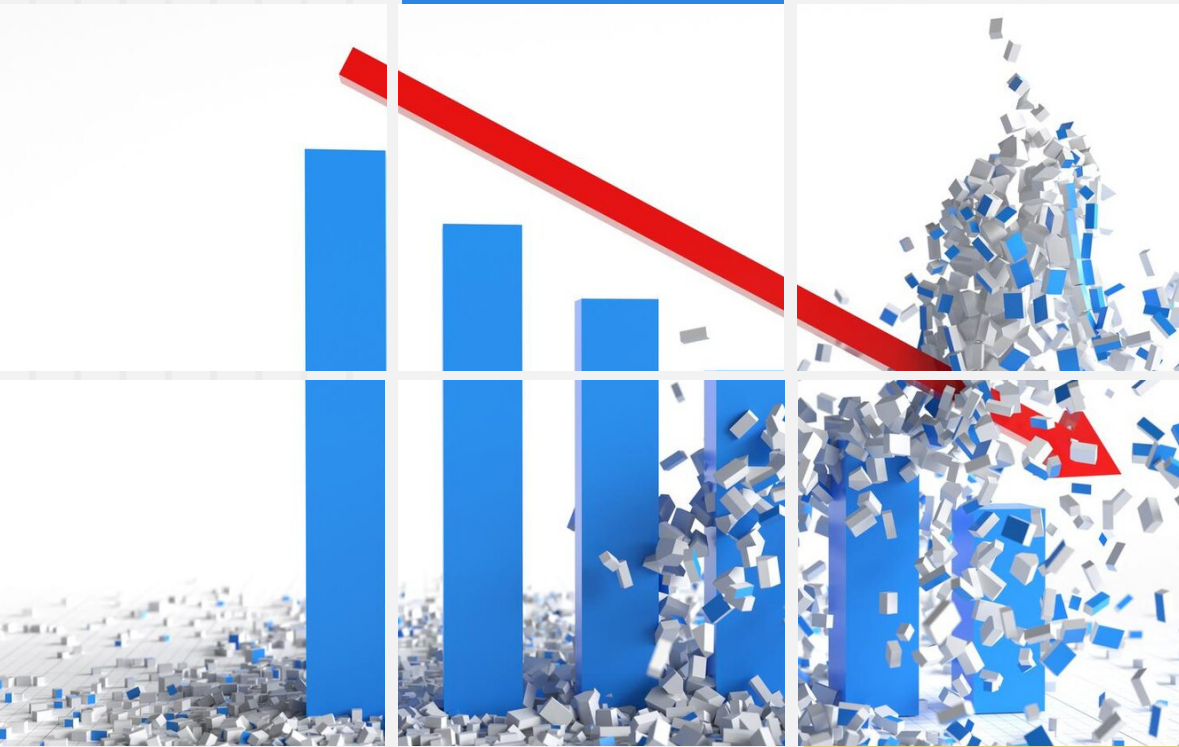




Economic splash

FEBRUARY INFLATION REPORT



**Headline
inflation falls
to 23.18% in
February**

2025

March 18

Headline inflation falls to 23.18% in February

As widely expected, and in line with the analyst consensus, headline inflation declined further to 23.18%, down from 24.48% in January. The deceleration in inflation numbers is partly driven by a reduction in aggregate demand and a fall in disposable income. This was compounded by further tightening in liquidity due to CBN’s aggressive mop-up.

Nigeria’s inflation narrative shifts from food to core inflation

Food inflation moderated to 23.51% from 26.1% in January, reflecting improved supply conditions and evolving consumption patterns. Commodities driving the decline included yam tubers, potatoes,

maize flour, cassava, beans, and others.

Contrarily, core inflation — which is inflation excluding seasonalities and energy— rose to 23.01% from 22.6% in January. This could mean that inflation could be more structural than transient. It also calls into question the appropriateness and effectiveness of relying on monetary policy tools as the antidote to the current bout of inflation. It means that in addition to interest rates, and policies, there is a need for increased output level. The prevailing narrative has been that food inflation is the major driver of inflation in Nigeria, but today, the underlying problem is core inflation.

