



INFLATION FORECAST **20**
SEPT **23**

OCTOBER 10, 2023



Headline Inflation

Projected to spike again

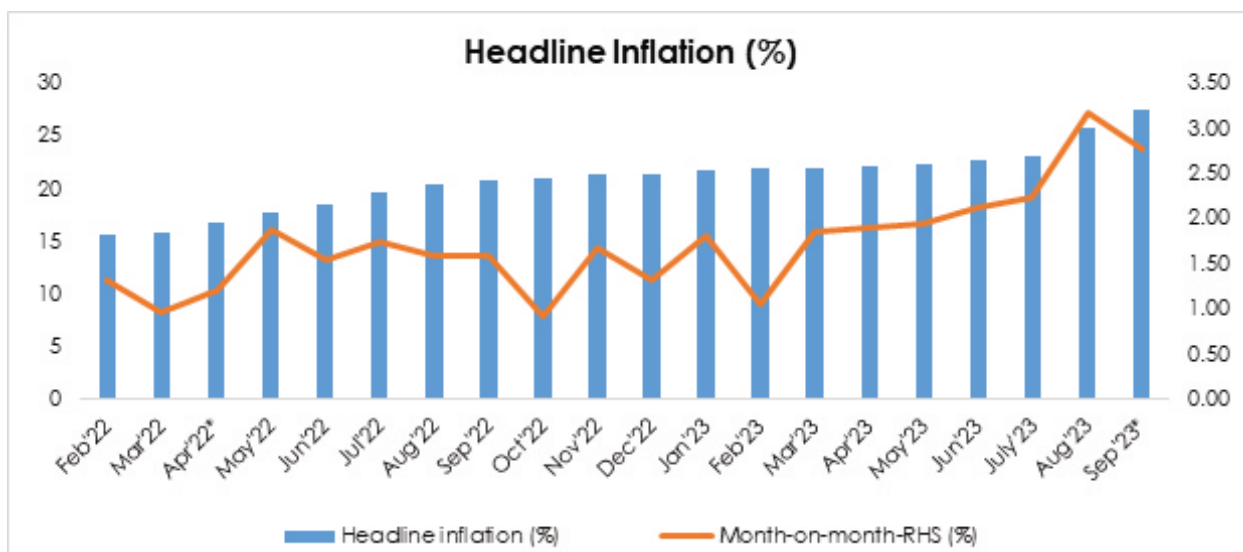
27.57%

**Projected Official
headline inflation rate
for Nigeria**

The National Bureau of Statistics will release its September inflation report on October 15. Based on our survey of major markets in Lagos Metropolis and time series model, headline inflation is projected to jump to 27.57% from 25.80% in August. If our projection is accurate, it will be the 9th consecutive monthly increase in 2023. It will also be the highest inflation level in the last 18 years (September 2005).

Price increases were most notable in the food basket, predominantly commodities with high import content such as flour, semovita, noodles, and sugar. With prices rising, fingers are pointing towards the exchange rate as the major inflation culprit. The naira crossed the psychological threshold of N1,000/\$ in the parallel market, pushing up imported inflation despite the relative stability in global food prices. The FAO food price index was relatively flat at 121.5 pts in September. However, Nigeria's food inflation is expected to increase by 1.16% to 30.5%.

Apart from the languishing Naira, there are other inflation-stoking factors including higher logistics costs and money supply growth (36% y-o-y). The price of diesel, the major fuel used by trucks for logistics and distribution purposes, surged to a record high of N1,030/litre.



*NBS, FDC Think Tank

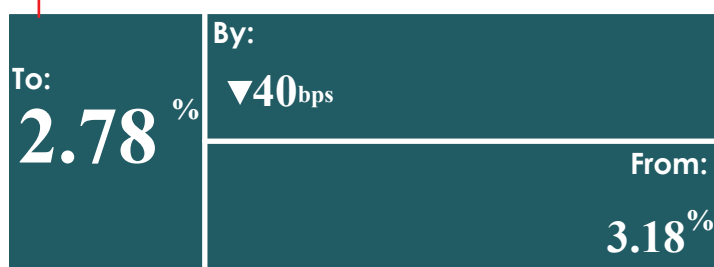
However, month-on-month inflation, which is a more current measure of price movement is expected to decline marginally to 2.78% from 3.18% in August, largely due to the harvest season impact. For instance, the price of tomatoes and yam fell by 12.5% and 25% to N35,000 and N9,000 respectively.

