

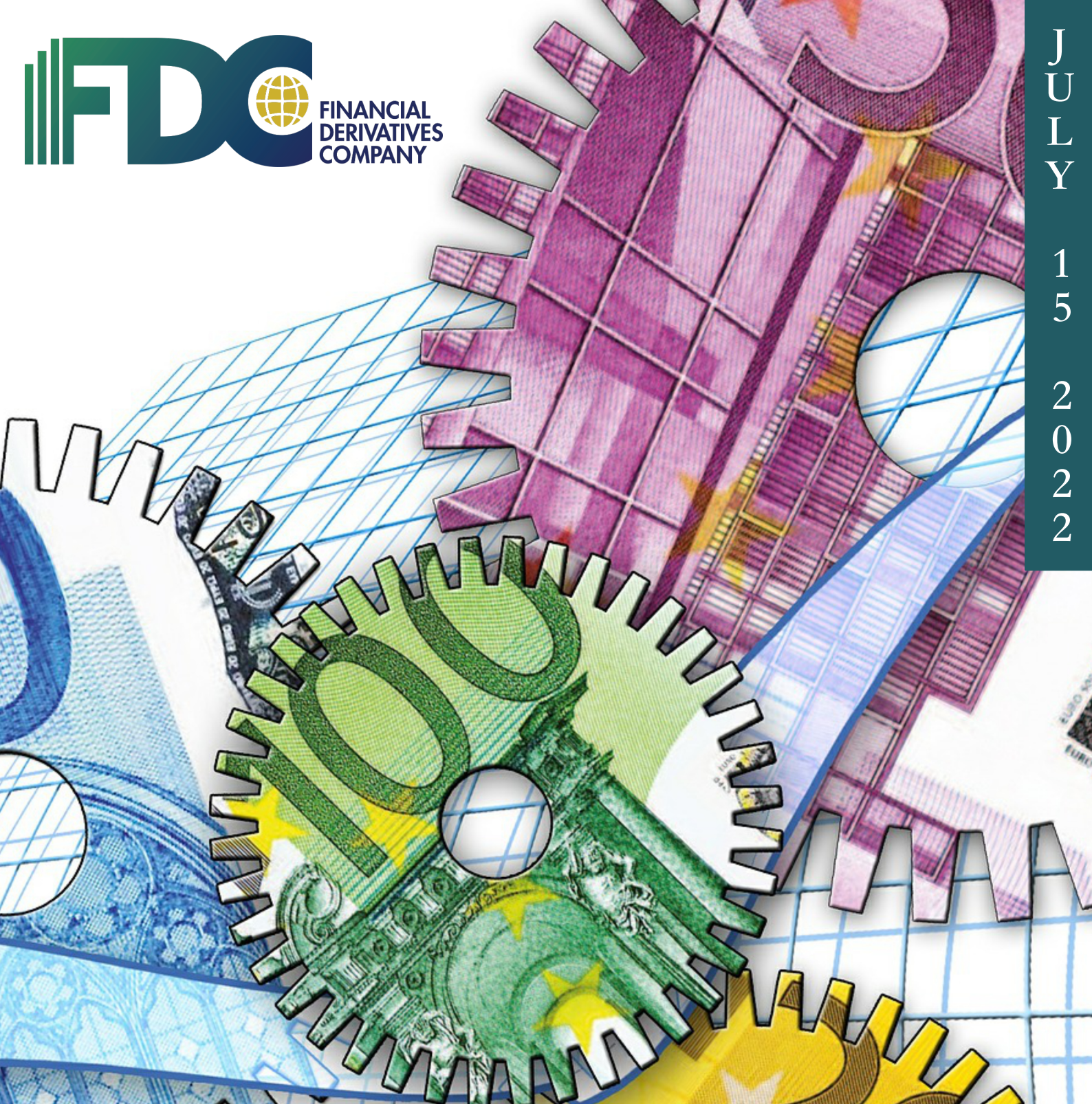


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Economic Bulletin

Consumer Price Inflation

at its highest level in over 5 years

The CPI report for the month of June was released today by the NBS. Nigeria's headline inflation rose by 0.84% to 18.6%, from 17.75% in the month of May. This is the 5th consecutive monthly increase and the highest inflation rate since January 2017. On a monthly basis, inflation followed a similar pattern, rising by 0.04% to 1.82%.

