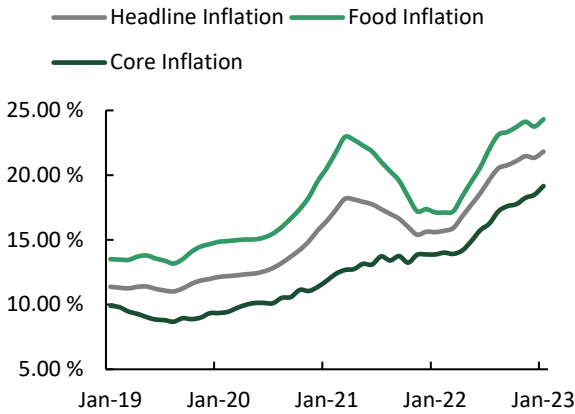


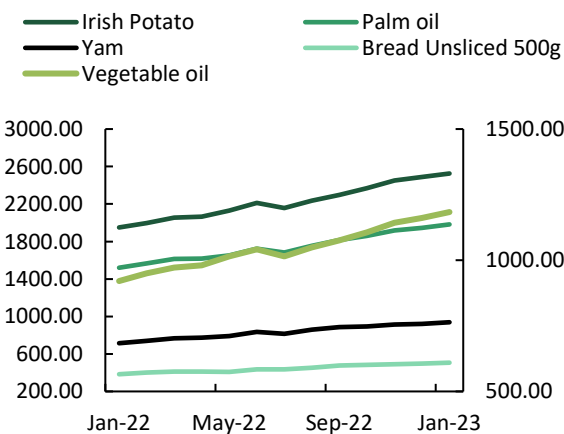
*“Headline inflation for the month of February 2023 is expected at 21.88% YoY (vs 21.82% YoY reported in December 2022).”*

**Chart 1: Inflation Series (Jan. 2019 – Jan. 2023)**



**Source:** NBS, Meristem Research

**Chart 2: Price Trend of Selected Food Items**



**Source:** NBS, Meristem Research

**Advanced Economies: Global Disinflation Remains**

Supply chain disruptions resulting from the Russian-Ukraine war have largely been reducing, resulting to a decline in energy and food prices. Average prices of Brent and WTI crude declined by 7.37% YoY and 10.53% YoY in February, marking the 2<sup>nd</sup> and 4<sup>th</sup> consecutive months of decline. Global food prices have also continued to trend downwards, as the Food and Agricultural Organization (FAO) food price index decelerated for the 11<sup>th</sup> consecutive month in January (-0.60% MoM) owing to lower prices of cereals, dairy, vegetable oils, and meat.

Economic growth in major advanced economies have also been broadly positive. In the United States, GDP expanded by 2.70% YoY in Q4:2022 (vs. 3.20% YoY in Q3:2022). Similarly, GDP growth in the United Kingdom came in at 0.00% YoY in Q4:2022 (vs. -0.20% YoY in Q3:2022). Also, output in the Eurozone grew in Q4:2022, albeit at a slower pace, by 0.01% YoY (vs. 1.90% YoY in Q3:2022). We note the resilience of these economies despite the cumulative rate hikes by the monetary authorities. PMI and unemployment statistics for advanced economies also implies that economic output is witnessing significant recovery.

While global commodity prices continue to decline, increased consumer and business confidence (reported by Organization for Economic Cooperation and Development’s Consumer Confidence and Business Confidence Indices) and the resilience of the labour market pose an upside risk to inflation. Inflation rates remain above Central bank’s 2% target, (6.40% YoY, 10.10% YoY, and 8.60% YoY in US, UK and Eurozone, respectively, as of January 2023). All things considered; we expect monetary authorities to reduce the pace of rate hikes in coming meetings. However, given the resilience of the global economy and monetary authorities’ indication of a continuous tightening cycle, we posit that the adoption of an accommodative stance is still some ways ahead.

**Nigeria: Inflation to Sustain Uptrend**

In contrast to the global economy, domestic inflation surged to 21.82% YoY in January 2023. The pass-through effect of exchange rate volatility and unavailability, as well as domestic challenges with the agricultural value chain (like poor transportation and logistics channels and inadequate infrastructure) can be clearly seen in the food index, contributing to the uptick in food inflation. Additionally, the prices of items like bread, potatoes, yam, palm oil, vegetable oil, which are among the recurrent drivers of food inflation as reported by the National Bureau of Statistics (NBS) continue to maintain an uptrend. This poses an upside risk to the food inflation for February 2023.

In the same vein, we envisage that the uptrend in core inflation will persist in February 2023. The persisting fuel scarcity as well as higher PMS pump price in January (+54.52% YoY), as reported by the NBS, will continue to exert pressure on transport cost thereby posing upside risk to the prices of food and non-food items. Additionally, the NBS’s report on the increased price of Liquefied Petroleum Gas (LPG) +25.46% YoY in January, portends a major upside risk to the core index. **Overall, we expect the consumer price index to rise by 21.88% YoY in February 2023.**

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