

HEADLINE INFLATION INCREASES TO 33.88%

...Food Inflation Remains Elevated Amid Supply Chain Disruptions

November 18, 2024

Economic Report

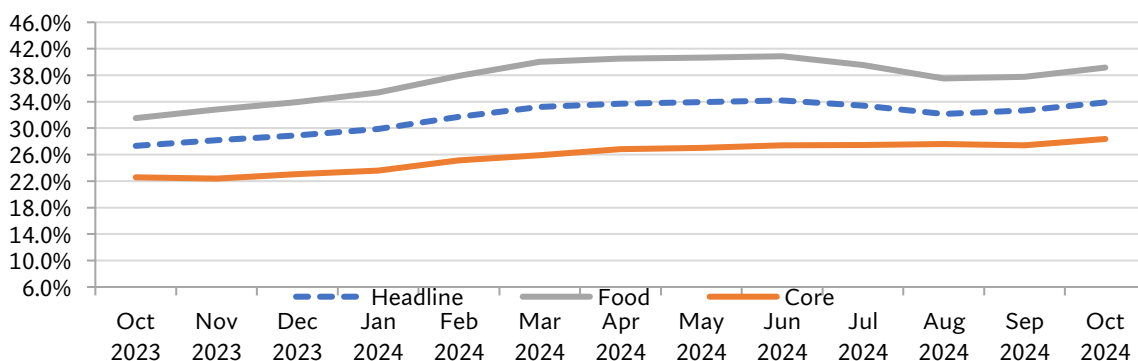
Highlights

As anticipated in our previous [report](#), Headline Inflation levels printed higher in October 2024. According to National Bureau of Statistics (NBS), Headline Inflation rose to 33.88% year-on-year, up from 32.70% in September 2024. On a month-on-month basis, Headline Inflation also climbed to 2.64% in October, compared to 2.52% in September, reaching its highest level since March 2024.

The sharp increase in Food Inflation was a key factor in the overall rise in Headline Inflation. Compared to September 2024, Food Inflation accelerated to 39.16% year-on-year, up from 37.77%. On a month-to-month basis, Food Inflation climbed by 12 basis points to 2.64%, from 2.52% in September. This notable surge was primarily caused by a combination of factors, particularly the ongoing food supply disruptions due to widespread flooding in the Northern region of the country. These floods are believed to have affected harvest cycles and supply chains, creating shortages of some essential food items. Additionally, the sharp increase in transportation costs, driven by higher fuel prices, contributed to significantly higher logistics cost.

Core Inflation followed a similar upward trajectory, rising to 28.37% year-on-year, compared to 27.43% in September 2024. Month-on-month, Core Inflation also edged higher, reaching 2.14%, up from 2.10% in September. The main contributor to the rise in Core Inflation was the 8% depreciation of the Naira in the official market (NAFEM). For context, the Naira closed at N1,675.49/\$ in October 2024, a drop from N1,541.94/\$ in September 2024. The weaker Naira increased the cost of imported goods and raw materials, placing upward pressure on production costs for non-food items. This, in turn, translated to higher prices for goods and services within the Core Inflation basket.

One-Year Inflation Trend



Sources: National Bureau of Statistics, WSTC Research.

**Outlook**

The Nigerian National Petroleum Corporation (NNPC) raised the price of Premium Motor Spirit (PMS) to N1,025 per litre as of October 30, 2024. This latest increase is anticipated to intensify inflationary pressures for the remainder of the year as elevated transportation and energy costs will likely push operational expenses higher for businesses, leading to higher prices of goods and services for consumers.

Food inflation is expected to remain stubbornly high, as we expect factors which include impact of the prolonged insecurity in the north on food supply, lingering impact of flood, and increased transportation cost to continue to drive up prices. Additionally, the soaring costs of agricultural inputs, particularly for poultry and livestock production, are likely to keep food prices elevated through the end of the year. Furthermore, the 150-day duty free waiver which could have provided some relief remains unimplemented likely due to bureaucratic delays. Consequently, we do not expect any significant reprieve from this measure in the foreseeable future.

Core inflation is also expected to escalate, fueled by the depreciation of the Naira and rising logistics costs. The weakening currency increases the cost of imported goods, while higher transportation expenses add to production and distribution costs. These burdens will likely be passed along to consumers, further driving up prices for goods and services across the economy. Overall, we project that headline inflation will reach 34.72% in November 2024.

Policy Implications

The Monetary Policy Committee (MPC) is scheduled to convene on November 25 and 26, 2024, and we expect the Committee to adopt a 25 - 50 basis point increase in the Monetary Policy Rate (MPR). While the impact of the rate hikes on the cost of capital for Companies remains a concern, our outlook for the MPR is underpinned by the monetary policy committee's reiterated commitment to curbing inflation and narrowing the negative real return.



Other Highlights

Indexes	Year-on-Year Change			Month-on-Month Change		
	Oct-24	Sep-24	Bps	Oct-24	Sep-24	bps
	%	%		%	%	
All-items Price Index	33.88	32.70	1.18	2.64	2.52	0.12
Food Index	39.16	37.77	1.39	2.94	2.64	0.30
Core Index	28.37	27.43	0.94	2.14	2.10	0.04
Urban All-items Index	36.38	35.13	1.25	2.75	2.67	0.08
Rural All-items Index	31.59	30.49	1.10	2.53	2.39	0.14

Source: National Bureau of Statistics, WSTC Research



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WSTC uses a 3-tier recommendation system for stocks under coverage: Buy, Hold, and Sell.

- Buy Rating: estimated fair value is $\geq 20\%$ above current market price.
- Hold Rating: estimated change in price is between -10% and 19% of current market price.
- Sell Rating: estimated change in price is $\leq -10\%$ of current market price.

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WSTC Securities Limited has its registered office at 2, Maitama Sule Street, South-West Ikoyi, Lagos, Nigeria.

Email: research@wstc.com.ng

Website: www.wstc.com.ng

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