



**Central Bank of Nigeria**

**INFLATION EXPECTATIONS SURVEY  
REPORT**

**Statistics Department**

**August 2024.**

***NOTE:** The IES report Indicates the views of the respondents and does not in any way represent the view of the Central Bank of Nigeria. As such CBN cannot be held liable for any action taken based on the responses provided in this survey.*

## Dashboard on Expectations on Inflation for the Month of July 2024

### Perception and Expectations on Inflation



CURRENT MONTH

**-63.2**



NEXT MONTH

**-33.3**



NEXT 2 MONTHS

**-26.1**



NEXT 6 MONTHS

**-20.0**



### EXPENDITURE EXPECTATIONS INDEX

**35.4**

Overall

**45.5**

Businesses

**24.7**

Households



### MAJOR DRIVERS OF INFLATION – CURRENT MONTH

■ Energy ■ Exchange Rate ■ Transportation

Businesses

**91.9**

**89.5**

**89.3**

■ Energy ■ Transportation ■ Exchange Rate

Households

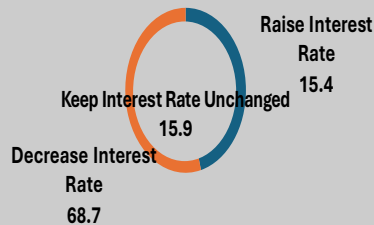
**91.3**

**90.3**

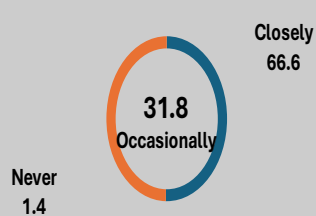
**88.6**



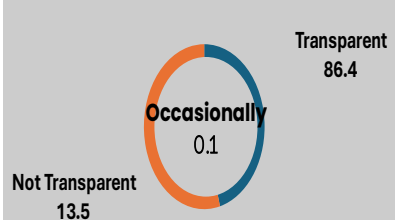
### PERCEPTION ON CBN RESPONSE TO INFLATION (%)



### FOLLOW-UP ON CBN COMMUNICATION (%)



### TRANSPARENCY IN COMMUNICATION (%)



## Highlights

- *Businesses and households' respondents believe that the current inflation rate is high. They however expect the rate to gradually abate over the next six months.*
- *In line with their expectation on the inflation rate, respondents anticipate increased expenditure in the next month and the next three months. However, they expect a decline in their expenditure in the next six months.*
- *Most of the respondents believed that changes in the price of energy, exchange rate and transportation were the major drivers of inflation expectation during the reviewed periods.*
- *Majority of the respondents preferred that that the CBN decreases the interest rate.*
- *Majority of the respondents follow the CBN communication closely and believe that the CBN is transparent in its communication.*

## 1.0 Introduction

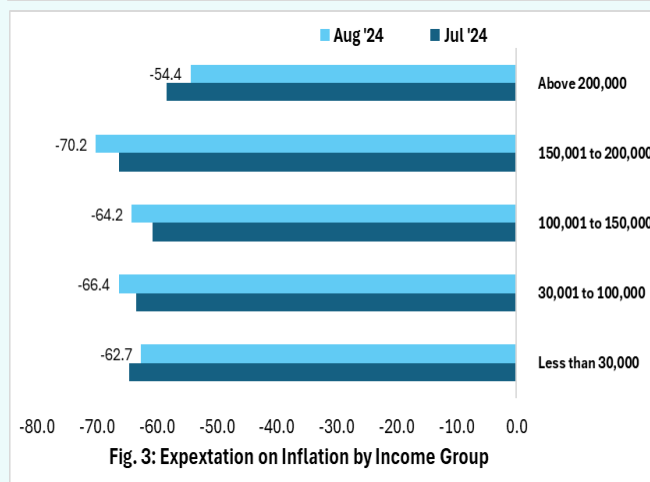
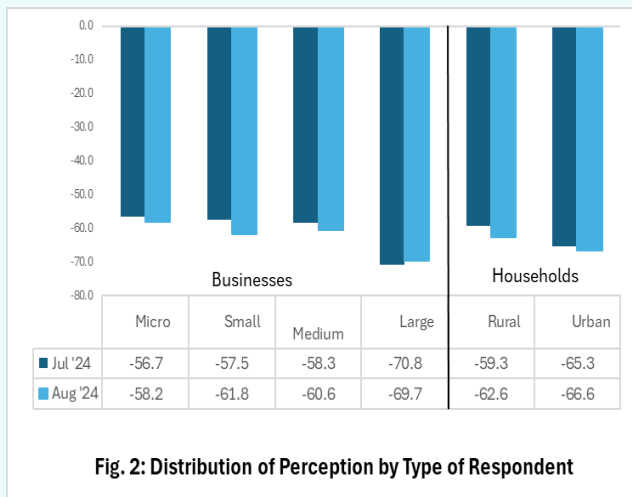
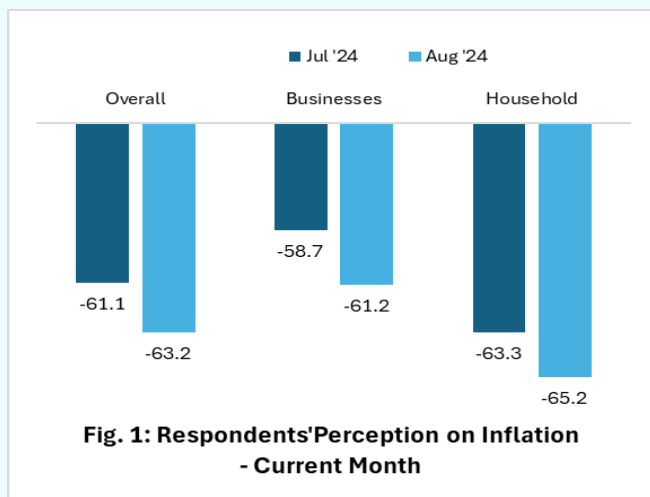
The Inflation Expectations Survey (IES) for August 2024 was conducted from August 12-16, 2024, among selected businesses and households with a sample of 1,600 and 1,650 respectively, in the 36 states of the federation and the Federal Capital Territory.

