

# Economic Bulletin



# Inflation

## Set to blast off

# 15.83%

**Projected official headline inflation rate for Nigeria**

The National Bureau of Statistics will release its CPI report for March next week (April 14). Based on our time series analysis and survey of major markets in Lagos Metropolis, official headline inflation is projected to rise again by 0.13% to 15.83%. This brings Nigerian inflation in tandem with global and regional trends. For example, US inflation climbed to a 40-year high of 7.9% while inflation in the UK soared to 6.2% (3 decade high).

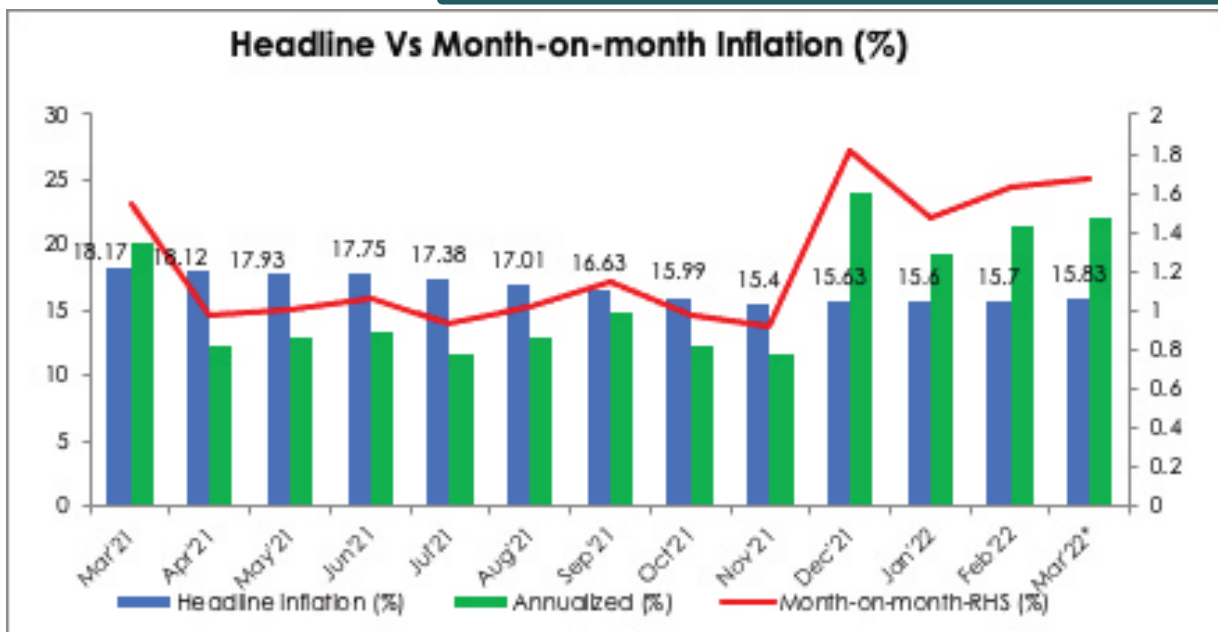
While the spike in inflation last month was largely attributed to cost pressures (higher energy costs and exchange rate pressures) and the pass-through effects of global supply chain disruptions on imported commodities like wheat, this time around, we are also noticing the impact of the cross-elasticity effects on locally produced commodities like cassava, yam and tomatoes. This is because consumers are shifting to cheaper substitutes. Increased demand and limited supply of local substitutes is pushing up prices and stoking inflationary pressures.

# 7.9%

**US Inflation rate at a 40-year high**

# 6.2%

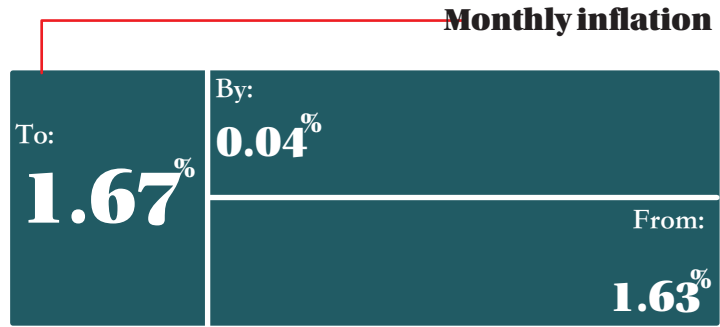
**UK Inflation rate at a 3- decade high**



<sup>1</sup>NBS, FDC Think Tank

### Monthly inflation to rise by 0.04% to 1.67% (22.06% annualised)

Month-on-month inflation is expected to increase to 1.67% (22.06% annualised) from 1.63% (21.42% annualised) in February 2022. This is partly because of soaring food and energy costs.



