

STATART INTELLIGENCE SERIES · WHITE PAPER

The Rate-Cut Test

Will a 23% policy rate reach business borrowing costs before 2027?

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STATART Insights and Analytics, Lagos
statartinsightsandanalytics.com · support@statartinsightsandanalytics.com

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Executive summary

The question. On 22 September 2026 the Central Bank of Nigeria (CBN) cut the Monetary Policy Rate (MPR) by 350 basis points (bp), from 26.5% to 23.0%, the largest single cut since December 2006 ([CBN](#); [Nairametrics](#)). This paper asks one question: **will that cut reach what Nigerian businesses actually pay to borrow before 2027 budgets are locked, and how should a firm plan if it does not?**

The short answer. Probably not, or not much. Our central estimate is that the average maximum lending rate in the CBN's data for December 2026 lands between 29% and 33%, against 32.62% in September. We put the odds that it falls below 27% at **10%**.

What the first month of evidence says.

- Treasury bills moved. The 364-day stop rate fell 73bp at the first auction after the cut, from 16.62% to 15.89%, and was 15.90% on 14 October ([Nairametrics, 24 September](#); [Nairametrics, 16 October](#)). That is about 21% of the 350bp cut.
- Business loans show no relief yet. The average maximum lending rate **rose** to 32.62% in September 2026 from 29.20% in August, and the average prime lending rate rose to 19.04% from 17.86% (CBN Money Market Indicators via [ThisDay](#) and [Techeconomy](#)). Most of September predates the 22 September cut, so this is an early reading, not a verdict; October's figure is the first clean test.
- Long government borrowing got dearer. At the 19 October bond auction the stop rate on the September 2036 bond rose 50bp to 17.29% and on the June 2038 bond 34bp to 17.19% ([Nairametrics](#); [ThisDay](#)).
- The plumbing that blocks transmission is unchanged. Banks still hold 45% of deposits as cash reserves, and the CBN drained a net N6.62trn of liquidity through open market operations (OMO) in September alone ([CBN](#); [Nairametrics](#); [Business A.M.](#)).

Why. The CBN itself described the cut as an "operational realignment rather than a shift in monetary policy stance" ([Blueprint](#)). Before the cut, interbank and deposit facility rates were already around 22% ([Nairametrics](#)). The MPR was moved to where the market already was. Much of the 350bp was a relabelling, not new money. On top of that, the IMF estimates that Nigerian banks pass a 100bp hike into Treasury bill and lending rates at about 175bp to 180bp, but pass a 100bp cut at only 25bp to 30bp ([IMF SIP/2026/045](#); [Nairametrics](#); [Arise](#)). Applied to 350bp, that implies roughly 90bp to 105bp of relief on lending rates, spread over many months.

The decision. For 2027 budgets we recommend:

1. **Budget borrowing at today's rates, not at the MPR.** Use 32% as the planning rate for a mid-sized corporate overdraft or term loan priced at the maximum rate, with a 29% to 35% band, and 19% for top-tier names priced near prime. These are borrower profiles, not quotes: the CBN series averages banks' published rates and is not a volume-weighted rate on new loans, and your rate depends on credit standing, collateral, tenor and fees.
2. **If you are a prime borrower, negotiate now.** Prime sits only about 3 points above the 1-year Treasury bill. The MPR reset gives your treasurer a public reason to ask for repricing.
3. **Treat a fixed rate as insurance, and price it with a break-even test.** A fixed rate at a premium of p points beats floating only if the floating rate averages more than p points above today's over the

life of the loan. Floating loans in Nigeria reprice up fast and down slowly (the IMF's finding), so the insurance is worth most to borrowers who could not survive our Relapse case. Section 8 works an example.

4. **Watch 3 triggers before you refinance on the expectation of cheaper money:** a cut in the 45% cash reserve requirement, a 364-day Treasury bill below 15%, and 2 consecutive months of the average maximum lending rate below 30%.

1. The question, and why it matters now

Every Nigerian business plan for 2027 has a line for the cost of money. Most of them were last updated when the MPR was 26.5%. On 22 September 2026 it became 23.0%. The temptation in budget season is to take 3.5 points off the borrowing line and move on.

That would be a mistake for most firms, and this paper sets out why, with numbers anyone can check.

The question we test is narrow on purpose: **will the 350bp MPR cut lower the rates Nigerian businesses pay on bank loans before 2027?** We answer it with probabilities, not a yes or no, because the honest answer depends on things nobody knows yet: the 308th MPC decision on 23 to 24 November 2026, the path of inflation, and whether the CBN touches the cash reserve requirement.

Why it matters now:

- **Budgets are being set.** Most firms close 2027 budgets in Q4 2026. The financing assumption is the swing input in any capex or working-capital plan.
- **The next MPC is close.** The 308th meeting is scheduled for 23 to 24 November 2026 ([CBN MPC calendar](#)).
- **The first transmission data is in.** CBN Money Market Indicators for September 2026, the first month that includes the cut, were reported on 26 October 2026 ([ThisDay](#)). They do not show relief.

The four tests this paper is built to pass

STATART white papers are built to pass 4 tests. This one states **one question** (above). It uses **evidence you can check**: every figure links to the page we read, and the appendix lists publisher, reference period, retrieval date and currency basis. It puts **the method in the open**, including the arithmetic and the things the data cannot tell us (section 9). And it ends with **a decision** (section 8).

2. 2024 to 2026: the tightening cycle and the turn

To judge a cut you need to know what came before it. Nigeria has just been through its steepest tightening cycle in decades.

The hikes

In February 2024 the CBN raised the MPR by 400bp, from 18.75% to 22.75%, and lifted the cash reserve requirement (CRR) for banks from 32.5% to 45% ([Nairametrics](#); [ThisDay](#)). Hikes followed in March (to 24.75%), May (26.25%), July (26.75%) and September (27.25%), and in November 2024 the MPR reached 27.50%, a cumulative 875bp ([NAN](#)). By November 2024 the CRR for deposit money banks stood

at 50%, with the liquidity ratio at 30% (same source). The MPR was then held at 27.50% through 2025 until September ([CBN](#)).

