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 300th meeting on the 19th and 20th of May 2025. The Committee reviewed developments in the global and domestic economies including 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 hold policy 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

The MPC noted the relative improvements in some key macroeconomic indicators which are expected to support the overall moderation in prices in the near to medium term. These include the progressive narrowing of the gap between the Nigeria Foreign Exchange Market (NFEM) and Bureau De Change (BDC) windows, the positive balance of payments position, and easing price of PMS. Members also noted with satisfaction the progressive moderation in food inflation and, therefore, commended the government for implementing measures to increase food supply as well as stepping up the fight against insecurity, especially in farming communities. The MPC, thus, encouraged security agencies to sustain the momentum while government provides necessary inputs to farmers to further boost food production.

The Committee, however, acknowledged underlying inflationary pressures driven largely by high electricity prices, persistent foreign exchange demand pressure and other legacy structural factors. The MPC noted new policies introduced by the Federal Government to boost local production, reduce foreign currency demand pressure, and thus, lessen the pass-through to domestic prices.

Given the relative stability observed in the foreign exchange market, Members urged the Bank to sustain the implementation of the ongoing reforms to further boost market confidence. The Committee also called on the fiscal authority to strengthen current efforts at enhancing foreign exchange earnings, especially from gas, oil and non-oil exports.

The MPC, however, expressed concerns about the recent decline in crude oil prices, attributable to increased production by non-OPEC members as well as uncertainties associated with U.S. trade policy, which present new challenges for fiscal receipts and budget implementation.

The Committee reaffirmed the continued stability of the banking system following notable improvements in key performance indicators and observed the appreciable progress in the ongoing recapitalization exercise. Members, thus, called on the Bank to sustain its effective oversight of the industry to ensure compliance with regulatory and macroprudential guidelines.

On the strength of these considerations, and driven by the continued uncertain policy environment, exacerbated by ongoing global shocks, members weighed the available policy options and were unanimous in their decision to hold policy to enable a better understanding of near-term developments. Members reaffirmed their commitment to prioritise policies targeted at anchoring inflation expectations and easing exchange rate pressure.

Key Developments in the Domestic and Global Economies

According to the National Bureau of Statistics (NBS), headline inflation (year-on-year) declined to 23.71 per cent in April 2025, compared with 24.23 per cent in March 2025. On a month-on-month basis, it also declined to 1.86 per cent in April 2025, from 3.9 per cent in the previous month.

Both food and core components contributed to the decline in inflation in the period. Food inflation eased further to 21.26 per cent in April 2025 from 21.79 per cent in the previous period. Core inflation also declined to 23.39 per cent in April 2025, compared with 24.43 per cent in March.

Real GDP (year-on-year) grew by 3.84 per cent in the fourth quarter of 2024, compared with 3.46 per cent in the preceding quarter. This improvement was driven by both the oil and non-oil sectors, with the services sector being the major contributor.

Gross external reserves increased by 2.85 per cent to US$38.90 billion as at 16th May 2025, from US$37.82 billion at end-March 2025. This represents an import cover of 7.6 months for goods and services. The balance of payments (BOP) recorded a surplus of US$1.10 billion in the fourth quarter of 2024, compared with US$4.21 billion in the preceding quarter, on account of moderation in current account surplus.

Although global output growth is expected to remain positive despite existing and emerging headwinds, the International Monetary Fund (IMF) downgraded its global growth forecast to 2.8 per cent in 2025 and 3.0 per cent in 2026, compared with 3.3 per cent in 2024 due to the uncertain policy environment.

Members were, thus, unanimous in their resolution to maintain close surveillance of developments in both the domestic and global environments to enable appropriate policy response to emerging shocks.

The next meeting of the Committee is scheduled to hold on the 21st and 22nd of July 2025.

Thank you.

Olayemi Cardoso

Governor,
Central Bank of Nigeria
20th May 2025