



16 January 2024

Economic Research

research@armsecurities.com.ng

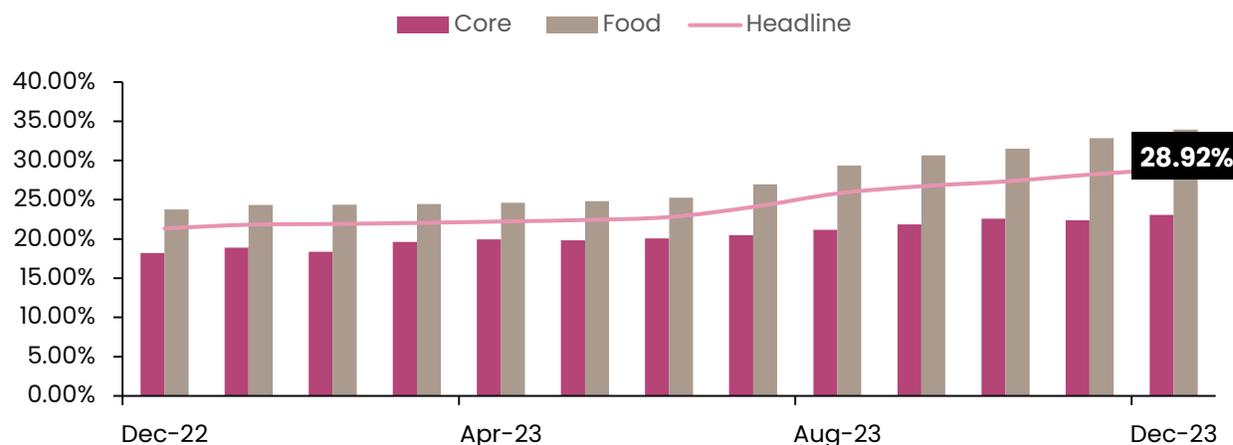
+234 1 270 1652

December 2023 CPI Report: Inflation Bites Deeper

Headline Inflation Surges to 28.92% in December 2023

Yesterday, the National Bureau of Statistics (NBS) released the Consumer Price Index (CPI) report for December 2023. Headline inflation increased by 72bps to 28.92% Year-on-Year (YoY), compared to 28.20% YoY in November 2023. This upswing was fueled by increases in its subcomponents: Food inflation (+109bps to 33.93% YoY) and Core Inflation (+68bps to 23.06% YoY). On a Month-on-Month (MoM) basis, headline inflation rose by 20bps to reach 2.29% MoM (vs 2.09% MoM in November 2023). This rise was also driven by increases in both food inflation (+30bps to 2.72% MoM) and Core inflation (+29bps to 1.82% MoM).

Figure 1: One-Year Trend in Food, Core and Headline Inflation (%)



Source: NBS, ARM Research

Food Inflation

Food inflation continued its upward trajectory, surging by 109bps to 33.93% year-on-year (YoY) in December, up from 32.84% in November 2023. This increase was driven by rising prices of

both farm produce (+85bps to 33.40% YoY) and processed food (+116bps to 34.09% YoY). The prolonged rise in the prices of farm produce persists unabatedly, as infrastructural challenges, transportation network issues and insecurity continue to hinder the food distribution. Similarly, on a Month-on-Month (MoM) basis, food inflation climbed 30bps to 2.72% MoM compared to the 2.42% MoM recorded in November 2023. This increase was also on the back of increases in farm produce (+20bps to 2.66% MoM) and processed food (+34bps to 2.74% MoM). The rising prices of food would potentially lead to increased food insecurity and an even lower standard of living, for most citizens.

Core Inflation

Core Inflation went up by 68bps to 23.06% YoY in December 2023 (vs 22.38% YoY in November 2023). This is following increases in Restaurant & Hotels (+11bps to 16.38% YoY) and Clothing & Footwear (+16bps to 16.45% YoY). Similarly, Core inflation went up by 29bps to 1.82% MoM (vs 1.53% MoM in November 2023). The surge is on the back of an increase in cost of Furnishings & Household Equipment Maintenance (+21bps to 1.45% MoM in December 2023) and Restaurant & Hotels (+18bps to 1.16% MoM in December 2023).

Outlook

As mentioned in our [HI:2024 Nigeria Strategy Report](#), our inflation forecast for 2024 considers various factors such as the direction of fuel prices, level of Naira depreciation, possible implementation of postponed electricity tariffs, increased food supply, and potential improvements in FX supply. Based on these factors, we have developed three scenarios for average inflation in 2024: base (24.39% YoY), bull (23.51% YoY), and bear (25.76% YoY). Persistent structural issues such as dilapidated transportation networks and insufficient food production, coupled with ongoing FX challenges and the increased fuel costs, are likely to keep inflation elevated in January 2024.