CSEA
CENTRE FOR THE STUDY OF THE ECONOMIES OF AFRICA

Weekly Snapshot

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Nigeria's Headline inflation rate eased to 22.97% in May 2025

The National Bureau of Statistics' Consumer Price Index report for May 2025 indicated a notable decline in Nigeria's headline inflation rate to 22.97%, down from 23.71% recorded in April 2025. This marks a continuation of the disinflationary trend observed in recent months and offers relief to consumers and businesses alike. On a year-on-year basis, the inflation rate showed significant deceleration from the 33.95% recorded in May 2024, representing a 10.98 percentage point drop within the same period. This trend signals a gradual easing of inflationary pressures across key sectors of the economy. Despite this progress, inflation remained elevated above the CBN's medium-term target (6-9%), with structural issues such as energy costs, insecurity, and transportation bottlenecks still exerting upward pressure on prices. As such, there is a need for continued policy coordination between fiscal and monetary authorities to consolidate gains. Interventions aimed at stabilising power supply, supporting domestic production, and reducing logistics costs are critical in sustaining this downward inflation trend and fostering macroeconomic stability in the months ahead.

Nigeria's External Sector Performance: Q1 2025 Balance of Payments Update

The Central Bank of Nigeria's provisional Balance of Payments (BOP) data for Q1 2025 revealed a current account surplus of US$3.73 billion, slightly down from US$3.80 billion in Q4 2024, but up from US$3.69 billion in Q1 2024. The surplus was driven by a stronger goods account balance of US$4.16 billion, buoyed by a 9.79% increase in exports to US$13.91 billion, and a decline in imports to US$9.75 billion, particularly non-oil imports. However, the services account and the primary income account posted higher deficits of US$3.69 billion and US$2.02 billion, respectively, while the secondary income account remained positive at US$5.29 billion, although this was lower than the previous quarter. On the financial account, a net balance of US$7.58 billion was recorded, reflecting a significant reversal of US$5.03 billion in portfolio investment inflows. Despite a resilient current account, the overall BOP recorded a deficit of US$2.77 billion due to sustained capital outflows and debt repayments. External reserves declined to US$37.82 billion at the end of March 2025. The data present a strong need for policies that enhance capital retention and attract stable, long-term investment. Considering sustained external pressures, strengthening Nigeria's macroeconomic fundamentals, particularly through export diversification, investment climate reforms, and improved capital controls, will be crucial for ensuring external sector stability over the medium term. This can be achieved by implementing targeted policies that broaden Nigeria's export base beyond oil, streamline regulatory and tax frameworks to attract productive investment, and reinforce oversight of foreign exchange and capital flows to safeguard the external reserves.

Nigeria's Fiscal Policy Update: Tax Reform Acts Signed into Law

A June 2025 analysis of Nigeria's fiscal reforms revealed that the Presidency signed four new tax bills into law. These tax laws include the Nigeria Tax Act (NTA), the Nigeria Tax Administration Act (NTAA), the Nigerian Revenue Service Act (NRSA), and the Joint Revenue Board Act (JRBA). The new tax laws introduce, among other things, a zero-rated VAT on essential goods and services. These include basic food items, medical and pharmaceutical products, educational books, and exports (excluding oil and gas exports), among others. In addition, the laws raised the exemption threshold for small companies, defined as those with an annual turnover of ₦100 million (previously ₦25 million), exempting them from both the Companies Income Tax (CIT) and the Capital Gains Tax (CGT). The Nigeria Tax Act also introduced a more progressive personal income tax regime. Individuals earning ₦800,000 or less per annum will be exempted from income tax, while higher-income earners will face increased tax rates of up to 25%. The introduction of the new tax laws was due to the need to simplify Nigeria's complex tax system, reduce bureaucratic bottlenecks, and ensure compliance. The new tax laws were also designed to enhance revenue efficiency and ease the financial burden of taxation, particularly for small businesses and low-income households. The new laws are expected to provide greater financial relief for low-income households, who will now pay less in taxes. Furthermore, small businesses are likely to benefit from reduced bureaucracy and multiple taxes, which could boost compliance and encourage participation from the informal sector. Therefore, the government needs to strengthen institutional capacity for tax administration by investing in modern infrastructure such as e-filing platforms, databases, and AI-assisted tracking systems. Furthermore, policies must be developed to ensure effective implementation and widespread public awareness.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'24Q3	'24Q4
GDP Growth Rate (%)	3.46	3.84
Oil GDP Growth Rate (%)	5.17	1.48
Non-oil GDP Growth Rate (%)	3.37	3.96
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US $ Million)	103.82	NA
Portfolio Investment (US $Millions)	88.31	NA
Other Investment (US $Million)	249.53	NA
External Debt (FGN & States- N'Trillion)	69.23	56.02
Domestic Debt (FGN + States & FCT N'Trillion)	68.89	61.58
Manufacturing Capacity Utilization (%)	60.70	61.90
Imports (N'Billion)	14.67	16.56
Exports (N'Billion)	20.48	20.01
Total trade (N'Billion)	35.16	36.60
Total trade (N'Billion)	5.81	3.42
Trade balance (N'Billion)	13.40	13.78
Crude oil Export (N'Billion)	7.08	6.23
Non-Crude Oil Export (N'Billion)	2.50	2.84
Monthly Indicators	March 25'	April 25'
Headline Inflation (%)	23.71	23.71
Food Sub-Index (%)	39.93	21.26
Core Sub-Index (%)	28.75	23.39
External Reserves (End Period) (US$ Billion)	38.38	37.93
Official Rate Approx. (N/US$)	1,538.2	1,599.4
BDC Rate Approx. (N/US$)	481.60	481.21
Manufacturing PMI	51.50	51.80
Non-Manufacturing PMI	51.50	51.80
Average Crude Oil Price (US$/Barrel)	74.55	NA
Petrol (PMS-N/litre)	1,245.80	1,239.93
Diesel (AGO -N/Litre)	1,599.30	1,722.45
Kerosene (HHK -N/Litre)	2,113.34	2,219.69
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	7,322.49	7,885.60
MPR (%)	27.50	27.50
CRR of Deposit Money Banks (%)	50.00	50.00
T-Bill Rate (%)	17.41	NA
Savings Deposit Rate (%)	7.50	NA
Prime Lending Rate (%)	17.96	NA
Maximum Lending Rate (%)	30.19	NA
Narrow Money (N'Trillion)	38.55	41.01
Broad Money (N'Trillion)	114.20	119.08
Net Domestic Credit (N'Trillion)	102.13	101.46
Credit to the Government (Net) (N'Trillion)	25.86	23.55
Credit to the Private Sector (N'Trillion)	76.27	77.91
Currency in Circulation (N'Trillion)	5.00	5.01
FAAC (N'Trillion)	NA	1.68

NA: Not Available

1. Nigeria's Headline inflation rate eased to 22.97% in May 2025 report from: CPI_May_2025_Report (1).pdf

2. Nigeria's External Sector Performance: Q1 2025 Balance of Payments Update report from: https://www.cbn.gov.ng/Out/2025/STD/Balance of Payment Highlights_Q1_2025_.pdf

3 Nigeria's Fiscal Policy Update: Tax Reform Acts Signed into Law Retrieve From; https://www.pwc.com/ng/en/assets/pdf/the-nigeria-tax-reform-acts-top-20-changes-to-know-and-top-6-things-to-do-pwc.pdf