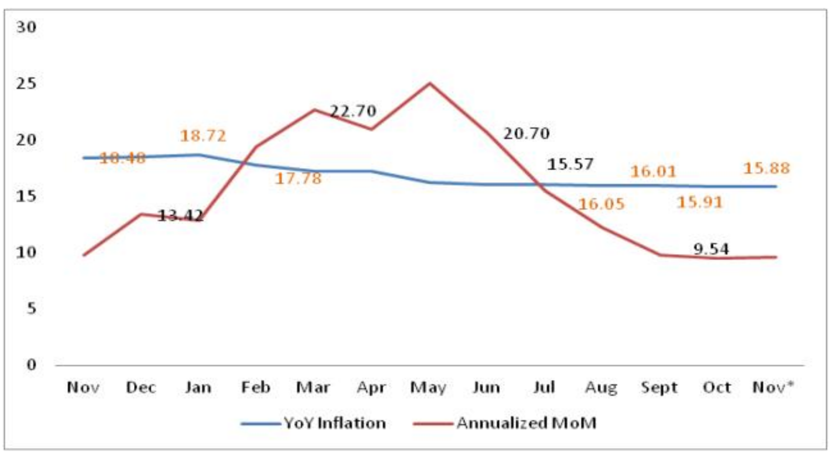
FDC Economic Bulletin

December 12, 2017

Headline Inflation to dip again to 15.88% in November

We forecast that headline inflation will decline for the 10th consecutive month to 15.88%. We believe that this will be the lowest rate of inflation in 2017 as inflation flattens out. However, month-on-month inflation is expected to marginally increase to 0.77% (9.60% annualized) from 0.76% (9.54% annualized) in October.

This decline in headline inflation is mainly driven by waning base year effects and the decrease in global commodity food prices such as wheat flour and sugar. A stable exchange rate over the last 2 months has seen the naira strengthen to N363/$, encouraging producers to finally pass through the benefit of cheaper imports to consumers. In addition, manufacturers have reduced production levels in anticipation of the decline in demand in January 2018, evident in the sharp drop in FBN's PMI for November to 60.1 from 64.8 in October. This tapered inflationary pressures during the month.



[1]

Core sub-index up again

We expect core inflation, which is inflation less seasonality, to inch up for the second consecutive month to 12.18% from 12.14% in October. This is partly due to the challenges in logistics. Diesel prices remain high though prices eased to N200/litre from N205/litre in October. The volatility in the supply of diesel has made diesel prices sticky downwards.

[1] Source: NBS, FDC Think Tank

Food sub-index to reap from abundant output

Food index is likely to taper to 20.26% from 20.31% in October, with month-on-month food inflation also declining to 0.84% (10.58% annualized) from 0.85% (10.63% annualized). This is mainly driven by significant government interventions in the agriculture sector, such as the Commercial Agriculture credit scheme (CACS), which has so far released over N500bn to boost economic activities in the sector.

Sub-Sahara Africa

With the exception of Angola, most countries in SSA recorded a decline in headline inflation even with a cut in interest rates during the year. This decline in price level was driven mainly by the improvements in domestic food yields and a decrease in global commodity food prices. Transport and maintenance costs remain key concerns for most of SSA owing to the increase in prices of crude oil and refined petroleum products. This has negatively impacted both logistics and utilities costs in these countries.

Country	Inflation (%)	Policy rate (%)
Nigeria	15.91* ⬇	14 ⬌
Angola	26.25* ⬆	18 ⬆
Kenya	4.73 ⬇	10 ⬌
South Africa	4.8* ⬇	6.75 ⬌
Ghana	11.6* ⬇	20 ⬇

[2]

Outlook

Generally, prices tend to spike during the festive period as a result of rising demand for goods and services. However, tepid recovery from the recession and the fragility of the economy will affect consumer expectations and demand. Hence, we expect a flattening out in inflation numbers for December. Year to date, (January- October), inflation in Nigeria has averaged 16.73%.

The CBN's move to reduce the cash reserve requirement (CRR) for SME-focused banks is an indication that a reduction in interest rates is imminent. This is positive for lending activities of banks to SMEs. The availability of additional funds in the SME segment will boost manufacturing and output.

[2] Source: FDC Think Tank ; * : October inflation rate


yudala
...All for Yu
Genuine Products Only
FREE DELIVERY
For payments with
mastercard.
EFFEKTA®
AX-Series
Photovoltaic Inverter
Printer
One stop shop for your Company's ICT needs
Phones, Tablets & Accessories | Computing: Laptops, Desktops, Printers, Ink & Toners etc | Electronics: Inverters, UPS etc | Home & Kitchen
Yu buy now pay later
Buy any product from our website
Spread Payment for up to 12 Months
For Details Call: 0700 - 7000000
www.yudala.com
YUDALA STORE LOCATIONS
ADMIRALTY
10, Gabby Ade Street, Admiralty way. 09051306807
THE PALMS
• 1st Floor, The Palms, Lekki.
CHERUB MALL
• Km 18 Lekki-Epe Exp. way, Alpha Beach 07015834226
ABUJA 1
• 20, Port Harcourt Crescent, Off Fimbiya Street, Area 11, Garki, Abuja.
ABUJA 2
• Banex Plaza, Aminu Kano Crescent, Wuse 2, Abuja.
OWERRI
• 65B Mbaise Road, Owerri, Imo State.
ASABA
• 339 Nnebisi Road, Opposite Asaba Stadium, Asaba.
ENUGU
• 134, Upper Chime Avenue, Enugu
• 1, Market Road, by Harco Filling Station, Off Ogui Road.
WARRI
• Shop 42 Delta Mall, Effurun Road, Warri.
KANO
• Shop G13, Ado Bayero Mall, Kano.
• Dankoli Plaza, 42 Beirut Road, Kano.
IBADAN
• Shop UL39, The Palms Shopping Complex, Corner of Liberty Stadium Ring Road, Ibadan.
PORTHARCOURT CITY
• 8A, Main Aba Road, by Govt. Craft Center, PH City.
UYO
• 170, Ekot Ekpene Road, Opposite University of Uyo Campus Annex, Uyo.
Call: 0700-700-0000
ask@yudala.com

We expect the government's intervention programmes, pre-election spending and a possible wage review to exert inflationary pressures on headline inflation in the first quarter of 2018. This is due to the fact that the impact of the increase in demand will be matched with transitory output and not an increase in productivity.