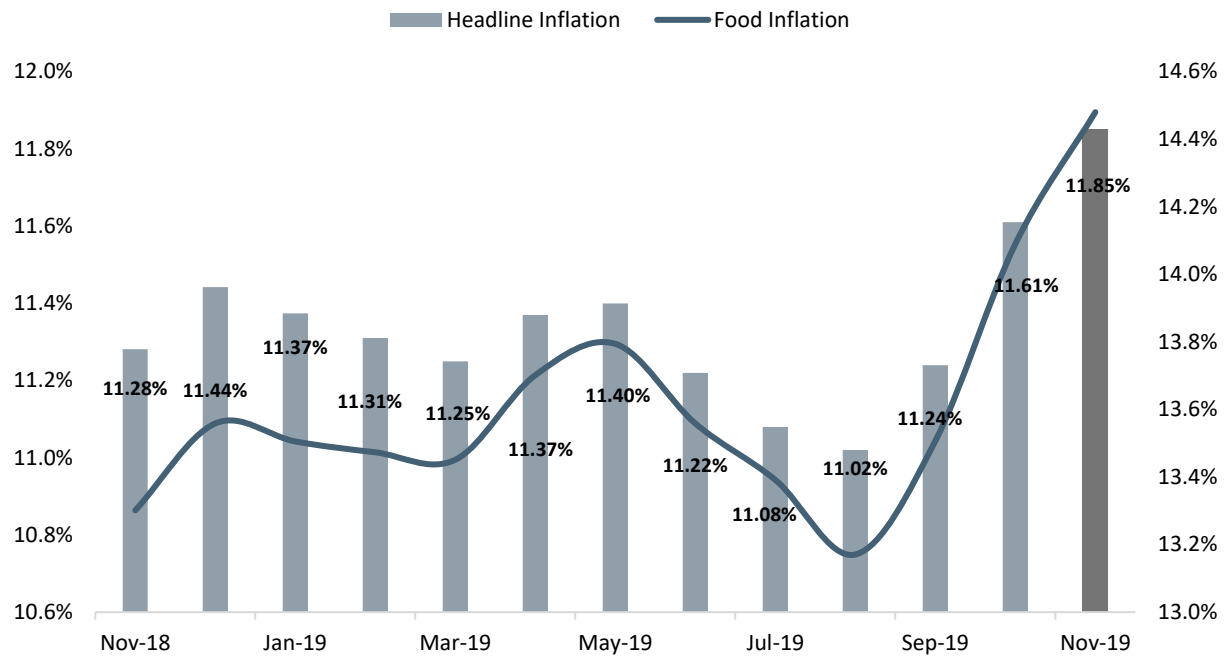


Economic Report | **Inflation*****Consumer prices: Nigeria's CPI ascends to a 19-month high***

- As expected, consumer prices for the month of November notched a solid 25bps increase to 11.85% YoY (vs September: 11.61% YoY) and 4bps shy of our estimate of 11.81% YoY, marking the highest rate since April 2018. Akin to the past two months, the pickup in inflation stemmed from heightened food prices as Nigeria's land borders remained closed. Despite improved market supplies from recent harvest, the adverse impact of land border closure on prices of staples such as rice lingered. Precisely, food inflation ticked higher by 39bps to 14.48% YoY, following a 40bps increase in farm produce to 15.16%. Core inflation on the other hand, rose 12bps to 8.99% YoY. This was driven by increases on major sub-indices including HWEFG (+8bps to 7.70% YoY), Transport (+10bps to 9.17% YoY) and Health (+12bps to 9.44% YoY).
- On the flipside, Month-on-month numbers declined by 4bps to 1.02% MoM (4bps shy of our estimate: 0.98% MoM) as increased food supplies helped taper the impact of the boarder closure for the month. According to FEWSNET, household food stocks and market supplies are increasing and as a result led to relatively lower household demand at markets and a gradual decline in staple prices. Consequently, food inflation dipped 8bps to 1.25% MoM, with farm produce reducing by 16bps to 1.29% MoM during the period. Core inflation expanded 5bps to 0.79% MoM as increases in Health, Transport, Clothing, outweighed declines in HWEFG sub-indices.
- We retain our view for an expanse in the pace of consumer spending owing to a confluence of factors. Firstly, although we expect a buoyant harvest this season, the adverse effect of border closure on headline inflation still stands. In addition, we expect consumer spending to be elevated in December as festivities begin. Consequently, we project a northward trend in inflation with headline inflation for the month of December at 12.04% YoY. Against this backdrop, we expect average inflation for 2019 to print at 11.40% YoY (FY 18: 12.2% YoY).

**Figure 1: One-year trend in Inflation rate vs Food Inflation**



Source: NBS, ARM Research