

August Inflation: State Focus

Food Inflation drops Across 16 States Amid Flash floods

Highlights

- In August, Nigeria recorded its largest post-rebasing drop in headline inflation, falling by 176bps to 20.12% from 21.88% in July 2025. Similarly, food inflation dropped by 87bps to 21.87% in August after a two consecutive increase in June and July 2025. This moderation was driven by exchange rate stability, harvest season boosting food supplies, and lower energy prices.
- On a monthly basis, All item and food inflation growth slowed to 0.74% and 1.65% compared to 1.99% and 3.12% in July. The monthly moderation shows signals of easing price pressure not linked to rebasing.
- Post rebasing, Nigeria's inflation has dropped cumulatively by 436bps, aligning with the CBN's 21% target for 2025 but well above 15% FG budget target. This moderation momentum shows inflation is on track to meet our 19% target for 2025. However, the pace of decline is expected to slow by Q1 2026 as the rebasing effect fades off and CBN commence rate cuts, leading to FPI outflows that might mildly distort naira stability.

↓ **20.87%** Headline Inflation Rate (August 2025)
MoM: +0.74%

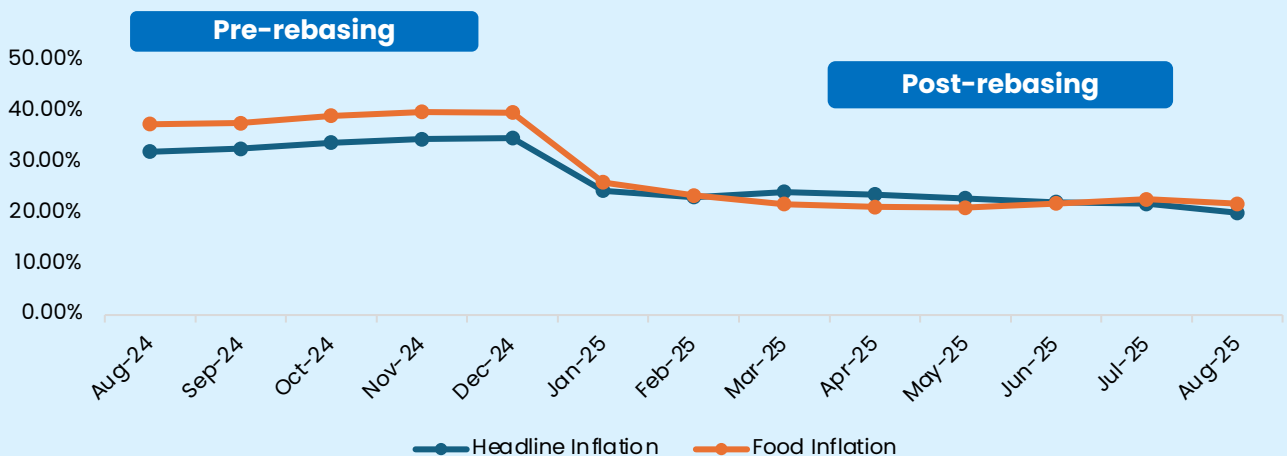
↓ **20.33%** Core Inflation Rate (August 2025)
MoM: +1.44%

↓ **21.87%** Food Inflation Rate (August 2025)
MoM: +1.65%

↓ **20.28%** Rural Inflation Rate (August 2025)
MoM: +1.38%

↓ **19.75%** Urban Inflation Rate (August 2025)
MoM: +0.49%

CPI Trend (%)



Source: Team Analysis, CBN, NBS

Date: 16/09/2025

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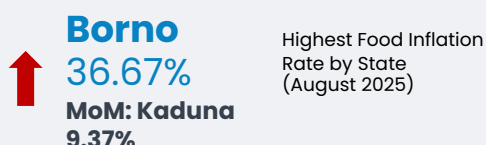
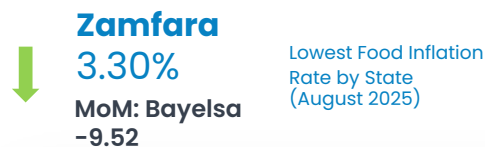


