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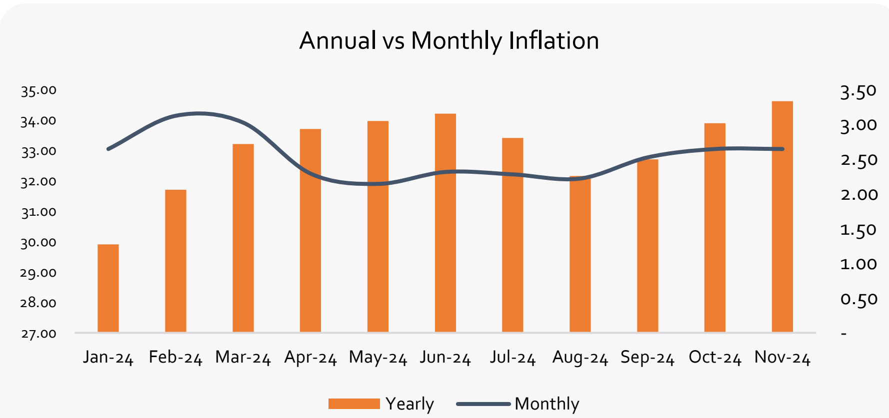
November 2024 INFLATION REPORT

INFLATION GALLOPS TO OVER 28-YEAR HIGH

Nigeria's inflation rate surged to a 28-year high of 34.6% in November 2024, surpassing the 33.88% recorded in the previous month, marking a 72-basis-point increase, according to the latest report from the National Bureau of Statistics (NBS).

The rise was attributed to escalating costs across both the core and food components of the Consumer Price Index (CPI).On a month-on-month basis, inflation held steady at 2.64%, matching the previous month's figure and maintaining its highest level in eight months. The sustained pressure on prices persists despite the Central Bank of Nigeria's (CBN) hawkish monetary policy stance, which has seen the benchmark interest rate raised to 27.50% year-to-date.

A breakdown of the report indicates that food inflation climbed by 77 basis points to 39.16%, underscoring the significant impact of food prices on overall inflation. Meanwhile, core inflation, which excludes volatile agricultural and energy prices, rose by 38 basis points to 28.75%. The sharper increase in food inflation highlights the disproportionate pressure from rising food costs on the CPI.



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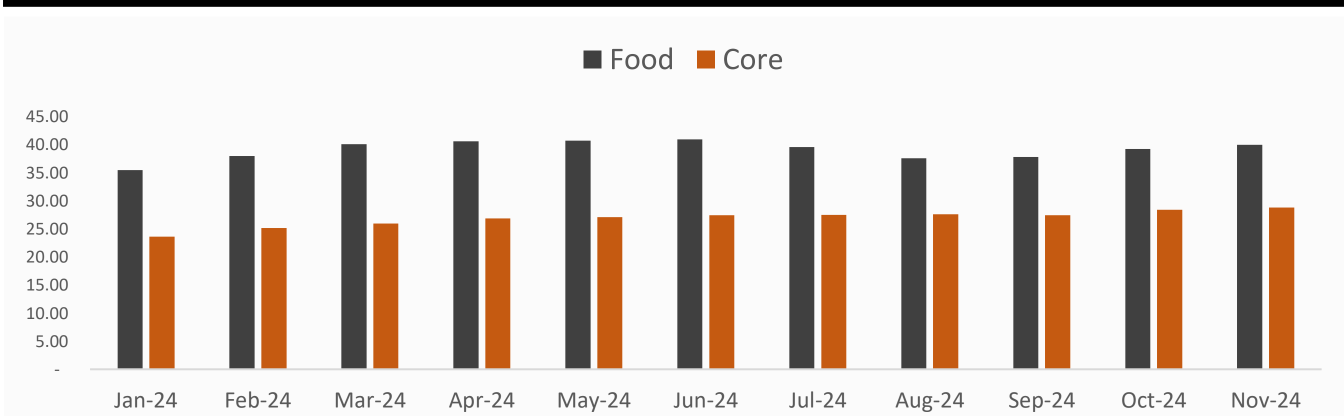
Food Inflation	39.93%
Core Inflation	28.75%
Urban Inflation	37.10%
Rural Inflation	32.27%

An analysis of inflation by divisions highlights the continued dominance of the food and non-alcoholic beverages category, which accounted for 17.92% of the annual inflation rate. This was followed by housing, water, electricity, gas, and other fuels, contributing 5.79%, while the clothing and footwear category added 2.65%. In contrast, the communication division had the smallest impact, contributing just 0.24% to overall inflation.

The surge in food inflation was largely driven by higher prices of staples and essential items, including bread, cereals, yams, cassava, oil, cocoa beverages, beer, vegetables, and palm oil. Within the core inflation segment, significant price increases were observed in accommodation services, road transport, and salon services, reflecting broader cost pressures in non-food sectors.