The turn

Meeting	MPR decision	MPR	CRR, commercial banks
302nd, 22 to 23 Sep 2025	Cut 50bp	27.00%	Cut from 50% to 45%; new 75% CRR on non-TSA public deposits
303rd, 24 to 25 Nov 2025	Hold	27.00%	45%
304th, 23 to 24 Feb 2026	Cut 50bp	26.50%	45%
305th, 19 to 20 May 2026	Hold	26.50%	45%
306th, 20 to 21 Jul 2026	Hold	26.50%	45%
307th, 21 to 22 Sep 2026	Cut 350bp	23.00%	45%

Sources: [CBN decisions page](#); [CBN Communique No. 160](#); [Proshare](#); [Arise](#).

Two details in that table matter more than the headline cuts.

First, **the September 2025 CRR cut was paired with a new 75% reserve requirement on non-TSA public sector deposits** ([Proshare](#)). The CBN gave with one hand and took with the other.

Second, **the corridor keeps moving**. It was +100/-700bp around the MPR after February 2024 ([Nairametrics](#)), +500/-100bp in November 2024 ([NAN](#)), +250/-250bp in September 2025 ([Proshare](#)), +50/-450bp in November 2025 ([CBN Communique No. 160](#)), and now +50/-300bp ([CBN](#)). With a 23% MPR, the new corridor runs from 20.0% (deposit facility) to 23.5% (lending facility), by our arithmetic.

What the 350bp cut really was

The CBN was unusually direct about it. Its own statement called the move "an operational realignment rather than a shift in monetary policy stance," designed to "restore the primacy of the MPR as the key signal of the Bank's policy direction" ([Blueprint](#)). The Governor said the decision "does not constitute a change in the current monetary policy stance" and that "the MPR became the de jure rate with the SDF rate as the de facto" ([Nairametrics](#)). Before the meeting, both the interbank rate and the standing deposit facility rate were around 22% (same source; [Techeconomy](#)).

Read that plainly. Banks were already pricing off a rate near 22%, not off 26.5%. Moving the MPR to 23% brought the official signal closer to the rate the market already used. **For a bank whose funding was priced at about 22% before the cut, the cut changed its marginal cost of funds by much less than 350bp.** This is the single most important fact for anyone expecting loan rates to fall by 3.5 points.

That does not mean the cut was meaningless. It signals that the CBN thinks the inflation fight has turned, and it sets up later cuts. But signal and money are different things.

The backdrop: inflation is falling, real rates are high

Headline inflation was 14.63% year on year in September 2026, down from 15.39% in August and the 4th straight monthly decline; month on month it was 0.06% (NBS via [Nairametrics](#) and [BusinessDay](#)). Core

inflation was 12.95% (same sources). The MPC itself noted that the 12-month moving average of headline inflation had fallen for 20 consecutive months, to 16.30% in August ([Blueprint](#); [BusinessDay](#)).

STATART arithmetic: with the MPR at 23.00% and September inflation at 14.63%, the real policy rate is about **8.4 points**. Against core inflation of 12.95% it is about 10.1 points. By either measure Nigerian policy is still tight in real terms. That gives the CBN room to cut again. It also tells you the CBN's caution is a choice, not a constraint.

The external side gives it cover. Gross reserves were \$55.25bn on 18 September 2026, about 11.3 months of import cover, and the Q2 2026 current account surplus was \$7.54bn ([Blueprint](#); [BusinessDay](#)). The naira at the official window was about N1,445.99/\$ at the start of 2026 and N1,361.84/\$ on 23 October 2026 (CBN data via [Nairametrics](#) and other outlets).

3. The evidence: what rates did after the cut

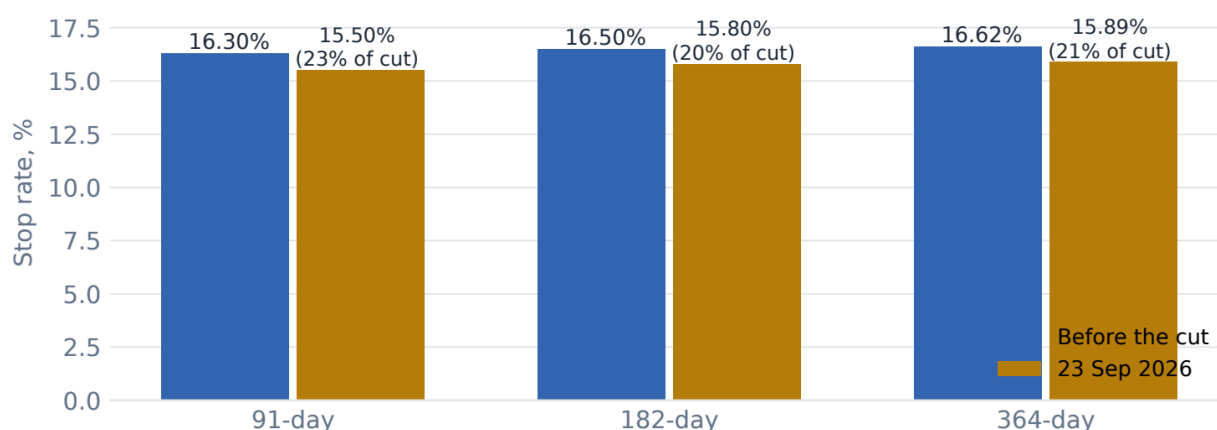
A rate cut travels through a chain: policy rate, then interbank and Treasury bills, then bond yields, then bank lending rates, then what a business actually signs. We checked each link with the data available on 26 October 2026.

Link 1: Treasury bills moved, but only about a fifth of the way

At the first Nigerian Treasury Bill (NTB) auction after the cut, on 23 September 2026, stop rates fell across all tenors ([Nairametrics](#)):

Tenor	Before the cut	23 Sep 2026	Change	Share of the 350bp cut
91-day	16.30%	15.50%	-80bp	23%
182-day	16.50%	15.80%	-70bp	20%
364-day	16.62%	15.89%	-73bp	21%

Figure 1. Treasury bill stop rates before and after the 350bp cut



Source: CBN/DMO NTB auction results via [Nairametrics](#) and [Economic Confidential](#). Share of cut = fall in stop rate / 350bp.

The "share of cut" column is STATART arithmetic (change divided by 350bp).

Since then the 1-year rate has gone sideways: 15.85% on 7 October and 15.90% on 14 October, when the debt office rejected most bids rather than accept higher rates ([Nairametrics, 7 October](#); [Nairametrics, 16 October](#)).

The longer view matters too. The 364-day rate had already been falling before the cut: 17.70% on 8 July, 16.84% on 2 September and 16.62% on 9 September ([Nairametrics, 8 July](#); [Nairametrics, 3 September](#); [Economic Confidential](#)). **From 8 July to 14 October the 1-year rate fell 180bp in total.** Some of the move came before the MPC, as markets priced in falling inflation. That is the signal working. It is also a reminder that bill yields at about 15.9% remain the floor that any bank loan must beat.

