

GDP Creeps (0.51%) & Inflation Slides (18.12%)



“Economy Still Shackled”

Not Yet Uhuru!!!

# Sluggish Recovery Justifies Status Quo!

*Out of 25 meetings*

○ *3 times change*

○ *22 times no change*

**MPR = 11.5% p.a**

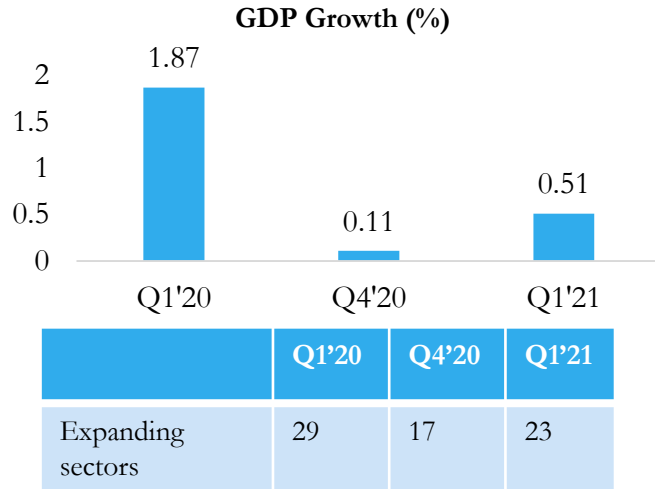
**CRR = 27.5%**

**Liquidity ratio = 30%**

○ *Tepid growth and marginal dip in inflation – MPC treading carefully*

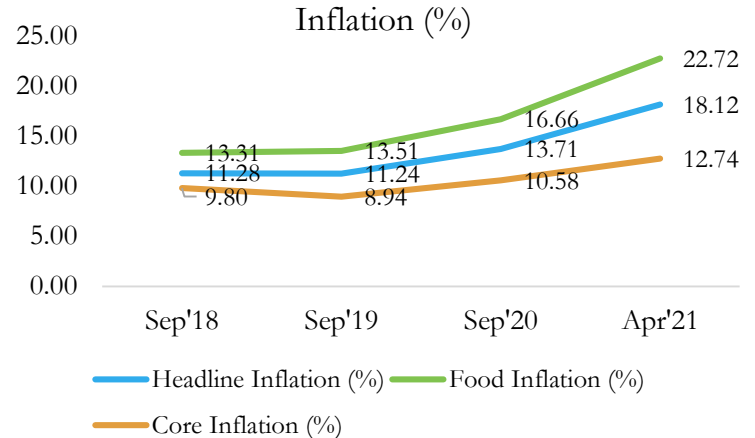
# Detangling the Economic Web

## Tepid Growth



- Potential GDP (8.0%) > Real GDP (2.5%) = Recessionary gap (5.5%)
- GDP growth still below population growth rate (2.6%)
- Job elastic sectors weaker (Agric, trading)
- ICT down, manufacturing up

