Disinflation Extends: Headline Falls to 14.06%

A fifth straight monthly decline, but the monthly rate rose to 0.43% and energy is still climbing

HEADLINE INFLATION (YoY)	HEADLINE (MoM)	FOOD INFLATION (YoY)	CORE INFLATION (YoY)	POLICY RATE (MPR)
14.06%	**0.43%**	**19.13%**	**10.78%**	**23.00%**
From 14.63% in Sep-26	Sep-26: 0.06%	MoM -0.75% (Sep: -1.55%)	MoM -0.53% (Sep: +1.11%)	Since 22 September

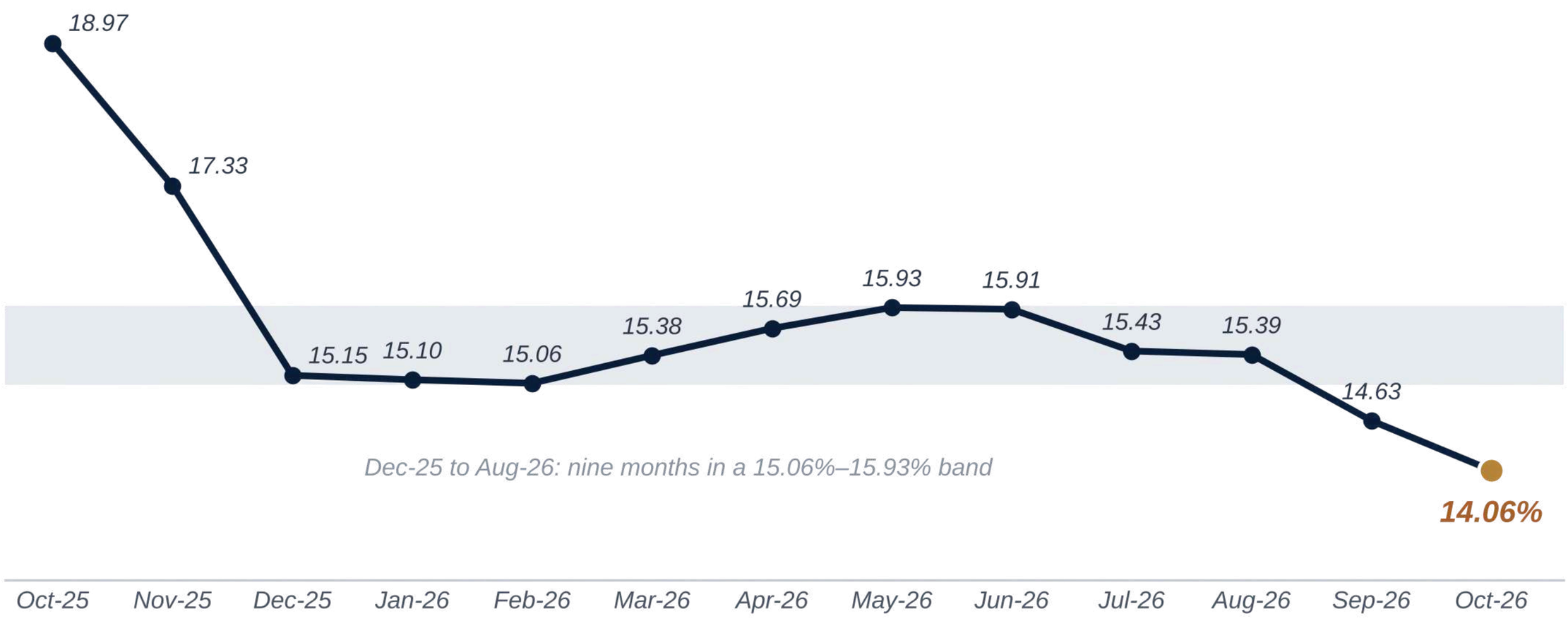
Executive Summary

Headline inflation eased to **14.06%** year-on-year in October 2026 from 14.63% in September, the lowest reading in the 13-month series and the fifth consecutive monthly decline. The 12-month average rate slowed to 15.40% from 26.05% a year earlier.