Link 2: The CBN is still paying banks about 17% to hold cash

Here is the part of the chain that most commentary skips. In September 2026, the month of the cut, the CBN sold about N17.51trn of OMO bills across 5 auctions while about N10.89trn matured, a **net withdrawal of roughly N6.62trn** from the banking system ([Nairametrics](#); [Business A.M.](#)). On 6 October it withdrew a further net N1.14trn, selling 182-day OMO bills at 16.92% (same sources).

Think about what a bank treasurer sees. A 182-day OMO bill pays 16.92% with no credit risk. A loan to a mid-sized manufacturer has to earn that, plus provisions for default, plus operating cost, plus a return on the capital the bank must hold against it. **As long as the CBN keeps absorbing liquidity at 16% to 17%, the floor under bank lending rates stays high, whatever the MPR says.** The CBN is cutting the signal and keeping the sponge.

This is not hidden. The IMF recommended in June 2026 that the CBN "align liquidity management operations with the central bank's policy stance" ([Nairametrics](#); [Arise](#)). The September data say that alignment has not happened yet.

Link 3: Long bond yields went up, not down

If markets believed the cut began a long easing cycle, long-dated government yields would fall. They rose. At the 19 October 2026 FGN bond auction ([Nairametrics](#); [ThisDay](#)):

Bond	September stop rate	October stop rate	Change
16.79% FGN SEP 2036	16.79%	17.29%	+50bp
15.45% FGN JUN 2038	16.85%	17.19%	+34bp
19.00% FGN FEB 2034	n/a	16.99%	n/a

The DMO offered N1.75trn and allotted about N1.22trn at competitive bids (same sources).

There are 2 readings. One: investors doubt the easing will last, perhaps because of the 2027 election cycle, which the MPC itself flagged as an upside risk to inflation ([Blueprint](#)). Two: heavy government supply at the long end pushes yields up regardless of the MPR. Both readings point the same way for a business: **the cost of long-term naira money has not fallen.** A 5-year or 7-year term loan prices off that curve, not off the overnight rate.

Link 4: Bank lending rates show no sign of relief yet

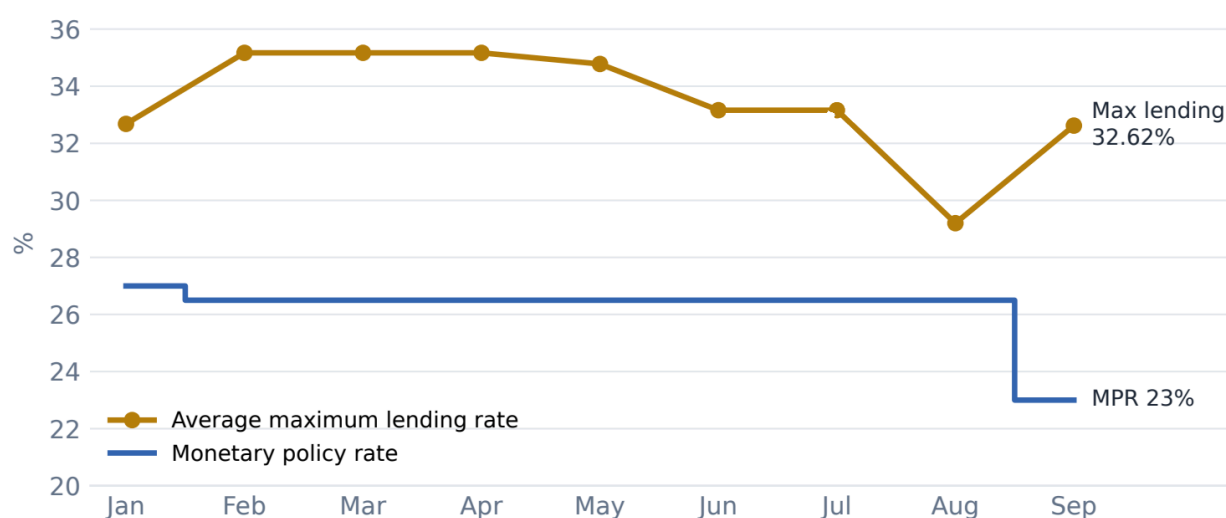
This is the decisive link, and the first reading is not encouraging. One caveat comes first: the cut was made on 22 September, so most of the September month predates it. We read the September figure as showing no sign of relief yet, not as proof that the cut failed. October's figure, due in late November, is the first clean test.

The CBN's Money Market Indicators show the average maximum lending rate at **32.62% in September 2026, up 3.42 points from 29.20% in August**. The average prime lending rate rose to **19.04% from 17.86%** ([ThisDay](#); [Techeconomy](#)).

Here is the 2026 path of the average maximum lending rate, from the same CBN series as reported in the press:

Month (2026)	Average maximum lending rate	MPR in force
January	32.68%	27.00%
February	35.17%	26.50% (cut late Feb)
March	35.17%	26.50%
April	35.17%	26.50%
May	34.78%	26.50%
June	33.16%	26.50%
July	33.16% (see section 9)	26.50%
August	29.20%	26.50%
September	32.62%	23.00% (cut 22 Sep)

Figure 2. Monetary policy rate vs average maximum lending rate, January to September 2026



Source: CBN Money Market Indicators and MPC decisions, via [ThisDay](#), [Techeconomy](#) and [Nairametrics](#). July value: see section 9.

Sources: [ThisDay](#), 26 October; [ThisDay](#), 21 September; [ThisDay](#), 26 July; [Techeconomy](#), May data; [Techeconomy](#), April data; [Rio Times](#).

For context, the same series averaged 29.32% across 2025, and stood at 29.71% in December 2024 and 29.79% in January 2025 ([ThisDay](#); [Techeconomy](#)).

Signal or noise?

A good forecaster should be suspicious of one month. So let us be suspicious.

The monthly changes in this series in 2026 were +2.49, 0, 0, -0.39, -1.62, 0, -3.96 and +3.42 points.

STATART arithmetic: the average absolute monthly move is 1.49 points and the standard deviation of monthly changes is 2.13 points. A 3.42-point jump is large, but not unprecedented in this series. The August reading of 29.20% looks like the outlier: it broke a gentle downtrend (35.17% to 33.16%) with a 3.96-point drop, and September largely reversed it.

