

## *April headline inflation creeps up to 12.34% 'Monetary Team in a Conundrum'*

Nigeria's April inflation rate increased marginally for the 8th consecutive month to 12.34% from 12.26%. This is the highest level since April 2018. Whilst the uptick in inflation was expected, the rate of change was much lower than anticipated. This may be because the sample size of the market survey during this period may not be a true reflection of current market realities. The social distancing protocols could distort prices and increase the margin of error.

Nonetheless, the inflationary impact of the lockdown and movement restrictions (Lagos, Ogun and FCT) and panic buying by consumers is taking its toll.

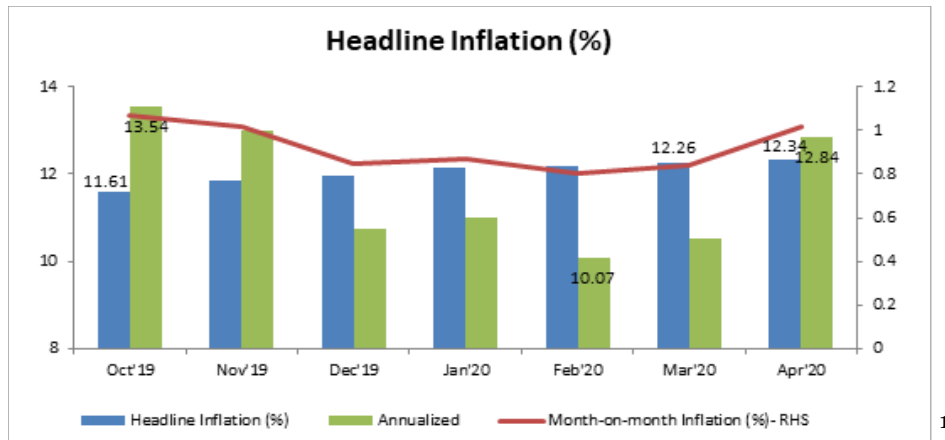
### **Core inflation the main driver of rising consumer prices**

Transportation is a key component of the non-food basket and was one of the first sectors to be affected by the lockdown and movement restriction, which led to higher transport costs. This was despite the 14.8% cumulative reduction in retail PMS price to N123.5/litre. The pharmaceutical industry was also affected by the panic buying of drugs. These coupled with the exchange rate devaluation contributed to the uptick in core inflation which increased at a faster pace of 0.25% to 9.98% from 9.73% in March. On a monthly basis, core inflation sub-index increased by 0.13% to 0.93%.

Food inflation also increased marginally by 0.05% to 15.03% from 14.98% in March. The food items that recorded the highest price increases were tubers (potatoes, yam), bread and fish. The month-on-month sub-index increased by 24bps to 1.18%. The slowdown in economic activities in April and increased retail and corporate demand for commodities created artificial shortages which led to a spike in prices of domestic commodities:

Commodities	Previous Price	Current Price	Change (%)	
Garri (50kg)	8,900	14,500	62.92	↑
Rice (50kg)	26,000	27,000	3.85	↑
Beans (Oloyin)(50kg)	14,000	18,000	28.57	↑
Tomatoes	9,000	12,000	33.33	↑
Pepper	10,000	13,000	30	↑
Yam	800	1,200	50	↑

In the same vein, month-on-month inflation (a more accurate measure of prices) increased by 0.18% to 1.02% (annualized at 12.84%) in April from 0.84% (annualized at 10.53%) in March.

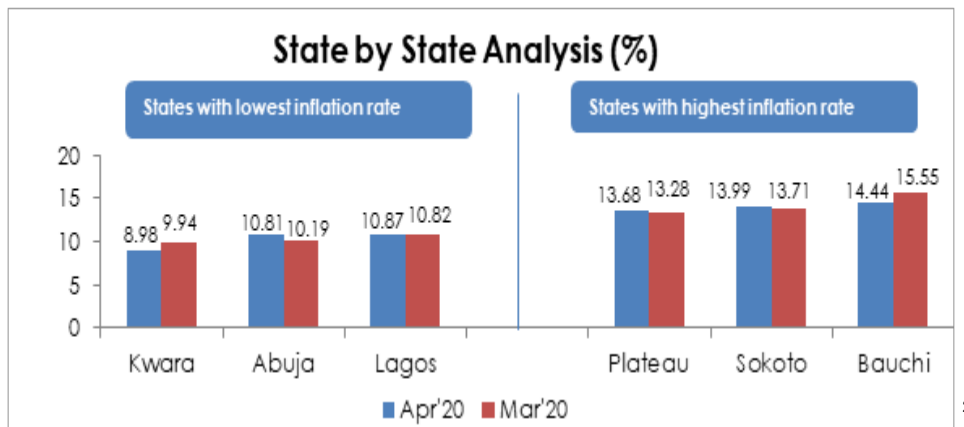


### Other indices moved in tandem with headline inflation

**Urban and rural Inflation:** Urban inflation was up by 8bps to 13.01% in April while rural increased by 9bps to 11.73%. In the last three months, the urban-rural differential has widened to 1.28%. This is because the closure of markets and restrictions of movement disrupted the transportation of commodities from rural areas to urban markets.

### State by state analysis

A state by state breakdown showed that Kwara state maintained its position as the state with the lowest inflation rate of 8.98%, followed by Abuja (10.81%) and Edo (10.87%). On the other hand, Plateau (13.68%), Sokoto (13.99%) and Bauchi (14.44%) recorded the highest inflation rates.



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## Peer Comparison – Inflation trends upward

The Sub-Saharan Africa (SSA) countries under our review recorded higher inflation rates in April. South Africa is yet to release its April data, although its inflation rate eased in March to 4.1%. Food inflation was a major culprit in these countries owing to the Covid-19 lockdown which triggered shortages. The increase in Zambia's inflation rate was further compounded by the devaluation of the Kwacha and it is the highest rate since September 2016.

Most of the SSA countries under our review are adopting an accommodative monetary policy stance in response to the economic fallout of the COVID-19 pandemic.

Country	April Inflation (%)		Benchmark interest rate (%)	
Nigeria	12.34	↑	13.50	↔
Angola	20.81	↑	15.50	↔
Kenya	5.62	↑	7.00	↓
South Africa	4.1 (March)	↓	3.75	↓
Ghana	10.6	↑	14.50	↓
Uganda	3.2	↑	8.0	↓
Zambia	15.7	↑	9.25	↓

## What will the CBN do at its next MPC meeting?

The MPC is scheduled to hold its third meeting of the year next week. At this meeting, the front burner issues will be how to maintain price stability in a COVID-19 situation, weak external position and slowing growth.

Inflationary pressures are expected to persist in the coming months due to the combined effects of shortages and rising imported inflation as a result of the currency weakness. The most rationale decision to take by the MPC in the current market reality is to maintain status quo on all monetary parameters while evaluating the impact of excess liquidity in the market from intervention funds released.

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