



March Inflation Update Nigeria and Ghana swing on opposite ends of the pendulum

April 2023





Nigeria's inflation rate trends higher (22.04%)

Nigeria's inflation rate continues upward trend

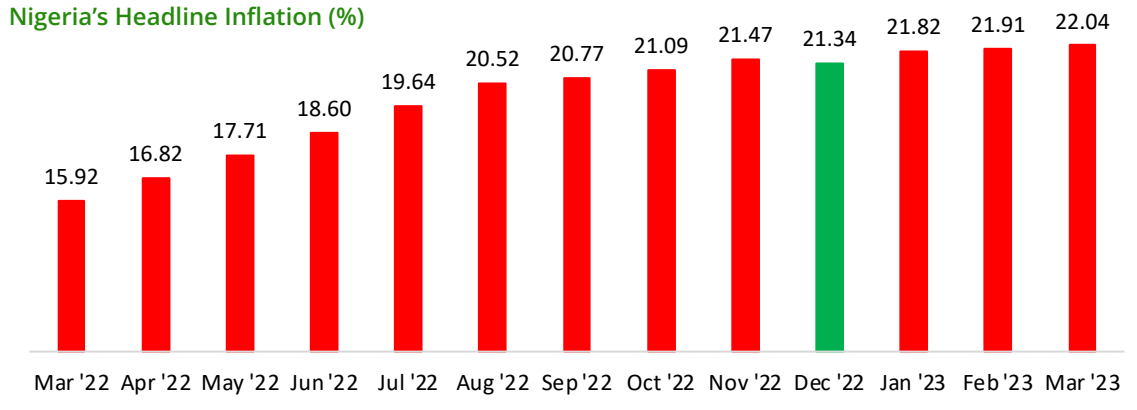
Nigeria's inflation rate increased by 0.13% to **22.04%** in March 2023, from 21.91% recorded in the previous month. This represents the third consecutive rate increase, following the decline recorded in December 2022 and the highest rate since September 2005.

Core inflation rose to 19.86% from 18.84% last month and 13.91% in the corresponding period of 2022. Food

inflation rate also increased to 24.45% from 24.35% in February 2023 and 17.2% in March 2022.

The month-on-month inflation rate quickened at a faster pace of 1.86% in the review month from 1.71% recorded in the previous month. In the corresponding period of 2022, it stood at 1.74%.

Nigeria's Headline Inflation (%)



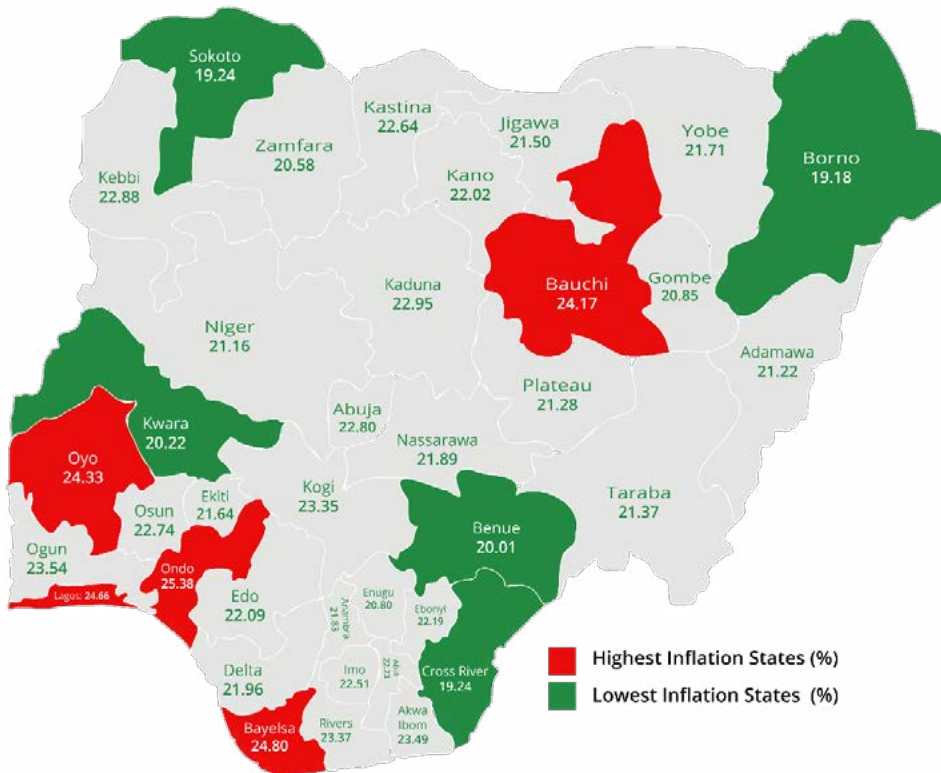
Data Breakdown

Core inflation rose by 1.02% to 19.86% in March 2023 compared to the previous month, while food inflation increased by a smaller amount of 0.1% to 24.45% in the same period.

