

INFLATION WATCH

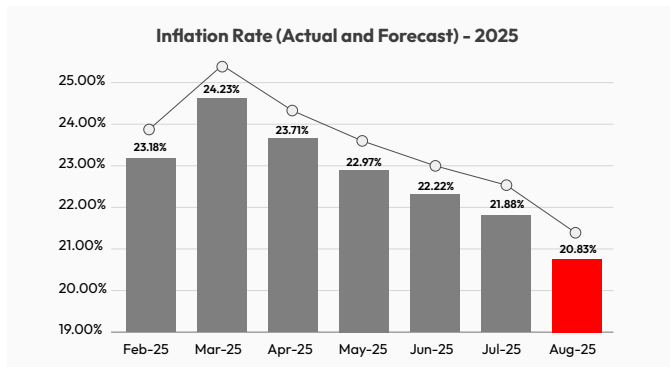
A Publication of United Capital Research

September 04, 2025

■ Inflation Rate Forecasts at 20.83%: Will the CBN Blink?

Bottomline:

United Capital Research forecasts that Nigeria's headline inflation rate will decline to 20.83% in August 2025, down from 21.88% in July 2025. The anticipated moderation is attributed to a combination of factors including falling prices of major food items (please see Table 1), relatively stable energy prices—particularly Premium Motor Spirit (PMS)—and Naira against the US Dollar.



Prices of Food Items Dropped in August:

According to data from the National Bureau of Statistics (NBS), average prices of most food items fell in August 2025 compared with July, except for yam, same as in July 2025. The prices of Maize White fell by 3.73% per kg, Maize Yellow dropped by 3.47%, while Beans down by 3.03%, Local Rice down by 2.99%, Garri declined by 2.96%, Brown Beans down by 2.90%, Soyabeans down 2.59%, Imported Rice & Sorghum decreased by 1.19% and 1.10% respectively. However, the average price of Yam increased by 2.17% lower than the increase of 3.15% recorded in July 2025.

Table 1: Average Food Prices Per Kg - 2025

| Food Items | July | August | Change |
|---------------|-------|--------|--------|
| Brown Beans | 1,968 | 1,911 | -2.90% |
| Garri | 846 | 821 | -2.96% |
| Imported Rice | 2,437 | 2,408 | -1.19% |
| Local Rice | 1,875 | 1,819 | -2.99% |
| Maize White | 1,127 | 1,085 | -3.73% |
| Maize Yellow | 1,154 | 1,114 | -3.47% |
| Sorghum | 1,090 | 1,078 | -1.10% |
| Soyabeans | 1,623 | 1,581 | -2.59% |
| White Beans | 1,879 | 1,822 | -3.03% |
| Yam | 1,704 | 1,741 | 2.17% |

Sources: NBS and United Capital Research

Crude Oil and PMS Prices Remain Stable:

The average price of Bonny Light crude oil fell to \$70.55 per barrel in August 2025 from \$73.17 in July. Meanwhile, Premium Motor Spirit (PMS) pump prices fluctuated during the month—rising to ₦915/litre in Lagos on August 04, then falling to ₦895/litre on August 08. It eventually settled at ₦865/litre mid-month following a cut in ex-depot price by Dangote Refinery. However, these price swings had a limited impact on inflation-driving sectors such as transportation, hospitality, and food.

Exchange Rate Stability Supports Price Relief:

The Naira depreciated marginally by 0.27%, averaging ₦1,534.88/US\$1 in August versus ₦1,530.67/US\$1 in July. However, the pass-through effects on consumer prices remained muted, as producers largely absorbed the cost increases.

Will MPC Change its Monetary Policy Stance?

Should this forecast materialise, August would mark the fifth consecutive month of disinflation, beginning in April 2025. Nonetheless, at 20.83%, inflation remains elevated and continues to erode purchasing power and constrain economic growth. Sustained efforts to improve security and boost agricultural output are critical to achieving low, growth-supportive inflation in Nigeria. United Capital Research maintains a positive outlook on Nigeria's macroeconomic stability. However, we believe the current inflation trend presents a compelling case for the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) to consider easing its tight monetary policy stance.

Stay tuned for our detailed pre-MPC report ahead of the next meeting scheduled for September 22-23, 2025.

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