

# Analyst's Note on: Nigeria's Inflation Report – May 2024

## Headline Hit Fresh 28- Year High at 33.95% as Food Index Continues to be Major Driver...

Nigeria measures inflation using the Consumer Price Index (CPI), which tracks the average change over time in the prices of goods and services consumed for day-to-day living. According to the National Bureau of Statistics' report for May 2024, the headline inflation rate increased to 33.95%, a 0.26%-point rise from April 2024's rate of 33.69%. Year-on-year, the headline inflation rate saw an 11.54%-point increase from the May 2023 rate of 22.41%. However, there was a slight month-on-month decline of 0.15% points, from 2.29% in April 2024 to 2.14% in May 2024.

The Food and Non-Alcoholic Beverages category made the largest contribution to the headline index at 17.59%. Other significant contributors included housing and utilities (5.68%), clothing and footwear (2.60%), transportation costs (2.21%), household equipment (1.71%), educational and health amenities (1.34% and 1.02%, respectively), year-on-year.

The urban inflation rate increased by 12.61% points year-on-year, rising from 23.74% in May 2023 to 36.34% in May 2024. On a month-on-month basis, urban inflation decreased

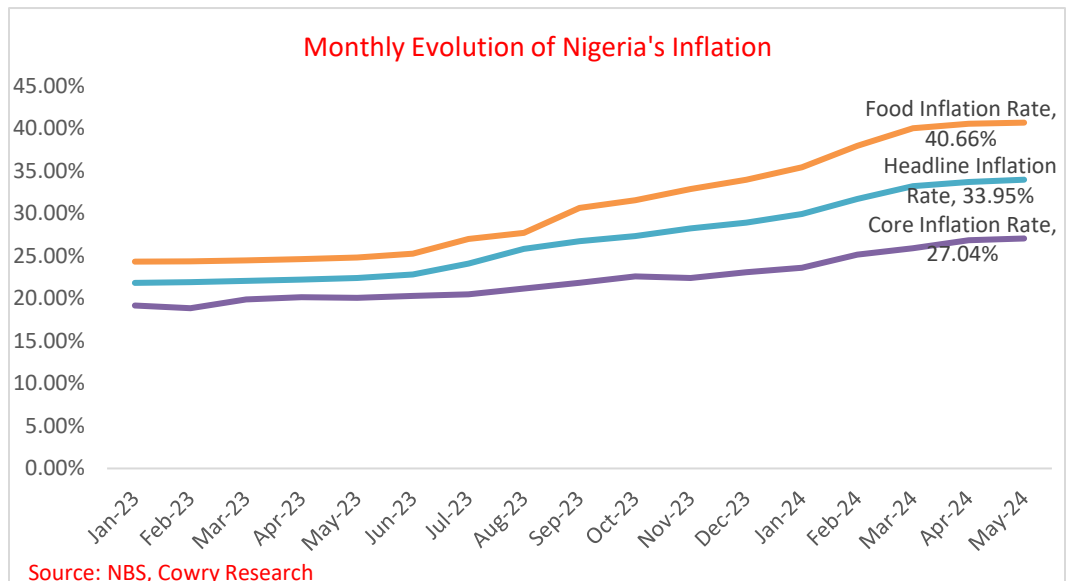
by 0.32% points from 2.67% in April 2024 to 2.35% in May 2024. The rural inflation rate stood at 31.82% year-on-year, a 10.63% increase from 21.19% in May 2023. Month-on-month, rural inflation saw a marginal increase of 0.02%, from 1.92% in April 2024 to 1.94% in May 2024.

Food inflation remained a significant driver, reaching 40.66% year-on-year in May 2024, 15.84% points increase from the 24.82% rate in May 2023. The increase was attributed to the rising prices of items such as Semovita, Oat Flake, Yam Flour, Garri, Beans, Irish Potatoes, Yam, Water Yam, Palm Oil, Vegetable Oil, Stockfish, Mudfish, Crayfish, Beef Head, Live Chicken, Pork Head, and Bush Meat. On a month-on-month basis, food inflation decreased by 0.22%, from 2.50% in April 2024 to 2.28% in May 2024.

Excluding volatile agricultural produce and energy prices, core inflation stood at 27.04% year-on-year in May 2024, a 7.21% increase from the 19.83% recorded in May 2023. The most significant price increases were observed in actual and imputed rentals for housing, intercity bus journeys, taxi journeys, accommodation services, X-ray photography, medical consultation fees, and laboratory services. Month-on-month, core inflation decreased by 0.19%, from 2.20% in April 2024 to 2.01% in May 2024.

The Consumer Price Index (CPI) is weighted by consumption expenditure patterns, which vary across states and locations. Year-on-year, Bauchi (42.30%), Kogi (39.38%), and Oyo (37.73%) experienced the highest inflation rates in May. Conversely, Borno (25.97%), Benue (27.74%), and Delta (28.67%) recorded the slowest increases. On a month-on-month basis, Kano (4.24%), Gombe (4.06%), and Bauchi (3.75%) saw the highest increases, while Ondo (0.57%), Kwara (1.19%), and Yobe (1.24%) recorded the slowest.

For the food index year-on-year, Kogi (46.32%), Ekiti (44.94%), and Kwara (44.66%) reported the highest food inflation rates, while Adamawa (31.72%), Bauchi (34.35%), and Borno (34.74%) saw the lowest increases. On a month-on-month basis, Gombe (4.88%), Kano (4.68%), and Bayelsa (3.62%) experienced the highest increases, whereas Ondo (0.02%), Yobe (0.95%), and Adamawa (1.02%) recorded the slowest rises.



Source: NBS, Cowry Research

Considering the current trends and contributing factors, Nigeria's inflation rate is projected to remain high in the short to medium term. However, targeted efforts to enhance food production, address security issues, stabilise the exchange rate, and manage energy costs could help alleviate some inflationary pressures. Ongoing monitoring and adaptive policy measures will be crucial to tackling the root causes and ensuring long-term economic stability. Thus, we project June 2024 inflation to accelerate to 34.25%.



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