The IES aims to gather insights on how businesses and households perceive current and future inflation trends and the major drivers of inflation. By understanding how people anticipate changes in the cost of goods and services, monetary policy can be better managed to stabilize the economy and promote growth.

## 2.0 Inflation Perception & Outlook

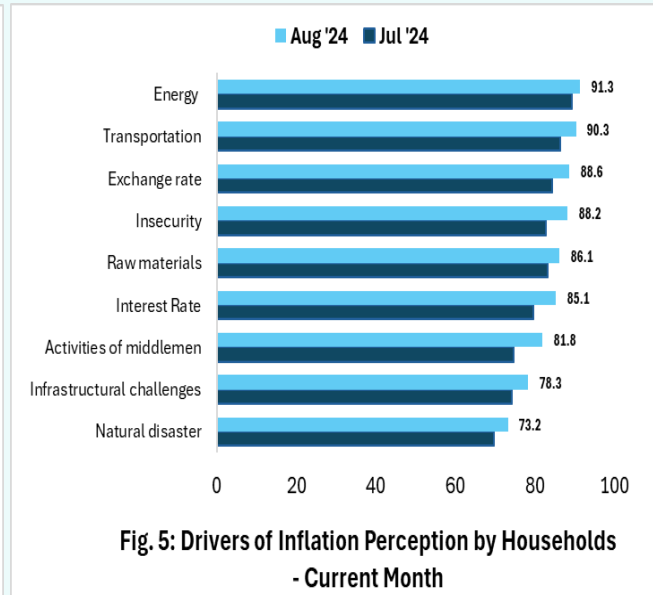
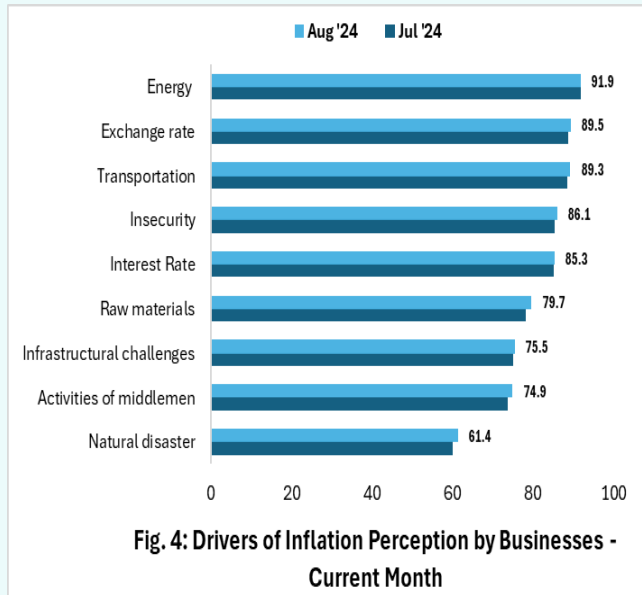
### 2.1 Current Month Perception

The overall perception on inflation rate in the current month showed that 84.9 percent of the respondents were of the view that the current level of inflation was too high, culminating to an index of -63.2 points (Fig. 1). A breakdown of the responses indicates that businesses (-61.2 points) are slightly more optimistic than households (-65.2 points). A further breakdown shows that the micro businesses showed least pessimism with -58.2 index points (Fig. 2; table 1, Section 1).



