



December Inflation: State Focus

Methodology Adjustment Slows Disinflation Pace

Highlights

- Nigeria's December Inflation had a slight deviation from recent trend as the NBS adopted a 12-month average CPI in replace of the previous single-month index. This adjustment shows an increase in December headline inflation to 15.15% when compared to the previous methodology's November headline inflation of 14.45% but declined relative to the revised November figure of 17.33%. The increase does not suggest a sudden acceleration in price level but just a revised reference base effect.
- The revised data still shows rapid disinflation, with headline inflation falling by 1246bps in 2025 to 15.15% while Food Inflation fell at a faster pace by 1878bps to 10.84% in 2025. This implies prices are rising at a slower pace compared to 2024 and average inflation for 2025 settled at 23.33%, slightly higher than our projection of 21.02% calculated based on previous methodology
- Core inflation still shows persistent price pressure, rising to 18.63% in December 2025 compared to 18.04% in November. However, the monthly data shows slight easing at 0.58% in December compared to 1.28% in November.

↓ **15.15%** Headline Inflation Rate (Dec 2025)
MoM: +0.54%

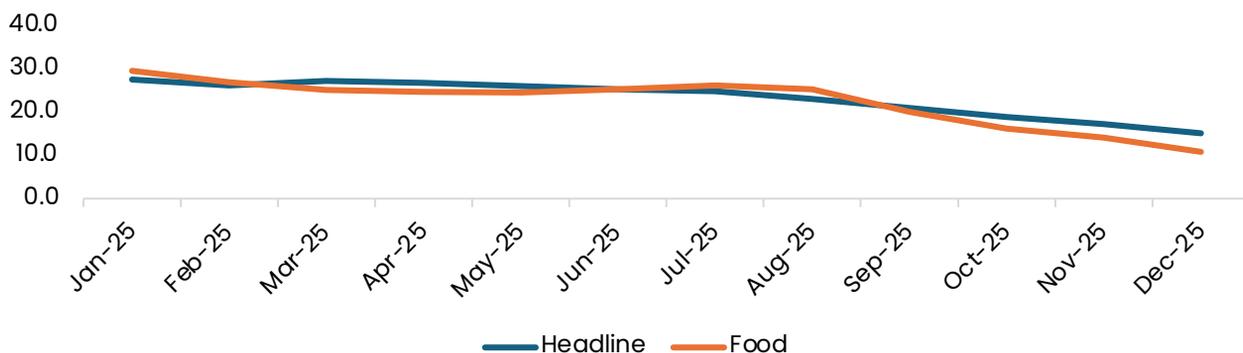
↓ **18.63%** Core Inflation Rate (Dec 2025)
MoM: +0.58%

↓ **10.84%** Food Inflation Rate (Dec 2025)
MoM: -0.36%

↓ **14.56%** Rural Inflation Rate (Dec 2025)
MoM: -0.55%

↓ **14.85%** Urban Inflation Rate (Dec 2025)
MoM: +0.99%

CPI Trend (%)



Source: Team Analysis, CBN, NBS

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December Inflation: State Focus

Northwest Leads Price Moderation

Highlights

- NorthWest retained its position as the region with the slowest increase in both food and headline inflation in December with SouthEast following closely at 9.40% and 15.47% for Food and All Item Inflation, respectively.
- Sokoto and Ondo emerged as the slowest all-items inflation in December for annual and month basis, respectively. Akwa Ibom and Plateau took the spot as the lowest Food inflation at 4.34% and -2.76% for monthly and annual basis, respectively.
- Yobe became the state with the highest food inflation in December at 15.25%, while Abia recorded the highest headline inflation at 19.03%. On a month-on-month basis, Plateau and Cross River registered the fastest increases in both food and all-items inflation.
- Improved food supplies and lower energy cost has accelerated the moderation in Food inflation relative to headline inflation. However, the heightened attacks on food producing states might threaten its sustenance.



INFLATION BY REGION

FOOD

ALL ITEMS

INFLATION BY REGION	FOOD	ALL ITEMS
South West	11.89%	15.21%
South East	9.40%	15.47%
South South	10.22%	15.43%
North West	9.32%	13.49%
North East	10.59%	13.60%
North Central	10.15%	13.68%

Source: Team Analysis, CBN, NBS.



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Commentary

Nigeria's disinflation trend remained intact in December 2025, marking the ninth consecutive month moderation in headline inflation, despite the NBS's revised inflation measurement methodology. The NBS replaced the single-month index reference with a 12-month average CPI for 2024 aimed at eliminating base-effect distortions and improving alignment with international best practice. The adjustment showed that inflation is declining at a slower pace compared to the previous methodology, not necessarily suggesting a renewed inflation surge.

Despite December typically being a high demand festive period, when prices usually accelerate. Several offsetting factors helped absorb seasonal pressures. Notably, Dangote Refinery's moderation of PMS prices to N699 per litre helped contain transport and energy-related pass-through effects. In addition, heightened insecurity reduced travel intensity during the festive season, dampening demand for transport, hospitality, and related services. Unlike prior years, the absence of PMS scarcity during the festive period further limited supply side price shocks. Strong remittance inflows during the period supported FX liquidity, strengthening the naira and easing imported inflation pressures.

The moderation reflected broadly at the state level, with no state posting an all-items and Food inflation rate above the 20% mark in December for the second consecutive month. Only Yobe posted food inflation above 15%, while 13 states recorded single-digit food inflation, down from 16 in November. However, all-items inflation pressures intensified, with 18 states recording rates above 15% in December, up from 13 in November, while Plateau remained the only state with single-digit all-items inflation.

