

INFLATION UPDATE

Economics | Data Reaction

The Nigerian Bureau of Statistics (NBS) released the Consumer Price Index (CPI) for the month of August 2020, which serves as the measure of inflation in the country. The report shows that Headline Inflation rose by 40bps to 13.22% in August 2020, from 12.82% in the previous month. Core Inflation increased by 42bps to 10.52% from 10.10% in July 2020, while Food Inflation soared by 52bps to 16.00%, from 15.48% in the previous month.

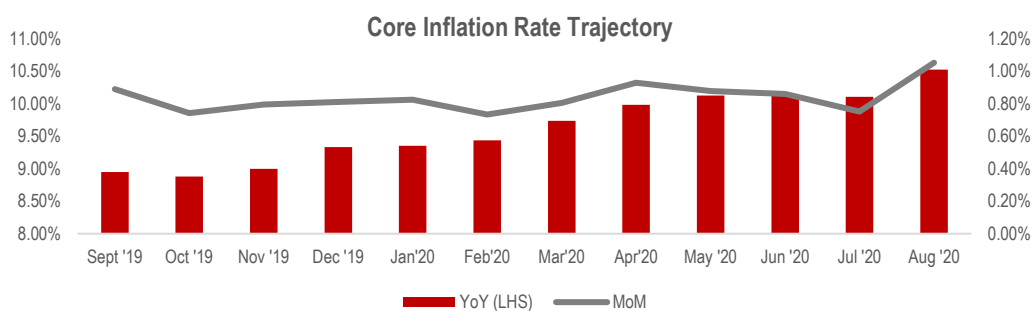
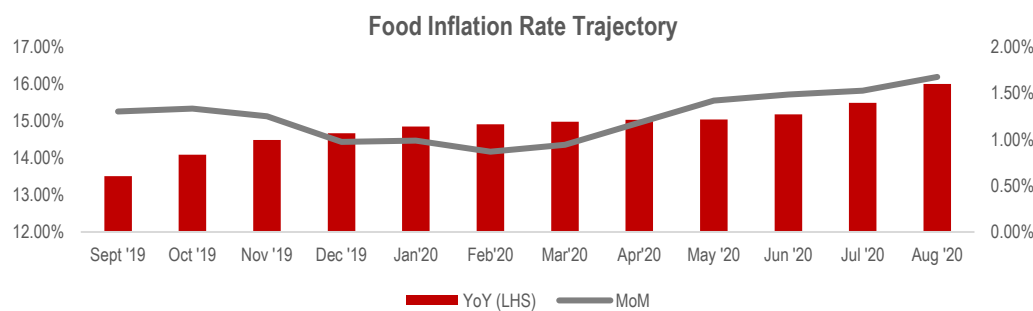
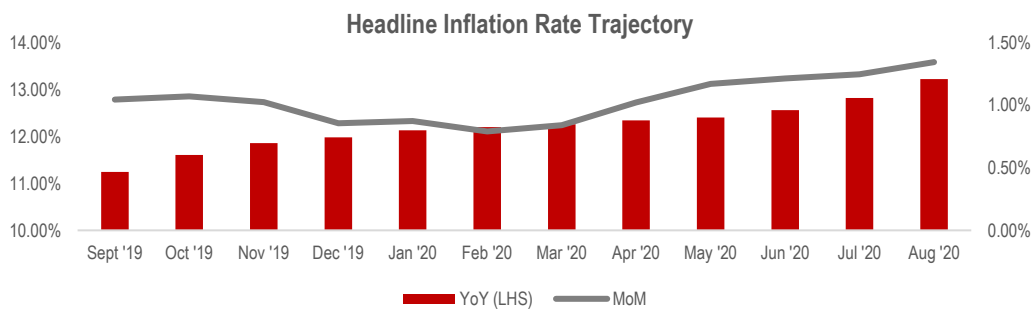
On a monthly basis, Headline Inflation rose by 1.34% in August 2020, compared to 1.25% gain in the previous month. Core Inflation went up by 1.05%, following a 0.75% rise in the prior month, while Food Inflation rose to 1.67% in August 2020, from 1.52% recorded in the month of July.

August 2020 Inflation Update

Headline Index
13.22% ↑

Food Index
16.00% ↑

Core Index
10.52% ↑



- The August 2020 inflation figure was the highest inflation rate since March 2018, and it was driven by significant increases in both Food and Core Inflation. Persistent increase in food prices can be attributed to dollar restrictions, pandemic-induced disruptions to farming activities, floods, as well as the continued border closures.
- Average yield on FGN Bonds closed at 8.09% in the secondary market for the month of August, indicating a negative real return of -5.13% on fixed income investments. We believe this trend will persist in the short term as inflation continues to tick higher, while average yields move in the opposite direction.