

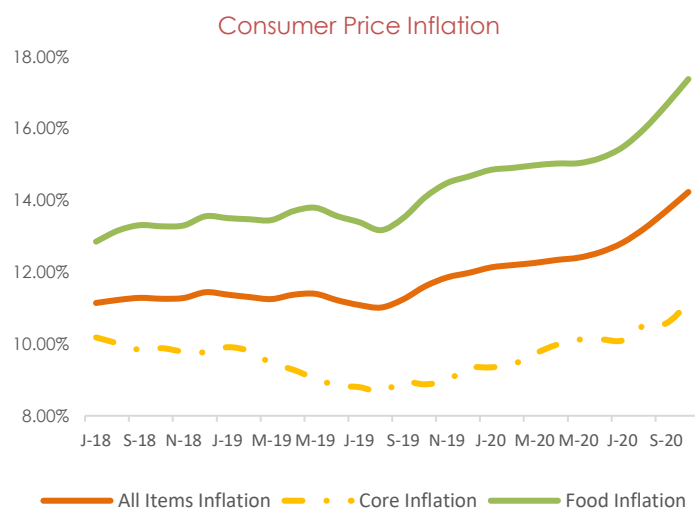


Inflation Update: October 2020

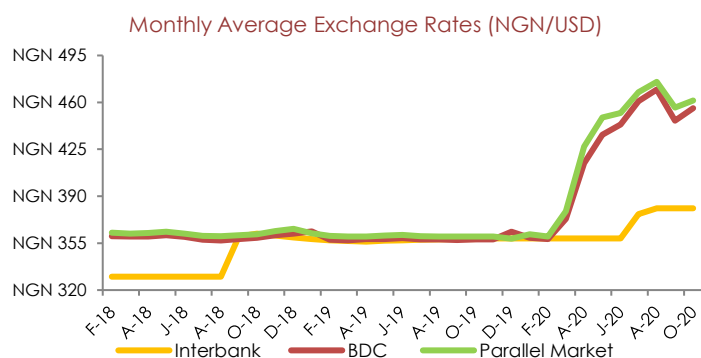
MPR: 11.50%

Q2 '20 Real GDP Growth Rate: -6.10%

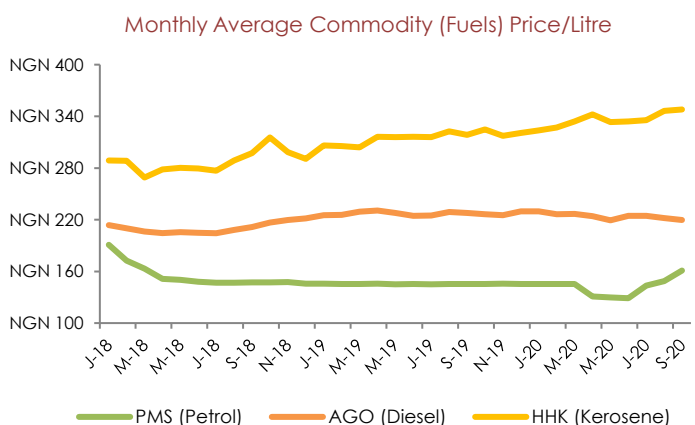
October Inflation Rate Jumps to 14.23% as Food, Core Prices Rise...



Freshly released Consumer Price Index (CPI) data by the National Bureau of Statistics (NBS) showed that the annual inflation rate maintained its northward trend, as it further climbed to 14.23% in the month of October (from 13.71% printed in September). The rise in inflation rate was chiefly due to an increase in Food inflation rate to 17.38% in October (from 16.66% recorded in September). We believe that the spike in food inflation was due to the weak harvest season induced by low planting activity given the restrictions on movements amid Covid-19 pandemic and the "End SARS" protest. Also, core inflation rate spiked to 11.14% (from 10.58% in September) amid rise in transport (transport fare surged on higher fuel price), clothing and footwear as well as housing water and electricity amongst others. Imported food index rose to 16.50% (higher than 16.44% in September) given the depreciation of the Naira against the USD at most market segments. We noticed that monthly average foreign exchange rates at the BDC and Parallel market rose m-o-m by 2.07% and 1.17% to N455.65/USD and N461.45/USD respectively in October 2020.



On a monthly basis, headline inflation rose to 1.54% in October (from 1.48% in September). Also, monthly food inflation rose to 1.96% in October (from 1.88% in September) while Core inflation rose to 1.25% (from 0.94% in September) given the rise in clothing and foot wear (+1.05%), transportation costs (+1.19%) as well as housing and energy costs (+0.84%). Meanwhile, urban and rural inflation rates rose to 14.81% and 13.68% (higher than 14.31% and 13.14%) respectively.



Outlook:

We expect inflation to remain elevated in 2020 amid anticipated rise in food prices, the recent increase in the price of petrol motor spirit and the fast approaching festive season.

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

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