September 23, 2026

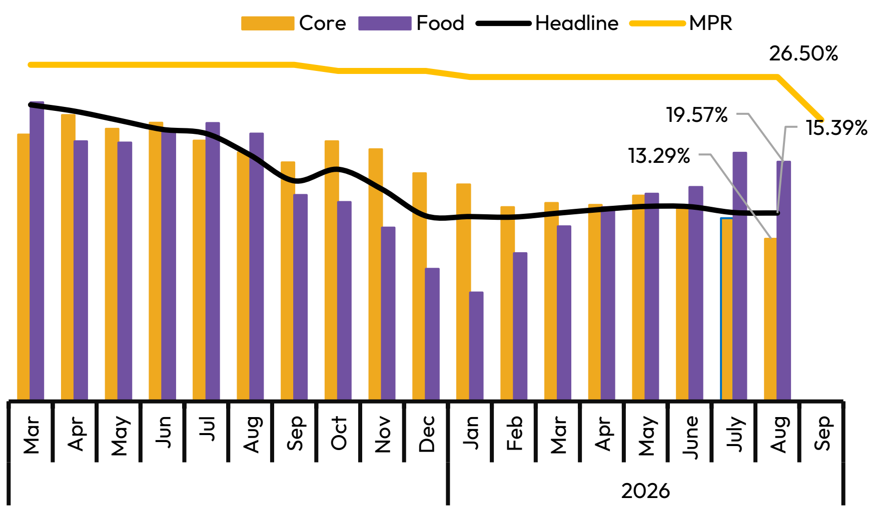
Oluwafemi Anifowose
oluwafemi.anifowose@zedcrest.com

Policy Rate Decision | Policy pivot takes hold as CBN resets rate to 23.00%

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) concluded its two-day meeting with a decision to cut the monetary policy rate

- Reset the MPR by 350bps to 23.00%
- Recalibrated the asymmetric corridor around the MPR to +50bps/-300bps
- Retained the Cash Reserve Ratio (CRR) for Deposit Money Banks: 45.00%
- Retained the Cash Reserve Ratio (CRR) for Merchant Banks: 16.00%
- Retained the Cash Reserve Ratio (CRR) on Non-TSA Public Sector Deposits: 75.00%

The MPC acknowledged continued improvement in key macroeconomic indicators, reflecting the gradual impact of ongoing policy reforms. While the decision broadly aligns with our previous expectation of a cautious policy stance, domestic conditions strengthened more than anticipated. Headline inflation moderated to 15.39% in August 2026, marginally below our 15.4%–15.9% projection, while real GDP growth accelerated to 4.43% in Q2 2026 and the PMI rose to 52.7 index points in August, signalling sustained economic expansion. External conditions also improved, with reserves rising to $55.25 billion, alongside stronger external-sector balances and sustained exchange-rate stability, further strengthening the economy's resilience to external shocks.



Source: CBN, NBS, Zedcrest Research

Policy assessment

The sustained moderation in inflation, relative stability in the foreign exchange market, stronger external buffers, and resilient domestic activity provided the MPC with sufficient room to recalibrate monetary policy without undermining the ongoing disinflation process. External sector conditions strengthened considerably, with gross external reserves providing approximately 11.3 months of import cover. The balance of payments surplus increased to $3.51 billion in Q2 2026 from $2.38 billion in Q1, while the current account surplus rose by 67.92% to $7.54 billion from $4.49 billion over the same period. Together with three consecutive months of declining headline inflation, these developments suggest that previous monetary tightening measures are yielding results and that the economy is increasingly resilient to external shocks.

Looking ahead, we expect the disinflation trend to remain intact, supported by sustained exchange-rate stability, improved food supply as the harvest season progresses, and potentially lower transportation costs from the Presidential Initiative on Compressed Natural Gas and Electric Vehicles (Pi-CNG & EV) transition programme. Accordingly, we project September headline inflation within a 14.9%–15.6% YoY range, with a central estimate of 15.3%. Domestic output growth is also expected to remain resilient through the rest of 2026, supported by improving crude oil production, agricultural expansion, and sustained business activity. Nonetheless, lingering geopolitical tensions in the Middle East and elevated global energy prices remain key upside risks to the inflation outlook. Against this backdrop, we expect the CBN to maintain a data-dependent policy stance in the near term, closely monitoring inflation dynamics, exchange-rate stability, and developments in the global energy market.

Market implications

- **Fixed income market:** We expect the policy recalibration and sustained disinflation to support bullish sentiment in the fixed-income market, with yields likely to trend lower as investors reposition for a lower interest-rate environment. Demand should strengthen across the curve, particularly at the mid-to-long end, as investors seek to lock in prevailing yields, supporting capital appreciation on existing bonds. However, liquidity conditions, government borrowing needs, and CBN liquidity-management operations will influence the pace of yield moderation.

- **Foreign exchange market:** On the FX front, we expect the naira to remain relatively stable, supported by stronger external reserves of $55.25 billion, equivalent to approximately 11.3 months of import cover, and improved external sector fundamentals. However, the recalibration of the MPR could modestly reduce the attractiveness of naira-denominated assets and exert some pressure on foreign portfolio inflows, although improved external buffers should mitigate significant exchange rate pressures. While geopolitical tensions and higher global energy prices remain upside risks, we expect domestic growth to remain resilient, supported by improving crude oil production, agriculture, and broader business activity.

