April 2025 INFLATION REPORT

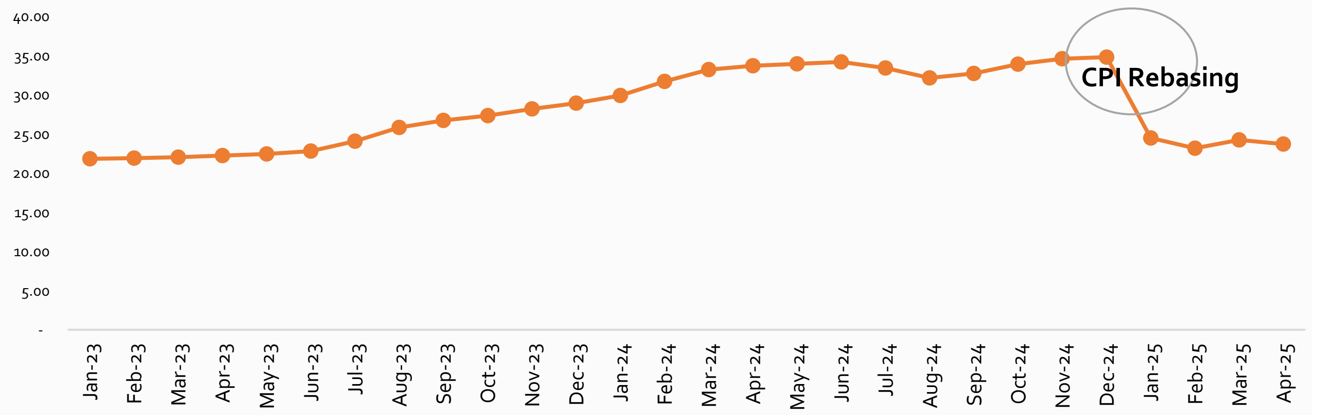
Headline Inflation eases to 23.71%

Nigeria's headline inflation slowed to 23.71% year-on-year in April 2025, a 52 basis points (bps) decline from the March figure of 24.23%, the latest Consumer Price Index (CPI) report released by the National Bureau of Statistics (NBS) reveals.

The waning was evident in the core (all items less farm produce and energy) and food baskets as it printed at 23.39% and 21.26% (relative to 24.43% and 21.79% recorded in March) respectively. On the other hand, all items less farm produce maintained an upward trend, increasing to its highest level so far in 2025 to 24.50% for the month under review.

The monthly inflation, which is a more accurate reflection of price movement in the country also showed significant easing in the inflation rate, slowing to a four-month low of 1.86% in the review month, in contrast to the 3.9% recorded in the previous month.

Nigeria's Headline Inflation Trend



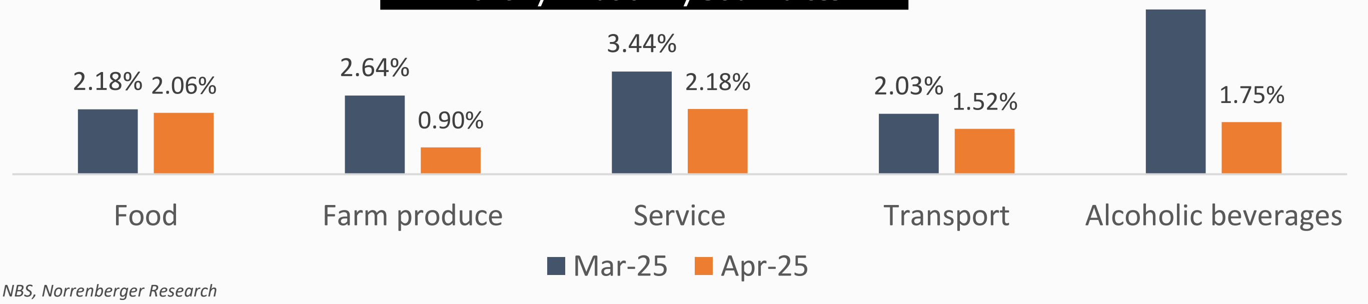
In terms of classification, food and non-alcoholic beverages (9.49%) led the drivers of the year-on-year inflation, followed by restaurants and accommodation services (3.06%), and transport (2.53%). Meanwhile, recreation, sport, and culture with less than 0.1% contributed the least to inflation in the review period.

Food Inflation	21.26% ▽
Core Inflation	23.39% ▽
Urban Inflation	24.29% ▽
Rural Inflation	22.83% △

Food & Services drives down headline inflation

A cursory view at the data, shows that the moderation in the headline index was largely driven by the combination of food, services sub-indices. On a month-on-month basis, food inflation slowed to 2.06% in April from 2.18%. Inflation on farm produce dropped to 0.9% (from 2.64%), while services inflation slowed to 2.18% (from 3.44%).

