



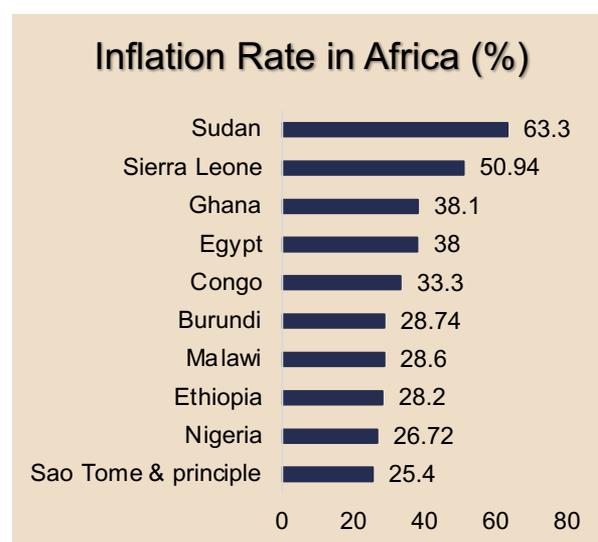
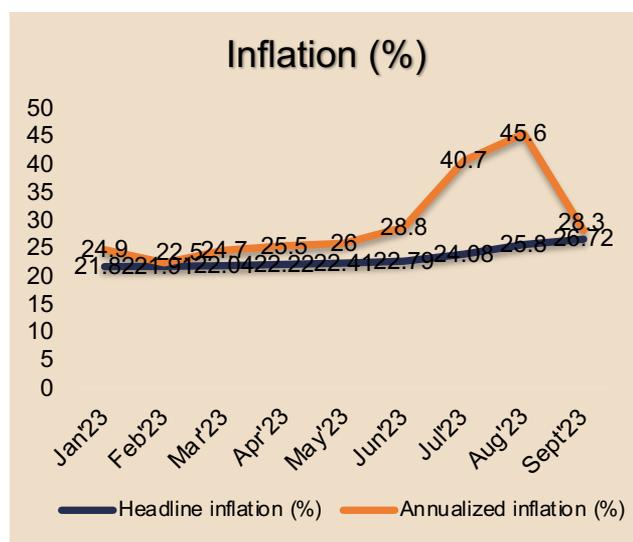
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Berkshire Market Briefs

Nigeria's inflation climbs to 26.72% in September 2023

Nigeria's headline inflation (year-on-year) accelerated for the 9th consecutive month to 26.72% in September from 25.8% in August. This is the highest level since September 2005 (18 years ago). At the current level, Nigeria has the 9th highest inflation rate in Africa and the 19th highest in the world. The sustained uptick in the annual inflation rate is largely due to cost pressures (higher energy costs and a weaker currency) and the increase in money supply. Notably, the price of diesel, which is mostly used by trucks in moving farm produce from farm gates to market spiked to over ₦1,000/litre. The naira also weakened to a record low of ₦1,067/\$ while money supply grew by 36% to approximately ₦65trn (y-o-y).

However, month-on-month inflation declined sharply by 1.08% to 2.10% (annualised at 28.34%) from 3.18% (annualised at 45.6%) in August due to the impact of the harvest season.



Source: National Bureau of Statistics (NBS)/Berkshire Finance Company Limited

Prices increased across board in September 2023

The NBS data showed that both the food and core inflation sub-indices edged higher in September.

Food inflation jumped by 1.30% to 30.64% at a time when global food prices are falling. According to the United Nations Food and Agriculture Organization, the global food price index has mostly declined in 2023, falling 121.5bps in September. One of the major factors responsible for this diverging trend is the exchange rate pass-through effect. The Naira weakened to a record low of ₦1,067/\$, undermining the impact of falling global food prices. This was compounded by logistics constraints – higher diesel prices and poor road infrastructure. The bad road network is pushing up post-harvest losses and increasing the cost of maintaining trucks. On a monthly basis, food inflation declined by 1.14% to 2.45% because of the harvest season.

