

Monthly Inflation Report

March 2024

16th April 2024

A Moderation in Sight?

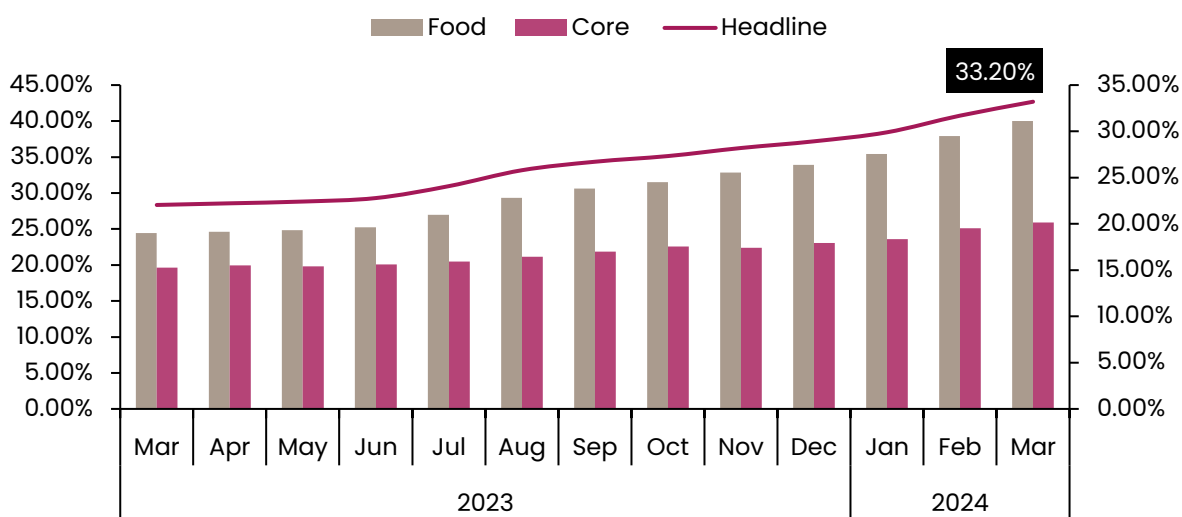


Headline Inflation Accelerates to 33.20% YoY in March 2024

Yesterday, the National Bureau of Statistics (NBS) published the Consumer Price Index (CPI) for March 2024. Headline inflation sustained its upward trajectory, climbing 150bps to 33.20% Year-on-Year (YoY), up from 31.70% YoY recorded in February 2024. This was driven by significant increases in its two (2) main subcomponents: food (+209bps to 40.01% YoY) and core (+77bps to 25.90% YoY) inflation. On a Month-on-Month (MoM) basis, the

headline inflation declined slightly by 10bps to 3.02% MoM compared to 3.12% MoM in February 2024. This fall in headline inflation was driven by a decrease in food (-18bps to 3.62%) inflation. Conversely, core inflation rose by 37bps to 2.54% MoM. Excluding insecurity, which negatively impacts food production and supply, decrepit infrastructure across the country impedes growth and contributes to the persistent food inflation on a YoY basis.

Chart 1: One-Year Trend in Food, Core and Headline Inflation



Source: NBS, ARM Research

Food Inflation

In March 2024, food inflation remained stubbornly high, surging by 209bps to 40.01% YoY up from 37.92% YoY in February 2024. This spike was driven by increases in Imported food (+ 309bps to 32.89% YoY), Farm Produce (+210bps to 39.10% YoY), and Processed Food (+209bps to 40.28% YoY). However, there was a slight dip in food inflation on a monthly basis, decreasing by 18bps to 3.62% MoM compared to 3.79% in February. The reduction in food inflation was partly driven by an uptick in food supply, supported by directives from the federal government which included the opening of borders connecting with neighboring countries that are food

import destinations. Consequently, there was a slight decline in farm produce (-18bps to 3.43% MoM) and processed food (-11bps to 3.67% MoM) in March 2024.

Core Inflation

In March 2024, core inflation escalated by 77bps to reach 25.90% YoY (compared to 25.13% YoY in February 2024). This upswing was primarily driven by substantial upticks in Alcoholic Beverages, Tobacco & Kola (+118bps to 20.47% YoY), Restaurant & Hotels (+199bps to 27.13% YoY), and Furnishings & Household Equipment Maintenance (+16bps to 17.17% YoY). Similarly, on a month-on-month (MoM) basis, core inflation surged by 37bps to hit 2.54% in March (vs. 2.17% MoM in February). This increase was fueled by a rise in Education (up by 82bps to 3.05% MoM) and Restaurant & Hotels (+82bps to 3.05% MoM).

Outlook

Government efforts to boost food supply, including grain provision and agricultural investment, should help sustain the recent decline in monthly food inflation. The entry of Dangote Refinery into the diesel market could put downward pressure on diesel prices, potentially contributing to a moderation of overall inflation in April 2024. With a record high monetary policy rate of 24.75%, and the foreign exchange (FX) market showing signs of stabilization with the Naira gaining against the Dollar; the combined efforts by the Central Bank of Nigeria (CBN) and the Federal Government are expected to lead to a moderation of inflation in April 2024.

ARM Securities Contact

Research	234 (1) 270 1653	research@armsecurities.com.ng
Institutional Sales & Trading	234 (1) 448 8833	Trading@armsecurities.com.ng
Customer Service	234 (1) 448 8282	customerservice@armsecurities.com.ng

**Copyright © 2024 Asset & Resource Management Company Limited
("ARM").**

All rights reserved. Unauthorized use, reproduction, distribution, or disclosure of this document is strictly prohibited. This material has been issued by Asset & Resource Management Company Limited ("ARM"), a Company regulated by the Nigerian Securities and Exchange Commission. The analyst(s) primarily responsible for preparing this research report, in whole or in part, certifies that with respect to each security or issuer covered; all of the views expressed accurately reflect his/her personal views about the subject securities and issuers and no part of his/her compensation was, is, or will be, directly or indirectly, related to the inclusion of specific recommendations or views in the report. This research report is based on information from sources that ARM, and its analysts believe to be reliable. Neither ARM nor any of its Research Analysts, nor any member of the ARM Group, gives any representation or warranty, express or implied, or undertaking of any kind or assumes responsibility or liability of any kind with respect to the accuracy or completeness of the information set out in this report or any third party's use (or the results of such use) of such information. This report is provided solely for informational purposes and is not to be construed as providing advice, recommendations, or endorsements of any kind whatsoever. The investments and strategies discussed here may not be suitable for all investors; counsel of investment advisor should be obtained with regard to such investments and or strategies. This research report is not a replacement for advice from an accountant, lawyer, personal finance advisor or other category of investment advisor. The investments discussed in this report may oscillate in price or value. Opinions and information provided are made as of the date of the report issue and are subject to change without notice. This research report is not intended as an offer or solicitation for the purchase or sale of any financial instrument. Reference herein to any specific security or financial instrument does not necessarily constitute or imply its endorsement or recommendation by ARM, its directors, officers, employees, or designated agents. Members of ARM may act

as broker, advisor, or lender, or make a market in any investments or issuers referenced in this report. Further information on any of the securities discussed herein may be obtained upon request to ARM. By accepting this document, you agree to be bound by the foregoing limitations.



Lagos

1 Mekunwen Road Off Oyinkan Abayomi Drive

P.O. Box 55765

Ikoyi Lagos, Nigeria

T: 0700CALLARM (0700 2255 276) | + 234 (1) 2715000

www.arm.com.ng