

INFLATION UPDATE

Economics | Data Reaction

February 2020 Inflation Update

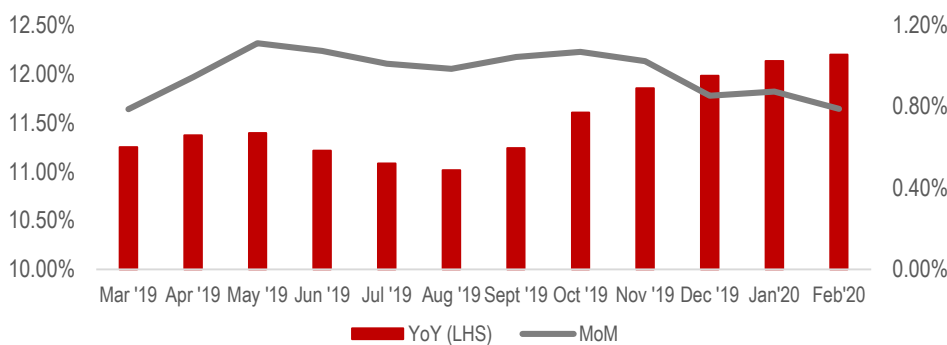
According to the Consumer Price Index (CPI) report by the National Bureau of Statistics (NBS), the Headline inflation for the month of February, 2020 rose to 12.20% (YoY) from 12.13% reported for January, 2020. Food Inflation rose by 5bps to 14.90% (YoY) from 14.85%, while Core Inflation surged by 8bps to 9.43% (YoY) from 9.35% reported for the previous month. However, month on month inflation figures trended downwards as the Headline Index printed at 0.79% (MoM) from 0.87% in January. The Food Index and the Core Index both fell to 0.87% (MoM) and 0.73% (MoM) respectively, from 0.99% and 0.82%.

Headline Index
12.20% ↑

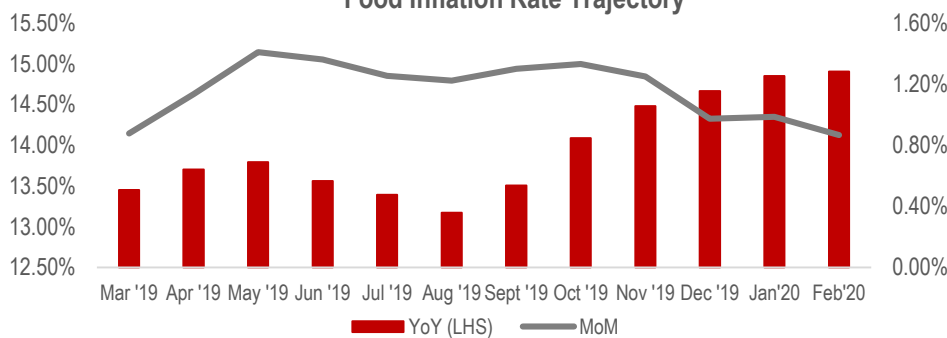
Food Index
14.90% ↑

Core Index
9.43% ↑

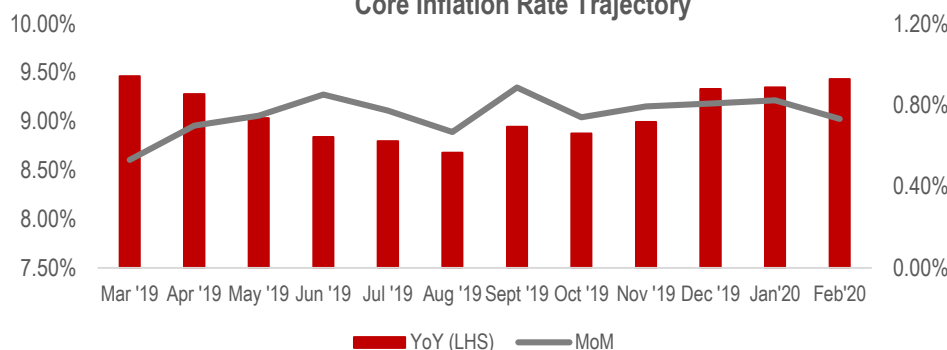
Headline Inflation Rate Trajectory



Food Inflation Rate Trajectory



Core Inflation Rate Trajectory



- The February 2020 inflation rate is in line with our expectation, and we believe this upward trend will persist through the second quarter of the year as the effect of increased VAT and FX restrictions sets in. Also, panic-buying and economic disruptions caused by the COVID-19 pandemic is expected to contribute to rising inflation in the economy, especially imported household items.
- Average yield on Federal Government Bonds rose to 12.00% from 10.25% in the comparable period of February, 2020 as prices fell in the bonds market, moderating the negative real return on fixed income securities to 20bps.