

Inflation

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Headline Inflation reached 18-Year High of 22.22% in April.

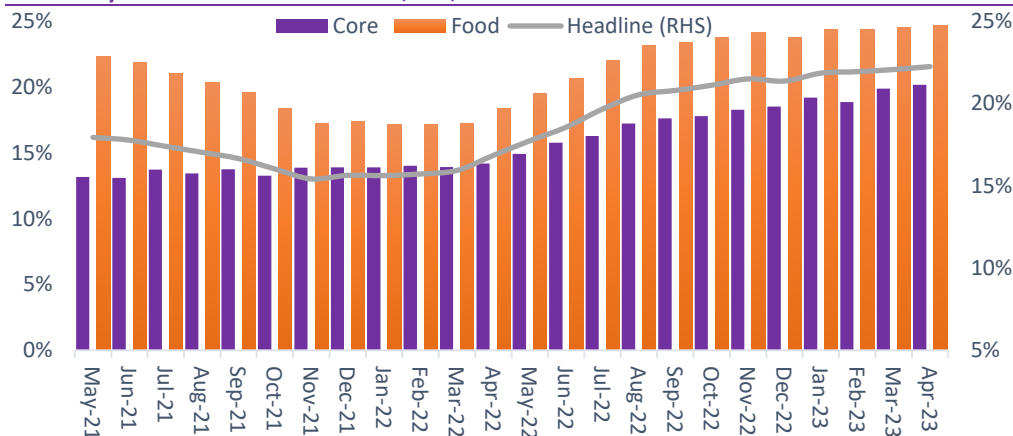
Headline inflation maintained its upward trend in April albeit at a moderate pace, increasing to 22.22%, which is 18bps higher than the 22.04% recorded in March. Month-on-month, headline inflation was up by 18bps to 1.91% in April from 1.86% in March and was up by 539bps compared to the rate recorded in April 2022 which was 16.83%. Headline inflation numbers were driven by an increase in both food and core inflation. The Central Bank of Nigeria (CBN) has maintained a hawkish stance to stem inflation, but the numbers remain sticky. The CBN hiked its key interest rate to 18% in March, a cumulative 650bps rate hike since May 2022 in response to the continued price pressures and a weakening Naira.

Food inflation, a major driver of headline inflation, increased to 24.61% in April from 24.45% in March. On a month-on-month basis, the food basket grew to 2.13% compared to 2.07% in March. According to the Nigerian Bureau of Statistics (NBS), the rise in food inflation was attributed to an increase in prices of staples like oil and fat, bread and cereals, potatoes, yam and other tubers, fish, fruits, meat, vegetables, and spirits.

Core inflation, which excludes the prices of volatile agricultural produce crossed a 20% threshold for the first time since May 2004, rose by 28bps to 20.14% in April from 19.86% in March. Month-on-month, the core basket grew by 1.46% in April compared with 1.84% recorded in March. The highest increases were recorded in the prices of gas, passenger transport by air, liquid fuel, fuels, and lubricants for personal transport equipment, vehicles spare parts, solid fuel, etc.

Looking ahead, we retain our view that inflation may start to moderate in the second half of the year largely due to base effect and the commencement of the harvest season later in the second half of year. That said, we still have our eyes on some possible price triggers such as the elimination of petrol subsidies.

Headline, Food and Core Inflation (L2Y)



Source: NBS, CSL Research

MARKET UPDATE

Indicators	1 year	30-Dec-22	1 day
NSE - Index*	52,944.65	51,251.06	52,231.29
Naira / US\$	415.75	461.50	464
Brent, US\$/bbl	114.24	85.91	75.23
MPR %	13.00	16.50	18.00

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

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News headlines:

FG spends N13tn on subsidy, sets removal guidelines: The Federal Government, on Monday, said it was developing a comprehensive guide for the incoming administration of Bola Tinubu, on how to manage the removal of subsidy on Premium Motor Spirit, popularly called petrol. It also insisted that the regime of the outgoing President, Major General Muhammadu Buhari (retd.), had done excellently well in the management of fuel subsidy, despite revealing that Nigeria spent over N13tn subsidising PMS between 2005 and 2021. A new government to be headed by the President-elect, Bola Tinubu, is to be inaugurated on May 29, 2023. Speaking at the unveiling of the 2022-2026 Strategic Plan of the Nigeria Extractive Industries Transparency Initiative, . Source:punchng.com <https://punchng.com/fg-spends-n13tn-on-subsidy-sets-removal-guidelines/>

\$800m Loan: W'Bank Clears Air, Says Decision to Draw Down Facility Rests with Incoming Govt: Following the controversy surrounding President Muhammadu Buhari's recent request for the National Assembly to approve an \$800 million World Bank facility, the multilateral institution yesterday clarified that the loan request was not a fresh one, adding that the decision to withdraw the facility would rest with the incoming government. The Country Director of the World Bank in Nigeria, Mr. Shubham Chaudhuri, who said this during an exclusive interview with THISDAY, explained that securing the National Assembly's approval would make it easy for the incoming government to easily deploy palliatives if it decides to phase out the country's controversial fuel subsidy policy. Source: thisdaylive.com <https://www.thisdaylive.com/index.php/2023/05/16/800m-loan-wbank-clears-air-says-decision-to-draw-down-facility-rests-with-incoming-govt/>

FG: \$1.3bn Zungeru Hydroelectric Plant Completed, Ready for Inauguration: The Minister of Power, Abubakar Aliyu, has revealed that the 700 megawatts Zungeru Hydroelectric power project has been completed, stressing that the facility will be able to send power to the Transmission Company of Nigeria (TCN) soon. THISDAY learnt that the project worth over \$1.3 billion, is being constructed by CNEEC and SINOHYDRO in Niger state, Nigeria. It is said to be the second-largest hydroelectric power project in the country behind the 760 megawatts (1,020,000 hp) Kainji hydroelectric power project. The minister, who spoke while on inspection visit of the project in the company of members of the Senate committee on Power chaired by Senator Gabriel Suswam and the governor of Niger state, Abubakar Sani Bello, pointed out that all the turbines had been tested and plans were being concluded for the official launch of the project. Source: thisdaylive.com <https://www.thisdaylive.com/index.php/2023/05/16/fg-1-3bn-zungeru-hydroelectric-plant-completed-ready-for-inauguration/>

Nigeria's N12.1trn 2023 Budget Deficit May Widen as Oil Production Shrinks by 58m Barrels in Four Months: Nigeria's already high budget deficit of N12.1 trillion may widen in 2023, following the country's underproduction of crude oil to the tune of 58 million barrels in the first four months of this year, THISDAY analysis of data from the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) has shown. While the country has a benchmark oil production of 1.69 million bpd for the year, Nigeria has barely managed to produce 70 per cent of that figure between January and April. A review of the data indicated that while Nigeria was supposed to produce an average of 202.8 million barrels for the period under consideration, going by the budget projection. Source : thisdaylive.com <https://www.thisdaylive.com/index.php/2023/05/16/nigerias-n12-1trn-2023-budget-deficit-may-widen-as-oil-production-shrinks-by-58m-barrels-in-four-months/>

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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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