2025

CONSUMER PRICE INDEX REBASING AND COST OF LIVING REALITY IN NIGERIA:

AN EXPLAINER

A NISER Response Unit Brief

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Key Insights

1. The rebasing of the Consumer Price Index (CPI) to 2024 and the new inflation indices (such as Farm Produce, Energy, Services, Goods, and Imported Food indices) better reflect Nigeria's evolving economic structure, including the digital and informal sectors.
2. The changes in CPI weights, with a notable reduction in food expenditure share and increased weighting for sectors like transport, education, and healthcare, signal a shift in consumer spending patterns. This shift reflects changing priorities as Nigerians adapt to rising costs of essential services, thus reflecting the cost of living lived realities.
3. The 10.32 percentage point reduction in inflation following Nigeria's CPI rebasing is a significant development that could have positive implications for citizens' livelihoods.
4. Despite a statistical drop in inflation, the cost of essential services—such as healthcare, transport, and education—has soared, placing a heavy burden on households, particularly those relying on private services. These rising costs indicate that inflation's impact is uneven across different sectors, with some areas experiencing drastic price increases.
5. The lower inflation rate reported does not mean that prices are now falling; it means that prices are rising, but at a slower rate. Consequently, the realities of increasing prices of goods and services will still persist for some time, despite lower rates of inflation.

Introduction/Overview

The rising cost of living in Nigeria has been a central concern for policymakers, businesses, and households. Inflationary pressures, driven by currency devaluation, high energy costs, and food supply disruptions have significantly eroded purchasing power. The Consumer Price Index (CPI), which measures changes in the price level of a basket of consumer goods and services, is critical in understanding these dynamics. However, the composition of this "basket" is periodically updated by statistical agencies (every five to 10 years) to reflect evolving consumption patterns and to ensure the CPI remains a relevant and accurate gauge of inflation. This process is known as "rebasing."

In response to escalating living costs and soaring inflation, reaching a 30-year high of 34.8% in December 2024, the National Bureau of Statistics (NBS) deemed it necessary to rebase the Consumer Price Index (CPI). This update entails shifting the base year from 2009 (15 years before the current revision) to 2024. In principle, the rebasing was crucial to reflect current economic realities, including shifts in consumer spending patterns, the emergence of new industries, and the impact of technological innovations on production and consumption. Additionally, it aimed to account for structural changes in Nigeria's economy, such as the evolving importance of different sectors, changes in consumption habits, and the introduction of new products and services. The revised methodology used for the rebasing included digitizing the price data collection, expanding the CPI basket to 960 items from 740 items, and introducing additional inflation indices— Farm Produce Index, Energy Index, Services Index, Goods Index, and Imported Food Index—into CPI computations.

However, a major concern about the rebased CPI relates to the cost-of-living realities. Hence, a need to interrogate the rebased CPI vis-a-vis the old and new methodologies, taking account of the Nigerian contemporary realities.

Structure of the Old vs New CPI Methodologies

The transition from the old to the new Consumer Price Index (CPI) methodology represents a significant shift in how the Nigerian inflation rate is measured. The Consumer Price Index (CPI) before 2024 was estimated using the base year 2009, relying on data from the 2009 Household Living Expenditure Survey to determine the weight reference period. The basket included 740 goods and services, representing consumer spending patterns at the time. This methodology seems consistent in tracking inflation but failed to capture shifts in consumption trends, the emergence of new sectors, or the evolving economic realities in Nigeria over the years. This situation diminishes the comprehensiveness of the inflation measure. Contrarily, the new rebased CPI methodology with the 2024 base year addresses these shortcomings using a more modernized framework and an updated basket of 934 items. The classification structure of the rebased CPI, based on the COICOP 2018 template, expands sectoral representation from 12 to 13 divisional levels to effectively capture current consumer spending habits. Notably, it adds new sectors like "Insurance & Financial Services," reflecting the growing importance of these areas in the Nigerian economy. With digital data collection, the new methodology enhances accuracy and timeliness, making the statistics more reliable for policy decisions. Despite these improvements, the new methodology faces criticism of lower inflation rates, which may not align with the experience of rising living costs, potentially leading to skepticism about its relevance.

Table 1 depicts the difference between the weight assigned to various components of CPI between 2009 and 2024. The weight assigned to food inflation decreased from 51.8% to 40.1%. This change resulted from reclassifying meals consumed outside the home under "Restaurants and Accommodation Services," whose weight increased from 1.2% to 12.9%. Similarly, the weight of the combined category of Housing, Water, Electricity, Gas, and Other Fuels reduced from 16.7% to 8.4%, and Household Maintenance dropped from 5.0% to 3.0%. Conversely, categories such as Education Services, Health, and Transport experienced weight increases, reflecting shifts in household expenditure patterns. Also, insurance and financial services weight 0.5% in the 2024 base year compared to the zero-weight assigned in the old base year.

