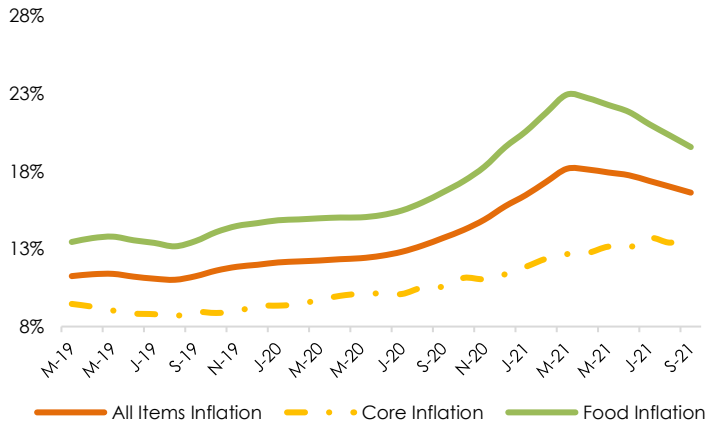




Inflation Update: September 2021

MPR: 11.50%
Q2 '21 Real GDP Growth Rate: 5.01%

Consumer Price Inflation

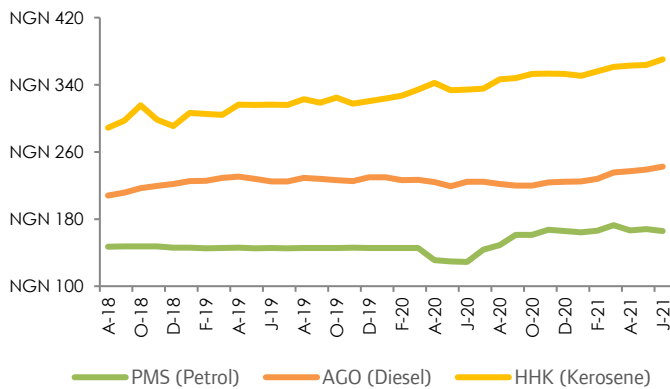


September Inflation Rate Eases to 16.63% on Lower Food Inflation...

September inflation report by NBS showed sustained ease in headline inflation, the sixth consecutive disinflation, to 16.63% in September (from 17.01% recorded in August). This was chiefly driven by slower increase in food Inflation. Slower inflation rates were also registered in both urban and rural areas at 17.19% (from 17.59%) and 16.08% (from 16.43%) respectively in September; also based on moderation in food inflation.

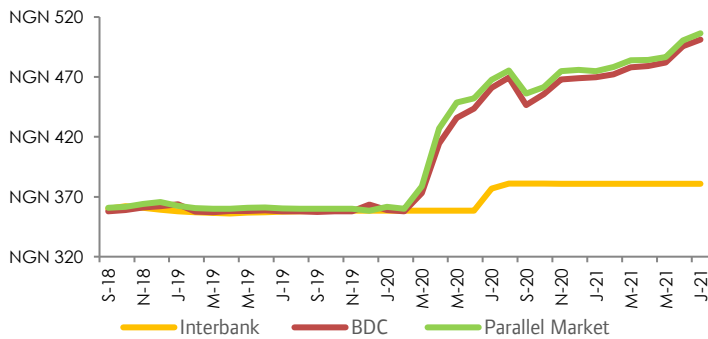
Against the backdrop of the harvest season coupled with sustained high-base effect, the food Index rose at a slower pace, by 19.57% in September (compared to 20.30% recorded in August) as there were weaker y-o-y increases in prices of oils & fats, bread & cereals, fish, coffee, tea & cocoa, tubers, dairy and egg. On the other hand, core inflation rate rose to 13.74% (from 13.41% in August) on the back of faster y-o-y rise in prices of clothing & footwear, Housing water, electricity, gas & other utilities, as well as furnishings & household equipment maintenance. These masked the slower y-o-y rises in health, transportation and communication charges.

Monthly Average Commodity (Fuels) Price/Litre



Meanwhile, imported food index rose by 17.19% (as against 17.12% in August) as Naira depreciated against the greenback at the Parallel market. Hence, two months moving average foreign exchange rate at the Parallel market rose m-o-m by 7.83% to N556.41/USD in September 2021.

Monthly Average Exchange Rates (NGN/USD)



On a month-on-month basis, amid sustained foreign exchange pressure, headline inflation rose further in September to 1.15% (from 1.02%) following a monthly rise in food inflation rate to 1.26% (from 1.06%) and a rebound in core inflation rate to 1.24% (from 0.77%).

Outlook:

We note that the sustained rise in m-o-m inflation was partly due to sustained foreign exchange volatility; thus impacting input costs of businesses which was passed onto consumers in form of higher selling prices. Hence, we feel that annual inflation rate may rise in the coming months, especially during the festive season, although to a limited extent due to expected increase in food supply on account of the ongoing harvest season.

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

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