

INFLATION WATCH

A Publication of United Capital Research

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Inflation Projected at 15.94% in May Higher than April

Bottomline: United Capital Research forecasts Nigeria's headline inflation rate will increase to 15.94% in May 2026, from 15.69% recorded in April 2026. The anticipated uptick is largely driven by increase in energy prices, logistics costs and other consumer good items due to the ongoing US-Iran war. The war has exerted upward pressure on prices of consumer good items. If this forecast materialises, it will be the third consecutive monthly increase in inflation figures.



Sources: NBS and United Capital Research

Consumer Prices Recorded Mixed Performance in May 2026

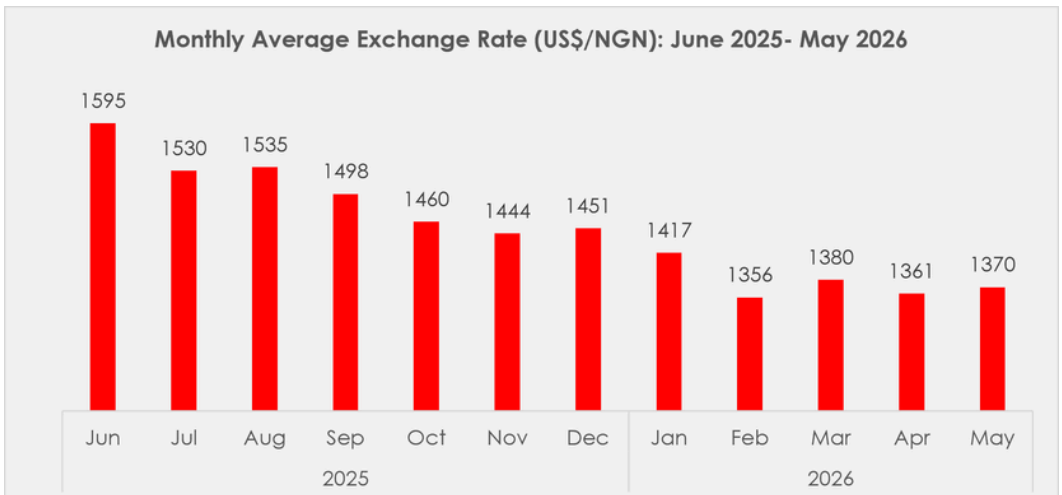
United Capital Research survey in May 2026 showed moderate increase in the prices of some consumer good items in May 2026 compared with April 2026. Average service charge in Lagos hotels increased by 6% in May 2026 from April 2026 level. Food prices increased as logistic and production costs continued to escalate because of increase in energy prices. Price of Tomatoes increased by 11% in May 2026 from the level achieved in April. Yam price increased by 3% in May 2026 from April 2026 level. Price of local Rice increased by 1% in May. The price of Garri remained largely the same between April and May 2026. However, the price of Beans reduced slightly by 5% in May from the level achieved in April.

Although Crude Oil Price Dropped, the Pump Price of PMS Increased

Although crude oil prices declined in the month of May, the pump price of Premium Motor Spirit (PMS) increased during the month. The drop in the crude oil price is due to the ongoing ceasefire negotiation between US and Iran. The average price of Bonny Light crude declined by 11.70% to US\$112.18 per barrel in May 2026, up from US\$127.05 in April 2026. However, the average pump price of Premium Motor Spirit (PMS) increased 5% to ₦1,312 in May 2026 from ₦1,253 per litre in April 2026. This has a pass-through effect on the production and transportation costs leading to increase in the prices of consumer good items.

Exchange Rate Depreciated, Increasing the Local Prices of Imported Consumer Items

The value of Naira depreciated marginally against the US Dollar by 0.65% on a monthly average basis. However, it appreciated marginally by 0.1% month-on-month between April and May. The monthly average rate depreciated slightly from US\$/₦1,361 in April to US\$/₦1,370 in May. On the other hands, the exchange rate which closed at US\$/₦1,375 in April appreciated marginally to closed at US\$/₦1,373 in May. The average depreciation recorded in the value of the Naira during the month increased the local prices of imported consumer items.



Sources: CBN and United Capital Research

Market Implications of the Expected Increase in Inflation Rate

The expected uptick in inflation over the next three months is likely to heighten volatility in Nigerian financial markets. The equities market may face downward pressure, while yields on fixed-income securities could rise from current levels. Nonetheless, elevated liquidity within the banking system may help temper upward movements in interest rates. In this environment, investors are advised to adopt a defensive positioning, focusing on stocks with strong fundamentals and a proven capacity to deliver interim dividends, thereby ensuring more stable returns amid heightened macroeconomic uncertainty.

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