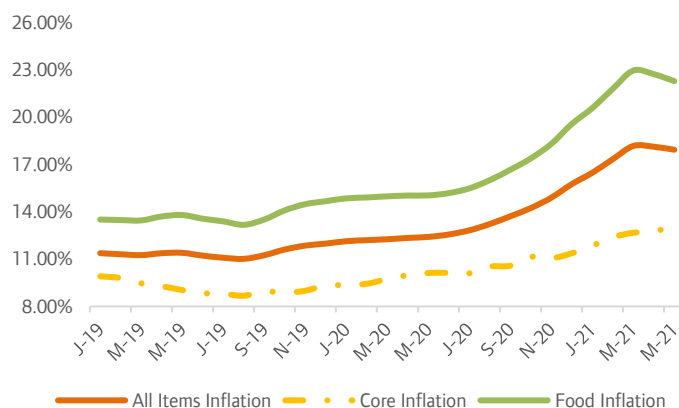
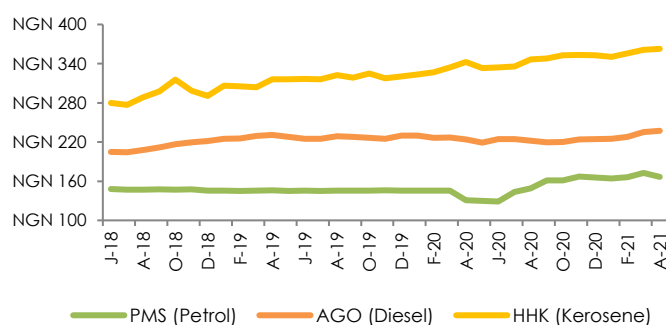


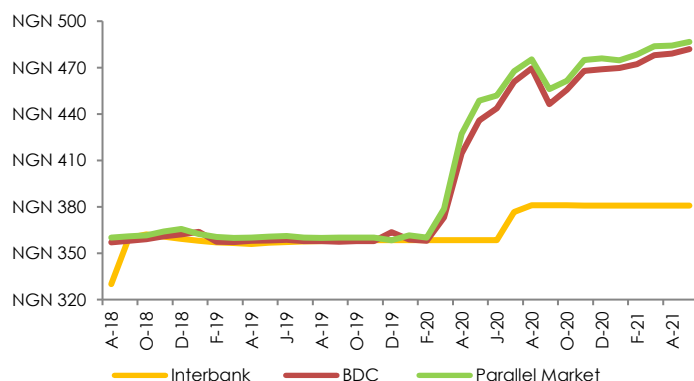
Consumer Price Inflation



Monthly Average Commodity (Fuels) Price/Litre



Monthly Average Exchange Rates (NGN/USD)



Inflation Rate Falls Further to 17.93% in May 2021 on Base Effect...

Recently released data from the National Bureau of Statistics showed that headline inflation further declined for the second consecutive month to 17.93% in May (lower than 18.12% recorded in April). The contraction in inflation rate was partly driven by the base effect of higher inflation recorded in May 2020 and a slower increase in the food index to 22.28% (from 22.72% in March). We saw a rise in prices of bread, tea and cocoa, milk, bread, cereals, meat, fat and vegetables amongst others. Meanwhile, imported food index rose by 16.98% (from 16.90%) as Naira further weakened against the greenback at the BDC and Parallel markets – CBN recently harmonized USD/Naira official rate to the NAFEX rate. Amid demand pressure on the foreign currency, two months moving average foreign exchange rates at the BDC and Parallel markets rose (Naira depreciated) m-o-m by 0.41% and 0.29% to N480.52/USD and N485.43/USD in May 2021. On the other hand, core inflation rose to 13.15% (from 12.74% in April) driven by rise in price of pharmaceutical products, shoes and other footwears, fuels and lubricants for transport services, furniture and finishing amongst others.

On a month-to-month basis, the rise in inflation rate reflected the hike in prices as the country continues to grapple with the structural challenges, worsening insecurity and higher transport cost amid sustained increase in the prices of crude oil at the international market. Hence, headline inflation expanded to 1.01% (from 0.97% in April) amid increases in food inflation rate to 1.05% (from 0.99% in April). Core inflation rose to 1.24% (from 0.99% in April) due to rising clothing and footwear cost (+1.96%), transport (+1.09%) and water, electricity, gas and other fuel costs (+0.69%).

Urban and rural annual inflation rates moderated to 18.51% (from 18.68%) and 17.36% (from 17.57%) respectively in May.

Outlook:

We expect to see an upward pressure on the m-o-m inflation rate due to the rising insecurity which continues to negatively impact food distributions across the country. More so, the increasing demand pressure on the greenback would further put pressure on cost lines m-o-m. However, we may further witness ease on inflation rate y-o-y given the base effect.