# Analyst's Note on: Nigeria's Inflation Report – February 2025

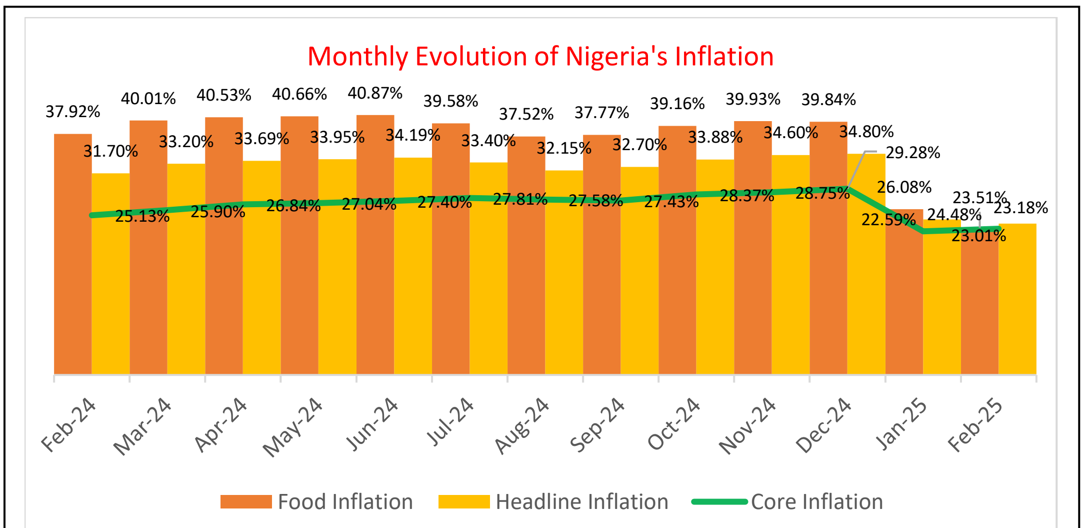
## Another Decline in Hounds of Inflation to 23.18 % in February Amid Stabilizing Factors……

From the latest consumer price index (CPI) report published by Nigeria's National Bureau of Statistics, February 2025 witnessed a notable deceleration in Nigeria's inflation for the second straight month following the rebasing of the CPI basket and a relatively stable Naira. The inflation rate moderated year on year to 23.18% from 24.48% in January 2025, marking a 1.30 percentage point decrease. This downward trend is more pronounced in the year-on-year comparison, with inflation dropping by 8.52 percentage points from the 31.70% recorded in February 2024. While this signals a disinflationary phase, the month-on-month (MoM) inflation rate remained positive at 2.04%, highlighting the persistence of short-term cost pressures and ongoing supply-side constraints.

Following the rebasing of the CPI basket, the trend in Nigeria's inflation has witnessed sharp decline for the second consecutive month and showing a slow and downtrend in price increases in Nigeria due to base year effect. Though, prints in double digits and sits above the CBN target of 6-9%, the current trend of disinflation comes despite the weakening Naira and disruption in the supply chain system in Nigeria.

A look at the primary driver of the headline index, the food inflation followed a similar downward trend, settling at 23.51% year-on-year (YoY), a sharp decline from 37.92% in February 2024. This significant moderation is largely attributable to the recent base year revision, which recalibrated the inflation measurement framework. However, despite this statistical adjustment, food inflation remains a key determinant of household financial stress. Month-on-month, food inflation slowed to 1.67%, suggesting a further easing in price acceleration compared to the prior month.

Price declines in staple commodities such as yam tubers, potatoes, soya beans, maize flour, cassava, and Bambara beans played a pivotal role in the downward trend. Nevertheless, the twelve-month average annual food inflation rate stood at 34.74%, 4.67 percentage points above the 30.07% recorded in the corresponding period last year. This suggests that while food price growth is slowing, it remains at structurally high levels, continuing to strain consumer purchasing power and necessitating policy interventions to ensure sustainable price stability.



Source: NBS, Cowry Research

Core inflation, which excludes volatile food and energy components, stood at 23.01% in February 2025, marking a decline from 25.13% a year earlier. The 2.12 percentage point drop suggests that inflationary pressures have eased across broader economic sectors. However, the monthly reading shows that core inflation came at 2.52%, indicating that price pressures in essential non-food categories remain entrenched. This is reflective of persistent cost-push factors such as exchange rate volatility, supply chain inefficiencies, and rising production costs in key sectors.

Inflationary trends also varied markedly across different states, with Edo recording the highest YoY inflation rate at 33.59%, followed by Enugu at 30.72% and Sokoto at 30.19%. These states experienced heightened inflationary pressures, likely driven by logistical constraints, supply-demand imbalances, and regional economic conditions. Conversely, Kaduna (15.45%), Akwa Ibom (15.53%), and Plateau (15.74%) recorded the lowest inflation rates, suggesting relatively stable price conditions. MoM inflation data further revealed stark variations. Sokoto (11.98%), Kogi (11.38%), and Edo (8.87%) saw the most pronounced price jumps, while Kaduna (-8.83%), Ondo (-4.78%), and Plateau (-3.73%) recorded declines, indicating pockets of localized relief driven by temporary supply improvements or policy interventions.

State-level food price trends also exhibited significant disparities. Sokoto led with the highest YoY food inflation at 38.34%, followed by Edo (35.08%) and Nasarawa (33.53%). In contrast, Adamawa (12.18%), Ondo (13.66%), and Oyo (15.55%) recorded the slowest increases, possibly reflecting better agricultural output or improved supply chain efficiencies. The monthly reading reinforced this regional divergence. Sokoto (18.83%), Nasarawa (15.32%), and Kogi (11.65%) saw the highest food price jumps, suggesting persistent supply-side disruptions. Conversely, Ondo (-9.81%), Kaduna (-8.91%), and Oyo (-6.42%) recorded notable declines, potentially due to seasonal harvests, temporary subsidies, or localized market interventions.

Inflation has remained a key issue globally, prompting many central banks to adopt a hawkish stance as rising costs and inflationary pressures continue to impact economies. In Nigeria, however, we have observed a downward trend across all indexes and monthly readings, indicating a positive easing of inflationary pressures. This is attributed to factors such as a stable currency, potential market interventions, and seasonal effects.

Looking ahead, Nigeria's headline inflation is expected to maintain its downward trajectory with minimal disruption, mainly due to high-base effects and a relatively stable local currency. Furthermore, steady fuel prices will reduce a significant driver of inflation by moderating logistics and transportation costs. Food prices are also anticipated to stabilize in the coming months, helping to ease cost-of-living pressures. A reduction in the volatility of the Naira will additionally assist in stabilizing import costs, which should further alleviate inflationary pressures. After considering the factors that contributed to the 23.18% inflation in February 2025, Cowry Research forecasts a slight increase in the headline inflation to 23.40% in March 2025, to be driven by seasonal purchases and expected price hikes linked to Ramadan and Easter festivities.