FOOD VS CORE INFLATION



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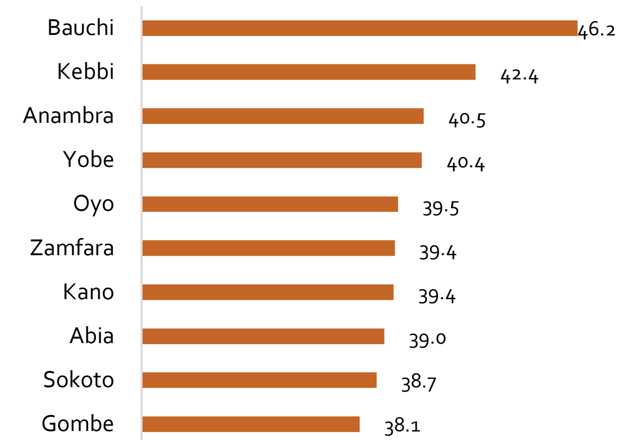
STATES WITH HIGHEST HEADLINE INFLATION



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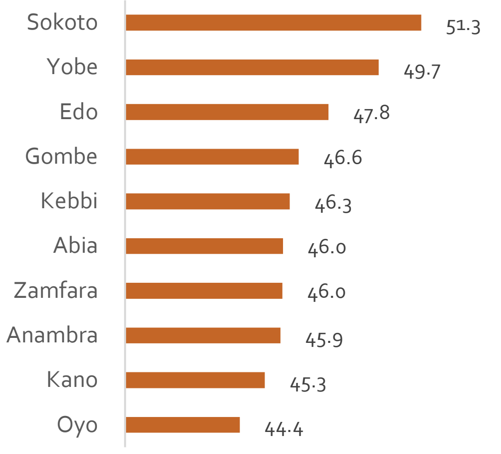
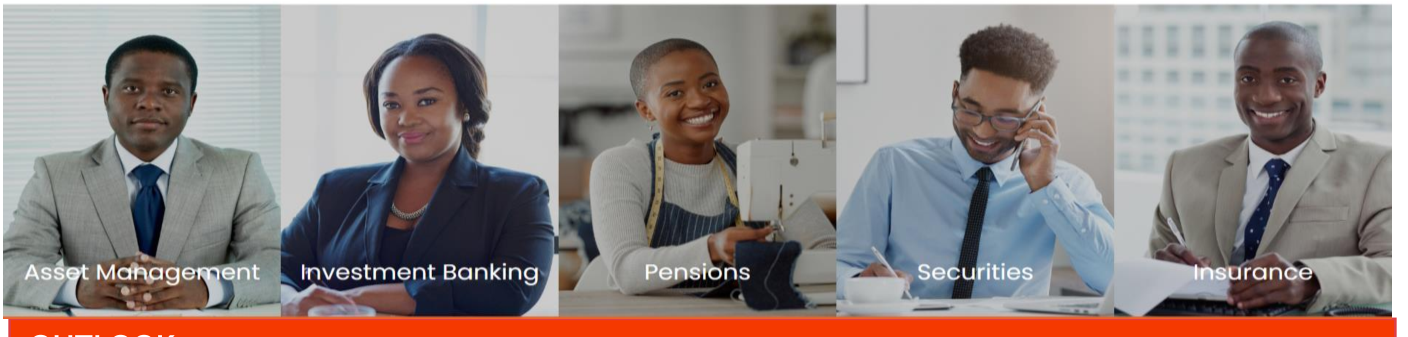
STATES WITH HIGHEST FOOD INFLATION



Inflation in the month of November 2024 showed significant regional disparities, with northern states continuing to bear the brunt of elevated inflationary pressures. Bauchi State recorded the highest inflation rate nationwide at 46.2%, followed by Kebbi at 42.4% and Yobe at 40.4%. Notably, Anambra in the South-East (40.5%) and Oyo in the South-West (39.5%) also ranked among the top five states, underscoring the geographical spread of severe cost pressures beyond the traditionally affected northern regions.

Conversely, southern states generally experienced relatively lower inflation rates. Delta State reported the lowest rate at 27.5%, followed by Benue at 29.0%. Katsina (29.6%) in the North-West, Imo (30.6%) in the South-East, and Ogun (30.8%) in the South-West rounded out the list of states with comparatively moderate inflation levels.



OUTLOOK

We forecast Inflation to rise to 35.1% in December 2024, driven by both structural and seasonal factors. The festive period, characterized by heightened consumer activity and frenzy buying for Christmas and New Year, is expected to amplify demand for food, transportation, and other essentials, further straining supply chains and pushing prices upward.

'Despite this seasonal surge, inflation is anticipated to moderate by the second quarter of 2025 due to base effects, reduced impacts of the fuel subsidy removal, and ongoing exchange rate stability, with the Naira trading between N1,550 and N1,600 to the dollar in recent weeks.

The Central Bank of Nigeria is likely to maintain its hawkish monetary policy stance, albeit cautiously, as it seeks to balance the growth and inflation trade-off following significant liquidity tightening in 2024. This approach signals a challenging yet potentially stabilizing macroeconomic outlook for the months ahead.