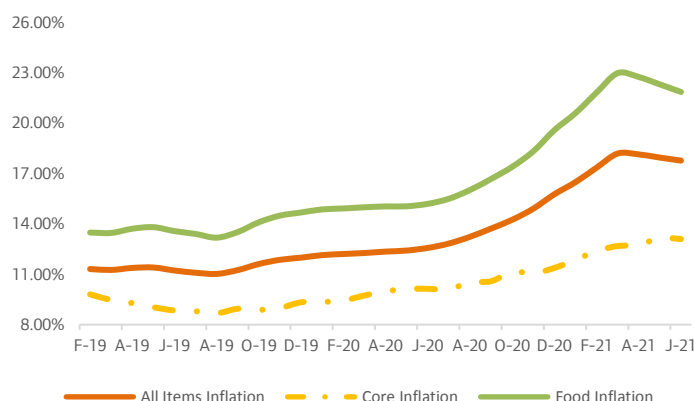
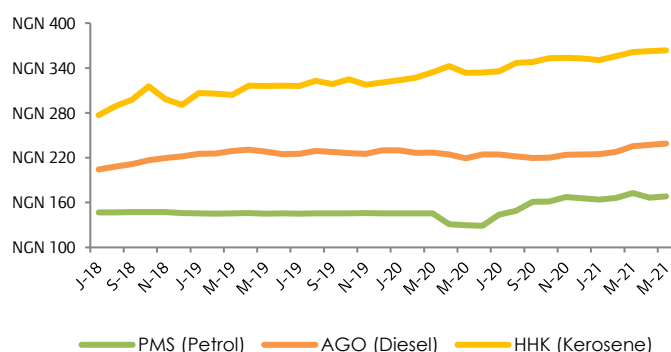


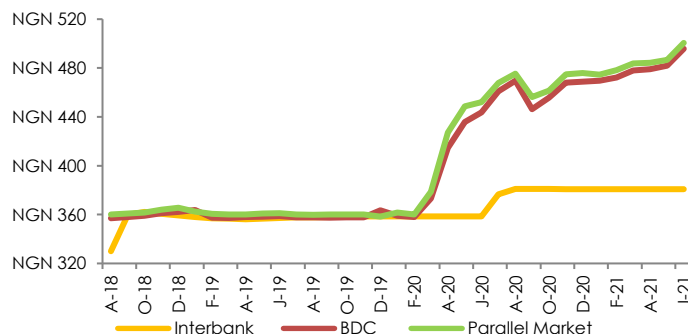
Consumer Price Inflation



Monthly Average Commodity (Fuels) Price/Litre



Monthly Average Exchange Rates (NGN/USD)



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

Headline Inflation Rate Eases to 17.75% in June 2021 on Core Inflation...

Freshly released June Inflation report from the National Bureau of Statistics (NBS) showed sustained downtrend in headline inflation as it eased further to 17.75% in June (lower than 17.93% recorded in May). The third consecutive slower inflation was driven by the base effect of higher inflation recorded in June 2020 and a moderating gallop in the food index to 21.83% (from 22.83% in March). We saw a rise in the prices of bread, tea & cocoa, milk, bread, cereals, meat, fat and vegetables amongst others.

Meanwhile, imported food index rose by 17.04% (from 16.98%) as Naira further depreciated against the greenback at the BDC and Parallel markets. Amid demand pressure on the foreign currency, two months moving average foreign exchange rates at the BDC and Parallel markets rose m-o-m by 1.73% and 1.68% to N488.85/USD and N493.59/USD in June 2021.

However, core inflation declined to 13.09% (from 13.15% in May) driven by fall 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, headline inflation expanded to 1.06% (from 1.01%) amid increases in food inflation rate to 1.11% (from 1.05%) despite the beginning of the harvest season. On the flip side, the core inflation rate moderated to 0.81% (from 1.24%) amid slower rise in clothing and footwear cost (+0.34%), transport (+0.09%) and water, electricity, gas and other fuel costs (+0.03%).

Notably, urban and rural annual inflation rates moderated to 18.35% (from 18.51%) and 17.16% (from 17.36%) respectively in May.

Outlook:

We expect to see further ease on inflation rate y-o-y given the base effect. However, we expect m-o-m food inflation rate to rise further amid lower harvest – engendered by worsening insecurity –, and continued pressure on exchange rate.