

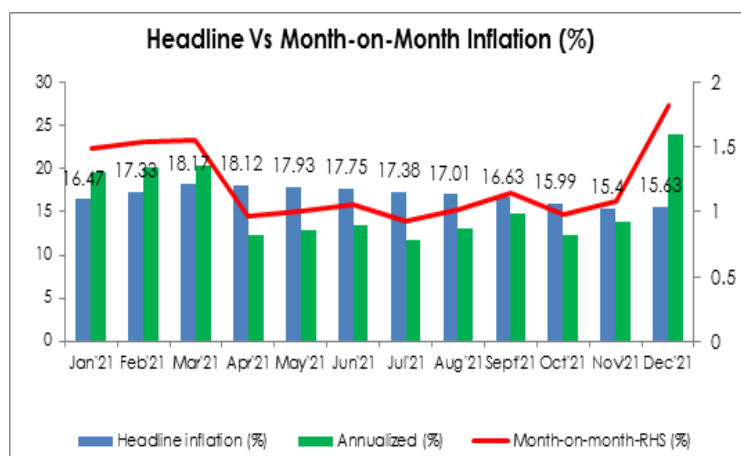
# FDC Economic Bulletin

January 18, 2022

## Headline inflation up, all eyes on the MPC meeting next week

The December inflation report was released yesterday. Contrary to our projections (14.9%), headline inflation bucked its 8-month declining trend, rising by 0.23% to 15.63% from 15.4% in November 2021. This will partially address the recent controversy surrounding the contrarian direction of inflation in Nigeria. In the last week, the US reported a surge in inflation to a 41-year high of 7%. UK's inflation is also projected to rise to 5.2% (32-year high) in December 2021.

The surge in inflation is mounting pressures on Central Banks to increase interest rates. For the first time in three years, the Bank of England raised its policy rate by 15bps to 0.25%p.a. The US also plans to hike interest rates three times in 2022. Analysts were of the view that the Nigerian MPC will maintain status quo again next week in view of the earlier projected declining inflation. The new data now increases the probability of a tightening even though it is highly unlikely this time. The CBN had maintained status quo 25 times in the last 28 meetings.



1

## Inflation breakdown

### Month-on-month inflation

Month-on-month inflation surged by 0.74% to 1.82% in December (24.07% annualized) from 1.08% (13.89% annualized) in November. This could be attributed to increased demand due to the festivities.

<sup>1</sup> NBS, FDC Think Tank



# Inter-African trade just got easier with Ecobank

You can now enjoy the following:

- ✓ Largest Pan-African Banking network. Present in 33 African Countries with international offices in London, Paris, Dubai and Beijing
- ✓ Secure and Reliable Inter-African Payment & Collection Platforms
- ✓ Innovative and Customized Foreign Exchange Solutions to enable cross-border trade settlements
- ✓ In-depth knowledge of country-specific and regional business and regulatory environment
- ✓ Unwavering commitment to delivering competitive financing and support to your trading partners

*For more information,*

Contact us on 08033035019, 08033953928 or email: [ALLEN-afCFTATeam@ecobank.com](mailto:ALLEN-afCFTATeam@ecobank.com)

☎ 0700 500 0000, 01 270 1323,  
0708 065 3700

🐦 @ecobank\_nigeria  
📘 EcobankNGR

✉ [ENGcontactcentre@ecobank.com](mailto:ENGcontactcentre@ecobank.com)

[ecobank.com](http://ecobank.com)



**Ecobank**  
The Pan African Bank

**Food inflation up 0.16% to 17.37% despite the year-end harvest**

For the first time in nine months, the annual food price index increased by 0.16% to 17.37% in December 2021. On a monthly basis, the index rose sharply by 1.12% to 2.19%. This was partly due to sub-optimal output and higher logistics costs.

The commodities that recorded the largest price increases are bread (increase in the price of flour, margarine and other inputs), cereals, meat, fish, potatoes, yam and other tuber, soft drinks and fruits.

