



INFLATION FORECAST

SEPTEMBER 2020

All enquiries should be forwarded to:
The Economic Intelligence Group
Access Bank Plc
14/15, Prince Alaba Oniru Street
Oniru Estate Lekki,
Lagos, Nigeria
T: 01-2712005-7, 0700 300 0000
E: economicIntelligence@accessbankplc.com



more than banking

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Inflation Forecast

FOR SEPTEMBER 2020

The National Bureau of Statistics (NBS) is scheduled to release the inflation figure for September 2020 on October 15, 2020, based on the data release calendar available on the Bureau's website.

Access Bank's Economic Intelligence Unit forecasts headline inflation for September 2020 to rise to 13.63% from 13.22% recorded in August 2020. This will mark the 13th consecutive month of ascending inflation. The towering trend reflects the economic backlash from the

ongoing pandemic. Our methodology entails the application of an autoregressive econometric model using lags of the composite consumer price index (CPI) and a survey-based inflation expectation within the same product definitions adopted by the NBS.

Transportation and food prices rose mirroring the rise in energy prices and instability in the economy. Given this pattern, we expect the CPI to settle at 339.3 points from 334.6 in the preceding month.



Inflation Forecast Drivers

- The upsurge in transportation cost, fuel prices and electricity tariffs played a major role in the price rise for the month, grappled with the friction in food supply shortages owing to the residual effects of the Covid-19 pandemic.
- Prices of food and non-alcoholic beverages, the largest component in the consumption basket (with a weight of 51.8%) majorly retained an upward trend. Household food items and increment rate in September were but not limited to; tomatoes (16.7% - 21%), onions (7.9%), chicken (7.7%), vegetable oil (12.7%) and cosmetics.
- In a separate development, a few items trended downwards which include maize (14.5%), yam (10.5%), beans (6.3%) and pepper (3.1%).
- The Naira appreciated at the parallel to ₦465/US\$ as at September from ₦478/US\$ in the preceding month.
- Petrol pump price rose to between ₦159 and ₦169 per litre from ₦145 per litre.
- Electricity tariff spiked by 106% to ₦62.33 per kWh (kilowatt unit of energy per hour) from ₦30.23 per kWh.

Probable Market Impact Points



Money and Fixed Income Market:

- We expect a continued low yield environment in the government T-Bills market. Yields on the 3-month & 9-month treasury bills fell to 0.93% and 1.96% on September 30th from 1.12% and 2.27% respectively in the prior period.

Monetary Policy Responses:

- The CBN reduced the MPR by 100 basis points to 11.5% from 12.5% at its last meeting held in September. This was in a bid to maintain price stability mandate, provide cheaper credit to improve aggregate demand, stimulate

production, support recovery of output growth and a competitive rate environment that stimulates the much-desired foreign portfolio inflows in the short to mid-term. Nonetheless, we note that the CBN is likely to sustain policies that will cushion the negative effects of the coronavirus whilst enhancing overall economic growth.

The Economic Intelligence Unit
Access Bank Plc

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Email: economicintelligence@accessbankplc.com