



Central Bank of Nigeria

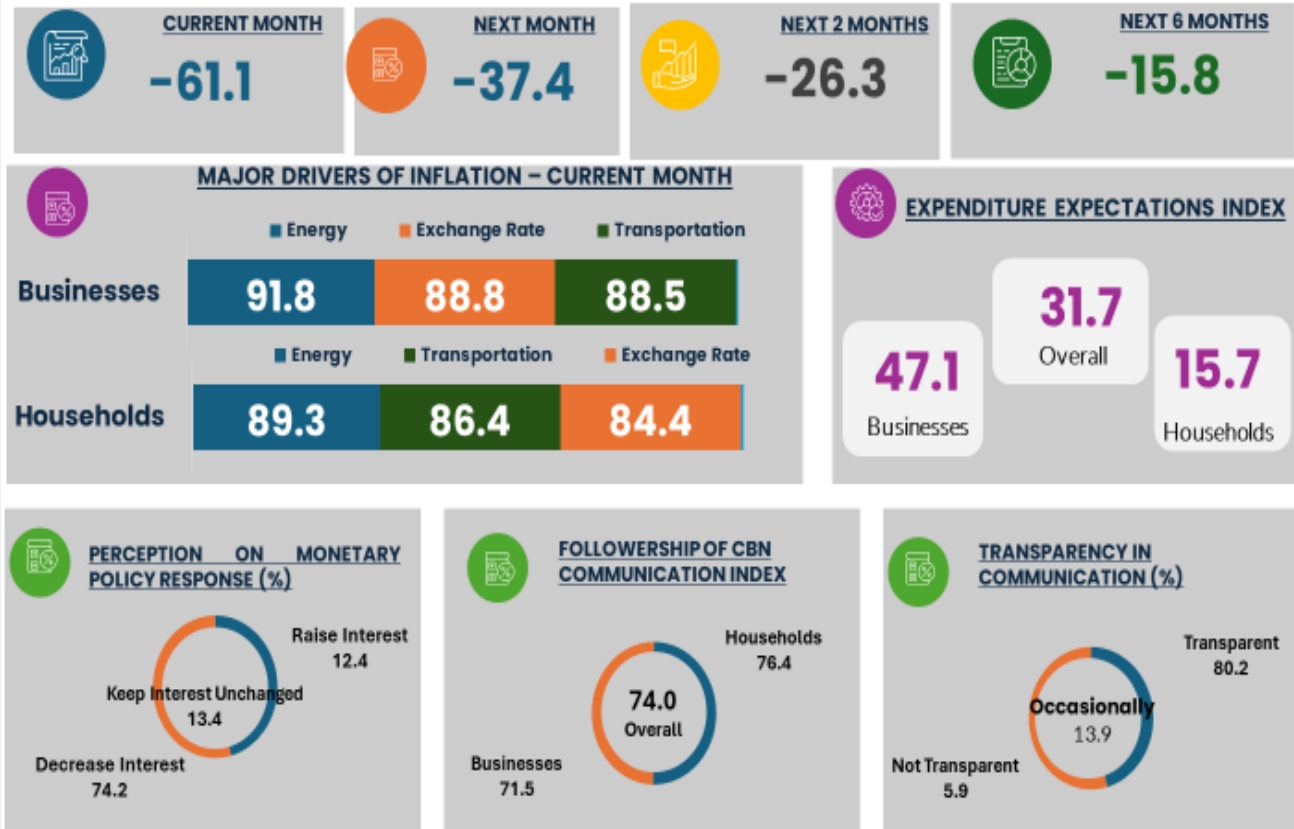
**INFLATION EXPECTATIONS SURVEY
REPORT**

Statistics Department

July 2024.

NOTE: The IES report indicates the views of the respondents and does not represent the view of the Central Bank of Nigeria.

