

July Inflation: State Focus

Nigeria's Inflation drops to its lowest in 18 months

Highlights

- Nigeria's disinflation continued in July as headline inflation dropped by 34bps to 21.88% from 22.22% in June. This moderation stemmed from a significant drop in core inflation by 143bps to 21.33% despite the 77bps increase in food inflation to 22.74%. Post rebasing Nigeria's inflation has dropped by 260bps.
- On a monthly basis, food prices eased slightly, as food inflation growth slowed to 3.12% compared to 3.25% in June. The decline can be attributed to lower prices of key staples and slower price growth in imported food due to Naira stability.
- The inflation moderation has widened Nigeria's real interest rate to 5.62% in July, highest so far, after becoming positive in January at 3.02%. A positive real return accompanied with a stable currency would be attractive to foreign investors and stimulate capital inflows.

↓ **21.88%**
MoM: +1.99%

Headline Inflation
Rate (July 2025)

↓ **21.33%**
MoM: +0.97%

Core Inflation
Rate (July 2025)

↓ **22.74%**
MoM: +3.12%

Food Inflation
Rate (July 2025)

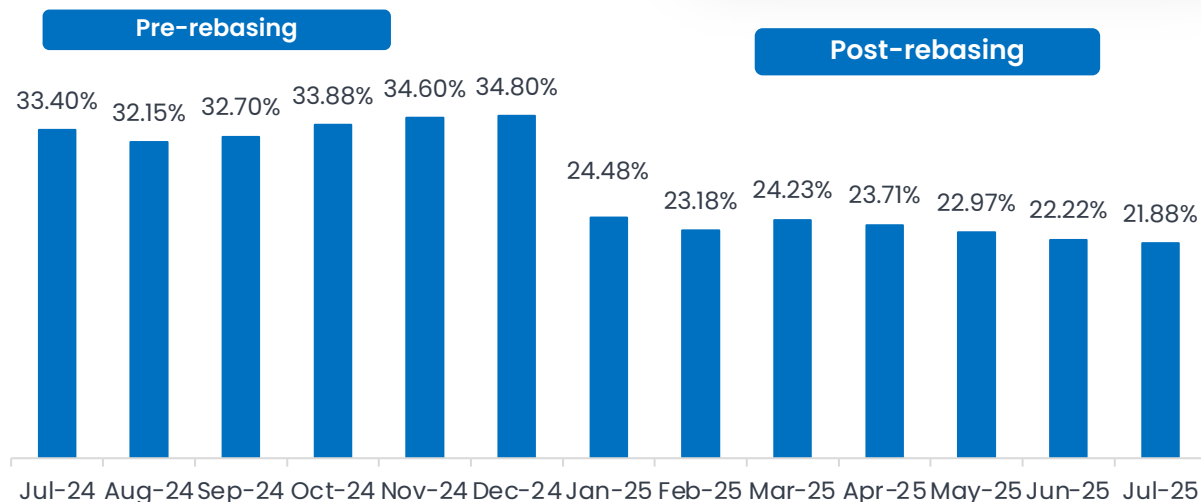
↓ **21.08%**
MoM: +2.30%

Rural Inflation
Rate (July 2025)

↓ **22.01%**
MoM: +1.86%

Urban Inflation Rate
(July 2025)

CPI Trend (%)



Source: Team Analysis, CBN, NBS

Date: 22/08/2025

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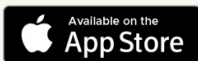
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Climate Pressures Push Northwest Inflation Closer to 20%

HIGHLIGHTS

- Excluding North-West, all other regions had food inflation above 23%. This shows the prevalence of high food prices across regions, due to seasonality scarcity, flooding, and insecurity attacks on food producing states.
- Northwest region has the slowest rise in Food and All-item inflation at 18.73% and 17.37% in July but higher than 16.99% and 18.81% in June 2025.
- For the third time, Borno state sustained its position as the highest state for All Item and Food inflation. Price level rose by 34.52% and 55.56% for all item and Food inflation in July compared to 31.63% and 47.40% in June 2025.
- Yobe and Katsina had the slowest rise in All-item and Food inflation on a year-on-year basis while Bauchi and Zamfara, respectively, took the baton on a monthly basis.



