



LAGOS STATE GOVERNMENT
MINISTRY OF ECONOMIC PLANNING AND BUDGET
(MEPB)

LAGOS STATE MONTHLY CONSUMER PRICE
INDEX (CPI) AND INFLATION RATE

January 2021 – September 2021

Produced by
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1.0 INTRODUCTION

Lagos State being the economic hub and industrial nerve of the Country is often affected by the changes in prices of goods and services in all ramifications. The metropolitan areas of the State usually attract high prices of goods and services due to her urban nature and corresponding high population density. Thus, the need to continually provide information on the consumption expenditure pattern of the citizenry with a view to assisting the government and allied institutions in effective socio-economic planning and programming for the people.

The Lagos Bureau of Statistics (LBS), in the Ministry of Economic Planning and Budget (MEPB), is statutorily responsible for the generation, collection and compilation of data/indicators on Lagos State for effective planning and programming of government activities. The Macro-Economic Statistics Division of the LBS collects, collates, analyses and interprets retail prices of consumer items in accordance with 12 classified consumption expenditure sectors with a view to computing Consumer Price Index (CPI) and calculate the Inflation Rate as well as computation of the State Gross Domestic Products (GDP) and allied information.

The production of the CPI requires combination of skills in Economics, Statistics, Computer Science, Data Collection and others. Its computation, a combination of key economic theory, using appropriate sampling techniques and leveraging on household expenditure survey data to produce a weighted measure of average price changes in the economy. The essence of the weighting was to give due regards to the consumer item that enjoyed high household patronage among the selected commodities.

2.0 BRIEF METHODOLOGY

The Consumer Price Index (CPI) is the government's "most important" statistic that measures changes in prices of goods and services over time. These changes affect socio-economic activities and standard of living of the inhabitants. It also directly affects income of sizeable proportion of the Labour force of any geographical area.

The value of the CPI for any other period is calculated by taking the ratio of the current cost of a market basket of goods to the cost of the same market basket of goods in the reference base period and multiplying by 100. The CPI reference base period is often equated to 100% while any deviations from that amounts to either decrease or increase in the CPI for a given period.

Construction of the CPI involves three stages:

- Selecting the CPI basket,
- Conducting a monthly price survey (visiting the relevant markets to collect prices of consumption items)
- Using the prices and the basket to calculate the CPI.

The main purpose of the CPI is to measure inflation rate. The **Inflation Rate** is defined as the percentage change in the price level from one period to the next.

The inflation rate formula is:

$$\text{Inflation rate} = \frac{[\text{CPI}_{\text{current}} - \text{CPI}_{\text{previous}}]}{\text{CPI}_{\text{previous}}} \times 100.$$

Overtime, it had been observed that the CPI may overstate the true inflation level of a geographical area for four (4) reasons stated hereunder:

- **NEW GOODS BIAS:** the appearance of New good that were hitherto not available in the base year and the associated cost implication of the new goods to the replaced ones may lead to either upward or downward biased in price.
- **QUALITY CHANGE BIAS:** Quality improvements generally are neglected, so quality improvements that lead to price hikes are considered purely inflationary.

- **COMMODITY SUBSTITUTION BIAS:** The market basket of goods used in calculating the CPI is fixed and does not take into account consumers' substitutions away from goods whose relative prices increase.
- **OUTLET SUBSTITUTION BIAS:** As the structure of retailing changes, people switch to buying from cheaper sources, but the CPI, as measured, does not take account of this outlet substitution.

The staff of Macro-Economic Statistics Division, Lagos Bureau of Statistics (LBS), Ministry of Economic Planning and Budget (MEPB) are saddled with responsibility of visiting major markets in each of the Twenty (20) Local Government Areas of the State. These Markets are visited on monthly basis to collect the prevailing retail prices of goods and services. The selection of the appropriate market basket of goods and services prevailing in the State is Key in the construction of the Price Index.