Dashboard on Expectations on Inflation for the Month of July 2024



Highlights

- The Businesses and households' respondents believe that July 2024 inflation rate was high, as indicated by the negative index point of -61.1
- Most of the respondents believed changes in the price of energy, exchange rate and transportation were the major drivers of inflation in July, 2024.
- Respondents expect their expenditure to further increase in July, 2024.
- Majority of the respondents expect the CBN to decrease 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

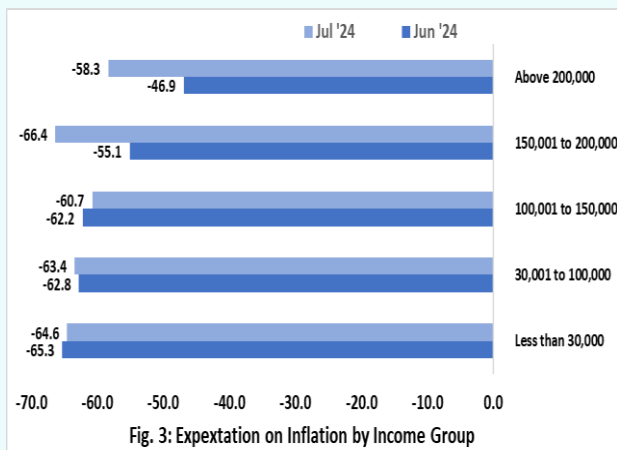
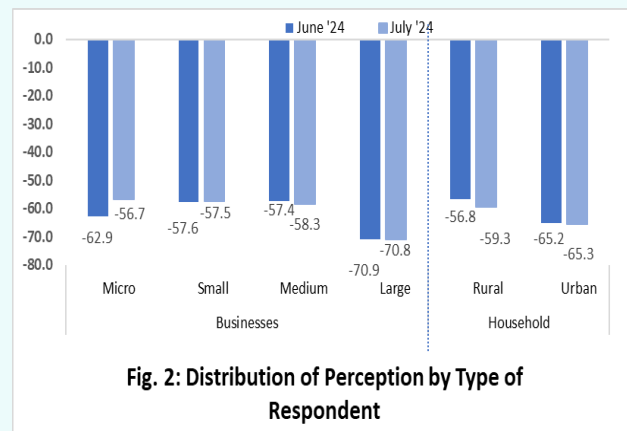
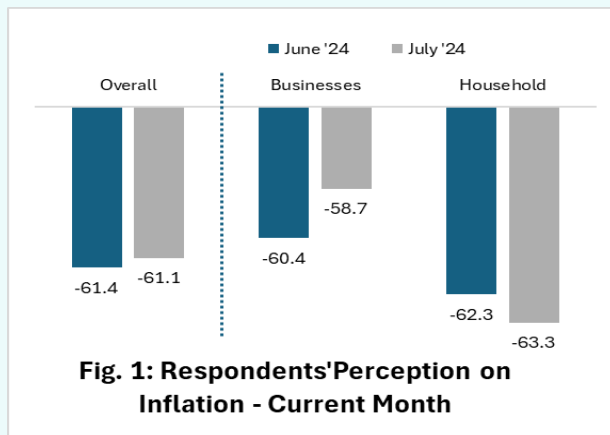
The Inflation Expectations Survey (IES) for July 2024 was conducted from July 14-26, 2024, among selected businesses and households with a sample of 1,600 and 1,650 respectively, in the 36 states of the federation and the Federal Capital Territory.

