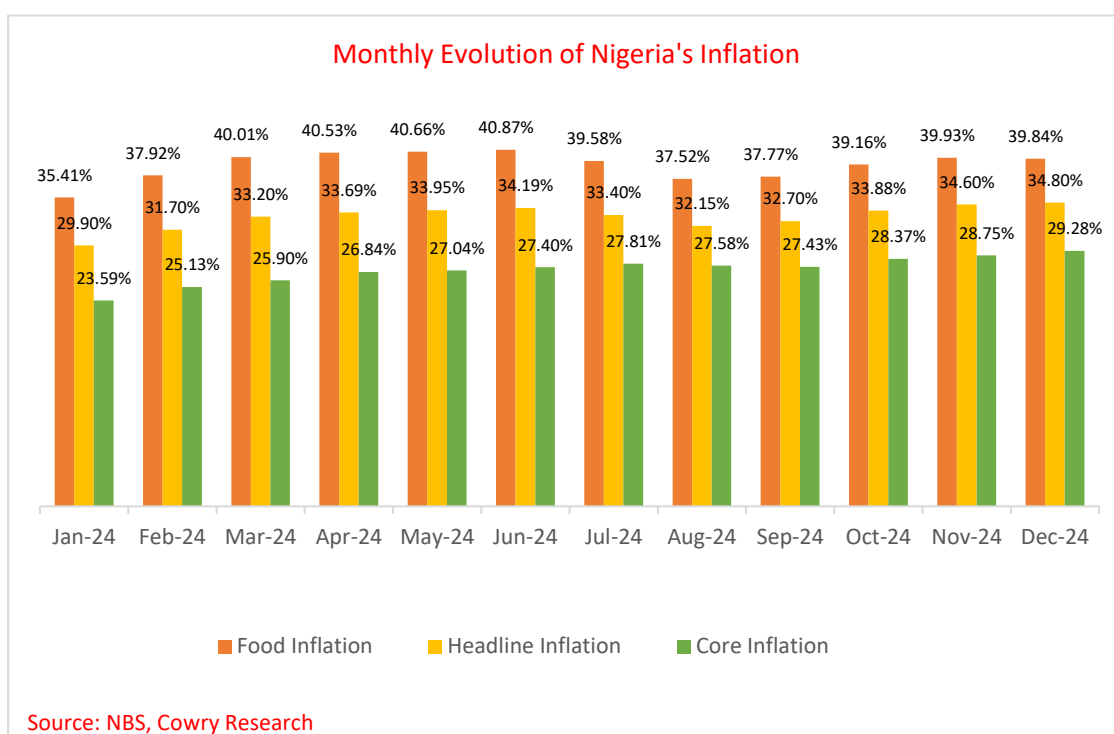


# Analyst's Note on: Nigeria's Inflation Report – December 2024

## Inflation Rises to 34.80% in December, Defies CBN's Tightening Measures .....

Nigeria's latest Consumer Price Index (CPI) report reveals a marginal increase in inflationary pressures, with the Headline inflation rate rising to 34.80% year-on-year in December 2024 from 34.60% in November. This 0.20% increase was fueled by heightened demand for goods and services during the festive season, and brings the full-year average to 33.18% in 2024 from 24.52% in 2023. Compared to December 2023, when the inflation rate was 28.92%, the December 2024 figure represents a sharp 5.87% points rise, deepening the strain on households and businesses amid Nigeria's cost-of-living challenges. On a month-on-month basis, the inflation rate eased slightly to 2.44% in December 2024, down from 2.64% in November, signaling the impact of the tight monetary stance of the central bank.

The Food index continues to be a dominant driver of the inflationary pressures as it rose to 39.84% year-on-year, an increase of 5.91 percentage points compared to the 33.93% recorded in December 2023. This sharp rise was driven by significant price increases in key food categories, including Yam, Water Yam, Sweet Potatoes, and other tubers; Beer and Pinto (Tobacco Class); Guinea Corn, Maize Grains, and Rice (Bread and Cereals Class); as well as Dried Fish such as Sardine and Catfish.

