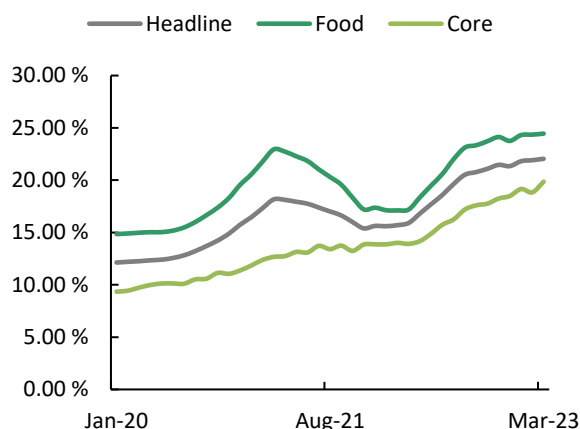


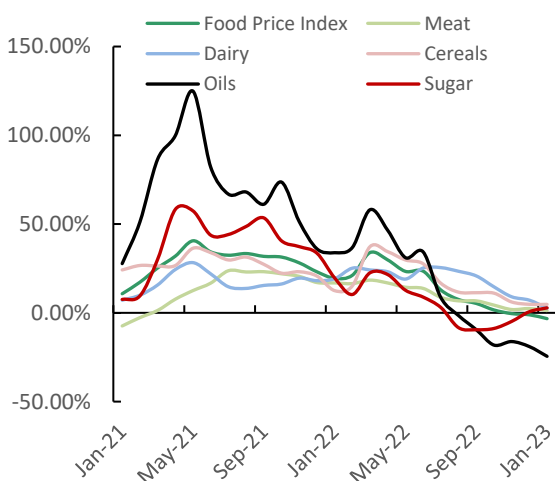
*“Headline inflation for the month of April 2023 is expected at 22.18% YoY (vs 22.04% YoY reported in March 2023).”*

**Chart 1: Trend in Inflation (Jan. 2020 – Mar 2023)**



Source: NBS, Meristem Research

**Chart 2: Movement in Global Food Price Index**



Source: FAO, Meristem Research

## Advanced Economies: A Disinflation Trend

Inflation in the advanced economies have continued to trend downwards, although remaining significantly higher than the 2% target band. For context, inflation in the US stood at 4.90% YoY (vs. 5.00% YoY in March 2023), UK's inflation came in at 10.10% YoY in March 2023 (vs. 10.40% in February 2023), while Eurostat estimates April 2023 inflation would come in at 7.00% (vs. 6.90% YoY in March 2023). Thus, top of mind for monetary authorities seems to be the need to continue keeping monetary policy hawkish. The pace of rate hikes has, however, started to decline, raising hopes of a potential dovish tilt. Specifically, the Federal Reserve, Bank of England and European Central Bank have all raised monetary policy rates by 25bps in May 2023 to 5.25%, 4.50% and 3.75%, respectively. Output growth has also taken a beating, with advanced economies recording slower growth in Q1:2023 compared to Q4:2022; US (1.10% vs 2.60%), Eurozone (1.30% vs 1.80%), and. UK (0.10% vs 0.10%). On the energy side, further to OPEC+'s commitment to keeping oil prices elevated, the Organization implemented crude oil production cut by 2.0 million barrels per day (mbpd) in May. In our opinion, this will result in increased crude oil prices in the near term and could exert pressure on inflation.

Also, global food prices, as reported by the Food and Agriculture Organization (FAO) food price index, increased by 0.61% MoM following 13 consecutive months of decline. Concerns over tighter global supply of sugar (following the downward revision of India and China's production forecasts) and supply constraints from the top exporters of meat (owing to high production costs and animal health concerns), led the price increase for both items. This in turn drove the direction of the food price index as it outweighed the decline in the prices of cereal, vegetable oils and dairy products. In our view, global food prices will remain tilted to the downside hinged on the continuation of the Black Sea Grain deal. This will allow the transportation of Ukrainian grains through European countries which was earlier restricted.

## Nigeria: Inflation to Sustain Uptrend

An upward trend in the recurrent drivers of food inflation bread (+25.85% YoY), yam (+25.30% YoY), palm oil (+29.03% YoY), potato (+25.67% YoY), among others, as reported by the NBS in the Selected Food Price watch data for March gives us reason to expect an increase in headline inflation in April. This expectation is also based on the higher demand for food items during the Easter celebration, the recent outbreak of the tomato disease in the Northern part of the country as well as the pass-through effect of higher food prices globally which pose upside risks to food inflation.

Similarly, on core inflation, we expect the trend witnessed in March to persist. According to data from the NBS, the price of Liquefied Petroleum Cooking Gas spiked by 22.03% YoY in March despite a decline in international gas prices. Our view is that the depreciation of Naira (-10.93% YoY in April to NGN463.09/USD), pipeline vandalism and increased shipping costs, amongst other factors are responsible for this uptick. We also expect the reversal of the cash crunch which has led to increased currency outside banks (+71.42% in March) to increased broad money supply, further stoking the flames of inflationary pressures.

**Overall, we expect the headline inflation to increase by 14bps to 22.18% (vs. 22.04% YoY in March).**

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