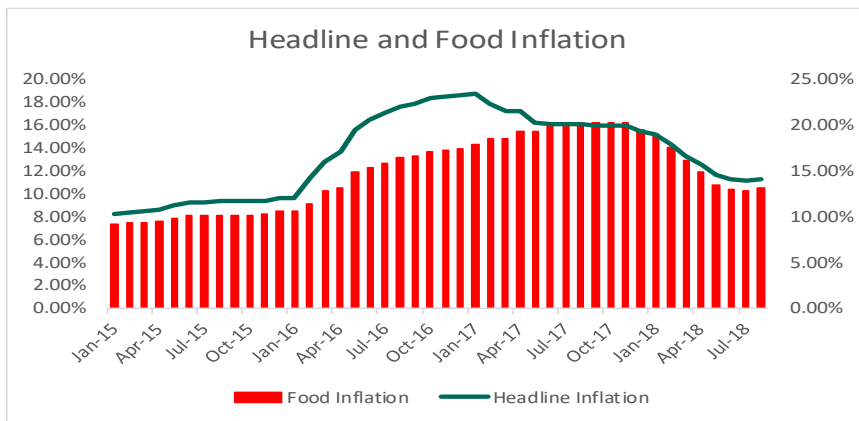


Inflation Report August 2018

Inflation Rises For The First Time After Decline Streak

The headline inflation is at **11.23%** year-on-year (YoY), this represents an increase of 0.09% from the previous rate of 11.14% YoY, making it the first increase in inflation rate after eighteen consecutive declines in headline inflation since January 2017. This is driven by an increase in the food inflation and as high base-effects from the prior year fizzled out. Consequently, the food inflation stood at **13.16%** (year-on-year) in August, up from the **12.85%** recorded in July 2018.

On a Month-on-Month basis, the downward trend in inflation rate continued as the headline inflation fell from **1.13%** MoM in July to **1.05%** MoM in August. This is due to the reduction in core inflation (all items excluding farm produce) as prices on Housing Water, Electricity, Gas and other fuel fell to **0.45%** MoM from **0.71%** MoM. Prices of Health, Transport, Education and Miscellaneous goods & services fell during the month of August.



Sources: Anchoria AM Research, NBS

8th Consecutive Decline In Core Inflation Rate

Core inflation moderates to **10.02%** in August from **10.18%** in July 2018. This is lower than the MPR of 14.00%. However, in July the Average Bond Yield is above the core inflation which connotes an increasing return on investment. These are average yields: 5 years Bond (14.07%); 10 years Bond (14.44%) and 20 years Bond (14.25%). Also, the 91-days Treasury Bill primary market yield of 11.31% is above the core inflation rate.

Yobe State: An Agricultural State Tops The Chart With A 12.90% Headline Inflation Rate

In August 2018, headline inflation on a year-on-year basis was highest in Yobe (12.90%), Rivers (12.70%), Lagos (12.64%), Enugu (12.52%) and Adamawa (12.47%) while Kwara (8.25%), Borno (9.88%), Benue (10.11%), Delta (10.38%) and Ogun (10.41%) recorded the lowest rate in headline inflation. Headline inflation on a year-on-year in commercial cities of Lagos and Kano rose to 12.64% and 10.42% respectively while that of Abuja fell to 12.04%.

Nigeria's Trading Partners Inflation Figure

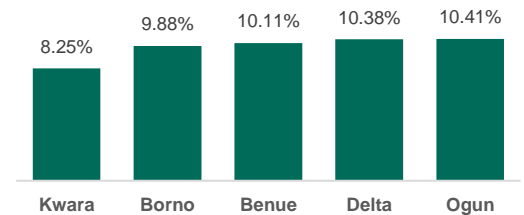
Based on selected inflation reports of some of the country's trade partners, we observed an increase in inflation rate for most, except for Belgium, India and United States that witnessed reductions in inflation rate. Imported food inflation rate increased to 1.75% MoM in August from 0.70% MoM in July 2018.

Outlook for September 2018 Inflation Report

We expect a continuous upward trend of the inflation rate on a year-on-year basis in September 2018 due to:

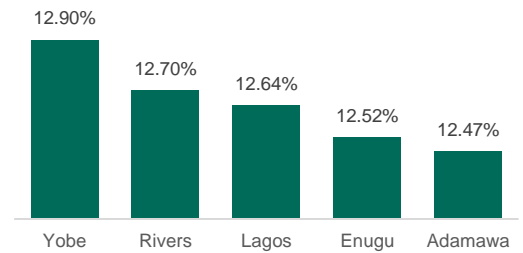
- Flood in agricultural states such as Kogi State
- Fizzling out of the base year effect of prior year (2017)
- Political uncertainties ahead of the 2019 election and increase in benchmark rate in advanced economies which will further put pressure on our foreign exchange.

Headline Inflation for Bottom 5 States



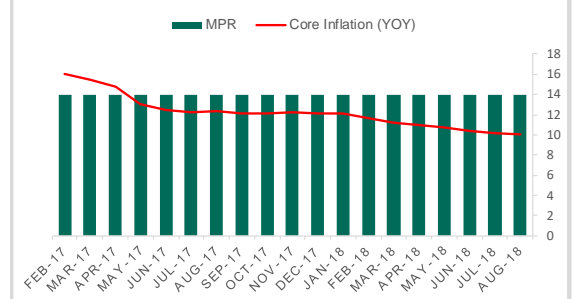
Source: Anchoria AM Research; NBS

Headline Inflation for Top 5 States



Source: Anchoria AM Research; NBS

CORE INFLATION & MPR



Source: Anchoria AM Research; NBS

Nigeria's Trading Partners Inflation Figure

	Aug-18	Jun-18	Changes
Belgium	2.24%	2.30%	-0.06%
China	2.30%	2.10%	+0.20%
Egypt	14.20%	13.50%	+0.70%
France	2.30%	2.30%	+0.00%
India	3.69%	4.17%	-0.48%
Netherland	2.30%	2.10%	+0.20%
United Kingdom	2.70%	2.50%	+0.20%
United States	2.70%	2.90%	-0.20%

Source: Anchoria AM Research; Trading Economics

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