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## Berkshire Market Briefs

### Nigeria's inflation spikes to 27.33% in October

Nigeria's headline inflation rate increased for the tenth (10<sup>th</sup>) straight month in October to 27.33% from 26.72% in September, as expected. This is the highest level in eighteen (18) years (since August 2005). While inflation has continuously climbed since January 2023, it is worth noting that the rate of increase in the overall price level is beginning to reduce (fell to 0.61% from 0.92% in September), implying that inflation may soon hit an inflection point and begin to decline.

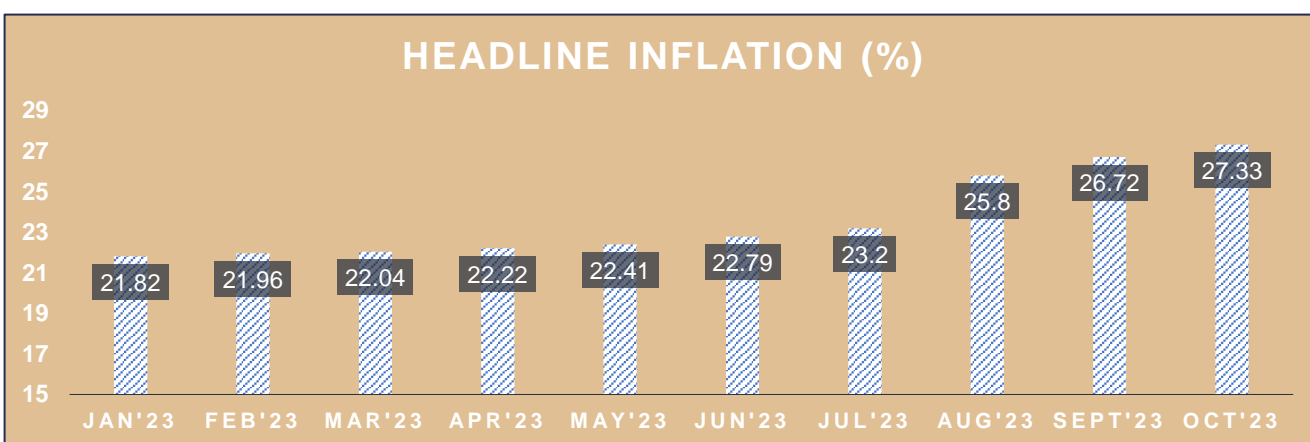
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Source: Nigerian Bureau of Statistics, Berkshire

A breakdown of the data revealed that prices climbed on an annual basis across all segments (primarily reflecting the impact of policy reforms in the petroleum and FX markets) but fell on a monthly basis (due to harvest). The Naira continues to weaken since the liberalisation of the forex market, falling to a record low of ₦1,300/\$ at the parallel market in October before recovering to ₦950/\$ after the CBN began settling a portion of its \$6.7bn backlog of matured Non-Deliverable Forwards (NDFs). The impact of this, however, was short-lived, as the Naira began to depreciate again, trading within a band of ₦1,020/\$ - ₦1,170/\$.

Annual Indices	September	October	% Change
Headline	26.72	27.33	0.61 ↑
Food	30.64	31.52	0.86 ↑
Core	21.84	22.58	0.74 ↑
Rural	24.94	25.58	0.64 ↑
Urban	28.68	29.29	0.61 ↑

Monthly Indices	September	October	% Change
Headline	2.10	1.73	0.37 ↓
Food	2.45	1.91	0.54 ↓
Core	2.22	1.39	0.83 ↓
Rural	1.96	1.67	0.29 ↓
Urban	2.24	1.81	0.43 ↓

Source: Nigerian Bureau of Statistics, Berkshire

### State by State Analysis

Borno recorded the lowest inflation rate (20.06%), followed by Jigawa (23.52%) and Sokoto (24.47%). These are mainly Northern states, the country's food belt. The states with the highest inflation rate are Kogi (34.20%), Rivers (31.44%) and Lagos (31.23%), reflecting the high cost of transportation from farm gates to market points as well as other logistics constraints.

### Impact on Policy Making

The CBN has signaled its commitment towards maintaining price stability. To this effect, it halted intervention programs and began aggressive liquidity mopping-up using Open Market Operations (OMO) and other traditional monetary measures. With inflation on the rise, we expect the CBN to tighten monetary policy further to stabilise domestic prices and support the Naira. However, the long-term appreciation in the value of the currency will be largely contingent on sustained dollar inflows into the country.



**Impact on you**

- **Investors:** The negative real returns on investment to reduce as effective interest rates increase, thus forcing investors to re-balance their portfolio in favour of fixed income securities
- **Manufacturers/Businesses:** Manufacturers will continue to grapple with high cost of production in the near term due to currency pressures and high cost of finance as interest rates rise
- **Consumers:** Consumer purchasing power will remain weak in the near term but likely to improve in the long run as domestic prices stabilise

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