

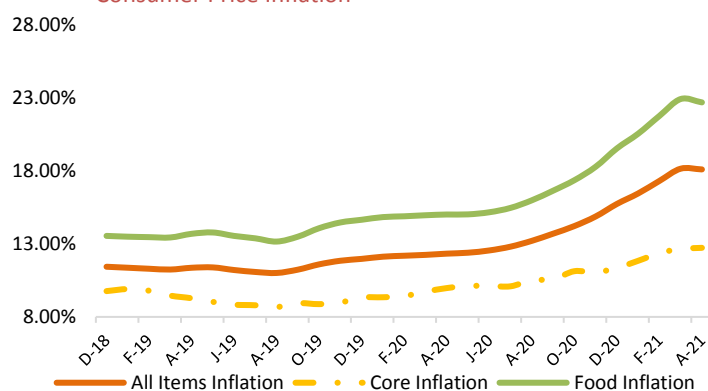


Inflation Update: April 2021

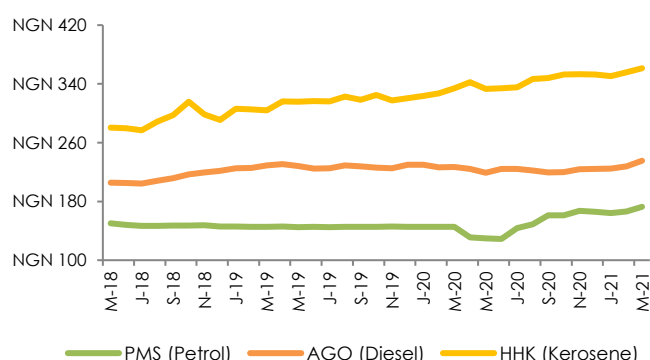
MPR: 11.50%

Q4 '20 Real GDP Growth Rate: 0.11%

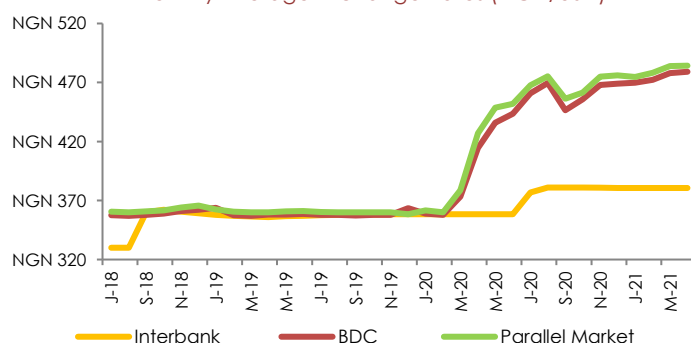
Consumer Price Inflation



Monthly Average Commodity (Fuels) Price/Litre



Monthly Average Exchange Rates (NGN/USD)



Source: Central Bank of Nigeria, Aboki.com, Cowry Research

Positive Surprise as Headline Inflation Slackens to 18.12%...

Freshly released data from the National Bureau of Statistics showed that headline inflation slowed down for the first time in 20 months. It recorded a 18.12% decline in annual inflation rate for the month of April (lower than 18.17% in March). This southward movement was majorly driven by a slower increase in the food index to 22.72% (from 22.95% in March) on the back of a rise in prices of coffee, tea, milk, bread, cereals, potatoes, yams and other tubers, meat, as well as fruits amongst others. Also, imported food index rose to 16.90% (from 16.65%) amid the depreciation of the Naira at the BDC and Parallel markets – specifically, two months moving average foreign exchange rates at the BDC and Parallel markets rose m-o-m by 0.72% and 0.62% to N478.55/USD and N484.02/USD in April 2021. On the other hand, Core inflation rose to 12.74% (from 12.64% in March) driven by rise in price of pharmaceutical products, vehicle spare parts, medical services, furniture and finishing amongst others.

On a monthly basis, headline inflation moderated to 0.97% (from 1.56% in March) amid decline in food inflation to 0.99% (from 1.90% in March). Food inflation moderated despite the worsened insecurity challenges in the country as well as the anticipated decline in food stockpiles given the fact that we are still in the planting season. Also, core inflation fell to 0.99% (from 1.06% in March) amid decline in clothing and footwear cost (0.54%) and flattish water, electricity, gas and other fuel cost (0.00%).

Urban and rural annual inflation rates moderated to 18.68% (from 18.76%) and 17.57% (from 17.60%) respectively in April.

Outlook:

Despite the surprise moderation in inflation rate, we remain cautiously optimistic and expect prices to remain sticky due, in part, to the ongoing rainy season and the lingering effects of structural bottlenecks and insecurity. Other factors include probable upward adjustment to electricity tariffs, effect of higher crude oil prices on transportation costs as well as likely increase in imported food due to upward pressures on exchange rate.

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