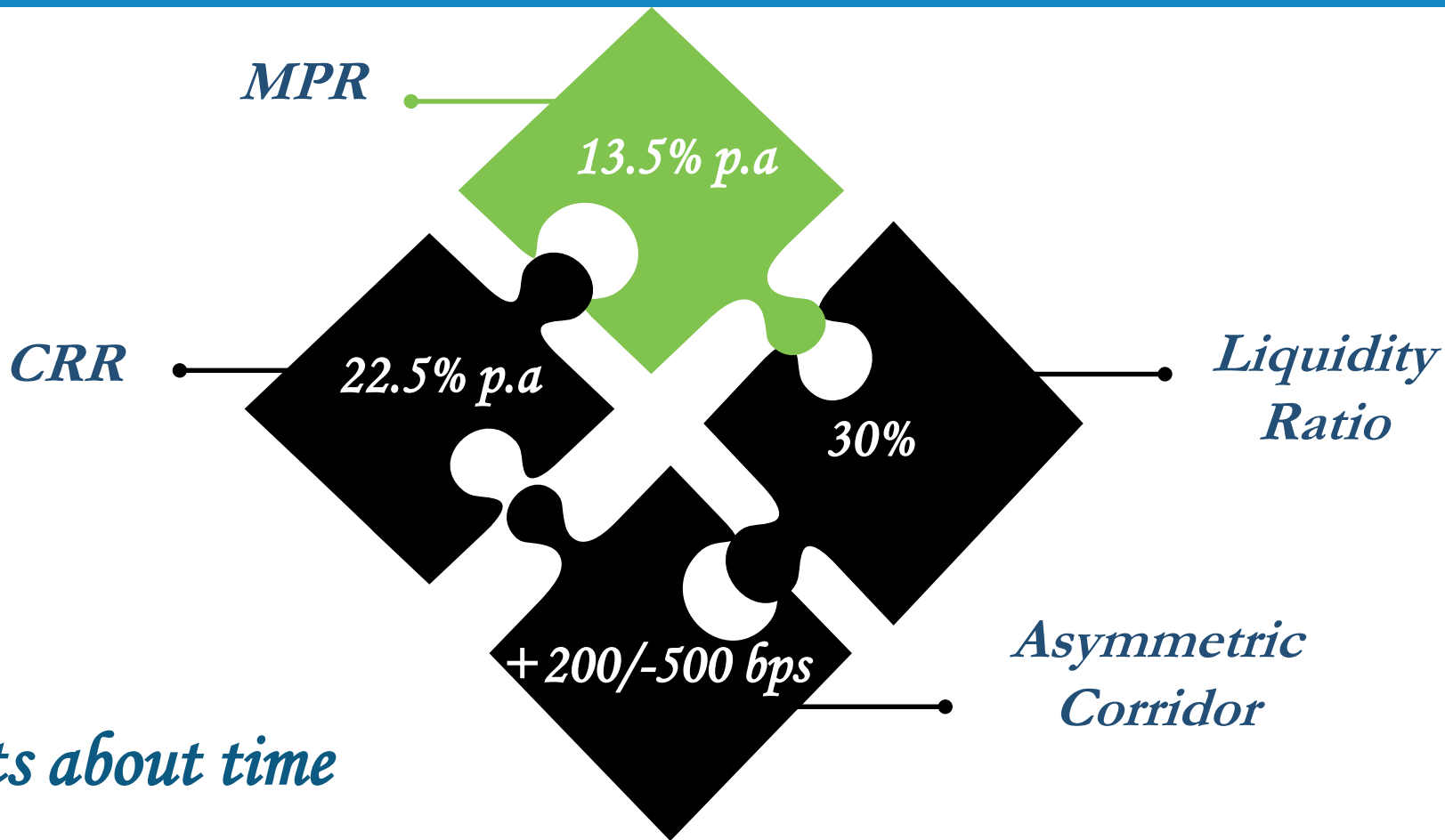


*CBN Moves MPR after 33 Months*



*A dollar short and an hour late??*

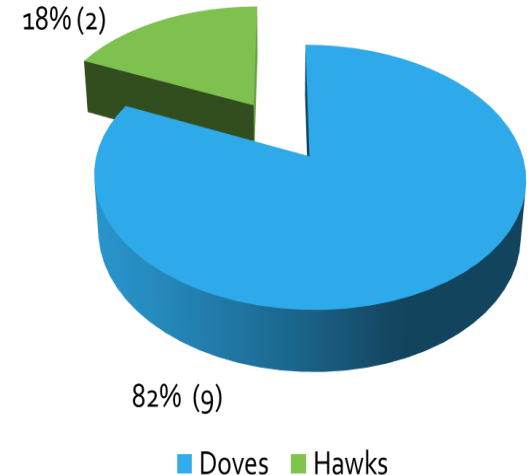
# Decision - MPR Down 50bps, Others Unchanged



*Its about time*

# Voting Sentiment

- ① Decision for signalling purposes
- ② Move supposed to be accommodative
- ③ Cuts rates by 50bps (6 to 5 voting margin)
- ④ Other parameters left unchanged



# Justification & Rationale



To support growth and employment



Inflation has declined to 1.31%  