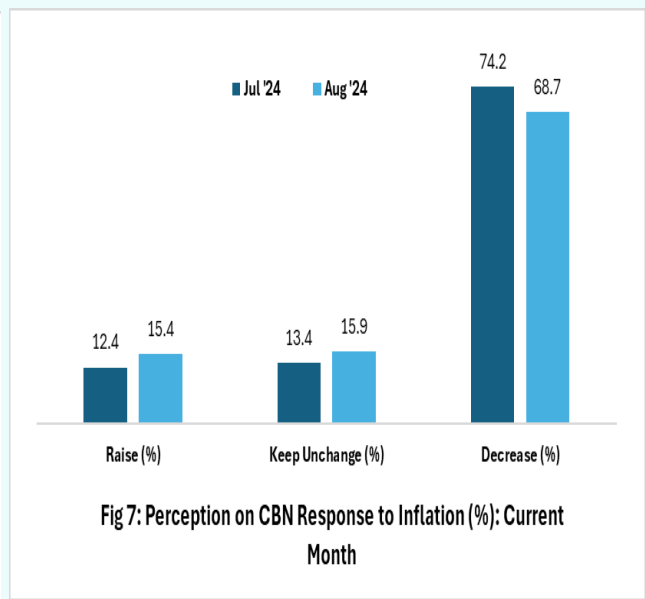
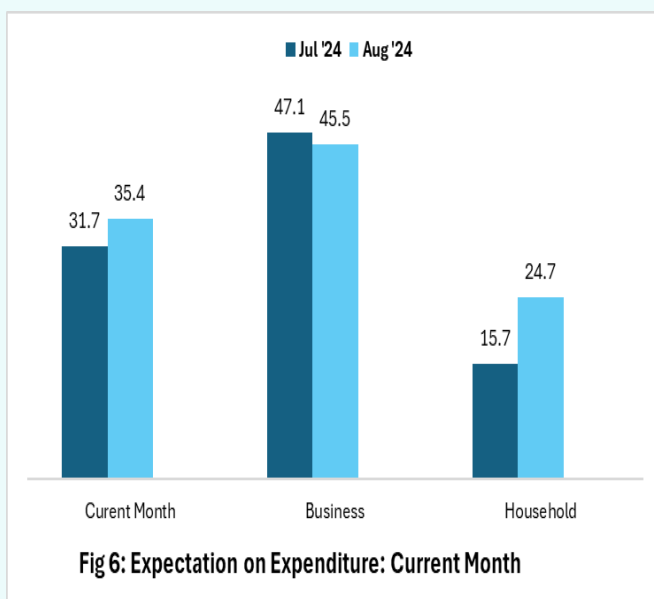
Further breakdown by income group revealed that respondents in the N150,001-200,000 income group recorded the highest inflation perception index of -70.2 points while the above 200,000 income group reported the lowest inflation perception index at -54.4 index point (Fig. 3; table 1, Section 2)

The major factors that played a crucial role in shaping the perception of inflation among both businesses and households were Energy cost, Transportation and Exchange rate (Fig. 4 & 5; table 1, Section 3).