18.60%

Official headline inflation rate for Nigeria

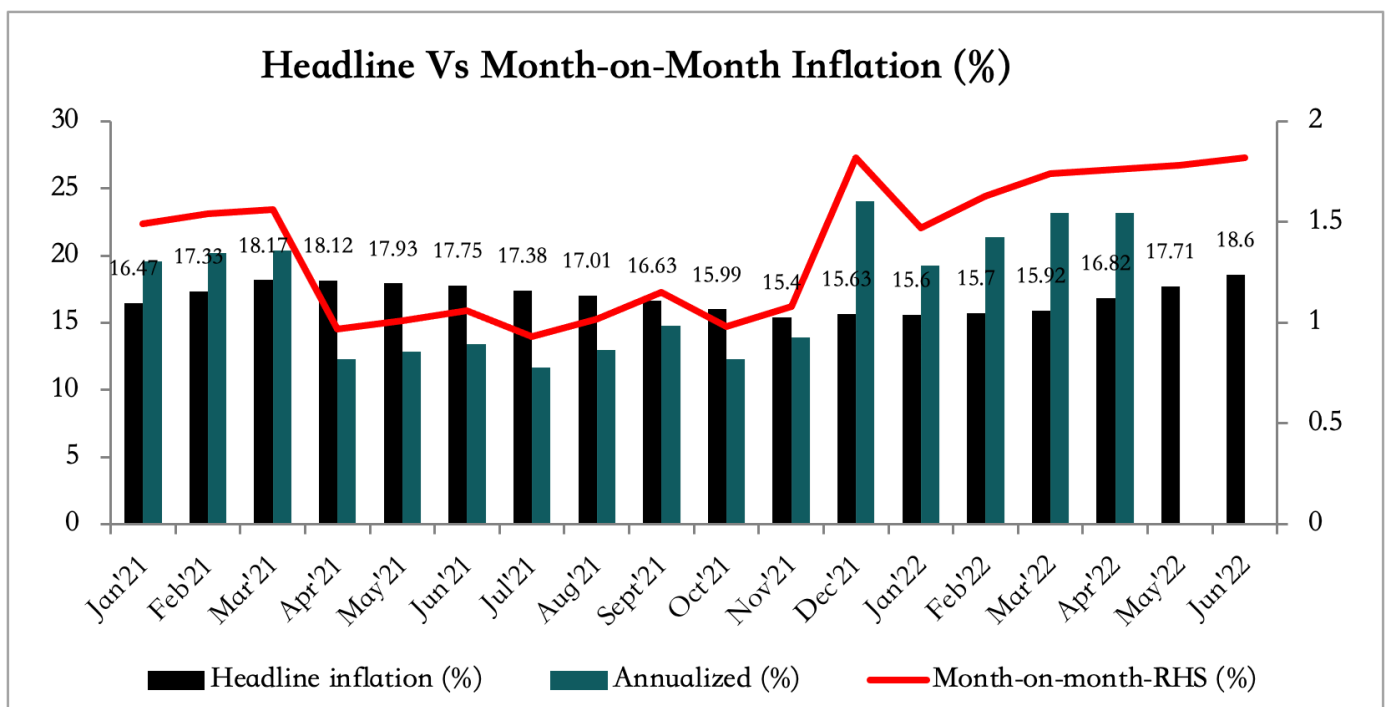
The spike in inflation occurs against the backdrop of similar surges across the globe. US inflation touched a new 41-year high of 9.1%, engendering calls for a 100bps hike at the next Fed meeting. Meanwhile, inflation in Ghana climbed to a 19-year high of 29.8%.

As with the past few months, the exorbitant price of diesel remains the chief contributor to spiraling inflation in Nigeria. Diesel price has surged by approximately 278% (year-to-date), pushing up transportation and logistics costs as well as the general cost of running businesses across the country. Additionally, the negative effects of biting dollar scarcity and the persistent depreciation in the value of the naira are compounding energy cost constraints to create a perfect inflationary storm.

