

## February Monetary Policy Report:

CBN Continues Measured Easing with 50bps Rate Cut

### Highlights

- The Monetary policy committee continued its cautious easing at its 304<sup>th</sup> meeting, reducing the Monetary Policy Rate (MPR) by 50bps to 26.5%. The asymmetric corridor was retained at +50/-450bps, while Cash Reserve Ratio (CRR) remained unchanged at 45% for Deposit Money Banks, 16% for Merchant Banks, and 75% for non-TSA public sector deposits. The decision to hold Non-TSA CRR, asymmetric corridor, and CRR maintains the tighten undertone calibrated to preserve the attractiveness of domestic investment instruments.
- Nigeria exited the negative real interest rate environment in February 2025, supported by rapid disinflation, with the real policy rate rising from 1.23% to 11.90% as of January 2026, the highest since 2019. The return to positive real rates strengthens the appeal of naira assets, boosts investor confidence, and supports currency stability. This provides room for more rate cuts in subsequent meetings as disinflation persists.

↓ **26.50%** Monetary Policy Rate (Feb 2026)  
Nov: 27.0%

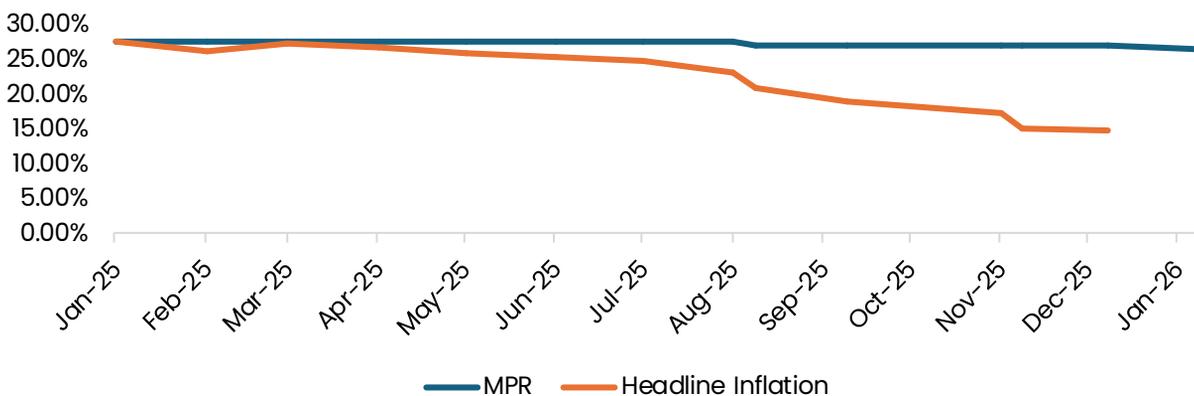
↔ **+50/-450** Asymmetric Corridor (Feb 2026)  
Nov: +50/-450

↔ **45.00%** Cash Reserve Ratio for banks (Feb 2026)  
Nov: 45%

↔ **30.00%** Liquidity Ratio (Feb 2026)  
Nov: 30%

↔ **75.00%** Non-TSA Deposit (Feb 2026)  
Nov: 75%

### Positive Real Interest Rate



SOURCE: TEAM ANALYSIS, CBN, NBS.

DATE: 25/02/2026

▶ Ademidun Shogo  
Research Analyst

▶ Awele Itegebe  
Research Analyst

▶ Emeka Ucheaga, PhD  
Head, Research

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### COMMENTARY

With headline inflation declining by a cumulative 1,251bps from January 2025 to 15.10% in January 2026 (11 consecutive months), the disinflation trend has strengthened the case for cautious monetary easing. This moderation in price pressures has been supported by improved FX liquidity and stronger buffers, with gross foreign reserves rising to \$49.93bn, reinforcing external stability and confidence in the naira. The MPC noted that this reserve accretion has enhanced exchange rate stability and investor confidence. Members also welcomed Presidential Executive Order 09, which redirects oil and gas revenues into the Federation Account, improving fiscal buffers and supporting further reserve buildup.

Beyond domestic developments, global monetary conditions have also influenced sentiment. The U.S. Federal Reserve held rates steady at its January/February meeting, maintaining a cautious stance as it balances inflation risks and growth concerns. The hold reduces immediate external tightening pressure and gives the CBN room to calibrate policy without materially eroding Nigeria's yield premium. However, the need to retain attractive real returns for FPIs remains a key constraint on the pace of easing.

The domestic market had anticipated a rate cut, reflected in the repricing of short-tenor instruments and the easing of yield curve inversion.

The bond and bill market is highly responsive to MPR direction, with the 2-year bond yield declined to 16.13% as of February 23, 2026, from 16.96% on January 28, while the 10-year bond yield rose to 16.43% from 16.25% over the same period. Similarly, 365-day NTB yield has dropped from 19.28% on January 29, 2026, to 18.09% on February 29, 2026. This narrowing inversion confirms that the market had largely priced in gradual normalization. As such, we expect limited reaction going forward, given that adjustments have been partially absorbed.

