Date: Thursday, 20 February 2025

Ref: CBN/MPC/COM/156/299

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

PERSONAL STATEMENTS BY THE MONETARY POLICY COMMITTEE MEMBERS MPC MEETING FEBRUARY 19 – 20, 2025

1. AKU PAULINE ODINKEMELU

I vote to retain the Monetary Policy Rate (MPR) at 27.50 per cent, the asymmetric corridor around the MPR at +500/-100 basis points, Cash Reserve Ratio of Deposit Money Banks at 50.00 per cent and Merchant Banks at 16 per cent, and the Liquidity Ratio at 30.00 per cent. My decision is influenced by the following developments:

Global Economic Developments

The global economy has undergone significant changes since the MPC last met in November 2024. Rising uncertainty in international trade, driven by anticipated higher tariffs due to expected retaliatory trade policies against the United States, and increased risk of trade fragmentation, are potentially slowing global growth and posing greater challenges for developing economies. Despite these headwinds, the global growth forecast remains unchanged. According to the International Monetary Fund (IMF), global growth stabilized at 3.2 per cent in 2024 and is expected to remain steady at 3.3 per cent in both 2025 and 2026. Ongoing geopolitical uncertainties — including conflicts in the Middle East and the Russia-Ukraine war — as well as increasing protectionism and trade fragmentation, continue to weigh on economic prospects. Growth in the advanced economies is projected to moderate from 1.9 per cent in 2024 to 1.8 per cent in 2025. The Emerging Markets and Developing Economies (EMDEs) are expected to grow at 4.2 per cent in 2025 and 2026. Sub-Saharan Africa's growth outlook has been revised upward from 3.8 per cent in 2024 to 4.2 per cent in 2025, reflecting improved economic conditions in the region.

The IMF projects a gradual moderation in global inflation, forecasting a decline from 5.7 per cent in 2024 to 4.2 per cent in 2025 and 3.5 per cent in 2026. This sustained moderation is driven primarily by easing supply chain disruptions, anticipated declines in energy prices, and labour market normalization. In the advanced economies, inflation is expected to move closer to the long-term targets set by central banks, supported by subdued energy prices, and relatively tight monetary policy. Inflation in these economies is projected to decrease from 2.6 per cent in 2024 to 2.1 per cent in 2025 and further to 2.0 per cent in 2026. In the EMDEs, it is expected to moderate at a slower pace due to persistent challenges, prominent among which are exchange rate pressures, inadequate transport infrastructure, and energy shortages, which continue to pose upside risks. Inflation in the EMDEs is projected to decline from 7.8 per cent in 2024 to 5.6 per cent in 2025 and 4.5 per cent in 2026.

I, therefore, vote to hold the policy interest rate while encouraging the Bank to closely monitor the emerging risk from the global economy. I understand the importance of effectively anchoring inflation expectation to ensure price stability. However, the elevated risks to inflation are largely structural.

Domestic Economic Developments and Outlook

The domestic economy expanded by 3.46 per cent in the third quarter of 2024, up from 3.19 per cent in the second quarter, driven primarily by growth in the services, industry, and agriculture sectors. Continued improvements in agricultural output and crude oil production are expected to sustain the positive trajectory. The slow pace of growth in non-oil sectors, subdued consumer demand, elevated interest rates, and high consumer prices pose significant risks to sustained economic expansion.

Year-on-Year headline inflation increased marginally to 34.80 per cent in December 2024 from 34.60 per cent in the previous month. This slight increase was primarily driven by heightened seasonal demand associated with year-end celebrations, as well as rising energy costs.

Other factors that weighed on my decision are as follows:

First is the need to monitor the outlook to domestic inflation, which is projected to decline gradually due to improved economic stability, exchange rate appreciation, relatively lower PMS prices, a hawkish monetary policy stance, and enhanced security in food-producing regions. Secondly, it is essential to monitor the behaviour of the rebased inflation rate. While some scholars attribute the decline in the rebased inflation — from 34.8% in December 2024 to 24.48% (year-on-year) in January 2025 — solely to statistical adjustments, I take a more optimistic perspective, focusing on how this recalibration helps identify the key drivers of current inflation in Nigeria. The decision to rebase inflation from the 2009 base year to 2024 further supports my longstanding argument that Nigeria's inflation is largely structural. I have consistently maintained that the country's persistent inflation stems primarily from supply-side constraints in critical sectors such as agriculture, infrastructure, and oil. The rebased inflation measure, which assigns greater weight to core inflation, underscores this reality. Core inflation—driven by transportation, housing, healthcare, and electricity costs — remains persistent and is less responsive to monetary policy interventions. While I acknowledge that food inflation serves as a key predictor of overall inflation, recalibrating the inflation measure to place greater emphasis on core inflation more accurately reflects the evolving structure of the Nigerian economy. This approach effectively highlights the fundamental drivers of inflation.

In the light of these insights, the Central Bank of Nigeria should continue to work on enhanced coordination with the fiscal authority to develop policies that address supply-side shocks and mitigate structural inflationary pressures.

2. ALOYSIUS UCHE ORDU

Introduction: The February 2025 MPC meeting took place at a time when the National Bureau of Statistics (NBS) released its rebased CPI, replacing the 2009 price reference period with 2024 as the base year. This milestone provided an opportunity to reflect on the MPC's journey in the past twelve months. Looking back, 2024 was a particularly difficult year for Nigerians, with record high inflation and severe naira depreciation. To tackle these problems head on, the MPC showed exceptional courage by returning to monetary policy orthodoxy – raised interest rates by 875 basis points and significantly constrained money supply by raising the cash reserve ratio. CBN also introduced reforms to the foreign exchange market, for example, the electronic foreign exchange matching system, to enhance transparency and improve operational efficiency in the foreign exchange market. Combined with other fiscal and structural policies, these measures are yielding dividends as reflected in CBN staff presentations of which the following are noteworthy.

Cautious improvements in sentiments and expectations: First, staff presentations indicate a broadly optimistic business outlook, with increased confidence across sectors, particularly in industry and agriculture. Businesses expect higher activity, employment growth, and an appreciating naira, though challenges such as high interest rates, insecurity, and insufficient power supply persist. Second, the Purchasing Managers' Index (PMI) recorded an expansion at 50.2 index points, reflecting growth in the industrial and agricultural sectors, while services contracted due to declines in business activity, new orders, and employment.

Third, on the consumer side, household confidence improved, though sentiment remains cautious due to continued concerns about inflation. Essential spending continues to dominate household expenditure, while purchases of big-ticket items remain low.

Not surprisingly, inflation remains a major concern, with over 80% of businesses and households perceiving it as high, driven by energy costs, exchange rates, and transportation expenses. However, firms and households expect that inflation will ease in the next six month on account of increased domestic production of PMS from the Dangote, Port Harcourt and Warri refineries; the increased production of crude oil to 1.8 million barrels per day; the increased domestic production of food items with enhanced government efforts to boost agricultural productivity; adjustments to food import policies; and the recent re-basing of the CPI data by the NBS.

Growth in domestic output and business activity: The economy continued to show resilience and recovery, with real GDP growth projected to reach 3.2% in 2025, up from 3.1% in 2024 (IMF). Though marginal improvement in per capita terms, this positive momentum is driven by strong performances in agriculture, industry, and services sectors. In particular, the agriculture sector has been a key driver of this growth, experiencing six consecutive months of expansion. Similarly, the industrial sector is rebounding, benefiting from improved energy supply, lower import costs, and new manufacturing incentives, fostering increased production across key industries such as textiles, cement, and consumer goods.

Strengthening of the naira and foreign exchange reserves: The naira appreciated by 13.6% against the US dollar between November 2024 and January 2025, reflecting improved foreign exchange inflows and effective monetary policies. This appreciation is attributed to higher oil revenue, increased remittances, and foreign investment inflows, as well as enhanced exchange rate management by CBN. The foreign exchange market has stabilized, providing greater confidence for businesses and consumers, reducing import costs, and supporting domestic price stability.

Additionally, Nigeria's external reserves remained robust, supporting exchange rate stability and investor confidence. CBN's continued efforts to increase reserves through non-oil exports, diaspora remittances, and foreign investment inflows have contributed to this positive trend. As a result, the economy is better positioned to withstand external shocks, ensuring a more resilient financial environment for businesses and consumers.

Stock market and investment growth: The Nigerian Stock Exchange (NGX) All-Share Index rose by 7% between October 2024 and January 2025, reflecting strong investor confidence and increased participation in equity markets. The banking, manufacturing, and consumer goods sectors recorded significant gains, driven by improved corporate earnings, increased foreign investor inflows, and positive economic outlook. This performance highlights growing confidence in Nigeria's economic trajectory, with more businesses accessing capital markets for expansion.

In addition to stock market growth, foreign direct investment increased, albeit modestly, particularly in technology, renewable energy, and infrastructure projects. This is a result of ongoing economic reforms, improving business climate, and government incentives aimed at attracting global investors. Continued and much higher investment inflows will be necessary for sustained economic recovery and growth and to transform Nigeria to a trillion-dollar economy.

On fiscal policy: Staff presentations also highlighted positive revenue growth and improved budget performance. The FGN recorded increased revenue collection between January and August 2024, driven by higher oil prices, improved tax collection, and stronger non-oil revenue mobilization. The implementation of tax reforms and digital tax administration systems contributed to enhanced revenue efficiency. Additionally, improved compliance with value-added tax (VAT) and corporate income tax regulations boosted government revenue. Intense drive will be necessary to raise the overall tax revenue-to-GDP ratio well above 10 per cent.

