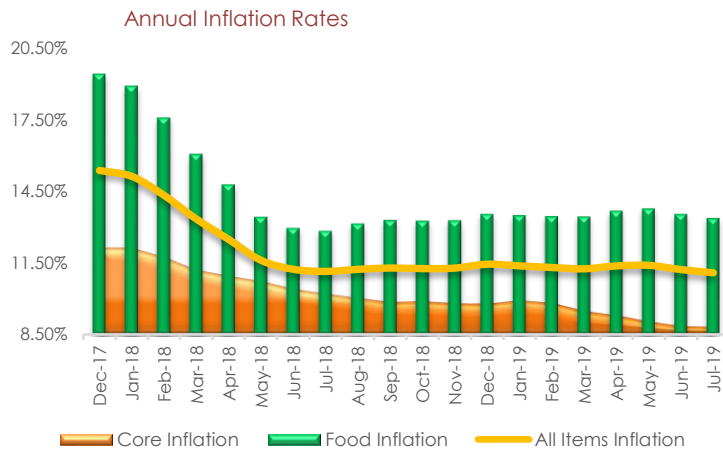




Inflation Update: July 2019

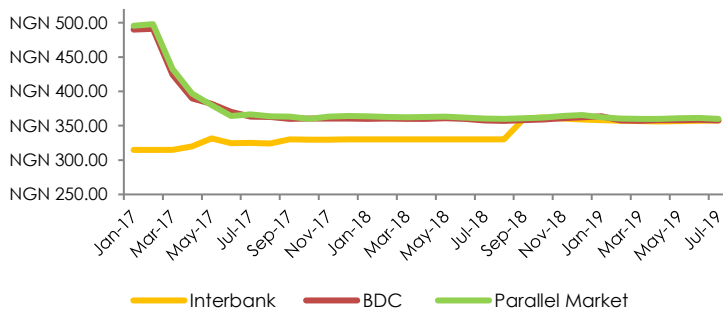
MPR: 13.50%
Q1 '19 Real GDP Growth Rate: 2.01%

July 2019 Annual Inflation Rate Falls to 11.08% as Core Inflation Moderates Further into Single Digit...



Freshly released July inflation report showed that headline inflation rate moderated further to 11.08% year-on-year (from 11.22% in June 2019), printing two consecutive months of decline. The recent southward movement in the annual inflation was driven by the decreases in annual food and core inflation rates. Specifically, annual food inflation rate slowed to 13.39% in July 2019 from 13.56% in June 2019. Also, monthly food inflation slowed m-o-m to 1.26% in the month of July from 1.36% in the month of June despite the worsened insecurity challenges in the country in recent times as well as the anticipated decline in food stockpiles which is usually the case during the planting season. We saw inflation rate fall in some states currently experiencing relatively worsened insecurity: Kaduna 14.03% (from 17.50%) and Zamfara 14.92% (from 15.42%). Similarly, annual core inflation eased further into single digit to 8.80% y-o-y in July 2019 from 8.84% in June 2019 on the back of decline in transport (-0.18%) and energy (-0.05%) costs. Also, we saw core inflation rate slow on a monthly basis to 0.77% (from 0.85% in June). However, y-o-y change in price level for imported food increased by 0.64% as Naira depreciated against the USD in most FX market segments, especially at the interbank window where monthly average foreign exchange rate rose (i.e Naira depreciated) y-o-y by 8.37% to N357.62/USD in July 2019.

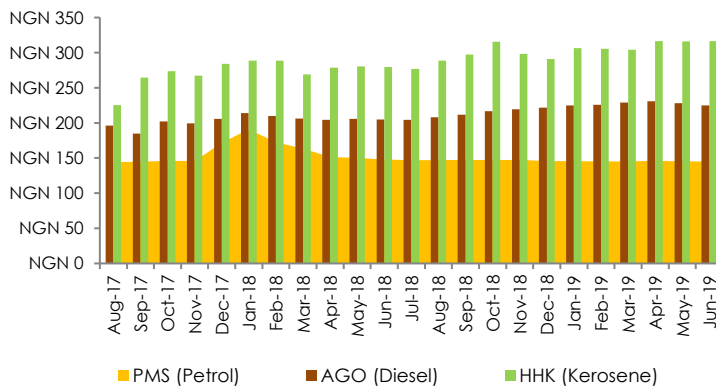
Monthly Average Exchange Rates (NGN/USD)



Outlook:

"We expect imported food inflation rate to further rise as demand pressure on the Naira persist amid the recent outflows of foreign portfolio investors and declining crude oil prices engendered by the continuing trade war between US and China".

Monthly Average Commodity (Fuels) Price/Litre



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

IMPORTANT DISCLOSURES: This report is produced by the Research Desk, Cowry Asset Management Limited (COWRY) as a guideline for Clients that intend to invest in securities on the basis of their own investment decision without relying completely on the information contained herein. The opinion contained herein is for information purposes only and does not constitute any offer or solicitation to enter into any trading transaction. While care has been taken in preparing this document, no responsibility or liability whatsoever is accepted by any member of COWRY for errors, omission of facts, and any direct or consequential loss arising from the use of this report or its contents.