

ECONOMIC SPLASH

Headline inflation to
dip by 1.24% to 32.11%



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MARCH 11



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32.11 %

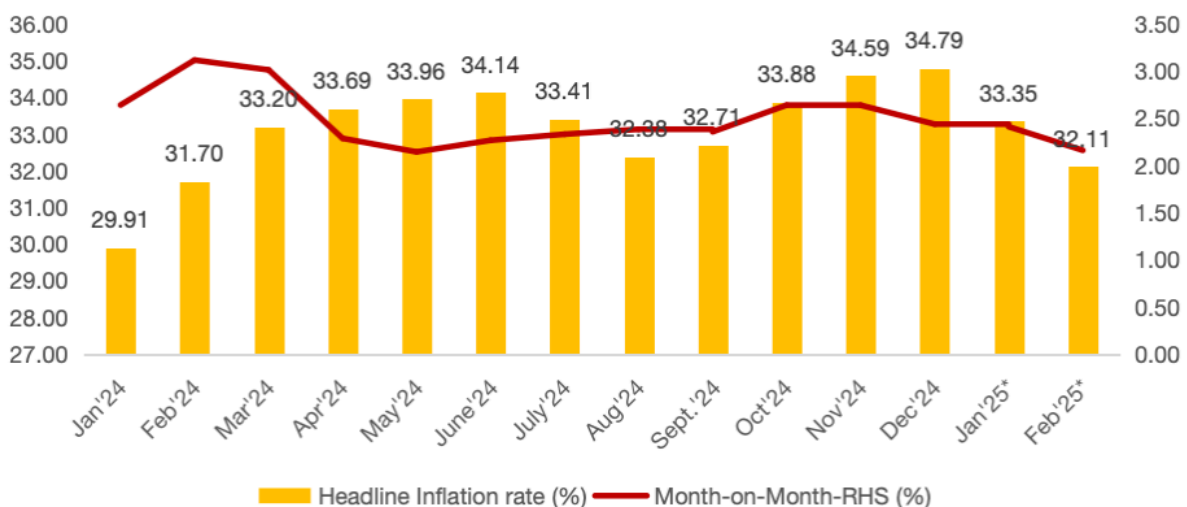
Headline inflation forecast for Nigeria

According to our Lagos market survey for February and a refined regression analysis employing the old methodology, Nigeria's headline inflation rate is poised for a modest decline by 1.24% to 32.11% in February, easing from 33.35% in January. This gradual deceleration reflects a subtle yet noticeable increase in food supply. The arrival of imported foodstuffs under the duty waiver also helped dampen the accelerated rise in commodity prices and those of their substitutes.

Traders sitting on inventory in anticipation of price hike

Additionally, a reduction in fuel prices and low consumer demand due to income constraints contributed to this decline, leading to a 15% drop in FMCGs sales volume. Traders are holding onto inventory in hopes that prices will rise. However, prices are likely to decline further as demand remains weak. In alignment with this trend, both food and core inflation are expected to move in tandem with the headline rate.

Headline Inflation (%)



¹NBS, FDC Think Tank

Among the tracked commodities, notable price declines were observed in garri (2.86%), Irish potatoes (11%), rice (5%), and wheat flour (10%). Meanwhile, 82.86% of items in the basket remained unchanged, while 5.71% experienced an uptick. Overall, there is clear evidence of a disinflationary trend, and prices are likely to remain low even after Ramadan.

Month-on-month inflation to increase marginally

Monthly inflation offers a sharper lens into prevailing market dynamics, capturing real-time price fluctuations rather than the echoes of past trends. For February, we anticipate a moderation in month-on-month inflation to 2.16% (annualized at 29.18%), rising from 1.55% in January.

Month-on-month food inflation

Monthly food inflation is expected to ease to 2.31% from 2.41% in January, driven by improved food distribution, stable prices of imported commodities due to exchange rate stability, and lower petrol prices. These factors have collectively alleviated cost pressures, fostering a more stable pricing environment.

Month-on-month core inflation

Month on Month core inflation is expected to ease to 2.08% from 2.12% in January, driven by declining cost pressures, a more stable exchange rate, lower energy costs, and improved supply chain efficiency.

Monthly inflation



M-O-M Food inflation



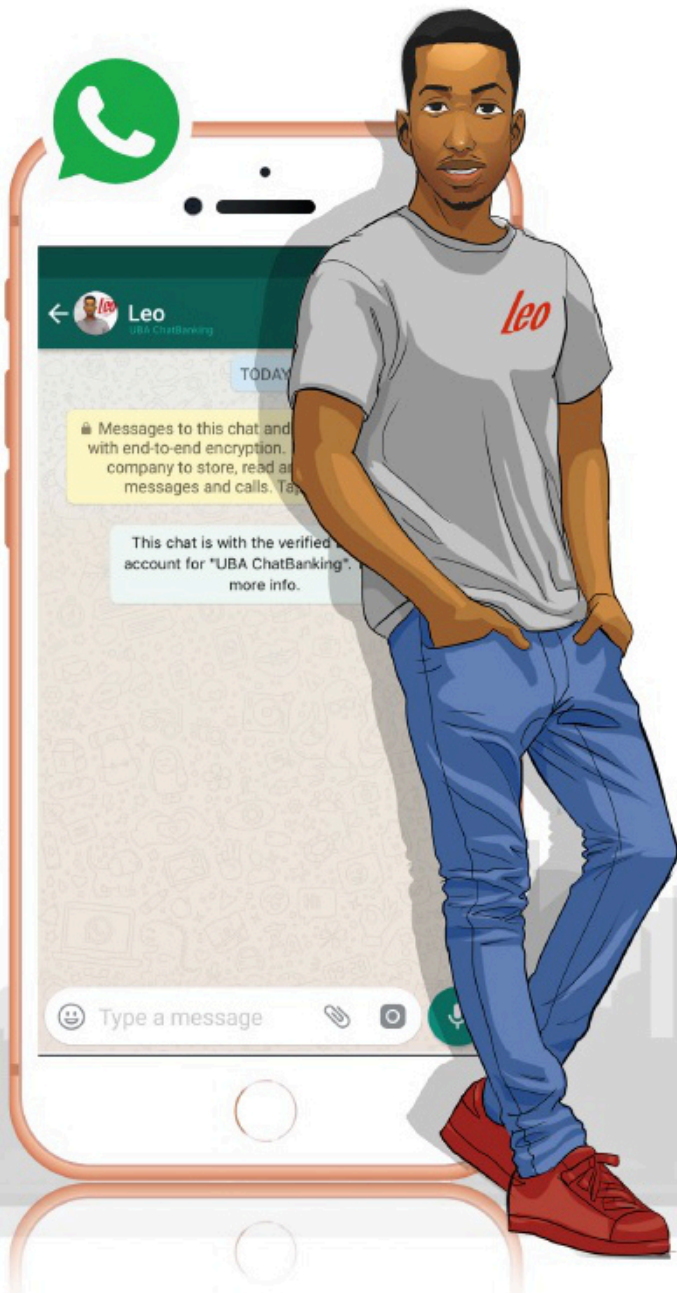
Outlook

The question that arises, therefore, is “why this trend, and how long will it persist”? In our view, as long as petrol prices remain below ₦900/litre and the naira trades between ₦1,550/\$ - ₦1,600/\$, the current trend will likely continue until Easter.

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