United Capital

INFLATION WATCH

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Inflation Projected at 14.01%, Will MPC Lower Rate Further?

Bottomline: United Capital Research forecasts headline inflation will ease to 14.01% in October 2026, from 14.63% in September, driven largely by lower prices of major food items. However, higher Premium Motor Spirit (PMS) and Bonny Light prices, alongside Naira depreciation, remain key upside risks to the inflation outlook. If the forecast materialises, October's reading would be the lowest in 2026, reinforcing expectations that inflation will maintain its downward trajectory. The sustained moderation also strengthens prospects for single-digit inflation by mid-2027, barring significant shocks to energy prices, food supply or the exchange rate. Against this backdrop, will the inflation reading encourage further monetary easing? The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) meets on November 23–24, 2026.



Sources: NBS and United Capital Research

Consumer Prices Moderated Broadly in October 2026

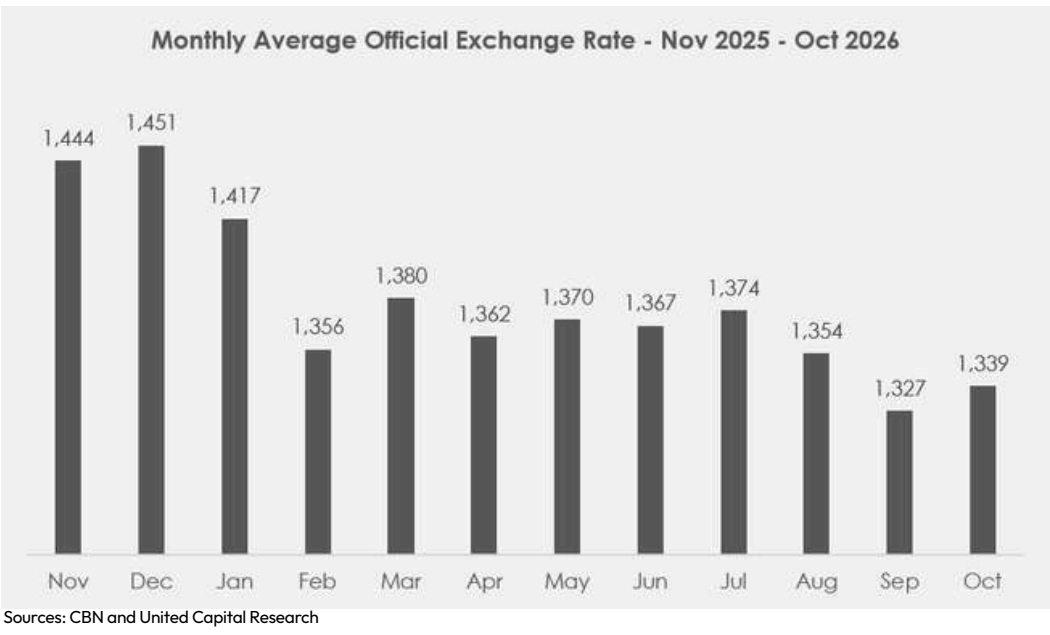
The United Capital Research survey showed broad food price moderation in October 2026 compared with September. Tomatoes recorded the largest decline, falling by 11.1%. Medium-sized yam declined by 6.2%. Imported long-grain rice, measured by "Derica", fell by 4.9%. Garri (Ijebu) declined by 4.1%. Nigeria manufactured rice and imported short-grain rice, measured by paint, declined by 0.9% and 0.6%, respectively. In contrast, Beans (Oloyin) increased by 1.3% per paint and 2.6% per "Derica". Beans (Drum) was unchanged per paint but rose by 1.4% per "Derica".

Higher Bonny Light and PMS Prices Remain Upside Risks

The average price of Bonny Light crude oil increased by 9.1% in October 2026 compared with September. Similarly, the average Premium Motor Spirit (PMS) pump price rose by 1.3%, from N1,343 to N1,360 per litre. This exerted upward pressure on consumer prices. However, broad food price moderation helped cushion the inflationary impact of higher energy and transport costs. This supported the expected decline in headline inflation.

Exchange Rate Depreciated, Posing an Upside Risk to Inflation

The Naira depreciated marginally against the US Dollar in October 2026. The average official exchange rate weakened by 0.9% to US$/N1,339.01, from US$/N1,327.31 in September. On a month-end basis, the Naira depreciated by 1.3%, closing at US$/N1,346.26 on October 30, from US$/N1,329.16 on September 30. The weaker Naira increased the pass-through of imported food prices to domestic prices. However, lower local food prices partly offset this inflationary pressure.



Sources: CBN and United Capital Research

Policy Implications

The expected disinflation may provide sufficient comfort for the MPC of CBN to consider a further policy rate cut. However, renewed pressures from other economic variables that threaten price stability could limit the scope for a rate cut. If the Committee holds rates at this meeting, the next opportunity for a cut could be complicated by the 2027 general elections. Importantly, recent economic developments provide limited justification for a policy rate hike. The projected disinflation is broadly positive for both fixed-income securities and equities. Continued disinflation could drive yields lower, lift bond prices, and improve real returns for fixed-income investors. For equities, easing inflation could reduce financing costs, strengthen consumer purchasing power, and support corporate earnings and valuations. However, rising energy prices and renewed exchange-rate pressures remain key upside risks to inflation and sustained financial market performance.

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