Prices rose **0.43%** month-on-month against 0.06% in September, so the annual rate fell even though the monthly pace picked up: the October 2025 base month was +0.93%, which accounts for most of the drop. The improvement is real, but its drivers matter for how far clients should extrapolate it.

- **Food is easing, but is still the main source of inflation.** Food prices fell 0.75% on the month (September: -1.55%) and food inflation slowed to 19.13% year-on-year from 19.59%. Food contributes 5.63 percentage points of the 14.06% headline, about 40%.
- **Core cooled sharply.** Core inflation (all items less farm produce and energy) fell 0.53% month-on-month after a 1.11% jump in September, taking the annual rate to 10.78% from 12.95%.
- **Energy is the exception.** The energy index rose 1.74% on the month, slower than September's 5.38%, but its annual rate climbed to 12.30% from 10.85%, the only sub-index in our scorecard to accelerate year-on-year.
- **Policy is on hold into the November MPC.** The CBN reset the MPR by 350 bps to 23.00% on 22 September and the committee next meets on 23-24 November. With headline at 14.06% the real policy rate is about 8.9 points, which leaves room to ease further.

Headline Inflation, Year-on-Year: 13-month Trend



Bottom line for clients. October is a second straight step down in headline inflation, and every sub-index in our scorecard slowed year-on-year except energy. But the monthly rate rose to 0.43%, energy is still climbing and food remains at 19.13%, so we read 14.06% as progress that rests partly on favourable base effects, not yet a settled lower run-rate.

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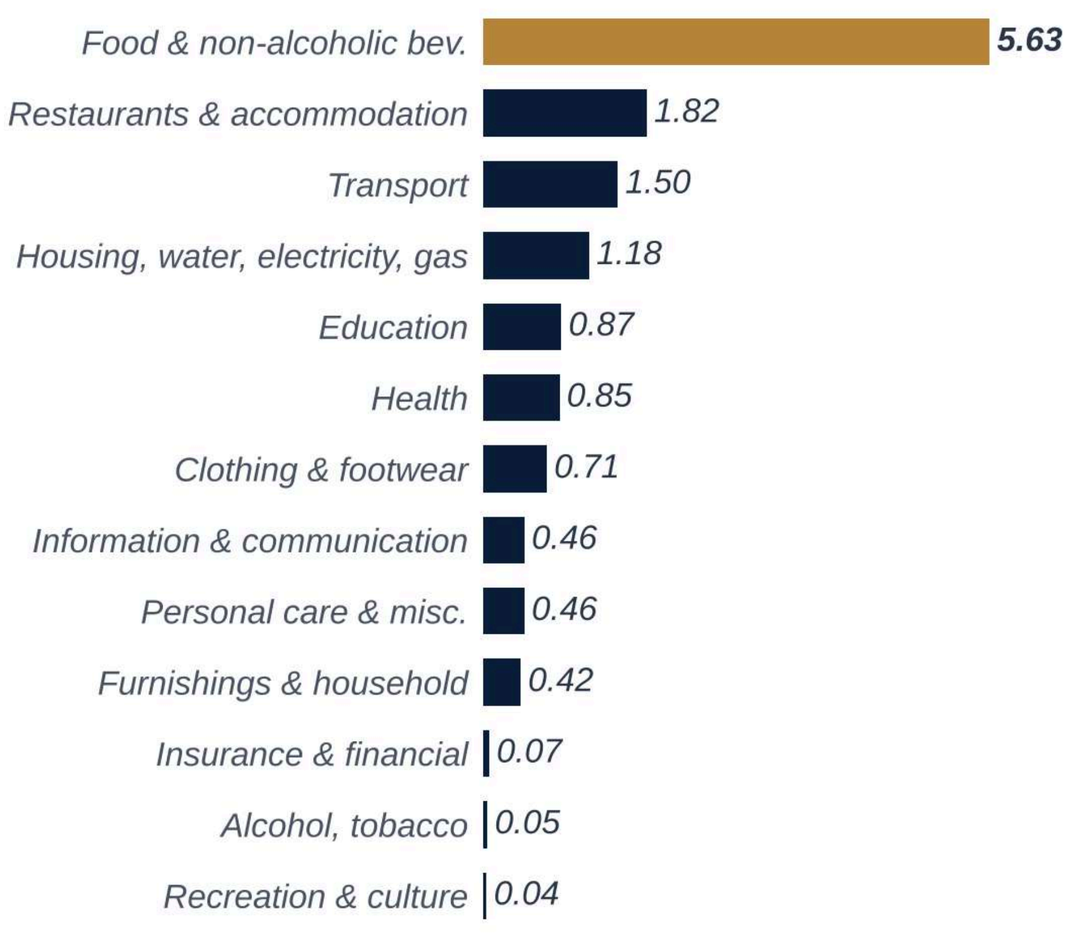
What Changed in October: Sub-index Scorecard

