



Inflation Update: April 2023

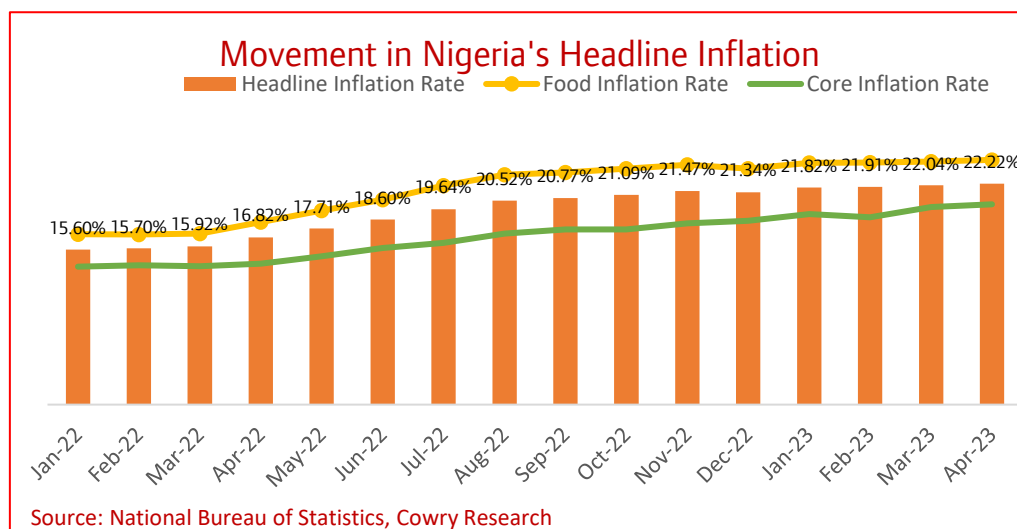
MPR: 18.00% Apr'23 Inflation: 22.22%

FY'22 Real GDP Growth: 3.11%

Cost-Push Factors Still Driving Headline Inflation; Now at 22.22% in April

The recent report from the National Bureau of Statistics (NBS) showed there was an acceleration of the headline inflation for the fourth straight month in 2023 to 22.22% in April 2023 from 22.04% in the previous month. This indicates a 0.18 percent points increase m/m and the highest reading since September 2005 (24.3%).

We attribute this continued uptrend in the headline consumer price index to devalued Naira which has made imported goods more expensive; increasing cost of gas, as well as the cost of electricity generation and distribution (3.72%). Also, the contributions of items on the divisional level further precipitated the acceleration. Thus, food and non-alcoholic beverages (11.51%), clothing and footwear (1.70%), transportation cost (1.45%) and household furnishing and equipment (1.12%).



The food index has continued to be a driver of the headline index. The index rose to 24.61% y/y in April 2023 as a result of increases in prices of Oil and fat, Bread and cereals, Fish, Potatoes, Yam and other tubers, Fruits, Meat, Vegetable, and Spirits. The April figure increased from 24.45% in March 2023 due to rises recorded in electricity tariffs, energy-diesel and petrol prices, and miscellaneous goods & services in the month.

These, we linked to the ongoing conflict in Ukraine have disrupted the global supply of food, which has led to higher prices, the devaluation of the Naira has made imported food more expensive, and the government's decision to ban the importation of some food items has also contributed to the rising cost of food.

The core inflation, which excludes the prices of volatile agricultural produce stood at 20.14% in April 2023 y/y. the highest increases were recorded in prices of Gas, Passenger transport by Air, Liquid fuel, Vehicle spare parts, Fuels, and lubricants for personal transport equipment, Medical services, Passenger transport by road, etc.

On the state profiles, all items inflation rate was recorded highest in Bayelsa (26.14%), Kogi (25.57%), Rivers (24.95%), while Borno (19.06%), Taraba (19.64%) and Sokoto (19.90%) recorded the slowest rise in headline inflation on a y/y basis in April 2023. Meanwhile, the food inflation basket saw Kogi (29.50%), Kwara (29.48%), and Bayelsa (29.38%) emerging as states with the highest while Sokoto (19.55%), Taraba (20.20%) and Jigawa (20.68%) recorded the slowest rise in April.

Cowry Research sees rising inflation on an upward trajectory in 2023, giving further room to policy tightening measures by the CBN at the May 2023 MPC meeting in its the continued battle against stubborn inflation. We note that the rising inflation rate is eroding the purchasing power of Nigerians and making it more difficult for them to afford basic necessities. As such, the Central Bank of Nigeria is keeping the Monetary Policy Rate (MPR) high and selling foreign exchange to banks at a higher rate. For May 2023, we project a slower acceleration in headline inflation to 22.5%.

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