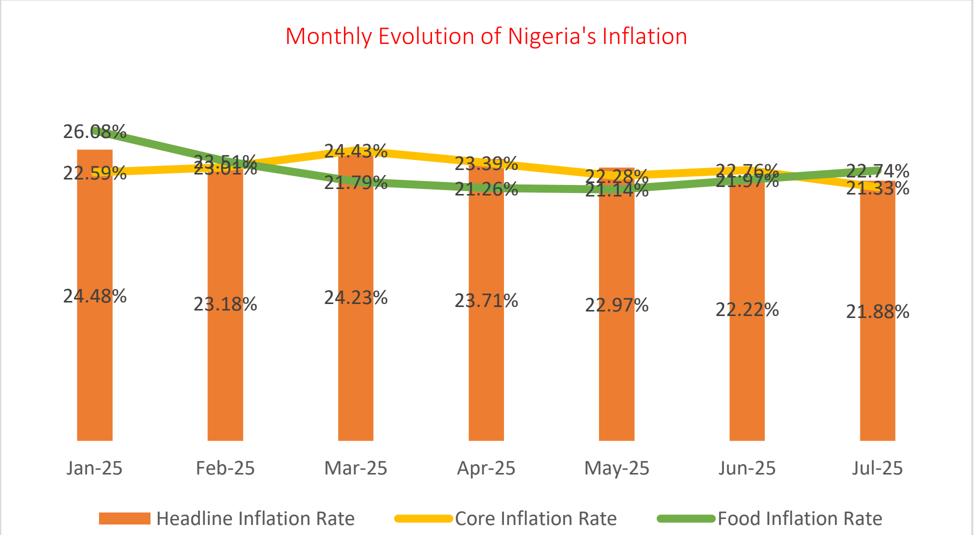
August 15, 2025

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

Nigeria's Headline Inflation Eases to 21.88%, Sticky Food and Core Inflations Still in Focus…

The latest consumer price index report from the NBS showed another moderation in the headline inflation index to 21.88% in July 2025 year on year relative to the June 2025 headline inflation rate of 22.22%. This is in line with our 21.82% forecast for July 2025 as Nigeria's headline inflation rate moderated for the fourth consecutive month. However, on a monthly basis, headline inflation rose to 2.0% from 1.7% in June, driven largely by elevated food prices.



Source: NBS, Cowry Research

The decline was driven by a soft reading in the food and core inflation indices which eased from the June readings respectively. 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. Other notable drivers include restaurants and accommodation services (2.83%), transport (2.33%), and housing-related costs (1.84%). These figures highlight the persistence of structural inflation pressures — particularly in food supply chains and logistics — even as overall inflation slows.

The food index remains the key swing factor printed at 22.74% year on year in July from 21.97% in June. The monthly increase was led by food (0.80%), followed by restaurants and accommodation (0.26%) and transport (0.21%), reflecting sectors still experiencing notable price hikes that could influence future inflation expectations. On a month-on-month basis, the food inflation rate in July 2025 was 3.12%, down by 0.14% compared to June 2025 (3.25%). The decrease can be attributed to the rate of decrease in the average prices of Vegetable Oil, Bean (White), Rice Local, Maize Flour, Guinea Corn (Sorghum), Wheat Flour, Millet Whole grain, etc.

Elsewhere, the core inflation index which excludes the prices of volatile agricultural produces and energy stood at 21.33% in July 2025 on a year-on-year basis; a decline of 6.13% when compared to the 27.47% recorded in July 2024. On a month-on-month basis, the Core Inflation rate was 0.97% in July 2025, down by 1.49% compared to June 2025 (2.46%). reinforcing the view that underlying price pressures are cooling — a favourable development for economic stability.

At the sub-index level, July saw sharp reversals: the farm produce index surged to 3.96% (from -13.3% in June), the energy index jumped to 2.71% (from -11.0%), while the goods index rose to 2.72% (from 0.93%). Services, however, softened to 0.47% (from 3.26%), signalling some relief in demand-driven pressures.

Regional inflation patterns remained highly divergent. Borno (34.52%), Niger (27.18%), and Benue (25.73%) posted the highest year-on-year headline rates, while Yobe (11.43%), Zamfara (12.75%), and Katsina (15.64%) recorded the lowest. On a month-on-month basis, inflation was most pronounced in Borno (6.11%), Zamfara (5.72%), and Kano (4.31%), with the least increases in Bauchi (0.26%), Katsina (0.30%), and Anambra (0.37%). Similarly, food inflation on a year-on-year basis was highest in Borno (55.56%), while Katsina (6.61%) and Adamawa (9.90%) saw the mildest increases.

From Cowry Research's perspective, the sustained moderation in headline inflation is primarily the result of high base effects, naira stability, improved FX liquidity, and softer global commodity prices, particularly in wheat and diesel. Meanwhile, gradual declines in food and core inflation from June suggest that easing imported inflationary pressures and improved domestic supply factors are starting to work through the economy.

Looking ahead, we project headline inflation to moderate further to 20.83% in August 2025, supported by early harvest inflows, continued FX stability, and subdued global commodity prices. That said, the stickiness in food and logistics costs means the path of disinflation will likely remain slow and uneven, keeping real sector and consumer recovery fragile.