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## **MONETARY POLICY RATE RAISED BY 50 BASIS POINTS TO 27.25 PER CENT FROM 26.75 PER CENT**

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The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) held its 297<sup>th</sup> meeting on the 23<sup>rd</sup> and 24<sup>th</sup> of September 2024 to review recent economic and financial developments as well as assess risks to the outlook. Eleven of the twelve members of the Committee were in attendance.

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### **Decisions of the MPC**

The Committee was unanimous in its decision to further tighten policy and thus decided as follows:

1. Raise the MPR by 50 basis points to 27.25 per cent from 26.75 per cent.
2. Retain the asymmetric corridor around the MPR at +500/-100 basis points.
3. Raise the Cash Reserve Ratio of Deposit Money Banks by 500 basis points to 50.00 per cent from 45.00 per cent and Merchant Banks by 200 basis points to 16 per cent from 14 per cent.
4. Retain the Liquidity Ratio at 30.00 per cent

**Considerations**

The Committee noted the moderation in headline inflation year-on-year in July and August 2024. In addition, the MPC noted the relative stability and convergence in the exchange rate across the various market segments, resulting from the Bank's tight monetary policy stance. This is expected to improve confidence which will enable economic agents to plan in the medium to long term.

The Committee was, however, unanimous in recognising that a lot more is required to actualize the Bank's price stability mandate. The MPC noted that even though headline inflation trended downwards due to a moderation in food inflation, core inflation has remained elevated, driven primarily by rising energy prices. The uptrend poses severe concerns to Members, as it clearly indicates the persistence of inflationary pressures. Members thus, reiterated the need to work in close collaboration with the fiscal authority to address the current upward pressure on energy prices. The MPC noted the continued growth in money supply, recognising the need to curtail excess liquidity in the system as well as address foreign exchange demand pressures. Members were also concerned about the growing level of fiscal deficit but acknowledged the commitment of the fiscal authority not to resort to monetary financing through Ways & Means. Furthermore, members observed a strong correlation between FAAC releases and liquidity levels in the banking system as well as its impact on the exchange rate. The Committee, therefore, agreed to increase monitoring of future releases with a view to addressing its effects on price developments.

On food inflation, the upside risks remained flooding, hike in energy prices, scarcity of PMS and most importantly, insecurity in farming communities.

Considering the weight of food in the CPI basket, Members recognized the efforts of the Federal Government in addressing insecurity in farming communities and stressed the need to remain steadfast. In addition, the MPC applauded the ongoing effort of the Federal Government to bridge the food supply deficit through the duty-free import window for food commodities. The Committee also expressed optimism that the lifting of refined petroleum products from Dangote refinery will moderate transportation costs and significantly support the easing of food price pressures in the short to medium term. This is also expected to moderate foreign exchange demand for importation of refined petroleum products, with a positive spillover on external reserve and improvement in the overall balance of payment position.

Members assessed the performance of key financial soundness indicators and noted with satisfaction that despite familiar headwinds, the banking industry remains safe, sound, and stable. The Committee, however, emphasized the need to sustain supervisory oversight on the industry to strengthen its continued support to the economy.

Following these considerations, Members deliberated on the optimal policy option to sustain the downward trend in price development, contain emerging risks to inflation, stabilize the exchange rate and safeguard the banking system while also shielding the recovery of output growth. In addition, Members noted that the real policy rate remains negative even after the recent moderation in headline inflation. To attract investments into the economy, efforts must be sustained to achieve a positive real interest rate. This would enhance the economy's competitiveness for international capital, thereby improving the exchange rate. Following a review of the upside risks to price development and the downside risks to the recovery of output growth, the Committee opted to

tighten policy further, to safeguard the gains already accrued in moderating inflationary pressure.

### **Key Developments in the Domestic and Global Economies**

According to the National Bureau of Statistics, headline inflation moderated to 32.15 per cent in August 2024 from 33.40 per cent in July, driven by a decline in food inflation, while the core component inched up. Food inflation eased to 37.52 per cent in August 2024, compared with 39.53 per cent in July, while core inflation rose marginally to 27.58 per cent in August 2024, compared with 27.47 per cent in July. Month-on-month, headline inflation fell to 2.22 per cent in August 2024 from 2.28 per cent in the preceding month while food inflation eased to 2.37 per cent in August 2024, compared with 2.47 per cent in July. Core inflation, however, rose marginally to 2.27 per cent in August 2024, compared with 2.16 per cent in July.

Real GDP (year-on-year) grew by 3.19 per cent in the second quarter of 2024, compared with 2.98 per cent in the first quarter, driven by both the oil and non-oil sectors. Staff forecast indicates that the economy would grow by 3.32 per cent in 2024.

The external reserve stood at US\$39.07 billion as at 19<sup>th</sup> September 2024 an increase of 17.4 per cent compared with US\$33.28 billion in the corresponding period of 2023. This represents 8 months of import cover for goods and services and 13 months of imports of goods only.

Global growth projection by the IMF remains at 3.2 per cent in 2024 and 3.3 per cent in 2025. Some of the downside risks to this projection remain geo-

economic fragmentation, elevated global debt and ongoing geopolitical tensions between Russia and Ukraine as well as Israel and neighboring countries. As key central banks commence monetary easing, global financial conditions are expected to ease gradually and hopefully offset the downside risks to the recovery of global growth. Global inflation is expected to continue its deceleration in 2024 but may remain above the long-run targets of most central banks in the advanced economies.

Members thus, expressed their commitment to continuous monitoring of developments in the global and domestic economies to ensure that the appropriate response is always deployed to address emerging risks.

The next meeting of the Committee will be held on the 25<sup>th</sup> and 26<sup>th</sup> of November 2024.

Thank you.

**Olayemi Cardoso**

Governor,  
Central Bank of Nigeria  
24<sup>th</sup> September 2024