



INFLATION REPORT

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OCTOBER 17, 2023



# Headline Inflation

soars to 26.72%

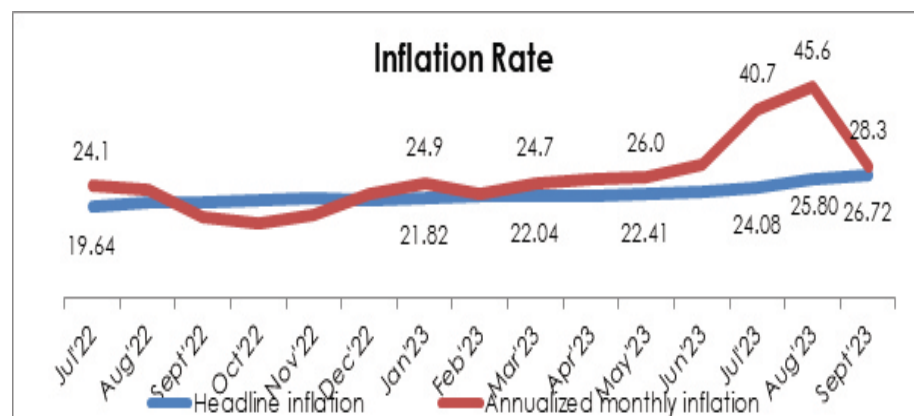
# 26.72%

Headline inflation  
rate for Nigeria

The National Bureau of Statistics released its September inflation data yesterday (October 16). As widely expected, headline inflation continued its upward trend, rising to 26.72% from 25.8% in August. An in-depth analysis of the data showed that prices increased across all baskets, with food inflation spiking to a record high of 30.64%. Typically, food prices decline towards the end of the third quarter due to the harvest season impact. The aberrational movement specifically in 2023, is largely because of logistics constraints (bad road network, high distribution cost, etc) and the exchange rate pass-through effect on domestic prices. Year-to-date, the price of a 50kg bag of flour has increased by 16.18% despite the 24.18% decline in the global price of wheat. Also, core inflation (which excludes energy prices and seasonality) increased by 0.69% to 21.84%.

## Is inflation about to start declining?

Inflation has increased consecutively in the last 9 months and analysts had expected the harvest to have a moderating effect on the food basket in September. Whilst inflation has defied expectations, it is noteworthy that the pace of increase in the general price level slowed. Also, the monthly inflation sub-index, which is a more current measure of price movement declined sharply by 1.08% to 2.1% (annualized at 28.34%). If this trend is sustained, our projection is that inflation will peak within the next three months and decline thereafter. The big risk is that the proposed increase in wages and the effective date of the wage increase will be a potent factor in keeping inflation at elevated levels.



<sup>1</sup>NBS, FDC Think Tank

## INFLATION BREAKDOWN

### Food inflation rises by 1.30% to 30.64%

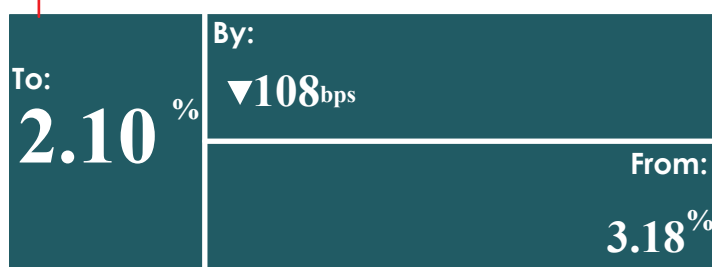
Nigeria's food inflation (year-on-year) rose by 1.30% to 30.64% in September from 29.34% in August. This is due to the combined effect of low crop yield, heightened insecurity, higher logistics costs (diesel price at a record high of N1,030/litre), and other logistics constraints. The poor road infrastructure between the farm gate and market points is increasing the travel time, pushing up post-harvest losses.

Despite the decline in global food prices, imported food inflation rose by 1.58% to 21.73%. For instance, the global price of wheat fell by 24.18% while the price of flour surged by 16.18% (YTD), reflecting the exchange rate pass-through effect. However, month-on-month food inflation declined by 1.42% to 2.45% due to the harvest impact.

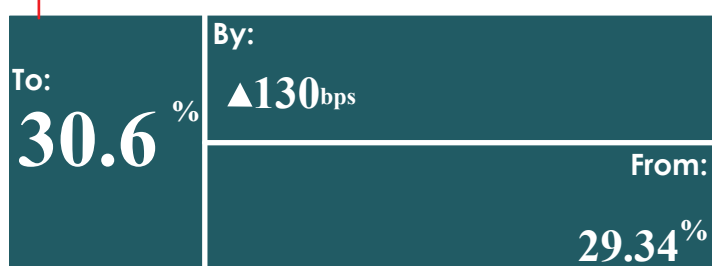
### Core inflation up 0.69% to 21.84%

Core inflation (inflation-less volatile items like food and energy costs) sustained its upward trend, rising by 0.69% to 21.84% in September from 21.15% in August. Similarly, on a monthly basis, core inflation inched up marginally by 0.04% to 2.22% from 2.18% in August. This was due to currency depreciation (the Naira traded above the psychological line of N1,000/\$) and money supply growth (36% y-o-y). The commodities that recorded the highest price increases include road and air transport, medical services, furniture repair, maintenance, and personal transport equipment repair.

