Central Bank of Nigeria

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Attention: News Editors/Gentlemen of the Press

MONETARY POLICY RATE REDUCED TO 27.00 PER CENT

The 302nd Monetary Policy Committee (MPC) meeting of the Central Bank of Nigeria (CBN) was held on September 22 and 23, 2025. The Committee reviewed key developments in the global and domestic economies including the outlook. All twelve (12) members of the Committee were in attendance.

Decisions of the MPC

The Committee decided as follows:

1. Reduce the Monetary Policy Rate (MPR) by 50 basis points to 27.00 per cent.
2. Adjust the Standing Facilities corridor around the MPR to +250/-250 basis points.
3. Adjust the CRR for commercial banks to 45 per cent while retaining that of merchant banks at 16 per cent.

   Introduce a 75 per cent CRR on non-TSA public sector deposits.
4. Keep the Liquidity Ratio unchanged at 30.00 per cent.

The Committee's decision to lower the monetary policy rate was predicated on the sustained disinflation recorded in the past five months, projections of declining inflation for the rest of 2025 and the need to support economic recovery efforts. The MPC also adjusted the Standing Facilities corridor to improve the efficiency of the interbank market and strengthen monetary policy transmission. The Committee further introduced a 75 per cent CRR on non-TSA public sector deposits for enhanced liquidity management.

Considerations

The MPC expressed satisfaction with the prevailing macroeconomic stability, evidenced by the improvements in several indicators. These include the sustained disinflation, improved output growth, stable exchange rate and robust external reserves. It particularly noted the increased momentum of disinflation in August 2025, being the highest in the past five months. This deceleration, underpinned by monetary policy tightening, exchange rate stability, increased capital inflows, and surplus current account balance, have helped to broadly anchor inflation expectations. Other factors that contributed to the deceleration include the continued moderation in the price of Premium Motor Spirit (PMS) and the notable increase in crude oil production. In the view of the Committee, the stability in the macroeconomic environment offered some headroom for monetary policy to support economic recovery.

Notwithstanding the consistent deceleration in inflation, the Committee observed the persistent build-up of excess liquidity in the banking system, resulting largely from fiscal releases emerging from improved revenues. Being mindful of the need to preserve the prevailing macroeconomic stability, the MPC noted the risk posed by excess liquidity in the banking system.

Members noted that effective functioning of the interbank market remains critical to enhanced transmission of monetary policy. This, therefore, informed the decision to adjust the width of the standing facilities corridor to boost interbank market transactions and enhance the stability of the market.

The Committee acknowledged the continued stability of the foreign exchange market and its critical importance in achieving rapid disinflation, and therefore called on the Bank to continue the implementation of policies that would further boost capital inflows and deepen foreign exchange liquidity.

On the financial sector, the MPC noted the continued resilience of the banking system, with most of the financial soundness indicators remaining within their respective prudential benchmarks. Members also acknowledged the significant progress in the ongoing bank recapitalization exercise, as fourteen (14) banks have fully met the new capital requirement. They therefore urged the Bank to continue the implementation of policies and initiatives that would ensure the successful completion of the ongoing recapitalisation exercise.

The Committee further noted the successful termination of forbearance measures and waivers on single obligors, which has helped to promote transparency, risk management and long-term financial stability in the banking system. The MPC reassured the public that the impact of the removal of forbearance is transitory and does not pose any threat to the soundness and stability of the banking system.

Price and Other Domestic Developments

Headline inflation (year-on-year) moderated further to 20.12 per cent in August 2025, from 21.88 per cent in July, driven by the decline in both food and core inflation. On a month-on-month basis, headline Inflation also decreased to 0.74 per cent in August 2025 from 1.99 per cent in the preceding month. Similarly, core inflation (year-on-year) eased to 20.33 per cent in August 2025, from 21.33 per cent in July, due to the slowdown in the cost of services, housing and utilities, as well as transport and logistics. Food inflation (year-on-year) also moderated to 21.87 per cent in August 2025, from 22.74 per cent in July, attributed to the decline in the prices of staples, especially rice, guinea corn, maize and millet.

On output, the recently released GDP for the second quarter of 2025 showed the sustained resilience of the Nigerian economy with a real growth rate of 4.23 per cent (year-on-year) compared to 3.13 percent in the first quarter of 2025. The Committee particularly noted the significant improvement in the performance of the oil sector which grew by 20.46 per cent compared to 1.87 per cent in the preceding quarter, a positive development that is expected to further bolster foreign exchange reserves and sustain stability in the foreign exchange market. In this regard, the Committee commended the efforts of the Federal Government and called for continued vigilance to strengthen the momentum of security across the country in order to increase oil output and food production.

Gross external reserves remained robust at US$43.05 billion on September 11, 2025, compared with US$40.51 billion at end-July 2025 with an import cover of 8.28 months. Similarly, the Q2 2025 current account balance recorded a significant surplus of US$5.28 billion compared with US$2.85 billion in Q1 2025.

Global Developments

Available projections indicate that global output recovery is expected to improve on the back of favourable trade negotiations and monetary policy easing, particularly in the advanced economies. However, persistent geopolitical tensions and lingering trade uncertainties could disrupt global supply chains and dampen the outlook.

Global inflation is projected to sustain its deceleration, albeit, at a slower pace, due to the impact of trade tariffs and other structural challenges. This trajectory has necessitated a cautious and data-dependent approach to monetary policy easing by central banks, especially in emerging markets and developing economies.

Outlook

Staff projections suggest a sustained disinflation over the coming months, driven by the lagged effects of previous rate hikes, continued stability in the foreign exchange market, and decline in the price of PMS. Furthermore, the onset of the harvest season is expected to increase local food supply, moderate food prices and contribute to the overall decline in inflation.

In its commitment to achieving the core mandate of price stability, the Committee will remain proactive through a data-driven policy response.

The next meeting of the Committee is scheduled for Monday, 24th and Tuesday, 25th November 2025.

Thank you.

Olayemi Cardoso

Governor,
Central Bank of Nigeria
September 23, 2025.