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## **MONETARY POLICY RATE HIKED TO 26.25 PER CENT**

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The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) held its 295<sup>th</sup> meeting on the 20<sup>th</sup> and 21<sup>st</sup> of May 2024 to review recent economic & financial developments and assess risks to the outlook.

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### **Decisions of the MPC**

The Committee's decisions are as follows:

1. Raise the MPR by 150 basis points to 26.25 per cent from 24.75 per cent.
2. Retain the asymmetric corridor around the MPR to +100/-300 basis points
3. Retain the Cash Reserve Ratio of Deposit Money Banks at 45.00 per cent.
4. Retain the Liquidity Ratio at 30.00 per cent

### **Considerations**

The key focus of the MPC at this meeting remained to achieve price stability by effectively using tools available to the monetary authority to rein in inflation.

Members observed that while year-on-year headline inflation in April 2024 rose moderately, the month-on-month measures of headline, food and core all declined significantly. This follows a decline (month-on-month) of headline and food measures in March 2024, suggesting that the recent tight monetary policy stance of the Bank is beginning to yield the desired outcomes.

The MPC, however, noted that the inflationary pressure continues to be driven largely by food inflation. The Committee thus reiterated several challenges confronting the effective moderation of food inflation to include: rising cost of transportation of farm produce; infrastructure-related constraints along the line of distribution network; security challenges in some food producing areas; and exchange rate pass-through to domestic prices for imported food items. The MPC urged that more be done to address the security of farming communities to guarantee improved food production in these areas.

Members further observed the recent volatility in the foreign exchange market, attributing this to seasonal demand, a reflection of the interplay between demand and supply in a freely functioning market system. The Committee also noted the marginal increase in the external reserve balance between March and April 2024 and urged the Bank to sustain its focus on accretion to reserves. The MPC commended the Bank for the recent approval of licenses of fourteen (14) international Money Transfer operators (IMTOs). This is expected to improve competition and lower the cost of transactions, thus attracting more remittances through formal channels.

The Committee noted with satisfaction that the banking system remains safe, sound, and stable, despite the headwinds confronting the economy. It commended the recent recapitalization initiative and urged the management to sustain its regulatory oversight to ensure the continued stability of the banking system.

Members focused on the best policy approach to continue to guide the economy towards achieving an overall macroeconomic balance. At this meeting, the Committee was thus faced with the option of either continuing with

policy tightening or hold to observe the impact of previous rate hikes. Following an extensive review of risks and the near-term inflation outlook, the balance of risks suggests further tightening of policy to build on the benefits accruing from previous rate hikes.

### **Key Developments in the Domestic and Global Economies**

Domestic headline inflation rose further to 33.69 per cent in April 2024, from 33.20 per cent in March, driven by both the food and core components. On a month-on-month basis, however, headline inflation declined significantly to 2.29 per cent in April 2024, from 3.02 per cent in March. The food and core components also declined to 2.50 and 2.20 per cent from 3.62 and 2.54 per cent, respectively, in the same period. According to the National Bureau of Statistics, real GDP grew by 3.46 per cent in the fourth quarter of 2023, compared with 2.54 per cent in the third quarter, driven by both the oil and non-oil sectors. Recent Purchasing Manager's Index (PMI) suggests that economic activities will continue to expand in 2024. In addition, staff forecasts indicate that the domestic economy will grow by 3.38 per cent in 2024.

According to the IMF, global growth in 2024 and 2025 is projected at 3.2 per cent apiece, while it revised Nigeria's growth upwards to 3.3 per cent from 3.0 per cent in 2024. The identified headwinds to this projection are the tight financial conditions and broad disruptions to the global supply chain associated with geopolitical tensions and economic fragmentations. While these are feeding directly into a rally in the prices of key commodities such as grains and oil, global inflation is projected to continue to decelerate in 2024 but could remain above the long-run objectives of advanced economy central banks.

This group of central banks are likely to pause their rate hike cycles in the near term to observe the trend of inflation.

Accordingly, the Committee will continue to monitor developments in the global and domestic economies to guide policy and ensure that inflation expectations are adequately anchored.

All twelve members attended the meeting. The next meeting of the Committee will hold on the 22<sup>nd</sup> and 23<sup>rd</sup> of July 2024.

Thank you.

**Olayemi Cardoso**

Governor,  
Central Bank of Nigeria  
21<sup>st</sup> May 2024