

INFLATION

WATCH

AUGUST 2022



HEADLINE INFLATION ROSE TO 20.52% IN AUGUST 2022

Nigeria's Consumer Price Index (CPI) for the month of August 2022 hit a fresh 17-year high as it accelerated to 20.52% Y-o-Y (Bloomberg median estimate +20.50%), an increase of c.0.88% from 19.64% Y-o-Y recorded in the month of July 2022. The biggest drivers were increases in the cost of production, disruption in the supply of food products and increase in the import cost due to the persistent currency depreciation.

Food inflation expanded to 23.12% from 22.02% recorded in July 2022 while core inflation, which strips out the cost of food and energy, quickened to 17.20% in August, compared with 16.26% in July 2022.

Please see below, an overview of August's Inflation:



- * On a monthly basis, the headline index grew at a slower pace, 1.77% in August (vs 1.82% in July)
- * The core index rose by 1.59% in August from 1.75% M-o-M recorded in July, while the food sub-index printed at 1.98% M-o-M compared to 2.04% in July.
- * The urban inflation rate increased to 20.95% Y-o-Y (vs 20.09% Y-o-Y in July 2022).
- * The rural inflation rate advanced to 20.12% Y-o-Y (vs 19.22% Y-o-Y in July 2022).



The floods hitting Nigeria's food producing regions and continued currency weakness are likely to place upward pressure on prices in the coming months. Even as inflation remains a serious concern, and so far, rate hikes have not slowed down growth prospects. We believe the CBN may feel there is still some scope to raise rates at its meeting in Sept 27, 2022, to attract foreign exchange inflows, giving the fact that the US and other major central banks have not pulled the plug on rates raising.