At the concluded MPC meeting, Governor Olayemi Cardoso emphasized reserve accretion, price stability, and maintaining investor confidence. The positive real rate environment continues to anchor capital flows and preserve policy credibility. Nonetheless, the Committee is likely to remain cautious. In a pre-election year, investors often adopt a wait-and-see posture, and policymakers will be careful not to compress yields too aggressively. Additionally, heightened insecurity in food-producing regions poses tailwind pressure to inflation and could slow the disinflation path, reinforcing a measured approach.

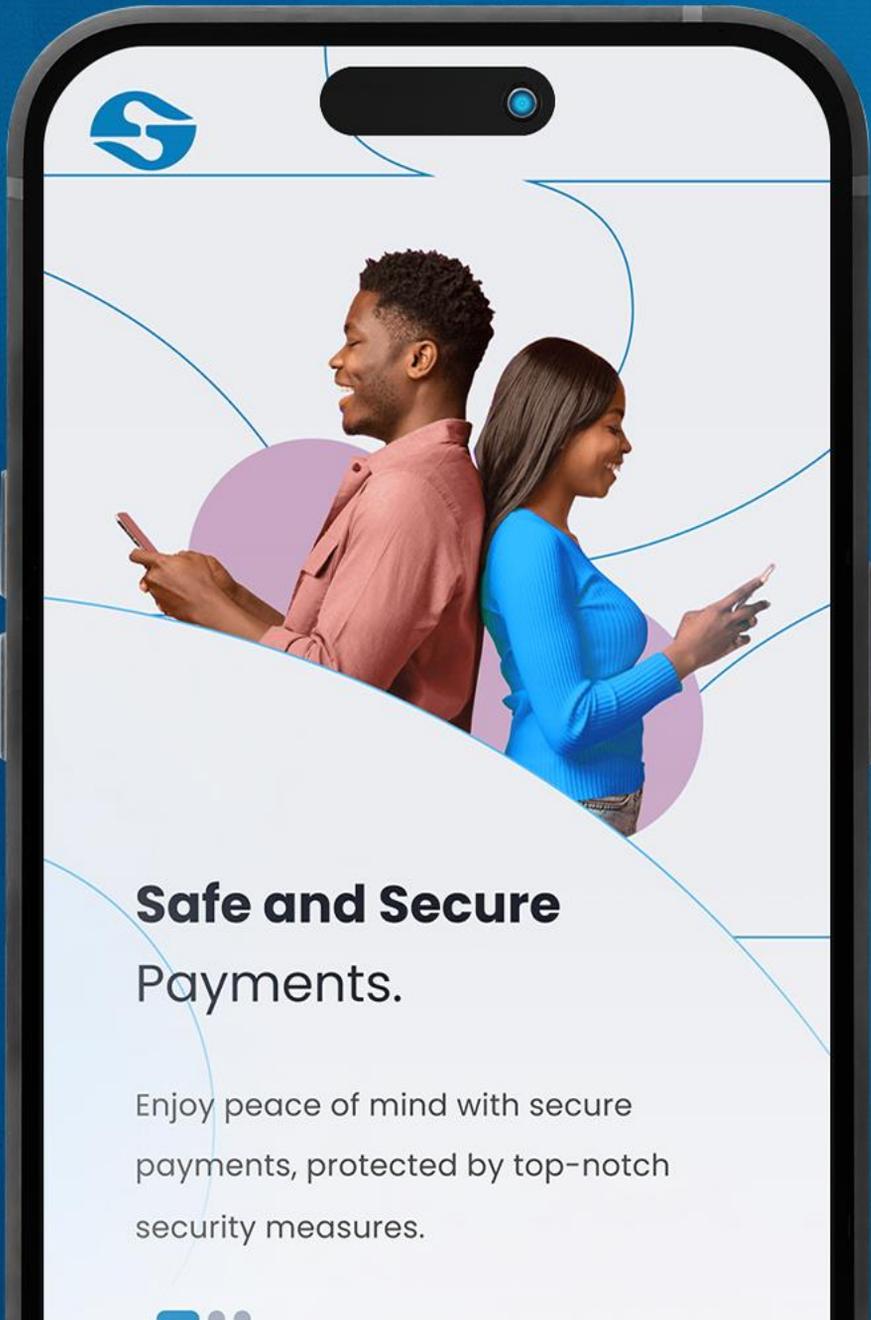
Sustained inflation moderation and stronger reserves create room for further normalization, but easing will likely remain gradual. We expect another 50bps rate cut at the May MPC meeting, reflecting a calibrated approach that balances growth support with macroeconomic stability and investor retention.

SOURCE: TEAM ANALYSIS, CBN, NBS.

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