

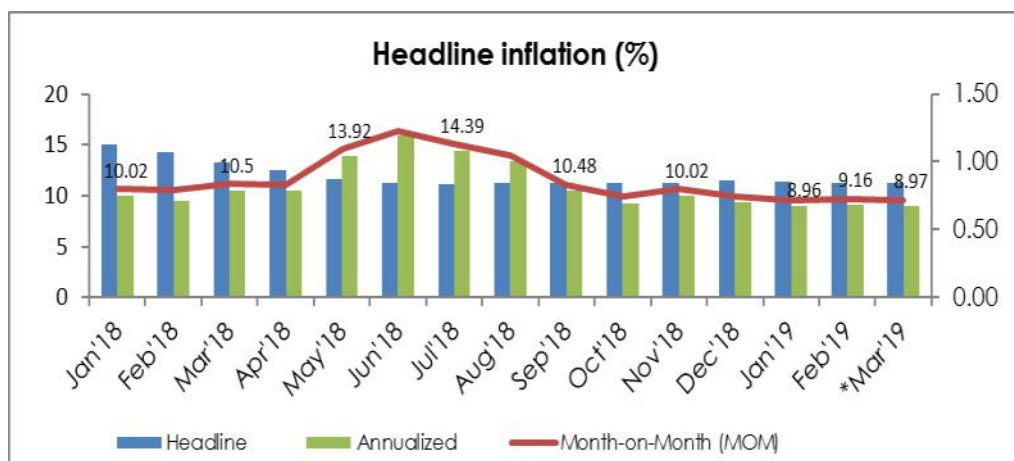
FDC Economic Bulletin

April 08, 2019

Headline inflation to slip further to 11.2% in March

Nigeria's headline inflation is expected to slide again to 11.2% in March from 11.31% in February. If our projections are accurate, it will be the third consecutive monthly decline. The sustained moderation in the general price level can be partly attributed to the continuous fall in food prices. The CBN's aggressive liquidity mop-up through the stabilization securities and OMO activities is also expected to reduce money supply, as maturing bills were N2.04trn lower than new issues. Also supporting the moderating trend is the stability in the exchange rate. At the parallel market the exchange rate traded flat at N360/\$.

Similarly, our forecast also points to a decline in the month-on-month inflation (which is more reflective of current prices). The index is expected to taper to 0.72% (8.97% annualized) from 0.73% (9.16% annualized) in February.



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Output parameters buoy inflation Trend

The movement in output parameters also supports a decline in inflation rate. The PMI index, which measures the health of the manufacturing sector, expanded by 12.89% to 56.9 points in March. There was an increase in inventory build up as manufacturers stocked up ahead of the Easter celebrations. The average power output from the national grid was also up marginally by 1.09% to 4,190 MWh/h from 4,145MWh/h

¹ NBS, FDC Think Tank

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in the previous month. This is expected to reduce demand for alternative energy sources, thus, positively impacting operating expenses and profit margins.

Peer Comparison – 3 greens, 3 reds, 1 amber

The inflation trend across the sub-Saharan African (SSA) countries under review moved in different directions. While Angola and Zambia recorded a decline, Kenya, South Africa and Ghana posted an increase.

With the exception of Nigeria, all the SSA countries under review maintained status quo on monetary policy parameters at their last monetary policy meetings. This was because inflation rates are still within the target range amid expectations of improved economic performance.

Country	March Inflation (%)	March Policy rate (%)
Nigeria	11.2** 	13.5 
Angola	17.96* 	15.75 (April) 
Kenya	4.35 	9.0 
South Africa	4.1* 	6.75 
Ghana	9.2* 	16 (April) 
Uganda	3.0 	10.0 (April) 
Zambia	7.5 	9.75 (Feb) 

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Outlook

The planting season is expected to commence in Q2'19. This would reduce agric output, push up commodity prices and mount inflationary pressures. In addition to this, we expect the minimum wage implementation to start in Q2'19. This would boost aggregate demand but mount inflationary pressures.

²Trading Economics, FDC Think Tank; *February inflation rate; **March inflation forecast

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