Lagos State Consumption Basket comprises of 900 items (goods and services). Prices of each items are collected on monthly basis for the computation of prices indicators in accordance with the prevailing economic activities. The current CPI reference year in the State is 2013. All prices were collected at the prevailing retail market prices from Four (4) markets in each of Twenty (20) Local Government Areas of Lagos State, making a total of Eighty (80) markets as data collection centers. These aggregates are determined using the Classification of Individual Consumption by Purpose (COICOP) which divides the entire retail prices of consumption items into 12 distinct divisions as follows:

- Food and Non-Alcoholic Beverages,
- Alcoholic Beverages,
- Clothing and Footwear,
- Housing, Water, Electricity, Gas and other Fuels
- Furniture, Household equipment and routine household maintenance,
- Health,
- Transport,
- Communication,

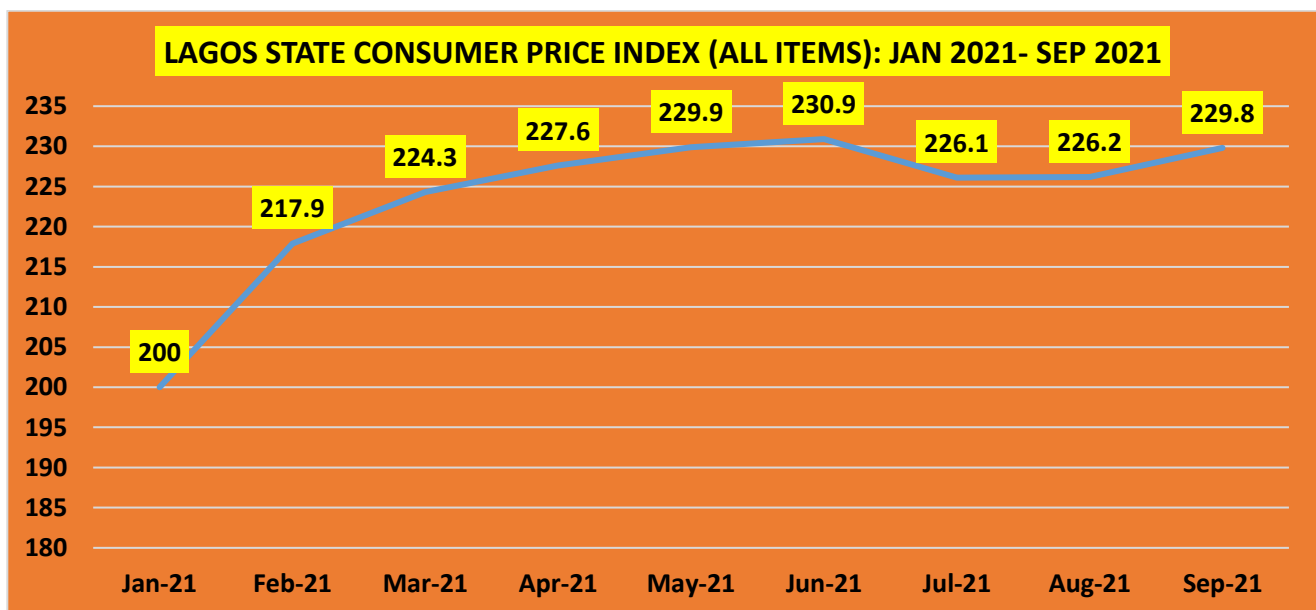
- Recreation and Culture,
- Education,
- Hotels and Restaurants,
- Miscellaneous goods and service.

Consequently, CPI is computed for each of the 12 divisions, using the items in the basket as classified according to COICOP. *“It is important to note that an average price is determined for each item or row of products in the classification and the corresponding expenditure weight is used to compute the CPI of a particular division”.*

3.0 IMPORTANCE OF CPI INDICATOR

This CPI report is urban-based and covers only the food basket credited to the State and excluding other parts of the country. The changes in the CPI are used to assess price changes associated with cost of living. Essentially, it attempts to quantify the aggregate price level in an economy and thus measure the purchasing power of a country's unit of currency. The CPI gives Government, businesses, and Citizens an idea about price changes in the economy, and can act as a guide in order to make informed decisions about the economy.

