

HEADLINE INFLATION PRINTS AT 24.48%

... Redefining Economic Realities

February 19, 2025

Economic Report

The National Bureau of Statistics (NBS) undertook a significant rebasing of inflation indices, a crucial step in ensuring that price references and expenditure weight aligns with contemporary economic realities. This adjustment introduces a revised basket of goods and services that better reflects current consumer spending patterns. The update enhances the accuracy of inflation assessments and provides a more nuanced understanding of price movements across various sectors.

Previously anchored to a 2009 reference period, the Consumer Price Index (CPI) has now transitioned to a 2024 base year. This revision is in line with international best practices as outlined in the CPI manual and takes into account recent economic shifts, including post-COVID-19 recovery trends and key policy changes such as the removal of fuel subsidies.

Inflation Trends and Key Metrics

On a year-on-year basis, Headline Inflation stood at 24.48%, a significant decline from 34.80% in December 2024. Food Inflation remained the primary driver, recording 26.08% year-on-year (December 2024: 39.84%), while Core Inflation — which excludes volatile agricultural and energy prices — came in at 22.59% (December 2024: 29.28%). On a month-on-month basis, Headline Inflation surged to 10.68% (December 2024: 2.64%). Food Inflation printed at 10.33% (December 2024: 3.21%), and Core Inflation spiked to 10.87% (December 2024: 2.24%).

Notably, these fluctuations do not necessarily indicate a genuine increase or reduction in the price level of goods and services but are a consequence of the recalibrated base year and updated methodology.

Highlights

Index	Year-on-Year Change		Bps	Month-on-Month Change		Bps
	New Index	Old Index		New Index	Old Index	
	Jan-25	Dec-24		Jan-25	Dec-24	
All-item Index	24.48%	34.80%	-10.32%	10.68%	2.64%	8.04%
Food Index	26.08%	39.84%	-13.76%	10.33%	3.21%	7.12%
Core Index	22.59%	29.28%	-6.69%	10.87%	2.24%	8.63%
Urban All-item Index	26.09%	37.29%	-11.20%	11.19%	2.72%	8.47%
Rural All-item Index	22.15%	32.47%	-10.32%	9.47%	2.57%	6.90%

Sources: National Bureau of Statistics, WSTC Research

Changes in CPI Composition and Classification

To enhance the accuracy of inflation tracking, the NBS expanded the number of items in the CPI basket from 740 to 934 and upgraded the classification system from COICOP 1999 to COICOP 2018. This expansion increases the expenditure categories from 12 to 13, introducing a new category that explicitly captures the impact of Financial Services and Insurance expenditures on households.



Furthermore, the classification of Headline Inflation has been refined beyond the traditional segmentation of food inflation and core inflation. The new framework includes: Farm Produce Index, Aggregated Items Less Farm Produce Index, Energy Index, All Items Less Farm Produce and Energy Index (Core Inflation), Services Index, Goods Index and Imported Food Index.

This comprehensive categorisation enables a more granular analysis of price fluctuations across different expenditure classes, improving policy formulation and economic planning.

Adjustments in CPI Weightings

The rebasing exercise necessitated a recalibration of expenditure weights to accurately reflect evolving consumer behavior. Notably:

- The weight of the Food and Non-Alcoholic Beverages Index was reduced from 51.80% to 40.00%.
- The Restaurant and Accommodation Services Index saw a sharp increase from 1.20% to 12.90%.

These adjustments stem from a shift in classification, where expenditures on dining out were moved from the Food and Non-Alcoholic Beverages category to Restaurant and Accommodation Services. Additionally, the inclusion of student housing expenses across all educational levels contributed to the increased weighting of the latter category.

Technological Advancements in Data Collection

A key advancement accompanying the rebasing is the NBS’s adoption of Computer-Assisted Personal Interviewing (CAPI) technology, replacing the previously employed manual data collection method. This system ensures real-time data transmission with rigorous oversight from trainers, state officials, and zonal controllers, thereby enhancing data accuracy and minimizing reporting errors.

Newly introduced Indexes

Index	Jan-25
Farm Produce	10.50%
All Items Less Farm Produce	10.70%
Energy	8.91%
Core Index	10.87%
Services	10.41%
Goods	10.79%
Imported Food	11.47%

Sources: National Bureau of Statistics, WSTC Research.



Outlook

In February 2025, we foresee a slight moderation in Core Inflation. This anticipated reduction is expected to be driven by the relative stability or slight appreciation of the Naira, which should alleviate pressures by lowering the costs associated with imported raw materials and goods. Furthermore, the stability in energy prices is projected to contribute positively to this trend.

Food Inflation - we predict a modest decline, spurred by the waning of seasonal demand pressures. However, several structural challenges persist, particularly in the northern regions, including ongoing security issues, inadequate transportation infrastructure, and suboptimal storage facilities, which may impede the potential for a more significant decrease in food prices.

Policy Expectation

The Monetary Policy Committee convened for its 299th session and its inaugural meeting of 2025 on February 19–20, 2025. We anticipate that the committee will adopt a wait-and-see approach during the meeting. The substantial interest rate hikes implemented in 2024 were designed to alter the inflation trajectory, and the comments made by the CBN Governor at the CIBN Bankers' Dinner indicate that some effects of these measures have already been observed. However, the notable decline in inflation numbers in January stems from rebasing impacts, prompting the committee to closely monitor economic indicators over the coming months before making further adjustments.



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- Hold Rating: estimated change in price is between -10% and 19% of current market price.
- Sell Rating: estimated change in price is $\leq -10\%$ of current market price.

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