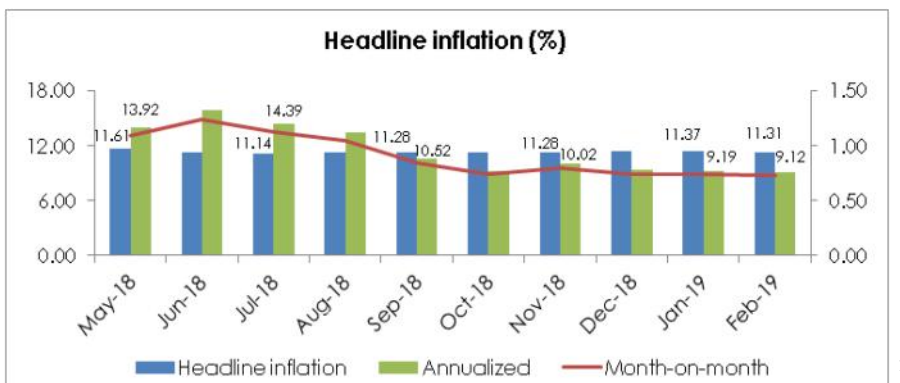


FDC Economic Bulletin

March 15, 2019

Headline inflation down to 11.31%

Contrary to FDC projection for an increase in headline inflation in February, the data released today by the National Bureau of Statistics (NBS) showed a slight decline to 11.31%. This is the third time inflation has declined in the last 6 months. The moderation in inflation will be cheery news to the doves in the monetary policy committee at their meeting in March. Because, it means that some of the CBN's policies to contain inflation can be considered to be successful.



Month-on-month inflation falls to 0.73%

The NBS data also shows that monthly inflation fell in line with the annual headline inflation. The month-on-month inflation fell to 0.73% (9.12% annualized) in February from 0.74% (9.19% annualized) in the previous month.

Data Breakdown

Food inflation declined to 13.47%

The year-on-year food price level declined by 0.04% to 13.47% in February. According to the NBS, the most notable declines were in fish, bread and cereals, potatoes, yam and other tubers, meat, vegetables, oils and fats and fruits.

¹NBS, FDC Think Tank



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Core inflation dropped to 9.8%

The annual and monthly core sub indices (inflation less seasonalities) declined to 9.8% and 0.65% respectively in February from 9.9% and 0.81% in January. This is primarily as a result of a reduction in the prices of household appliances and materials.

Rural & Urban Indices trend downwards

In the review period, both urban and rural inflation declined by 0.07% to 11.59% and 11.05% respectively. On a monthly basis, urban inflation decreased to 0.76% from 0.77% while rural inflation rate was flat at 0.71%. The flat lining seen in the rural inflation could be partly attributed to the commencement of the planting season.

State by State Analysis – Kwara state with the lowest inflation

The best performing states were Kwara (9.36%), Delta (9.60%) and Cross River (9.81%) while highest inflation rates were recorded in Kebbi (13.78%), Taraba (13.57%) and Kaduna (13.54%).

States with lowest inflation rate				States with Highest inflation rate			
State	January	February	Change	State	January	February	Change
Kwara	9.26	9.36	0.1 ↑	Kebbi	14.65	13.78	-0.87 ↓
Delta	11.69	9.60	-2.69 ↓	Taraba	11.59	13.57	1.98 ↑
Cross River	9.25	9.81	0.56 ↑	Kaduna	12.65	13.54	0.89 ↑

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Sub-Saharan Africa (SSA) – Ghana’s inflation up after touching a 6-year low in January

In the last 6 months, most of the African countries have witnessed a similarity in their inflation and interest rate movements. One noticeable exception in the last month has been Ghana. The Ghanaian central bank has reduced interest rates no less than 5 times in the last year and has witnessed a fall in inflation. However, in the last six weeks, the Cedi has fallen by over 11% (the world’s worst performing currency) and inflation has increased for the first time in many months.

²NBS, FDC Think Tank

Country	February (%)	Inflation	February Policy rate (%)	GDP Growth rate Q4'18 (%)
Nigeria	11.31	↓	14* ↔	2.38 ↑
Angola	17.96	↓	15.75* ↓	-1.6 (Q3'18) ↑
Kenya	4.14	↓	9.0* ↔	6.0 ↓
South Africa	4*	↓	6.75* ↔	1.4 ↓
Ghana	9.2	↑	16* ↓	7.4 ↑
Uganda	3	↑	10 ↔	6.8 (Q3'18) ↑

Outlook

The commencement of the planting season in Q2 would reduce output. This in addition to the implementation of the minimum wage could mount pressure on commodity prices, thus, heightening inflationary pressures.

³Source: Trading Economics, FDC Think Tank

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