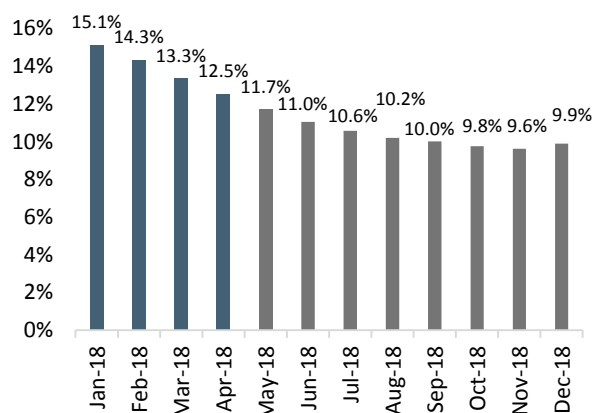
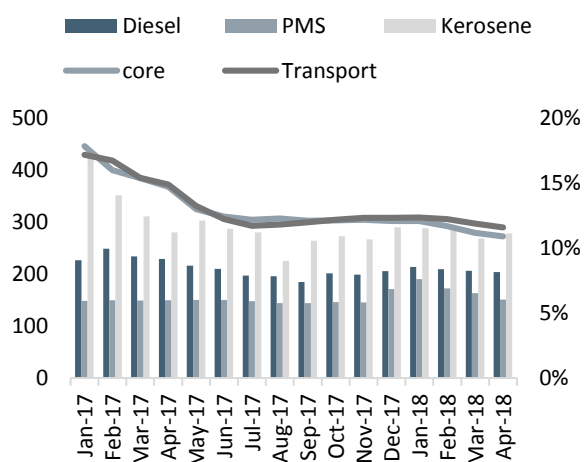




Inflation rate – Actual and Forecast (YoY)



Avg. energy prices (₦/litre) vs. Core & Transport Inflation (% YoY)



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Inflation headline nose-dives in April, hits 25-month low

Inflation

- The deceleration in inflation rate continued for the fifteenth consecutive month as headline reading for the month of April printed at 12.48% YoY, 85bps lower than 13.34% YoY in the month of March. April's headline inflation print was broadly in line with our estimate of 12.52% YoY. The decline in inflation continues to reflect the impact of base effects from higher food and energy prices in the corresponding period of the prior year.

- Disaggregating the index, the decline in inflation largely stemmed from the food basket which dipped 128bps to a 24-month low of 14.80%. In a similar fashion, core inflation in the month dipped 26bps to 10.92% YoY supported by the high core base of 2017.

- Following a 4bps uptick in the prior month, April's MoM headline inflation was unchanged at 0.83% driven by a slowdown in price increases in both the food and core baskets. On core, while average prices rose 2bps to 0.87%, we highlight that it was lower than the 9bps jump in the prior month. The slow pace of increase in core inflation stemmed from lower energy prices as Housing, Water, Electricity, Gas and Other Fuels (HWEFGF) declined 7bps to 0.62%. Precisely, on a MoM basis, Premium Motor Spirit (-7.3% to ₦151.4) and Diesel (-1.0% to ₦204.35) moderated, with MoM transport inflation printing flat at 0.85%.

- Food inflation also rose 2bps MoM to 0.91% though, lower when compared to the 5bps increase in the prior month with lower prices of farm produce being the primary driver of the slowdown. Elsewhere, reflecting stability in the currency, MoM imported food inflation extended its moderation to print at 1.16% (-6bps).

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- With the Monetary Policy Rate (MPR) at 14%, April's headline inflation implies a further expansion in positive real yield to 152bps. Hence, with stability in the currency, accretion in external reserves (+2.7% MoM to \$47.5 billion) and benign inflation outlook, we do not rule out the possibility of a rate cut in the near term. For context, after the release of March headline inflation (13.34%), CBN gradually cut the OMO rate on its 245-day paper by 225bps to 12.15%, signaling a rate cut in the near term. Given this, we retain our view that the MPC would cut the MPR by 200bps over H2 2018 in line with waning inflationary pressures.