# MPC to stay cautious despite softer inflation

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The National Bureau of Statistics (NBS) reported continued moderation in Nigeria's headline inflation to 15.39% YoY in August (from 15.43% YoY in July), in line with our in-house expectation. This deceleration was driven by easing in the core basket to 13.29% YoY from 14.97% YoY previously, while the food basket also tapered to 19.57% YoY from 20.31% YoY previously.

Similarly, MoM inflation moderated to 0.71% in August, down from 1.57% in July, largely driven by a deceleration in the food basket to 1.02% (vs 5.56% the prior month). We believe the 455bps moderation in the basket stemmed from cooling in Farm Produce (1.3% MoM; vs 4.7% previously).

Elsewhere, core basket MoM deflation of 0.06%, which was surprising, may have stemmed from the 2.43% MoM currency appreciation, driven by improved FX liquidity, reflecting stronger FX liquidity from NNPC remittances and higher monthly IOC inflows.

The outlook for September inflation is mixed. Relative naira stability should support price moderation, but food prices remain vulnerable to weather-related supply disruptions. Below-average rainfall in key food-producing areas such as Benue could weaken crop yields, particularly where planting decisions were based on historical rainfall patterns. Conversely, excessive rainfall in parts of northern Nigeria could trigger flash floods and damage crops. Nonetheless, some relief should emerge from the onset of the main harvest in late September, with supply conditions improving further into October.

Elsewhere, emerging energy-related pressures are tilting inflation risks to the upside. Since 21 August, Dangote Refinery has raised its PMS gantry price several times, from N1,165.00/litre to N1,350.00/litre as of 12 September, a 15.9% increase. This has pushed pump prices to between N1,395.00 and N1,450.00/litre, depending on location. The price adjustments reflect heightened geopolitical uncertainty in the Middle East and Brent crude prices above $100.00/bbl. Against this backdrop, we expect headline inflation to print flat at 15.40% YoY in September, with further energy-price volatility posing an upside risk to our forecast.

**MPC may stand pat on interest rate**

At the next MPC meeting slated for 21st and 22nd of September 2026, members' monetary policy voting may diverge. On the one hand, members may tilt toward a rate cut, especially as inflation has moderated over the last 3 months and is gradually moving toward the

long-run average. Conversely, some members may elect to hold rates, worried about renewed inflationary risk from rising global oil prices and their potential pass-through to the local energy market. Election risk is also prevalent, especially as campaigns began some weeks ago.

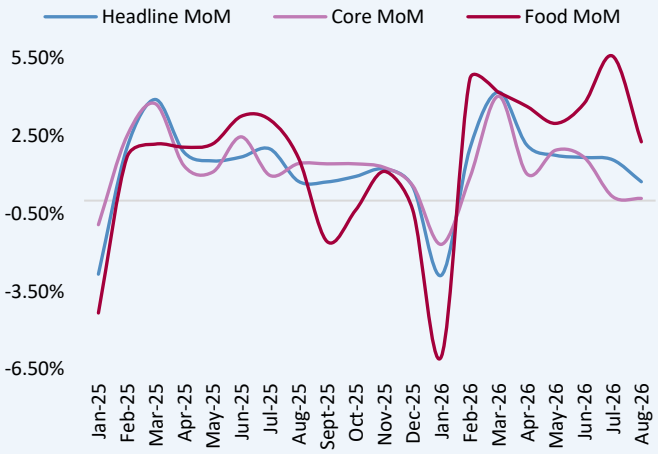
Our expectation leans toward the latter, given the highlighted risks above. Additionally, the recent 25bps rate hike by the US Fed and the rising global yield environment could stoke the risk of a reversal in portfolio inflows, as carry trade narrows.

Nevertheless, beyond 2026 MPC meetings, a large rate cut will likely happen from 2027, especially after the general elections. Further strengthening our view is the fact that inflation now sits at 11ppts below the monetary policy rate. We view the MPR as a symbolic tool for now, as the CBN appears to use the SDF as the anchor for short-term rates.

