United Capital

INFLATION WATCH

A Publication of United Capital Research

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Inflation Projected at 15.35% in July 2026

Bottomline: United Capital Research forecasts Nigeria's headline inflation rate to ease further to 15.35% in July 2026, compared with 15.91% recorded in June 2026. The anticipated moderation is largely driven by softer food prices, as well as continued declines in Premium Motor Spirit (PMS) prices. If this forecast materialises, it will mark the second consecutive monthly decline in inflation.

Sources: NBS and United Capital Research

Consumer Prices Showed Mixed Trends in July

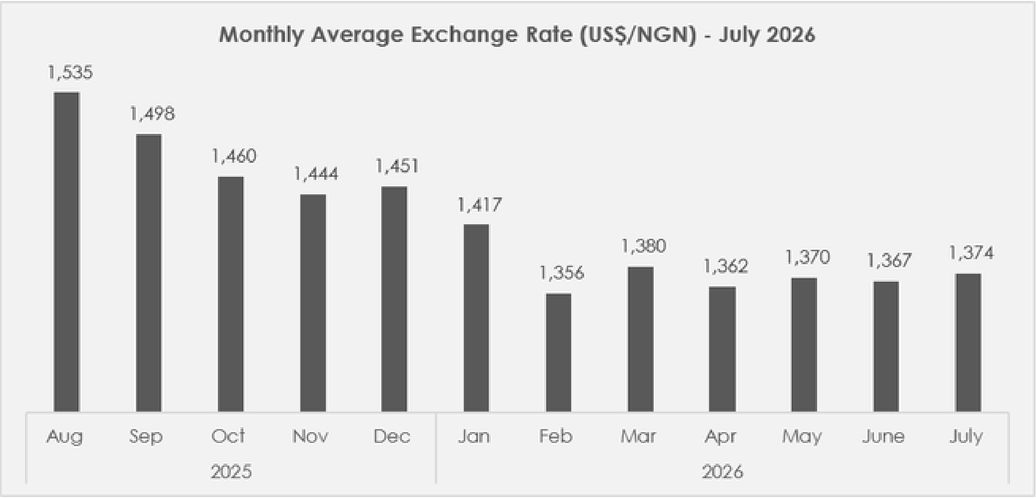
The United Capital Research survey in July 2026 showed mixed price movements of most food items compared with June 2026. Logistics costs stayed low as crude oil prices eased further. The price of tomatoes rose marginally by 1.4%, easing the upward pressure it exerted on the consumer expenditure profile in prior months. Conversely, yam prices extended its increase, rising by about 7.8% in July 2026 from June, reflecting seasonal supply constraints tied to the rainy season. Meanwhile, rice prices were mixed: locally manufactured rice eased by about 1.4%, while imported rice rose slightly. Also, price of beans was mixed, with Oloyin Beans rising by about 5.7% and Drum Beans changed very marginally by 0.01%.

Cooling Geopolitical Tensions Softened Fuel Prices

Crude oil prices eased further in July, extending the decline recorded in June. The average price of Bonny Light crude declined by 3.75% to US$84.41 per barrel in July 2026, down from US$87.70 in June 2026. Similarly, the average pump price of Premium Motor Spirit (PMS) decreased by 4.6% to ₦1,191 in July 2026 from ₦1,249 per litre in June 2026. These drops had moderating impact on the consumer prices in July and by extension the inflation rate.

Exchange Rate Weakened on Average, but Firmed at Month-End

The value of the Naira depreciated marginally against the US Dollar by 0.51% on a monthly average basis but appreciated by 0.95% month-on-month between June and July. The monthly average rate depreciated slightly to US$/₦1,374 in July from US$/₦1,367 in June. However, the value of Naira appreciated to close at US$/₦1,367 in July compared with US$/₦1,380 in June.



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 the prices of tomato and yam largely reflect seasonal supply constraints associated with the onset of the rainy season. As harvests improve food supply, inflationary pressure is expected to ease. This expected drop in inflation rate should have a moderating impact on the yields in the fixed income securities in the short-term. Fixed income traders should long position at the current yields ahead of the rally in the fixed income securities as rates are expected to drop.

CONTACT US

- Research: Research@unitedcapitalplcgroup.com
- Trustees: Trustees@unitedcapitalplcgroup.com
- Securities Trading: Securities@unitedcapitalplcgroup.com
- Investment Banking: InvestmentBanking@unitedcapitalplcgroup.com
- Asset Management: Assetmanagement@unitedcapitalplcgroup.com
- Investors Relations: InvestorRelations@unitedcapitalplcgroup.com