

COWRY RESEARCH ANALYSTS'

FLASHNOTE:

NIGERIA'S INFLATION REPORT-

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Cowry Research

Nigeria Records Steady Inflation Decline to 16.05% Amid Stable FX and Softer Energy Costs....

The latest Consumer Price Index (CPI) report from the National Bureau of Statistics (NBS) shows that Nigeria's headline inflation slowed again in October 2025, dropping to 16.05% y/y from 18.02% in September.

This marks the sixth straight month of disinflation and comes in below our projection of 17.83%, reinforcing that price pressures are easing faster than expected. Notably, October's figure is now the lowest since 2022—reflecting the impact of a more orderly FX market, softer energy costs, and lingering favourable base effects following the CPI rebasing earlier in the year.

However, the monthly data tells a more complicated story. Month-on-month inflation climbed to 0.93% in October, up from 0.72% in September, suggesting that while the broader trend is improving, short-term price pressures remain unstable. Most of this volatility came from the food basket, which still carries the largest weight in Nigeria's inflation structure.

Both food and core inflation eased on a year-on-year basis, supporting the broader disinflation narrative. Yet, underlying pressures remain visible across several service-related components. Structural bottlenecks—poor logistics, elevated transportation costs, and housing-related pressures—continue to keep service prices sticky.

Sub-sectors such as restaurants and accommodation (2.07%), transportation (1.71%), and housing utilities (1.35%) remained key contributors to October's price increases. These categories highlight the stubborn nature of non-food inflation, even as the headline index cools.

A closer look at the drivers of the food basket shows the continued importance of improved supply conditions. Food inflation fell sharply to 13.12% y/y in October from 16.87% in September, helping to anchor the headline figure. But month-on-month food inflation rose by 0.37%, reversing the unusually strong -1.57% recorded in September.

The uptick was driven by higher prices of everyday staples—onions, citrus fruits like oranges and pineapple, vegetables such as ugu and okazi, shrimp, groundnuts, and meat items including goat meat, cow tail, and liver. These movements reveal that food supply chains remain exposed to logistics constraints, seasonal weather disruptions, and insecurity in major producing regions.

Meanwhile, core inflation (excluding food and energy) continued its downward trend, printing at 18.69% y/y, a significant 9.68 percentage-point drop from the 28.37% recorded in October 2024.

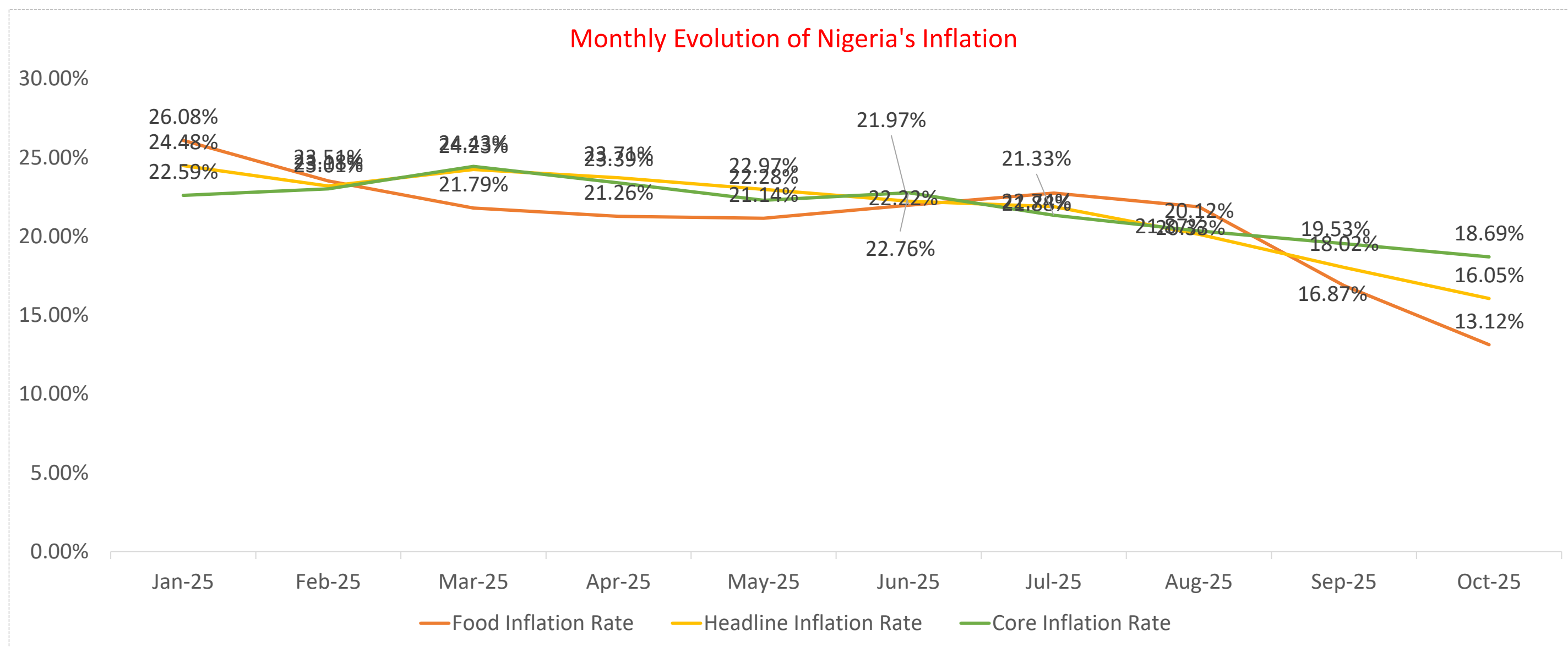
This is a major signal that underlying inflation is gradually normalizing and that the medium-term macroeconomic environment is becoming more stable. On a monthly basis, core inflation inched down to 1.416% from 1.417% in September—almost flat, but still moving in the right direction.