On the expenditure side, the government prioritized infrastructure development, social programs, and debt servicing. Capital expenditure focused on transportation, energy, and health projects, aimed at stimulating economic growth and job creation. While debt servicing remained a significant portion of government spending, efforts were made to enhance debt sustainability through improved revenue generation and refinancing strategies. The fiscal deficit, although still of concern, showed signs of narrowing, indicating better fiscal discipline and expenditure management.

Looking ahead, it is vital that fiscal policy continues to emphasize revenue mobilization, cost optimization, and sustainable borrowing practices. It is commendable that the government aims to reduce reliance on oil revenues by expanding non-oil revenue sources, including agriculture, manufacturing, mining, and technology sectors. Fiscal consolidation efforts, including subsidy reforms and public financial management improvements, are expected to further enhance budget performance and overall economic stability. With stronger revenue inflows and controlled expenditure growth, the fiscal outlook for 2025 remains positive, supporting economic resilience and long-term fiscal sustainability.

Developments in the global economy: On January 29, the U.S. Federal Reserve kept interest rates on hold at 4.25 – 4.5 per cent and signaled fewer reductions than previously anticipated for the rest of the year. This hawkish stance reflects uncertainties about the new administration’s tariffs, immigration, fiscal and regulatory policies and their implications for the U.S. economy. Thus far, the economy has been resilient: Unemployment is relatively low at 4.3 per cent, and consumer spending is healthy though inflation remains elevated with a 3.0 per cent rise in the CPI in January 2025 *vis-à-vis* a year earlier. Stripping out volatile food and energy categories, core inflation rose by 3.3 per cent for the year ending in January 2025. Similarly, month-on-month consumer prices rose in January by 0.5 per cent, the highest increase since August 2023.

The U.S. Fed is thus expected to maintain a hawkish stance by continuing to pause further interest rate cuts while the economy is strong, and inflation remains elevated. That U.S. interest rates will stay higher for longer marks the end of an era of some of the sharpest and most synchronized monetary policy tightening in advanced countries.

In contrast, other advanced countries are cutting interest rates. On January 30, the European Central Bank lowered interest rates by 25 basis points – a decision that reflects confidence that inflation will return to the 2.0 % medium-term target despite persistent domestic inflationary pressures driven by wage adjustments. While monetary policy remains restrictive, recent rate cuts are gradually easing borrowing costs, though financing conditions remain tight due to past rate hikes still impacting credit markets. The Bank of England and the Bank of Canada also cut their rates. At 49.1 index points, China's purchasing managers' index was below forecasts and marked the first contraction since September 2024, reflecting weaker external demands. This outcome will add further pressure on China's policy makers already challenged by property market slowdown, a loss in consumer confidence and the evident trade tensions with the U.S.

Implications of global developments for the Nigerian economy: Staff presentations also highlighted that geopolitical tensions, global trade policies, and inflationary pressures continue to shape Nigeria's economic outlook. The ongoing tariff escalation between the U.S., China, and other major economies has introduced greater volatility in global commodity markets, affecting Nigeria's trade balance. However, stabilizing oil prices and increasing global demand for Nigerian crude have helped sustain foreign exchange inflows and support economic growth projections for 2025.

That the U.S. appears to be abandoning the rules-based international order that has assured stability, open markets and global growth in the past decades has serious consequences for emerging markets and developing economies. Already, the World Bank's January 2025 Global Economic Prospects noted that living standards in emerging markets and developing economies will lag further behind the advanced countries in the period ahead.

Monetary policy shifts in advanced economies, particularly the U.S. Federal Reserve and the European Central Bank, clearly have direct implications for Nigeria. The delayed pace of interest rate cuts in the U.S. has influenced global financial markets, affecting capital flows to emerging markets like Nigeria. As global investors seek higher returns, some have shifted away from emerging markets, leading to capital outflows and exchange rate pressures on the naira. However, the naira's recent appreciation and CBN's foreign exchange management strategies have helped stabilize the financial markets, mitigating some of these risks.

Despite external headwinds, Nigeria's economic resilience is supported by structural reforms and policy adjustments. The government's focus on diversifying revenue sources beyond oil, boosting domestic production, and improving infrastructure investment is expected to cushion the economy against external shocks. The gradual easing of global inflation and increased foreign investment into non-oil sectors present opportunities for sustained growth. Continued monitoring of global developments, proactive monetary and fiscal policies, and structural reforms will be critical to ensuring long-term economic stability and competitiveness in the face of evolving global challenges.

Concluding remarks and rationale for my vote: Nigeria commenced 2025 on a brighter note than 2024. But we are not out of the woods yet. The lesson from global experience is that one of the worst mistakes we can make is to tolerate sustained and rising inflation. Indeed, the necessary condition for maximum sustainable economic growth is stable prices. As such, I continue to see a persuasive case for the MPC to stick to its script, for now, and keep interest rates on hold. This is the first time to do so in the past seven meetings. We will closely monitor developments in the period ahead and make decisions as appropriate based on the available data. I therefore voted to hold the MPR, the CRR, liquidity ratio, and the asymmetric corridor at their current rates.

3. BALA MOH'D BELLO *MON*

Opening Statement

At the February 2025 Monetary Policy Committee (MPC) meeting, the first in the year, **I voted to hold all parameters at their current levels** as follows:

1. Retain the Monetary Policy Rate (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.

The meeting, which was held approximately one year after the current MPC commenced sitting, provided an opportunity to appraise the effectiveness of the Committee's policies on key macroeconomic indicators.

It is gratifying to note that previous policies of the Committee, complemented by the Bank's administrative policies and supportive fiscal initiatives, are yielding positive outcomes, leading to the gradual restoration of domestic macroeconomic stability. This is supported by recent statistics which show continued moderation in inflation persistence, relative stability and appreciation in the naira exchange rate, and a sustained positive output performance.

I, also, evaluated current global developments with potential implications for Nigeria's macroeconomic performance, including shifts in international trade patterns, geopolitical dynamics, and price developments. This robust analysis and the short–to-medium term outlook for key macroeconomic indicators, guided my decision at the meeting. Outlined in the ensuing sections, are my reflections on specific economic indicators.

Key Considerations

A major high point of the meeting was the recent rebasing of the Consumer Price Index (CPI) by the National Bureau of Statistics (NBS), which revised the weights of items in the consumption basket to reflect current consumption patterns. Following the rebasing exercise and revision of the weights of the consumption basket, which adopted a 2024 base year, **headline inflation for January 2025 was reported as 24.48 per cent (year-on-year)** with the food and core components at 26.08 per cent and 22.59 per cent respectively. The exercise conforms with global best practices, enhances data credibility and ensures alignment with prevailing macroeconomic realities, for informed policy decision-making.

At the current inflation level, real yields (MPR less headline inflation) are now positive, a development that would boost investor confidence and enhance the expectations of economic agents. Further moderation in domestic prices is expected with the sustained coordination of monetary and fiscal policies.

Real Gross Domestic Product (GDP) grew by 3.46 per cent (year-on-year) in the third quarter of 2024 compared with 3.19 per cent and 2.54 per cent in the preceding and corresponding periods, respectively. Notably, the non-oil sector was the major driver of GDP growth, a reflection of the importance of ongoing efforts by the federal government at economic diversification for sustainable and inclusive growth. The recent improvement in crude oil production is a welcome development that is expected to further support output expansion throughout the year. These positive trends provide the MPC with greater latitude to focus on its core mandate of ensuring price and financial system stability.

Against the backdrop of tight liquidity management and the recent modification of the foreign exchange (FX) management strategy, the naira exchange rate has demonstrated relative stability, with considerable appreciation. The revised FX management strategy, which includes the adoption of the Electronic Foreign Exchange Matching System (EFEMS) and the Nigeria Foreign Exchange Code, to enhance transparency, ethics and credibility in the market, is gradually yielding desired outcomes. A substantial portion of FX demand has migrated to the official window, thus reducing speculative demand and allowing market forces to play a more significant role in exchange rate determination. As confidence in the revised framework grows, the positive implications for domestic price stability are expected to gradually unfold.

The banking sector has remained robust and stable. Reports presented at the meeting indicate that prudential ratios are within regulatory thresholds, and stress test results remain satisfactory despite the contractionary stance of monetary policy. Nonetheless, the Bank remains vigilant with proactive measures such as the ongoing recapitalization of commercial banks which is crucial to ensuring continued stability amidst evolving global and domestic economic conditions.

On the global front, downside risks remain elevated due to factors such as escalating trade tensions, persistent conflicts in the Middle East and Ukraine, and climate related shocks. On the contrary, there are also potential upside risks to global economic developments such as stronger-than-expected demand, particularly in the advanced economies, and China which could boost global growth prospects.

Against this backdrop, the outlook for the global economy in 2025 remains uncertain, and the projected stability is confronted with a complex mix of risk factors. In addition, inflation in major advanced economies faces fresh headwinds associated with the ongoing tariff wars and labour demand issues. This may result in unanticipated monetary policy adjustments with implications for emerging markets. In this context, therefore, continued implementation of policies that reinforce Nigeria's macroeconomic stability remains a priority, to enhance resilience against external shocks.

Concluding Remarks

While I note the positive short-to-medium term outlook for the Nigerian economy, it is imperative to sustain coordinated and orderly positive measures to further strengthen macroeconomic fundamentals.

Overall, I am convinced that the primary objective of monetary policy at this point would be to preserve and deepen the relative stability which the economy is exhibiting. The current monetary policy configuration is suitable, in my view, to support this goal, hence my decision to vote for a hold.

4. BANDELE A.G. AMOO

Having reviewed the recent empirical developments in both the domestic and external economies, I decided to vote as follows:

(a) Retain the Monetary Policy Rate (MPR) at 27.50 per cent.

(b) Retain the asymmetric corridor around the MPR at +500/-100 basis points.

