

Inflation remains biased to the upside

According to the National Bureau of Statistics (NBS), the consumer price index for September rose by 55bps to 32.7% YoY, outpacing our estimate by 40bps. Dissecting the key driver of this performance, we note that the accretive benefit from the onset of harvests in the southern and northern parts of the country, which helped to moderate the food basket for two consecutive months, was offset by lower farm yields due to flooding and security challenges in northern Nigeria. According to FEWSNET, heavy rainfall recorded in August and September led to flooding of c.342,000 hectares of farmland up north. Consequently, the food index printed at 37.8% YoY, 25bps higher than the previous month.

Elsewhere, core inflation moderated by 15bps to 27.4% in September. This outcome was unexpected, as we had anticipated that the upward review of PMS prices in September would add c.20bps to the core index.

In the coming months, we anticipate an uptick in core inflation, as further increases in PMS prices are likely to pressure the energy and transport inflation. Currently, PMS prices are above N1,000.00 in most states in the country.

Meanwhile, while we had initially expected some respite for food inflation in October, the lagged impact of flooding and security challenges may likely keep food prices elevated. Overall, we project that headline inflation will reach 33.0% in October 2024 vs 32.7% in September 2024.

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Figure 1: Higher food prices drove headline inflation

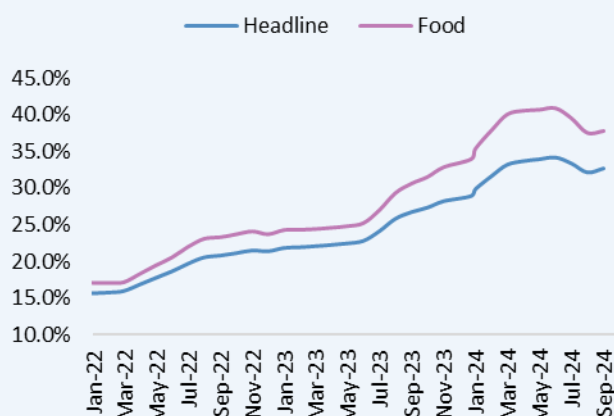
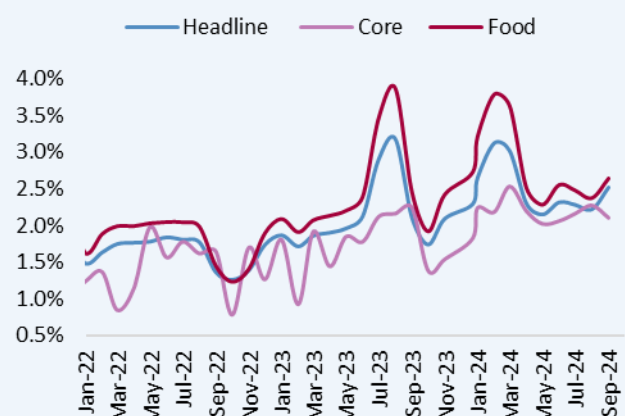


Figure 2: Core inflation moderated MoM



Sources: NBS, CBN, FEWS NET, CardinalStone Research

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