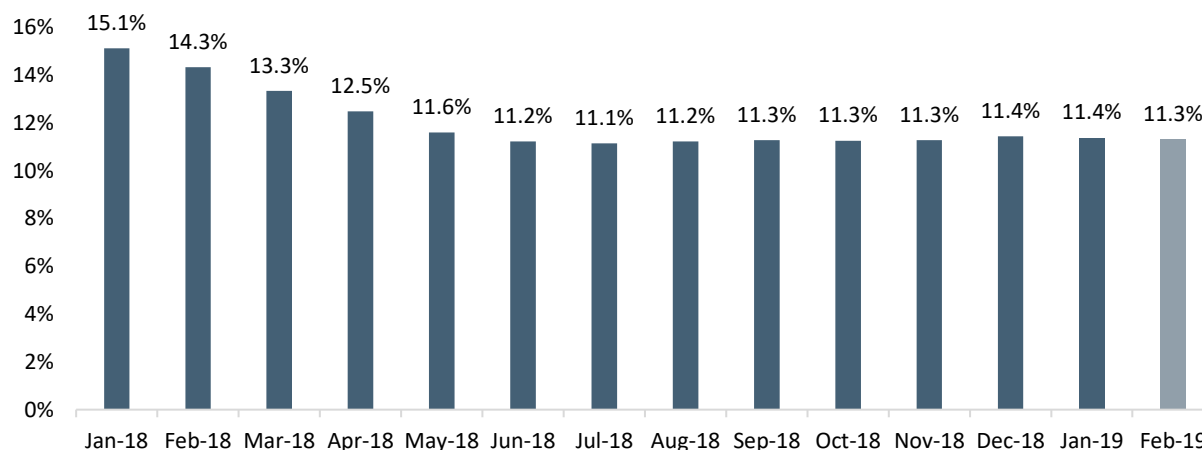


Economic Report | **Inflation****February Inflation: Headline inflation dips to 11.31%.**

- Data released this morning by National Bureau of Statistics (NBS) revealed that the headline inflation increased by 11.31% YoY in February, 2bps lower than our estimate of 11.33% and 11.37% reported in the prior month. In line with our expectation, the moderation stemmed from both food and core indices. On the former, food indices dipped 3bps to 13.47% YoY following moderation in prices of farm produce while continuous decline in PMS price (-15.7% YoY) largely account for the moderation in the core basket (-11bps to 9.8% YoY). For clarity, the sharp decline in PMS prices in the month of February overshadowed uptick in diesel (7.5% YoY) and kerosene (5.8% YoY) prices.

Figure 1: Trend in headline inflation (YoY)

Source: NBS, ARM Research

- On a Month on Month basis, headline inflation dipped by 1bps to 0.73%, following a drag in core inflation to 0.65% -down by 15bps when compared to the prior month. Notably, the declines were evident across major sub-indices - transport (-3ps), health (-3bps), clothing (-2bps), furnishing (-3bps) – all accounting for 44% of the core basket, while the HWEGF rose 2bps.
- Contrary to the trend observed in YoY where farm produce was the main driver of the downward trend in food inflation, the dissipation in MoM food inflation was mainly driven by processed foods. For context, on a Month -on-month basis, the moderation in food inflation (-1bps to 0.82%) stemmed from a decline in processed food (-171bps to 0.82%), as farm produce ticked up in the month (+15bps to 0.82%). According to FEWSNET, while the dry season

cultivation continued in the month favorably with most staple prices either declining or unchanged from the previous month, the prices of both local and imported rice coupled with cowpeas remained elevated across several market.

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