

Nigeria | Macroeconomics

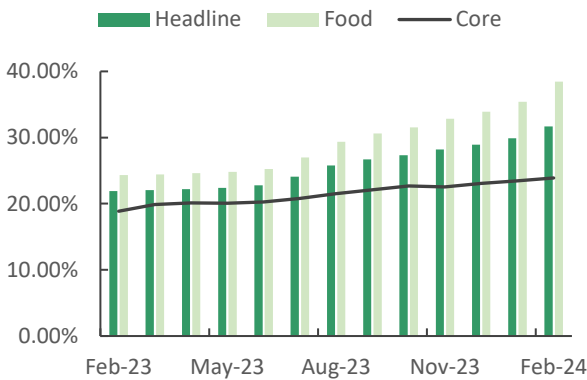
Inflation Report

February 2024

Key Summary Statistics

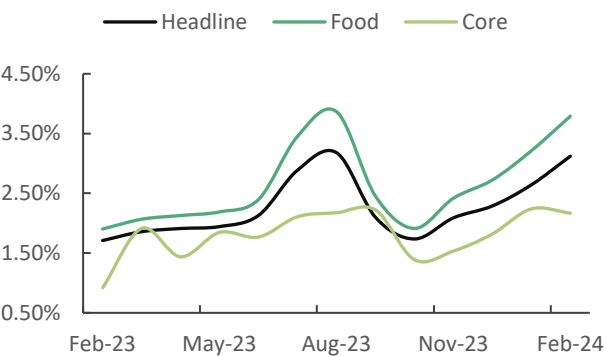
Category	Feb-2024	Jan-2024	Feb-2023
Headline Inflation	31.70%	29.90%	21.91%
Food Inflation	37.92%	35.41%	24.35%
Core Inflation	25.13%	23.59%	18.37%
Imported Food Inflation	29.80%	26.29%	24.90%

Chart 1: Trend in Headline, Food, and Core Inflation (YoY % Change)



Source: NBS, Meristem Research

Chart 2: Monthly Inflation Trend (MoM % Change)



Source: NBS, Meristem Research

The National Bureau of Statistics (NBS) reported that Nigeria’s Consumer Price Index (CPI) rose for the fourteenth consecutive month, reaching 31.70% YoY in February 2024, (from 29.90% in January 2024 and 21.91% in February 2023). This figure exceeded our forecast by 79bps. The increase in headline inflation was driven by duo upticks in food and core inflation to 37.92% and 25.13% (vs 24.35% and 18.37% in February 2023), respectively. The increase in food inflation was propelled by upswing in the prices of Bread and cereals, Potatoes, Yam and other Tubers, Fish, Oil and fat, Meat, Fruit, Coffee, Tea, and Cocoa. Also, the rise in the core index was driven by high prices of passenger transport by road, actual and imputed rentals for housing, medical services, pharmaceutical products, amongst others. On a month-on-month basis, headline and food inflation grew at their fastest pace in seven months by 3.12% and 3.79% respectively (vs 2.64% and 3.79% in January 2024), while core inflation accelerated by 2.17% MoM slightly lower than 2.24% MoM recorded in January 2024.

Domestic Food Index Reaches Unprecedented Level

Nigeria continues to struggle with persistent high food prices as food inflation stood at 37.92% YoY as of February 2024. These challenges are primarily due to sustained structural issues within the domestic agricultural food supply chain, such as poor road networks and inadequate storage infrastructure, as well as elevated transportation costs. Furthermore, despite a reported decline in the Food Price Index to 117.30pts in February 2024 (compared to 118.20pts in January 2024) according to the World Bank Pink Sheet, the imported food index surged by 29.81% YoY (compared to 18.52% in February 2023), indicating the passthrough effect of the Naira depreciation on food inflation.

In March 2024, we anticipate a continued increase in food prices due to limited food supply resulting from reduced farmers' productivity during the Ramadan fasting period. Additionally, heightened demand ahead of the Easter festivities is expected to further drive prices upward. While government subsidies on agricultural inputs are expected to improve supply, their impact may be limited in the short term due to infrastructural challenges, insecurity in food-producing regions, and unfavorable weather conditions (Nigerian Meteorological Agency – NiMet predicted dust hazy and thundery weather conditions across the country in March), which are likely to further undermine productivity.

Core Inflation Amplified by Naira Depreciation

The core index rose by 6.76% YoY in February 2024, reaching 25.13% YoY. This northward movement in the core index can be primarily attributed to the spiral fall of the Naira to record-low levels during the month. On the NAFEM window, Naira depreciated by 8.75% MoM and 71.04% YoY to NGN 1,595.11/USD. In the same vein, the exchange rate fell to NGN1,585.49/USD on the parallel market. This led to an upward revision of prices for imported-dependent items such as clothing, pharmaceutical products, transportation, etc.

We acknowledge several reforms enacted by the Central Bank of Nigeria (CBN) towards stabilizing prices through the unprecedented tightening of benchmark rate by 400bps to 22.75% as well as efforts to strengthen the domestic currency which has steadied the volatility in exchange rate. Nonetheless, we believe that prices are sticky downward being resistant to downward movements and are still significantly higher than last year's levels. Therefore, we anticipate that the core index will continue its upward trajectory.

Contact Information

Investment Research

praiseihansekhien@meristemng.com
research@meristemng.com

(+234 817 007 1512)

Corporate websites: www.meristemng.com www.meristemwealth.com www.meristemregistrars.com

Meristem Research can also be accessed on the following platforms:

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