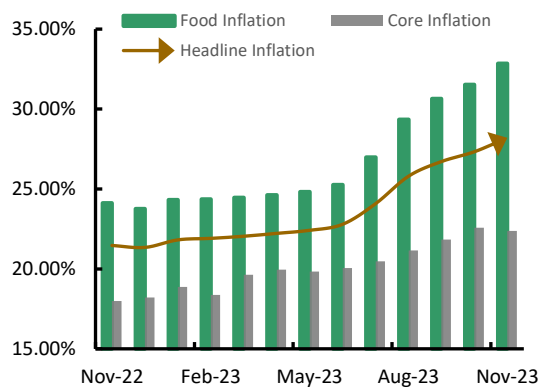


Key Summary Statistics

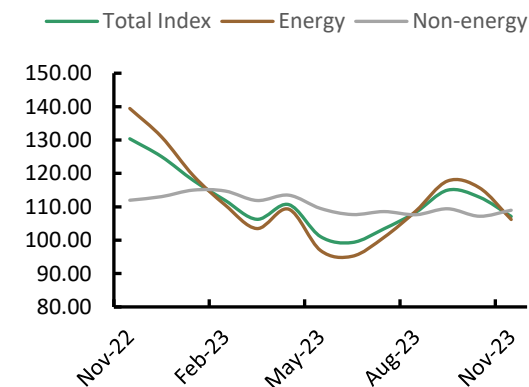
Category	Nov-2023	Oct-2023	Nov-2022
Headline inflation	28.20%	27.33%	21.47%
Food inflation	32.84%	31.52%	24.13%
Core inflation	22.38%	22.58%	17.99%
Imported Food inflation	23.74%	22.62%	18.57%

Chart 1: Trend in Headline, Food, and Core Inflation



Source: NBS, Meristem Research

Chart 2: Monthly Commodity Indices (pts)



Source: World Bank, Meristem Research

The National Bureau of Statistics (NBS) reported that the country’s headline inflation increased for the eleventh consecutive time in 2023 to its highest level since 2005, reaching 28.20% YoY in November, compared to 27.33% in October 2023. The uptrend was primarily propelled by an uptick in the food index which edged higher by 133bps to 32.84% YoY, owing to the upswing in the prices of essential items such as Bread and cereals, Oil and fat, Potatoes, Yam and other Tubers, Fish, Fruit, Meat, Vegetables, Tea, Cocoa, etc. Conversely, the core index moderated for the first time in six months at 22.38% YoY (vs. 22.58% YoY in October 2023), driven by increases in the prices of Passenger Transport by Road, Medical Services, Passenger Transport by Air, Actual and Imputed Rentals for Housing, Pharmaceutical products, Accommodation service and so on. On a month-on-month basis, headline, food, and core indices accelerated by 2.09%, 2.42%, and 1.53% MoM, (from 1.73%, 1.91% and 1.39% MoM, in October 2023), respectively.

Demand Highs: Festivities to Keep Food Prices Elevated

Nigeria continues to grapple with persistent high food prices (32.84% YoY as of November 2023) attributable to the sustained structural challenges within the domestic agricultural food supply chain (poor road networks and inadequate storage infrastructure) and soaring transportation costs. Moreover, the ongoing harvest season has not subdued the high prices as the increased demand associated with the upcoming festive period negated the positive impact of heightened supply. In line with the upward trend in global food prices in November (evinced by a 101bps rise in global food index to 123.70pts - *World Bank Pink Sheet*), imported food inflation also increased to 23.43% YoY (vs. 22.62% YoY in October 2023).

In the short term, we foresee a sustained elevation in food prices due to robust demand during the festive season. This, combined with enduring challenges within the local food sector, notably the insecurity in food-producing regions, is expected to persistently exert upward pressure on food prices.

Core Inflation Moderates, Yet Underlining Drivers Hold Firm

The core index advanced at a slower pace (+22.38% YoY as compared to +22.58% in October 2023), primarily influenced by the high base effect from November 2022 owed to the faster depreciation of naira during that period. In Nov 2023, NAFEM window averaged NGN832.32/USD vs. NGN815.32/USD in October 2023, while parallel market rates appreciated by 7.74%. Nonetheless, the index remained elevated owing to the broad impact of the increment in electricity tariffs and spikes in pharmaceutical product prices. On a monthly basis, core inflation ticked up by 14bps to 1.53%. We posit that this movement was influenced by the increase in demand for clothing & footwear and hospitality related services ahead of the festivities.

Looking at the last month of the year, our anticipation is that the core index will continue its upward trajectory. This projection is grounded increasing demand linked to end of the year celebrations and the further depreciation of the Naira, which is likely to translate into higher import bills. Consequently, this could potentially lead to increased prices for import-dependent products.

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