

MPR RETAINED AT 27.50%



...Cautious Stance Maintained

July 24, 2025

Economic Report

In our last MPC [report](#), we projected that the Committee would maintain a cautious stance in the near term, barring any positive shift in global market conditions that could potentially alleviate pressures. Our projection was premised on the fact that we believe the Committee's priority will likely remain FX stability and curbing inflationary pressures, rather than stimulating economic growth through rate cuts.

Our outlook proved accurate, as the MPC sustained its cautious stance, voting to keep the monetary policy rate and other key parameters unchanged for the third consecutive time. This decision came despite three consecutive declines in Headline Inflation since April 2025, as the Committee prioritised the need to sustain the momentum of disinflation and sufficiently contain price pressures.

Summary:

- > Monetary Policy Rate: 27.50%.
- > Asymmetric Corridor: +500/-100 basis points around the MPR.
- > CRR of Deposit Money Banks: 50.00%.
- > CRR of Merchant Banks: 16.00%.
- > Liquidity Ratio: 30.00%.

Committee Considerations

While the Committee acknowledged the third consecutive decline in year-on-year Headline Inflation to 22.22% in June 2025 (May 2025: 22.97%), largely driven by the moderation in energy prices and stability in the foreign exchange market, they also noted the uptick in month-on-month Headline Inflation to 1.68% (May 2025: 1.53%), suggesting the persistence of underlying price pressures. Focusing on Food Inflation which rose both on a year-on-year and month-on-month basis, the Committee noted the efforts of the Federal Government in improving security, however, members urged the government to continue its support towards timely provision of high yield seedlings, fertilisers and other critical inputs for the current farming season.

Citing the recently released GDP result which showed that real GDP grew by 3.13% in Q1 2025, along with continued expansion in the Purchasing Managers Index (PMI), the policy makers highlighted that the Nigerian economy remains on a steady growth path. This, in their view, further justifies the decision to hold policy rate rather than ease.

They also noted the continued stability in the banking system, evidenced by the stable Financial Soundness Indicators (FSIs) which are expected to be further supported by the



on-going banking recapitalisation exercise. They mentioned that eight (8) banks have fully met the recapitalisation requirements, while others are making progress towards meeting the deadline. The Committee therefore urged the Management of the Banks to maintain oversight of the banking system to ensure continued resilience, safety and soundness of the financial system.

Outlook

The MPC's decision to retain its cautious stance underscores the need for continuous assessment of inflationary pressures and global economy uncertainties which continue to pose downward risk to the domestic economy. Although Headline Inflation has shown signs of moderation, it remains sticky and the pass-through impact on market price is also lagging. Additionally, another round of US tariff policy expected to take effect in August 2025 increases the uncertainty, making it essential for the Committee to observe its impact on global supply chain.

Market Implication

Fixed Income

Despite the Committee's decision to keep rate constant, we expect yields in the fixed income market to continue on a broadly downward path – though we might see some zig-zag movement in the near term as investors increasingly price in the likelihood of a rate cut later in the year, possibly at the September MPC meeting.

Additionally, the FGN's plan to strategically lower borrowing cost as seen in its recent auction in July and its forward-looking plan for reduced supply across treasury bill and bond issuance in Q3 2025 further supports our outlook for lower yield in the market.

Equities Market

The sustained decline in fixed income yields could continue to drive capital reallocation into the equities market. So far, the equities market has benefited from a wave of optimism, underpinned by an improving economy, relative FX stability, and expectations of strong H1 2025 earnings. With both capital gains and dividend yields expected to outshine returns in the fixed income space, investors seeking better yields may further tilt their portfolios toward equities, potentially prolonging the market rally.



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- Buy Rating: estimated fair value is $\geq 20\%$ above current market price.
- Hold Rating: estimated change in price is between -10% and 19% of current market price.
- Sell Rating: estimated change in price is $\leq -10\%$ of current market price.

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