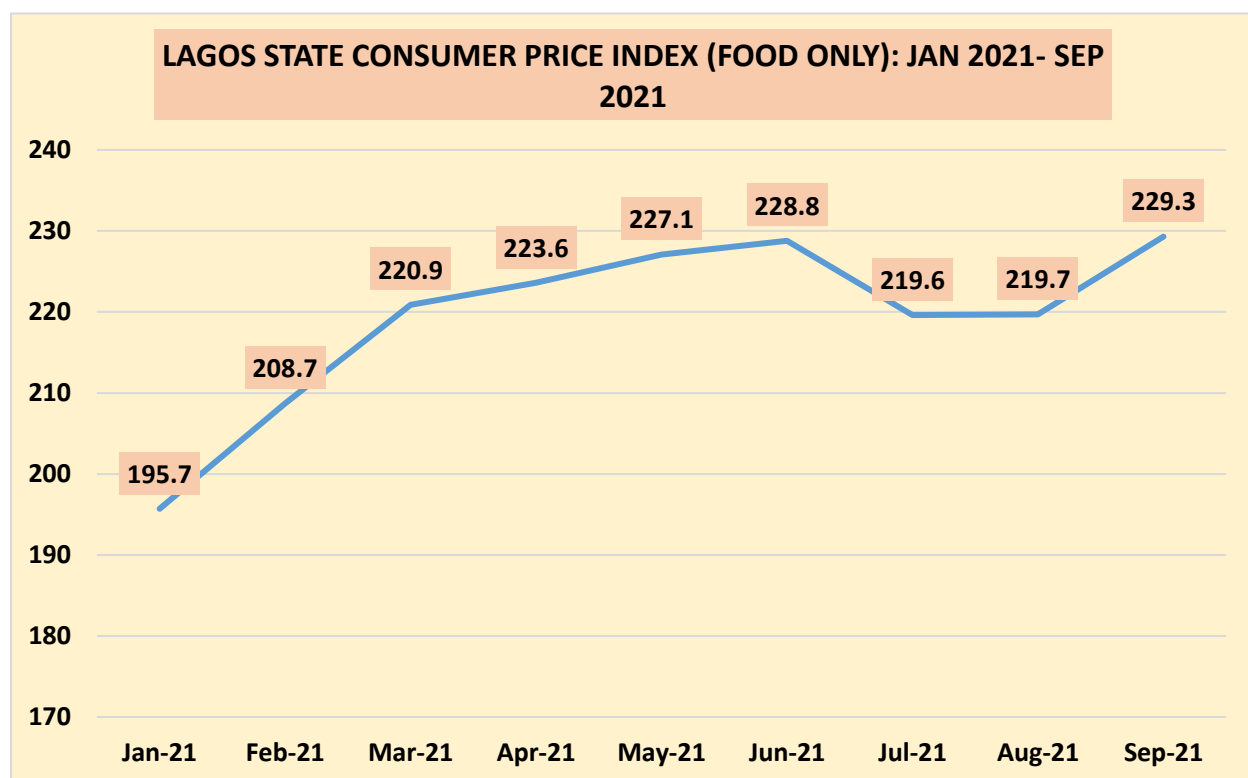
3.1 CONSUMER PRICE INDEX (ALL ITEMS): JAN 2021 –SEPTEMBER 2021



The September 2021 Index for All Items in Lagos State stood at 229.8, which was slightly higher than August 2021 which stood at 226.2, while July and June recorded a CPI of 226.1 and 230.9 respectively.

A trend analysis shows that the CPI for the month of January stood at 200.0, it rose marginally to 217.9 in February and 224.3 in March and slightly increased to 227.6, 229.9 in the month of April and May respectively.

