



**CENTRE FOR THE  
PROMOTION OF  
PRIVATE ENTERPRISE**

# **CPPE COMMENTS ON SEPTEMBER INFLATION REPORT**





**T**he steady but marginal deceleration in headline inflation over the past few months is noteworthy. However, inflationary pressures remain a key concern in the Nigerian economy, both for businesses and the citizens. According to the National Bureau of Statistics [NBS], headline inflation decelerated by 0.38% in September from 17.01% in August to 16.63%. However, on a month-on-month basis, there was a further increase of 1.15% between August and September.

Meanwhile, food inflation, which is the biggest worry for the poor, decelerated by 0.73% from 20.3% in August to 19.57% in September. But on a month-on-month basis, there was an increase of 1.26% between August and September.

The Core inflation, which related largely to non-agricultural products, maintained an upward trend. It accelerated by 13.74% in September as against 13.41% in August, an increase of 1.24%. This was largely a reflection of the impact of the further depreciation in the naira exchange rate.



# IMPLICATIONS

**A**lthough the economy witnessed an incremental deceleration in inflation over the last couple of months, high inflationary pressures remain a major concern to stakeholders in the Nigeria economy. Some of the implications are as follows.:



Escalation of production and operating costs for businesses, leading to erosion of profit margins, drop in sales, decline in turnover and weak manufacturing capacity utilization,



High food prices which impact adversely on citizens welfare and aggravates poverty.



Weak purchasing power which poses significant risk to business sustainability.



Price volatility which undermines investors' confidence.



# MAJOR DRIVERS OF INFLATION AND COST IN THE ECONOMY



Exchange rate depreciation has a significant impact on headline inflation, especially the core sub index.



Liquidity challenges in the foreign exchange market impacting adversely on manufacturing output.



Security concerns affecting agricultural output.



Climate change effects on agricultural production. There are increasing cases of flooding and desertification in many parts of the country. These have negative impact on agricultural output.



Structural constraints affecting productivity in the agricultural value chain.



High transportation costs affecting distribution costs across the country. This is also reflected in the huge differential between farm gate prices and market prices.



Monetization of fiscal deficit [CBN financing of deficit] is highly inflationary because of the liquidity injection effects on the economy. This becomes worrisome when statutory thresholds are exceeded.



High transactions costs at the nations ports increases production and operating costs of businesses.



High energy cost.



High import duty on intermediate goods and raw materials.



# RECOMMENDATION TO TAME INFLATION

To tame the current inflationary pressure, government need to fix the following:

1

Reform the foreign exchange market to stabilize the exchange rate and reduce volatility.

2

Address forex liquidity issues through appropriate policy measures.

3

Address the security concerns causing disruption to agricultural activities.

4

Address the challenge of high transportation cost.

5

Reduce fiscal deficit monetization to minimize incidence of high-powered money in the economy.

6

Manage climate change consequences to reduce flooding and desertification.

7

Ensure the restoration of normalcy and good order at the nations ports to reduce transaction costs.

6

Reduce import duty on intermediate products and raw materials for industries to reduce production costs, especially in the light of the sharp depreciation in the exchange rate.

6

Address concerns around high energy cost.

6

Create an investment friendly tax environment.







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# Profile Of **DR MUDA YUSUF**

Dr Muda Yusuf is the immediate past Director General of the Lagos Chamber of Commerce and Industry (LCCI). He is an economist and has contributed immensely to the national economic discourse through his research-based analysis of policies of government as they affect various sectors of the economy. He is currently the Founder/CEO of the Centre for the Promotion of Private Enterprise [CPPE], an NGO committed to the ideals of free enterprise and private sector development.

Dr Yusuf obtained bachelor's and Master's degrees in Economics from the University of Ilorin, Nigeria and University of Lagos, Nigeria respectively. He has a Masters Degree in Business Research from the Swiss Business School, Switzerland. He also holds a Doctorate degree in Business Administration from Swiss Business School, Switzerland. He has good understanding and competence in Business and Corporate Strategy. He is an alumnus of the Lagos Business School, having attended the Advanced Management Programme of the school.

He has participated in numerous high-level public policy advocacy dialogues at both the federal and state levels with the aim of fostering a conducive environment for private sector development in the Nigerian economy. He is a leading advocate of an enabling environment for the Nigerian private sector and has a vast knowledge and exposure on Business Research, Policy and Regulatory issues affecting business.

Dr Muda Yusuf has attended numerous prestigious courses, conferences and seminars both locally and internationally.



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