

Inflation

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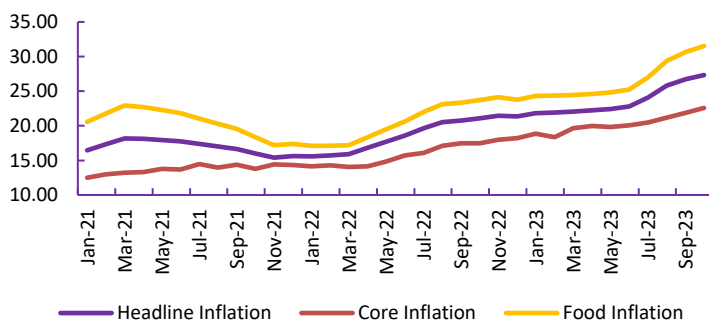
The Consumer Price Index increases further in October 2023

The National Bureau of Statistics (NBS) reported that the Headline inflation rate increased to 27.33% y/y in October, 61bps and 624bps higher than the inflation rate of 26.72% and 21.09% reported in September 2023 and October 2022 respectively. On a month-on-month basis, the nation's headline inflation rate advanced by 1.73% m/m which is 37bps lower than the recorded rate of 2.10% m/m for September 2023. The increase in the inflation rate was driven by increases in both food and core inflation. Inflation in Nigeria has been on the rise in recent years, eroding income and savings. The Tinubu administration's recent reforms have contributed significantly to the hike in inflation rate this year.

Food Inflation rate increased the highest, up 88bps to 31.52% y/y in October 2023 compared with 30.64% in September 2023 and 780bps higher than 23.72% reported in October 2022. The rise in the food inflation rate was driven by significant increases in imported food (+22.76% y/y), alcoholic beverages, tobacco & kola (+31.31% y/y) and food & non-alcoholic beverages (+16.45% y/y). Core Inflation rate ("All Items Less Farm Produce and Energy") advanced by 22.58% y/y in October 2023 from 21.84% and 17.46% y/y in September 2023 and October 2022 respectively. The highest increases were seen in transport (+27.04% y/y), restaurant (+24.03% y/y), health (+23.32% y/y) and miscellaneous Goods/services (+22.03% y/y).

The direct and indirect effects of the weakness in the currency and the removal of the subsidy on petrol remain the major drivers of inflation in our view. Looking ahead, we expect the inflation rate to continue to rise. The period leading to Christmas is usually characterized by increases in the prices of goods and services. In view of this, we retain our forecast that the headline inflation rate will reach 28.7% y/y at the close of FY 2023 and may go as high as 29.8%. The Monetary Policy Committee (MPC) faces a tough choice in the next MPC meeting, the first to be chaired by the new CBN Governor.

Consumer Price Index (Last Two Years)



Source: CSL Research, NBS

MARKET UPDATE

Indicators	1 Year	30-Dec-22	1 Day
NSE-Index	53,086.86	51,251.06	71,014.34
Naira/US \$	415.63	461.50	843.58
Brent US\$/bbl	119.51	85.91	88.13
MPR	13.00	16.50	18.75

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

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News headlines:

World Bank releases \$300million in palliatives loans: The World Bank has set the wheels in motion by releasing funds from the \$800 million budgeted for Nigeria's much-needed National Social Safety Net Program-Scale Up. According to insights from The PUNCH, approximately \$299.99 million has already made its way into Nigeria's coffers as part of this initiative, which is a significant chunk that makes up about 37.5 percent of the total loan. However, there's still a substantial balance of \$442.88 million eagerly awaited to further bolster this critical programme. This safety net, a conditional cash transfer, is tailor-made to cushion the impact on impoverished and vulnerable Nigerians who have felt the weight of recent governmental decisions, such as the removal of the fuel subsidy. Source: BusinessDay <https://businessday.ng/news/article/world-bank-releases-300million-in-palliatives-loans/>

Providus Moves to Acquire Majority Stake in Unity BankProvidusProvidus Moves to Acquire Majority Stake in Unity Bank: ProvidusBank Limited, a commercial bank founded in 2016, has taken bold steps to acquire majority stake in Unity Bank Plc, as part of the former's business expansion plan. THISDAY gathered from a reliable industry source that the arrangement which Unity Bank that had been struggling to beef up its minimum capital requirement since 2017, has termed a business combination, was being monitored by the Central Bank of Nigeria (CBN). "This has been in the works since June this year and they have been updating the CBN on it. Part of the deal is that Providus must have asked for the isolation of Unity Bank's bad loans. Unity Bank which is big in agriculture financing has been struggling for years," the source who pleaded to remain anonymous said. Source: ThisDay <https://www.thisdaylive.com/index.php/2023/11/16/providus-moves-to-acquire-majority-stake-in-unity-bankprovidusprovidus-moves-to-acquire-majority-stake-in-unity-bank>

NNPCL flags currency crisis as barrier to investment: The Nigeria National Petroleum Company Limited (NNPCL) said currency volatility remains a major obstacle to investment, stressing that exchange rate fluctuation casts uncertainty over potential returns. Speaking at the ongoing 41st Nigerian Association of Petroleum Explorationists (NAPE) Conference in Lagos, yesterday, the Group Chief Executive Officer (GCEO) of NNPCL, Mele Kyari, who was represented by Executive Vice President, Upstream, Oritsemeyiwa Eyesan, stated that naira depreciation and contracting processes are also challenges. Source: Guardian.com <https://guardian.ng/business-services/nnpcl-flags-currency-crisis-as-barrier-to-investment/>

40% IGR deduction sets FG, varsities on collision course: For the umpteenth time, the crisis between the Federal Government and university workers may again rear its ugly head, following government's decision to commence automatic 40 per cent deduction of Internally Generated Revenues (IGR) of public universities and other partially-funded institutions across the country. For some observers, the issue is not a matter of if, but when the honeymoon between university teachers, under the aegis of Academic Staff Union of Universities (ASUU), and the Bola Tinubu-led administration would be over. Source: Guardian <https://guardian.ng/features/40-igr-deduction-sets-fg-varsities-on-collision-course/>

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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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