

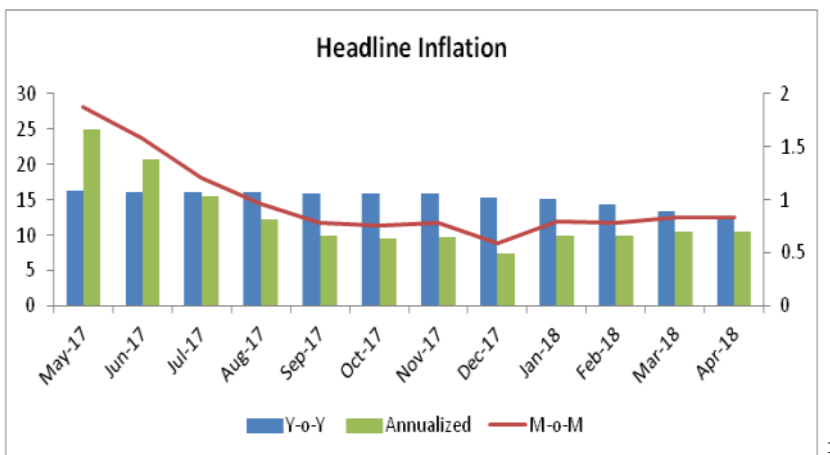
FDC Economic Bulletin

May 15, 2018

Headline inflation continued on its downward trend to 12.48% in April

Nigeria's headline inflation continued on its downward trend as widely anticipated, declining by 86bps to 12.48% in April. This is a 26-month low and brings the CBN closer to its target of 11% (as at 2017). When annualized, headline inflation has declined to 10.45%. All the sub indices followed the same trend, an indication that the consumer price index is yet to reach an inflection point. Noteworthy is the change in direction of the month-on-month index, declining to 0.83% from 0.84%.

The contributory factors to the drop in inflation include waning base year effect and stability in exchange rate.



Breakdown of Data

Food inflation

The Food sub-index (year-on-year) eased to 14.80% from 16.08% in March. On the other hand, month-on-month food index increased marginally by 0.01 to 0.91% in April. This is largely attributed to planting season shortages.

¹ Source: NBS, FDC Think Tank

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Core inflation

The core sub-index (inflation less seasonality) declined by 30bps to 10.9% in April. Conversely, month-on-month core inflation increased to 0.87% from 0.84% in March. The core inflation rate is currently below the 91-day T/bill rate of 10.26% and 13.26% at the primary and secondary markets respectively.

Rural & Urban Sub Indices

Rural and urban inflation rate (year-on-year) declined to 12.13% and 12.89%, from 12.99% and 13.75% in March. Month- on-month, the urban index eased marginally to 0.85% from 0.86% in March. The rural index on the other hand was flat at 0.82%.

State by State Analysis

Kwara state has the lowest inflation rate at 9.77% and is the only state to record an inflation rate less than 10%. Kebbi on the other hand has the highest inflation rate of 15.94%. Benue state had the 2nd lowest food inflation rate and 3rd lowest headline inflation rate despite the communal clashes in the state.

Sub-Saharan Africa

All the African countries under our review recorded declines in their April inflation numbers. This was driven by decline in global food prices, housing utilities and transport as well as house equipments. Angola and Uganda maintained the status quo at their April monetary policy committee meetings in spite of the drop in their inflation rates. We expect other African countries under our review to maintain this stance.

Country	Inflation (%)		Policy rate (%)	
Nigeria	12.48	↓	14**	↔
Angola	20.22	↓	18	↔
Kenya	3.73	↓	9.5**	↓
South Africa	3.8	↓	6.5**	↓
Ghana	9.6	↓	18**	↓
Uganda	1.8	↓	9	↔

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²Source: FDC Think Tank; **March policy rate

Outlook

The MPC meeting is scheduled to hold next week (May 21/22). The major considerations at this meeting will include the sustained decline in inflation, anticipated positive but weak GDP growth data. More importantly is the anticipated inflation trajectory especially when budget funds are disbursed and the minimum wage review kicks in. These factors will increase the level of money supply in the system and exacerbate inflationary and forex demand pressures.

Also, the confluence of the Ramadan fast and planting season would lead to an accentuation in inflationary pressures. This will have an upside effect on food prices. Nonetheless, the recent interventions of the government towards the agricultural sector should increase output and dampen the adverse effect.