

## Inflation

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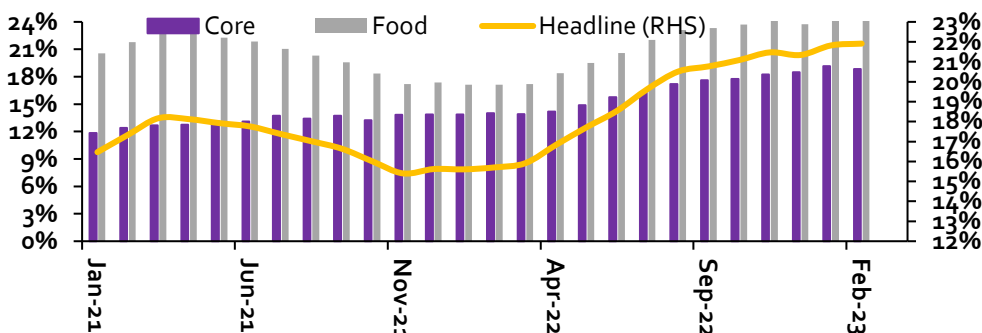
### Headline Inflation increases to 21.91% in February.

Headline inflation continued its upward trend in February albeit at a moderate level. Headline inflation increased to 21.91% which is 9bps higher than the 21.82% recorded in January. On a Month-on-month basis, headline inflation was down 16bps to 1.71% in February from 1.87% in January. Headline inflation numbers were largely driven by high energy costs, imported inflation (triggered by disruption in the global supply chain and Naira depreciation), and an increase in the cost of production which is passed on to end consumers. We believe the recent Naira scarcity must have increased price pressures in February. Central Bank of Nigeria (CBN) Governor Godwin Emefiele has maintained a hawkish stance to stem inflation. The CBN hiked its key interest rate to 17.5% in January, a 600bps rate hike since May 2022.

Food inflation, a major driver of headline inflation, increased to 24.35% in February from 24.32% in January. On a month-on-month basis, the food basket was down to 1.90% compared to 2.08% in January. According to the Nigerian Bureau of Statistics (NBS), the y/y increase was attributed to an increase in the prices of some food items like Oil and Fat, Bread and Cereals, Potatoes, Yam and Other Tubers, Fish, Fruits, Meat, Vegetable, etc. We believe the ease in fuel scarcity and the persistence of the cash crunch could be attributed to the moderation in food prices.

Core inflation was down by 32bps to 18.84% in February from 19.16% in January. Month-on-month, the core basket grew slower by 1.06% in February from 1.82% recorded in January and 1.33% in December. The highest increases were recorded in prices of Gas, Passenger Transport by Air, Liquid Fuel, Fuels, and Lubricants for Personal Transport Equipment, Vehicles Spare Parts, Solid Fuel, etc. We note that the month-on-month decline in inflation numbers could be attributed to the ease in fuel scarcity and the Naira scarcity which slowed down economic activities, impacting demand for goods and services. Looking ahead, we project inflation will begin to moderate in the second half of the year, largely due to base effect, especially in H2-2023. Nevertheless, we still expect some price triggers.

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



Source: CSL Research, NBS

### MARKET UPDATE

	1 year	30-Dec-22	1 day
NSE - Index*	47,364.46	51,251.06	55,490.20
Naira / US\$	416.50	461.50	461.09
Brent, US\$/bbl	98.02	85.91	73.69
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:

**Fuel consumption hits 80million litres daily, subsidy skyrockets:** The consumption of Premium Motor Spirit, popularly called petrol, has risen to about 80 million litres daily, pushing up subsidy on the commodity to an estimated N484bn monthly, going by latest figures from the Nigerian National Petroleum Company Limited. An analysis of PMS weekly evacuation/dispatch data from March 4 – 10, 2023, obtained from NNPC on Wednesday, indicated that a total of 558.83 million litres of petrol was evacuated during the period, translating to an average daily consumption of 79.83 million litres. Around mid-last month, the Group Chief Executive, NNPC, Mele Kyari, said about 66 million litres of petrol was pumped daily into the market by the oil firm, as the company was spending about N202 on every litre of PMS consumed across the country. Source: Punchng.com

<https://punchng.com/fuel-consumption-hits-80million-litres-daily-subsidy-skyrockets/>

**Ahmed: FG to Abolish Petrol Subsidy Before May 29, Attributes Delay to 2023 Elections, Census:** Minister of Finance, Budget and National Planning, Mrs. Zainab Ahmed, has said the federal government would remove the controversial petrol subsidy before the end of President Muhammadu Buhari's tenure on May 29, 2023. Ahmed attributed the delay in removal of the subsidy, as provided for in the Petroleum Industry Act (PIA) 2021, to the 2023 general election and the forthcoming national population census. The minister, according to the Voice of Nigeria (VON), spoke during a courtesy visit to the headquarters of VON in Abuja. But the federal government, yesterday, disclosed that no conclusion had been reached on how to mitigate the effect of the proposed fuel subsidy removal on the citizens. Source: Thisdaylive.com

<https://www.thisdaylive.com/index.php/2023/03/16/ahmed-fg-to-abolish-petrol-subsidy-before-may-29-attributes-delay-to-2023-elections-census/>

**No agreement with Govs on fuel subsidy palliatives – FG:** The Federal Government, on Wednesday, said it has yet to harmonise efforts with states to set up palliative measures ahead of the June 2023 deadline for the discontinuation of petrol subsidy set up. It, however, said concerned committees would soon conclude discussions with key stakeholders as the administration winds down. The Minister of State for Budget and National Planning, Clem Agba, revealed this to State House Correspondents shortly after this week's Federal Executive Council meeting, which was presided over by the President, Major General Muhammadu Buhari. The Minister revealed this to State House Correspondents shortly after this week's Federal Executive Council meeting, which was presided over by the President, Major General Muhammadu Buhari. Source: Punchng.com

<https://punchng.com/no-agreement-with-govs-on-fuel-subsidy-palliatives-fg/>

**Cash still scarce as banks await CBN supply:** Nigerians who believed that cash crunch had ended following the directive from the Central Bank of Nigeria (CBN) were disappointed on Tuesday as commercial banks rationed banknotes, waiting for more supply from the apex bank. The CBN had on Monday said the old naira notes remain legal tender until December 31, 2023. This came after the presidency issued a statement on the same day, saying the apex bank had no reason not to obey the Supreme Court ruling on naira redesign. On Tuesday, many Nigerians rushed to the banks to withdraw their money after the CBN ordered banks to dispense the old notes, in compliance with the Supreme Court's ruling. Source: businessday.ng

<https://businessday.ng/business-economy/article/cash-still-scarce-as-banks-await-cbn-supply/>

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% distribution	49%	29%	14%	9%	
Investment banking clients	0	1	1	0	2
% distribution	0%	50%	50%	0%	

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