Overall, we expect the CBN to hold the rate constant, and we will not be surprised if we see an adjustment in the corridor around the MPR.

## Chart Pack

Figure 1: MoM moderation in August 2026

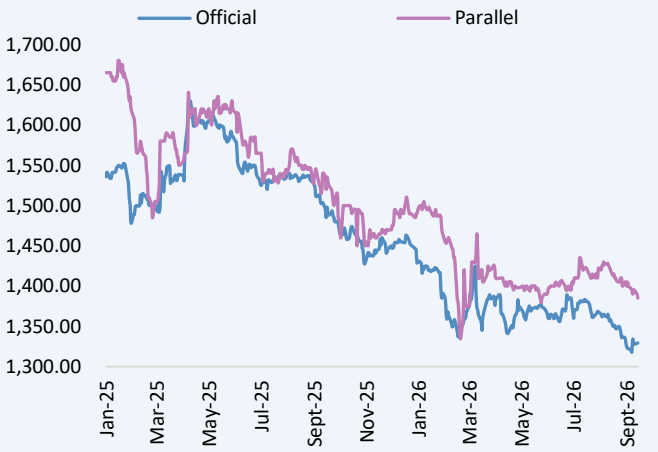



Source: NBS, CardinalStone Research

Figure 2: MoM movement in food related sub-indices

| Month | Farm Produce | Processed Food |
|---|---|---|
| Mar-26 | 4.6% | -4.2% |
| Apr-26 | 6.0% | -46.9% |
| May-26 | 0.9% | 93.6% |
| Jun-26 | 4.4% | -11.2% |
| Jul-26 | 4.7% | 29.2% |
| Aug-26 | 1.3% | -6.0% |

Figure 3: Naira performance in recent times




Source: CBN, CardinalStone Research

Figure 4: Average price per output performance

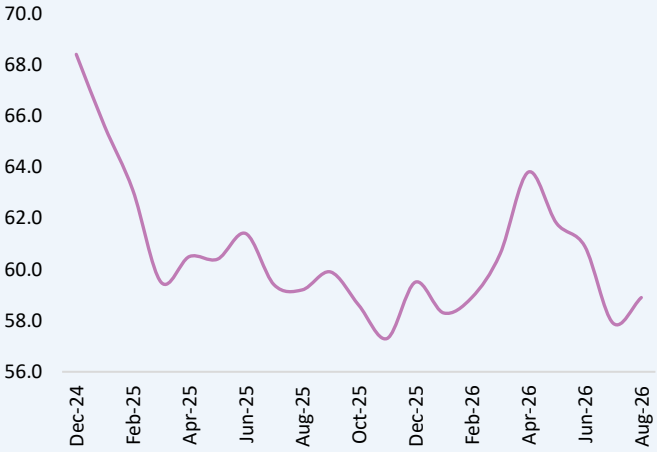
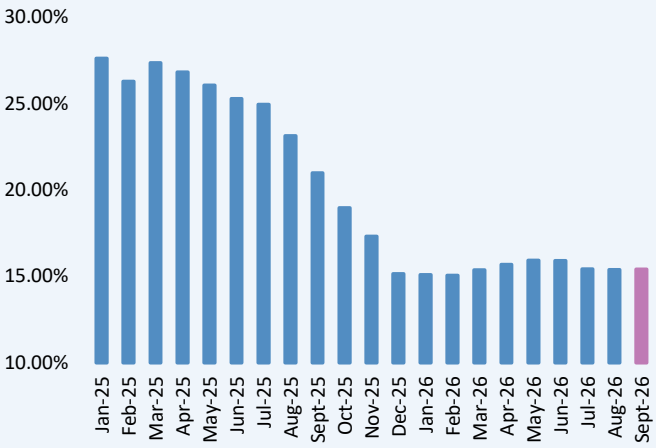


Figure 5: Inflation rate to edge higher in September




Source: NBS, CardinalStone Research

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