United Capital

MONETARY POLICY WATCH

A Publication of United Capital Research

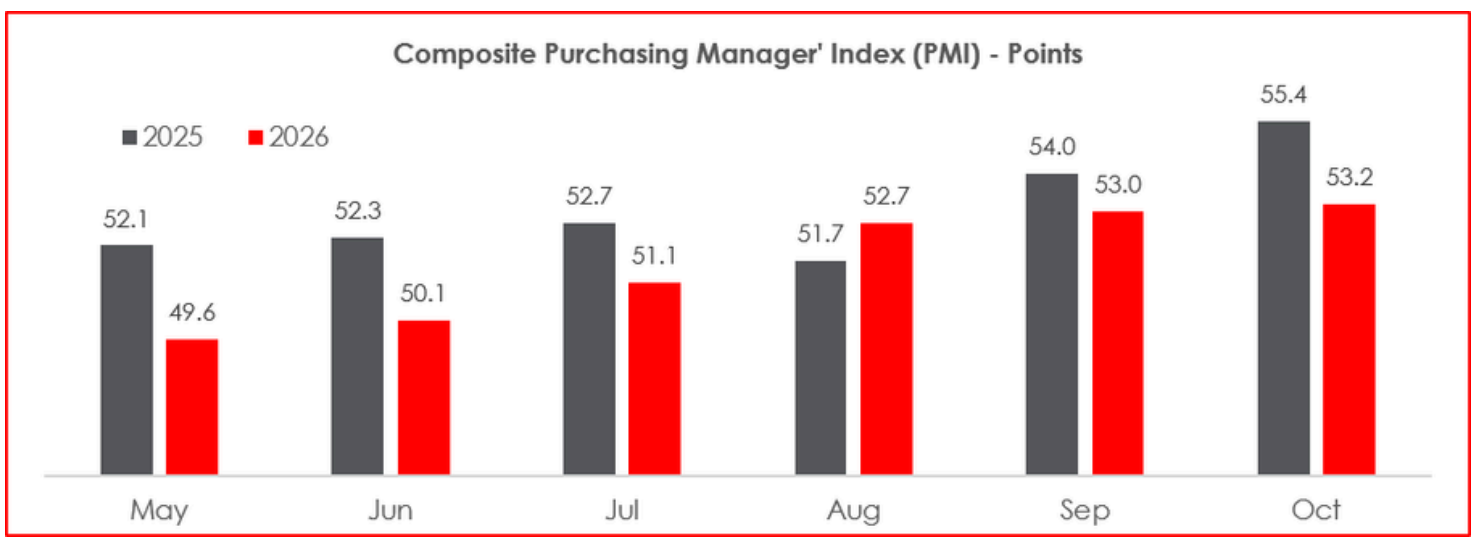
November 19, 2026

Policy Decision: A Cut or Hold?

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) meets on November 23–24, 2026. Nigeria's macroeconomic environment has strengthened further since the MPC's last meeting in September 2026. Sustained disinflation, relative exchange rate stability and resilient economic activity strengthen the case for further monetary policy easing. However, following the substantial 3.50% reduction in the Monetary Policy Rate (MPR) to 23.0% in September, the MPC may hold rates at this meeting. A hold would provide more time to assess policy transmission, particularly amid year-end demand and election-related liquidity pressures. Nevertheless, the near-term inflation outlook leaves room for a further rate cut at the MPC's final meeting of the year. At the same time, compelling arguments remain for maintaining the current policy stance. Which path will the MPC take, and what are the implications for Nigeria's economy and financial markets?

Short-Term Outlook of the Nigerian Economy Remains Strong:

