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COWRY RESEARCH ANALYSTS' FLASHNOTE: NIGERIA'S INFLATION REPORT- JANUARY 2026

Cowry Research

Nigeria's Headline Inflation Cools to 15.10% in February as Naira Stability Plays Pivotal Role….

The latest Consumer Price Index (CPI) report released by the National Bureau of Statistics (NBS) shows that Nigeria's headline inflation eased further in January 2026 to 15.10% year-on-year from 15.15% in December.

This marks the tenth straight months of disinflation, reinforcing the view that price pressures are easing faster than anticipated. January's reading is the lowest since late 2021, reflecting improved stability in the foreign exchange market, easing of energy costs, and favourable base effects following the CPI rebasing earlier in the year 2025.

On a month-on-month basis, inflation declined sharply to a negative 2.88% in January, representing a 3.42 percentage-point drop from 0.54% recorded in December 2025. This indicates that beyond the improving annual trend, short-term price pressures also moderated significantly during the month. Much of the movement was driven by the food basket, which remains the most heavily weighted component of Nigeria's inflation structure.

Compared to January 2025, when headline inflation stood at 27.61%, the current 15.10% rate reflects a substantial 12.51 percentage-point decline, underscoring the strength of the disinflation process over the past year.

Looking at the major drivers of the headline index, food inflation showed ease in the trajectory, slowing to 8.89% year-on-year in January 2026, a sharp 20.73 percentage-point decline from 29.63% recorded in January 2025. On a monthly basis, food inflation printed at -6.02%, down by 5.66 percentage points from -0.36% in December 2025. The moderation was largely driven by lower prices of key staples such as water yam, eggs, green peas, groundnut oil, soya beans, palm oil, maize, guinea corn, beans, beef, egusi, cassava tubers, and cowpeas.

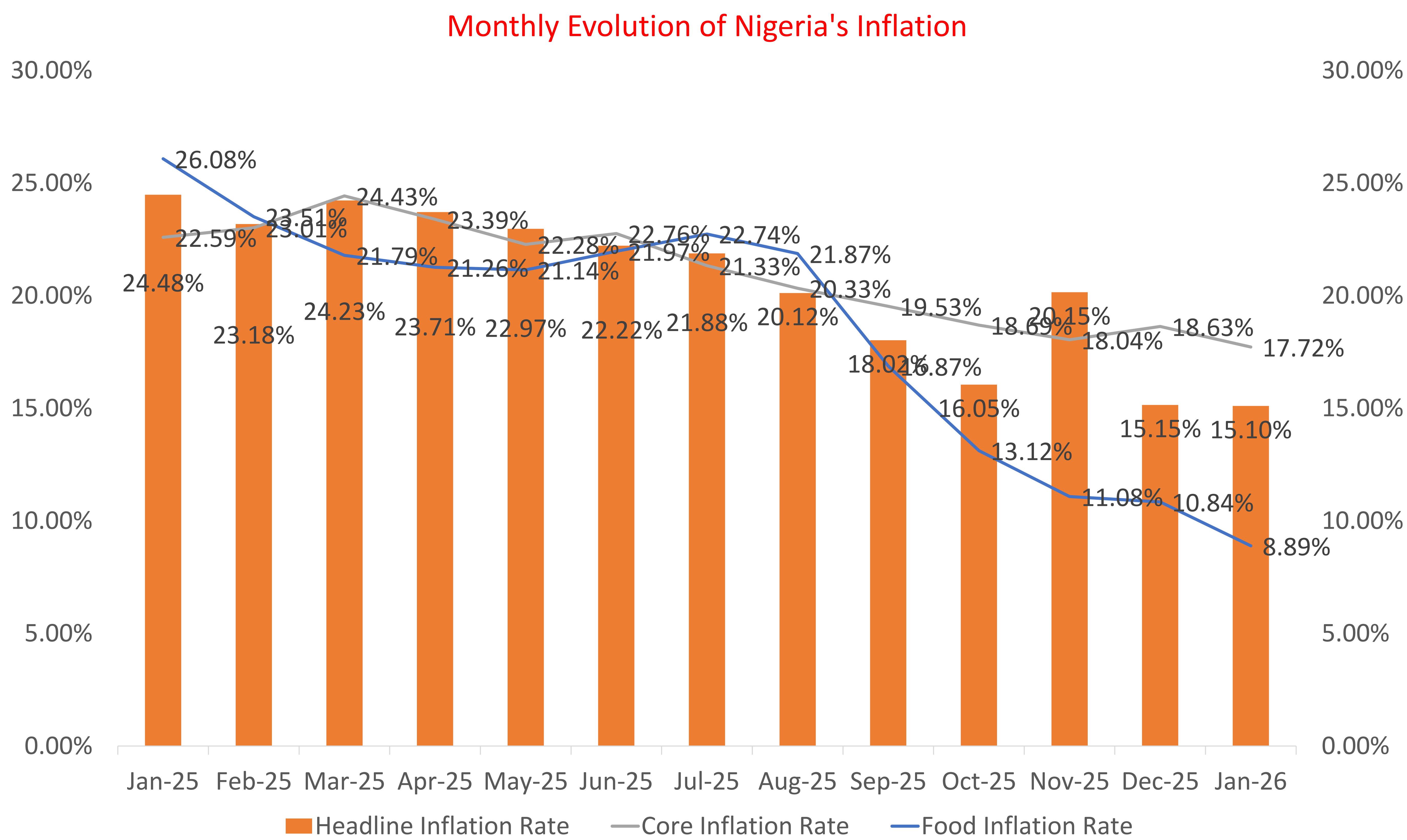
Other sub-sectors, including restaurants and accommodation (1.95%), transportation (1.61%), and housing utilities (1.27%), also contributed to the overall easing in price levels during the month.

