



Nigeria | Macroeconomics

Inflation Report

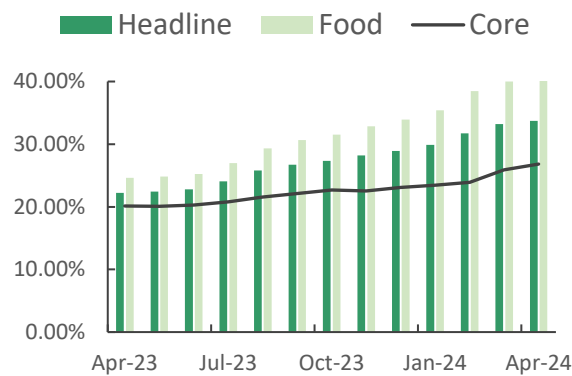
April 2024

Inflation Report for April 2024

Key Summary Statistics

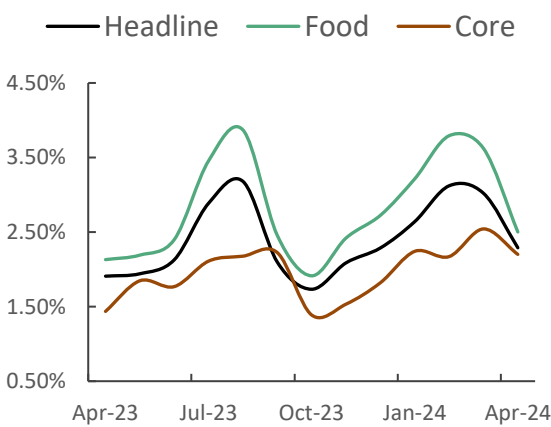
Category	Apr-2024	Mar-2024	April-2023
Headline Inflation	33.69%	33.20%	22.22%
Food Inflation	40.53%	40.01%	24.61%
Core Inflation	26.84%	25.90%	20.14%
Imported Food Inflation	34.01%	32.89%	18.65%

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, Nigeria's Consumer Price Index (CPI) continued its upward trend, with April's figure rising to 33.69% YoY (74bps below our forecast of 34.43%) from 33.20% YoY in March 2024. This surge was driven by twin increases in food and core inflation, which reached 40.53% and 26.84%, respectively, from 24.61% and 20.14% in April 2023 (and 40.01% and 25.90% in March 2024). The uptick in the food index is attributed to higher prices of essential items such as bread, cereals, potatoes, yams, fish, oil, meat, fruits, tea, and cocoa during the period. Meanwhile, the core index's increase was driven by higher prices of passenger transport, housing rentals, medical services, pharmaceutical products, and other essential services. On a month-on-month basis, headline, food, and core inflation increased at a slower pace - 2.29% MoM, 2.50% MoM, and 2.20% MoM, respectively, from 3.02%, 3.62%, and 2.54% in March (marking the second MoM slowdown in upticks across the three indices since October 2023).

Monthly Food Inflation Slows as Naira Stabilizes in April 2024

In April 2024, food prices accelerated significantly, soaring by 40.53% YoY (+52 bps from the 40.01% recorded in March 2024). The continuous rise in food inflation is attributed to the prevalent cost pressures within the food sector. Additionally, heightened demand for food products during the Easter and Eid-al-Fitr celebrations early in the month, coupled with the ongoing planting season for key crops such as maize, yam, and tomatoes (which resulted in supply constraints) led to price hikes for some food items. For context, the farm produce index spiked sharply by 71.70% YoY, further substantiating the uptrend in prices.

On a MoM basis, food inflation rose at a more subdued rate due to reduced price hikes in food items such as yam, groundnut oil, palm oil, eggs, wine, and fruits compared to March. Additionally, the reduced volatility in the Naira during the month led to a moderation in the price of imported food items, resulting in a slowdown in MoM imported food inflation (2.31% MoM vs 3.86% MoM in March 2024). Consequently, the food index rose by 2.50% MoM in April 2024, lower than the 3.62% MoM increase in March 2024.

We anticipate that food prices will continue to rise in the short term due to persistent supply constraints in the food sector. However, the government's initiative to promote year-round wheat cropping in 15 states (with plans to expand to other staple crops like cassava, sesame, rice, sorghum, maize, and soybean) is a positive step that could improve food production and security in the medium to long term.

Core Inflation Hits Record High Amid Rising Transport Costs and Tariff Hike

The core index printed at 26.84% YoY, an escalation from the 25.90% and 20.14% recorded in March 2024 and April 2023, respectively. The Naira's fall on the NAFEM window remains a primary driver for this inflationary spike. For context, the Naira depreciated (5.86% MoM) on the NAFEM window, dropping to NGN1390.96/USD in April 2024 from NGN1309.39 in March 2024. Additionally, the core index was influenced by several other factors, such as the increase in electricity tariffs and the fuel shortage at the end of the month, which led to a rise in transportation costs. This is evident in the transport index's 44.68% YoY ascent. As a result, prices rose across key categories, including clothing, pharmaceutical products, transportation, and costs associated with restaurants and hotels. However, the monthly change decreased to 2.20% from 2.54% in March 2024 owing to the more temperate rate of depreciation of the Naira during the month.

While we acknowledge the Central Bank's efforts to stabilize the Naira and address inflationary pressures, the initial appreciation has started to diminish. Furthermore, with an increasing number of users being upgraded to the Band A bouquet, the approved electricity tariff hike for Band A users—from NGN68.00 to NGN206.00 per kWh—could result in further pressure on price levels in the near term.

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