

Nigeria Money Supply (M3) N122.95tn Drivers and Implications

Introduction

Nigeria's broad money supply (M3) reached a new peak of ₦122.95tn in November 2025, reflecting a combination of stronger external buffers, domestic balance-sheet expansion, exchange-rate revaluation, FX inflows, and seasonal year-end liquidity effects. Between November 2021 and November 2024, M3 trended upward but at a slower, more linear pace, broadly tracking gradual credit growth and moderate FX adjustments. By contrast, the jump to ₦122.95tn in November 2025 represents a sharp year-on-year acceleration, supported by improved gross reserves of US\$45.45bn, record foreign portfolio investment of \$20.9bn as of October 2025, and improved current account conditions under CBN's post-reform FX framework.

M3 Reached a Record High in Nov. 2025

1. External Sector Strength and FX inflows

CBN's MPC noted a robust external sector, surplus current account balance, and steady accretion to reserves, supporting exchange-rate stability and disinflation in 2025, with a surplus current account, steady reserve accretion to US\$46.7bn and record high FPI of US\$21billion as of October 2025. This combination supported naira stability and allowed foreign-asset accumulation to pass through into higher domestic liquidity, particularly as parts of these inflows were not fully sterilized.

From 2021 – 2024 Nigeria's M3 path was driven mainly by domestic credit and modest FX flows, whereas in 2025 the combination of strong Q1 – Q3 FPI, mostly into naira money-market and banking instruments, record low FDI, and improved reserves created a powerful external-liquidity surge that fed directly into the November 2025 broad-money peak.

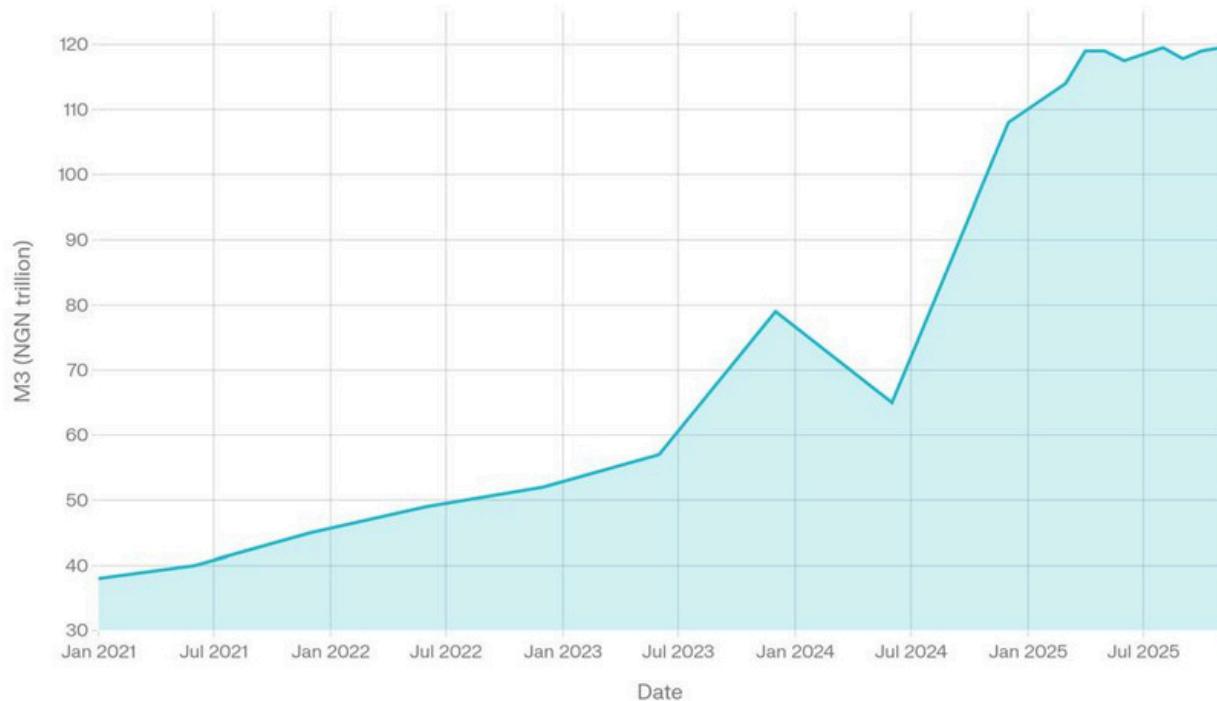
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Rising Nigeria M3 Money Supply (Jan 2021-Nov 2025)

Source: Trading Economics | Tripled since early 2021 despite volatility



2. Domestic Balance-Sheet Expansion

Broad money rises when domestic credit grows (including government borrowing) and when liquidity conditions ease, unless sterilized. This is true in the case of Nigeria as banking-system claims on the domestic economy increased by about 30 – 35% year-on-year between November 2024 and November 2025, including lending to government and the private sector. Private share of total credit stood above 65% in the past five years.

