ECONOMIC SPLASH

HEADLINE INFLATION TO DIP TO 22.54% IN MARCH

20
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APRIL 10

FDC

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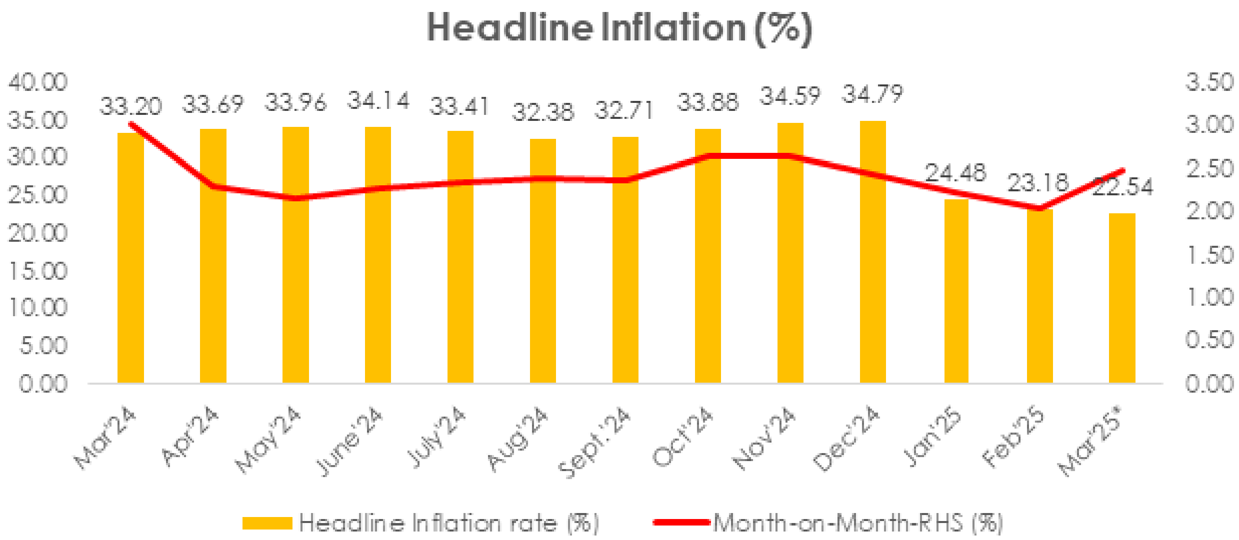
22.54%

Headline inflation forecast for Nigeria

The National Bureau of Statistics (NBS) is set to release its March inflation report (new basket and base year) on Tuesday, April 15. According to FDC's Lagos market survey for March and regression analysis, the headline inflation rate is projected to decline slightly to 22.54% in March, down from 23.18% in February, representing a 0.64 percentage point change. This is based on a new basket and base year. The change reflects low consumer purchasing power, currency appreciation, and a reduction in petrol price.

We also projected food inflation to fall by 0.38% to 23.13% from 23.51%, but core inflation to rise marginally by 0.07% to 23.08% from 23.01%.

The moderation in inflation is driven by the combined impact of the base effect, exchange rate appreciation, and a decline in petrol pump prices. The base effect makes March 2025 inflation appear lower when compared to a high inflation rate in March 2024. Meanwhile, the appreciation of



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[1]NBS, FDC Think Tank

the naira reduces the cost of imported goods and raw materials, helping to dampen overall price levels. Additionally, the drop in petrol pump prices lowers transportation and production costs, which can trickle down to reduced prices for goods and services. However, these effects may be short-lived if underlying structural issues remain unaddressed.

Month-on-month inflation to increase marginally

We project month-on-month inflation to rise by 0.48% to 2.48% (annualized at 34.18%) in March, up from 2.04% in February, as a result of the surge in food prices driven by seasonal variations and supply chain factors.

Month-on-month food inflation

Monthly food inflation is expected to rise marginally by 0.34% to 2.01% in March from 1.67% in February, driven by cost pressures associated with seasonalities, fasting, and easter coming.

Month-on-month core inflation

Month-on-month core inflation is expected to fall marginally by 0.51% to 2.01% from 2.52% in March 2025, driven by a more stable exchange rate, lower energy costs, and improved supply chain efficiency.

Currency Gains, Price Pains, and Consumer Restraint

Despite currency gains, consumers still face price pains as several key commodities saw mixed movements in Q1 2025. Items like rice (₦95k to ₦85k), beans (₦100k to ₦85k), and palm oil (₦12k to ₦10k) recorded declines, offering some relief. However, food staples such as pepper (₦120k to ₦230k) and onions (₦110k to

Monthly inflation

To: **2.48 %**

By: ▲48 bps

From: 2.04 %

M-O-M Food inflation

To: **2.01 %**

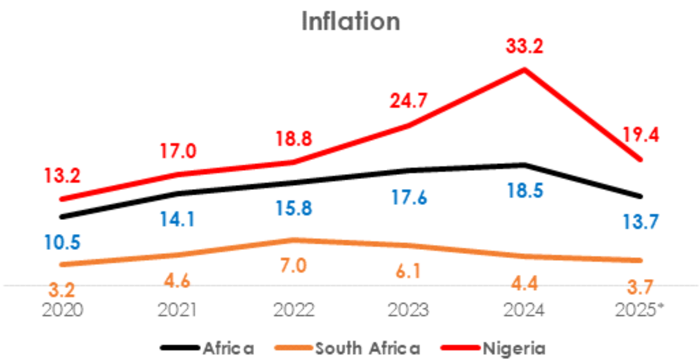
By: ▲34 bps

From: 1.67 %

₦120k) spiked, squeezing household budgets. Meanwhile, 27.71% of commodities, like wheat flour (₦60k) and irish potatoes (₦180k), remained unchanged, reflecting stability in some sectors. These mixed trends highlight the ongoing consumer restraints in a volatile market, where currency gains offer partial relief but price hikes persist.

Africa's inflation cools, but underlying global price pressure persists

Africa's inflation is projected to decline from 18.5% in 2024 to 13.7% in 2025, reflecting easing price pressures across the continent. Nigeria, though still grappling with high inflation, is expected to see a notable drop from 33.2% to 19.4%, while South Africa maintains relatively low and stable inflation, easing slightly from 4.4% to 3.7%. This overall disinflation is expected to support a rebound in Africa's economic growth in 2025, aided by interest rate cuts and the delayed benefits of market reforms. However, rising U.S. tariffs, escalating global trade tensions, and a potential global recession pose downside risks. These external shocks could disrupt trade flows, increase import costs, and reduce foreign aid and investment, potentially reversing the inflation moderation trend and stalling economic recovery in more vulnerable economies.



Outlook

With inflation showing signs of slowing, the Central Bank of Nigeria (CBN) may adopt a more balanced approach in its May meeting, potentially maintaining or slightly adjusting interest rates to support growth while managing inflationary risks. Also, while the naira has stabilized recently, foreign exchange reserves and global oil prices will play a crucial role in sustaining this trend. Any external shocks or policy missteps could reignite currency pressures.

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