

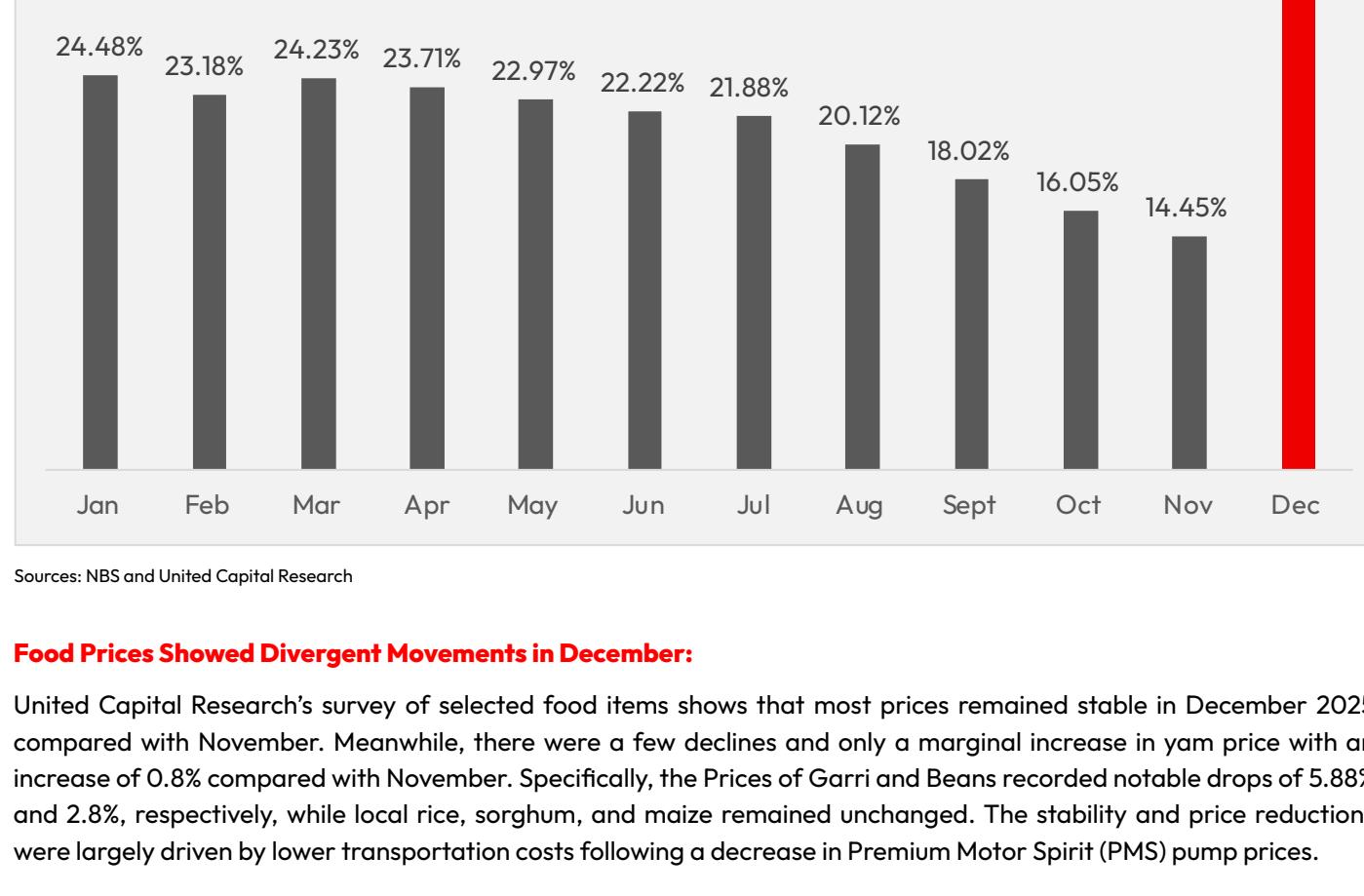
INFLATION WATCH

A Publication of United Capital Research

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Inflation Expected to Exceed 31% in December 2025 Due to Statistical Adjustments

Bottomline: United Capital Research projects Nigeria's headline inflation to surge to 31.92% in December 2025, driven by statistical adjustments following the rebasing of the Consumer Price Index (CPI) to 100 points in December 2024. Encouragingly, inflation is expected to ease sharply in 2026, starting near 20% in January and trending towards single digits by year-end. This will be supported by lower food and energy costs, anticipated Foreign Exchange (FX) appreciation, and the removal of Value Added Tax (VAT) on selected consumer goods.



