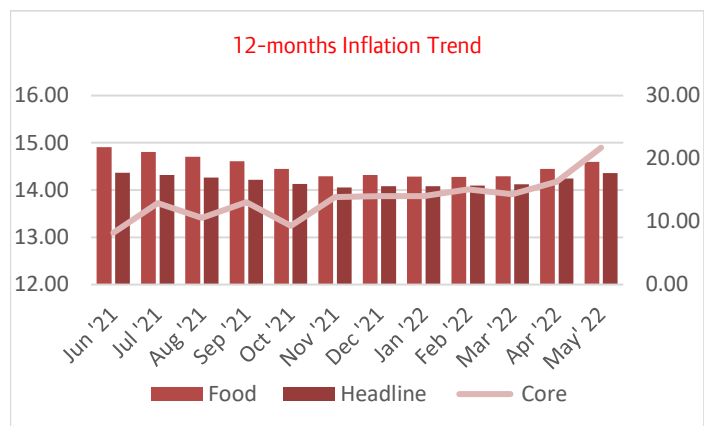




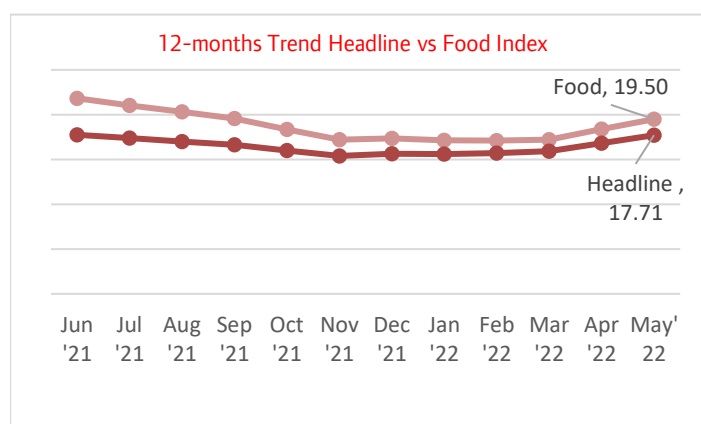
Inflation Update: May 2022

MPR: 13.00%

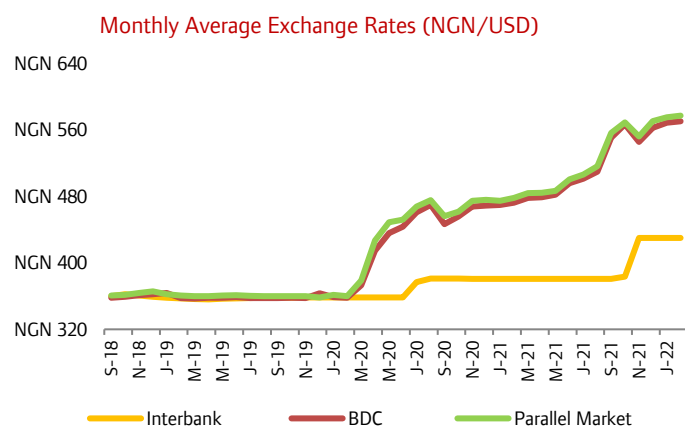
Q1 '22 Real GDP Growth Rate: 3.11%



Source: National Bureau of Statistics, Cowry Research



Source: National Bureau of Statistics, Cowry Research



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

Headline inflation hits 10-months high at 17.71%, driven by supply-side pressure, insecurity concerns.....

The latest Consumer Price Index (CPI) which measures the average change over time in the prices of goods and services consumed for daily living published by the National Bureau of Statistics (NBS) has shown that the headline inflation increased to 17.71% year-on-year in May 2022 from 17.93% reported in May last year and 16.82% reported in the previous month (April '22). Month-on-month, the index rose 1.78% in May 2022, indicating a 0.02% rate higher than the 1.76% in April.

For the fourth time this year, Nigeria's headline inflation continued its acceleration above 17% to a 12-months high and in line with our expectations following the unorthodox policy rate hike by the central bank, unrelenting pressure experienced by the naira in the FX market, insecurity concerns which have extended its negative impact on the planting and harvesting season.

A noticeable trend is that prices of commodities are increasing at a faster pace for food items than for non-food baskets as we saw that the surge in the headline inflation index was chiefly driven by the increase in the food index to 19.50% in May. This was caused by increases in prices of bread and cereals, food products, potatoes, yam, and other tubers, wine, fish, meat, and oils. Consequently, the price increases can be attributed to cost-push influences elevated by causative factors which are both domestic and exogenous to Nigeria. Meanwhile, the increases in the food and its sub-index echo the collective effects of seasonality, war-induced global supply chain interruptions, and output shocks which have precipitated an unprecedented but expected hike in commodity prices.

Furthermore, the core inflation which excludes the prices of volatile agricultural produce stood at 14.90% in May 2022 on a year-on-year basis, up by 1.75% when compared to 13.15% recorded in May 2021. On a monthly basis, the core sub-index increased to 1.87% in May 2022. This is up by 0.65% when compared to 1.22% recorded in April 2022. We saw from the report that the increases were recorded in prices of gas, liquid fuel, garment, solid fuel, cleaning, repair and hire of clothing and passenger transport by road.

In the meantime, the imported food index inched up 9bps to 17.75% reflecting the rising inflationary pressure on domestic food prices as Naira depreciated against the greenback at the parallel market.

Outlook:

Given the majorly supply-side inflationary pressure, we note that the electioneering campaigns, which are in full gear following the conclusions of party primaries; the insecurity concerns in the country, which will likely disrupt the forthcoming harvest season; and the war-induced global supply shocks are likely to further exacerbate rising prices. We see the headline index accelerating to 18.30% in June 2022.

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