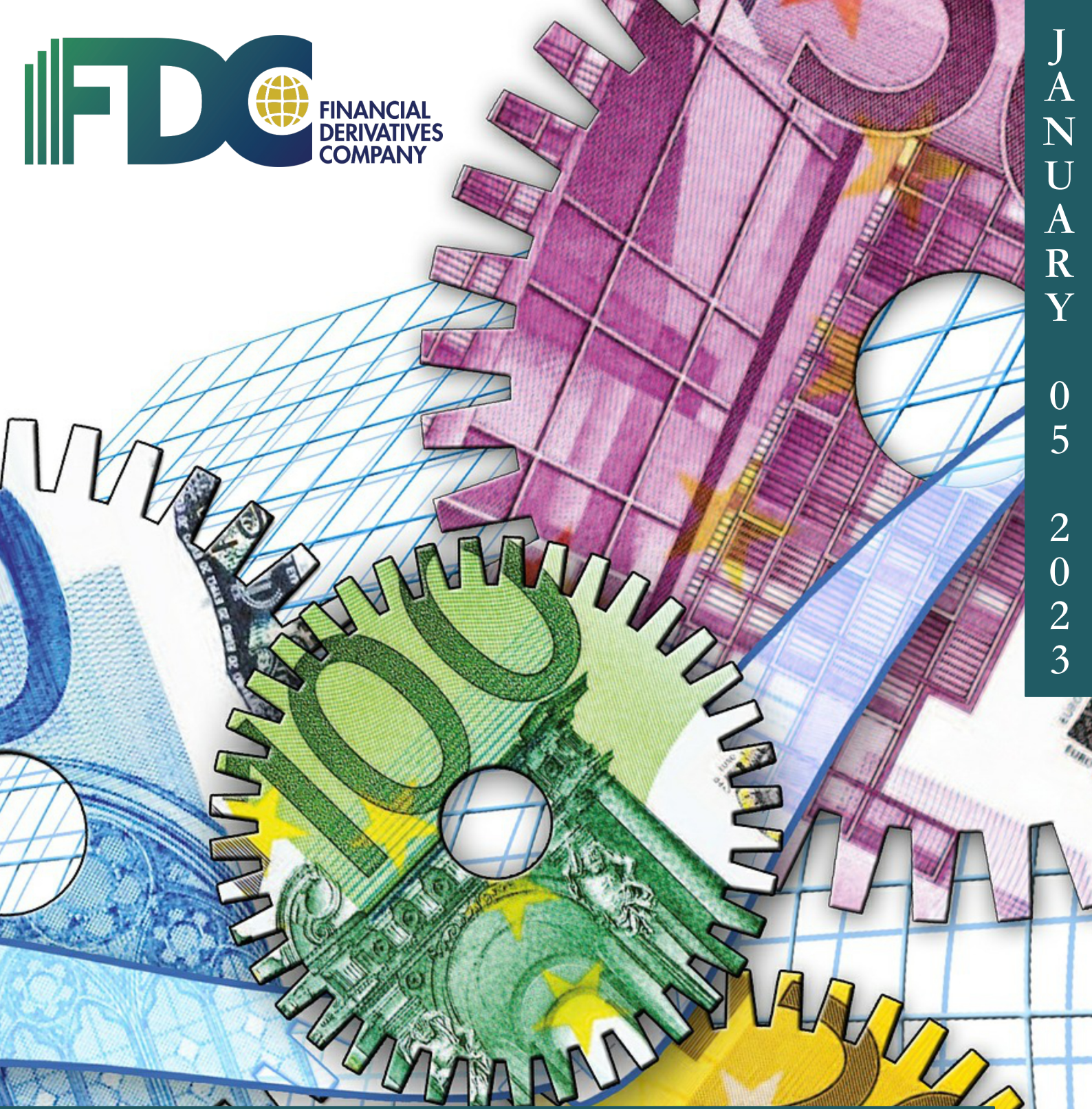




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# Economic Bulletin



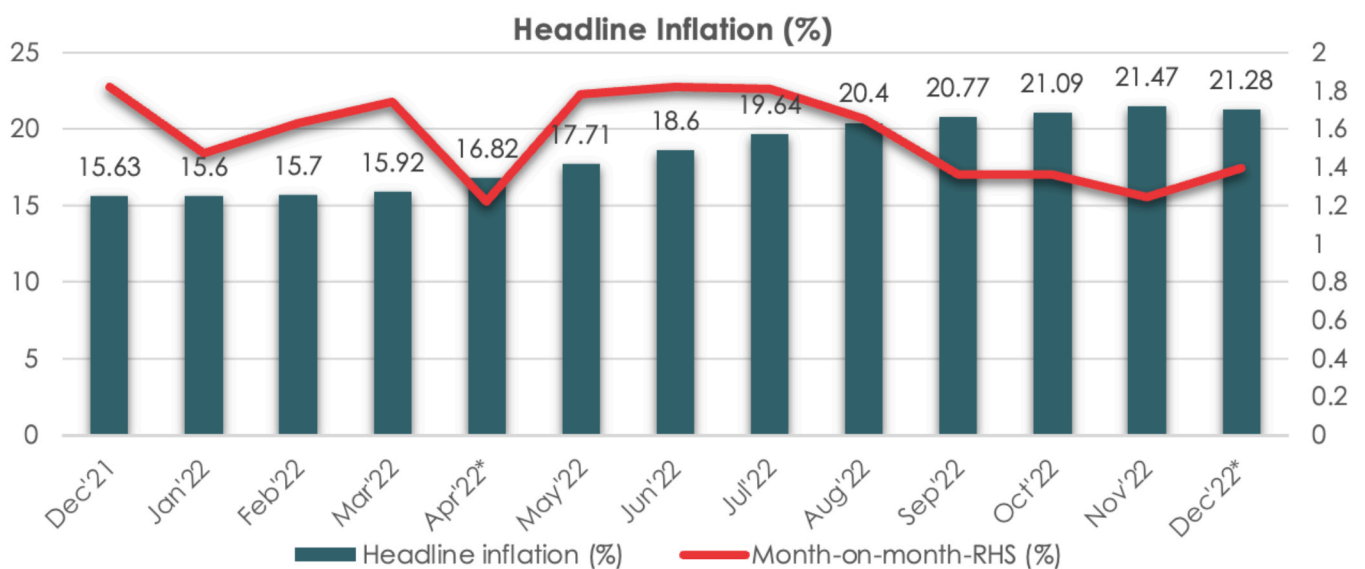
# Nigeria's Inflation

## To ease to 21.28% in December on Consumer Price Resistance

# 21.28%

**Projected headline inflation rate for Nigeria**

The Nigerian Bureau of Statistics will release its December Consumer Price Index report on 15 January 2023. Based on FDC's econometric modeling and market survey in Lagos and its environs, Nigeria's headline inflation is projected to ease by 0.19% to 21.28% in December. Food inflation is expected to ease by 0.17% to 23.96%, while core inflation will increase by 0.18% to 18.42%. Based on our estimates, it will be the first deceleration in inflation since January 2022.



NBS, FDC Think Tank

Typically, inflation edges up in December highlighting the impact of festive demand on prices. However, our estimates show that disinflation is most likely in December'22 due to consumer price resistance, strengthening of the Naira, seasonalities. As seen across markets, sellers were compelled to bring down the prices of their wares amid the low patronage of consumers. The prices of most food items declined or remained flat. In the same vein, the prices of non-food items remain relatively stable. The exchange rate pass-through effect on inflation was muted in December. This has been the major driver of inflation in the last 10 months, and its stability is having a ripple effect on the imported products and muting the imported inflation. The Naira appreciated at the parallel market by 3.27% to N740/\$ from N765/\$ at the beginning of the month.

### Has consumer resistance bucked the inflation trend?

The moderation effect of the harvest period of September-November was muted by the impact of floods that affected most of the food-producing states. The implications of this have been elevated prices of food items and squeezed consumer income. This reflects more on the food inflation that has remained elevated since January. The food inflation subindex soared to 24.13% in November, up 7% when compared with the January rate of 17.13%, and the highest since October 2005. Some of the inflation-stoking factors include the exchange rate inflation-stoking, the decline in food production due to insecurity, war-induced supply chain disruption, high fertilizer prices, and surging logistic costs.

Contrary to expectations, there were indications of moderating food prices in major metropolitan cities in December 2022. This trend-bucking phenomenon appears to resonate more with weakening consumer purchasing power and price resistance rather than more food

### Monthly inflation



### Food Inflation



### Core Inflation

production. This is expected to engender moderation in inflation. But the question is for how long can consumers continue to resist prices? Inflation is often regarded as a tax on the poor, but this time it hits every household, both the rich and the poor are affected. Soaring inflation is usually horrible for consumers as it shrinks their real income, makes them poorer, and leaves them with limited choices. Given that nominal income remains static, consumers will continue to protect themselves by switching to cheaper substitutes.

