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Market Insights- September 2026

MONETARY POLICY REVIEW

Central Bank of Nigeria — 307th MPC Meeting

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MPR cut by 350 bps to 23.00% — the largest single reduction in the rate's history

CBN Governor Olayemi Cardoso framed the move as an “operational reset” to close the gap between the MPR and effective market rates, rather than a change in policy stance — supported by moderating inflation, an 18-year-high reserve position, and a stable, appreciating naira.

Executive Summary

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria cut the Monetary Policy Rate by 350 basis points, from 26.50% to 23.00%, at its 307th meeting held September 21–22, 2026 in Abuja — the largest single cut in the MPR's history, taking the rate to its lowest level since February 2024. The Committee, with 11 members in attendance, described the move as an operational reset intended to close a persistent gap between the official MPR and effective market rates (the interbank rate had settled near 22%, in line with the Standing Deposit Facility rate) rather than a change in the underlying policy stance.

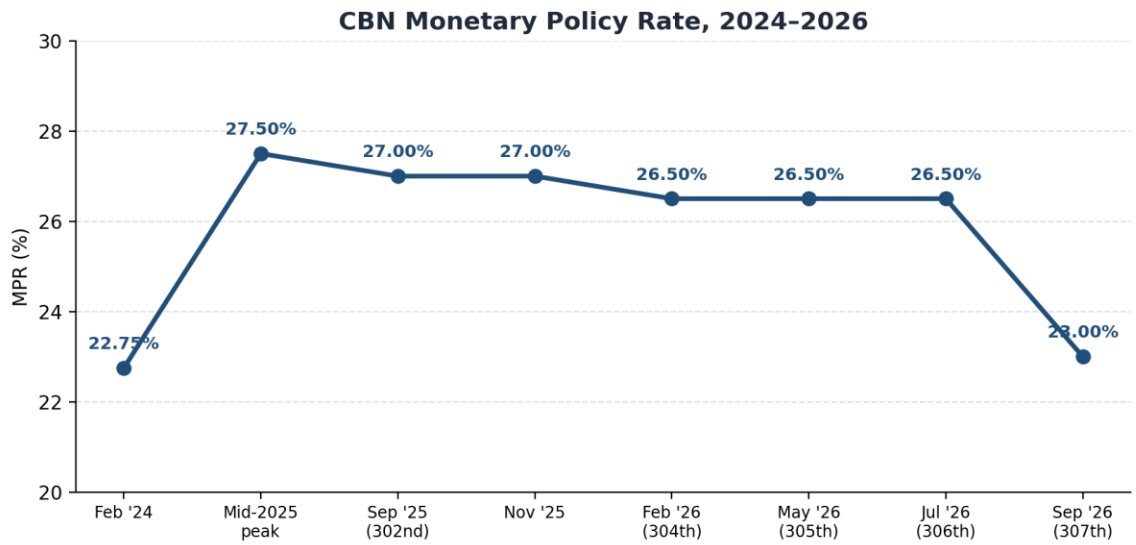
The decision follows two consecutive holds at 26.5% (May and July 2026) and is underpinned by a third consecutive month of disinflation, real GDP growth of 4.43% in Q2 2026, gross external reserves at an 18-year high of US$55.25 billion, and a current account surplus up 67.9% year-on-year. This report sets out the decisions, the macro backdrop, and the implications for the economy, businesses, investors, borrowers, lenders, government, and frontier-market participants.

Key Decisions

Parameter	Previous (Jul 2026)	New (Sep 2026)	Change
Monetary Policy Rate (MPR)	26.50%	23.00%	-350 bps
Standing Facilities Corridor	+50 / -450 bps	+50 / -300 bps	Narrowed (lower side)
CRR — Deposit Money Banks	45.00%	45.00%	Unchanged
CRR — Merchant Banks	16.00%	16.00%	Unchanged
CRR — non-TSA public sector deposits	75.00%	75.00%	Unchanged

Rate Path Into The Decision

The trajectory below shows aggressive tightening through 2024–2025, a cautious “hawkish pause” through most of 2026 with three consecutive holds at 26.5%, and this month's outsized cut.



