MPC HIGHLIGHT

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The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) held its first meeting for 2025 on February 19–20, 2025 and unanimously voted to retain all monetary policy parameters unchanged. This decision reflects a cautious approach amid mixed economic signals, including a recent decline in headline inflation and heightened liquidity pressures.

Below is a summary of the outcome and rationale behind the committee's resolution:

- **Monetary Policy Rate (MPR) retained at 27.50%:** The benchmark interest rate was maintained for the first time after six consecutive hikes in 2024, signaling a pause in tightening measure.
- **Asymmetric Corridor unchanged:** The Standing Deposit Facility (SDF) remains at 26.25%, and the Standing Lending Facility (SLF) borrowing rate stays at 32.25%, maintaining the +500/-100 basis points corridor around the MPR.
- **Cash Reserve Ratio (CRR) steady:** 50.00% for Deposit Money Banks (DMBs) and 16.00% for Merchant Banks.
- **Liquidity Ratio (LR) unchanged at 30.00%:** This ensures banks retain sufficient liquidity to meet short-term obligations.

The MPC meeting, originally scheduled for January 27–28, 2025, was postponed to February due to delays by the National Bureau of Statistics (NBS) in releasing its rebased Consumer Price Index (CPI). This updated CPI, which reflects revised consumer spending patterns since 2009, is crucial for accurately gauging inflation trends. When eventually released a few days ago, it revealed that headline inflation had dropped to 24.48% year-on-year, a significant decline from December 2024's 34.80% under the previous methodology. This marked decrease played a key role in the committee's decision to hold rates.
In January 2025, Nigeria's broad money supply (M3) surged to N110.98 trillion—a 17.3% year-on-year increase fueled by gains in both net foreign and domestic assets. Despite concerns that this liquidity expansion might reignite inflation, the MPC opted for stability. Governor Olayemi Cardoso expressed satisfaction with recent reforms, highlighting improved foreign exchange reserves and increased investor confidence. He emphasized the importance of adopting a data-driven approach, noting the postponement allowed the committee time to assess the CPI's impact. Although the MPC refrained from further tightening, it remains committed to monitoring the effects of fiscal actions, including calls for pauses in rate hikes. The decision reflects cautious optimism, as the CBN continues to focus on managing inflation while fostering economic growth. The committee resolved to maintain close oversight of both domestic and international developments to detect and mitigate potential risks. The upcoming MPC meeting, scheduled for May 19–20, 2025, will play a pivotal role in determining future policy actions.