

INFLATION WATCH – July 2025

Inflation Watch - Nigeria's Inflation Falls to 21.88% in July, Fourth Monthly Drop

CPI Rebasing Continues to Moderate Inflation Readings

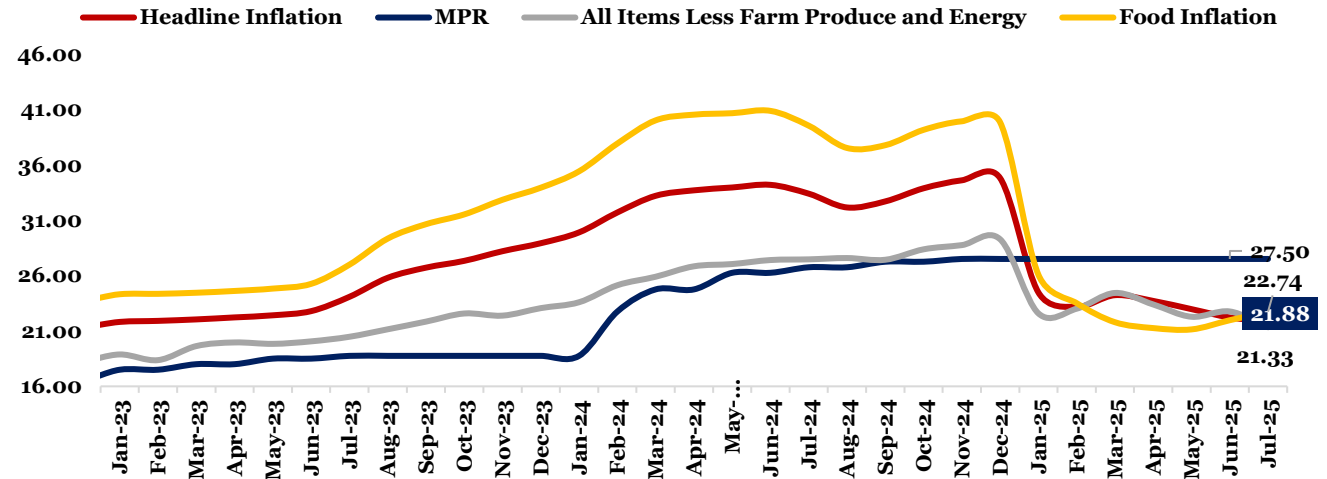
Nigeria's inflation rate declined for the fourth consecutive month in July 2025, settling at 21.88% y/y, down from 22.22% in June, according to the latest data from the National Bureau of Statistics (NBS). Compared to July 2024, when the rate stood at 33.40%, this represents an 11.52% points drop, signaling some economic relief.

On a monthly basis, the Consumer Price Index rose by 1.99% in July, slightly higher than the 1.68% recorded in June, indicating that short-term price pressures persist despite the annual moderation. Food inflation showed mixed trends: year-on-year, it increased to 22.74% from 21.97% in June, while on a monthly basis, food prices rose by 3.12%, down from 3.25% in June. This monthly moderation was driven by falling average prices of key staples such as vegetable oil, white beans, local rice, maize, and wheat flour.

Core inflation, which excludes food and energy prices, fell sharply on a monthly basis to 0.97% from 2.46% in June, while standing at 21.33% y/y.

Our view

Although the inflation rate remains relatively high, the downward trend since the start of the year suggests that some of the government's policy reforms are yielding positive results. The



rebasing of the Consumer Price Index earlier this year—which introduced a new base year and an updated basket of goods—contributed to the initial sharp drop. Since then, the pace of decline has become more gradual and consistent.

Notably, the Central Bank's Monetary Policy Committee (MPC) held the benchmark interest rate at 27.5% during its July meeting to monitor the ongoing downtrend in inflationary pressures amid global uncertainties. We expect that any further decline in the inflation rate in August could prompt the MPC to consider a rate cut when it meets again in September.

However, while the moderation in annual inflation is a welcome development, the continued rise in monthly figures and elevated food prices indicate that Nigeria's path to sustained price stability will require ongoing policy discipline, strengthened food security measures, and broad-based economic support.

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