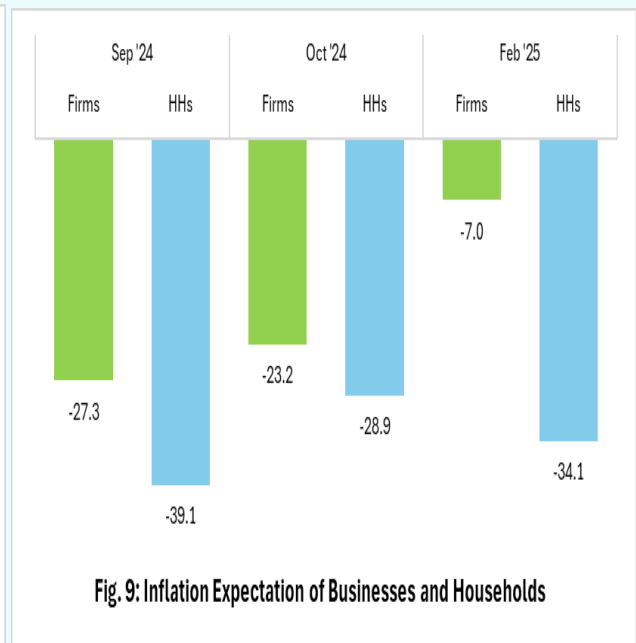
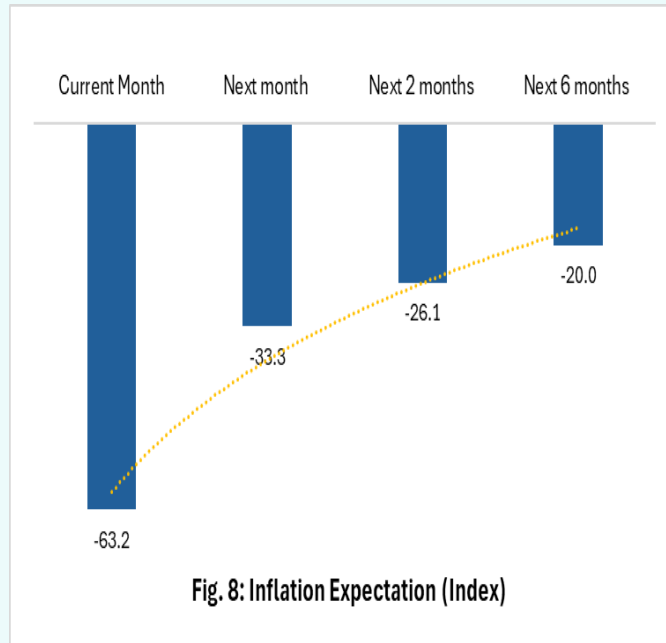
In line with the perception on inflation, respondents opined that their expenditure increased in the current month, as indicated by a positive index of 35.4 points. Businesses expressed a significantly higher level of increased expenditure with an index of 45.5 compared to households that recorded 24.7 index points (Fig 6; table 1, Section 6).

Most of the respondents (68.7 percent) prefer the CBN to reduce interest rate, while 15.4 percent expect the interest rate to be raised. The remaining 15.9 percent preferred the rates to remain unchanged (Fig. 7; table 1 and Section 9).

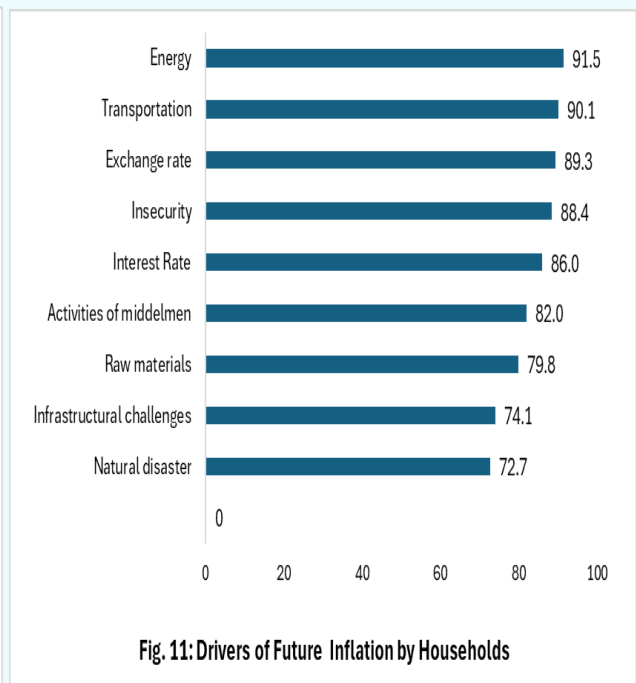
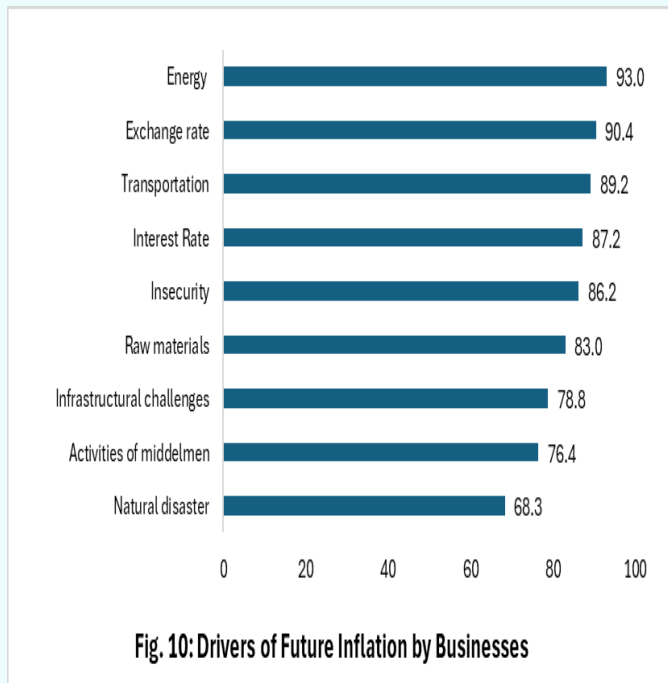


