

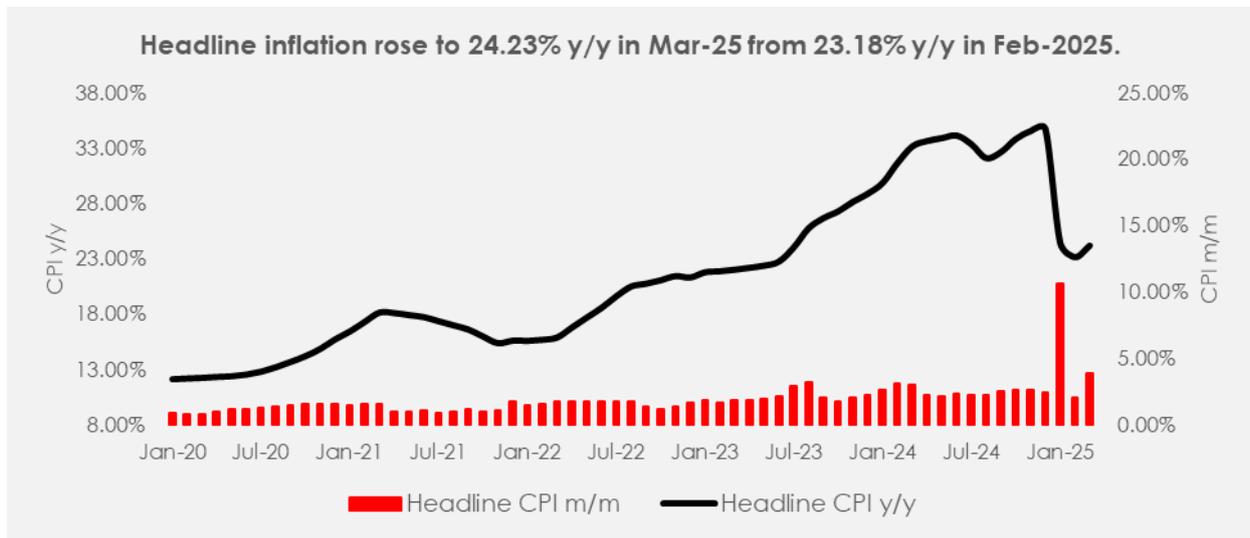
Economic Note

Headline Inflation Printed at 24.23% y/ y in March 2025

	Jan-25	Feb-25	Mar-25
Headline Inflation	24.48%	23.18%	24.23%
Food Inflation	26.08%	23.51%	21.79%
Core Inflation	22.59%	23.01%	24.43%
Urban Inflation	26.09%	25.15%	26.12%
Rural Inflation	22.15%	19.89%	20.89%

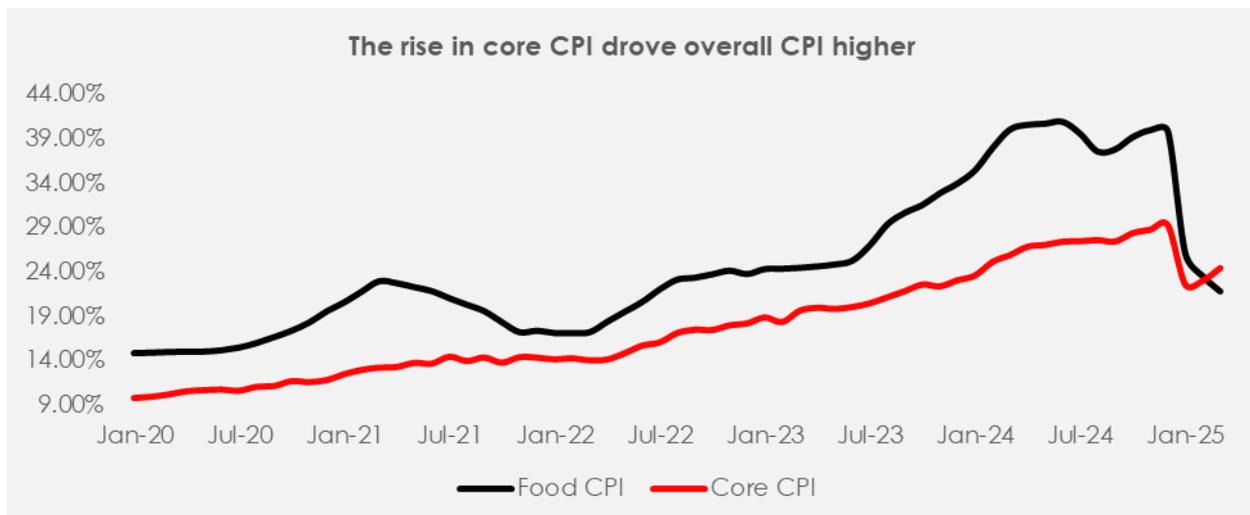
Source: NBS, United Capital Research

March 2025 saw an increase in the general price level, as reflected in the Consumer Price Index (CPI) report. The inflation rate rose to 24.23% year-on-year (y/y), up from 23.18% in February 2025 (a 1.1 percentage point or 105 basis points increase). Similarly, March's month-on-month (m/m) CPI saw a 190bps increase, pushing the m/m inflation rate to 3.90% from 2.04% recorded in February.