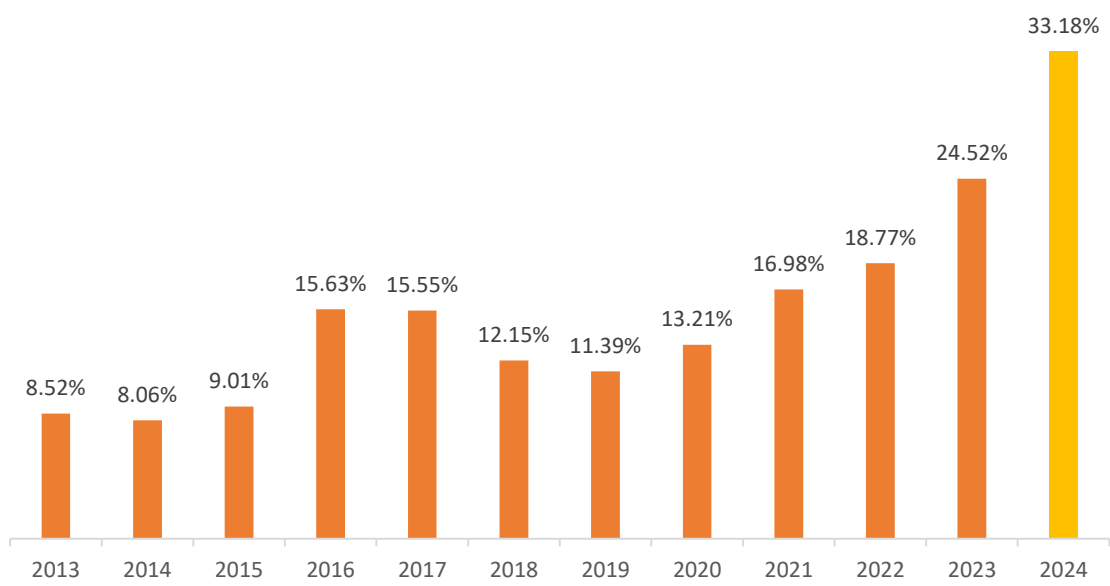


On a month-on-month basis, Food inflation eased slightly to 2.66%, a 0.32% decline from the 2.98% recorded in November. This moderation is attributed to a decrease in the average prices of Local Beer, Fruit Juice, Malt Drinks, Rice, Millet, Maize Flour, and tubers like Water Yam and Irish Potatoes. Additionally, the imported food inflation eased for the first time since September 2019 to 41.29% in December 2024 from 42.29% in the prior month. although, it exerted minimal impact on the headline reading, we note that this deceleration comes from ease in naira volatility in the month, less incentive to import food items due to the expensive pricing of FX, and the introduction of the 150-day window import duty waiver on essential food items.

The Core inflation rate, which excludes the prices of volatile agricultural produce and energy, stood at 29.28% year-on-year, marking a significant increase of 6.21 percentage points compared to the 23.06% recorded in December 2023. The largest price increases were observed in items such as Taxi and Bus journeys, local restaurants, haircuts, women's hairdressing, and women's handbags, travel bags, and suitcases.

Month-on-month, the core inflation index maintained its upward trend as it rose to 2.24%, up by 0.41% from the 1.83% recorded in November. The average twelve-month Core inflation rate for the year ending December 2024 was 27.15%, reflecting a 6.39 percentage point increase from the 20.76% recorded in December 2023, a reflection of the upward pressure on non-food and energy-related items.

**Nigeria's Annual Inflation Trend**



Inflation trends across states in December 2024 varied significantly. Bauchi, Sokoto, and Kebbi saw the highest year-on-year headline inflation rates at 44.06%, 42.43%, and 41.47%, respectively, while Katsina, Delta, and Imo recorded the lowest rates, with figures of 28.33%, 29.23%, and 29.99%, respectively. On a month-on-month basis, Kogi, Cross River, and Sokoto had the sharpest increases in headline

inflation, with rates of 5.40%, 4.38%, and 4.29%, respectively. Conversely, Yobe, Kano, and Abuja experienced a decline in inflation rates, with figures of -1.82%, -0.57%, and -0.02%, respectively.

Regional disparities were also evident in food inflation. Sokoto recorded the highest year-on-year food inflation at 57.47%, followed by Zamfara at 46.39% and Edo at 46.32%. Meanwhile, Ogun, Rivers, and Kwara experienced the slowest food inflation growth, with rates of 34.24%, 35.43%, and 35.58%, respectively. On a month-on-month basis, the steepest increases in food inflation were observed in Kogi (6.53%), Sokoto (6.21%), and Cross River (5.90%). In contrast, Yobe, Kano, and Abuja recorded declines in food inflation at -3.21%, -1.29%, and -0.79%, respectively.

Persistent inflation in 2024 underscored Nigeria’s structural challenges, including inadequate infrastructure, high energy costs, and logistical inefficiencies. Despite the Central Bank of Nigeria’s (CBN) tight monetary policy stance, including a benchmark interest rate hike to 27.50% in November, inflationary pressures remained resilient.

The National Bureau of Statistics (NBS) is set to conclude the rebasing of Nigeria’s Consumer Price Index (CPI) by the end of January 2025, marking a significant update to the methodology used in tracking changes in price trends. The new framework will see the adoption of 2024 as the base year, replacing the outdated 2009 base year. This shift reflects the considerable evolution of Nigeria’s economy over the past 15 years, accounting for changes in household consumption patterns, the structure of the economy, and the impacts of global and domestic economic developments.

One key aspect of the rebasing is the proposed re-weighting of inflationary components in the CPI basket. To this, items such as food prices, electricity, gas, and other fuels are expected to have a lesser influence on the overall headline inflation figure under the revised methodology. This recalibration aims to provide a more accurate representation of current spending habits and living costs. While inflation levels remain high, the adjustment is likely to moderate the year-on-year and month-on-month headline inflation readings, offering policymakers and analysts a more precise tool for understanding price trends and addressing inflationary pressures.

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