

MPC Keeps Rates On Hold Again



8th consecutive time – Last change July 2016

Decision - Status Quo & Vigil Economics

✓ Retain all parameters and maintain Hold

✓ MPR 14% pa and CRR 22.5%

✓ Wait for some more clarity before a change

✓ After 16 months of waiting – 2 more months will not matter



Rationale for Status Quo

Fear of reigniting inflationary pressures

M2 at (-5.54%) & Inflation at 15.91%

Inflation above 12% is growth retarding - CBN

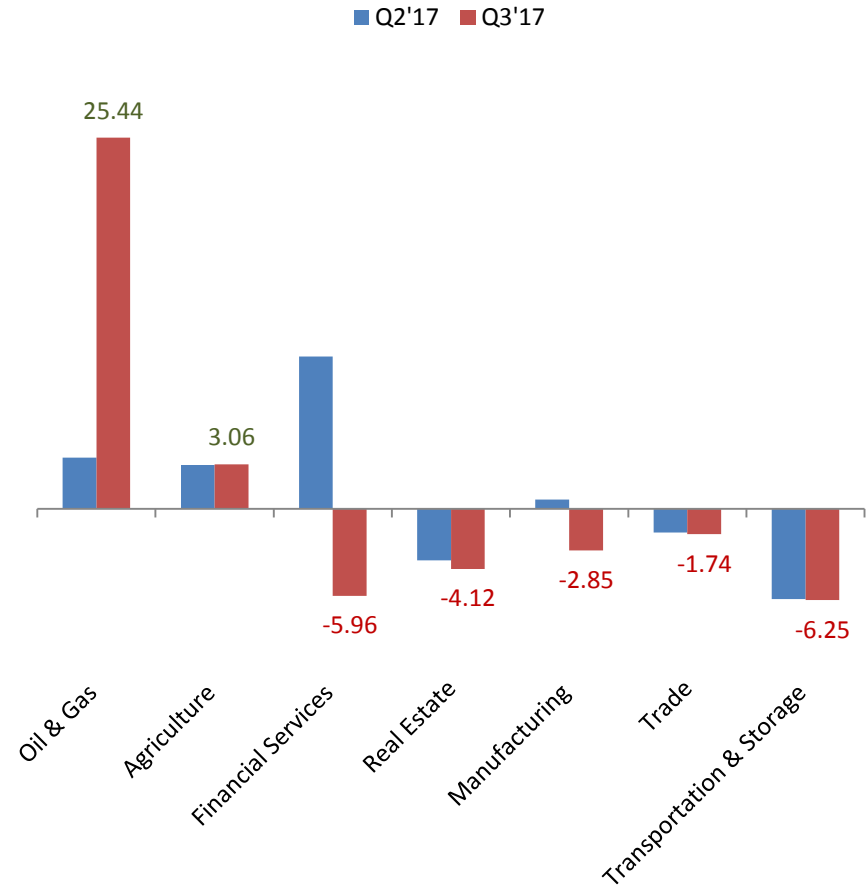
Economic vulnerability to exogenous shocks

Oil markets still volatile & OPEC squabbling



We Need Lower Interest Rates Now !!

- Q3 GDP up 1.4% - growth uneven and fragile
- Oil sector the main driver +25.44%
- Agric positive – beneficiary of special interest rates (6 – 9% pa)
- Manufacturing contracted -2.9%
- Services declined sharply to -2.7%
- All interest rate sensitive sectors shrank



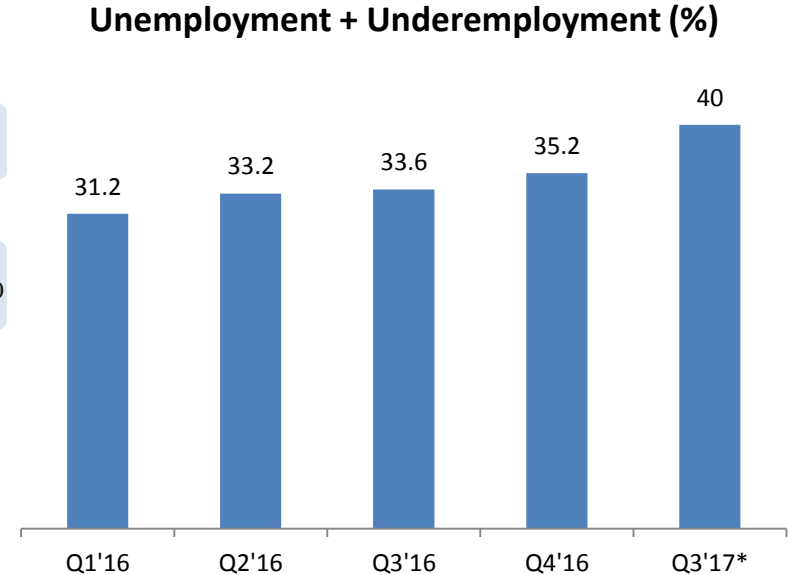
Why MPC should have done otherwise?

