

INFLATION WATCH – August 2025

Inflation Watch - Nigeria's Inflation Cools Further, Down to 20.12% in August

CPI Rebasing Continues to Moderate Inflation Readings

For the fifth consecutive month, Nigeria's inflation rate declined in August 2025, settling at 20.12% y/y, down from 21.88% in July, according to the latest data from the National Bureau of Statistics (NBS). Compared to August 2024, when inflation stood at 32.15%, this marks a significant 12.03 percentage points drop, signaling further economic relief.

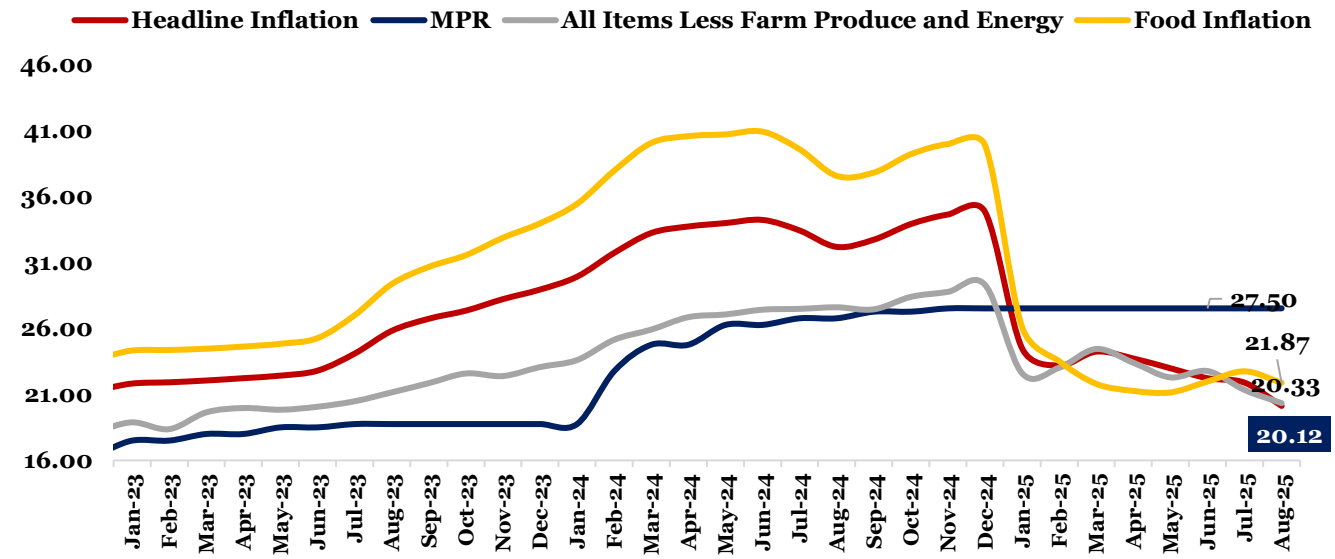
On a monthly basis, the Consumer Price Index (CPI) rose by 0.74% in August, lower than the 1.99% recorded in July, reflecting a moderation in short-term price pressures.

Food inflation also eased: on a yearly basis, it rose to 21.87% from 22.74% in July, while on a monthly basis, food prices increased by 1.65%, down from 3.12% in July. The slowdown was largely driven by declining average prices of key staples such as rice, flour, millet, semolina, and soy milk.

Meanwhile, core inflation, which excludes food and energy prices, accelerated on a monthly basis to 1.43% in August from 0.97% in July, though it eased year-on-year to 20.33%, compared to 21.33% in July.

Our view

Nigeria's inflation has maintained a steady decline this year, suggesting that some of the government's policy reforms are beginning to yield results. The rebasing of the Consumer Price Index earlier in the year—which introduced a new base year and an updated basket of goods—contributed to the initial sharp drop, while subsequent declines have been more gradual and consistent.



With the Central Bank's Monetary Policy Committee (MPC) scheduled to meet next week, the sustained moderation in inflation strengthens the case for a potential rate cut from the current benchmark of 27.50%. Policymakers may see this as an opportunity to ease monetary conditions in order to support growth, especially as Naira remained stable and continue to gain strength on the FX market.

Encouragingly, both annual and monthly inflation have trended downward, easing immediate price pressures. However, ensuring lasting price stability will still require consistent policy discipline, strengthened food security measures, and broader economic reforms to guard against renewed volatility.

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