



FINANCIAL
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COMPANY

JANUARY

16

2023



Economic Bulletin

Headline Inflation

Eased to 21.34%

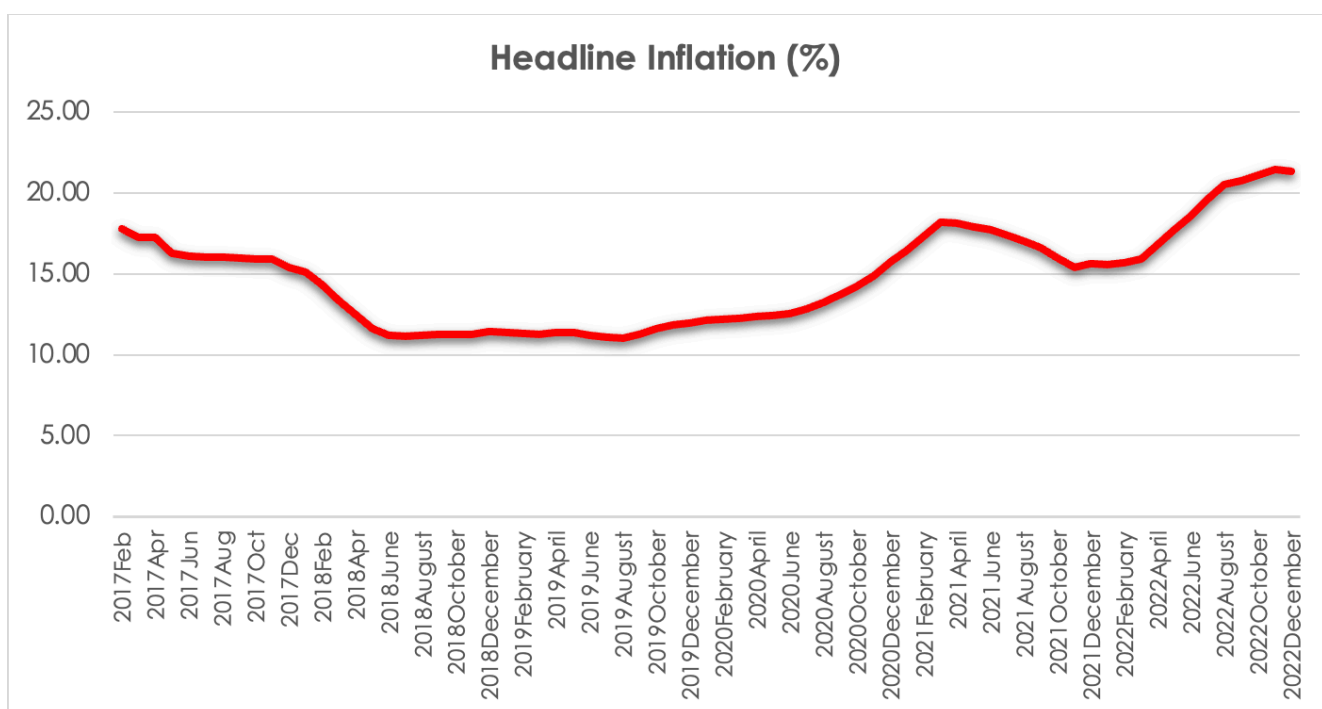
21.34%

**Headline inflation
rate for Nigeria**

After 10 consecutive months of increases, Nigeria's headline inflation declined to 21.34% in December. The deceleration was in line with the FDC's earlier projection, both normally and directionally. The slowing rate of inflation was primarily due to an appreciation in the value of the naira in the parallel market by 6.27% in November and a decline in the price of diesel, which dropped to N780 per litre. Other factors that helped the price level included the harvest season effect and the end of the flood effect in November. Even though headline inflation declined, a disturbing observation was the increase in "core inflation," which is defined as inflation less seasonality, therefore, the underlying causative factors driving inflation are still present and lingering. It is too early to jump to the conclusion with one reading that inflation is at a point of inflection.

