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**ECONOMIC
SPLASH**

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NIGERIA'S HEADLINE INFLATION TO DROP FURTHER TO 21.34%

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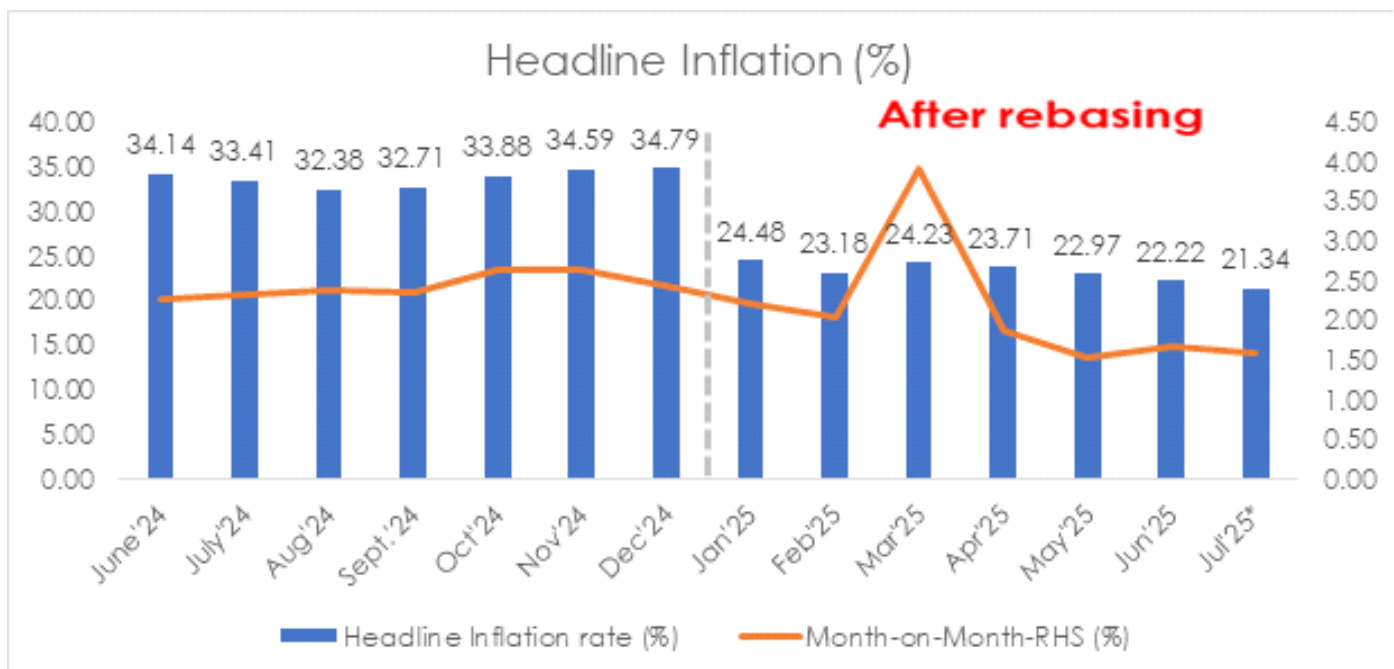
Nigeria's Headline inflation to drop further to 21.34%

21.34%

Headline inflation
forecast for Nigeria

We are forecasting that the headline inflation in July will slide to 21.34%, from 22.22% in June. The moderation in the general price level would be largely underpinned by base year effects and lower food inflation due to the harvest season. Our forecast points to a decline of 0.08% in the month-on-month inflation to 1.60% (annualised at 20.77%).

During our survey in July, we noticed that the prices of most essential commodities declined – tomatoes (-31.82%), yams (-18.18%), onions (-21.43%), peppers (-11.11%), turkey (-11.76%), palm oil (-4.17%), beans (-3.53%), and garri (-3.03%). Meanwhile, 68.57% of items remained stable, including rice, wheat flour, semovita, eggs, Irish potatoes, basmati rice, and vegetable oil. Notably, several import-dependent staples, such as titus fish, basmati rice, and beverages, maintained price stability.



¹NBS, FDC Think Tank

Cost push factors remained subdued in July

The exchange rate was relatively stable across all market segments in July, supported largely by the CBN's interventionist strategy. In addition, the retail price of diesel was down marginally by 2% to N1,050/litre in July. This is expected to reduce logistics costs minimally. However, the currency could come under pressure in the coming months as the demand for forex increases for international student tuition fees, coupled with inventory restocking by traders for Christmas.

Data breakdown

Month-on-month inflation

Month-on-month inflation, which provides a more recent reflection of price movement, is expected to fall by 0.08% to 1.60% in July (annualised at 20.77%). This is due to decreased food prices, reduced PMS prices and logistic costs in July, and stability of the naira in the FX market.

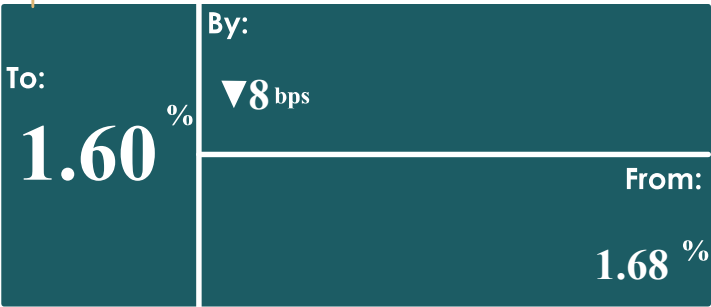
Food inflation

We project year-on-year food inflation to ease to 21.35%, representing a 0.62% decline from June. In the same vein, monthly food inflation will fall by 0.57% to 2.68% from 3.25%. This is primarily driven by harvest season, which has led to declining prices in key staples on the back of improved supply.

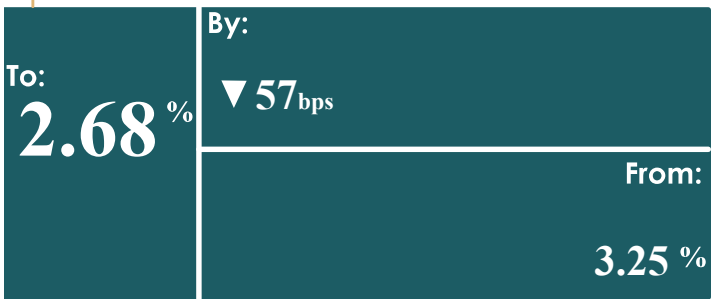
Core inflation

Core inflation (which is inflation less seasonalities) is expected to soften by 0.35% to 22.41%. Monthly core inflation is also projected to fall by 0.20% to 2.26%, from 2.46%. underpinned by improved FX stability and stable energy prices in July,

Monthly inflation



M-O-M Food inflation



Outlook

With the commencement of the harvest season, we anticipate a further decline in commodity prices in the coming months. This will help taper inflationary pressures from the boost in liquidity due to higher FAAC. The major risk to our projections remains security challenges in the food-producing states, falling oil prices and the hike in PMS price.

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