

Economic Bulletin

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Headline Inflation

To slide to 21.85% in March

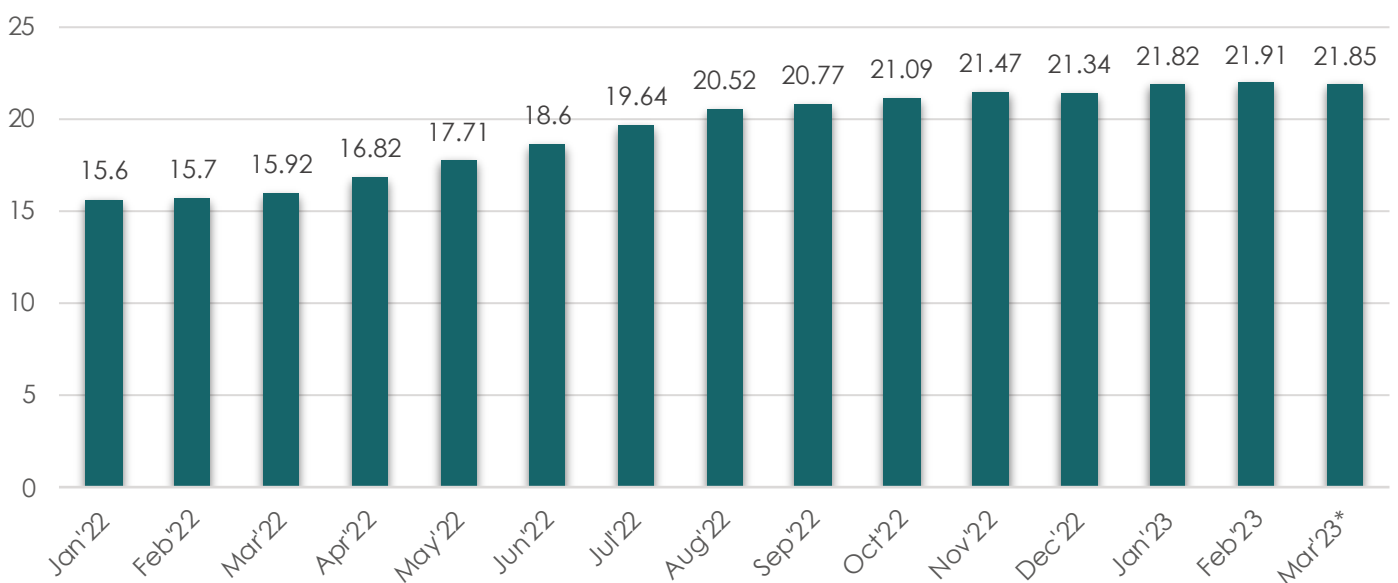
The National Bureau of Statistics will release its CPI report for March on April 15th. Our time series analysis and the result of the survey carried out in major markets in Lagos indicate that the official headline inflation rate could slow by 0.06% to 21.85% in March. This will be the second decline since February 2022 if our forecast is accurate.

The surge in inflation in February was mainly attributed to the falling exchange rate and cash crunch which caused multiple pricing systems and distorted the distribution of goods across the country. The absence of tips also complicated the flow of goods and settlement of certain transactions. However, in March, traders became more innovative, with farmers and other commodity sellers offering huge discounts for cash payments. This tapered the rate of price increases in March. Also, with the cash crunch crisis fizzling out and appreciation of the exchange rate at the black market (by 0.67% to N750/\$), the rate of increase in headline inflation could slow.

21.85%

Projected headline inflation rate for Nigeria

HEADLINE INFLATION (%)



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However, the revalidation of the old Naira notes as legal tender will have the effect of increasing the cash in circulation by over 25% and possibly stoke inflationary pressures in the coming months. Based on our regression analysis, money supply accounts for a significant percentage of consumer price inflation.

