

**ECONOMIC
SPLASH**

AUG 2023
INFLATION



September 15, 2023

OFFICIAL DATA

25.80%



OUR FORECAST

25.47%

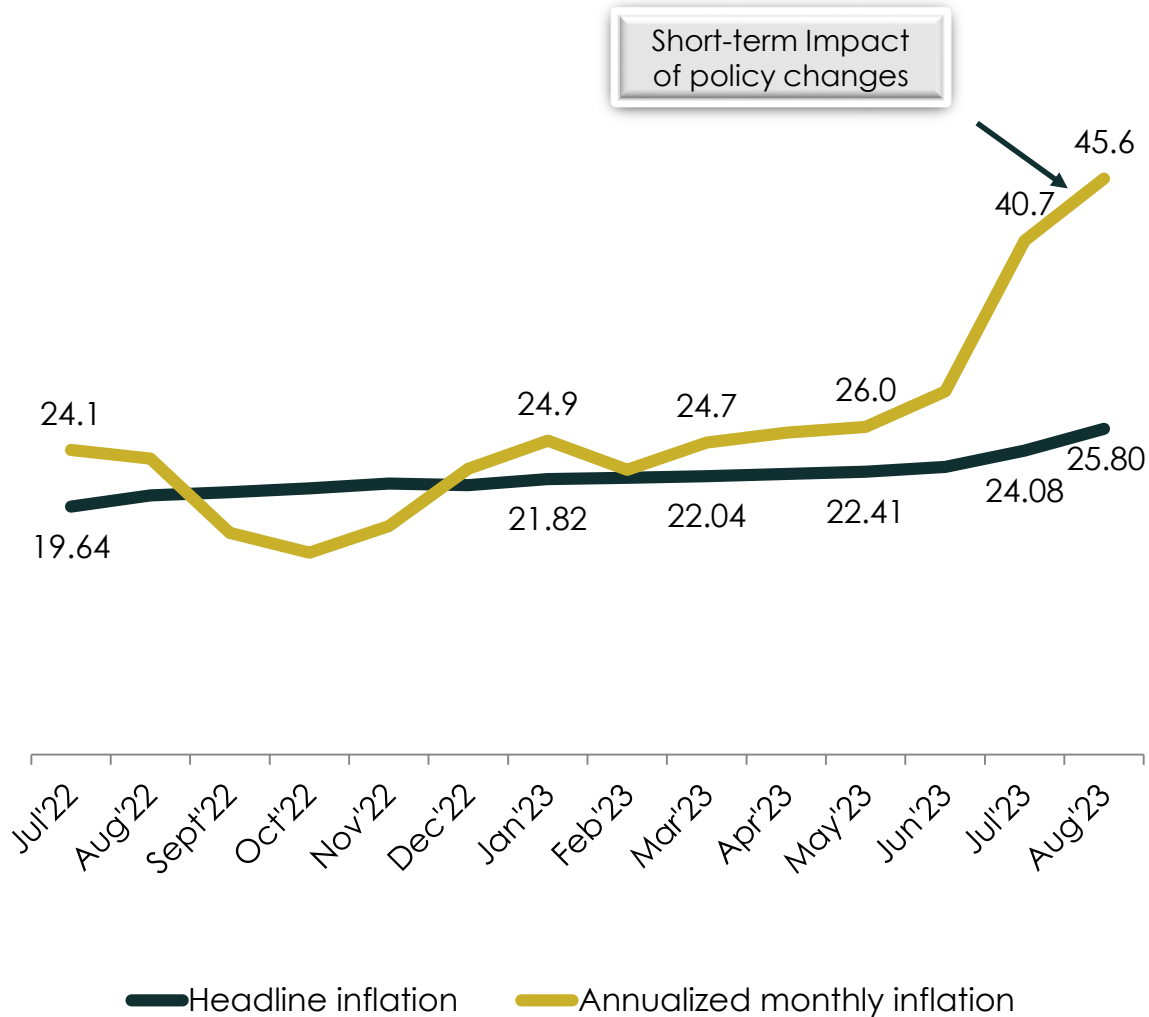
Prices up
again – Oh
no!



HEADLINE INFLATION SOARS (25.8%)

Close to Galloping

Inflation Rate



- Headline inflation up 1.72% to 25.8%
- 8th consecutive monthly increase and the highest level since 2005 (18-year high)
- Monthly inflation up 1.46% to 3.18%
- When annualized, it jumped to 45.6% from 40.77% in July



INFLATION DRIVERS



Food Inflation



29.34%

Driven by:

- Post harvest losses muting impact of harvest period
- Low yield due to low fertilizer usage
- Insecurity
- High logistic costs - Diesel price up 22% to N910/ltr



Core Inflation



21.15%

Driven by:

- Exchange rate pass-through - Naira has lost 23% year-on-year
- Higher production costs
- Money supply growth - Money supply grew by 33% (y-o-y) to N65.4trn

Farming just got easier



With Dangote Fertiliser Urea's low moisture that helps easy application to crops, farmers now have a choice of fertiliser that delivers healthy crop, high yield, rapid growth and quality produce.



