



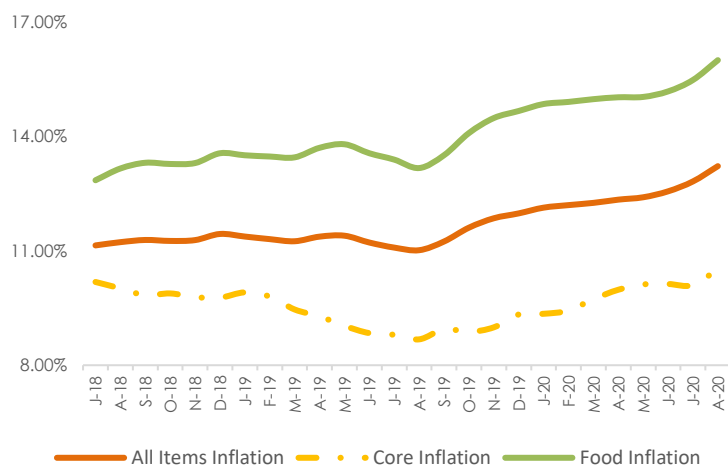
Inflation Update: August 2020

MPR: 12.50%

Q2 '20 Real GDP Growth Rate: -6.10%

August Headline Inflation Rate Accelerates to 13.22% as Prices Rise Across the Board...

Consumer Price Inflation



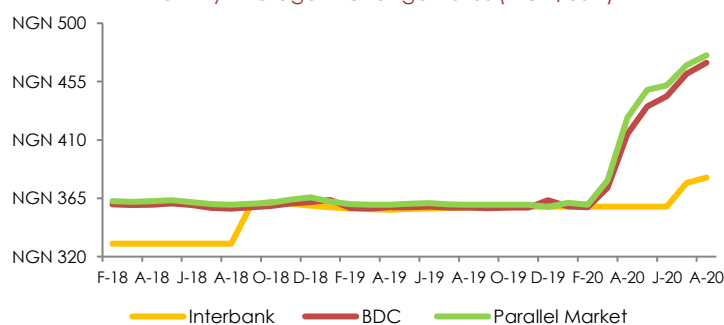
In line with our expectations, the National Bureau of Statistics (NBS) reported a 13.22% rise in annual inflation rate for the month of August (the highest since March 2018) from 12.82% printed in July. Further breakdown showed that annual food inflation jumped to 16.00% in August from 15.48% it printed in July. The increase in food inflation rate was chiefly due to the sustained pressure on the food basket amid flood cases in agrarian areas of the country. Also, core inflation rate climbed to 10.52% (from 10.10% in July) given the rise in transport, electricity and clothing costs. Similarly, imported food index rose to 16.42% (higher than 16.35% in July) amid depreciation of the Naira against the USD. Specifically, two months moving average foreign exchange rates in the Interbank, BDC and Parallel market rose y-o-y by 3.06%, 2.87% and 2.54% to N378.86/USD, N465.22/USD and N471.50/USD respectively in August 2020.

On a monthly basis, headline inflation rose to 1.34% in August (from 1.25% in July). Notably, monthly food inflation rose to 1.67% in August (from 1.52% in July) as prices of bread, cereals, potatoes, yam and meats, amongst others, increased. Core inflation rose to 1.05% (from 0.75% in July) amid higher clothing and foot wear (+0.95%), transportation costs (+1.12%) and housing and energy (+0.76%). Meanwhile, urban and rural inflation rates rose to 13.83% and 12.65% (higher than 13.40% and 12.28%) respectively.

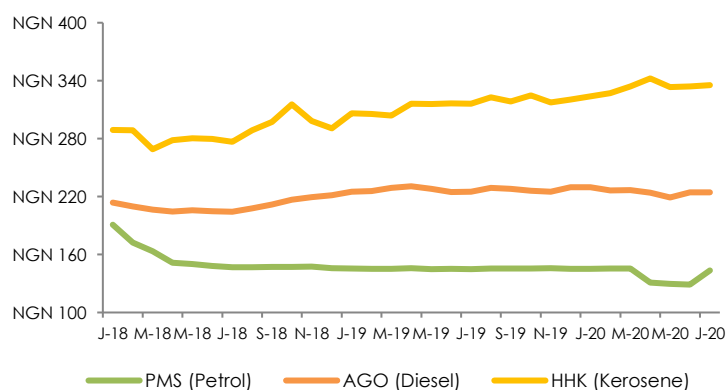
Outlook:

Given the implementation of the new cost-reflective electricity tariff, coupled with the full deregulation of the downstream sector, we expect inflation to further increase in September 2020.

Monthly Average Exchange Rates (NGN/USD)



Monthly Average Commodity (Fuels) Price/Litre



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

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