### Monthly inflation



### Food inflation







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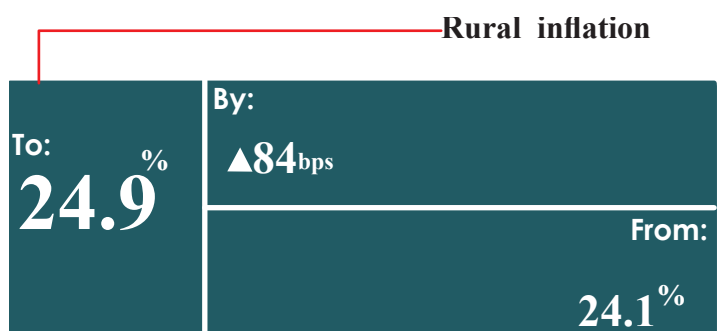
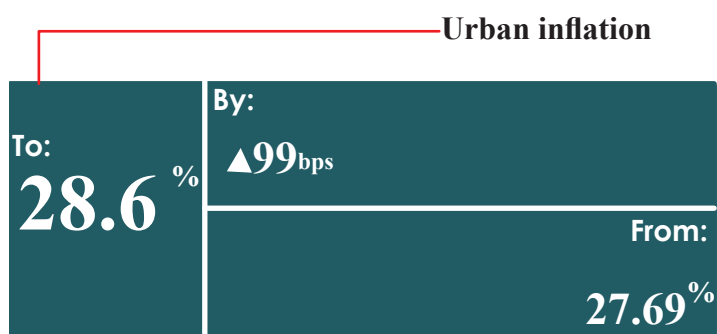


## Widening urban-rural inflation due to logistics constraints

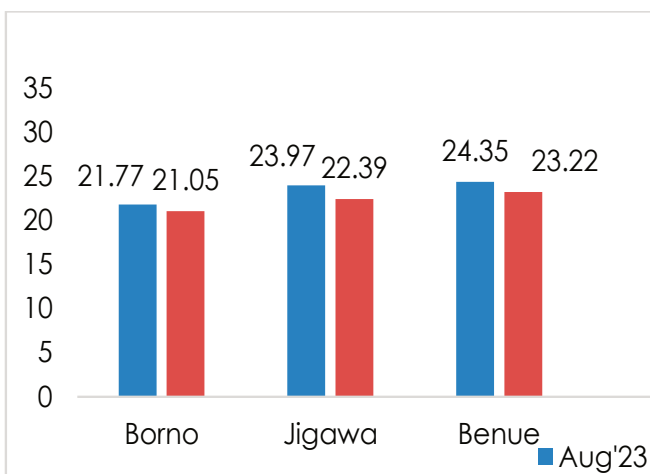
Rural-urban inflation continues to widen due to logistics constraints (higher distribution costs and poor road infrastructure). On an annual basis, urban inflation increased by 0.99% to 28.68% while rural inflation edged higher by 0.84% to 24.94%, widening the rural-urban gap to 3.74% from 3.59%. Meanwhile, urban inflation declined by 1.05% to 2.24% while rural inflation fell by 1.12% to 1.96% on a monthly basis.

### State-by-state analysis

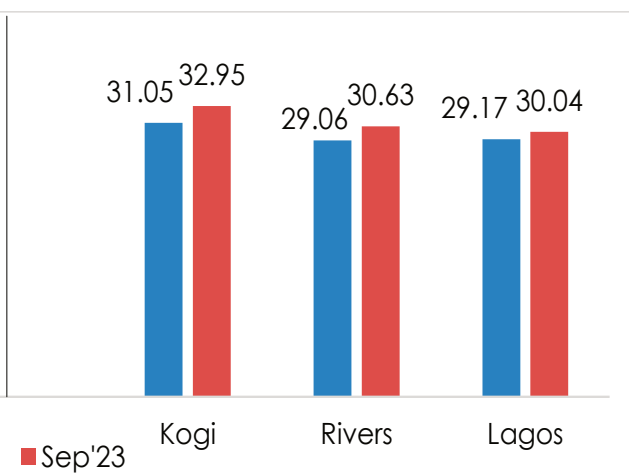
Kogi recorded the highest inflation rate in September (32.95%), followed by Rivers (30.63%) and Lagos (30.04%). This can be attributed to the high cost of moving farm produce from the farm gate to the market point. The states with the lowest inflation rates are mostly in the North (the country's food belt) - Borno (21.05%), Jigawa (22.39%) and Benue (23.22%).



States with the lowest inflation rates (%)



States with the highest inflation rates (%)



## Sub-Saharan Africa: Inflation continues to spiral

Most Sub-Saharan African countries under our review recorded higher inflation rates in September due to persistent currency pressures, which is limiting the impact of lower global food prices. Rising inflationary pressures have continued to squeeze consumers' income and worsen the cost of living crisis in Sub-Saharan Africa.

All the SSA countries under our review left their policy rates unchanged at the last meeting.

Country	Inflation (%)		Most Recent Policy rate (%)	
Nigeria	26.72	▲	18.75	↔
Angola	15.01	▲	17.00	↔
Kenya	6.80	▲	10.50	↔
South Africa	4.80	▲	8.25	↔
Ghana	38.10	▼	30.00	↔
Uganda	2.70	▼	9.50	↔
Zambia	12.00	▲	10.00	↔

### Outlook

Nigeria's inflation is expected to continue its upward trend in the coming months, albeit rising at a slower pace due to the impact of the harvest.

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