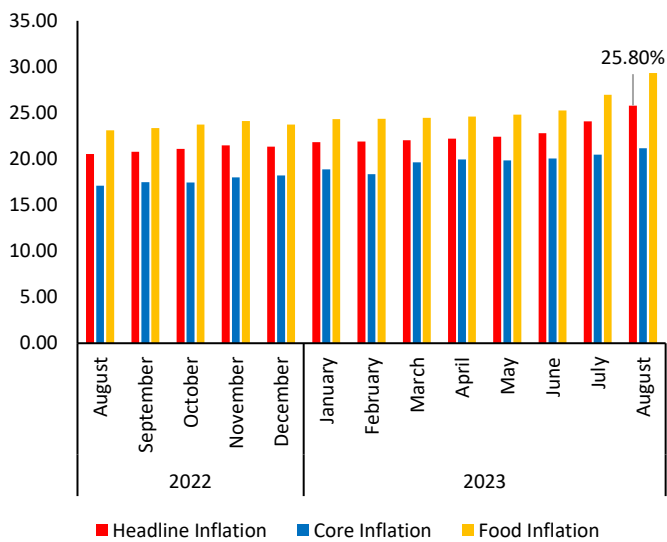




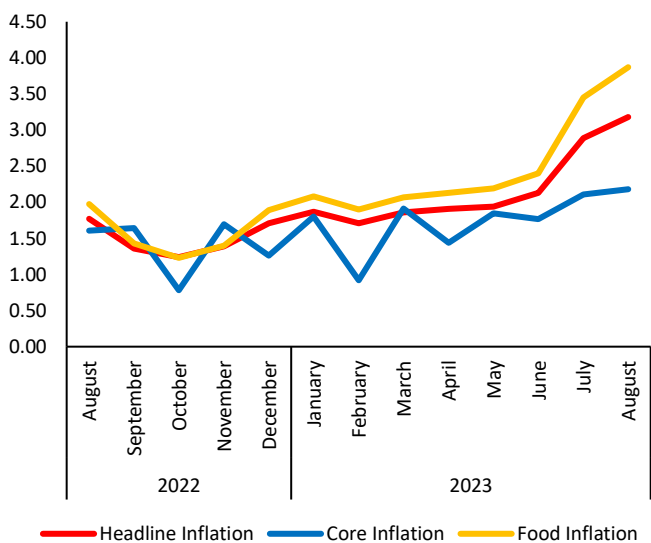
INFLATION REPORT AUGUST 2023

Headline, Core and Food Inflation Movement (y/y)



Source: NBS, Atlasportfolio

Headline, Core, and Food Inflation Trend (m/m)



Source: NBS, Atlasportfolio

Headline Inflation Soars to 25.80% in August 2023

According to the official data released by the National Bureau of Statistics (NBS), the Headline inflation rate (a measure of how quickly the prices consumers pay for a broad range of goods and services in the economy) in August 2023 stood at **25.80%** year-on-year, from 24.08% in July 2023, representing an increase of +1.72%, while it surged by 5.28% when compared to the 20.52% recorded in August 2022. Furthermore, on a month-on-month basis, the headline inflation rose by 3.18%, which was +0.29% higher than the 2.89% recorded in July 2023.

