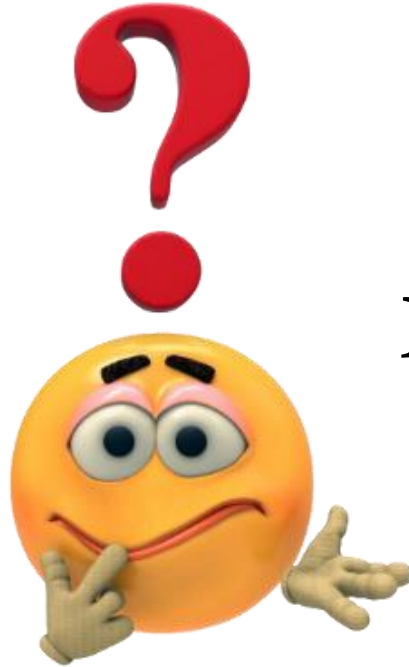








# CBN Keeps Rates the Same



**MPR = 12.5%p.a.**

*No change as expected*

# In the last 30 Months

	Number of meetings	Rate Cuts	Inflation
Nigeria 	15	2	12.56% 
S.Africa 	11	6	2.1% 
Ghana 	11	4	11.2% 

**Average Rate Cut: -3%**

# Africa Not Alone



*FED RES*

*5 times from 1.25% - 1.5%pa*

*to 0% - 0.25%pa*



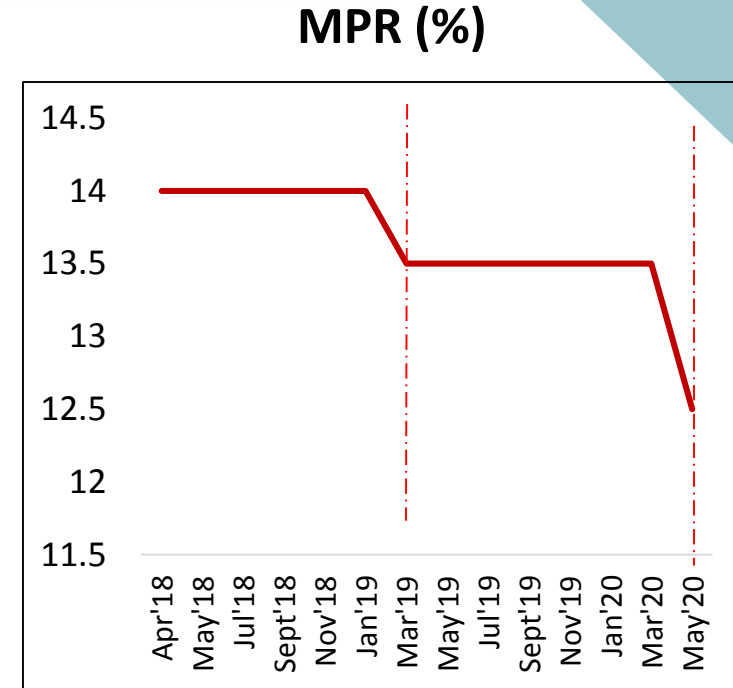
*BOE*

*2 times from 0.75% pa*

*to 0.1%pa*

# 30 Months, 15 Meetings, 2 Changes

- ⊖ Prompted by exogenous factors
- ⊖ Signaling to anchor expectations
- ⊖ Inflation is unabating (12.56%)
- ⊖ Increased credit availability and supporting fiscal stimulus



Source: CBN

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# CBN - Cautiously Optimistic

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**No recovery in 2020 (- 5% GDP)**

