

Nigeria | Macroeconomics

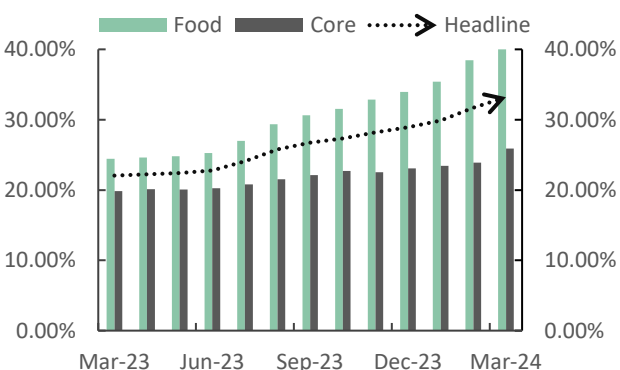
Inflation Report

March 2024

Key Summary Statistics

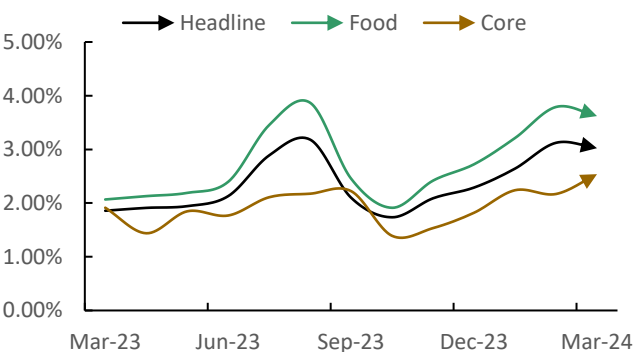
| Category | Mar-2024 | Feb-2024 | Mar-2023 |
|-------------------------|----------|----------|----------|
| Headline Inflation | 33.20% | 31.70% | 22.04% |
| Food Inflation | 40.01% | 37.92% | 24.45% |
| Core Inflation | 25.90% | 25.13% | 19.63% |
| Imported Food Inflation | 32.89% | 29.80% | 18.58% |

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 headline inflation persisted on its upward trajectory for the fifteenth consecutive month, reaching 33.20% YoY compared to 31.70% reported in February 2024. This figure slightly exceeded our forecast of 33.10% YoY by 10bps. The headline, food and core inflation figures printed higher at 33.20% YoY, 40.01% YoY and 25.90% YoY, respectively (vs 31.70%, 37.92% and, 25.13%, respectively in February 2024). The increase in the food index is linked to upticks in the prices of Yam and Other Tubers, Meat, Oils, Teas, while the core index ticked higher due to higher prices of Actual and Imputed Rents, Medical Consultation Fees, Transportation, etc. On a month-on-month basis, both headline and food inflation witnessed a slower pace of growth by 3.02% and 3.62%, respectively, compared to 3.12% and 3.79% in February 2024. However, the core index rose by 2.54% MoM, faster than 2.17% MoM in February.

Food Inflation Prints Above 40%, Its Highest Level on Record

Food prices in March 2024 maintained their upward trend (+209.46 bps) at 40.01% YoY compared to 37.92% in February. This surge was driven by heightened demand during festive periods, compounded by supply constraints resulting from reduced productivity among farmers during the Ramadan fast. However, with the slight appreciation in the Naira during the month (+17.91% to settle at NGN1,309.39/USD at the end of March), the food index grew at a slower pace of 3.62% MoM, 17bps lower than 3.79% MoM recorded in February. As such, we saw moderation in the prices of items like flour, potatoes and beverages. Moreover, the effect of the Naira's appreciation was evident in the imported food index, which saw a slower growth rate of 3.86% MoM compared to 4.24% in the prior month.

While we expect the recent appreciation of the Naira to taper the month-on-month growth in the food index, persistent structural challenges such as insecurity and other inefficiencies in the agricultural value chain continue to offset the benefits of the currency's appreciation. Moreover, increased demand during the Eid-el-Fitr celebration in April, coupled with reduced output during the planting season for yam, vegetables, rice, and other tubers, is anticipated to further elevate food inflation in the near term.

Naira's Gain Fails to Quell the Ascent in MoM Core Inflation

The core index surged by 77bps YoY in March 2024, reaching 25.90% YoY, compared to 25.13% YoY in February 2024. Despite the appreciation in the currency in March, the core index grew by 2.54% MoM faster than 2.17% in February. We attribute this rise to downward sticky nature of prices. Notably, the major drivers of the month-on-month increase were housing water, electricity & gas (2.74% vs 2.47%), communication (0.20% vs 0.11%), and restaurants and hotels (3.05% vs 2.23%).

In the near term, the upward revision in electricity tariffs (+243.15% to NGN225.00 kwh for Band A users), may potentially trigger an uptick in the core index. Although, the recent strengthening of the Naira against the greenback in April could likely moderate the country's core inflation, on a month-on-month basis.

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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