



March 2022 CPI Report: Sustained Ascension; Time for Portfolio Replanning

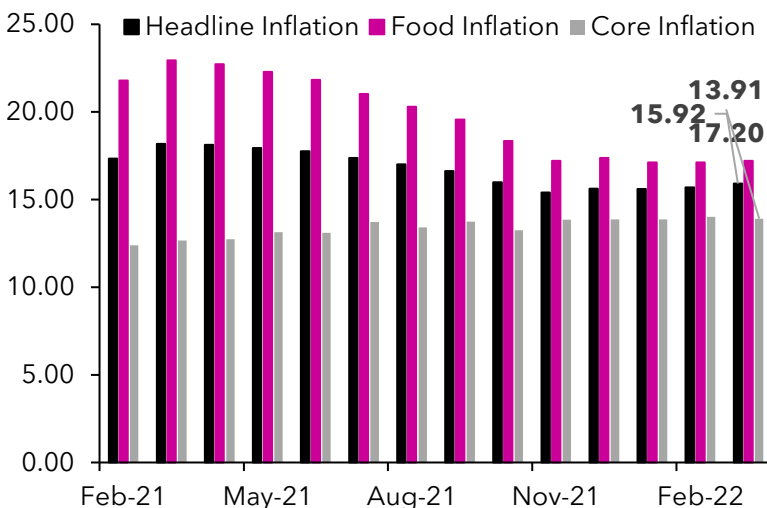
Headline Inflation Came in at 15.92% YoY in March 2022

In the recently released inflation survey publication of the National Bureau of Statistics (NBS) for the month of March of 2022, it was revealed that prices of goods and services had jumped 15.92% Year on Year (YoY). The report further revealed that price increases were recorded across all Classification of Individual Consumption by Purpose (COICOP). We would like to re-emphasize that the rise in prices (15.92% YoY) over the past year pales in comparison with what was obtainable during the corresponding period between 2020 and 2021. In our previous reports, we had noted that global supply chain disruptions were behind the northward drive of prices last year. A Month on Month (MoM) review of the recent release revealed that there was a bigger surge in price in March 2022, given that prices rose (1.74% MoM), an eleven (11) basis points difference from the 1.63% MoM magnitude of increase recorded in February 2022.

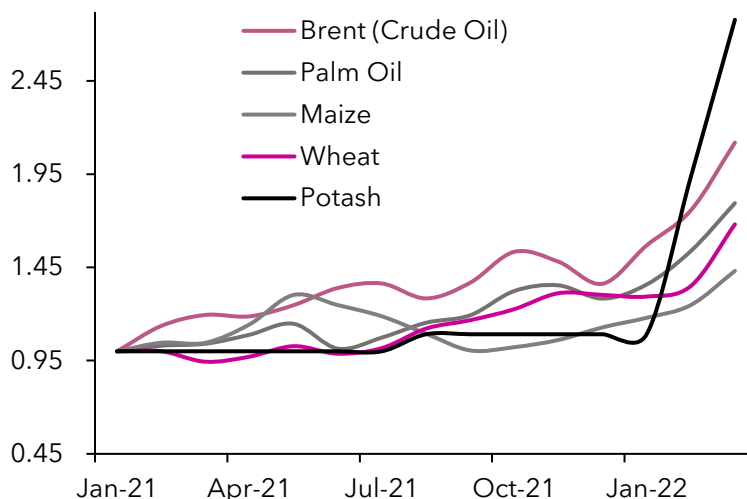
Food Inflation Surges Amidst Protracted Local Concerns and Global Uncertainties

Recall, that in our previous note on inflation, we had stated that the effect of a Russian invasion in Ukraine would be overarching, given the strategic placement of both countries in the global commodities market. As it stands, the impact is starting to surface across all indices. Firstly, we noted that Nigeria's food inflation rose (17.20% YoY) in March 2022, reflecting the current surge in Bread and cereals, Potatoes, Yam and Other tuber, Fish, Meat, Oils and fats. Our observations showed that the trajectory is most dictated by the protracted insecurity concerns along the food producing region of Nigeria, the current weather conditions, and the escalation in eastern Europe. Wheat prices for one has moved significantly, and so are other systemically important commodities as depicted in Figure 1 below.

Figure 1: One-year Inflationary Trend (%)



Commodities Price Trend



Source: NBS, World Bank, ARM Securities Research.

Uptrend in Energy and Utility Cost Sustains Rise in Core CPI

The core inflation index rose by 13.91% YoY in March 2022 - a steeper rise when compared to the rise (12.67% YoY) reported in the corresponding period of 2021. We have continued to explain how this is best explained by the rising energy prices, the continued upward adjustment in the rate of utilities in the country, and the effect of foreign exchange rationing on the cost of imported items. We, however, recognised that the MoM rise in the index was softer in March (+0.98% YoY), when compared to the reported +1.33% from February 2022. *We believe that until some level of demand-destruction or improved supply flow is actualized in the international energy space, the current trend in the core consumer price index would remain.*

A Micro view of Price Movement: Time to Repurpose the Portfolio?

Overtime, we have used the National inflation rate to explain portfolio performance. For example, with headline inflation at 15.92% YoY, the negative rate of return for both NT-bills (3.31%) and Bonds (11.02%) closed at 12.43% and 4.9% respectively on the 14th of March 2022. However, given the heightened uncertainties that is shaping the sustained surge in prices, we have opted for a different perspective. The new perspective involves a micro-evaluation of price direction. To consummate the move, we did a survey on price movement on some of the items that an average Nigerian consumes, and overall, we had an average price rise (+35.79% YoY) in the past twelve months. This is important because of the opportunity it provides to see consumer price trend from a personal perspective, which in turn would guide investment decisions much

better. A point worthy of note from the survey is that different individuals would have varying lifestyle inflations, a situation that reiterates the need for bespoke investment advisory services.

Table 1: Surveyed Price of Consumables in the last 12 Months

ITEMS	2022(₦)	2021 (₦)	% Change
Bag of Sachet water	225.00	150.00	50.00%
Coke/Fanta	200.00	150.00	33.33%
Plastic water (Small)	100.00	50.00	100.00%
Plastic water (Big)	250.00	150.00	66.67%
Sardines	600.00	400.00	50.00%
Bread (smallest size)	120.00	80.00	50.00%
Bread (medium Size)	200.00	150.00	33.33%
Bread (Large Size)	300.00	200.00	50.00%
Detergent (Small size e.g., good mama)	120.00	80.00	50.00%
Detergent (Big size e.g., good mama)	200.00	150.00	33.33%
Milk sachet (e.g., Peak milk)	70.00	50.00	40.00%
Milk sachet (e.g., Tin milk)	300.00	200.00	50.00%
Corporate T-shirt	3,000.00	2,500.00	20.00%
Corporate Trouser	5,000.00	4,000.00	25.00%
Casual Wears	4,000.00	3,000.00	33.33%
Jean Trouser	6,500.00	4,500.00	44.44%
Noodles (small)	135.00	75.00	80.00%
Noodles (Big)	250.00	135.00	85.19%
			35.79%

Source: Market Survey, ARM Securities Research

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