



Full Length Research

Implications of the 2022 Q2 Consumer Price Index (CPI) on Nigerian Consumers – Way Out

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Abstract: Consumer Price Index (CPI) is a major indicator used to track inflation rate and cost of living in a country's economy. Nigeria consumers have over the years been subjected to economic hardship amidst abundant natural resources. Today, cost of living is very high and commodity prices have become unaffordable to many Nigerian consumers. The financial hardship as a result of harsh economic policies, mismanagement of the citizen's collective commonwealth, corruption, and embezzlement of public fund have created extreme inflation with many consumers unable to afford regular meals in a day. This paper examines the implications of 2022 Q2 Consumer Price Index on Nigeria consumers. It reveals that in the Q2 of 2022, prices of food increased beyond the purchasing power of the average Nigerian consumers. Motor vehicle fuel and natural gas prices increased year on year beyond the reach of the average Nigerian consumers. The cost of electricity, prices for new and used vehicles, motor vehicle spare parts and equipment and even inter and intra state transportation all increased exponentially. A cursory examination of the Q2 of 2022 CPI shows that the purchasing power of consumers declined and the high poverty and unemployment a\level hurts the poor disproportionately. The study suggested among others that government should pursue realistic economic and customs regulatory reforms, deregulate the sale of petroleum products, deregulate power generation and distribution, reduce the level of corruption and enshrine social safety net initiatives especially for the poor. The study concluded that Nigeria consumers are poorer in Q2 of 2022 compared with the same level in preceding years.

Keywords: Consumer: Consumer Price Index (CPI): Q2: Inflation: National Economy: Nigeria.

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1.0 Introduction of the Research

Nigerian consumers over the years have suffered long periods of economic hardship amidst the presence of many natural resources. There is a huge gulf in the living conditions of Nigerians when compared to massive natural endowments that remain economic assets in Nigeria (Edo et al., 2020a; Akomolafe, 2022). The current economic hardship in Nigeria can be attributed to failed economic policies, mismanagement of the vast natural resources, corruption in high places, the sleaze of public funds, etc. Ashakah (2022) argued that the Nigerian economy is bedeviled by many socio-economic challenges that may bring the country to the verge of collapse if drastic measures are not put in place to stop the pillage and plundering.

Millions of Nigerian consumers have been subjugated into poverty largely due to obnoxious economic policies and runaway inflation that have edged deep holes into the pockets of even well-resourced families. According to the 2022 Multidimensional Poverty Index (MPI) Survey by the National Bureau of Statistics (NBS, 2022), 130 million Nigerians are poor; a figure that represents 63% of the nation's population. The current population of Nigeria in 2022 is 218,541,212, at mid-year according to UN data (Worldometer-Nigeria Population 2022). An available income of less than 137.4 thousand Naira (below 300 U.S. dollars) per year puts an individual in Nigeria in the poor socio-economic class while a person who has below 88 thousand Naira (about 160 U.S. dollars) available for food in a year is considered to be living below the poverty line and as stated by Statista (2019) about 40% of the population in Nigeria lives in poverty.

The spiraling inflation rate in Nigeria is worrisome and the current figures in the CPI show that many commodity goods in the markets have become unaffordable to many Nigerian consumers (Edo et al., 2020a; Akomolafe, 2022). CPI is a key economic metric that tracks the rate of inflation over time in any economy using the consumer commodity prices of goods and services. Smith and Curry (2022) note that the inflation rate is the percentage change in CPI over a while. The high inflation rate in Nigeria has resulted in many consumers and households being less able to afford three meals in a day (Ashakah, 2022).

In May 2022, the CPI in Nigeria increased to 17.71% as compared to 16.82% in April 2022 (Emejo, 2022). In August of 2022, the annual inflation rate jumped to 20.52% from 19.64% in the previous month of July, while the market expectation for the same period was 20.25% remaining the highest recorded since September 2005 (National Bureau of Statistics, 2022). Inflation of food items rose to 23.12% from 22.02% in July 2022 due to the high prices of rice, bread, and other staples and the weak value of the naira has continued to put pressure on all imported goods. The monthly consumer price index rose 1.77% again after the 1.82% increase in July. These statistics small as they appear portend numerous challenges and have several implications for Nigerian consumers. It is on this note that this paper examines the implications of the 2022 Q2 consumer price index on Nigerian consumers (Amahian et al., 2022). It explains the meaning of the consumer price index, uses the

consumer price index indicator, makes the assessment of 2022 Q2 Nigeria's consumer price index and suggests measures to alleviate the economic hardship on Nigerian consumers.

