

# Inflation

**Comment on recent news** – this page

Today's headlines – page two

**Recommendations and valuations** – page three

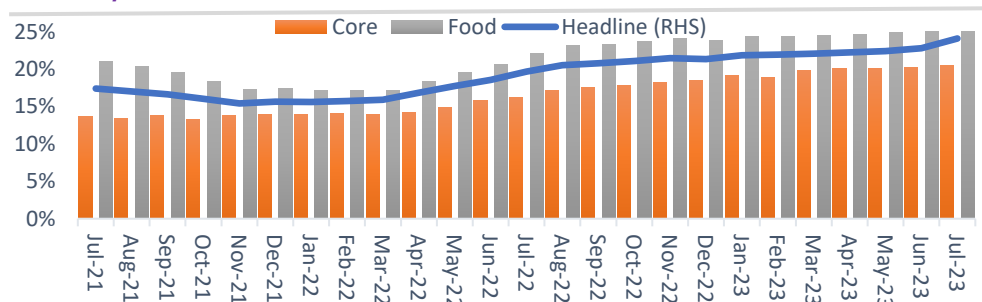
## Headline Inflation increases to 24.08% in July.

Nigeria's Headline inflation increased in July to 24.08%, 129bps higher than the 22.71% recorded in June 2023. On a month-on-month basis, headline inflation was up by 76bps to 2.89% from 2.13% in June. The CPI basket witnessed significant growths in the components of food & non-alcoholic beverages (12.47% y/y), housing water, electricity, gas & other fuel (4.03% y/y), clothing & footwear (1.84% y/y), transport (1.57% y/y), furnishings & household equipment & maintenance (1.21% y/y). The uptick in the inflation rate in July was largely driven by the food index, which increased to 26.98% in July from 22.02% in June. On a month-on-month basis, the food basket grew to 3.45% compared to 2.40% in June. According to the Nigerian Bureau of Statistics (NBS), the rise in food inflation was attributed to an increase in prices of staples like oil and fat, bread and cereals, fish, potatoes, yam, and other tubers.

Nigeria's inflation has been on the rise and is currently one of the highest globally. The rise in headline inflation in recent years can be attributed to the insecurity and flood issues in the food-producing regions, multiple devaluations, hikes in utility costs, and trade restrictions like the border closure. In reaction, the CBN Monetary Policy Committee (MPC) embarked on an aggressive rate hike, raising the interest rate by a cumulative 725bps since March 2022 when the rates hikes began. More recently however, the increase in inflation rate was occasioned by the removal of the subsidy on Premium Motor Spirit (PMS) resulting in a jump in pump price of petrol from N184/L to about N600/L and the unification of the FX rates at the various official windows.

Core inflation, which excludes the prices of volatile agricultural produce increased by 20.47% y/y in July 2023, 20bps higher than the 20.27% recorded in June. On a month-on-month basis, the core basket increased to 2.11% in July from 1.74% recorded in June. The highest increases were recorded in the prices of passenger transport by air, passenger transport by road, vehicle spare parts, medical services, maintenance etc. The increase in the country's inflation rate didn't come as a surprise, as the country continues to grapple with the impacts of the removal of fuel subsidy and the unification of the FX rates at the various official windows forex unification on food, energy, and transport costs. We expect the inflation rate to continue to rise in coming months.

## Headline, Food and Core Inflation



Source: NBS, CSL Research

## MARKET UPDATE

	1 year	30-Dec-22	1 day
NSE - Index*	49,709.46	51,251.06	64,928.98
Naira / US\$	429.22	461.50	774.77
Brent, US\$/bbl	92.34	85.91	84.89
MPR %	14.00	16.50	18.75

Source: NGX Exchange, Central Bank of Nigeria, Bloomberg. \*NGX Exchange All-Share Index.

## CONTACT INFORMATION

**Head of Research:** Gloria Fadipe

+234 (1) 448 5436 ext.4516

[gloria.fadipe@fcmb.com](mailto:gloria.fadipe@fcmb.com)

**Banks:** Gloria Fadipe

+234 (1) 448 5436 ext.4516

[gloria.fadipe@fcmb.com](mailto:gloria.fadipe@fcmb.com)

**Brewers:** Goke Adetoyinbo

+234 (1) 448 5436 ext.4457

[adegoke.adetoyinbo@fcmb.com](mailto:adegoke.adetoyinbo@fcmb.com)

**Industrials:** Mustapha Umaru

+234 (1) 448 5436 ext.4512

[mustaphaumar@fcmb.com](mailto:mustaphaumar@fcmb.com)

**FMCGs:** Sunmisola Ikoli-Olowo

+234 (1) 448 5436 ext.4457

[sunmisola.ikoli@fcmb.com](mailto:sunmisola.ikoli@fcmb.com)

