

USMANU DANFODIYO UNIVERSITY, SOKOTO

P.M.B. 2346, Sokoto, Nigeria.



COMMUNIQUE

One-Day Virtual Symposium on Inflationary Pressures in Nigeria: Insights, Causes, Consequences, and Possible Mitigations

A. Preamble and Purpose

We are pleased to present the communique report summarizing the discussions and insights from the one-day symposium on inflationary pressures in Nigeria, organized by Usmanu Danfodiyo University, Sokoto. The event took place on 16th January 2024 virtually, bringing together experts to delve into critical aspects of inflation and its implications for the Nigerian economy.

The symposium provided a platform for experts to analyze and discuss various facets of inflation in Nigeria, aiming to deepen the understanding of the challenges posed by inflationary pressures and explore effective mitigation strategies.

B. Leadership: Chairman and Moderator

Dr. Shamsuddeen Usman, an eminent economist and Chairman, Board of Directors, Ministry of Finance Incorporated served as the Chairman of the symposium, providing valuable leadership and insights throughout the event. Professor N.M. Yauri, Vice Chancellor of Al-Qalam University, Katsina, served as the moderator ensuring the smooth flow of discussions.

C. Speakers and Topics

Insights and Trends Analysis: Professor A.U. Sanda

Professor Sanda provided an analysis of inflationary trends in Nigeria. His presentation delved into the historical context, identifying key patterns and shedding light on the current trajectory. The participants gained valuable insights into the nuanced factors contributing to inflation and its evolving nature.

As a prelude to his discussion, he acknowledges the persistent upward trajectory of the inflation rate, a trend that has endured for more than a decade. During this prolonged period, a notable disparity has existed between the targeted and actual rates of inflation. The graphical representations of the month-on-month inflation rates consistently reveal an unrelenting upward trajectory, with no discernible turning point on the horizon.

In specific terms, the headline inflation surged from 27.33% in October 2023 to 28.20% in November 2023, underscoring the gravity of the inflationary pressures. It is imperative to note that this concerning ascent in inflation rates has prompted a meticulous analysis of the prevailing economic landscape.

In the face of these challenges, a glimmer of hope emerges from the inflation forecast, which suggests that if the current policies remain steadfast, there is a prospect for a reversal in the inflationary trend. According to the forecast, there is an indication that by May 2024, the inflation rate in Nigeria could potentially experience a downturn. This, however, hinges on the efficacy and continuity of the existing policies implemented to address and mitigate inflationary pressures. It remains to be seen whether these projections will materialize and contribute to a more stable economic environment in the coming months.

Root Causes Analysis: Dr. Y.B. Nmadu

Dr. Y.B. Nmadu focused on a meticulous analysis of the root causes of inflation in Nigeria. His presentation delved into economic, political, and structural factors contributing to inflationary pressures. The audience was enlightened on the multifaceted nature of the issue, laying the groundwork for targeted interventions.

His presentation highlighted that the Classification of Individual Consumption by Purpose (CONCOP) comprises twelve distinct groups, each playing a crucial role in steering the inflationary trajectory. Among these groups, food and alcoholic beverages, transportation, and housing, water, and energy emerged as the primary catalysts propelling inflation in Nigeria. Particularly noteworthy is the observation that food price inflation, a significant driver, consistently maintains a position at least two percentage points higher than the core index, overshadowing other inflation metrics such as core inflation and headline inflation.

The discussion delved into a comparative analysis, revealing that Kogi state experiences the highest food inflation, registering a mean headline figure of 44.7%, while Borno state records the lowest at 27.5%. Pinpointing the root causes, he underscored that supply constraints, external shocks, and excess liquidity align seamlessly with the three prevailing views on inflation - monetary, structuralist, and open economy perspectives.

Furthermore, the presentation expanded on additional factors contributing to inflation in Nigeria, highlighting the significant roles of subsidy removal, border closure, and the self-serving practices of Nigerian entrepreneurs. Notably brought to light is the detrimental impact of political interference in the functions of the Central Bank of Nigeria (CBN), the nation's monetary authority. The presenter stressed that deviations from the CBN's orthodox roles in financial and monetary stabilization by politicians contribute significantly to the elevated inflation rates observed in Nigeria.

