



*Economic splash*

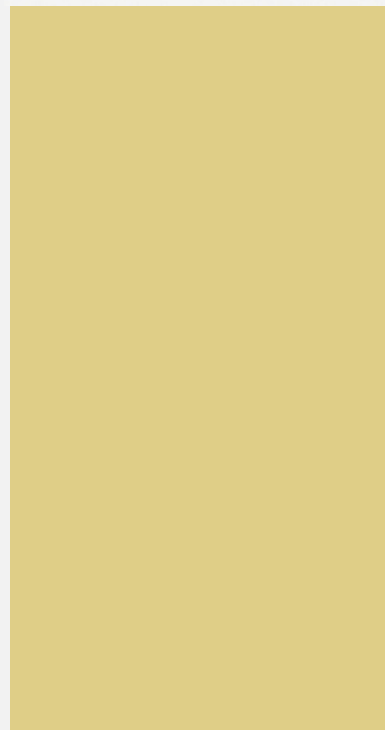
# DECEMBER INFLATION REPORT



**Headline  
inflation  
climbs at a  
slower pace to  
34.80%**

# 2025

**January 16**



# Headline inflation climbs at a slower pace to 34.80%

The National Bureau of Statistics (NBS) released its December inflation yesterday. In line with analysts' expectations, the headline inflation rate climbed to a near 29-year high of 34.80%, up from 34.60% in November. However, the increase was slower than anticipated. This suggests that the cumulative effect of inflation policies and income resistance (reflecting rational behavior) is gradually having a knock-on effect on prices. The minimal rise in the inflation rate can be attributed to a reduction in petrol prices and some stability in the exchange rate in the forex market.

Astonishingly, food inflation dipped to 39.84% from 39.93% despite the festive season. On the flip side, core inflation (inflation excluding volatile

items like food and energy prices) rose 0.53% to 29.28% from 28.75% - indicating that inflation is more structural than transient reflecting the impact of supply constraints, Naira weakness, high cost of transportation, etc.

Month-on-month inflation, which provides a clearer picture of inflationary pressure compared to headline inflation, dipped to 2.44% (annualized at 33.51%) from 2.64%. Based on this and the decelerating trend in headline inflation, our time-series analysis suggests that inflation in January will likely slow to 34.3%. However, we should not get carried away, as this progress could be eroded by rising global oil prices, which may impact the cost of refined products such as petrol.

▼ **39.84%**

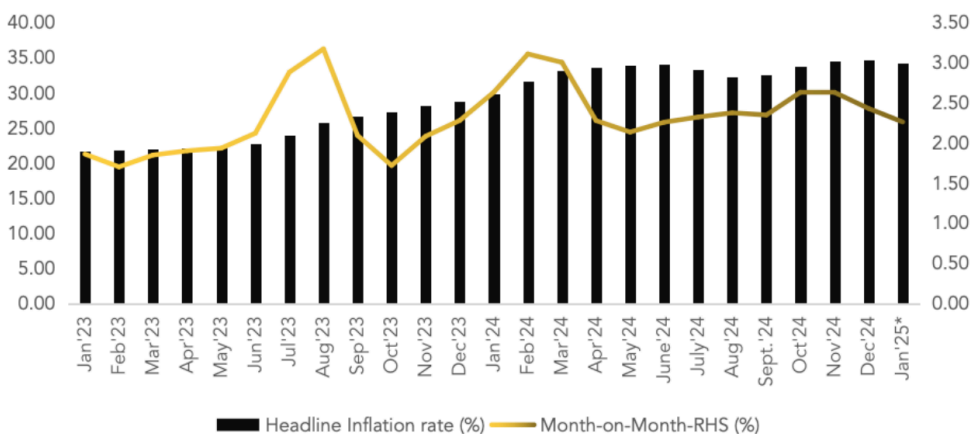
**Food inflation rate for Nigeria**

▲ **34.80%**

**Headline inflation rate for Nigeria**

▲ **29.28%**

**Core inflation rate for Nigeria**



<sup>1</sup>NBS, FDC Think Tank



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**Reconstitution of basket – To provide a feel-good factor**

Inflation skyrocketed to 34.80% to close the year 2024, despite efforts to control it. However, Nigeria’s attempts to curb red-hot inflation are expected to receive some support from the reconstitution of the CPI basket. Although adjusting the weights may result in lower inflation figures, it does not reflect the actual cost of living for consumers. There appears to be too much focus on cosmetic changes rather than addressing fundamental issues.

**Data Breakdown**

**Month-on-month inflation decreased marginally by 0.2%**

The month-on-month inflation provides a more precise reflection of the current market conditions than annual inflation. Month-on-month inflation decreased marginally by 0.2% to 2.44% (annualized at 33.51%) from 2.64%. This suggests that the rate of inflation change is gradually slowing down.

**Month-on-month food inflation fell to 2.66%**

Monthly food inflation decreased sharply by 0.32% to 2.66% from 2.98%. The decline can be attributed to the rate of decrease in the average prices of soft drinks, rice, millet, maize flour, Cereals, etc.

This sharp decline can be attributed to the change in consumer patterns of consumption due to income constraints.

**Month-on-month core inflation**

Core inflation, which excludes seasonal factors, increased by 0.41% to 2.24% from 1.83%. This slight increase is partly attributed to the Naira weakness, the high cost of transportation during the festive season, and the increase in money supply growth by 5.2% to 51.3% from 46.1% in October. The average annual inflation rate over the twelve months ending in December 2024 was 27.15%, marking an increase of 6.39% from the 20.76% recorded in December 2023.

**Rural & urban inflation rises**

Annual urban and rural inflation rates on a year-on-year basis rose to 37.29% and 32.47% respectively in December. However, on a month-on-month basis, urban inflation decreased by 0.21% to 2.56% from 2.77% in November, while rural inflation decreased by 0.19% to 2.32% from 2.51% in the previous month. The twelve-month average inflation rates for urban and rural areas stood at 35.57% and 31.14%, respectively. Factors such as government policy adjustments, seasonal demand changes, improved agricultural output, and shifts in consumer behaviour are key contributors to this trend.



Inflation is expected to moderate in January. CBN is unlikely to adopt an aggressive policy stance in its upcoming meeting; instead, it is expected to closely monitor inflation trends before determining its next course of action.



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