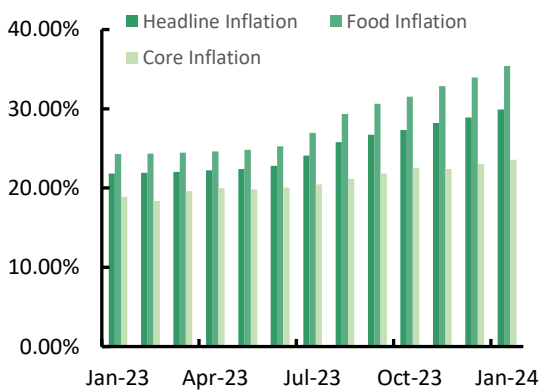


Key Summary Statistics

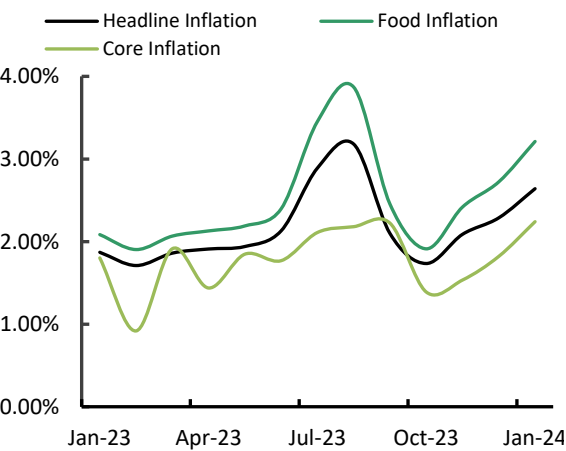
Category	Jan-2024	Dec-2023	Jan-2023
Headline Inflation	29.90%	28.92%	21.82%
Food Inflation	35.41%	33.93%	24.32%
Core Inflation	23.59%	23.06%	18.88%
Imported Food Inflation	26.29%	24.90%	18.49%

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

According to the National Bureau of Statistics (NBS), the country's headline inflation surged for the thirteenth consecutive month to 29.90% YoY (36bps above our forecast of 29.54%) from 21.82% in January 2023, bringing inflation to its 28-year high. The surge was driven by simultaneous upticks in both the food and core indices, reaching 35.41% YoY and 23.59% respectively. The increase in annual food inflation was attributed to the rise in prices of bread, cereals, tubers, oils, fish, meat, amongst other staples. Similarly, the rise in the core index was fueled by higher prices of passenger transport by road and air, medical services, actual and imputed rentals for housing, pharmaceutical products, and accommodation services, among others. On a month-on-month basis, headline, food, and core inflation elevated to their highest levels in five months, reaching 2.64% MoM, 3.61% MoM, and 2.24% MoM, respectively.

Persistent Cost Pressures Drive Food Inflation to Record Levels

In January 2024, food prices surged at a faster pace, reaching 35.41% YoY, 148bps higher than December 2023's 33.93%. We attribute the persistent rise in the country's food inflation to escalating cost pressures in the food sector. Other factors contributing to this unrelenting ascent include diminished productivity in the nation's agricultural sector due to widespread infrastructure deficiencies in the sector, worsening security conditions in key food-producing areas, and a general increase in the cost of living across the country. Additionally, the farm produce index surged by 64.91% YoY, further substantiating the influence of increased prices of agricultural produce on food inflation.

On a monthly basis, food inflation increased more rapidly than the previous month, driven by significant increases in the prices of tubers, bread, cereals, fish, meat, and vegetables in January 2024. Consequently, the food index registered an uptick of 3.21% MoM in January 2024, compared to 2.72% MoM in December 2023 and 2.08% MoM in January 2023.

While we acknowledge the federal government's efforts to enhance productivity in the country's agricultural sector and reinforce food supply, we note that the effects of these initiatives may not materialize in the near term. Additionally, we opine that the federal government's intention to restrict food importation could exacerbate the uptrend in food prices in the short term.

Core Inflation Escalates as Naira Depreciates Further

Similar to the trajectory of food inflation, the core index surged by 23.59% YoY in January 2024, compared to 23.06% and 18.88% in December and January 2023, respectively. This acceleration is attributed to the continued downward spiral of the Naira and its consequent impact on import-dependent items. Specifically, the Naira fell to its historical low by 32.09% to an average of NGN984.87/USD on the NAFEM window and 21.45% to an average of NGN1308.73/USD the parallel market. On a monthly basis, core inflation rose by 2.24% MoM (vs 1.82% MoM and 1.80% MoM in December and January 2023, respectively).

Looking ahead, we anticipate a further increase in the country's core inflation as the Naira continues its depreciation relative to the dollar amidst persistent volatility in the foreign exchange market. Moreover, recent developments such as the Central Bank of Nigeria's decision to raise the exchange rate for import duties and the potential removal of electricity subsidies are factors that could accelerate the country's core inflation rate.

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