3.2 CONSUMER PRICE INDEX (FOOD ITEMS ONLY): JAN 2021 – SEPTEMBER 2021



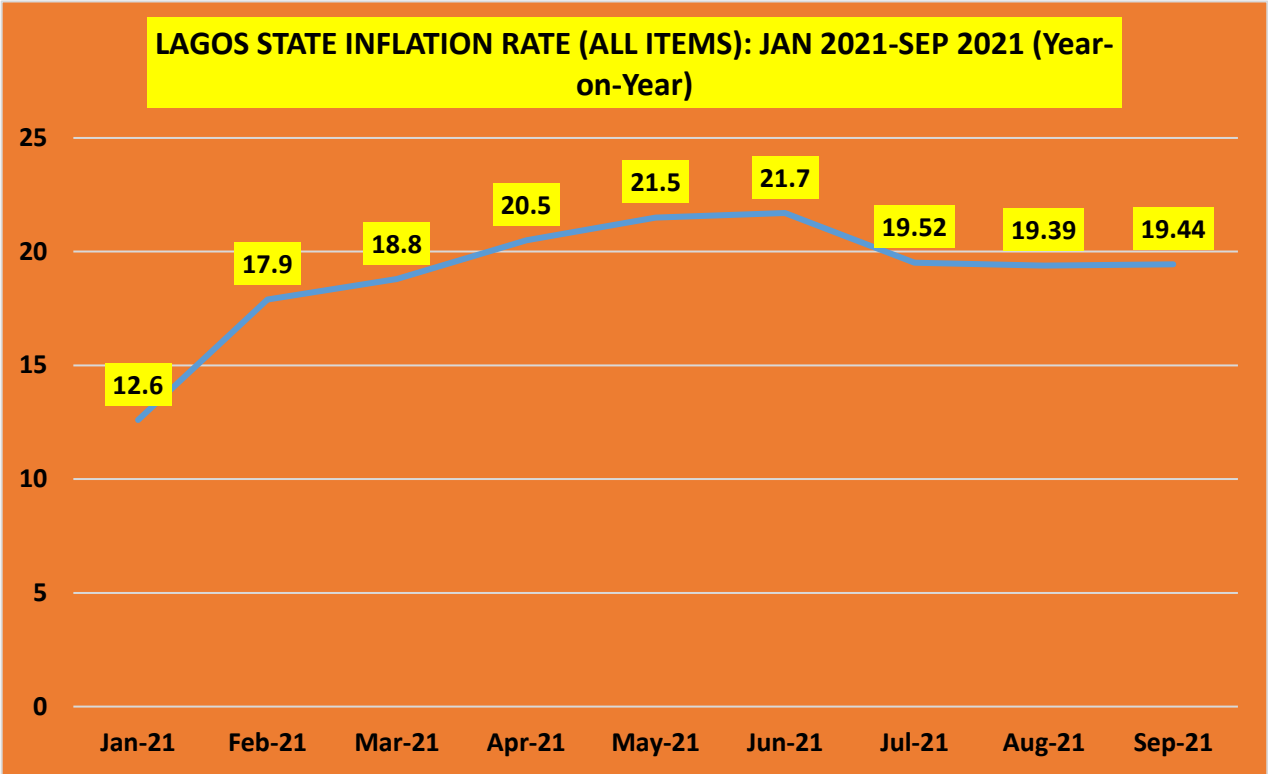
On the other hand, CPI for **Food Items Only** for the month of September 2021 stood at 229.3 while that of January to August 2021, was 195.7, 208.7, 220.9, 223.6, 227.1, 228.8, 219.6 and 229.3 respectively. This rise in the food index was caused by increases in prices of Potatoes, yam and other tuber, Bread and cereals, Milk and egg, Oils and fats, Meat, Fish and Animal product and Coffee, tea and cocoa.

4.0 INFLATION RATE

Inflation is a quantitative measure of the rate at which the average price level of a basket of selected goods and services in an economy increases over some period. It is the rise in the general level of prices where a unit of currency effectively buys less