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

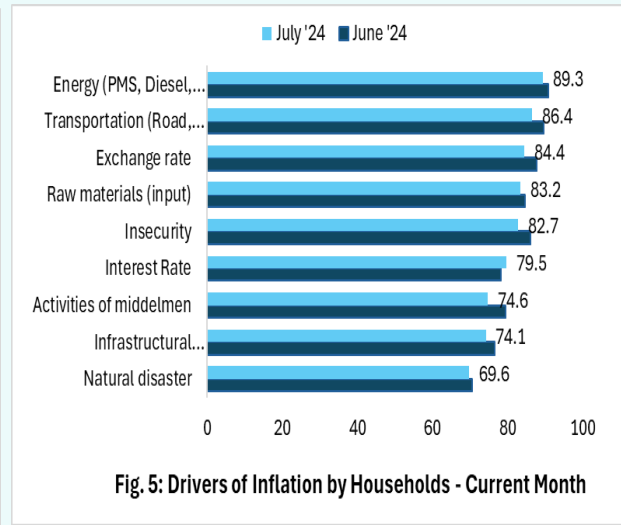
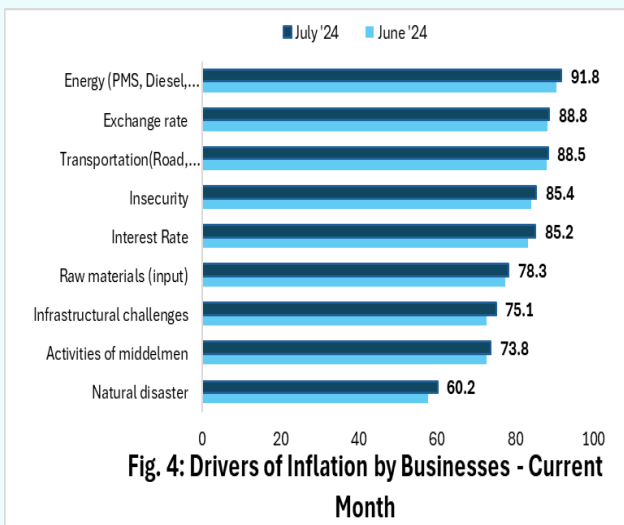
2.1 Current Month Perception

The overall perception of inflation in July 2024 showed that 83.7 percent of the respondents believed that the current level of inflation was high with an index of -61.1 points (Fig. 1). A breakdown of the responses revealed that businesses at -58.7 points, has slightly lower index compared to Households (-63.3 points). This indicates that businesses were less pessimistic in their outlook as their current month inflation rate perception is slightly better than that of the households. A further breakdown shows that large businesses believed that the current level of inflation is too high with index of -70.8 points (Fig. 2, table 1, Section 1).



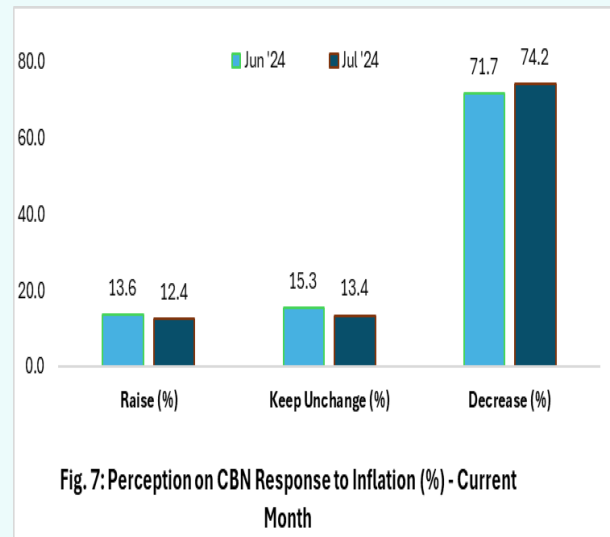
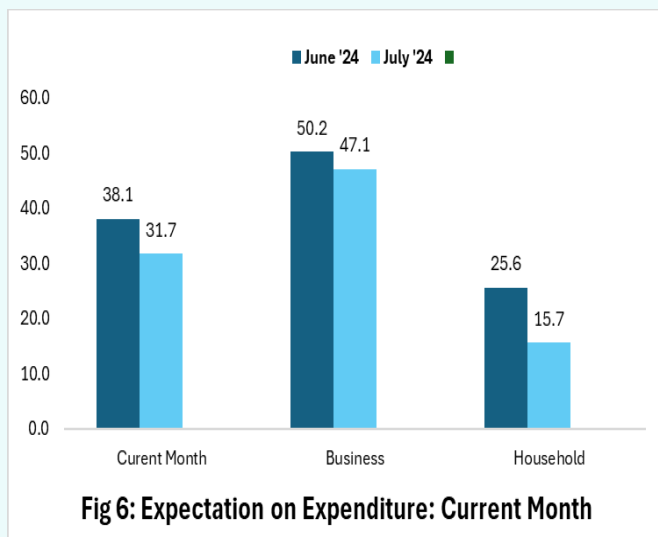
Further breakdown by income group revealed that respondents in the N150,001-200,000 income group believed that inflation in the current month was too high with an index of -66.4 points. The above 200,000 income group which stood at -58.3 index point, had a less negative index, indicating the least pessimism on inflation expectation for the current period (Fig. 3, table 1, Section 2).

