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Post-MPC Report

February 2026

MPC eased the MPR by 50bps to 26.5%

At the first meeting of the year, the Central Bank of Nigeria (CBN), through the Monetary Policy Committee (MPC), announced a 50bps cut in the Monetary Policy Rate (MPR) to 26.50%, while retaining all other policy parameters. The policy decision was communicated at the 304th MPC press briefing held on 24 February 2026, marking a cautious shift toward monetary easing amid improving macroeconomic conditions.

The committee took into account the sustained disinflationary trend with January 2026 headline figure printing at 15.10% on the back of stability in foreign exchange, robust capital inflows and improvement in balance of payment. The MPC also noted the remarkable performance of higher export earnings and increased remittance inflows which has contributing to robust FX and bolstering investors' confidence.

Breakdown of the MPC decision is given below:

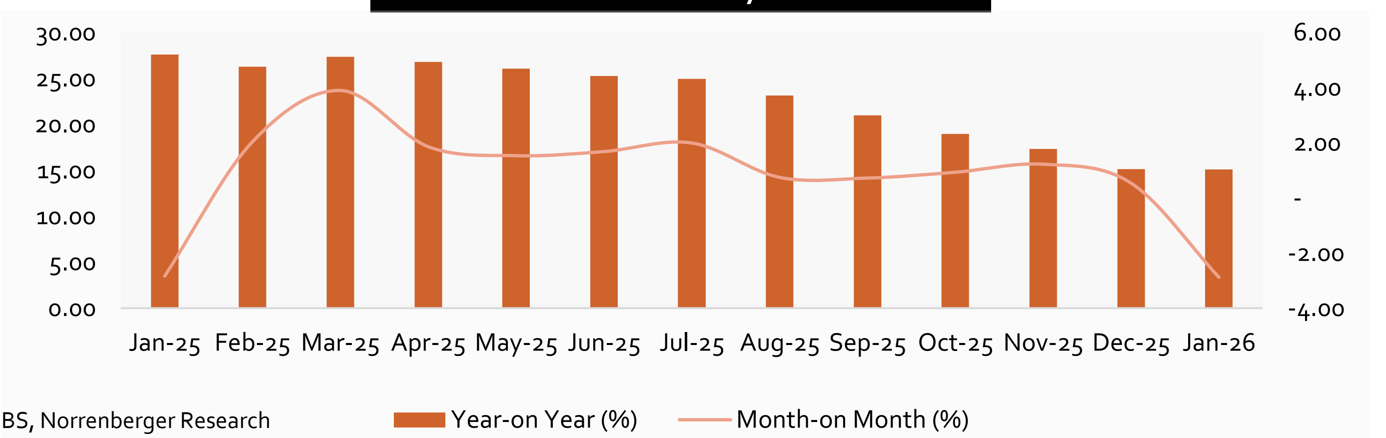
Policy Parameters	New Rate (February 2026)	Previous Rate (November 2025)
Monetary Policy Rate	26.50%	27%
Asymmetric Corridor	+50/-450	+50/-450
Cash Reserve Ratio (Commercial Banks)	45%	45%
Cash Reserve Ratio (Merchant Banks)	16%	16%
Cash Reserve Ratio (Non-TSA public sector deposits)	75%	75%
Liquidity Ratio	30%	30%

Considerations:

Inflation: Recent inflation data indicate a sustained 10-month disinflationary trend, with broad-based moderation observed across both core and food components. Core inflation eased to 17.72%, while food inflation decelerated markedly to a single-digit rate of 8.9%, supported by improved food supply conditions, a favorable harvest season, and notable declines in the prices of key staple items.

While the disinflationary momentum is expected to persist in the near term, upside risks remain. In particular, increased fiscal disbursements, including potential election-related spending, could inject additional liquidity into the system and exert upward pressure on prices, thereby moderating the pace of further inflation declines.