Monthly Inflation By Sub-indices



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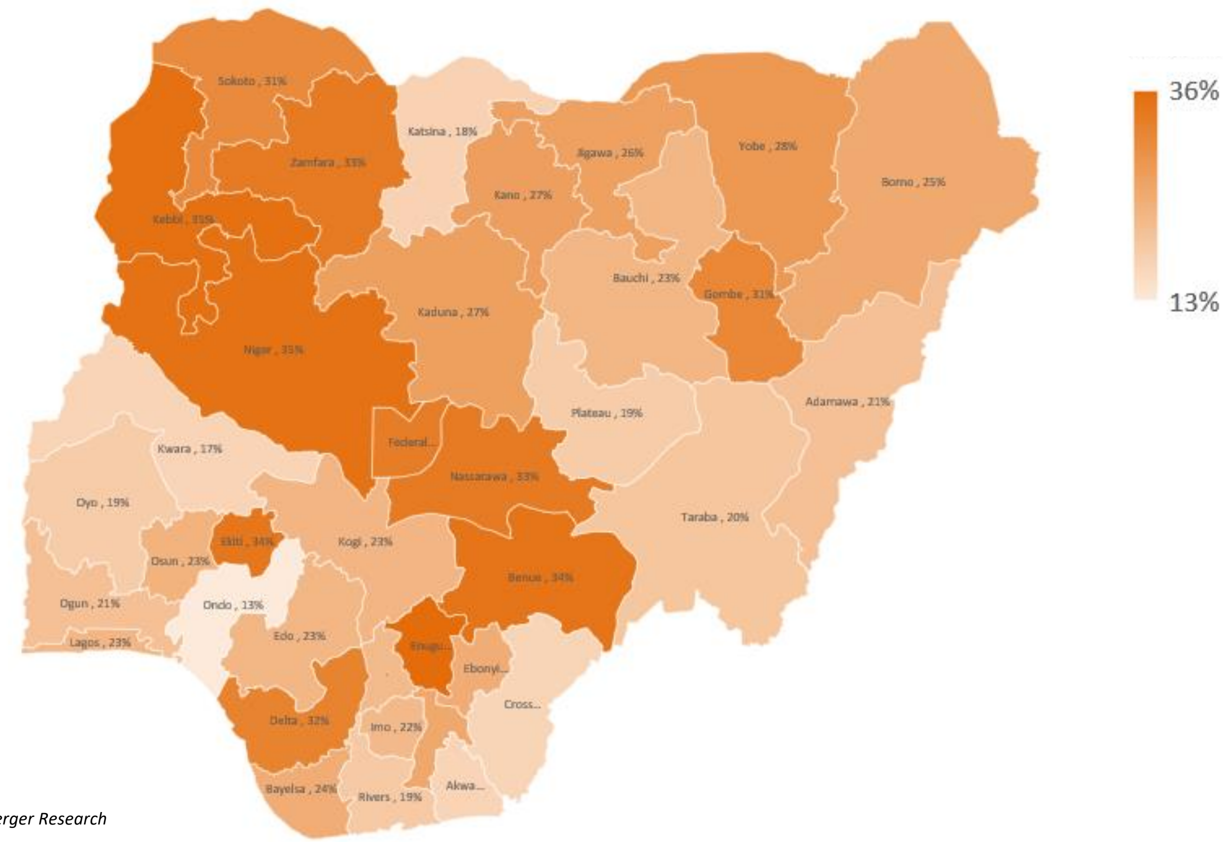
Energy Cost drives Inflation

Although the headline inflation index showed signs of moderation in April, the energy sub-component remained persistently high, reflecting ongoing pressures in the energy sector. Monthly energy inflation accelerated sharply to 13.5%, up from 9.21% in March, despite a notable reduction in petrol price during the prior month.

In March, both the NNPC and Dangote Petroleum Refinery implemented a price cut in petrol to approximately ₦860 per litre, aligning with the decline in global crude oil prices. However, the delayed effects of earlier hikes in petrol and electricity tariffs continued to exert upward pressure on the energy index, overshadowing the benefits of recent price reductions.

In contrast, inflation in the transport segment eased slightly, with the monthly rate slowing to 1.52% in April from 2.03% in March, reflecting some relief from fuel cost adjustments and improved price stability in transportation services.