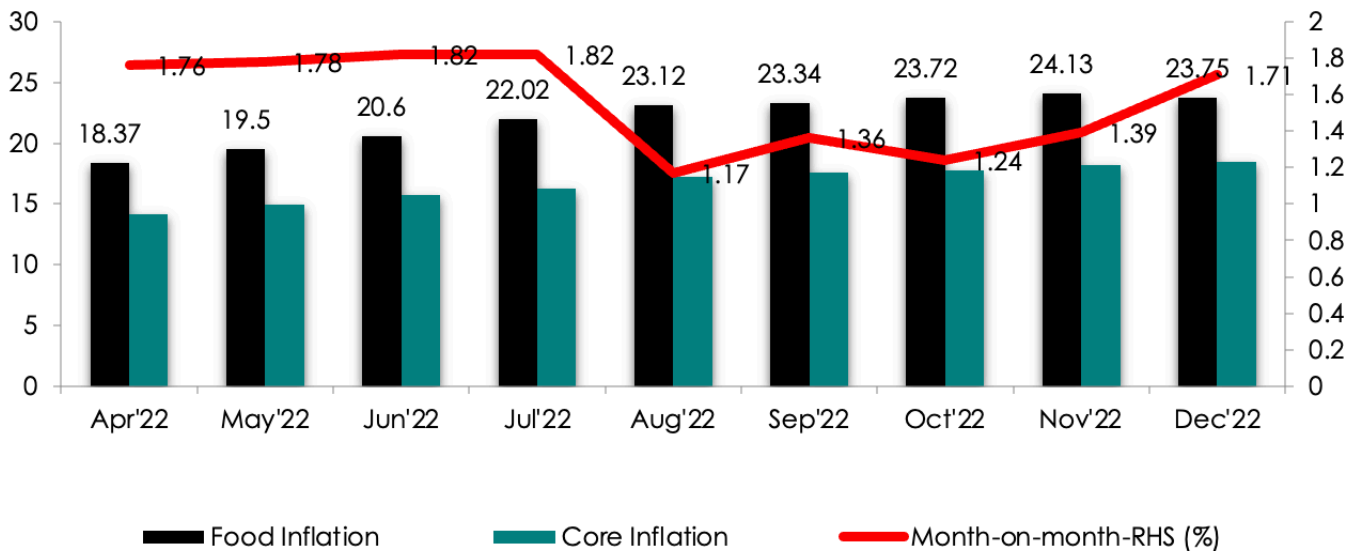
The consumer price index report shows that food inflation eased by 0.38% to 23.75% from 24.13% in November 2022. The decline was attributed to consumer price resistance, and harvest season effect. Meanwhile, core inflation climbed to 18.49% from 18.24% in the previous month. The sustained increase in core inflation was supported by rising logistic costs, and increase in the cost of production.

Month-on-month inflation rose by 0.32% to 1.71% from 1.39% in November 2022. However, the monthly core inflation rate declined by 0.34% to 1.33% from 1.67% in November.



Source: NBS, FDC Think Tank

Food, Core and Month-on-Month Inflation (%)



Consumers are still battling with high cost of living.

Although December inflation declined, the cost of living, no doubt, remains high. The CPI is a measure of the price of a fixed basket of goods and services, with unchanged composition and quality over time. The cost of purchasing the goods and services required to maintain a given quality of life, or one's "cost of living," is a significant worry for many households. The cost of living is under pressure to rise as a result of the tendency for prices of many of these household spending baskets to increase over time. The CPI has grown by around 82% since the last minimum wage of N30,000 was announced. This implies that in naira terms, a consumer that received N30,000 today is only receiving a real income of N5,400 relative to the value of the same amount received in 2019. Also, in the past year, the price of rice, yams, and bread has increased by 27%, 70%, and 50%, respectively. This implies that consumers are living on edge. With stagnant wages and rising costs of living, deprivation and desperation are currently at an all-time high.

