



Inflation Update: December 2020

MPR: 11.50%

Q3 '20 Real GDP Growth Rate: -3.62%

December Inflation Rate Jumps to 15.75% amid Persistent Surge in the Food Index...

The National Bureau of Statistics reported that the headline Inflation rate sustained its uptrend for the 16th consecutive month to 15.75% in December 2020 (from 14.89% printed in November). The increase in inflation rate was caused by continuing pressure on the food and non-food index. Food inflation jumped to 19.56% (from 18.30% in November) driven by higher prices due to the festivities and higher logistics cost; albeit, the partial re-opening of the land borders in December should have helped in easing the inflationary pressures for December. Imported food index also upped by 16.64% (higher than 16.54% in November) amid depreciation of the Naira – specifically, two months moving average foreign exchange rates at the BDC and Parallel market rose y-o-y by 1.44% and 1.54% to N468.45/USD and N475.43/USD respectively in December 2020.

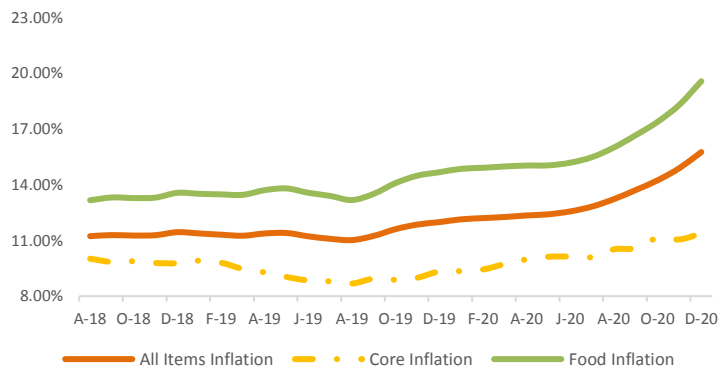
Similarly, core inflation rate climbed to 11.37% (from 11.05% in November) caused by increase in passenger transport in air, medical services, hospital services, pharmaceutical products amid others.

On a monthly basis, headline inflation rose to 1.61% in December (from 1.60% in November). Notably, monthly food inflation rose to 2.05% in December (from 2.04% in November) as prices of bread, cereals, potatoes, yam and meats, amongst others, increased while Core inflation rate increased to 1.10% (from 0.71% in November) amid higher clothing and foot wear (+0.28%), transportation costs (+0.47%) as well as housing and energy costs (+0.36%). Meanwhile, urban and rural inflation rates rose to 16.33% and 15.20% (higher than 15.47% and 14.33%) respectively.

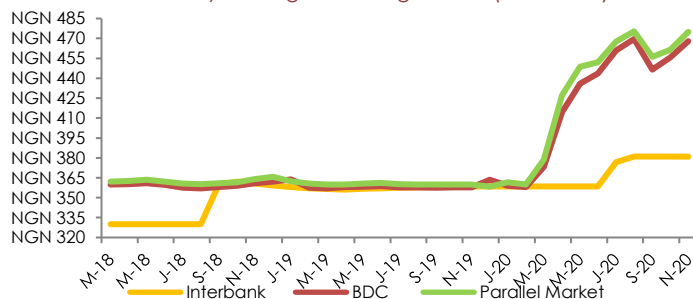
Outlook:

We expect inflation to be exacerbated amid higher pump price, given the rise in crude oil prices, and expected upward adjustment in electricity tariff in 2021. However, we expect to see a positive effect of the border re-opening on the food index as it provides some level of counterweight.

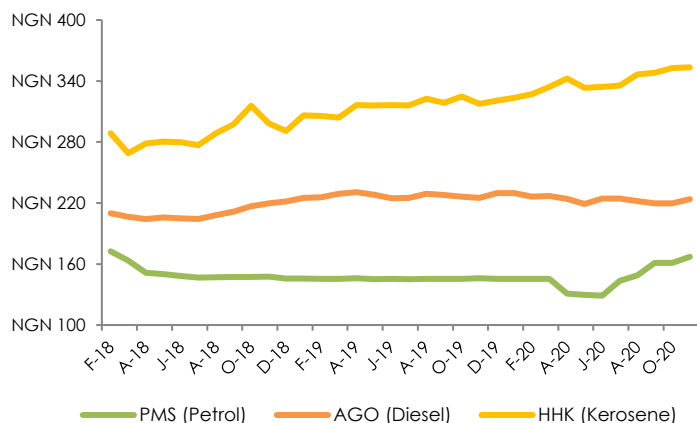
Consumer Price Inflation



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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