Table 1: Difference between Old and New Rebased Weighted Index in the CPI Basket

	Old CPI Weight 2009 (%)	**New CPI Weight 2024 (%)**
Food and non-alcoholic beverages	51.8	40.1
Alcoholic beverages, tobacco and narcotics	1.1	0.4
Clothing and footwear	7.7	5
Housing, water, electricity, gas and other fuels	16.7	8.4
Furnishings, household equipment and routine household maintenance	5	3
Health	3	6.1
Transport	6.5	10.7
Information and communication	0.7	3.3
Recreation, sport and culture	0.7	0.3
Education services	3.9	6.2
Restaurants and accommodation services	1.2	12.9
Insurance and financial services	0	0.5
Personal care, social protection and miscellaneous goods and services	1.7	3.3

Source: Nigeria National Bureau of Statistics (NBS)

Comparison of CPI estimation methodologies and implications for Nigeria

The rebasing of Nigeria's CPI brings its methodology closer to international standards, aligning with best practices in advanced and emerging economies. Table 2 compares Nigeria's pre- and post-rebasing inflation rates with other countries.

Table 2: Country Comparison of Pre- and Post-Inflation Rates

Country	Pre-rebasing inflation rate	Post- rebasing inflation rate	Change in percentage points (pp)	Year
Uganda	2.30%	2.70%	+0.4	2021
South Africa	5.7%	5.9%	+0.2	2022
Kenya	5.8%	4.2%	-1.5	2020
Singapore	1.7%	0.8%	-0.9	2024
Ghana	9.4%	7.8%	-1.6	2019
Nigeria	**34.8%**	**24.48%**	**-10.32**	**2025**

Source: AugustoConsulting and Departments of Statistics of the countries

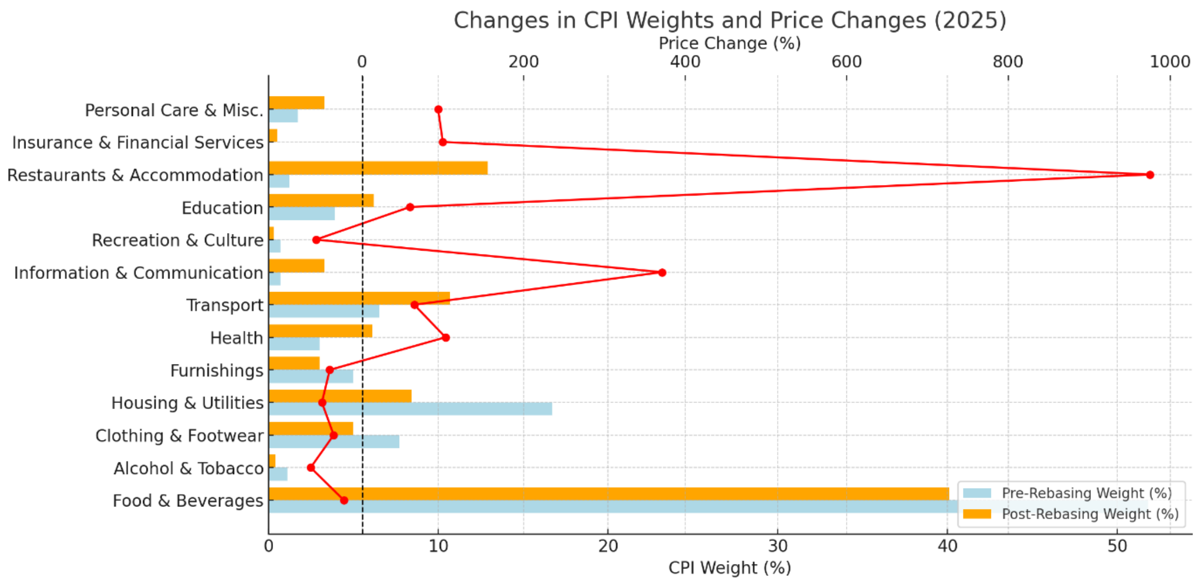
The table shows that CPI rebasing led to varied inflation adjustments across the countries. Uganda (+0.4pp) and South Africa (+0.2pp) recorded slight increases, while Kenya (-1.5pp), Ghana (-1.6pp), and Singapore (-0.9pp) recorded declines. Nigeria experienced the most significant drop (-10.32pp), from 34.8% in December 2024 to 24.28% in March 2025, indicating major revisions in consumption patterns, price structures, and expenditure weights. The scale of Nigeria's reduction is colossal relative to the other countries that registered smaller adjustments, except Uganda and South Africa where inflation accelerated. The sharp drop in Nigeria's inflation rate post-rebasing (-10.32pp) suggests significant changes in the CPI calculation, likely due to updated expenditure weights and price structures. While aligning with international standards in principle, this immense adjustment raises concerns the actual living cost.

