



West Africa Inflation Update

Nigeria (22.22%) ↑

Ghana (41.2%) ↓





Nigeria's inflation quickens to 22.22% in April

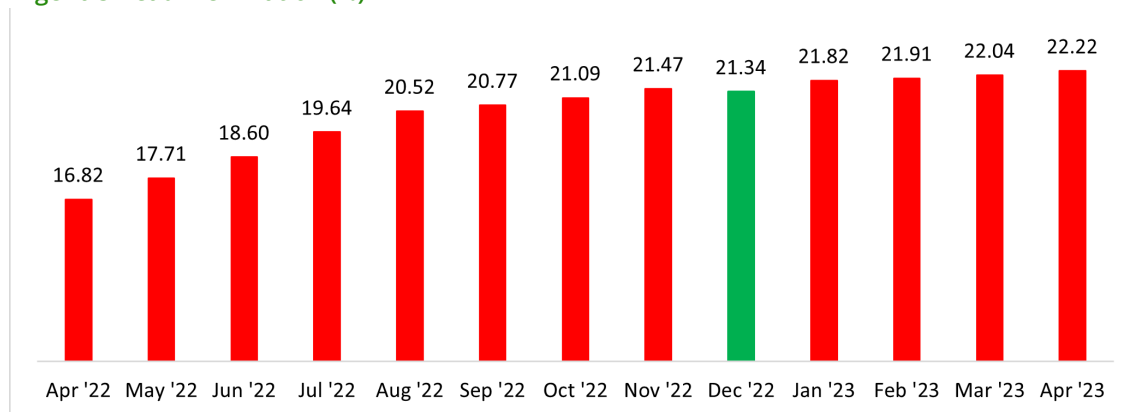
Nigeria's inflation rate maintained its upward trend for the 4th consecutive month this year, rising to 22.22% in April from 22.04% in March 2023. This is the highest rate since September 2005.

- Lingering supply chain bottlenecks
- Planting season
- Currency weakness, forex scarcity, and pass-through effect on imported inflation

The rise in the inflation rate was largely driven by:

- Surge in currency in circulation (by 71% from N982bn in February to N1.6trn in March 2023)¹
- High year-on-year energy prices (gas, fuel)

Nigeria's Headline Inflation (%)