Monthly inflation

To:	By:
1.89%	▲49bps
	From:
	1.40%

Food Inflation

To:	By:
23.75%	▼38bps
To:	By:
18.49%	▲25bps

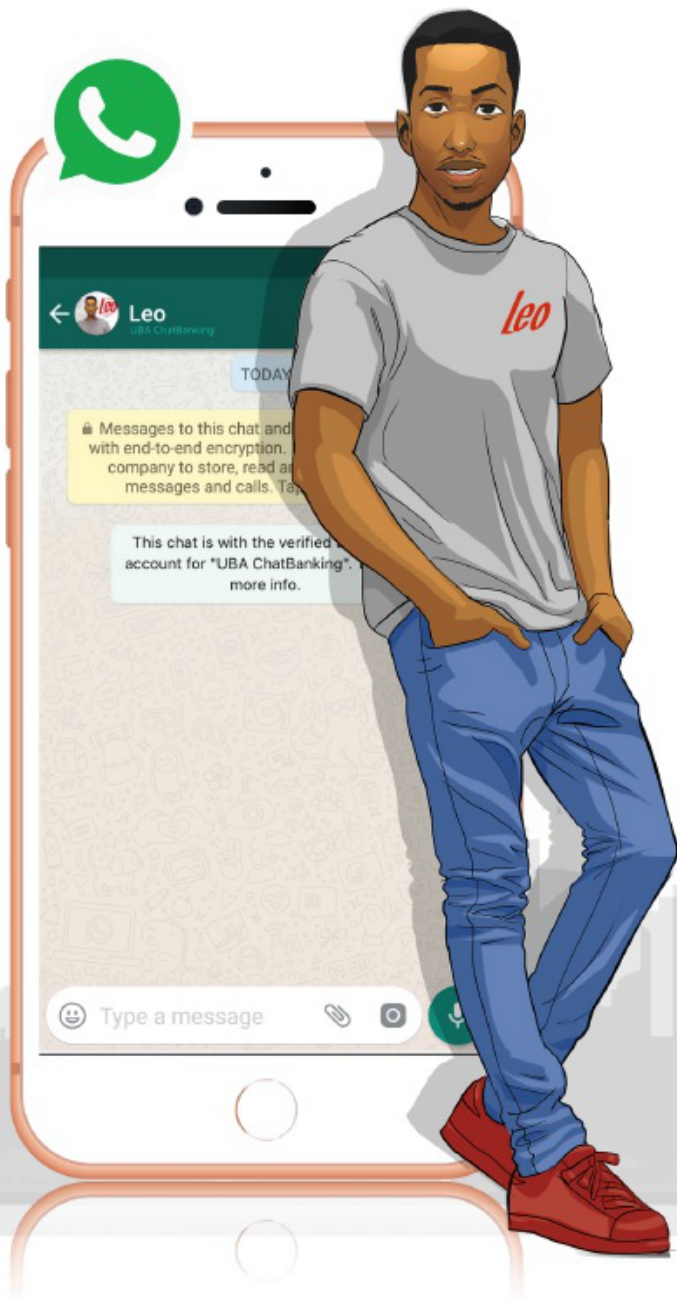
Core Inflation

Urban-Rural % Inflation Annual Basis	Rural Sub-index Annual Basis
22.01	20.72
Urban-Rural % Inflation Monthly Basis	Rural Sub-index Monthly Basis
1.80	1.63

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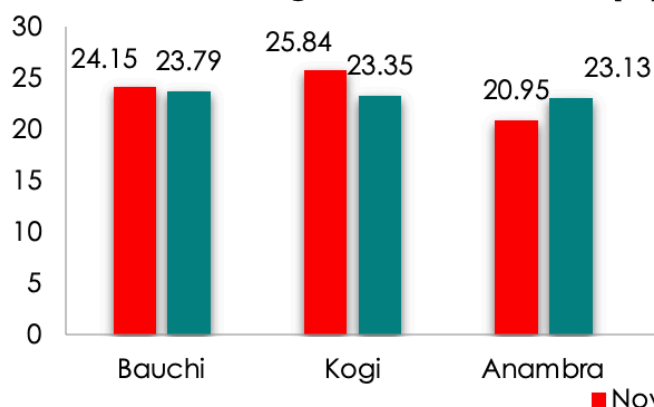
■ Africa

• New York

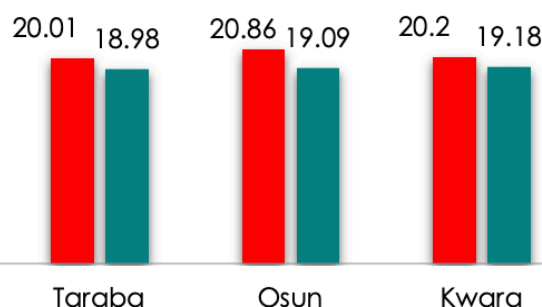
• London

• Paris

States with the highest inflation rates (%)



States with the lowest inflation rates (%)



Breakdown of inflation data

Food sub-index

Food inflation (year-on-year) declined by 0.38% to 23.75% in December 2022 from 24.13% in November. Meanwhile, month-on-month food inflation rose by 0.49% to 1.89% in December from 1.40% in November. This was caused by increases in the prices of commodities like bread and cereals, potatoes, fish, oil and fat.

Core sub-index

Core inflation, which is inflation less seasonality, maintained its upward trend at 18.49% from 18.24% in November. However, month-on-month core inflation eased to 1.33% from 1.67% in the prior month. The decrease was partly due to

subdued liquid fuel, gas, and vehicle spare parts prices.

State-by-state inflation

A breakdown of the state of inflation at sub-national level shows that Bauchi state topped the table with a headline inflation rate of 23.79%. Other high-inflation states include Kogi (23.35%) and Anambra (23.13%). Taraba, Osun, and Kwara states recorded the slowest rise in consumer prices on a year-on-year basis in December.

Outlook

Inflation is expected to ease further in January. However, inflation is projected to average 16.3% in 2023. As long as the CBN remains committed to tackling inflation, the high interest rate environment will persist in 2023. We expect the MPC to become less hawkish at its next meeting, which is scheduled for January 23th to 24th.

Important Notice

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