

HEADLINE INFLATION EASES TO 21.88%

... Headline Inflation Cools, as disinflation continues

July 18, 2025

Economic Report

Highlights

Nigeria's Headline Inflation eased for the fourth consecutive month in July 2025, dropping to 21.88% from 22.22% recorded in June 2025. This mirrored the year-on-year decline in the major components - Food Inflation and Core Inflation. However, on a month-on-month basis, Headline Inflation rose to 1.99% in July, up from 1.68% in June 2025, largely driven by renewed pressure on energy products (July 2025: 2.75% vs June 2025: -11.04%).

Food inflation rose to 22.74% year-on-year in July, up from 21.97% in June. However, on a month-on-month basis, the inflation rate moderated to 3.12%, down from 3.25% recorded in the previous month. Notably, this month-on-month decline came after two consecutive months of increase. According to the report from NBS, the decline can be attributed to drop in average price of vegetable oil, white beans, local rice, maize flour, guinea corn (sorghum), wheat flour, and whole grain millet.

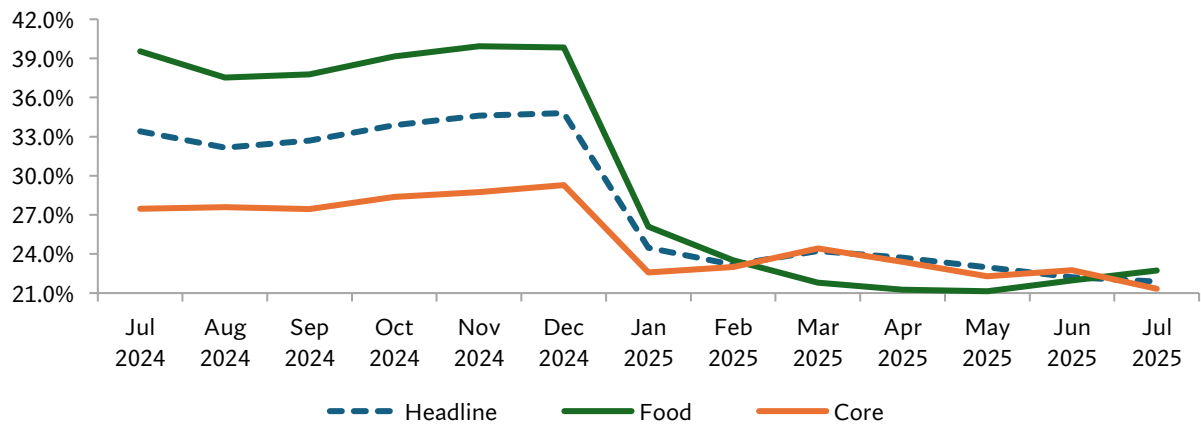
Additionally, we posit that the sustained relative stability in the FX market had a more pronounced impact on Food Inflation this month compared to the previous month. For context, Imported food month-on-month growth slowed to 1.55% in July 2025, down from 2.65% in June 2025.

Core Inflation declined both on a year-on-year and on a month-on-month basis. On a year-on-year basis, it stood at 21.33% from 22.76% in June, while on a month-on-month basis, it reported a more pronounced decline, printing at 0.97%, from 2.46% in June. We opine that this cooling was largely anchored by the pass-through effect of the relative stability in FX market, coupled with lower fuel prices during the month, which filtered through to ease pressures on goods and services.

In addition, data from the National Bureau of Statistics (NBS) price-tracking platform indicates a downward trend in the prices of housing, water, electricity, gas, and other fuels across urban centers. This development aligns with the latest inflation statistics, which show a decline in urban food inflation to 22.01% in July, representing a 0.71% drop from 22.72% recorded in June. Conversely, food and farm produce prices in rural areas recorded a modest increase, with rural food inflation rising to 21.08% in July, up from 20.85% in the preceding month.



Year-on-Year Inflation Trend



Source: National Bureau of Statistics, WSTC Research

Outlook

Headline inflation is projected to maintain its disinflationary path into August 2025, extending the trend of four consecutive months of moderation. This outlook is supported by favorable supply-side dynamics. Improved rainfall during the growing season which drives stronger agricultural output and is expected to ease food price pressures in the coming months. In addition, the continued decline in energy prices, underpinned by consistent supply from the Dangote Refinery, has helped stabilise domestic fuel costs and reduce transportation-related inflationary pressures.

Beyond supply factors, a more stable macroeconomic environment is providing further support for price moderation. The combination of these developments reinforces expectations of a gradual but sustained disinflationary trajectory in the near term. Additionally, the relative stability in FX market is expected to positively impact the overall components of Headline inflation.



Other Highlights

Indexes	Year-on-Year			Month-on-Month		
	Jul-25	Jun-25	Change	Jul-25	Jun-25	Change
All-items Price Index	21.88%	22.22%	-0.34%	1.99%	1.68%	0.31%
Food Index	22.74%	21.97%	0.77%	3.12%	3.25%	-0.13%
Core Index	21.33%	22.76%	-1.43%	0.97%	2.46%	-1.49%
Urban All-items Index	22.01%	22.72%	-0.71%	0.25%	2.11%	-1.86%
Rural All-items Index	21.08%	20.85%	0.23%	1.67%	0.63%	1.04%

Sources: National Bureau of Statistics, WSTC Research



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