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Nigeria's Headline Inflation Surges to 29.9% as Cost Pressures Persist

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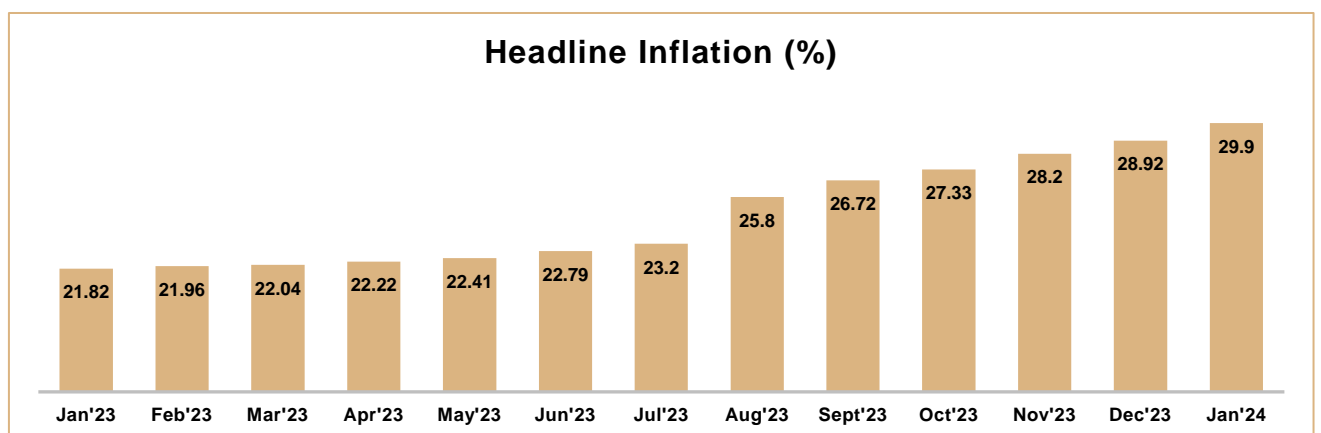
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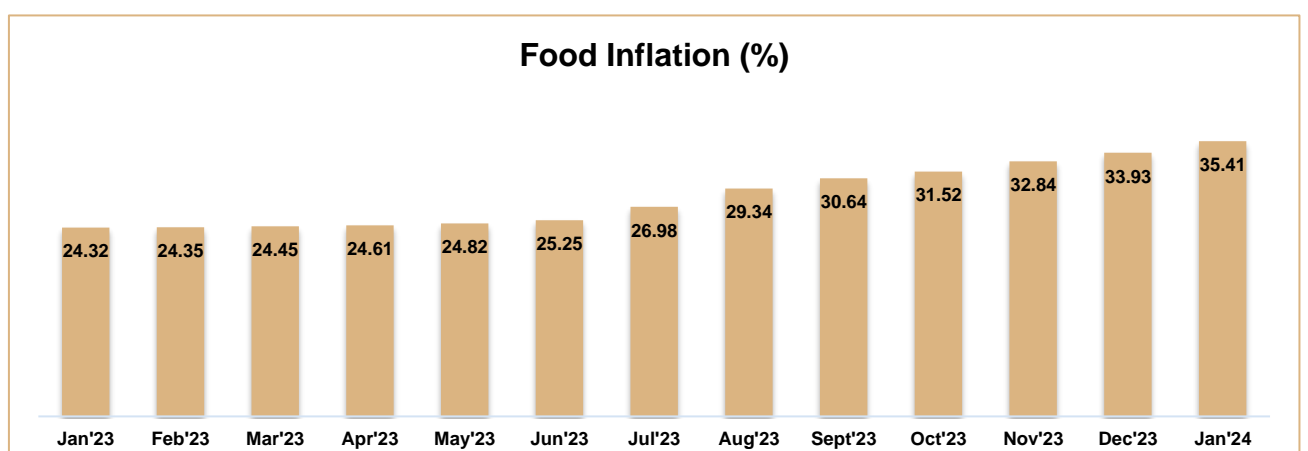
Nigeria's headline inflation, which measures the year-on-year change in the general price level increased for the 13th consecutive month to 29.9% in January 2024, up from 28.92% in December 2023. The monthly inflation sub-index also rose by 0.35% to 2.64% (annualized at 29.2%).