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HIGHLIGHTS

- Northeast posted the slowest rise in food inflation in August at 15.25%, supported by Yobe's single-digit growth and slower price increases in other states, which cushioned Borno's elevated inflation rate of 36.67%.
- Southeast had the slowest rise in All-item inflation at 17.98% in August from 22.22% in July. The decline can be traced to lower inflation growth in Anambra and Enugu. Thus, Northeast and Southeast displaced Northwest from being the region with the slowest inflation growth.
- Borno state retained its position as the highest state for Food inflation but at a lower rate of 36.67% compared to 55.60% in July 2025. However, for All-Item Inflation, Ekiti took the baton from Borno to become the state with the highest inflation at 28.17%. On a monthly basis, Yobe and Kaduna had the fastest growth in All-Item and Food Inflation.
- Zamfara had the slowest rise in All-item and Food inflation on a year-on-year basis while Enugu and Bayelsa, respectively, took the baton on a monthly basis.



INFLATION BY REGION	FOOD	ALL ITEMS
South West	23.23%	22.25%
South East	23.22%	17.98%
South South	24.07%	21.10%
North West	18.44%	21.77%
North East	15.25%	19.22%
North Central	18.42%	23.07%

Source: Team Analysis, CBN, NBS.



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Commentary

The combination of lower energy prices and a 14bps naira appreciation to ₦1,531.57/US\$ from ₦1,533.69/US\$ on July 30, 2025, created favorable conditions for softer price levels in August compared to July. We also observed that the naira recorded a higher value in August 2025 relative to August 2024.

At the subnational level, price pressure has eased notably, with only four (4) states recording headline inflation above 25% compared to twelve (12) states in July, while others were below 20%. Food inflation had a mixed picture, with 10 states recording above 25% compared to 3 states in July. On a positive note, some states had single-digit inflation growth such as Zamfara, Yobe, and Sokoto.

On a monthly basis, inflation showed strong moderation. Sixteen (16) states recorded declines in food inflation, a sharp improvement from five (5) in July, while six (6) states recorded decline in all item inflation compared to none in July. This indicates softening price pressures even at the monthly level not linked to rebasing effect but by fundamental factors such as exchange rate stability, lower energy prices, and increased food supplies from harvest inflows.

Borno remained the state with the highest food inflation at 36.67% in August but improved from 55.6% in July. However, Ekiti overtook Borno as the highest headline inflation state at 28.17%, while Borno fell to 26.3% in August.

Zamfara posted the lowest headline and food inflation at 11.82% and 3.30%, respectively. The sharp moderation in some region's underscores widening disparities across states, raising questions about its sustainability.

We expect disinflation to persist in September. Headline inflation could likely decline by 75bps to 100bps in September if oil price decline and exchange rate stability persists. Also, Food inflation should maintain steady decline, driven by harvest seasons and declining imported food prices.

Source: Team Analysis, CBN, NBS.

Date: 16/09/2025

Looking ahead to September, inflation easing is expected to persist, supported by stable exchange rates, declining energy prices as Dangote sustains its distribution strategy, growing reserves, and increased food supplies from the harvest season. However, risks remain. The CBN Governor has signaled potential rate cuts, citing moderating inflation and the need to lower lending rates to spur growth. If monetary easing begins at the September 23 meeting, it could trigger capital outflows as NTB and OMO yields adjust downward, posing risks to exchange rate stability and potentially reigniting inflationary pressures.

Additionally, global oil market dynamics remain a double-edged sword. Higher supply amid weak demand continues to weigh on prices, a development that may keep domestic energy costs low but threatens foreign earnings inflow and widen budget deficit.