Index	YoY (%)	MoM (%)	Sep MoM (%)	Change in MoM (pts)	Signal
Headline	14.06	0.43	0.06	+0.38	Faster
Food	19.13	-0.75	-1.55	+0.80	Falling
Farm produce	18.38	-0.40	-2.86	+2.46	Falling
Core (ex farm produce & energy)	10.78	-0.53	1.11	-1.64	Falling
Energy	12.30	1.74	5.38	-3.64	Slower
Services	11.73	-0.94	0.41	-1.35	Falling
Goods	13.58	-0.01	0.10	-0.11	Flat
Imported food	8.39	-0.38	0.04	-0.42	Falling
Urban	14.84	0.43	0.53	-0.10	Slower
Rural	12.17	0.18	-0.89	+1.07	Faster

Contribution to headline YoY inflation (percentage points)



Reading the divisional data

Food plus restaurants, transport and housing account for **10.1 of the 14.1 points** (72%). Restaurants and accommodation, at 1.82 points, remains the second-largest contributor, ahead of transport (1.50) and housing and utilities (1.18). Eating-out prices typically follow food input costs with a lag, so they may be slower to ease than raw food.

Imported food is up just 8.39% year-on-year against 19.13% for food overall. That gap points to domestic supply and distribution costs, not the exchange rate, as the main source of food inflation.

Three Things Behind The Numbers

1. A base effect did most of the work, and the monthly rate rose. Headline is 4.91 points below October 2025 (18.97%) and the 12-month average has fallen 10.65 points, from 26.05% to 15.40%. But October 2025 was a +0.93% month, and replacing it with +0.43% accounts for roughly 0.5 of the 0.57-point fall. Base effects stay favourable: November 2025 was +1.22% and December +0.54%, so a repeat of 0.43% in November would take the annual rate to about 13.2% (illustrative arithmetic, not a forecast).

2. Core cooled, but energy keeps pushing. Core fell 0.53% on the month, reversing about half of September's 1.11% rise, and core inflation of 10.78% now sits well below headline. Energy rose 1.74% after +5.38% in September, and its annual rate is the only one to accelerate (12.30% from 10.85%). NBS divisional indices show housing and utilities (+2.0% MoM) and transport (+1.9%) leading the monthly increases, consistent with energy costs feeding through, alongside restaurants and accommodation (+1.5%).

3. Read the monthly sub-indices with care. The headline rose 0.43% on the month, yet the NBS composite measures for food (-0.75%), farm produce (-0.40%), core (-0.53%), services (-0.94%) and goods (-0.01%) are all at or below zero, and a headline index cannot rise when its farm and non-farm parts both fall. The 13 divisional indices do reconcile to the headline (+0.43% on our calculation). We therefore anchor on the headline, divisional and year-on-year readings, and treat the composite monthly rates as provisional until the NBS clarifies.

