MONETARY POLICY WATCH

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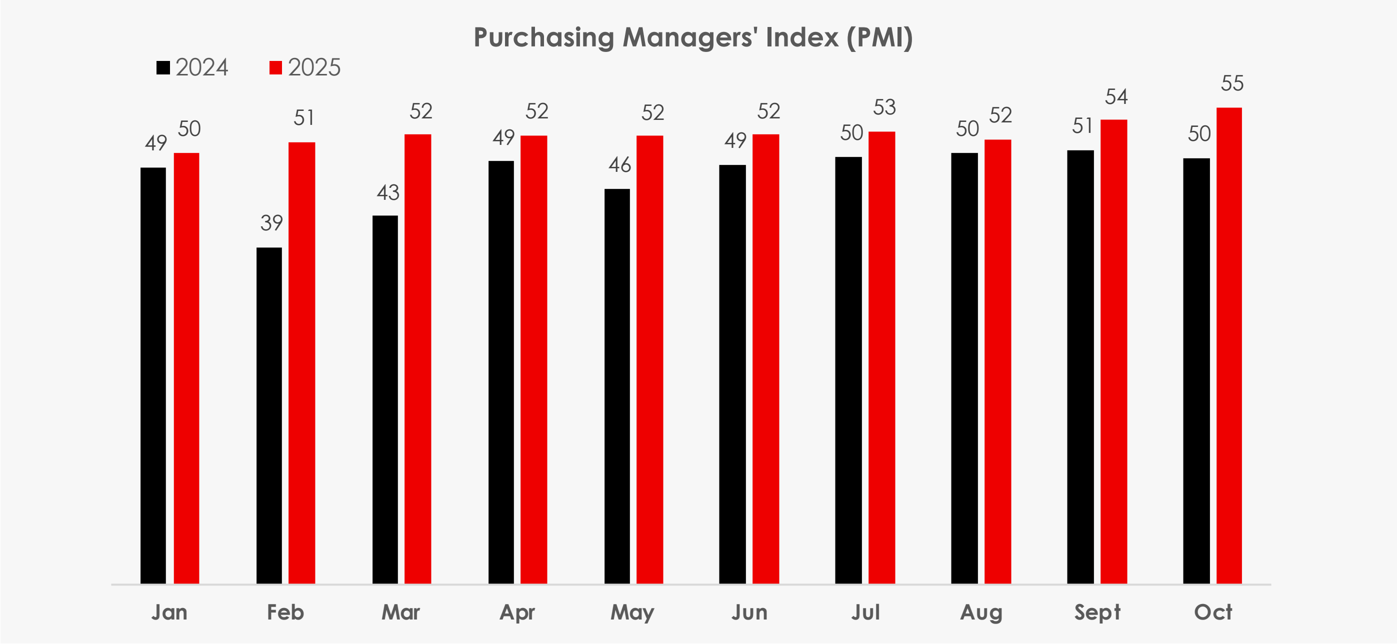
Economic Conditions Support Another Rate Cut

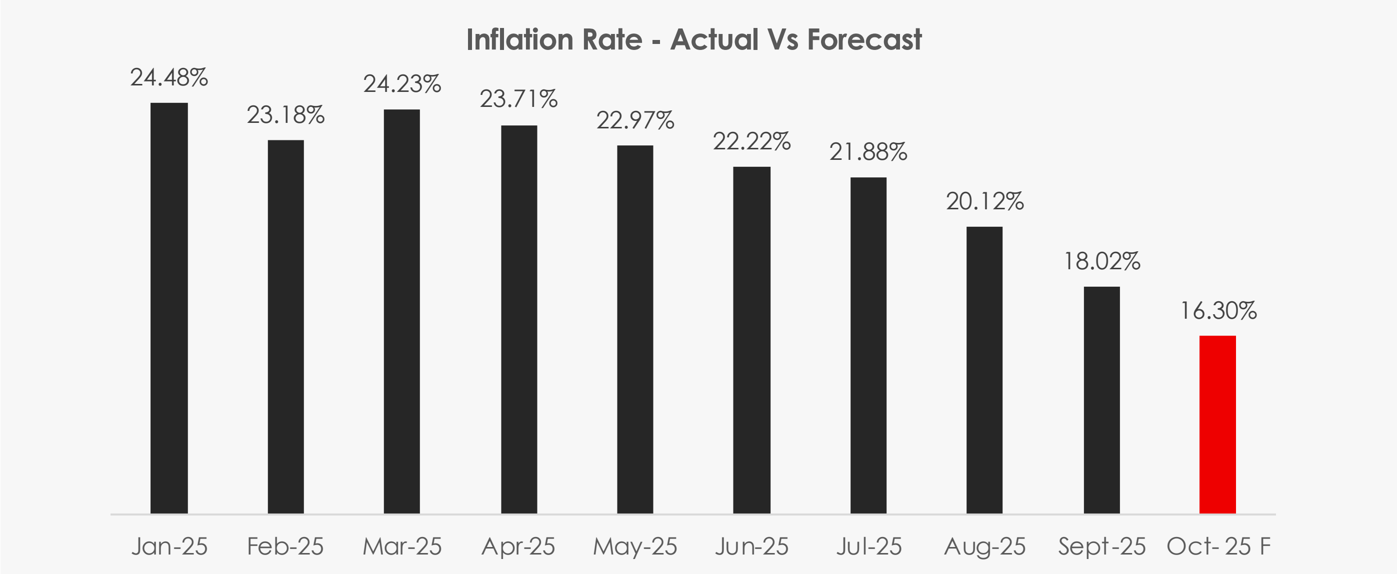
The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) will hold its final meeting for 2025 on Monday, November 24, and Tuesday, November 25. The positive momentum recorded in the Nigerian economy in recent months, alongside the need to support short- to medium-term inclusive growth, strengthens the case for further monetary policy easing. Accordingly, United Capital Research expects the MPC to reduce the Monetary Policy Rate (MPR) by between 0.5% and 1% and potentially lower the Cash Reserve Requirement (CRR) for commercial banks to 40%.