So the honest reading is not "lending rates jumped after the cut." It is: **lending rates have drifted down from a 35.17% peak to the low 30s over 6 months, August was probably noise, and September shows no sign that the 350bp cut changed the trend.** On the 3 months to August, the pre-cut average was 31.84%. September came in above that.

Two more facts push the same way.

- **Prime moved up too.** The prime rate is what banks charge their best customers. It rose 1.18 points to 19.04% in September ([ThisDay](#); [Techeconomy](#)). If the cut were reaching anyone quickly, it would reach prime borrowers first.
- **Bank-level quotes for manufacturers barely moved.** In quotes for the manufacturing sector between 4 September and 9 October 2026, most banks were flat. FCMB quoted 41.40%, Fidelity Bank and First Bank 36%, Alpha Morgan and Ecobank 35%, and Access Bank 32.28%. Citibank cut from 20% to 19% and Quest Merchant Bank from 35% to 30% (same sources). The spread between the cheapest and dearest quote, 19% to 41.40%, is 22.4 points. **Which bank you borrow from matters more than what the MPC did.**

The base rate: what happened after the last 2 cuts

The best guide to what a cut will do is what the last cuts did. Nigeria has had 2 MPR cuts in this cycle before September 2026, both 50bp:

- **September 2025 (27.50% to 27.00%, with the CRR cut to 45%).** The maximum lending rate averaged 29.32% across 2025. In January 2026 it was 32.68%, higher by 3.36 points.
- **February 2026 (27.00% to 26.50%).** The rate was 32.68% in January and 35.17% from February to April, higher by 2.49 points.

That is 2 cuts and 2 cases where the maximum lending rate was higher 3 to 5 months later. Two observations is a tiny sample, and other forces were at work (bank recapitalisation, the new 75% CRR on public deposits). We do not claim cuts cause lending rates to rise. We do claim that **the base rate for "a cut lowers Nigerian business lending rates within 6 months" is, on the recent record, 0 out of 2.** Anyone forecasting fast relief should explain what is different this time.

4. Why banks are slow to pass cuts through

The evidence in section 3 is consistent with 5 mechanisms. None of them requires bad faith by banks. All of them are visible in public data.

Mechanism 1: Rockets and feathers

The IMF's June 2026 *Nigeria: Selected Issues* report estimated that a 100bp MPR hike raises Treasury bill and lending rates by about 175bp to 180bp almost at once, while a 100bp cut lowers borrowing costs by only about 25bp to 30bp, an asymmetry it called statistically significant ([Nairametrics](#); [Arise](#)). In its words, banks "transmit tightening rapidly and even amplify it but adjust much more slowly during easing cycles." Deposit rates, it found, barely react either way (same sources).

The original paper is the IMF's *Nigeria's Shift to a Floating Regime: Interest Rate and Exchange Rate Pass-Through and Policy Effectiveness* (Selected Issues Paper SIP/2026/045, June 2026), which says a 100bp hike raises T-bill and lending rates by "roughly 175 to 180 basis points on impact, whereas a comparable cut lowers them by only about 25 to 30 basis points" ([IMF](#)).

STATART arithmetic, an illustrative anchor: apply the IMF's easing coefficient to the 350bp cut and you get $350 \times 0.25 = 88\text{bp}$ to $350 \times 0.30 = 105\text{bp}$ of relief on lending rates. From the pre-cut 3-month average of 31.84%, that points to about 30.8% to 31.0%. This assumes the historical average response holds for an unusually large, partly anticipated reset, which is not guaranteed; we use it as an anchor for December 2026, not as a measured estimate. It is a long way from 27%.

We should be careful here. The IMF coefficients describe average behaviour over past cycles, and this cut is unusual because much of it was a relabelling of a rate the market already used (section 2). That could make the true pass-through smaller than the IMF's estimate, not larger.

Mechanism 2: The 45% cash reserve requirement

Banks must hold 45% of deposits at the CBN as cash reserves, 75% for non-TSA public sector deposits ([CBN](#)). The IMF called this "relatively high" and recommended a gradual reduction as inflation falls ([Nairametrics](#); [Arise](#)).

Here is why the CRR matters more than the MPR for a borrower. The arithmetic below is illustrative and rests on a stated assumption: that reserve balances earn the bank nothing.

STATART arithmetic: the cost of a lendable naira. Suppose a bank pays an average of 10% a year on its deposits. Of every N100 deposited, N45 is frozen at the CBN. The bank pays interest on N100 but can deploy only N55. Its cost of a lendable naira is therefore $10\% / 0.55 = \mathbf{18.2\%}$, before staff, branches, IT, provisions for bad loans or a return to shareholders.

Now compare 2 kinds of relief:

Change	Cost of a lendable naira (10% deposit cost)	Saving
Today: CRR 45%	$10\% / 0.55 = 18.2\%$	n/a
Deposit cost falls 1 point (to 9%)	$9\% / 0.55 = 16.4\%$	1.8 points
CRR cut to 40%	$10\% / 0.60 = 16.7\%$	1.5 points
CRR cut to 35%	$10\% / 0.65 = 15.4\%$	2.8 points
Both: deposit cost 9%, CRR 35%	$9\% / 0.65 = 13.8\%$	4.4 points

Figure 3. STATART arithmetic: cost of a lendable naira under CRR and deposit-cost changes

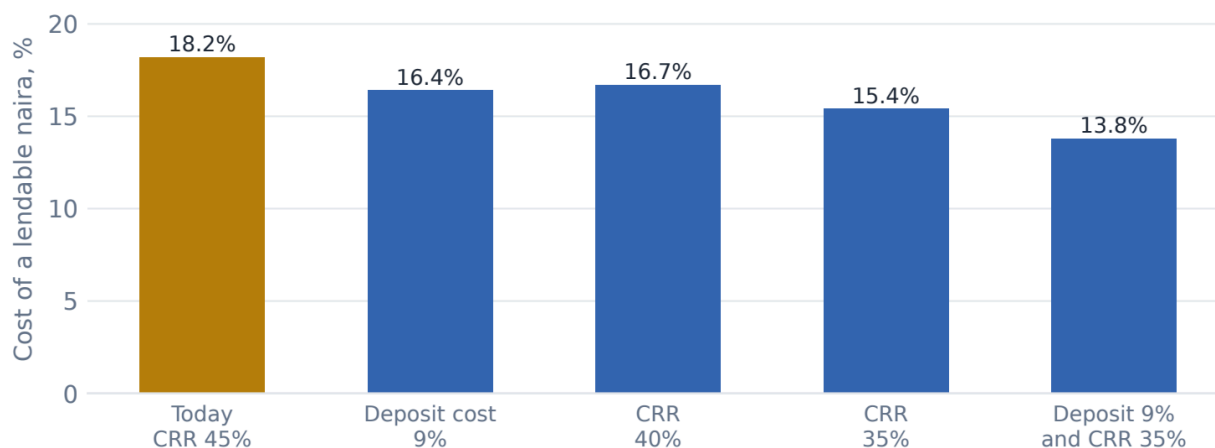


Illustration: assumed 10% average deposit cost divided by the share of deposits a bank can lend (1 minus CRR).