HEADLINE INFLATION RATE BY STATES



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As shown above, inflation was most pronounced in the North-West, particularly in states such as Niger, Kebbi, Zamfara, and Sokoto. In terms of headline inflation, Enugu (36%), Kebbi (35%), Niger (35%), and Benue (34%) recorded the highest rates in the review month. On the other end of the spectrum, Ondo (13%), Cross River (17%), and Kwara (17%) posted the lowest inflation figures.

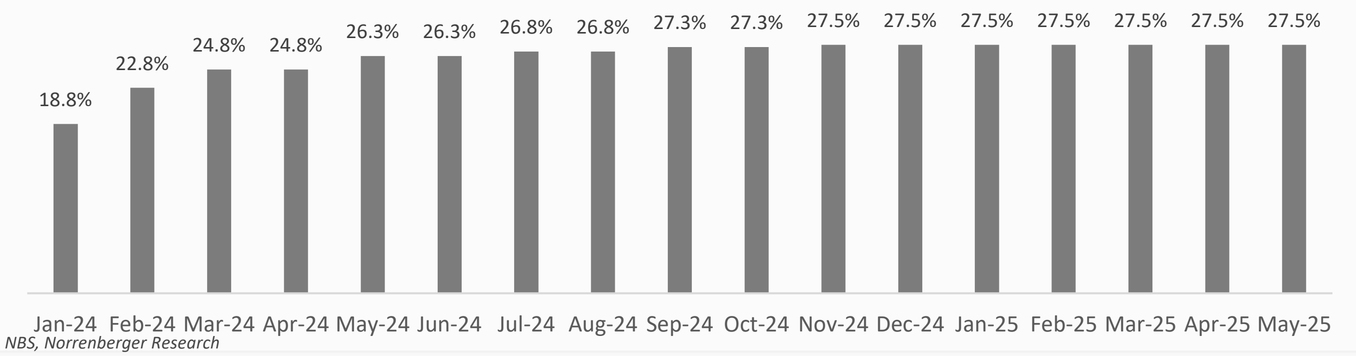
A notable outlier in the report is Benue State, which recorded the highest food inflation rate at 52%, despite its status as a key food-producing region in Nigeria. The surge in food prices in the state is particularly concerning given the ongoing security challenges, including attacks and killings by armed groups. These disruptions continue to threaten agricultural activity and food supply within Benue and its surrounding areas.

MPC: What next?

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) is set to convene for its milestone 300th meeting, where it will deliberate on the appropriate direction for interest rates amid evolving macroeconomic conditions. The upcoming meeting holds significant weight, as markets closely watch for signals on whether the CBN will continue to maintain its current monetary stance or pivot in response to recent economic developments.

So far in 2025, the CBN has held back on further interest rate hikes, having previously implemented an aggressive tightening cycle that saw the Monetary Policy Rate (MPR) raised by over 800 basis points in a bid to rein in inflation and stabilize the naira. The policy rate has remained unchanged at 27.5% since November 2024, leading to increased market speculation about a potential shift in the policy tone.

MPR TREND



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This sentiment is reflected in the fixed income market, where yields have begun to trend downward. Yields on Nigerian Treasury Bills (NTBs) and FGN bonds in the secondary market have declined by 463 basis points and 56.3 basis points year-to-date (YTD), respectively—an indication that investors are anticipating either a rate cut or continued dovish guidance from the CBN.

Supporting this expectation is the recent moderation in headline inflation and signs of relative stability in the foreign exchange market, outcomes that could give the CBN some room to adopt a more accommodative stance. Globally, several central banks have already initiated easing cycles in response to weakening economic momentum and declining inflation. For example, the European Central Bank (ECB) lowered its main rate to 2.25% in April, the Bank of England reduced its rate to 4.25%, and the South African Reserve Bank also cut its benchmark rate earlier in the year.

However, while there is growing pressure to align with the global trend, a rate cut by the CBN could be deemed premature. Despite recent inflationary relief, the disinflation trend remains fragile, with upside risks such as surging food and energy prices continuing to place pressure on the headline inflation index. In light of these risks, the MPC may opt for a "wait-and-see" approach, maintaining current rates to preserve stability and avoid undermining recent monetary gains.

Impact on Financial Markets

A hold decision by the CBN would signal a "higher-for-longer" interest rate environment, suggesting that the elevated yields could persist for an extended period. This would likely keep fixed income yields anchored around current levels, providing continued support for conservative investment strategies and reinforcing the appeal of risk-free government securities. In the equities market, such a stance may sustain the cautious investor sentiment seen in recent months, as elevated interest rates typically weigh on equity valuations and corporate borrowing costs. However, investors are expected to adopt a selective or "cherry-picking" strategy, targeting fundamentally strong stocks with potential upside, especially those that have delivered impressive Q1 2025 earnings results.