

MPR RESET TO 23.00%

...CBN Cuts MPR by 350bps as Macroeconomic Conditions Improve



September 23, 2026.

Economic Report

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN), at its 307th meeting held on September 21st–22nd, 2026 reset the Monetary Policy Rate (MPR) to 23.00% and recalibration of the Standing Facilities Corridor for the first time after a prolonged period of tight monetary conditions.

The MPR (Benchmark rate) was reset from 26.50% to 23.00%, which represents a 350 basis-point (350 bps or 3.5%) reduction in the benchmark rate. However, the Committee was careful to emphasise that the decision should not be interpreted as a broad-based change in the underlying monetary policy stance.

Instead, the CBN described the move as an operational realignment designed to strengthen monetary policy transmission, restore the MPR as the principal policy signal, and support the transition towards an inflation-targeting framework, i.e., a single-digit inflation target.

At the same time, the decision comes against a much more supportive domestic macroeconomic backdrop. Inflation has continued to moderate as economic growth has strengthened, and foreign reserves have reached its all time high since 2008.

Summary:

- Monetary Policy Rate: 23.00% (From 26.50%)
- Standing Facilities Corridor: +50/-300 basis points around the MPR (From +50/-450bps)
- CRR of Deposit Money Banks: retained at 45.00%.
- CRR of Merchant Banks: retained at 16.00%.
- CRR of non-TSA public sector deposits: retained at 75.00%.

Committee Considerations

In arriving at its decision, the Monetary Policy Committee (MPC) pointed to a broad improvement across Nigeria's macroeconomic fundamentals.

The most important development remains the continued moderation in headline inflation, i.e. three months of consecutive decline. Headline inflation eased from 15.91% in June to 15.43% in July and further to 15.39% in August. food inflation also fell more noticeably from 20.31% to 19.57% in August.

Core inflation also moderated from 14.97% to 13.29% over the same period. The CBN sees this as evidence of inflationary pressure is being less persistent and on a steady decline. The combination of declining headline, food and core inflation shows that the earlier monetary policy stance of quantitative tightening is feeding through to the economy.



The relative stability of the Foreign Exchange rate (FX) i.e., \$/N has also contributed through reducing the pressure from imported inflation.

The Committee also notes that despite the global macroeconomic tensions and increased global energy prices the Nigerian economy has become more resilient. The balance of payments surplus increased from US\$2.38 billion in Q1 to US\$3.51 billion in Q2 2026, while the current-account surplus increased by 68% from US\$4.49 billion to US\$7.54 billion. This improvement in the external position is particularly important for monetary policy because it provides the CBN with a larger buffer against external shocks. For reference, gross external reserves stood at US\$54.79 billion as of September 21, 2026, the highest level in the last 18 years.

The significance of this economic performance cannot be overstated. One of the major constraints to monetary easing in Nigeria has historically been the pressure that lower domestic interest rates could place on the FX rate. With a stronger external reserve position and improved balance-of-payments fundamentals.

Economic growth has strengthened. Real GDP grew by 4.43% YoY in Q2 2026, compared with 3.89% in Q1 2026. The non-oil sector grew by 4.31%, while the oil sector grew by 7.31%. The composite Purchasing Managers' Index (PMI) also increased from 51.10 points in July to 52.70 points in August, indicating continued expansion in private-sector activity.

This creates an interesting policy environment for the CBN. Typically, a central bank would be more cautious (hawkish stance) about reducing rates when growth is accelerating. However, the current combination of positive output growth and a disinflationary trend gives the MPC room to adjust the policy framework without necessarily reversing the on-going disinflation.

Another important development is the renewed emphasis on fiscal-monetary policy coordination. The MPC welcomed the signing of a Memorandum of Understanding (MoU) between the Federal Government, represented by the Federal Ministry of Finance, and the CBN, aimed at strengthening policy harmonisation towards achieving low and stable inflation. This initiative is expected to provide a framework for better coordination on government borrowing, liquidity management and inflation.

The banking sector also continues to strengthen following the successful recapitalisation programme. According to the MPC, the exercise has improved banks' capital buffers and capacity to finance long-term projects in critical sectors of the economy.

