

Nigeria | Macroeconomics

Inflation Report

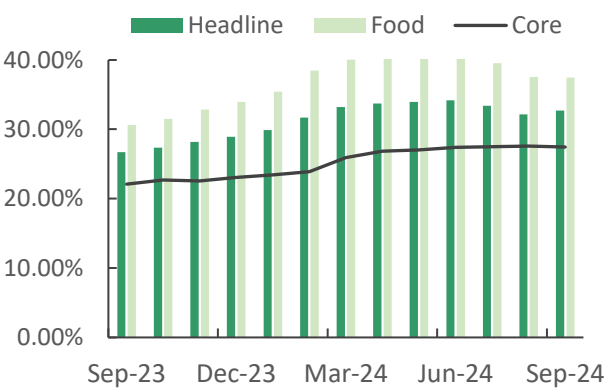
September 2024

Inflation Report for September 2024

Key Summary Statistics

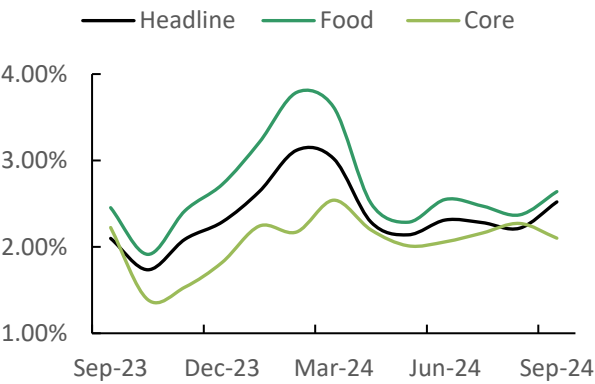
Category	Sep-2024	Aug-2024	Sep-2023
Headline Inflation	32.70%	32.15%	26.72 %
Food Inflation	37.77%	37.52%	30.64%
Core Inflation	27.43%	27.58%	21.84%
Imported Food Inflation	39.51%	38.30%	21.72%

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), Nigeria's Consumer Price Index (CPI) rose to 32.70% YoY in September 2024 (up from 32.15% in August 2024), marking a 49bps increase above our forecast of 32.21%. This uptick follows two consecutive months of disinflation. The upward movement was driven primarily by food inflation, which increased to 37.77% from 37.52% in the previous month. The rise in food prices was fueled by higher prices for key staples such as Rice, Yam, Maize, Vegetable oils, Bread and cereals, etc. Conversely, the core inflation saw a decline from 27.58% in August to 27.43% in September. This drop was supported by a reduction in the prices of Actual and imputed rentals for housing, Medical services, Pharmaceutical products, amongst others.

On a month-on-month basis, both headline inflation and food inflation rose to 2.52% and 2.64%, respectively, compared to 2.22% and 2.37% in August. Meanwhile, the core inflation eased to 2.10% from 2.27% in the prior period.

Lower Agricultural Yields Drives Upward Pressure on Food Prices

Food inflation reversed its downward trend in September 2024, rising to 37.77% YoY (51bps above our forecast), up from 37.52% in August. This increase was largely driven by flash floods in key food-producing regions, including Bauchi, Borno, Taraba, Niger, and Sokoto. This significantly reduced agricultural output, overriding the benefits of the harvest season and pushing up the prices of staples like maize, beans, and rice. This was reflected in the Farm Produce Index, which rose by 37.18% YoY and 2.76% MoM (vs 36.34% YoY and 2.17% MoM in August). Moreover, the recent fuel price hikes, which impacted logistics costs, further contributed to higher food prices during the month.

On a monthly basis, food inflation climbed by 2.64% in September, up from 2.37% in August. Global food prices also contributed to the inflationary pressure, as evidenced by the Food and Agriculture Organization (FAO) Food Price Index, which increased from 120.72pts in August to 124.39pts in September—the steepest increase since July 2023. The Imported Food Index, which rose by 3.61% MoM, compared to 2.61% in August, underscores this rise.

We anticipate continued upward pressure on the food index due to lower-than-expected agricultural yields, driven by adverse weather conditions and rising transportation costs stemming from higher fuel prices. Additionally, heightened demand during the festive season and the waning impact of the high base are expected to further push food inflation upwards.

Core Inflation Eased for the First Time in 10 Months

The core index (excluding energy) witnessed a slight decline of 15bps, settling at 27.43% YoY and 2.10% MoM in September 2024, compared to 27.58% YoY and 2.27% MoM in August. This dip occurred despite ongoing Naira depreciation (4.14% MoM) and rising costs in transportation (2.85% vs 2.68%), housing water, electricity, and gas (2.31% vs 1.88%), restaurants and hotels (3.26% vs 2.36%), health (1.85% vs 1.72%), amongst others. However, core inflation (including energy) edged up by 13bps, reaching 26.49% YoY in September, slightly up from 26.36% in August 2024.

In the near term, we anticipate upward pressures on the core index, driven by higher transportation costs following recent hikes in petroleum prices. Furthermore, the continued depreciation of the Naira in the foreign exchange market is expected to add to these pressures, pushing the core index higher.

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:

Meristem Research portal: research@meristemng.com

Bloomberg: MERI <GO>

Capital IQ: www.capitaliq.com

ISI Emerging Markets: www.securities.com/ch.html?pc=NG

Reuters: www.thomsonreuters.com

FactSet: www.factset.com

IMPORTANT INFORMATION: DISCLAIMER

Meristem Securities Limited ("Meristem") equity reports and its attendant recommendations are prepared based on publicly available information and are meant for general information purposes only and it may not be reproduced or distributed to any other person. All reasonable care has been taken to ensure that the information contained herein is not misleading or untrue at the time of publication; Meristem can neither guarantee its accuracy nor completeness as they are an expression of our analysts' views and opinions.

Meristem and any of its associated or subsidiary companies or the employees thereof cannot be held responsible for any loss suffered by relying on the said information as this information as earlier stated, is based on publicly available information, analysts' estimates and opinions, and is meant for general information purposes and should not be construed as an offer to buy or sell or a solicitation of an offer to buy or sell securities or any financial instruments. The value of any investment is subject to fluctuations, i.e., may fall and rise. Past performance is no guide to the future. The rate of exchange between currencies may cause the value of investment to increase or diminish. Hence investors may not get back the full value of their original investment. Meristem Securities is registered with the Securities and Exchange (SEC) and is also a member of The Nigerian Stock Exchange (NSE). Meristem Securities' registered office is at 20A Gerrard Road, Ikoyi, Lagos, Nigeria. Website: www.meristemng.com; Email: research@meristemng.com. © Meristem Securities Limited 2024.