The 10% deposit cost is an illustrative assumption, not a measured average: the CBN does not publish a volume-weighted deposit cost by bank, and we did not find a verified current average savings rate. The point does not depend on the exact number. **At a 45% CRR, every point of deposit cost becomes 1.8 points of lending cost.** A 10-point CRR cut does about as much for a borrower as a 1.5-point fall in deposit rates, and deposit rates, per the IMF, barely move.

That is why a CRR cut is our preferred leading indicator of real relief. This is a judgement built on the arithmetic above and the IMF's recommendation, not a tested statistical finding.

Mechanism 3: The CBN is still draining liquidity

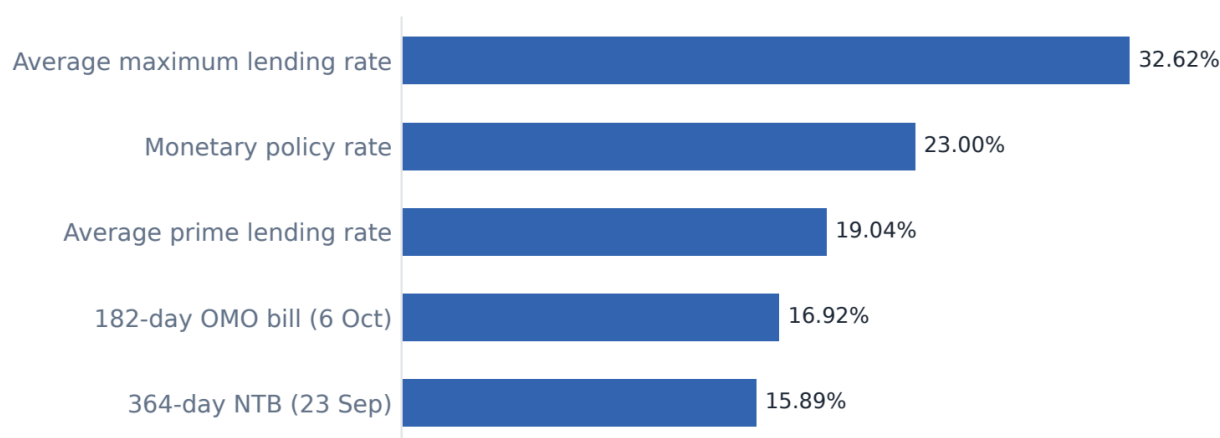
Covered in section 3. Net OMO absorption of about N6.62trn in September and N1.14trn more on 6 October, at rates near 17%, keeps the risk-free alternative to lending attractive ([Nairametrics](#); [Business A.M.](#)). A bank that can earn 16.92% for 6 months from the CBN needs a strong reason to lend to a business at 25%.

Mechanism 4: Risk, not the policy rate, sets most loan prices

Look at the spreads in September 2026. **STATART arithmetic:**

Rate (September 2026)	Level	Spread over 364-day NTB (15.89%, 23 Sep)
MPR	23.00%	+7.11 points
182-day OMO bill (6 Oct)	16.92%	+1.03 points
Average prime lending rate	19.04%	+3.15 points
Average maximum lending rate	32.62%	+16.73 points

Figure 4. The rate ladder in September to October 2026



Source: CBN, DMO and CBN Money Market Indicators as cited in the table above.

Two things jump out. First, **the prime rate (19.04%) sits about 4 points below the MPR (23%)**. Top-tier borrowers already price off the Treasury bill and OMO curve, not off the MPR. For them the MPR was never the binding rate. Second, **the maximum rate carries a 16.7-point premium over the risk-free rate**. That premium is about credit risk, collateral, information and the cost of serving smaller firms. A policy rate cut does not shrink it.

As one investment banker put it to ThisDay, "Only prime borrowers will receive an interest rate that is close to MPR or risk-free rate" ([ThisDay](#)).

Mechanism 5: Banks have new capital to earn a return on

The CBN's recapitalisation programme required international commercial banks to hold at least N500bn of paid-up capital, national banks N200bn and regional and merchant banks N50bn, with a deadline of 31 March 2026 ([Gazette](#); [NAN](#)). The MPC cited recapitalisation as a source of stronger capital buffers ([Blueprint](#)).

More capital should, over time, support more lending. In the short run it also raises the return banks must earn on a larger equity base. We cannot measure how much that pushes loan pricing, and we flag it as a plausible mechanism, not a measured one.

5. Who borrows, and who is crowded out

Private credit is growing, but not in real terms

Credit to the private sector was N84.55trn in August 2026, up about N8.67trn or 11.4% from N75.88trn in August 2025 (CBN via [Nairametrics](#) and [Rio Times](#); the August 2025 level of N75.8trn is confirmed by [Proshare](#)).

STATART arithmetic: with headline inflation at 15.39% in August 2026, nominal credit growth of 11.4% means **real private credit fell by about 3.4%** over the year ($1.1143 / 1.1539 - 1$). Banks are lending more naira, but each naira buys less. For a business planning volume growth, that is the relevant number.

We do not use September 2026 credit data. Published figures conflict with each other (see section 9).

The government is still a large, rate-insensitive borrower

The DMO offered N1.75trn of bonds in October alone and allotted about N1.22trn at competitive bids, at yields of 17% to 17.3% (section 3). Every naira a bank lends to the government at 17% risk-free is a naira it does not need to lend to a business. This is the classic crowding-out channel, and in Nigeria it is reinforced by the CBN's own OMO sales at similar yields.