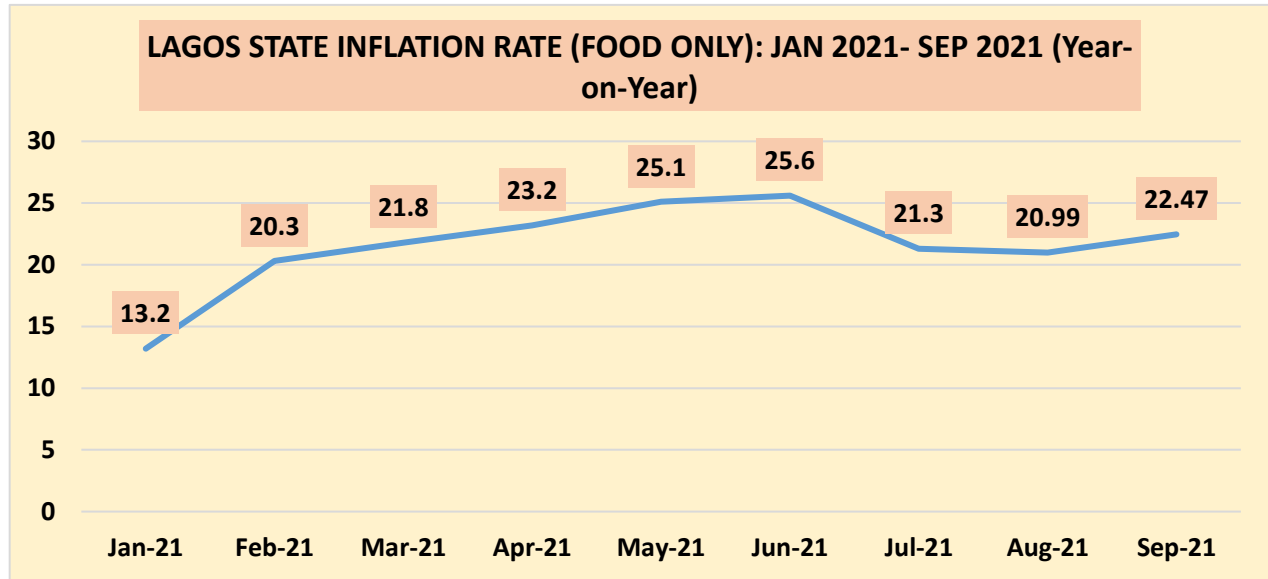
than it did in prior periods. It is often expressed as a percentage; inflation thus indicates a decrease in the purchasing power of a nation’s currency. As prices rise, a single unit of currency loses value as it buys fewer goods and services. This loss of purchasing power affects the general cost of living for the common public, which ultimately leads to a deceleration in economic growth.

4.1 INFLATION RATE (ALL ITEMS): JAN 2021 – SEP 2021 (Year-on-Year)



The inflation rate for All Items decreased from 19.52% (Year-on-Year) in July 2021 to 19.39% in August 2021 and increased to 19.44% in September 2021, when compared to same period last year. A quick glance at the last six (6) months shows that the Inflation rate stood at 12.6% in January 2021, 17.9% in the month of February 2021, 18.8% in March 2021, 20.5% in April 2021, 21.5% in May 2021 and 21.7% in June 2021.

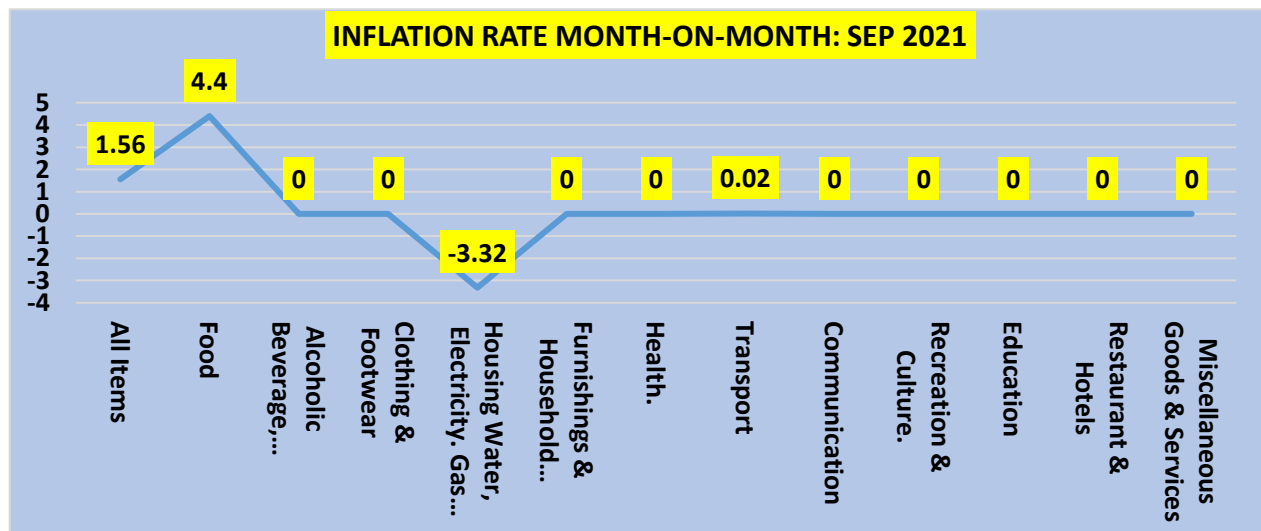
4.2 INFLATION RATE (FOOD ITEMS): JAN 2021 – SEPT 2021 (Year-on-Year)