3. Exchange-Rate Re-Valuation Effects

Large exchange-rate adjustments lifted naira-denominated measures of broad money via revaluation of foreign-currency positions. As seen in 2025, the higher exchange rate inflates the naira value of deposits and other broad-money components, contributing to the 2025 spike without an equivalent increase in real money balances.

4. Seasonal Year-end Liquidity

Higher transaction demand (payments, inventories) around year-end can temporarily increase deposits and currency in circulation. As in prior years, November–December brought higher transaction demand linked to payrolls, inventory financing, and festive spending, temporarily boosting deposits and currency in circulation. However, in 2025, this seasonal pattern was amplified by already-elevated liquidity from FX inflows and credit, pushing M3 to a new record rather than just its usual year-end uptick.

Net Foreign Assets (NFA) and Net Domestic Assets (2021 – 2025)

Nigeria's Net Foreign Assets (NFA) expanded significantly from a 2023 low of ₦3.79tn to ₦51.20tn by year-end 2025 – a 1,251% cumulative increase – primarily due to foreign exchange reforms that reduced swap liabilities, oil revenue gains, and gross reserves reaching \$46.7bn. Year-on-year, NFA surged from ₦34.67tn (November 2024 equivalent) to ₦51.2tn (November 2025), even amid naira depreciation, indicating external sector rebalancing. This growth injected liquidity into the financial system (M3 at ₦122.95tn), complicates the Central Bank's efforts to contain inflation.

Nigeria's Central Bank Net Domestic Assets (NDA) expanded nominally from 2021-2025, driven by government lending and fiscal deficits, though real growth moderated post-2023 tightening. NDA rose sharply (+156% YoY in 2022, +40% in 2023) due to government borrowing, then fell 28% in 2024 amid tightening before rebounding 32% in 2025. This volatility reflects fiscal deficits driving monetary expansion, offset by CBN measures like higher reserve requirements to control inflation while supporting moderate GDP growth.

Implications for the economy

Inflation outlook: Faster broad money growth can add demand pressure if it outpaces real output. Even with easing inflation to 14.45% (NBS Nov 2025), sustained liquidity growth can slow disinflation.

Interest rates and financing costs: To contain inflation/FX pressures, the CBN may intensify liquidity-mopping operations, which tends to keep market yields and borrowing costs elevated. This implies a prolonged high-yield environment in which only the most creditworthy corporates can borrow at scale, while SMEs and households face tighter access and higher effective lending rates.

Exchange-rate dynamics: If M3 growth reflects real FX inflows (stronger reserves), it can support FX stability; if driven by domestic liquidity without matching FX supply, it can raise demand for dollars and pressure the naira. The critical issue is therefore not just the size of money growth but whether it is underpinned by sustainable FX buffers, which will determine if the naira converges to a stable band or remains vulnerable to repeated bouts of depreciation.

Growth and credit quality: Liquidity can support activity if it translates into productive private sector credit; if dominated by public-sector borrowing, it may crowd out private investment. Going forward, the effectiveness of higher M3 will hinge on directing credit toward export-oriented and infrastructure sectors rather than deficit financing, so that balance-sheet expansion lifts potential output rather than merely fueling demand-side price pressures.

What to watch (Q1-2 2026)

- Trend in reserves and net FX inflows (external buffers).
- Growth in credit to government vs. credit to the private sector (crowding-out risk).
- System liquidity and sterilization intensity (OMO/T-bills, CRR debits).
- Inflation and inflation expectations, especially food and FX-sensitive components.

Conclusion

Nigeria's record M3 level of ₦122.95tn in November 2025 signifies a structural transformation in liquidity conditions, rather than a purely seasonal fluctuation. This development was propelled by an unusual combination of strong external inflows, significant valuation effects, and persistently elevated levels of domestic credit. From 2021 to 2024, broad money growth primarily reflected steady domestic credit expansion and moderate foreign exchange inflows. However, in 2025, the factors driving liquidity underwent a notable shift. Robust foreign portfolio inflows into naira money market and banking instruments during the first three quarters, consistent albeit modest foreign direct investment, and an increase in reserves to approximately US\$46.7bn and US\$21 billion FPI, produced a substantial external liquidity boost that directly influenced M3. This effect was further amplified by naira revaluation of foreign-currency positions and heightened year-end transaction demand.

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