Core inflation, which excludes food and energy, declined to 17.72% year-on-year in January 2026, representing a significant 7.55 percentage-point drop from 25.27% in January 2025.

On a month-on-month basis, core inflation slowed to -1.69% from 0.58% in December 2025. This sustained moderation in core inflation signals that underlying price pressures are gradually normalizing, pointing to improving macroeconomic stability in the medium term.

At the state level, inflation dynamics remained mixed. Year-on-year headline inflation was highest in Benue (22.48%), Kogi (20.98%), and Abuja (19.25%), while Ebonyi (8.72%), Katsina (8.94%), and Imo (1.93%) recorded the lowest increases. Month-on-month inflation was strongest in Imo (1.93%), Ondo (1.93%), and Kaduna (0.67%), whereas Cross River (-6.34%), Ogun (-6.30%), and Kogi (-6.03%) recorded outright price declines.

Food inflation also showed regional disparities. On a year-on-year basis, Kogi (19.84%), Nasarawa (18.38%), and Adamawa (17.29%) recorded the highest increases, while Ebonyi (1.69%), Abia (3.23%), and Imo (3.74%) posted the mildest rises. Month-on-month data showed food price increases in Imo (-1.26%), Akwa Ibom (-2.21%), and Zamfara (-2.96%), while sharper declines were observed in Yobe (-11.88%), Nasarawa (-9.06%), and Sokoto (-8.31%), suggesting localized supply improvements and seasonal harvest effects.



Source: National Bureau of Statistics, Cowry Research

Looking ahead, Nigeria's inflation trajectory is expected to remain on a moderating path in the near term, supported by improved foreign exchange stability, relatively contained energy prices, and ongoing base effects from the prior year's elevated price levels. The sustained deceleration in both headline and core inflation suggests that underlying price pressures are easing, which could strengthen confidence in the broader macroeconomic environment. Food inflation is likely to remain volatile but generally softer in the short term, particularly as harvest inflows and improved domestic supply conditions help moderate staple prices. However, structural risks such as logistics bottlenecks, insecurity in food-producing regions, and weather-related disruptions could still trigger localized price spikes.

Cowry Research thinks that the recent CPI normalisation has created a lower base for January 2025 comparisons. This is likely to see a trend reversal to above 15% later in the year, which will largely be driven by election-related spending pressures and diminishing base effects, even as structural reforms continue to shape the medium-term disinflation path.

However, we anticipate further easing in headline inflation to 14.78% for February 2026 as we see gradual ease in the food and core components as well as continued appreciation of the Naira following various actions and policy directions of the monetary authority.

In the coming week, the Monetary Policy Committee (MPC) of the CBN will likely hold the policy rate too further assess the impact of the last outcome. At the last meeting in November, the Committee reviewed global and domestic macroeconomic conditions and assessed the balance of risks facing the economy. After extensive deliberations, the MPC opted to maintain its tight policy stance. It retained the Monetary Policy Rate (MPR) at 27.0%, adjusted the asymmetric corridor to +50/-450 basis points, and left the Cash Reserve Requirement unchanged at 45% for Deposit Money Banks, 16% for Merchant Banks, and 75% for non-TSA public sector deposits. The Liquidity Ratio was also held at 30%.

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