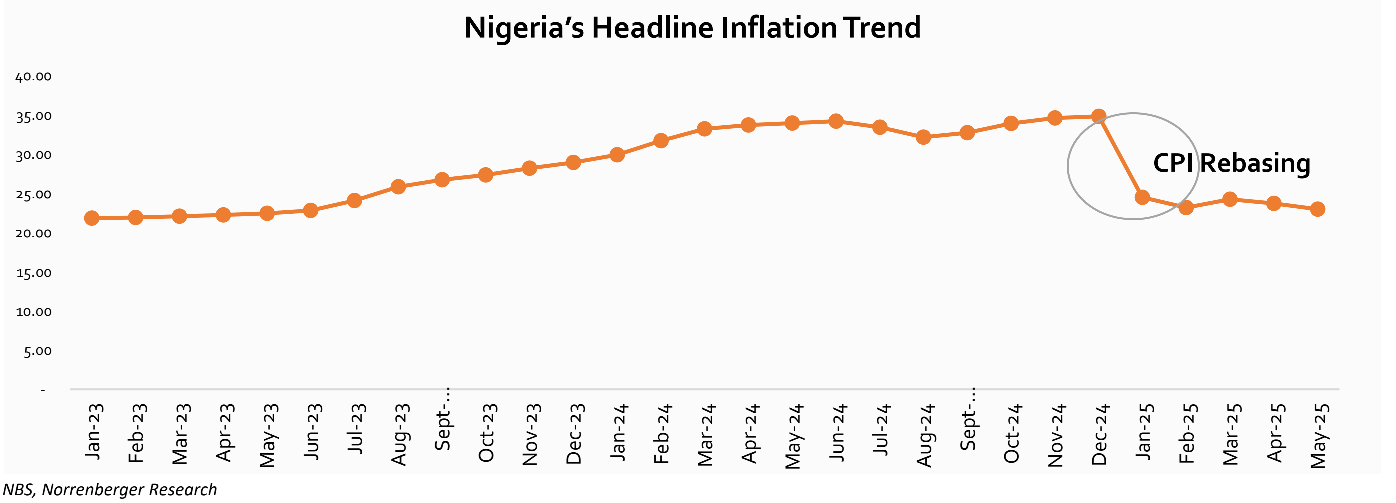
Headline Inflation eases to 22.97% in May 2025

Nigeria's headline inflation rate eased for the second consecutive month in May 2025, moderating to 22.97%, according to the latest Consumer Price Index (CPI) report released by the National Bureau of Statistics (NBS). This figure marks the lowest inflation rate recorded since the CPI rebasing exercise in January 2025, offering a tentative signal of easing price pressures in the economy.

The deceleration in inflation was largely supported by favorable base effects and moderations across major components of the inflation basket. All three key sub-indices of the CPI—core inflation, all items less farm produce, and food inflation—recorded slower rates of increase compared to April.

- Core inflation (which excludes volatile items such as food and energy) declined to 22.28%, down from 23.39% in April.
- All items less farm produce, another key indicator of underlying inflationary trends, slowed to 23.28%, compared to 24.50% in the previous month.
- Meanwhile, food inflation, a closely monitored index due to its direct impact on household welfare, eased slightly to 21.14% from 21.26% in April.



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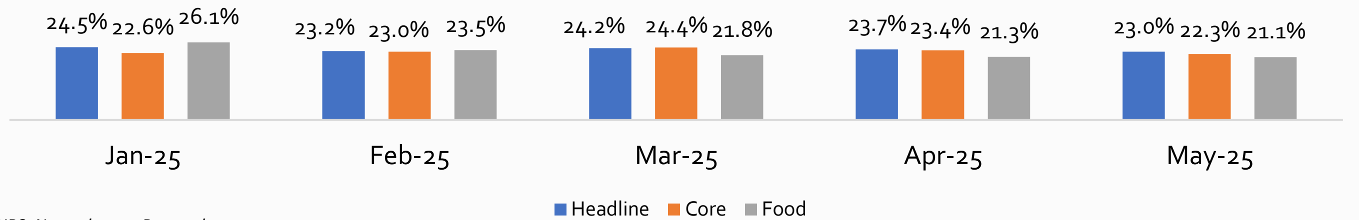
The continued moderation in inflation is attributable to a blend of factors, including relative exchange rate stability, improved seasonal food supply, and the favorable base effect from elevated inflation levels in the corresponding periods of 2024. In particular, the naira recorded a modest appreciation of 1% in May, closing the month at ₦1,585/$1, reversing part of the 4.1% depreciation experienced in April. Additionally, consumer prices were supported by a slight reduction in petrol prices and the onset of the food harvest season, which contributed to a mild decline in select food prices across some regions.