- **Equity market:** We expect the policy recalibration to support positive sentiment in the equities market, as lower interest rates should reduce borrowing costs, improve corporate earnings prospects, and encourage some portfolio rotation from fixed-income securities into equities as yields moderate. Driven by these macroeconomic shifts, the Nigerian Exchange All-Share Index (NGX ASI) has already outpaced its historic full-year performance from last year. Closing today, September 22, 2026, the market reached a Year-to-Date (YTD) return of 61.05%, successfully beating the 51.19% return recorded at the end of 2025. Looking forward, the market is expected to continue to perform broadly well as investors actively take positions in quality companies, tickers, and fundamentally strong stocks. Market participants are also looking forward to the upcoming Q3 earnings reports, which will serve as the next major catalyst to validate corporate resilience under the adjusted economic landscape.

Zedcrest Wealth
65, Karimu Kotun Street, Victoria Island
+2347000200220 | research@zedcrest.com | www.zedcrestwealth.com

Zedcrest Research

Important disclosure

This document is issued by Zedcrest Investment Managers Limited ("Zedcrest Wealth" or the "Fund Manager"), an asset management firm registered with the Securities & Exchange Commission ("SEC"), Nigeria.
This document is provided exclusively for the information of the recipient. It is not intended as, and does not constitute, an offer or solicitation for the purchase of Units of any Fund or the Securities of any Company. Recipients must inform themselves about and adhere to any restrictions on the distribution of this document and the offering, sale, and trading of the securities.
The information herein is confidential and intended solely for use by those to whom it is addressed. It is not intended for public distribution and may not be reproduced, redistributed, or published without the written permission of Zedcrest Wealth. Zedcrest Wealth, its advisers, directors, employees, or affiliates do not accept any liability for the actions of third parties in this respect.

Analyst certification

The research analyst(s) hereby certify that:

1. The opinions and views expressed in this report are their genuine, independent perspectives, based on publicly available information.
2. Their compensation is not directly or indirectly linked to the specific recommendations, estimates, or opinions presented in this report.

In other words, the analyst(s) affirm that their research is impartial, unbiased, and free from any potential conflicts of interest.

Ratings definitions

Buy: A 'Buy' rating is assigned to stocks that we believe are significantly undervalued, yet possess robust fundamentals, and are expected to generate a potential return of at least 15.00% or more, based on the difference between the current market price and our analysts' target price
Hold: A 'Hold' rating is assigned to stocks that we believe are fairly valued, with limited potential for significant price movement, and are expected to generate a potential return within the range of +5.00% to +14.99%, based on the difference between the current market price and our analysts' target price
Sell: A 'Sell' rating is assigned to stocks that we believe are overvalued, with deteriorating or weak fundamentals, and are expected to generate a potential return of less than +5.00%, based on the difference between the current market price and our analysts' target price.
Rating Suspended: This designation is assigned to a stock when we are unable to provide an investment rating or target price due to insufficient fundamental data, or when legal, regulatory, or policy restrictions prevent us from publishing a rating or target price.
Extra-normal situations: Our standard rating methodology does not apply in exceptional circumstances where non-quantifiable factors and material considerations that cannot be reliably estimated come into play. In such cases, our analysts may exercise professional judgment to assign ratings that deviate from those expected under our standard methodology, taking into account unique circumstances that cannot be fully captured by our quantitative approach.

Analyst's compensation

The research analyst(s) who prepared this report are compensated based on a combination of factors, including:
- The quality and accuracy of their research
- Client feedback and satisfaction
- Competitive market factors
- The overall performance and revenue of the firm, which includes contributions from Asset Management, Securities Trading, Stock Broking, and other business units

This compensation structure is designed to align the analysts' interests with the firm's overall success and the value delivered to clients.

Zedcrest Wealth
65, Karimu Kotun Street, Victoria Island
+2347000200220 | research@zedcrest.com | www.zedcrestwealth.com

Zedcrest Research

Valuation and risks
For a detailed analysis of our valuation methodology and potential risks associated with any recommended security, please refer to our most recent company-specific research report. If you have any further questions or concerns, please don't hesitate to contact the analyst listed on the front of this report

Frequency of next update
We will provide an update to our view on the company when significant developments or financial news occur, prompting a reassessment of our position.

Conflict of interest policy
Zedcrest Wealth and its affiliates maintain a policy ensuring research analysts' independence. Analysts are not involved in activities suggesting representation of Zedcrest Wealth's interests in a way that could compromise their impartiality. To avoid conflicts, analysts report to separate lines, independent of Securities Trading, Wealth Management and Stock Broking departments. However, these departments may trade based on published research, potentially creating conflicting interests with clients.

General disclaimer
This research report is based on publicly available information considered credible by our analysts. However, facts and views presented may not reflect information known to other Zedcrest business. While reasonable care has been taken, Zedcrest Wealth its officers, and employees disclaim responsibility for any errors or omissions. The report's accuracy, fairness, and completeness have not been verified, and its contents should not be relied upon for investment decisions.
Ratings, forecasts, and opinions are subject to change without notice and may not reflect future performance. Past performance is not indicative of future results, and investments may fall or rise due to various factors.
Zedcrest Wealth and its affiliates shall not be liable for any losses arising from the use of this report. This report provides general information only and does not constitute personal investment advice. Investors should independently evaluate investment risks and suitability, and all investment decisions are their sole responsibility. Any investment decisions should be based on public information or offering documents, not this report. Zedcrest's other business units may issue inconsistent trading ideas or recommendations.

Zedcrest Wealth
65, Karimu Kotun Street, Victoria Island
+2347000200220 | research@zedcrest.com | www.zedcrestwealth.com