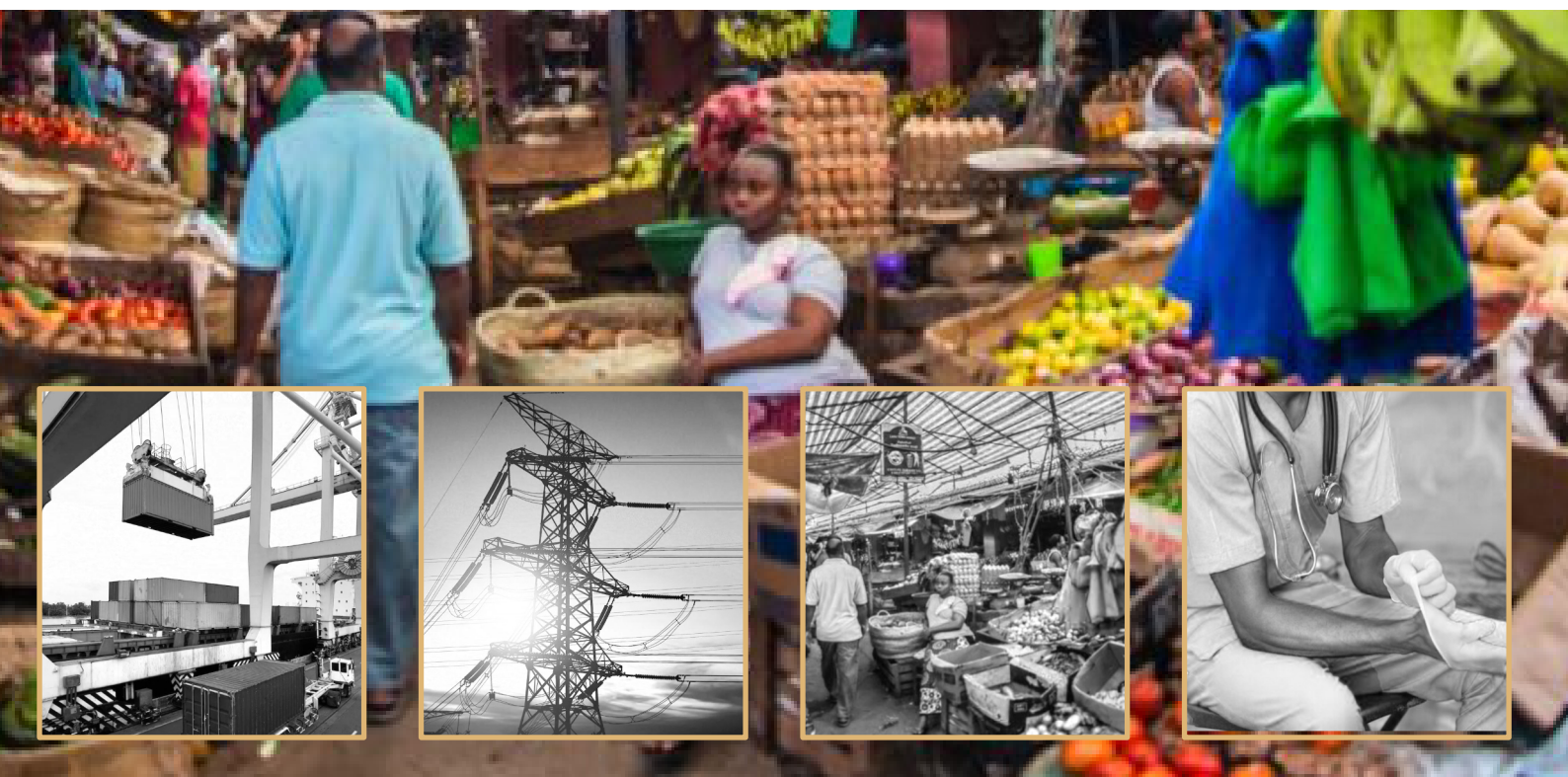




**ECONOMIC SPLASH**

# PRE-INFLATION REPORT

**DECEMBER 05, 2023**



# Headline Inflation

**To inch up to 27.5% - seasonality is the main culprit**

# 27.5%

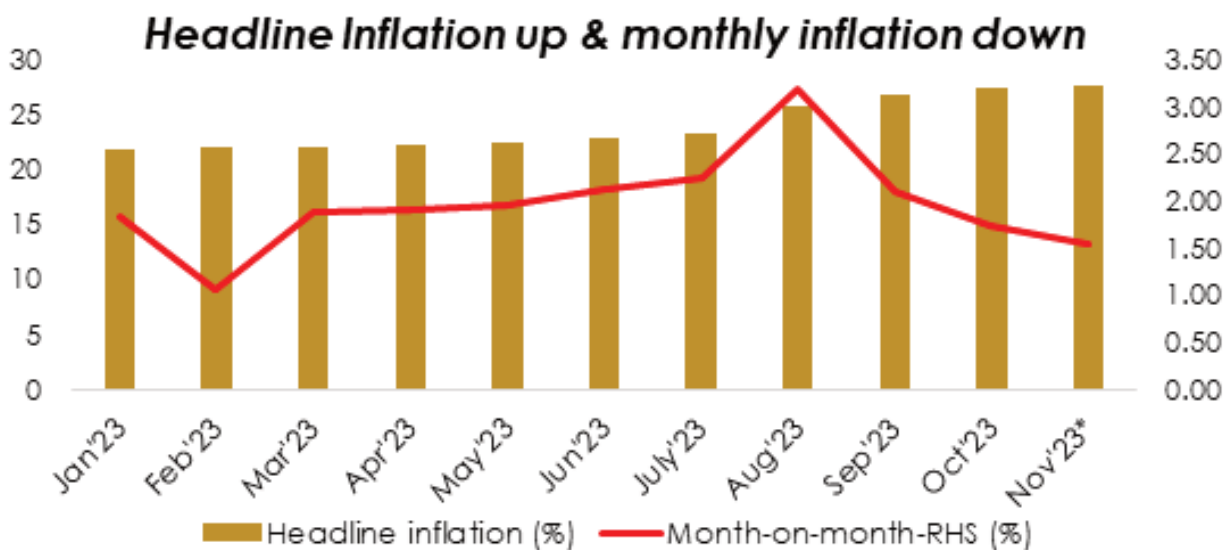
**Projected Official headline inflation rate for Nigeria**

The National Bureau of Statistics (NBS) will release its November inflation report on Friday, December 15. Based on our Lagos market survey and regression model, we are forecasting a marginal increase in headline inflation to 27.50%. Even though this is a mild increase, it will be an 18-year peak. Food and core inflation are expected to witness marginal increases as well. Food inflation will increase to 31.80%, whilst core inflation will rise to 22.72%. Seasonal factors and cost pressures are manifesting in higher prices compared to the same period in 2022.

## Month-on-month inflation is declining

What is apparent from the forecast is that the rate of increase in the general price level is beginning to show signs of slowing. The more relevant data point is the month-month inflation, which is projected to be 1.54% (annualized at 20.23%), a decline from 1.73% (annualized at 22.79%) in October.

The fact that headline inflation is slowing and monthly inflation is declining will suggest that inflation is probably approaching a point of inflection. This may mean that the budgetary goal of



\*NBS, FDC Think Tank

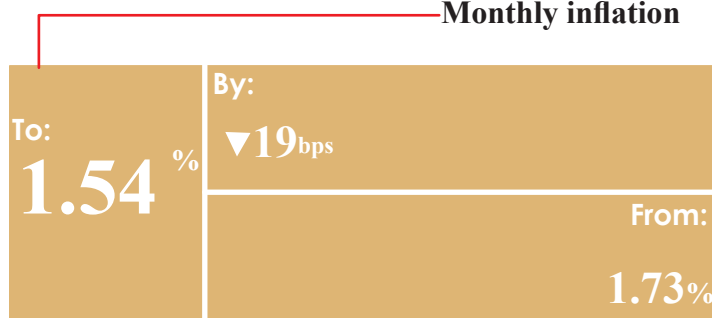
21.4% headline inflation in 2024 may not be an unrealistic target. The above notwithstanding, the inflation rate is still 19% above the upper band of the CBN target. The CBN governor has reiterated the determination of the CBN to focus primarily on the goal of price stability.

