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Post-MPC Report

November 2025

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MPC holds MPR at 27%, adjust asymmetric corridor

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) has, by majority vote, opted to maintain the Monetary Policy Rate (MPR), sustaining the status quo after the 50bps reduction implemented at its September 2025 meeting. The decision was announced by the CBN Governor, Olayemi Cardoso, during the Committee's final meeting of the year on Tuesday, 25 November 2025.

This outcome comes despite a notable easing of inflationary pressures—from 18.02% in September to 16.05% in October. Given the sharp moderation in consumer prices, many market participants had anticipated a further rate cut following the release of the CPI report by the National Bureau of Statistics (NBS) last week.

Breakdown of the CBN decision is given below:

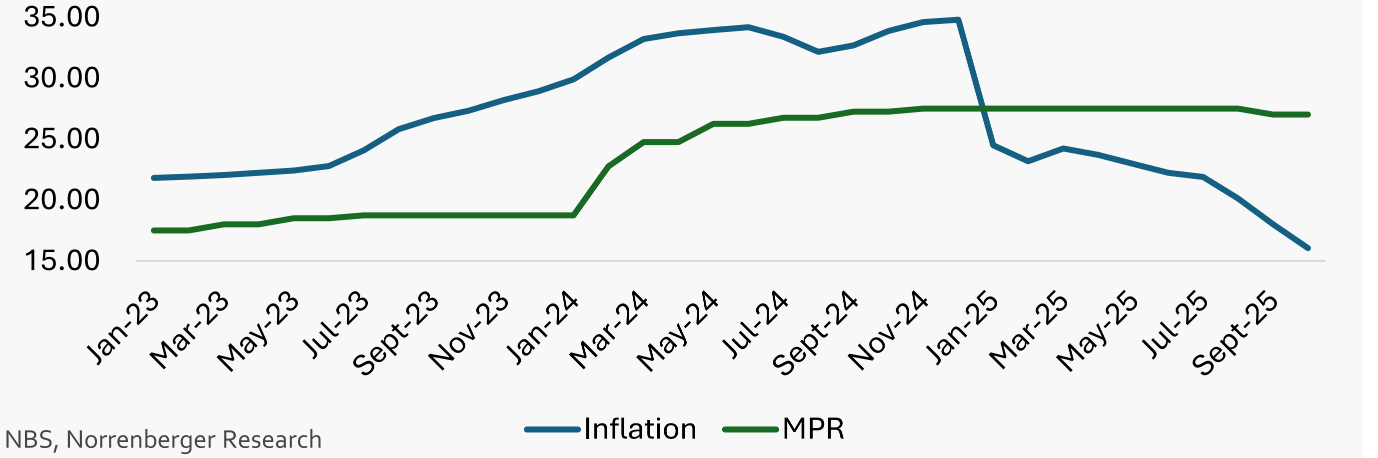
Policy Parameters	Previous Rate (September 2025)	New Rate (November 2025)
Monetary Policy Rate	27%	27%
Asymmetric Corridor	+250/-250	+50/-450
Cash Reserve Ratio (Commercial Banks)	45%	45%
Cash Reserve Ratio (Merchant Banks)	16%	16%
Cash Reserve Ratio (Non-TSA public sector deposits)	75%	75%
Liquidity Ratio	30%	30%

CBN, Norrenberger Research

According to the MPC, the decision to hold the MPR was guided by its commitment to consolidating the gains already achieved in moderating inflation. The Committee highlighted that the ongoing disinflationary trend reflects the lagged effects of earlier monetary tightening measures, further supported by sustained stability in the foreign exchange market.

However, the CBN Governor emphasized that, despite the recent improvement, headline inflation at 16.05% remains significantly above the Bank's long-term objective of single-digit inflation. He added that the slight uptick in month-on-month inflation—rising to 0.93% in October from 0.72% in September—signals lingering short-term price pressures that warrant cautious policy management moving forward.

