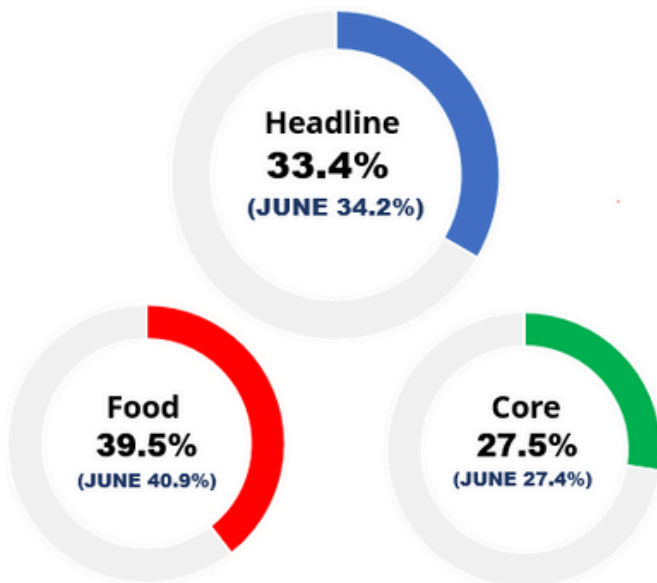
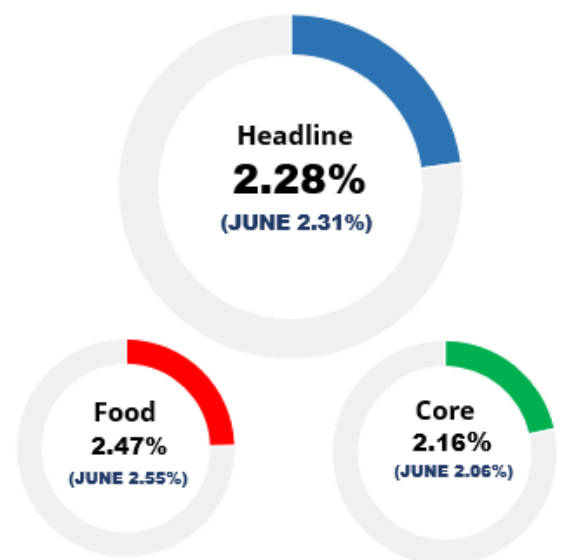


Breaking a 19-Month Rising Trend: Inflation Eases to 33.4% in July 2024

Inflation rate in July (y-o-y)



Inflation rate in July (m-o-m)



The National Bureau of Statistics (NBS) reported a decline in both headline and food inflation rates in July 2024, marking the first 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 July 2023.

Inflation Drivers & Implication: Overall, the drop in headline and food inflation can be attributed to the 150-day food import duty waiver on certain staple foods, including maize, wheat, husked rice, and cowpea. However, persistent structural bottlenecks, such as low agricultural production, insecurity, infrastructural deficits, high input costs, and rising energy costs (including cooking gas prices), will continue to induce upward inflationary pressures.

Rising prices have weakened disposable income, negatively affecting consumer goods segments. Additionally, businesses, particularly SMEs, continue to face high operating costs as they are confronted with constrained power supply and resort to alternative expensive fossil-fuel generators.

Inflation Outlook: Looking ahead, the headline inflation rate is expected to remain elevated, though a near-term slowdown is anticipated due to the seasonal agricultural harvest and the persistent impact of the imported food waiver. These measures, aimed at meeting local demand, could potentially alleviate inflationary pressures. However, if the highlighted structural issues persist, the upward pressure on inflation is likely to continue. The Monetary Policy Committee of the Central Bank of Nigeria is expected to remain cautious about monetary policy tightening at its next meeting in September 2024 considering the recent fall in headline and food inflation.