

Inflation Watch - Rebased CPI Drives Nigeria’s Inflation Down to 24.48% in January 2025

In January 2025, Nigeria's headline inflation rate fell to 24.48% year-on-year (y/y), a notable decrease from the 34.80% recorded in December 2024. This drop marks the first significant decline in inflation after several months of rising rates. The primary reason for this reduction is the rebasing of the Consumer Price Index (CPI) by the National Bureau of Statistics (NBS), which updated the reference year and revised the basket of goods and services to better align with current consumer spending and economic conditions. The base year for the CPI was shifted from 2009 to 2024, allowing for a more accurate representation of the present economic landscape. The updated CPI incorporates new weights for goods and services, reflecting changing market trends and consumer behaviors. Additionally, decreases in both food and core inflation contributed to the overall reduction. Food inflation, crucial for household budgets, dropped to 26.08% y/y in January, down from 39.84% in December, while core inflation, which excludes fluctuating agricultural and energy prices, fell to 22.59% y/y from the previous month’s 29.28%.

Please see the table below for the categories with the largest re-weightings. Also, the bureau raised the number of items in the inflation basket from 740 to 934.

Categories with largest reweightings	Old CPI Weights 2009 (%)	New CPI Weights 2024 (%)
Food And Non-Alcoholic Beverages	51.80	40.00
Housing, Water, Electricity, Gas and Other Fuels	16.70	8.40
Health	3.00	6.10
Transport	6.50	10.70
Education Services	3.90	6.20
Restaurants and Accommodation Services	1.20	12.90
Personal Care, Social Protection, and Miscellaneous Goods and Services	1.70	3.30

The rebasing of Nigeria’s Consumer Price Index (CPI) is a pivotal move to ensure inflation data accurately reflects the country’s evolving economic realities. By updating the reference year and revising the basket of goods and services, the National Bureau of Statistics (NBS) has enhanced the precision of price movement measurements, offering a clearer picture of their impact on households and businesses. While the lower inflation figures provide some relief, they do not indicate a reduction in prices but rather a slower pace of price increases. Consequently, Nigerians continue to grapple with a high cost of living and persistent economic pressures. The effectiveness of government policies, including the Central Bank of Nigeria’s (CBN) monetary tightening and fiscal interventions aimed at price stabilization, will be critical in shaping future inflation trends. Exchange rate stability and fiscal strategies will also play a significant role in determining the trajectory of inflation in the coming months. Although the decline in inflation is a positive development, challenges persist, particularly the burden of high living costs. The government must adopt a balanced approach to ensure long-term economic stability.

While the CPI rebasing marks a significant step toward more accurate economic data, its true impact hinges on policymakers’ ability to address the root causes of inflation. At the upcoming Monetary Policy Committee (MPC) meeting, a dovish stance and outlook on interest rates are anticipated.

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