Sub Index	March 2022 (%)	February 2023 (%)	March 2023 (%)
Food	17.20	24.35	24.45
Core (headline inflation less seasonalities)	13.91	18.84	19.86
Month-on-month	1.74	1.71	1.86
Rural	15.42	21.10	21.09
Urban	16.44	22.78	23.07

State-by-state analysis

Ondo State recorded the highest inflation rate (25.38%) while Borno recorded the lowest inflation rate (19.18%) in the review month. 18 states recorded higher rates than the national average, while 19 states were below headline inflation.





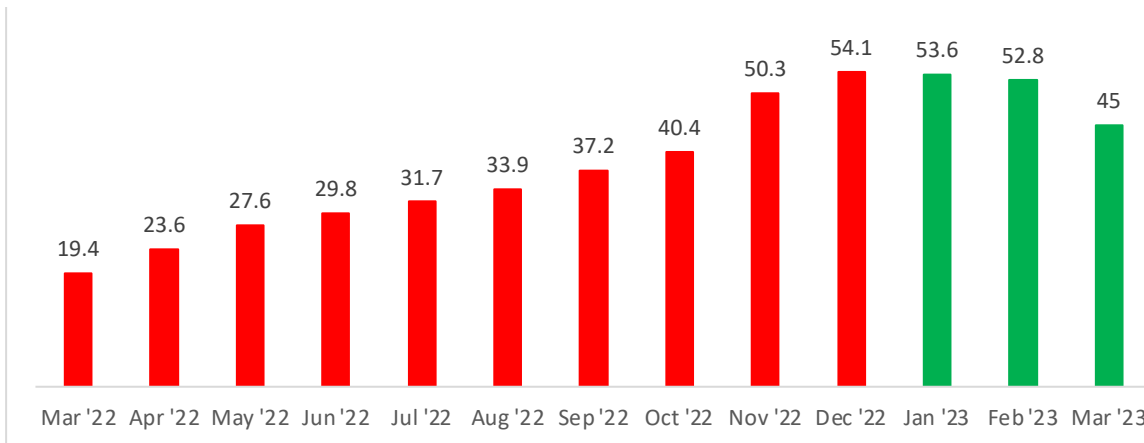
Ghana's inflation eases to a 5-month low (45%)

Ghana's inflation rate continued its downward trajectory for the third consecutive month, falling sharply to a five-month low of 45% in March 2023, which is 7.8% points lower than the 52.8% recorded in February.

The food and non-food components of the consumer price index moderated in the review month. Food inflation dropped to 50.8% in the month under review from 59.1% recorded in February 2023. Also, core inflation slowed to 40.6% from 47.9% in the same period.

The moderation in Ghana's inflation rate is driven predominantly by the Bank of Ghana's continuous contractionary monetary policy, which has seen the benchmark interest rate surge to 28.5%. Other drivers include:

- Stability of the Ghanaian Cedi
- Drop in petrol price following the "Gold4oil" Programme
- Moderating food prices



