

Inflation Update: May 2020



NGN 440 NGN 425 NGN 410 NGN 395 NGN 380 NGN 350 F-18 A-18 J-18 A-18 O-18 D-18 F-19 A-19 J-19 A-19 O-19 D-19 F-20 A-20 Interbank BDC Parallel Market

Monthly Average Exchange Rates (NGN/USD)



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

Inflation Rate Continues Upward Trend to 12.40% in May as Imported Food, Transport Costs Rise...

Freshly released inflation report by the National Bureau of Statistics showed a 12.40% rise in annual inflation rate for the month of May; higher than 12.34% printed in April, in line with our expectations. The printed higher inflation rate was partly due to a rise in imported food index by 16.26% (higher than 16.24% in April) – against the backdrop of further depreciation of the Naira against the USD. Specifically, two months moving average foreign exchange rates at the Bureau de Change and the parallel markets rose (Naira depreciated) y-o-y by 18.74% and 21.51% to N425.17/USD and N437.91/USD respectively in May 2020. Core inflaiton rate also jumped to hit double-digit, 10.12% (from 9.98% in April) partly on higher transportation cost (climbed by 10.09%; from a 9.78% rise). In the same vein, price of clothing & footwear rose by 10.39% compared to a 10.33% increase in the preceding month). Meanwhile, food inflation rate rose to 15.04% (higher than 15.03% in April).

On a monthly basis, annual inflation rate rocketed to 1.17% in May (from 1.02% in April), as imported food inflation and food inflation indicies rose by 1.27% and 1.43% respectively. Nevertheless, despite the rising transport inflation rate which jumped by 1.03%, core inflation indices rose at a lower pace, by 0.88% (down from 0.93% recorded in April). Meanwhile, urban and rural inflation rates rose by 13.03% and 11.83% (higher than 13.01% and 11.73%) respectively in the preceding month.

Outlook:

"We expect the general price level in the coming months to further increase amid current planting season and in view of the planned increase in electricity tariff kicks off later in the year.

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MPR: 12.50% Q1 '20 Real GDP Growth Rate: 1.87%