

# Economic Splash

## Post-Inflation Report

October 15



**September**

Inflation succumbs  
to new PMS price,  
spikes to 32.70%



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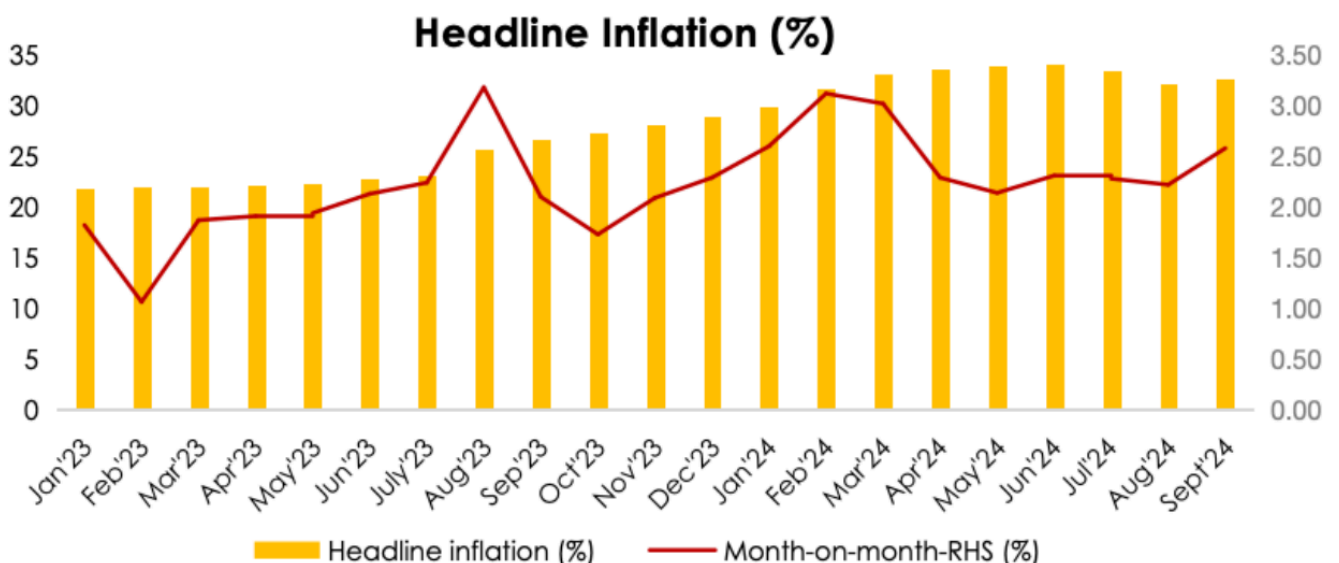
# Inflation succumbs to new PMS price, spikes to 32.70%

# 32.70%

Headline inflation rate for Nigeria

NBS released its inflation numbers today, in line with analysts forecasts that inflation in September will rise. The principal factors responsible for this increase were the cost-push effect due to the new petrol pump price plus the weak naira. This has driven up headline inflation to 32.70% after two months of disinflation. Not only headline inflation but other inflation sub-sets, except the core inflation were affected.

Core inflation, which excludes volatile food and energy items declined to 27.43% slightly lower than 27.58% in August. Food inflation, however, took a step high to 37.77% from 37.52% in August because of high petrol prices. The pass-through effect of these higher fuel costs on logistics and transportation has begun to exert upward pressure on food prices, overshadowing the benefits of seasonal supply increases.



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

## Unintended consequences of petrol prices take its toll.

The law of unintended consequences has caught up with this laudable objective of subsidy reduction to boost government earnings. The recent surge in petrol prices by 71.7% to N1,030 per litre has had profound unintended consequences for Nigerians, exacerbating an already critical economic situation. Food inflation took a reversal in September due to a combination of seasonal agricultural factors and the impact of rising petrol prices as well. This increase, part of a broader trend following the removal of fuel subsidies, has left many households and small businesses struggling with limited options.

### Data Breakdown

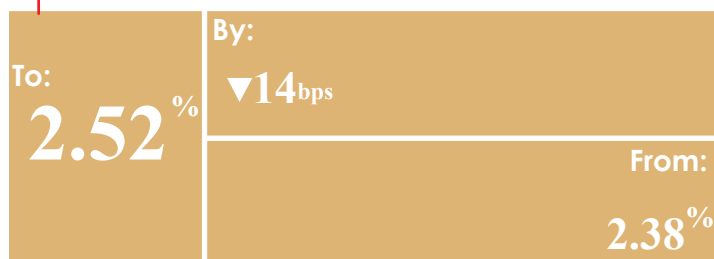
#### Month-on-month inflation marginally up by 0.30%

Month-on-month inflation, a more relevant measure of prices, moved in the same direction as headline inflation, increasing to 2.52% (32.24% annualized) from 2.38% in August. The index was more reflective of the higher petrol price effect.

#### Food inflation increased to 37.77%

In the food sub-index, annual and monthly inflation took a reverse just like the headline inflation. It increased to 37.77% and 2.64% respectively. This is not surprising as the Petrol prices and logistics costs reversed the trend. The NBS data shows that the prices of some products contributed to the increase - Guinea corn, rice, maize, grains, beans, bread and cereals class, etc.

### Monthly inflation



### Food inflation



### Core inflation down to 27.43%

The year-on-year core inflation declined to 27.43% in September from 27.58% in August. On a monthly basis, it fell to 2.10% from 2.27% in August. This could be partly due to the moderation in money supply growth to 61.94% from 62.66% in July. The index also benefited from the CBN's sustained intervention in the forex market, which helped to maintain currency stability. The naira traded flat N1,698/\$ at the parallel market.

The items that recorded the highest price increases include- rents, bus journey intercity, taxi journey per drop, meal at a local restaurant, laboratory service, consultation fee of a medical doctor, etc.

### Rural & urban inflation rises

On an annual basis, year-on-year urban and rural inflation rose by 3.55% and 0.24% respectively to 35.13%% and 30.49% in September. Similarly, the monthly urban and rural inflation indices increased to 2.67% and 2.39% respectively from 2.39% and



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2.06% in August. The higher uptick in the urban price index suggests that the impact of logistics costs and food imports is more pronounced in the urban markets. However, rural areas are not exempt, though the extent of the increase varies. The urban markets also rely heavily on food imports.

### State-by-state analysis

Bauchi state recorded the highest annual headline inflation rate in two consecutive months at 46.46% and 44.83 in August and September respectively. Followed by Sokoto (38.74%) and Jigawa (38.39%), while Delta (26.35%), Benue (26.90%), and Katsina (27.71%) recorded the lowest.

Sokoto (50.47%), Gombe (44.09%), and Yobe (43.51%) retained the trend of states with the highest food inflation both in September and in August. This was underpinned by heightening food shortages due to lingering insecurity issues and harsh weather conditions. States with the lowest food inflation rates were Kwara (32.45%), Rivers (332.80%), and Kogi (32.83%), as they are likely benefiting from better agricultural conditions and productivity levels.

### Outlook

Growth numbers are scheduled to be released on November 25th by the NBS. If GDP growth turns out to be tepid, it would signal the growing trade-offs of monetary tightening. It will be a front-burner issue for the monetary policy committee. Hence, the committee may likely take a pause at its next meeting in November to assess the effect of the whopping 850 basis points hike.

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