(c) Retain the Cash Reserve Ratio (CRR) at 50.0 per cent for Deposit Money Banks (DMBs) and 16.0 per cent for Merchant Banks.

(d) Retain the Liquidity Ratio (LR) at 30.00 per cent.

The following consideration influenced my decision.

1. Global Growth and Inflation

The resilience witnessed in global economic recovery in the recent past continued through February 2025. The IMF (World Economic Outlook, WEO) however, predicted that global growth will likely remain flat at 3.3 per cent apiece in 2025 and 2026 compared with 3.2 per cent in 2024. Output expansion in the emerging market and developing economies (EMDEs) is currently stable, with the current pace expected to continue over the short term. However, the outlook is subject to downside risks, including the dampening effect of monetary tightening on economic activities, resurgence of protectionism, and heightened geopolitical tensions.

Global average inflation continued to slide, giving rise to precipitating monetary policy convergence amongst the advanced economies. The downward trend is traceable to continued energy price decline, ease in supply chain disruptions and other positive inflation expectations. A report by the International Monetary Fund (World Economic Outlook, January 2025 update) forecasts global inflation to moderate from 5.7 per cent in 2024 to 4.2 and 3.5 per cent, in 2025 and 2026, respectively. The downside risks have, however, persisted as escalating geopolitical tensions continue to further disrupt commodity price declines, and increase fragmentation of trade networks.

Also, global commodity prices exhibited minimal volatility lately, with forecast of downward trajectory, especially in energy prices. Food inflation is projected to decline further due to improved crop harvest by key producers across several regions. Tighter supplies in the Russian Federation and mixed winter crop conditions in parts of the European Union, Argentina and the US; emerging trade wars; coupled with uncertainties from ongoing geopolitical tensions in some regions, pose significant risk to the outlook.

Consequently, some central banks in emerging markets and advanced economies continued to cut their policy rates as inflation moderates but remain cautious to ensure achievement of their set targets. Others, however, retain their restrictive stance as upside risks to inflation persist.

2. Domestic Economic Developments and Outlook

Information from the National Bureau of Statistics (NBS) showed that Nigeria's Gross Domestic Product (GDP) grew by 3.84% (year-on-year) in real terms in the fourth quarter of 2024, compared with 3.46% recorded in the fourth quarter of 2023. GDP performance in the fourth quarter of 2024 was driven mainly by the Services sector, which recorded a growth of 5.37% and contributed 57.38% to aggregate GDP. The growth of the industry sector was 2.00%, a decline from 3.86% in the fourth quarter of 2023. Agriculture sector grew by 1.76%, from the growth of 2.10% in the fourth quarter of 2023. In terms of share of the GDP, the services sector contributed more to aggregate GDP in the fourth quarter of 2024 compared to the corresponding quarter of 2023.

The Nigerian Financial system continues to be resilient and strong. Banking industry assets grew by12.68% to ₦17.98 trillion in January 2025. Industry credit and deposits increased by N0.59 trillion and ₦11.05 trillion, respectively as of January 2025 compared with their levels in the preceding year. Bank liquidity remained adequate in January 2025, reflected by a high ratio of liquid assets to third-party funds at 50.6%. The Capital Adequacy Ratio (CAR) declined to 14.8% in January 2025 from 15.2% in December 2024, thereby exposing banks to more risk-weighted assets and under supporting credit growth, even as interest margin to total operating income rose by 8%. Meanwhile, non-performing loans (NPL), as a proxy of credit risk, stood at 4.2% in January 2025.

The financial soundness indicators (FSI) trend for other financial institutions also showed strong safety levels. Their savings and domiciliary deposits fell by ₦ 0.17 trillion (0.80%) and ₦ 0.96 trillion (2.40%) respectively, in January 2025. These Fintech-driven MFBs have played a key role in advancing the nation's financial inclusion drive and the growth of the MFB subsector. Through technological innovation and the use of data analytics, these MFBs have enabled faster and more efficient delivery of financial services to the underbanked and unbanked.

The latest stress tests indicate banking industry resilience against various risks, supported by efficient macro-prudential framework. Moving forward, the CBN should continue strengthening synergy with other regulatory entities in the financial sector to mitigate risks that could potentially disrupt financial system stability.

Nigeria's Balance of Payments (BOP) position remains stable to support external sector stability. Portfolio inflows as at end-February 2025, remain high, recording positive net inflows . The external reserves is estimated to be about US$39,839.79million at end-February 2025, from US$38,706.99million at end-January 2025, mainly, due to improved crude oil production and stability in the FX market following several reforms by the CBN. Other factors include expected reduction in import demand pressures arising from the full deregulation of the downstream oil sector, reduced importation of petroleum products , increased inflows and other newly introduced measures by the CBN.

Data from the NBS reported that the rebased year-on-year headline inflation for January 2025 was 24.48%, due to the reconstitution of the inflation basket to reflect current consumption patterns as well as adoption of a new methodology for computing the CPI. Food inflation stood at 26.08% while core inflation stood at 22.59% in January 2025. Further analysis under the new methodology showed that items such as health, housing utilities, information & communication, recreation, education services, and insurance & financial services recorded single-digit inflation rates.

A further breakdown of the inflation data shows that Food and Non-Alcoholic beverages were the major drivers of both year-on-year and month-on-month Headline inflation, contributing 16.65 and 1.15%, respectively. Opinion survey from the states showed that insecurity, production cost, subsidy issues, energy challenges, exchange rate depreciation are the main factors driving inflation in Nigeria. The marked decline in the inflation rate after the re-basing exercise underscores a shift in real interest rates into positive territory. This will improve investor sentiment for the Nigerian economy, particularly within the corridor of fixed income instruments.

It is hoped that when the government facilitate the efficient implementation of the 2023 Electricity Act to tackle electricity infrastructure deficit in Nigeria, it will systematically moderate inflation further. Energy is a major component of business costs, which could stimulate investment while also reducing household electricity and gas expenses, increasing real disposable income and potentially boosting demand for other goods and services. Lower energy prices would help to fasten the disinflationary process, potentially facilitating monetary policy easing, which may further support investment.

3.0 My Concern

I am glad to note that the Nigerian economy witnessed several positive macro-economic developments in recent times across different sectors. Some of which include: sector-wide drop in general prices, especially food; stability in the foreign exchange market resulting in reduced speculative activities, and continued appreciation of the naira against the US dollar; declining FX premium between NFEM and BDC recently; gradual moderation in the price of Premium Motor Spirit (PMS); planned recapitalisation of the Bank of Agriculture; increase in social safety programmes to further boost aggregate demand to reduce the manufacturers' outcry of unsold stock of goods; growth in the capital market (ASI and equity portfolios); improved payment system infrastructure as well as improved coordination between the fiscal and monetary policy authorities.

Given the aforementioned, it is my fervent believe that the MPC must continue to contain demand-side pressures and manage the second-round effect from supply shocks. I also submit that it is appropriate to maintain a tight monetary policy stance until a significant and sustained decline in inflation is achieved. Working with the MPC team, the duration and extent of policy restrictiveness will be monitored, and it must be outlook dependent and data driven. When this happens, the country would have a more entrenched import substitution policy strategy, boosting the industrial sector as a vibrant engine of growth and net employer of labour.

4.0 Conclusion

The current positive engagement and collaboration between the monetary and fiscal authorities must continue to strengthen the effectiveness on on-going policies to spur growth and contain inflationary pressures. Consequently, decisive policy action is still needed in the near future to bolster investment in critical sectors such as energy. The fiscal authority may need to do more to tackle security challenges and upgrade infrastructure to promote domestic food production and other economic activities.

5. EMEM USORO

At the Monetary Policy Committee (MPC) held on February 19-20, 2025, I voted to:

i. **Retain** the MPR at 27.50%
ii. **Retain** the Asymmetric Corridor at +500/-100 basis points around the MPR.
iii. **Retain** the CRR at 50% for commercial banks and 16% for merchant banks; and
iv. **Retain** the LR at 30.0%.

This decision followed a thorough assessment of prevailing domestic and global economic conditions, the consensus outlook and balance of macroeconomic risks. It is pertinent to note that the rationale behind my decision was driven by several considerations outlined below.

- **Global economic expansion has slowed, since the last MPC meeting, fuelled by the downturn in the services sector**. In addition, geopolitical risks, and uncertainty in trade policies, particularly between the United States and other major economies like China, and Canada contributed to supply-demand imbalances, and rise in the prices of global commodities like crude oil and gold.
- **Global disinflation appears to be stalling, prompting most central banks to maintain a** *"wait-and-see"* **monetary policy stance**, with a few others taking an accommodative policy stance to support growth. Furthermore, heightening global uncertainties have led investors to lean towards flight-to-safety positions, which has implications for capital inflows to emerging markets and developing economies (EMDEs) and exchange rate volatility.
- **Looking ahead, the outlook for the global economy remains mildly optimistic** as growth is expected to continue albeit at a moderate pace due to tight financial conditions; trade and fiscal uncertainties amongst major economies like the United States, China and Canada; and prevailing geopolitical tensions and risks. Global inflation is, however, expected to decelerate due to decline in commodity prices and tight monetary policy.
- **Inferences from these global developments highlight several pressure points** including subdued global growth and weakening commodity prices, which might impact Nigeria's fiscal and external positions negatively. Furthermore, heightening inflation risk might prompt higher for longer monetary policy stance, which might impact capital flows to EMDEs.
- **On the domestic front, the pace of domestic inflation has slowed since the last Monetary Policy Committee (MPC) meeting, with headline inflation rising by 0.2 percentage points between November and December 2024**. Headline

inflation stood at 24.48% in January 2025, following the rebasing exercise, driven by changes in the weights of items in the consumption basket such as the reduced contribution of food inflation to headline inflation. This resulted from observed changes in general consumption patterns over the years.

