Central Bank of Nigeria

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Attention: News Editors/Gentlemen of the Press

MONETARY POLICY RATE RETAINED AT 27.50 PER CENT

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) held its 299th meeting on the 19th and 20th of February 2025 to review recent economic and financial developments as well as assess the risks to the outlook for 2025.

All twelve members of the Committee were in attendance.

Decisions of the MPC

The Committee was unanimous in its decision to hold all parameters and thus decided as follows:

1. Retain the MPR at 27.50 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

At this meeting, the Monetary Policy Committee noted with satisfaction recent macroeconomic developments which are expected to positively impact price dynamics in the near to medium term. These include the stability in the foreign exchange market with the resultant appreciation of the exchange rate and the gradual moderation in the price of Premium Motor Spirit (PMS). Members, however, were not oblivious of the risk of persisting inflationary pressures driven largely by food prices. The Committee noted the recent rebasing of the Consumer Price Index (CPI) by the National Bureau of Statistics (NBS) which reviewed the weights of items in the consumption basket to reflect current consumption patterns. The Committee further noted that as the Federal Government continues to improve security in food producing communities, supported by other measures to enhance food supply, food prices are expected to continue to moderate.

Members reiterated the benefits of increased collaboration between the monetary and fiscal authorities, demonstrated at the recently concluded Monetary Policy Forum organized by the Bank. The MPC thus urged the continued strengthening of this collaboration to achieve the mutually beneficial objectives of price stability and sustainable growth.

The Committee highlighted the benefits of the improvements in the external sector to exchange rate stability, including the convergence of rates between the Nigeria Foreign Exchange Market (NFEM) and the Bureau de Change (BDC), and urged the Bank not to relent in its effort to boost market liquidity. In this regard, the Committee acknowledged recent measures introduced by the Bank, such as the Electronic Foreign Exchange Matching System (B-Match) and the Nigeria Foreign Exchange Code, to foster transparency, ethics and credibility in the market. The MPC is, thus, of the view that following major policy measures undertaken by the monetary and fiscal authorities, the flow of foreign direct and portfolio investments as well as diaspora remittances are expected to increase as investor and stakeholder confidence improves.

Furthermore, the improvement in oil production, which was 1.54 million barrels per day (mbpd) at the end-January 2025, will enhance the current account position of the Balance of Payments with the attendant positive impact on external reserves.

The MPC observed that despite pockets of macroeconomic headwinds confronting the Nigerian economy, the banking system has remained robust and resilient. Members, however, urged the Bank not to relent on its keen surveillance of the banking system, especially at a time of significant exogenous and endogenous headwinds. In addition, Members called on the Management of the Bank to closely monitor the ongoing recapitalization of the banking system to ensure the injection of quality capital as envisaged in the framework.

Overall, the MPC acknowledged the various policies by the Bank, aimed at anchoring inflation expectations, easing exchange rate pressures, deepening financial inclusion, and improving the transmission mechanism of monetary policy.

Key Developments in the Domestic and Global Economies

Data from the National Bureau of Statistics, using the 2009 base year, showed that headline inflation (year-on-year) stood at 34.80 per cent in December 2024, compared with 34.60 per cent in November 2024. On a month-on-month basis, it moderated to 2.66 per cent in December 2024, from 2.98 per cent in the previous month. Both the food and core components remained key contributors to headline inflation. Food inflation eased slightly to 39.84 per cent in December 2024 from 39.93 per cent in November, while the core component stood at 29.28 per cent in December 2024, compared with 28.75 per cent in November.

Following the rebasing exercise and revision of the weights of the consumption basket, using a 2024 base year, headline inflation for January 2025, now stands at 24.48 per cent (year-on-year) while the food and core components stood at 26.08 and 22.59 per cent respectively. In the view of Members, the new base year and reconstituted consumption basket represents the current economic realities.

Real GDP (year-on-year) grew 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. Both the Oil and Non-oil sectors contributed to the growth, with the Services sector being the major driver. While the Non-oil sector is expected to continue to lead output growth in the near term, sustaining the increase in oil production will enhance the contribution of the Oil sector to GDP growth.

The external reserves remained robust at US$39.4 billion as of 14th February 2025, translating to an import cover of 9.6 months for goods and services. In addition to this, the Balance of Payments has remained strong with a positive current account balance of US$6.06 billion as at the end of the third quarter of 2024.

On the global scene, the war between Russia and Ukraine as well as the uneasy calm in the Middle East remain key risks to the growth outlook. There is, however, a glimmer of hope that resolutions may be at hand. In addition to these legacy risks, the adoption of increased tariffs by the new US administration against its trading partners and retaliatory tariffs may result in elevated inflation and tempered growth in 2025. The IMF has, however, maintained global growth projections for 2025 and 2026 at 3.3 per cent apiece.

Members thus, agreed unanimously to continue to monitor both domestic and global developments to identify emerging risks and propose appropriate policy responses to mitigate the impact of associated shocks to the Nigerian economy.

The next meeting of the Committee is scheduled to hold on the 19th and 20th of May 2025.

Thank you.

Olayemi Cardoso
Governor,
Central Bank of Nigeria
20th February 2025