

Economic Note

February 2025 CPI Report: Key Inflation Insights and Out- look

Headline Inflation Printed at 23.18% y/y in February 2025

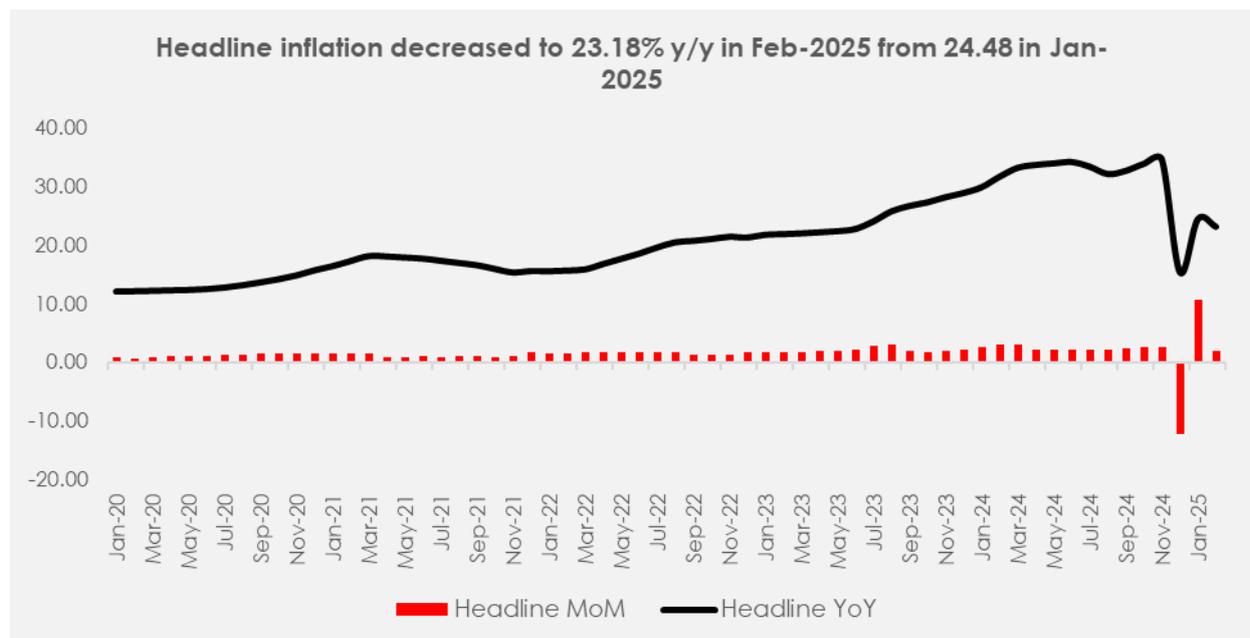
Components	Jan-2025 (%)	Feb-2025 (%)	Change (%)
Headline Inflation (y/y)	24.5	23.18	-1.32
Headline inflation (m/m)	10.7	2.04	-8.66
Food inflation (y/y)	26.1	23.51	-2.59
Food inflation (m/m)	10.3	1.67	-8.63
Core inflation (y/y)	22.6	23.01	0.41
Core inflation (m/m)	10.9	2.52	-8.38
Urban (y/y)	26.09	25.15	-0.94
Rural (y/y)	22.15	19.89	-2.26

Source: NBS, United Capital Research

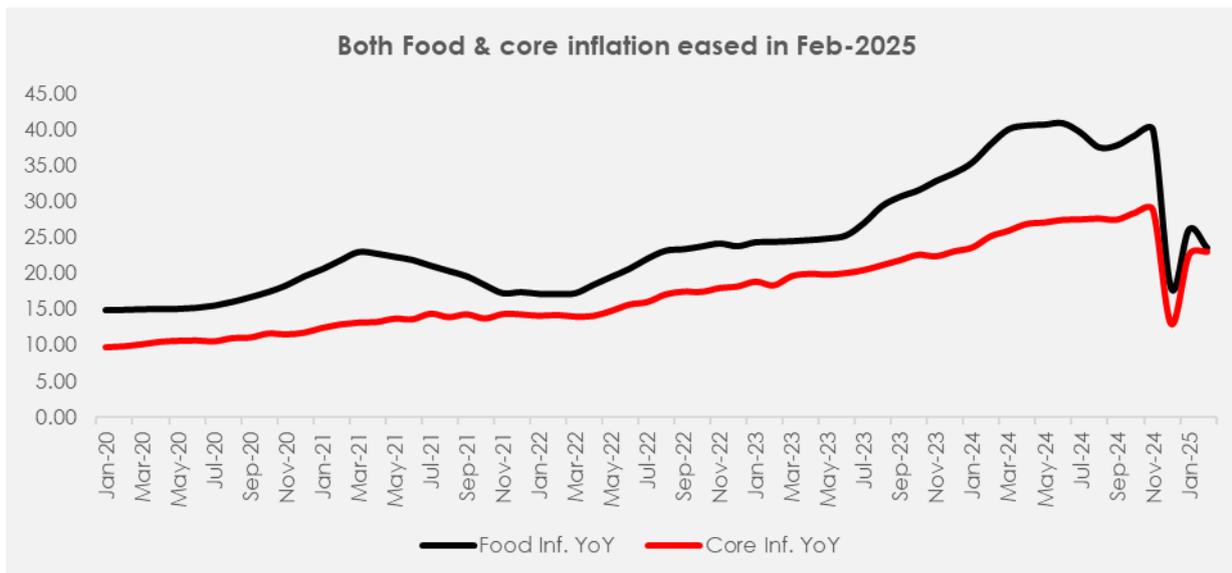
The Feb-2025 Consumer Price Index (CPI) report highlights a decrease in the general prices of goods and services from Jan-2025. In Feb-2025, inflation rate fell to 23.18% y/y. This represents a 1.3 percentage point (130 basis points) decrease from Jan-2025's 24.48%, and a significant 8.52 percentage point (852bps) drop from Feb-2024's 31.70%. On a month-on-month basis (m/m), February saw a sharp decline of 866bps bringing the m/m inflation down to 2.04% from 10.7% in January. This indicates a substantially slower rate of price increases in February compared to the previous month.