- **Key drivers of recent inflation dynamics** include tight financial conditions which resulted from the recent tight monetary policy stance. Specifically, credit contraction between December 2024 and January 2025; marginal exchange rate appreciation, driven by FX reforms such as the launch of the BMatch system and the FX code; and tight liquidity conditions occasioned by sustained tight monetary policy stance supported the easing of inflation outcomes.

- **In addition, sustained economic expansion in the agriculture and industrial sectors, depicted by the Purchasing Managers' Index (PMI),** as well as optimism about the macroeconomy by households and businesses also contributed to recent price development. It is noteworthy to spotlight the contemporaneous relationship between agriculture and industrial output and deceleration in inflation, implying that inflation is more supply-driven than demand-driven. Thus, recent efforts by the Federal Government geared towards improving productivity via infrastructural development, and ensuring food security is commendable, given the potential to tame inflation.

- **The domestic economy retains a cautiously optimistic outlook in the near-term as growth** is expected to continue to improve, supported by increased crude oil production, infrastructural development initiatives, and social programs, which are expected to stimulate aggregate demand. While this can support economic growth, it also poses upside risks to inflation, especially if government deficit financing relies heavily on domestic borrowing. Inflation remains a major concern, even though the outlook has flipped from uncertain to mildly optimistic. As a result, inflationary pressures are likely to remain moderately elevated in the short term, driven by the fiscal pressures and supply-side constraints.

- **The external sector outlook is bolstered by increased domestic crude oil production, and the anticipated value-chain expansion** due to increased output from the various domestic refineries now in operation. Furthermore, increased capital inflows due to sustained tight stance, decelerating inflation, and bullish capital market activities from the ongoing bank recapitalisation exercise will support accretion to external reserves, exchange rate stability and expansion of the fiscal space.

- **A macro-risk assessment reveals existence of several risks to the global economy,** including increasing geopolitical tensions and the impact of trade policy uncertainties, which might heighten supply chain disruptions, hamper global economic activity, and disrupt global markets. On the domestic front, supply chain disruptions emanating from structural factors, including infrastructural deficits and security challenges, continued to pose downside risks to growth and upside risks to the inflation outlook.

- **Given these risks, retaining the policy rate allows monetary policy not only to support the outcome of fiscal reforms which are complementary to the lowering of domestic prices**, but also helps to allow for a gradual and market-driven adjustment of the exchange rate.

6. LYDIA SHEHU JAFIYA

Global economic growth remains stable with positive prospects for the medium-term on account of sustained growth in the Advanced Economies, rebound of economic activity in China, and improved economic performance in many Emerging Market and Developing Economies (EMDEs). Consequently, the January 2025 World Economic Outlook (WEO) has revised global growth projections upwards to 3.3 per cent in 2025 from its 3.2 per cent projection in the October 2024 forecast. Growth in the Advanced Economies is projected to increase to 1.9 per cent in 2025 from 1.7 per cent in 2024, while in the EMDEs, growth remained stable at 4.2 per cent.

Global headline inflation has declined significantly due to monetary policy tightening in many countries and the abatement of supply chain shocks. In most Advanced Economies, the pace of convergence of inflation towards their long-run targets has slowed, necessitating a cautious tread in the path of monetary policy normalization. The Emerging Market and Developing Economies have also shown significant resilience in the disinflation process, despite concerns over trade barriers, tight financial conditions, and capital flow volatilities. The IMF WEO projects global headline inflation to moderate to 4.2 per cent in 2025 from 5.7 per cent in 2024.

Global trade growth is expected to slow to 3.2 per cent in 2025, from 3.4 per cent in 2024. This decline reflects increased uncertainty in trade policies in the light of escalating trade tensions and economic fragmentations threatening global supply chains.

THE DOMESTIC ECONOMY

The domestic economy continued its upward trajectory, with real GDP (year-on-year) growing by 3.84 per cent in Q4 2024, up from 3.46 per cent apiece in Q3 2024 and Q4 2023, respectively. The non-oil sector, led by growth in the Services sector, grew by 3.96 per cent in Q4 2024, while the oil sector grew by 1.48 per cent in the same period. This growth was corroborated by improvement in the Composite Purchasing Managers Index (PMI), consumer and business expectations indices, signalling improvement in the business environment.

Headline inflation (year-on-year) increased to 34.80 per cent in December 2024, up from 34.60 per cent in November. However, on a month-on-month basis, it moderated to 2.66 per cent in December 2024, from 2.98 per cent in November. Both the food and core components of the index remained the main drivers of headline inflation, with food inflation easing marginally to

39.84 per cent in December 2024 from 39.93 per cent in November. Conversely, core inflation rose to 29.28 per cent in December 2024, from 28.75 per cent in November. Following the rebasing and revision of the weights of the consumption basket by the National Bureau of Statistics using 2024 as base year, headline inflation for January 2025 stood at 24.48 per cent, while food and core inflation stood at 26.08 and 22.59 per cent, respectively.

The rebasing of the Consumer Price Index aimed at providing a more accurate reflection of domestic price developments, using a base year that provides a more realistic baseline. On a related development, monetary indicators showed a decrease in Broad Money Supply, indicating a decline in overall system liquidity.

Developments in the external sector points to a stronger external position, despite persisting tight financial conditions. As of 10th February 2025, external reserves are sufficient to cover imports of goods and services for up to 9.6 months. The Balance of Payments remained resilient with a positive current account balance in the review period.

In the foreign exchange market at end-December 2024, the naira appreciated against the US dollar at the Nigerian Foreign Exchange Market (NFEM) and Bureau De Change (BDC), reflecting strong market recovery, following deliberate policies by the monetary and fiscal authorities to stabilize the market, supported by favourable external sector developments.

Financial Soundness Indicators (FSIs) of the banking industry were within their macroprudential limits, suggesting that the system is safe, sound and resilient.

CONSIDERATIONS FOR VOTING

The February 2025 Monetary Policy Committee (MPC) meeting held against the backdrop of declining inflation, exchange rate appreciation, increase in real Gross Domestic Product, and strong external sector position. The improvement in economic performance could be linked to the policy alignment between the fiscal and monetary authorities towards disinflation, accelerated growth and stable exchange rate.

It is noteworthy that in the last one year, the Committee has remained focussed on the Bank's mandate of achieving price stability conducive to inclusive growth, by consistently pursuing a restrictive monetary policy to rein in inflation. Following a precise and well calibrated monetary policy, the trajectory of economic growth was sustained, and longer-term inflation expectations anchored. The observed decline in Broad Money Supply is thus, in line with the tightening policy of the central bank. While I am optimistic of the sustainability of the current downward trend in inflation following the rebasing exercise, supported by declining prices of food and energy commodities; lingering geopolitical uncertainties and global economic fragmentations could trigger new supply chain disruptions and these portend risks to domestic price development.

I have had a firm belief that monetary and structural factors are the leading drivers of current headline inflation. I am convinced that with ongoing fiscal support to tame structural constraints in the real sector, price development will further moderate in the medium term as output improves. As such, the fiscal authority remains committed to seeking new ways of addressing the current supply-side challenges confronting the economy, to compliment what the monetary authority is doing on the demand-side.

There is no gainsay that there has been a remarkable improvement in oil production and agricultural output on account of new investments in the oil and gas industry, coupled with improved security in the Niger Delta and food producing belts of the nation. Indeed, the government has embarked on aggressive investment in critical infrastructure to support growth leading sectors, including addressing security challenges.

The Fiscal authority remains committed to medium-term revenue and expenditure frameworks, required to strengthen public finances, create fiscal space, keep public debt on a sustainable path and ensure that deficit financing remains within the threshold allowed by the Fiscal Responsibility Act 2007. Strategic measures are in place to improve government revenue and entrench fiscal prudence. These includes ongoing deployment of technology to ramp up revenue collection, implementation of tax administration reforms and tax automation systems, and comprehensive customs modernization program to boost non-oil export and revenue. Also, Nigeria’s policy on cash management has been revised to engender sound fiscal discipline and sustainable economic development.

In recent months, we have seen a lot of inflows and investor appetite on account of the relative stability of the naira and our current positive real interest rate offers a risk premium for investors. But beyond external financing, and given the nationalistic tendencies around the globe, I share in the view that there is need to adopt an inward-looking growth and development strategy, leveraging our wealth of physical and human resources, including creating an adequate environment for private sector investment in sectors that create jobs and boost productivity, as well as in critical infrastructure through public private partnership to develop the economy.

Considering these developments and the ongoing recovery of domestic economic indicators, I do not see the need for further policy tightening at this meeting. I believe that a hold is more appropriate to calm financial conditions and improve investment and output. Past decisions of the MPC are still working their way through the economy and, I expect that inflationary pressures will continue to moderate. I therefore, vote to retain all policy parameters at their extant levels, while monitoring future economic developments and to respond appropriately to emerging risks.

7. LAMIDO ABUBAKAR YUGUDA

Global Macroeconomic Developments

Global output is projected to remain stable at 3.3 per cent in 2025 and 2026, up from 3.2 per cent in 2024, mainly on account of higher growth in EMDEs (supported by a pickup in economic activities in China) and a resilient recovery in the US.