## High Inflation

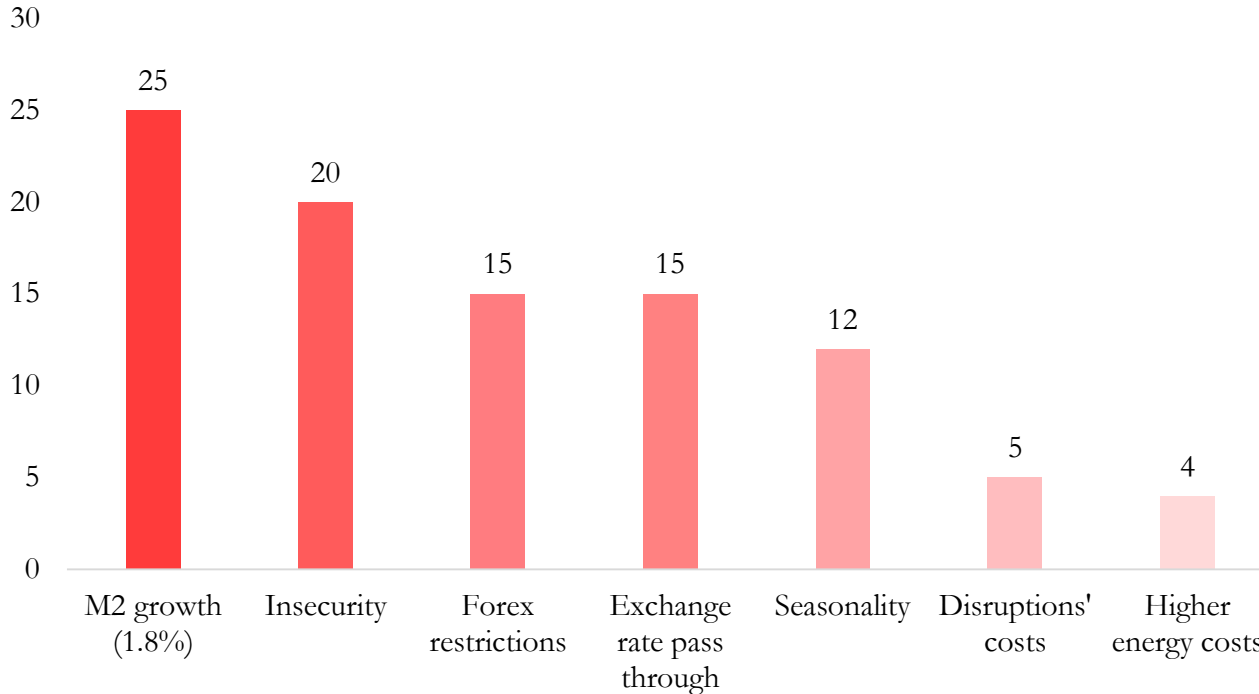


- April inflation eased to 18.12% but will rise again before declining later in 2021

# Causes Of Inflation



- The primary mandate of the CBN is price stability



*These factors are*

- *42% structural*
- *25% monetary*
- *30% transient*

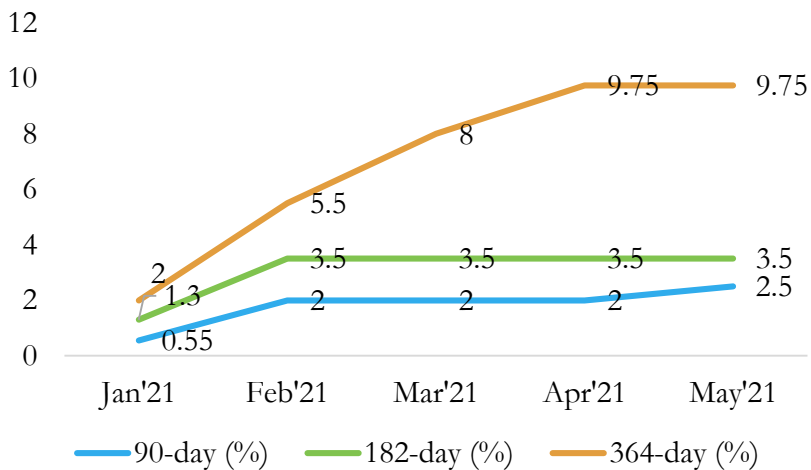


# Good Moves: Interest Rates Increasing...

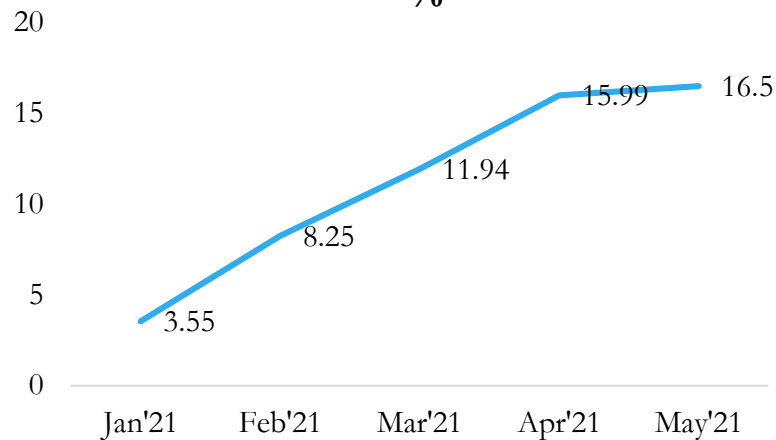


- Increase in T/bill and interbank rates from January - May

### T/bill Rates (PMA)



### Avg. Interbank Rates (OBB/ON) %



- Aggressive implementation of CRR debits
- Marginal Propensity to Save (MPS) = 0.16

