



Inflation Update: September 2022

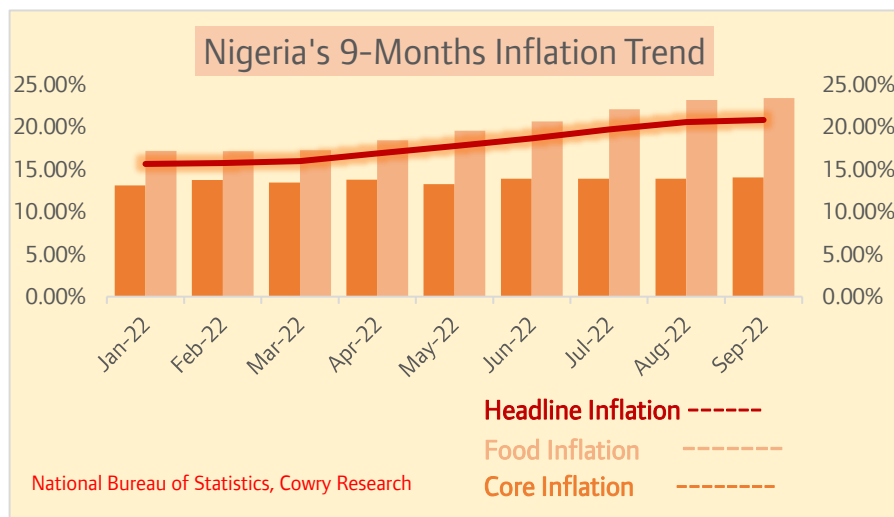
MPR: 15.50% Sept'22 Inflation: 20.77%

Q2'22 Real GDP Growth: 3.54%

Nigeria's Inflation Hits 17-Year high at 20.77% on Weaker Naira, Import Cost

For the eight consecutive months, Nigeria's headline inflation accelerated to 20.77% in September 2022 from 20.52% in August 2022. This was according to the report from the National Bureau of Statistics (NBS) on Monday. This figure, which beat our expectation (20.9%), is the highest reading since September 2005, even after the 150-basis point interest rate hike by Nigeria's Central Bank in September to 15.50% and the continued rise in the cost of production.

According to the NBS report, one major driver of the elevation in the inflation numbers is food inflation, which rose for the seventh straight month to 23.34%, the highest since October 2005, resulting from a rise in prices of bread and cereals, food products, potatoes, yam and other tubers, oil and fat. With thanks to the favourable base effects, food inflation, which accounts for more than 50% of the headline index, reported a slow rise from the 23.12% reported in August.



However, the increases reported come on the back of expectations for a price surge ahead of the festive celebrations amidst an anticipated seasonal boost to food supplies from the post-harvest season and the anticipation of higher spending as the election campaign season kicks-off in September. The weakening Naira as a result of low crude oil earnings for Nigeria in the face of depleting reserves, higher import costs, and supply disruptions as a result of flooding in most parts of the country have also been cited as factors stoking food inflation, which, in turn, drove the continued rise in headline inflation.

On a month-on-month analysis, the food inflation number in September was 1.43%, dipping by 0.54% in comparison to the 1.98% reported in the prior month (August 2022) and was majorly attributed to the falls recorded in the prices of some food items like tubers, palm oil, maize, beans, and vegetables. Similarly, the headline figure declined by 0.41% relative to August 2022 on a month to month basis due to a decline in the changes in the food index relative to the reference month index, which is due to the current harvest season.

Then, the core inflation, which excludes the prices of volatile agricultural products, stood at 17.60% in September 2022 on a year-on-year basis, up by 3.86% when compared to the 13.74% recorded in September 2021. On a month-on-month basis, the core inflation rate was 1.59% in September 2022. This was roughly the same rate as in August 2022. The highest increases were recorded in the prices of gas, liquid fuel, passenger transport by air, passenger travel by road, and solid fuel.

Looking ahead to October, we anticipate a slower acceleration in inflation due to supply disruptions caused by recent flooding in some food-producing regions. However, as we approach the year-end festive period, prices may begin to take another surge due to the continued weakening of the Nigerian naira. Thus, we project headline inflation to rise marginally to 21% in October

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