Implications of the Rebased CPI on Cost of Living

The rebasing of Nigeria's Consumer Price Index (CPI) in 2025 has led to significant shifts in the relative importance of different consumption categories, which has important implications for the cost of living. As illustrated in Figure 1, the weight assigned to Food and Non-Alcoholic Beverages has decreased from 51.8% to 40.1%, reflecting a diversification in household spending patterns. This suggests that while food remains a major expenditure, Nigerians are increasingly allocating more of their income to other essential services, such as transport (6.5% to 10.7%), health (3.0% to 6.1%), and education (3.9% to 6.2%). The price changes across different categories further reveals critical trends. Healthcare services increased by 103.3%, transport by 64.6%, and education by 59.0%, indicating that despite lower inflation rates post-rebasing, essential services have become more expensive. Particularly striking is the 975.0% increase in the cost of restaurants and accommodation services, suggesting a significant rise in the cost of hospitality and lodging. On the other hand, the price of food declined by 22.6%, and housing & utilities dropped by 49.7%, suggesting that the rebasing exercise has adjusted how inflation in these key areas is measured. While this may statistically lower the overall inflation rate, households are still strained in sectors experiencing high price surges.

Despite benefiting from lower food costs, the shifts in various consumption categories place more burden on health, education, and transport expenditure, suggesting household struggles and expenditure constraints on basic services. Consequently, while the rebased CPI may offer a more accurate inflation measure, it highlights the rising cost of essential services, necessitating targeted policy interventions such as subsidies for health and education, improved public transportation, and strengthened social safety nets to mitigate the impact of inflation on social welfare.

Figure 1: Changes in CPI Weights from Pre-rebasing Period to Post rebasing Period



Source: National Bureau of Statistics (NBS)

Conclusion

The rebasing of Nigeria's Consumer Price Index (CPI) represents a significant shift in inflation rate measurement. By updating the CPI methodology to reflect current consumption patterns and integrating new sectors, the National Bureau of Statistics (NBS) has brought the inflation measurement closer to the global norm. The statistical drop in inflation from 34.8% to 24.48% post-rebasing is the defining outcome of this exercise albeit raising concerns about the realities of the current cost of living. While the lower reported inflation rate may suggest a less severe economic environment, the cost of living remains elevated, with essential goods and services like healthcare, transport, and education registering considerable price increases. This highlights the complexity of measuring inflation and the need for an even-handed understanding of how the rebased CPI captures existing household welfare pressures.

Recommendations

- **Public Awareness and Transparency**: It is essential to communicate the changes in CPI methodology clearly to the public. Information in the rebasing process, as well as in the way different categories are weighted, will help build trust in the data measurement. Public engagement through media campaigns or town hall discussions can minimize skepticism and provide clarity on how the rebased figures were generated.
- **Sector-Specific Policy Interventions**: Given the rising costs of healthcare, transport, and education, targeted interventions are necessary. These might include

subsidies or price controls for essential services, as well as improving access to public transportation to alleviate the burden on households. Strengthening public healthcare and education systems can help reduce reliance on private services that have experienced significant price jumps.

- **Review and Regular Updates**: The government should ensure more frequent and timely updates to the CPI basket and methodology, particularly in rapidly changing sectors such as digital services and the informal economy. This will ensure that inflation data reflects dynamics in consumer behaviour.
- **Strengthen Social Safety Nets**: With households facing challenges in sectors like healthcare and education, governments across levels should strengthen social protection programmes. This could include expanding the reach of existing welfare schemes, improving unemployment benefits, and introducing new programmes to support vulnerable groups.
- **Monitor Long-Term Inflation Trends**: While the rebased CPI provides an updated snapshot of inflation, it will take time for the effects of this recent rebase to permeate the economy. Policymakers should closely monitor the inflation trajectory over the next 12–18 months to ensure that broader economic visions and aspirations for welfare improvements align closely with price dynamics while making necessary adjustments if necessary.

This Brief is a product of the NISER Response Unit (NRU).

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