



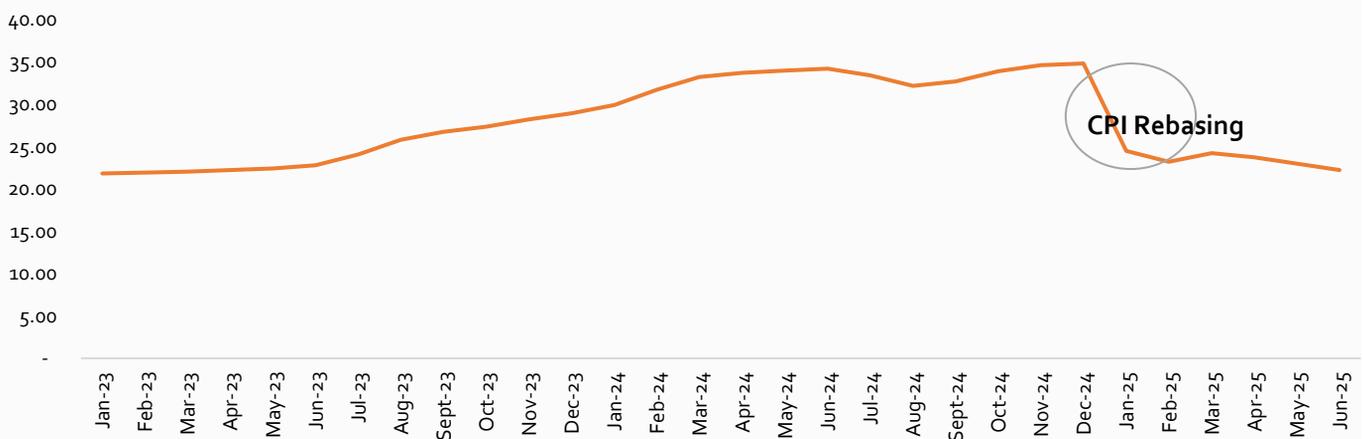
Nigeria's headline inflation slows to 22.22%

Nigeria's headline inflation rate continued its downtrend in June 2025, moderating to 22.22% year-on-year from 22.97% in May, according to the latest data released by the National Bureau of Statistics (NBS). This marks the third consecutive month of decline in the headline inflation rate, signaling a gradual slowdown in price increases across the economy. However, on a month-on-month basis, inflation rose slightly to 1.68% in June from 1.53% in May, reflecting persistent short-term price pressures.

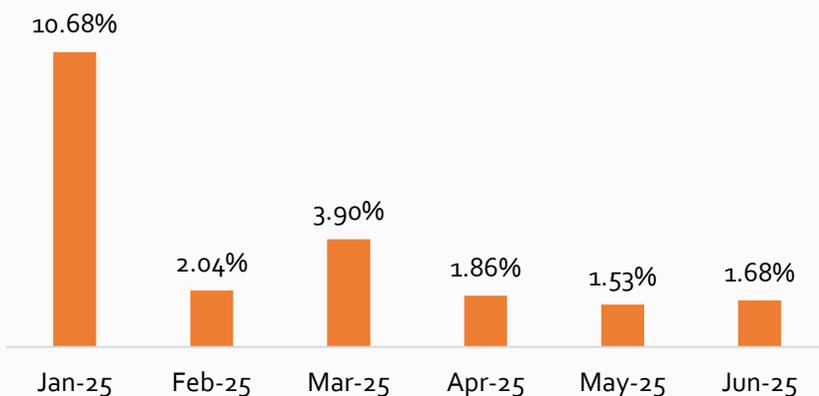
The divergence between the year-on-year and month-on-month trends highlights the complexity of inflation dynamics in the current environment. The moderation in annual inflation may be attributed to a combination of base effects from the prior year and the waning impact of earlier inflationary policies, including subsidy removals and exchange rate adjustments. Conversely, the uptick in monthly inflation underscores the lingering upside risks to prices, driven by factors such as supply chain inefficiencies and food-related costs, suggesting that price pressures remain in the near term.

A closer look at the inflation breakdown reveals continued volatility in key consumer segments. Core inflation (which excludes food and energy) rose to 22.76% in June from 22.28% in May, while food inflation accelerated to 21.97% from 21.14%, highlighting sustained pressure on essential goods and services. Meanwhile, all-items-less-farm-produce inflation, which is often influenced by energy costs, eased to 22.43% from 23.28% in the previous month. This suggests that recent stability in energy prices was a key factor contributing to the moderation in headline inflation during the review period.