## Driving World-Class Enterprise...



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2018 - 2020

**BRAND AFRICA: 100**  
BRAND LEADERSHIP SA

**TOP 50 BRANDS NIGERIA**

**DANGOTE GROUP**

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2018 - 2019

2018 ✓  
2019 ✓  
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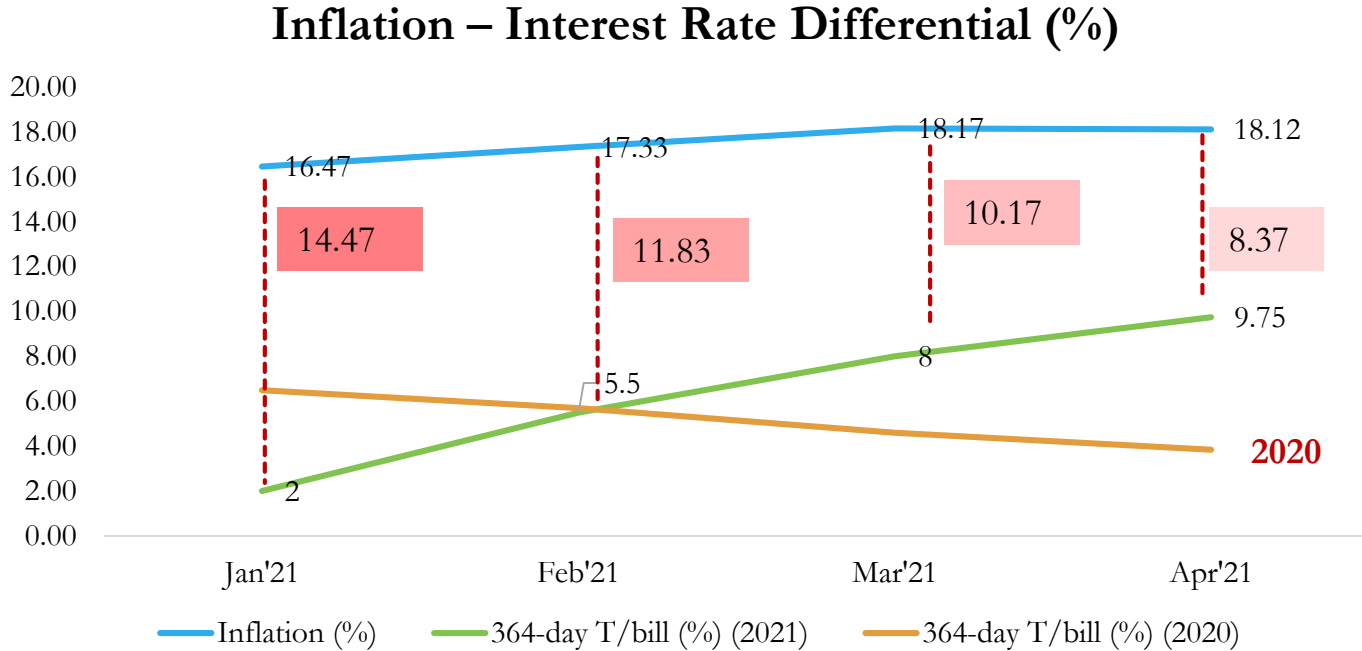
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# Good Moves: Real Rates of Return Improving



- Inflation interest rate differential has reduced by 610bps in the last four months



# Good Moves: Exchange Rate Adjustment...



- NAFEX now official rate (N410.29/\$)
- No more telephone trading in forex market – ***Only system generated trading!***
- **Outcome: Exchange rate convergence**

