

# Inflation Report: June 2025

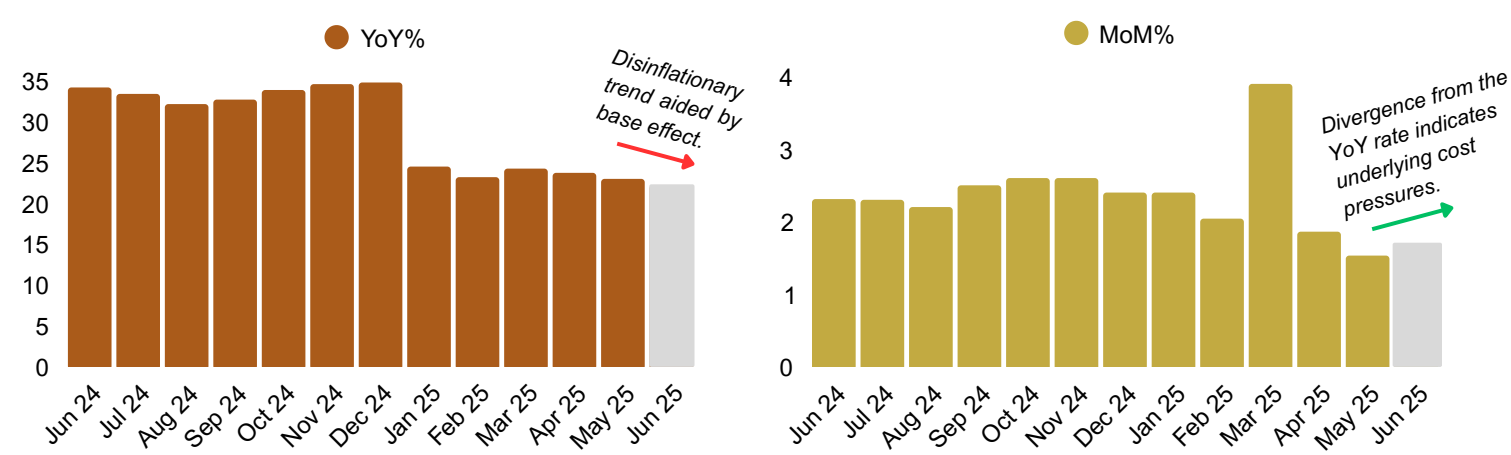
Inflation Softens to 22.22% in June - Navigating Inflation Divergence

Headline Inflation - 22.22% ▼ Core inflation - 22.76% ▲ Food Inflation - 21.97% ▲

Nigeria’s inflation landscape in June 2025 presents a complex picture of surface-level relief masking deeper economic strain. **Headline inflation (YoY)** continued its downward trend, easing for the third consecutive month to 22.22%, largely aided by base effects and CPI rebasing.

However, a closer look at **month-on-month inflation (MoM)** reveals a different story—an uptick to **1.68%**, driven by rising food and core prices. This divergence between annual and monthly inflation rates signals that while year-on-year data paints a picture of disinflation, underlying cost pressures remain firmly in place, challenging the sustainability of the trend and complicating the Central Bank’s policy outlook.

Figure 1: Nigeria Inflation Rate



Source: NBS, CertariResearch

## OUR VIEW

- Annual inflation is declining, but this is being flattered by base effects and statistical rebasing. Underlying inflation dynamics—especially monthly changes in food and core categories—signal lingering cost pressure for households.
- Consumer sentiment is shifting, as rising food and core inflation reveal that reality is catching up with the data.
- At its most recent meeting, the CBN held rates steady, citing “potent reflationary risks” and the need to consolidate recent gains. This stance aligns with the Bank’s broader 2025 outlook, emphasizing caution over premature easing.
- One key consideration for the CBN is the stability of the FX market, which has benefited from relatively high OMO yields that continue to attract foreign inflows. A premature rate cut may risk disrupting this balance—weakening the naira just as confidence is being rebuilt.
- As such, the monetary policy committee may choose to hold again in the near term, watching inflation trends more closely before committing to a dovish pivot in H2 2025.

## WHAT THIS MEANS FOR INVESTORS

Despite headline inflation easing to 22.22%, rising monthly food and core prices reveal lingering cost pressures. The CBN is likely to maintain high rates to protect FX stability, favoring fixed income over equities. Investors should remain selective, focusing on **short-term instruments**, as the long end of the curve remains more sensitive to interest rate risk.

🔥 **Current 90-day Treasury Bills Rate : 15.74%**

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