29.8%
Ghana Inflation rate at a record high

9.1%
US Inflation rate at a multi-decade high

9.1%
UK Inflation rate at a 40-year high



Source: NBS, FDC Think Tank

Global monetary tightening to stoke further inflationary pressure

The recent surge in US inflation to 9.1% has substantially increased the probability of a 100bps hike in interest rates by the US Fed later this month. This happens as the US dollar has already experienced significant appreciation in value this year in response to previous rate hikes. The dollar recently reached equal parity with the Euro for the first time in two decades as recession fears and rising rates continue to fuel a rush for the greenback. The surge in the dollar's value comes at the expense of other currencies, especially those from emerging market and developing economies (EMDE's). Nigeria being an important dependent country, is heavily reliant on the import of commodities priced in dollars. As the value of the dollar rises and these dollar priced commodities become more expensive for holders of other currencies such as the naira, high incidences of imported inflation will arise and weigh on the spending power of domestic consumers.

INFLATION BREAKDOWN

Monthly inflation up 0.04% to 1.82%

Month-on-month inflation recorded an increase of 0.04% to 1.82% in June from 1.78% in May. This may be attributed to cost and supply-side factors.

Food inflation rises by 1.10% to 20.60%

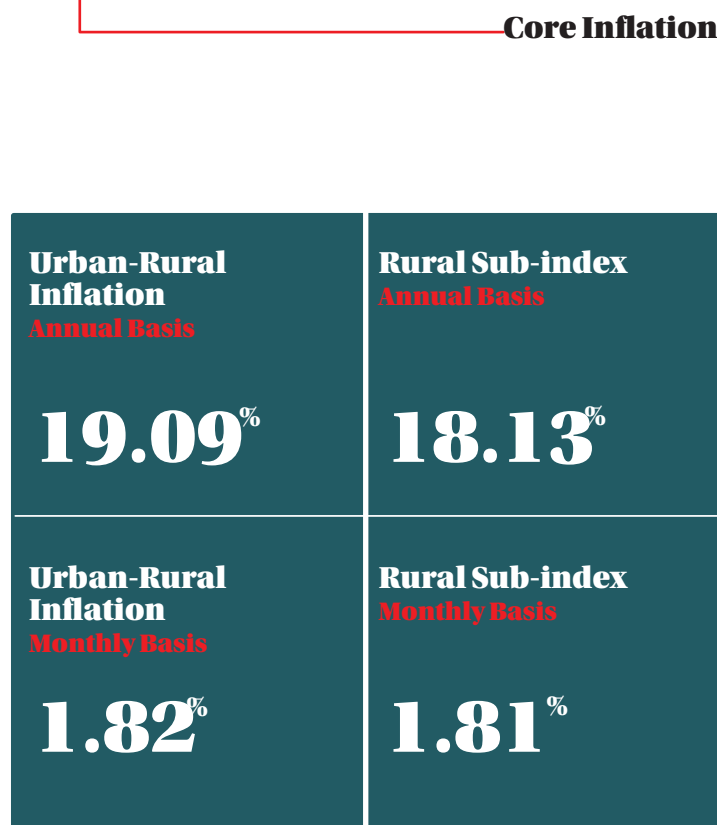
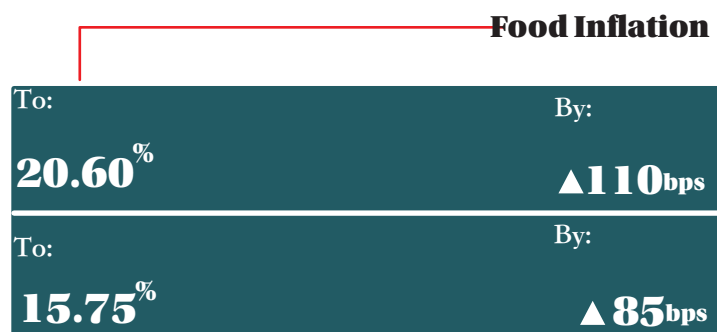
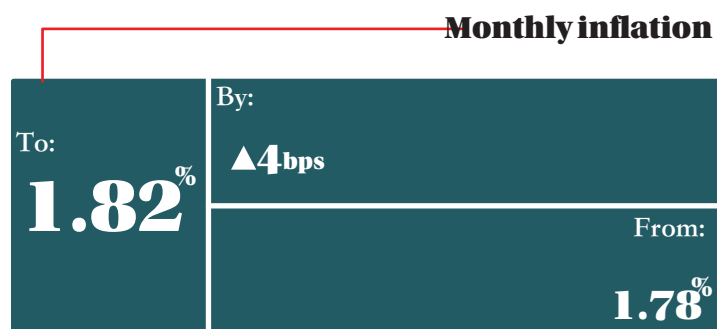
The annual food composite price index climbed by 1.10% to 20.60%. On a monthly basis, the index rose by 0.04% to 2.05%. The rise in food inflation was caused by ongoing supply tightness due to global supply disruptions of major staples such as corn and wheat. Additionally, surging domestic transport/logistics costs are trickling down into the prices of food commodities in markets. The planting season effect remains a major dampener to domestic food supply as well.

