Analyst's Note on: Nigeria's Inflation Report – November 2024

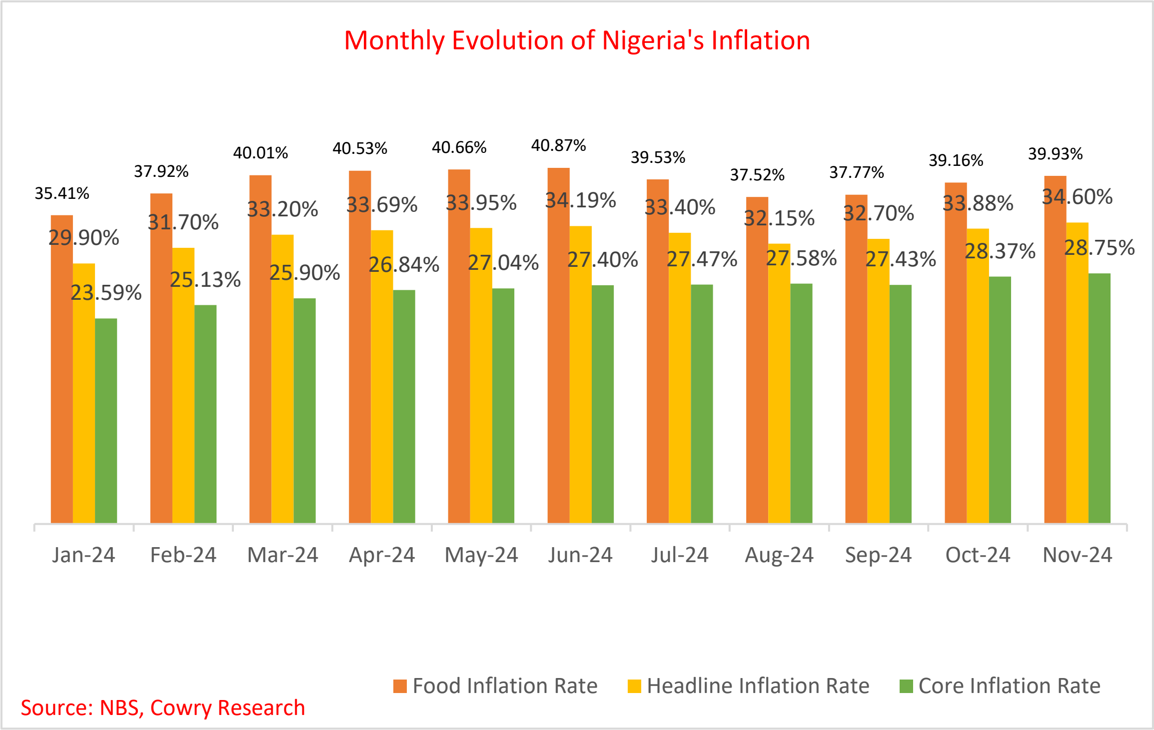
Inflation Snaps Further Uptick to 34.60% in November from Christmas Blues Price Expectations……

The latest Consumer Price Inflation (CPI) report published by the National Bureau of Statistics reveals a concerning surge in Nigeria's inflationary pressures. Headline inflation accelerated for the third consecutive month to 34.60% year-on-year in November 2024, surpassing the October figure of 33.88%. This represents a new 28-year high and highlights the deepening cost-of-living crisis in the country.

The rise in inflation, slightly exceeding expectations of 34.45%, is attributed to mounting food and energy prices, compounded by the persistent depreciation of the naira. On a month-on-month basis, the headline inflation rate for November was 2.638%. Although marginally lower than the 2.640% recorded in October, this subtle decline suggests only a slight deceleration in the pace of price increases, offering little relief to consumers.

Food inflation continues to be a significant driver of overall inflation. In November 2024, food inflation surged to 39.93% year-on-year, a sharp increase from 32.84% recorded in November 2023. This spike is largely due to rising prices of staple foods, ongoing insecurity, and recurrent flooding in key agricultural regions, which have disrupted food production and distribution.

On a month-on-month basis, food inflation rose to 2.98%, up from 2.94% in October, signalling intensifying pressures in this critical sector. Imported food inflation, which has been on an upward trajectory since 2019, accelerated further in November, reaching 42.29% from 40.96% in October. The increase reflects higher costs of imported commodities such as fish, rice, dairy products, and other essentials.



Core inflation, which excludes volatile items like food and energy, climbed to an all-time high of 28.75% year-on-year in November, up from 28.37% in the previous month. This persistent rise in core inflation reflects widespread and entrenched price pressures across various sectors of the economy. Notably, transportation inflation stood out, increasing to 30.54% year-on-year compared to 29.26% in October. This surge is directly linked to higher energy costs, driven by the complete removal of fuel subsidies. However, on a month-on-month basis, core inflation showed a slight decrease, easing to 1.83% in November from 2.14% in October.

Across the states, the disparity in inflationary trends remained pronounced. Bauchi, Kebbi, and Anambra recorded the highest year-on-year headline inflation rates in November at 46.21%, 42.41%, and 40.48%, respectively. In contrast, Delta, Benue, and Katsina recorded the lowest inflation rates, with Delta at 27.47%, Benue at 28.98%, and Katsina at 29.57%. On a month-on-month basis, Yobe, Kebbi, and Kano experienced the sharpest increases in headline inflation at 5.14%, 5.10%, and 4.88%, respectively, while Adamawa, Osun, and Kogi recorded the slowest monthly rises, with rates of 0.95%, 1.12%, and 1.29%.

Food inflation also exhibited significant regional variations. Year-on-year, Sokoto experienced the highest food inflation rate at 51.30%, followed by Yobe at 49.69% and Edo at 47.77%. On the other end, Kwara, Kogi, and Rivers recorded the slowest year-on-year food inflation rates, at 31.39%, 32.95%, and 33.27%, respectively. Month-on-month, Yobe again led the surge in food inflation with a 6.52% increase, while Kano and Kebbi followed with rates of 5.95% and 5.68%. In contrast, Borno, Adamawa, and Kogi recorded the slowest monthly increases in food inflation, at 0.76%, 0.90%, and 1.21%, respectively.

The persistence of high inflation in 2024 reflects deep-seated structural issues in Nigeria's economy. Despite the Central Bank of Nigeria's (CBN) tight monetary policy stance, including raising the benchmark interest rate to 27.50% in November, inflationary pressures have proven resistant. Structural bottlenecks such as inadequate infrastructure, high energy costs, and logistical inefficiencies continue to undermine the effectiveness of monetary policy measures, leaving consumers and businesses grappling with escalating costs.

Looking ahead, inflation is expected to rise further in December 2024, with Cowry Research forecasts suggesting a figure of 35.20% due to price increases from festive activities. Factors such as naira depreciation, high food prices, and sustained pressures from energy costs are likely to keep inflation elevated. While inflationary pressures may begin to moderate in 2025 due to base effects, the method of financing the Federal Government's projected budget deficit of N13.08 trillion for 2025 could create additional inflationary pressure.