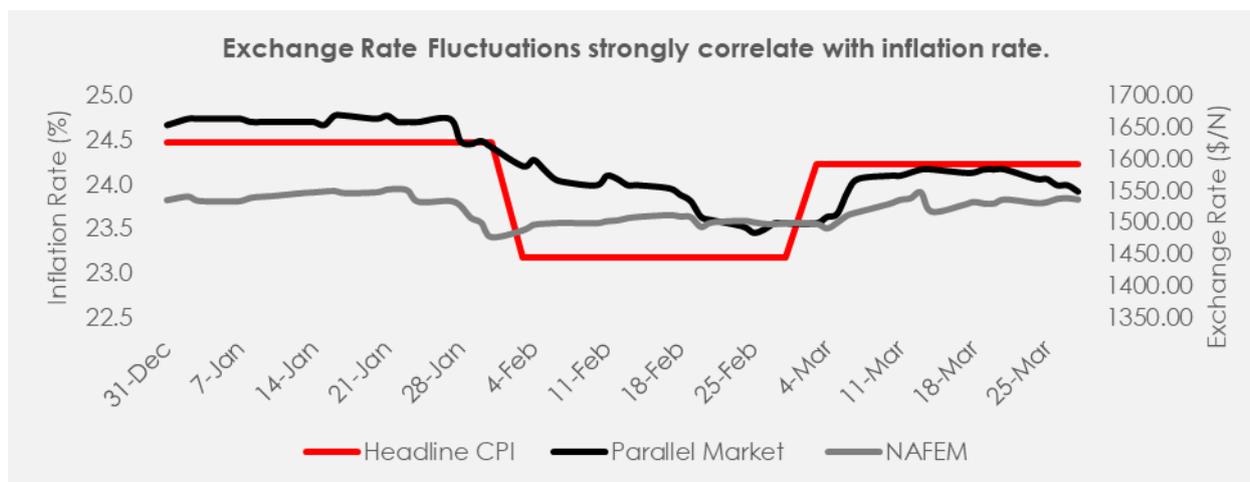
Source: NBS, United Capital Research

March 2025 witnessed a notable reduction in food inflation. The y/y rate decreased to 21.79%, 172bps from February's 23.51%. This reduction stemmed from lower prices for staples such as Ginger, Garri, Honey and Potatoes. However, m/m food inflation slipped to 2.18%, representing a 50bps increase from the previous month's 1.67% reading.



Source: NBS, United Capital Research

Importantly, the core inflation sub-component, excluding the volatile food produce and energy, read at 24.43% in Mar-2025 y/y rising by 143bps from the 23.01% recorded in Feb-2024. On a m/m basis, the Core Inflation rate was 3.37% in Mar-2025, indicating a 121bps increased from the 2.52% recorded in Feb-2025.



Source: NBS, United Capital Research.

In March 2025, Naira experienced substantial depreciation, primarily driven by strong demand at the NAFEM window as foreign portfolio investors divested their Naira holdings. This resulted in a 4.67% m/m depreciation to N1,570.00/\$ in the parallel market and a 2.15% m/m depreciation to N1,532.39/\$ in the NAFEM market. This contributed to core CPI given the evident pass-through effect of currency value on prices.

Inflation Outlook for Apr-2025: Inflationary Pressures to Moderate.

We expect the inflation rate to moderate in April. This is hinged on the government's re-implementation of the Naira for crude initiative in April, the Dangote Refinery has reduced its pump price. Initially lowered to N880 per liter, it was subsequently reduced further to N865 per liter. In a continued effort to make refined products more affordable, the Dangote Refinery has now cut its ex-depot price to N835 per liter. This latest adjustment represents a N30 decrease from the previous N865 per liter, a reduction of 3.5%. These reductions will reflect on April's inflation numbers.

On the flip side, we expect the weak performance of Naira to continue to impact on inflation. The foreign exchange market is expected to experience continued volatility. In the official FX window, we anticipate the currency to trade within the N1,400/\$ – N1,750/\$ range, while parallel market rates may hover between N1,550/\$ – N1,800/\$. This instability will continue to impact core inflationary pressures in the near term. Another downside risk is the uncertainty about the CBN's capacity to sustain adequate FX liquidity. The CBN defended the Naira with \$668.80mn in FX interventions in Q1-2025. Following the US government's announcement of 14.00% tariffs on Nigeria (now a baseline 10.00% tariff), the CBN has sold >\$321.0mn to defend the Naira. Nonetheless, the ~\$38.00bn constitutes 9months of import cover, a healthy level.

However, we expect inflationary pressures to be eased by the high-base effect, and lower petrol prices. The CBN's monetary policy stance will also be crucial in shaping inflationary trends going forward.

Monetary Policy Committee to HOLD Interest Rates

The Central Bank of Nigeria (CBN)'s ongoing commitment to orthodox monetary policy in tackling inflation is evident. Mindful of potential surges in global inflationary pressure arising from fluctuations in global oil prices, exchange rate volatility, global monetary policy trends, and the possibility of a global tariff war, the CBN's data-driven Monetary Policy Committee (MPC) is expected to HOLD the Monetary Policy Rate (MPR) at its May 19th-20th meeting, citing the increased uncertainty surrounding the future inflation outlook.

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