Factors that played a crucial role in shaping the perception of inflation among businesses include: Energy costs increased from 90.6 points in June to 91.8 index points in July, making it the top driver. Exchange rate remained consistently high with a slight increase from 88.3 in June to 88.8 in July. Transportation is the third driver of inflation during the review period with 88.5 index points. (Fig. 4, table 1, Section 3).



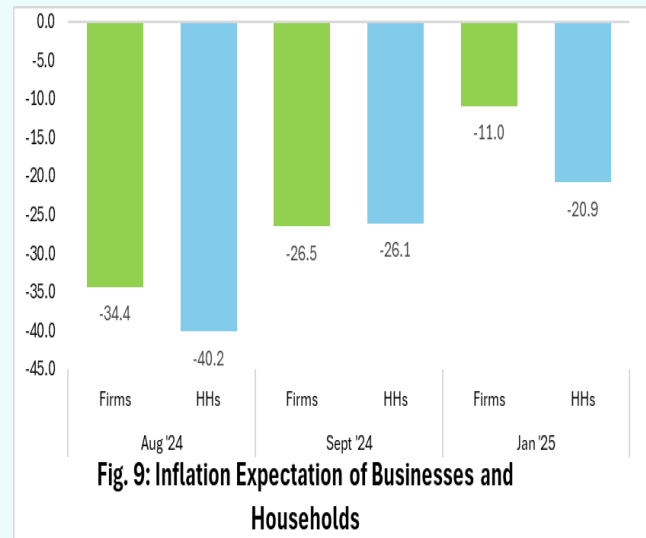
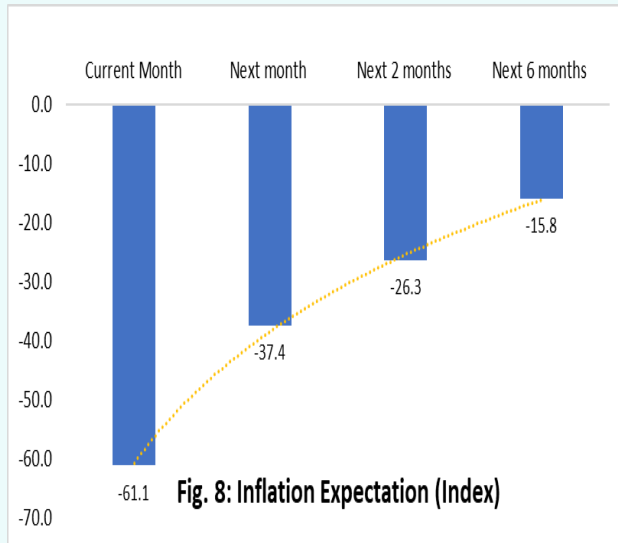
In line with sentiments on inflation, respondents opined that their expenditure increased in the current month, as indicated by a positive index of 31.7 points although it is lower than June index. Businesses expressed a significantly higher level of increased expenditure with an index of 47.1 compared to households that recorded 15.7 index points (Fig 6, table 1, Section 6).

In July 2024, 74.2 percent of respondents believed that the CBN should decrease the interest rate. In contrast, 12.4 percent thought the interest rate should be raised, while 13.4 percent preferred that the rates remain unchanged (Fig. 7, table 1, Section 9).



