

JUNE 10



ECONOMIC
SPLASH

.....

**HEADLINE INFLATION TO
SLOW TO 23.15% IN MAY**

.....

20
—
25

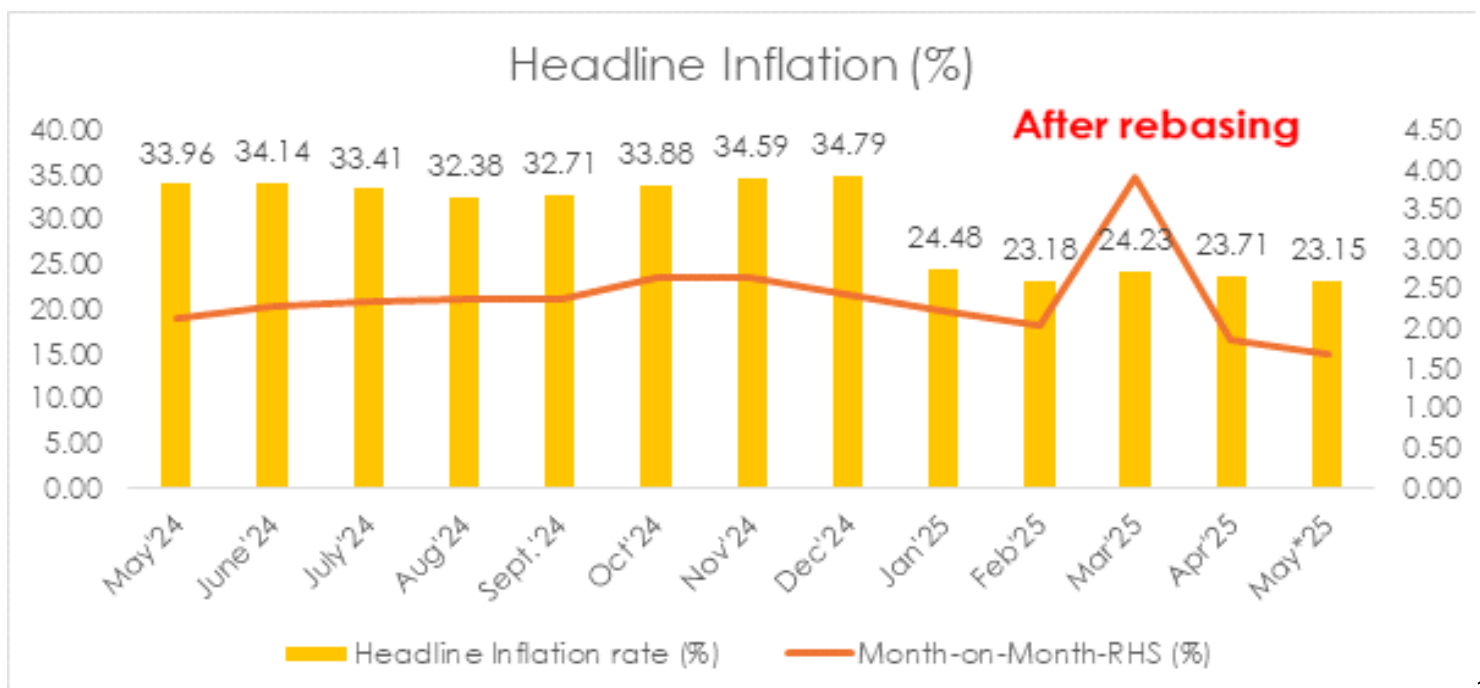
Headline inflation to slow to **23.15%** in May

23.15%

Headline inflation
forecast for Nigeria

The official May inflation numbers from the National Bureau of Statistics (NBS) are expected to be published on Monday, June 16. The FDC econometric model indicates that May headline inflation could decline by 0.56% to 23.15% from 23.71%, driven by base year effects. Another reason for the expected slowdown in inflation is the exchange rate. In May, the parallel market rate was relatively stable, trading between ₦1,608–₦1,630/\$, while the NFEM rate stood at ₦1,595.20/\$. All the inflation sub-indices are also expected to move in the same direction – downwards.

Other factors that are likely to support the disinflation trend in the month of May include the prices of diesel and PMS, which declined by 4.8% and 1.7%, respectively.



¹NBS, FDC Think Tank

Food inflation is projected to ease to 20.73%, down by 0.53%. A notable decrease was witnessed in the prices of several essential food commodities. Pepper witnessed a substantial decline of 39.1%, alongside a decline in the prices of vegetable oil (7.9%), onions (17%), tomatoes (16.7%), rice (6%), wheat flour (7.7%), and milk (11.1%).

Conversely, prices remained relatively stable for items such as eggs, palm oil, sweet potatoes, and bread. Whereas a few commodities like yam (66.67%) and titus fish (25%) recorded significant increases. It's worth noting that prices of most commodities influenced by exchange rate movements remained flat, reflecting the direct impact of exchange rate fluctuations on consumer goods.

Core inflation (which is inflation less seasonalities) is also expected to decrease by 0.54% to 22.85%, supported by lower logistics costs and a relatively stable exchange rate.

Mokwa flooding - A spoiler for inflation relief?

While our forecast projected a slight easing in headline inflation to 23.15% in May, driven by falling fuel prices, exchange rate stability, and softening food costs. The late May flooding in Mokwa, a critical artery in Nigeria's food distribution network, has disrupted supply chains, especially for perishable goods like tomatoes and onions. With bridges and roads submerged, hundreds of trucks remain stranded, severing vital links between northern producers and southern markets. As a result, the initial relief at falling prices may prove short-lived, as supply shock may reverse gains in food inflation, reinforcing the fragile and weather-sensitive nature of Nigeria's inflation trajectory.. If the influence of these moderating factors surpasses that of the accentuating ones, inflation could start to plateau in the coming months.

Monthly inflation

To: 1.68 %	By: ▼18 bps
	From: 1.86 %

M-O-M Food inflation

To: 1.98 %	By: ▼8 bps
	From: 2.06 %



Data breakdown

Month-on-month inflation

We project month-on-month inflation to ease by 0.18% to 1.68% (annualised at 22%) from 1.86%. The decline is largely driven by a modest drop in energy prices and continued exchange rate stability.

Month-on-month food inflation

Monthly food inflation is projected to decline slightly to 1.98% from 2.06%, driven by falling prices of key staples such as rice, beans, tomatoes, onions, and vegetable oil. Additionally, exchange rate stability curbed import-related price pressures.

Month-on-month core inflation

Month-on-month core inflation is expected to fall marginally by 0.05% to 1.29% from 1.34%, driven by exchange rate stability and logistics.

Outlook

If the disinflation trends continue into July, the likelihood that the MPC will cut rates will be high. However, the recent developments of heightened insecurity in Benue and flooding in Mokwa – major food-producing states, could spoil this outlook, especially by aggravating food inflation.

IT'S TIME TO
CARE
ABOUT
YOUR SALT



Refined
Iodized
Purified



Choose Quality, Choose Dangote Salt



www.nasconplc.com

Important Notice

This document is issued by Financial Derivatives Company. It is for information purposes only. It does not constitute any offer, recommendation or solicitation to any person to enter into any transaction or adopt any hedging, trading or investment strategy, nor does it constitute any prediction of likely future movements in rates or prices or any representation that any such future movements will not exceed those shown in any illustration. All rates and figures appearing are for illustrative purposes. You are advised to make your own independent judgment with respect to any matter contained herein.

© 2025. "This publication is for private circulation only. Any other use or publication without the prior express consent of Financial Derivatives Company Limited is prohibited."