

Inflation

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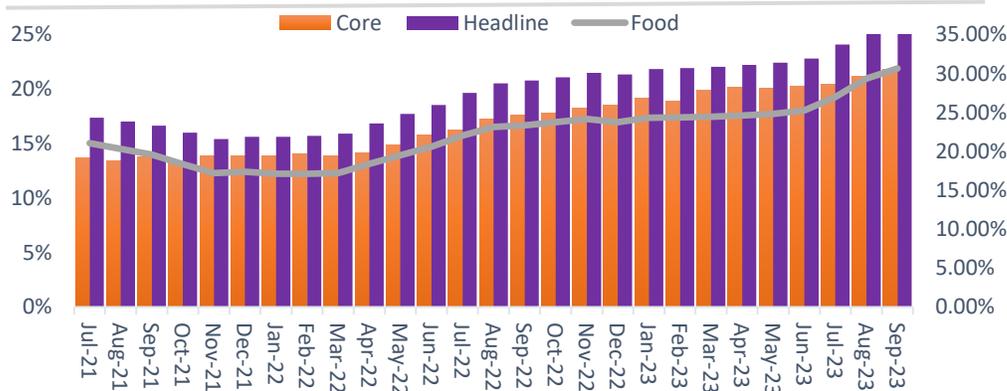
Headline Inflation hits 26.72% in September.

Headline inflation maintained its upward trend in September, increasing to 26.72%, which is 92bps higher than the 25.80% recorded in August and 594bps higher than the 20.77% recorded in August 2022. Month-on-month, headline inflation slowed to 2.10%, which is 108bps lower than the 3.18% recorded in August. The growth in headline inflation was driven by increases in both food and core inflation. The CPI basket saw significant growths in the components of food & non-alcoholic beverages (13.84% y/y), housing water, electricity, gas & other fuel (4.47% y/y), clothing & footwear (2.04% y/y), transport (1.74% y/y), furnishings & household equipment & maintenance (1.34% y/y), education (1.05% y/y).

Food inflation, a major driver of headline inflation, increased by 130bps to 30.64% in September from 29.34% in August. On a month-on-month basis, the food inflation rate declined to 2.45% compared with 3.87% in August. The Nigerian Bureau of Statistics (NBS) attributed the year-on-year increase in food inflation to the rise in prices of oil and fat, bread and cereals, potatoes, yam and other tubers, fish, fruit, meat, vegetables and milk, cheese, and eggs. Core inflation rate, which excludes the prices of volatile agricultural produce and energy grew to 21.84% from the 21.15% recorded in August. The highest increases were recorded in passenger transport by road, passenger transport by air, medical services, repair of furniture, maintenance, and repair of personal transport equipment, etc.

The removal of petrol subsidies and the devaluation of the exchange rate continue to impact the prices of goods and services, as headline inflation reaches new highs. Despite the recent moderation in global food prices, food inflation remains a primary driver of the country's headline inflation due to the direct and indirect effects of the devaluation of the exchange rate and the fuel subsidy removal. We expect headline inflation will continue to increase till the end of the year. If other policies such as the implementation of new import duties on selected goods and new taxes from the Finance Act are implemented before year end, headline inflation may reach a peak of 29.8% as we have earlier forecasted.

Headline, Core Inflation (LHS) and Food Inflation (RHS)



Source: NBS, CSL Research

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MARKET UPDATE

	1 year	30-Dec-22	1 day
NSE - Index*	46,365.95	51,251.06	67,037.93
Naira / US\$	440.80	461.50	778.80
Brent, US\$/bbl	90.18	85.91	89.65
MPR %	15.50	16.50	18.75

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

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News headlines:

2024: FG plans N26tn budget, debt servicing to gulp N8.25tn: The Federal Government plans to spend 61.63 per cent of its planned 2024 on personnel and debt service costs, The PUNCH has learnt. The personnel and pension costs of N7.78tn and the debt service cost of N8.25tn make up N16.03tn out of the N26.01tn 2024 budget. The PUNCH also observed that the government would spend more on debt servicing than it would spend on paying the salaries and pensions of its workers. Also, the amount budgeted for personnel and pension costs is expected to increase from N5.87tn in 2023 to N7.78tn in the 2024 budget. This showed an increase of N1.91tn or 32.54 per cent amid concerns for a reduction in the cost of governance. Source: Punchng.com

<https://punchng.com/2024-fg-plans-n26tn-budget-debt-servicing-to-gulp-n8-25tn/>

IEA, OPEC's Views on Oil Demand Growth in 2024 Widen: The gap between two leading oil forecasters' views on 2024 demand growth has widened, with the International Energy Agency (IEA) predicting a sharper slowdown while Organisation of Petroleum Exporting Countries (OPEC) stuck to expectations for buoyant China-led growth. OPEC and the IEA, which represents industrialised countries, have clashed in recent years over issues such as the long-term oil demand outlook and the need for investment in new supplies. In a monthly report, the IEA lowered its forecast for growth in oil demand in 2024 to 880,000 barrels per day from 1 million bpd, suggesting harsher global economic conditions and progress on energy efficiency will weigh on consumption. Source: thisdaylive.com

<https://www.thisdaylive.com/index.php/2023/10/17/iea-opecs-views-on-oil-demand-growth-in-2024-widen>

Consumers paid N268bn electricity bills in Q2 – FG: The Federal Government, on Monday, said power consumers paid a total of N267.86bn as electricity bills in the second quarter of this year. It disclosed this in the just released second quarter 2023 report of the Nigerian Electricity Regulatory Commission, while explaining the collection efficiency of power distribution companies during the review period. It said, "The total revenue collected by all Discos in 2023/Q2 was N267.86bn out of N354.61bn billed to customers. This translates to a collection efficiency of 75.54 per cent, which represents an increase of 6.79pp (basic points) when compared to 2023/Q1 (68.75 per cent). "The increase in collection efficiency can be attributed to the increased metering by Discos and the implementation of various collection campaigns for improved remittance by post-paid customers." Source: punchng.com

<https://punchng.com/consumers-paid-n268bn-electricity-bills-in-q2-fg/>

Boost for naira as Nigeria to receive \$1.5bn World Bank loan by year-end: Nigeria's embattled naira is set for a lift after lawmakers approved plans by the government to seek a \$1.5 billion loan from the World Bank. Wale Edun, the Finance Minister, told reporters in Abuja, the capital city, on Monday that the funding will be concessionary and is expected to be secured by December. Nigeria will also seek \$80 million of financing from the African Development Bank, he said. The naira weakened to N778.80 per US dollar on Monday at the official market, according to data from FMDQ but was stable at N1,049 per USD on the streets. Source: businessday.ng

<https://businessday.ng/news/article/boost-for-naira-as-nigeria-to-receive-1-5bn-world-bank-loan-by-year-end/>

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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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Price targets:	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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