



## INFLATION WATCH – August 2024

### Inflation Watch - Headline Inflation declines further

In August 2024, Nigeria's headline inflation dropped to its lowest level in six months, increasing by 32.15% y/y, which matched the median estimates. This was a decrease from 33.40% y/y in July, according to data from the National Bureau of Statistics (NBS). Food inflation also decreased to 37.52% y/y, down from 39.53% in July, while core inflation, which excludes volatile food and energy items, increased to 27.58% in August, up from 27.47% in July. On a monthly basis, headline inflation moderated to 2.22% from 2.28% in July. Food inflation also saw a slight decline, with an increase of 2.37% in August compared to 2.47% in July. However, core inflation continued to rise, reaching 2.27% in August, up from 2.16% in July.

Please see below, a summary of Nigeria's Inflation report for August 2024:

- In August, the main index rose by 2.22% m/m, a slight decrease from the 2.28% growth experienced in July.
- The core index also increased, reaching 2.27% m/m in August compared to 2.16% m/m the previous month.
- However, the food sub-index grew slower at 2.37% in August, down from 2.47% m/m in July.
- Urban inflation dropped to 34.58% y/y compared to 35.77% y/y in July 2024.
- Rural inflation declined to 29.95% y/y from 31.26% y/y in July 2024.

Our July Inflation Watch report predicted that inflation would remain low due to decreasing food prices during the harvest season. However, we anticipate that increasing core inflation and higher fuel prices will lead to a rise in month-on-month inflation. It is worth noting that the recent data did not reflect the impact of a significant increase in PMS (fuel) prices in early September, causing a spike in transport costs. We believe the latest data could prompt the Monetary Policy Committee (MPC) to pause its interest rate tightening at next week's meeting. They will likely need more time to evaluate the effects of recent currency fluctuations, severe floods in northeastern Nigeria, and the rise in PMS prices on inflation.

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