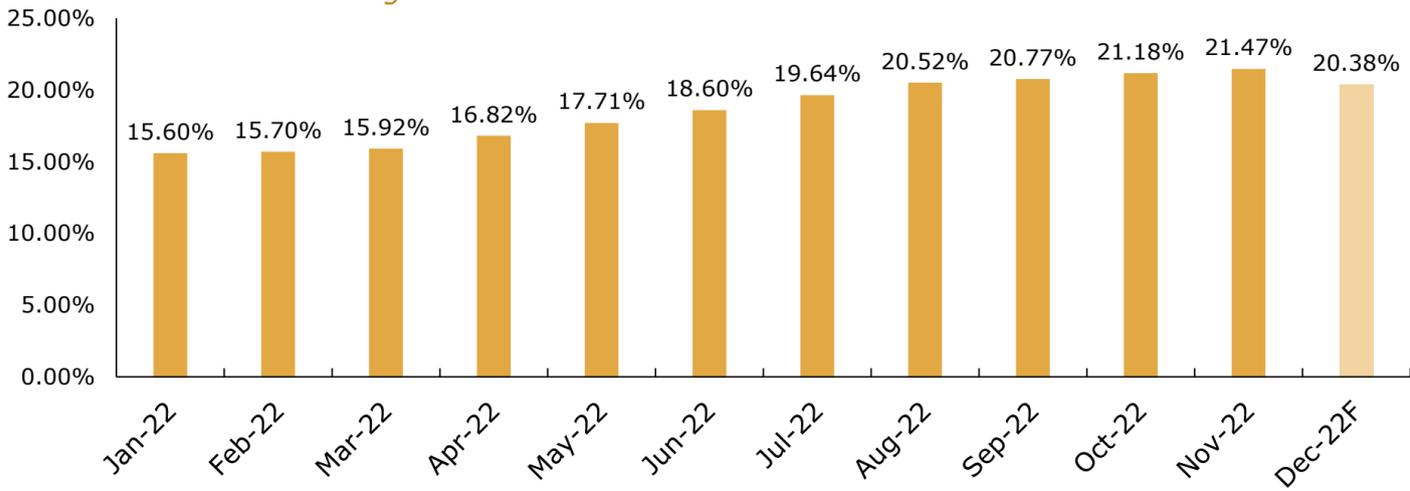


# November Inflation Report: Price Pressures Persists, as Inflation Sets 17-year Record at 21.47%

Headline Inflation settled at 21.47% YoY in November (vs. 21.18% YoY in October), marking the eleventh consecutive rise this year. On a month-on-month basis, a rise of 0.16% pts was recorded, bringing the figure to 1.39%.

The same trend was observed for food and core inflation, which hit 24.13% YoY and 18.25% YoY in November from 23.72% YoY and 17.76% YoY in the previous month.



## What caused the rise in inflation in November



Insecurity and bandit attacks in food producing states.



Persistent depreciation in the Naira as well as FX liquidity issues.

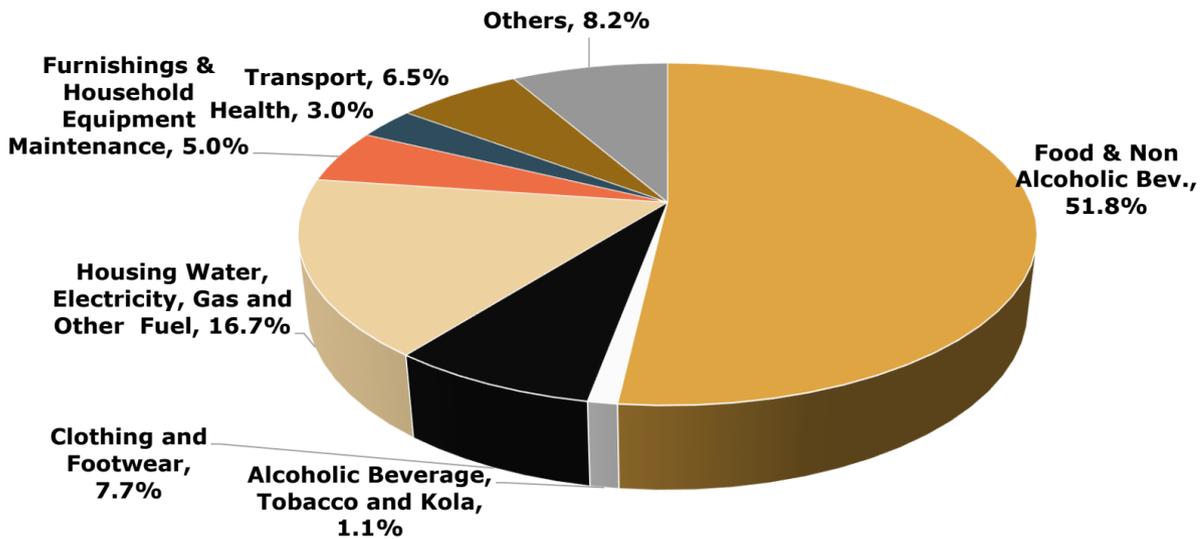


Supply chain disruptions worsened by infrastructural deficiencies.



Fuel Scarcity & Higher Energy Cost

## Food basket makes up over 50% of Headline Inflation



## States with Highest Inflation Rate



**Ebonyi**



**Kogi**



**Rivers**

## States with Lowest Inflation Rate



**Kaduna**



**Sokoto**



**Cross River**

### Outlook

Owing to structural factors including FX illiquidity and higher energy cost along with the heightened demand during the December festivities, we expect food prices to remain pressured. Consequently, Inflation should reach 1.48% on a MoM basis from 1.39% in November. However, the high-base effect from last year should push the year-on-year figure down to 20.38% in December.

### How Can Investors Position?

**Fixed Income Mutual Funds:** The cumulative MPR hike of 500bps has triggered an increase in bank deposits and repricing of yields in the fixed income space. However, strong appetite for these instruments as well as buoyant system liquidity has driven yields lower. This was reflected at the most recent primary market auction for T-bills and bonds, where the average stop rate dropped to 7.56% and 15.38%, as against 9.18% and 15.05% at the previous auctions. This implies the return on these instruments start to improve, causing fixed income mutual funds to register higher returns.

**Invest in Equity Mutual Funds:** Sentiment in the equities market has been bullish, as investors position for cheap bargains in the market. We expect this sentiment should linger till year-end. Investors can choose to position in equity mutual funds to benefit from low unit price of this fund. Also, in view of recent volatility, equity mutual funds tend to offer diversification benefits.