## 2.2 Future Inflation Outlook

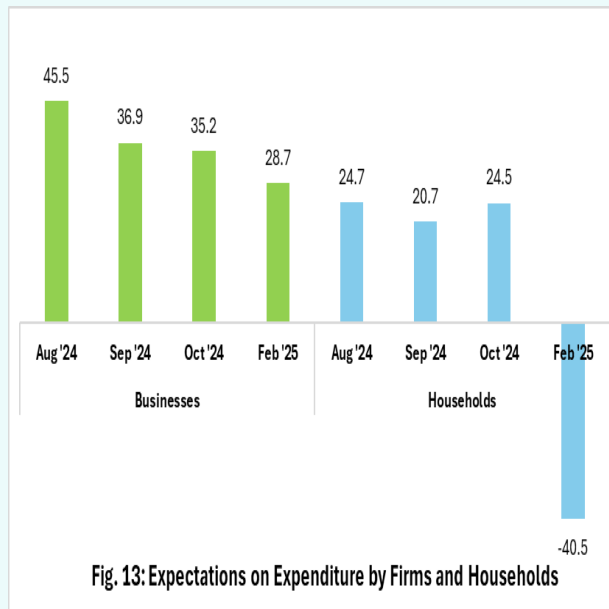
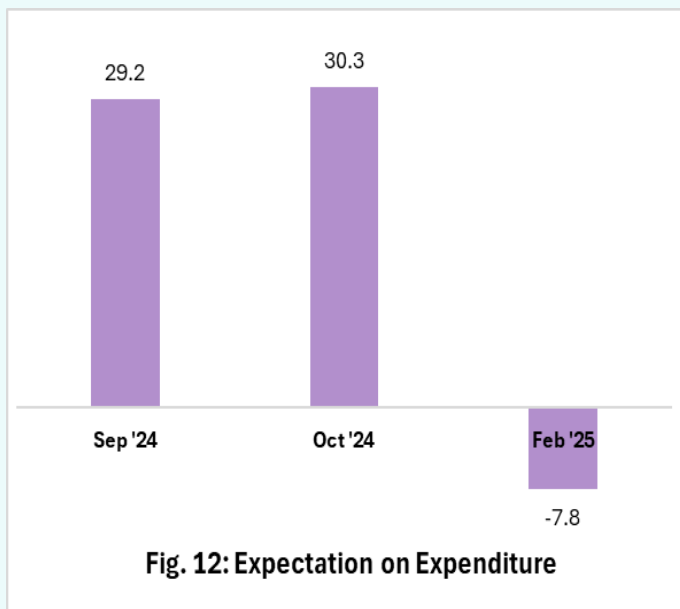
Respondents expect the inflation rate to gradually abate over the next six months as their indices showed considerable improvement over the review periods. However, businesses anticipate lower inflation rate compared to households (Fig. 8 & 9; table 1, Section 5).



Over the next six months, both businesses and households expect the inflation outlook to be primarily driven by changes in energy prices, exchange rates, and transportation costs (Fig. 10 & 11; table 1, Section 7 & 8).



Respondents anticipate increased expenditure in the next month and the next three months, with positive indices of 29.2 and 30.3 points, respectively. However, they expect a significant decline in their expenditure over the next six months, as indicated by a negative index of -7.8 points. While households expect to maintain their expenditure basket till October 2024 but significantly decrease it in February 2025, businesses indicated a steady decline in their expenditure appetite over the reviewed periods (Fig. 12 & 13; table 1, Section 6).