Who gets the cut first

Based on the spread table in section 4, the order of relief is predictable:

1. **Government and the CBN's own instruments.** NTB yields fell about 73bp at once.
2. **Top-tier corporates borrowing near prime.** Their rates track bills with a lag. September showed no relief yet; we expect some by Q1 2027.
3. **Mid-sized firms on the maximum rate.** Their rates are set by risk premiums and the CRR, not the MPR. Relief is slow and small.
4. **Small firms and consumers.** Most borrow outside the banks' published rates, at rates the CBN series does not capture. We have no verified data on them and say so.

6. Sector exposure

We do not have verified sector-level loan pricing beyond the bank quotes for manufacturing in section 3. So this section is about exposure, not measured rates.

Manufacturing

Industry grew 3.96% year on year in Q2 2026, down from 7.46% a year earlier, while the CBN's industry PMI was 52.0 in September (NBS GDP via [Nairametrics](#) and Premium Times; CBN PMI via [Nairametrics](#) and Vanguard). Manufacturers carry large working-capital needs, and bank quotes for them ranged from 19% to 41.40% in September and early October. **Exposure: high.** The rate matters in proportion to how long stock sits: funding inventory at 32% to 36% a year costs about 2.7% to 3.0% of its value for every 30 days it is held (simple interest, STATART arithmetic), so slow-turning stock carries the heaviest burden.

Trade and distribution

Distributors live on short-term overdrafts and supplier credit, which reprice fastest when rates rise and slowest when they fall. **Exposure: high**, and asymmetric. The rockets-and-feathers pattern hurts them most.

Real estate and construction

Long-tenor projects price off the bond curve, which rose in October (section 3). **Exposure: high to long rates**. A developer should not assume cheaper mortgage or construction finance in 2027 on the strength of the September cut.

Consumers

Households borrow little from banks at published rates. The more relevant channel for consumer demand is inflation, which is falling: headline 14.63% in September, food 19.59% (NBS via [Nairametrics](#)).

Exposure to rates: low. Exposure to prices: high. For consumer businesses the September cut matters mainly as a sign that the inflation trend has turned.

Banks

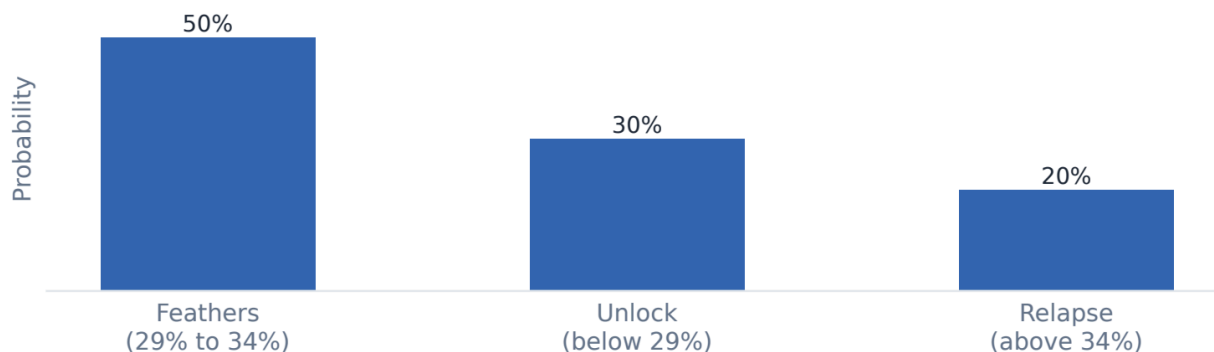
Banks gain from a slow pass-through: lending rates hold while deposit costs and bill yields ease. This is the mirror image of the borrower's problem, and it is one reason the MPC and the IMF are both pressing on transmission.

7. Scenarios for rates through 2027

We frame the scenarios on one measurable outcome: **the CBN average maximum lending rate for December 2027** (published about February 2028). We chose it because it is public, monthly and relevant to most mid-sized borrowers. Probabilities are rounded to 5% and add to 100%.

Scenario	December 2027 average maximum lending rate	What it looks like	Probability
Feathers	29% to 34%	MPR cut to about 20% to 22% in steps; CRR stays at 45% or is trimmed slightly; CBN keeps draining liquidity; lending rates drift down 1 to 3 points	50%
Unlock	Below 29%	Inflation keeps falling; CRR cut by 5 points or more; OMO absorption eases; bill yields fall toward 12% to 13%; competition for good borrowers returns	30%
Relapse	Above 34%	FX pressure or pre-election spending pushes inflation back up; CBN pauses or reverses; bill and bond yields rise	20%

Figure 5. Scenario probabilities for the December 2027 average maximum lending rate



STATART judgements, scored publicly against outcomes.

Why Feathers is the base case. It matches the IMF's measured pass-through, the limited recent experience of the last 2 cuts, the absence of any sign of relief in the September data and early-October bank quotes, and the CBN's own framing of the cut as a stance-neutral reset. It requires nothing to change.

Why Unlock gets 30%, not less. Real rates are very high (about 8.4 points), reserves are at an 18-year high and inflation has fallen 4 months in a row. The CBN has room. If it uses that room on the CRR rather than only the MPR, the arithmetic in section 4 shows lending costs can fall fast.

Why Relapse gets 20%, not less. The MPC named Middle East tensions and election-related spending as upside risks to inflation ([Blueprint](#)). Long bond yields rose in October. Nigeria's recent history includes sharp reversals.

How we set the odds. These are STATART judgements, not model outputs, set in 3 steps. (1) Anchor: the IMF's average easing response, applied to the pre-cut level, puts December 2026 near 31%, inside the Feathers band; a central case that needs nothing to change gets the largest share, and we cap it at 50% because the IMF coefficient is an average over past cycles and the series moves by about 2 points a month. (2) Tilt: the remaining 50% is split 3 to 2 towards Unlock because the conditions for a CRR cut (falling inflation, 18-year-high reserves, an IMF recommendation) are already visible, while the Relapse risks (FX pressure, election spending) are named but not yet in the data. (3) Revision: we move 10 points from Feathers to Unlock if the CRR is cut, 10 points from Feathers to Relapse if headline inflation rises for 2 consecutive months, and we reset the anchor when October to December lending-rate data arrive.