**Research Team:** [csresearch@fcmb.com](mailto:csresearch@fcmb.com)

**Retail Team:** [cslsu@fcmb.com](mailto:cslsu@fcmb.com)

**Sales Team:** [cslrmt@fcmb.com](mailto:cslrmt@fcmb.com)

<https://csportal.fcmb.com>



## News headlines:

**FG to sell stakes in NNPC, 19 entities:** The Federal Government may sell stakes in about 20 state-run companies to raise funds and improve governance in the entities. This is according to a Bloomberg report. The Nigerian National Petroleum Corporation is among the firms the government may sell a stake in, according to the chief executive officer at the Ministry of Finance Incorporated, Armstrong Takang. He stated that the agency is considering options including strategic sales and initial public offerings and aims to implement the plan within 18 months. He noted that some of the entities need the private sector to take controlling shares and the major consideration for the government is to create value rather than retain control. He said, "It is better for us to own 49 per cent of a high-performing entity than 90% of an entity that is underperforming." Source: Punchng.com

<https://punchng.com/fg-to-sell-stakes-in-nnpc-19-entities/>

**CIBN: No Govt Can Thrive Adopting Free-floating Exchange Rate:** The Lagos State Chapter of the Chartered Institute of Bankers of Nigeria (CIBN), has stressed that no government in the world practices a free-floating exchange model to achieve a stable currency regime. Speaking at a press conference to herald its 2023 Lagos Bankers Nite with the theme: "Exchange Rate Unification: Local implications for Households, Organisations and the Country," scheduled to hold on August, 18, 2023, the Branch Chairman, CIBN Lagos State Branch, Mr. Adeyemo Adeoye, said rather than allow free-floating of the naira for the currency to be left entirely to the forces of demand and supply, adopting a managed float system would be desirable. He expressed concern that since the unification of the forex rates, the gap between the official and parallel market rates has risen to over N200. Source: thisdaylive.com

<https://www.thisdaylive.com/index.php/2023/08/16/cibn-no-govt-can-thrive-adopting-free-floating-exchange-rate>

**FG pledges support for local airlines:** The Federal government, through the Ministry of Aviation and Aerospace, has promised its commitment to support Nigerian airlines. The Permanent Secretary of the ministry, Dr Emmanuel Meribole, who was represented by the Director of Air Transport Management of the Ministry, Hassan Ejibunu, disclosed this at a reception organised by the Government of Antigua and Barbuda to celebrate the commencement of direct flights between Nigeria and the Caribbean country by Air Peace Airline recently. A statement signed by the ministry's Head Press, Public Relations, Oluseyi Odutayo, disclosed that the Federal Government continued to initiate and implement policies that ensured Nigeria's airlines benefit from the Bilateral Air Services Agreement signed by Nigeria with other countries. Source: punchng.com

<https://punchng.com/fg-pledges-support-for-local-airlines/>

**Students' loan: Reps propose increase in funding to 3%:** The House of Representatives has proposed that the funding of the Students Loan Scheme from Federal Government revenue be increased to three percent to ensure sufficient funds to cater for all qualified students. The Access to Higher Education Act, 2023, otherwise known as the Students Loan Act stipulates that sources of funding will include one percent of all profits accruing to the Federal Government from oil and other minerals; one percent of taxes, levies and duties accruing to the Federal Government from the Federal Inland Revenue Service (FIRS), Nigeria Immigration Service (NIS) and Nigerian Customs Service (NCS); education bonds and education endowment fund schemes. Source: businessday.ng

<https://businessday.ng/news/article/students-loan-reps-propose-increase-in-funding-to-3/>

## Analyst Certification

Each research analyst principally responsible for the preparation and content of all or any identified portion of this research report hereby certifies that all the views expressed in this research report accurately reflect his/her personal views about those issuer(s) or securities that the research analyst covers in this research report. Each research analyst also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this research report.

## Important disclosures

Analysts' compensation is based upon activities and services intended to benefit the investor clients of CSL Stockbrokers Limited, Lagos and the affiliates of FCMB Group, Lagos, Nigeria ("the Group"). Analysts receive compensation that is impacted by overall profitability of the Group, which includes revenues from, among other business units, Institutional Sales and Trading and Capital Markets/Investment Banking.