September Outlook

Headwinds

- Declining Global Oil prices
- Low Risk of PMS pump price uptick
- Heightened terrorist attacks in food producing states
- Flood risk alert in 11 states
- CBN monetary easing

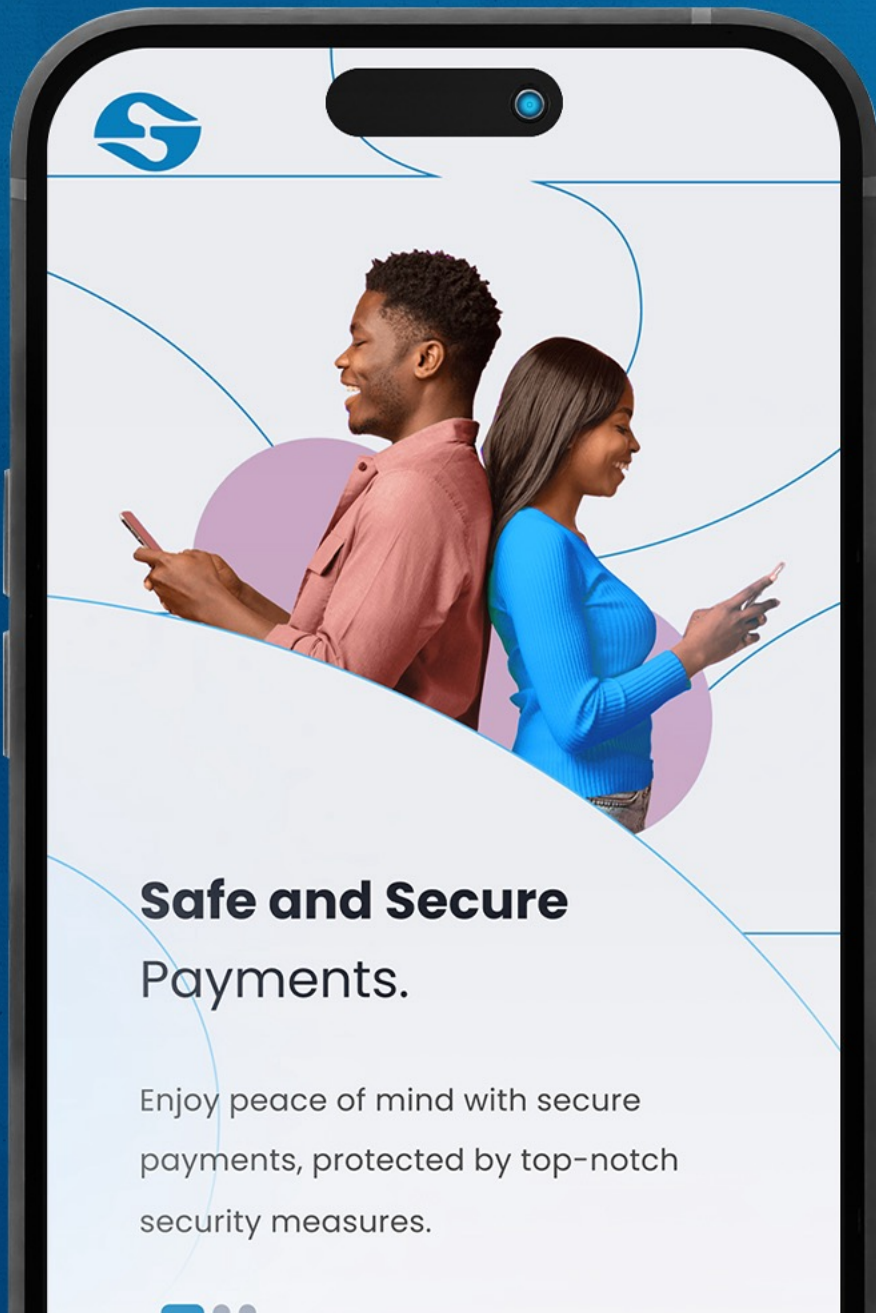
Tailwinds

- Volatile FX earnings and high budget deficit risk
- Increasing external reserves (\$41.30bn on August 30, 2025)
- Exchange rate stability
- Declining NTB and OMO yields lowers fiscal borrowing costs



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