

INFLATION WATCH



THE FURNACE RAGES ON

Nigeria's inflation accelerated to 22.79% YoY in June 2023, higher by 0.38% compared to 22.41% YoY recorded in May (Bloomberg Est. 23.00%). The headline inflation grew by 2.13% M-o-M in June 2023 vs 1.94% recorded in May 2023. The food inflation increased to 25.25% from 24.82% recorded in May 2023. However, core inflation, which strips out food items, worsened to 20.27% in June, from 20.06% in May 2023.

Summary of Nigeria's Inflation report for June 2023:

- * On a monthly basis, the headline index grew by 2.13% in June (vs 1.94% in May)
- * However, the core index grew by 1.74% M-o-M in June vs. 1.81% in May, while the food sub-index grew by 2.40% M-o-M compared to 2.19% in May.
- The urban inflation rate rose to 24.33% Y-o-Y (vs 23.74% Y-o-Y in May 2023).
- The rural inflation rate was printed at 21.37% Y-o-Y (vs 21.19% Y-o-Y in May 2023).

At the end of H1'23, Nigeria's inflation had soared to a 7-year high of 22.79% YoY, based on NBS's data. In the same period last year, inflation clocked 18.60%, indicating sustained inflationary pressures over the period. Recently, the fuel subsidy removal and adoption of a managed-float exchange rate system have exacerbated the pains of an already high inflationary environment. We expect the Monetary Policy Committee meeting scheduled for next week to provide clarity on the measures to curtail the spiralling prices and the direction of interest rates going forward, amid the emergence of the new administration and reshuffling at the Apex bank's topmost echelon

Thank you.