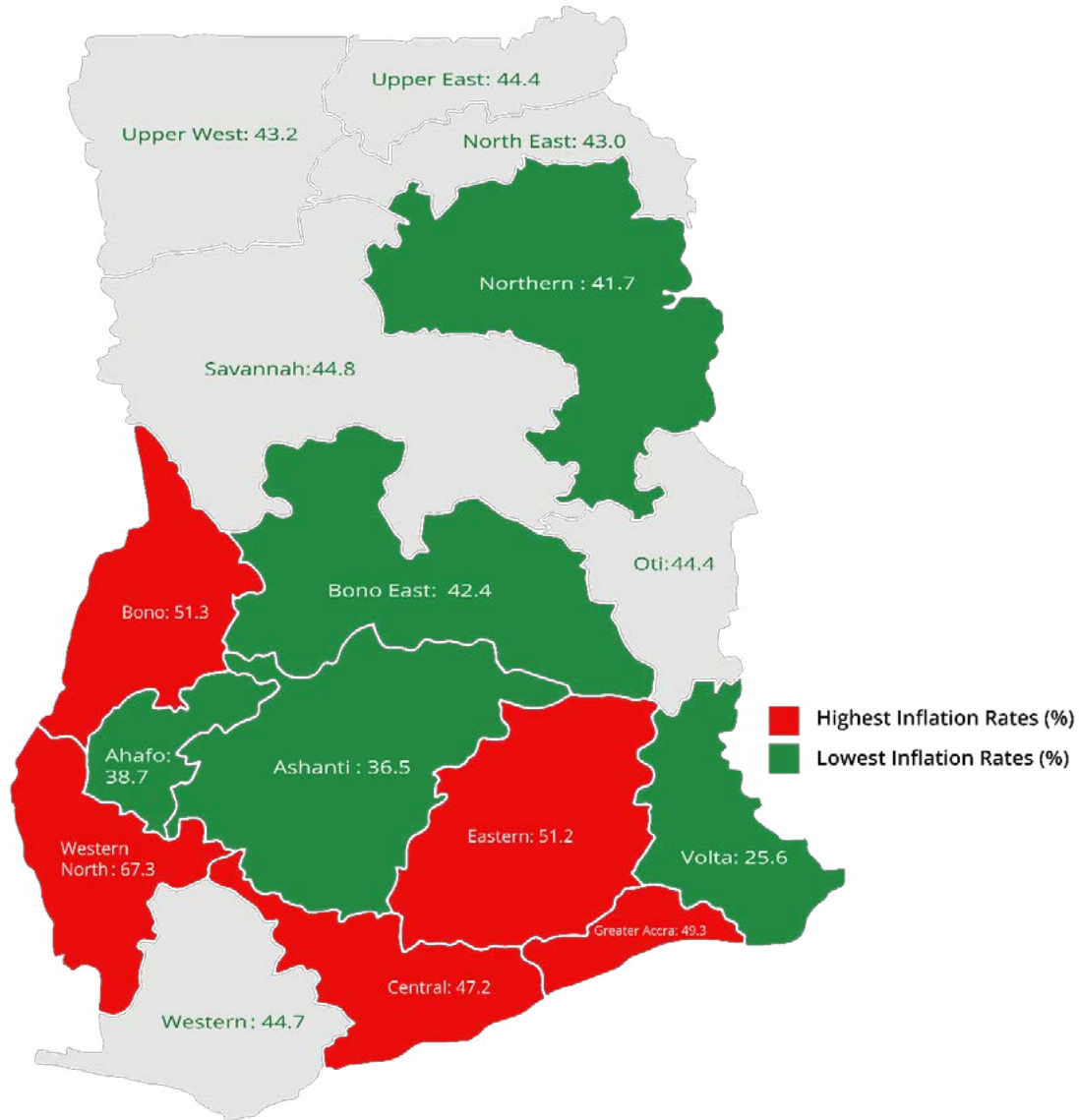
Data Breakdown

Food and core inflation fell to their lowest levels since October 2022. The month-on-month index recorded a deflation (negative inflation rate) for the first time since September 2020.

Sub Index	March 2022 (%)	February 2023 (%)	March 2023 (%)
Food	22.4	59.1	50.8
Core (food less seasonality)	17.0	47.9	40.6
Month-on-month	4	1.9	-1.2
Local inflation	NA	49	41.9
Imported inflation	NA	62.3	51.6

State-by-state analysis

Western North recorded the highest inflation rate (67.3%) while Volta recorded the lowest inflation rate of 25.6% in March 2023. Five regions recorded an inflation rate above the national average of 45%, while 11 regions recorded rates below the national average.



