COWRY RESEARCH ANALYSTS' FLASHNOTE: NIGERIA'S INFLATION REPORT-AUGUST 2025

Cowry Research

Disinflation Momentum Builds as Headline Inflation Slows to 20.12% in August….

The latest Consumer Price Index (CPI) report from the National Bureau of Statistics (NBS) revealed another moderation in Nigeria's headline inflation, which eased to 20.12% year-on-year in August 2025 from 21.88% in July 2025. This outcome was broadly consistent and outperformed our forecast of 20.83%, and it underscores the persistence of the disinflationary trend that has now extended into its fifth consecutive month. The August print also represents the lowest annual inflation rate since April 2023, reflecting the cumulative impact of a relatively stable exchange rate regime, softening energy costs, and favourable base effects following the CPI rebasing exercise.

Building on the encouraging downtrend inflation, month-on-month inflation slowed to 0.74% in August from 1.99% in July, underscoring the volatility in short-term price dynamics. The moderation was largely offset by renewed pressures within the food basket, which remains the dominant driver of headline inflation. On a year-on-year basis, both food and core indices eased, reinforcing the broader disinflationary trend.

Nonetheless, structural rigidities persist across supply chains, transportation, and housing, keeping underlying price pressures elevated. Sub-components such as restaurants and accommodation services (2.60%), transportation (2.15%), and housing-related expenses (1.69%) were notable contributors in August, indicating that services inflation remains sticky even as headline pressures continue to ease.

The food index slowed to 21.87% year-on-year in August, compared with 22.74% in July, confirming its central role in the overall disinflationary momentum. On a monthly basis, food inflation rose by 0.30%, while price increases in restaurants/accommodation (+0.10%) and transport (+0.08%) reinforced the modest rise in the headline reading.

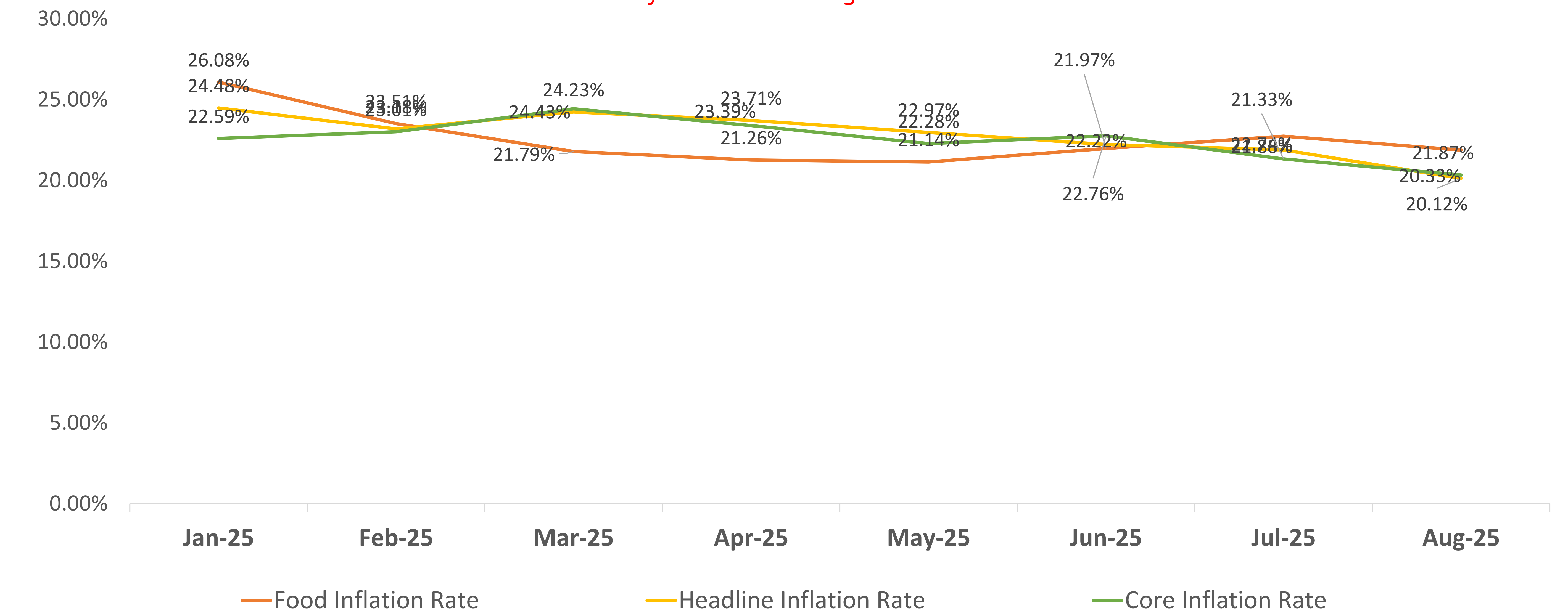
The July slowdown in monthly food inflation (to 1.65% from 3.12% in June) was partly due to falling prices of key staples such as imported and local rice, maize flour, sorghum, millet, semolina, and soya milk. Nonetheless, the persistent exposure of food prices to logistical bottlenecks, climate-related disruptions, and security challenges within agricultural corridors continues to impose a structural floor beneath inflation.