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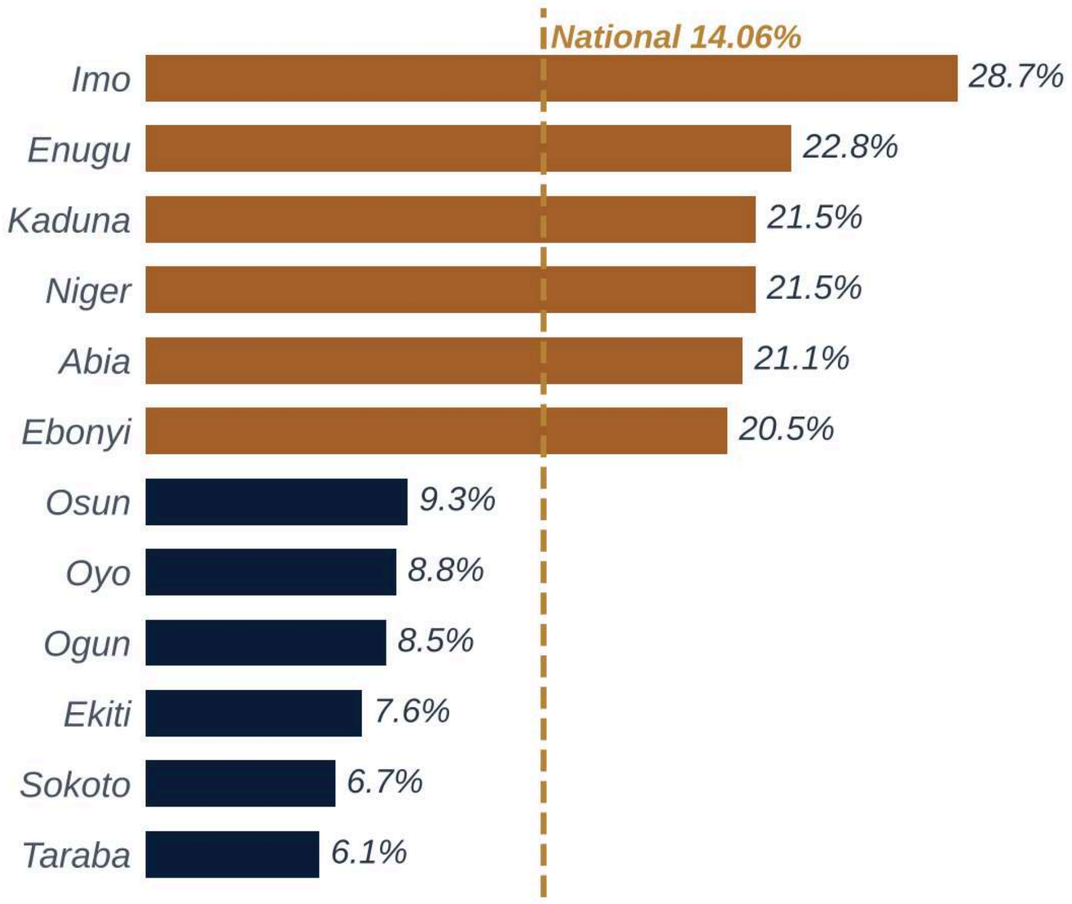
State-Level View: Wide Dispersion, Lagos Food Prices Fall Sharply

All-items inflation (YoY): six highest and six lowest states



Commercial centres: food versus all-items (%)

