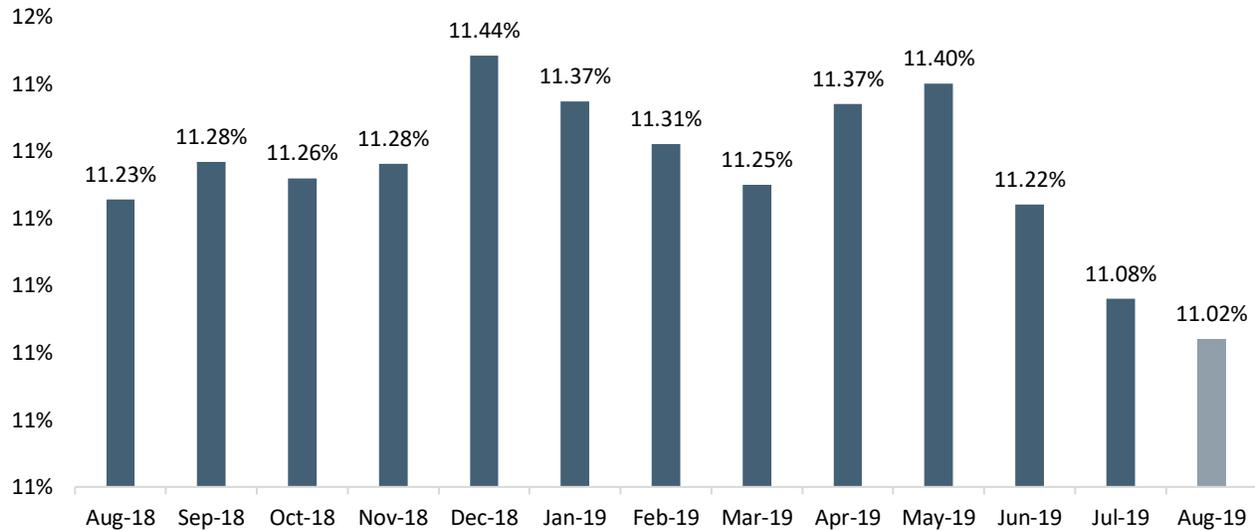


*Consumer prices: Border closure marks a watershed in September*

- Inflation for the month of August moderated as expected, printing at 11.02% YoY (July: 11.08% YoY), 1bp shy of our expectation of 11.03%. Going forward, we see a watershed to consumer prices following the partial border closure. We recall FG implemented a partial border closure on August 20th in a bid to curb smuggling of petrol out of the country and the import of unlicensed items. Beyond the targeted items, the partial border closure also affected the influx of food products like rice, vegetable oil, frozen foods etc, cascading into higher food prices. For context, the price of a bag of rice rose ₦3000 to ₦5000 on average, vegetable oil (+₦1300) while the price of frozen foods increased by ₦400 to ₦600 this month and by our estimate we have seen a 10% to 30% increase in average food prices. Consequently, we expect inflation for the month of September to print at 11.04% (previously: 10.98%).
- Earlier this month, we projected moderation in headline inflation hinged on buoyant market supplies, favourable weather conditions as well as curtailed bandit attacks. Specifically, food inflation sank by 22bps to 13.17% YoY due to decline in farm produce (-1bps to 13.72% YoY), imported food (-57bps to 15.82% YoY) and processed food (-251bps to 7.4% YoY). According to FEWSNET, favourable rainfall, increased agricultural implements and technical support left the market well supplied to meet the growing lean season demand. On the other hand, we witnessed 6bps uptick in core inflation to 9.44% YoY following increases in HWEGF (+18bps to 7.26% YoY), Transport (+14bps to 8.85% YoY), Health (+8bps to 9.13% YoY) and furnishing (+5bps to 9.17% YoY), spurred by increases in diesel and kerosene prices (+10% YoY), which more than outweighed the decline in petrol price (-1% YoY).

**Figure 1: One-year trend in Inflation rate**



Source: NBS, ARM Research

- Month-on-Month, headline inflation dipped 3bps to 0.99% following moderation in both food and core inflation. Food inflation dipped 3bps to 1.22% MoM reflecting a 111bps moderation in Processed food to 0.18% MoM as well as 1bp decline in imported food to 1.25% MoM. Also, core inflation dipped 11bps to 0.67% MoM mirroring declines in key sub-indices such as HWEGF, Furnishing, clothing, and alcoholic beverages.