

INFLATION

WATCH

**AUGUST
2023**



INFLATION WATCH - AUGUST'23 INFLATION AT 25.80% Y/Y

Nigeria's inflation for August increased to 25.80% y/y, from 24.08% y/y in July 2023, adding 1.72 percentage points between July and August (Bloomberg Est. 25.00%). The headline inflation amplified by 3.18% m/m in August 2023 vs 2.89% seen in July 2023. The food inflation amplified to 29.34% in August from 26.98% seen in July 2023. However, the core inflation, which strips out food and energy items, increased to 21.15% y/y in August from 20.47% y/y in July, according to the National Bureau of Statistics (NBS).

Summary of Nigeria's Inflation report for August 2023:

- On a monthly basis, the headline index grew by 3.18% in August (vs 2.89% in July).
- The core index grew by 2.18% m/m in August vs. 2.11% m/m in July, while the food sub-index grew by 3.87% m/m compared to 3.45% m/m in July.
- The urban inflation rate increased to 27.69% y/y (vs 25.83% y/y in July 2023).
- The rural inflation rate grew at 24.10% y/y (vs 22.49% y/y in July 2023).

Unsurprisingly, the inflation numbers have continued its upward trajectory, reflecting current fundamental issues coupled with the ripple impacts of the recent policies that has taken effect over the past 3 months (that is, the managed-float foreign exchange system and fuel subsidy removal).

We expect to see an uptick in the general prices of goods and services in the short to medium term, pending any major shift in economic dynamics and/or policies, and this may persuade the central bank's monetary policy committee to raise interest rates at its Sept. 25-26 meeting for the ninth consecutive time.