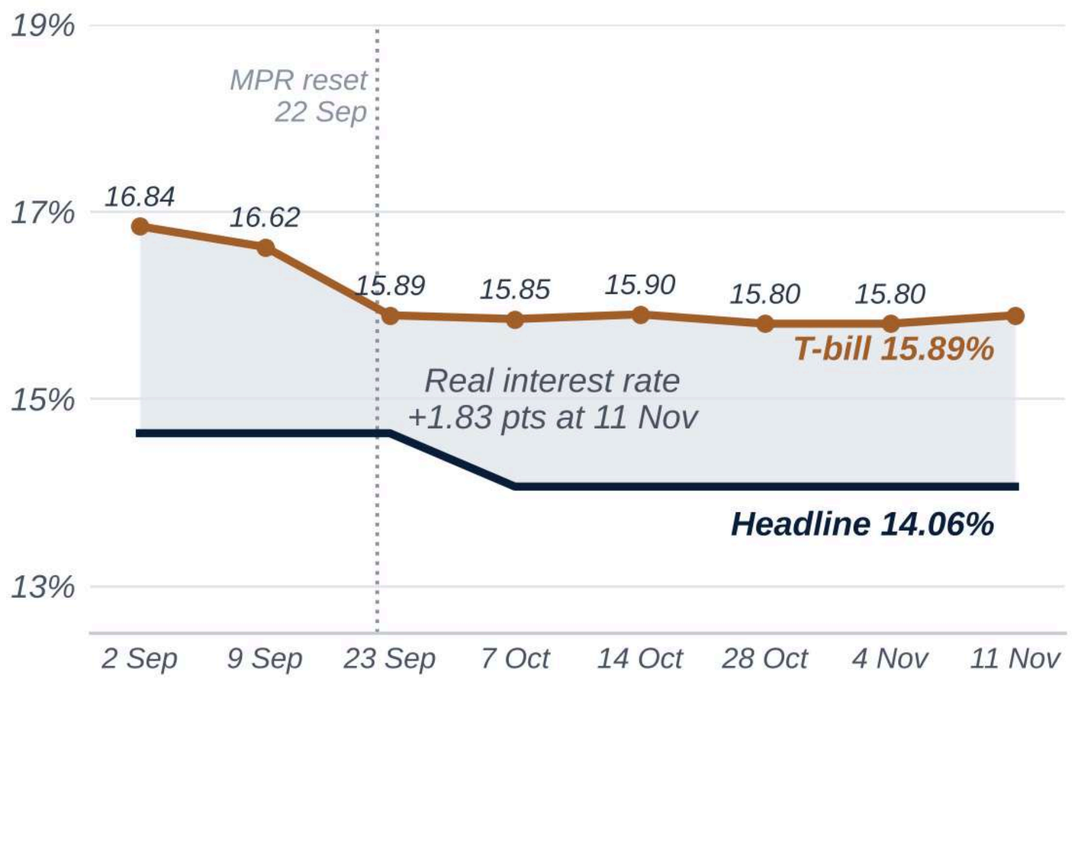
State	Food YoY	Food MoM	All-items YoY	All-items MoM
Lagos	31.4	-5.9	15.5	-1.8
Rivers	25.3	-4.3	13.0	-2.5
Ogun	22.5	+1.5	8.5	-2.4
Abuja (FCT)	15.7	+3.8	16.4	+3.8
Kano	7.1	-4.1	11.7	+1.8

Lagos food inflation remains high at 31.43%, second highest nationally, despite a sharp 5.93% monthly decline. All-items inflation stands at 15.54%, above the national average of 14.06%, while Abuja records 16.42%, with a 3.83% monthly increase.

Imo records the highest all-items inflation at 28.66%, while Taraba is lowest at 6.12%. Monthly changes range from +11.23% in Bauchi to -6.71% in Oyo, with NBS cautioning against direct state comparisons.

Policy and Market Implications

364-day T-bill rate versus headline inflation



Real interest rate: The 364-day T-bill yield rose to 15.89%, against 14.06% headline inflation, delivering a positive real rate of 1.83 percentage points, up from 1.26 points in September. On a true-yield basis (18.89%), the real return is approximately 4.83 points.

Fixed income: T-bill stop rates remain around 15.80% to 15.90%, partly due to DMO bid rejections. The November MPC meeting and inflation data will shape yield direction.

Equities and credit: Lower yields could ease borrowing costs for banks and corporates, while high energy costs continue to pressure consumer-facing businesses.

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