



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

## February Inflation Rises to 17.33% amid Pressure on Food, Non-Food Prices

Recently released data from the National Bureau of Statistics showed that headline inflation sustained its upward trajectory, rising to 17.33% in February 2021 (highest level since April 2017). This was higher than 16.47% printed in January 2021. The increase in inflation rate was caused by broad-based increase from the food and non-food categories, albeit food prices continued to exert greater pressure. Exchange rate pressure, increase in energy prices which leads to higher logistics cost, insecurity in the food producing part of the country and a weaker harvest season continued to be the major drivers of inflation. Food inflation advanced to 21.79% (higher than 20.57% printed in January) driven by rise in prices of bread, cereals, potatoes, yams and other tubers, meat, fruits among others. Imported food index also upped by 16.78% (higher than 16.70% in December) amid depreciation of the Naira at the BDC and Parallel markets – specifically, two months moving average foreign exchange rates at the BDC and Parallel markets rose m-o-m by 0.35% and 0.25% to N472.24/USD and N478.33/USD in February 2021.

On the other hand, Core inflation climbed to 12.38% (from 11.85% in January) driven by rise in passenger transport, medical services, hospital services and pharmaceutical products amongst others. Urban and rural annual inflation rates rose higher to 17.92% and 16.77% respectively.

On a monthly basis, headline inflation rose to 1.54% in February (from 1.49% in January) amid increases in food inflation to 1.89% (from 1.83% in January). However, Core inflation moderated to 1.21% (from 1.26%).

### Outlook:

*We expect general price level to further increase in the next few months amid existing food supply challenges. In addition to supply shrinkage due to the ongoing planting season, the major causes of food inflation include insecurity resulting from farmer-herder clashes in the North and armed banditry and increased cost of logistics. Rising energy prices in the international crude oil market have led to sustained rise in pump prices. The trend is expected to be sustained as global demand for fuel is projected to rise with increasing economic and trade activities as lockdown eases further.*

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