Macro Backdrop

Indicator	Latest Reading	Prior Period	Trend
Headline inflation (YoY)	15.39% (Aug '26)	15.43% (Jul '26); 23.14% (Aug '25)	Moderating, 3rd month
Food inflation (YoY)	19.57% (Aug '26)	20.31% (Jul '26); 25.30% (Aug '25)	Falling sharply
Core inflation (YoY)	13.29% (Aug '26)	22.93% (Aug '25)	Falling sharply; MoM negative
Real GDP growth (YoY)	4.43% (Q2 '26)	4.23% (Q2 '25)	Resilient expansion
Gross external reserves	US$55.25bn (18 Sep '26)	—	18-year high; 11.3 months import cover
Current account surplus	US$7.54bn (Q2 '26)	—	Up 67.9%
Naira, official window	~N1,315/US$ (early Sep '26)	~N1,368/US$ (end Jul '26)	Appreciating
IMTO remittance inflows	US$3.8bn (Jan-Jul '26)	—	Up 50.2% YoY

The case for easing built steadily through the year: inflation moderated across headline, food and core measures; the naira appreciated; gross external reserves rose above US$54 billion; and economic growth remained resilient — giving the Committee, in its own words, "greater room to prioritise price and exchange-rate stability."

Implications By Stakeholder

The Broader Economy

A 350bps cut of this size is a strong signal that the CBN believes the disinflation trend is durable enough to shift decisively toward growth support, without abandoning the inflation-targeting anchor it says it is building toward. Growth was already resilient at above 4% even under tight policy, so the cut should add tailwind rather than rescue a stalling economy.

Businesses

Cheaper credit should follow as banks reprice loans off a lower MPR-anchored curve. For businesses and borrowers who have weathered one of the country's most aggressive tightening cycles, the move could translate into cheaper credit in the months ahead — easing financing costs, working-capital costs and expansion capex. The pass-through to actual bank lending rates is rarely immediate or one-for-one.

Investors (Equities & Fixed Income)

Analysts expect a rotation of liquidity out of fixed income and into equities as yields compress. Lower sovereign yields are expected to cascade into corporate borrowing costs, improve refinancing conditions, and tilt portfolio rebalancing towards equities. Treasury bill and FGN bond yields typically soften quickly after a cut, and Eurobond yields tend to firm on stronger reserve and current-account data. Reserves at an 18-year high strengthen the near-term bull case for Nigerian risk assets.

Borrowers

Lower MPR should eventually filter into lower prime and maximum lending rates, cheaper mortgages, consumer credit and SME facilities. However, the CBN's own explanation — that the effective market/interbank rate was already near 22%, close to where the new MPR now sits — suggests banks were already lending closer to this level informally, so practical relief for many borrowers may be more modest than the headline 350bps suggests.

Lenders (Banks)

Narrower spreads are likely as deposit and lending rates compress toward the new corridor (+50/-300bps around 23%, versus the previous +50/-450bps). The CRR remains unchanged at a very high 45% for deposit money banks, so liquidity absorption stays tight even as the policy rate falls — banks retain less room to expand risk assets freely, tempering how aggressively they can cut lending rates.

Government / Fiscal Authorities

Lower yields reduce the government's domestic debt-servicing burden on new issuance and roll-overs of Treasury bills and bonds, easing fiscal pressure. A stronger, more stable naira alongside high reserves also improves Nigeria's external creditworthiness narrative ahead of any future Eurobond issuance, and gives the government more room to justify further reforms without compounding currency risk.

Frontier-Market Investors

Nigeria carries a heavy weighting in frontier-market equity benchmarks (historically the second-largest after Kuwait in the MSCI Frontier Markets Index), so a decisive easing cycle alongside reserve accumulation and naira stability materially improves the country's relative attractiveness versus other frontier peers. Combined with a global environment where major central banks have also been cutting, narrowing yield differentials make Nigerian local-currency and Eurobond paper more competitive for foreign portfolio flows — though frontier investors will watch closely for reversal risk if inflation re-accelerates or oil prices weaken.

Risks and Outlook

- Reversal risk: the CBN explicitly said the “reset” is not intended as a policy stance change; if inflation stalls or the naira comes under renewed pressure, the Committee could pause or reverse.
- CRR still very tight (45% for Deposit Money Banks) — limits how much the rate cut actually loosens system liquidity.

- Global oil price and FX inflow sensitivity — the reserve build has leaned partly on remittances and current-account improvement; a reversal in oil prices or portfolio flows would test naira stability.
- Next meeting: 308th MPC, November 23–24, 2026, will be the key test of whether this is a one-off recalibration or the start of a sustained easing cycle.

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Prepared as an analytical summary for informational purposes; not investment advice.