Across states, regional inflation dynamics in August 2025 revealed significant variation. Year-on-year headline inflation was highest in Ekiti (20.14%), Nasarawa (18.97%), and Zamfara (18.81%), while Bauchi (9.99%), Anambra (11.72%), and Gombe (11.73%) posted the lowest increases.

Month-on-month pressures were strongest in Niger (4.90%), Anambra (4.90%), and Enugu (4.75%). In contrast, Edo (-4.00%), Katsina (-3.26%), and Adamawa (-3.10%) recorded outright price declines.

Food inflation displayed a similarly uneven pattern across the country. Year-on-year, food prices rose most sharply in Ogun (20.85%), Nasarawa (19.96%), and Ekiti (19.70%), while Akwa Ibom (3.98%), Katsina (4.15%), and Yobe (4.29%) recorded the mildest increases.

Month-on-month, food inflation was strongest in Bauchi (6.77%), Abuja (5.11%), and Niger (4.84%), whereas states such as Katsina (-7.72%), Oyo (-5.89%), and Taraba (-4.89%) experienced declines, suggesting localized supply improvements or seasonal harvest inflows.



Source: National Bureau of Statistics, Cowry Research

Looking ahead, we expect the disinflationary trend to continue in the near term, helped by a more stable exchange rate, improved food supply dynamics, and the lingering effect of favourable base-year comparisons. However, the recent uptick in month-on-month inflation reminds us that short-term pressures are still very much alive.

The food basket remains the most vulnerable segment, with supply chain disruptions, climate challenges, and persistent security concerns in key producing regions continuing to limit the pace of relief for consumers. Core inflation should also ease gradually, though cost pressures from transportation, housing, and essential services will keep the decline slow. While energy prices have been quite volatile in recent weeks, we do not expect this to significantly distort headline inflation, largely because energy has a relatively small weighting in Nigeria's CPI structure.

This naturally dampens the direct impact of pump price adjustments or global oil price swings on the broader inflation basket. Overall, we project headline inflation to moderate further to around 15.52% in November 2025.

Elsewhere, since the Monetary Policy Committee started easing rates in September, the sustained slowdown in inflation has strengthened market expectations that another rate cut may be on the table when the Committee meets next week. With businesses still grappling with high operating costs and consumers under pressure, a further 50bps reduction in the MPR appears likely.

The MPC is clearly trying to strike a balance—supporting economic activity without losing sight of inflation dynamics in an economy that is still adjusting to multiple structural constraints.



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