Commodities	Aug-23	Sep-23	%Change
Tomatoes	40,000	35,000	-12.5%
Yam	12,000	9,000	-25%
Plantain	4,500	3,000	-33.3%
Pepper	35,000	35,000	0%
Melon	1,000	1,000	0%

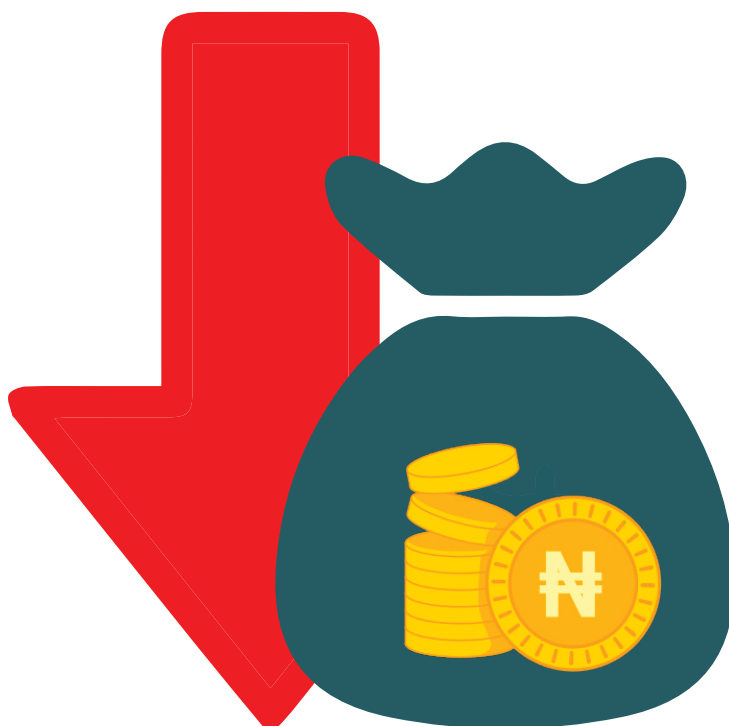
Meanwhile, the price of imported commodities such as flour and semovita surged due to the exchange rate pass-through effects. The Naira traded above the psychological threshold of N1,000/\$ in the parallel market, pushing up imported inflation. Food inflation is estimated to rise by 1.16% to 30.5% in September.

Commodities	Aug-23	Sep-23	%Change
Flour	38,000	39,500	3.95%
Semovita	8,000	8,500	6.25%
Noodles	4,700	4,800	2.13%
Sugar(St.louis 1pkt)	900	1,000	11.11%
Bournvita	1,300	1,500	15.38%

Monthly inflation



Food inflation



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Inflation trends in Sub- Saharan Africa SSA

Inflation trends across Sub-Saharan Africa (SSA) have shown mixed movement. Of the SSA countries under our review, four recorded higher inflation rates, while two reported declines. This is largely due to higher energy costs and currency pressures.

At the last meeting, all the SSA countries under our review left their monetary policy rates unchanged.

Country	Inflation (%)		Most Recent Policy rate (%)	
Nigeria	25.57*	▲	18.75	↔
Angola	13.54	▲	17	↔
Kenya	6.8	▲	10.50	↔
South Africa	4.8	▲	8.25	↔
Ghana	40.1	▼	30	↔
Uganda	2.7	▼	9.5	↔
Zambia	12	▲	10	↔

Impact on policy decision

The last MPC meeting was postponed indefinitely due to the change of leadership at the CBN. With heightening inflationary pressures, the MPC is likely to maintain its hawkish stance when it eventually meets in November.

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