

CENTRE FOR THE PROMOTION OF PRIVATE ENTERPRISE [CPPE]

POLICY BRIEF ON MARCH 2026 INFLATION REPORT

FRAGILE DISINFLATION AT RISK AS ENERGY, FOOD AND TRANSPORT COSTS SURGE

Introduction

The Centre for the Promotion of Private Enterprise (CPPE) notes the release of the March 2026 Consumer Price Index (CPI) report by the National Bureau of Statistics (NBS). While recent months have reflected a gradual moderation in year-on-year inflation, the latest data signals a **worrying resurgence of inflationary pressures**, particularly on a month-on-month basis.

Headline inflation edged up to **15.38% in March 2026**, while month-on-month inflation accelerated sharply to **4.18%**, nearly double the level recorded in February. This development underscores the fragility of the disinflation process and raises concerns about renewed cost pressures in the economy.

Resurgence of Inflationary Pressures Driven by Energy Costs

The recent uptick in inflation is largely reflective of **renewed energy price pressures**, which continue to permeate production, transportation and distribution costs across the economy. Energy remains a critical cost driver in Nigeria, given the persistent reliance on gas, diesel and petrol for power generation, logistics and industrial operations.

The implications are far-reaching. Rising energy costs are quickly transmitted into:

- Higher transportation costs
- Increased food prices
- Escalating production and distribution expenses

This cost-push dynamic explains the sharp increase in month-on-month inflation and signals that **the underlying inflationary pressures are far from subdued**.

Food and Transport: The Dominant Inflation Drivers

The CPI data clearly shows that **food and transportation-related costs remain the most significant contributors to inflation**, accounting for a substantial proportion – estimated at about **70% of inflationary pressures** when direct and indirect effects are considered.

Food inflation stood at **14.31% year-on-year**, while core inflation—which captures broader price pressures—rose to **16.21%**. These figures are particularly troubling given their direct impact on household welfare.

Transportation costs, which are heavily influenced by fuel prices and logistics inefficiencies, continue to exert strong upward pressure on prices across sectors. The transmission mechanism is simple: higher transport costs raise the cost of moving food, goods and services nationwide, thereby amplifying inflation.

Welfare Implications

The dominance of food and transport in the inflation basket has profound welfare consequences. These are **non-discretionary expenditures**, meaning households cannot easily adjust consumption in response to rising prices.

The implications include:

- Erosion of real incomes and purchasing power
- Rising cost of living pressures on households
- Increased poverty and vulnerability, particularly in rural areas
- Heightened inequality across regions and income groups

The situation is even more concerning given that rural inflation remains elevated, reflecting structural challenges in agricultural productivity and distribution systems.

Public Transportation Deficit and Market Power Concerns

A major structural concern highlighted by the inflation dynamics is the **dominance of the private sector in public transportation**, especially road transport.

This dominance creates significant vulnerabilities for citizens:

- Transport operators are often **highly unionised**
- They possess **considerable pricing power**
- There is limited regulatory restraint on fare adjustments

In an environment of rising fuel costs, this structure enables rapid and often disproportionate increases in transport fares, which are quickly transmitted across the economy.

This underscores a critical policy gap: the absence of **efficient, affordable and well-regulated public transportation systems** leaves citizens exposed to price shocks and market inefficiencies.

Policy Imperatives: Focus on Food and Transportation

Given the centrality of food and transportation to inflation and welfare, CPPE strongly recommends that governments at both federal and subnational levels **prioritise interventions in these sectors**.

Agricultural Productivity

There is an urgent need to:

- Improve security in farming communities
- Strengthen rural infrastructure and logistics
- Enhance access to inputs and financing
- Promote mechanisation and modern farming techniques

Boosting agricultural productivity is the most sustainable pathway to moderating food inflation, not importation.

Public Transportation Investment

Governments at all levels should:

- Invest significantly in **mass transit systems** (bus and rail)
- Reduce reliance on fragmented private transport systems
- Introduce regulatory frameworks to curb exploitative pricing
- Improve urban mobility infrastructure

A more structured and efficient public transport system will significantly reduce inflationary pressures and improve welfare outcomes.

Monetary Policy: Caution Against Tightening

CPPE reiterates that the current inflationary pressures are **predominantly cost-push in nature**, driven by energy, logistics and structural inefficiencies – not excess demand.

In this context:

- Further monetary tightening would be **ineffective in addressing the root causes of inflation**
- High interest rates would **hurt economic growth, investment and productivity**
- The real sector would face increased financing constraints, undermining recovery efforts

We therefore strongly caution against using the recent uptick in inflation as a basis for additional monetary tightening.

Conclusion

The March 2026 CPI report highlights a critical development in Nigeria's inflation trajectory, where the earlier gains in disinflation are now being threatened by a resurgence of cost-driven pressures, particularly from energy, food and transportation. This emerging trend suggests that while inflation had been moderating on a year-on-year basis, underlying structural vulnerabilities remain largely unresolved, with recent month-on-month increases pointing to renewed price momentum. The situation calls for urgent and targeted policy responses, as failure to address these supply-side drivers could reverse the fragile stability achieved and deepen the cost-of-living challenges facing households and businesses.

While disinflation trends remain evident on a year-on-year basis, the resurgence of monthly inflation pressures signals that **macroeconomic stability is still fragile**.

The policy response must therefore shift from a narrow focus on monetary tools to a broader strategy that addresses the **structural drivers of inflation**, particularly in energy, food and transportation.

Without decisive action in these areas, the gains recorded in inflation moderation may prove temporary, while households and businesses continue to grapple with significant cost pressures.

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