

FDC Economic Bulletin

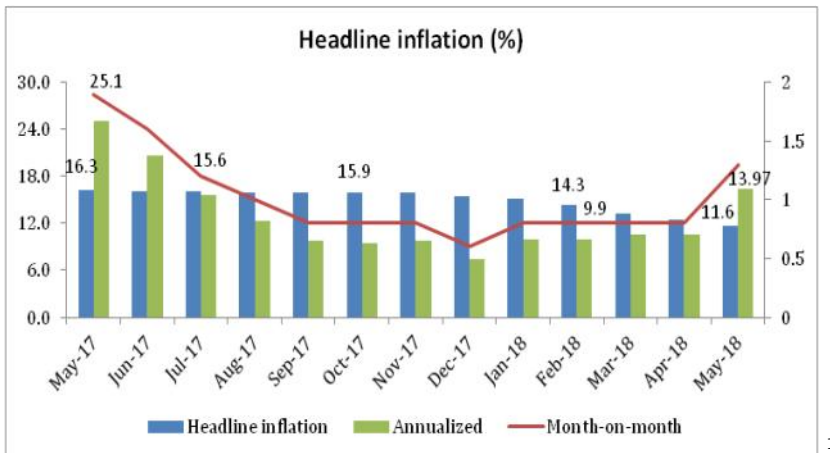
June 13, 2018

Nigeria's inflation declines again to 11.61% in May

Kwara state- the best performing

Nigeria's headline inflation dipped for the 16th consecutive month to 11.61% in the month of May from 12.48% in April, in line with analysts' expectations and general consensus. Also noteworthy is the fact that core and food inflation as well as urban and rural inflation declined. Cumulatively, inflation rate has declined by 3.52%, supported mainly by the base year effects.

A troubling trend is the increase in month-on-month inflation (a better reflection of current prices and inflation expectations) to 1.09%, which is annualized at 13.97%. This was primarily due to the spike in food prices, driven by a confluence of factors- Ramadan fast, planting season shortages and increased logistics cost (diesel prices- N205.67/litre).



Data Breakdown

Food inflation plunged further

The food sub-index (year-on-year) slowed to 13.45% from 14.80% in April. However, month-on-month food index recorded an increase of 42bps to 1.33% in May. This is largely attributed to higher food prices as a result of the confluence of the Ramadan fast and the planting season.

¹ NBS, FDC Think Tank

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Core inflation

The core sub-index (inflation less seasonalities) declined marginally to 10.7% from 10.9% in April. On the other hand, month-on-month core inflation increased by 11bps to 0.98% in May from 0.87% in the previous month owing to increased cost of logistics. The average price of diesel increased 4.91% to N205.67/litre in May.

Imported inflation

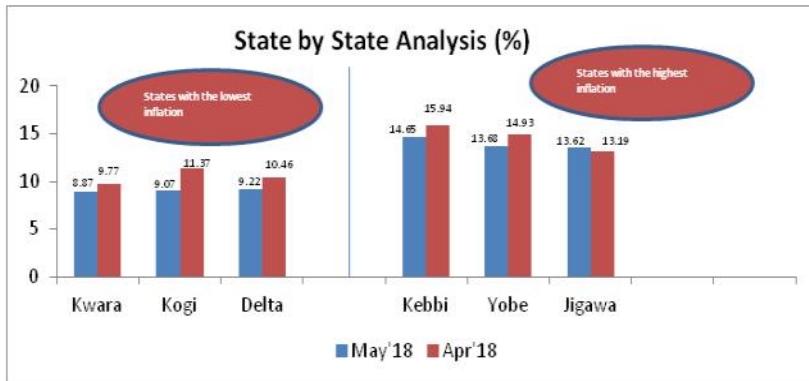
Imported inflation eased by 15bps to 15.3% from 15.45% in April. This was partly supported by a relatively stable exchange rate.

Rural & Urban Indices

Rural and urban inflation rate (year-on-year) declined to 11.2% and 12.08%, from 12.13% and 12.89% in April. Month- on-month, both rural and urban indices increased sharply to 1.08% and 1.10% from 0.82% and 0.85% respectively in April.

State by State Analysis

Kwara state’s inflation rate declined further to 8.87%, maintaining its position as the state with the lowest inflation rate, followed by Kogi (9.07%) and Delta (9.22%). The states with the highest inflation rates are Kebbi (14.65%), Yobe (13.68%) and Jigawa (13.62%).



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Sub-Saharan Africa

With the exception of South Africa and Ghana, most of the SSA countries under our review have released their inflation data for the month of May. Angola and Uganda recorded a decline to 19.84% and 1.7% respectively. This was driven mainly by the decline in food and non-alcoholic beverages, housing and

² NBS, FDC Think Tank

utilities. However, Kenya's inflation rate increased owing to higher prices of food and non-alcoholic beverages.

All the Sub-Saharan African (SSA) countries under review except Ghana maintained status quo at their May monetary policy meeting.

Country	May Inflation (%)	May Policy rate (%)
Nigeria	11.8** 	14 
Angola	19.84 	18 
Kenya	3.95 	9.5 
South Africa	4.5* 	6.5 
Ghana	9.6* 	17 
Uganda	1.7 	9 ³ 

Outlook

The sustained decline in inflation brings the CBN closer to its single digit target. This increases the possibility of a rate cut at the next MPC meeting which will hold on July 23rd. However, the upside risk to the moderating trend could be the liquidity and forex demand pressures associated with the budget implementation which could trigger inflationary pressures in the coming period.

³Trading Economics; FDC Think Tank

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