HEADLINE INFLATION DECREASES TO 23.71%

...A Pause in the Climb

May 16, 2025 *Economic Report*

Highlights

Contrary to our expectation of a sustained uptick in Headline inflation, the data released by the National Bureau of Statistics (NBS) showed moderation. Headline inflation printed at 23.71% in April 2025, down from 24.23% in March 2025, reflecting a 52-basis point moderation. On a month-on-month basis, the easing was even more pronounced, as Headline inflation declined from 3.90% in March to 1.86% in April.

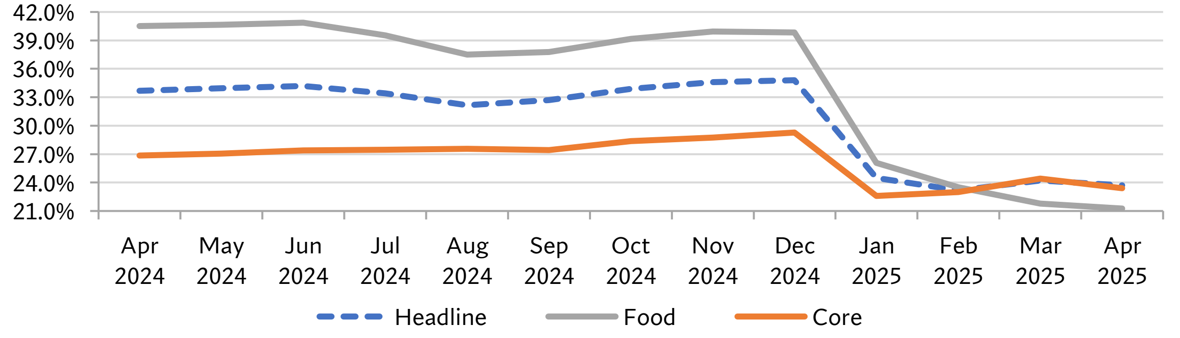
Food Inflation, the primary driver of the moderation, showed notable improvement. On a year-on-year basis, food inflation fell to 21.26% in April, down 53 basis points from 21.79% in March. According to NBS, this decline was technically due to the change in base year. Month-on-month, food price pressures also eased slightly. Food inflation printed at 2.06% in April, marking a 12-basis point decline from 2.18% recorded in March. The NBS attributed this moderation to reduced prices in key food items such as rice, brown beans, yam flour, maize flour, soya beans, and dried okra, among others.

Despite a 4.27% depreciation in the Naira, which averaged N1,595/$ in April, compared to N1,526/$ in March, Core inflation still showed significant moderation. Year-on-year, core inflation declined to 23.39%, easing by 104 basis points from 24.43% in March, while month-on-month figures dropped from 3.73% in March to 1.34% in April. This unexpected decline highlights underlying improvements in non-food segments of the economy.

We believe that a major contributor to this broad-based inflation moderation was the reduction in petrol prices. On April 9, 2025, the policy allowing local refiners to purchase crude oil in Naira (rather than Dollars) was reinstated. This led to a significant cut in the ex-depot price of petrol by Dangote Refinery, from N925–N950 per litre to N835 per litre as of April 16, 2025. In addition, NNPC also effected a price reduction from N925 to N950 to N880 – N935. In addition to domestic policy changes, global market dynamics also played a role. For context, the international price of crude oil fell from $70.87 per barrel as of March to $60.20 by the end of April, further reinforcing the downward trend in local petrol prices.

These reductions likely eased logistics costs across the food supply chain, contributing to the slowdown in food price increases. Beyond food, the lower petrol prices also helped reduce transportation and fueling costs, providing further relief across several core components of the inflation basket.

Year Inflation Trend



Sources: National Bureau of Statistics, WSTC Research

Outlook

The outlook leans cautiously optimistic. The recent drop in fuel prices, driven by the reinstated crude-for-Naira policy, could help sustain the disinflation trend in the near term. If maintained, this could continue to ease logistics, food, and transport costs, reinforcing the slowdown in both food and core inflation.

As of May 15, global oil prices climbed to $62.58 per barrel, up from $60.20 in April. This rebound presents a potential inflationary risk. If sustained, higher crude prices could raise the cost of refined imports and put upward pressure on local fuel prices.

However, downside risks remain. The Naira has depreciated by another 1% as of May 15. Any acceleration in the weakening could intensify imported inflation pressures, particularly for goods and services heavily reliant on foreign exchange. Additionally, it could limit the pace of disinflation, particularly in core inflation categories.

More critically, May marks the beginning of Nigeria's main planting season, which typically runs through June. This period often leads to a temporary dip in food supply, keeping food prices elevated despite recent improvements in distribution costs. Additionally, the persistent food insecurity issues in key food-producing regions pose an additional threat to food supply stability.

In summary, while the latest data offers some relief, the inflation path remains vulnerable to currency pressures, seasonal effects and structural weaknesses in the food supply chain.

Policy Expectations

With inflation showing mixed signals in the first four months of 2025, we expect the Monetary Policy Committee (MPC) to maintain a cautious stance at its May 19–20 meeting. While April's moderation offers some relief, underlying risks such as fresh currency depreciation, global oil price rebound, and food supply concerns - could limit further disinflation. Overall, the Committee is likely to hold the policy rate steady as it monitors the sustainability of recent gains, especially given the volatility in key inflation drivers. In our view, a policy pause provides room for clearer data before any potential shift in direction.

Other Highlights

Indexes	Year-on-Year			Month-on-Month		
	Apr-25	Mar-25	Change	Apr-25	Mar-25	Change
All-items Price Index	23.71%	24.23%	-0.52%	1.86%	3.90%	-2.04%
Food Index	21.26%	21.79%	-0.53%	2.06%	2.18%	-0.12%
Core Index	23.39%	24.43%	-1.04%	1.34%	3.73%	-2.39%
Urban All-items Index	24.29%	26.12%	-1.83%	1.18%	3.96%	-2.78%
Rural All-items Index	22.83%	20.89%	1.94%	3.26%	3.73%	-0.47%

Sources: National Bureau of Statistics, WSTC Research

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