HEADLINE INFLATION INCREASES TO 34.60%

....Poised to End the Year with a Record High

December 17, 2024 *Economic Report*

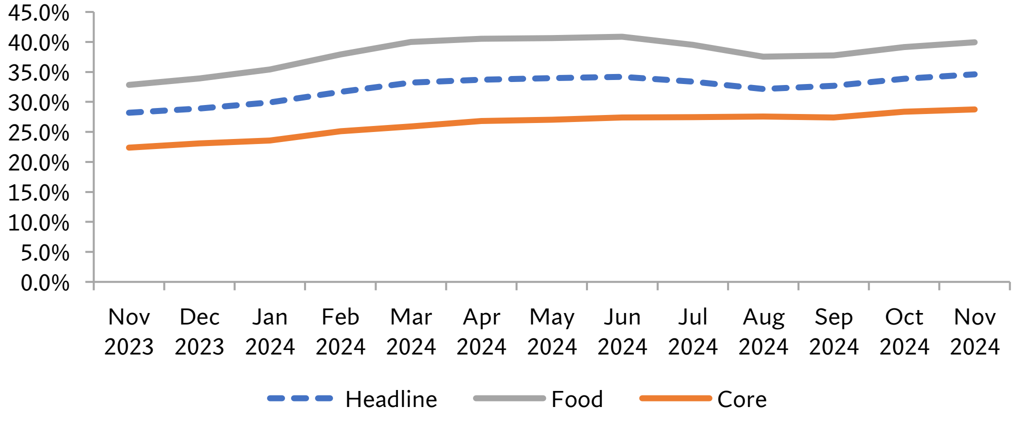
Highlights

In line with our projection of a sustained upward trajectory in Headline Inflation in November 2024, data from the National Bureau of Statistics showed that Headline Inflation printed at 34.60% in November 2024. This represents a 72 basis points increase from the 33.88% recorded in October 2024, however, it is slightly below our projection of 34.72%. On a month-on-month basis, Headline Inflation remained stable at 2.64% (October 2024: 2.64%).

Food Inflation remained the primary driver of the surge increasing by 77 basis points to 39.93% (October 2024: 39.16%). Similarly, on a month-on-month basis, Food Inflation recorded a 5 basis points uptick, reaching 2.98% (October 2024: 2.94%). This sustained increase in food prices can be largely attributed to the lingering impact of the severe flooding experienced some months ago, which disrupted farmlands, and constrained supply. Additionally, Northern Nigeria - a key region for food production, continues to face recurring security issues that further disrupt agricultural operations and logistics, complicating the production and transportation of food products.

In contrast, Core Inflation moderated to 1.83% on a month-on-month basis, representing a 30 basis points decline from 2.14% reported in October 2024. Further analysis of the data released by NBS showed that restaurants & hotels, miscellaneous goods & services, furnishing & household equipment maintenance, and education, among others, contributed to this moderation. We also note that in the period under review, Naira appreciated slightly by 0.17% to N1,673/$ (from N1,675/$ at the beginning of the month), from October 2024's depreciation of 8.00% to N1,675/$ (from N1,542/$ at the beginning of the month).
However, on a year-on-year basis, the Core Inflation maintained its upward trajectory, increasing to 28.75% (October 2024: 28.37%).

One-Year Inflation Trend



Sources: National Bureau of Statistics, WSTC Research.

Outlook

In its continuous effort to rein in the stubbornly high inflation, the monetary policy committee implemented a 25 basis points rake hike at its last meeting which was held on November 25th – 26th 2024. However, we are not convinced that this tightening measure will be enough to curb Headline Inflation upward trajectory, which we expect to persist in December 2024.

Food Inflation, in particular, is expected to remain under pressure, due to the lingering effects of the flooding on supply, and also the festive season induced demand. These, coupled with the high transportation and energy costs, and ongoing insecurity in the northern region continue to fuel our pessimism of moderation in the Food Inflation.

Also, notwithstanding the notable appreciation of the Naira against the Dollar so far in December 2024, we are cautious about anticipating a sustained month-on-month moderation in the Core Inflation, as the expectation of the increased demand in the festive season is poised to drive up the prices of goods and services. Overall, our projection for December 2024 Headline Inflation is 35.12%.

Other Highlights

Indexes	Year-on-Year Change			Month-on-Month Change		
	Nov-24	Oct-24		Nov-24	Oct-24	
	%	%	Bps	%	%	bps
All-items Price Index	34.60	33.88	0.72	2.64	2.64	0.00
Food Index	39.93	39.16	0.77	2.98	2.94	0.05
Core Index	28.75	28.37	0.38	1.83	2.14	-0.30
Urban All-items Index	37.10	36.38	0.72	2.77	2.75	0.02
Rural All-items Index	32.27	31.59	0.68	2.51	2.53	-0.02

Source: National Bureau of Statistics, WSTC Research

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