COWRY RESEARCH ANALYSTS' FLASHNOTE: JULY 2026 MONETARY POLICY COMMITEE MEETING

Cowry Research

No Pivot Yet: CBN Holds Rates at 26.50% Despite Cooling Inflation and Global Risks Simmer….

The Central Bank of Nigeria (CBN) maintained the Monetary Policy Rate (MPR) at 26.50% at its 306th Monetary Policy Committee (MPC) meeting in July 2026, signalling a continued commitment to a cautious and restrictive monetary policy stance. The decision came despite a further moderation in inflation, reflecting the Committee's determination to consolidate recent disinflation gains while guarding against persistent domestic price pressures and heightened global uncertainties. In addition to retaining the benchmark policy rate, the MPC left all other monetary policy parameters unchanged, reinforcing its preference to sustain tight financial conditions until inflation is firmly anchored.

Nigeria's headline inflation eased marginally to 15.91% year-on-year in June 2026 from 15.93% in May, representing a 2-basis-point decline and marking the first moderation since the inflation uptick triggered by geopolitical tensions in the Middle East earlier in the year. The latest reading was broadly in line with our forecast of 15.80%, reflecting favourable base effects, easing domestic energy costs, improved food supply, and relatively stable macroeconomic conditions. On a month-on-month basis, headline inflation slowed to 1.66% from 1.75% in May, suggesting that the pace of consumer price increases moderated further during the period. Similarly, core inflation eased to 15.92% year-on-year, while the monthly core inflation rate declined to 1.66% from 1.94%, indicating a gradual moderation in underlying price pressures. Exchange rate stability and the lagged impact of previous monetary tightening also contributed to containing imported inflation and broader pricing pressures across the economy.

In response, the Committee voted to retained all key monetary policy parameters. Key policy decisions include:

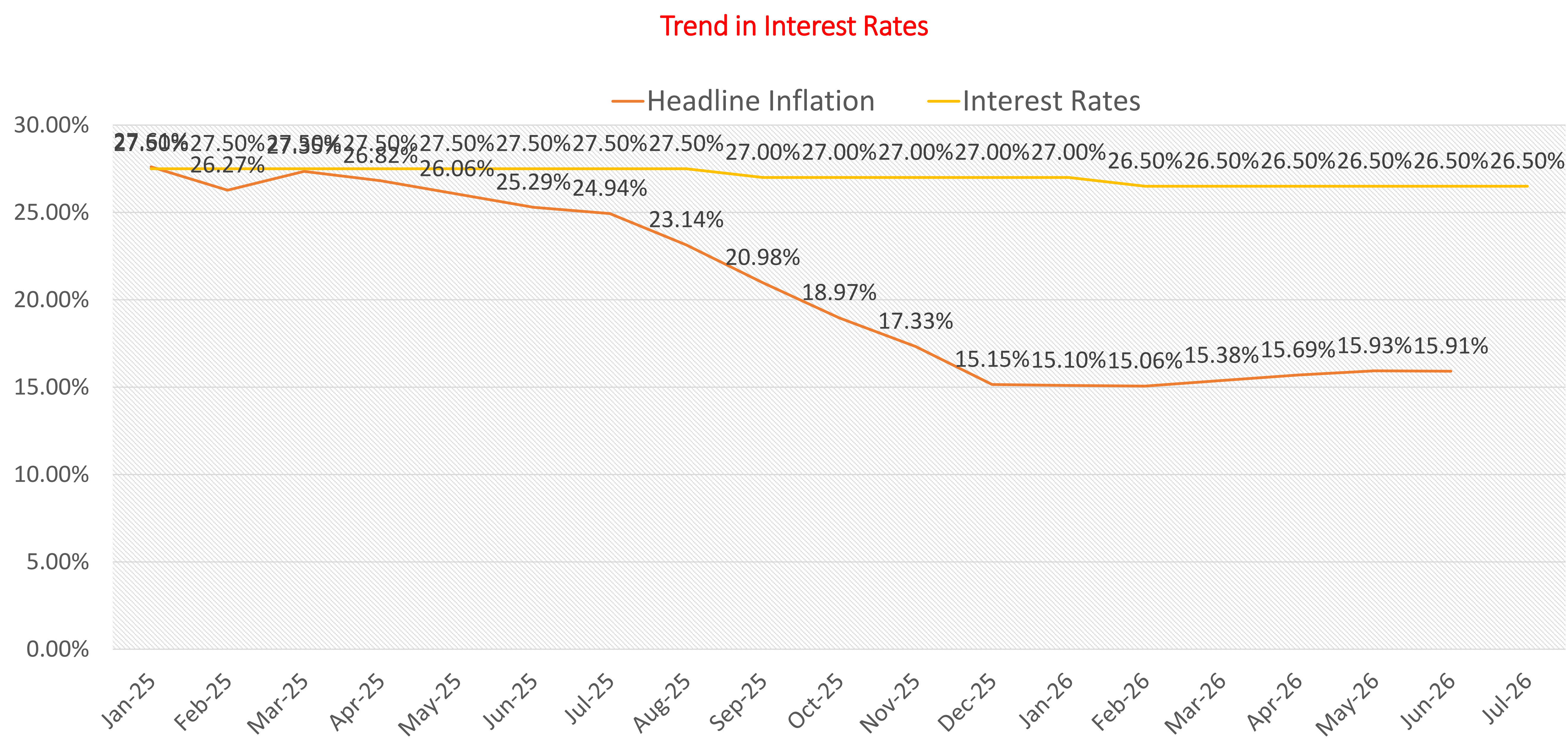
- Retention of the Monetary Policy Rate (MPR) at 26.50%
- Retention of the Cash Reserve Ratio (CRR) at 45.0% for Deposit Money Banks and 16.0% for Merchant Banks
- Retention of 75% CRR on Non-TSA public sector deposits
- Liquidity Ratio maintained at 30.0%
- Asymmetric corridor retained at +50/-450 basis points around the MPR

The decision underscores the CBN's commitment to sustaining policy consistency while ensuring that liquidity conditions remain supportive of its inflation objective and exchange rate stability.

Despite these encouraging inflation developments, the MPC maintained that the risks to the inflation outlook remain tilted to the upside. The Committee noted that renewed geopolitical tensions in the Middle East continue to pose significant risks through potential disruptions to global supply chains and higher energy and commodity prices. It also acknowledged the resilience of the domestic economy, supported by stronger external reserves, improved foreign exchange market stability, sustained foreign portfolio inflows, and a gradual easing in inflation. Nonetheless, policymakers judged that maintaining the current restrictive policy stance remained the most appropriate course of action to preserve macroeconomic stability and prevent a resurgence of inflationary pressures before considering any policy easing.

Looking ahead, we expect the CBN to maintain its cautious stance over the near term as it continues to evaluate the durability of recent macroeconomic improvements. Although inflation is expected to remain on a gradual downward trajectory, supported by improved food supply, exchange rate stability, and the cumulative effects of previous policy tightening, upside risks from global geopolitical developments, commodity price volatility, and energy costs remain significant.

Consequently, we anticipate that the MPC will continue to prioritise price and exchange rate stability, with any shift towards policy easing likely to depend on sustained moderation in inflation and greater certainty over the external environment.



Source: Central Bank of Nigeria, National Bureau of Statistics, Cowry Research

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