On a month-on-month basis, inflation came in at 1.53%, marking the lowest monthly rate in five months and a notable decline from 1.86% in April. This suggests some easing of cost pressures and temporary relief for consumers, particularly in food and energy-related expenses.

From a sectoral perspective, food and non-alcoholic beverages remained the primary contributor to headline inflation, accounting for 9.20% of the overall rate. This was followed by restaurants and accommodation services at 2.97%, transport at 2.45%, and housing, water, electricity, gas, and other fuels, which contributed 1.93%. In contrast, the recreation, sport, and culture category had the least impact, contributing just 0.07% during the review period.

Meanwhile, the major price drivers of food inflation in the review month were tubers, maize, as well as pepper. Notably, the average annual rate of Food inflation for the twelve months ending May 2025 over the previous twelve-month average was 29.8%, which was 4.26% points lower compared with the average annual rate of change recorded in May 2024 (34.06%).

YTD Trend of Headline vs Core vs Food Inflation



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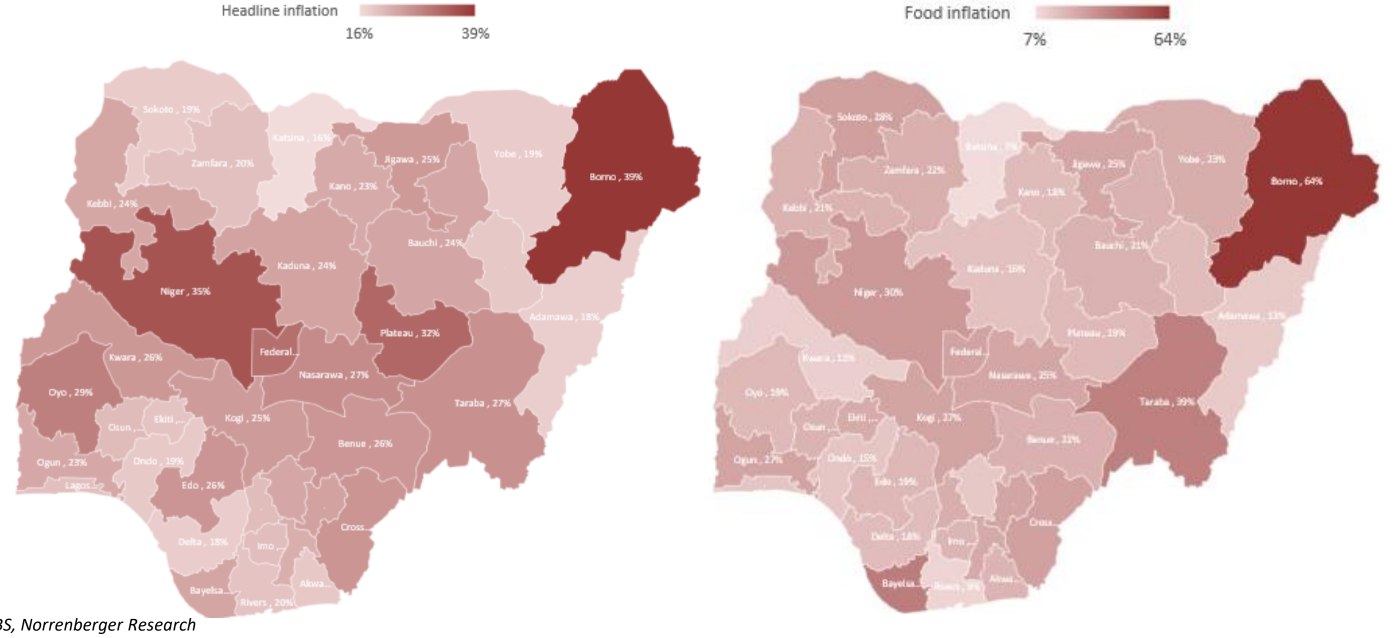
Energy & services slows as insecurity drives surge in farm produce

Further analysis of the May CPI figures shows that the deceleration in headline inflation was largely driven by a combination of declines in the energy and services sub-indices. On a month-on-month basis, energy inflation dropped to -0.43% from 13.5%, while inflation in the services segment eased to 1.79% from 2.18%. The moderation in Nigeria's energy inflation in May 2025 was partly driven by the reduction in the ex-depot price of petrol by the Dangote Refinery, which cut prices to ₦835 per litre in mid-April.

This move contributed to the deflationary trend observed in the energy components of the inflation basket. Furthermore, a second round of price cuts was announced later in May, reflecting the downward trajectory in global crude oil prices, which provided further relief in domestic energy costs. In line with the easing energy prices, the index for imported food items declined by 1.45% in May, reversing the 1.25% increase recorded in April. This decline suggests some improvement in external supply conditions and relative exchange rate stability, which helped dampen cost pressures on imported food.

