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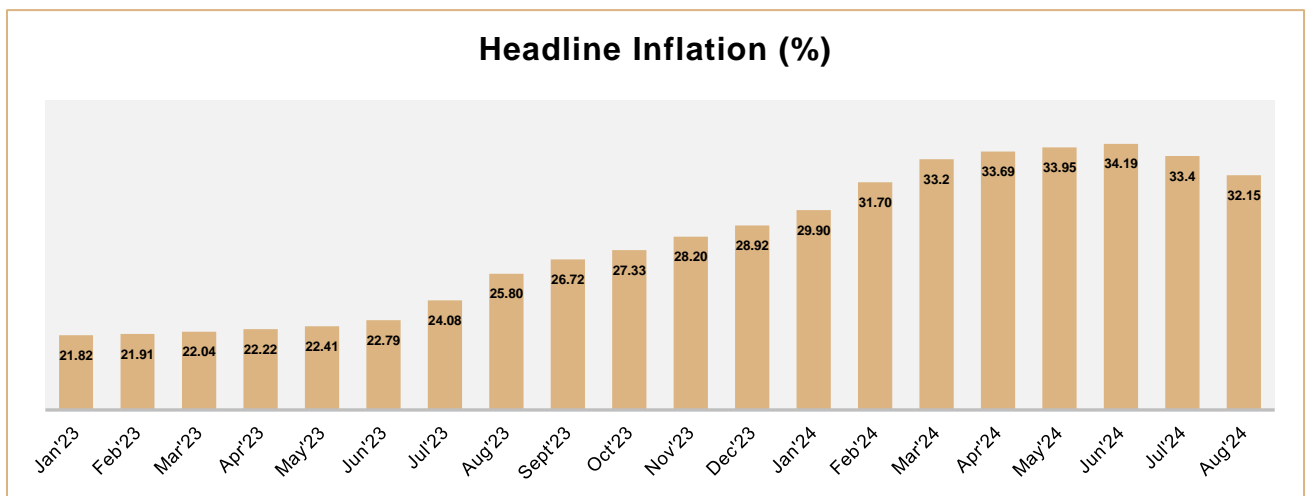
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Nigeria's Headline Inflation Drops to 32.15% in August

In line with analysts' expectations, Nigeria's headline inflation eased for the second month in a row, reaching 32.15% in August, down from 33.40% in July. Additionally, month-on-month inflation fell slightly by 0.06%, to 2.22% in August from 2.28% in July. This continued decline in inflation is primarily due to base effects, the current harvest season, and the 150-day suspension of tariffs on essential staples such as maize, rice, wheat, and cowpeas.



Food Inflation Eases with Harvest and Tariff Suspension

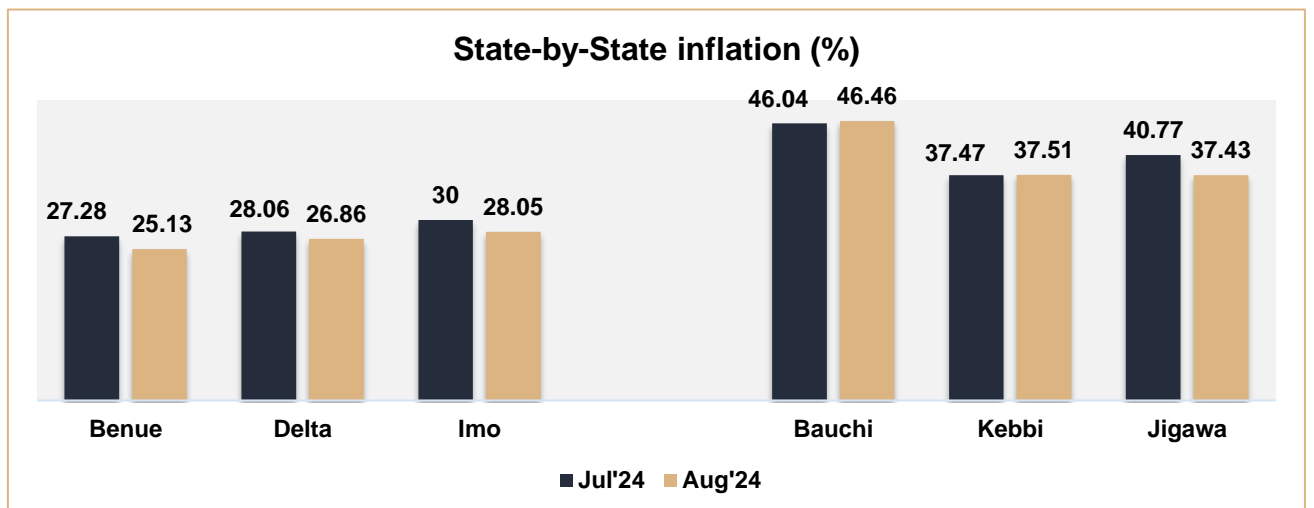
Both the annual and monthly food inflation sub-indices decreased in August, reflecting the positive impact of the harvest and a 150-day suspension of tariffs on major staples. Year-on-year food inflation dropped by 2.01% to 37.52%, while the monthly food index fell by 0.10% to 2.37%. Commodities with the slowest price increases included tobacco, tea, cocoa, coffee, groundnut oil, milk, yam, potatoes, cassava, and palm oil.

Core Inflation Rises Due to Currency Depreciation and Higher Logistics Costs

The core inflation index, which excludes food and energy, saw increases both annually and monthly, rising by 0.11% to 27.58% and 2.27% respectively in August. This uptick was influenced by the depreciation of the Naira and increased logistics costs linked to a resurgence in petrol shortages. In August, the Naira depreciated by 1.85% in the parallel market. Notably, the NBS reported significant price hikes in rents, road transportation, and medical services.

State-by-state Analysis

Benue State continued to have the lowest inflation rate at 25.13%, followed by Delta at 26.86% and Imo at 28.05%. Conversely, the highest inflation rates were recorded in Bauchi (46.46%), Kebbi (37.51%), and Jigawa (37.43%).





Outlook for September

Headline inflation is expected to rise in September due to waning base effects and cost pressures from recent increases in petrol prices, which have led to higher transportation costs. These factors are likely to counteract the benefits of the harvest and the tariff suspension.

The Monetary Policy Committee (MPC) will convene next week (September 23/24). While the recent decline in inflation over the past two months is encouraging, the potential for a reversal in the near term remains a major concern. Hence, the committee will most likely adopt a cautious approach, leaving all monetary parameters unchanged while carefully monitoring the effects of recent petrol price hikes and other influencing factors on the general price level.

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