Near-term calls we will be scored on

Claim	Probability	Resolves	How to check
The CBN cuts the MPR at the 308th MPC (23 to 24 Nov 2026)	35%	24 Nov 2026	CBN MPC communique
CBN average maximum lending rate for December 2026 is below 27%	10%	About Feb 2027	CBN Money Market Indicators
CBN average prime lending rate for December 2026 is below 18%	30%	About Feb 2027	CBN Money Market Indicators
364-day NTB stop rate below 15.00% at any auction by 31 Dec 2026	25%	31 Dec 2026	CBN/DMO NTB auction results
CRR for deposit money banks cut below 45% at any MPC by 30 Jun 2027	30%	30 Jun 2027	CBN MPC communiques

Why only 35% on a November cut. Inflation is falling and real rates are high, which argues for a cut. But the CBN told the market the September move was not a change of stance, it says future decisions are "strictly data-dependent" ([Blueprint](#)), and Q3 GDP and October CPI may not both be out before the meeting. A central bank that just made its biggest move in 20 years usually waits to see it land. We put a hold at 60% and a hike at 5%.

Why 10% on lending rates below 27% by December. From 32.62%, that needs a fall of 5.62 points in 3 months. The IMF's coefficients imply about 1 point over a longer horizon. Even a repeat of August's 3.96-point drop would take the rate only to about 28.7%. It would take 2 large favourable surprises, or a CRR cut at the November meeting, to get there.

8. What should you do: decisions for 2027

The test of a white paper is whether it changes a decision. Here are ours, by audience.

Chief financial officers and treasurers

- Set the 2027 borrowing assumption at the market rate, not the MPR.** For bank loans priced near the maximum rate, plan at 32% with a 29% to 35% band. For top-tier names near prime, plan at 19%. Do not take 3.5 points off last year's line.
- Negotiate now if you are prime.** Your rate tracks bills, which have fallen about 180bp since July. Ask for repricing and cite the MPR reset and bill yields.
- Shop across banks.** Quotes to manufacturers in the same 5 weeks ranged from 19% to 41.40%. A 1-point improvement on a N5bn facility is N50m a year.
- Run the break-even before you fix.** Example (STATART arithmetic, simple interest): a N1bn, 2-year loan at 32% floating or 34% fixed. Fixing costs N20m a year more if rates stay put, and pays off only if the floating rate averages more than 34% over the 2 years, which in our scenarios happens mainly under Relapse (20%). So for most borrowers floating is the cheaper expected choice, and fixing is insurance worth buying only if a move above 34% would break your cash flow. Fees, repricing clauses and prepayment terms change the break-even, so run it on the actual offer.
- Do not refinance early on the expectation of cuts.** Wait for at least 1 of the 3 triggers below.

Founders and SME owners

1. **Assume your cost of bank credit does not fall in 2027.** Build the plan to work at today's rate. Treat any relief as upside.
2. **Shorten the cash cycle before you borrow.** At 32% a year, every 30 days of receivables costs about 2.7% of their value (32% / 12, simple interest, STATART arithmetic).
3. **Price your products on cost of money too.** If you extend credit to customers, your price list should carry the rate you pay, not the MPR.

Investors and lenders

1. **The spread trade persists.** In the Feathers case, banks keep a wide margin between lending rates and falling funding costs through much of 2027.
2. **Watch the long end.** Rising long bond yields after a cut are a warning that the market doubts the easing. A turn lower in the 2036 and 2038 yields would be the first sign the market believes it.

Policymakers and development partners

1. **The binding constraint is the CRR and liquidity management, not the MPR.** Section 4's arithmetic shows a CRR cut reaches borrowers far more directly.
2. **Publish an effective lending rate.** A volume-weighted average rate on new loans, by firm size, would replace the maximum and prime series as the measure of transmission.

The 3 triggers to act on

Refinance or expand debt-funded plans only after at least 1 of these:

- The CBN cuts the CRR below 45%.
- The 364-day NTB stop rate falls below 15%.
- The CBN average maximum lending rate prints below 30% for 2 consecutive months.

9. What would change our view, and what the data cannot tell you

What would move our odds

- **Toward Unlock:** a CRR cut at any 2026 or early-2027 MPC; a sustained fall in net OMO absorption; October and November CPI below 14%; 364-day bills below 14%.
- **Toward Relapse:** the naira weakening well past its 2026 range; a rebound in month-on-month inflation; a pause signalled at the November MPC alongside rising bond yields; large pre-election fiscal spending.
- **Against our reading of September:** if October 2026 Money Market Indicators show the maximum rate back below 30%, we will treat September as noise and move about 10 points of probability from Feathers to Unlock.

What the data cannot tell you

We think method should be in the open, including its weak spots.

1. **The maximum and prime lending rates are not what businesses pay on average.** They are averages of banks' quoted maximum and prime rates, not volume-weighted rates on new loans. Nigeria has no published effective lending rate by loan size. The true average rate on new SME lending could be higher or lower than the series shows.
2. **The series is noisy.** The July 2026 value of 33.16% equals the June value, which may be a reporting error; we keep it in the table, flagged, and our conclusions do not depend on it. August is reported as both 29.20% and 29.19% in the same article; we use 29.20%.
3. **The credit series has breaks.** We found a report of private sector credit at N94.61trn for February 2026, which cannot be reconciled with N80.59trn for April and N84.55trn for August; the CBN database also shows no observation for March 2026 ([Nairametrics](#)). We use only the August 2025 to August 2026 comparison, which 3 sources support, and no 2026 levels before August.
4. **Deposit costs are not measured.** The 10% deposit cost in section 4 is an illustrative assumption. The CRR arithmetic also assumes reserve balances earn nothing.
5. **The IMF coefficients have limits.** They come from the IMF's June 2026 *Nigeria: Selected Issues*; the sample period behind them is not stated in the published summaries.
6. **Auction data.** NTB and OMO results are published by the CBN and DMO.
7. **There is no STATART survey in this paper.** We did not survey borrowers or banks. Every figure comes from a public source listed below.

Method in brief

We collected every published rate along the transmission chain from the MPR to bank lending, for 2024 to October 2026. Every figure is cited to its source and was checked against a second credible outlet or a primary source (CBN, DMO) where one was available; figures that could not be confirmed were not used. All rates are nominal, in percent per year, on naira instruments. Probabilities are STATART judgements, informed by the IMF's pass-through estimates, the base rate of the last 2 cuts and the observed volatility of the lending rate series, rounded to the nearest 5%.

Work with STATART

Financing cost is the swing input in every 2027 business plan. If your board is about to approve a budget, a capex programme or a market entry on a rate assumption, STATART can help you test it.

- **STATART Market Data:** monthly tables of policy, bill, bond and lending rates, inflation and FX, sourced and dated to the STATART citation standard, ready to drop into your models.
- **Feasibility Study and Business Plan:** plans built with financing scenarios like the 3 in this paper, so your investors see the plan work at 32%, not only at 23%.