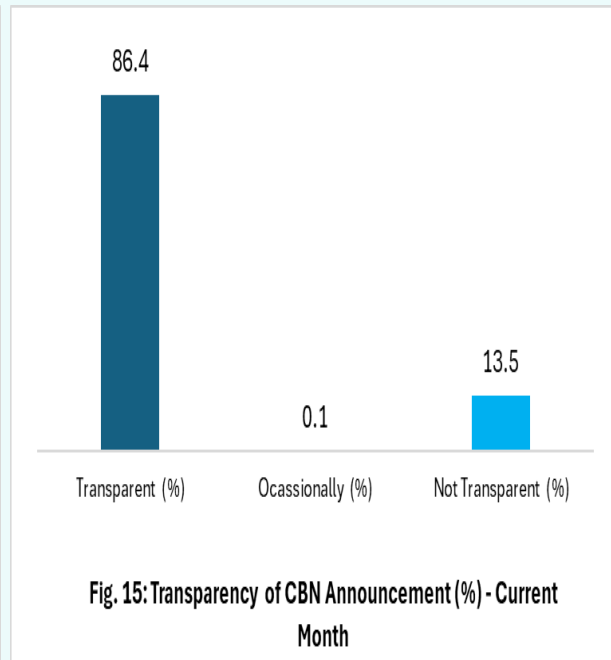
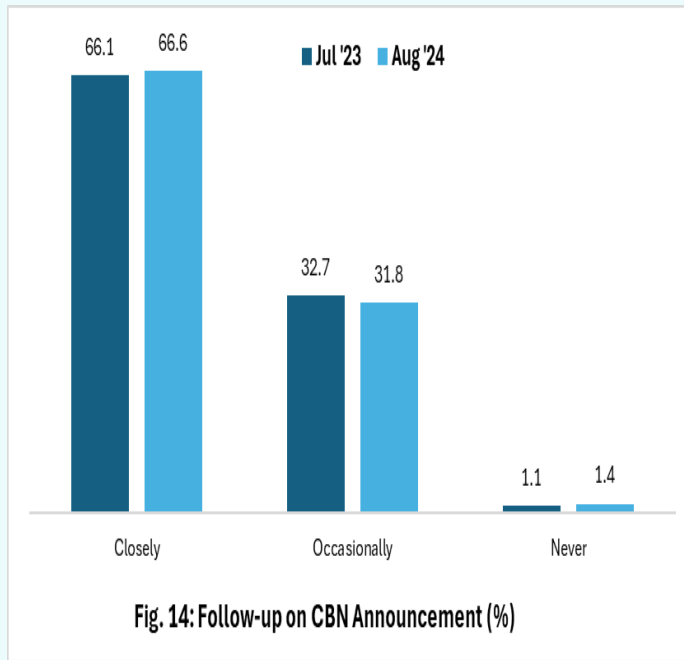
### 3.0 Announcements on Activities of

#### Central Bank

The overall engagement index rose from 74.0 in July to 75.9 points in August 2024, indicating that more respondents engage with CBN’s communication on inflation and interest rate. Further analysis indicated that both Businesses and Households engagement indices increased within the period under review.

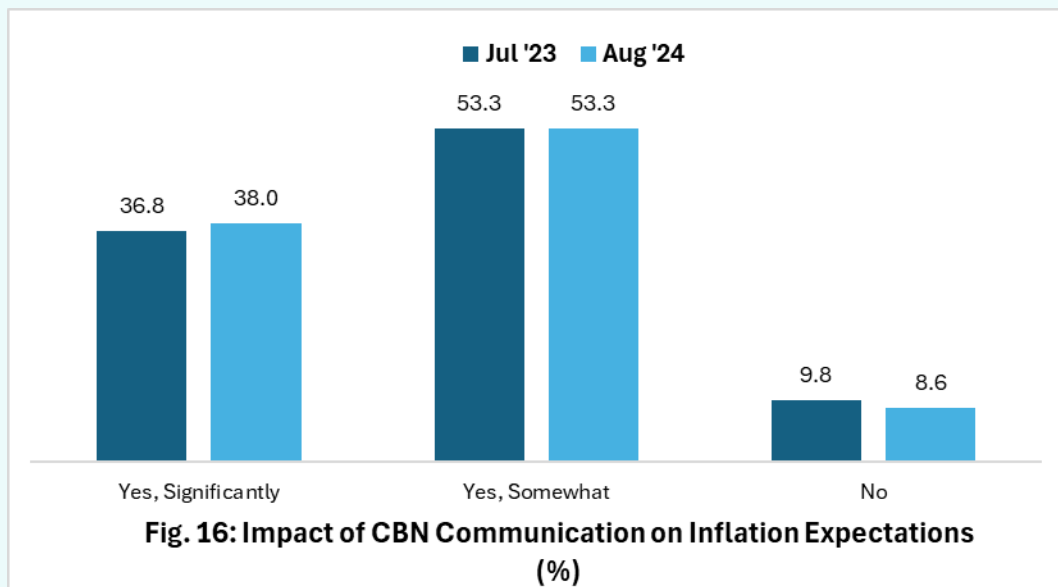
A breakdown of engagement by businesses shows that small businesses increased from 70.3 to 74.2 points, medium businesses increased from 79.4 to 80.5 points, large businesses increased from 95.7 to 95.8 points, while Micro businesses declined from 60.1 to 59.8 points.

