

# Economic Splash

**Post-Inflation Report**

**September 17**

**August**

Nigeria's headline  
inflation falls to  
32.15%



20  
24

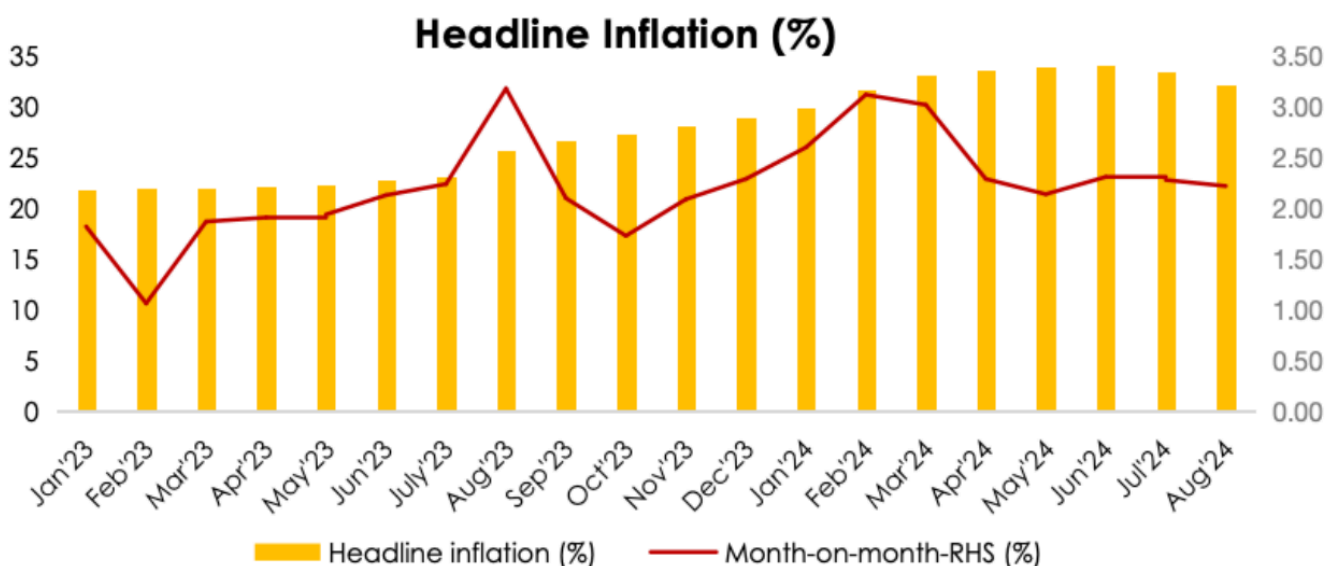
# Nigeria's headline inflation falls to 32.15%

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Headline inflation rate for Nigeria

The National Bureau of Statistics (NBS) released the August CPI (inflation report) yesterday, six days before the September 23-24 MPC meeting. As widely expected, Nigeria's headline inflation rate declined to 32.15% from 33.40% in July. This is the second consecutive monthly decline and the lowest level in the last six months. The ease in inflationary pressures and the expansion in Q2 real GDP growth (albeit due to base year effects) will likely empower the MPC to opt for a pause in the tightening cycle. The aim will be to support output growth further and complement the federal government's fiscal stimulus efforts. Noteworthy, two readings are not a trend, especially as inflation risks remain elevated.

A breakdown of the data showed that the continued moderation in inflation is largely due to the harvest season and base year effects. Year-on-year food inflation moderated to 37.52% from 39.53% in July.



However, the core annual and monthly inflation rates (all items less farm produce and energy) increased to 27.58% and 2.27%, respectively, from 27.47% and 2.16. The increase suggests that inflation is more structural than transient and could be attributed to currency pressures amid forex scarcity. The naira depreciated by 4.2% in August at the official market compared to 3.1% in July.

Additionally, the upward movement in the core inflation rate indicates that underlying price pressures are building. If this trend continues, it could counteract any short-term improvements in the headline inflation trend. Recent occurrences like the 50% rise in PMS price with its knock-on effect on logistics and food prices, the 62.66% growth (y-o-y) in money supply (M3), and exchange rate volatility are factors that could potentially reverse the disinflationary direction.

### Data Breakdown

#### Monthly inflation

All inflation sub-indices except for the m/m core inflation moved in the same direction as headline inflation. Month-on-month inflation declined to 2.22% (annualized:30.07%) from 2.44% (annualized: 33.69%), indicating that the rate of increase in the average price level in the month of August was slower than the rate of increase in July. In the same vein, food inflation slid to 2.37%, due to the harvest season as prices of some key staples like yam, tomatoes, potatoes, and pepper declined on improved supply. Core inflation increased to 2.27% from 2.16% in July, reflecting upward pressure on prices.

#### Monthly inflation



#### Food inflation



#### Rural & Urban Inflation

In August 2024, the urban inflation rate was 34.58%, 6.89% points higher than the 27.69% recorded in August 2023. On a monthly basis, urban inflation declined marginally by 0.07% to 2.39%. Also, the rural inflation rate in August 2024 was 29.95% on a year-on-year basis, 5.85% higher from 24.10% in August 2023. Meanwhile, the monthly rural inflation decreased by 0.04% to 2.06% from 2.10% in July. This shows that price disparities exist between urban and rural areas.

#### State-by-state analysis

Bauchi state recorded the highest annual headline inflation rate at 46.46%, followed by Kebbi (37.51%) and Jigawa (37.43%), while Benue (25.13%), Delta (26.86%) and Imo (28.05%) recorded the lowest.

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Sokoto state recorded the highest food inflation rate at 46.98%, followed by Gombe (43.25%) and Yobe (45.21%). This was underpinned by heightening food shortages due to lingering insecurity issues and harsh weather conditions. States with the lowest food inflation rates were Benue (32.33%), Rivers (33.01%), and Bayelsa (33.36%), as they are likely benefiting from better agricultural conditions and productivity levels.

### Outlook

The MPC is set to meet on September 23-24. The committee will consider the disinflation and expansion in Q2 GDP growth. We expect a hold decision to support output growth and complement fiscal efforts. We expect that the moderation in inflation will become noticeable at the end of the year.

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