

INFLATION UPDATE

Economics | Data Reaction

September 2019 Inflation Update

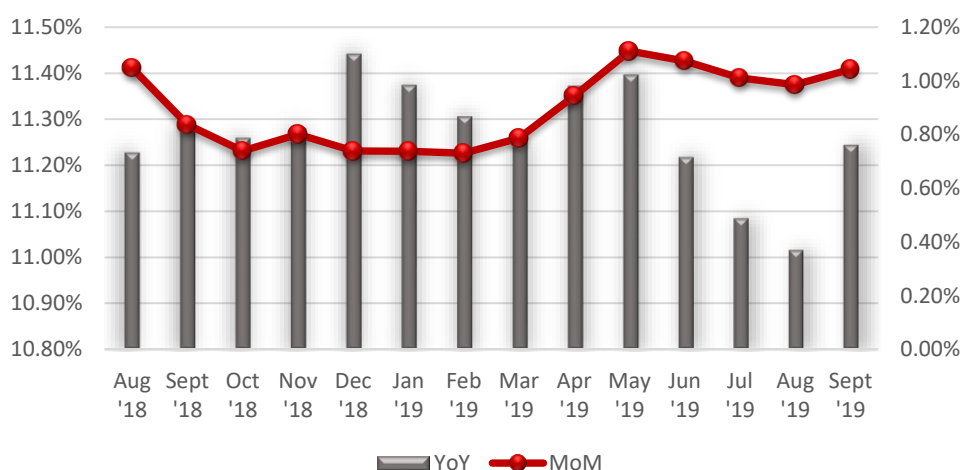
The National Bureau of Statistics (NBS) published the consumer price index (CPI) which measures inflation. The figure increased by 11.24% (year-on-year) in September 2019, showing that the headline inflation rate soared by 22bps after reaching a 3½ year low in the previous month. Month-on-month (m/m) headline inflation rate increased to 1.04% up from 0.99% reported in August 2019. The increase in the headline inflation rate was driven by the spike in food prices as a result of excessive floods and closure of the country's borders which raised the food index by 34bps YoY and 8bps MoM to 13.51% YoY and 1.30% MoM respectively. The core index also rose for the first time in 2019 by 26bps YoY and 22bps MoM to 8.94% YoY and 0.89% MoM respectively.

Headline Index
11.24%

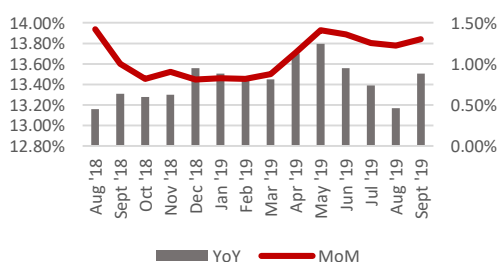
Food Index
13.51%

Core Index
8.94%

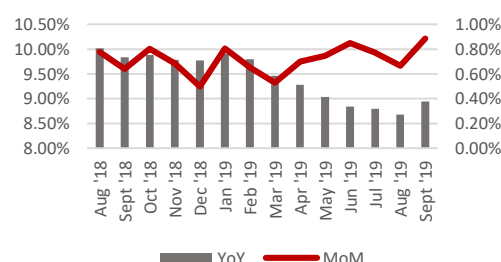
Headline Inflation Rate Trajectory



Food Inflation Rate Trajectory



Core Inflation Rate Trajectory



With the MPR pegged at 13.50%, average yield on federal government bonds and treasury bills are 14.38% and 12.41% respectively, this connotes a positive real return for investors in the market, as average yields on treasury bills and federal government bonds are above the inflation rate. The government aims to achieve a one-digit inflation rate and has said it won't be considering lowering the MPR until this is achieved. Food prices rose the most in three months after the government partially closed its border with Benin to curb smuggling of rice. This is expected to accelerate the growth of food prices as we move closer to December, which may indirectly affect prices of other items. Therefore, inflation rate for next month is not expected to slow down.