



Nigeria | Macroeconomics

Inflation Report

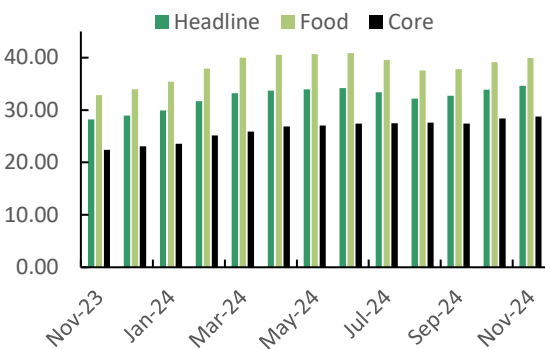
November 2024

Inflation Report for November 2024

Key Summary Statistics

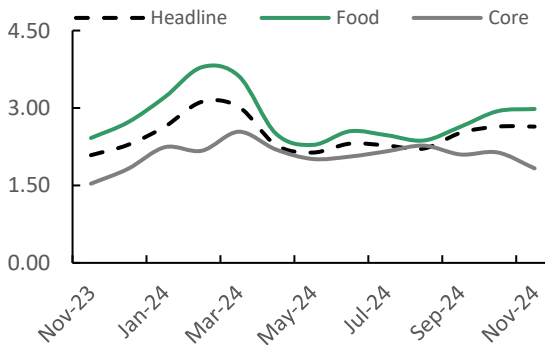
| Category | Nov-2024 | Oct-2024 | Nov-2023 |
|-------------------------|----------|----------|----------|
| Headline Inflation | 34.60% | 33.88% | 28.20% |
| Food Inflation | 39.93% | 39.16% | 32.84% |
| Core Inflation | 28.75% | 28.37% | 22.38% |
| Imported Food Inflation | 42.29% | 40.96% | 23.74% |

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 a sustained rise in headline inflation for the third consecutive month in November 2024, reaching 34.60% YoY (4bps below our forecast), and up from 33.88% in October—marking a 118bps increase. This uptick was driven by notable surges in both the food and core inflation, which rose to 39.93% YoY and 28.75% YoY, respectively (compared to 39.16% and 28.37% in October). Food inflation was primarily influenced by rising prices of staples such as Rice, Corn, Palm oil, Vegetable oil, Yams and tubers, and Guinea corn. Meanwhile, core inflation was fueled by increased costs in Passenger road transport, Housing rentals (actual and imputed), and Accommodation services. On a month-on-month basis, headline inflation steadied at 2.64%, while food inflation increased marginally to 2.98% (vs 2.94% in October). However, core inflation grew at a slower pace by 1.83% (vs 2.14% in October).

Supply Constraints Push Food Inflation Higher

Food inflation accelerated to 39.93% YoY in November 2024, coming in 10bps below our forecast. On a month-on-month basis, food prices edged higher to 2.98% MoM, driven by continued price surges across key staples. The upward movement in prices was primarily fuelled by festive season demand propping up prices for items like pepper, vegetable oils, and rice, amongst others. Additionally, existing bottlenecks in the food sector, coupled with supply disruptions from recent floods (which constrained output during the harvest season) and elevated transportation costs, further exacerbated price pressures. Notably, both the farm produce index and the processed food index surged to 39.39% YoY and 40.08% YoY, respectively (vs 38.51% YoY and 39.34% YoY in October 2024), highlighting the broad-based price pressures across the food value chain.

In the near term, food prices are expected to remain elevated, driven by heightened consumer demand amid festive season activities and the sub-par agricultural output from the ongoing harvest season. Additionally, the sustained impact of elevated transportation costs—stemming from rising fuel prices and logistics challenges—will further exacerbate inflationary pressures on food prices in the coming periods.

Core Inflation Attains Historical High

The core inflation index rose sharply to 28.75% YoY in November 2024, up from 28.37% in October 2024 and 22.38% in November 2023, exceeding our forecast by 214bps. This surge was predominantly driven by higher fuel prices, persistent Naira depreciation (which fell to NGN1,668.25/USD on the NAFEM window in November 2024 from NGN1,635.11/USD in the previous month and NGN832.57/USD in November 2023), as well as escalating energy costs.

On a month-on-month (MoM) basis, however, the core inflation index showed some relief, moderating to 1.83% in November from 2.14% in October. This deceleration was reflected in slower increases in key sub-indices within the core inflation basket, including Communication (0.17% MoM vs 0.33% MoM), Recreation and Culture (0.68% MoM vs 0.90% MoM), Education (1.98% MoM vs 2.29% MoM), and Restaurants and Hotels (2.83% MoM vs 3.47% MoM).

Looking ahead, we foresee continued upward pressure on the core inflation index, primarily driven by rising transportation costs due to high fuel prices. Additionally, festive season-related demand could trigger an increase in the price of other goods and services within the core inflation basket. However, recent signs of currency appreciation suggest that the average exchange rate for December may trend below November's NGN1,668.25/USD, potentially slowing the pace of increase in core inflation on a month-on-month basis.

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