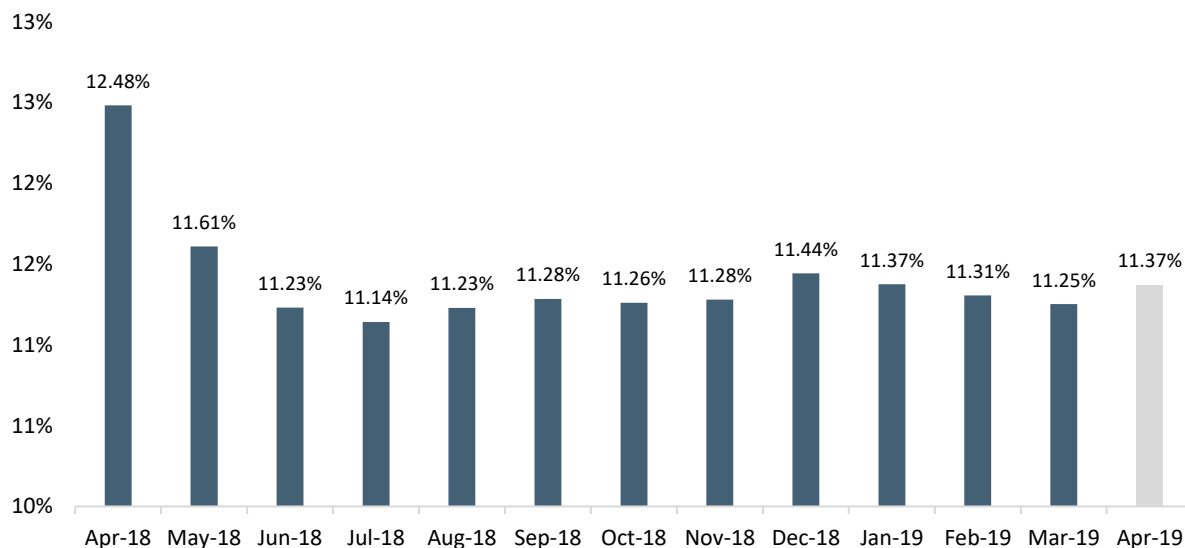


## Economic Report | Inflation

### *April Inflation: Month on Month pressures comes to the limelight*

- In a twist from the downtrend observed from the start of the year, inflation for the month of April ticked up by 11.37% YoY, far from our estimate of 11.20% YoY and 11.25% YoY recorded in the prior month. Unsurprisingly, while core inflation maintained the downtrend printing at 9.28% YoY (March: 9.46%), food inflation on the other hand led the uptick, printing at 13.70% YoY (March: 13.45%). On the core index, the telling impact of curtailed PMS prices at ₦145/litre remains the pillar for the moderation, overshadowing increases in diesel (+12.9% YoY) and kerosene (+13.6% YoY) prices. The food index on the other end mirrors uptick in farm produce inflation which expanded by 47bps to 13.79% YoY. From reports released by NBS, the prices increase was more evident in the Northwest and Eastern regions particularly Zamfara, Kebbi and Bauchi which is not far-fetched, given the emergence of clashes between security agencies and Armed bandits in these regions.

**Figure 1: Trend in headline inflation (YoY)**



Source: NBS, ARM Research

- Month on Month inflation ticked up by 16bps for the second consecutive month this year to 0.94% in April, mirroring increases in food and core inflation. Food inflation for the month, printed at 1.14% MoM, driven by expansion in farm produce and imported food inflation. As mentioned, recent clashes amongst indigenes, security agencies and armed bandits led to increase in food prices. While these states have always been affected by herdsmen, banditry and

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communal conflict, the conclusion of the dry season harvest in February brought to light its impact on food prices. According to estimate by FEWSNET's field informants in Zamfara state, the dry season area under cultivation has declined by about 50 percent across the 12 affected LGAs where vegetables, rice and wheat are cultivated. Also, while this uptick in food inflation started in the prior month, we believe the significant jump mirrors the clashes which amplified in April with media revealing calls for a state of emergency, particularly in Zamfara state.

- Aligning with our stance on the core index, month-on-month core inflation ticked up by 17bps to 0.70%, mirroring the increases in Kerosene (+4.1% MoM), Diesel (+0.7% MoM) and petrol (+0.4% MoM) prices. Across the sub-indices, we saw increases in transport (+2ps), health (+3bps), clothing (+4bps), housing (+4bps), furnishing (+3bps), and HWEGF (+4bps).
- Overall, we still expect the uptick in month on month core inflation, reflecting the increases in energy prices. However, we would seek clarification on conflict situation in the north west and eastern regions given the FG recently deployed security personnel to these states in a bid to combat the on-going clashes, as this would determine the direction for overall inflation in coming months.
- More analysis to follow.

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