

Analyst's Note on: Nigeria's Inflation Report – April 2025

Inflation Cooldown Deepens in April to 23.71%: A Turning Point or Just a Statistical Mirage?

The latest Consumer Price Index (CPI) report from the NBS indicates that headline inflation eased to 23.71% in April 2025, down from 24.23% in March 2025. This reflects a 0.52 percentage points (ppts) decline on a month-on-month basis and reinforces the gradual deceleration in price pressures observed in recent months; m/m, headline inflation stood at 1.86% in April 2025, down sharply from 3.90% in March 2025 — a 2.04ppt drop, indicating a slower pace in price increases between March and April.

This disinflationary trend largely stems from the easing of food prices, which had spiked sharply in the preceding month. The April slowdown was further supported by a relative stabilisation in the local currency, which helped dampen imported price pressures. Notably, this moderation in inflation comes in the wake of a recent rebasing of the CPI basket by the NBS, which has altered the composition and weightings within the index, offering a more accurate reflection of Nigeria's current consumption patterns.

Food inflation, a major driver of overall CPI, came in at 21.26% y/y in April 2025, a sharp 19.27ppt decrease from 40.53% in April 2024. The steep fall is largely attributed to the base year re-benchmarking, rather than a fundamental improvement in food supply chains. On a m/m basis, food inflation declined marginally to 2.06% in April, from 2.18% in March, reflecting slight price moderation in essential food items.

The decrease can be attributed to the rate of decrease in the average prices of Maize (Corn) Flour, Wheat Grain, Okro Dried, Yam Flour, Soya Beans, Rice, Bambara beans, Brown Beans, etc. However, imported food inflation, as expected, climbed by 1.25% m/m, up from 0.48% m/m in the prior month while Nigeria's high import bill, increased global trade tensions brought on by President Trump's tariffs are a significant layer of additional pressure.

Also, the core inflation, which excludes volatile items such as food and energy, stood at 23.39% y/y in April 2025, representing a 3.45ppt decline from 26.84% in April 2024. Monthly reading shows core inflation also slowed sharply to 1.34% in April, from 3.73% in March — a substantial 2.39ppt drop, suggesting underlying inflationary momentum is weakening. Meanwhile, the energy index, a newly introduced measure designed to track price pressures in the energy sector, rose to 13.50% m/m in April, up from 9.21% m/m, reflecting volatile energy prices during the review month.

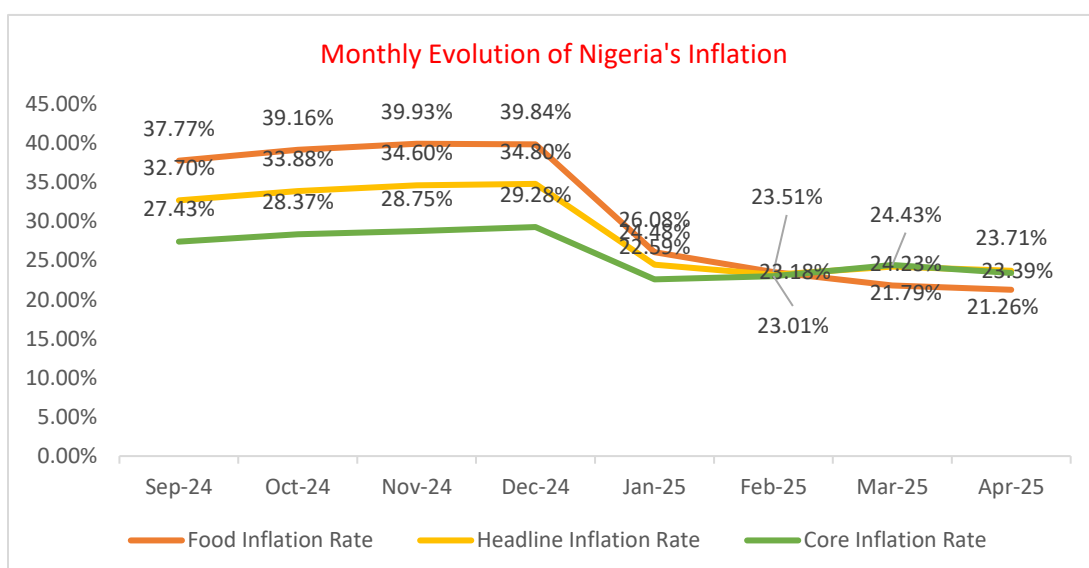
At the state level, inflationary trends remained divergent. On a year-on-year basis, Enugu, Kebbi, and Niger states reported the highest headline inflation rates, coming in at 35.98%, 35.13%, and 34.85% respectively. In contrast, states such as Ondo (13.42%), Cross River (17.11%), and Kwara (17.28%) recorded the slowest price growth. Month-on-month, Sokoto (16.26%), Nasarawa (16.02%), and Niger (14.74%) led the inflationary spike, while Oyo, Osun, and Ondo saw outright monthly declines, posting -6.45%, -4.54%, and -3.44%, respectively.

Food inflation mirrored similar state-level disparities. Benue led the country with a staggering 51.76% year-on-year increase, followed by Ekiti (34.05%) and Kebbi (33.82%). On the flip side, states like Ebonyi (7.19%), Adamawa (9.52%), and Ogun (9.91%) reported more subdued food inflation. Monthly food inflation was highest in Benue (25.59%), Ekiti (16.73%), and Yobe (13.92%), while Ebonyi (-14.43%), Kano (-11.37%), and Ogun (-7.06%) saw the most significant drops.

The April 2025 CPI report reflects a welcome, broad-based slowdown in inflationary pressures across all key segments — headline, food, and core. This likely marks a turning point in Nigeria's inflation narrative, particularly as the underlying drivers begin to shift. While food prices remained the largest influence on the disinflationary trend, the notable decline in core inflation, falling for the first time in four months, suggests that pricing pressures beyond the volatile food and energy categories are also beginning to ease.

Looking ahead, we anticipate further moderation in inflation, projecting headline CPI to ease to 22.65% in May 2025. This forecast is underpinned by expectations of seasonal harvests that should support food supply, improved logistics efficiency, falling petrol prices, and modest domestic energy cost adjustments. However, we caution that persistent structural bottlenecks, including exchange rate volatility and poor infrastructure, may limit the extent of disinflation and keep overall price levels elevated.

For the monetary policy committee, the upcoming meeting scheduled for May 19 – 20, 2025 assumes heightened importance. With inflation showing signs of easing and the currency relatively stable, we foresee the Committee considering a modest rate cut of 25 basis points. This would mark a cautious but symbolic shift in policy direction. At its last meeting in February, the MPC opted to pause its tightening cycle, maintaining all parameters amid early signs of inflation cooling. With the April CPI print confirming that trend, the May policy decision could mark the beginning of a measured monetary easing cycle.





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