

INFLATION WATCH

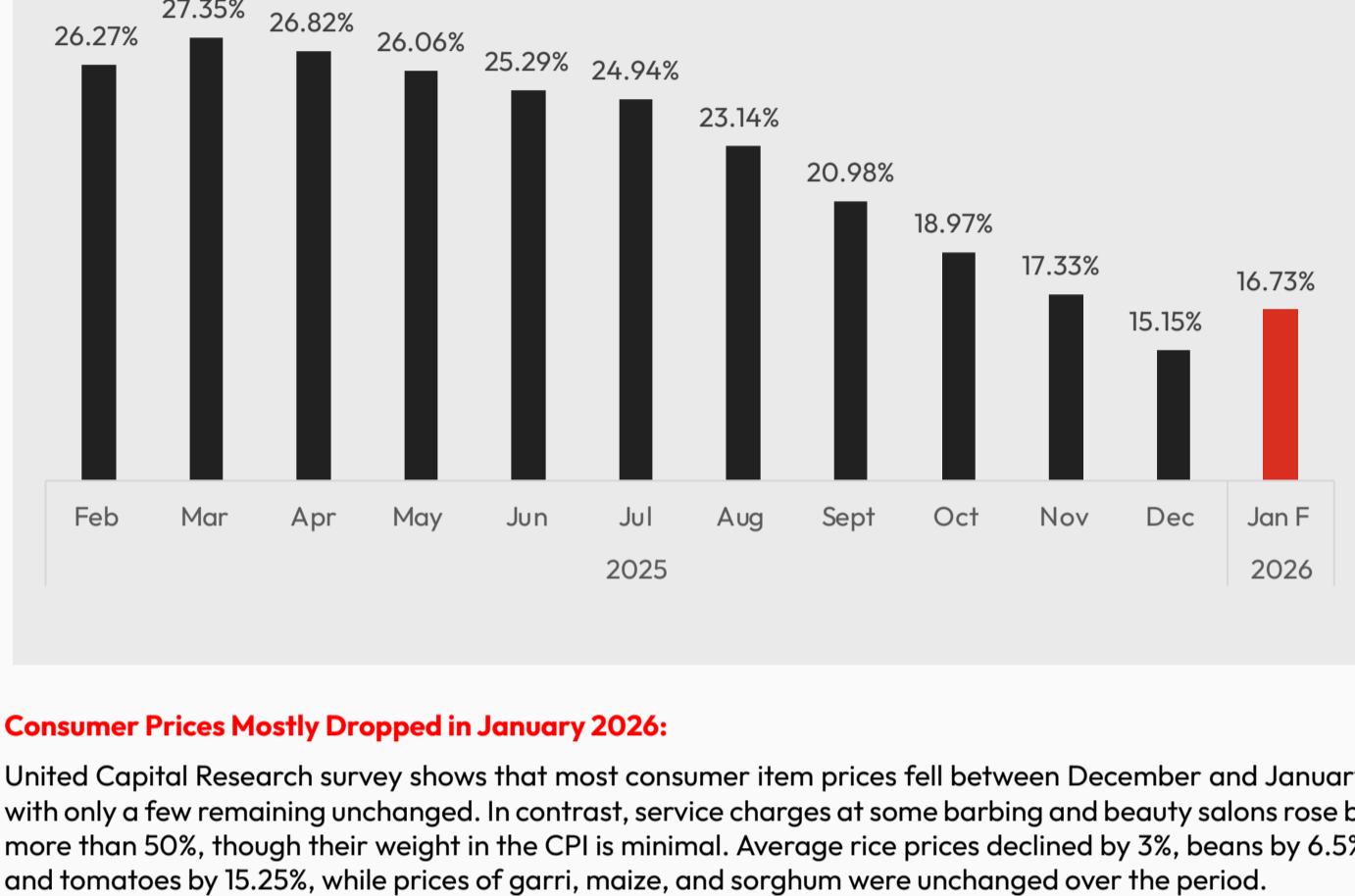
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■ January 2026 Inflation: Will the MPC Lower Policy Rate?

Bottomline:

United Capital Research forecasts that Nigeria's headline inflation rate will edge up slightly to 16.73% in January 2026, compared with the revised 15.15% recorded in December 2025. Although the prices of many consumer goods declined in January relative to December—resulting in a month-on-month drop in the Consumer Price Index (CPI)—the anticipated uptick in the inflation rate is driven largely by the base effect from the January 2025 Consumer Price Index (CPI). This raises an important policy question: Will the Central Bank of Nigeria's Monetary Policy Committee (MPC) consider lowering the policy rate when it meets later this month?