Global inflation continued to moderate in 2024 and is expected to decline further to 4.2 per cent and 3.5 per cent in 2025 and 2026 respectively. Inflation developments are rather mixed in the AEs, with inflation in the UK falling from 2.8 per cent in October 2024 to 2.5 per cent December, while in the EU inflation rose steadily from 2.0 per cent to 2.5 per cent between October 2024 and January 2025. Inflation in the US reached 3.0 per cent in January 2025, moving further away from the Feds 2.0 per cent target. In addition, the recent announcement by the new US administration of their intention to impose import tariffs on a large cross-section of imports from important trading partners is amplifying fears of a renewed rise in inflation in the US and across the globe. As a consequence, the Fed has paused rate cuts, while further ECB rate cuts are looking less certain. This could have the potential of slowing or even reversing capital flows to EMDEs. Therefore, the MPC needs to be vigilant, to stave off any spillovers that could threaten the relative stability in the domestic foreign exchange market.

The IMF WEO (January 2025 update) projected a decline of 11.7 and 2.6 per cent in the price of crude in 2025 and 2026 respectively. On average food prices declined in January 2025 relative to December 2024.

Domestic Economic Developments

Real output grew by 3.46 per cent in Q3 2024 and is projected to grow by 3.82 per cent in Q4 2024 owing to improvements in crude oil production and agricultural output. However, the composite PMI declined marginally to 50.2 points in January 2025 from 51.3 points in December 2024, weighed down by a contraction in the services PMI.

Inflation pressure especially from food and fuel prices is beginning to abate. The year-on-year headline inflation was 34.80 per cent in December 2024 compared to 34.60 per cent in the previous month. However, month-on-month headline inflation moderated to 2.66 per cent in December 2024 from 2.98 per cent in the previous month.

Effective from 1st January 2025 the National Bureau of Statistics (NBS) rebased the Nigerian CPI basket, using 2024 as the new base year. Accordingly, in January 2025 year-on-year headline inflation was 24.48 per cent, food inflation was 26.08 per cent and core inflation was 22.59 per cent. These numbers effectively represent the evolution in prices over the last twelve months. Monetary policy must therefore continue to be vigilant with a view to bringing inflation within the policy target range.

In January 2025 broad money supply (M3) declined by 1.87% to ₦110.98 trillion relative to end-December 2024. Similarly, M1 and M2 declined by 4.38% and 1.86% to ₦36.89 trillion and ₦110.97 trillion, respectively. On an annualised basis, the excess growth in M3 narrowed to 6.79 percentage points, higher than the 2024 programme target of 15.60%. This is a good indication of policy success, if sustained, would contribute to further slowing of domestic inflation. Also, a good outturn from the monetary survey is that the relative contribution **in January 2025** of NDA and NFA to total money supply growth are roughly even (19.96 per cent and 22.81 per cent respectively). This points to emerging balance of the external and domestic sectors, and would help in the stability of the naira exchange rate.

The overall balance of payments recorded a surplus of US$ 4.21 billion in the third quarter of 2024, a significant improvement over the US$2.47 billion achieved in the second quarter. Notably the current account recorded a higher surplus of US$6.06 billion compared to US$3.92 billion registered in the second quarter, as import bills for fuel products declined owing to increasing domestic production. The gross external reserves position at the end of January 2025 was US$38.71 billion, down from US$40.19 billion at the end of December 2024, equivalent to more than nine months of imports of goods and services and 13.5 months of import cover for goods only.

Revenue-based fiscal reforms implemented in 2024 increased FGN revenue by 61 per cent to N9,650 billion in 2024 relative to 2023. This represented 49.05 per cent of target (N19,672.17 billion) under the 2024 Budget. However, FGN expenditure achieved 86.55 per cent (N24,907.35 billion) of the budgeted sum (N28,777.40 billion) reflecting a combination of a 50.04 per cent shortfall in capital expenditure and a 6.02 per cent excess in recurrent expenditure arising from higher-than-budgeted debt service payments. Consequently, the fiscal deficit (N15,257.24 billion) exceeded the budget projection (N9,105.24 billion) by 67.57 per cent.

The public debt stock increased to N142.32 trillion in the third quarter of 2024 compared to NGN134.29 trillion in the second quarter of 2024 owing to both new borrowings and exchange rate revaluation of the foreign debt component.

Policy Discussion and Key Risk Factors

Recent domestic macroeconomic developments amply demonstrate that the tight monetary policy stance over the past one year is beginning to yield the desired effect. The growth of broad money is slowing; stability has returned to the foreign exchange market (and is further being enhanced by the adoption of the Nigeria Foreign Exchange Code in January 2025); the exchange rate has appreciated to a more reasonable level; key inflation drivers – PMS and food prices - are beginning to slow down; the overall balance of payments is improving; the foreign exchange reserves are growing; and significant improvements in both crude oil production and domestic refining of crude oil are having noticeable positive impact on output growth and the external sector of the Nigerian economy.

The recent reforms have generated confidence that is engendering bullishness in naira denominated assets, with stocks and Eurobonds rallying and yields declining. The sovereign risk spread has also declined to its lowest level since the pandemic. Thus, it would be imperative for all the factors sustaining confidence in the economy to be preserved.

There are, however, certain key external risk factors to the growth outlook. These include the geopolitical developments in Europe and the Middle East and the impact of the emerging international trade dispute between the US and its key trading partners.

New ideas are being proposed by different stakeholder nations on the way forward for resolving the war between Russia and Ukraine and the conflict in the middle east. Achievement of sustainable peace on both fronts will be beneficial to Nigeria and the global economy.

The protectionist trade policy stance recently announced by the US, represents a significant risk factor for global trade and economic growth. Already many of the countries targeted for higher tariffs have announced retaliatory measures. The impending trade wars could thus, increase costs of essential inputs across different industries in many countries thereby increasing the general price level, dampening consumer demand, decreasing global output, eroding corporate profits, jolting currency markets and heightening volatility across several asset classes.

There is therefore a need for Nigeria to create and maintain adequate fiscal and foreign exchange buffers as a precaution.

On the fiscal front Nigeria needs to expand its capacity for increasing investment in critical public infrastructure via well-designed public-private partnerships that have been shown to significantly reduce reliance on national budgets in many peer countries.

Given the balance of internal and external economic and financial developments, I am persuaded that the MPC should hold all the policy parameters and allow the initial policy tightening to work through the system, while remaining vigilant and ready to respond to future developments in the domestic and global economies.

My Decision

In view of the foregoing, I voted to:

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

8. MUHAMMAD SANI ABDULLAHI

My Vote

At the inaugural meeting of this Committee in February 2024, we were confronted with a range of both monetary and fiscal challenges, . We recognized the inflationary pressures, including rising costs of essential goods and services, and the distortions in the foreign exchange market, such as currency volatility and misalignment, and thus, implemented targeted monetary and fiscal policies to address these challenges effectively. The exit from the old subsidy regime, which posed significant fiscal risks - namely exchange rate instability, PMS, and electricity subsidies - along with the cessation of development finance interventions, introduced new challenges which required attention. As a result, significant frontloading occurred in 2024. The MPC navigated through this difficult situation with transparency and accountability, while maintaining a forward-looking perspective. The Committee was clear on the direction of travel: tightening policy decisively to raise real interest rates, incentivise capital inflows, and take further complementary steps to reduce inflation.

Notwithstanding the rebased inflation numbers, a cautious approach was paramount at this meeting, as the urgency of the situation we faced in February 2024 may have eased considerably but with lingering risks of a fall back. This indicates that the measures we implemented over the past year have gained significant traction, as counterfactual evidence suggests that inflation would have been higher had a baseline scenario been adopted. Suffice it to say that we have a responsibility to bring inflation down to target levels to support long-term economic stability and sustainable growth. Although further interest rate hikes were not a primary consideration at this meeting, ensuring that the measures implemented at previous meetings remain effective as inflation persists, and maintaining the current policy stance, was an essential consideration to achieve the desired reduction in headline inflation. At this meeting, I therefore voted to retain all parameters at their current levels. This decision does not in anyway, negate my unwavering commitment to tackling inflation.

Specifically, I voted to:

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.

My Considerations

Inflation Trends and Dynamics

We recognised the obvious passthrough effect of exchange developments to domestic prices and acknowledge that stability in the foreign exchange rate will complement our tightening stance. Consequently, the Committee hiked rates by a total of 875 basis points in 2024. One year after, I am convinced that the measures we took are yielding the expected dividends as we have gained substantial mileage.

A spectrum of monetary and non-monetary factors contributed to Nigeria's inflation in 2024. The economy faced significant inflationary challenges, with the annual headline inflation rate remaining elevated. The data from the National Bureau of Statistics, using the 2009 base year, showed that headline inflation (year-on-year) as of December 2024 slightly surged to 34.80%, from 34.60% in November 2024 and 33.88% in the corresponding period of 2023. This marked a continuous upward trend, with food and energy prices remaining the main drivers of headline inflation. Additionally, the data revealed a moderation in month-on-month inflation, which decreased to 2.66% in December 2024, down from 2.98% in November.

The lingering impact of the 2023 fuel subsidy removal is evident in persistently high prices of petroleum products, such as petrol and diesel, as well as other energy products like natural gas. These higher energy prices have resulted in increased transportation and production costs, which are passed through to consumers, particularly in sectors such as transportation, manufacturing, and agriculture, further driving up food and core inflation.

The recent rebasing exercise and revision of the consumption basket weights, using a 2024 base year, indicate that headline inflation for January 2025 remains high at 24.48% (year-on-year). The food and core components stood at 26.08% and 22.59%, respectively, reflecting current consumption patterns. While we acknowledge the implications of the rebased CPI on monetary policy and economic planning, the sustainability of inflation reduction will remain a key focus of policy going forward, considering potential risks posed by energy price volatility and commodity price fluctuations.

While the Bank embarked on various foreign exchange reforms to engender a more market-driven price determination mechanism to support macroeconomic stability, the accompanying naira depreciation impacted domestic prices especially through imported goods. Albeit the local currency has remained relatively stable since May 2024 owing to various reforms including the introduction of the electronic trading (B-Match) system to foster transparency and improve the efficiency and integrity of the FX market. This was further complemented by the adoption of the Foreign Exchange (FX) Code to promote ethical conduct in the Nigerian FX market.