(MPR still higher than inflation)



Fears of global economy  
heading towards a recession



US Fed to leave rates  
unchanged in 2019

# Justification & Rationale

⊗ Credit to private sector 6.41% below target of 9.41%

⊗ Money supply growth is within the CBN range

⊗ External reserves are robust

⊗ Provides 10.96 months import cover

⊗ Monetary conditions are tight and need loosening





# Leo

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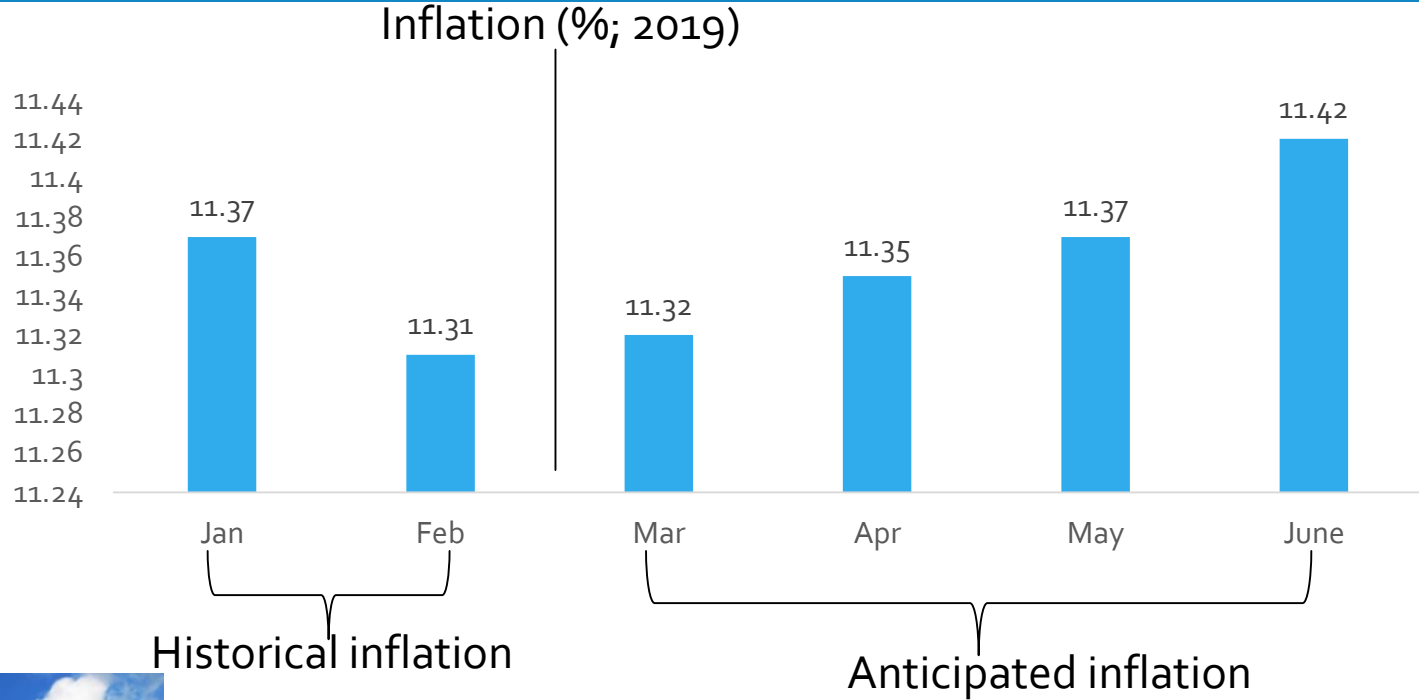
• London