The Food specific inflation rate is one of the major determinants of standard of living of any geographical areas. The lower the rate the better the standard of living. The composite Food price rose by 22.47% in September 2021 when compared to same period last year.

In the month of January, the Inflation rate stood at 13.2% and marginally increased to 20.3% February 2021. It however, increased to 21.8% in the month of March 2021, 23.2% in the month of April, 25.1% in the month of May, 25.6% in June 2021, 21.3% in July 2021 and 20.99% in August 2021.

4.3 MONTH-ON-MONTH INFLATION RATE: SEPTEMBER 2021



On a Month-on-Month Basis, **Food** had the highest increase- 4.4% followed by **All**

Items which stood at 1.56% and **Transport** stood at 0.02% while other divisions slightly increased except **Housing Water, Electricity, Gas & Other Fuel**, which decreased by -3.32% while other divisions remained the same.

5.0 POLICY IMPLICATION

The major contributor to the State Inflation Rate in the month of September **Food, All Item and Transportation** which increased on a month-on-month basis. This can be attributed to economic recession, partial boarder closure, Naira devaluation, Farmers-Herdsmen communal clash and increase in some food commodities, which led to low agricultural output thereby increasing prices of food items.

In the face of this disquieting outlook, the immediate priority for policymakers is to:

- Enforce strict laws to regulate pricing within the State and Country
- Address banditry and security crisis, which has led to low agricultural output thereby increasing food prices.
- Find a way to strengthen the Naira in order to reduce hike in prices of goods and essential commodities thereby curtailing both short- and long-term economic damage.
- Provide Government stimulus/ intervention funds/ packages to bail out the economy with a view to redressing job loss and create employment opportunities for all and sundry to help reignite growth.
- Undertake comprehensive reform programs to improve the fundamental drivers of economic growth.

APPENDIX

TABLE 1: CONSUMER PRICE INDEX (CPI) AND INFLATION RATE (ALL ITEMS): JANUARY 2020 – SEPTEMBER, 2021		
MONTHS	CPI	INFLATION RATE
JAN 2020	179.4	14.5
FEB 2020	179.8	14.7
MAR 2020	183.8	15.8
APRIL 2020	183.8	13.3
May 2020	185.5	14.1
JUNE 2020	186.5	14.6
JULY 2020	187.2	14.8
AUGUST 2020	186.4	13.9
SEPTEMBER 2020	190.5	15.6
OCTOBER 2020	195.3	16.9
NOVEMBER 2020	202.4	17.5
DECEMBER 2020	203.1	15.7
JANUARY 2021	200.0	12.6
FEBRUARY 2021	217.9	17.9
MARCH 2021	224.3	18.8
APRIL 2021	227.6	20.5
MAY 2021	229.9	21.5
JUNE 2021	230.9	21.7
JULY 2021	226.1	19.52
AUGUST 2021	226.2	19.39
SEPTEMBER 2021	229.8	19.44