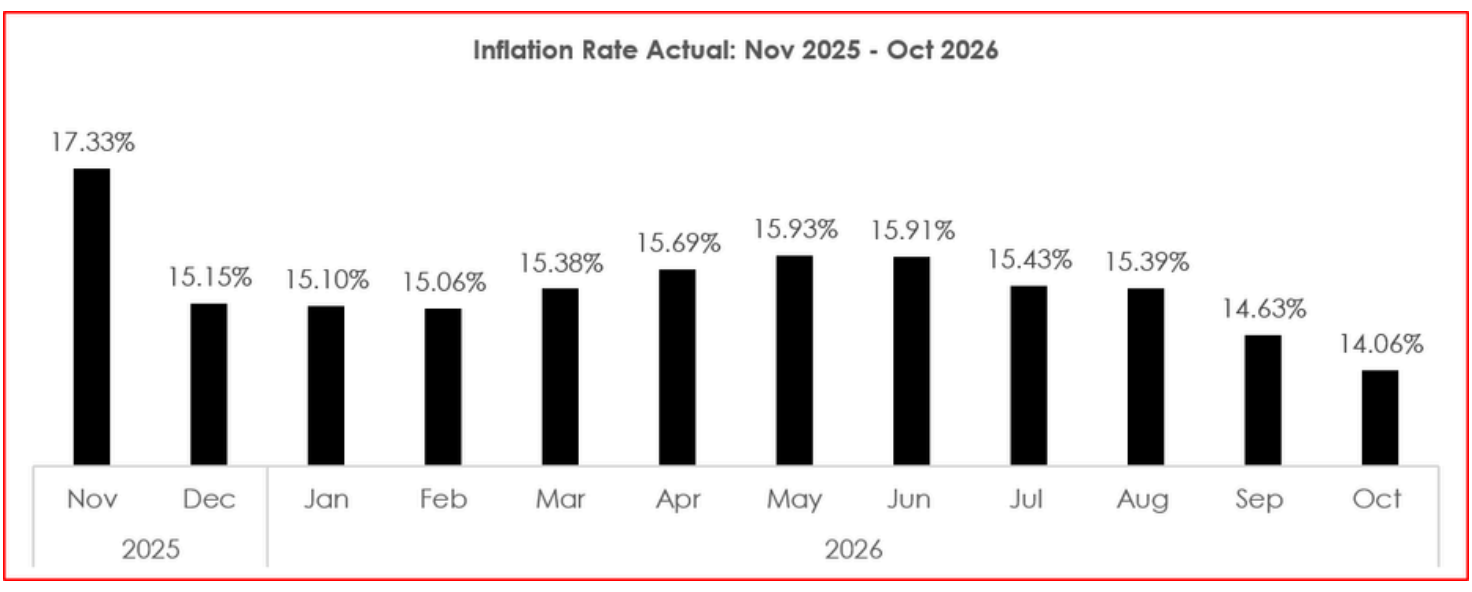
Nigeria's business activity has remained firmly in expansion territory since June 2026. The CBN Composite Purchasing Managers' Index (PMI) rose steadily from 50.1 points in June to 53.2 points in October 2026. This marked the fifth consecutive month of expansion, with Industry, Services and Agriculture remaining above the 50-point threshold. As a forward-looking indicator, sustained PMI expansion suggests that Nigeria's economic momentum should remain positive in the near term. Against this backdrop, United Capital Research maintains its Gross Domestic Product (GDP) growth forecasts of 4.57% for Q3-2026 and 4.35% for FY-2026. With appropriate policy incentives, reforms and stronger economic coordination, Nigeria could achieve GDP growth above 5.0% in 2027.



Sources: Central Bank of Nigeria, United Capital Research

Sustained Disinflation Strengthens the Case for Easing, but Caution Remains

Nigeria's inflation outlook remains broadly favourable, supported by improved food supply and relative exchange rate stability. Headline inflation moderated further to 14.06% in October, marking the fifth consecutive month of slowing price growth. Food and core inflation also eased to 19.13% and 10.78%, respectively, reinforcing the broader disinflation trend. Looking into 2027, United Capital Research expects inflation to reach single digits by May 2027, following the usual marginal uptick in December 2026. Overall, sustained disinflation strengthens the case for further monetary easing, although near-term liquidity considerations could favour a cautious approach. Will the MPC cut rates or maintain its current policy stance?