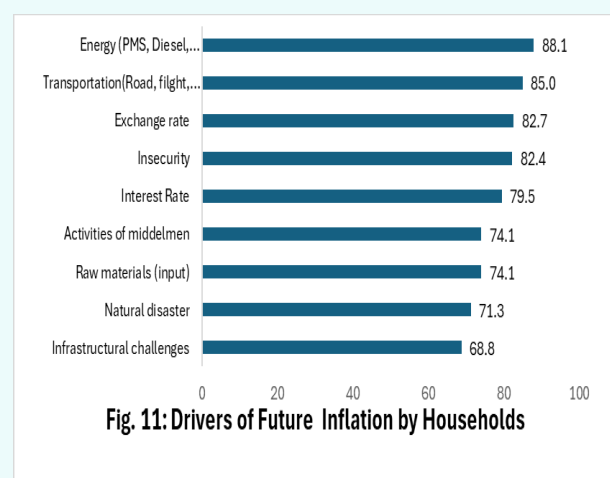
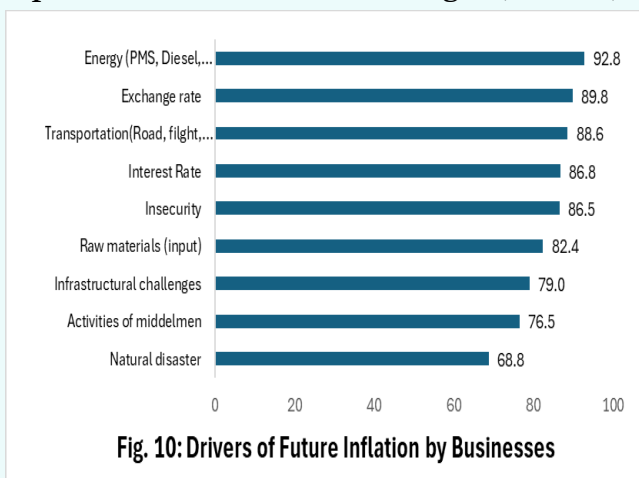
2.2 Future Inflation Outlook

The outlook for next month, two months, and six months, shows that respondents expect inflation to rise further in the review months with indices of -37.4 for the next month, -26.3 for the next two months, and -15.8 for the next six months. Generally, respondents expect inflation rate to gradually reduce over the next six months (Fig. 8, table 1, Section 5).



A further breakdown reveals that businesses anticipate lower inflation rate compared to households, with indices of -34.4 and -11.0 points for next month and next six months, respectively. However, for next month, households expect lower inflation with an index of -26.1 compared to businesses that recorded an index of -26.5. Overall, both businesses and households believe that inflation rate will rise further in the review periods (Fig. 9, table 1, Section 5).

Over the next six months, businesses expect their inflation outlook to be primarily driven by changes in energy prices at 92.8, exchange rates at 89.8, and transportation costs at 88.6 index points (Fig. 10, table 1, Section 7). Households also expect their inflation outlook to be primarily driven by energy prices at 88.1, transportation costs at 85.0, and exchange rates at 82.7 index points. These factors consistently remain the top concerns influencing inflation expectations for households (Fig. 11, table 1, Section 8).

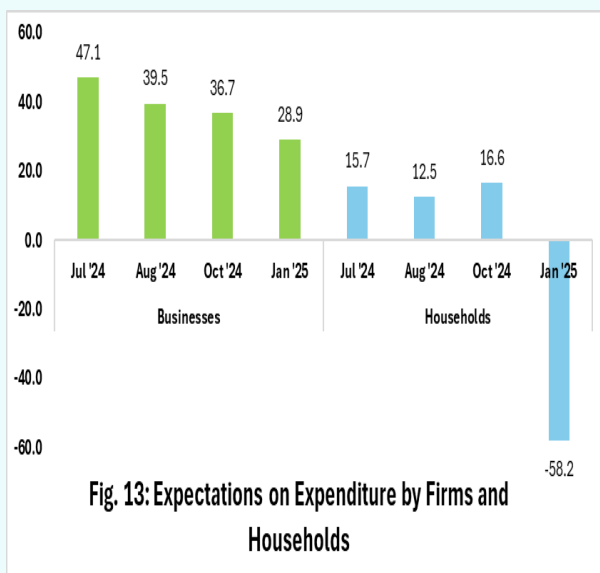
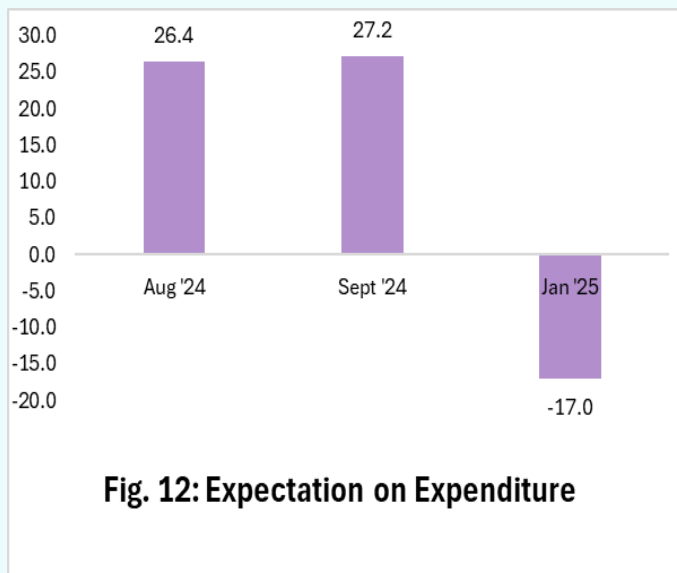


