

HEADLINE INFLATION RISES TO 20.77%

... Inflationary Pressures Continue to Abate, But Recent Floodings Pose Fresh Risks

October 17, 2022

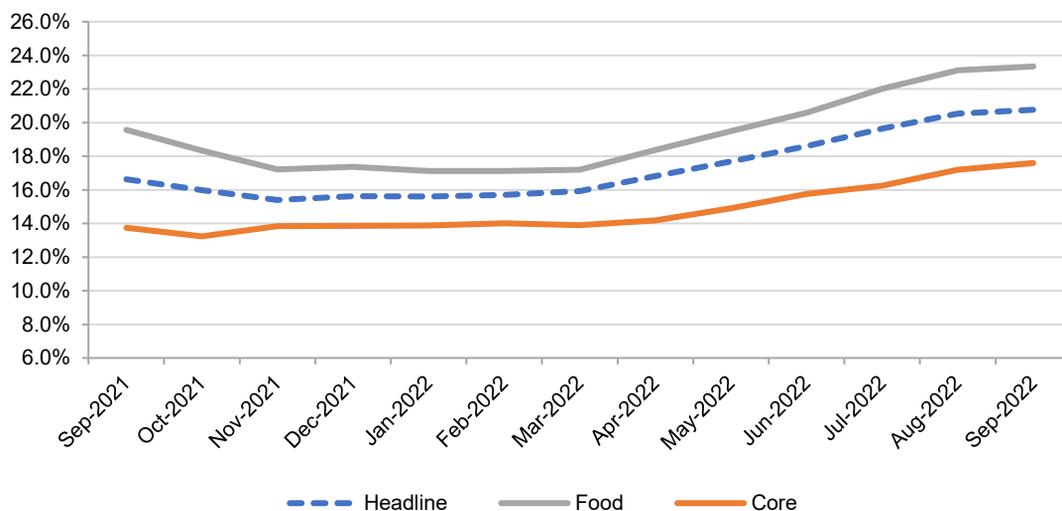
Economic Report

Highlights

The Headline Inflation continued to ascend as a new all-time high was recorded in September 2022, with the figure printing 20.77% year-on-year (August 2022: 20.54%). The sub-components of inflation, Core Inflation and Food Inflation rose slightly to 17.60% (August 2022: 17.20%) and 23.34% (August 2022: 23.12%) on a year-on-year basis, respectively.

However, on a month-on-month basis, the numbers declined, as Headline Inflation declined to 1.36% in September 2022 from 1.77% in August 2022. In the same pattern, Food Inflation declined to 1.43% in September 2022 from 1.98% in August 2022, while Core Inflation remained unchanged in September 2022 from 1.59% in August 2022.

One-Year Inflation Trend



Source: National Bureau of Statistics, WSTC Research

Analysis

Inflation in September 2022 was a positive surprise to us, as actual figure was 48 basis points below our estimate of [21.25%](#). We attribute the year-on-year inflation rise to base-effect.

On a month-on-month basis, we attribute the sustained decline to normalisation of food prices. As we previously expressed in our August 2022 report, we believe that moderation in food price pressures factored in the decline. Notably, the prices of food items such as Tubers, Palm Oil, Maize, Beans and Vegetables tapered in September 2022.



Outlook

With the recent development of over 25 states battling excessive flooding, the National Emergency Management Agency (NEMA) estimated that more than 700,000 persons were displaced and over 637,000 hectares of cropland are submerged. We note that the affected states are key producers of major food crop. Therefore, the recent environment disaster poses a fresh risk to inflationary pressure in the near term.

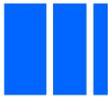
Implications for the Financial Market

We expect the monetary policy authorities to hold on to a tightening stance. Lately, the CBN expressed of its commitment to absorb liquidity in the financial system to rein-in inflationary pressures.

Other Highlights

Indexes	Year-on-Year Change			Month-on-Month Change		
	Sep 2022	Aug 2022	Bps	Sep 2022	Aug 2022	bps
	%	%		%	%	
All-items Price Index	20.77	16.63	414	1.36	1.77	(41)
Food Index	23.34	19.57	377	1.43	1.98	(55)
Core Index	17.60	13.74	386	1.59	1.59	(0)
Urban All-items Index	21.25	17.19	406	1.46	1.79	(33)
Rural All-items Index	20.32	16.26	406	1.27	1.75	(48)

Source: National Bureau of Statistics, WSTC Research



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