

MPC Maintains Status Quo

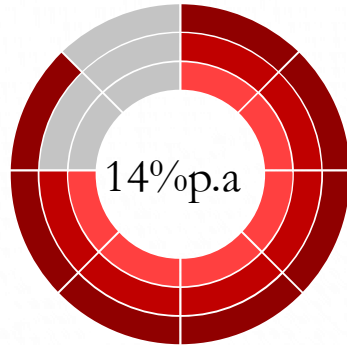


MPC holds its fire

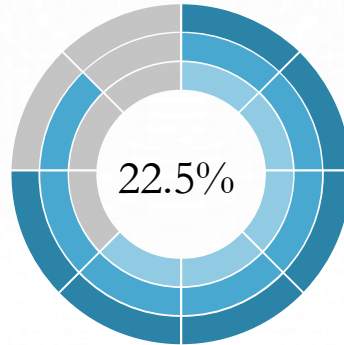
All parameters unchanged

Status Quo

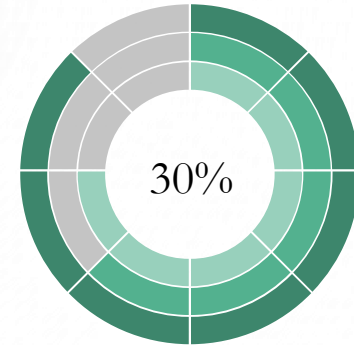
Decision



Holds benchmark
rates at 14% p.a.



Cash Reserve Ratio
at 22.5%



Liquidity ratio
30%

Factors Responsible for Decision

Inflation declining but above the CBN's target of a single digit

GDP growth positive for the four consecutive quarters

Exchange rate stability

Accretion in external reserves









Expansionary budget expenditure likely to put pressure on the naira

US interest rates to increase again on June 12

Positive trend in PMI (Q1'18)



Why they should have cut rates

-  GDP growth is 0.16% slower than Q4
-  Contracting and slowing sectors are interest rate sensitive
-  Sectors that have high employment levels are those in the negative territory
-  T/bill rates are already 500bps lower than 2017 levels
-  The economy needs a monetary impetus to boost budget stimulus
-  PMI is down from 59 to 51
-  Consumer confidence is also negative
-  Ghana just cut rates 5th time in 12 months and is growing at 8.5%

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Impact on Corporates & the Economy

Business as usual

- ➡ Unemployment and underemployment will remain above 40%
- ➡ Stock market will wobble and slide (-1% since April)
- ➡ Interest expense of companies will remain high – lending rates at 23-25% p.a
- ➡ Deposit rates are already falling
- ➡ Banking sector impairment & NPLs will remain high – Average 15%
- ➡ Corporate earnings will struggle – now 9%

Impact on You – No shaking

WORKER



Flat Until wage review



Salaries



Higher



Domestic Food Prices

To increase



Unemployment

MIDDLE CLASS



Static & indifferent



Salaries



Flat lining



School Fees



Increase



House rent

ELITE/ AFFLUENT



Static



Summer Ticket



Marginally Higher



Intl School Fees



Decline



Property value

SSA- Macroeconomic Scorecard

Country	GDP Growth Rate (Q4'17)	Inflation (Apr'18)	Monetary Policy Rate
Nigeria	1.95%(Q1'18)	12.48%	14%
Ghana	2.1%	9.60%	17%
Kenya	1.3%	3.73%	9.5%
Angola	-4.3%	20.22%	18%
South Africa	3.1%	3.8%(Mar)	6.5%

➔ Ghana, Kenya, & South Africa (non-oil producers) show that expansionary monetary policy stimulates growth with no inflationary pressure

➔ Angola & Nigeria are more susceptible to oil volatility

Outlook

Expanded budget spending – 5.9%

Credit to private sector will remain flat

Unemployment to continue its upward trend

External debt to increase

Weak and limping growth



Thank you!