Respondents anticipate increased expenditure in the next month and the next three months, with positive indices of 26.4 and 27.2 points, respectively. However, they expect a significant decline in their expenditure over the next six months, as indicated by a negative index of -17.0 points. (Fig. 12, table 1, Section 6). While households expect to maintain expenditure basket till September 2024 but significantly decrease it in January 2024, businesses indicated a steady decline in their expenditure appetite over the periods reviewed (Fig. 13).

3.0 Announcements on Activities of Central Bank

In July, respondents' engagement with CBN's communication on inflation and interest rate showed an increase in index points compared to June. The overall engagement index rose from 73.8 to 74.0 points. Both businesses and Households engagement index increase within the period under review.

A breakdown of businesses shows that the engagement of Micro businesses increased from 59.7 to 60.1 points, small businesses from 69.7 to 70.3 points, large businesses increased from 94.6 to 95.7 points, while medium businesses saw a decline from 81.8 to 79.4 points.



Households' engagement with CBN's announcements also increased from 76.0 to 76.4 index points. Within this group, rural households' engagement went up from 63.4 to 64.6 points, and urban households engagement increased from 82.6 to 82.7 points. These trends indicate a growing awareness and concern about inflation and interest rates among both businesses and households, with urban households, medium and large businesses showing the highest levels of engagement (Fig. 14, table 1, Section 10).

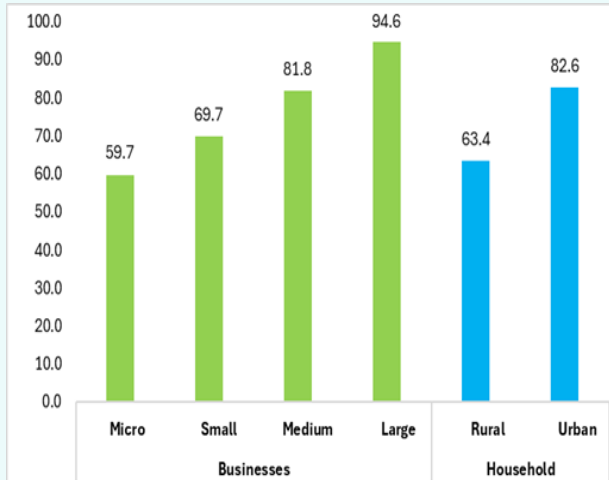


Fig. 14: Follow-up on CBN Announcement (Index)

