



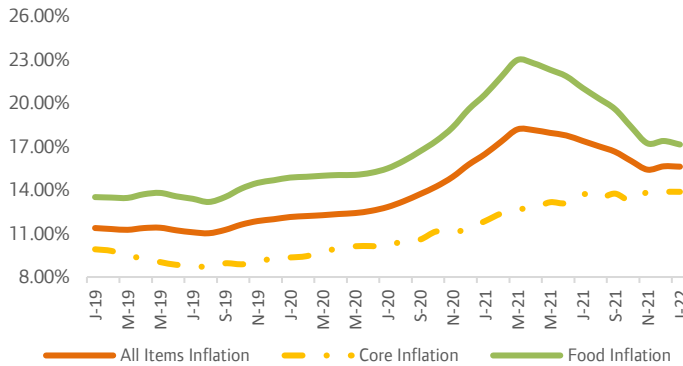
Inflation Update: January 2022

MPR: 11.50%

Q3 '21 Real GDP Growth Rate: 4.03%

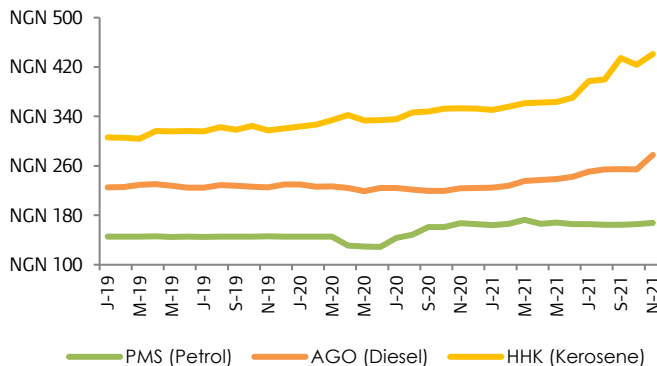
January Inflation Rate Slows to 15.60% amid Lower Food Inflation Level...

Consumer Price Inflation



Freshly released inflation report by National Bureau of Statistics (NBS) showed a reversal in the rising inflationary trend witnessed in December, as inflation rate moderated, albeit slightly, to 15.60% in January 2022 (from 15.63% recorded in December 2021) amid declining food prices in the review month compared to that of the festive period. – although we still saw an element of high-base effect which had contributed to the declining food inflation. Sticky inflation rate was printed in urban area at 16.17% but rural area inflation rate fell to 15.06% (from 15.11%) in January 2022.

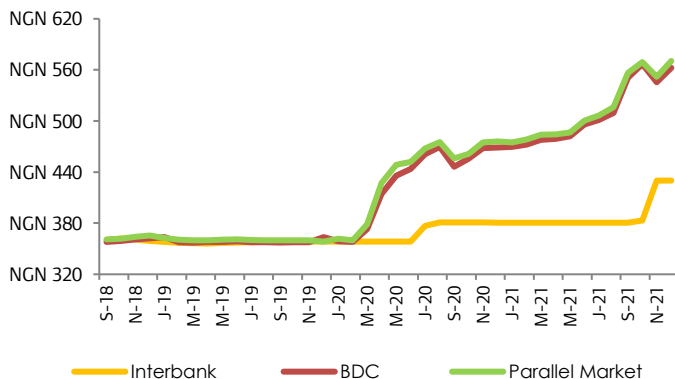
Monthly Average Commodity (Fuels) Price/Litre



Given the usual associated high prices of food in the yuletide season and the high-base effect, the food Index rose at a slower pace, by 17.13% in January 2022 (compared to 17.37% recorded in December 2021). Specifically, we saw weaker y-o-y increases in prices of oils & fats, bread & cereals, fish, coffee, tea & cocoa, tubers, dairy and egg. On the flip side, core inflation rate was flat at 13.87% y-o-y in January 2022 despite higher y-o-y rise in prices of clothing & footwear, Housing water, electricity, gas & other utilities, as well as furnishings & household equipment maintenance.

Meanwhile, imported food index rose by 17.40% (as against 17.34% in December 2021) as Naira depreciated marginally against the greenback at the parallel market. Two months moving average foreign exchange rate at this market rose m-o-m by 2.06% to N527.80/USD in January 2022.

Monthly Average Exchange Rates (NGN/USD)



On a month-on-month basis, headline inflation declined sharply in January to 1.47% (from 1.82% in December 2021) on renewed drop in prices of food items. Hence, food inflation rate plunged to 1.62% from 2.19%. On the other hand, core inflation rate jumped to 1.25% from 1.12%,

Outlook:

Cowry Research notes that the decline in food inflation rate in January was not out of place, given the reversal in food prices from the usual surge in the month of December 2021. Hence, the moderation in the m-o-m food inflation rate. However, we have continued to see rising core inflation rate m-o-m as cost of transportation increase. Going forward, inflation rate is expected to increase amid fuel scarcity – as a result of the lingering adulterated fuel issue.

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

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