

# Ahead Of Inflation Report

July 2024

# Inflation Expectation | July:2024

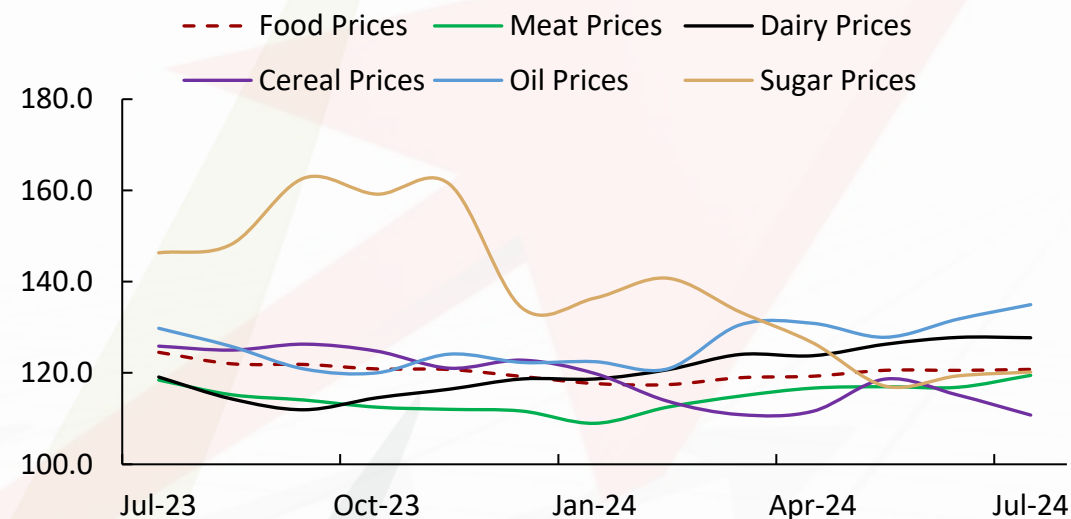
## Cooling Inflation Trends Across Global Economies

Inflationary pressures across major advanced economies showed a collective slowdown in June 2024. Notably, the US inflation declined to 3.00%, down from 3.30%, while inflation in the UK stayed constant at 2.00% in June. This southward movement was largely attributed to lower prices of gasoline, energy, recreational, and cultural goods. Contrarily, the Eurozone experienced a slight uptick in inflation by 10 bps to 2.60% in July 2024, compared to 2.50% recorded in June. This increase was driven by higher core inflation, as we saw a temporary spike in shipping costs.

Meanwhile, the Food and Agriculture Organization's (FAO) Food Price Index (FFPI) continued its downward trend, settling at 120.80 points (pts) in July 2024, compared to 121.00 pts in June. This decline was largely influenced by the moderation in the price growth of Meat (+1.27%), Vegetable oils (+2.43%), and Sugar (+0.67%). In contrast, prices for Dairy products (-0.16%) and Cereals (-3.82%) decreased. On the other hand, the World Bank Commodity Index saw a modest rise of 0.56% to 107.60pts, driven by price increases in Energy (+2.12%), Oils and minerals (+0.75%), Timber (+0.89%), Fertilizers (+1.78%), Precious metals (+2.65%), and Other food items (+0.72%). However, there were notable declines in Non-energy prices (-2.20%), Agriculture (-2.00%), Beverages (-5.64%), and Food (-1.04%).

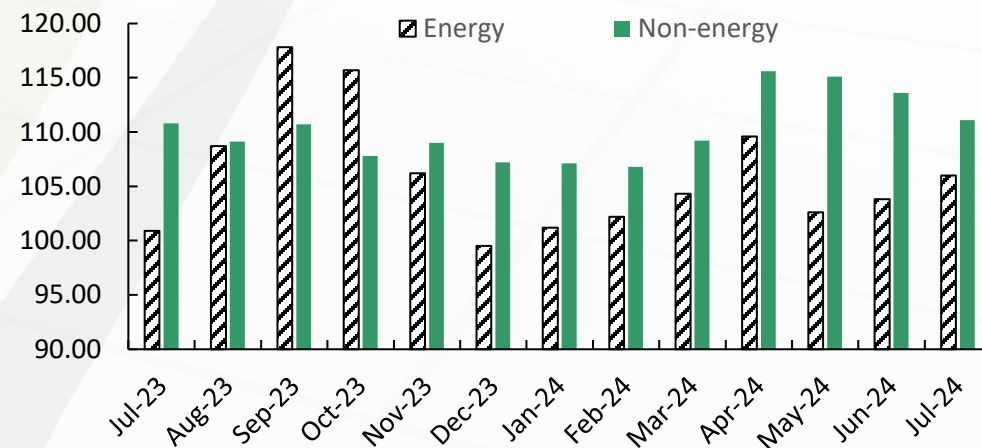
*Looking forward, we anticipate the disinflation trend across advanced economies to persist, primarily driven by declining energy and gasoline prices coupled with the moderation of wage and labour costs. Moreover, central banks' efforts to achieve their inflation targets are likely to stabilize prices, potentially paving the way for future rate cuts.*