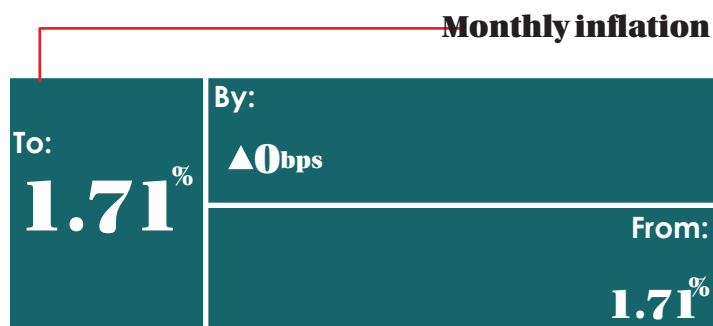
Data Breakdown

Monthly inflation to stay flat at 1.71%

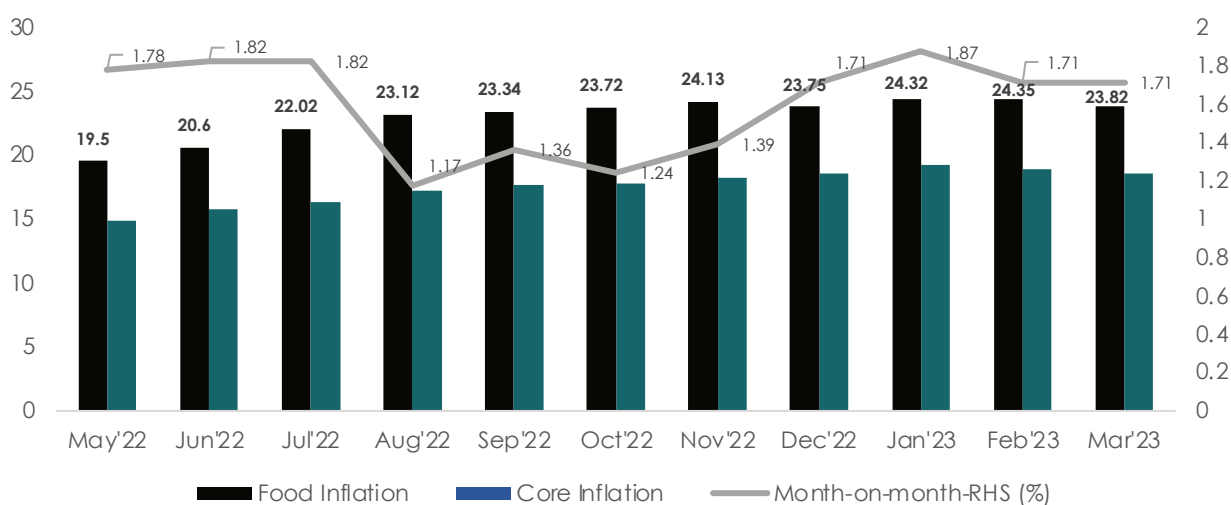
Month-on-month inflation could remain unchanged in March on the impact of the interest rate hike. This would also be supported by a decline in food and energy prices.

Food and core inflation to decelerate

Unlike the previous month when food inflation inched up to 24.35% on the increase in the prices of some imported commodities, food inflation in March is expected to fall by 0.53% to 23.82%. In the same vein, core inflation, which is inflation less volatile items, is likely to dip further for the second consecutive month by 0.14% to 18.54%. This would be partly due to the appreciation of the naira in the parallel market.



FOOD, CORE AND MONTH-ON-MONTH INFLATION (%)



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Inflation trend in sub-Saharan Africa

On the regional front, some African economies like Angola, Ghana and Uganda recorded a decline in their inflation rates. In Angola, for example, inflation slowed for the 13th consecutive time to 11.54% in February from 12.55% in the preceding month. This was due to a solid harvest, and a stable local currency (Kwanza).

However, inflation increased in Zambia and South Africa on the back of weaker currencies, which pushed up prices of some imported products and put upward pressure on food prices. Like most advanced economies, African Central Banks maintained their hawkish monetary policy stance despite the gradual ease in inflationary pressures.

Country	Inflation (%)	Most Recent Policy rate (%)
Nigeria	21.85* 	18 
Angola	11.54(Feb'23) 	17 
Kenya	9.2 	9.5 
South Africa	7 (Feb'23) 	7.75 
Ghana	52.8 (Feb'23) 	29.5 
Uganda	9 	10 
Zambia	9.9 	9.25 

FDC Forecast

Outlook

Headline inflation for April is likely to trend upwards as increase in consumer demand ahead of Easter and Eid-ul-Fitr celebrations could further raise prices. Also, the recent global oil supply cut of about 1.66mbpd by OPEC+ is expected to increase oil prices, which will in turn fuel domestic inflationary pressures. These events would be part of the major considerations for the Monetary policy committee at its next meeting in May.

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