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¹CBN

²National Bureau of Statistics

Data Breakdown

Sub-indices move in tandem with headline inflation

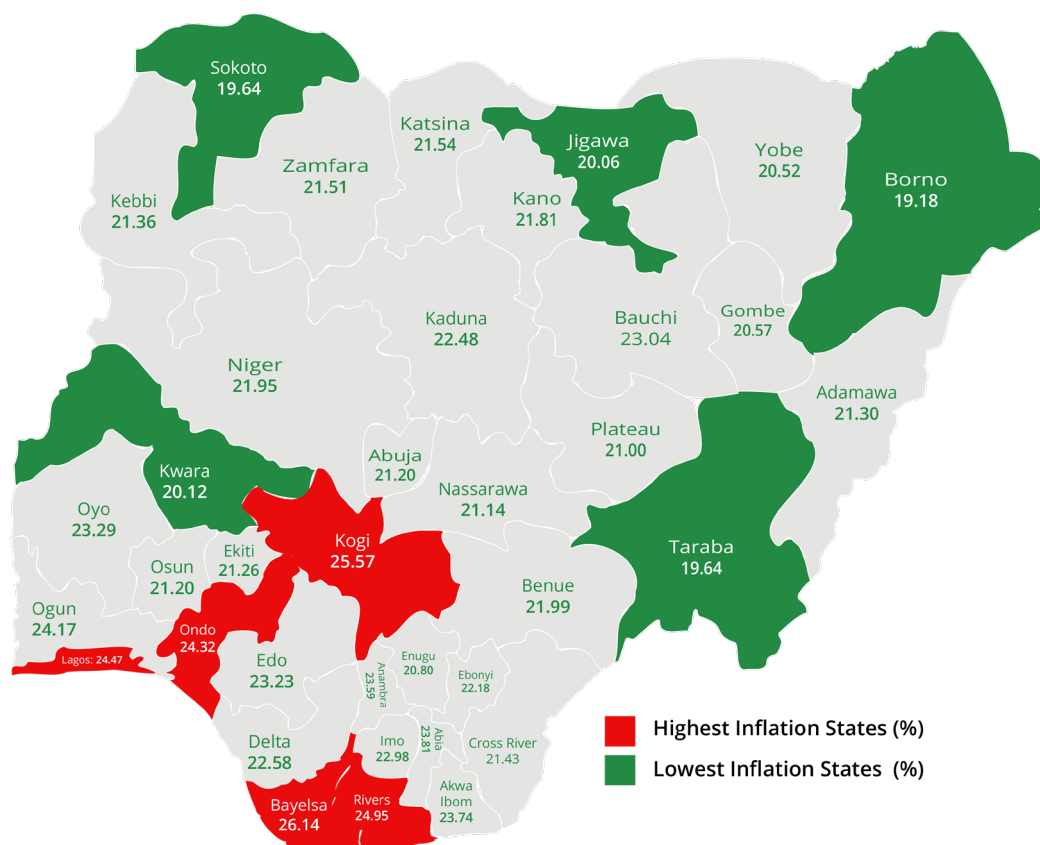
All the sub-indices increased in April. Food inflation rose to **24.61%**, driven largely by increases in the price of oil and fat, bread and cereals, fish, and tubers. The main drivers of the uptick in core inflation (**20.14%**) were higher gas prices, airfares, price of liquid fuel, and vehicle spare parts. Inflation in the urban region (**23.39%**), remained higher than the rural region (**21.14%**).

Sub Index	April 2022 (%)	March 2023 (%)	April 2023 (%)
Food	18.37	24.45	24.61
Core (headline inflation less seasonalities)	14.18	19.86	20.14
Month-on-month	1.76	1.86	1.91
Rural	16.32	21.09	21.14
Urban	17.35	23.07	23.39

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State-by-state analysis

In Nigeria, Bayelsa State (**26.14%**) overtook Bauchi as the state with the highest inflation rate while Borno recorded the lowest inflation rate (**19.06%**) for the second consecutive month. 15 states recorded higher rates than the national average, while 22 states were below the **22.22%** average.



³National Bureau of Statistics



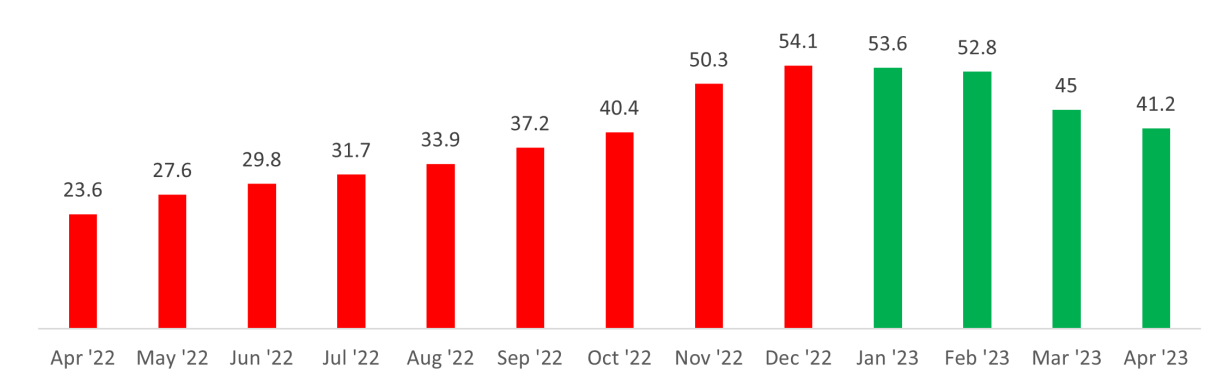
Ghana's inflation continues downward trend in April

Ghana's annual inflation rate slowed to 41.2% in April 2023 from 45.0% in March. This however remains higher than the 23.6% recorded in the corresponding month of 2022. Despite the consecutive decline, market reality paints a different picture, as the cost of goods remains elevated.