2.0 Review of Related Literature

2.1 Consumer Price Index (CPI)

The Consumer Price Index (CPI) is an indicator that is designed to track the inflation rate in the economy and the cost of living in a country (Onakpa & Alfred, 2022; Edo et al., 2020b). It serves as an index of the variation of prices for retail goods or consumer commodity items. It measures the average change in the prices for a market basket of consumer goods and services over time. CPI is a periodic report that is released on monthly, quarterly or yearly (AVA Trade, 2022). The CPI indicates changes in the price of a basket of goods and services as paid by consumers. CPI is further categorized according to States and geographic areas. According to the National Bureau of Statistics (NBS) (2022), the CPI uses many variables including sampling, statistics, data from secondary sources, etc to find average price changes in the Nigerian economy. The CPI captures selected commodities and the configuration of the entire index requires the skills of economists, statisticians, computer scientists, data collectors, and a selection of the market basket of goods and services (NBS, 2022)

Sasu (2022) added that the CPI also examines movements in the value of a currency and measures changes in the price level of consumer goods and services purchased by households. Fernando (2022) posited that the CPI measures the monthly changes in the prices paid by consumers; it serves as the major measure of inflation rates. Inflation is calculated by the rate at which the basket price changes over some time. According to AVA Trade (2022) period reports of the CPI help consumers to analyze changes in prices of individual commodities and assist economists to put in place strategies to minimize the effects of inflation. The idea of using the CPI as a measurement tool was first introduced during World War I when an astronomical surge in commodity prices led to the introduction of an index to calculate the cost of living adjustments (Shu'ara & Amin, 2022; Ikechukwu et al., 2021).

2.2 Uses of the Consumer Price Index (CPI)

Consumer Price Index depicts the price changes in consumers' daily spending, and according to Smith and Curry (2022), it is important because it:

2.2.1 Measures the Consumers' Power to Purchase

CPI projects the amount of product or service each naira owned by the consumers can buy. Inflation drives up prices and diminishes the purchasing power of the consumer so they purchase fewer goods and services than previously done with the same budget.

2.2.2 Guides Government's Economic Policies and Social Intervention Programmes

CPI an economic indicator is used to determine the impact of government economic policies and social intervention (Shu'ara & Amin, 2022). The Central Bank of Nigeria and the National Bureau of Statistics use the movements of the CPI to determine whether or not to raise interest rates as fallout of high inflation.

2.2.3 Used to Determine Beneficiaries of Government Interventions

The knowledge of the CPI inflation rate is used to adjust payments to the beneficiaries of many social safety net programmes for the poor and under-resourced groups in the society eg trader moni, school feeding, etc. CPI is also used to adjust the income eligibility levels of families or persons that may benefit from social safety net programmes.

2.2.4 Serves as a Component for Wage and Salary Increases

Public and private companies use the CPI inflation rates to project percentages of employee wages and salaries that may be accommodated yearly (Ikechukwu et al., 2021). In the private sector, the CPI is a reliable metric for tracking market prices and projecting wages within those of competitors.

3.0 Assessment of 2022 Q2 Nigeria's Consumer Price Index

According to NBS (2022), thousands of informants from across Nigeria source price data on 740 goods and services used in the computation of the CPI. The first step in the calculation of the CPI is to collect prices on

each of the items from rural and urban sectors and each state. The averages of these prices are collected on each item in each sector and across the states (Onakpa & Alfred, 2022; Edo et al., 2020b). The average price for each commodity is used to calculate its basic index and the current annual price is compared with the base year's price in order to determine a relative price. Q2 is a three-month period from April to June 2022, the all items index as presented by NBS showed that the CPI moved to 16.82% in April 2022, year-on-year which is 1.3% lower than the rate recorded in April 2021 (18.12%). By this development the headline inflation rate slowed down in April as compared to the same month in the preceding year. Headline Inflation Index increased by 1.76% in April 2022 with a 0.02% rate; this is higher than the 1.74% recorded in March 2022 on a month-on-month review. The change in the CPI average composite for the 12 months ending in April 2022 when compared to the preceding year is 16.45%, and a decrease of 0.1% when compared to the 16.54% recorded in March 2022.

