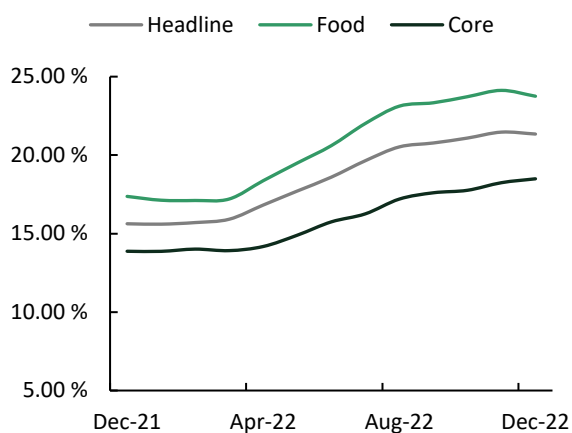


### Key Summary Statistics

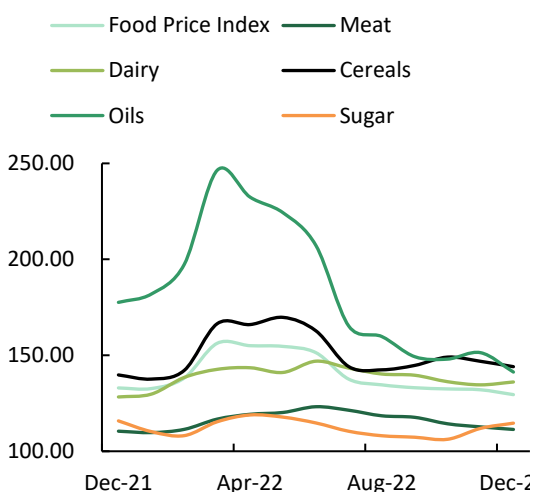
Category	Dec-2022	Nov-2022	Dec-2021
Headline inflation	21.34%	21.47%	15.63%
Food inflation	23.75%	24.13%	17.37%
Core inflation	18.49%	18.24%	13.87%
Imported Food inflation	18.35%	18.23%	17.34%

Chart 1: Trend in Headline, Food and Core Inflation



Source: NBS, Meristem Research

Chart 2: Global Food Prices



Source: FAO, Meristem Research

The National Bureau of Statistics (NBS) reported an increase in Consumer Price Index for December 2022 by 21.34% YoY (vs. 21.47% YoY in November 2022). This marks the first instance of disinflation in the last 11 months which was driven by the slower pace of increase in the food index. Food inflation rose to 23.75% YoY (vs. 24.13% YoY in November 2022) mainly driven by prices of food items such as bread, cereals, potatoes, fish, oil and fat, yam and other tubers. Conversely, the core sub-component of the index rose by 18.49% YoY (vs. 18.24% YoY in November 2022) on the back of increased cost of gas, liquid and solid fuel, vehicle spare parts, fuels and lubricants, and transportation by air. On a month-on-month basis, food inflation gained momentum, up by 1.89% MoM (vs. 1.40% MoM in November 2022), while core inflation slowed to 1.33% MoM (vs. 1.67% MoM in November 2022). In line with our expectation, we project that the Monetary Policy Committee (MPC) would sustain its hawkish stance at its upcoming meeting, albeit at a slower pace.

### ...First Disinflation in 10 months

Despite the general increase in demand usually experienced during festive season, the food index grew at a slower pace in December 2022, representing its first disinflation in 10 months. This indicates that the impact of the festive season was less severe than with other festive periods. The month-on-month increase in the food inflation rate (1.89% vs 1.40% MoM in November) in the month however reflects the persisting challenges in the agricultural value chain and price-elevating impact of the festive season. Data from the World Bank Commodity Price Data reveals that global grain prices – wheat (+2.53% YoY) and maize (+14.26% YoY), ticked up in December. In our view, this influenced the higher price recorded for food items such as bread and cereals, being major drivers of the food index.

**In the near term, we expect the moderation in food inflation to persist premised on easing demand pressure from the festive season and the early harvest of some food items such as rice, vegetables, maize, cassava, among others. However, flooding incidences across the country could negatively impact harvest, thereby increasing the supply gap.**

### Existing Challenges Keep Core Index Pressured.

Core inflation, on the other hand maintained an uptrend both on a yearly and monthly basis. Pressure arising from higher crude oil prices (USD85.91pb vs USD77.78pb in December 2021) also contributed to the upswing, influencing the direction of transportation and energy costs. This is reflected in the NBS’s reported increase in the price of Premium Motor Spirit by 20.81% YoY (to NGN202.48 per litre in November 2022). We also posit that the effect of fuel scarcity experienced in December also had a negative impact on the core index.

**We expect issues surrounding FX illiquidity, high import dependence and unresolved fuel crisis to continue to exert pressure on the core index in the near term.**

## Contact Information

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### Investment Research

[damilareajo@meristemng.com](mailto:damilareajo@meristemng.com)

(+234 816 890 2771)

[praiseihansekhien@meristemng.com](mailto:praiseihansekhien@meristemng.com)

(+234 817 007 1512)

[research@meristemng.com](mailto:research@meristemng.com)

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**Corporate websites:** [www.meristemng.com](http://www.meristemng.com) [www.meristemwealth.com](http://www.meristemwealth.com) [www.meristemregistrars.com](http://www.meristemregistrars.com)

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