

INFLATION WATCH

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Inflation Projected at 15.95% in June – Will the MPC Change Policy Stance?

Bottomline: United Capital Research forecasts Nigeria's headline inflation rate will increase marginally to 15.95% in June 2026, from 15.93% recorded in May 2026. The anticipated uptick is largely driven by an increase in the prices of some food items, particularly tomatoes. This was however moderated by a drop in the prices of Primum Motor Spirit (PMS). If this forecast materialises, it will mark the fourth consecutive monthly increase in inflation. This will happen ahead of the upcoming meeting of the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) on the 20th and 21st July. But will the MPC respond to the increase in inflation rate with additional monetary policy tightening?



Sources: NBS and United Capital Research

Consumer Prices Recorded Mixed Performance in June 2026

The United Capital Research survey in June 2026 showed mixed performance in the prices of most food items in June compared with May 2026. Logistics costs dropped as easing geopolitical tensions drove down global crude oil prices. Meanwhile, the price of tomatoes went up drastically. Since tomato forms a major component of cooking in the average Nigerian household and most restaurants, its price increase usually exerts upward pressure on the consumer expenditure profile. Consequently, inflation rate goes up. The rise in tomato price in June was mainly due to reduced supply. The dry season harvest has ended, and the rainy season is now in full swing. Also, the price of yam increased by 8% in June 2026 from its May 2026 level. On the other hand, the price of rice decreased marginally, as both local and imported prices fell. The price of beans decreased by 5%.

Easing Geopolitical Tensions Drove Fuel Prices Lower

Crude oil price declined in June due to the easing in the US-Iran war. The average price of Bonny Light crude declined by 21.81% to US\$87.70 per barrel in June 2026, down from US\$112.16 in May 2026. Similarly, the average pump price of Premium Motor Spirit (PMS) decreased by 5% to ₦1,249 in June 2026 from ₦1,312 per litre in May 2026.

Exchange Rate Appreciated Marginally, Moderated Local Prices

The value of Naira appreciated marginally against the US Dollar by 0.2% on a monthly average basis but depreciated by 0.4% month-on-month between May and June. The monthly average rate appreciated slightly from US\$/₦1,370 in May to US\$/₦1,367 in June. However, the exchange rate depreciated in June to close at US\$/₦1,380 compared to US\$/₦1,373 in May.



Sources: CBN and United Capital Research

Policy Implications

Our inflation forecast for July–October 2026 remains within the 15% range, but points to a gradual moderation as the harvest season gathers pace. Recent increases in tomato and yam prices largely reflect seasonal supply constraints associated with the onset of the rainy season. As harvest activities improve food supply, inflationary pressures are expected to ease, making June 2026 a likely seasonal peak rather than the beginning of a sustained upward trend. Against this backdrop, United Capital Research expects the Monetary Policy Committee (MPC) to leave policy rates unchanged at its July meeting. We anticipate that the Central Bank of Nigeria (CBN) will continue to manage liquidity through Open Market Operations (OMO) rather than implement an outright rate hike. In the fixed-income market, yields are expected to remain broadly stable in the short to medium term, barring any major inflation or policy surprises. Meanwhile, the recent correction in equities has pushed valuations into oversold territory, creating scope for a market rebound as investors reposition ahead of the release of half-year earnings season.

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