Consequence Evaluation: Professor (Mrs) U.A. Jalingo

Professor (Mrs) U.A. Jalingo presented a thorough evaluation of the consequences of inflation on various sectors of the Nigerian economy. Her insights highlighted the interconnectedness of economic variables and underscored the urgency for mitigating actions to prevent long-term repercussions on businesses, households, and overall economic stability.

Prof. (Mrs) Jalingo highlighted the far-reaching implications of the upward trajectory of inflation in Nigeria. A surge in inflation rates not only undermines overall welfare but also disrupts the efficient allocation of resources by introducing price instability. This instability, in turn, hinders investment, adversely affects the development of the financial sector, and, most critically, hampers the nation's long-term economic growth. Furthermore, the repercussions extend to trade balances and contribute to an increase in unemployment rates.

At the grassroots level, the adverse effects of inflation are acutely felt by low-income earners. The elevated prices, particularly in essential goods like food, exacerbate the financial strain on these individuals. The resultant weakened purchasing power further compounds the challenge, making it increasingly difficult for them to afford necessities. This not only amplifies economic disparities but also fosters a volatile environment, heightening the potential for conflicts.

In essence, the symposium underscored the need for comprehensive measures to address the multifaceted impact of inflation in Nigeria, recognizing its implications not only on macroeconomic indicators but also on the well-being of individual households.

Mitigation Strategies: Professor C.U. Aliyu

Professor C.U. Aliyu concluded the symposium with a strategic presentation on mitigation strategies for addressing inflationary pressures in Nigeria. His recommendations spanned monetary policy adjustments, fiscal measures, and structural reforms, providing a roadmap for policymakers and stakeholders to navigate the challenges posed by inflation.

Prof. Aliyu proposed measures to combat inflation from both conventional and Islamic economic perspectives. In the conventional approach, the Central Bank of Nigeria (CBN) is advised to confine its activities to orthodox functions like inflation targeting, financial and macroeconomic stability, steering clear of unconventional methods to control the exchange rate and mitigate inflation. He emphasized that past unconventional approaches by the CBN failed due to corruption, emphasizing the need to safeguard the autonomy instrument.

Recommendations included adopting a managed floating exchange rate to reinforce the CBN's exchange rate unification efforts, increasing Forex supply to the market through non-oil export boosts, implementing export controls, banning the importation of domestically consumed goods, indexation of wages, pensions, and social security to consumer price movements, and addressing security and climate change challenges in rural areas to boost food production.

From an Islamic Economic perspective, he proposed measures aligned with Islamic principles. According to him, Islam advocates the natural price concept, where demand and supply forces determine prices, opposing price adjustments without apparent imperfections caused by sellers, traders, or business entities. Interventions are allowed only in cases of inflation caused by hoarding, fraud, or injustice.

Mitigation strategies include abolishing interest to reduce production costs and potential price increases, employing the principle of asset-backed finance to ensure only real assets earn returns, prohibiting gambling and speculative activities, and promoting profit and loss-sharing businesses

to encourage risk-sharing and cooperation. The application of *hisba* (or similar institutions) to check market imperfections and restore natural prices, along with the use of fiscal policy tools like *zakah*, *sadaqah*, *waqf*, and inheritance, are recommended for income redistribution, economic stabilization, and mitigating the negative consequences of inflationary pressures.

Closing Remarks by the Chairman and the Vice Chancellor

The Chairman

In his closing remarks, the Chairman expressed gratitude to all participants for their invaluable contributions to the discourse. He highlighted the depth of insights shared, emphasizing the need for a collective effort to address the root causes of inflationary pressures in Nigeria. The Chairman underscored the importance of understanding the consequences and exploring viable mitigations to safeguard the nation's economic stability. He concluded by expressing optimism that the knowledge gained during the symposium would pave the way for informed policy decisions and collaborative initiatives aimed at mitigating inflationary challenges in Nigeria.

The Vice Chancellor

The Vice Chancellor extended his sincere thanks to everyone who contributed to the success of the symposium. First and foremost, he expressed his deepest appreciation to the chairman for steering the proceedings with grace and wisdom. He equally thanked the moderator who unfortunately missed much of the proceedings as a result of technical glitches. To the speakers, he appreciated them for sharing their insights and knowledge. Participants were equally appreciated for their intellectual exchange and contributions.

Finally, he urges everyone to carry forward the momentum generated by the symposium to collectively work towards mitigating the inflationary pressures in Nigeria. By fostering continued collaboration and implementing the valuable insights shared.

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