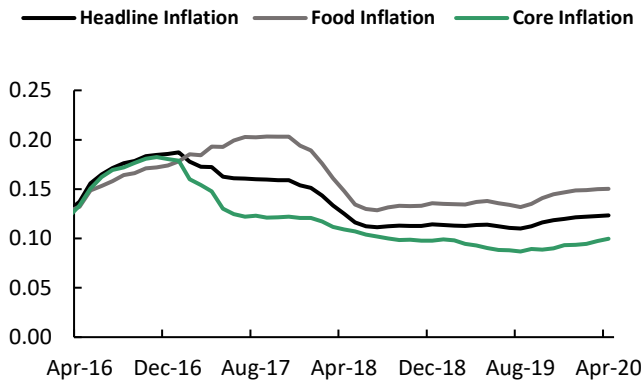


# Macro-Economic Update | Inflation | April 2020

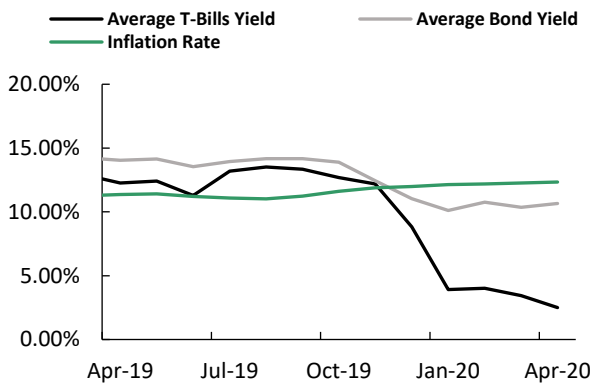
*The Consumer Price Index (CPI) edged higher by 12.34% YoY for the eighth consecutive month in April 2020, representing an eight basis points (0.08%) increase from 12.26% in March 2020. The headline inflation figure settled slightly lower than our estimate of 12.35%. The upsurge in rate was sustained in both sub-components, with the food index rising by 15.03% YoY (vs. 14.98% in March 2020 YoY), while the core index rose by 0.25% to 9.98% YoY. We expect the steady increase in inflation to be a key consideration in the upcoming Monetary Policy Committee meeting.*

Inflation Series (April 2016- April 2020)



Source: NBS, Meristem Research

Average Yields on Treasury Bills and Bonds



Source: FMDQ, Meristem

## Food Inflation Index Remain Pressured

In April, the food index, advanced by five basis points (+0.05%) to 15.03% YoY, driven by panic buying of food items especially staples. The highest price increase was recorded on items such as bread, potatoes, oil and fats, amongst others.

The technical adjustment of the Naira in the official windows and increased demand pressures in the parallel FX market drove manufacturing input costs northwards. Consequently, an uptrend was recorded in the prices of electronics appliances, cost of transportation and pharmaceutical services among others, pressuring the core inflation index to settle at 9.98% YoY in April.

## Bullish Momentum Pervades Fixed Income Space

FAAC disbursement amounting to NGN606bn and NGN710.89bn OMO maturity kept system liquidity elevated in the month of April. Against this backdrop, bullish sentiment prevailed in the fixed income market evidenced by a decline in average treasury bills and bonds yields to 2.66% and 10.44% respectively. Given the dearth of investment alternatives and the heightened risk levels associated with the domestic economy, we expect demands for fixed income instruments to remain robust.

## Sustained Bargain Hunting Moderates YtD Loss

Within the last five weeks, Nigerian equities have rebounded, moderating the YtD loss to -7.76% from -21.39% at the beginning of April. Rotational trades by foreign investors, robust system liquidity, depressed fixed income yields and bargain hunting on dividend paying and fundamentally justified counters have predominantly fueled the bullish run in the market. We do not expect the uptick in inflation to significantly influence the market performance and portfolio decisions of equity investors.

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