The drivers of the downward trend include:

- Stable cedi
- Higher interest rate environment
- Base effect
- Decline in domestic energy prices

Ghana's Headline Inflation (%)



Data Breakdown

Food inflation eased to **48.7%** in the review month from 50.8% in March, which is higher than the 26.6% recorded in the corresponding month of 2022. Core inflation, which excludes volatile products (food and energy prices), declined to **35.4%** from 40.6% in March 2023. However, this is higher than the 21.3% recorded in April 2022.

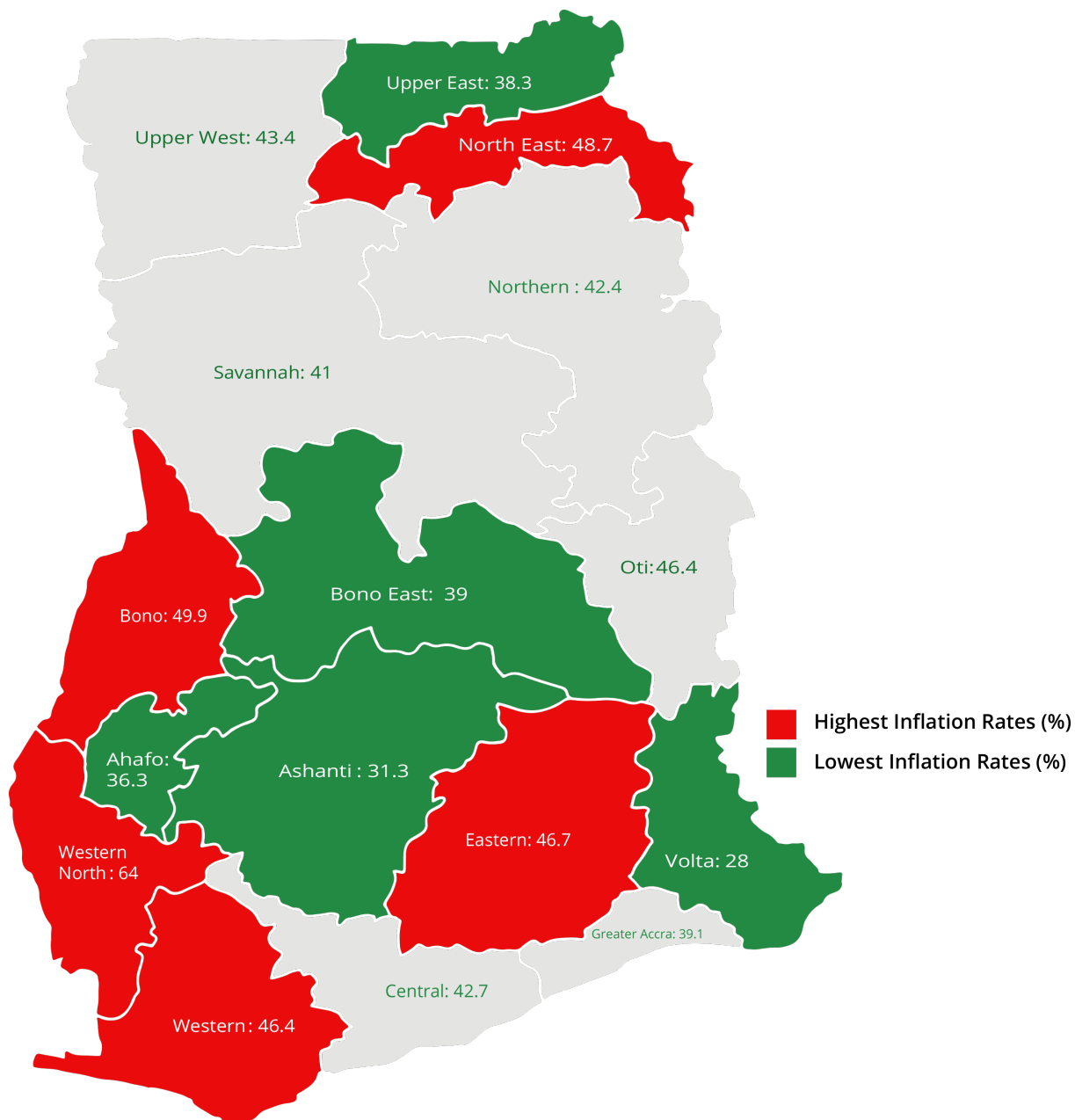
Sub Index	April 2022 (%)	March 2023 (%)	April 2023 (%)
Food	26.6	50.8	48.7
Core (food less seasonality)	21.3	40.6	35.4
Month-on-month	5.1	-1.2	2.4
Local inflation	23.0	41.9	38.2
Imported inflation	24.7	51.6	43.1

