

INFLATION WATCH



A SLOWER PACE FOR FEBRUARY'S VALENTINE

Nigeria's inflation for February 2023 rose to 21.91% Y-o-Y (Est. +21.80%), an increase of c.0.09% from 21.82% Y-o-Y recorded in January 2023. However, the headline inflation slipped to 1.71% M-o-M in February 2023 vs 1.87% recorded in January 2023. Food inflation marginally increased to 24.35% from 24.32% recorded in January 2023 while core inflation, which strips out the cost of food and energy, moderated to 18.84% in February, compared with 19.16% in January 2023.

Please see below, a summary of February 2023 Inflation report:

- On a monthly basis, the headline index grew by 1.71% in February (vs 1.87% in January)
- The core index grew by 1.06% M-o-M in February vs. 1.82% in January, while the food sub-index grew by 1.90% M-o-M compared to 2.08% in January.
- The urban inflation rate rose to 22.78% Y-o-Y (vs 22.55% Y-o-Y in January 2023).
- The rural inflation rate also climbed to 21.10% Y-o-Y (vs 20.13% Y-o-Y in January 2023).

While the fundamental drivers remain in the picture, the perceived slowdown in the pace of inflation (0.09% vs the previous rate of 0.47%) can be attributed to the decline in demand associated with the resigned naira, coupled with the reduced activity linked to the election period. We expect the inflation rate to experience a similar pace in the coming month, due to expectations of increased spending tied to the circulation of the old and redesigned currency notes. The impact of the flood should also continue to phase off in the coming month. Finally, we envisage the Monetary Policy Committee raising the MPR by another 50 - 100 basis points on March 21, 2023.

Thank you.

