April 16, 2025

Analyst's Note on: Nigeria's Inflation Report – March 2025

Inflation Makes a Forceful Reversal to 24.23% in March 2025 on Festive Blues……

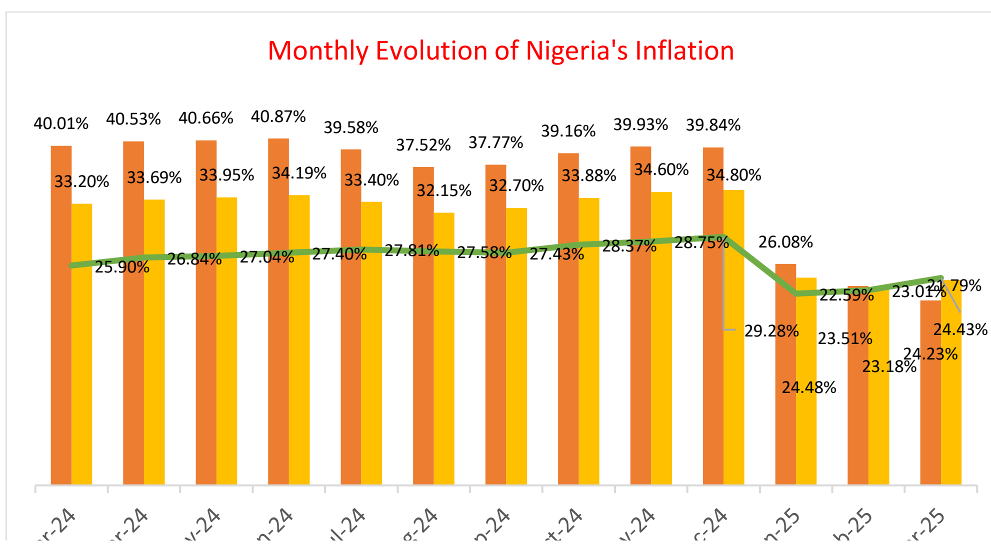
Latest NBS report on Nigeria's CPI shows that in March 2025, the headline inflation rate rose to 24.23% relative to the February 2025 headline inflation rate of 23.18% and ahead of Cowry's projection for 23.40% for March 2025. Looking at the movement, this comes following two consecutive months of downtrend after the CPI rebasing efforts and the March 2025 headline inflation rate showed an increase of 1.05% compared to the February 2025 headline inflation rate and was due to factors such as currency depreciation, price hikes from seasonal purchases and increase in PMS.

Month-on-month, the inflation rate climbed by 3.90% in March 2025, representing a 1.85 percentage points higher than the 2.04% recorded in February. This steep month-on-month acceleration suggests that not only are prices high on a year-on-year basis, but the rate of change is intensifying in the short term. The implication is clear: inflation is not just stubbornly high, it is also speeding up. This reveals the impact of cost-push factors, supply-side rigidities, and weakening currency fundamentals.

At the divisional level, Food and Non-Alcoholic Beverages remained the largest contributor to the headline index, accounting for over 50% of the divisional drivers. Other notable contributors include Restaurants and Accommodation Services (2.99%), Transport (2.47%), and Housing, Water, Electricity, Gas, and Other Fuels (1.95%). These categories directly impact daily living and indicate broad-based inflationary pressures across essential consumption items. Education (1.44%) and Health (1.40%) also showed significant contributions, reflecting deeper cost-of-living concerns and rising service sector inflation.

Food inflation remained a key concern. On a year-on-year basis, it stood at 21.79% in March 2025. Month-on-month, food inflation rose to 2.18%, up from 1.67% in February. The uptick was driven by increases in the average prices of staple items and core elements of the Nigerian food basket such as fresh ginger, yellow garri, Ofada rice, honey, crabs, potatoes, plantain flour, periwinkle, and fresh pepper. Rising costs in these staple items amplify food insecurity and erode household purchasing power.

Core inflation, which excludes volatile agricultural products and energy prices, stood at 24.43% year-on-year in March 2025. On a month-on-month basis, core inflation surged to 3.73%, 1.21 percentage points higher than the 2.52% recorded in February. The rise in core inflation is particularly concerning as it reflects underlying inflationary pressures not tied to seasonal food volatility. It also implies a higher level of price persistence, suggesting that inflationary expectations are becoming more entrenched. This complicates the Central Bank's task of price stabilization and raises the risk of prolonged inflationary cycles.



At the state level, the data revealed widening regional disparities in price trends. Kaduna (33.33%), Osun (32.08%), and Kebbi (30.74%) recorded the highest headline inflation rates on a year-on-year basis, indicating intense cost pressures in the northern and southwestern belts. Conversely, Akwa Ibom (12.81%), Bayelsa (14.02%), and Sokoto (14.83%) recorded the lowest year-on-year increases, suggesting more subdued inflation in parts of the south-south and far north.

On a month-on-month basis, Kaduna (18.85%), Osun (16.49%), and Oyo (14.44%) recorded the sharpest inflation spikes, far above the national average, while Sokoto (-8.66%), Nasarawa (-4.38%), and Kwara (-3.69%) recorded rare month-on-month deflations. This divergence in short-term price behaviour likely reflects differences in state-level supply chains, local market dynamics, and possibly administrative interventions.

Food inflation by state also presented a mixed picture. Oyo (34.41%), Kaduna (31.14%), and Kebbi (30.85%) posted the highest year-on-year food inflation rates, again reinforcing the narrative of regionally concentrated price shocks. On a month-on-month basis, food inflation was highest in Oyo (19.74%), Kaduna (17.24%), and Kebbi (14.03%), while Sokoto (-14.10%), Nasarawa (-9.91%), and Edo (-5.78%) recorded sharp declines in food price growth, likely reflecting seasonal food availability or localized price corrections.

The March 2025 inflation data paints a worrying picture of reversal in prices, persistent core inflation, and regional inflation divergence. Domestically, food inflation is expected to rise significantly, driven largely by seasonal supply tightening and the worsening security situation in key agricultural belts such as Niger, Zamfara, and Katsina, where farmer-herder clashes and banditry continue to disrupt cultivation and transportation. In the external environment, the global oil price slump, triggered by lower demand projections from China and other major economies, has weighed on Nigeria's oil earnings and foreign exchange inflows. As Brent crude recently dipped to $65 per barrel, this has put fiscal and external pressures on the economy, reducing the Central Bank's buffers and stoking imported inflation.

Elsewhere, the rising energy costs will continue to feed into transport fares, logistics costs, and service pricing, housing, and essential services costs as the recent decline in global crude oil prices would typically be expected to influence lower PMS prices and ease inflationary pressures, this effect is unlikely to materialize fully in Nigeria. This is because the deregulation of the downstream sector remains partial, and the domestic pricing of petrol still reflects import costs, exchange rate dynamics, and distribution inefficiencies. Given the ongoing naira depreciation and Nigeria's reliance on refined fuel imports, lower crude prices have not significantly translated to cheaper petrol at the pump.

Cowry Research projects that headline inflation will rise to approximately 25.1% in May 2025, reflecting the deepening cost-push inflationary pressures that have persisted since the start of the year. The upward rise is driven by a combination of structural domestic vulnerabilities and emerging global headwinds.