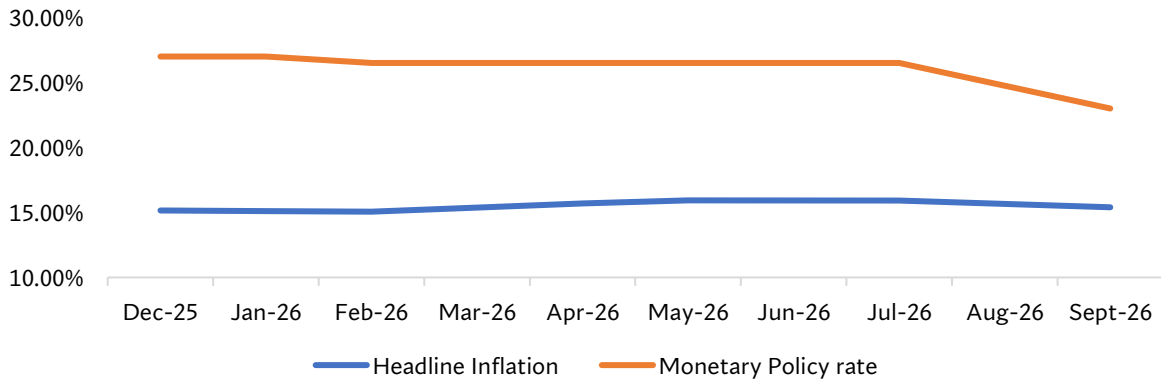
Taken together, the picture presented by the MPC is one of an economy moving from stability to a normal cycle of economic conditions. Inflation is moderating, reserves are growing, the external sector is improving, and economic growth is becoming more resilient.

The most important message from this 307th meeting is not necessarily the 350bps reduction in the MPR, but the CBN's attempt to restore the MPR as the nucleus of its



monetary-policy transmission mechanism. In simple terms, a policy rate is only useful if changes in that rate meaningfully influence market rates, liquidity conditions, economic activity and inflation.

Inflation and Monetary Policy Rate Trend



Source: NBS, CBN, WSTC Research

Market Implications

Fixed Income Market

The September decision introduces an important change to the outlook for the fixed-income market. The reduction in the MPR is expected to put downward pressure on fixed-income yields, as market participants adjust to the lower interest-rate environment.

This is expected to be through higher prices for existing fixed-income instruments, as their relatively higher coupons become more attractive compared with newly issued securities at lower yields for the same tenure.

The MPC decision creates potential reinvestment risk for investors positioned heavily in short-tenor instruments. As policy expectations shift, investors may increasingly look for alternative investment, which could encourage some portfolio rotation from fixed income towards equities

Equities Market

Lower interest rate has historically encouraged portfolio managers and Investors alike to reallocate into the equities market. Lower finance costs can serve as a form of tailwind for the companies on the NGX and this can translate to improved margins on earnings.

However, the transmission from the MPR to corporate earnings is unlikely to be immediate. The 45% CRR remains high for the banks. WSTC Research expects the Tier1 and Tier 2 banks may decide to operate cautiously in extending credit despite the lower benchmark rate.



Foreign Exchange (FX) Market

We do not expect the 350bps MPR cut to result in significant devaluation of the naira in the near term. While lower interest rates can reduce the attractiveness of naira assets to foreign investors, Nigeria's current Gross external reserve position provides a significant buffer.

Also rising remittances, sustained positive balance of payments and stronger oil receipts should continue to support FX liquidity. Against this backdrop, we believe the improved FX supply position should provide a meaningful buffer against potential pressure from lower interest rates.

Outlook

WSTC Research expects the CBN to remain hawkish in the near term as it continues to monitor the sustainability of the disinflationary trend. The recent moderation in inflation, improved exchange rate stability and stronger external reserves provide room for further policy normalisation.

Food prices are also expected to improve further as harvest season progresses into the last quarter of the year. This phenomenon is expected to support the decline in headline inflation.

However, higher energy prices remain a key upside risk to inflation outlook, given their potential impact on transportation and other supply-chain costs. The effect of geopolitical tensions on global crude oil prices could therefore slow the pace of Nigeria's disinflation.

Overall, WSTC Research's view is, the MPC will remain data-dependent in their decision making with respect to MPR.



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- Buy Rating: estimated fair value is $\geq 20\%$ above current market price.
- Hold Rating: estimated change in price is between -10% and 19% of current market price.
- Sell Rating: estimated change in price is $\leq -10\%$ of current market price.

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