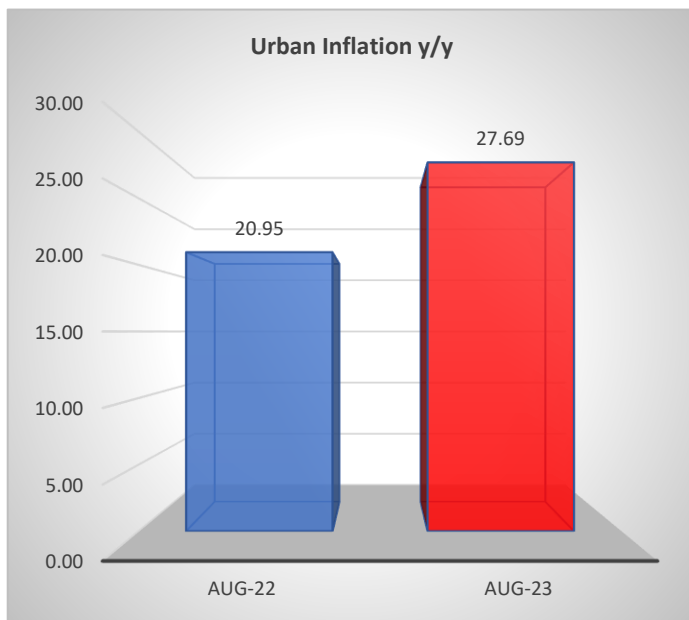
The growth in the Headline rate was influenced by increase in the y/y Food Price and Core inflation rate (a sub-component of the Headline index).

The Food inflation soared by 29.34% y/y, which was +6.22% higher when compared to 23.12% recorded in August 2022. Also, on a month-on-month basis, Food inflation grew by 3.87% in August 2023, which is +0.42% higher than 3.45% recorded in July. Food inflation continues to soar due to the removal of subsidy, coupled with other existing challenges such as, low production and insecurity. The Core Inflation rate (Non-Food price inflation sub-component) also increased to 21.15% y/y in August 2023, which was up by +4.03% in comparison to 17.12% recorded in August 2022. Also, on a month-on-month basis, it grew to 2.18%, which was +0.07% higher than 2.11% recorded in July 2023.

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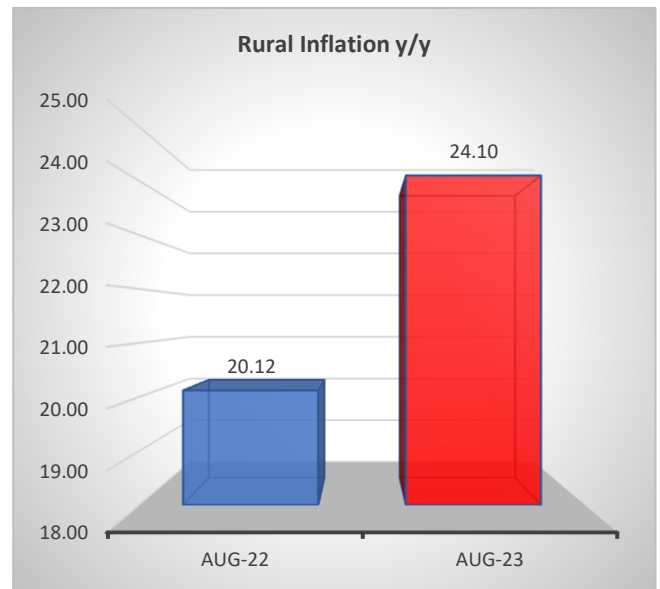
In addition, the Urban inflation rate stood at 27.69% y/y, which was +6.73% higher than 20.95% computed in August 2022, and on a month-on-month basis, it stood at 3.29%, which represents a +0.24% increase, compared to 3.05% recorded in July 2023. The rural inflation rate in August 2023 was also slated at 24.10%, which was +3.98% higher compared to 20.12% recorded in August 2022. On a month-on-month basis, the rural inflation rate in August 2023 was 3.08%, up by 0.34% compared to 2.74% recorded in July 2023.



Source: NBS, Atlasportfolio

Our Review

The country's Headline Inflation continues to grow since the beginning of the year, which was further enhanced by the declaration of the subsidy removal during the inauguration speech of the president. Although the ripple effect was not reflected on the June's inflation figure, the July and August inflation report is gradually revealing an upsurge in line with the observed trends in the economy. To this effect, the CBN might likely continue with their monetary policy tightening in the next meeting, which has not addressed the inflationary pressure in the country unlike some developed countries. Food inflation also continues to increase month-on-month due to shortage in production, as well as transportation cost. The core inflation growth can be associated with FX scarcity and increase in cost of production. We expect further hike in inflation rate in September.



Source: NBS, Atlasportfolio

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