Core inflation climbs 0.85% to 15.75%

In June, an increase was recorded in both the annual and monthly core inflation sub-indices. The annual sub-index went up by 0.85% to 15.75% while the monthly sub-index declined by 0.31% to 1.56% from 1.87% in May. The elevated price of diesel is the predominant cause of the increase recorded in the core inflation sub-index. Most businesses run diesel powered generators in Nigeria. The surge in diesel prices is worsening operating expenses, bloating logistics/transportation costs, and stoking inflationary pressure.

Urban-Rural inflation both increase

There was an acceleration in inflation across both the urban and Rural inflation sub-indices in June. On an

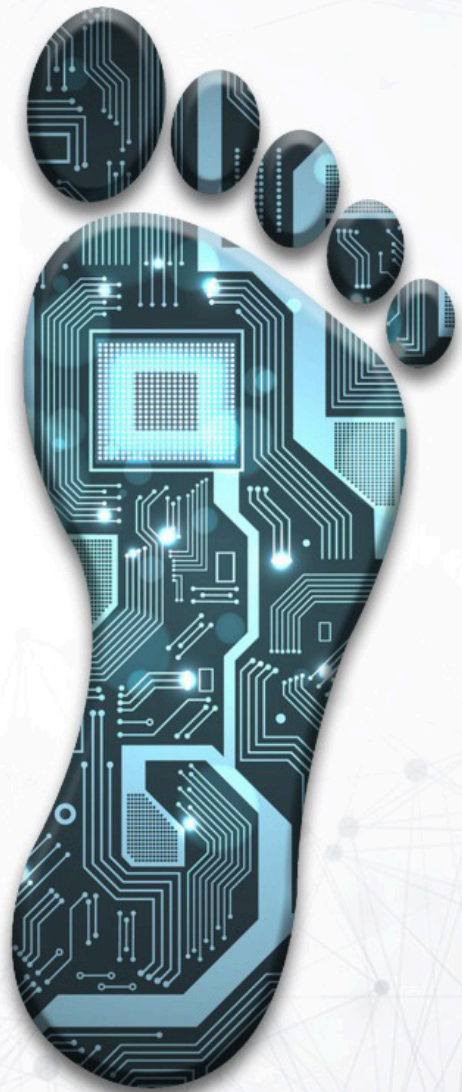


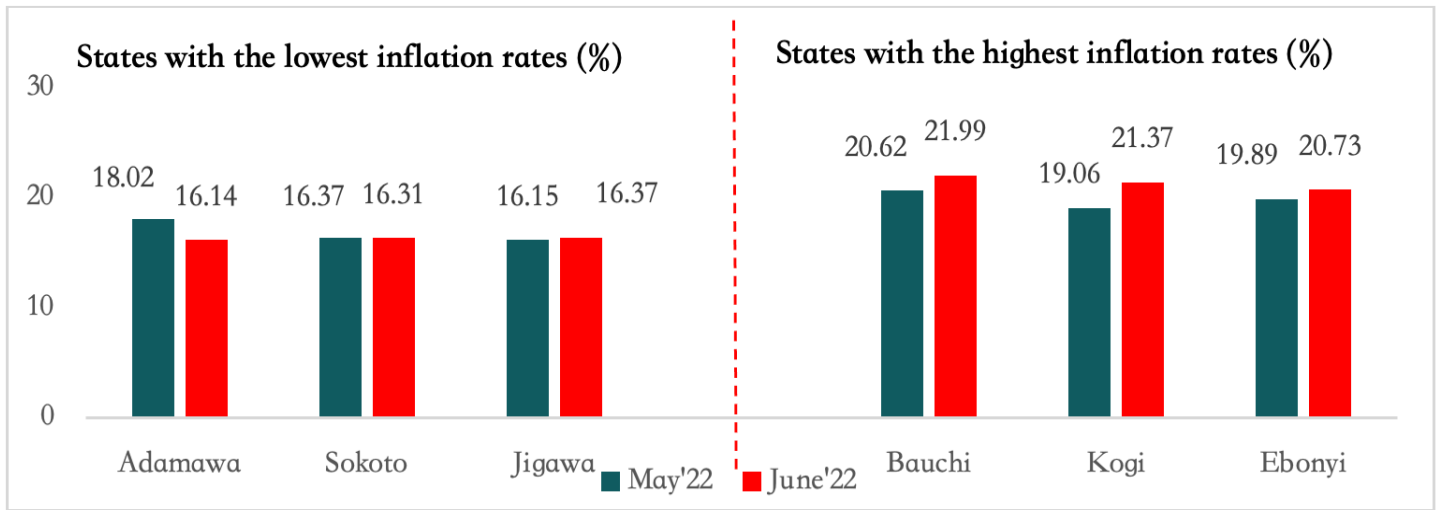
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Our footprints are the lifeline of the region's business.

Our Data Centers are present in key locations across West Africa to deliver access and guarantee maximum availability.

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annual basis, Urban inflation rose by 0.85% to 19.09%, while it rose by 0.01% to 1.82% on a monthly basis. Also, the rural sub-index increased marginally by 0.92% to 18.13% while the monthly sub-index rose by 0.05% to 1.81%. The urban-rural differential fell to 0.96% from 1.03% May.

State-by-state analysis

Bauchi recorded the highest inflation rate in June (21.99%), followed by Kogi (21.37%) and Ebonyi (20.73%). The states with the lowest inflation rates are predominantly in the North - Adamawa state (16.14%), Sokoto (16.31%) and Jigawa (16.37%).

