

Inflation

Comment on recent news – this page

Today's headlines – page twos

Recommendations and valuations – page three`

Inflation sustains its upward trajectory in March

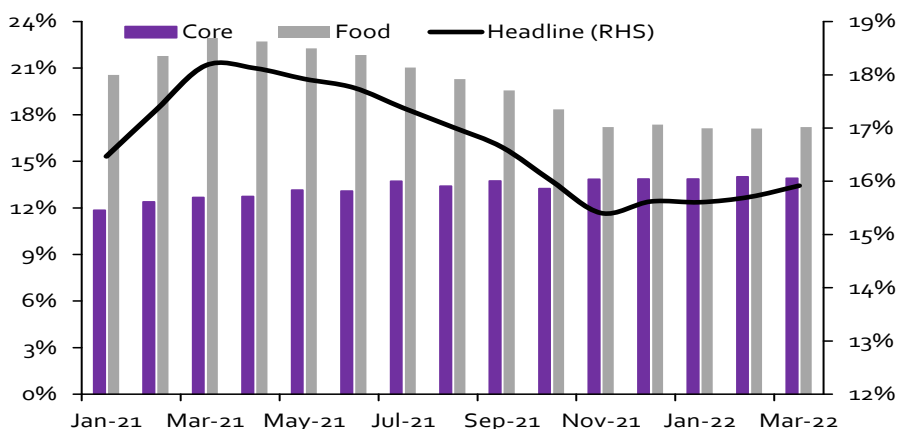
The Consumer Price Index (CPI) data released by the National Bureau of Statistics (NBS) showed that headline inflation increased for the second consecutive month by 21bps to 15.92% y/y in March, with most of the drivers stemming from the food inflation (+9bps to 17.20% y/y), while core inflation moderated by 10bps to 13.91%. Akin to the y/y reading, headline inflation increased by 11bps to 1.74% m/m.

We link the uptick witnessed in the food index to the negative pass-through from higher logistics and haulage costs. For context, the transport inflation, which has a correlation of c.75% with food inflation, touched a 7-month high of 15.37%, reflecting a higher AGO price (+140 y/y) and higher than normal PMS pump prices across the country due to the recent fuel scarcity.

On the flip side, while core inflation moderated by 10bps in the review period (March), the drivers remain unclear as noticeable price pressures were recorded in 90.2% of the core inflation subcomponents. In fact, elevated energy prices – the main driver of core inflation in the preceding month – remained unabated as the Russia-Ukraine war continued. These elevated energy prices were largely reflected in the HWEGF – the largest component of the core index which was up by 50bps.

The stage seems set for further inflationary pressures in April due to festive induced demand and persisting rise in energy prices. On the former, we think that food prices will increase due to the pent up demand associated with the Easter festival amidst low domestic food production occasioned by the planting season. On the latter, pressure will likely resurface in the core index as energy prices remain relatively high.

Headline, Food and Core Inflation (%)



Source: NBS, CSL Research

MARKET UPDATE

	1 year	31-Dec-21	1 day
NSE - Index*	38,571.89	42,716.44	47,510.38
Naira/ US\$	410.50	435.00	417.50
Brent, US\$/bbl	66.94	77.78	113.16
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

Imported vehicles: Dealers threaten shutdown over 15% levy: As controversy continues to surround the introduction of 15 per cent National Automobile Commission levy imposed on imported used vehicles by the Nigeria Customs Service, car dealers have threatened to close their stores this week. The NCS had recently introduced a 15 per cent National Automobile Commission levy on used imported vehicles, a decision which didn't go down well with clearing agents in the country's maritime sector. The agents argued that the NAC levy is mostly meant for new vehicles, questioning the rationale behind the introduction of the duty on used vehicles. In a quick response, the service, in a statement by the National Public Relations Officer, Timi Bomodi, said the move was in compliance with the Economic Community of West Africa Common External Tariff. Source: punchng.com

<https://punchng.com/imported-vehicles-dealers-threaten-shutdown-over-15-levy/>

Paris Club: States write FG, kick against \$418m deduction: State governments have asked the Federal Government to refrain from deducting from funds accruing to them and all local government councils as liquidation for the alleged \$418 million London/Paris Club loan refund-related judgment debts. The governors stated this in a letter dated April 4 in response to a November 11, 2021 letter from the minister of finance, budget, and national planning, advertising the commencement of the deduction for the liquidation of the alleged judgment debts. In March, the attorneys-general of the 36 states appealed a judgment that dismissed a suit seeking to restrain the federal government from effecting the planned deduction of \$418 million from states' funds. Source: punchng.com

<https://punchng.com/paris-club-states-write-fg-kick-against-418m-deduction/>

Domestic borrowing threatens Nigeria's economic stability, says IMF: The International Monetary Fund has warned that increasing levels of domestic government borrowing from banks in Nigeria and other emerging markets could threaten the country's financial stability. According to the IMF, the pandemic has increased the amount of government debt emerging-market banks are holding, which could increase the pressures on public-sector finances, and threatening financial stability in the process. The Washington-based lender disclosed this in a report titled, 'Emerging-Market Banks' Government Debt Holdings Pose Financial Stability Risks.' It added that authorities should act to minimise the risk.

Source: punchng.com

<https://punchng.com/domestic-borrowing-threatens-nigerias-economic-stability-says-imf/>

Inflation: Adjust Policies to Boost Supply, World Bank Tells Nigeria, Others: The President of the World Bank Group, David Malpass has lamented the impact of rising food and energy costs across the world, urging Nigeria and other developing countries to adjust policies to boost supply. Higher food prices pushed inflation in Nigeria to 15.92 per cent in March, the highest in five months. In an address he presented at the ongoing 2022 IMF/World Bank Spring Meetings which opened in Washington DC, United States of America yesterday, Malpass said he was deeply concerned about developing countries, adding that they were facing sudden price increases for energy, fertiliser, and food, and the likelihood of interest rate increases. Source: [thisdaylive.com](https://www.thisdaylive.com)

<https://www.thisdaylive.com/index.php/2022/04/19/inflation-adjust-policies-to-boost-supply-world-bank-tells-nigeria-others/>

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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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