



15 March 2024

Economic Research

research@armsecurities.com.ng

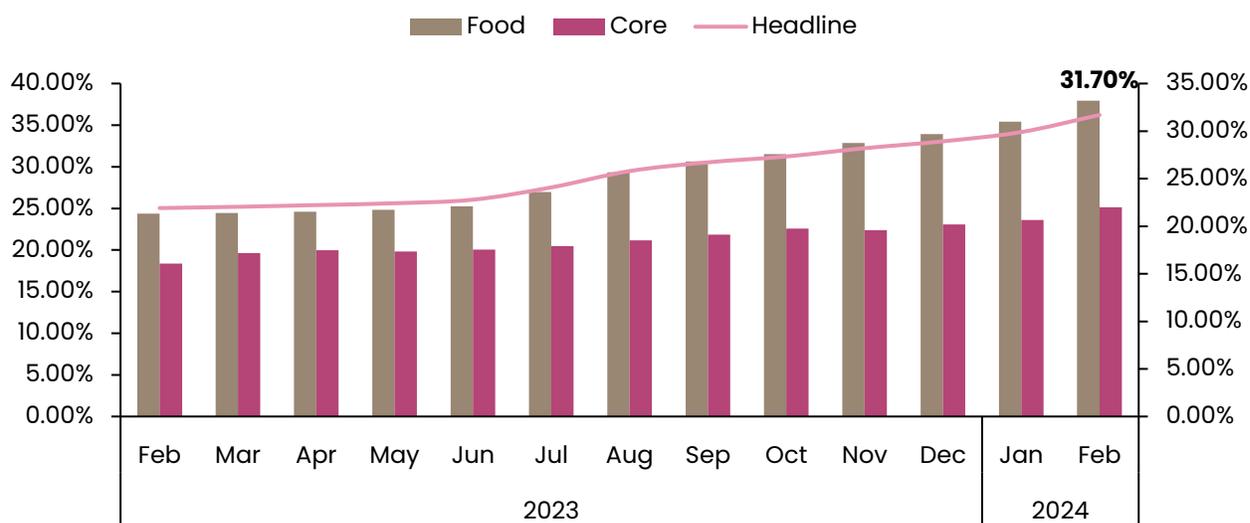
+234 1 270 1652

February 2024 CPI Report: Inflation Marches on

Headline Inflation Ascends to 31.70% YoY in February 2024

Yesterday, the National Bureau of Statistics (NBS) published the Consumer Price Index (CPI) for February 2024. The headline inflation continued on its upward trend, soaring by 180bps to 31.70% YoY compared to 29.90% YoY reported in January 2024. This upsurge was propelled by increases in its two (2) significant subcomponents: food (+251bps to 37.92% YoY) and core (+154bps to 25.13% YoY) inflation. On a Month-on-Month (MoM) basis, headline inflation surged by 48bps to 3.12% MoM (vs. 2.64% MoM in the previous month), and this was on the back of a 57bps increase in food inflation to 3.79% MoM during the month. However, Core inflation declined by 7bps to 2.17% MoM. This high inflation rate puts a strain on household budgets, making it difficult for Nigerians to afford necessities, further weakening overall purchasing power.

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



Source: NBS, ARM Research

Food Inflation

Food inflation continued its rise in February 2024, as it surged by 259bps to 37.91% YoY compared to 35.41% YoY in January 2024. This increase is driven by increases in Farm Produce (+217bps to 37.02 % YoY) and Processed Food (+260bps to 38.17% YoY). On a Monthly basis food inflation, food inflation went up by 57bps to 3.79% MoM compared to 3.21% MoM in January 2024. The persistently higher food inflation is due to challenges such as insecurity in the food-producing regions, poor infrastructure, high diesel prices, and foreign exchange challenges which led to higher Imported Foods (+351bps to 29.80% YoY in February 2024). These factors would effectively raise production costs and prices of raw materials. Despite concerted government efforts, essential commodity prices remain high, impacting vulnerable populations disproportionately and risking food insecurity.

Core Inflation

Core inflation in Nigeria jumped significantly by 155bps to 25.15% YoY in February 2024 (vs. 23.07% YoY in January 2024). This rise was driven by significant increases in: Alcoholic Beverages, Tobacco & Kola (+141bps to 19.29% YoY), Furnishings & Household Equipment Maintenance (+56bps to 17.02% YoY), Health (+46bps to 25.02% YoY) and Transport (+14bps to 26.06% YoY). However, core inflation declined by 7bps to 2.17% on a MoM basis in February 2024 (vs. 2.24% MoM in January 2024). The decline was driven by decrease in Health (-16bps to 2.01% MoM) and Alcoholic Beverages, Tobacco & Kola (-2.25bps to 2.25% MoM).

Outlook

Despite the Central Bank of Nigeria's (CBN) Monetary Policy Committee (MPC) raising the Monetary Policy Rate (MPR) by 400bps to 22.75% to curb the alarming inflationary pressures in the country, the uptrend continues. We expect inflation to remain elevated in March 2024, due to several factors which contribute to Nigeria's inflationary trend. Major contributors remain the foreign exchange volatility seen in recent months, inadequate infrastructure, and persistent insecurity in food-producing regions. We expect the CBN to raise the MPR by at least a 100bps at their next meeting later in March 2024. This move would be intended to combat Nigeria's high inflationary trend.

Disclaimer - [Click here](#)