

## Inflation

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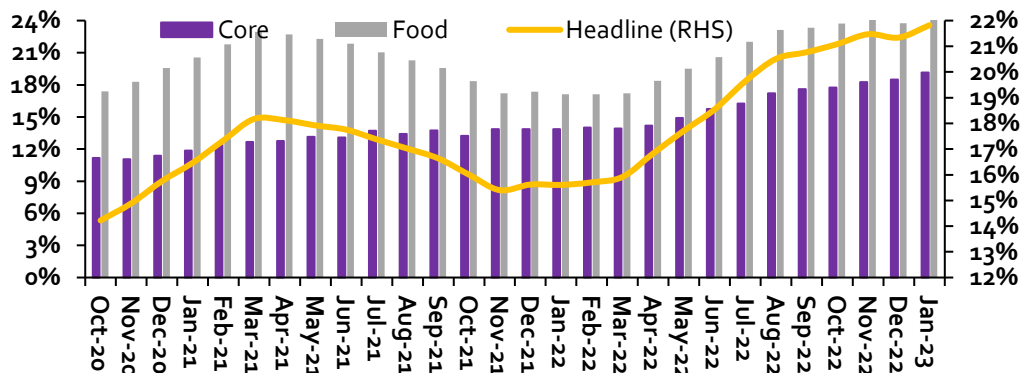
### Headline Inflation surges to a new 17-year high of 21.82% in January

The Headline inflation rate resumed its upward trend in January surging to a new 17-year high of 21.82% which is 48bps higher than the 21.34% recorded in December 2022. On a Month-on-month, headline inflation remained upbeat, up 16bps to 1.87% in January from 1.71 in December 2022. These numbers were largely driven by disruption in local food supply (caused by widespread insecurity and flooding), high energy cost, imported inflation (triggered by disruption in global supply chain and Naira depreciation), and increase in the cost of production which is passed on to end consumers.

Food inflation increased to 24.32% in January from 23.75% in December 2022. On a month-on-month basis, the food basket grew higher by 2.08% compared to 1.89% in November and 1.40% in October. According to the Nigerian Bureau of Statistics (NBS), the increase was attributed to an increase in the prices of some food items like bread & cereals, fish, oil and fat, potatoes & tubers, and fruits, etc. However, we believe the increase in food prices could be attributed to the pass-through effect of the increase in logistics and haulage cost as the country continues to grapple with persistent petrol scarcity and heightened insecurity.

Core inflation was up 25bps to 19.16% in January from 18.49% in December. Month-on-month, the core basket grew by 1.82% in January from 1.33% recorded in December and 1.67% in November. 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, despite the aggressive monetary policy approach by the CBN to curtail spiking inflation numbers, we expect the upward trend in the headline inflation to persist albeit at a moderate level, as the country's inflation numbers remain supply driven. Also, we envisage that increased election spending will influence February inflation numbers as we fast approach the 2023 general elections.

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



Source: CSL Research, NBS

### MARKET UPDATE

	1 year	30-Dec-22	1 day
NSE - Index*	47,109.25	51,251.06	54,507.66
Naira / US\$	416.50	461.50	461.50
Brent, US\$/bbl	94.81	85.91	85.38
MPR %	11.50	16.50	17.50

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

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## News headlines:

**Buhari Directs CBN to Release Old N200 Note into Circulation Till April 10:** President Muhammadu Buhari has directed the Central Bank of Nigeria (CBN) to release into circulation the old N200 note as legal tender up till April 10, 2023. In a national broadcast on Thursday morning on the challenges of the currency swap and state of the nation, the president said he was giving the directive to ease the new notes supply among the citizenry. He said: "To further ease the supply pressures particularly to our citizens, I have given approval to the CBN that the old N200 bank notes be released back into circulation and that it should also be allowed to circulate as legal tender with the new N200, N500, and N1,000 banknotes for 60 days from February 10, 2023 to April 10, 2023 when the old N200 notes ceases to be legal tender. Source: thisdaylive.com

<https://www.thisdaylive.com/index.php/2023/02/16/buhari-directs-cbn-to-release-old-n200-note-into-circulation-till-april-10/>

**New naira scarcity may worsen consumer spending – Fitch:** Fitch Ratings, a global rating agency, has said that the demonetisation drive by the Central Bank of Nigeria will likely be disruptive soon with a cash shortage that may affect consumer spending and boost the demand for foreign exchange. It said this in its report titled 'Nigeria's economic challenges highlight importance of post-election policies'. It also said that the Supreme Court's suspension of the February 10 deadline will temporarily ease the risk of intense cash shortages. The rating agency said, "The Nigerian Supreme Court's suspension of a 10 February deadline for exchanging old banknotes into new eases, at least temporarily, the risk of intensifying cash shortages. However, the demonetisation drive is still likely to be disruptive in the near term. Source: Punchng.com

<https://punchng.com/new-naira-scarcity-may-worsen-consumer-spending-fitch/>

**CBN opens portal for deposit of old naira notes:** The Central Bank of Nigeria, CBN has opened a portal for Nigerians to deposit the old Naira notes by filling up forms. This development comes after the adjournment of the case on the legality of the February 10, 2023 deadline for the Naira Swap to February 22 by the Supreme Court. The Supreme Court adjourned the case till February 22, 2023, and ordered that the old Naira notes remain legal tender until it sits next week Wednesday. Meanwhile, the portal for depositing old Naira notes has opened up on the Central Bank's official website. On the portal, which is on [cbn.gov.ng](http://cbn.gov.ng), depositors are required to fill in their bank details, address, the amount to be deposited as well as the denominations to be deposited, after which a reference number is generated. Source: vanguardngr.com

<https://www.vanguardngr.com/2023/02/cbn-opens-portal-for-deposit-of-old-naira-notes/>

**FEC okays cargo e-tracking to curb revenue leakage:** The Federal Executive Council, on Wednesday, approved the installation of Electronic Cargo Tracking Notes for seaports nationwide. It said the ECTN would tackle several challenges, such as the under-declaration, concealment, and wrong classification of cargos, which are "the primary causes of revenue leakages, insecurity and safety issues at the borders." The Minister of Transportation, Mu'azu Sambo, disclosed this while briefing State House correspondents after the weekly Federal Executive Council meeting presided over by the President, Major General Muhammadu Buhari (retd.), at the Aso Rock Villa, Abuja. Sambo said the scheme, which is already operational in 26 African countries, would plug revenue leaks and is expected to generate between \$90m-\$235m annually for the FG. Source: Punchng.com

<https://punchng.com/fec-okays-cargo-e-tracking-to-curb-revenue-leakage/>

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

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