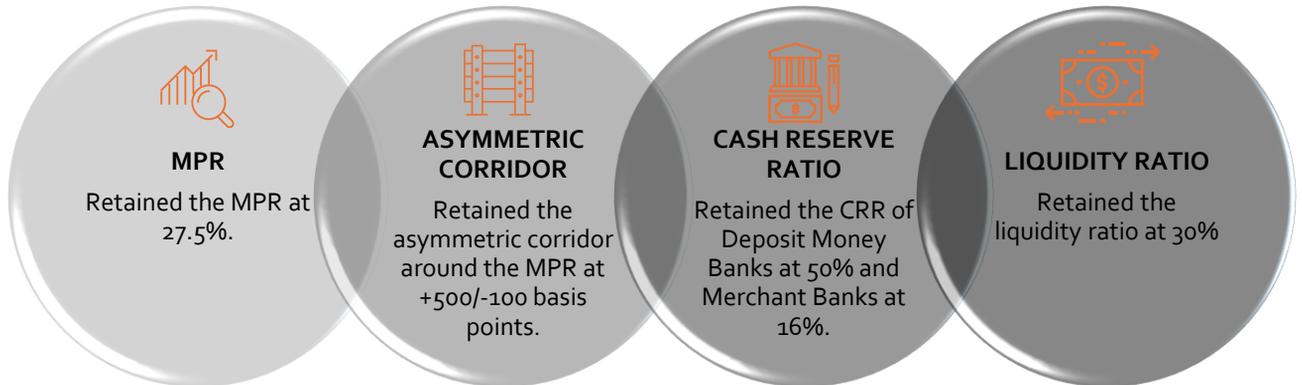


CBN maintains policy stance, retains MPR at 27.5%

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria has voted to maintain its hold stance, continuing the policy direction sustained since February 2025. This decision was announced by the Governor of the Central Bank, Mr. Yemi Cardoso, following the conclusion of the 301st MPC meeting held on July 21 & 22, 2025. Notably, the Committee retained the Monetary Policy Rate (MPR) at 27.5%, alongside all other key monetary parameters, including the Cash Reserve Ratio, Liquidity Ratio, and the asymmetric corridor around the MPR.



Source: CBN, Norrnberger Research

The decision was driven by the need to sustain the ongoing disinflationary trend and further contain underlying price pressures. Nigeria’s headline inflation eased to 22.22% in June 2025, down from 22.97% in May, largely reflecting the impact of moderating energy prices.

However, on a month-on-month basis, inflation edged higher, rising from 1.53% to 1.68%. Similarly, both the core and food components of inflation increased in June, highlighting the persistence of underlying inflationary pressures despite the recent moderation in headline figures.

Headline Inflation – Yearly vs Monthly



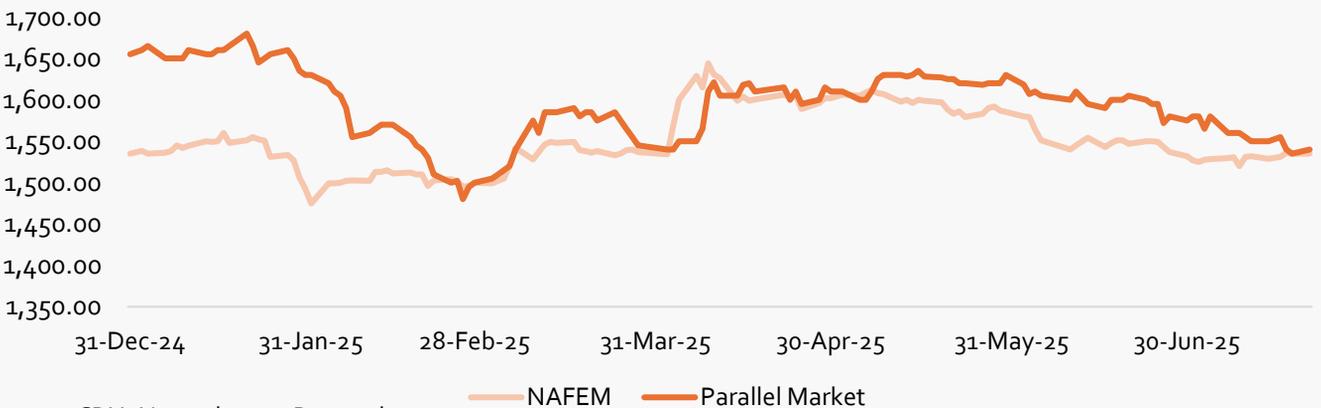
The Central Bank also highlighted the heightened global uncertainties stemming from ongoing tariff wars and geopolitical tensions, which pose risks of further imported inflation pressures on the domestic economy. In particular, imported food inflation accelerated to 2.65% month-on-month in June 2025, reversing from a deflation of 1.45% recorded in the previous month, underscoring the vulnerability of Nigeria’s inflation dynamics to external shocks, particularly through the food and trade channels.