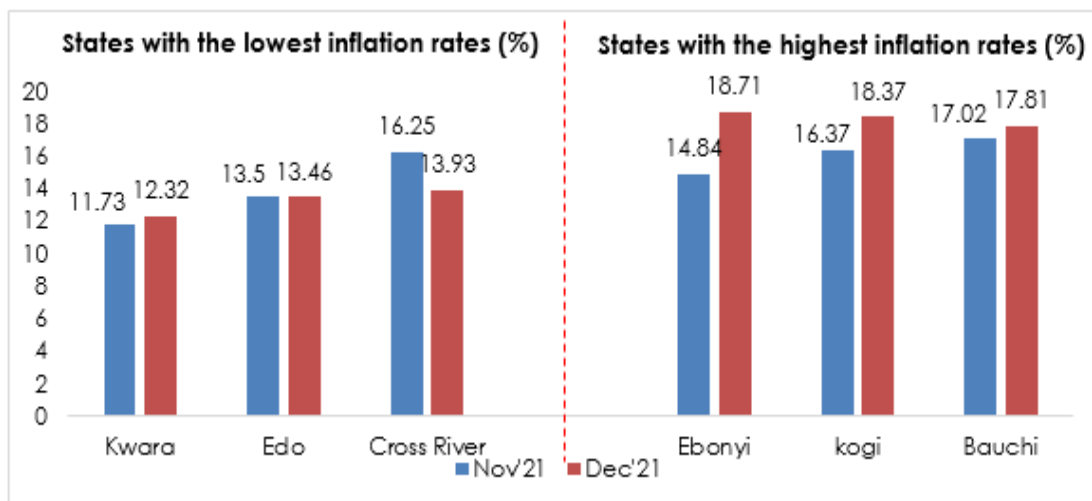
**Core inflation marginally up 0.02% to 13.87%**

The annual core inflation sub-index increased marginally to 13.87% from 13.85% in November 2021. This can be largely attributed to exchange rate pressures and higher logistics costs. However, the monthly core inflation sub-index declined by 0.13% to 1.12%.

The commodities that recorded the highest price increases include - Gas, Liquid fuel, Wine, House rents, Narcotics, Tobacco, Spirit, Cleaning, repair and Clothing materials and accessories.

**State-by-state analysis**

Kwara remains the state with the lowest inflation rate in Nigeria (12.32%), followed by Edo (13.46%) and Cross River (13.93%). As usual, the states with the highest inflation rates are mostly in the North - Ebonyi (18.71%), Kogi (18.37%) and Bauchi (17.81%).



## Sub-Saharan Africa: Surging inflation to increase monetary policy tightening

It appears that SSA countries are in for an era of surging inflation. Almost all the SSA countries under our review recorded higher inflation rates in December 2021. Even though, Zambia posted a decline in price growth partly due to currency appreciation, inflation risks remain elevated as the impact of fuel subsidy removal on transport costs is yet to reflect in the data. The World Bank, in its latest report, cited insecurity, low COVID vaccination and inflation as major factors that could dampen investment and economic recovery in Nigeria and some other SSA countries.

Heightened inflationary pressures could force most Central Banks in Africa to adopt a contractionary monetary policy, following the foot steps of Central Bank Chiefs in advanced economies. The Bank of England raised its policy rate by 15bps to 0.25%pa in December 2021 (first time in three years). The US Fed also plans to increase interest rates at least thrice in 2022. Three of the SSA countries (South Africa, Ghana and Zambia) under our review raised their benchmark interest rates in November 2021.

Country	December Inflation (%)		Most Recent Policy rate (%)	
Nigeria	15.63	↑	11.50	↔
Angola	27.03	↑	20.00	↔
Kenya	5.73	↓	7.00	↔
South Africa	5.50 (Nov)	↑	3.75	↑
Ghana	12.60	↑	14.50	↑
Uganda	2.90	↑	6.50	↔
Zambia	16.40	↓	9.00	↑

### Inflation Outlook

We expect domestic inflation to increase further in the coming months due to the imminent removal of petrol subsidy and the planting season effect amongst other factors. This increases the chances of a tighter monetary policy stance although it is highly unlikely at this time.

#### Important Notice

*This document is issued by Financial Derivatives Company. It is for information purposes only. It does not constitute any offer, recommendation or solicitation to any person to enter into any transaction or adopt any hedging, trading or investment strategy, nor does it constitute any prediction of likely future movements in rates or prices or any representation that any such future movements will not exceed those shown in any illustration. All rates and figures appearing are for illustrative purposes. You are advised to make your own independent judgment with respect to any matter contained herein.*

© 2022. "This publication is for private circulation only. Any other use or publication without the prior express consent of Financial Derivatives Company Limited is prohibited."