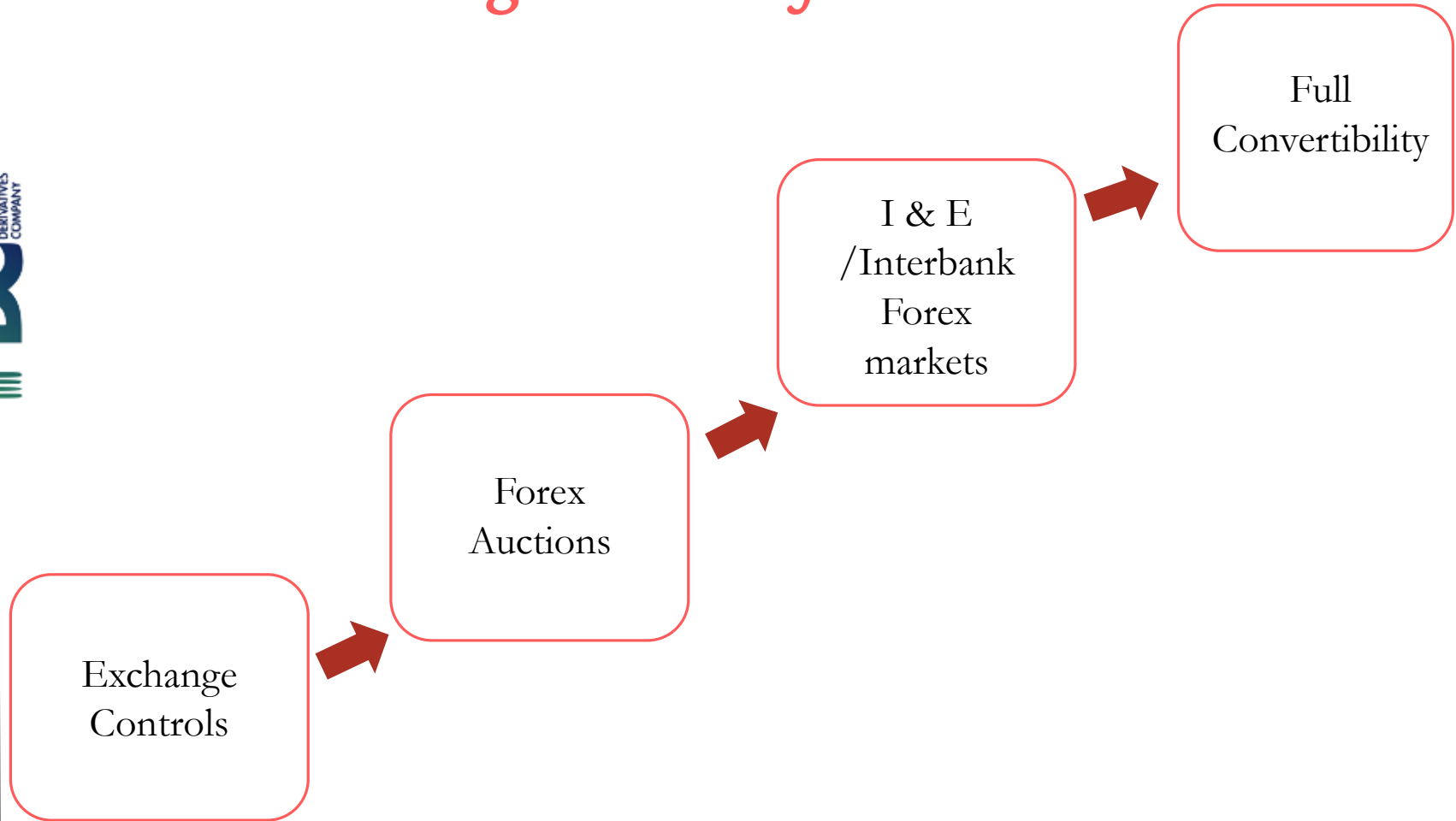


N/\$	May'21 (Before adjustment)	May'21 (After adjustment)	
Parallel market	485	487	
Official	380	410.29	
Difference (Parallel/IEFX)	105	76.71	% Change: 26.94

Rates	Current value (N/\$)
PPP Value	507.43
NDFs – 3M	419.93
6M	431.01
9M	442.59
12M	453.44
REER	429.3



# Exchange Rate Reform Path...



# Impact On Economy

Positive for Eurobond issue (\$3bn), IMF & World bank loans

Higher FAAC allocation (N680-N700bn)

Currency convergence

Decline in import costs and imported inflation

**A boost in forex supply is KEY!**

# Impact On Your Wallet

Commodities		Mar'21	May'21	% Change	
New Yam(medium size)		N1,300	N1,500	15.4	↑
Garri (50kg) (Yellow)		N15,700	N16,400	4.46	↑
Beans (Oloyin) (50kg)		N30,000	N32,000	6.67	↑
Onions (50kg)		N15,000	N25,000	66.67	↑
Pepper (50kg)		N8,000	N20,000	150.0	↑
Flour (50kg)		N14,500	N15,000	3.45	↑
Cement (50kg)		N3,300	N4,000	21.2	↑
Chicken (1kg)		N1,700	N2,300	35.29	↑
Rice (50kg)		N27,000	N28,000	3.70	↑
Tomatoes (50kg)		N12,000	N30,000	150.0	↑

**Commodity Prices Still High**



# Leo

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Bills Payment?

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 CFC (+234-1-2807400)

# Impact on You

## WORKER

Struggling



## MIDDLE CLASS

Down & Out



## ELITE/ AFFLUENT

No shaking



Domestic Food Prices



*Higher*



School Fees



*High*



Flight Ticket



*Higher*



Unemployment



*Stay High*



House rent



*Increase*



Intl School Fees



*Higher*



House rent



*Increase*



Medical



*Increase*



House rent



*Increase*



Medical



*Increase*



Medical



*Increase*

# June Outlook

Oil prices will rise and fall

Q2'21 GDP growth to climb to 4.5%

Inflation likely to rise again in May & June (18% - 19%)

Mandatory electricity tariff review in July

PIB passage implies complete subsidy removal

External reserves depletion to continue (\$33bn)

Johnson & Johnson + AstraZeneca = More Vaccinations

Naira will appreciate at the parallel market if CBN sells more dollars

Nigeria will launch its Eurobond issue (\$3bn)

*Thank you!*