**Exchange rate gradual adjustment to  
reduce shocks – Unification (N380/\$)**

**Ambitious infrastructure  
plan (N15trn)**

# Objectives

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Contain inflation



12.56%

Increase credit



N18.9trn

Create jobs



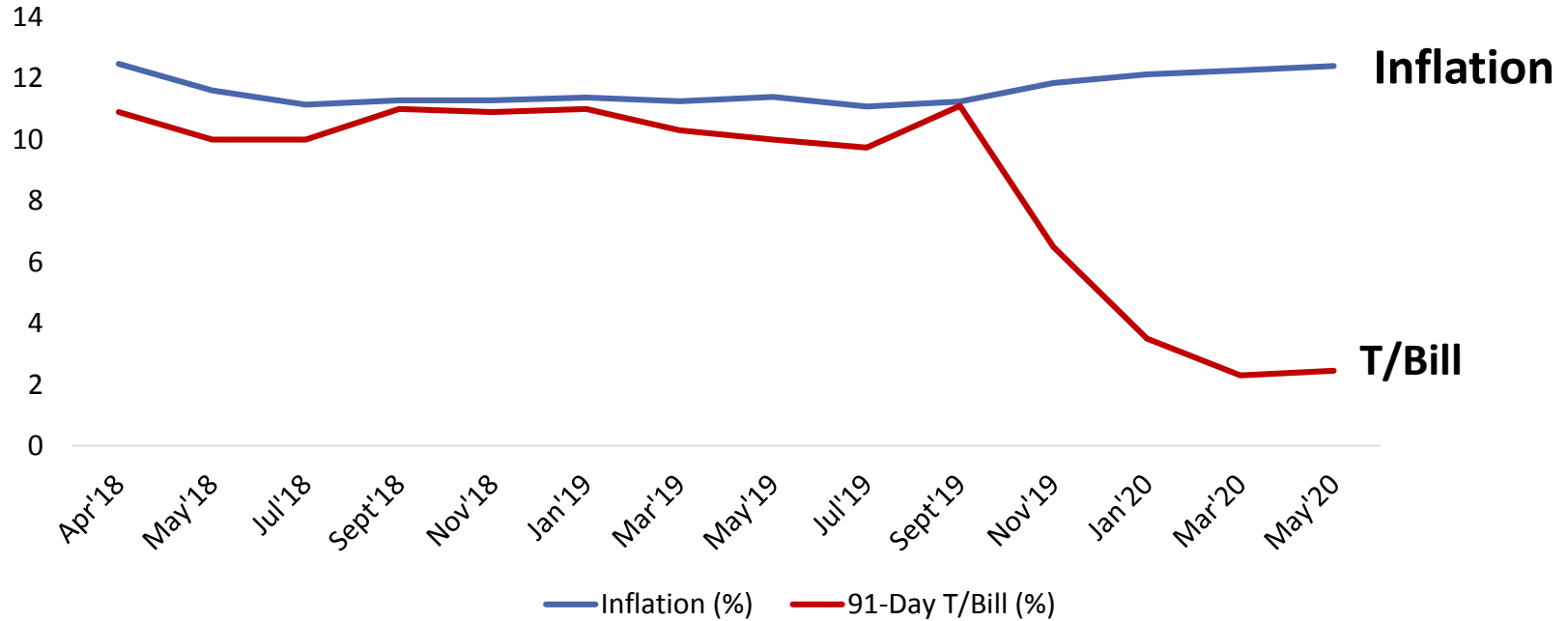
36%

Support infrastructure



N15trn

# MPR – *Negative Rate of Return*



Source: NBS, CBN

## Lower National Savings



# Scorecard – *Negative Rate of Return*

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Inflation: 12.56%

> -10.77%

91-day T/Bill: 1.79%

Money is no longer a store of value

# What This Means

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- ⊗ Price of consumer basket has increased by 12.56% (Aug'19 – Jun'20)
- ⊗ In urban Nigeria, prices jumped by 13.18%
- ⊗ Food inflation jumped by 15.18%
- ⊗ Your naira has fallen in value by 24% (N472/\$)
- ⊗ But the price of oil has fallen by 35.6%





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# Your Retail Basket

Commodities	August 2019	Current Prices	% Change 2019/2020	Direction
New Yam 	N600	N2,000	233.33	↑
Garri (50kg) (Yellow) 	N6,250	N12,000	92.00	↑
Rice (50kg) 	N18,000	N28,000	55.55	↑
Tomatoes (50kg) 	N14,000	N20,000	42.86	↑
Palm Oil (25L) 	N9,000	N12,000	33.33	↑
Sugar (50kg) 	N14,900	N17,500	17.45	↑
Semovita(10kg) 	N2,900	N3,400	17.24	↑
Flour (50kg) 	N10,900	N12,700	16.51	↑
Beans (Oloyin) (50kg) 	N17,000	N17,500	2.94	↑
Cement (50kg) 	N2,550	N2,600	1.96	↑

**5 items lost above 30%**

# What to Expect in Q3??

- Oil price will remain between \$40-43pb
- Exchange rate unification process to commence
- Relaxation of lockdown & slow recovery
- Domestic load factors will increase to 60% in August
- International flights to commence in October 2020
- Orderly exchange rate adjustment will continue as dollar supply increases



# What to Expect in Q3??

- % GDP growth (Q2/Q3 estimate): -3.5%
- % Oil production to fall towards 1.4mbpd
- % Domestic airports reopen (average load factors: 40-50%)
- % Businesses will go back to approximately 40% of installed capacity by December
- % 3<sup>rd</sup> Mainland bridge closure will take a toll on productivity and growth



*Thank you!*