Households’ and Businesses that closely follow-up on CBN’s announcements increased from 66.1 percent in July to 66.6 percent in August 2024. Also, respondents that never follow up on CBN’s announcements increased from 1.1 percent to 1.4 percent while those that follow up on CBN announcements occasionally decreased from 32.7 percent in July to 32.8 percent in August 2024 (Fig. 14; table 1, Section 10).



Perceptions on transparency of CBN’s communication showed that majority of the respondents believed that CBN is transparent in its communication (86.4%) (Fig 15 table 1, Section 12).

On the impact of CBN’s communication on inflation expectations, more respondents believe that CBN communication ‘Significantly’ affects inflation as the percentage of respondents rose from 36.8 percent in July to 38.0 in August 2024. The percentage of those who said that CBN communication ‘Somewhat’ affects inflation expectation remained the same with July 2024, while the percentage of respondents who believed that CBN communication does not affect inflation expectations dropped from 9.8 percent in July 2024 to 8.6 in August 2024 (Fig. 16, table 1, Section 11).



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## ***Data, Interpretation and Method***

### ***Data***

*Respondents were drawn from the establishment frame of the National Bureau of Statistics (NBS) and National Population Commission (NPopC) National list of Enumeration Areas (EAs). A total of 3,250 were interviewed comprising 1600 Firms and 1650 households.*

### ***Interpretation***

*A positive index implies that respondents with a favorable view outnumber those with an unfavorable view. Each response option is assigned weights to quantify and/or rank them. On the level of transparency and CBN communication, percentages of respondents are indicated.*

### ***Method***

*The Inflation Expectations Survey (IES) report on businesses and households is based on survey responses, indicating changes in the perception and/or expectations of respondents about their outlook on inflation. This report shows the diffusion index of the responses as the percentage of responses with positive change less the percentage of those reporting negative changes.*

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# Table 1

INFLATION EXPECTATION SURVEY DATA SERIES				
ITEMS	May-24	Jun-24	Jul-24	Aug-24
<b>1. Perception on Current Inflation rate (%)</b>				
High (%)	80.1	83.3	83.7	84.9
Moderate (%)	10.9	9.4	9.3	7.7
Low (%)	9.0	7.3	6.9	7.4
<b>Overall Current Inflation Perception - Current Month (Index)</b>				
Businesses	-56.5	-60.4	-58.7	-61.2
Micro	-54.8	-62.9	-56.7	-58.2
Small	-56.5	-57.6	-57.5	-61.8
Medium	-56.4	-57.4	-58.3	-60.6
Large	-62.1	-70.9	-70.8	-69.7
Household	-55.1	-62.3	-63.3	-65.2
Rural	-53.4	-56.8	-59.3	-62.6
Urban	-56.0	-65.2	-65.3	-66.6
<b>2. Perception on Current Inflation rate by Household Income</b>				
Less than 30,000	-59.5	-65.3	-64.6	-62.7
30,001 to 100,000	-53.4	-62.8	-63.4	-66.4
100,001 to 150,000	-54.0	-62.2	-60.7	-64.2
150,001 to 200,000	-55.5	-55.1	-66.4	-70.2
Above 200	-63.7	-46.9	-58.3	-54.4
<b>3. Drivers of Current Inflation Perception (Businesses)</b>				
Energy (PMS, Diesel, Electricity, etc)	90.2	90.6	91.8	91.9
Exchange rate	88.0	88.3	88.8	89.5
Interest Rate	81.2	83.2	85.2	85.3
Transportation(Road, flight, water, rail, etc)	88.0	88.1	88.5	89.3
Insecurity	81.7	84.0	85.4	86.1
Activities of middlemen	72.2	72.7	73.8	74.9
Natural disaster	55.3	57.7	60.2	61.4
Infrastructural challenges	71.5	72.7	75.1	75.5
Raw materials (input)	77.0	77.4	78.3	79.7
<b>4. Drivers of Current Inflation Perception (Households)</b>				
Energy (PMS, Diesel, Electricity, etc)	88.1	90.8	89.3	91.3
Exchange rate	83.6	87.7	84.4	88.6
Interest Rate	78.7	78.0	79.5	85.1
Transportation(Road, flight, water, rail, etc)	87.1	89.4	86.4	90.3
Insecurity	79.0	86.0	82.7	88.2
Activities of middlemen	75.3	79.4	74.6	81.8
Natural disaster	62.4	70.4	69.6	73.2
Infrastructural challenges	68.6	76.5	74.1	78.3
Raw materials (input)	80.7	84.5	83.2	86.1
<b>5. Inflation Expectation</b>				
<b>Next month</b>	<b>-35.3</b>	<b>-45.9</b>	<b>-37.4</b>	<b>-33.3</b>
Business	-25.3	-37.8	-34.4	-27.3
Household	-45.5	-53.7	-40.2	-39.1
<b>Next 2 months</b>	<b>-24.8</b>	<b>-34.5</b>	<b>-26.3</b>	<b>-26.1</b>
Business	-17.2	-30.9	-26.5	-23.2
Household	-32.7	-37.9	-26.1	-28.9
<b>Next 6 months</b>	<b>-13.4</b>	<b>-22.9</b>	<b>-15.8</b>	<b>-20.0</b>
Business	-2.8	-14.1	-11.0	-7.0
Household	-25.8	-32.2	-20.9	-34.1