Write to support@statartinsightsandanalytics.com to discuss your 2027 plan.

Appendix: Sources

All sources retrieved 26 October 2026. All rates are nominal percent per year on naira instruments unless stated; reserves and current account in US dollars.

#	Publisher (outlet)	What	Reference period	Link
1	CBN	MPC decisions, MPR and CRR history 2025 to 2026	Feb 2025 to Sep 2026	cbn.gov.ng
2	CBN	MPC Communique No. 160	24 to 25 Nov 2025	cbn.gov.ng
3	CBN (Nairametrics)	307th MPC: 350bp cut, corridor, CRR, Governor's remarks, 2006 comparison	22 Sep 2026	nairametrics.com
4	CBN (Blueprint)	307th MPC rationale, inflation, reserves, risks	Aug to Sep 2026	blueprint.ng
5	CBN (BusinessDay)	307th MPC figures and analyst views	Aug to Sep 2026	businessday.ng
6	CBN (Techeconomy)	Reasons for the cut; interbank near 22%	Sep 2026	techeconomy.ng
7	CBN (Proshare)	302nd MPC: MPR 27%, CRR 50% to 45%, non-TSA CRR 75%	Sep 2025	proshare.co
8	CBN (Arise)	302nd MPC decisions	Sep 2025	arise.tv
9	CBN (Nairametrics)	Feb 2024 hike to 22.75%, CRR to 45%	Feb 2024	nairametrics.com
10	CBN (ThisDay)	Feb 2024 hike, CRR	Feb 2024	thisdaylive.com
11	CBN (NAN)	Nov 2024 hike to 27.50%; 2024 hikes; CRR 50%	2024	nannews.ng
12	CBN Money Market Indicators (ThisDay)	Max lending 32.62%, prime 19.04%; bank quotes	Aug to Sep 2026	thisdaylive.com
13	CBN Money Market Indicators (Techeconomy)	Max lending 32.62%, prime 19.04%; bank quotes	Aug to Sep 2026	techeconomy.ng
14	CBN Money Market Indicators (ThisDay)	Max lending 29.20%, July value, prime 17.86%	Jul to Aug 2026	thisdaylive.com
15	CBN (Rio Times)	Max lending 29.2%; private credit levels	Apr to Aug 2026	riotimesonline.com
16	CBN Money Market Indicators (ThisDay)	Max lending history Dec 2024 to Jun 2026	Dec 2024 to Jun 2026	thisdaylive.com
17	CBN (Techeconomy)	Max lending 34.78% (May), history	Dec 2024 to May 2026	techeconomy.ng
18	CBN (Techeconomy)	Max lending 35.17% (Mar to Apr)	Mar to Apr 2026	techeconomy.ng
19	IMF (Nairametrics)	Nigeria: Selected Issues, pass-through asymmetry	Jun 2026	nairametrics.com
20	IMF (Arise)	Nigeria: Selected Issues, pass-through asymmetry	Jun 2026	arise.tv
21	CBN/DMO (Nairametrics)	NTB auction 23 Sep 2026, before and after	Sep 2026	nairametrics.com

#	Publisher (outlet)	What	Reference period	Link
22	CBN/DMO (Nairametrics)	NTB auction 7 Oct 2026	Oct 2026	nairametrics.com
23	CBN/DMO (Nairametrics)	NTB auction 14 Oct 2026	Oct 2026	nairametrics.com
24	CBN (Nairametrics)	NTB auction 2 Sep 2026	Sep 2026	nairametrics.com
25	CBN (Economic Confidential)	364-day NTB 16.84% to 16.62%	Sep 2026	economicconfidential.com
26	CBN (Nairametrics)	NTB auction 8 Jul 2026	Jul 2026	nairametrics.com
27	DMO (Nairametrics)	FGN bond auction 19 Oct 2026	Oct 2026	nairametrics.com
28	DMO (ThisDay)	FGN bond auction 19 Oct 2026	Oct 2026	thisdaylive.com
29	CBN (Nairametrics)	OMO sales and maturities, Sep 2026	Sep 2026	nairametrics.com
30	CBN (Business A.M.)	OMO Sep 2026 and 6 Oct 2026	Sep to Oct 2026	businessamlive.com
31	CBN (Nairametrics)	Private sector credit Aug 2026	Aug 2025 to Aug 2026	nairametrics.com
32	CBN (Proshare)	Private sector credit Aug 2025	Aug 2025	proshare.co
33	CBN (Gazette)	Recapitalisation thresholds and deadline	Feb 2026	gazettengr.com
34	CBN (NAN)	Recapitalisation thresholds and deadline	Mar 2026	nannews.ng
35	NBS (Nairametrics, BusinessDay)	CPI September 2026	Sep 2026	nairametrics.com
36	NBS (Nairametrics, Premium Times)	GDP Q2 2026	Q2 2026	nairametrics.com
37	CBN (Nairametrics, Vanguard)	PMI September 2026	Sep 2026	nairametrics.com
38	CBN (Nairametrics and others)	NFEM exchange rate	Jan to Oct 2026	nairametrics.com

Sources 35 to 38 were each confirmed by at least 2 outlets.

Corrections and version history

Version 1.2, 27 October 2026. Editorial revision: notes on data handling condensed. No figure, forecast or probability changed.

Version 1.1, 26 October 2026. (1) Section 3, Link 4: the September lending-rate reading is now described as an early reading that mostly predates the 22 September cut, not as evidence that transmission broke; the heading changed accordingly. Our forecasts did not rest on it and are unchanged. (2) The IMF pass-through arithmetic is labelled an illustrative anchor and now cites the original IMF Selected Issues Paper. (3) The manufacturing exposure sentence compared an annual rate with a per-

cycle margin; it now uses the cost per 30 days of stock. (4) The fixed-versus-floating rule of thumb ("fix if the premium is under about 2 points") is replaced with a break-even test and a worked example, which shows fixing is insurance rather than the default. (5) The 32% planning rate is described as a borrower profile, not a quote. (6) The CRR is our preferred leading indicator, stated as a judgement. (7) Added "How we set the odds" for the scenario probabilities. No probability changed.

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Corrections policy. We correct errors of fact or method in a new version, list every change here and keep the forecast register unchanged unless a forecast itself was wrongly stated. Report errors to support@statartinsightsandanalytics.com.

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