In 2024, the complexity of the inflation environment prompted the Committee to dedicate a significant portion of its discussions and considerations to addressing the resurgence of inflation. The Committee's response to managing aggregate demand and tackling supply-side constraints was swift and comprehensive on all fronts. The goal was to take whatever actions were necessary to bring down inflation. Despite mixed outcomes, relative progress was made across all measures of inflation, including food, core, and imported inflation.

In response to rising inflation, the Committee implemented policy rate hikes at all its meetings in 2024, totaling 875 basis points, thus, raising the Monetary Policy Rate (MPR) to 27.50%. Despite these tightening measures, inflation remains a significant challenge for the Nigerian economy

In view of the complex inflation environment and the lagged impact of previous measures taken by the Committee, the MPC reiterated the need for other structural measures to complement monetary policy actions taken. Improved domestic productive capacity and stronger exports would address imported inflation and exposure to the vagaries of commodity price fluctuations and at the same time support exchange rate stability and the effectiveness of monetary policy actions.

As in previous statements, let me reiterate that targeted investments in transportation and storage infrastructure for food and other agricultural products are crucial to lowering food prices and addressing food inflation. As observed in recent weeks, improved refining capacity has led to a significant decrease in petrol prices and a reduction in fuel imports. Moving forward, these developments are expected to support the sustainability of inflation reductions, particularly considering the rebased CPI, as well as help mitigate potential risks from fluctuations in food and energy prices.

Global Developments

Output growth in the global economy remained stable, despite signs of persistent headwinds. The IMF (World Economic Outlook, WEO) has forecasted that global growth will likely remain flat at 3.3% in both 2025 and 2026, compared with 3.2% in 2024. Growth in advanced economies is projected to increase to 1.9% in 2025, up from 1.7% in 2024, while it is expected to remain steady at 4.2% in the EMDEs.

Global inflation is forecast to continue its decline in 2025 and 2026, supported by expectations of a further decline in energy prices and easing supply chain disruptions. However, the expectation of sustained policy rate cuts by central banks in key advanced economies may not materialize due to fresh uncertainties in the global economy, particularly as retaliatory trade tariffs from U.S. trading partners could lead to a general rise in global price levels. The International Monetary Fund (WEO, January 2025 update), however, forecast global inflation to continue to moderate from 5.7% in 2024 to 4.2% in 2025 and 3.5% in 2026.

Domestic Economic Developments

External Sector

Nigeria's external sector remains resilient, with the balance of payments posting a surplus of US$6.06 billion, or 13.04 per cent of GDP, in the third quarter, primarily driven by an improved trade balance. The external reserves stood strong at US$39.4 billion as of 14th February 2025, providing an import cover of 9.6 months for goods and services. This level of coverage suggests a robust buffer for meeting the country's import obligations, highlighting the stability of the external reserves at this time. Despite the potential risks posed by global economic fragmentations to key corridors of foreign exchange inflows to Nigeria, we would continue to support and strengthen policies that drive growth of exports and remittance flows to provide foreign exchange liquidity and support exchange rate stability.

Other Developments in the Economy

In the third quarter of 2024, real GDP expanded by 3.46 per cent year-on-year, up from 3.19 percent in Q2 2024. This growth was primarily driven by the Services sector, which saw robust growth of 5.19 per cent, thus, significantly boosting overall output. However, the composite Purchasing Managers' Index (PMI) expanded to 50.2 in January 2025, indicating growth in economic activity for the second consecutive month, though slightly lower than the 51.3 recorded in December 2024. The PMI for agriculture and industry both expanded, while the services PMI contracted. The relative stability in the foreign exchange market is expected to mitigate the impact of high input costs on businesses and enhance competitiveness. Despite the high cost of credit, adjustment shocks from economic reforms, and inflationary pressures that have affected real income and manufacturing costs, economic growth has remained resilient.

Monetary base and Broad Money liabilities moderated in January 2025 in tandem with the Bank's tightening stance. The banking sector remains robust, and continues to support economic activities, with non-Performing Loans (NPLs) staying below the 5.0% prudential benchmark at 4.2 per cent. In addition, the Central Bank remains vigilant in ensuring financial system stability and soundness.

The fiscal outlook is stable, supported by expected improvements in revenue and ongoing efforts to rebuild fiscal buffers. Ongoing fiscal reforms have translated into improved revenue for the Federal Government. Thus, year-on-year, the government's retained revenue improved by 60.88 per cent as of end-December 2024 compared with the corresponding period of 2023. Both the oil and non-oil sectors contributed to this improved revenue. Oil (FAAC) receipts increased by 12.09 per cent year-on-year. Additionally, given the expansionary budget of 54.9 trillion for the 2025 fiscal year, complementary measures will be required to effectively manage the potential fiscal risks as they materialize.

In conclusion, my decision to vote to maintain all policy parameters reflects my firm commitment to reducing inflation, ensuring price stability, and fostering long-term economic growth. This decision will require constant vigilance, given the current challenges and potential future risks that could significantly influence the direction of policy. We are also working to strengthen our communication efforts to shorten the lagged impact of previous policy adjustments, ensuring a more immediate effect moving forward.

9. MURTALA SABO SAGAGI

Context

There is a renewed optimism for global recovery with the sudden reversal of US foreign policy on global conflicts. The aggressive push by the US towards negotiations by parties involved, is signaling an eminent pause to the Russia-Ukraine war and ease of tensions in the Middle-East. The projection for global output growth is expected to remain stable, supported by strong global demand. However, there is a possibility of rising global inflation if the trade war between the US and some of its trading partners persists. In the last quarter of 2024, the Nigerian economy exhibited signs of gradual recovery and inflationary pressures appear to be easing mainly due to falling prices of food items, reduction in energy prices and modest improvement in the exchange rate. The positive outlook is even more apparent with the new rebasing exercise which indicates positive real interest rates for the first time in more than a decade. A mix of policy response is, therefore, needed to sustain the recovery and restore the country to a path of inclusive growth.

Global and Domestic Environments

The IMF projection for global growth in 2025 remains at 3.3 per cent. Even with the risk of escalating trade tensions, output growth in the Advanced Economies is projected to rise to 1.9 per cent in 2025 from 1.7 per cent in 2024. However, the reaction of Europe to the negotiations for settlement of the Russia-Ukraine conflict in the face of tough mediations by the US, may potentially create another disruption to global stability. In the Emerging Markets and Developing Economies (EMDEs), the growth projection has equally remained unchanged at 4.2 per cent for 2025. A more positive outlook is expected from Sub-Saharan Africa where output growth is projected to increase to 4.2 per cent in 2025 from 3.8 per cent in 2024. The relatively positive outlook in global growth is likely to persist with increased consumer spending supported by lower energy and food prices.

In 2023, global inflation began easing mainly due to the monetary tightening stance of several central banks around the world, coupled with fiscal interventions aimed at lowering energy, housing and food prices. In 2025, inflation is forecasted to further moderate to 4.2 percent in 2025 from 5.7 per cent in 2024. The moderation in inflation and the need to spur growth informed further rate cuts by some central banks early in 2025.

Recently, Nigeria has joined some African countries, namely Ghana, Kenya, South Africa, and Egypt, that achieved positive real interest rates. This does not, however, suggest that the economy has achieved the desired level of stability and transformation envisioned by the reform agenda of the government. There are still certain structural rigidities and governance issues that are yet to be overcome.

This notwithstanding, Real GDP grew in the third quarter of 2024 by 3.46 per cent (year-on-year) compared with 3.19 per cent in Q2 2024. In spite of the modest growth, headline inflation (year-on-year) rose to 34.80 per cent in December 2024 from 34.60 per cent in November. Remarkably, the rebase figures showed that headline inflation for January 2025 stood at 24.54 per cent (year on year) and food inflation at 26.08 per cent. The observed drop in food prices across the country from December 2024 to February 2025 and the slight reduction in transportation cost as a result of the reduction in petroleum pump prices by the Dangote refinery will, invariably, help reduce inflationary pressures in the country.

Major Considerations

1. Balance of payment: recorded an improved surplus of US$4.21 billion in Q3 2024 from a surplus of US$2.47 billion in Q2 2024.

2. Foreign exchange: at the NFEM, naira appreciated by 3.75 per cent, to N1, 478.22/US$ at end-January 2025 from N1, 535.82/US$ at the end-December 2024.

3. The gross external reserves stood at US$39.4 billion by mid-February 2025, a slight decrease from US$ 40.19 billion at the end December 2024.

4. The rebasing exercise has enabled Nigeria to achieve a positive real interest rate.

Conclusion

There are indications that inflation in Nigeria is moderating and the growth prospect is positive. This trend must be sustained through coordinated policy implementation and monitoring mechanisms. I am therefore cautiously optimistic that the future outlook will remain positive.

Accordingly, I voted to:

- Retain the Monetary Policy Rate (MPR) at 27.50 per cent
- Retain Asymmetric Corridor around the MPR to +500-100 basis points.
- Retain the Cash Reserve Ratio of Deposit Money Banks at 50 per cent.
- Retain the Cash Reserve Ratio of Merchant Banks at 16.0 per cent.
- Retain the Liquidity Ratio at 30.0 per cent.

Recommendations

1. A more deliberate approach to reducing fiscal dominance is instructive to avoid losing the gains achieved in the last three months.

2. With the tax reforms in the pipeline, fiscal and monetary interventions are needed to reduce credit concentration and unlock growth opportunities for small businesses, especially those operating in the informal sector.

3. The efforts of states to attract transformational Foreign Direct Investments should be better coordinated and supported to enhance local productivity and promote exports.

