

# Economic Splash

**Post-Inflation Report**

**November 15**



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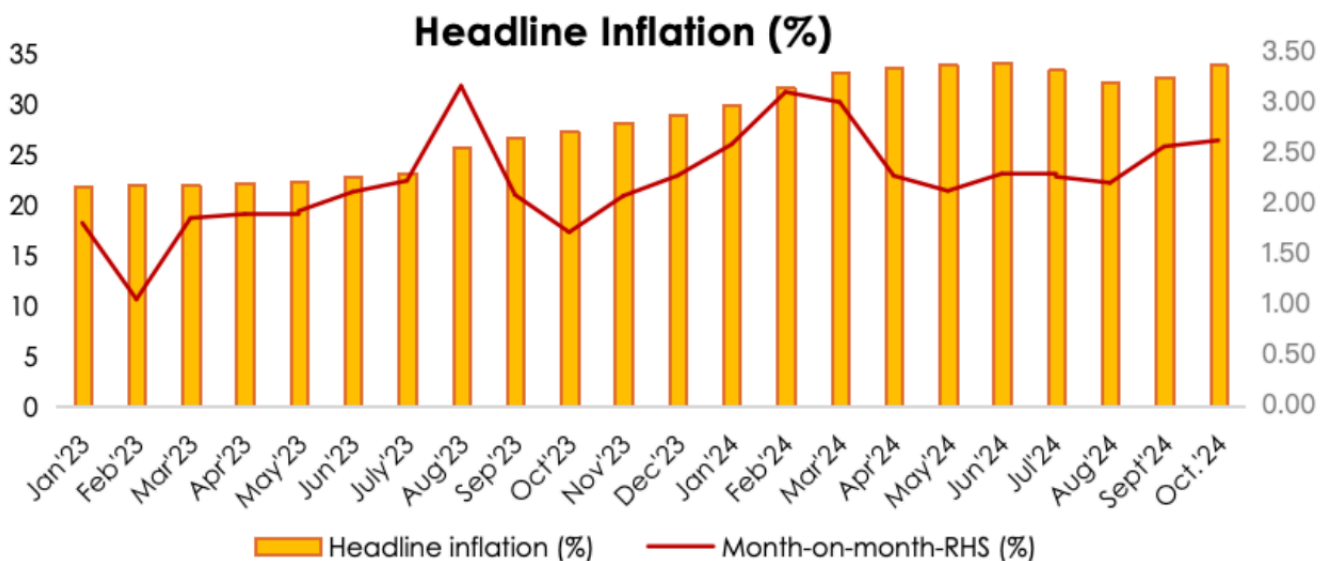
# Nigeria's headline inflation spikes again to 33.88%

# 33.88%

Headline inflation rate for Nigeria

October inflation released by the NBS today reveals a further build-up in inflationary pressures. Headline inflation spiked to 33.88%. A 1.18 percent point above September's figure of 32.70%. The rate of increase was far higher than analysts' expectations. Average rate of inflation in Q2 was 33.95% and 32.75% so far in Q3, with the slow pace one could think inflation is reaching a point of inflection in near term. However, the significant hike of 1.18% in October inflation suggests that inflation is becoming intractable and is unlikely to reach an inflection point anytime soon. A decomposition of the inflation basket shows that the weak naira, petrol price, logistics costs, are major contributory factors that gave inflation some momentum.

Both the food and non-food baskets recorded price increases. Food inflation, which remains the usual suspect, spiked by 1.39% to 39.16%. In spite of the harvest, the weak naira, logistics costs (which was heightened by petrol price), had its toll on commodity prices.



Also, core inflation, which excludes the more volatile food and energy costs and is considered a better indicator of price growth trends rose to 28.37% from 27.43% in September.

### CBN may have to tighten again

Nigeria's inflation continues to rise despite the CBN's effort to increase interest rates and impose money supply constraints. This implies that inflation is driven by output constraints rather than money supply saturation. Hence, October's data sets the stage for a pivotal policy response. More likely than not, CBN is expected to increase interest rates again.

### Data Breakdown

#### Month-on-month inflation remains high

Monthly indices, a more relevant picture of inflation trend, all move in tandem with the headline inflation. Month-on-month inflation, a more relevant measure of prices, moved in the same direction as headline inflation, increasing to 2.64% (36.56% annualized) from 2.52% in September. The trend indicates that the effect of higher petrol prices is taking its toll on prices.

#### Monthly food inflation up to 2.94%

Month over month food inflation remains strong at 2.64%. This is not surprising, as Petrol prices and logistics costs further fuel the trend. The NBS data shows that the prices of some products contributed to spike – the price of palm oil, vegetable oil, mudfish, croaker (apo), fresh fish (obokun), dried beef, goat meat, mutton, skin meat, and bread, guinea corn flour, plantain flour, rice, etc.