Headline vs Monthly Inflation



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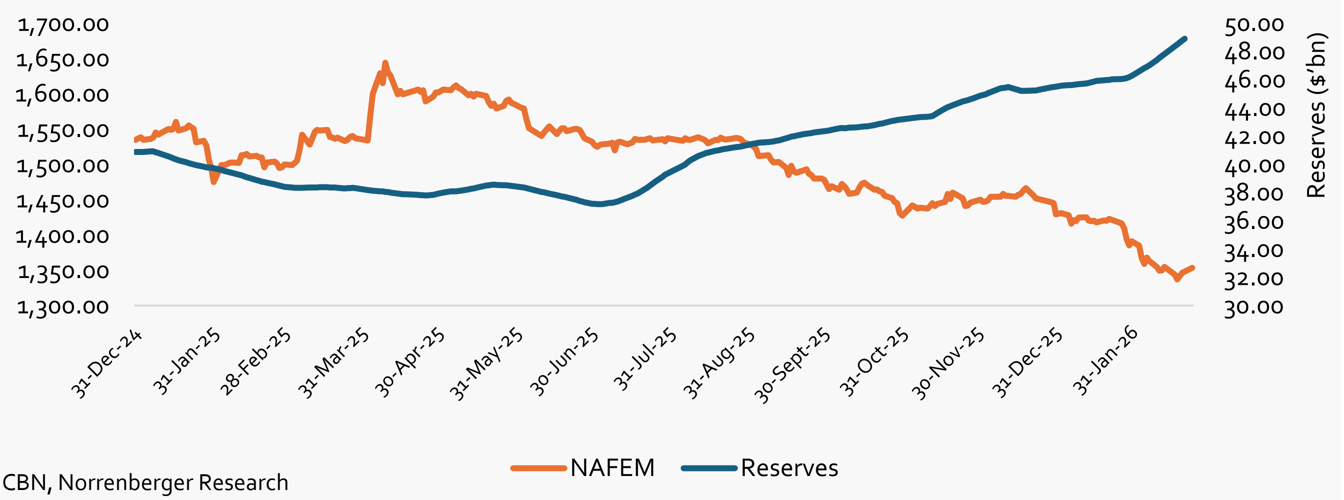
- **Exchange Rate and External Reserve**: Data from the CBN shows that the Naira appreciated at the official window to ₦1,353.5/$ in February, compared to ₦1,446.9/$ at the time of the last MPC meeting, representing a gain of approximately 6.9%.This strengthening reflects improved FX liquidity conditions, underpinned by stronger export proceeds and increased diaspora remittance inflows, both of which have enhanced FX supply in the market. The positive trend is also evident in Nigeria's gross external reserves, which rose to a record $48.89 billion, according to CBN data. Notably, the CBN Governor has indicated that reserves have since surpassed the $50 billion threshold, further reinforcing external sector stability.
- **Output**: Recent PMI numbers from the CBN also points to sustained growth momentum, with the headline index printing at 55.7 points in January 2026. Although, this is a slight decline from the previous month, it marks the fourteenth consecutive month of surpassing the 50-point; the continued uptrend suggests improving output, demand, and business confidence across agriculture, industry, and services sector.
- **Global Developments**: In making the decision, the MPC also considered the evolving global macroeconomic landscape and its implications for domestic stability. While the global outlook largely points to strengthening economy and cooling inflation, downside risks such as rising protectionist policies, deepening geo-economic fragmentation, and potential escalation of trade disputes continue to pose headwinds to sustained global recovery.

Exchange Rate vs External Reserves



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Bottom Line

Prior to the meeting, average yields in the treasury bills and bond secondary market had already priced in the impact of a moderate rate cut, with yields trading below 18% and 16%, respectively. With the MPC's cautious easing of the MPR, we expect a slight increase in stop rates at upcoming primary market auctions, which should in turn push yields higher as investors position for new issuances.

We also expect the disinflationary trend to persist in the near term, supported by the lagged effects of previous monetary tightening, sustained exchange rate stability, and improved food supply conditions. Nevertheless, risks remain, particularly from fiscal expansion, election-related spending pressures, and potential escalation of global trade disputes.

The MPC reaffirmed its commitment to a data-driven and evidence-based monetary policy framework, focused on price stability while safeguarding the soundness and resilience of the financial system. The next MPC meeting is scheduled for 19–20 May 2026.

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