

**INFLATION UPDATE**

Economics | Data Reaction

November 2019 Inflation Update

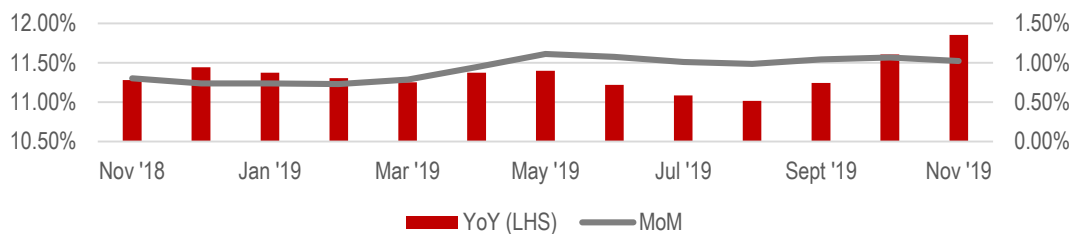
The National Bureau of Statistics (NBS) released the Consumer Price Index (CPI) figures which measures inflation in the country during the month of November. The figure released showed that headline inflation for the month of November rose by 24bps (year-on-year) to 11.85% from 11.61% reported for the month of October, a 19-month high. However, month on month headline inflation rose at a decreasing rate of 1.02% from 10.7% reported in October. The rise in the headline inflation was driven mainly by increasing demand for food items without corresponding increase in supply, thereby raising food prices in the economy. Food inflation soared by 39bps (year-on-year) to 14.48%, while month on month change was 1.25%. The continuous increase in food prices seem to be affecting prices of other items in the economy as core inflation also inched up to 8.99% from 8.11% reported for October (year-on-year), while month on month figure climbed to 0.79% from 0.74%.

Headline Index  
**11.85% ↑**

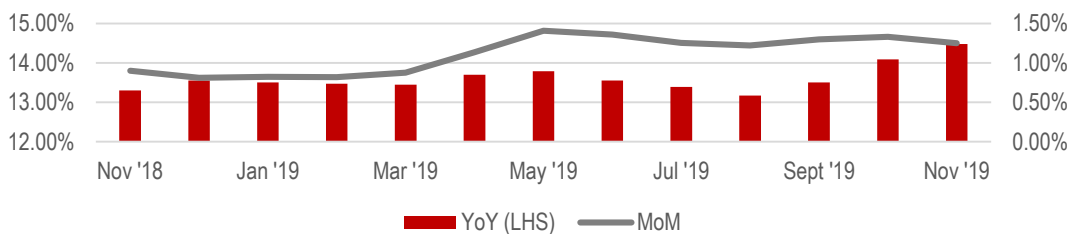
Food Index  
**14.48% ↑**

Core Index  
**8.99% ↑**

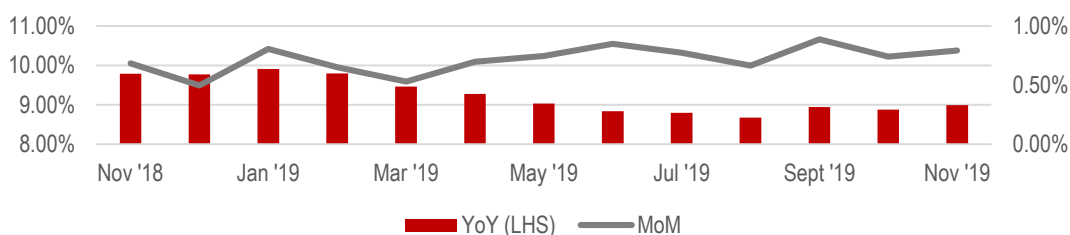
Headline Inflation Rate Trajectory



Food Inflation Rate Trajectory



Core Inflation Rate Trajectory



- The inflation figures reported was in line with our expectations for the month of November, owing to the increasing demand for food items and other consumer goods associated with the festive period. Although, it has been said that reliefs have been put in place to boost production in the agricultural sector and reduce food prices, the effect is yet to show in the numbers. We expect this to continue as border closure is maintained, thereby leading to a higher inflation rate for the month of December.
- This increasing inflation rate shows increasing negative return for fixed income investors, as yields on both the treasury bills and FGN Bonds have been on a downward trend. The recent treasury bill auction showed a stop rate of 6.88% on the 364-Day bill, while average yield on FGN outstanding bonds stood at 11.20% as at yesterday.