This persistent surge in prices can be attributed to various factors, with the exchange rate playing a significant role. In January alone, the Naira lost 21%, crossing the ₦1,500/threshold due to pent-up demand amid limited forex supply. The other major drivers of inflation in Nigeria include the spike in logistics costs, money supply saturation and heightened insecurity especially in the food producing states. The stubbornly high inflation has further exacerbated the cost-of-living crisis in Nigeria, resulting in a drastic fall in the standard of living of an average Nigerian.



Food Inflation Soars to 35.41% Due to Heightened Insecurity in the Food Belt

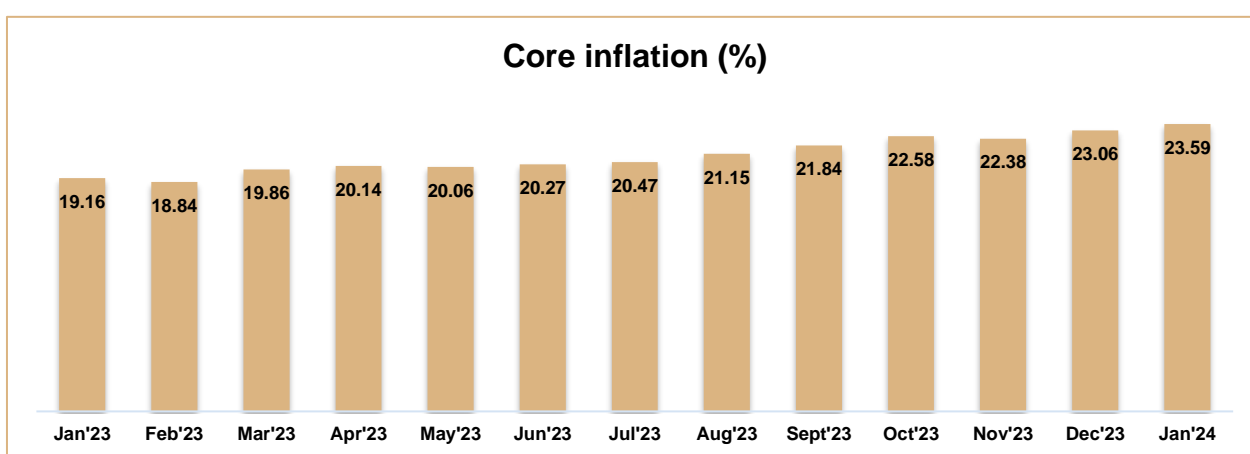
In January 2024, food inflation surged to 35.41% annually, up from 33.93% in December 2023. Additionally, the monthly food sub-index rose by 0.49%, reaching 3.21%. The heightened insecurity in Nigeria's food belt is significantly impacting domestic food production, leading to higher food prices. Moreover, the depreciation of the Naira is contributing to elevated imported food inflation.





Core Inflation Up 0.53% To 23.59%

Nigeria's core inflation sub-index (inflation less volatile items like food and energy), rose by 0.53% annually (reaching 23.59%) and by 0.42% monthly (reaching 2.24%). This rise primarily stems from continuous currency depreciation and expansion in money supply.



Spiralling Inflation - Possible Policy Decision

We expect inflation to maintain its upward trend in February, primarily due to persistent structural constraints and increased cost pressures. The MPC is scheduled to convene this month on February 26/27. The continued surge in inflation will compel the committee to consider raising the monetary policy rate as a measure to tackle inflationary pressures.

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