⁴Ghana Statistical Service

⁵Ghana Statistical Service

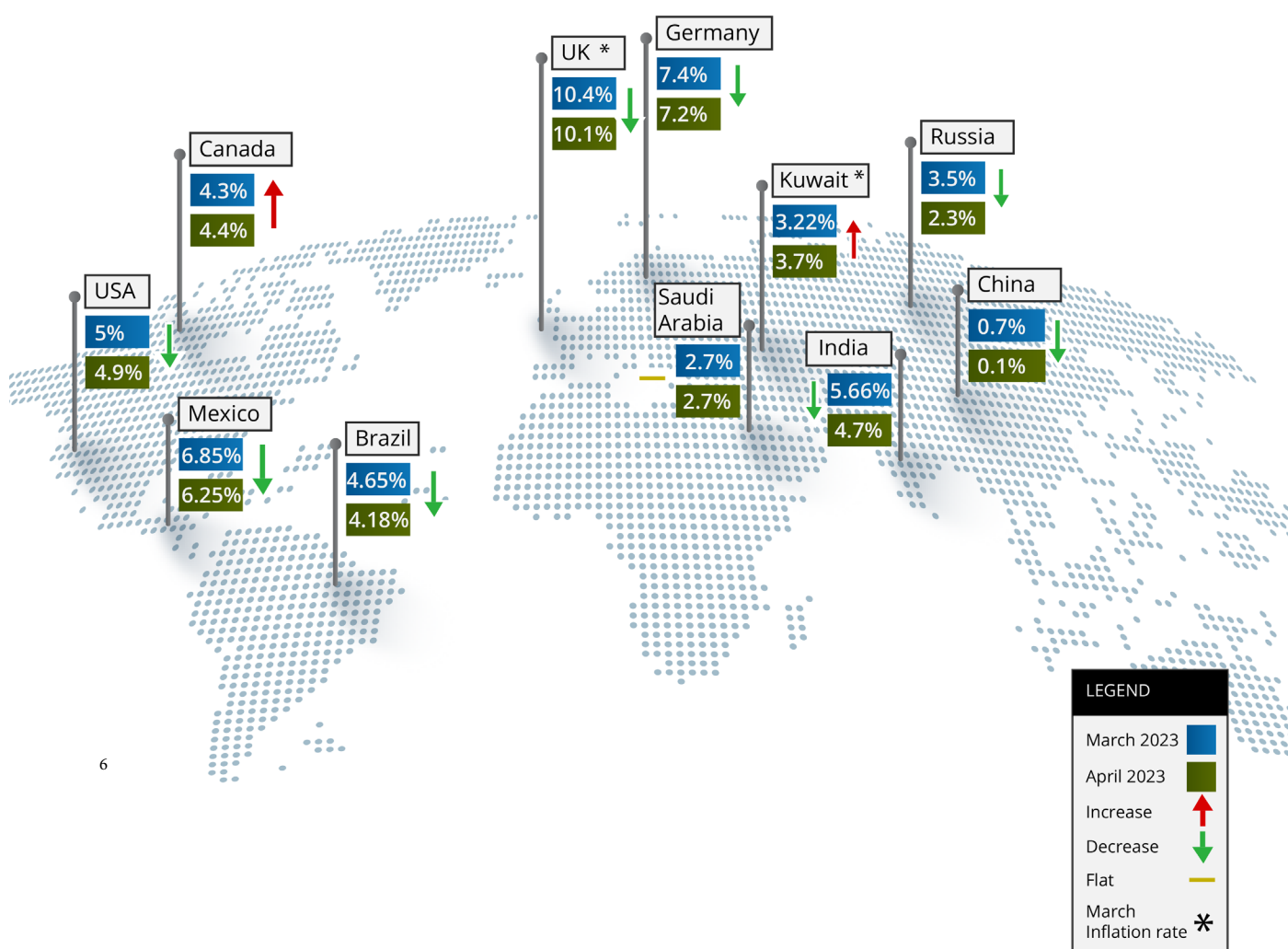
State-by-state analysis

The Western North region recorded the highest inflation rate at **64%**, while Volta recorded the lowest inflation rate at **28%** in April 2023.



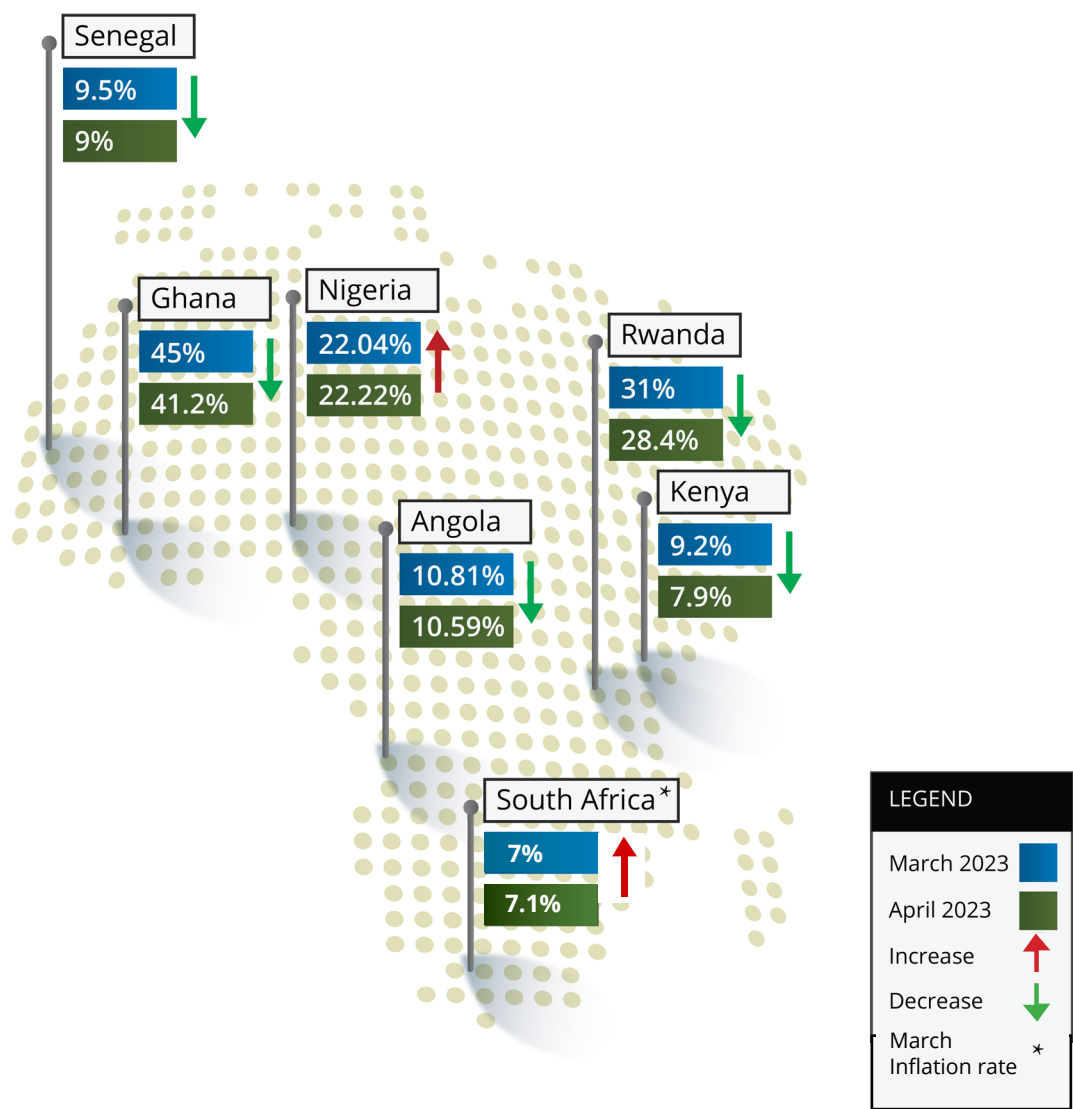
Global inflation rates remain elevated despite steady decline

