



## *Inflation Sees an Uptick After Two Months of Decline*

### Key Macroeconomic Indicators:

September Inflation: 32.70% (previous: 32.15% in August 2024)

MPR: 27.25%, GDP: 3.19% (2024 Q2)

The NBS published its most recent inflation report. The report shows that the inflation rate of the economy glides upwards from previous month to settle at 32.70% for September 2024 after a decline in August inflation rate.

The inflation rate increased by a 0.55% higher than the rate recorded in August 2024 (32.15%) and 5.98% higher than the 26.72% registered in July 2023. Likewise, food and core indices increased to 37.77% and 32.15% respectively.

On a month-on-month (m/m) basis, headline inflation increased by 0.30% to 2.52% (vs 2.22% registered in August 2024 m/m).

Inflation on Food recorded a 37.52% for the month, a 2% decrease from the 39.53% in July 2024 but higher by 8.18% than the 29.34% recorded in August 2023. The increase in rate from the previous is attributable to increases in prices of items such as Bread, Maize Grains, Guinea Corn, etc, Yam, Irish Potatoes, Water Yam, Cassava Tuber, etc, Palm Oil, Vegetable, etc and Ovaltine, Milo, Lipton, etc.

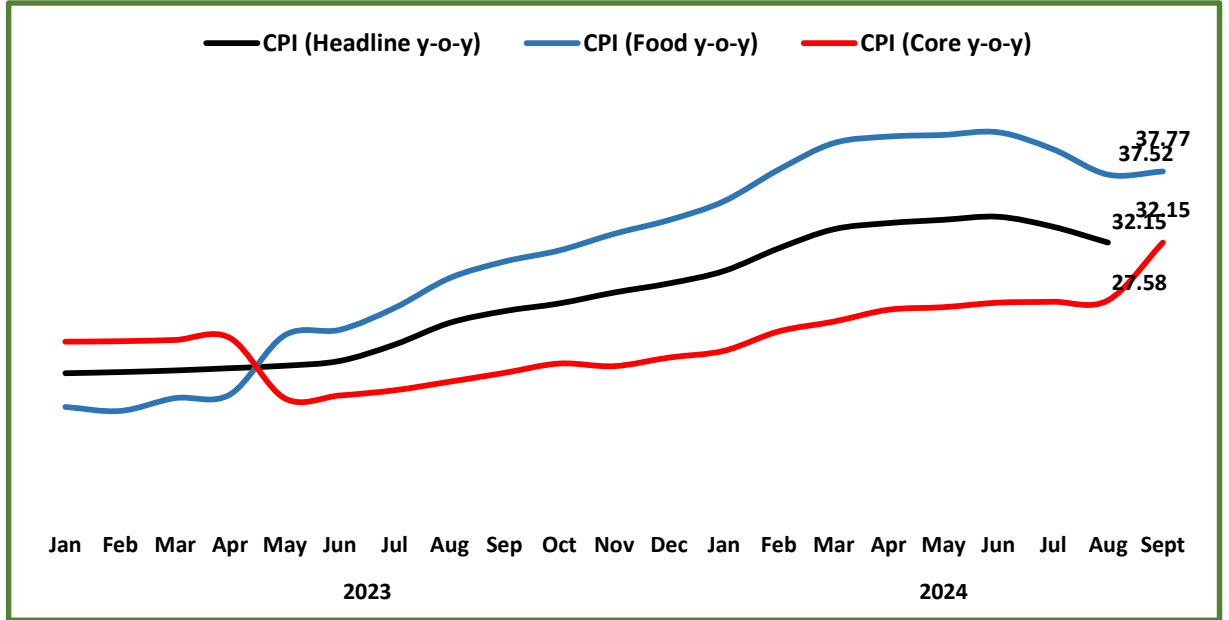
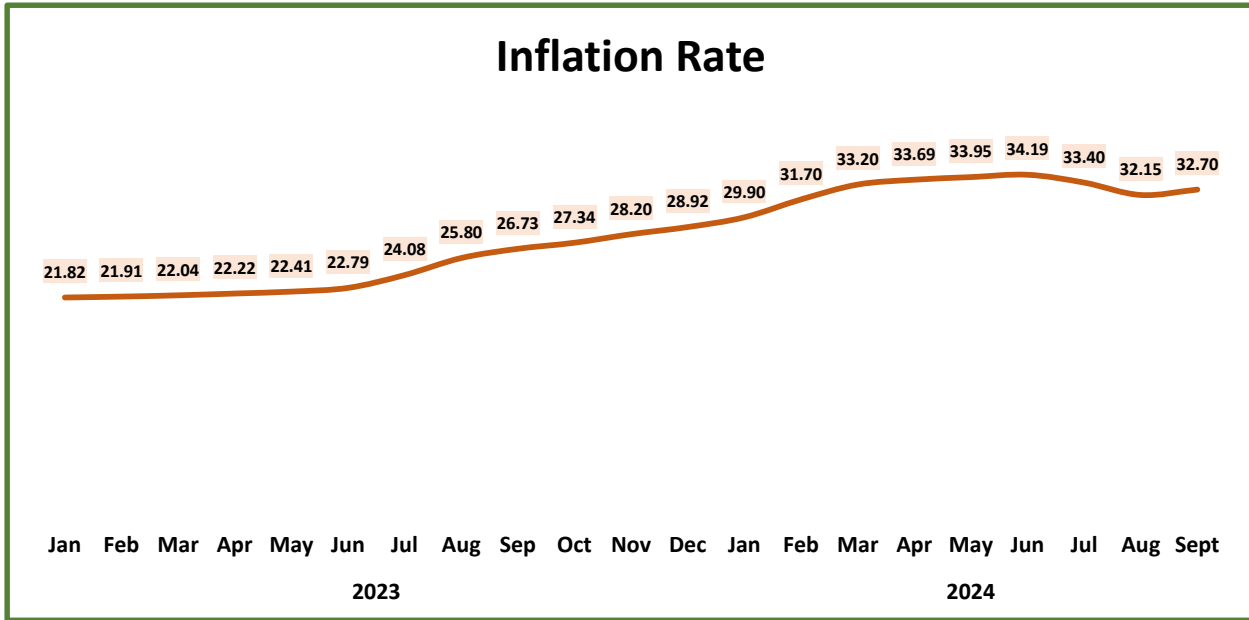
On a month-on-month (m/m) basis, food inflation showed 0.10% decrease to 2.37% (vs 2.47% registered in July 2024 m/m). The reduction in the m/m food inflation can be attributed to the **decrease in the rate of increase** in the average prices of Tobacco, Tea, Coco, Coffee, Groundnut Oil, Milk, Yam, Irish Potatoes, Water Yam, Cassava Tuber, Palm Oil, Vegetable etc.