The urban inflation rate which was recorded at 18.68 % in April 2021 lowered to 17.35% in April 2022, and the rural inflation rate decreased to 16.32% in April 2022 from 17.57% in April 2021. On a month-on-month basis, the urban index rose to 1.78% (0.02) in April 2022, as against (1.76%), in March 2022, while the rural index also rose to 1.74% (0.01) in April 2022, from 1.73% that was recorded in March 2022. The year-on-year average for the urban inflation index was 17.01% in April 2022, and lower than 17.10% in March 2022. The rural inflation rate in April 2022 was 15.91% compared to 16.00% in March 2022 (NBS, 2022). In March 2022, a month-on-month review show that food inflation was highest in the following States - Ekiti (4.03%), Taraba (3.68%), and Osun (3.04%), and on month-on-month inflation, it was lowest in Anambra (0.66%), Kogi (1.01%) and Bauchi (1.08%) recorded the slowest rise (NBS, 2022)

4.0 May 2022 Consumer Price Index (CPI) in Nigeria

According to Sasu (2022), the May 2022 CPI in Nigeria was the highest for the sectors of food, non-alcoholic beverages, clothing, footwear, transport, housing water, electricity, gas and other fuel; the inflation rate rose to 17.71% on a year-on-year basis but was 0.22% points lower when compared to 17.93% for May 2021. By implication, the headline inflation rate slowed in May 2022 when compared to May 2021. Emejo (2022) citing NBS reports stated that on a month-on-month basis, the headline inflation rate increased to 1.78% in May 2022, 0.02% higher than 1.76% in April 2022. The percentage change in the average composite CPI for twelve months period ending May 2022 was 16.45%, with a 0.95% increase when compared to the 15.50% of May 2021.

In May 2022, the urban inflation rate rose to 18.24 % (year-on-year); a decline of 0.27% when compared to 18.51% recorded in May 2021. The urban inflation rate rose by 1.81% in May 2022, a 0.03% increase compared to April 2022 (1.78%). The corresponding twelve-month average percentage change for the urban index was 17.00% in May 2022, which is 0.91% higher than the 16.09% reported in May 2021. The rural inflation rate increased to 17.21% in May 2022 (year-on-year); this is a 0.15% decline compared to 17.36% in May 2021. On a month-on-month basis, the rural index rose to 1.76% in May 2022, up by 0.02% from the rate of 1.74% in April 2022 while the corresponding 12-month average percentage change for the rural inflation rate in May 2022 was 15.91%; 0.97% higher in comparison to 14.94% of May 2021 (NBS, 2022).

In June 2022, inflation rose to 18.60% year-on-year; 0.84% higher when compared to 17.75% in June 2021. This shows that the headline inflation rate increased in June 2022 when compared to June 2021. On a month-on-month basis, the headline inflation rate increased to 1.82% in June 2022, this is 0.03% higher than the figures recorded in May 2022 (1.78%) The percentage change in the average composite CPI for the twelve months ending June 2022 is 16.54%, a 0.62% increase when compared to 15.93% of June 2021.

On further examination, the 2022 Q2 Nigeria's CPI showed that food prices increased well above the purchasing power of many Nigerian consumers. For example, the NBS (2022) recorded the highest food inflation on a year-on-year basis in Kogi (22.79%), Kwara (21.56%), and Ebonyi (21.45%) in April 2022,

while Sokoto (14.85%), Kaduna (15.55%) and Anambra (16.68%) recorded the slowest rise in year-on-year food inflation. On a month-on-month inflation basis, March 2022 food inflation was highest in Ekiti (4.03%), Taraba (3.68%), and Osun (3.04%), while Anambra (0.66%), Kogi (1.01%) and Bauchi (1.08%) recorded the lowest rise. Energy prices also rose over the last year and motor vehicle fuel prices and cooking gas increased over the previous year and well beyond the reach of Nigerian consumers. Prices for Electricity, new and used vehicles increased, motor vehicle parts and equipment all increased and this puts an added cost on transportation prices. Undoubtedly, Q2 inflation in Nigeria has indirect implications for consumers.

4.1 Implications of the Q2 Consumer Price Index on Nigeria Consumers

The CPI is a well-accepted inflation indicator in any economy and the current trend in the Nigerian economy indicates double digits inflation over the years. This trend as Floyd (2022) argued has huge implications for consumers in the following ways:

4.1.1 Decrease in Real Income and Purchasing Power

Inflation's primary and most pervasive effect on Nigerian consumers is the reduction of their ability to purchase (Omoriegbe et al., 2016; Malik & Malik, 2022). Any rise in the prices of goods and services over some time will reduce the purchasing power of consumers, which means a fixed amount of money will progressively buy fewer commodities. For the consumers, it means that the amount of money previously used to buy a product will fetch half of it (Floyd, 2022).

