

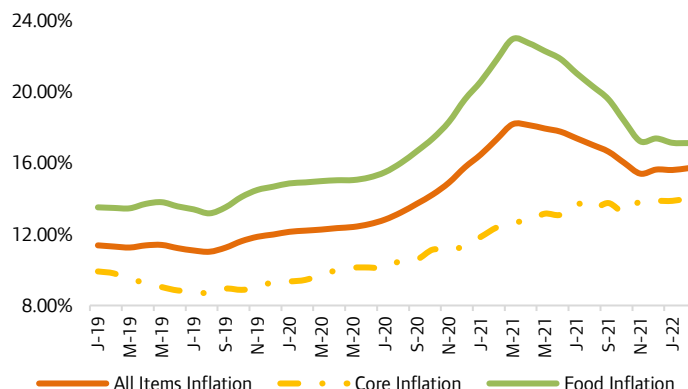


# Inflation Update: February 2022

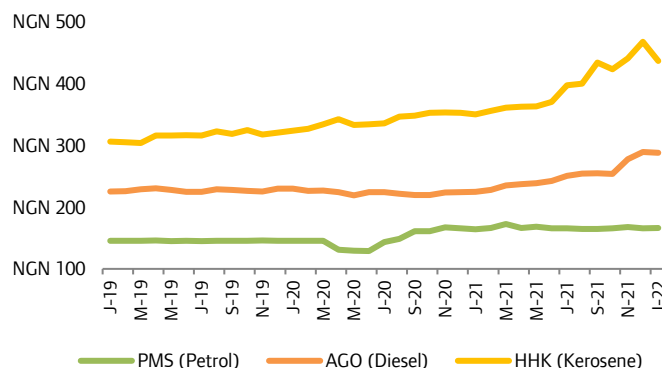
MPR: 11.50%

Q4 '21 Real GDP Growth Rate: 3.98%

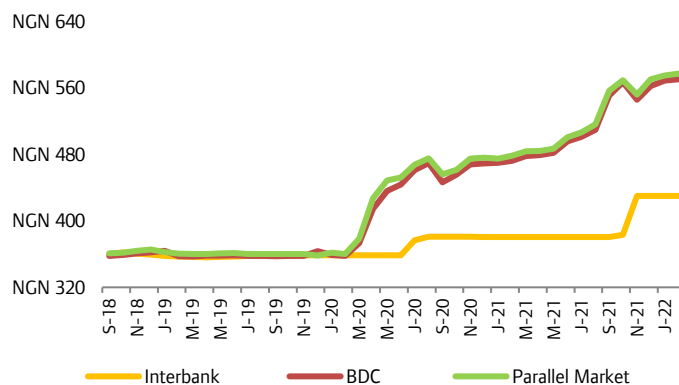
## Consumer Price Inflation



## Monthly Average Commodity (Fuels) Price/Litre



## Monthly Average Exchange Rates (NGN/USD)



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

## Inflation Rate Rises 10bps to 15.70% amid Cost Push Pressures...

Newly released inflation report by National Bureau of Statistics (NBS) showed a reversal of the slowing inflationary pace witnessed in January, as inflation rate upped to 15.70% in February 2022 (from 15.60% in the preceding month) amid rising cost of non-food items in the review month. In the month of February, the country also witnessed rise in fuel prices occasioned by supply shortages caused by importation of unsafe fuel. Urban inflation rate rose to 16.25% in February (from 16.17% in January) even as rural area inflation rate increased to 15.18% in February (from 15.06% in January).

Food inflation moderated for the second consecutive month in February (after a brief hike in December due to the yuletide spending) amid a combination of high base effect and the seasonal increase in supply typical of the harvest season. The food Index rose at a slower pace, by 17.11% y-o-y in February (compared to 17.13% January). Specifically, we saw weaker y-o-y increases in prices of Bread and cereals, Potatoes, yam and other tuber, Oils and fats and fruit. On the flip side, core inflation rate overcame inertia having risen to 14.01% y-o-y in February (from 13.87% in January) amid higher prices of Alcoholic Beverage, Tobacco & Kola, Housing Water, Electricity, Gas & Other Fuel as well as Clothing & Footwear.

Meanwhile, imported food index rose by 17.48% (as against 17.40% in January 2021) as Naira depreciated against the greenback at the parallel market. Two months moving average foreign exchange rate at this market rose m-o-m by 0.59% to N579.16/USD in February 2022. On a month-on-month basis, headline inflation rose to 1.63% in February (from 1.47% in January) on the back of monthly increases in the cost of all items, especially Food & Non Alcoholic Beverages and transportation costs. Food inflation rate rose to 1.87% from 1.62% while core inflation rate rose to 1.31% from 1.26%,

## Outlook:

Cowry Research expects to see increased inflationary pressure in the coming months as external inflationary pressures on commodities, arising from the geopolitical conflict between Russia and Ukraine, find expression in prices of local goods and services through the rising cost of imported soft commodities. It has become imperative that Nigeria delinks itself from this sort of pressure by becoming more self sufficient in the production and consumption of local substitutes.

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