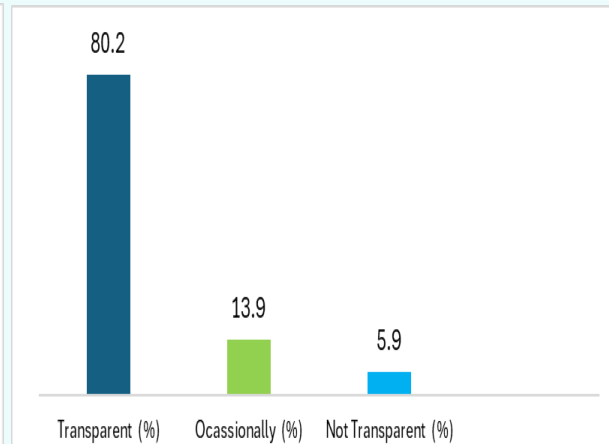


Fig. 15: Transparency of CBN Announcement (%) - Current Month

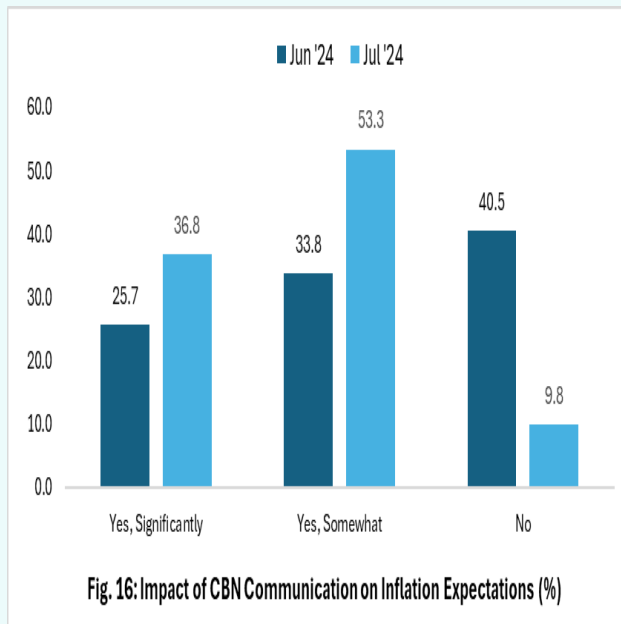


Fig. 16: Impact of CBN Communication on Inflation Expectations (%)

Perceptions on transparency of CBN’s communication showed that majority of the respondents believed that CBN is transparent in their communication (80.2%) (Fig 15 table 1, Section 12)

On the impact of CBN’s communication on inflation expectations, more respondents believe that CBN communication somewhat affects inflation as the index rose from 33.8 percent in June to 53.3 in July 2024. Those who said that CBN communication significantly affects inflation expectation increased from 25.7 to 36.8 percent in July 2024, while the percentage of respondents

who believed that CBN communication does not affect inflation expectations dropped from 40.5 percent in June to 9.8 percent in July 2024 (Fig. 16, table 1, Section 11).

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, an index above 87.5 points is very transparent, $62.5 < x < 87.5$ points are somewhat transparent, $37.5 < x < 62.5$ points are occasionally transparent and below 37.5 points is not transparent.

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.

