

Inflation

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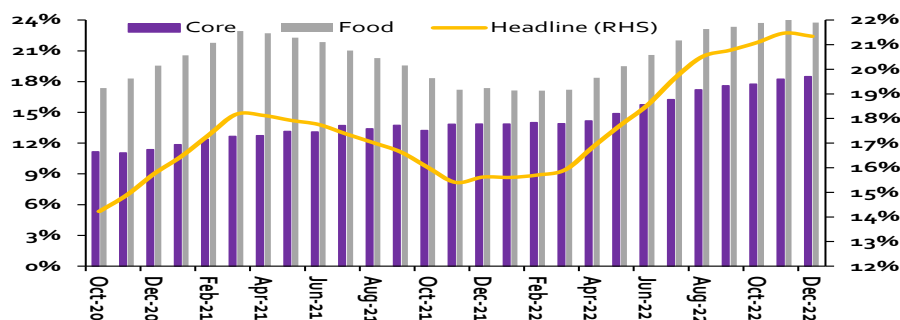
Headline Inflation moderates in December to 21.34%

Contrary to popular expectation, the headline Inflation number for December 2022 moderated to 21.34%, 12bps lower than 21.47% recorded in November 2022. Month-on-month, headline inflation retained its year end upbeat, up 32bps to 1.71% in December from 1.39% in November and 1.24% in October 2022. The numbers were largely driven by the impact of yuletide spending amid disruption in local food supply (caused by widespread insecurity and flooding), imported inflation (triggered by disruption in global supply chain), and local currency depreciation. The moderation in headline inflation was driven by 37bps decline in food inflation.

Food inflation, though, still high, slowed to 23.75% in December from 24.13% in November 2022. On a month-on-month basis, the food basket grew higher by 1.89% compared to 1.40% in November and 1.23% in October. According to the Nigerian Bureau of Statistics (NBS), the increase was attributed to increase in prices of some food items like oil and fat, fish, potatoes & tubers, bread & cereals, and fruits etc. The FAO Food Price Index (FFPI) averaged 132.4 points in December 2022, down 2.6 points (1.9%) from November, marking the ninth consecutive monthly decline and 1.3 points (1.0%) below its value a year ago. The decline in the index in December was driven by a steep drop in the international prices of vegetable oils, alongside declines in cereal and meat prices, but partially counterbalanced by moderate increases in those of sugar and dairy.

On the other hand, core inflation rose by 25bps to 18.49% in December from 18.24% in November. Month-on-month, the core basket grew slower by 1.33% in December from 1.67% recorded in November and 0.93% in October. The highest increases were recorded in prices of Gas, Liquid fuel, Passenger transport by Air, Vehicles spare parts, Fuels and lubricants for personal transport equipment, Solid fuel etc. Looking ahead, we expect. We expect headline inflation to moderate slightly, largely due to base effect particularly from the Month of February 2022.

Headline, Food and Core Inflation (%)



Source: CSL Research, CBN

MARKET UPDATE

	1 year	30-Dec-22	1 day
NSE - Index*	44,399.66	51,251.06	52,348.82
Naira / US\$	416.33	461.50	461.50
Brent, US\$/bbl	86.48	85.91	84.46
MPR %	11.50	16.50	16.50

Source: NGX Exchange, Central Bank of Nigeria, Bloomberg. *NGX Exchange All-Share Index.

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News headlines:

CBN injects \$15.3bn to stabilise naira: – The Central Bank of Nigeria injected \$15.3bn into the economy to stabilise the value of the naira from January to October, 2022. This was obtained in the banking sector regulator's monthly and quarterly economic reports on foreign exchange market developments. The reports noted that \$4.86bn, \$4.81bn and \$4.18bn were injected into the economy during the first, second and third quarters, respectively, while \$1.46bn was injected in October. The CBN stated, "Total foreign exchange sales to authorised dealers by the bank, at \$4.86bn, decreased by 5.8 per cent, compared with the previous quarter's level. "Disaggregation shows that foreign exchange sales at interbank/invisibles and SMIS windows declined by 16.9 per cent and 10.8 per cent to \$0.46bn and \$1.79bn, respectively, relative to the levels in the preceding quarter. ... Source : Punchng.com <https://punchng.com/cbn-injects-15-3bn-to-stabilise-naira/>

Increased Spending, Energy, Production Costs Drive Inflation to 21.34%: The Consumer Price Index (CPI) which measures the rate of change in prices of goods and commodities increased by 5.72 per cent to 21.34 per cent year on year in December compared to 15.63 per cent in December 2021, the National Bureau of Statistics (NBS) stated yesterday. Month-on-month inflation also rose to 1.71 per cent in the review period compared to 1.39 per cent in November. According to the CPI figures for December, month-on-month inflation may have been caused by a sharp increase in demand usually experienced during the festive season, as well as an increase in the cost of production including increase in energy, transportation costs, and exchange rate depreciation among others..... Source: thisdaylive.com <https://www.thisdaylive.com/index.php/2023/01/17/increased-spending-energy-production-costs-drive-inflation-to-21-34-2/>

CBN: DSS to quiz bank CEOs over FX allocations since 2017: The Department of State Services (DSS) has opened wide-ranging investigations into foreign exchange received and their subsequent allocation to customers by each deposit money bank in the country and the involvement of the Central Bank of Nigeria. The investigation comes at a time of increasing searchlight on the governor of the apex bank Godwin Emefiele who continues to be overseas after reports that he will be arrested by the secret police in connection with allegations of funding terrorism. According to our reporters, the bank CEOs have been given a deadline of Wednesday January 18, 2023, to provide detail information about the privileged individuals and companies that have been given foreign exchange allocations since 2017. [businessday.ng. <https://businessday.ng/news/article/cbn-dss-to-quiz-bank-ceos-over-fx-allocations-since-2017/>](https://businessday.ng/news/article/cbn-dss-to-quiz-bank-ceos-over-fx-allocations-since-2017/)

Emefiele, DSS's running battle paused as CBN gov resumes: The battle between the Governor of the Central Bank of Nigeria, Godwin Emefiele, and the Department of State Services over a plan to arrest the CBN governor may have been put on hold as Emefiele resumes duty. The CBN governor on Monday resumed office at the CBN headquarters, after spending several weeks in the United Kingdom and the United States following reported plots by the DSS to arrest him. In a statement by the CBN Director of Corporate Communications, Mr Osita Nwanisobi, the apex bank said the governor had resumed to work, amid concerns over his absence since last month. The statement read, "The Governor, Central Bank of Nigeria, Mr Godwin Emefiele, has resumed duty after his annual vacation abroad..... Source: punchng.com <https://punchng.com/emefiele-dsss-running-battle-paused-as-cbn-gov-resumes/>

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% distribution	49%	29%	14%	9%	
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% distribution	0%	50%	50%	0%	

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