

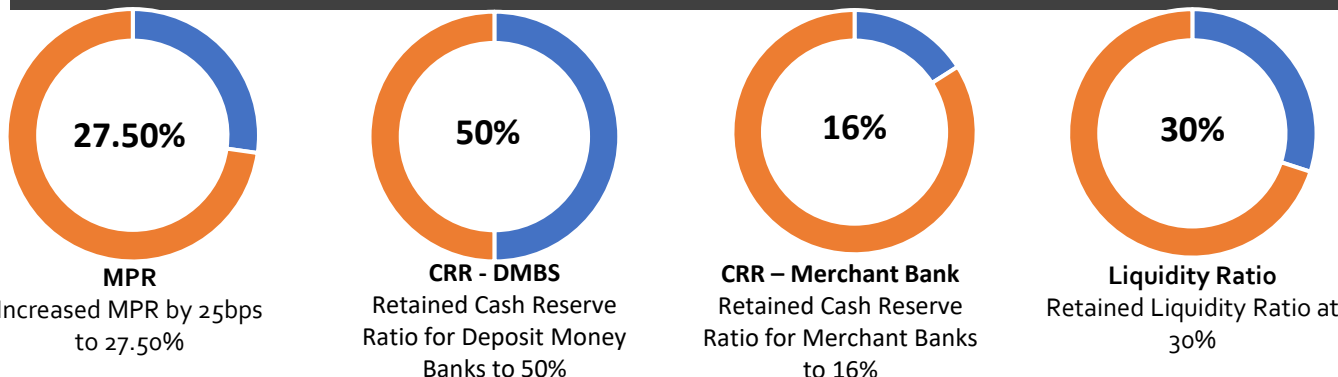


INTRODUCTION

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) has again sustained its hawkish monetary policy by raising the Monetary Policy Rate (MPR) by 25 basis points (bps) to 27.50% during its 6th and final meeting for the year. This marks a cumulative increase of 875 bps in 2024, as part of the CBN's ongoing efforts to curb inflationary pressure.

The decision comes amidst persistent challenges, including rising headline, food, and core inflation, all of which had notable increases in October 2024, according to the National Bureau of Statistics' data. The announcement was made by Yemi Cardoso, the Governor of the CBN after the MPC meeting.

HIGHLIGHTS



The asymmetric corridor around the MPR was also retained at +500/-100bps

The Committee noted that the recent hike in PMS prices has exacerbated cost-push inflation. However, it expressed optimism that the full deregulation of the downstream petroleum sector could stabilize prices and eliminate supply bottlenecks in the medium term.

Persistent pressures on the exchange rate, driven by sustained high demand in the market, also remain a key concern. The committee urged the CBN to explore additional measures to boost liquidity and stabilize the foreign exchange market. The MPC reiterated the importance of deepening the collaboration between monetary and fiscal authorities to achieve the synchronized policy objectives of price stability and sustainable growth.

While acknowledging the potential dampening effect of tighter monetary conditions on economic activity, the Committee emphasized that restoring price stability remains paramount to achieving sustainable economic growth.

WHAT THIS MEANS

- The MPC's decision to further raise the MPR by 25 basis point was informed by the need to address the persistent inflationary pressures, which have proven more structural than transitory.
- By maintaining a hawkish stance, the CBN aims to curb excess liquidity in the financial system, mitigate demand-side pressures contributing to price instability, enhance Nigeria's attractiveness to foreign portfolio investors by maintaining competitive yields.
- The upward adjustment in borrowing costs may affect consumer spending and investment, contributing to a gradual easing of inflationary pressures.

GLOSSARY

- **Asymmetric corridor:** This is a tool used to increase the flexibility of monetary policy and give stakeholders in the market the ability to make timely responses to external finance or risk sentiment shocks.
- **Cash Reserve Ratio (CRR):** This is the proportion of banks' deposit that is required to be maintained as a reserve without being allowed to invest or lend it for interest.
- **Liquidity Ratio:** The liquidity ratio basically refer to the percentage of banks' liquid assets to their total deposit liabilities.