

**INFLATION UPDATE**

Economics | Data Reaction

The Nigerian Bureau of Statistics (NBS) released the Consumer Price Index (CPI) for the month of September 2020, which serves as the measure of inflation in the country. The report shows that Headline Inflation surged by 49bps to 13.71% in September 2020, from 13.22% in the previous month. Core Inflation rose by 6bps to 10.58% from 10.52% in August 2020, while Food Inflation soared by 66bps to 16.66%, from 16.00% in the previous month.

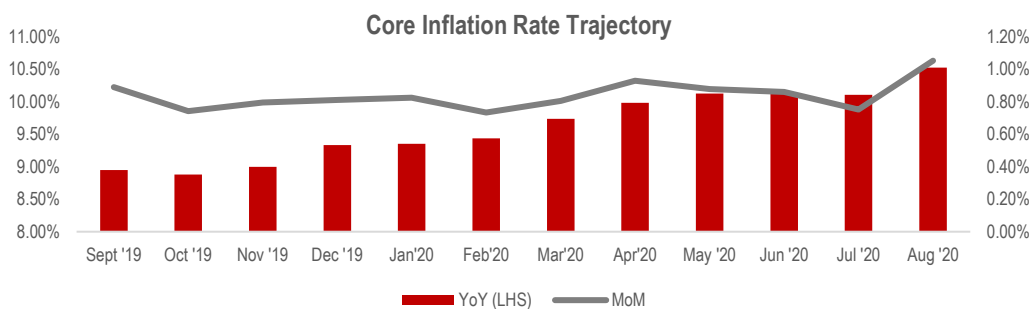
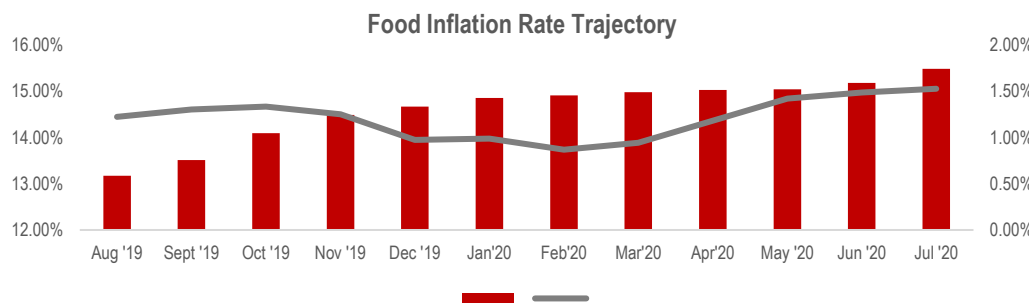
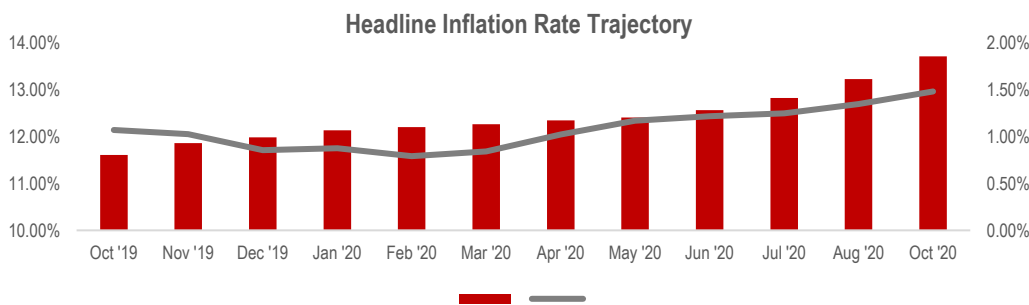
On a monthly basis, Headline Inflation rose by 1.48% in September 2020, compared to 1.34% in the previous month. Core Inflation went up by 0.94%, following a 1.05% rise in the prior month, while Food Inflation rose by 0.97% in September 2020, from 1.12% recorded in the month of August.

September 2020 Inflation Update

Headline Index  
**13.71% ↑**

Food Index  
**16.66% ↑**

Core Index  
**10.58% ↑**



- In line with our expectation, the headline inflation continued its upward movement, driven by both the Food and Core sub-indices. Continuous 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 6.84% in the secondary market for the month of September, indicating a negative real return of -6.87% on fixed income investments. We believe this trend will persist in the short term as inflation continues to tick higher, while average yield moves in the opposite direction.