



Inflation

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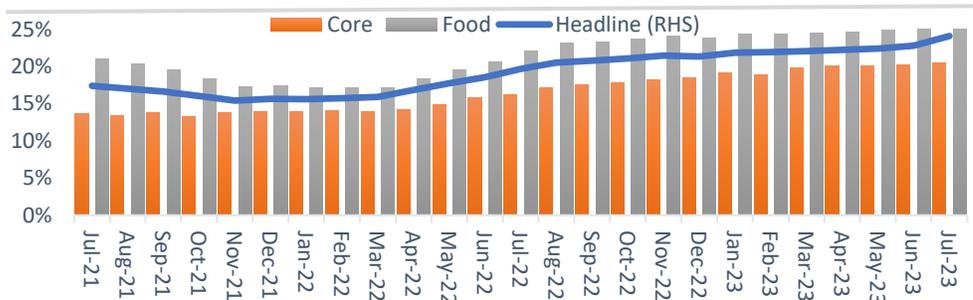
Headline Inflation increases to 24.08% in July.

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.

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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/>

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% distribution	49%	29%	14%	9%	
Investment banking clients	0	1	1	0	2
% distribution	0%	50%	50%	0%	

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