



JULY INFLATION



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TO 21.88% IN JULY**

2025

August 15

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As widely anticipated, Nigeria's headline inflation continued its downward trend, easing to 21.88% in July. This is the fourth consecutive monthly decline, driven by a myriad of factors, including a reduction in energy costs and a moderation in money supply growth (19.97% to 15.25%), exchange rate stability (traded between ₦1,528/\$ and ₦1,561/\$). Even though the trend of four months continued, the rate of decline has slowed sharply, indicating that we can be approaching a point of inflection. Cumulatively, headline inflation has fallen by 2.35% over a period of four months.

Monthly inflation, a more current measure of price movement, increased to 1.98% (26.36% annualized) from 1.68%. Food inflation rose to 22.74% from 21.97%, in spite of the harvest season. This increase was driven primarily by the reversal of export smuggling, with the harvest season effect short-lived by climate change.

▲ 22.74%

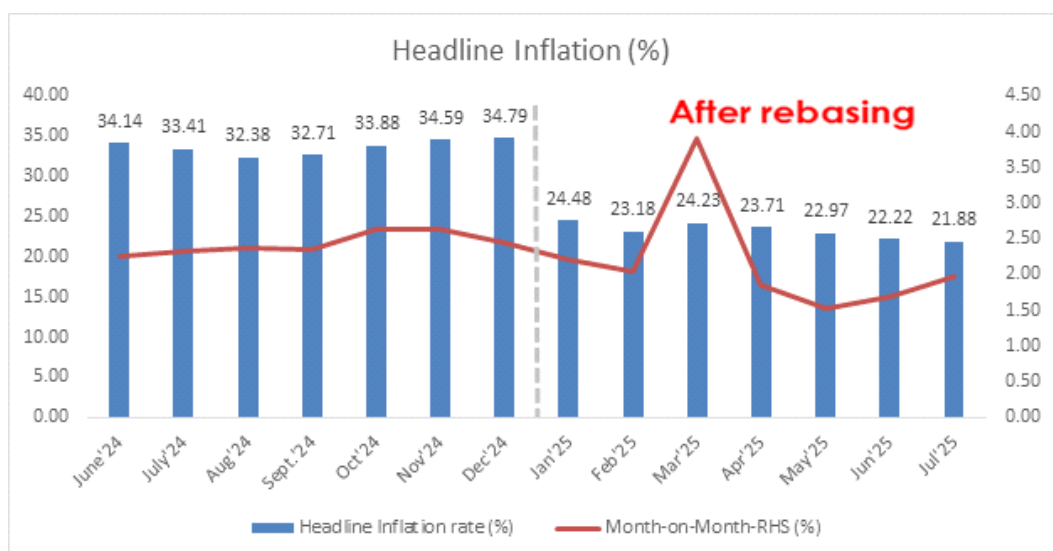
Food inflation rate for Nigeria

▼ 21.88%

Headline inflation rate for Nigeria

▼ 21.33%

Core inflation rate for Nigeria



¹NBS, FDC Think Tank

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Imported inflation

Imported inflation eased by 628bps to 21.33% in July. This was partly supported by the marginal appreciation in the exchange rate, which is expected to reflect in import prices. At the parallel market, the exchange rate appreciated and remained flat to close the month of June and July at N1,564.

Data breakdown**Food inflation breakdown**

The (year-on-year) food sub-index increased by 0.77% to 22.74% from 21.97%. This represents the second consecutive monthly increase since June. Month-on-month food index fell by 0.14% to 3.12%, compared to 3.25% in June. The decrease can be attributed to the rate of decrease in the average prices of vegetable oil, beans (white), local rice, maize flour, guinea corn (sorghum), wheat flour, millet, etc.

Core inflation

Core inflation (inflation less seasonalities) is down by 0.77 % to 21.33% from 22.76%, and month-on-month core inflation dipped to 0.97%% in July from 2.46% in June. This was driven by exchange rate stability and, reduction in energy costs. The average price of diesel nationwide (the main automotive fuel for distribution and logistics) fell marginally by 3.67% to N1,050/litre in July.

Core inflation is currently above the 91-day secondary market T/bills rate of 15%. This signifies a negative rate of return.

Rural & Urban Indices

Rural inflation rate (year-on-year) declined to 21.08%, while urban inflation declined by 13.76% to 22.01%. Month-on-month, the rural index rose to 2.30% from 0.63% while the urban index eased to 1.86% from 2.11% in June.

State-by-State Analysis

Yobe state recorded the lowest inflation rate of 11.43%, as the best performing state, followed by Zamfara (12.75%) and Katsina (15.64%). The states with the highest inflation rates are Borno (34.52%), Niger (27.18%) and Benue (25.73%).

The consensus opinion at this point in time is that the CBN may cut the policy rate by 25bps at its next meeting in September. However, the following factors could upend that view:

- (i) If the price of oil falls in the global markets (currently at \$66pb), the IEA is projecting that oil prices could fall below \$60pb in Q4 2025,
- (ii) If inflation data for August shows an increase from its current level, the MPC will be less inclined to lower the rate



OUTLOOK



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