Core inflation however rose by 0.69% to 21.84% on an annual basis and inched up by 0.04% to 2.22% on a monthly basis. This was due to the lingering currency pressures and a boost in liquidity.

Inflation lowest in the North

The states with the lowest inflation rates are Borno (21.05%), Jigawa (22.39%), and Benue (23.22%). This is not surprising as these states are mostly in the North where the country's food basket is.

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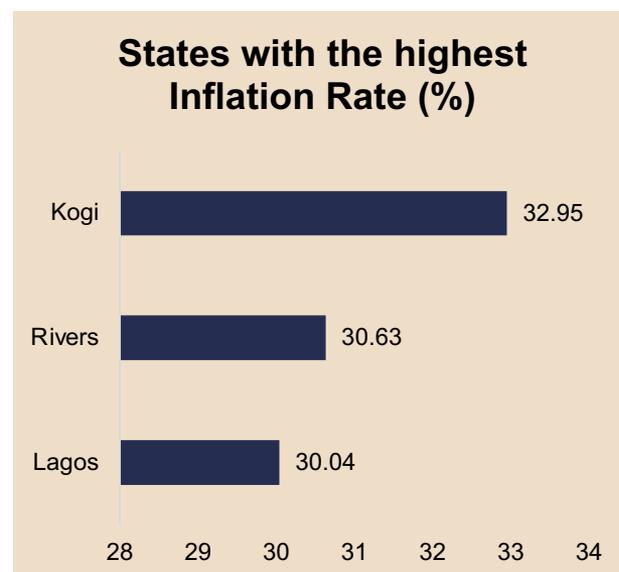
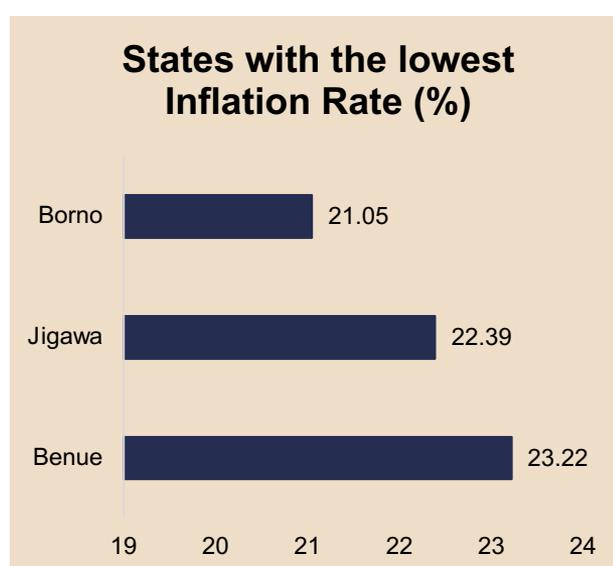
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Kogi (32.95%), Rivers (30.63%), and Lagos (30.04%) recorded the highest inflation rates largely because of the high cost of moving the farm produce from the farm gate to the market points. These logistics constraints have widened the gap between urban (28.68%) and rural inflation (24.94%) to 3.74% from 3.59% in August.



Rising Inflation – Impact on you

- **Consumer** – Consumers will continue to battle with squeezed income. The good news is that the imminent wage review will boost purchasing power but there is a risk of wage inflation if the increase in wages is not matched with a boost in productivity
- **Businesses** – Businesses will continue to grapple with higher costs of production especially those that are heavily reliant on the dollar for import. The impact will be felt more by small and medium-scale enterprises as large-scale businesses will benefit from economies of scale.
- **Investors** - For investors, the negative real rate of return on investment will remain but the gap is likely to narrow as the CBN further hikes interest rates to stem capital flight and encourage foreign investments
- **Policymakers** - Policymakers will intensify efforts to tighten monetary conditions and push up interest rates in a bid to tame inflation and stabilize the currency.

What to expect in the coming month?

Inflation is expected to increase further in the coming months as cost pressures linger but the pace of increase will slow due to the impact of the harvest.

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