Nigeria achieves momentary FX convergence

The naira has shown signs of relative stability in recent weeks, trading within a corridor of ₦1,520 to ₦1,540 per US dollar, following sustained interventions and policy reforms by the CBN aimed at strengthening the local currency. At the close of trading on Monday, 21st July, the naira settled at ₦1,535/\$, the same as of the start of the year.

Notably, the naira briefly achieved a convergence between the official and parallel market rates on Friday, 18th July 2025, with both markets closing at ₦1,535/\$. The CBN has reaffirmed its commitment to closely monitoring developments in the foreign exchange market and maintaining targeted interventions as necessary to minimize excessive volatility and sustain stability in the currency market.

Exchange Rate Movement(N/\$)



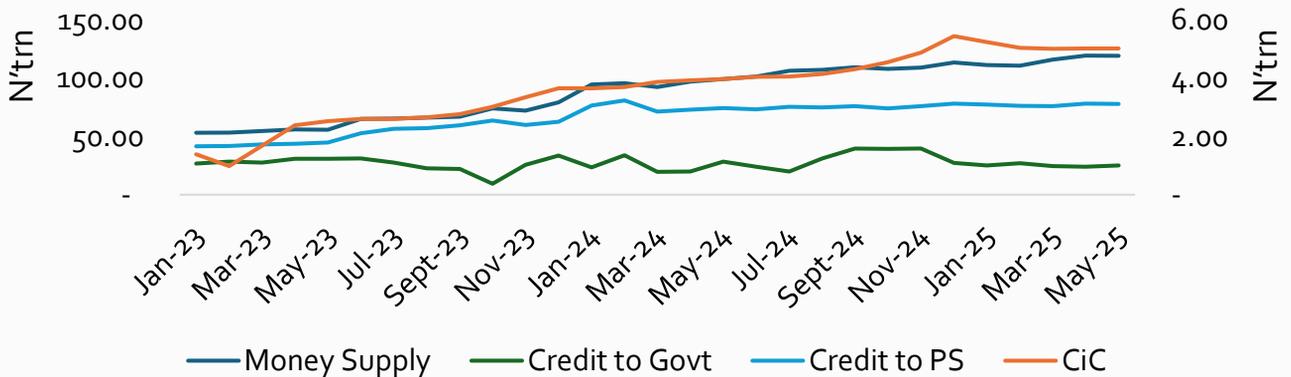
Source: CBN, Norrenberger Research

Despite previous hikes, Money Supply still high

Despite previous interest rate hikes aimed at tightening system liquidity, money supply has remained elevated, with only a marginal decline recorded in May. As of the end of May 2025, Nigeria's broad money supply stood at ₦119 trillion, representing a significant increase from ₦113.4 trillion recorded in December 2024. This continued expansion in money supply is largely attributed to the growth in the foreign currency component, as Net Foreign Assets (NFA) rose sharply to ₦45.8 trillion, up from ₦31.96 trillion at the end of the previous year. This trend underscores the impact of exchange rate adjustments and foreign inflows on domestic liquidity conditions.

To further combat demand-driven inflationary pressures, the CBN will need to carefully manage the level of currency in circulation, which currently stands at over ₦5 trillion. Effective liquidity management will be critical in complementing monetary tightening efforts and anchoring inflation expectations.

Money Supply Statistics



Source: CBN, Norrenberger Research

Global central banks maintain rates amid existing inflation risk

Global central banks have also maintained a cautious hold stance in their recent policy meetings. Notably, the Bank of England, the U.S. Federal Reserve, the Bank of Japan, and the People's Bank of China have all opted to keep their benchmark interest rates unchanged, citing lingering inflationary risks driven by the ongoing global tariff wars and heightened volatility in the oil market.

Meanwhile, attention has shifted to the European Central Bank (ECB), which is scheduled to hold its policy meeting later this month. Market analysts have suggested the ECB is likely to pause further rate cuts, given the current economic and inflation dynamics. It is worth noting that at its June 2025 meeting, the ECB reduced its key interest rate to 2% in a bid to stimulate economic activity amid concerns over sluggish growth across the eurozone.

