MPC Maintains Status Quo Again





After Liquidity Surfeit



The Decision - Unanimous



All parameters unchanged

MPR – 13.5%p.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	
	91-days 182-days	91-days 10.5 182-days 11.7	91-days 10.5 9.74 182-days 11.7 10.75



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Justification/Rationale

Excess liquidity in the system



- ■Q1'19 GDP growth: 2.01%; mild expansion
- Exchange rate stable for now



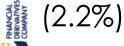
- Fed to cut discount rate by 25bps to 2.0-2.25%p.a
- Threat of capital flow reversal reduced

Signalling effect to the market

Impact

Economy

Mildly expansion in GDP



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

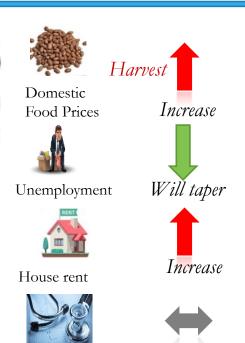
MIDDLE CLASS

So - So

ELITE/ AFFLUENT

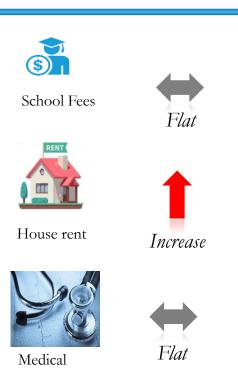
Wait & See

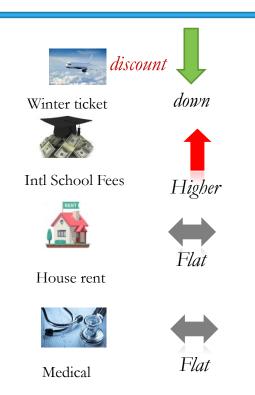




Medical

Flat





August 2019

18,000

16,000

8,000

2,000

1,000

3,000

6,250

Commodity Price Movement						
Commodities		Current Prices	May 2019	% Change		
Tomatoes (50kg)		20,000	13,000	53.85		
Rice (50kg)		16,000	17,000	5.88		
Pepper (bag)		8,500	7,000	21.43		
Indomie (I carton)		2,000	2,000	-		

1,300

3,000

6,250

1,200

3,000

6,250

8.33

Yam (Old yam) (medium size)

Semovita (10kg)

Garri (50kg) Yellow









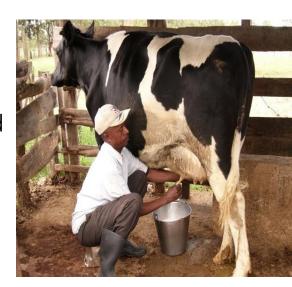
My money. My Africa.

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