Yobe
11.43%
MoM: Bauchi
0.26%

Lowest All Item
Inflation Rate by State
(July 2025)



Katsina
6.61%
MoM: Zamfara
-6.00%

Lowest Food Inflation
Rate by State
(July 2025)



Borno
34.52%
MoM: Borno
6.11%

Highest All Item
Inflation Rate by State
(July 2025)



Borno
55.56%
MoM: Borno
10.89%

Highest Food Inflation
Rate by State
(July 2025)

INFLATION BY REGION	FOOD	ALL ITEMS
South West	24.85%	22.10%
South East	23.94%	22.22%
South South	23.75%	21.20%
North West	18.73%	19.37%
North East	23.65%	20.57%
North Central	23.27%	24.25%

Source: Team Analysis, CBN, NBS.

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Commentary

Nigeria's inflation continued to abate in July as headline inflation eased by 34bps to 21.74% year on year from 22.22% in June 2025. The moderation was largely underpinned by exchange rate stability, a tight monetary policy stance, favorable base year effects, and a decline in energy costs. These factors jointly offset structural pressures that continue to weigh on household purchasing power.

Global developments also played a crucial role in shaping July's inflation dynamics. Crude oil prices slipped below 70 dollars per barrel, pressured by weak demand signals from the United States and China alongside expectations of higher OPEC+ output. This allowed local refineries such as Dangote and others to lower ex depot PMS prices by N40 or 5%, bringing pump prices to around N840 to N850/litre. The reduction helped ease logistics and transport costs, mitigating inflationary pass through from the marginal depreciation of the Naira, which weakened by 26bps to N1,533.69/\$ on July 30, 2025, at the official window compared to N1,529.71/\$ on June 30, 2025.

At the subnational level, inflation remained uneven across states. When compared to June, more states recorded headline inflation above 25% (12), while 10 states printed below 20%. The remaining 18 states fell within the 20% to 24% range. Food inflation showed a relatively softer pattern, with only Borno, Benue, and Kano recording above 25%, while other states remained below 20%. This suggests that the pace of food price growth has decelerated relative to overall inflation. Nevertheless, Borno retained its position as the highest inflation state, posting food inflation of 55.6% compared to 47.4% in June and headline inflation of 34.5% compared to 31.6% in June.

In contrast, Yobe and Katsina recorded the lowest headline and food inflation respectively at 6.21% and 9.90%, highlighting the wide disparity in regional price dynamics.

On a monthly basis, inflation revealed persistent stickiness. Only five states recorded declines in food inflation, down from eight (8) in June, while no state saw a reduction in all item inflation compared to (eleven) 11 in June. This indicates that despite a slowdown in year-on-year growth, price pressures remain entrenched at the monthly level, particularly outside energy related categories. We believe it's essential to look beyond monetary remedies and deploy fiscal measures especially in food producing states, as top insecurity plagued states are major producers of staples.

In August, we expect the disinflationary trend to persist, supported by continued exchange rate stability, lower PMS prices as Dangote announced ₦820/litre on August 12, and steady Nigeria foreign reserve accretion. However, risks persist. The recent oil price slump, linked to OPEC+'s plan to fully unwind its 2.2mbpd voluntary output cuts by September, increased US oil production, and China low demand could weigh on Nigeria's foreign exchange inflows. While this may help sustain cheaper domestic energy, it presents vulnerabilities for FX stability and budget deficit.

Overall, Nigeria's inflation appears to be abating, but it remains structurally elevated. The climate related food supply shocks, sole reliance on oil FX earnings, and import dependency will continue to be a trigger for inflation.

Source: Team Analysis, CBN, NBS.

Date: 22/08/2025



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August Inflation Outlook

Headwinds

- Declining Global Oil prices
- Low Risk of PMS pump price uptick
- Heightened terrorist attacks in food producing states
- Flood risk alert in 19 states

Tailwinds

- Volatile FX earnings and high budget deficit risk
- Increasing external reserves (above \$40bn)
- Exchange rate stability
- Declining NTB and OMO yields lowers fiscal borrowing costs

Given the above headwinds and tailwinds, we expect inflation moderation to persist in August. Headline inflation could likely decline by 50bps to 75bps in August, higher than the moderation in July if oil price decline persists. However, Food inflation could likely maintain uptick due to the recent flash floods while Core inflation maintains decline.

