MPR RETAINED AT 26.50%

...Holding the Line Against Inflation

July 22, 2026. *Economic Report*

At its 306th meeting, held on July 20 and 21, 2026, the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) opted to leave the Monetary Policy Rate and all other key policy parameters unchanged. Eleven members sat on the Committee for this round. The decision reflects a preference for caution: while headline inflation have started to ease (15.91% as of June 2026), a fresh flare-up of conflict in the Middle East has injected new uncertainty into the global outlook, and the Committee would rather hold its ground and watch incoming data than move prematurely in either direction.

Summary:

- Monetary Policy Rate: 26.50%.
- Asymmetric Corridor: +50/-450 basis points around the MPR.
- CRR of Deposit Money Banks: 45.00%.
- CRR of Merchant Banks: 16.00%.
- Liquidity Ratio: 30.00%.
- CRR of non-TSA public sector deposits: 75.00%

Committee Considerations

Members acknowledged that the domestic economy has demonstrated resilience to recent external shocks, attributing this in part to the cumulative effect of prior fiscal and monetary reforms. However, the Committee identified the resurgence of conflict in the Middle East as a material risk to the outlook, given its potential to raise global energy prices and generate second-round effects on domestic inflation. On balance, the Committee determined that maintaining the current policy stance would allow it to monitor incoming data and better assess the trajectory of inflation before adjusting policy.

The Committee placed particular emphasis on the benefits of continued fiscal-monetary policy coordination, noting that this alignment has helped moderate the domestic impact of the external shock to date. Members recommended that this coordination be deepened further to enhance overall policy effectiveness. The Committee also highlighted the potential of Executive Order 9, which directs 100% of oil and gas royalties, tax oil, profit oil and related earnings to be remitted directly into the Federation Account, cutting out prior deductions and leakages. This strengthens macroeconomic fundamentals, and reiterated support for government efforts to increase crude oil production and to accelerate diversification of non-oil revenue sources, including solid minerals.

On financial stability, the Committee noted the successful conclusion of the banking sector recapitalisation exercise and the significant improvement in prudential and financial soundness indicators. The Committee nonetheless directed continued supervisory vigilance to safeguard financial system stability against emerging risks.

Outlook

The CBN expects overall economic growth (real GDP) to hold up reasonably well through the rest of 2026, aided by better crude production, an expanding Portfolio Manager Index (PMI) and the expected benefits of earlier reforms. Inflation, for its part, is expected to keep easing over the medium term as the naira stays broadly stable, previous rounds of tightening continue to feed through, and food supply improves with the approach of the harvest season. That said, the single biggest wildcard remains how far the Middle East conflict escalates and how long it drags on; a sharper or more prolonged crisis could quickly reverse the recent disinflation gains via energy prices.

We believe the Committee's cautious, wait-and-watch stance is the upright one for now. With inflation still in double digits and well above the CBN's single-digit medium-term target, and with food prices still climbing even as headline numbers improve, there is limited room to declare victory. Barring a serious deterioration in the Middle East situation, we expect the MPC to hold rates through at least its next one or two meetings, with any easing bias likely to wait until food inflation turns convincingly lower into the Q4 harvest window.

Market Implications

Fixed Income

High-yield Treasury Bill Instruments should stay attractive while rates hold as investors remain keen to lock in higher yields.

Shorter tenors saw far less interest, as real returns there look thin against still-elevated food inflation. Borrowing costs, including for commercial paper, should stay high, with future yield direction hinging on system liquidity, inflation trends, and government's borrowing pace.

Equities

We expect the MPC decision to have a neutral effect on the Equities market as Banks and other financial institutions listed on the NGX will continue to benefit from high yield fixed income instruments and interest from loans. On this , we don't expect capital outflow from the equities market to the fixed income market. The NGX All-Share Index has sustained a year-to-date return of 58.51% led by banking, oil & gas, industrial, and telecom stocks, suggesting investors remain more confident in the equities market.

We expect this momentum to hold near-term, supported by stable macro conditions and anticipation around the Dangote Refinery's planned listing on the NGX, which could draw fresh investor interest. That said, following such a strong run, profit-taking or a pullback in specific stocks remains a possibility.

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- Hold Rating: estimated change in price is between -10% and 19% of current market price.
- Sell Rating: estimated change in price is ≤ -10% of current market price.

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