10. MUSTAPHA AKINKUNMI

Context

As historically data-driven evidence suggests a stronger association (an estimated correlation of nearly 0.9) between the monetary policy rate and key Nigerian macroeconomic variables such as the exchange rate, inflation rate, and money supply, this high correlation indicates that monetary policy plays a pivotal role in shaping these variables and, consequently, broader macroeconomic developments. The Central Bank of Nigeria (CBN) thus, strategically used monetary policy tools to influence these variables through 2024. These reforms have impacted positively through a stronger naira value, positive real interest rate, declining inflation momentum and robust economic growth (3.84% in Q4 2024). Ensuring the consistent impact of the 2024 monetary policy reforms by the Central Bank of Nigeria (CBN) would likely result in the following outcomes: sustained exchange rate stability; controlled inflation; increased investor confidence; better access to credit and financial inclusion; as well as improved public confidence and economic sentiment.

With a stronger currency and reduced exchange rate spreads, banks may experience improved capital flows and liquidity, potentially increasing their lending capacity. If the naira strengthens significantly, the local currency value of foreign-denominated debt will reduce, thus, easing the burden of debt servicing. When the exchange rate spread becomes narrower, it reduces the incentive for speculative trading, thus promoting a more stable foreign exchange market, prevent manipulation and enhancing transparency.

However, President Trump’s policies may have a mixed impact on the Nigerian economy, with the most significant impact arising from trade tensions, oil market volatility, and immigration restrictions. While there may be some benefits to the new US foreign and trade policy, such as the temporary lifting of oil sanctions on some countries and improved security cooperation with others, the overall impact may be challenging for Nigeria, particularly in terms of trade, investment, and diplomatic relations. Trump's protectionist and unilateral approach has reduced the likelihood of long-term beneficial engagements with Nigeria, especially compared to the more multilateral and collaborative approach of previous U.S. administrations. The decline in OECD aid presents significant challenges to Nigeria, particularly in terms of poverty alleviation, health, education, infrastructure development, and economic diversification. While Nigeria is increasingly focusing on domestic resource mobilization, the loss of aid could slow progress in achieving the country’s development goals and exacerbate socio-economic issues, especially in the face of existing challenges such as security threats and inflationary pressure.

Global and Domestic Economic Developments

Global projections reflect a balanced mix of slow growth in AEs and robust growth in EMDEs. Advanced economies tend to grow at a slower pace due to factors such as aging populations, slower productivity growth, and higher levels of existing economic development. The forecast of 1.9% growth in these regions indicates moderate growth, often driven by consumption, services, and technological advancements. On the other hand, Emerging Market and Developing Economies (EMDEs) are expected to see more robust growth at 4.2%, due to several factors such as higher population growth, ongoing infrastructure development, a rising middle class, and increased industrialization. These economies are generally in the earlier stages of development, allowing them to benefit from faster productivity gains, capital investment, and urbanization. Consequently, the 2025 growth forecast for most advanced economies is below 2% with the exception of the US (with 2.7%). In the EMDEs, India is expected to grow by 6.5% in 2025, followed by Kenya (5.4%), China (4.6%), Ghana (4.2%), Nigeria (3.2%) and South Africa (1.5%). The overall global growth projection of 3.3% thus, reflects a balanced mix of these advanced and developing economies, with EMDEs helping to drive the broader global growth rate. **Nigeria's growth** forecast of **3.2%** in 2025 reflects gradual improvement as the country grapples with economic challenges, including inflation, oil price fluctuations, and security concerns.

The global inflation is anticipated at 4.2% in 2025 and 3.5% in 2026, suggesting expectation of a slight decline in global inflation. In the advanced economies, the direction of monetary policy shows divergence at the most recent meetings held between January and February 2025 by central banks in the group. In Europe, ECB and BoE lowered rates by 25 bps to reach 2.75% and 4.5%, respectively, while the BoJ increased by the same basis points to attain 0.50%. The US Fed, however, paused its monetary policy normalization drive, and held its policy rate at 4.25 – 4.50% amidst uncertainties associated with the new US trade policy. The ECB's decision to reduce interest rates was in response to slower growth and potentially moderating inflation, thus requiring the Bank to support consumption and investment. In the EMDEs, China and Russia held rates at 3.10% and 21.0%, respectively, since October 2024 while the Brazilian Central Bank increased its policy rate to 13.25% from 10.50%. The Central Bank of Kenya reduced its rate by 50 basis points to 10.75% in February 2025 while those of Ghana and Egypt held their rates at 27.00 and 27.25% respectively. Nigeria's Monetary Policy Rate (MPR) of 27.50%, which is the fifth highest in the world (after Venezuela 59.4%; Turkey

45%; Zimbabwe 35%; Argentina 29%) reflects the country's ongoing battle with inflation, currency depreciation, and economic instability.

Global economic conditions (as indicated by the global PMI) have maintained a better health since January 2023. The global service sector has consistently reported good conditions while the manufacturing sector continues to face difficulties with the recorded PMI still below the 50 index point mark. Implications: The global economic outlook remains cautiously optimistic, with **services driving recovery** but with **manufacturing facing challenges**. If supply chains continue to improve, inflation stabilizes, and geopolitical tensions ease, the manufacturing sector may regain strength. However, continued attention to **sector-specific policies** and **fiscal measures** will be crucial in ensuring a balanced recovery.

The naira continues to appreciate in a stable manner amidst declining deposits in the banking sector. The drop of over **N2 trillion** in total deposits suggests a substantial reduction in available liquidity in the banking system. This is a marked change from previous months, as deposits in Nigeria have been on a general upward trend since August 2024. The decline of **Demand Deposits (-4.30%)** could indicate that businesses or individuals are withdrawing funds from their accounts, likely due to a need for liquidity, an increase in expenditure, or a shift in investment strategy. The decline of **Domiciliary Deposits (-2.40%)** could be the result of changes in foreign exchange dynamics, such as fluctuations in remittances.

In January 2025, **individuals** led the ownership of deposits with **45.20%** of the total bulk deposits in the banking system. This suggests that Nigerian consumers, whether through personal savings accounts, current accounts, or other forms of deposit, hold a significant portion of the liquidity in the banking system. **Private corporates** hold **42.07%** of total deposits, indicating a significant role in the banking system, especially considering their lower percentage compared to individual ownership. Therefore, I call for carefully balanced monetary policy decisions in order to maintain consumer confidence in the banking system.

The oil and gas sector continues to dominate the credit landscape, with the largest share of **N18 billion** in credit facilities as of January 2025. This aligns with the sector's importance to Nigeria's economy, given that oil is a major source of revenue and foreign exchange for the country. Thus, further **economic diversification is required** to reduce the economy's vulnerability to fluctuations in oil prices and global demand.

The Capital Adequacy Ratio (CAR) rose to 14.84% at the end of January 2025, up from 10.70% in January 2024. The increase in CAR reflects positive movement in the **capital strength** of Nigerian banks, indicating that banks have either raised more capital, improved profitability, or reduced risky assets, thereby enhancing their ability to absorb shocks. While this improvement is positive, **14.84%** remains below the regulatory threshold for many banks in the advanced economies, thus leaving **room for further improvement** to meet international standards and cope with external financial pressures. I therefore call for additional action to accelerate the recapitalization process.

Non-Performing Loans (NPLs) ratio declined to 4.22% in January 2025 from previous months since November 2024 with NPL ratio of 4.87%. This decline is generally a good sign, indicating that more borrowers are meeting their obligations, and banks may be addressing their non-performing loans more effectively. It could also, reflect **improved economic conditions** and **better risk management practices.** While this represents a positive trend, it is important to note that **NPLs were remained higher than the 4.15% recorded in January 2024** leaving substantial room for improvement.

The increase in the Cash Reserve Requirement (CRR) held by the CBN from N13.5 trillion in January 2023 to N26.6 trillion in January 2025**.** This reflects the CBN's efforts to manage inflation and control liquidity in the banking system. This implies that commercial banks will be required to hold more reserves with the central bank, which directly limits the amount of money in circulation. As a result, this could lead to a contraction in credit to the private sector, which will moderate inflationary pressures but may also slow down economic growth.

Decision

In summary, the potential impact of the CBN's exchange rate reforms and adjustments to the monetary policy rate in 2024 could include greater currency stability, reduced inflation, and a more predictable business environment. However, there are also risks, including the challenge of maintaining the right balance between a stronger naira and the broader economic realities, such as the impact on exports and government revenue. The success of these reforms will depend on careful management of interest rates, liquidity, and fiscal policies. I believe that the consistent implementation of these reforms would contribute to a more stable, competitive, and growth-oriented economy, enhancing Nigeria's position as an attractive destination for both local and global investors. **In view of the above, I voted to keep the Monetary Policy Rate (MPR), Cash Reserve Requirement (CRR), and Liquidity Ratio (LR) unchanged as well as retain the asymmetric corridor at +500 and -100 basis points around the MPR.**

11. PHILIP IKEAZOR

Whereas the macroeconomic fundamentals remain stable in response to the tight stance of monetary policy, the ongoing statistical recalibration of the economy has thrown up contemporary issues that will affect the conduct of monetary policy. In my view, a neutral monetary policy is necessary, to allow the economy to assimilate these changes and avoid unnecessary disruptions.

I therefore voted to:

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 (CRR) of DMBs at 50.00 per cent.**

4. **Retain the Cash Reserve Ratio of Merchant Banks to 16.00 per cent.**

5. **Retain the Liquidity Ratio at 30.00 per cent.**

Developments in the Global and Domestic Economy
While the global economy has demonstrated resilience in 2024, the expectation is that growth will moderate in 2025, amid rising global fragmentation, trade, and geopolitical tensions. The IMF projected the global economy to grow by 3.3 per cent, below the historical average of 3.7 per cent, while it projected a decline in inflation to reach 4.2 per cent in 2025. However, the United Nations projected that the growth in world trade will moderate to 3.2 per cent, weighed down by the increased uncertainty resulting from trade frictions.

