

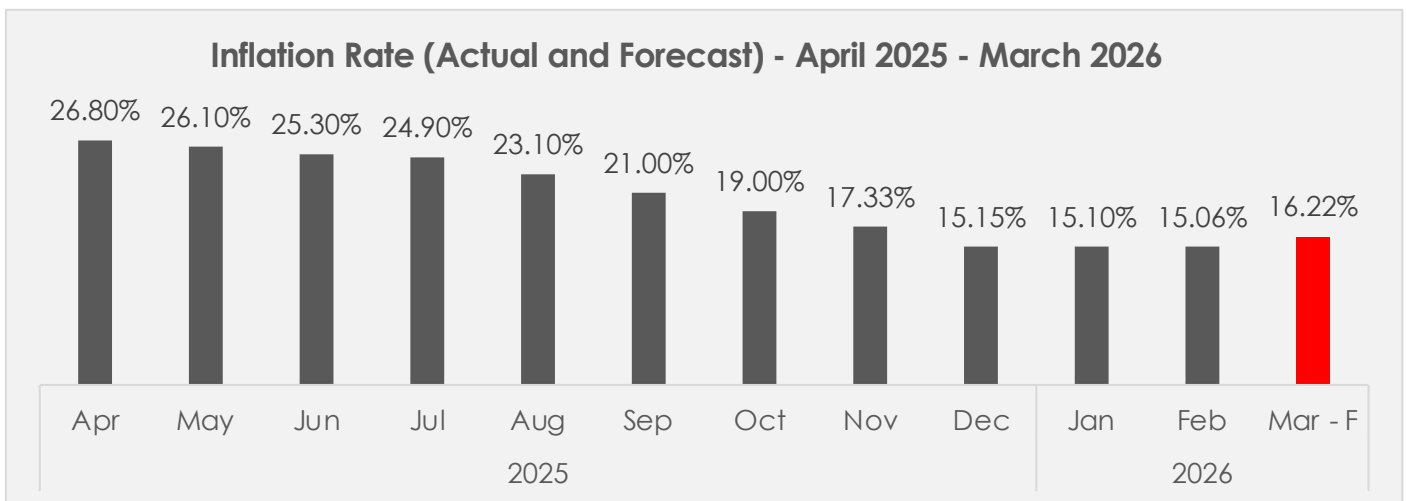
INFLATION WATCH

A Publication of United Capital Research

April 02, 2026

Single-Digit Inflation Hope at Risk as March Projected at 16.22%

Bottomline: United Capital Research forecasts Nigeria's headline inflation rate will increase to 16.22% in March 2026, from 15.06% recorded in February 2026. The anticipated uptick is largely driven by increase in energy prices due to the ongoing US-Iran war, which has exerted upward pressure on prices of consumer good items. Central Banks in major advanced countries are now reassessing their monetary policy stance in the face of the shock. How should the Central Bank of Nigeria (CBN) respond?



