

# Monthly Inflation Report

## April 2024

16th May 2024

### A Tale of Two Sides

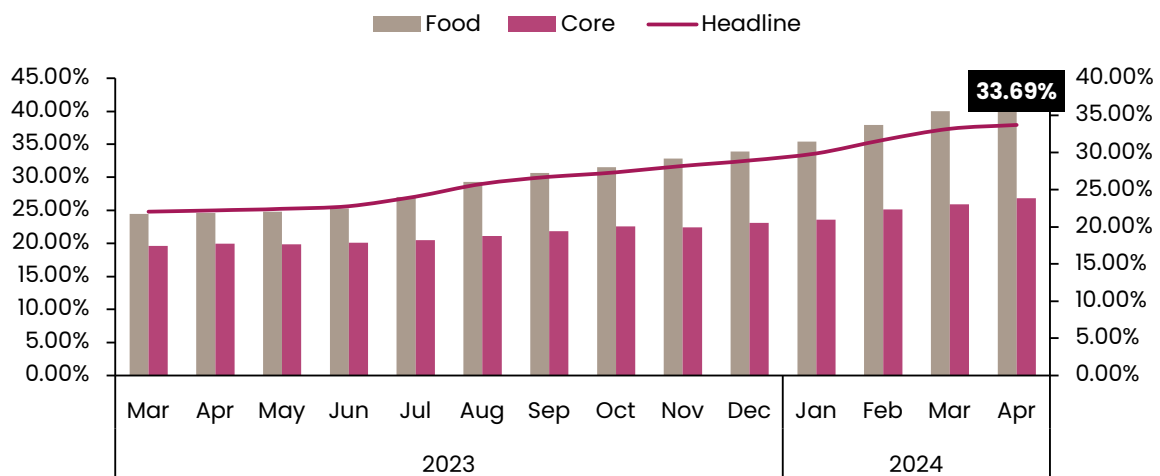


### Headline Inflation Rises to 33.69% YoY in April 2024

Yesterday, the National Bureau of Statistics (NBS) released the Consumer Price Index (CPI) for April 2024. Inflationary pressures persisted as headline inflation climbed 49bps to 33.69% YoY compared to 33.20% YoY in March 2024. This uptick was driven by both food inflation (+52bps to 40.53% YoY) and core inflation (+94bps to 26.84% YoY). Conversely, on a month-on-month (MoM) basis, headline inflation moderated by 73bps to 2.29% MoM

(compared to 3.02% MoM in March 2024) for the second consecutive month. This decline was on the back of both food prices (-111bps to 2.50% MoM) and core inflation (-34bps to 2.20% MoM). While the month-on-month slowdown offers a glimmer of hope, Nigeria's inflation situation remains a cause for concern. The significant cost increases, particularly in food prices, continues to pose a challenge for Nigerians every day. Policymakers will need to address the underlying causes of inflation to bring down prices in the medium to long term and ensure economic stability.

**Chart 1: One-Year Trend in Food, Core and Headline Inflation**



Source: NBS, ARM Research

## Food Inflation

In April 2024, food inflation persisted at elevated levels, climbing by 52bps to 40.53% YoY, up from 40.01% in March 2024. This increase was fueled by the rise in cost of Imported food (+111bps to 34.01% YoY), Farm Produce (+22bps to 39.32% year-on-year), and Processed Food (+60bps to 40.88% YoY). However, there was a month-on-month decrease in food inflation,

dropping by 111bps to 2.50% MoM compared to 3.62% in March. This MoM decline may be attributed to an improving exchange rate during the period, with the Naira appreciating by 45.58% from NGN1629/USD on March 8, 2024, to NGN1118.99/USD on April 17, 2024. This underpinned the reduction in the cost of imported food (-155 bps to 2.31% MoM). Additionally, the entry of Dangote Refinery into the diesel market exerted downward pressure on diesel prices, therefore moderating production, and logistics costs. Consequently, there was a decline in the cost of farm produce (-101 bps to 2.41% MoM) and processed food (-114 basis points to 2.53% MoM) in April 2024.

## **Core Inflation**

Core inflation surged in April 2024 by 94bps to 26.84% YoY, up from 25.90% YoY in March 2024. This increase was primarily propelled by significant rises in Alcoholic Beverages, Tobacco & Kola (+154 bps to 22.02% YoY), Restaurant & Hotels (+67bps to 27.80% YoY), and Furnishings & Household Equipment Maintenance (+49bps to 17.66% YoY). However, on a month-on-month basis, core inflation decreased by 34bps to 2.20% MoM in April (compared to 2.54% MoM in March). This decline was driven by a decrease in Clothing and Footwear (-14bps to 1.18% MoM), Education (-6bps to 1.43% MoM), Health (-20bps to 1.43% MoM) and a fall in Restaurant & Hotels (-85bps to 2.21% MoM).

## Outlook

Addressing the root causes of inflation remains crucial for long-term economic stability and affordability for Nigerian citizens. While seasonal factors, FX pressures and infrastructural challenges could push food prices up in May 2024, the recent slowdown in MoM food inflation offers a glimmer of hope for some stability. The upcoming Central Bank of Nigeria's Monetary Policy Committee (MPC) meeting on the 20<sup>th</sup> and 21<sup>st</sup> of May 2024 is a key event to monitor. We expect monetary tightening measures to be upheld (at least 50bps-100bps hike) and this may further dampen inflationary pressures, albeit with a lag effect.

The current trend of slowing MoM inflation may be seen as evidence of peaking inflation. This could be translated as a positive sign, however, it would not necessarily translate to a significant improvement in YoY figures in the coming months, due to relatively lower base numbers.

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