External reserves are up \$34.36bn

Naira stable in the forex market (N360 – 364/\$)

Unemployment + underemployment high at 35.2%

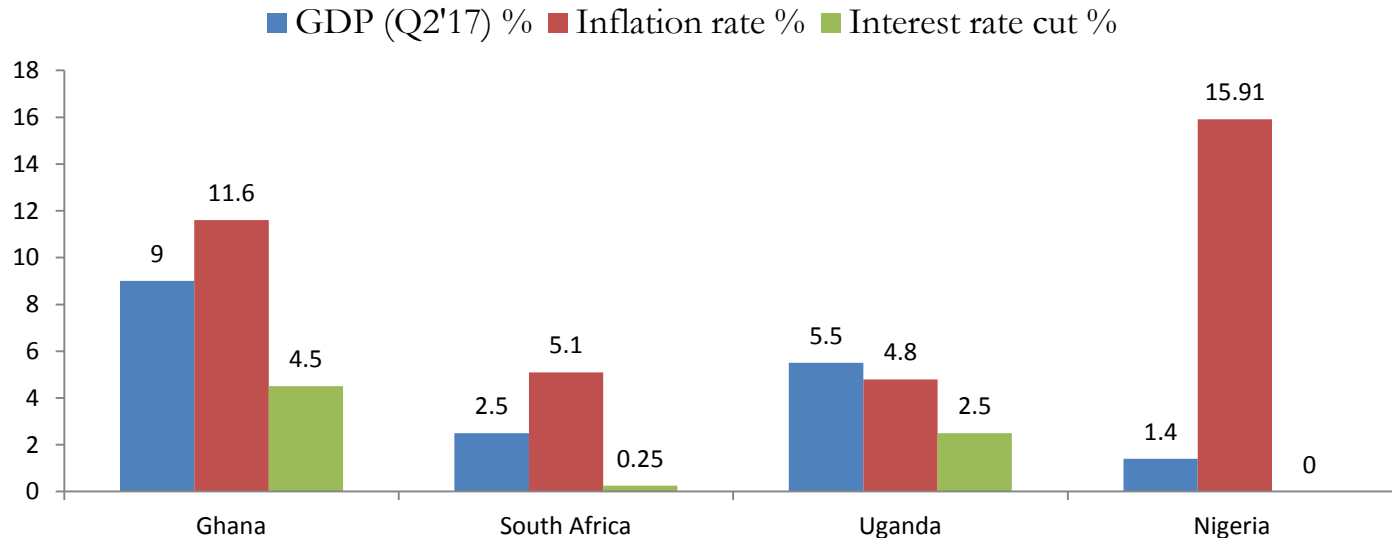
Credit to the private sector is weak



Lessons from abroad (SSA)

Low interest rate not synonymous with Inflation

Countries that cut rates enjoyed stronger growth



Impact on you for Xmas

FOOD BASKET

	<u>Dec'16</u>	<u>Nov'17</u>		
Rice/50kg	N24,000	N16,000	↓	33%
Chicken/kilo	N1,500	N1,350	↓	11.1%
Flour/50kg	N11,000	N9,800	↓	12.2%
Tomatoes/50kg	N8,000	N8,000	↔	
Yam/small tuber	N600	N500	↓	16.6%



School Fees Primary (Corona)	N460,000	N480,000	↑	4.34%
Air fare (LOS-ABJ-LOS)	N45,000	N57,000	↑	26.6%
Air fare (LOS-LHR-LOS)	N613,000	N487,000	↓	20.5%
Diesel	N265	N205	↓	22.6%

House Rent

Increase of 25% in Abuja & mainland Lagos

What Next – Outlook

T/bills rates to decline further to 14% pa (180 day), 23% pa lending rates

Q4 growth will be flat at 1.5% – annual growth of 0.9% - 1%

Naira to trade flat (N365 – 370/\$) in January

Unemployment + underemployment to increase to 40%