Nigeria's Headline Inflation Trend



Monthly Inflation



NBS, Norrenberger Research

Food Inflation	21.97%	▲
Core Inflation	22.76%	▲
Urban Inflation	22.72%	▼
Rural Inflation	20.85%	▼

According to the report, the average annual food inflation rate for the twelve months ending June 2025 eased to 28.28%, down from 29.8% recorded in the previous month. Similarly, the core inflation component moderated to 24.14% from 24.51% over the same period. A further breakdown of the data reveals that food and non-alcoholic beverages remained the primary drivers of annual inflation, contributing 8.89% to the headline figure. This was followed by restaurants and accommodation services, which accounted for 2.87%, highlighting the continued impact of essential consumption categories on overall inflation dynamics.

Energy and FX stability drive inflation down, but core pressures persist

A closer look at the June 2025 inflation figures reveals that the sharp decline in energy prices was a key factor behind the moderation in headline inflation. Specifically, the energy index recorded a significant 11.01% month-on-month decline, which played a crucial role in easing broader inflationary pressures. This decline helped to temper the usual pass-through effects on transportation costs, production expenses, and household energy consumption, all of which are typically sensitive to energy price fluctuations.

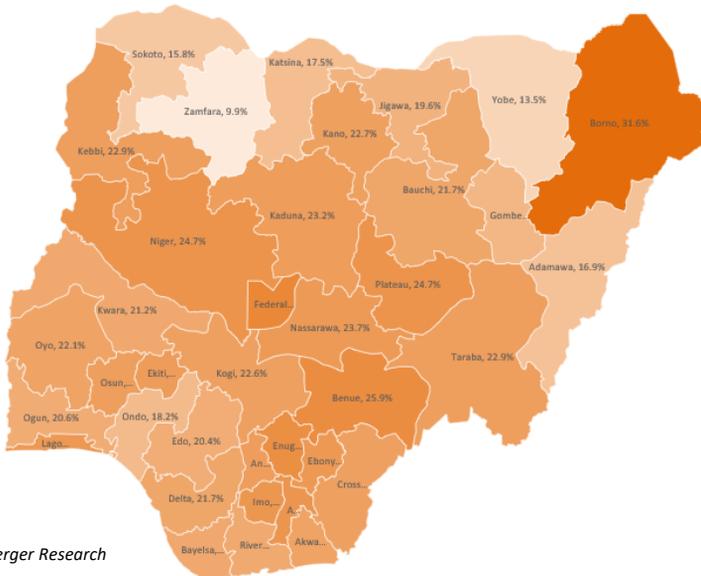
The moderation in energy prices was driven by both global and domestic factors. On the international front, crude oil prices declined amid improved supply conditions and a reduction in geopolitical tensions. Domestically, Dangote Refinery's competitive pricing strategy further contributed to the downward pressure on local fuel prices by boosting domestic supply and reducing reliance on imports, which historically exposes prices to currency fluctuations and global oil market volatility.

In addition to the energy price dynamics, the modest appreciation of the naira also contributed to easing inflationary pressures. The exchange rate strengthened from an average of ₦1,595.75/\$ in May to ₦1,550.74/\$ in June, supporting price stability by reducing the cost of imported goods and services.

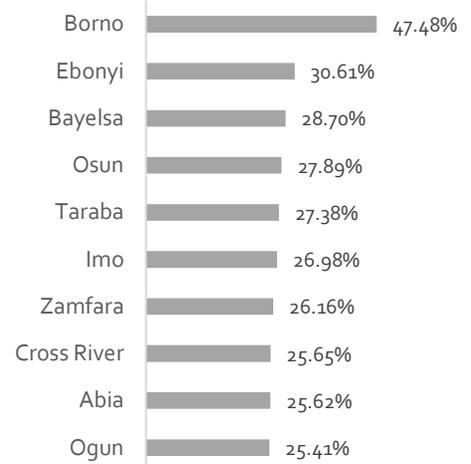
Furthermore, inflation in the farm produce segment also moderated on a monthly basis, with the index declining by 13.26%, largely reflecting a base effect following the sharp 22.38% increase recorded in the previous month. This development provided further relief to food prices, albeit temporarily.

While these factors contributed to the decline in headline inflation, upside risks remain in the food and core areas, with inflation on ICT, alcoholic beverages rising to 2.72% and 0.93% respectively.

HEADLINE INFLATION RATES BY STATES



STATES WITH HIGHEST FOOD INFLATION



NBS, Norrenberger Research

The June 2025 inflation data highlights significant regional disparities in price pressures across Nigeria, with inflation rates ranging from a high of 31.66% in Borno State to a low of 9.93% in Zamfara State. Borno (31.66%), Abuja-FCT (26.74%), and Benue State (25.87%) recorded the highest inflation rates, reflecting heightened price pressures in the North-East and Middle Belt regions.

Conversely, Zamfara (9.93%), Yobe (13.53%), and Sokoto (15.82%) recorded the lowest inflation rates. These states may be experiencing relatively muted consumer demand or benefitting from targeted food interventions, which could be mitigating demand-driven price pressures or delaying the pass-through effects of broader market shocks.

