

HEADLINE INFLATION DECREASES TO 23.18%

...Softer Landing Post-Rebasing

March 18, 2025

Economic Report

Highlights

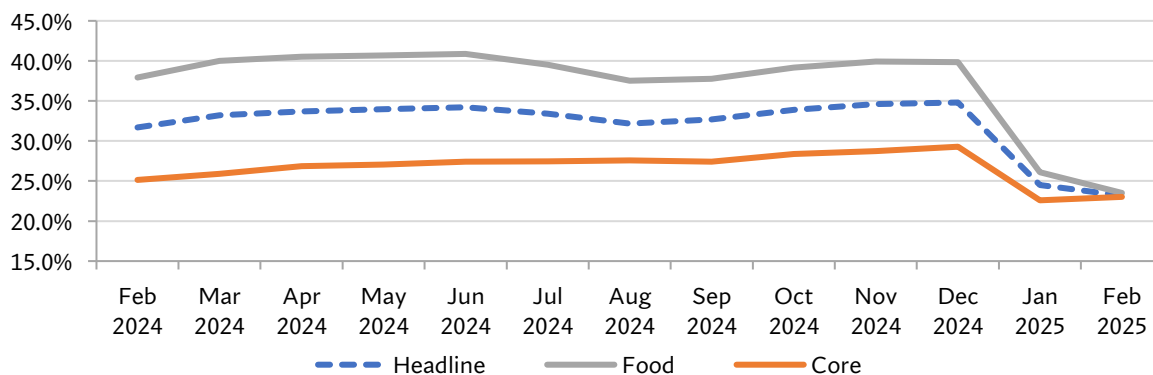
Two months post-implementation of the rebasing, the trajectory of Headline Inflation continues to trend downward, providing some relief to the economic landscape. Data from the National Bureau of Statistics (NBS) revealed that year-on-year Headline Inflation for February 2025 stood at 23.18%, marking a 1.30% reduction from the 24.48% reported in January 2024. The month-on-month slowdown was even more pronounced, with Headline Inflation decreasing dramatically from 10.68% to 2.04%.

Food Inflation printed at 23.51%, representing a 2.57% decline from 26.08% in January 2025. As stated by NBS, this decline is due to the change in the base year. On a month-on-month basis, the deceleration also stood out, plummeting to 1.67% from 10.33% in January 2025. The slowdown in food inflation was primarily due to a slower growth in farm produce prices, with specific drops in average prices for items such as Yam, Potatoes, Soybeans, Maize Flour, and Cassava. Furthermore, we opine that a significant factor that contributed to the observed decline was the reduction in fuel prices implemented by Dangote Refinery during the month. This reduction is believed to have alleviated transportation and logistics costs associated with food distribution.

Additionally, in February 2025, the Naira experienced a slight appreciation, with the exchange rate averaging N1,501/\$ (vs January N1,536/\$). This resulted in a moderation in the rate of increase for imported food products.

While Core Inflation exhibited a slight uptick, increasing by 42 basis points to 23.01% from 22.59% in January 2025, we observed that the month-on-month figure followed the moderating trend. On a month-on-month basis, the Core Inflation printed 2.52% from January's 10.87%, and this in our view also reflects the impact of Naira appreciation and fuel prices.

One-Year Inflation Trend



Sources: National Bureau of Statistics, WSTC Research



Outlook

By March 2025, Core inflation is expected to ease further, driven by recent shifts in the energy sector. The ongoing price war between Dangote Refinery and NNPC has pushed fuel prices lower, a trend that will likely soften inflationary pressures on transportation and energy costs, providing broader relief to consumers and businesses alike.

However, it is important to note that, as of mid-March 2025, the Naira experienced a 2% depreciation in the NAFEM market and a 5% in the parallel market. Given this backdrop, our outlook remains cautious, as sustained Naira depreciation could undermine the potential benefits of lower fuel prices.

On Food Inflation, we anticipate that the decline in fuel prices will positively impact logistics and transportation costs for food products nationwide. Nonetheless, persistent structural challenges including ongoing security issues, inadequate transportation infrastructure, and suboptimal storage facilities, may limit the extent of this impact.

Other Highlights

Indexes	Year-on-Year			Month-on-Month		
	Feb-25	Jan-25	Change	Feb-25	Jan-25	Change
All-items Price Index	23.18%	24.48%	-1.30%	2.04%	10.68%	-8.64%
Food Index	23.51%	26.08%	-2.57%	1.67%	10.33%	-8.66%
Core Index	23.01%	22.59%	0.42%	2.52%	10.87%	-8.35%
Urban All-items Index	25.15%	26.09%	-0.94%	2.40%	11.19%	-8.79%
Rural All-items Index	19.89%	22.15%	-2.26%	1.16%	9.47%	-8.31%

Sources: National Bureau of Statistics, WSTC Research



Disclaimer & Disclosures

The value of any investment is subject to fluctuations, i.e. may rise and fall. Past performance is no guide to the future. The rate of exchange between currencies may cause the value of an investment to increase or decrease. Hence investors may not get back the full value of their original investment.

Investment Recommendation

WSTC uses a 3-tier recommendation system for stocks under coverage: Buy, Hold, and Sell.

- Buy Rating: estimated fair value is $\geq 20\%$ above current market price.
- Hold Rating: estimated change in price is between -10% and 19% of current market price.
- Sell Rating: estimated change in price is $\leq -10\%$ of current market price.

This document is not an offer to buy or sell any security. This document does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The appropriateness of a particular investment will depend on an investor's circumstances and objectives. The investments and shares referred to in this document may not be suitable for all investors.

This document is based on information WSTC Securities Limited (WSTC Securities) received from publicly available reports and industry sources. WSTC Securities may not have verified all of this information with third parties. Neither WSTC Securities nor its shareholders, directors, employees or advisors can guarantee the accuracy, reasonableness or completeness of the information received from any sources consulted for this publication; and neither WSTC Securities nor its shareholders, directors, employees or advisers accept any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document. This document is not to be relied upon and should not be a substitute for the exercise of independent judgment.

This document includes certain statements, estimates and projections concerning the anticipated future performance of securities listed on the Nigerian Exchange and as to the market for these shares. Such statements, estimates and projections are based on information that we consider reliable and may reflect various assumptions made concerning anticipated economic developments, which have not been independently verified and may or may not prove correct. No representation or warranty is made as to the accuracy of such statements, estimates and projections or as to their appropriateness for the purpose intended and it should not be relied upon as such. Opinions expressed are current opinions as of the date appearing on this material only and may change without notice. Other third parties may have issued other reports that are inconsistent with and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them.

This document is for information purposes only and private circulation. No portion of this document may be reprinted, sold or redistributed without the written consent of WSTC Securities.

Additional information on recommended securities/instruments is available on request.

WSTC Securities Limited is a Trading License Holder of the Nigerian Exchange Limited (NGX) and is registered with the Securities & Exchange Commission (SEC) as a Broker/Dealer to conduct Securities Brokerage & Dealing in Nigeria. Therefore, we may deal in any securities listed on the NGX.

WSTC Securities Limited has its registered office at 2, Maitama Sule Street, South-West Ikoyi, Lagos, Nigeria.

Email: research@wstc.com.ng

Website: www.wstc.com.ng

© WSTC Securities Limited 2025.