



## Inflation

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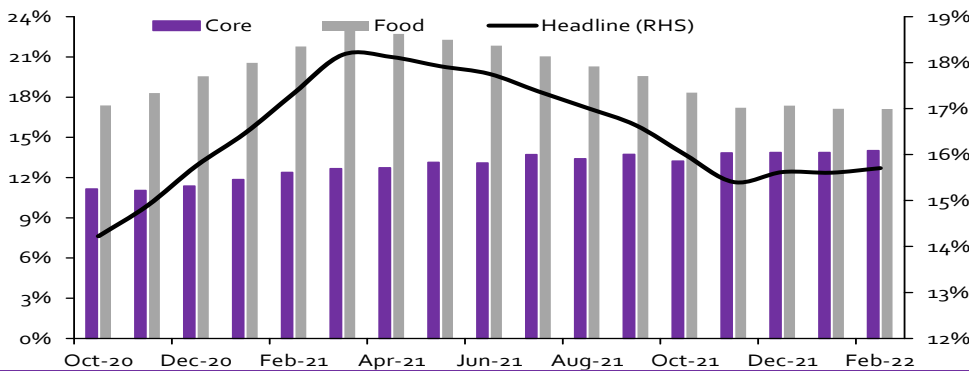
### An uptick in inflation rate to 15.70% in February

The Inflation descent in January 2022 was short-lived, as the Consumer Price Index (CPI) data released by the National Bureau of Statistics (NBS) showed that headline inflation reversed the downtrend, rising marginally by 10bps to 15.70% y/y in February. Expectedly, the uptrend in inflation was mainly driven by the core basket as core inflation rose by 14bps y/y, reflecting the global rise in energy prices, while food inflation further declined by 2bps y/y in February. M/m, inflation was also up by 16bps to 1.63%, however, stemming from pressures in the food basket (+25bps), further heightened by core inflation (+8bps).

Food inflation, at a 17-month low, printed 17.11% in February, still seeing favourable support from base effect in the prior year and gradually reaching the 16.0% level. Meanwhile, on a m/m basis, the food basket increased by 25bps to 1.87%. The monthly increase can be linked to the lingering fuel scarcity and its pass-through effect on transport costs for food items. Essentially, the fuel scarcity stretching beyond expectation at the tail end of the month left some imprints on food-related transport costs. Additionally, as the planting season begins in earnest, the gains associated with the past harvest season are beginning to wane. Core inflation increased by 14 bps to 14.01% y/y in February. On a m/m basis, the core basket rose by 8bps to 1.33% due to major increases in the price of utilities (gas, & fuels), tobacco, spirit, transport-related costs, and clothing.

Looking ahead, inflation is expected to rise in March due to the fuel scarcity, which continued into March and the significant rise in the cost of deregulated petroleum products such as diesel and aviation fuel. Also, structural problems affecting food supply could worsen further by the country's vulnerability to disruptions in Eastern European food exports, given Nigeria's agricultural-import dependency. Also, the reversal of the direction of the inflation rate could become a rising concern for the CBN at the next MPC meeting amid the gradual normalisation of interest rates by global central bankers. However, we believe the CBN will still adopt a "wait and see" approach while maintaining the status quo at the next MPC meeting in March, especially as the sources of inflationary pressures are not demand-driven.

### Headline, Food and Core Inflation (%)



Source: NBS, CSL Research

### MARKET UPDATE

	1 year	31-Dec-21	1 day
NSE - Index*	38,561.84	42,716.44	47,340.86
Naira / US\$	408.90	435.00	416.50
Brent, US\$/bbl	68.88	77.78	99.91
MPR %	11.50	11.50	11.50

Source: Nigerian Stock Exchange, Central Bank of Nigeria, Bloomberg. \*Nigerian Stock Exchange All-Share Index

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## Today's news headlines:

**Power grid collapses again, stakeholders' meeting enters second day:** NIGERIA's electricity grid collapsed around 5pm on Tuesday, which was less than 48 hours after it collapsed on Monday, a development that caused widespread darkness across the country. Power distribution companies again alerted their customers about the collapse, as it was gathered that the meeting summoned by the Federal Government on Monday over issues in the sector, had to drag on till late night on Tuesday. The grid collapse further prolonged the blackouts witnessed across the country, amidst the current energy crisis in the petroleum sector in Nigeria. In a public announcement to its customers on Tuesday, the Ibadan Electricity Distribution Company described the collapse of the grid as total.

Source: [punchng.com](https://punchng.com)

<https://punchng.com/power-grid-collapses-again-stakeholders-meeting-enters-second-day/>

**35 million Nigerians lack access to digital financial services, others –NCC:** THE Executive Vice-Chairman of the Nigerian Communications Commission, Prof. Umar Danbatta, says that 35 million Nigerians are yet to access digital financial and telecommunications services. He said this at the 2022 World Consumer Rights Day, celebrated on Tuesday in Abuja. Danbatta said, "As many as 35 million Nigerians are yet to have access to telecommunications services and by implication, they lack access to digital financial services. "This situation denies these Nigerians access to digital financial inclusion. It is a challenge that is attributable to the inadequacy of both wireless and fibre connectivity infrastructure." Source: [punchng.com](https://punchng.com)

<https://punchng.com/35million-nigerians-lack-access-to-digital-financial-services-others-ncc/>

**Banks Temporarily Suspend, Reviews International Transaction of Naira Cards:** In a move to reduce dollar obligations, commercial banks in the country are cutting monthly international spending limits on Naira cards to \$20 compared to the previous limit of \$100. Over the weekend, First Bank, Zenith Bank, Sterling Bank, Guaranty Trust Bank, Union Bank and other banks sent notices to their customers on the restrictions. However, THISDAY gathered that only First Bank limit was \$50 compared to all other banks, which restricted to \$20. This move has however suggested customers open dollar accounts to obtain cards to fund their obligations, which is expected to be sourced from the parallel market. Source: [thisdaylive.com](https://www.thisdaylive.com)

<https://www.thisdaylive.com/index.php/2022/03/16/banks-temporarily-suspend-reviews-international-transaction-of-naira-cards/>

**FG'll tap \$2.2bn Eurobond for fuel subsidy funding– Minister:** The Federal Government is planning to tap €2bn (\$2.2bn) by this month or next of the money it raised in a Eurobond sale last year and targets more local borrowing in 2022 to help fund subsidy on Premium Motor Spirit, popularly called petrol, the Minister of Finance, Budget and National Planning, Ahmed Zainab, has said. It was also gathered on Tuesday that Nigeria's crude oil production dropped from the 1.399 million barrels per day figure recorded in January this year to 1.258 million barrels per day in February. This indicated a daily crude oil production loss of 141,000 barrels in the month of February 2022, according to the latest monthly oil market report for March 2022 released by the Organisation of Petroleum Exporting Countries.

Source: [punchng.com](https://punchng.com)

<https://punchng.com/fgll-tap-2-2bn-eurobond-for-fuel-subsidy-funding-minister/>

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	Buy	Hold	Sell	Not Rated	Total
Coverage universe	17	10	5	3	35
% distribution	49%	29%	14%	9%	
Investment banking clients	0	1	1	0	2
% distribution	0%	50%	50%	0%	

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