**Table 2: CONSUMER PRICE INDEX AND INFLATION RATE (Food items ONLY):
JANUARY 2020 – SEPTEMBER 2021**

MONTHS	CPI	INFLATION RATE (%)
JAN 2020	172.8	14.5
FEB 2020	173.5	14.9
MAR 2020	181.4	17.9
APRIL 2020	181.4	17.8
May 2020	181.6	17.8
JUNE 2020	182.1	18.1
JULY 2020	181.0	17.0
AUGUST 2020	181.5	17.3
SEPTEMBER 2020	187.3	19.1
OCTOBER 2020	185.5	15.7
NOVEMBER 2020	196.1	19.6
DECEMBER 2020	200.3	19.6
JANUARY 2021	195.7	13.21
FEBRUARY 2021	208.7	20.3
MARCH 2021	220.9	21.8
APRIL 2021	223.6	23.2
MAY 2021	227.1	25.1
JUNE 2021	228.8	25.6
JULY 2021	219.6	21.3
AUGUST 2021	219.7	20.99
SEPTEMBER 2021	229.3	22.47

TABLE 3: LAGOS STATE CONSUMER PRICE INDEX (CPI) BY CLASSIFICATIONS: SEP 2020- SEP 2021

CLASSIFICATION	SEPT	OCT	NOV	DEC	JAN 21	FEB 21	MAR 21	APR 21	MAY 21	JUN 21	JUL 21	AUG 21	SEP 21
All Items	190.5	195.3	202.4	203.1	200.0	217.9	224.3	227.6	229.9	230.9	226.1	226.2	229.8
Food	187.3	185.5	195.9	200.4	195.7	208.7	220.9	223.6	227.1	228.8	219.6	219.7	229.3
Alcoholic Beverage, Tobacco & Narcotics	125.6	125.6	135.9	135.9	136.1	141.4	142.3	145.0	145.0	145.0	145.0	145.0	145.0
Clothing & Footwear	157.6	158.1	161.0	163.1	191.2	203.1	204.6	205.3	205.3	207.6	207.6	207.6	207.6
Housing Water, Electricity. Gas & Other Fuel	214.9	242.1	244.4	244.5	207.3	211.9	211.9	213.5	214.7	214.8	214.8	214.8	207.6
Furnishings & Household Equipment & Maintenance	215.1	215.7	221.1	221.1	235.3	241.8	241.8	242.9	242.9	242.9	242.9	243.7	243.7
Health.	209.0	209.0	213.6	213.6	230.4	248.2	248.2	248.2	248.2	248.2	248.2	251.6	251.6
Transport	189.2	189.8	190.0	190.9	206.7	280.9	278.9	293.3	293.7	293.7	292.9	292.9	292.9
Communication	156.7	156.7	156.7	156.7	156.7	158.5	158.5	158.5	158.5	158.5	158.5	158.5	158.5
Recreation & Culture.	146.1	146.1	151.3	151.3	163.0	184.8	184.8	187.9	187.9	187.9	187.9	190.3	190.3
Education	105.5	108.2	110.4	112.3	127.7	168.7	170.4	172.0	173.0	173.0	173.0	173.0	173.0
Restaurant & Hotels	172.0	172.0	173.9	173.9	184.5	207.5	207.5	207.5	207.5	207.5	207.5	209.1	209.1
Miscellaneous Goods & Services	167.3	167.3	190.2	205.3	218.2	248.0	248.0	252.5	252.5	252.5	252.5	252.5	252.5