Source: Team Analysis, CBN, NBS.

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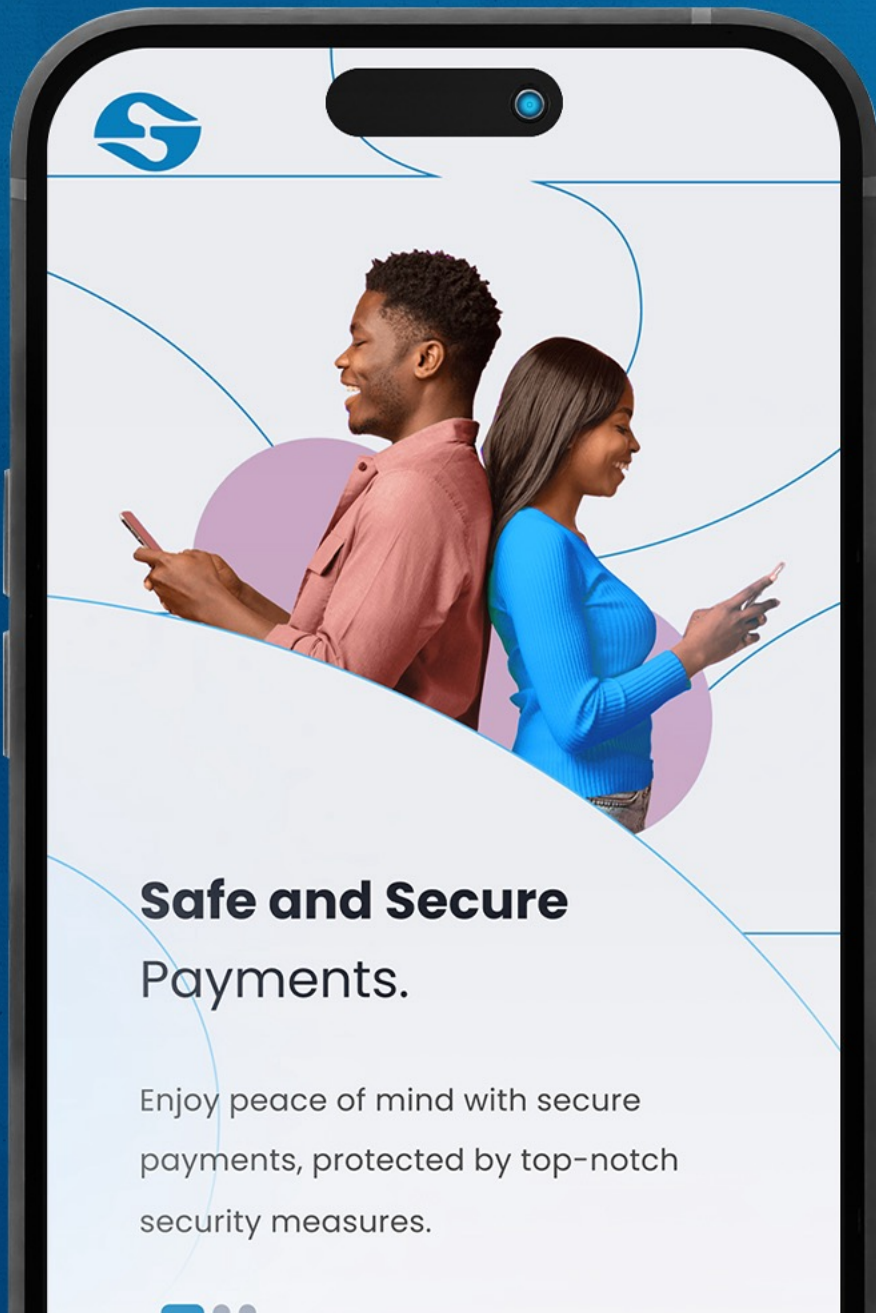


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