However, not all components of the inflation basket followed the same trend. Inflation on farm produce surged sharply to 22.38%, up from just 0.95% in April, underscoring persistent structural bottlenecks and supply-side challenges, including insecurity and climate-related disruptions in key agricultural regions. Similarly, the restaurants and accommodation services segment recorded a notable jump in inflation, rising to 4.59% from 0.41% in the previous month—reflecting rising operational costs and potential pass-through from food and energy-related expenses in the hospitality sector.

Inflation by States



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In May 2025, inflationary pressures were most pronounced across northern Nigeria, with Borno State emerging as the state with the highest headline inflation rate at 38.9%, and a record food inflation rate of 64.4%—the highest nationwide. Other states with elevated inflation levels include Niger (35.0%), Plateau (32.3%), Abuja (31.1%), and Oyo (28.9%), rounding out the top five.

Notably, four of these states are located in the North-Central and North-Eastern regions, areas that have long been challenged by insecurity, recurrent flooding, and inadequate infrastructure, all of which have contributed to disruptions in food supply chains and elevated consumer prices.

By contrast, states with the lowest inflation rates—including Katsina (16.2%), Adamawa (18.2%), Delta (18.4%), and Sokoto (18.5%)—are largely concentrated in the North-West and South-South zones, where relative calm and better logistical networks have helped to keep price pressures in check.

The case of Borno State is particularly severe, which not only recorded the highest headline inflation but also the highest food inflation, underscoring the intensifying cost-of-living crisis in the North-East. The sharp rise in prices can be traced to prolonged insurgency, widespread insecurity, and severe flooding, which have collectively disrupted agricultural production, displaced farming communities, and undermined rural livelihoods. It is however worth noting that in recent years, Borno State had printed relatively the lowest numbers, majorly due to inability to acquire real time data in the region.

Inflation eases, but risks persist

While Nigeria's inflation rate showed signs of easing in May 2025, underlying risks to price stability remain firmly in place—both from domestic insecurity and geopolitical tensions abroad.

One of the most pressing domestic concerns stems from the recent killing of approximately 200 individuals in Benue State, a region widely recognized as the "food basket of the nation." Benue plays a vital role in Nigeria's agricultural output, producing key staples such as yam, rice, maize, and soybeans. The escalating violence in the state has not only resulted in tragic human losses and the displacement of farming communities but also threatens to disrupt agricultural activity during a critical planting season. This instability directly impacts food supply chains and market access, posing a significant threat to national food security. If left unchecked, these disruptions could undermine current progress in slowing food inflation and worsen supply-driven price shocks in the months ahead.

Beyond domestic challenges, global geopolitical risks are adding further uncertainty. The escalating conflict between Iran and Israel—with fears of potential U.S. involvement—has driven crude oil prices sharply higher, offering short-term fiscal gains for oil-exporting countries like Nigeria, but also posing a double-edged sword. Nigeria's petrol pricing remains tightly linked to international oil benchmarks, meaning that a sustained rise in crude prices—potentially reaching $100 per barrel—could significantly increase the landing cost and domestic price of petrol. Such a development would likely fuel another wave of energy inflation, adding pressure to transportation and production costs, and cascading into broader consumer price increases.

Is it too early to call for a rate cuts?

With headline inflation easing for the second consecutive month, attention now shifts to the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) and whether it may begin to consider loosening its aggressive monetary stance. While the recent moderation in inflation is encouraging, it may be premature to call for a rate cut, given the underlying risks that continue to cloud the outlook.

- On the domestic front, persistent food inflation, driven by structural issues such as insecurity, flooding, and supply chain disruptions—particularly in food-producing regions like Benue—continues to exert upward pressure on prices. Externally, the heightened geopolitical tensions in the Middle East could trigger further volatility in crude oil prices. While higher oil prices may boost Nigeria's fiscal revenues, they also risk driving up the domestic cost of petrol and transportation, potentially reversing recent gains in energy inflation.
- Given these dynamics, the CBN is expected to adopt a cautious and data-dependent approach. Although the current Monetary Policy Rate (MPR) of 27.5% remains high by historical standards, a premature rate cut could undermine progress made in anchoring inflation expectations.
- Ultimately, the decision to hold or adjust the policy rate at the upcoming MPC meeting in July will likely hinge on two key factors: the June inflation report and the evolving global geopolitical landscape. Until there is greater clarity and sustained evidence of disinflation across core and food indices, the more prudent path for the MPC would be to maintain the current policy stance, while closely monitoring inflation drivers and external shocks.

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