Monthly data indicate that 27 states recorded a decline in food inflation, a sharp improvement from 13 states in November, while all-items inflation eased in 16 states, up from 10 states previously. The faster moderation in food prices largely reflects seasonal supply effects.

In January, disinflation is expected to persist, albeit at a slower pace, as the impact of the CPI rebasing continues to fade. Lower energy prices driven by competitive PMS pricing between Dangote Refinery and fuel importers should reduce logistics and distribution costs, easing pass-through to goods prices. In addition, the normalisation of post-festive demand is likely to temper price increases, while freer cross-border trade should support access to cheaper food supplies. However, rising security challenges and potential external shocks, including policy uncertainty linked to renewed geopolitical interventions, remain key downside risks, particularly through disruptions to supply chains.

Against the backdrop of sustained disinflation, we expect the MPC to adopt a more dovish stance, with a rate cut as early as the February meeting, alongside further adjustments to the asymmetric corridor.

January Outlook

Headwinds

- Declining Global Oil prices could reduce FX earnings and fiscal revenue
- Heightened Insecurity attacks
- CBN monetary tightening
- US partial travel restriction can weaken foreign investors sentiment.

Tailwinds

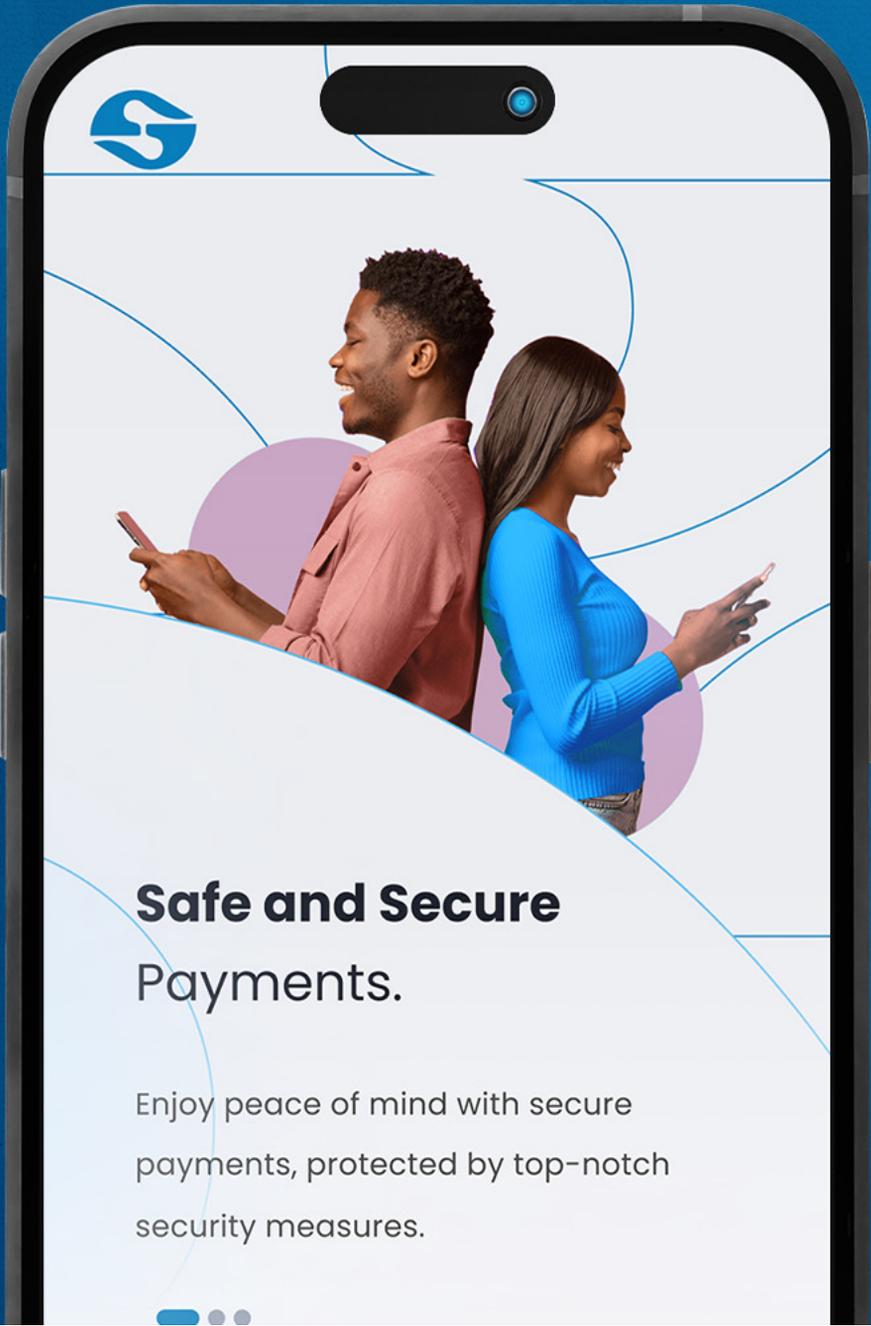
- Increasing external reserves (rose by 1.43% to \$45.50bn on December 31, 2025)
- Naira appreciation and stability
- GDP growth of 3.98% in Q3 2025

Source: Team Analysis, CBN, NBS.

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