Sources: NBS and United Capital Research

Consumer Prices Recorded Broad-Based Increases in March 2026

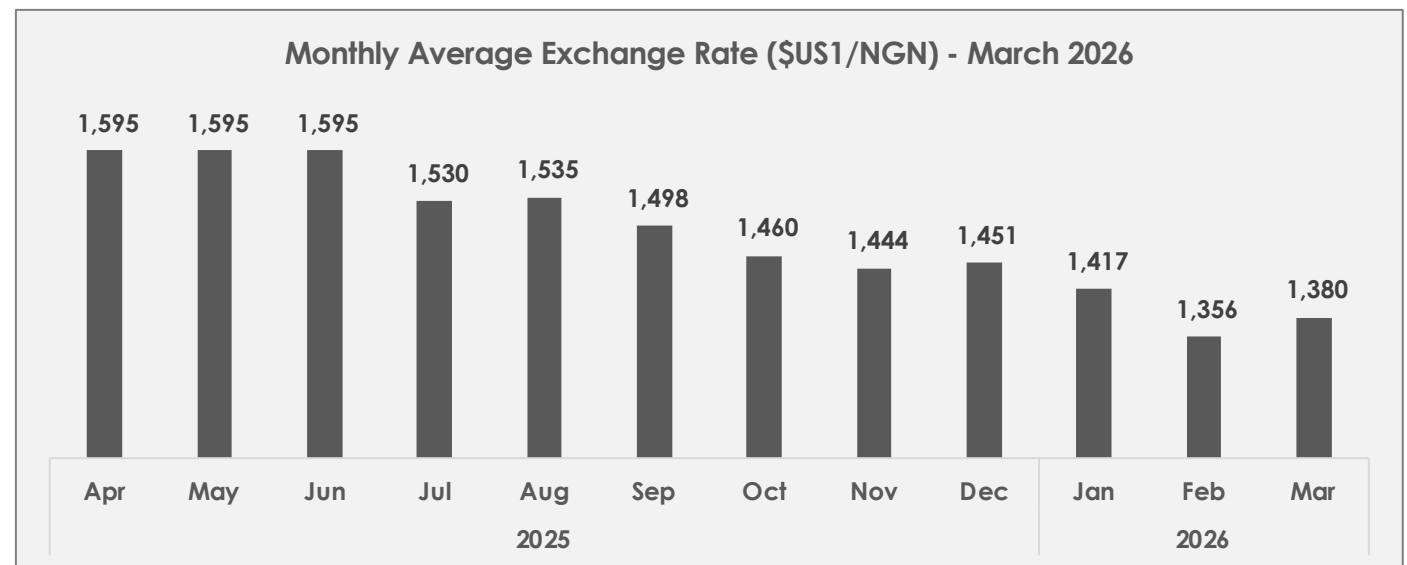
United Capital Research survey showed general increase in the prices of consumer good items in March 2026 compared with February 2026. Average service charge in Lagos hotels increased by 9% in March 2026 from February 2026 level. Food prices increased as logistic and production costs escalate because of increase in energy prices. Yam price increased by 17% in March 2026 from February 2026 level. Price of Garri rose by 13% while price of local Rice increased slightly by 2%. Price of Beans increased by 10%, price of Maize increased by 7.5% while the price of Sorghum increased by 8%.

Geopolitical Tensions Drive Fuel Prices Higher

Crude oil prices spiked in March due to the ongoing US-Iran conflict affecting both production and logistics. The average price of Bonny Light crude oil rose sharply by 44.57% to US\$104.57 per barrel in March 2026, up from US\$72.33 in February 2026. Consequently, the average pump price of Premium Motor Spirit (PMS) increased 40% to ₦1,168 in March 2026 from ₦835 per litre in February 2026. The increase in the PMS pump price escalated production costs and transportation costs and had direct pass-through effect on the prices of consumer good items.

Exchange Rate Depreciated Marginally and Increased Consumer Prices

The value of Naira depreciated against the US Dollar by 1.77% on a monthly average basis and depreciated by 1.7% month-on-month between February and March. The exchange rate which closed at US\$/₦1,363 in February, weakened slightly to US\$/₦1,387 by the end of March. The monthly average rate also increased slightly from US\$/₦1,356 in February to US\$/₦1,380 in March.



Sources: CBN and United Capital Research

Policy Implications

The recent progress towards achieving single-digit inflation by mid-2026 is now at risk due to global shocks. Although consumer prices have continued to rise, the Federal Government of Nigeria (FGN) has not benefited proportionately from higher crude oil prices, largely because of low crude oil production and existing forward sales contracts. Addressing the renewed inflationary pressures will require coordinated fiscal and monetary actions. FGN should prioritise increasing crude oil supply to domestic refineries—particularly the Dangote Refinery—to support stable local PMS supply. While an immediate policy rate hike by the CBN is unlikely, the Bank may need to raise Open Market Operation (OMO) yields and be prepared to accommodate temporary increases in foreign-exchange demand as investors seek safe-haven assets.

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