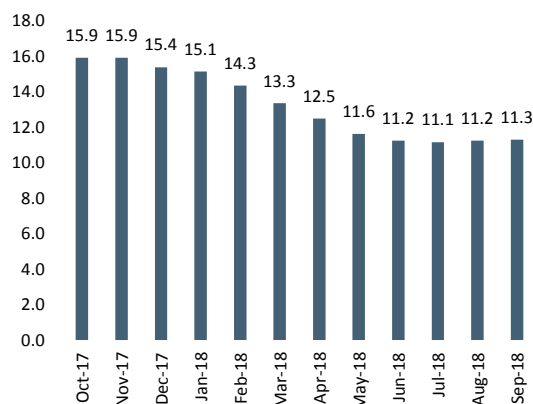
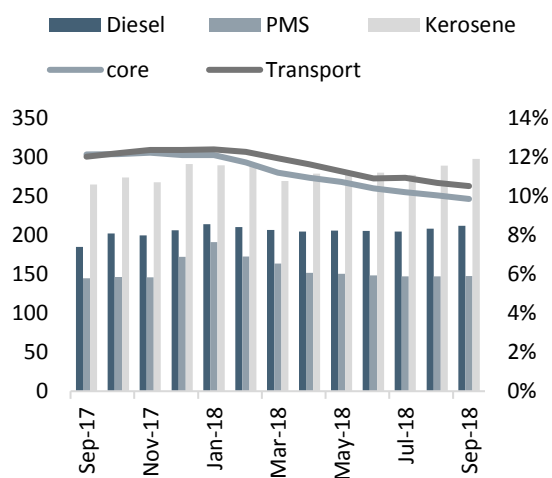




Inflation rate – Actual (YoY)



Avg. energy prices (₦/litre) vs. Core & Transport Inflation (% YoY)



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Inflation ticks up in September, albeit modest

Inflation

- Nigeria's inflation in the month of September increased by 11.28% YoY, 6bps higher than 11.23% in the prior month and a second consecutive increase since the month of August. This was lower than our forecast of 11.45% as well as Bloomberg consensus forecast of 11.5%.
- The modest increase in YoY inflation stemmed from food inflation, as core inflation extended its moderation in the review period. While core inflation declined 18bps to single digit level of 9.84%, food inflation increased 15bps to 13.31% although, the pace of increase was slower than the 31bps uptick in the month of August.
- On a MoM basis, headline inflation moderated for the third consecutive month to 0.84%, 21bps lower than 1.05% reported in the previous month. The decline mainly stemmed from the food index, which dipped 42bps to 1.00% while the core index dipped 13bps to 0.64%. On food, FEWS NET reported that early harvests of green, maize, cowpea and yam have started to reach markets and slowly offset the supply and demand gap. We believe this drove food prices lower during the month. They also noted that ongoing slowdown in food prices will be substantial in the month of October, as new harvests will be available for both households and markets. This suggests further moderation in MoM food inflation in October.
- Core inflation dipped 13bps to 0.64%, with the decline majorly from imported (-53bps) and processed food (-176bps), offsetting slight increases in HWEFG¹ (+4bps to 0.50%) and Transport (+4bps to

¹ Housing, Water, Electricity, Gas and other Fuel

0.65%) following higher average energy prices – Diesel up 176bps to ₦211.64/litre and PMS up 30bps to ₦147.30/litre.

- In terms of monetary policy impact, we do not expect the MPC to shift its policy stance in favour of a hike at the November meeting, as we view the uptick in September's inflation as modest when compared to August. Also, the onset of the harvest season suggests moderating food price pressures which we expect will prompt a slowdown in the pace of food and headline inflation increase in subsequent months. Given this as well as weak growth picture, we maintain our view that the policy makers will retain the monetary policy rate at 14%.