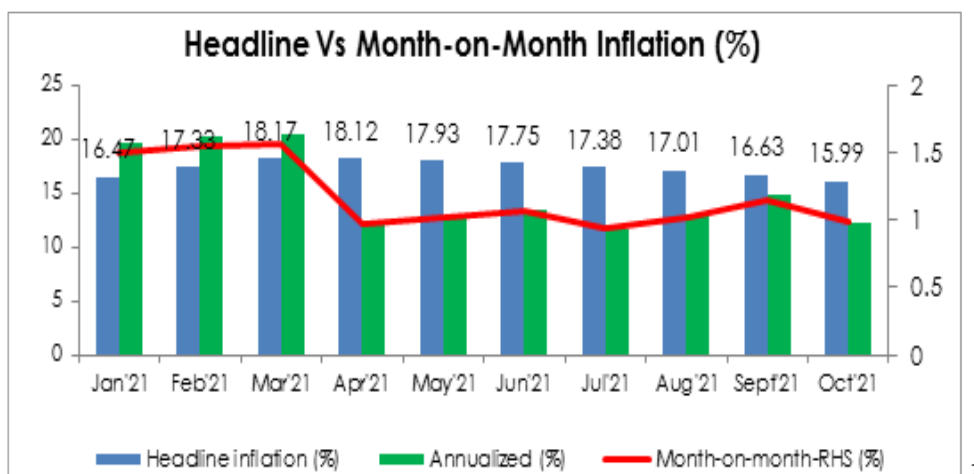


Headline inflation slows to a 10-month low of 15.99%

The NBS released its consumer price index (CPI) report for October yesterday. As expected, Nigeria's headline inflation slowed again to 15.99% from 16.63% in September. This is the 7th consecutive monthly decline and the lowest inflation rate in 2021. Whilst the sustained moderation in inflation was widely anticipated, the slope of the curve was higher than expected (0.64%). The consensus forecasts ranged between 16.2%-16.4%.



Data Vs Market Reality – The Divergence

With the global food price index at a decade-high of 133.2 points and inflation in advanced economies aggressively on the rise, the integrity of Nigeria's official inflation numbers comes to question. US inflation soared to its highest level in 3 decades (6.2%) in October.

More so, there appears to be a divergence between the official data and market reality as the price of major commodities like cooking gas, vegetable oil, flour, pasta have surged by over 50% in the last year. The principal drivers are the usual suspects – exchange rate pass through, supply chain disruptions, money supply saturation, higher energy and logistics costs. In the last year, the naira has lost 18.4% at the parallel market (N547/\$).

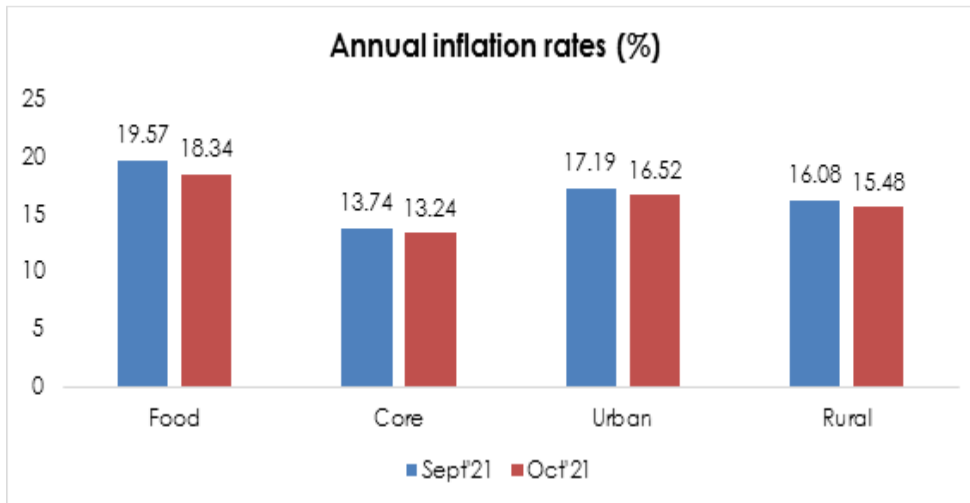
¹NBS, FDC Think Tank

COMMODITY	Oct'20 (N)	Oct'21 (N)	(% Change)
Flour (50kg)	13,000	21,350	64.23 ↑
Beans (50kg)	20,000	56,000	180 ↑
Onions (50kg)	40,000	50,000	25 ↑
Cooking gas (12.5kg)	3,800	10,000	163.16 ↑
Vegetable oil (5ltrs)	5,800	8,000	37.93 ↑
Crate of eggs	1,000	2,000	100 ↑
Transport fare (Sept. avg)	309.73	435.36	40.56 ↑
PMS/ltr	161.17	165	2.38 ↑

Inflation breakdown

Broad-based moderation

A breakdown of the report showed a broad-based moderation across the inflation baskets. On an annual basis, food inflation declined by 1.23% to 18.34%, core (inflation less seasonalities) dipped 0.50% to 13.24%, urban slowed by 0.67% to 16.52% while rural dropped by 0.60% to 15.48%. This is largely due to base year effects. The agric sector also benefitted from the CBN’s intervention.



