Q3 seem to have faded away.

| Index By Region |         |         |         |         |
|-----------------|---------|---------|---------|---------|
|                 | Q4-2013 | Q3-2013 | Q2-2013 | Q1-2013 |
| South West      | 28      | 44%     | 38%     | 30      |
| South East      | 19      | 31%     | 29%     | 21      |



|               |    |     |     |    |
|---------------|----|-----|-----|----|
| South South   | 11 | 21% | 19% | 13 |
| North Central | 3  | 11% | 0   | 1  |
| North East    | 0  | 0   | -2  | 0  |
| North West    | 0  | 1%  | -2  | 0  |

## Conclusion

The 4th quarter 2013 aggregate Business Confidence Index (BCI) moderated to 17.6% from 24% it posted in Q3. This drop was witnessed across all sectors and regions in the country. Manufacturing sector remains the most troubled sector as evidenced by the negative confidence of the industry operators. The most disturbing factors being the influx of imported and substandard products, poor access to credit, high cost of doing business and inhibitive activities of government regulatory/monitoring agencies. The ongoing systemic challenge in the Discount Houses businesses, the prolonged Petroleum Industry Bill (PIB) and the newly introduced 50% Cash Reserved Ratio (CRR) on public sector deposits by CBN may have initiated some level of uncertainty in the Nigeria's most organized and profitable sectors – finance and oil & gas.

The story suggests that expansion and new investment in most sectors/regions of the Nigerian economy may be soft in the months to come. Notwithstanding, the final take-over of the nation's power companies by the new private owners is a succor to our yearnings for improved power supply. We look to see how the end of year festivities, increase political activities and sustained tightening by the monetary authorities will impact business confidence in Q1-2014.

## About the Survey

The 4th quarter 2013 BCI survey covered 15 sectors and 412 (top business executives) respondents over the period, 15th August to 24th September 2013. The participation of top Private players across all the sectors and sub-sectors were secured in a responsible fashion.



| Sample Distribution by Sectors | % of Total Respondents |
|--------------------------------|------------------------|
| Agriculture                    | 15%                    |
| Oil & Gas                      | 11%                    |
| Distributive Trade             | 12%                    |
| Telecoms / Postal              | 4%                     |
| Professional Services          | 19%                    |
| Solid Minerals                 | 0%                     |
| Manufacturing                  | 7%                     |
| Finance & Insurance            | 5%                     |
| Building & Construction        | 8%                     |
| Others                         | 14%                    |

## About 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.

## Contact Us

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