

HEADLINE INFLATION EASES TO 22.22%

... Inflation Softens, but Food and Core Inflation Pressures Persist

July 18, 2025.

Economic Report

Highlights

According to the National Bureau of Statistics (NBS), Headline Inflation slowed to 22.22% year on year in June 2025, down from 22.97% in May. The moderation is notable, especially as both Core and Food Inflation grew over the same period. This decline is largely due to base effects and an 11.04% drop in energy product prices. However, on a month-on-month basis, Inflation rose to 1.68% from 1.53% in May, pointing to sustained pricing pressure in the near term.

Food inflation rose to 21.97% year-on-year in June from 21.14% in May, marking the first growth since the inflation series was rebased. On a month-on-month basis, the rate climbed sharply to 3.25% from 2.19% in the previous month. This uptick reflects a steeper rise in the average prices of key staples such as dried green peas, fresh peppers, tomatoes, meat, plantain flour, crayfish, and ground pepper.

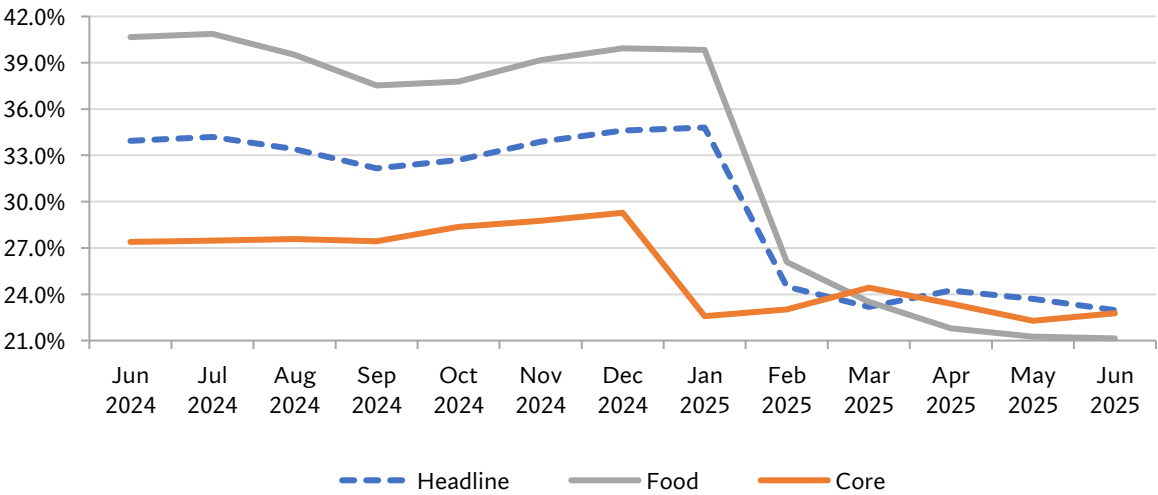
Further analysis shows imported food inflation rose to 2.65% month-on-month, despite relative stability in the foreign exchange market. Meanwhile, farm produce prices declined by 13.26%. This drop appears significant at face value and is better explained by a high base effect. For perspective, farm produce surged by 22.38% in May, well above the three-month average rise of 1.77% recorded between February and April.

Additionally, the celebration of the Ileya festival on June 6 likely triggered food stockpiling, adding to inflationary pressure. This was more pronounced in urban markets, where food inflation stood at 22.72% year on year, compared to 20.85% in rural areas. Insecurity across key food producing states like Benue also disrupted supply chains, amplifying food price volatility and deepening overall inflation pressure.

After two consecutive months of decline, Core Inflation which excludes farm produce and energy rose to 22.76% year on year in June, from 22.28% in May. On a month-on-month basis, the rate spiked to 2.46%, more than double the 1.10% recorded in the prior month. This sharp rise signals that inflationary pressures are broadening beyond food and energy. Service-related costs rose to 3.25% month-on-month, while transport prices jumped to 2.04%. We attribute this trend partly to the global crude oil market, where the average price of Brent crude rose by 8.78%, from \$63.79 per barrel in May to \$69.39 in June. This uptick likely fed through to domestic prices, especially within the transport and service sectors.



Year-on-Year Inflation Trend



Source: National Bureau of Statistics, WSTC Research

Outlook

In the near term, Inflation is expected to remain uneven across key components. While Headline Inflation may continue to ease slightly due to improved FX conditions and recent energy price movements by Dangote Refinery, structural issues in food-producing regions - particularly insecurity and weak logistics will likely keep food inflation elevated.

The sustained appreciation of the Naira offers some relief. As of mid July, the average exchange rate stood at N1,526.36 per dollar in the NAFEM window and N1,551.66 per dollar in the parallel market. Compared to the previous month’s average, this reflects a 1.81% gain in the official market, suggesting a more stable currency environment.

Fuel price dynamics further point to a softening inflation trend. Following new distribution partnerships with independent marketers, Dangote Refinery lowered its ex-depot petrol price from N880 to N840 per litre at the end of June, and further to N820 earlier in July. This has triggered modest pump price reductions in several regions and is expected to ease transport costs. As a result, we anticipate a moderation in Core Inflation pressures over the coming months.

Food inflation may remain sticky due to seasonal pressures during the lean season from June to August, which typically limits food supply and drives up prices.



Policy Expectations

The Central Bank of Nigeria has maintained the Monetary Policy Rate at 27.50% for two consecutive meetings in the year. With the next MPC meeting scheduled for July 21 and 22, 2025, we do not expect a rate hike.

We believe the CBN will likely hold the rate steady, given its emphasis on price stability amid persistent inflationary pressures. However, with Headline Inflation starting to ease and FX conditions showing sustained improvement, there is a slim possibility of a slight rate cut. Overall, a rate hold remains the most prudent path in the current environment, but the door to minor policy easing is not completely shut.

Other Highlights

Indexes	Year-on-Year			Month-on-Month		
	Jun-25	May-25	Change	Jun-25	May-25	Change
All-items Price Index	22.22%	22.97%	-0.75%	1.68%	1.53%	0.15%
Food Index	21.97%	21.14%	0.83%	3.25%	2.19%	1.06%
Core Index	22.76%	22.28%	0.48%	2.46%	1.10%	1.36%
Urban All-items Index	22.72%	24.29%	-1.57%	2.11%	1.40%	0.71%
Rural All-items Index	20.85%	22.83%	-1.98%	0.63%	1.83%	-1.20%

Source: National Bureau of Statistics, WSTC Research



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- Hold Rating: estimated change in price is between -10% and 19% of current market price.
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WSTC Securities Limited has its registered office at 2, Maitama Sule Street, South-West Ikoyi, Lagos, Nigeria.

Email: research@wstc.com.ng

Website: www.wstc.com.ng

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