Macroeconomic Update: Growth Signals Emerging

The Nigerian economy exhibited robust growth momentum in the first half of 2025, as reflected in the Gross Domestic Product (GDP) data. Real GDP grew by 3.13% year-on-year in Q1 2025, up from 2.27% recorded in Q1 2024. This positive trajectory strengthened further in Q2 2025, with real GDP expanding by 4.23% year-on-year, compared to 3.48% in Q2 2024. These outcomes are consistent with signals from the Purchasing Managers' Index (PMI), which has remained firmly in expansion territory, above 50 points throughout 2025 and has surpassed corresponding 2024 levels. The solid PMI performance extended into Q3 2025 at 54 points and indicated continued economic expansion. Based on current indicators, United Capital Research estimates the real GDP growth rate Q3 2025 at 5.11%.



Headline inflation has shown a steady decline, falling from 24.48% in January 2025 to 18.02% in September 2025. United Capital Research projects that inflation will ease further to 16.30% in October 2025. The combination of moderating inflation and robust economic growth provides a strong rationale for monetary policy easing to stimulate additional inclusive growth.



Robust External Position Supports Currency Strength

The value of Naira strengthened notably in October 2025. The average exchange rate appreciated by 2.62%, moving from ₦1,497.79/US$1 in September to ₦1,459.54/US$1 in October. The currency closed the month at ₦1,421.73/US$1, compared with ₦1,475.35/US$1 in September. This appreciation is supported by growing investor confidence, increased foreign exchange inflows, and a favourable trade balance, driven by declining imports and rising exports.

As of the time of writing, only the crude oil production figures as at September 2025 were available from the Nigeria Upstream Petroleum Regulatory Commission (NUPRC). Crude oil output fell to 1.39 million barrels per day (mbpd) in September, down from 1.43 mbpd in August and 1.51 mbpd in July 2025, largely due to a strike by oil workers. Crude oil (Bonny Light) prices averaged US$72.09/b year-to-date, declining to US$66.15/b in October 2025 from US$70.20/b in September. Plans are underway to increase crude oil production to 2 mbpd in the short term. Sustained higher production is expected to support foreign exchange inflows. In addition, Nigeria is promoting non-oil exports to enhance exchange rate stability.

Capital inflows showed significant improvement as of August 2025, with total cumulative inflows rising 118% year-on-year to US$14.88 billion, up from US$6.83 billion in the same period of 2024. Notably, the inflows recorded in August 2025 were 21% higher than the total capital inflows of US$12.32 billion recorded in 2024. This growth was largely driven by a sharp surge in portfolio investments, which increased by 939% compared with the corresponding period in 2024. Money market instruments, which rose to US$9.79 billion from US$3.18 billion in August 2024, accounted for 66% of total inflows. Nigeria also recorded a stronger external position, with the cumulative trade surplus widening by 49% to US$10.3 billion as of August 2025, compared with US$6.9 billion a year earlier. Exports increased by 6% to US$38.8 billion, while imports declined by 3% to US$28.5 billion. These favourable dynamics have supported exchange rate stability and provide a strong case for easing monetary policy. Consequently, Nigeria's external reserves rose to US$43.20 billion as of October 31, 2025, marking the highest level in nearly five years. This provides a healthy import cover of over eight months, highlighting short-term stability for the Naira.

Outlook Suggests Continuation of Monetary Policy Easing

The US Federal Open Market Committee (FOMC) implemented its second rate cut of 2025 at the October 28–29 meeting, reducing the policy rate to a target range of 3.75%–4.00%. The decision was largely driven by soft labour market data. We anticipate an additional 0.25% rate cut in December 2025. Meanwhile, major central banks across Europe, United Kingdom, and Asia have maintained their policy rates in recent months, helping to mitigate the risk of significant capital outflows from Nigeria.

In the domestic context, broad money supply (M3) stood at ₦117.8 trillion in September 2025, down from ₦119.7 trillion in August 2025. The contraction was largely driven by a decline in quasi money, which includes savings, fixed deposits, and treasury bills, falling 2% from ₦80 trillion in August to ₦78.7 trillion in September. Meanwhile, bank reserves increased from ₦30.8 trillion to ₦34.6 trillion. Bank reserves represent balances that commercial banks hold at the CBN to meet liquidity and regulatory requirements. These trends suggest that the current monetary policy is effective, and a further easing could be appropriate to support the economy.

Conclusion: Easing Measures to Sustain Growth Momentum

United Capital Research expects the MPC to implement additional rate cut of 0.5%–1% at its November 2025 meeting and potentially lower the Cash Reserve Requirement (CRR) for commercial banks to 40% (a 5% reduction). Such measures would reflect confidence in the ongoing disinflation trend and the resilience of external buffers, while maintaining policy credibility. Furthermore, these actions are expected to stimulate GDP growth in an inclusive manner.

We Expect the MPC to:

- Cut the MPR by between 0.5% to 1%.
- Maintain the asymmetric corridor around the MPR at +2.5%/-2.5%.
- Reduce the Cash Reserve Requirement (CRR) for Commercial Banks to 40%.
- Retain the CRR for Merchant Banks at 16%.
- Keep the Liquidity Ratio at 30%.
- Keep the CRR on Non-Treasury Single Account public sector deposits at 75%.

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