### Chart 1: Global Food Prices Indices (pts)



Source: FAO, Meristem Research

### Chart 2: World Bank Commodity Price Data (The Pink Sheet)



Source: World Bank, Meristem Research



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## Moderating Food Prices and High Base Effect Set to Temper Inflation

In the domestic economy, the headline inflation rate continued its upward trajectory, rising to 34.19% YoY in June 2024, up from 33.95% YoY in May. This persistent increase was primarily driven by higher food prices, particularly for cereals and wheat. Several factors, including the ongoing insecurity in food-producing regions, the continued depreciation of the Naira, and idiosyncratic issues in the country's food sector, contributed to this increase.

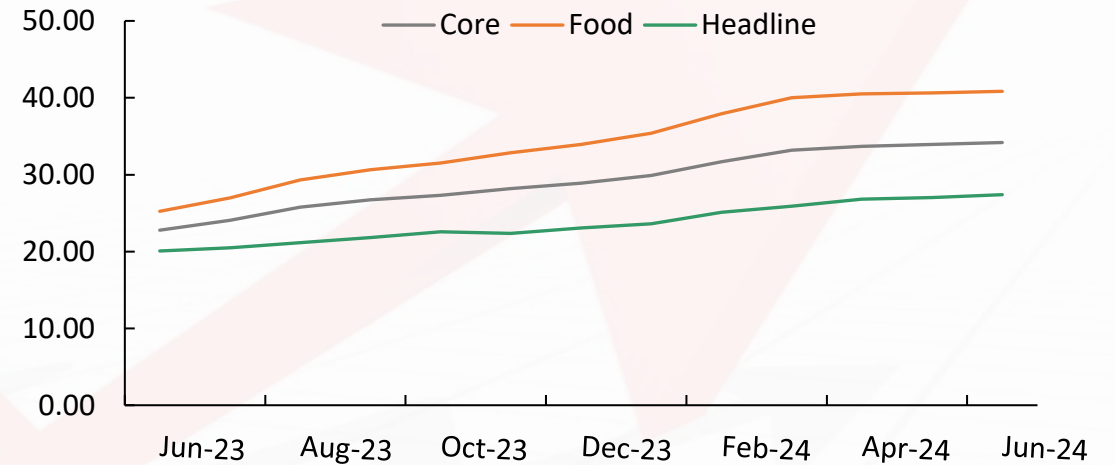
Additionally, food and core inflation increased by 21bps and 36bps to 40.87% and 27.40%, respectively. On a month-on-month basis, all indices reversed their downward trend, with the headline, food, and core inflation increasing to 2.31%, 2.55%, and 2.06%, respectively.

*We expect a slowdown in food inflation in July 2024, driven by the increased supply of essential food items like yam, which led to lower prices. Other key staples like tomatoes, and rice also saw a decline during the month. Moreover, the high base effect from July 2023 is anticipated to further temper inflation figures in July.*

*For the core index, we anticipate a slight decline for July, primarily due to the high base effect from July 2023. However, the Naira's depreciation during the month (6.87% MoM compared to 1.94% in June) on the NAFEM window might offset some of this moderation, potentially slowing the pace of the decline.*

*Overall, we anticipate a slowdown in the July 2024 inflation rate driven by these factors.*

Chart 3: Inflation Rate (% YoY Change)



Source: NBS, Meristem Research

Thus, we expect:

**Headline Inflation at – 33.42%, compared to 34.19% in June 2024, representing a 77bps decrease.**

**Food Inflation at – 39.71%, compared to 40.87% in June 2024.**

**Core Inflation at – 27.29%, compared to 27.40% in June 2024.**

\* Core Inflation - includes All items less farm produce and energy.

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