

HEADLINE INFLATION ADVANCES TO 16.82%



... Pressure from Food Prices Continues to be a Pain Point

May 16, 2022

Economic Report

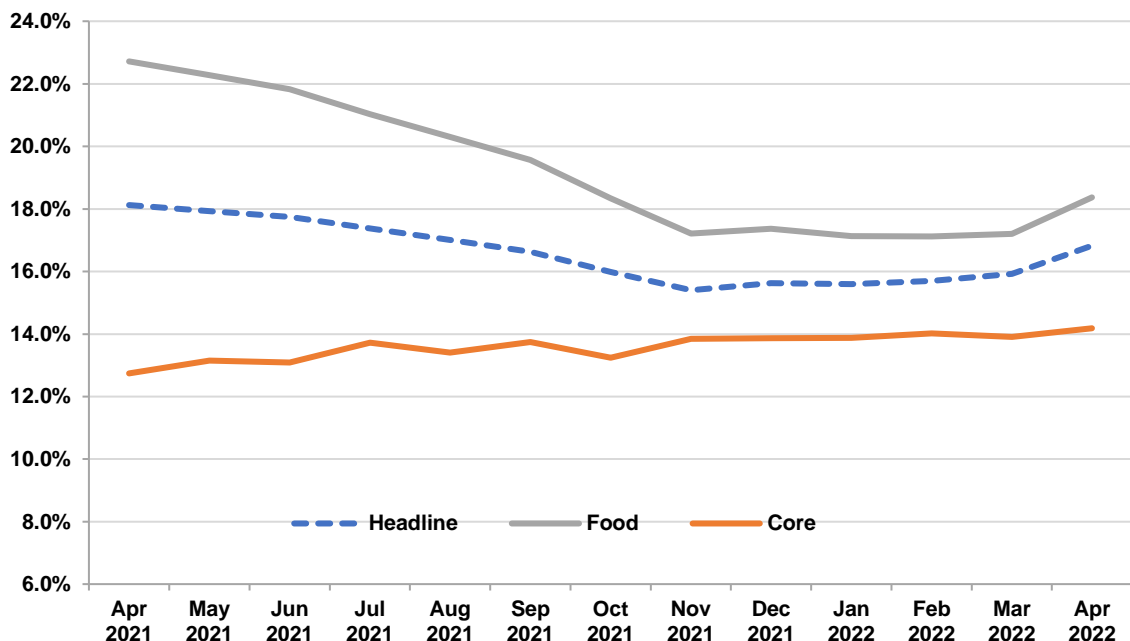
Highlights

The headline inflation rose to 16.82% year-on-year (YoY) in April 2022 from 15.92% YoY in March 2022. On a month-on-month (MoM) basis, the index printed at 1.76% in April 2022 from 1.74% in March 2022.

Core inflation rose to 14.18% YoY in April 2022 from 13.91% in March 2022. On a month-on-month basis, core inflation rose to 1.22% in April 2022 from 0.99% in March 2022.

Food inflation spiked to 18.37% YoY in April 2022 from 17.20% in March 2022. On a month-on-month basis, food inflation rose to 2.00% in April 2022 from 1.99% in March 2022.

One-Year Inflation Trend



Source: National Bureau of Statistics, WSTC Research

Analysis

The inflationary pressure in April 2022 was majorly driven by higher food prices. We attribute the rise in food prices to the lingering legacy bottlenecks associated with food supply including insecurity, inefficient storage, and poor transportation. On transportation, we opine that higher energy prices, particularly diesel, factored in high food transportation costs in April 2022. Notably, prices have been on an upward trajectory in the global crude oil market, majorly induced by the ongoing geopolitical conflict in the Eastern Europe. The food items that recorded the highest price increases during the period were bread and cereals, potatoes, yam and other tubers, wine, fish, meats and oils accounted for the rise in the food index.



Meanwhile, gas, liquid fuel, cleaning, repair and hire of clothing, and clothing accessories noted significant price increases that drove the core index.

Outlook

We expect to see sustained inflationary pressure in the near term, driven by higher food and energy prices. We also believe that there is a possibility of election-related spending to factor in upward inflationary pressure in the near term.

Expected Policy Response

Notwithstanding the recent rising trend in inflation rate, we do not expect to see a major deviation from the pro-growth stance of the monetary policy authorities. We believe that policy rates would be held constant at the next Central Bank of Nigeria (CBN) Monetary Policy Committee meeting, scheduled to hold on May 23 – 24, 2022. However, we might see policy adjustments via other tools within the CBN disposal, some of which include CRR, money market yields, OMO bills and treasury bills.

Other Highlights

Indexes	Year-on-Year Change			Month-on-Month Change		
	Apr-22	Mar-22	bps	Apr-22	Mar-22	bps
	%	%		%	%	
All-items Price Index	16.82	15.92	90	1.76	1.74	2
Food Index	18.37	17.20	117	2.00	1.99	1
Core Index	14.18	13.91	27	1.22	0.98	24
Urban All-items Index	17.35	16.44	91	1.78	1.76	2
Rural All-items Index	16.32	15.42	90	1.74	1.73	1

Source: National Bureau of Statistics, WSTC Research



Disclaimer & Disclosures

The value of any investment is subject to fluctuations, i.e., may rise and fall. Past performance is no guide to the future. The rate of exchange between currencies may cause the value of an investment to increase or decrease. Hence investors may not get back the full value of their original investment.

This document is not an offer to buy or sell any security. This document does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The appropriateness of a particular investment will depend on an investor's circumstances and objectives. The investments and shares referred to in this document may not be suitable for all investors.

This document is based on information WSTC Securities Limited (WSTC) received from publicly available reports and industry sources. WSTC may not have verified all of this information with third parties. Neither WSTC nor its shareholders, directors, employees or advisors can guarantee the accuracy, reasonableness or completeness of the information received from any sources consulted for this publication; and neither WSTC nor its shareholders, directors, employees or advisers accept any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document. This document is not to be relied upon and should not be a substitute for the exercise of independent judgment.

This document includes certain statements, estimates and projections concerning the anticipated future performance of securities listed on the Nigerian Exchange and as to the market for these shares. Such statements, estimates and projections are based on information that we consider reliable and may reflect various assumptions made concerning anticipated economic developments, which have not been independently verified and may or may not prove correct. No representation or warranty is made as to the accuracy of such statements, estimates and projections or as to their appropriateness for the purpose intended and it should not be relied upon as such. Opinions expressed are current opinions as of the date appearing on this material only and may change without notice. Other third parties may have issued other reports that are inconsistent with and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them.

This document is for information purposes only and private circulation. No portion of this document may be reprinted, sold or redistributed without the written consent of WSTC.

Additional information on recommended securities/instruments is available on request.

WSTC Securities Limited (WSTC) is a Dealing Member of the Nigerian Exchange Limited (NGX) and is registered with the Securities & Exchange Commission (SEC) to conduct Financial Advisory, Fund/Portfolio Management, and Brokerage & Dealing in Nigeria. Therefore, we may deal in any securities listed on the NGX.

WSTC Securities Limited registered office is at 2, Maitama Sule Street, South-West Ikoyi, Lagos, Nigeria.

Phone: [+234 \(0\) 9062513716](tel:+23409062513716)

Website: www.wstc.com.ng

© WSTC Securities Limited 2022.