INFLATION EXPECTATION SURVEY DATA SERIES (Cont'd)				
<b>6. Expenditure Expectation</b>				
<b>Curent Month</b>	<b>34.9</b>	<b>38.1</b>	<b>31.7</b>	<b>35.4</b>
Business	44.5	50.2	47.1	45.5
Household	24.0	25.6	15.7	24.7
<b>Next Month</b>	<b>30.7</b>	<b>32.2</b>	<b>26.4</b>	<b>29.2</b>
Business	36.3	42.5	39.5	36.9
Household	24.2	21.3	12.5	20.7
<b>3 Month</b>	<b>28.1</b>	<b>30.4</b>	<b>27.2</b>	<b>30.3</b>
Business	28.9	36.1	36.7	35.2
Household	27.2	24.2	16.6	24.5
<b>6 Month</b>	<b>-15.7</b>	<b>-14.1</b>	<b>-17.0</b>	<b>-7.8</b>
Business	20.4	29.6	28.9	28.7
Household	-50.9	-54.9	-58.2	-40.5
<b>7. Drivers of Inflation Expectation - Next 6 Months (Businesses) Index</b>				
Energy (PMS, Diesel, Electricity, etc)	90.2	92.1	92.8	93.0
Exchange rate	89.2	88.8	89.8	90.4
Interest Rate	85.8	85.6	86.8	87.2
Transportation(Road, filght, water, rail, etc)	88.3	88.2	88.6	89.2
Insecurity	83.9	84.6	86.5	86.2
Activities of middlemen	75.9	74.6	76.5	76.4
Natural disaster	65.6	66.8	68.8	68.3
Infrastructural challenges	76.3	77.7	79.0	78.8
Raw materials (input)	81.4	81.9	82.4	83.0
<b>8. Drivers of Inflation Expectation - Next 6 Months (Households) Index</b>				
Energy (PMS, Diesel, Electricity, etc)	87.5	89.9	88.1	91.5
Exchange rate	82.8	87.6	82.7	89.3
Interest Rate	78.7	79.4	79.5	86.0
Transportation(Road, filght, water, rail, etc)	85.7	88.1	85.0	90.1
Insecurity	79.0	86.0	82.4	88.4
Activities of middlemen	75.2	80.9	74.1	82.0
Natural disaster	67.2	71.3	71.3	72.7
Infrastructural challenges	62.5	71.2	68.8	74.1
Raw materials (input)	69.9	78.2	74.1	79.8
<b>9. Perception on CBN Response to Inflation</b>				
Overall index	-55.3	-58.1	-61.8	-53.4
Raise (%)	13.6	13.6	12.4	15.4
Keep Unchange (%)	17.4	15.3	13.4	15.9
Decrease (%)	68.9	71.7	74.2	68.7
<b>10. How closely do you follow Inflation and interest rates Communication (%)</b>				
Closely	62.6	65.4	66.1	66.6
Occasionally	35.8	33.2	32.7	31.8
Never	1.6	1.4	1.2	1.6
<b>11. Do you think communication from CBN affects inflation expectations? (%)</b>				
Yes, Significantly	30.9	25.7	36.8	38.0
Yes, Somewhat	37.4	33.8	53.3	53.3
No	31.7	40.5	9.8	8.6
<b>12. How transparent is the CBN inflation communication (%)</b>				
Transparent (%)	60.0	58.2	80.2	86.4
Ocasionally (%)	22.7	24.0	13.9	0.1
Not Transparent (%)	17.4	17.8	5.9	13.5