### Monthly inflation



### Food inflation



#### Monthly core inflation crept by 0.04%

On a monthly basis, core inflation crept to 2.14% from 2.10% in September. This was majorly driven by exchange rate volatility and high logistics costs due to petrol price increase in the month of October of over 14% (from N898/litre to N1,030/litre). The items that recorded the highest price increases include- intracity transport, journey by motorcycle, bus journey intercity, rents, meal at a local Restaurant, and hair cut service, woman hairbrush, women's hairdressing, etc.

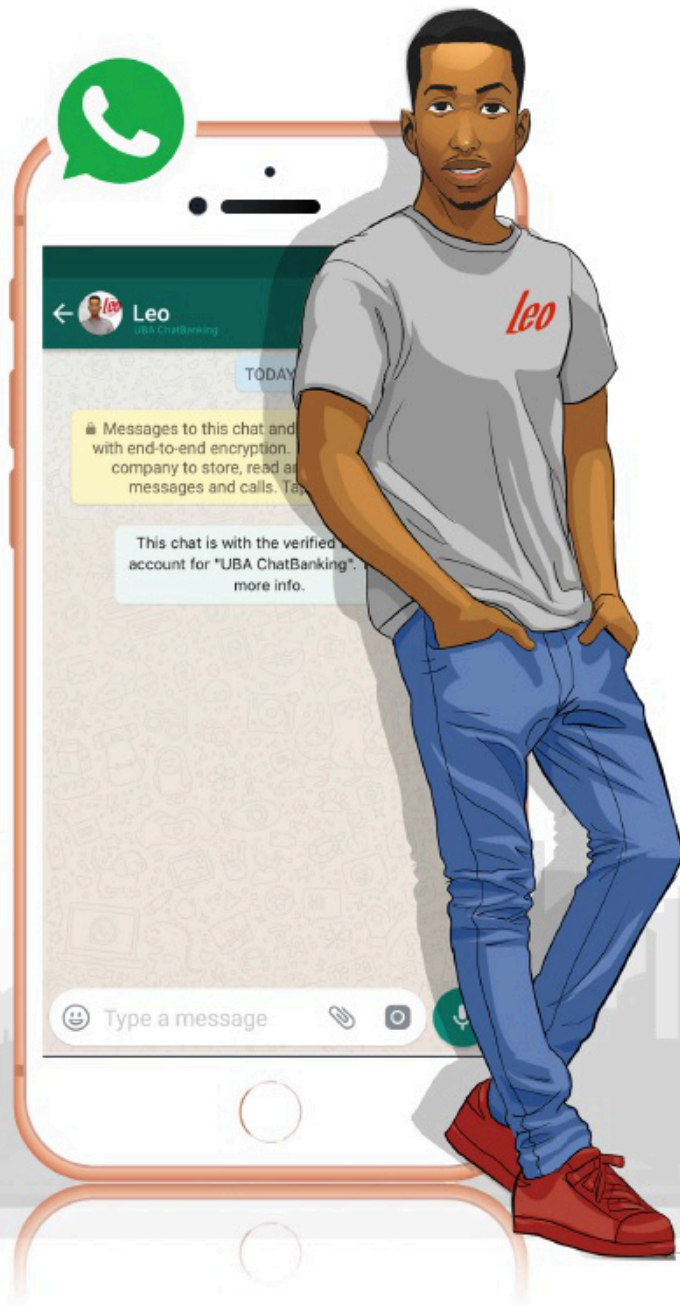
#### Rural & urban inflation rises

Annual urban and rural inflation rose to 36.38% and 31.59% in October. The m/m urban and rural inflation moved in the same direction as the annual urban and rural inflation – increased to 2.75% and 2.53% respectively from 2.67% and 2.39% in September. 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.

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## State-by-state analysis

Bauchi state recorded the highest annual headline inflation rate at 46.68%. Followed by Kebbi (40.02%) and Sokoto (39.65%), while Delta (27.85%), Benue (28.22%), and Katsina (29.59%) recorded the lowest inflation rate in Nigeria. The disparity in urban and rural inflation rates in Nigeria is driven by a combination of consumption patterns, transportation costs, inflation transmission mechanisms, and market dynamics

Sokoto (52.18%), Edo (46.55%), and Borno (45.85%) had the highest food inflation in October. This was underpinned by heightening food shortages due to lingering insecurity issues and harsh weather conditions. States that recorded the lowest food inflation rates include – Kwara (31.68%), Kogi (33.30%), and Rivers (33.87%), as they are likely benefiting from better agricultural conditions and productivity levels.

## Outlook

The last MPC meeting for 2024 is to be held on the 25 & 26 of November, the inflation and exchange rate trends will be the main focus of the committee. The decision at the meeting will be based on a nominal anchor. However, with the new inflation rate margin in October at 1.18%, the committee might be prompted to tighten monetary policy again.

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