A key factor contributing to the sharp CPI drop in February, alongside the high-base effect, was the National Bureau of Statistics' (NBS) rebasing of the CPI. This involved a major update, shifting the base year to 2024 and revising the composition of the goods and services basket.

Similarly, Feb-2025 saw a reduction in inflationary pressure, partly due to a significant decrease in petrol prices. With Dangote Refinery cutting petrol prices by 9.34% to N815.00 per liter, which directly lowered transportation and logistical costs. Notably, the Naira strengthened in February by 8.00% to N1,500/\$ in the parallel market, however, it depreciated by 1.48% to N1,500.15/\$ in the official window by month-end, the convergence signified improved liquidity in the market, easing inflationary pressures that are traditionally induced by FX illiquidity.



Source: NBS, United Capital Research



Source: NBS, United Capital Research

February 2025 witnessed a notable reduction in food inflation. The y/y rate decreased to 23.51%, 144bps from January's 37.92%. This reduction stemmed from lower prices for staples such as yam, potatoes, and beans. Furthermore, m/m food inflation plummeted to 1.67%, representing an 863bps decrease from the previous month's 10.67%.

Also, the core inflation sub-component, excluding volatile agricultural produce, stood at 23.01% in Feb-2025 y/y declining by 212bps from the 25.13% recorded in Jan-2024. On a m/m basis, the Core Inflation rate recorded at 2.52% in Feb-2025, indicating an 838bps increase from the 10.90% recorded in Jan-2025.

Inflation Outlook for Mar-2025: Inflationary Pressures to Moderate.

We anticipate continued easing of inflationary pressures in March 2025, driven by the high-base effect, lower petrol prices, and a stable Naira. Furthermore, the ongoing impact of the CPI rebasing will contribute to a sustained moderate inflation trajectory.

Nevertheless, while disinflation is expected, its progress may be limited by energy costs, potential exchange rate volatility and food shortage. Prices of food may trend upward due to supply chain disruptions, transportation costs, planting season and insecurity.

On the Naira, the currency market is expected to experience continued volatility, though not at the levels seen in Q1-2024. In the official FX window, we anticipate the currency to trade within the N1,400/\$ – N1,750/\$ range, while parallel market rates may hover between N1,550/\$ – N1,800/\$. This stability should help ease core inflationary pressures in the near term.

Overall, while inflation is likely to decline further in Mar-2025, the extent of the decrease will depend on the stability of the exchange rate, global commodity price movements, and domestic supply-side interventions. The CBN's monetary policy stance will also be crucial in shaping inflationary trends going forward.

Monetary Policy Committee to Marginally CUT Interest Rates

The Central Bank of Nigeria (CBN) has continued to demonstrate its intent to practice orthodox monetary policy by tackling inflation head-on, withdrawing from direct fiscal interventions, assuming a more circumscribed advisory role to align with the government's economic growth agenda. With its shift towards an economic data-driven approach to policymaking, we expect the MPC to consider a Marginal Rate Cut in its next meeting in May, giving the downward trend of inflation and the intention to moderate rates in the market.

Disclaimer

United Capital Plc Research (UCR) notes are prepared with due care and diligence based on publicly available information as well as analysts' knowledge and opinion on the markets and companies covered; albeit UCR neither guarantees its accuracy nor completeness as the sole investment guidance for the readership. Therefore, neither United Capital (UCAP) nor any of its associates or subsidiary companies and employees thereof can be held responsible for any loss suffered from the reliance on this report as it is not an offer to buy or sell securities herein discussed. Please note this report is a proprietary work of UCR and should not be reproduced (in any form) without the prior written consent of Management. UCAP is registered with the Securities and Exchange Commission and its subsidiary, UBA Securities Limited is a dealing member of the Nigerian Stock Exchange. For enquiries, contact United Capital Plc, 3rd Floor, Afriland Towers, 97/105 Broad Street, Lagos. ©United Capital Plc 2021.

Contacts

Securities Trading

securities@unitedcapitalplcgroup.com

Asset Management

Assetmanagement@unitedcapitalplcgroup.com

Trustees

Trustees@unitedcapitalplcgroup.com

Investment Banking

InvestmentBanking@unitedcapitalplcgroup.com

Research

research@unitedcapitalplcgroup.com