

Inflation Watch - Consumer Prices in Nigeria Bites Harder.

In May, Nigeria's headline inflation reached a new high at 33.95% year-on-year, up from 33.69% in April 2024 (Bloomberg's estimate: 34.10%), according to data released by the National Bureau of Statistics (NBS). However, the monthly headline inflation increased at a slower pace for the third consecutive time, at 2.14% month-on-month, down from 2.29% in April. Similarly, the monthly food inflation also grew at a slower pace for the third time in a row, at 2.28% month-on-month, down from 2.50% in April. Furthermore, yearly food inflation rose to 40.66% year-on-year in May from 40.53% in April, while core inflation, which excludes volatile food and energy items, increased to 27.04% in May from 26.84% in April, according to NBS.

Summary of Nigeria's Inflation report for May 2024:

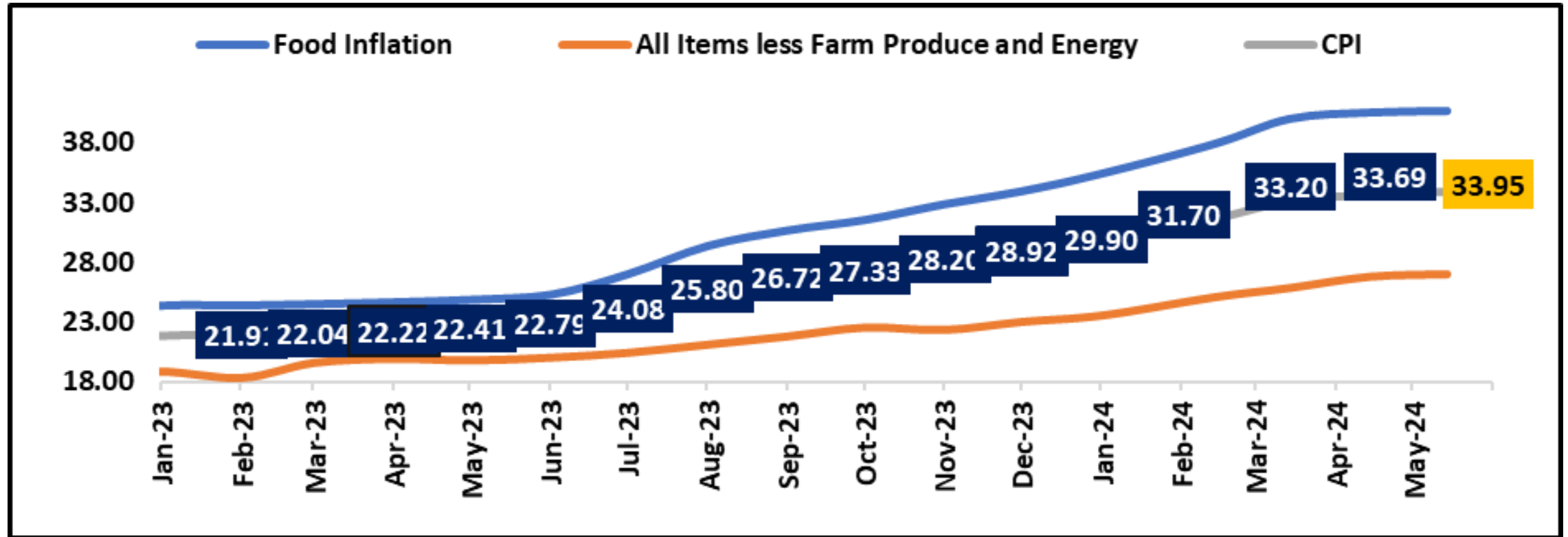
- On a monthly basis, the headline index grew by 2.14% in May (vs 2.29% in April).
- The core index increased to 2.01% m/m in May vs. 2.20% m/m in April. Similarly, the food sub-index grew slower at 2.28% m/m in May compared to 2.50% m/m in April.
- The urban inflation rate increased at 36.34% y/y (vs 36.00% y/y in April 2024).
- The rural inflation rate increased at 31.82% y/y (vs 31.64% y/y in April 2024).

In the year so far, the monthly rates of headline, food, and core inflation have increased at a slower pace three times. However, the year-on-year inflation rate has been rising since January 2023. In May, the decrease in monthly inflation slowed down, indicating that consumer prices could be on the rise in the future. To give some context, in May, the monthly headline inflation fell by 0.15% (compared to a 0.73% decrease in April); monthly food inflation decreased by 0.22% (compared to a 1.11% decrease in April); and monthly core inflation decreased by 0.18% (compared to a 0.34% decrease in April). One significant reason for this increase is the depreciation of the Naira against foreign currencies. This depreciation makes imported goods and services more expensive, as the cost of importing them rises. For instance, the Naira depreciated against the USD by an average of 15.37% in May, following an 18.33% gain in April, according to FMDQ's NAFEM window. Other contributing factors include insufficient supplies of goods and services across the regions of the country.

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INFLATION WATCH – MAY 2024



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