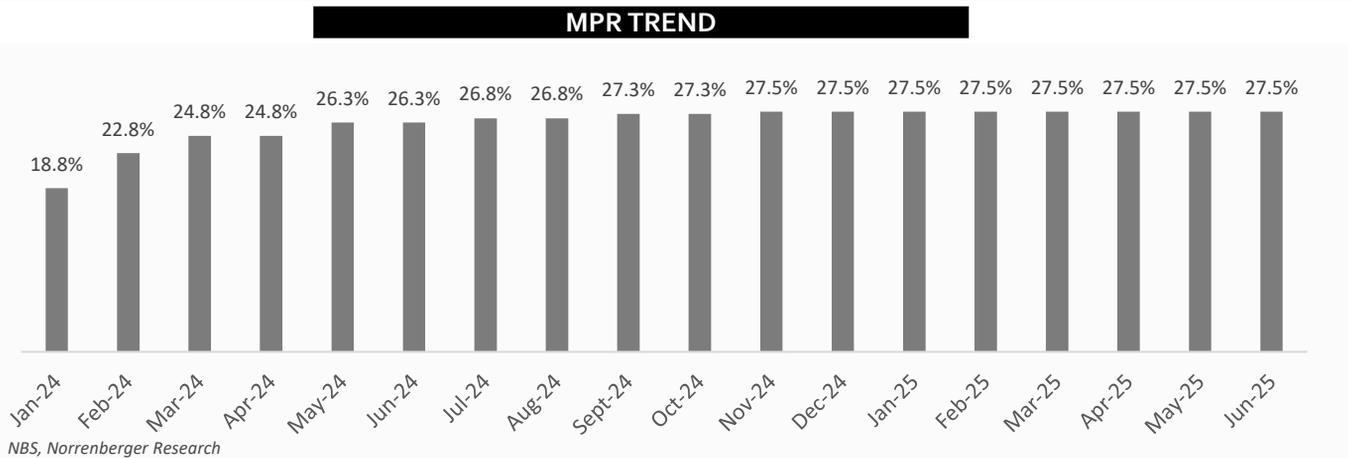
In terms of food inflation, Borno State again posted the highest rate at 47.48%, underscoring the severe impact of insecurity, supply chain disruptions, and elevated transportation costs on food prices in the region.

As the Central Bank of Nigeria’s Monetary Policy Committee (MPC) convenes for its 301st meeting, market expectations are centered around a potential hold or marginal rate cut decision. The MPC has maintained a wait-and-see stance throughout 2025, keeping the Monetary Policy Rate (MPR) steady at 27.5% since November 2024, reflecting a cautious approach amidst evolving macroeconomic conditions.

With headline inflation having moderated for three consecutive months, the CBN’s recent communication suggests a continued preference for an orthodox monetary policy framework, which typically leans towards lower rates in line with easing inflation. However, the month-on-month increase in headline, food, and core inflation signals underlying price pressures that could justify maintaining the current rate to avoid undermining the recent progress on inflation.

Should the MPC opt to support growth and market expectations, particularly given that the fixed income market appears to have priced in future rate cuts, a modest reduction of 25 to 50 basis points could be considered. Such a move would strike a balance between signaling a gradual shift towards an accommodative stance while remaining cautious in light of prevailing inflationary risks.

On balance, while a hold at 27.5% remains the more likely outcome, the possibility of a small, measured cut cannot be entirely ruled out as the MPC seeks to navigate between supporting economic activity and consolidating recent gains in price stability.



Looking ahead, Nigeria’s headline inflation is expected to maintain a gradual downward trajectory in the coming months. The onset of the harvest season is anticipated to ease supply constraints, potentially driving food inflation lower or keeping it relatively stable. However, persistent challenges such as flooding and insecurity in key agricultural regions could moderate these benefits, leading to localized price increases in some areas.

On the energy front, the recent decline in global oil prices and the increasing market impact of Dangote Refinery’s domestic supply are expected to sustain the downward pressure on energy costs, particularly in fuel prices. This should contribute to further moderation in core inflation, reinforcing the broader disinflationary trend. In addition, the relative stability of the naira in the foreign exchange market—barring any significant external shocks—is expected to help reduce imported inflationary pressures, particularly in sectors like fuel and food.

Continued moderation in inflation and expectations of potential monetary policy easing (even if marginal) will likely support a bullish sentiment in the fixed income market.

The equity market stands to benefit from easing inflationary pressures and the potential for lower interest rates. A more benign inflation outlook, coupled with expectations of gradual policy easing, may improve corporate earnings prospects, particularly for sectors sensitive to financing costs and consumer demand, such as consumer goods, industrials, and financial services.



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