4.1.2 Increase in Poverty and Unemployment

Adekoya (2021) cited the Lagos Chamber of Commerce and Industry (LCCI) that any increase in inflation weakens consumers purchasing power and heightens the rate of poverty, a cycle that triggers escalation in operating and production costs which affects profit margins and ultimately undermines investors' confidence, leading to unemployment.

4.1.3 Disproportionate Effects on the Poor

Low-income consumers in Nigeria when compared to those in the high-income range, spend a high amount of their overall income on essential household commodities and have little left to cushion reduction in purchasing power due to inflation (Omoriegbe et al., 2016; Malik & Malik, 2022). Lower-income consumers spend a large proportion of their monthly household budgets on food, energy and transportation bills, these are purchases that are hard to substitute or forgo when prices spike (Floyd, 2022).

4.1.4 Negatively Affects Fixed-Income Consumers

Fixed-income consumers are the hardest hit by high CPIs and high inflation rates because fixed incomes from salaries are never revised when commodity prices and cost of living soar. Furthermore, with high inflation, the rate of household and national savings drops because consumers will use a greater part of their disposable income to offset the purchase of their daily commodity needs, and less money is available for saving (Adekoya, 2021).

5.0 Suggestions for Way Out

The 2022 Q2 Nigeria's Consumer Price Index has shown that a price hike is inevitable for many products. With disposable incomes nose-diving, there are concerns about how many economic shocks Nigerian consumers and manufacturers alike can absorb. For many Nigerian consumers in recent times, access to food and consumer items remains a daily challenge. To mitigate these problems, it is suggested, Federal Government of Nigeria, should:

Embark on realistic economic and customs regulatory reforms. There is a need for people-oriented custom regulations and economic policy reforms to encourage multi-lateral trade, and collaboration with neighbouring countries to allow the inflow of essential consumer commodities to reduce the current market prices of goods and services. Regulatory and economic reforms should encourage the symbiotic exchange of consumer goods,

especially staples to reduce the price of foodstuff in the Nigerian market. Synergies that do not jeopardize the interests of local investors but leverage mutual investments with neighbouring countries on land borders should be explored.

Implement policies that promote trade and reduce needless bottlenecks and official corruption at the Lagos seaport. There is an urgent need to modernize operations and reduce congestion at the Lagos seaport to allow for ease in the clearance of imported consumers' goods to remove demurrage and allow affordable prices of goods and services in the market.

Encourage more local and international players to invest in modular refineries by deregulating the petroleum sector in Nigeria to guarantee the local production and refining of crude oil. Refining petroleum products locally will improve production efficiencies and reduce the pump price of petroleum products and cooking gas. The price of consumer goods in Nigeria is proportional to the price of petroleum products; a reduction in the prices will increase the purchasing power of consumers.

Deregulate power generation and distribution. The high cost of consumer goods and services is associated with the high cost of production due to the use of alternative sources of power which are more expensive. Insufficient electricity generation capacity from the national grid has resulted in an unreliable power supply and the use of costly alternatives. The Nigerian government should privatize the electricity sector just as it did in the telecommunication sector to provide for efficiency through competition.

Create a conducive environment devoid of multiple taxations for businesses. An enabling local business environment will open corridors for new foreign direct investment. This will increase foreign exchange inflow into the country and improve the exchange value of the naira against the dollar; this will ultimately increase the purchasing power of Nigerian consumers.

Expand social safety net initiatives to reach the poor. Government's current initiatives to relieve Nigerian consumers from the intractable burden of high cost of living are extremely inadequate and appear to have become politicized under the guise of constituency projects. Other intervention like the Trader Moni initiative and the School-feeding programme for the children in the public schools need to be re-defined, re-structured and expanded to admit beneficiaries that are truly impacted by poverty and not political jobbers.

6.0 Conclusion of the Study

Consumer Price Index (CPI) is an important tool that illustrates the changes in the cost of goods and services over time. The CPI affect the lives of consumers in multiple ways as it is a tool used to determine - the prices of commodities, the purchasing power of the local currency, and beneficiaries that are eligible to enjoy monetary interventions or government social support programmes. CPI projects the health of the economy. It is a very popular economic indicator that assists stakeholders in the financial market to project how much commodity prices are rising or falling. Government, Businesses and consumers use the CPI to make informed decisions about the economy. The reports of the 2022 Q2 consumer price index indicate that high inflation rates in the Nigerian economy have pushed many consumers into poverty. Nigeria consumers are poorer today when compared with their status in previous years and there is an urgent need for government to take decisive actions to cushion the effects of the high costs of living especially for the poor and most vulnerable to ameliorate the situation.

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