Global inflation eases in March

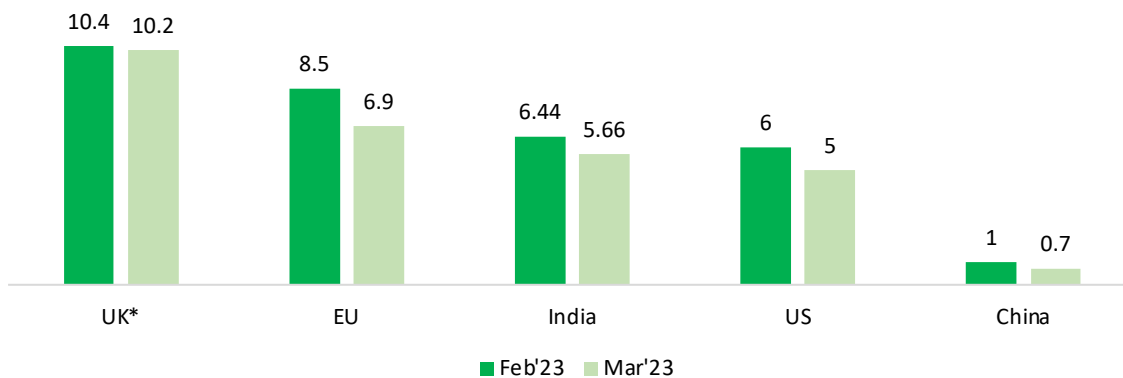
Global inflation moderated further in March 2023 as major global economies reported declines in their inflation numbers. This is in response to multiple interest rate hikes by their respective global monetary authorities, coupled with moderating food and energy prices.

The FAO price index decreased by 2.9 points from 129.8 points in February to an average of 126.9 points in March. In the same vein, global crude oil prices

(Brent crude) declined by 6.99% in the review month to USD80.8pb.

China posted an 18-month low inflation rate of 0.7% in March 2023, down from 1% the previous month, owing partly to low consumer demand that was induced by an uneven economic recovery, after the removal of the zero-COVID policy. The US inflation rate also dropped from 6% to 5%, after more than a year of soaring prices across the country.

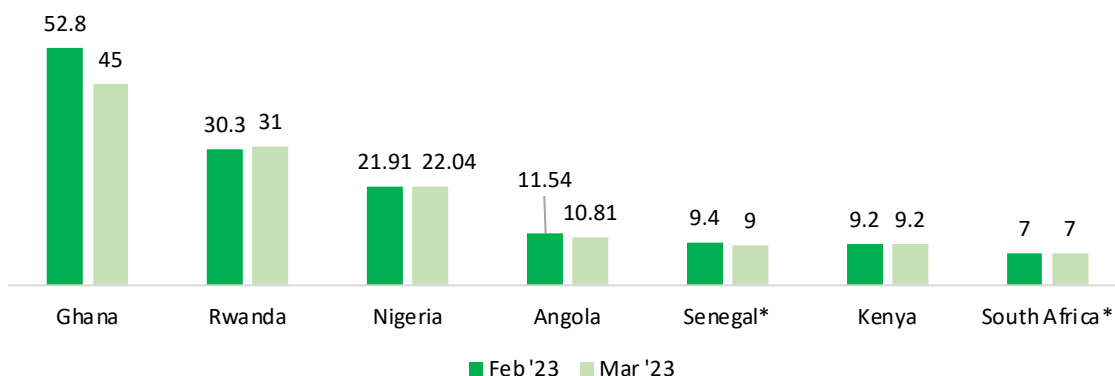
Global Inflation Rate (%)



Mixed trends recorded in Sub-Saharan Africa

In sub-Saharan Africa, the inflationary environment continues to show mixed trends. Rwanda and Nigeria recorded an uptick, with increased food prices as a common driving factor. However, inflation rates declined in Ghana and Angola on the back of bumper agricultural harvests and interest rate hikes. Kenya reported a flat rate in March 2023.

Regional Inflation Rate (%)



Policy impact

The central banks of Nigeria and Ghana continue to combat high inflation rates by increasing interest rates. The CBN increased its benchmark interest rate to 18% at its last MPC meeting, while the Bank of Ghana increased its rate to 28.5%.

The multiple interest rate hikes have tightened access to credit in the economy, while fixed-income assets like treasury bills yields have increased.

Nigeria's one-year T-bills increased to 14.7% in April 2023 from 4.35% in December last year. Ghana, on the

other hand, saw its one-year treasury bill rate fall to 26.95% in April 2023 from 36.10% recorded last year in December.

Despite the varying inflationary trends in the West African region, we anticipate that the policy stance will remain contractionary as inflationary pressures persist.

Outlook

We expect global inflation to moderate further in the short-to-medium term in the face of aggressive interest rate hikes and the drop in international energy and food prices.

Ghana's inflation rate risks an upward movement in the short term, following the impact of the VAT rate increase and petrol subsidy removal. However, the moderating effect from a favorable base period could taper the pace of increase.

Nigeria's inflation rate on the other hand is expected to maintain its upward trend in subsequent months, on the back of the anticipated money supply increase following the influx of old notes in circulation, seasonality, and the impact on food prices and other underlying factors.



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