▼ 23.51%

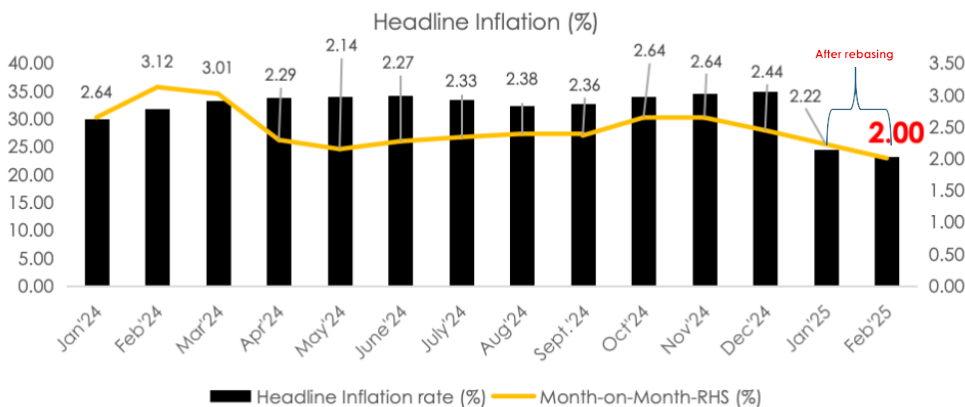
Food inflation rate for Nigeria

▼ 23.18%

Headline inflation rate for Nigeria

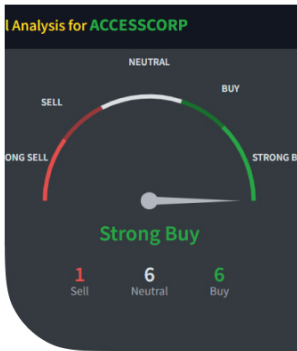
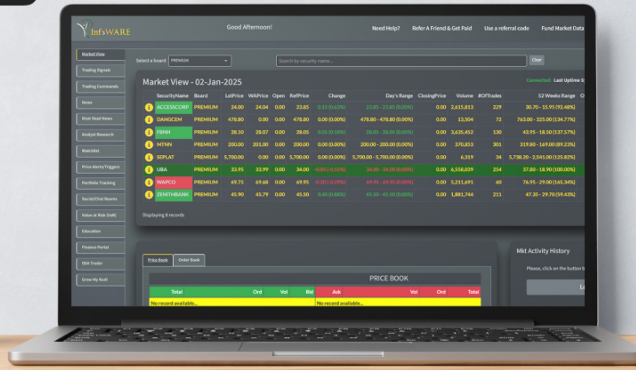
▼ 23.01%

Core inflation rate for Nigeria



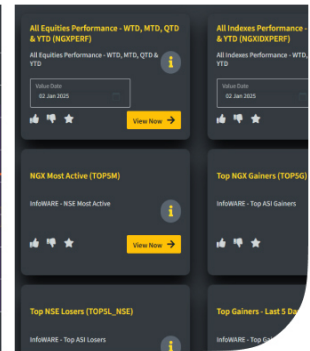
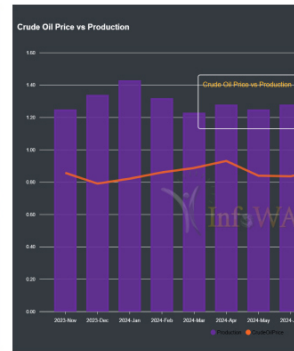
¹NBS, FDC Think Tank

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YTD All Funds Returns to 20-Dec-2024

Genworth Balanced Fund	148.2%
Generosity Trust Balanced F...	148.52%
Ultra Conservative Balanced...	107.59%
JPM GAM Fund Income D...	93.85%
Lead Dollar Fixed Incom...	96.41%
Nova Dollar Fixed Incom...	92.85%
Steadfast BITC Dollar F...	96.90%
United Capital Global Fir...	98.12%
County Eurobond Fund	88.13%
FBN Specialized Dollar F...	87.51%
EDG Dollar Fund	84.82%
Legacy USD Bond Fund	83.90%
FSDH Dollar Fund	81.73%
PWCAM Eurobond Fund	81.69%
FBN Dollar Fund (Retail)	86.25%



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Data Breakdown

Monthly inflation at 2.04% - Warning signs that it's not over until it's over

Month-on-month inflation, which provides a clearer snapshot of price pressures compared to annual inflation, stood at 2.04% in February (annualized at 27.42%). This signals lingering inflationary pressures despite the recent decline in year-on-year inflation. Meanwhile, monthly food and core inflation recorded 2.18% and 2.52%, respectively.

Rural & urban inflation declined

Inflation's grip loosened in February, offering a glimmer of relief as both urban and rural inflation rates recorded notable declines. Both urban and rural inflation dropped to 25.15% and 19.89% from 33.66% and 29.98% respectively. This disparity arises because urban areas face higher costs from imported goods, services, and logistics, making them more sensitive to inflation shocks. While the rural areas rely more on local food production and informal markets, shielding them from some of these pressures.



The elevated monthly inflation and rising core inflation signals that inflationary forces are still very much at play. This underscores the CBN's cautious stance in concluding that inflation is now tamed. As a result, it is too early to forecast whether the Apex Bank will opt to hold or cut the policy rate in May 2025.



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