







HEADLINE INFLATION ROSE SHARPLY TO 24.23% IN MARCH



Headline inflation rose sharply to 24.23% in March

Nigeria's headline inflation rose for the first time in three months, dimming hopes of a rate cut in May by the Central Bank of Nigeria (CBN). The inflation report released by the NBS revealed that the annual headline inflation in March increased to 24.23%, up from 23.18% in February, contrary to analysts' expectations. Similarly, month-on-month inflation quickened by 1.86% to 3.9% (annualized at 55.8%). The major contributing factor is the prices of food and non-alcoholic beverages. However, a combination of higher petrol prices—rising from ₩860 to ₦935 per litre—and a significant depreciation of the naira from ₩1,492/\$ to ₩1,600/\$ added to the pressure. A 50% increase in telco tariffs intensified further inflationary pressures in March.

Although annual food inflation eased for the third straight month to 21.79% in March, major emphasis was placed on month-on-month changes. The drop in food inflation was partly due to the reduction of the weight of food in the new basket from 51.8% to 40%. The month-onmonth inflation spiked by 0.51% to 2.18%. This was driven by seasonal factors, the Ramadan fasting period, and high logistic costs. Annual core inflation rose to 24.43% in March, up from 23.01% in February. Monthly core inflation increased by 1.21% to 3.73%, reflecting persistent structural such pressures as infrastructure deficit. low productivity, and rising housing and utility costs.



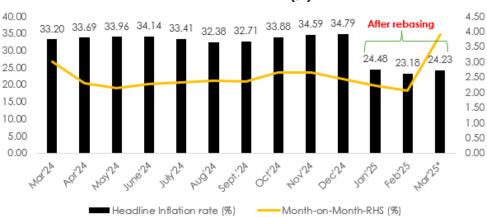
Food inflation rate for Nigeria

24.23[%]

Headline inflation rate for Nigeria

% **24.4**

Core inflation rate for Nigeria



Headline Inflation (%)

POSTINFLATION REPORT

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¹NBS, FDC Think Tank



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Drivers of inflation – global and domestic interactions

both exogenous shocks and domestic However, threaten Nigeria's export earnings, insecurity weakenforeign reserves, and pressure activities. the naira.

Domestically, the exchange rate depreciation to ₦1,600/\$, with a 1% depreciation linked to a 0.12% rise in inflation, with a correlation of 90%, and 15% money supply growth, is driving inflationary pressures. Additionally, a 50% hike in telco tariffs, high logistics costs, and food supply disruptions worsen the outlook. Fuel prices remain key, with a 92% correlation to inflation and a 1% price increase estimated to raise inflation by 0.018%.

Rural & urban inflation

Both urban and rural inflation increased to 26.12% and 20.89%

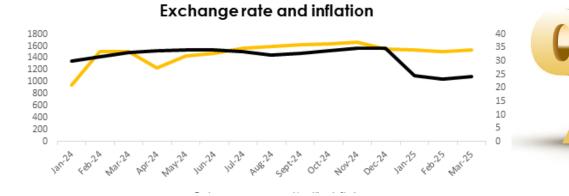
Inflation in Nigeria is influenced by from 25.15% and 19.89%, respectively. month-on-month, rural structural issues. Globally, the US- inflation increased by 2.57% to 3.73%, China tariff war and "Trumpnomics" surpassing the urban increase by have disrupted supply chains and 1.56% to 3.96%. This sharper rise in raised input costs, while a potential rural inflation may be attributed to drop in oil prices to \$60 per barrel, seasonal food shortages ahead of the though lowering logistics costs, could planting season, compounded by disrupts that farming Additionally, higher limited transportation costs and access market rural areas in exacerbate price pressures. These factors collectively contribute to the more pronounced month-on-month inflation increase in rural areas.

When prices soar: the ripple effects of inflation

Rising inflation erodes consumers' purchasing power, especially affecting low-income households through higher food, fuel, and housing costs. For investors, it creates uncertainty, reduces real returns, and may trigger higher risk premiums. Policymakers face pressure to tighten monetary policy, which can slow economic growth, while also needing structural reforms to address root causes.



Given rising inflation and global uncertainty, the possibility of a rate cut by the CBN at the May MPC meeting is becoming more remote.



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