TABLE 4: LAGOS STATE INFLATION RATE BY CLASSIFICATIONS: SEP 2020 – SEP 2021

CLASSIFICATION	SEPT	OCT	NOV	DEC	JAN 21	FEB 21	MAR 21	APR 21	MAY 21	JUN 21	JUL 21	AUG 21	SEP 21
All Items	15.6	16.9	17.5	15.7	12.6	17.9	18.8	20.5	21.5	21.7	19.5	19.39	19.44
Food	19.1	15.7	19.5	19.6	13.2	20.3	21.8	23.2	25.1	25.6	21.3	20.99	22.47
Alcoholic Beverage, Tobacco & Narcotics	0.6	0.6	4.4	4.4	6.7	10.7	11.6	13.7	13.7	13.7	13.7	13.70	13.70
Clothing & Footwear	2.2	2.3	2.7	2.7	15.6	22.6	23.4	22.6	19.2	20.1	20.1	20.09	20.25
Housing Water, Electricity, Gas & Other Fuel	13.6	27.2	22.8	19.1	3.0	5.3	5.3	6.1	6.7	6.7	6.7	6.69	5.46
Furnishings & Household Equipment & Maintenance	3.7	3.8	5.6	5.8	11.9	14.3	15.0	15.5	14.8	13.8	13.5	13.80	13.27
Health.	9.3	9.3	10.2	10.2	22.3	31.7	27.8	27.8	25.3	21.3	21.3	20.35	20.35
Transport	19.1	19.1	19.0	19.8	27.6	27.1	26.4	32.8	33.0	33.0	32.6	32.59	29.14
Communication	3.7	2.3	2.3	2.3	0.8	2.0	2.0	2.0	2.0	2.0	2.0	1.99	1.15
Recreation & Culture.	-0.2	0.0	0.0	3.6	11.6	17.9	18.2	20.2	28.7	28.7	28.7	30.05	30.02
Education	6.0	5.8	7.0	6.5	21.0	33.9	35.2	36.5	38.3	38.3	38.3	38.34	38.34
Restaurant & Hotels	22.6	9.0	6.2	6.2	12.7	17.6	23.3	23.3	26.8	26.8	26.8	27.67	21.53
Miscellaneous Goods & Services	18.7	18.7	11.7	17.1	32.0	23.9	23.9	26.2	26.2	26.2	26.2	26.15	26.15

TABLE 5: LAGOS STATE INFLATION RATE BY CLASSIFICATIONS: SEP 2020 -SEP 2021 (Month-on- Month)

CLASSIFICATION	SEPT	OCT	NOV	DEC	JAN 21	FEB 21	MAR 21	APR 21	MAY 21	JUN 21	JUL 21	AUG 21	SEP 21
All Items	2.2	2.5	3.7	0.4	0.8	9.0	2.9	1.4	1.0	0.4	-2.07	0.07	1.56
Food	3.2	(0.9)	5.7	2.1	-2.3	6.6	5.9	1.2	1.5	0.7	-4.0	0.03	4.4
Alcoholic Beverage, Tobacco & Narcotics	0.0	0.0	8.2	0.0	2.4	4.0	0.7	1.9	0.0	0.0	0.0	0	0
Clothing & Footwear	0.3	0.3	1.8	1.3	5.9	6.2	0.7	0.3	0.0	1.1	0.0	0.03	0
Housing Water, Electricity, Gas & Other Fuel	0.8	12.7	1.0	0.0	0.7	2.2	0.0	0.8	0.6	0.04	0.0	0	-3.32
Furnishings & Household Equipment & Maintenance	0.5	0.3	2.5	0.0	6.7	2.7	0.0	0.5	0.0	0.0	0.0	0.29	0
Health.	0.0	0.	2.2	0.0	7.9	7.7	0.0	0.0	0.0	0.0	0.0	1.37	0
Transport	3.3	0.3	0.1	0.5	8.3	36.0	-0.7	5.2	0.1	0.0	-0.29	0.01	0.02
Communication	0.0	0.0	0.0	0.0	0.0	1.2	0.0	0.0	0.0	0.0	0.0	0	0
Recreation & Culture.	0.0	0.0	3.6	0.0	7.7	13.4	0.0	1.7	0.0	0.0	0.0	1.11	0

Education	0.0	2.5	2.0	1.8	13.7	32.1	1.0	1.0	0.6	0.0	0.0	0	0
Restaurant & Hotels	5.1	0.0	1.1	0.0	6.1	12.5	0.0	0.0	0.0	0.0	0.0	0.73	0
Miscellaneous Goods & Services	0.0	0.0	13.7	7.9	6.3	13.7	0.0	1.8	0.0	0.0	0.0	0	0