



Date: Tuesday, 26 November 2024

Ref: CBN/MPC/COM/155/298

Attention: News Editors/Gentlemen of the Press

MONETARY POLICY RATE RAISED BY 25 BASIS POINTS TO 27.50 PER CENT FROM 27.25 PER CENT

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) held its 298th meeting on the 25th and 26th of November 2024 to review recent economic and financial developments as well as assess the risks to the outlook. All twelve members of the Committee were in attendance.

Decisions of the MPC

The Committee was unanimous in its decision to further tighten policy and thus decided as follows:

1. Raise the MPR by 25 basis points to 27.50 per cent from 27.25 per cent.
2. Retain the asymmetric corridor around the MPR at +500/-100 basis points.
3. Retain the Cash Reserve Ratio of Deposit Money Banks at 50.00 per cent and Merchant Banks at 16 per cent.
4. Retain the Liquidity Ratio at 30.00 per cent

Considerations

This meeting was held on the backdrop of renewed inflationary pressures, as the headline, food and core measures rose year-on-year in October 2024. The Committee was particularly concerned that all three measures also inched up on a month-on-month basis, suggesting the persistence of price pressures, with attendant adverse impacts on income and welfare of citizens. Members, therefore, agreed unanimously to remain focused in addressing price developments.

While food prices remain a key contributor to the uptick, Members commended the efforts of the Federal Government for the improved security, especially in the North-East of the country, which would likely improve food production. The Committee also noted the role of rising energy prices on the general price level due to its impact on factors of production. The recent increase in the price of Premium Motor Spirit (PMS) has also impacted the cost of production and distribution of food items and manufactured goods. The Committee was optimistic that the full deregulation of the downstream sub-sector of the petroleum industry would eliminate scarcity and stabilise price levels in the short to medium term. Members thus, reiterated the need to strongly forge ahead with the deepening collaboration between the monetary and fiscal authorities to ensure the achievement of our synchronized objectives of price stability and sustainable growth.

The Committee noted the improvement in the external sector, reflected by the increase in the current account surplus, enhanced remittance and capital inflows which have impacted the external reserves positively. This, therefore, suggests that key policy measures by both the monetary and fiscal authorities are yielding the desired outcomes. Members, however, expressed concern over persisting exchange rate pressure, reflecting continued high demand in

the market. Consequently, the Committee urged the Bank to explore measures to boost market liquidity.

Members noted with satisfaction the continued resilience and stability of the banking system despite significant exogenous and endogenous headwinds. Key financial soundness indicators such as the Capital Adequacy Ratio (CAR), Non-Performing Loan ratio (NPL), Liquidity Ratio (LR), amongst others, remain strong. The MPC, however, called on the Bank to maintain its close surveillance on the banking system to sustain compliance with regulatory thresholds and continued health of the industry.

The MPC acknowledged the efforts of the Bank in deepening financial inclusion, towards improving the transmission mechanism of monetary policy to enhance policy effectiveness.

From the foregoing, Members thus focused on the optimal policy choice to address the uptrend in price development, stabilize the exchange rate and anchor inflation expectations appropriately.

Key Developments in the Domestic and Global Economies

Data from the National Bureau of Statistics showed that headline inflation (year-on-year) rose to 33.88 per cent in October 2024, from 32.70 per cent in September 2024. On a month-on-month basis, it also rose to 2.64 per cent in October 2024, from 2.52 per cent in the previous month, with both the food and core components contributing to the continued rise in headline inflation. Food inflation rose further to 39.16 per cent in October 2024, from 37.77 per cent in September, while core inflation also rose to 28.37 per cent in October 2024, from 27.43 per cent in September.

The MPC, however, noted the moderation in the prices of farm produce and commended the efforts of the Federal Government in driving increased productivity in the agricultural sector.

The recovery of output growth was sustained, with Real GDP (year-on-year) growing by 3.46 per cent in the third quarter of 2024 compared with 3.19 and 2.54 per cent in the preceding and corresponding periods, respectively. The growth was driven by both the oil and non-oil sectors, with a notable contribution from the Services sector. The non-oil sector grew by 3.37 per cent in the third quarter compared with 2.80 per cent in the second quarter, while the oil sector grew by 5.17 per cent (year-on-year), compared with 10.15 per cent in the preceding quarter.

The external reserves rose marginally to US\$40.88 billion as at 21st November 2024 from US\$40.06 billion at end-October 2024, available to finance 17 months of imports.

At the global level, the IMF projects growth at 3.2 per cent for 2024 and 2025 from 3.3 per cent in 2023. Risks to this outlook, however, include ongoing geopolitical tensions such as the lingering war between Russia and Ukraine as well as the crisis in the Middle East. The deceleration in global inflation is expected to continue into 2025 and move towards the long-run objectives of key central banks in the advanced economies, albeit at a slow pace. This, however, faces a growing risk of reversal as talks of trade tariffs heighten, following the outcome of the November 2024 United States elections.

In view of the above developments and identified risks, Members reiterated their commitment to price stability as the bedrock of a thriving Nigerian economy.

The next meeting of the Committee is scheduled to hold on the 27th and 28th of January 2025.

Thank you.

Olayemi Cardoso

Governor,
Central Bank of Nigeria
26th November 2024