Consumer Prices Mostly Dropped in January 2026:

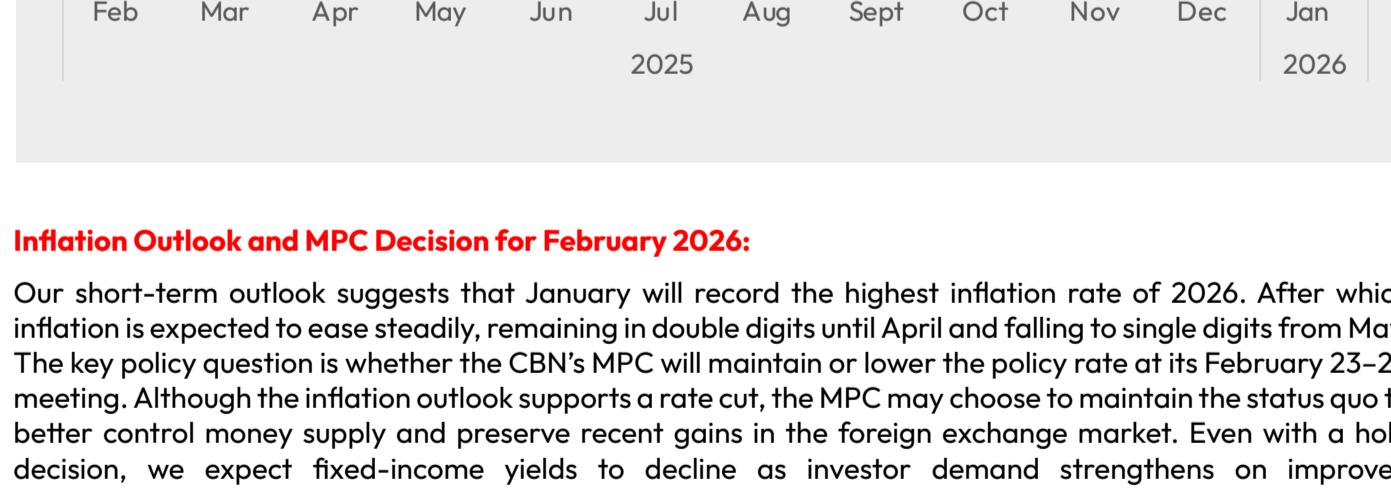
United Capital Research survey shows that most consumer item prices fell between December and January, with only a few remaining unchanged. In contrast, service charges at some barbing and beauty salons rose by more than 50%, though their weight in the CPI is minimal. Average rice prices declined by 3%, beans by 6.5%, and tomatoes by 15.25%, while prices of garri, maize, and sorghum were unchanged over the period.

Crude Oil Price Increased but PMS Prices Remained Broadly Stable:

The average price of Bonny Light crude rose by 6.17% to US\$68.05 per barrel in January, up from US\$64.09 in December. Despite this, Premium Motor Spirit (PMS) pump prices remained broadly stable through most of January due to the stronger Naira and intense competition between Dangote Refinery and major marketers. The retail price was at ₦785 per litre from late December until January 24, before rising by ₦50 to ₦835 in the final week of the month. Because this increase occurred so late, it is unlikely to have had any significant impact on the January CPI.

Exchange Rate Appreciated and Moderated Consumer Prices:

The value of Naira appreciated against the US Dollar by 2.43% on a monthly average basis and appreciated by 3.55% month-on-month between December and January. The exchange rate which closed at US\$/₦1,436 in December 2025, strengthened to US\$/₦1,387 by the end of January 2026. The monthly average rate also increased slightly from US\$/₦1,451 in December to US\$/₦1,417 in January. The average appreciation exerted downward trend on local prices.



Inflation Outlook and MPC Decision for February 2026:

Our short-term outlook suggests that January will record the highest inflation rate of 2026. After which inflation is expected to ease steadily, remaining in double digits until April and falling to single digits from May. The key policy question is whether the CBN's MPC will maintain or lower the policy rate at its February 23-24 meeting. Although the inflation outlook supports a rate cut, the MPC may choose to maintain the status quo to better control money supply and preserve recent gains in the foreign exchange market. Even with a hold decision, we expect fixed-income yields to decline as investor demand strengthens on improved macroeconomic confidence. The equity market is also likely to advance, supported by stronger earnings, corporate actions, and ongoing portfolio rebalancing in favour of equity.

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