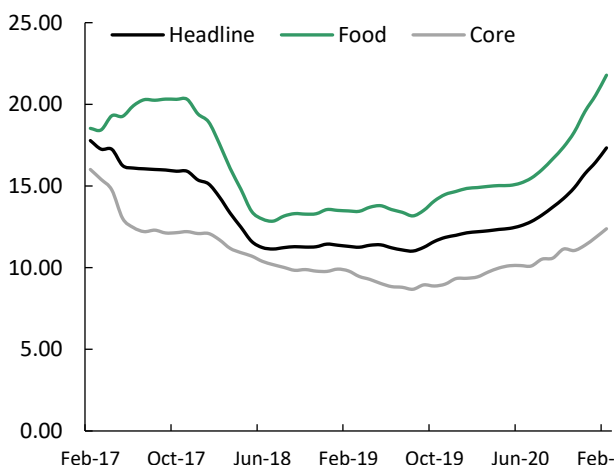


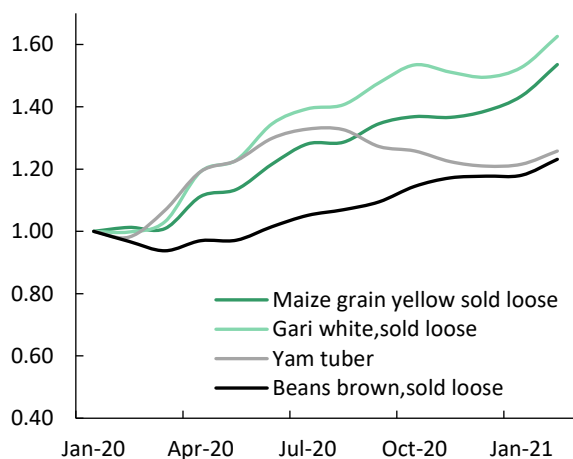
“Headline inflation for the month of March 2021 is expected at 18.30%YoY (vs 17.33%YoY reported in February 2021).”

Chart 1: Inflation Series (Feb. 2017 – Feb 2021)



Source: NBS, Meristem Research

Chart 2: Price Trend of Selected Food Items (Jan



Source: NBS, Meristem Research

Inflation in Advanced Economies Remain Below the 2% Threshold

In March 2021, OPEC revised its expectation for oil demand for the year to 96.27 mbpd (from 96.05 mbpd), while OPEC+ maintained existing production cuts on the supply side at 7.2 million barrels per day. The decision to maintain production cuts triggered a rally in oil prices, peaking at USD69.95 during the month and settling at USD64 at the end of the month (above the previous months and well above 2020 prices). While we recognize that the higher oil prices contributed to an uptick in inflation in developed economies like the US (1.68%YoY) and UK (0.46%YoY) in February, we still expect inflation to remain below the 2% threshold in the near term.

In our view, the key risks to inflation would be the acceleration of vaccinations and the consequent reopening of economies. Nonetheless, we believe the suspension of the AstraZeneca vaccine in some European countries due to rising concerns about blood clotting diminishes the odds of hasty reopening of economies. We also note the inflationary effects of the COVID-19 relief and asset purchase programmes embarked on by governments including the Quantitative Easing Program by the U.S Fed. and the Pandemic Emergency Purchase Program (PEPP) by the European Central Bank.

NIGERIA: Inflation to Sustain the Uptrend

Following the settlement of the Shasha crises which altered the supply of food items to the South, the resumption of supplies in March was expected to suppress demand pressures. However, the security challenges including kidnapping, banditry, and herdsmen crisis in many of the food-producing states persisted. These challenges continued to elevate the supply chain bottlenecks and threaten agricultural activities in the North. The surge in international sugar prices and increased transportation costs also contributed to the hike in the prices of carbonated beverages to NGN120 from NGN100 in March 2021, putting additional pressures on consumers.

In a different vein, the rise in crude oil prices during the period led the Petroleum Products Pricing Regulatory Agency (PPPRA) to release a new pricing template for the pump price of petrol (a template reflecting the prevailing market realities). According to the template, the expected PMS Price was pegged at NGN212.61 per litre (vs the current price of NGN167.00). This triggered a momentary artificial scarcity and purchase of petrol at a premium.

In March, we expect the consumer price index to rise by 18.30% YoY.

Inflation Expectation

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