Nigeria | Economic Analysis | Inflation Trends

Inflation Update

Inflation in Nigeria dropped significantly in January 2025, with the annual rate decreasing to 24.48% from 34.80% in December 2024, according to the National Bureau of Statistics (NBS). Both food and core inflation also declined to 26.08% and 22.59%, respectively, from 39.84% and 28.40% in the previous month.

This sharp reduction was largely due to the rebasing of the Consumer Price Index (CPI), which now uses December 2024 as the reference period. The updated CPI includes 934 product varieties classified under 13 divisions, following the COICOP 2018 framework. Adjustments in category weights were made to better reflect consumer spending patterns. Notably, food's share in the inflation basket was reduced from 51.80% to 40.02%, decreasing its impact on overall inflation, while transportation's weight increased from 6.51% to 10.66%, recognizing its growing role in household expenses.

Additionally, the appreciation of the Naira in January 2025 helped ease inflationary pressures by lowering import costs for essential commodities like maize and soybeans, improving supply levels. The stronger Naira also reduced costs for other imported goods, contributing to overall price stability. The currency appreciated by 0.91% month-over-month, averaging NGN1,543.29/USD compared to NGN1,557.33/USD in December 2024.

Key Macroeconomic Indicators:
December Inflation: 24.48% (previous: 34.80 % in December 2024)
MPR: 27.50%, GDP: 3.46% (2024 Q3)

- **Headline Inflation** – 24.48% *previously 34.80% in December 2024*
- **Food Inflation** – 26.08% *previously 39. 84% in December 2024*
- **Core Inflation**- 22.58% *previously 28.40% in December 2024*

Expectation from the MPC meeting holding on the 19th-20th of February 2025:

- *MPC to HOLD MPR at 27.50%.*
- *Maintain a liquidity ratio of 30%.*
- *Maintain the asymmetric corridor at 500 bps/-100 bps.*
- *Maintain the CRR at 50.00%.*

Arthur Stevens
Asset Management Ltd.

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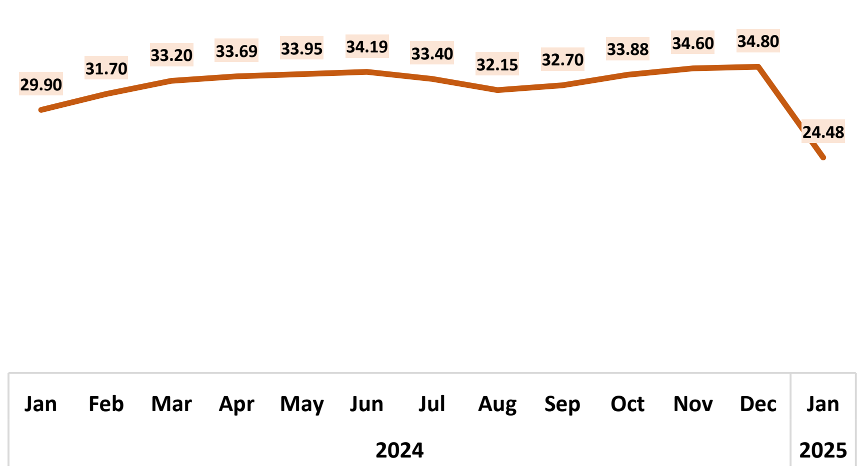
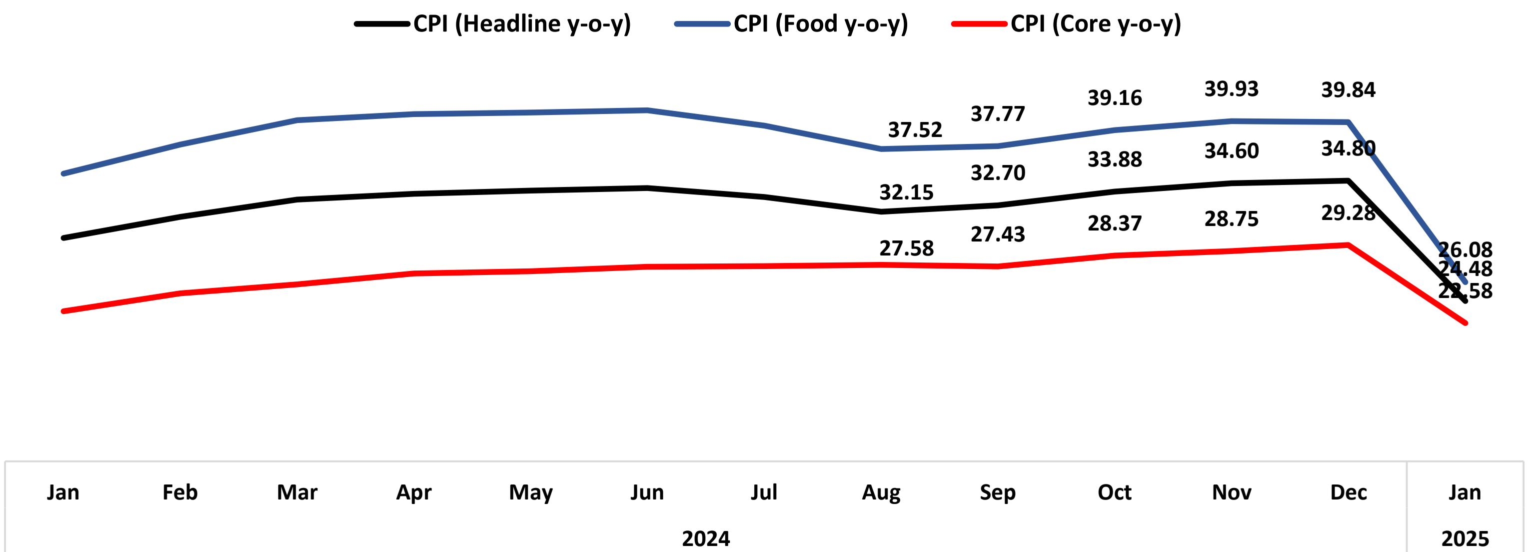
Inflation Rate





Source: NBS, ASAM Research

Outlook/Recommendation

Although overall prices remain high, inflation is expected to ease due to exchange rate stability, reduced fuel price effects, and strong commodity supply. However, telecom and electricity tariff hikes, agricultural supply constraints, and rising demand could push prices up. The MPC may keep rates steady to support inflation control efforts.

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Buy: Based on our valuation and subjective view (if any), the total return upside on the stock's current price is greater than our estimated cost of equity.

Hold: Based on our valuation and subjective view (if any), the total return upside on the stock's current price is less than the cost of equity, however, the expected total return on the stock is greater than or equal to the Standing Deposit Facility rate of the Central Bank of Nigeria (which is currently MPR – 27.50%). We consider this as the minimum return that may deserve our holding of a risk asset, like equity.

Sell: Based on our valuation and subjective view (if any), the total return upside on the stock's current price is less than the Standing Deposit Facility rate of the Central Bank of Nigeria (which is currently MPR – 27.25%). We consider this as the minimum return that may deserve our holding of a risk asset, like equity, especially as we consider the average 4.5% total transaction cost for an average retail investor.

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