Elsewhere, core inflation, which excludes volatile food and energy components, fell sharply to 20.33% year-on-year in August 2025, a significant improvement from 27.58% in August 2024. This 7.25 percentage-point decline underscores the extent of easing in underlying price pressures, offering a more positive medium-term signal for macroeconomic stability. However, on a monthly basis, core inflation quickened to 1.43% in August from 0.97% in July, suggesting that some categories of non-food inflation—such as services and housing—remain susceptible to second-round effects from earlier currency weakness and energy price volatility.

Across states, inflation trends in August 2025 reflected sharp regional variations. On a year-on-year basis, headline inflation was steepest in Ekiti (28.17%), Kano (27.27%), and Oyo (26.58%), while Zamfara (11.82%), Anambra (14.16%), and Enugu (14.20%) recorded the lowest increases. On a month-on-month basis, the highest price pressures were observed in Yobe (9.20%), Katsina (8.59%), and Sokoto (6.57%), whereas states such as Enugu (-5.32%), Taraba (-3.64%), and Nasarawa (-3.56%) experienced outright declines in headline inflation.

Food inflation followed a similar uneven pattern across the federation. Year-on-year, food prices surged most in Borno (36.67%), Kano (30.44%), and Akwa Ibom (29.85%), while Zamfara (3.30%), Yobe (3.60%), and Sokoto (6.34%) posted the slowest increases. On a month-on-month basis, food inflation was strongest in Kaduna (9.37%), Katsina (9.05%), and Akwa Ibom (7.87%). In contrast, states such as Bayelsa (-9.52%), Sokoto (-8.92%), and Borno (-8.74%) recorded declines, suggesting localized supply improvements or harvest inflows that temporarily eased pressures.

Monthly Evolution of Nigeria's Inflation



With headline inflation easing for the fifth consecutive month to 20.12% in August 2025 (from 21.88% in July) and staying broadly in line with forecasts, we expect the disinflationary trend to persist in the near term, albeit at a slower pace. The moderation reflects base effects, relative exchange rate stability, and ongoing food supply improvements. However, the uptick in month-on-month inflation signals that underlying price pressures remain, driven largely by elevated energy costs, transport fares, and seasonal food demand. Looking ahead, we anticipate that headline inflation could trend closer to the 19.73% in September 2025, provided exchange rate stability is sustained and harvest season supplies ease food prices.

The Monetary Policy Committee (MPC) is scheduled to reconvene later this month to reassess its policy stance. With month-on-month inflation readings still elevated, the Committee has, so far in 2025, opted for caution—holding the benchmark rate steady at 27.50% to anchor expectations. That said, the sharp moderation in headline inflation in August could provide room for a potential policy shift, possibly even a symbolic rate cut to signal confidence in the disinflation trend. Still, Cowry Research thinks the MPC may tread carefully, given lingering risks from FX pass-through, structural food supply pressures, and the sticky trajectory of core inflation.

In our view, the committee is more likely to strike a balanced tone—acknowledging the easing price pressures while keeping its guard up against residual risks to price stability.

CONTACT US

HEAD OFFICE
Plot 1319, Karimu Kotun Street,
Victoria Island
Lagos
Website: www.cowryasset.com
Email: research@cowryasset.com

ABUJA OFFICE
Statement Suites Hotel D03 (3rd Floor), Plot 1002,
1st Avenue, Off Ahmadu Bello Way
Central Business District,
Abuja
Website: www.cowryasset.com
Email: research@cowryasset.com

PORT HARCOURT OFFICE
UPDC Complex, 26 Aba Road,
Port-Harcourt
River State
Website: www.cowryasset.com
Email: research@cowryasset.com

RESEARCH TEAM

CHARLES ABUEDE

Cabuede@cowryasset.com

TAIWO LUPO

Tlupo@cowryasset.com

TOMIWA JIMOH

Tjimoh@cowryasset.com

www.cowryasset.com www.twitter.com/cowryassetmgt www.facebook.com/cowryasset

Disclaimer