

INFLATION UPDATE

Economics | Data Reaction

December 2019 Inflation Update

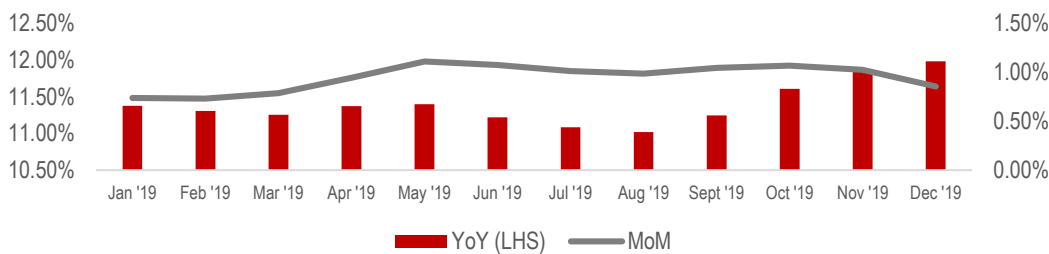
According to data released by the National Bureau of Statistics (NBS), the Headline Inflation rose to a twenty – month high of 11.98% (Year-on-Year) for the month of December, compared to 11.61% and 11.85% in October and November respectively. Food Inflation and Core Inflation rates likewise rose to 14.67% and 9.33% respectively (Year-on-Year), while month on month Headline Inflation and Food Inflation rose at a declined rate of 0.85% and 0.97% respectively. However, Core Inflation rate rose further by 0.81% (Month-on-Month). Increasing food price level buoyed Food Inflation in the past few months as effect of border closure persist. Knock-on effect of rising commodity prices raised core inflation in the economy, as average inflation rate for 2019 stood at 11.39%.

Headline Index
11.98% ↑

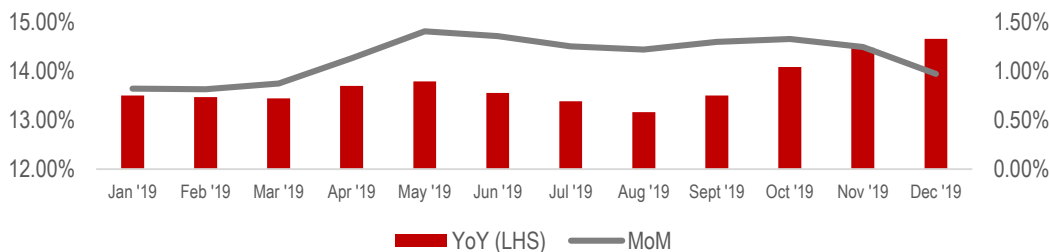
Food Index
14.67% ↑

Core Index
9.33% ↑

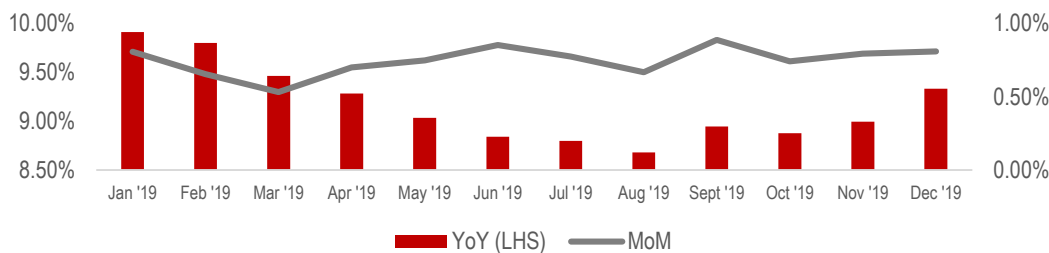
Headline Inflation Rate Trajectory



Food Inflation Rate Trajectory



Core Inflation Rate Trajectory



- We opine that rising food prices in the economy led to increase in prices of other commodities and services, especially during the yuletide period as consumers celebrate despite challenging economy. Government policies and intervention funds aimed at boosting the agricultural sector are expected to lead reduction in food prices. However, we expect inflation rate to rise further for the month of January.
- Yields on FGN Bonds and the Nigerian Treasury Bills nosedived later in the year 2019, falling significantly below average inflation rate for the year, as average yield on FGN Bonds currently stood at 10.42%, leaving fixed income investors with negative real return on investments.