On a monthly basis, the all-items month-on-month inflation rate fell by 0.17% to 0.98% (12.31% annualized), food declined by 0.35% to 0.91%, core dipped by 0.44% to 0.80%, urban was down 0.19% to 1.02% and rural decreased by 0.15% to 0.95%.



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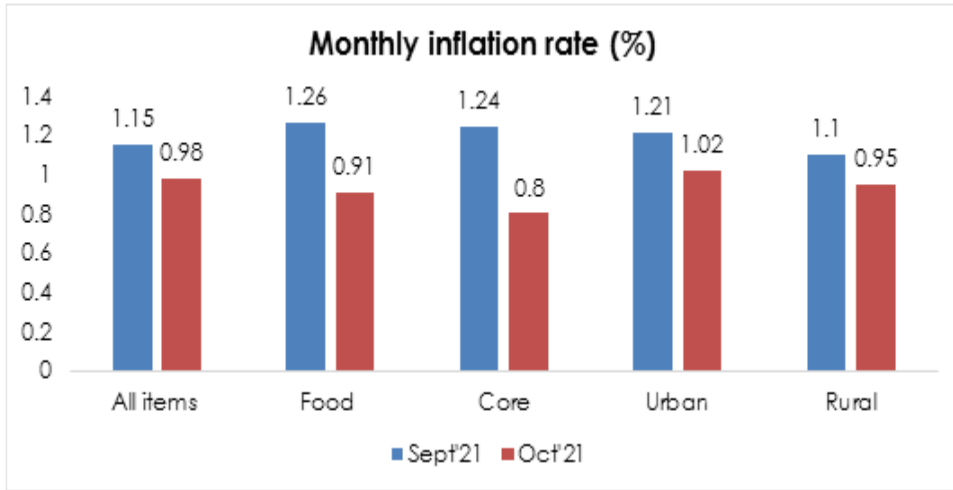
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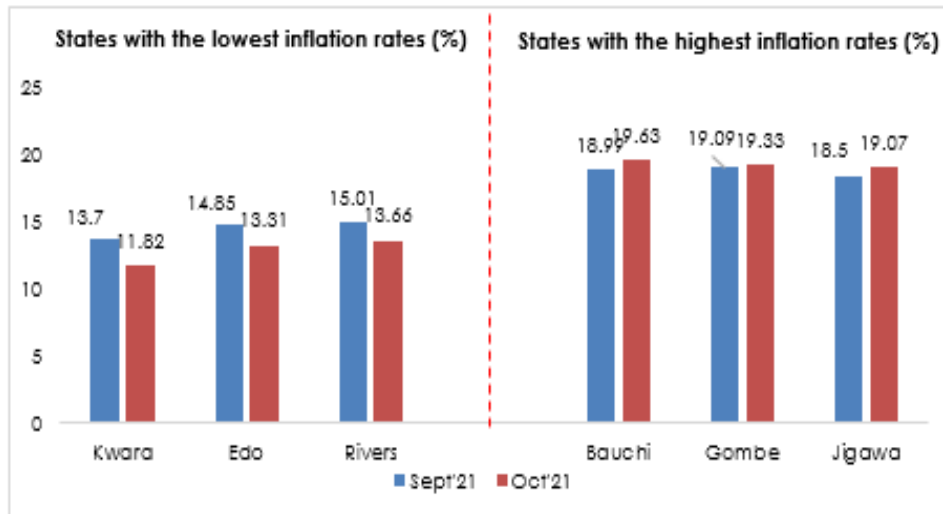
• London

• Paris



State-by-state analysis















Kwara (11.82%), Edo (13.31%) and Rivers (13.66%) recorded the lowest inflation rates in October. The states with the highest inflation rates are predominantly in the North - Bauchi (19.63%), Gombe (19.33%) and Jigawa (19.07%), re-emphasizing the impact of insecurity on food production.



Sub-Saharan Africa: Mixed inflation trend

The inflation trend in Sub-Saharan Africa remain mixed. Of the seven countries under our review, Nigeria, Kenya, Uganda and Zambia recorded lower inflation rates in the month of October. The principal inflation drivers are food and energy prices.

Most Central bank chiefs in Sub-Saharan Africa left their monetary policy rates unchanged at their last meetings to allow the previous adjustments take full effect on the economy.

Country	October Inflation (%)		Most Recent Policy rate (%)	
Nigeria	15.99		11.50	
Angola	26.57		20.00	
Kenya	6.45		7.00	
South Africa	5.00 (Sept)		3.50	
Ghana	11.00		13.50	
Uganda	1.90		6.50	
Zambia	21.10		8.50	

Inflation trend – policy implications

The October inflation report comes just about a week to the Monetary Policy Committee (MPC) meeting. The sustained decline in inflation will give the MPC wiggle room to hold rates at 11.5%p.a in order to support sustained economic recovery from the pandemic-induced contraction.

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