

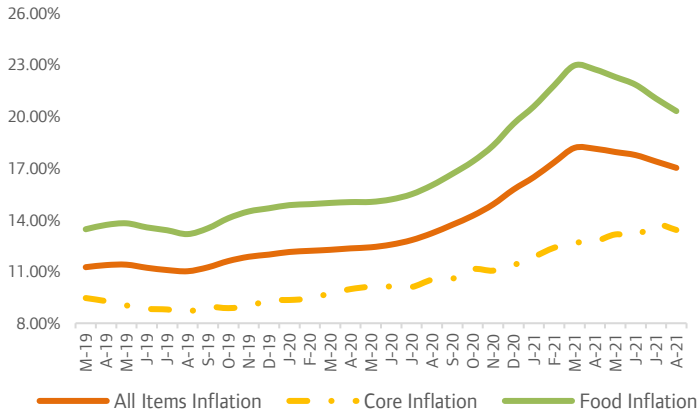


Inflation Update: August 2021

MPR: 11.50%

Q2 '21 Real GDP Growth Rate: 5.01%

Consumer Price Inflation



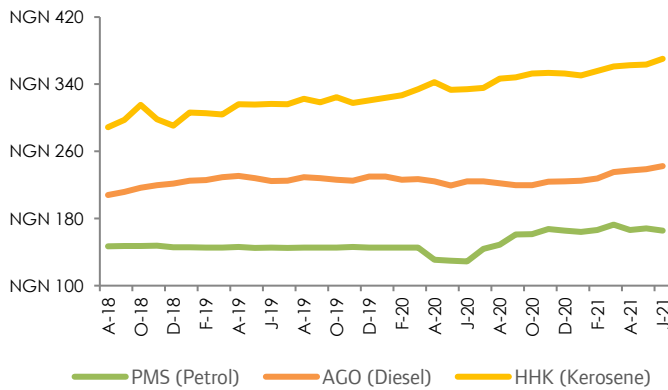
August Inflation Rate Falls to 17.01% amid Sustained Base Effect...

The freshly released inflation report by the National Bureau of Statistics (NBS) showed sustained moderation in headline inflation which further declined to 17.01% (from 17.38% recorded in July). The fifth consecutive disinflation was chiefly driven by slower increase in core Inflation. Notably, urban and rural annual inflation rates moderated to 17.59% (from 18.01%) and 16.43% (from 16.75%) respectively in July.

We saw core inflation rate plummet to 13.41% (from 13.72% in July) on the back of decrease in transportation fare as transport inflation moderated slightly y-o-y to 15.01% (15.06%). However, prices of pharmaceutical products, garments, shoes and other footwears, medical and hospital services, furniture and finishing amongst others increased y-o-y. Also, amid sustained high-base effect, food Index rose at a slower pace by 20.30% (compared to 21.03% recorded in July) as there were slower increases in prices of milk, cheese and egg, coffee, tea, cocoa, vegetables amongst others.

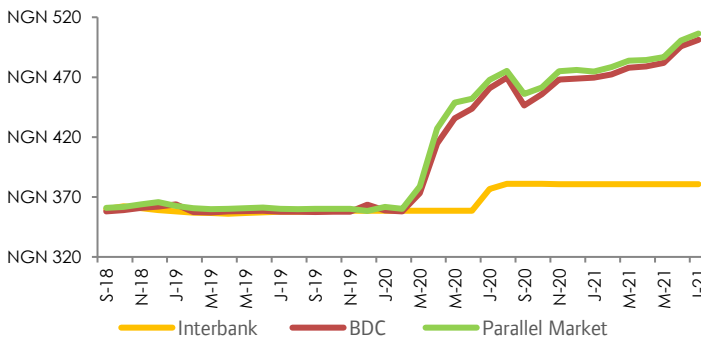
Meanwhile, imported food index rose by 17.12% (compared to 17.06% in July) as Naira depreciated strongly against the greenback at the BDC and Parallel markets. As CBN stopped the sale of USD to BDCs, we saw strong dollar demand pressure at the BDC and Parallel markets. Hence, two months moving average foreign exchange rates at the BDC and Parallel markets rose m-o-m by 1.39% and 1.55% to N505.37/USD and N511.31/USD in August 2021.

Monthly Average Commodity (Fuels) Price/Litre



On a month-to-month basis, headline inflation reversed upward to 1.02% (from 0.93%) amid a monthly jump in food inflation rate to 1.06% (from 0.86%) amid worsening insecurity. However, core inflation rate fell to 0.77% (from 1.31%) despite rising clothing and footwear cost (+1.12%), transport (+1.07%) and water, electricity, gas and other fuel costs (+0.83%).

Monthly Average Exchange Rates (NGN/USD)



Outlook:

As Cowry Research expected, the headline inflation rate eased further y-o-y chiefly on reduction in core items prices. However, we expect inflation rate to reverse upwards in the coming months amid volatile exchange rate, increase in electricity tariff and rising cost of fund.

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

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