

MPR REDUCED TO 27.00%



... Nigeria's Monetary Policy Turns Supportive Amid Cooling Inflation

September 25, 2025.

Economic Report

Against the backdrop of easing inflation, a steadier foreign exchange market, and an improving macroeconomic environment, the Monetary Policy Committee concluded its meeting with a 50-basis points rate cut. The move was anchored on the sustained disinflationary trend for five consecutive months and the expectation that this trajectory will persist through the rest of 2025, as policymakers seek to reinforce the ongoing economic recovery.

Summary:

- > Monetary Policy Rate: 27.00%.
- > Asymmetric Corridor: +250/-250 basis points around the MPR.
- > CRR of Deposit Money Banks: 45.00%.
- > CRR of Merchant Banks: 16.00%.
- > Liquidity Ratio: 30.00%.
- > CRR of non-TSA public sector deposits: 75.00%

Committee Considerations

The Monetary Policy Committee (MPC) underscored its confidence in the improving macroeconomic landscape, pointing to encouraging signals across key indicators. These include a sustained disinflationary trend, stability in the foreign exchange market, and resilient external reserves. A particularly notable development was the acceleration of disinflation in August 2025, which marked the fastest pace of moderation in the last five months.

Data from the National Bureau of Statistics (NBS) showed that Nigeria's Headline Inflation maintained its downward path for the fifth consecutive month, easing to 20.12% in August from 21.88% in July. The slowdown was broad-based, with both Food and Core inflation recording year-on-year declines. On a month-to-month basis, Headline Inflation dropped sharply to 0.74% in August from 1.99% in July, underscoring the depth of the disinflationary momentum.

On output, the latest GDP report for Q2 2025 reaffirmed the resilience of the Nigerian economy, with real GDP expanding by 4.23% year-on-year, a marked acceleration from the 3.13% growth recorded in Q1 2025. The Committee noted the remarkable rebound in the oil sector, which surged by 20.46% compared with 1.87% in the previous quarter. This sharp recovery, though from a relatively low base, is expected to provide a firmer buffer for external reserves and strengthen stability in the foreign exchange market.



External sector dynamics further reinforced this optimism. Official data showed that external reserves climbed to \$42.20bn as of September 24, 2025, from \$39.36bn at the end of July 2025.

Non-TSA Public Sector Deposits of 75.00%

The CRR of 75% on Non-TSA public sector deposits is a monetary policy tool whereby the Central Bank compels banks and financial institutions to sterilise 75% of government funds that are not domiciled in the Treasury Single Account. These Non-TSA deposits, often dominated by FAAC allocations to state and local governments, tend to create sudden liquidity surges in the banking system. By sequestering a large share of these balances, the CBN curbs excess liquidity and manages money supply more effectively, ensuring that fiscal inflows do not undermine monetary stability.

Outlook

With macroeconomic stability holding firm, disinflation expected to persist through year-end, a relatively stable foreign exchange market, and stronger external reserve buffers, the Monetary Policy Committee has room to extend its accommodative stance. We anticipate that another rate cut is likely at the next meeting, possibly in the range of 50 to 100 basis points, to reinforce economic recovery momentum and ease financing conditions.

Market Implications

Fixed Income

The market already priced in a softer monetary stance, as reflected in the downward movement of yields across Nigerian Treasury Bills and FGN Savings Bonds. Looking ahead, yields may continue to drift lower, fluctuate within a narrow band, or consolidate around current levels. This dynamic could encourage portfolio rebalancing, with investors either moving funds into longer-dated bonds to lock in yields or reallocating capital into equities in search of superior returns.

Equities Market

Lower yields reduce the relative attractiveness of fixed income, encouraging capital rotation into equities. In addition, a lower discount rate used in valuing future cash flows has the potential to push fair value estimates higher, providing further upside for fundamentally strong companies. This environment sets the stage for sustained interest in the equity market, particularly among investors seeking growth opportunities.



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Investment Recommendation

WSTC uses a 3-tier recommendation system for stocks under coverage: Buy, Hold, and Sell.

- 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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