• Paris

# Fiscal Vulnerabilities Persist

- ⊗ Borrowing costs of government excruciating
  - ⊗ Debt service is 68% of revenue
- ⊗ Real GDP Growth of 1.9% below population and full employment threshold
- ⊗ Unemployment/underemployment too high at 23.1% & 20.1%
- ⊗ Gross capital formation is (\$66.5bn) 14% of GDP and sub-optimal
- ⊗ Economy in a recessionary gap (Potential GDP > Real GDP)

# Inflation Expectations







# Price Inflation will Inch Upwards

Price Inelastic



Commodities	Current Prices	April/May	% Change
Tomatoes (50kg)	7,000	7,500	7.14
Garri (50kg) (Yellow) 	6,150	6,650	8.13
Beans (Oloyin) (50kg) 	20,000	21,000	5
Yam (New yam) (medium size)	800	900	12.50



⊗ Drivers of inflation in the next three months:

- ⊗ Minimum wage review
- ⊗ Commencement of planting season
- ⊗ M2 growth (5%-7% )
- ⊗ High diesel price- N230-N240/litre

# 14<sup>TH</sup>

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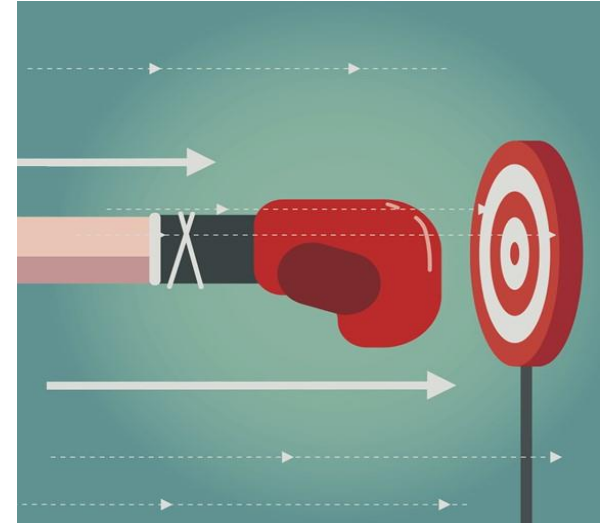
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# Economic Impact – Domestic Risks Elevated

- ⊗ Easing will fuel inflationary pressures
- ⊗ Inflation expectations are negative
- ⊗ Output constraints persist
- ⊗ Aggregate demand will increase in Q2  
(demand pull)
- ⊗ Lending will not increase
- ⊗ Loans are currently price inelastic



# Economic Impact – External Imbalances Remain



External reserves will slide



Naira will come under pressure as oil  
markets weaken



Stock market will move positive  
(YTD return is -1.91%)

# Q2'19 Outlook

Q1 GDP growth estimated at 1.8%-1.9%

Naira will come under pressure

Portfolio investors will not exit

Supplementary budget likely

March inflation 

April inflation 

Stock market will move positively



*Thank  
you*

