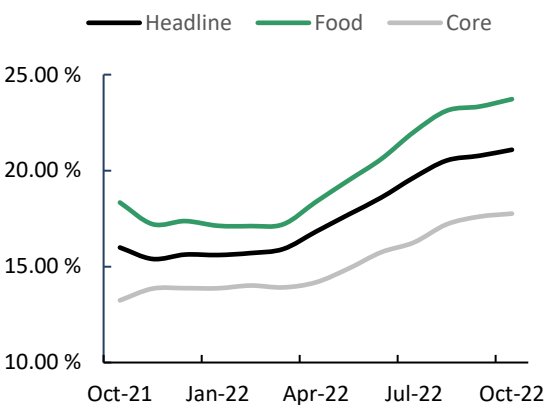


Key Summary Statistic

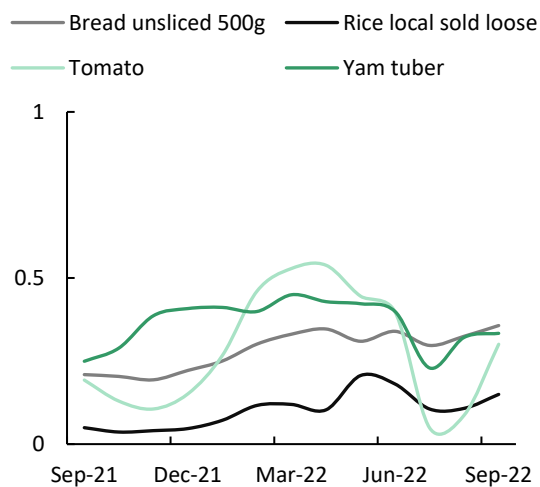
Category	Oct-2022	Sept-2022	Oct-2021
Headline inflation	21.09%	20.77%	15.99%
Food inflation	23.72%	23.34%	18.34%
Core inflation	17.76%	17.60%	13.24%
Imported Food inflation	18.08%	17.99%	17.24%

Chart 1: Trend in Headline, Food and Core Inflation



Source: NBS, Meristem Research

Chart 2: Price Trend of Selected Food Items (Sep 2021 – Sep 2022)



Source: NBS, Meristem Research

According to the National Bureau of Statistics, headline inflation for October 2022 edged up to 21.09% YoY, from 20.77% in September 2022. This resulted from increases in both the food and core indices. The food index increased by 23.72% YoY (vs. 23.34% YoY in September 2022) due to an increment in the prices of food items such as bread, cereals, potatoes, yam, and oils. Similarly, higher prices of gas, liquid and solid fuel, vehicle spare parts, and air transportation costs drove core inflation higher to 17.76% YoY. On a month-on-month (MoM) basis, however, both core and food indices moderated. Food inflation decelerated for the fourth consecutive time to 1.23% MoM (vs. 1.43% MoM in September 2022), while the core inflation slowed for the seventh consecutive time to 0.93% MoM (vs. 1.59% MoM in September 2022). Expectedly, the continuous uptrend in inflation will be a major consideration at the upcoming Monetary Policy Committee (MPC) meeting.

Persisting Headwinds Keep Food Inflation Elevated

The month of October saw the worst flooding event in over a decade, which adversely affected farming activities in the agricultural hubs of the country. Farmlands producing major food items such as rice, vegetables, maize, etc., have been razed by the flood. For context, Olam Nigeria Limited (the largest producer of rice in Nigeria) reported a loss of 4,500 hectares of farmland in Nasarawa state. **In our opinion, the negative effect of the flooding would also be felt across several other farmlands, resulting in post-harvest losses. Furthermore, we posit that the flooding incident aggravated the logistic network for agricultural products, widening the supply gap for food items.** Also, the World Bank's Commodity Price Data indicated that global prices of cereals such as maize (+43.36% YoY) and wheat (+23.48% YoY) were higher within the month. Thus, it is no surprise that the uptick in food product prices such as potatoes, yams, bread, cereal, and other tubers was among the major driver of the food index in October. However, the early harvest of food items such as beans, vegetables, maize, and palm oil contributed to the slower growth of the month-on-month food inflation index. **As the yuletide season approaches, we expect demand pressure from festivities to further exert pressure on the existing price levels. We also expect the negative impact of the flooding to persist in the near term.**

Core Inflation Remains Elevated

Rising gas and solid fuel prices were mainly responsible for the increase in the core index. This reflects the impact of increasing natural gas prices (+21.24% YoY) on by-products such as Liquefied Petroleum Gas. We also note that the higher transportation costs spurred by increased energy prices contributed to the increase in core inflation. Additionally, the volatile exchange rate, which has negatively affected the prices of clothing materials and footwear, vehicle spare parts, and pharmaceutical products, trended upward, adversely impacting manufacturing costs. **Therefore, we expect the upswing in core inflation to be sustained in the subsequent months, albeit at a lower level on a MoM basis.**

Contact Information

Investment Research

damilarejojo@meristemng.com

(+234 816 890 2771)

praiseihansekhien@meristemng.com

(+234 817 007 1512)

research@meristemng.com

Corporate websites: www.meristemng.com www.meristemwealth.com www.meristemregistrars.com

Meristem Research can also be accessed on the following platforms:

Meristem Research portal: research@meristemng.com

Bloomberg: MERI <GO>

Capital IQ: www.capitaliq.com

Reuters: www.thomsonreuters.com

ISI Emerging Markets: www.securities.com/ch.html?pc=NG

FactSet: www.factset.com

IMPORTANT INFORMATION: DISCLAIMER

Meristem Securities Limited ("Meristem") equity reports and its attendant recommendations are prepared based on publicly available information and are meant for general information purposes only and it may not be reproduced or distributed to any other person. All reasonable care has been taken to ensure that the information contained herein is not misleading or untrue at the time of publication; **Meristem** can neither guarantee its accuracy nor completeness as they are an expression of our analysts' views and opinions.

Meristem and any of its associated or subsidiary companies or the employees thereof cannot be held responsible for any loss suffered by relying on the said information as this information as earlier stated, is based on publicly available information, analysts' estimates and opinions, and is meant for general information purposes and should not be construed as an offer to buy or sell or a solicitation of an offer to buy or sell securities or any financial instruments. The value of any investment is subject to fluctuations, i.e., may fall and rise. Past performance is no guide to the future. The rate of exchange between currencies may cause the value of investment to increase or diminish. Hence investors may not get back the full value of their original investment. Meristem Securities is registered with the Securities and Exchange (SEC) and is also a member of The Nigerian Stock Exchange (The NSE). Meristem Securities' registered office is at 20A Gerrard Road, Ikoyi, Lagos, Nigeria. Website: www.meristemng.com; Email: research@meristemng.com. © **Meristem Securities Limited 2022**.