HEADLINE INFLATION EASES TO 22.97%

... Inflation Cooling, But Food Prices Remain Elevated

June 18, 2025 *Economic Report*

Highlights

Nigeria's Headline Inflation eased for the second consecutive month in May 2025, settling at 22.97%, down from 23.71% in April 2025. This was disclosed in the consumer index report for May 2025, released by the National Bureau of Statistics (NBS). On a month-on-month basis, Headline Inflation slowed to 1.53%, compared to 1.86% in April 2025, suggesting some softening in the rate of price increases across major consumption categories. This indicates that while prices continue to rise, they did so at a slower pace.

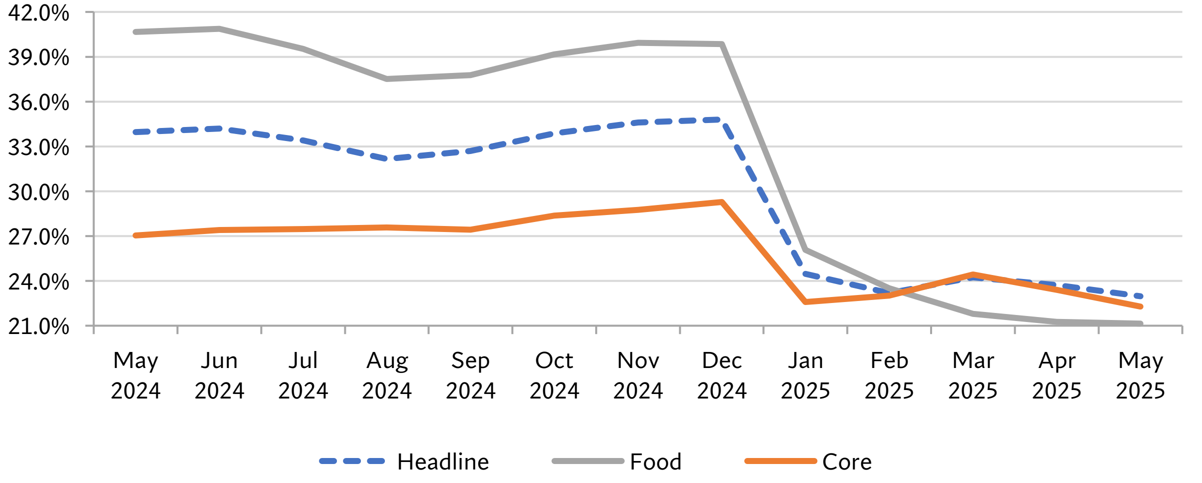
The decline in Headline Inflation in May 2025 can be attributed to the relative exchange rate stability as the naira recorded a modest 0.66% month-on-month appreciation - this stability helped maintain imported Inflation. This was reflected in the decline of the imported food Consumer Price Index (CPI), which fell slightly by 1%. The limited pressure from FX movements provided relief for businesses reliant on imported inputs, helping to dampen overall cost pressures.

Food Inflation, a critical driver of Headline Inflation, printed at 21.14% year-on-year, slightly below the April 2025 figure of 21.26% and far lower than the high base of 40.66% in May 2024 (due to rebasing). However, food Inflation on a month-on-month basis printed at 2.19% compared to 2.06% in April, up by 12 basis points. This uptick is linked to the frontloading of food purchases ahead of the Eid el-Kabir celebrations in June 2025.

Core Inflation (all items less farm produce and energy) slowed further to 22.28% on a year-on-year basis, down from 23.39% in April, lower than 27.04% in May 2024, a decline of 4.76%. On a month-on-month basis, core inflation eased to 1.10%, down by 23 basis points from 1.34% in April 2025. The deceleration reflects the stabilisation in the prices of housing-related services, medical care, and transport costs. Furthermore, the impact of Dangote Refinery's price reductions implemented in April continued to flow through the economy in May.

Additionally, recent reports and data from the NBS price tracking platform indicate a cooling trend in food prices across urban areas. This aligns with the latest inflation figures, which showed a sharp decline in urban food inflation to 23.14% in May, down significantly from 24.29%, a 1.15% drop.

Year Inflation Trend



Sources: National Bureau of Statistics, WSTC Research

Outlook

The inflation outlook for June 2025 is shaped by a mix of external and domestic factors. As of the date of this report, global crude oil prices have climbed to $76.77 per barrel up from $63.90 in May 2025, driven by geopolitical tensions in the Middle East. While this may boost Nigeria's external reserve buffers, the benefit is limited by modest crude output, still hovering between 1.40–1.60 mbpd. More critically, rising oil prices risk pushing up the cost of imported refined fuel - a key inflation trigger in Nigeria, especially with Dangote Refinery's output pegged to global benchmarks. However, this inflationary risk is somewhat balanced by recent positive movements in the foreign exchange market.

Since early June, the Naira has strengthened, averaging N1,586.18/$ in the parallel market and N1,558.08/$ at NAFEM, supported by increased FX inflows - including the $580 million injected by the CBN. This currency appreciation, if sustained, could help moderate inflation by lowering the cost of imports and easing pressure on businesses dependent on foreign inputs.

Looking ahead, inflation for June is expected to moderate slightly, supported by currency gains and tighter monetary conditions. However, for the rest of H2 2025, the direction of inflation will depend heavily on sustained FX stability, oil supply to local refineries, and fiscal discipline. Without consistent FX inflows and progress on local fuel production, inflationary pressures may resurface in the second half.

Other Highlights

Indexes	Year-on-Year			Month-on-Month		
	May-25	Apr-25	Change	May-25	Apr-25	Change
All-items Price Index	22.97%	23.71%	-0.74%	1.53%	1.86%	-0.33%
Food Index	21.14%	21.26%	-0.12%	2.19%	2.06%	0.13%
Core Index	22.28%	23.39%	-1.11%	1.10%	1.34%	-0.24%
Urban All-items Index	23.14%	24.29%	-1.15%	1.40%	1.18%	0.22%
Rural All-items Index	22.70%	22.83%	-0.13%	1.83%	3.56%	-1.73%

Sources: National Bureau of Statistics, WSTC Research

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