Sub-Saharan Africa: Inflation continues to spiral

Inflation in Sub-Saharan Africa has continued to spiral since last month. Of the sub-Saharan African (SSA) countries within our coverage, four recorded higher inflation rates in June while two declined. Inflation in the region is being driven by a combination of rising interest

rates in advanced economies and supply disruptions to major food and energy commodities.

African countries have fully embraced monetary tightening in order to curtail rapidly rising inflationary pressure. We expect the persisting global push towards monetary tightening, and high risk of imported inflation and currency depreciation to provide continued backing for African nations to keep raising interest rates in order to keep pace with their foreign counterparts.

Rising inflation – policy impact

Most central banks across the world have increased their benchmark interest rates within the last quarter in order to stifle inflationary momentum. We expect at least a 50bps hike from the MPC/CBN at its next policy meeting scheduled for July 18 & 19. This would be in line with international trends and align with the CBN's mandate to fight inflation.

INFLATION AND MONETARY POLICY RATES IN KEY AFRICAN COUNTRIES

Country	June Inflation (%)	Most Recent Policy Rate (%)
Nigeria	18.60 ▲	13.00 ▲
Angola	22.96 ▼	20.00 ↔
Kenya	7.90 ▲	7.50 ↔
South Africa	6.50 (May) ▲	4.75 ▲
Ghana	29.80 ▲	19.00 ↔
Uganda	6.80 ▲	8.50 ▲
Zambia	9.70 ▼	9.00 ↔

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