Core inflation recorded 27.58% which is 0.11% higher than the previous month's rate of 27.47%, and 6.43% higher than the 21.15% recorded in August 2023. The increase in rate is attributable to increases in prices of Rents, Bus Journey intercity, Journey by motorcycle, etc, and Accommodation Service, Laboratory service, X-ray photography, Consultation Fee of a medical doctor, etc.

On a month-on-month (m/m) basis, core inflation did not relent on the upward trend, increased by 0.11% to 2.27% (vs 2.16% registered in July 2024 m/m).



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Source: NBS, ASAM Research

## Outlook/Recommendation

The inflation rate has surged again, rising by 20 basis points (0.20%) compared to the 10 basis point (0.10%) increase from May to June. Although we expected inflation to decrease in October and November, we now anticipate that October's rate will fall to 32.5%, with the Monetary Policy Committee (MPC) likely introducing another +50bps hike. We expect that this uptick in inflation will persuade the central bank to raise rates further as it continues its tightening trend.

This tightening of the monetary policy rate is attracting investors to the fixed-income market, drawing less attention to equities. This sentiment is likely to persist if the monetary policy rate continues to rise.



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**Sell:** Based on our valuation and subjective view (if any), the total return upside on the stock's current price is less than the Standing Deposit Facility rate of the Central Bank of Nigeria (which is currently MPR – 27.25%). We consider this as the minimum return that may deserve our holding of a risk asset, like equity, especially as we consider the average 4.5% total transaction cost for an average retail investor.

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