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# SELECTED COMMODITIES AND THEIR PRICES



## TOMATOES

Dec'22	<b>N16,000</b>
Nov'22	Change
<b>N22,000</b>	<b>▼27.27%</b>



## ONIONS

Dec'22	<b>N50,000</b>
Nov'22	Change
<b>N65,000</b>	<b>▼23.07%</b>



## RICE

Dec'22	<b>N38,000</b>
Nov'22	Change
<b>N43,000</b>	<b>▼10.42%</b>



## BEANS

Dec'22	<b>N32,000</b>
Nov'22	Change
<b>N36,000</b>	<b>▼11.11%</b>



## PEPPER

Dec'22	<b>N25,000</b>
Nov'22	Change
<b>N37,000</b>	<b>▼32.43%</b>



## MELON SEEDS

Dec'22	<b>N1,000</b>
Nov'22	Change
<b>N800</b>	<b>▲25.00%</b>



## YAM (MEDIUM)

Dec'22	<b>N1,700</b>
Nov'22	Change
<b>N1,500</b>	<b>▲13.30%</b>



## NOODLES

Dec'22	<b>N3,400</b>
Nov'22	Change
<b>N3,900</b>	<b>▼12.80%</b>



## PALM OIL

Dec'22	<b>N5,000</b>
Nov'22	Change
<b>N5,300</b>	<b>▼3.80%</b>



## SUGAR (ST. LOUIS)

Dec'22	<b>N750</b>
Nov'22	Change
<b>N850</b>	<b>▼5.90%</b>



## BOURNVITA

Dec'22	<b>N2,000</b>
Nov'22	Change
<b>N1,900</b>	<b>▲5.30%</b>



## BABY FOOD (CERELAC)

Dec'22	<b>N5,000</b>
Nov'22	Change
<b>N4,800</b>	<b>▲4.20%</b>



## MARGARINE (BLUE BAND)

Dec'22	<b>N1,700</b>
Nov'22	Change
<b>N1,800</b>	<b>▼5.60%</b>



## SEMOVITA (10KG)

Dec'22	<b>N6,700</b>
Nov'22	Change
<b>N6,800</b>	<b>▼1.50%</b>















## Review of 2022 and inflation expectations for 2023

2022 has been a year of brutal inflation not only for Nigeria but for the entire global economy. The post-COVID monetary easing impact on inflationary pressure was quickened by the Russian invasion of Ukraine in February. Persistent inflationary pressures caused by supply-chain disruptions and Russia's invasion of Ukraine are driving up global inflation to its highest level since the 1990s. Headline inflation is expected to average 18.76% in 2022, the highest since 1996. Looking into the future, analysts, however, believe that there will be some relief in 2023 as geopolitical tension fades and commodity prices return to their pre-COVID levels. This will bring succor to the pressure on domestic prices and inflation is expected to start moderating from the

second quarter of 2023. Nigeria's headline inflation for 2023 is projected to average 16.2%.

## Inflation trend in sub-Saharan Africa

Sub-Saharan African countries will begin to experience gradual tapering in inflation rates as global commodity prices moderate and the dollar becomes softer against major currencies. Four of the six countries (Angola, Kenya, South Africa and Uganda) tracked by FDC recorded lower inflation in November. The downward inflation trajectory can be largely attributed to an increase in the domestic offer of products and services but food costs, as well as currency volatility, persist. In Nigeria, inflation is expected to taper in December on consumers' price resistance after a 10-month consecutive increase since January.

Country	December Inflation (%)	Most Recent Policy rate (%)
Nigeria	21.28* 	16.50 
Angola	15.24 (Nov) 	19.50 
Kenya	9.50 (Nov) 	8.75 
South Africa	7.40 (Nov) 	7.00 
Ghana	50.30 (Nov) 	27.00 
Uganda	10.20 (Nov) 	10.00 
Zambia	9.90 	9.00 

FDC Forecast

## Outlook

The inflation rate will remain moderate in the coming months due to consumer price resistance, strengthening Naira, and softening global commodity prices, as geopolitical tension in Ukraine fades.



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