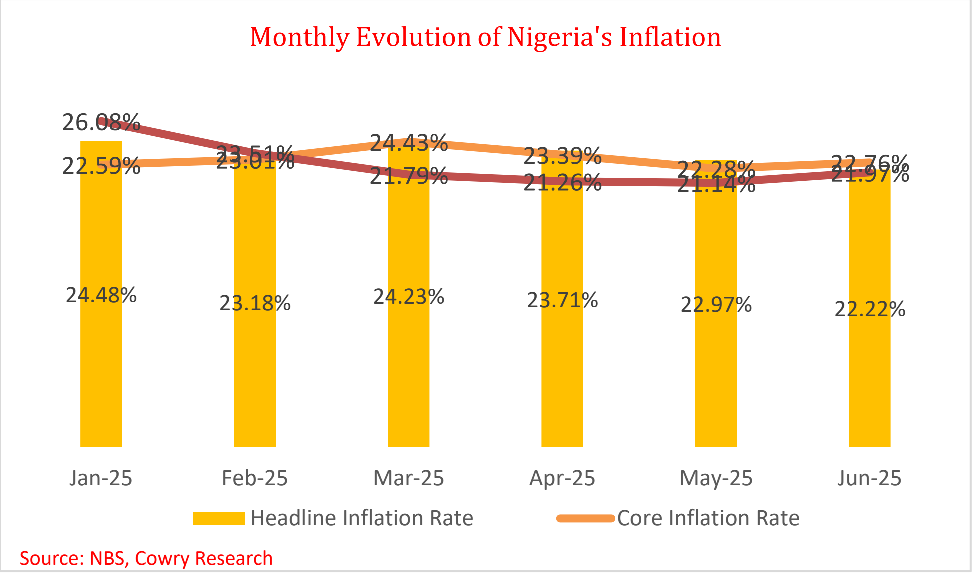
Analyst's Note on: Nigeria's Inflation Report – June 2025

Price Relief Falters as Headline Inflation Slips to 22.22%; Signaling Caution for Policymakers…

According to the National Bureau of Statistics (NBS), the headline inflation rate moderated to 22.22% year-on-year in June from 22.97% year-on-year in May. This marks the lowest year-on-year reading since April 2023 and reflects the cumulative effect of a relatively stable exchange rate regime, softening energy prices, and a favourable base effect post-CPI rebasing. Despite this trend, month-on-month inflation accelerated to 1.68% month-on-month from 1.53% month-on-month, underscoring persistent underlying inflationary pressures in the economy.

The CPI is a macroeconomic indicator that provides a general measure of changes in the average prices of goods and services commonly purchased by consumers relative to a base period (the price reference period is 2024). The inflation rate is directly computed from the index and it is the relative change in CPI between periods.



Nigeria's inflationary environment recorded a modest improvement in June 2025, as the headline Consumer Price Index (CPI) decelerated for the third consecutive month. A closer look at the inflation drivers reveals a reversal in the recent decline of food inflation. Specifically, food inflation rose to 21.97% year-on-year in June from 21.14% year-on-year in May.

On a monthly basis, food inflation surged 1.07 percentage points to 3.25% month-on-month, with notable increases recorded in core food items such as green peas (dried), fresh pepper, shrimps, crayfish, meat, tomatoes, plantain flour, and ground pepper. This uptrend reflects renewed supply-side shocks, largely driven by insecurity in key agricultural regions, which disrupted farming activities and supply chains during the month under review.

Similarly, core inflation — which excludes food and energy — reversed its softening trend since April. Core inflation climbed to 22.76% year-on-year in June (vs. 22.28% year-on-year in May) and rose significantly to 2.46% month-on-month, compared with 1.10% month-on-month in the previous month.

The surge in core prices reflects structural cost-push factors such as elevated transport costs (linked to higher PMS pump prices), FX-linked input costs, and lingering inefficiencies in infrastructure. In particular, transport inflation spiked to 2.04% month-on-month in June from a contraction of -0.27% month-on-month in May, while the information and communication sub-index rose sharply to 2.72% month-on-month from 1.61% month-on-month, both contributing to the elevated core reading.

Across various state profiles, Borno (31.63%), Abuja (26.79%), and Benue (25.91%) recorded the highest year-on-year headline inflation rates, whereas Zamfara (9.90%), Yobe (13.51%), and Sokoto (15.78%) reported the lowest. In month-on-month terms, Ekiti (5.39%), Delta (5.15%) and Lagos (5.13%) led the inflation surge, while Zamfara (-6.89%), Niger (-5.35%), and Plateau (-4.01%) witnessed headline disinflation.

For food inflation, Borno (47.40%), Ebonyi (30.62%), and Bayelsa (28.64%) topped the year-on-year rankings, while Katsina (6.21%), Adamawa (10.90%), and Sokoto (15.25%) posted the slowest growth. On a month-on-month basis, Enugu (11.90%), Kwara (9.97%), and Rivers (9.88%) experienced the sharpest increase, while Borno (-7.63%), Sokoto (-6.43%), and Bayelsa (-6.34%) showed notable declines.

Cowry Research notes that the resurgence in food and core indices in June reflects the re-emergence of latent inflationary pressures, which could reverse recent disinflation gains if not properly contained. Key concerns include the resurgence of insecurity situation and flooding across food producing regions, input cost passthrough from energy and logistics, and the lag effect of FX volatility on non-food segments. If these pressures persist, there is a risk that the headline index could pivot upward in subsequent months.

Thus, we forecast a moderate decline in headline inflation to 21.82% year-on-year in July 2025, driven by expected improvements in food supply logistics and the base effect from prior high readings. However, we remain cautious given the uptick in core inflation and sector-specific price increases.

Meanwhile, the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) is scheduled to meet on July 21–22, 2025, to reassess monetary aggregates in light of recent inflation and macroeconomic trends. With inflation showing a steady disinflation trend and the exchange rate remaining relatively firm on the back of reform-led confidence, we anticipate a policy hold stance, as the Committee maintains its data-dependent, cautious posture to balance price stability with economic recovery momentum.