

# Monthly Inflation Report June 2024



## Bucking the Trend

17th July 2024



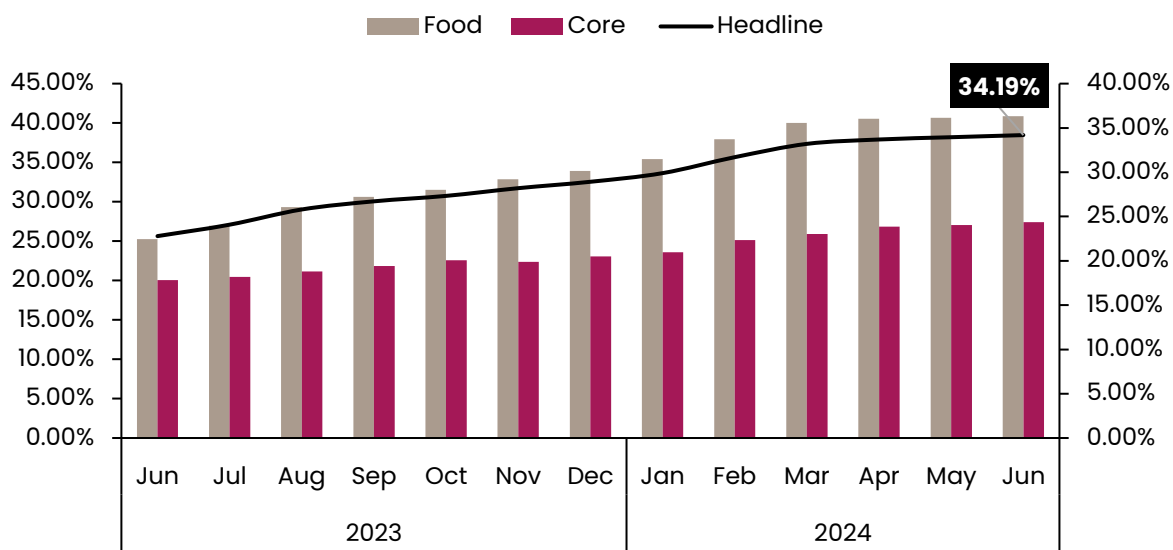
### Headline Inflation Transcends to 34.19% YoY in June 2024

According to the Consumer Price Index (CPI) report released by the National Bureau of Statistics (NBS) for June 2024, Nigeria's headline inflation rate continued its upward trend, rising by 24bps to a staggering 34.19% Year-on-Year (YoY) compared to 33.95% YoY reported in May 2024. This increase was driven by higher prices in both food (+21bps to 40.87% YoY) and core inflation (+36bps to 27.40% YoY).

On a Month-on-Month (MoM) basis, headline inflation halted its decline after three (3) consecutive monthly decline. MoM inflation rose by 17bps to 2.31% MoM. This growth is attributed to increases in both food prices (+26bps to 2.55% MoM) and core inflation (+5bps to 2.06% MoM) during the month.

These increases underscore the persistent challenges in managing inflationary pressures. Broader price increases are affecting the economy beyond just food inflation, further straining the cost of living and economic stability in Nigeria.

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



Source: NBS, ARM Research

### Food Inflation

In June 2024, food inflation remained elevated, increasing by 21bps to 40.87% YoY, up from 40.66% in May 2024. This rise was primarily driven by a surge in the cost of imported food, which climbed by 155bps to 34.38% YoY following the exchange rate volatility observed during the period. Farm produce also contributed to the inflation, rising by 25bps to 39.88% YoY; this was underpinned by lower food supply, poor road conditions and insecurity in food-producing regions. Additionally, processed food prices saw an increase of 8bps to 40.96% YoY, likely due to higher input cost. On a month-on-month basis, food inflation increased by 26bps to 2.55% in June, compared to 2.28% in May 2024. This rise was attributed to increases in imported foods by 83bps to 2.92% MoM, processed foods by 24bps to 2.53%

MoM, and farm produce by 34bps to 2.60% MoM. The consistent rise in food inflation highlights ongoing challenges in the supply chain and economic environment.

## **Core Inflation**

In June 2024, core inflation surged, rising by 36bps to 27.40% YoY, up from 27.04% in May 2024. This increase was primarily driven by notable upticks in the cost of Alcoholic Beverages, Tobacco & Kola, which soared by 84bps to 24.10% YoY. Similarly, Restaurants & Hotels experienced a significant rise of 108bps, reaching 29.68% YoY, and Furnishings & Household Equipment Maintenance inched up by 9bps to 17.81% YoY. On a MoM basis, core inflation edged up by 5bps to 2.06% in June, compared to 2.01% in May. This monthly increase was majorly driven by a 36bps rise in cost of Restaurant and Hotels, which reached 2.65% MoM, a 28bps increase to 0.80% MoM in Recreation and Culture, a 6bps increase in Education to 1.52% MoM, and a 5bps increase in Furnishings & Household Equipment Maintenance, reaching 1.45% MoM.

## Outlook

As mentioned in our [H2:2024 Nigeria Strategy Report](#), our inflation forecast for the rest of the year does not rule out the impact of insecurity on food supply in H2:2024. However, the harvest season which kicks in from July, usually accompanied by increased food supply, should help taper prices. Higher base effect from July 2023 inflation data, due to fuel subsidy removal and the foreign exchange rate liberalization policy, is also likely to support a slower price increase. We expect core Inflation to remain elevated in H2:2024 given sustained energy pressures on input costs and currency woes. Overall, we expect headline inflation to cool slightly to **29.05%** in December 2024, at an average of **31.17%** for the year.

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