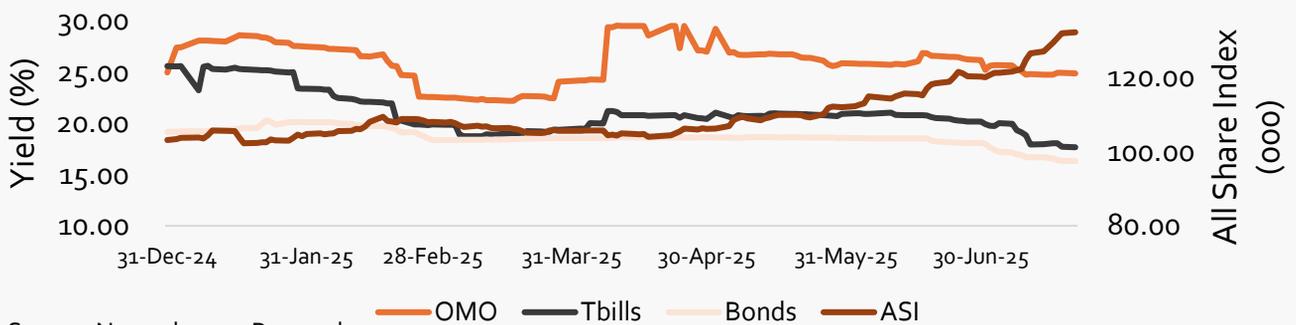
Country	Previous Rate	New Rate (June/July 2025)	Movement
United Kingdom	4.25%	4.25%	—
United States	4.25% - 4.50%	4.25% - 4.50%	—
Japan	0.50%	0.50%	—
China	1Y LPR: 3.00%/5Y LPR: 3.50%	1Y LPR: 3.00%/5Y LPR: 3.50%	—

Market reaction and expectation

The recent decision by the Central Bank of Nigeria (CBN) to maintain its hold stance on interest rates is expected to prompt a mild shift in market sentiment in the short term. In recent weeks, the fixed income market has experienced a bullish trend, with yields dropping to year-to-date lows on the back of expectations for an imminent rate cut.

Specifically, average bond yields declined to 16.3% from 19% at the start of the year, while Treasury Bills (T-bills) yields fell from 25.6% to 17.7%. Recent auctions have also reflected this sentiment, with the 364-day T-bill printing at 16.3%, its lowest in over a year, mirroring trends seen in the most recent bond auctions.

Market Performance - YTD



Source: Norrenberger Research

With the CBN maintaining its current policy stance, we anticipate a momentary bearish correction in the fixed income market, likely characterised by a modest uptick in yields as investors recalibrate their expectations. Additionally, some degree of profit-taking activity is expected in the equities market, following a strong rally that has seen the NGX All-Share Index (ASI) deliver an impressive 28.7% year-to-date return. Overall, while we expect near-term adjustments across asset classes, the broader investment environment will remain sensitive to evolving inflation trends, liquidity conditions, and future signals from the CBN. The next MPC meeting is set to hold on 22nd and 23rd of September 2025.



norrenberger



Head Office

11 Volta Street,
Off Thames Street,
Ministers Hill, Maitama,
Abuja, Nigeria.



+234 700 066 7736



research@norrenberger.com



Lagos Office

2B, Bayo Kuku Road,
Off Alfred Rewane Road,
Ikoyi,
Lagos, Nigeria.

+234 916 032 4627



www.norrenberger.com



Port Harcourt Office

10, Evo Road,
GRA II, Port Harcourt,
Rivers State, Nigeria.

+234 700 066 7736



@norrenberger



Kano Office

17, Magajin Rumfa Road,
Nassarawa GRA,
Kano State,
Nigeria.

+234 700 066 7736

RESEARCH TEAM

Samuel Oyekanmi

samuel.oyekanmi@norrenberger.com

Abigael Kazeem

abigael.kazeem@norrenberger.com

Damilola Odesanya

damilola.odesanya@norrenberger.com

Uyomi Eya

uyomi.eya@norrenberger.com

Disclaimer: Whilst proper and reasonable care has been taken in preparation and accuracy of the facts and figures presented in this report, no responsibility or liability is accepted by Norrenberger Financial Group or its employees for any error, omission or opinion expressed herein. This report is not an investment research or a research recommendation and should not be regarded as such. The information provided herein is by no means intended to provide sufficient basis on which to make an investment decision.