Sources: NBS and United Capital Research

Food Prices Showed Divergent Movements in December:

United Capital Research's survey of selected food items shows that most prices remained stable in December 2025 compared with November. Meanwhile, there were a few declines and only a marginal increase in Yam price with an increase of 0.8% compared with November. Specifically, the Prices of Garri and Beans recorded notable drops of 5.88% and 2.8%, respectively, while local rice, sorghum, and maize remained unchanged. The stability and price reductions were largely driven by lower transportation costs following a decrease in Premium Motor Spirit (PMS) pump prices.

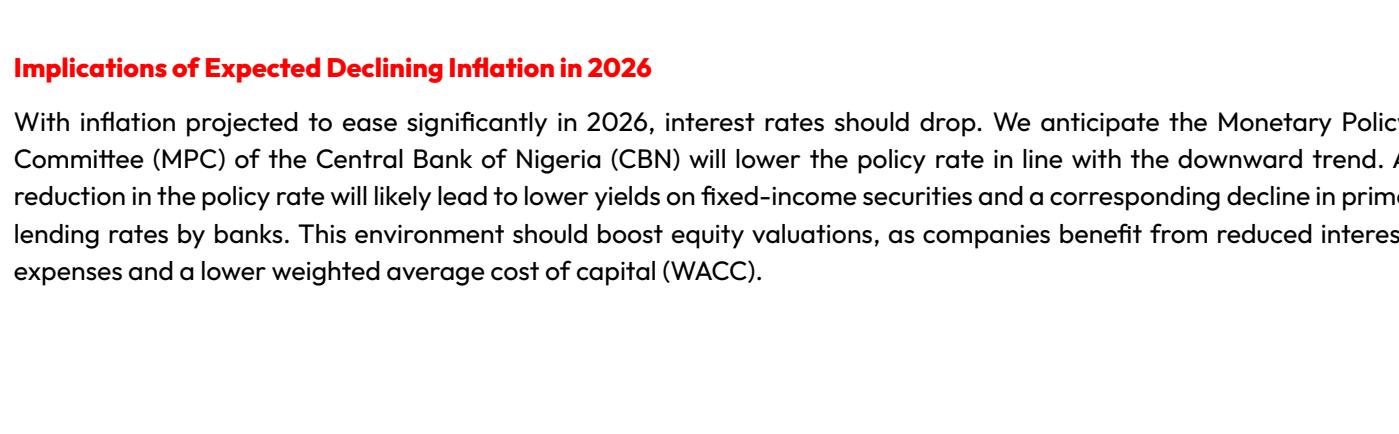
Crude Oil and PMS Prices Declined Marginally

The average price of Bonny Light crude oil slipped by 1.73% to US\$64.09 per barrel in December 2025, down from US\$65.22 per barrel in November. Similarly, retail pump prices of Premium Motor Spirit (PMS) at major filling stations fell from ₦900 per litre at the end of November to ₦835 per litre by mid-December, and further to ₦785 per litre by month-end as the price war between Dangote Refinery and major oil marketers intensified. This decline in PMS prices helped ease inflationary pressures on sensitive sectors, particularly transportation, hospitality, and food services, during the month.

Exchange Rate Dynamics Influenced Some Food Prices:

Although the value of Naira depreciated marginally against the US Dollar by 0.49% on a monthly average basis, it appreciated by 0.77% month-on-month between November and December 2025. The exchange rate which closed at US\$/₦1,447 in November and strengthened to US\$/₦1,436 by the end of December. Meanwhile, the monthly average rate slipped slightly from US\$/₦1,444 in November to US\$/₦1,451 in December. The average depreciation exerted mild upward pressure on local prices, but the impact was largely offset by lower logistics costs resulting from the drop in PMS prices, despite strong festive-season demand for consumer goods.

Monthly Average Exchange Rate (US\$1/NGN) - 2025



Sources: CBN and United Capital Research

Implications of Expected Declining Inflation in 2026

With inflation projected to ease significantly in 2026, interest rates should drop. We anticipate the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) will lower the policy rate in line with the downward trend. A reduction in the policy rate will likely lead to lower yields on fixed-income securities and a corresponding decline in prime lending rates by banks. This environment should boost equity valuations, as companies benefit from reduced interest expenses and a lower weighted average cost of capital (WACC).

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