- Global inflation continued to ease on the back of multiple interest rate hikes by central banks and the relative stability in energy prices.
- The US inflation rate slowed marginally in April (10th consecutive month decline) to 4.9% from 5% recorded in the previous month. This is still significantly higher than the Federal Reserve's 2% inflation target. The decline can be attributed to the aggressive tightening stance of the US Fed.
- Monthly inflation on the other hand rose to 0.4% from 0.1% in March. This was driven by rising costs of shelter and used vehicles.
- China's inflation rate dropped sharply to 0.1% in April from 0.7% and 1% recorded in March and February respectively. The decline can be attributed to weakening domestic demand.
- Meanwhile, food prices have shown signs of elevation as the FAO food index reversed its downward trend for the first time in one year, increasing by 0.6% to 127.2 points in April. The data points for subsequent months would confirm whether this increase is a trend or a flash in the pan.



Inflation eases across most African countries

Inflation ticked downwards in some African countries such as Senegal (9%), Rwanda (28.4%), and Kenya (7.9%) in April 2023. The decline was partly due to slow growth in the food index as well as steady energy prices at a global level.



Policy impact

Nigeria and Ghana will hold their Monetary Policy Committee meetings later this month. Both countries' monetary authorities are expected to maintain the status quo. The probability of this happening is higher for Ghana due to the country's steady decline in inflation, positive market sentiment, and boost in investor confidence.

The Central Bank of Nigeria (CBN) on the other hand continues to struggle with reining in the rising cost of goods, even as a new administration is set to be sworn in. The recent tightening stance of the FGN (2023 Fiscal

Policy Measures) will compound price pressures in Nigeria.

So far this year, the CBN has raised its benchmark interest rates by 150 basis points and the BoG by 250 basis points.

Outlook

We expect global inflation to continue to ease on the back of the high interest rate environment albeit at a slow pace, following the recent rise in global food prices.

Ghana's inflation is also expected to moderate further in the coming months, on the back of the tightening policy stance, base effect, stable cedi, and ongoing debt restructuring plans. This is despite the increase in the VAT rate and petrol subsidy removal, which are yet

to reflect on the consumer price index.

Nigeria's inflation rate is expected to continue its upward trend as a result of the impact of the planting season. Additionally, the increase in currency in circulation following the reintroduction of old notes will continue to spur demand-pull inflation.





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