### CSL Research Ratings Distribution

	Buy	Hold	Sell	Not Rated	Total
Coverage universe	17	10	5	3	35
% distribution	49%	29%	14%	9%	
Investment banking clients	0	1	1	0	2
% distribution	0%	50%	50%	0%	

### Explanation of CSL Research's equity research rating system

<b>Buy:</b>	The analyst expects the stock to outperform the Benchmark over the next 12 months or the stated investment horizon.
<b>Hold:</b>	The analyst expects the stock to perform in line with the Benchmark over the next 12 months or the stated investment horizon.
<b>Sell:</b>	The analyst expects the stock to underperform the Benchmark over the next 12 months or the stated investment horizon.
<b>Not Rated:</b>	The rating and price target have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when CSL Capital UK or the Group is acting in an advisory capacity in a merger or strategic transaction involving the company or due to factors which limits the analysts ability to provide forecasts for the company in question.
<b>Benchmark:</b>	The benchmark is the trailing three-year average yield of the 12-month T-Bill plus one standard deviation rounded to the nearest percent.
<b>Price targets:</b>	Price targets, if discussed, reflect in part the analyst's estimates for the company's earnings. The achievement of any price target may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market, and may not occur if the company's earnings fall short of estimates.
<b>Asset allocation:</b>	Asset allocation is the responsibility of the strategy team. The recommended weight (Buy, Hold and Sell) for equities, cash and fixed income instruments is based on a number of metrics and does not relate to a particular size change in one variable.



## Important Risk Warnings and Disclaimers

CSL Stockbrokers Limited ("CSLS") is regulated by the Securities and Exchange Commission, Nigeria. CSLS is a member of the NGX Exchange. CSL Capital (UK) Ltd (Firm Reference Number: 913994, Registered Number: 11818051), trading in the name of 'CSL Stockbrokers' for its activities, is authorised by the Financial Conduct Authority (FCA).

Both CSLS and CSL Capital (UK) Ltd are members of the FCMB Group ("the Group") of Nigeria, a group of companies which also includes First City Monument Bank Ltd.

RELIANCE ON THIS PUBLICATION FOR THE PURPOSE OF ENGAGING IN ANY INVESTMENT ACTIVITY MAY EXPOSE YOU TO A SIGNIFICANT RISK OF LOSS. By receiving this document, you will not be deemed a client or provided with the protections afforded to clients of CSLS and CSL Capital (UK) Ltd. When distributing this document, CSLS, or any member of the Group is not acting for any recipient of this document and will not be responsible for providing advice to any recipient in relation to this document. Accordingly, CSLS or any member of the Group will not be responsible to any recipient for providing the protections afforded to its clients.

If you are in the UK, you are a person to whom either Articles 19 or 49 of the Financial Services and Markets 2000 (Financial Promotion) Order 2005 apply or a person to whom this communication may otherwise be lawfully made.

In the United Kingdom, this document is available only to such persons described above and persons of any other description should not rely on this document. Transmission of this document to any other person in the United Kingdom is unauthorized and may contravene the Financial Services and Markets Act 2000 (FSMA). If you are not such a person or if the distribution of this document is otherwise unlawful where you are, you are required to return the document immediately to CSLS. This document is not intended for Retail Clients in the UK.

This document is not an offer to buy or sell or to solicit an offer to buy or sell any securities. This document does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The appropriateness of a particular investment will depend on an investor's individual circumstances and objectives. The investments and shares referred to in this document may not be suitable for all investors.

CSLS or any other member of the Group may effect transactions in shares mentioned herein and may take proprietary trading positions in those shares and may receive remuneration for the publication of its research and for other services. Accordingly, this document may not be considered as objective or impartial. Additionally, information may be available to CSLS, or the Group, which is not reflected in this material. Further information on CSLS' policy regarding potential conflicts of interest in the context of investment research and CSLS' policy on disclosure and conflicts in general are available on request.

This document is based on publicly available information obtained from sources which CSLS believes are reliable, but which it has not independently verified. Neither CSLS, or their advisors, directors or employees make any guarantee, representation, or warranty as to the accuracy, reasonableness or completeness of this information and neither CSLS or their advisors, directors or employees accepts any responsibility or liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document. The opinions contained in this document are subject to change without notice and are not to be relied upon and should not be used in substitution for the exercise of independent judgment.

Past performance is not a guarantee of future performance. Investments may go down in value as well as up and you may not get back the full amount invested. Where an investment is denominated in a currency other than the local currency of the recipient of the research report, changes in the exchange rates may have an adverse effect on the value, price or income of that investment. In case of an investment for which there is no recognised market it may be difficult for investors to sell their investment or to obtain reliable information about their value or the extent of the risk to which they are exposed.



The information contained in this document is confidential and is solely for use of those persons to whom it is addressed and may not be reproduced, further distributed to any other person, or published, in whole or in part, for any purpose.

@Copyright CSL Stockbrokers Limited, 2022. All rights reserved.

CSL Stockbrokers Limited  
Member of the NGX Exchange  
PO Box 9117  
Lagos State, NIGERIA

CSL Stockbrokers  
A trading name of CSL Capital (UK) Ltd  
43-44 New Bond Street  
London  
W1s 2SA  
United Kingdom