In the food basket, there was a notable increase, specifically in the price of onions (39.29%), beans (8.70%), noodles (3.77%), and turkey (3.7%). While the jump in the price of noodles and turkey was mainly because of the exchange rate depreciation, the spike in the price of onions was mainly due to scarcity owing to the closure of borders with Niger Republic, a major producer of onions in West Africa. Meanwhile, the downside includes the price of tomatoes (50%) and pepper (7.5%), which declined partly due to seasonality. Commodities like wheat flour, cornflakes and Tea prices remain unchanged.

### Inflation trends in Sub-Saharan Africa

Inflation has remained a hydra-headed problem in Sub-Saharan Africa. The EIU is projecting that inflation in SSA will average 16.8% in 2024. Their prediction shows that Nigeria will have an average inflation of 23.6%, Ghana 18.9%, Zambia 9.8%, Kenya 6.1%, and Uganda 5.0% in the coming year. The steepest drop being that of Ghana where inflation peaked at 53.6% in January 2023 and is to fall to 18.9%. The inflationary pressures across the continent is due to higher food and fuel prices stemming from weakened domestic currencies. The good news for African countries is that the significant decline in oil price (\$80 per barrel) will lead to lower costs for imported energy. This can positively contribute to lower imported inflation, making energy more affordable for businesses and consumers.

### Monthly inflation



### Food inflation



### Concluding Thoughts

The MPC will not meet in December, and the consensus opinion is that the CBN will tighten by at least 100 basis points in January. This will help ameliorate the surge in prices that characterised 2023.



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