



INFLATION WATCH – September 2023

Nigeria's headline Inflation soars to 26.72%, an 18-year high

Nigeria's inflation for September jumped to 26.72% y/y, from 25.80% y/y in August 2023, adding 0.92 percentage points between August and September (Bloomberg Est. 27.10%). The headline inflation moderated to 2.10% m/m in September 2023 vs 3.18% in August 2023. The food inflation amplified to 30.64% in September from 29.34% seen in August 2023. Similarly, the core inflation, which strips out food and energy items, increased to 21.84% y/y in September from 21.15% y/y in August, according to the National Bureau of Statistics (NBS).

Summary of Nigeria's Inflation report for September 2023:

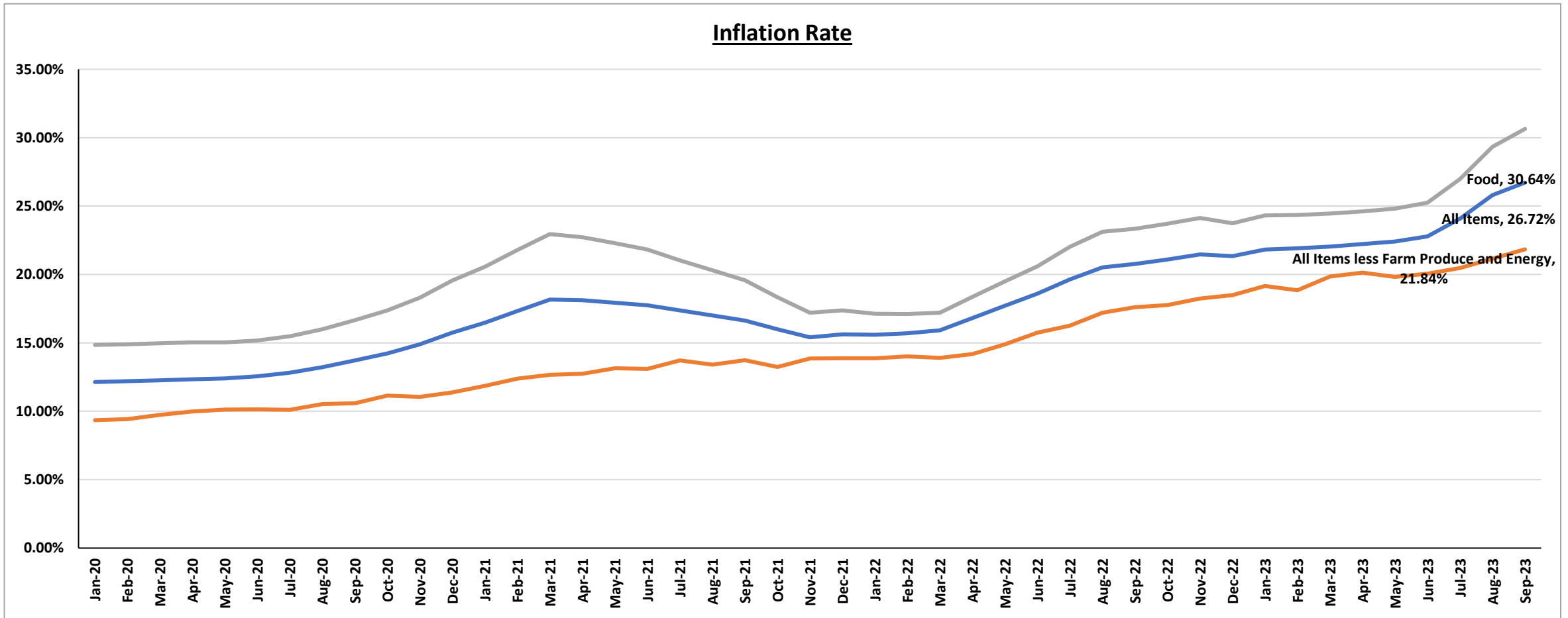
- On a monthly basis, the headline index grew by 2.10% in September (vs 3.18% in August).
- The core index grew by 2.22% m/m in September vs. 2.18% m/m in August, while the food sub-index grew at a slower pace at 2.45% m/m compared to 3.87% m/m in August.
- The urban inflation rate increased to 28.68% y/y (vs 27.69% y/y in August 2023).
- The rural inflation rate was rose at 24.94% y/y (vs 24.10% y/y in August 2023).

While overall inflation remains high at 26.72%, there was a slight decrease in monthly food inflation, dropping from 3.87% in August to 2.45% in September, likely due to expectations of the upcoming harvest season. However, a sustained decline is not anticipated in the medium to long term as Nigeria's inflation will likely continue to be influenced by factors such as elevated energy prices, supply chain issues, and the rapid depreciation of the naira against the US dollar at both the official and parallel markets, driven by dollar shortage. Thus, we expect the Monetary Policy Committee to maintain their hawkish stance at the next meeting.

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