

**INFLATION UPDATE**

Economics | Data Reaction

July 2020 Inflation Update

Headline Inflation rose for the eleventh consecutive month to 12.82% in July, from 12.56% in June. Food Index rose by 30bps to 15.48%, from 15.18% in the prior month, contributing to the surge in the Headline Inflation. However, the Core Index rose at a declining rate of 10.10%, from 10.13% reported in June.

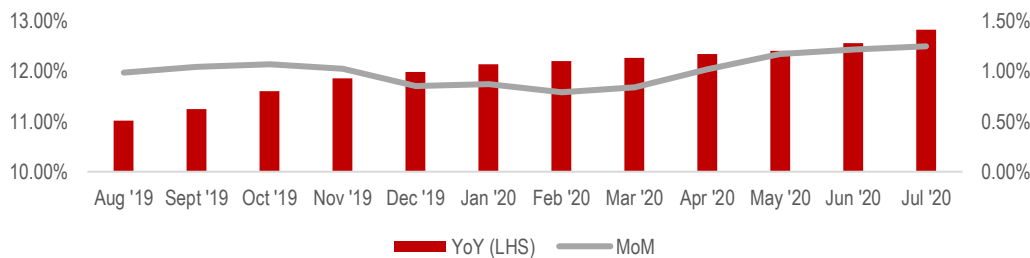
Headline Index  
**12.82% ↑**

Food Index  
**15.48% ↑**

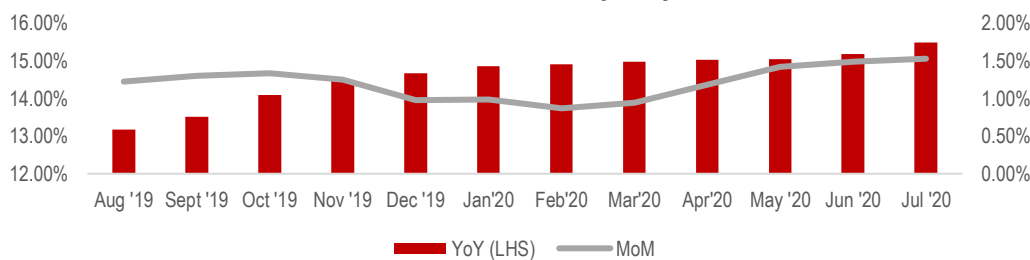
Core Index  
**10.10% ↑**

On a month-on-month basis, the Headline Inflation advanced by 1.25% in July, from 1.21% in June. The Food Index similarly rose by 1.52% in July, compared to 1.48% in the previous month, while the Core Index for the month of July increased by 0.75%, lower than the 0.86% increase recorded in June.

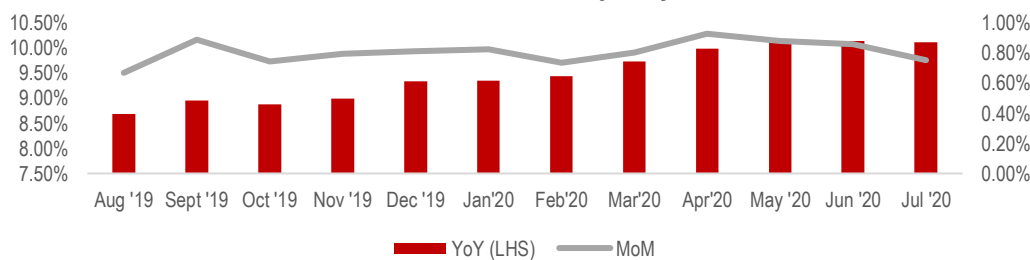
**Headline Inflation Rate Trajectory**



**Food Inflation Rate Trajectory**



**Core Inflation Rate Trajectory**



- Increasing food prices due to border closures and lingering impact of the pandemic-induced supply disruptions continue to push the Food Index higher. The Headline Inflation trended upward as increases were recorded in all sub-indices that yielded the Headline index.
- Rising inflation, weak currency and declining yields on fixed income securities continue to erode value for investors. Average yield in the Federal Government Bonds secondary market declined by 145bps to close at 7.09% for the month of July, representing a negative 5.73% average real return.