

MPC Maintains Status Quo Again



After Liquidity Surfeit

The Decision - Unanimous



All parameters unchanged

MPR – 13.5%*op.a*



System Awash With Liquidity

Policy – Moral Coercion



Loan-to-deposit ratio (LDR) – 60% (From approx. 50%)

Standing Deposit Facility (SDF) ↓ from N7.5bn to N2.0bn

Federal Accounts Allocation Committee (FAAC) ↑ (N679.7bn)



Impact on Interest Rates

T/bills stop rates crash



Tenor	From (%p.a)	To (%p.a)	
91-days	10.5	9.74	↓
182-days	11.7	10.75	↓
364-days	11.91	11.14	↓

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Justification/Rationale

- Excess liquidity in the system
- Q1 '19 GDP growth: 2.01%; mild expansion
- Exchange rate stable for now
- Fed to cut discount rate by 25bps to 2.0-2.25%p.a
- Threat of capital flow reversal reduced
- Signalling effect to the market



Impact

Economy

- Mildly expansion in GDP (2.2%)

- More short-term jobs

- Excess liquidity to stoke inflation

- Increased capital flight

- Weaker naira in Q3

Corporates

- Lower borrowing costs ↓ (200bps)

- Loans to SMEs to increase ↑ (10%)

- Banking sector profitability to fall



Impact on You

WORKER

Suffering & Smiling



Domestic Food Prices

Harvest ↑

Increase



Unemployment

↓
Will taper



House rent

↑
Increase



Medical

↔
Flat

MIDDLE CLASS

So - So



School Fees

↔
Flat



House rent

↑
Increase



Medical

↔
Flat

ELITE/ AFFLUENT

Wait & See



Winter ticket

discount ↓

down



Intl School Fees

↑
Higher



House rent

↔
Flat





Medical

↔
Flat

Commodity Price Movement



Commodities	Current Prices	May 2019	% Change	August 2019
Tomatoes (50kg) 	20,000	13,000	53.85 	18,000
Rice (50kg) 	16,000	17,000	5.88 	16,000
Pepper (bag) 	8,500	7,000	21.43 	8,000
Indomie (1 carton) 	2,000	2,000	- 	2,000
Yam (Old yam) (medium size) 	1,300	1,200	8.33 	1,000
Semovita (10kg) 	3,000	3,000	- 	3,000
Garri (50kg) Yellow 	6,250	6,250	- 	6,250

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Dairy Imports

- CBN has added dairy imports to the forex restriction list
- This will negatively impact the fortunes of WAMCO, Nestle, Cadbury, Promasidor, etc
- Forcing these companies to integrate backward very quickly
- Cattle rearing is a long term project - especially breeding lactating cows
- In the short run, higher unemployment and lower profits and disruptions for dairy producers in Nigeria



What Next?



- Q3 GDP will expand mildly
- Oil revenue elasticity
impact on other sectors
- Excess liquidity
transmission on inflation
 - To offset harvest effect
- Minimum wage (Total costs and arrears)
- Inflation will increase to 12% (year-end)
- Naira will become weaker

*Thank
you*

