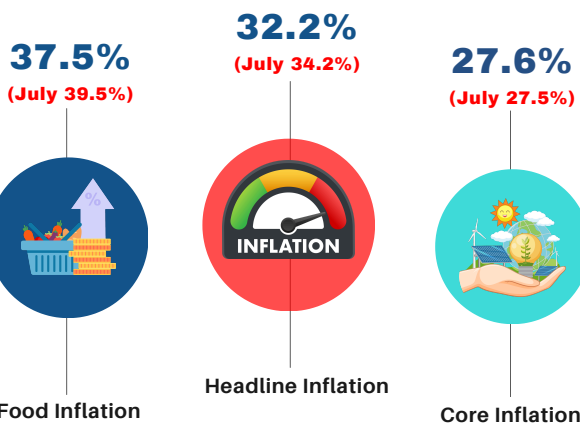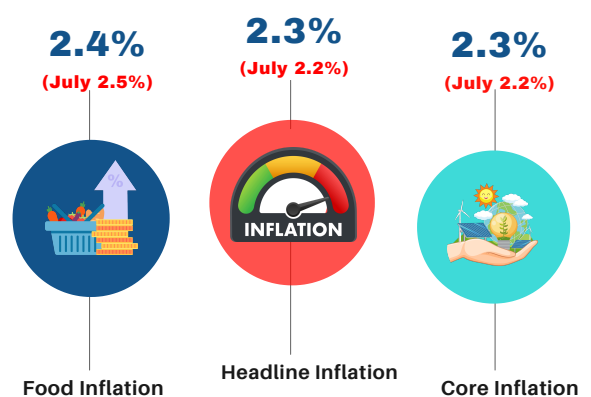# Breaking a 19-Month Rising Streak: Two Consecutive Declines Unveiled Inflation Eases to 32.2% in August 2024

Inflation rate in August (y-o-y)

37.5%
(July 39.5%)

Food Inflation

32.2%
(July 34.2%)

INFLATION

Headline Inflation

27.6%
(July 27.5%)

Core Inflation

Inflation rate in August (m-o-m)

2.4%
(July 2.5%)

Food Inflation

2.3%
(July 2.2%)

INFLATION

Headline Inflation

2.3%
(July 2.2%)

Core Inflation

The National Bureau of Statistics (NBS) reported a decline in headline and food inflation rates in August 2024, marking the second consecutive decrease after 19 months of continuous increase. However, despite this relief, all measures of inflation during this period remain significantly higher than the rates recorded in August 2023.

Inflation Drivers & Implication: The decline in headline inflation was largely driven by a 2 percentage points drop in food inflation in August 2024. This reduction resulted from the government's 150-day waiver on food import duties for staples like maize, wheat, rice, and cowpea. Despite this, ongoing structural issues—such as low agricultural output, insecurity, infrastructure deficits, and rising input and energy costs —will continue to exert upward pressure on inflation. Meanwhile, core inflation saw an increase of 11 basis points, primarily due to higher petrol prices from widespread fuel scarcity.

Rising prices have eroded household incomes and disrupted supply chains, driving up production costs and the final prices of goods. Additionally, many businesses, especially SMEs, have been forced to shut down due to limited power supply, relying on costly fossil-fuel generators as an alternative.

Inflation Outlook: Headline inflation is expected to stay high. However, a short-term slowdown may occur due to the seasonal agricultural harvest and the ongoing impact of the temporary food import waivers. These measures, designed to meet local demand, could help ease inflationary pressures. However, if structural challenges like energy crises and insecurity persist, upward inflation pressure will continue. At this point, the Monetary Policy Committee of the Central Bank of Nigeria is likely to approach monetary policy tightening cautiously in its September meeting, given the recent decline in headline and food inflation.