Table 1

INFLATION EXPECTATION SURVEY DATA SERIES			
ITEMS	May-24	Jun-24	Jul-24
1. Perception on Current Inflation rate (%)			
High (%)	80.1	83.3	83.7
Moderate (%)	10.9	9.4	9.3
Low (%)	9.0	7.3	6.9
Overall Current Inflation Perception (Index)			
Businesses	-55.8	-61.4	-61.1
Micro	-56.5	-60.4	-58.7
Small	-54.8	-62.9	-56.7
Medium	-56.5	-57.6	-57.5
Large	-56.4	-57.4	-58.3
Household	-62.1	-70.9	-70.8
Rural	-55.1	-62.3	-63.3
Urban	-53.4	-56.8	-59.3
Urban	-56.0	-65.2	-65.3
2. Perception on Current Inflation rate by Household Income			
Less than 30,000	-59.5	-65.3	-64.6
30,001 to 100,000	-53.4	-62.8	-63.4
100,001 to 150,000	-54.0	-62.2	-60.7
150,001 to 200,000	-55.5	-55.1	-66.4
Above 200	-63.7	-46.9	-58.3
200,001 to 400,000	11	-44.4	-61.3
400,001 to 450,000	1	-25	-40.0
450,000 & Above	0	-83.3	0.0
3. Drivers of Current Inflation Perception (Businesses)			
Energy (PMS, Diesel, Electricity, etc)	90.2	90.6	91.8
Exchange rate	88.0	88.3	88.8
Interest Rate	81.2	83.2	85.2
Transportation(Road, flight, water, rail, etc)	88.0	88.1	88.5
Insecurity	81.7	84.0	85.4
Activities of middlemen	72.2	72.7	73.8
Natural disaster	55.3	57.7	60.2
Infrastructural challenges	71.5	72.7	75.1
Raw materials (input)	77.0	77.4	78.3
4. Drivers of Current Inflation Perception (Households)			
Energy (PMS, Diesel, Electricity, etc)	88.1	90.8	89.3
Exchange rate	83.6	87.7	84.4
Interest Rate	78.7	78.0	79.5
Transportation(Road, flight, water, rail, etc)	87.1	89.4	86.4
Insecurity	79.0	86.0	82.7
Activities of middlemen	75.3	79.4	74.6
Natural disaster	62.4	70.4	69.6
Infrastructural challenges	68.6	76.5	74.1
Raw materials (input)	80.7	84.5	83.2
5. Inflation Expectation			
Next month	-35.3	-45.9	-37.4
Business	-25.3	-37.8	-34.4
Household	-45.5	-53.7	-40.2
Next 2 months	-24.8	-34.5	-26.3
Business	-17.2	-30.9	-26.5
Household	-32.7	-37.9	-26.1
Next 6 months	-13.4	-22.9	-15.8
Business	-2.8	-14.1	-11.0
Household	-25.8	-32.2	-20.9
6. Expenditure Expectation			
Current Month	34.9	38.1	31.7
Business	44.5	50.2	47.1
Household	24.0	25.6	15.7
Next Month	30.7	32.2	26.4
Business	36.3	42.5	39.5
Household	24.2	21.3	12.5
3 Month	28.1	30.4	27.2
Business	28.9	36.1	36.7
Household	27.2	24.2	16.6
6 Month	-15.7	-14.1	-17.0
Business	20.4	29.6	28.9
Household	-50.9	-54.9	-58.2

INFLATION EXPECTATION SURVEY DATA SERIES			
ITEMS	May-24	Jun-24	Jul-24
7. Drivers of Future Inflation Perception (Businesses) Index			
Energy (PMS, Diesel, Electricity, etc)	90.2	92.1	92.8
Exchange rate	89.2	88.8	89.8
Interest Rate	85.8	85.6	86.8
Transportation(Road, flight, water, rail, etc)	88.3	88.2	88.6
Insecurity	83.9	84.6	86.5
Activities of middlemen	75.9	74.6	76.5
Natural disaster	65.6	66.8	68.8
Infrastructural challenges	76.3	77.7	79.0
Raw materials (input)	81.4	81.9	82.4
8. Drivers of Future Inflation Perception (Households) Index			
Energy (PMS, Diesel, Electricity, etc)	87.5	89.9	88.1
Exchange rate	82.8	87.6	82.7
Interest Rate	78.7	79.4	79.5
Transportation(Road, flight, water, rail, etc)	85.7	88.1	85.0
Insecurity	79.0	86.0	82.4
Activities of middlemen	75.2	80.9	74.1
Natural disaster	67.2	71.3	71.3
Infrastructural challenges	62.5	71.2	68.8
Raw materials (input)	69.9	78.2	74.1
9. Perception on CBN Response to Inflation			
Overall index	-55.3	-58.1	-61.8
Raise (%)	13.6	13.6	12.4
Keep Unchange (%)	17.4	15.3	13.4
Decrease (%)	68.9	71.7	74.2
10. How closely do you follow Inflation and interest rates Communication (Index)			
Overall	72.1	73.8	74.0
Businesses	71.7	71.5	71.5
Micro	61.9	59.7	60.1
Small	69.4	69.7	70.3
Medium	80.4	81.8	79.4
Large	94.0	94.6	95.7
Household	72.4	76.0	76.4
Rural	61.5	63.4	64.6
Urban	78.0	82.6	82.7
11. Do you think communication from CBN affects inflation expectations? (%)			
Yes, Significantly	30.9	25.7	36.8
Yes, Somewhat	37.4	33.8	53.3
No	31.7	40.5	9.8
12. How transparent is the CBN inflation communication (%)			
Transparent (%)	60.0	58.2	80.2
Ocassionally (%)	22.7	24.0	13.9
Not Transparent (%)	17.4	17.8	5.9