CERTARI

Inflation Report: July 2025

Inflation Softens to 21.88% in July -
Navigating Inflation Divergence

Headline Inflation - 21.88% **Core inflation** - 21.33% **Food Inflation** – 22.74%

The National Bureau of Statistics (NBS) released the July 2025 Consumer Price Index (CPI) report, indicating that headline inflation decreased to 21.88% from 22.22% in June, reflecting a 0.34 percentage point month-on-month (MoM) decline.

The moderation in headline inflation was largely attributable to a pronounced decline in core inflation, which contracted by 143bps to 21.33% y/y from 22.76% y/y in June. Conversely, food inflation recorded an uptick, rising by 77bps to 22.74% y/y compared with 21.97% y/y in the prior month. On a monthly basis, headline inflation accelerated by 31bps to 1.99% m/m, relative to 1.68% m/m in June.

Compared to July 2024's 33.40% (under the old base year of November 2009 = 100), the year-on-year (YoY) rate was 11.52 percentage points lower, largely due to the CPI rebasing to a 2019 base year. However, the MoM headline inflation rate increased to 1.99% from 1.68% in June, suggesting that prices rose at a faster pace in July than in the previous month. This indicates an acceleration in the rate of average price level increases between June and July 2025.

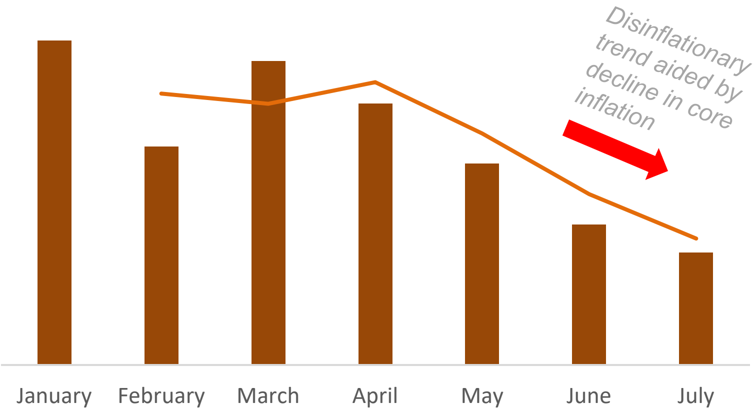

Figure 1 - Headline Inflation YoY

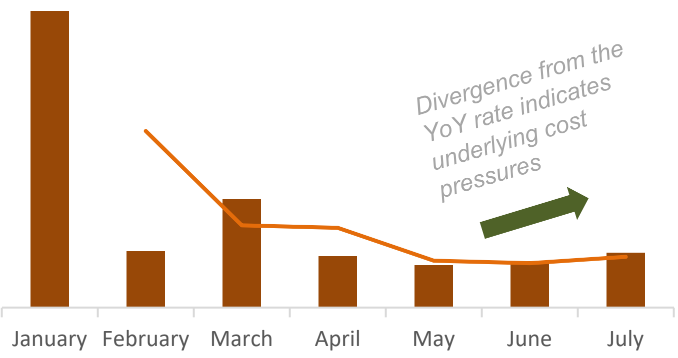

Figure 2 - Headline Inflation MoM

Source: NBS, CertariResearch

OUR VIEW

- Core inflation fell by 143bps to 21.33% y/y, its steepest decline in recent months. This easing reflects the benefits of FX market stability following reforms that helped narrow the gap between official and parallel exchange rates. Reduced exchange rate volatility has lowered imported inflation, easing pressure on categories such as clothing, transport, and other non-food essentials. This suggests monetary tightening by the CBN and recent FX reforms are gradually filtering through to the non-food economy.
- In contrast, food inflation rose to 22.74% y/y (June: 21.97% y/y), reinforcing food as the dominant inflation driver. While the harvest season and rebasing effects provided some technical relief, real food prices remain elevated due to supply chain bottlenecks, insecurity in producing regions, high energy/transport costs, and import dependency. We also noted, part of the "slowdown" in food inflation is statistical, not reflective of meaningful relief for households.
- On a month-on-month basis, headline inflation accelerated to 1.99% m/m (June: 1.68% m/m), indicating that underlying price pressures are not yet easing in real terms, despite year-on-year moderation.
- The CBN held its policy rate at 27.50%, signalling a cautious stance. While the retreat in core inflation offers evidence of policy traction, persistent food inflation leaves little room for monetary easing. The IMF has also stressed the importance of maintaining tight monetary conditions to anchor expectations, especially with food remaining a structural vulnerability.

WHAT THIS MEANS FOR INVESTORS

For investors, July's CPI print underscores a mixed outlook. The sharp moderation in core inflation, supported by FX stability, eases cost pressures for industrial and consumer-focused equities while boosting confidence in the naira and sustaining prospects for portfolio inflows. However, the rise in food inflation weakens household purchasing power and points to continued tight monetary policy, keeping fixed-income yields attractive. Medium term, FX reforms improve sentiment for non-food sectors, but persistent food inflation remains the key risk, reinforcing opportunities in agriculture, storage, and logistics as inflation hedges.