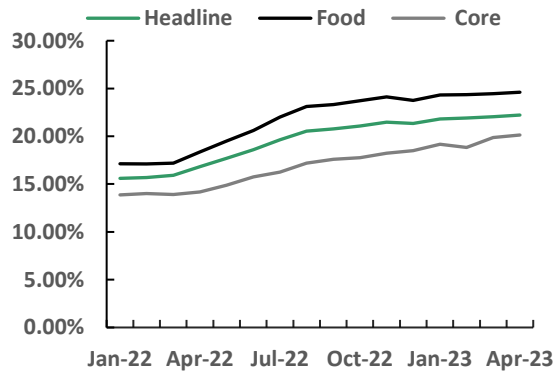


### Key Summary Statistics

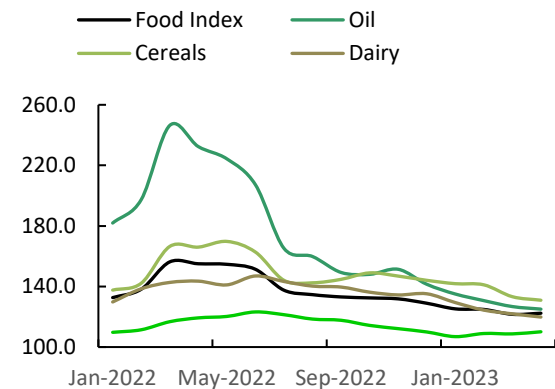
Category	Apr-2023	Mar-2023	Apr-2022
Headline inflation	22.22%	22.04%	16.82%
Food inflation	24.61%	24.45%	18.37%
Core inflation	20.14%	19.86%	14.18%
Imported Food inflation	18.65%	18.58%	17.66%

Chart 1: Trend in Headline, Food and Core Inflation



Source: NBS, Meristem Research

Chart 2: Global Food Prices (Jan 2022 – Apr 2023)



Source: FAO, Meristem Research

Just 4bps above our forecast of 22.18%, the National Bureau of Statistics (NBS) reported headline inflation at 22.22% YoY in April 2023, the highest since September 2005's 24.30% (vs. 22.04% reported in March 2023). The increase was driven by upticks in both the food and core indexes. The food index increased by 24.61% (vs 24.45% in March, owing to higher prices of food items like oil and fat, bread, cereals, fish, potatoes, fruits, vegetables, and tubers. Similarly, core inflation edged up to 20.14% (vs 19.86% in March 2023) and represents its highest level since May 2004. The uptick was mainly driven by higher gas prices, medical services, road transport, etc. On a month-on-month (MoM) basis, the headline and food inflation increased to 2.13% MoM and 1.91% MoM (vs. 1.86% MoM and 2.07% MoM in March 2023), respectively. On the contrary, core inflation moderated to 1.46% MoM from 1.84% in March.

We expect the Monetary Policy Committee to maintain its hawkish stance and hike the Monetary Policy Rate (MPR) by 50bps at its upcoming May 2023 meeting, while keeping other parameters constant) as inflation remains unabated.

### Food inflation Touches Record High

In our [April inflation expectation report](#), we highlighted concerns over expected increase in the price of food items like palm oil, yam tubers and vegetables. We also mentioned that 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. In the domestic space, we clearly see the negative impact of the recent outbreak of the tomato disease – *Tuta absoluta* – in the Northern part of the country which has led to scarcity and higher price of the commodity. Also, we observed an increase in retail palm oil prices in April caused by scarcity of the commodity and expectations of higher Crude Palm Oil (CPO) export duty in Indonesia. This CPO permit expires on May 1<sup>st</sup>, 2023; thus, this increase in CPO price is expected to persist. Lastly, the Easter celebration might also have left an impact on the prices of food items in April. **We expect the key global pressures and the other above factors to exert further pressure on food prices in the near term.**

### Core Inflation: Risks Tilted to the Upside

Despite the decline in global energy prices – *Brent crude and Kerosene fuel declined by 19.06% YoY and 21.94% YoY* – the transportation index surged by 23.12% YoY in April. Unsurprisingly, the major drivers of the core index included upticks in gas prices, air & road transport, liquid fuel, and lubricants for personal transport equipment. Naira depreciation in the official I&E window (-10.71% YoY to NGN460.81/USD) is also projected to have impacted the cost of import dependent items like vehicles and vehicle spare parts, and medical services. Other major factors impacting the core index include freight cost and downward stickiness of prices in the domestic economy. Conversely, we observed a moderate decline in the retail price for diesel in April across major stations and posit that this could have contributed to the MoM decline in the core index (1.46%MoM vs 1.84%MoM in March).

**We identify fuel subsidy removal, OPEC+ 's voluntary production cuts for May and newly implemented taxes from the Fiscal Policy Measure (FRM) as factors that increase the upside risk to core inflation in the near term.**

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