Headline Inflation vs Interest Rate



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Supporting Expansionary Policy without cutting rate – An FPI Play

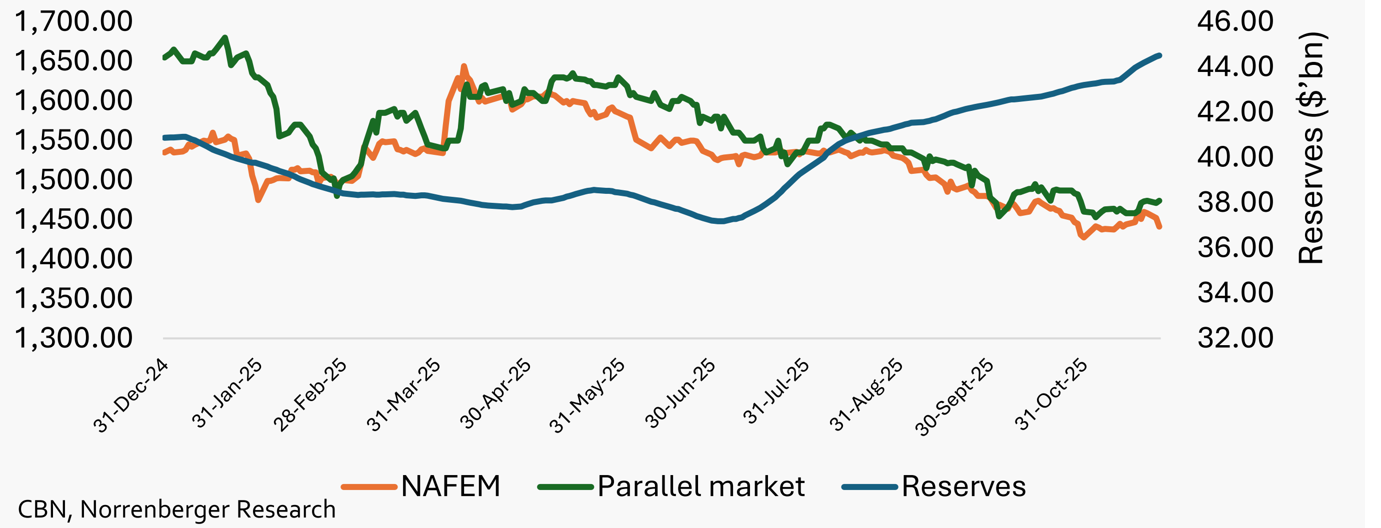
The Committee's decision to keep the MPR unchanged at 27%, despite a substantial adjustment to the asymmetric corridor, reflects the CBN's attempt to strike a balance between supporting liquidity in the banking system and maintaining a firm monetary policy stance. The Bank revised the Standing Lending Facility (SLF) and Standing Deposit Facility (SDF) corridor from +250/-250 bps to +50/-450 bps around the MPR.

The SLF, which allows commercial banks to borrow from the CBN to meet short-term liquidity needs—such as unexpected customer withdrawals, has effectively been made cheaper. By reducing the SLF spread from +250 to +50 basis points, the CBN is signalling its intention to ease short-term funding pressures in the financial system. Conversely, the wider SDF band at –450 bps significantly reduces the return banks earn for placing excess liquidity with the CBN. This discourages idle deposits and incentivises banks to channel funds into lending and other productive activities that can stimulate growth in the real sector.

Another key consideration behind the decision to hold the MPR steady is the need to avoid sending premature signals of monetary easing. With foreign portfolio investors (FPIs) remaining critical to exchange rate stability, the CBN appears cautious about actions that could weaken investor confidence. This is particularly important given ongoing efforts to sustain inflows through competitive yields in the fixed-income market.

In November alone, the CBN conducted four OMO auctions at an average stop rate of 20.85%, up from 18% in the previous month, an indication of its resolve to keep yields attractive for FPIs. This strategy has been supported by a sustained build-up in external reserves, which have now risen above $44 billion, reinforcing the CBN's broader objective of maintaining macroeconomic and FX stability.

Exchange Rate vs External Reserves



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Bottom Line

Overall, the MPC's decision reflects a careful balancing act: supporting liquidity in the financial system through a wider asymmetric corridor, while maintaining a firm policy stance by holding the MPR at 27%. The Committee remains focused on consolidating recent gains in inflation moderation and safeguarding FX stability—both of which are critical to sustaining investor confidence and macroeconomic resilience.

Looking ahead, we anticipate that the CBN may begin easing rates as early as February 2026, at the next MPC meeting. However, this outlook is contingent on a continued disinflationary trajectory and stable foreign exchange conditions in the coming months.

nörrenberger

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

+234 700 066 7736

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

+234 916 032 4627

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

+234 700 066 7736

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

+234 700 066 7736

research@norrenberger.com

www.norrenberger.com

@norrenberger

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