

## Coronation Economic Flash Note

### INFLATION REPORT – MAY 2024

**The NBS has released its May inflation report to show;**

**Headline rate:** 34%y/y (33.7% in April)

**Core rate:** 27% y/y (26.8%)

**Food rate:** 40.7% y/y (40.5%)

- May's headline inflation increased by +26bps (when compared with the previous month) to 34% y/y.
- Meanwhile, on a month-on-month basis, headline inflation eased by -15bps to 2.1% from 2.3% recorded in the previous month. Notably, month-on-month headline inflation maintained a downward trend for the third consecutive month since February '24. This can be partly attributed to the ongoing restrictive monetary stance of the CBN.
- Food inflation (40.7%) recorded an increase of +13bps when compared with the previous month. The highest increases were recorded in the prices of bread, cereals, oil and fat, meat, fish, potatoes, yam, and other tubers. On a y/y basis, imported food price inflation increased by +80bps to 34.8% y/y from 34% y/y recorded in the previous month. In May, the NGN/USD recorded a -6.8% m/m depreciation in the NAFEM window.
- Core inflation increased by +20bps to 27% y/y from 26.8% y/y recorded in the previous month. Inflationary pressure was felt across passenger transport by road, medical services, housing, and medical service. The *housing water, electricity, gas, and other fuel* segment increased to 29.6% y/y. However, it declined to 2.1% m/m compared with 2.4% recorded in April '24. The transport segment also recorded an increase of 25.6% y/y and 2.4% m/m.
- From state government perspectives, the NBS data shows that Bauchi state recorded the highest inflation level at 42.3% y/y during the period, while Borno state recorded the lowest at 26% y/y. It is worth noting that household baskets vary across states due to different consumption patterns.
- At the last MPC meeting, the committee raised the policy rate by +150bps to 26.25%. The next MPC meeting is scheduled to hold on July 22<sup>nd</sup> and 23<sup>rd</sup> of July '24. We anticipate a moderate hike (+50bps to +100bps) or a hold stance.
- In addition to monetary policy tightening, particularly to combat the cost-push effects, the FGN should focus on enhancing supply chain efficiency and improving infrastructure. Investing in energy sector reforms to ensure stable and affordable power supply, promoting local production of goods to decrease reliance on imports, and implementing agricultural policies to boost food production can also help mitigate the impact of rising costs on inflation. Looking ahead, we expect Nigeria's headline inflation to remain above 30% in the coming month.

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