Sources: National Bureau of Statistics, United Capital Research

Robust Reserves Cushion Near-Term FX Pressures:

Nigeria's external position has remained broadly resilient since the September MPC meeting, providing continued support for exchange rate stability. External reserves rose from US$54.93bn at September-end to a 2026 high of US$55.26bn in late October. However, reserves moderated to US$54.76bn as of November 17, reflecting some recent drawdowns. The Naira remained relatively stable, averaging US$/₦1,339 in October, compared with US$/₦1,327 in September. The currency subsequently settled around ₦1,355.80/US$ on November 17. While recent reserve drawdowns and mild depreciation pressures warrant monitoring, the robust reserve buffer provides the CBN sufficient capacity to manage short-term FX volatility. Overall, sustained foreign exchange (FX) stability should moderate imported inflation, providing the MPC some room to maintain or cautiously ease its monetary policy stance.

Stable Oil Output Supports External Resilience:

The Nigerian Upstream Petroleum Regulatory Commission (NUPRC) reported that crude oil production remained stable and above the Organization of the Petroleum Exporting Countries (OPEC) quota. Crude oil production averaged 1.51mbpd in October, slightly below the 1.53mbpd recorded in September 2026. Production stability reflected fewer pipeline disruptions, improved crude evacuation, and operators' continued efforts to strengthen asset integrity and operational reliability. We expect production to increase in the near term as stronger investment flows into the upstream oil sector support capacity expansion. Bonny Light crude averaged US$127.38/b in October, up from US$117.10/b in September, amid heightened geopolitical tensions in the Middle East. Higher crude oil prices and stable production levels should continue to support Nigeria's FX earnings. Meanwhile, efforts to expand non-oil exports should further strengthen Nigeria's external resilience and support exchange-rate stability in the near term.

Liquidity Growth Calls for Caution:

Money supply expanded by 24% to ₦146.60tn in September 2026, from ₦117.78tn in September 2025. Strong liquidity growth remains a key consideration for the MPC, as money supply expansion exceeding output growth could reignite inflationary pressures. This may encourage the MPC to remain cautious about further monetary easing, despite the sustained moderation in inflation. Accordingly, a hold appears appropriate, as further easing could increase liquidity without a corresponding expansion in economic output.

Market Rates Have Moved Closer to the MPR:

At its September meeting, the MPC reduced the MPR from 26.5% to 23.0% and recalibrated the Standing Facilities Corridor to +50/-300 basis points. A key objective of the reset was to align the MPR more closely with prevailing market rates. Since the adjustment, interbank rates have moved closer to the MPR, indicating improving monetary policy transmission. As of November 17, the Open Repo Rate and Overnight Rate stood at 20.04% and 20.34%, respectively, against the 23.0% MPR. This narrowed the gap to about 2.7%-3.0%, placing interbank rates near the lower bound of the new corridor. Nigerian Treasury Bill yields have also adjusted, settling around 17%-18% as of November 17. The closer alignment between market rates and the MPR suggests that the September policy reset is gradually achieving its intended objective. Consequently, the MPC may allow more time to assess policy transmission before making further adjustments to the monetary policy stance.

Conclusion and Policy Call: A Fine Balance Between a Rate Cut and a Hold

In line with its price stability mandate, the MPC's November decision will likely balance improving inflation conditions against lingering liquidity risks. Sustained disinflation and relative exchange rate stability strengthen the case for further monetary easing, while resilient economic activity provides additional policy flexibility. However, strong money supply growth, emerging year-end price pressures and election-related considerations strengthen the case for a HOLD decision. Consequently, United Capital Research views the November decision as finely balanced between a RATE CUT and a HOLD. However, our analysis leans towards a HOLD, allowing the CBN more time to assess the transmission of September's substantial monetary easing. The CBN is also expected to continue managing excess liquidity through Open Market Operations (OMO) and other market-based instruments. This presents an opportunity for fixed-income investors to lock in attractive returns ahead of an anticipated decline in Nigerian yields after next year's elections. Yields could moderate further as inflation trends towards single-digit territory in 2027.

We Expect the MPC to:

- Maintain the Monetary Policy Rate (MPR) at 23.0%.
- Retain the Standing Facilities Corridor at +50/-300 basis points around the MPR.
- Retain the Cash Reserve Requirement (CRR) for Deposit Money Banks at 45% and for Merchant Banks at 16.0%.
- Maintain the Liquidity Ratio at 30.0%.
- Retain the CRR on non-Treasury Single Account (TSA) public-sector deposits at 75.0%.

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