As anticipated, most central banks continued to tread the path of monetary policy normalization with cautious optimism as the new global tariff regime heightens leading to renewed inflationary pressure. This could interrupt fiscal and financial stability, factors that monetary easing cannot sufficiently reinvigorate. To complement monetary policy, the expectation is that fiscal authorities will avoid overly restrictive policies and focus on mobilizing investments in critical infrastructure to manage the global macroeconomic environment.

The domestic economy continues to be resilient in the face of global uncertainty, domestic inflationary pressures, and sustained fiscal injections by the subnational government. The pressure in the foreign exchange market has moderated significantly through the Bank's deliberate policy actions to instill market discipline in foreign exchange operations, while the money market has been at its optimal level since November 2024. As such, the operating target of monetary policy, the OBB rate, on average remains within the asymmetric corridor set by monetary policy.

Despite these positive trajectories, the domestic economy remains susceptible to global trade shocks, due to escalated trade and geopolitical tensions around the world. The protectionist trade policy of the United States and the reciprocity tariff policy of her top trade partners could inadvertently, distort price dynamics, with renewed concern on the Implications for the global and domestic economy.

My Considerations

The sustained tight stance of monetary policy and the Federal Government's commitment to implement comprehensive economic reforms, have ensured the resilience of the domestic economy, even as inflationary pressure persists. Real output grew by 3.46 per cent in Q3-2024 from 2.54 per cent in Q3- 2023. Notwithstanding the positive real growth rate, the growth dynamics remain below 1.0 percentage point, signaling slow growth.

Headline inflation (month-on-month) moderated to 2.44 per cent in December 2024, down from 2.64 per cent in November 2024, reflecting stability in both the bilateral and multilateral (effective) exchange rates. However, on a year-on-year basis, it rose by 5.68 percentage points in the same period, reflecting the response of the economy to the optimal price regime of domestic energy prices.

The Nigerian economy is undergoing a statistical recalibration to moderate historical biases in the estimation of the general price level. The ensuing revision of the Consumer Price Index (CPI) by the National Bureau of Statistics (NBS) shows a pattern that suggests a change in households' consumption basket, which has altered the path of monetary policy. Consequently, headline inflation (year-on-year) declined by 5.42 percentage points at end-January 2025 compared with the same period in 2024, signaling positive interest rates.

Broad money (M3) declined at end-January 2025 relative to end-December 2024 partly due to the decline in currency outside depository corporations. Similarly, the monetary base declined slightly due to the decrease in currency in circulation.

While the monetary aggregate is stable, determining the extent of this stability under the current rebased CPI to make an informed decision, invariably will require the re-calibration of the real demand for money which determines the direction of monetary policy. Consequently, adopting a neutral policy stance ensures that monetary policy is realigned to the new framework of the rebased CPI and the expected revision of the gross domestic product (GDP).

So far, the 2025 fiscal year has witnessed an increase in fiscal pressures, largely from the sub-national government. While I agree that government spending could fuel inflationary pressures, but if well channeled, it can also have a stabilizing impact in the current global uncertainty.

Therefore, my support towards holding the policy and other rates constant at this time, was meant to first consolidate the gains from our previous tight stance, to signal commitment to price and financial system stability. Second, this will allow the effects of the revision of the CPI to permeate the economy as macroeconomic fundamentals adjust to these changes. Finally, this decision will support the fiscal authority to manage the threats and opportunities in the current trade tension, especially in re-export trade and trade diversion, as well as the uncertainty about the foreign exchange implications of the emerging global tariff regime.

In conclusion, although Africa is not a target in the ongoing tariff regime, it could indirectly affect Nigeria, albeit positively, through increase in export earnings. As we explore ways of ensuring a non-inflationary fiscal policy, I believe that the implementation of the 2025 budget will generate employment and growth to provide a soft landing for the economy and moderate inflationary pressures.

12. OLAYEMI CARDOSO

Governor of the Central Bank of Nigeria and Chairman, Monetary Policy Committee

Now more than ever, we are faced with a range of developments on both the global and domestic fronts that cut across political and socio-economic issues. This places a heightened burden on the Monetary Policy Committee (MPC) to maintain vigilance and interrogate the data before us with even greater rigour, to enable us take decisions that will positively impact the economy and the Nigerian people in the long run. The importance of our first meeting of 2025 cannot be overemphasised, serving as it does as an avenue to assess the effectiveness of past policy actions and provide forward guidance to stakeholders on our approach to monetary policy.

This meeting also came around the one-year anniversary of the composition of the current MPC. Reflecting on all the challenges that confronted us a year ago, the gains we have recorded thus far are clear to see on all fronts. In general, we are seeing a moderation in inflation on the back of our tight monetary policy stance, and counterfactual evidence indicates that inflation would have ended the year at considerably higher levels without our policy actions. We have also seen significant improvement in the functioning of the foreign exchange markets following the adoption of orthodox policy frameworks, resulting in a much more stable currency and improvements in the structure and composition of the FX reserves.

Investor confidence is evidently very high and the competitiveness of Nigeria as a destination for foreign investment has resulted in increased capital flows through the economy. These positive developments are welcomed and provide us with a degree of comfort that our policy measures are contributing to the attainment of macro economic stability; but we must remain vigilant and steadfast in our resolve given that the environment remains fragile, and gains recorded thus far could be easily reversed.

A review of the global economy indicates an elevated level of uncertainties, as geopolitical conflicts and divergencies in trade policies of major countries threaten to hinder growth. The prospect of lower commodity prices and volatility in asset prices is of particular concern, given its impact on fiscal balances and the resilience of exchange rates in monolithic economies like Nigeria. Increased protectionism and disruption to trade flows pose a risk to the outlook for global inflation, which may lead to a slower pace of easing of policy rates. A higher path of interest rates, especially across the advanced economies, would thus impact capital flows to emerging markets and introduce some complexities in the strategies adopted for exchange rate management.

On the domestic front, the rebasing exercise of the Consumer Price Index (CPI) conducted by the National Bureau of Statistics (NBS) has put the latest headline inflation figures at 24.48%, going by the new reference base year and the revised basket which reflects current consumption patterns. Whilst we cannot make any direct comparisons with the previous inflation numbers to infer a drop in aggregate prices, the supporting data and analysis presented to the MPC does indicate a deceleration in the trend of inflation which is expected to continue in 2025. Improved productivity in agriculture and other targeted interventions from the fiscal authority are contributing to a decline in food prices. In addition, the stability of the exchange rate is expected to provide a positive anchor for inflation expectations.

The foreign exchange market has shown greater stability as a result of several policy reforms by the Bank, the latest of which was the introduction of the Electronic Foreign Exchange Matching System and the Nigeria Foreign Exchange Code. These initiatives have not only improved market transparency and bolstered investor confidence but also contributed to sustained liquidity from foreign investment inflows, exports proceeds, and remittances, all facilitating a more effective market-based price discovery process for the naira. Given the importance of the exchange rate in the fight against inflation and the sustenance of economic recovery and broader financial stability, we must maintain a heightened level of surveillance in our foreign exchange market and root out any bad actors and practices that threaten the smooth functioning of the market and stability of the exchange rate. The Central Bank has an unwavering commitment to this objective.

The Nigerian economy has remained resilient, and GDP growth was steady at 3.46% in the third quarter of 2024 with both the oil and non-oil sectors contributing to this growth. Notably, oil production has risen to 1.54 million barrels per day, strengthening the current account balance and bolstering external reserves, which now stands at $39.4 billion. These positive developments reflect the effectiveness of recent policy interventions and the collaborative efforts of monetary and fiscal authorities in promoting macroeconomic stability. We however must not let our guards down as we need to remain vigilant to avoid practices that risks taking us backwards, especially around the management of the financing of the budget to ensure that fiscal deficit stays within acceptable levels.

The banking sector remains strong, underpinned by sound regulatory oversight. The ongoing recapitalization process is a key priority to strengthen financial institutions against external shocks by injecting high-quality capital.

The MPC has reaffirmed its commitment to closely monitoring this process to safeguard financial stability and maintain public confidence in the sector.

In reviewing these economic conditions, I carefully weighed the arguments for further monetary tightening, against the commencement of an easing of our policy stance, or maintaining the current position. While an increase in the policy rate could help further tighten liquidity conditions, reinforce exchange rate stability, and attract foreign investment, recent indicators suggest that inflationary pressures are beginning to ease on the back of prior rate hikes. Easing of rates on the back of observed deceleration in inflation also appears premature, given the fragility of the current environment and persisting risks on the horizon that may induce a reversal of all the gains recorded thus far. There is also the need to observe more data points on the revised CPI numbers to allow for further interrogation of the expected behaviour of prices in the rebased consumption basket, as well as validate staff inflation forecasts and model estimates.

Moreover, global uncertainties—including geopolitical risks and restrictive policies by major central banks—necessitate a cautious approach. These considerations led me to align with the consensus of the Committee in maintaining all policy parameters unchanged—a prudent decision aimed at preserving stability and fostering long-term economic growth.

Thus, I voted to:

Retain the Monetary Policy Rate (MPR) at 27.50%.

Maintain the asymmetric corridor around the MPR at +500/-100 basis points.

Retain the Cash Reserve Ratio at 50.00% for Deposit Money Banks and 16.00% for Merchant Banks.

Keep the Liquidity Ratio at 30.00%.

OLAYEMI CARDOSO
Governor
February 2025