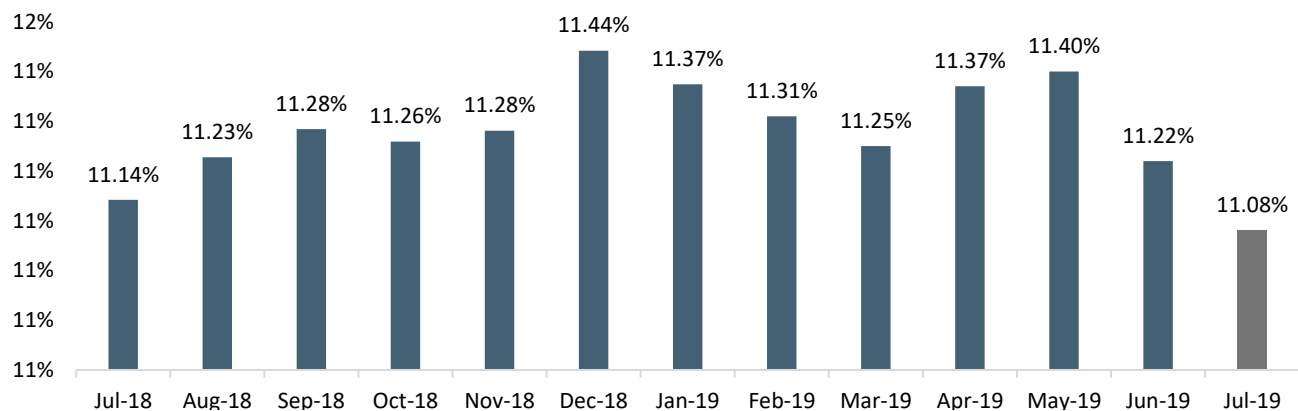


Economic Report | Inflation

July Inflation: Lower food prices remained the anchor

- As anticipated, headline inflation took downward trajectory for the month of July printing at 11.08% YoY (June: 11.22% YoY), albeit lower than our expectation of 11.18% by 10bps. In our H2 2019 Nigeria strategy report (NSR), we highlighted the confluence of buoyant market supplies, reduced risk of flooding, curtailed bandit attacks in the North and stable PMS prices would steer the downward trend in consumer prices over the rest of the year. True to our words, food inflation dipped by 17bps to 13.39% YoY due to decline in prices of farm produce. According to FEWSNET, the ongoing green harvest which came in earlier than usual, further amplified market supply, driving a decline in food prices over the period. Also, Core Inflation further moderated by 4bps to 8.80% YoY reflecting the curtailed nature of PMS prices.

Figure 1: One-year trend in Inflation rate



Source: NBS, ARM Research

- Month-on-Month, headline inflation followed a similar pattern, declining by 6bps to 1.01% MoM. Food inflation came in 11bps lower to 1.26% MoM, reflecting lower prices of farm produce and processed foods. Imported food inflation at the other end remained flat, printing at 1.26% MoM, reflecting continued gains on currency. On the flipside, core inflation edged up 3bps to 0.87% MoM mirroring slight increases in diesel and kerosene prices. Delving into the core basket, key sub-indices such as HWEGF and Transport inflation flatlined, clothing and alcoholic beverages declined while Furnishing and Restaurant increased slightly.
- More analysis to follow.