### Food and core inflation to accelerate

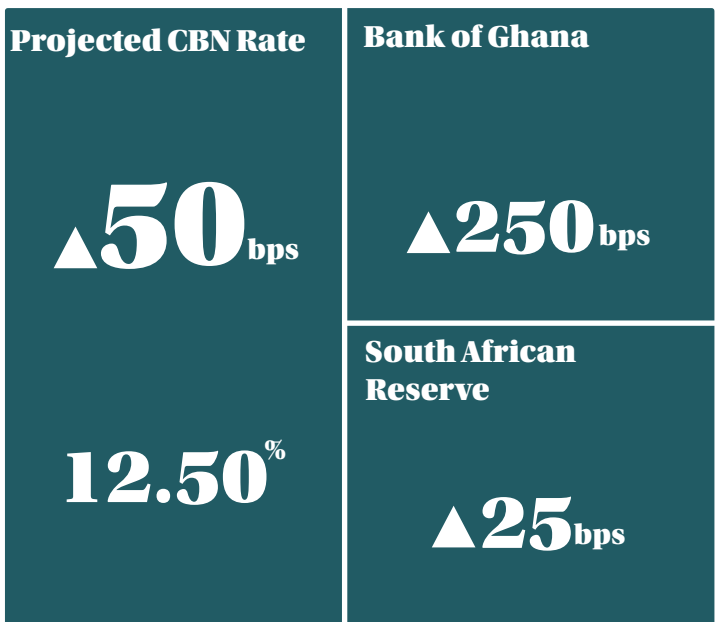
Unlike the previous month, both annual food and core (inflation less seasonalities) sub-indices are expected to increase in March. Food inflation is projected to rise by 0.19% to 17.30%, while core is estimated to increase by 0.38% to 14.39%. This is largely due to higher energy costs, rising imported and domestic food prices.

Based on our survey, average imported commodity prices rose by 5.4% while domestic commodities increased by 29.5%



### Inflation in SSA – A ticking time bomb as Russian-Ukraine war lingers

Inflation across Sub-Saharan Africa is more to the upside. Most of the countries under our review recorded higher inflation rates. This can be largely attributed to both food and cost pressures. The African continent is largely dependent on import to complement sub-optimal local production. The disruptions to the global supply value chain is taking a toll on the SSA region. In a bid to rein in on inflation, some African central banks are becoming hawkish in their monetary policy stance. The bank of Ghana for instance raised rates by 250bps, the highest increase in more than two decades. The South African Reserve Bank also increased its benchmark interest rates by 25bps, the 3<sup>rd</sup> consecutive hike. The Nigerian MPC will meet again next month to decide on the monetary policy direction. Based on the current economic realities, the committee will most likely raise rates by 50bps to 12.5%pa. At its meeting in March, the MPC was more divided on policy direction than it has been in a long while. Four of the 10 members voted in favour of a rate hike, with 3 voting for a 25bps hike and 1 voting for a 50bps hike. This means that Nigerian policy makers are becoming more aware of the risk posed by inflation.



	March Inflation(%)		Most Recent Policy rate (%)	
Nigeria	15.83*	▲	11.50	↔
Angola	27.28(Feb)	▼	20.00	↔
Kenya	5.56	▲	7.00	↔
South Africa	5.70(Feb)	↔	4.25	▲
Ghana	15.70(Feb)	▲	17.00	▲
Uganda	3.70	▲	6.50	↔
Zambia	13.10	▼	9.00	↔

## Inflation outlook – impact on policy decisions

Headline inflation is expected to trend upwards as supply chain disruptions linger. This would be further compounded by increased aggregate demand ahead of Easter and Ramadan celebrations. The continued increase in inflation will further embolden the hawks among the MPC.

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