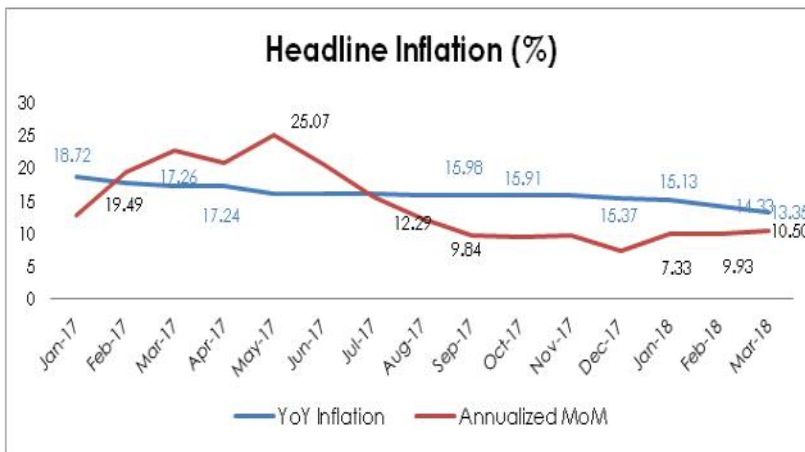


March inflation falls sharply to 13.34% despite Easter celebrations

As widely anticipated, headline inflation (year-on-year) declined for the 14th consecutive month to 13.34% in March. It marks the 3rd lowest rate since inflation crossed 10% in February 2016. The slope of the inflation curve was steeper in March at 0.99% compared to 0.80% in February. Cumulatively, the decline in inflation is 1.79%. The significant decline in inflation can be attributed mainly to the base year effect.



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Whilst most of the sub indices moved in tandem with the headline rate, month-on-month (MoM) inflation increased slightly to 0.84% (10.5% annualized) from 0.79% (9.93% annualized) in February. This was driven by increased spending during the Easter period and the start of the planting season. Food inflation (year-on-year) eased to 16.08% in March from 17.59% in February. Core inflation, also continued its downward trend easing to 11.2% from 11.7% in February. The core inflation rate is currently below the primary and secondary market T/bills rates of 11.75% and 12.76% respectively. This implies a positive real rate of return.

Most states recorded lower inflation

All the states except Nasarawa recorded an ease in inflation. Nasarawa is currently going through some internal conflict. Bauchi (16.38%) and Kebbi (16.36%) states remained among the top 3 states with the highest inflation rate. Kogi (10.87%) and Delta (11.17%) states also maintained their position of lowest

¹ Source: NBS, FDC Think Tank



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inflation. Interestingly, Kebbi state was the 3rd state with the highest diesel price, while Delta and Kogi featured in the states with the lowest diesel price, occupying the 36th and 33rd position respectively.

Higher monthly inflation points towards inflection

The increase in month-on-month (MoM) inflation could be an inflection point to the downward inflation trend. In addition, the impending release of election funds, budget passage in May and the minimum wage review will feed into prices. The demand pull effect of increased liquidity could exacerbate inflationary pressure.

The next MPC meeting is likely to hold on May 22/23. Most investors will be keenly watching the economic calendar before this crucial meeting. In the month of May the inflation data for April will be released. Also, the GDP for Q1'18 will be published.

If inflation remains flat or declines further and GDP growth increases mildly, the probability of a shift towards an accommodative stance becomes more likely.

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