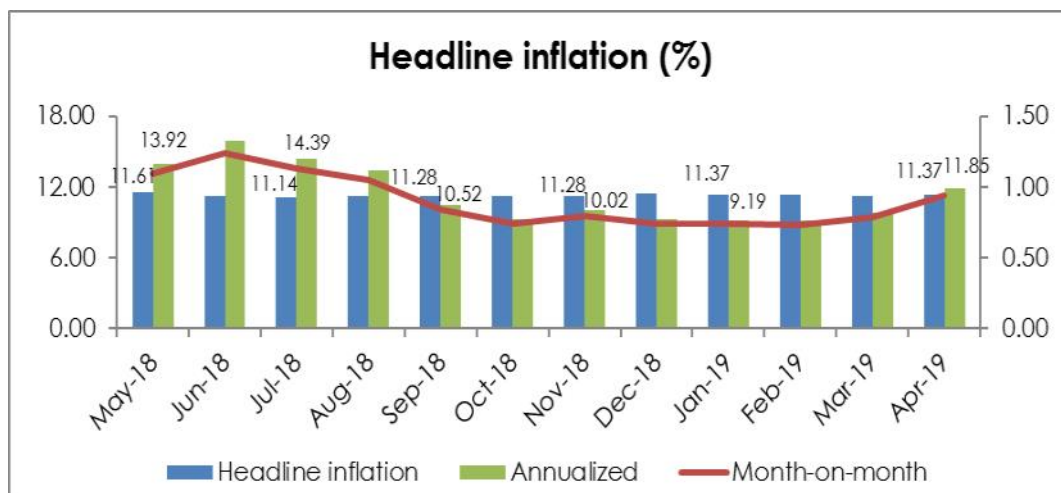


FDC Economic Bulletin

May 17, 2019

Headline inflation bucks its declining trend, climbs 12bps to 11.37% in April

Contrary to our forecast and analysts' general consensus, the headline inflation bucked its 3-month declining trend in April, rising by 0.12% to 11.37%. This was buoyed by an increase in both domestic and imported food prices. In the review period, the price of a basket of tomatoes jumped by over 70%. The commencement of planting season coupled with elevated security threats in the food producing states resulted in a decline in food supply. Notably, all other sub-indices except for the core sub-index moved in tandem with the headline inflation.



Month-on-month inflation up 0.94%

The month-on-month inflation which is a better reflection of current prices and inflation expectations, climbed to 0.94% (11.85% annualized) in April from 0.79% (9.84% annualized) in the previous month. This also reflects the planting season effect.

¹NBS, FDC Think Tank



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Data Breakdown

Food inflation advanced to 13.70%

In April, both the annual and monthly food price indices increased by 0.25% and 0.26% to 13.70% and 1.14% respectively. This was mainly due to an increase in the prices of commodities such as bread and cereals, meat, fish, milk, potatoes, yam and other tubers, oils and fats, vegetables, fruits, cheese and egg.

Core inflation down to 9.3%

The annual core sub-index (inflation less seasonalities) declined to 9.3% in April from 9.5% in March. However, the month-on-month index rose to 0.70% in April from 0.53% in March. This decline in the core sub-index could be partly attributed to the stability in the exchange rate.

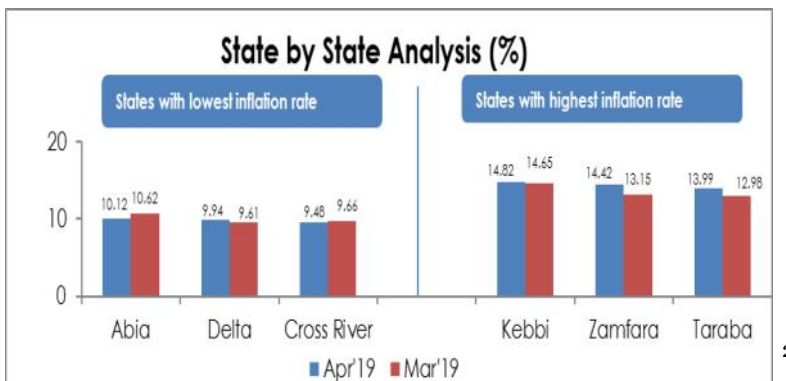
Core inflation is 79bps below the 91-day primary market T/bills rate of 10.15%. This is indicative of a positive rate of return on investment.

Rural & Urban Indices resume upward trends

On an annual basis, the year-on-year urban and rural inflation rose by 0.16% and 0.09% respectively to 11.70% and 11.08% in April. Similarly, the monthly urban and rural inflation indices increased to 1% and 0.90% respectively from 0.81% and 0.77% in March. This reflects the planting season effect.

State by State Analysis

Cross Rivers state recorded the lowest inflation rate (9.48%), followed by Delta (9.94%) and Abia (10.12%), all states that belong to the NDDC. The states with the highest inflation rates were Kebbi (14.82%), Zamfara (14.42%) and Taraba (13.99%). Analysis showed that inflation rates were highest mainly in states with recent spate of insecurity and disruption.





















²NBS, FDC Think Tank

Sub-Saharan Africa (SSA) – Inflation trend upwards

Inflationary pressures are mounting in Sub-Sahara Africa (SSA). Four of the SSA countries under our review have released their inflation numbers for the month of April. While Nigeria, Kenya and Uganda recorded an increase, Angola posted a decline.

With the exception of Nigeria, all the SSA countries under review maintained status quo on monetary policy parameters at their last monetary policy meetings.

Country	April Inflation (%)	April Policy rate (%)	GDP Growth rate Q4'18 (%)
Nigeria	11.37 	13.5 	2.38 
Angola	17.36 	15.75 	2.2 
Kenya	6.58 	9.0** 	5.9 
South Africa	4.50* 	6.75** 	1.4 
Ghana	9.3* 	16 	6.8 
Uganda	3.5 	10 	6.6 

3

Outlook

The rise in inflation is expected to be sustained in May/June. This would be driven by both demand-pull and cost-push inflation factors. The commencement of planting season will result in food supply shortages while the minimum wage implementation and the Ramadan fast would increase consumer demand. All things being equal, the confluence of supply shortages and increased demand would exert pressure on prices.

The re-emergence of inflationary pressures increases the probability of the MPC members adopting a more hawkish monetary policy stance at its May meeting.

³Trading Economics, FDC Think Tank, *March figure, **March figure

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