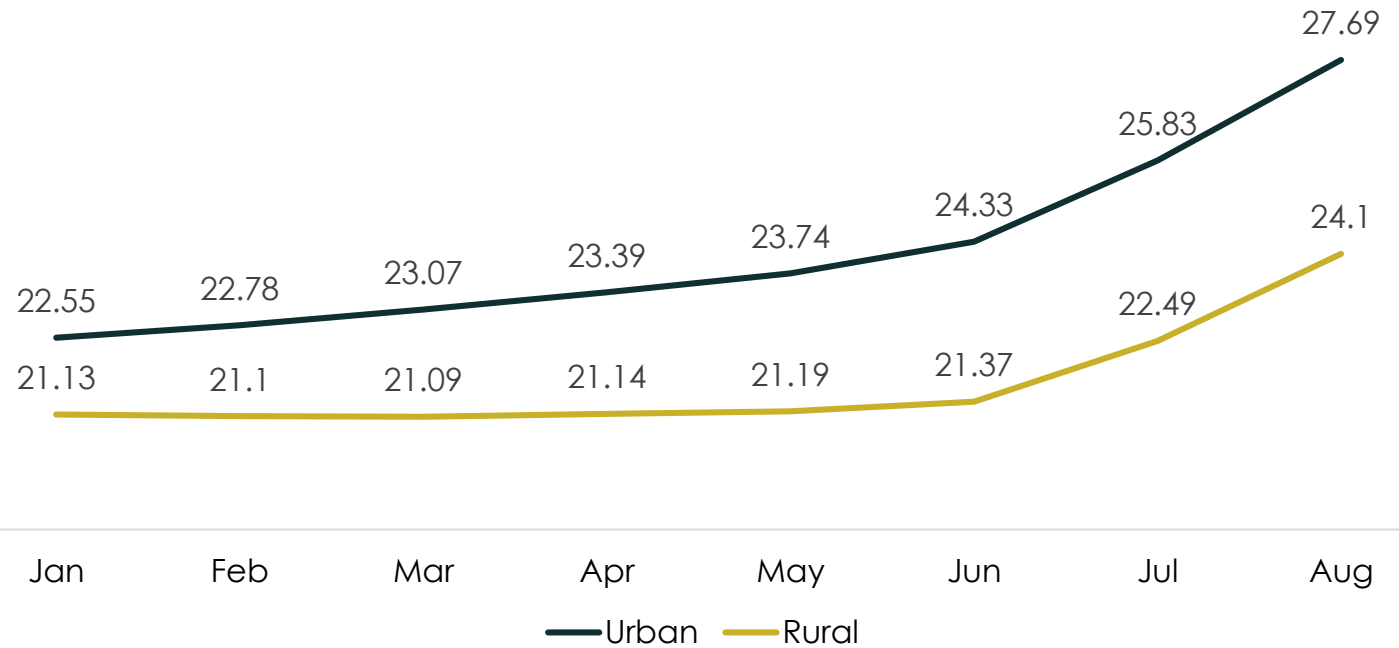
Power to Farmers

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URBAN OUTPACES RURAL INFLATION



Urban vs Rural Inflation



- Urban-rural inflation gap widened to 3.59% from 3.34% in July
- Policy changes affecting prices in both urban and rural areas
- High costs of living limiting productivity in the rural areas



THE USUAL SUSPECTS – NO ITEM IS SPARED



Wheat flour
43% to N38,000



Rice
91% to N61,000



Tomatoes
82% to N40,000



Beans
9% to N38,000



Palm oil
55% to N31,000



Sugar
75% to N42,000



Onions
41% to N45,000



Garri
46% to N19,000



ARE INFLATION NUMBERS RELIABLE?

Not Really

Data integrity

Outdated basket

Timeliness

- *Basket was last reconstituted in 2009*
- *Ought to be revised every 5 years*

Synthetic Basket Inflation (Anecdotal) : 45%

vs

Official : 25.80%

STATE BY STATE INFLATION

Lowest Inflation



Sokoto



20.91%

Borno



21.77%

Highest Inflation



Kogi



31.50%

Lagos



29.17%

Nassarawa



22.25%

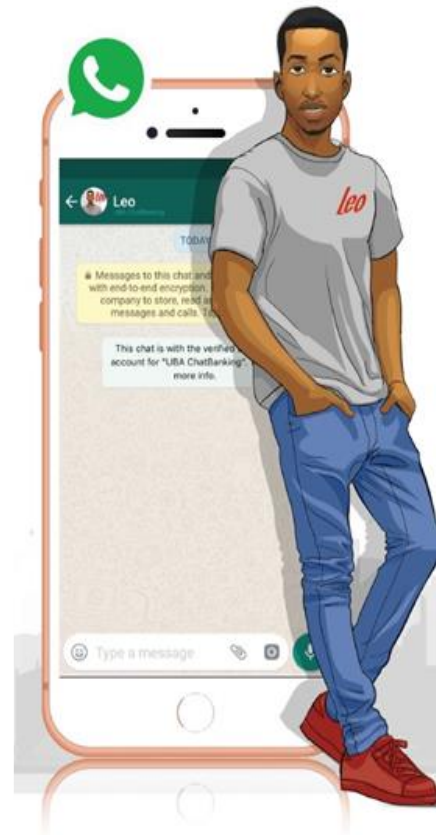
Rivers



29.06%

Poverty is highest & prices are lowest

- States with the lowest inflation rate are mostly northern states - Nigeria's food-belt
- Kogi: Increase in distribution costs due to poor road infrastructure
- Lagos & Rivers: High urbanization rate & low level of agricultural activities



Leo

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POSSIBLE POLICY RESPONSE



- MPC to meet on September 25-26

- New team at CBN likely to be hawkish

- Could raise MPR by 25bps to 19.0%pa



**THANK
YOU**