



## Inflation

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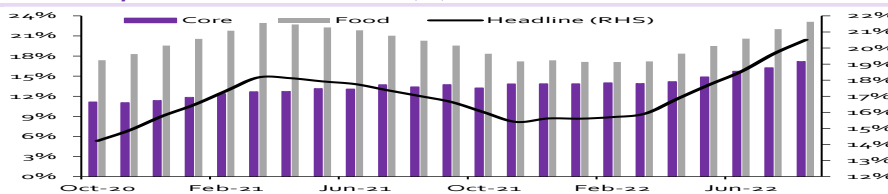
### Headline inflation reaches 17-year high in August

The Consumer Price Index (CPI) data released by the National Bureau of Statistics (NBS) showed that headline inflation increased by 88bps to 20.52% in August 2022, in line with our forecast (CSL forecast: 20.54%). Like the narrative in July, inflation is at its highest point in 17 years (from October 2005 to August 2022). In terms of drivers, food inflation remained a pressure point, as it rose by 110 bps, further worsened by a 94bps increase from the core basket. On a month-on-month basis, headline inflation moderated to 1.77% m/m in August from 1.82% m/m in July 2022.

Food inflation has remained above 20.0% since June, reaching 23.12% in August and is also currently at a 17-year high. On a m/m basis, the food basket grew by 1.98% compared to 2.04% in July. The m/m marginal decline may be reflective of the global downtrend in food prices, as the United Nations' Food and Agriculture Organization noted a further reduction in global food prices in August 2022 due to lower wheat and vegetable oil prices. It also coincides with the period when the main harvest season begins in the country. However, we continue to link the high domestic food prices to the negative pass-through from higher logistics and haulage costs. For context, transport inflation, which has a correlation of c.75% with food inflation, touched a 15-year high of 18.24%, reflecting higher AGO price and higher PMS pump price as many marketers continue to sell above the approved pump price across the country. On the other hand, core inflation rose by 94bps to 17.20% in August. Month-on-month, the core basket grew by 1.59% compared to 1.75% in July. The highest increases were recorded in prices of gas, liquid fuel, solid fuel, passenger transport by road, passenger transport by air, fuel and lubricants for personal transport equipment.

Looking ahead, we expect inflationary pressure to persist. We forecast headline inflation to reach 20.96% in September 2022. While we expect a slight moderation in food inflation with the commencement of the harvest season, we expect core inflation to remain pressured. Petrol marketers continue to sell PMS above the regulatory price of N165/litre and the cost of deregulated petroleum products such as diesel and Jet A1 remains high, indicating that the pressure on core and food inflation arising from related transport costs will remain. We also expect the continuous devaluation of the Naira at the parallel market to remain a pressure point. With the current realities, we expect the focus of the September MPC meeting to remain around inflation as we expect the better than expected Q2 GDP growth of 3.54% to give the committee some comfort around growth. That said, we retain our view that the major drivers of inflation cannot be controlled by rate hikes as they are largely supply driven. Since the CBN changed to a hawkish position, consumer prices have remained elevated.

### Headline, Food and Core Inflation (%)



Source: NBS, CSL Research

### MARKET UPDATE

|                 | 1 year    | 31-Dec-21 | 1 day     |
|-----------------|-----------|-----------|-----------|
| NSE - Index*    | 38,968.34 | 42,716.44 | 49,540.48 |
| Naira / US\$    | 412.06    | 435.00    | 436.33    |
| Brent, US\$/bbl | 75.46     | 77.78     | 90.84     |
| MPR %           | 11.50     | 11.50     | 14.00     |

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

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## Today's news headlines:

**Nigeria, Morocco begin 5,600km gas pipeline project:** The Nigerian National Petroleum Company Limited and the Office National des Hydrocarbures et des Mines of Morocco, on Thursday, signed the Memorandum of Understanding for the commencement of construction of the 5,600km Nigeria-Morocco gas pipeline. NNPC said the much-awaited Nigeria-Morocco Gas Pipeline project officially commenced following the signing of the MoU between the two countries and the Economic Community of West African States in Rabat, Morocco. It said the two countries and ECOWAS executed the MoU agreement on the project, which was a significant step in fulfilling the Federal Government's drive towards harnessing Nigeria's abundant gas resources. Source: punchng.com

<https://punchng.com/nigeria-morocco-begin-5600km-gas-pipeline-project/>

**Osinbajo: Private Sector Intervention Vital for Sustainable Higher Education Funding:** Vice President Yemi Osinbajo has called for robust private sector intervention to drive world-class, groundbreaking research and cutting-edge innovation in the country's higher institutions of learning. Osinbajo spoke Thursday evening in his keynote remarks at the Yaba College of Technology (YabaTech) N50 billion Endowment Fund Launch in Lagos. He said with the right platforms, young Nigerians would always rise to the stature of national and global challenges, while finding solutions to them through innovation and technology. The vice president said not only were institutions of higher learning proving ground for best ideas, the birthplaces of innovation, and ground-breaking research, they were also, to all intents and purposes, designed to guide and nurture a society's pathway into the future.

Source: thisdaylive.com

<https://www.thisdaylive.com/index.php/2022/09/16/osinbajo-private-sector-intervention-vital-for-sustainable-higher-education-funding/>

**Shea butter, vegetable oil import gulp \$264m – RMRDC:** The Raw Materials Research and Development Council has said Nigeria spent \$264m on the importation of shea-butter and castor oil in 2021. Speaking at a strategic sectoral dialogue session on the future of the chemical and pharmaceutical industry in Nigeria in Lagos on Tuesday, the Chairman, Chemical and Pharmaceutical Sectoral Group of Manufacturers Association of Nigeria, Mr Rotimi Aluko, said that in 2021, the country spent \$114 on importation of Shea butter while \$150 was spent on castor oil importation. Aluko who was represented at the event by the Director, Mineral Material Development Department, RMRDC, Dr Mohammed Buga, said the council had developed the technology and equipment for Shea nut processing. He added that the plant has a crushing capacity of 0.5ton/hr and kneading capacity of 100g/hr.

Source: punchng.com

<https://punchng.com/shea-butter-vegetable-oil-import-gulp-264m-rmrdc/>

**NIN-SIM linkage: NIMC hits 89m enrolments:** The Director General of the National Identity Management Commission, Aliyu Aziz, says the commission has so far captured 89 million persons in the ongoing nationwide National Identity Number enrolment. The DG disclosed this on Thursday at a press conference in commemoration of the 4th Identity Day, which is to be celebrated on September 16, in Abuja According to him, the total represented an additional 82 million when compared to the seven million he met when he assumed office in 2015. He also noted that the commission was currently partnering with traditional institutions and their leaders to reach out to the grassroots people who were yet to be enrolled.

Source: punchng.com

<https://punchng.com/nin-sim-linkage-nimc-hits-89m-enrolments/>

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|                            | 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%        |       |

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|                          |   |
|--------------------------|---|
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| <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.   |
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