

INFLATION UPDATE

Economics | Data Reaction

The Nigerian Bureau of Statistics (NBS) released the Consumer Price Index (CPI) for the month of October 2020, which serves as the measure of inflation in the country. The report shows that Headline Inflation surged by 52bps to 14.23% in October 2020, from 13.71% in the previous month. Meanwhile, Food Inflation soared by 72bps to 17.38% for the month, while Core Inflation also rose by 56bps to 11.14% in October.

On a monthly basis, Headline Inflation rose by 1.54% in October 2020, compared to 1.48% in the previous month. Food Inflation went up by 1.96%, while Core Inflation rose by 1.25% in October.

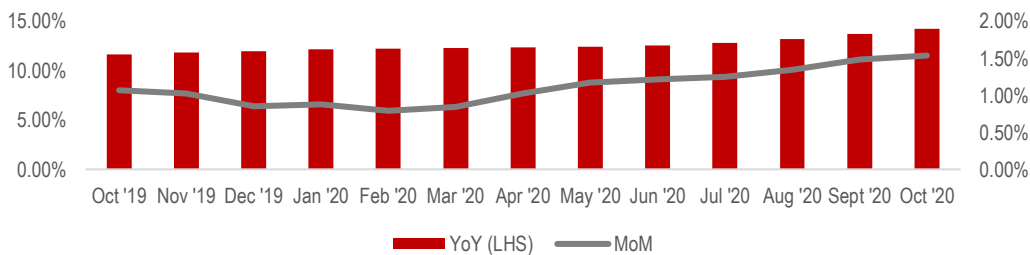
October 2020 Inflation Update

Headline Index
14.23% ↑

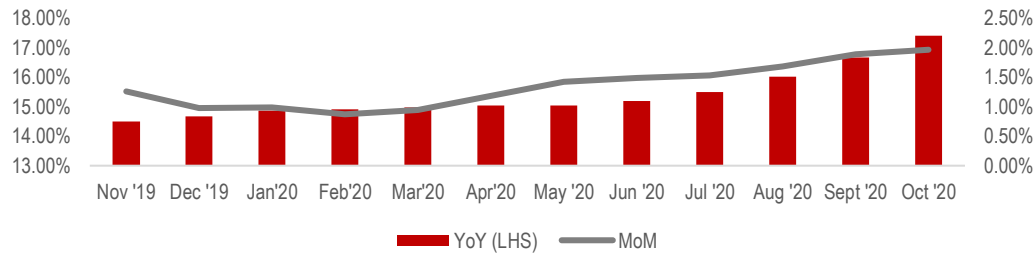
Food Index
17.38% ↑

Core Index
11.14% ↑

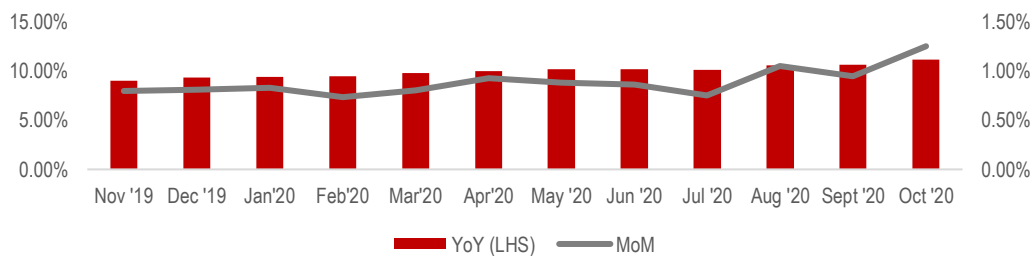
Headline Inflation Rate Trajectory



Food Inflation Rate Trajectory



Core Inflation Rate Trajectory



- In line with our expectation, the headline inflation continued its upward movement, stoked mainly by escalating prices of food items. Core inflation also surged as prices of non-food items and services trend upwards as we approach the yuletide period.
- The 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 4.08% in the secondary market for the month of October, indicating a negative real return of 10.15% on fixed income investments. We believe inflation will maintain its current trajectory, while yields contract even further given the excess liquidity in the system.