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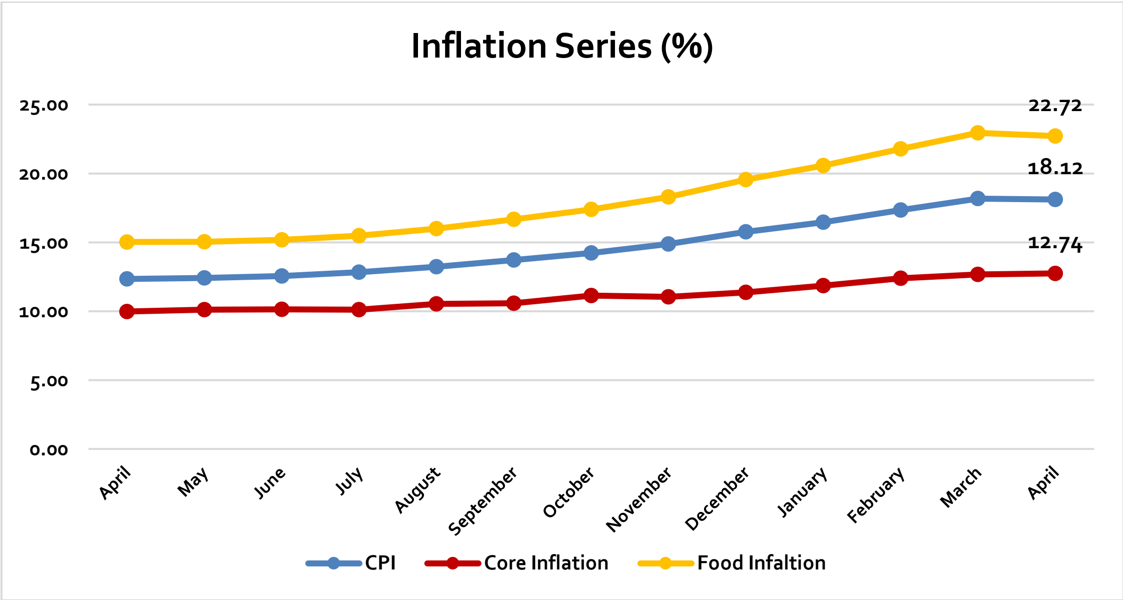
Inflation pressure slows, as headline Inflation dips marginally to 18.12% YoY

Annual inflation records first dip in 20 months

According to the official data released by the National Bureau of Statistics (NBS) on Monday, May 17th 2021, the Headline inflation rate (which measures the average change in the general price level of goods and services in the economy) dropped marginally by 0.05% to 18.12%, as the resumption of food supplies to the south after the reduced tension between the Northern and southwestern traders mildly eases inflationary pressures with food inflation, dropping to 22.72% from 22.95%. Also, the decline in the inflation growth rate could be impacted by the base year effect of 2020 when the economy begins to feel the impact of the Covid-19 pandemic. However, the slight dip in inflation might be a temporary reprisal as insecurity in food-producing regions and other parts of the country continue to increase.

Despite improved liquidity in the foreign exchange window with the Central Bank's heavy intervention, the naira seems not to have steadied significantly, as shortages continue, with the CBN now seems to want to devalue the naira in an attempt to unify the country's multiple exchange rates. Meanwhile, a further devaluation poses a grim outlook for inflation.



Source: NBS, Atlass portfolios Research

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The Consumer Price Index (CPI), which measures headline inflation, increased by 18.12%YoY in April 2021, a 5 basis points lower than the 18.17%YoY recorded in March 2021.

The composite food inflation index also dipped marginally to increase by 22.72% in April 2021 compared to 21.95% in March 2021, meaning food items became less expensive in April despite the Ramadan season effect on food items and the existing low purchasing power of the consumers.

However, Core inflation which excludes all agricultural produces stood at 12.74%, up by 0.07% in April when compared with 12.67% recorded in March 2021. The increase in the index measuring all items less farm produce was caused by a jump in prices of pharmaceutical products, spare parts, major household appliances and shoes, which was a result of the depreciation of the Naira against the USDollar within the period, high electricity tariff and high cost of transportation.

Meanwhile, amidst rising inflation, the Nigerian Exchange (NGX) is expected to continue to witness increased volatility as negative sentiments are expected to trail growth stocks and positive sentiments trail stocks of high dividend-paying companies. Investors should remain cautious as increasing rate in the fixed income market and lower foreign participation in the market continues to threaten improved performance on the NGX.

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