



### *February 2022 CPI Report: Headline Inflation Resumes Uptrend*

Headline inflation rose (+10bps) to 15.70% YoY in February 2022 from 15.60% in January. The acceleration of growth in prices is largely due to a swift 14.01% YoY (13.87% in January) rise in core inflation. The sharp increase is largely buoyed by rise in HWEGF\* (+0.40% YoY) and Clothing and Footwear (+0.30% YoY) which accounts for 47.5% of the index. On the other hand, Food inflation tapered for the second consecutive month (-2bps) to 17.11% YoY in February from 17.13% in January 2022 due to slower growth in price of processed foods.

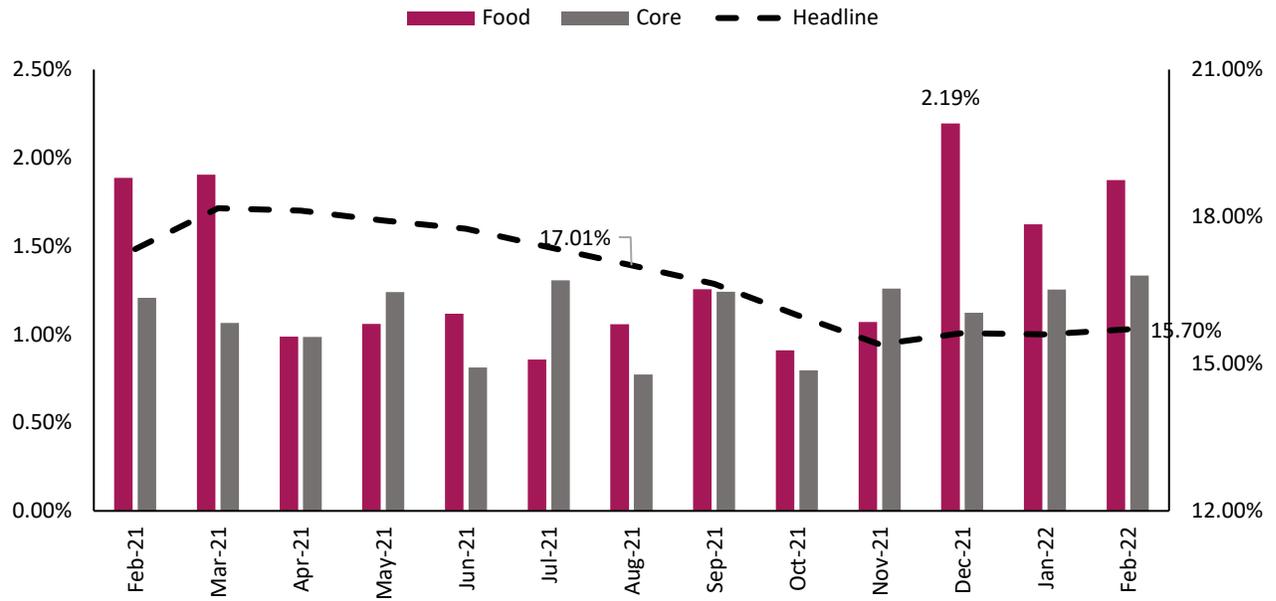
A month-month analysis reveals a different picture as headline inflation rose (16bps) to 1.63% due to a 25bps uptick in food inflation to 1.87% in February, despite an almost static (+1bps) imported food inflation. Similarly, core inflation rose (8bps) to 1.33% and this is largely connected to the fuel scarcity that started mid-February. We expect price of food items (driven by imported food inflation) to sustain uptrend in March given the impact of Russian-Ukraine crisis on the prices of wheat and corn. Also, the lingering fuel scarcity might cause a marginal uptick in the core inflation index. Overall, we expect higher inflation reading for March.

For 2022, we maintain our base case expectation of 14.1% average inflation rate barring significant adjustments in exchange rate and encumbrance in the food supply chain. Nigeria Metrological Agency (NiMeT) already predicted an early onset and cessation of rainfall in 2022 resulting in dry spells of varying severity across the different regions of the country. This may severely hamper planting and harvest season and hurt food prices in the year.

On the market front, negative real yields would persist for as long as long-term yields remain below inflation at 12.63%. Although current inflation levels exceed the apex bank's target, we expect that the monetary policy committee of the bank would leverage on the positive momentum as shown by the recently released Q4 GDP report and hold up policy parameters, despite a change of monetary policy direction globally.

\*Housing Water, Electricity. Gas and Other Fuel

Figure 1: One-year trend in Food, Core and Headline inflation (%)



Source: NBS, ARM Research.

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\*Housing Water, Electricity, Gas and Other Fuel