

Inflation Watch - Nigeria's Inflation at 33.20% y/y

In March, Nigeria's headline inflation surged to 33.20% y/y, marking an increase of 1.50% from February's figure of 31.70% y/y (compared to Bloomberg's estimated 32.90%). However, monthly headline inflation slightly decreased to 3.02% m/m in March, down from 3.12% in February. Additionally, food inflation rose to 40.01% y/y in March, up from 37.92% y/y in February, while core inflation, excluding food and energy items, increased to 25.90% in March from 25.13% in February, according to data released by the National Bureau of Statistics (NBS).

Summary of Nigeria's Inflation report for March 2024:

- On a monthly basis, the headline index grew by 3.02% in March (vs 3.12% in February).
- The core index increased to 2.54% m/m in March vs. 2.17% m/m in February. In contrast, the food sub-index grew at 3.62% m/m compared to 3.79% m/m in February.
- The urban inflation rate increased to 35.18% y/y (vs 33.66% y/y in February 2024).
- The rural inflation rate was rose at 31.45% y/y (vs 29.99% y/y in February 2024).

Decoupling the data, monthly headline inflation showed a slight decrease of about 10 bps in March, marking the first monthly decline since October 2023. Similarly, monthly food inflation followed this trend, dropping by 17 bps, also marking its first decline since October 2023. This slight decrease in food prices notably contributed to the overall reduction in monthly headline inflation.

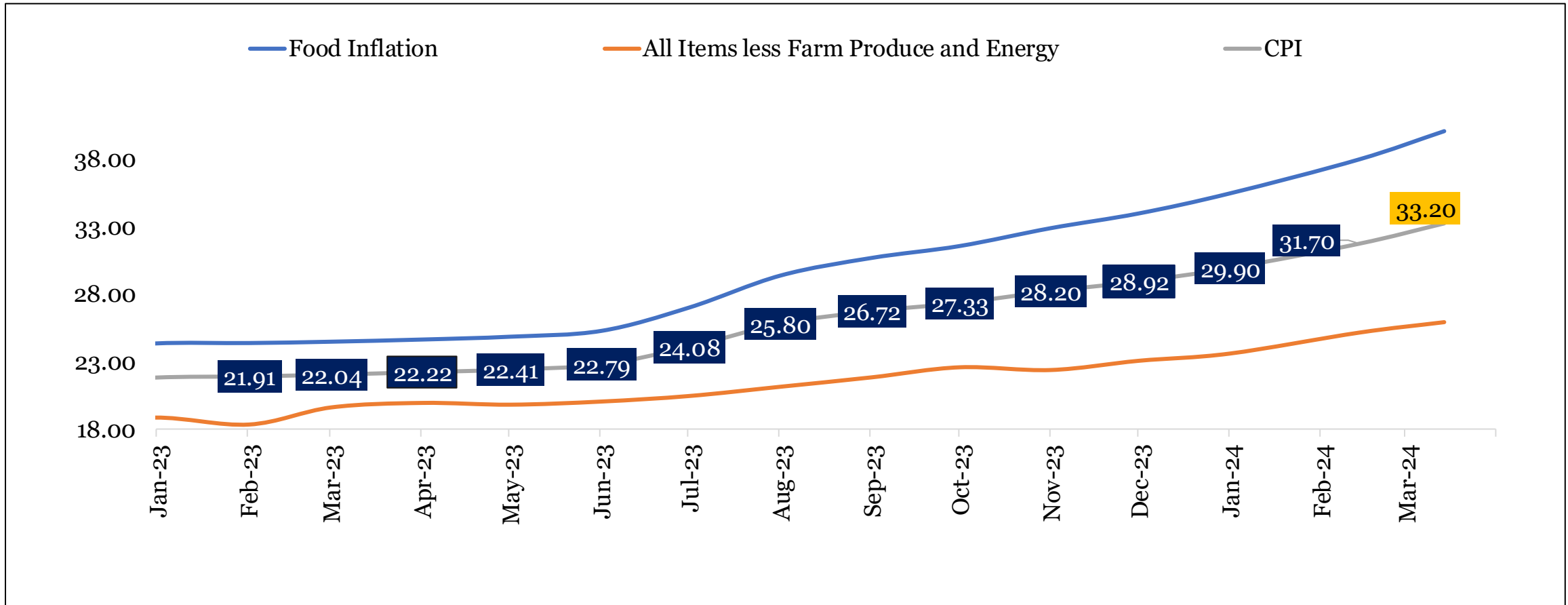
While it may seem premature to suggest a potential peak in inflation, factors such as the strengthening of the naira and stability in the foreign exchange rate could support this notion. However, any reversal is likely to be gradual rather than sudden. It is important to note that while increased FX liquidity addresses part of the issue, challenges related to foods and other commodities supply, and high energy prices could outweigh any positive impacts associated with improvements in the foreign exchange market thus far.

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