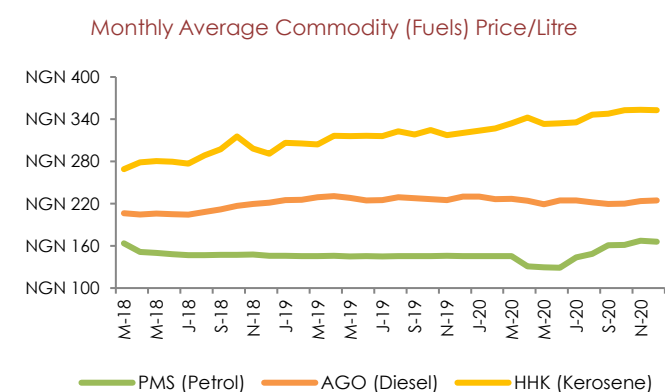
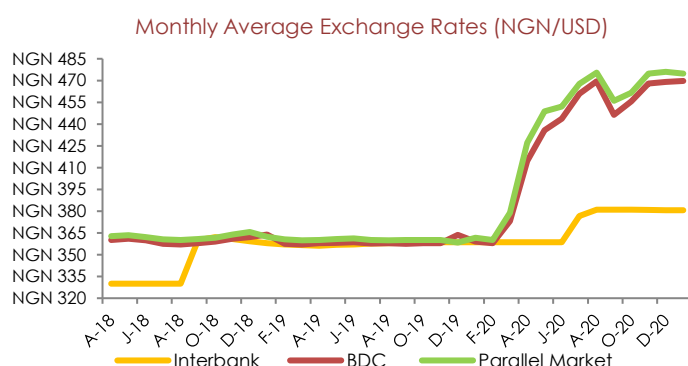
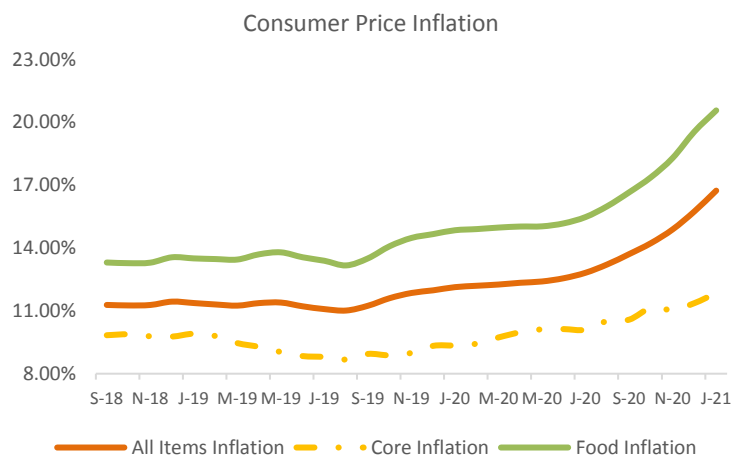


January Inflation Rate Jumps to 16.47% on Food, Core Inflation ...



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

Freshly released data from the National Bureau of Statistics showed that headline inflation rose to 16.47% in January (higher than 15.75% printed in December). The increase in inflation rate was caused by persistent increase in average food prices and non-food prices. Food inflation spiked to 20.57% (from 19.56% in December) driven by rise in prices of bread, cereals, potatoes, yams and other tubers, meat, fruits among others. Imported food index also upped to 16.70% (higher than 16.64% in December) despite the appreciation of the Naira at the parallel market – specifically, two months moving average foreign exchange rates at the Parallel market fell y-o-y by 0.02% to N474.70/USD in January 2021.

Core inflation climbed to 11.85% (from 11.37% in December) as healthcare and transport costs continued to surge at their fastest annual rates in short term sequence to 14.55% and 13.55% respectively amid rising cost of medical services, hospital services, pharmaceutical products and paramedical services as well as fuel costs for passenger transport. Urban and rural annual inflation rates rose higher to 17.03% and 15.92% respectively. On a monthly basis, headline inflation moderated to 1.49% in January (from 1.61% in December) driven by slower increase in food inflation to 1.83% (from 2.05% in December) as the yuletide seasonal effect came to an end in January and as the land borders were re-opened. However, Core inflation rose to 1.26% (from 1.10%) amid monthly increase cost of petrol and healthcare services.

Outlook:

We expect general price level to increase further in the next few months as the sowing season begins when food stockpiles are expected to decline even amid the disruptive insecurity in food producing parts of Northern Nigeria. Also, core inflation is expected to continue its ascent, driven by higher pump prices given the sustained rally in crude oil prices.