

## Inflation

**Comment on recent news** – this page

Today's headlines – page twos

**Recommendations and valuations** – page three

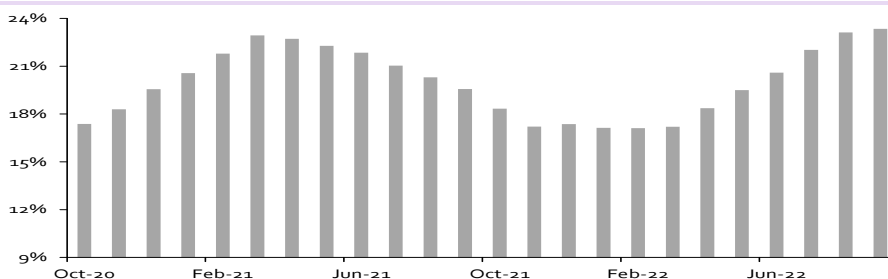
### No respite for inflation as floods limit food supply

The recent heaving flooding across most parts of Nigeria remains a critical factor that will drive food inflation numbers for the last quarter of 2023. According to a Business Day news report, traders and distributors say the price of a 50kg bag of locally parboiled rice is expected to go as high as N50,000 before December. It was stated in the report that the flood incidents in Africa's biggest economy have destroyed 70,566 hectares of farmland, damaged 45,249 houses and displaced over 1.4 million Nigerians, with about 600 persons reported dead based on data from the Ministry of Humanitarian Affairs. The floods have resulted in an increase in prices of food items, especially in affected communities. Rice, a key staple mostly consumed by households, has been affected the most by the floods, resulting in an increase in the price of paddy to N30,000 per tonne from N200,000 per tonne in three weeks. The recent jump in paddy prices is piling more pressure on rice millers that are already contending with rising production costs amidst a nearly three-fold increase in diesel cost.

According to the report, the floods have submerged hundreds of rice farmlands and have also worsened the transportation situation in the North. 33 out of the country's 36 states have been ravaged by the floods, causing transportation costs to further surge as tankers conveying petroleum products to the northern states are unable to move since the incidents have blocked most road networks in the region. According to Ade Adefeko, vice president of external relations and stakeholder management at Olam Agri, the country's largest farmland of 10,000 hectares in Nasarawa owned by Olam and worth about US\$140 million, has been submerged by floods.

Meanwhile, Food inflation has remained above 20.0% since June, reaching 23.34% in September and is also currently at a 17-year high. On a month-on-month basis, the food basket grew slower by 1.43% compared to 1.98% in August. We had forecasted a respite for food inflation following the commencement of the harvest period. However, looking ahead, we expect food and core inflation to remain sticky due to the impact of the floods. Election and yuletide season spending amidst the continuous devaluation of the Naira, will likely add further pressure.

### Food Inflation (%)



Source: CSL Research

### MARKET UPDATE

	1 year	31-Dec-21	1 day
NSE - Index*	41,814.94	42,716.44	44,788.14
Naira / US\$	415.10	435.00	441.67
Brent, US\$/bbl	86.40	77.78	91.74
MPR %	11.50	11.50	15.50

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

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## Today's news headlines:

**Atiku, Obi, Tinubu's energy plans conflict with reality:** Bola Tinubu, presidential candidate of the All Progressives Congress, wants to raise Nigeria's oil output to 4 million barrels per day as investors flee the Niger Delta; Labour Party's Peter Obi seeks to legalise artisanal refiners but they steal the crude they refine; and Peoples Democratic Party's Atiku Abubakar has ambitions to privatise the Nigerian National Petroleum Company despite glaring hurdles. As elegant as these plans sound, they are unmoored from reality. BusinessDay's analysis of the energy plans of the presidential candidates of the major political parties reveals that in the main, they could end up as pipe dream unless they are tweaked to accommodate current realities and backed by enough political will to push through badly needed reforms against the current of corruption...Source: [businessday.ng](https://businessday.ng/big-read/article/atiku-obi-tinubus-energy-plans-conflict-with-reality/)  
<https://businessday.ng/big-read/article/atiku-obi-tinubus-energy-plans-conflict-with-reality/>

**Nigeria risks deeper debt crisis on low revenues – KPMG:** Nigeria is at risk of a deeper debt crisis if the government does not take urgent steps to boost revenues, according to Adewale Ajayi, partner and head of tax, regulatory and people services at KPMG Nigeria. Ajayi said this on Tuesday in the October 2022 episode of the KPMG Social Media Tax Chat, titled '2023 Budget: Is Nigeria facing a revenue crisis or a debt crisis?' Ajayi said Nigeria is experiencing a revenue crisis that has triggered a debt crisis. "If we do not generate enough revenue, we would have to borrow. Borrowing to fund recurrent expenditure instead of revenue-generating infrastructure will lead to a vicious circle where we keep borrowing.".....". Source: [businessday.ng](https://businessday.ng/news/article/nigeria-risks-deeper-debt-crisis-on-low-revenues-ajayi/)  
<https://businessday.ng/news/article/nigeria-risks-deeper-debt-crisis-on-low-revenues-ajayi/>

**FG admits huge spending on fuel subsidy:** The Federal Government, on Tuesday, said that it had spent so much in subsidising the Premium Motor Spirit, popularly petrol, confirming The PUNCH's investigative report on the huge fuel subsidy spending by the current regime. On Monday, The PUNCH exclusively reported that the administration of the President, Major General Muhammadu Buhari (retd.), could spend nothing less than N10.976tn as subsidy on PMS, from when it came to power in 2015 till May 2023. The report stated that already the government had spent about N6.88tn in subsidising the commodity, according to data obtained from the Nigerian National Petroleum Company Limited and the Nigeria Extractive Industries Transparency Initiative. Source: [punchng.com](https://punchng.com/fg-admits-huge-spending-on-fuel-subsidy/)  
<https://punchng.com/fg-admits-huge-spending-on-fuel-subsidy/>

**Floods Killed 612 Persons as FG Sends Relief Materials to 21 States:** This is just as the government revealed that 1,427,370 persons have been internally displaced, approximately 2,776 persons injured, while 612 persons have lost their lives due to the devastating effects of the floods across the country. The Minister of Humanitarian Affairs, Disaster Management and Social Development, Sadiya Umar Farouq, disclosed this yesterday while updating the public on the interventions made by the ministry and the National Emergency Management Agency (NEMA) on the flood situation across the country. She said this just as the Minister of Defence, Major Gen Bashir Magashi (rtd), yesterday called for national resilience following the devastating flood across the nation... Source: [Thisdaylive.com](https://www.thisdaylive.com/index.php/2022/10/26/floods-killed-612-persons-as-fg-sends-relief-materials-to-21-states/)  
<https://www.thisdaylive.com/index.php/2022/10/26/floods-killed-612-persons-as-fg-sends-relief-materials-to-21-states/>

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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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