

# Status Quo Again!



25 Out of 28 Meetings



Policy Makers in a Trilemma



STATUS  
QUO

# Decision



STATUS  
QUO

CRR - 27.5%

MPR - 11.5%*opa*

Liquidity Ratio – 30%

# Inflation – A Global Phenomenon??

- It is all about inflation

Europe

Africa

Country	Oct'20 (%)	Oct'21 (%)	% Change
US	1.2	6.2	5.0 ↑
UK	0.7	4.2	3.5 ↑
Eurozone	0.2	4.4	4.2 ↑
China	0.5	1.5	1.0 ↑
South Africa	3.3	5.0	1.7 ↑
Ghana	10.1	11.0	0.9 ↑
Nigeria	14.23	15.99	1.76 ↑

*Nigerian  
inflation now  
slowing*

# Inflation Psychology Vs Inflation Expectations



*Inflation psychology - Increased spending as  
prices rise faster than wages*



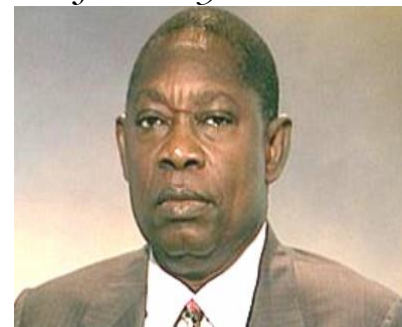
*Inflation expectations - Fear of price  
rising & speculative buying*

# You Can't Clap with One Hand!

- Bank of Ghana increased interest rates by 100bps to 14.5% in November and the Cedi was stable
- The South African Central Bank increased interest rates by 25bps to 3.75% and the rand steadied
- Kenyan & Nigerian Central Banks left interest rates unchanged and the currency depreciated







*John Taylor Woods*



*MKO Abiola*

# Nigeria Not Alone...

Country	Nov'20	Nov'21	% Change
Ghanaian Cedi (GH¢)	4.10	6.02	Lost 46.83 
S/Africa Rand (ZAR)	11.28	15.89	Lost 40.87 
Kenya Shilling (Ksh)	98.69	112.3	Lost 13.79 
Nigerian Naira (N)	483	560	Lost 15.94 

- Countries facing inflation have weak currencies

# Official Inflation Falling... Prices Are Rising

## Our Synthetic Lagos Basket

	Nov'20 (N)	Nov'21 (N)	Change
Cooking gas (12.5kg)	3,600	10,200	183.3% ↑
Rent (3 bed on mainland)	600,000	900,000	50% ↑
Flight ticket (Lagos - Abuja)	36,000	73,000	102.8% ↑
Diesel (litre)	195	350	79.5% ↑
Flour (50kg)	13,500	21,500	52.3% ↑
Sardine (Titus)	350	600	71.4% ↑
Chicken (1 ki35lo)	1,500	2,200	46.7% ↑
Beans (Oloyin 50kg)	21,000	56,000	166.7% ↑
Table water (75cl)	50	100	100% ↑
Average			94.7% ↑



**Synthetic basket (avg):**

**94.7%**



**National Basket:**

**15.99%**

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# Inflation Drivers

**Exchange rate  
pass through**

*(Naira lost  
15.94% in 52  
weeks)*

**Insecurity**

*(Over 2,300  
people kidnapped  
in H1 '21)*

**Higher  
energy costs**

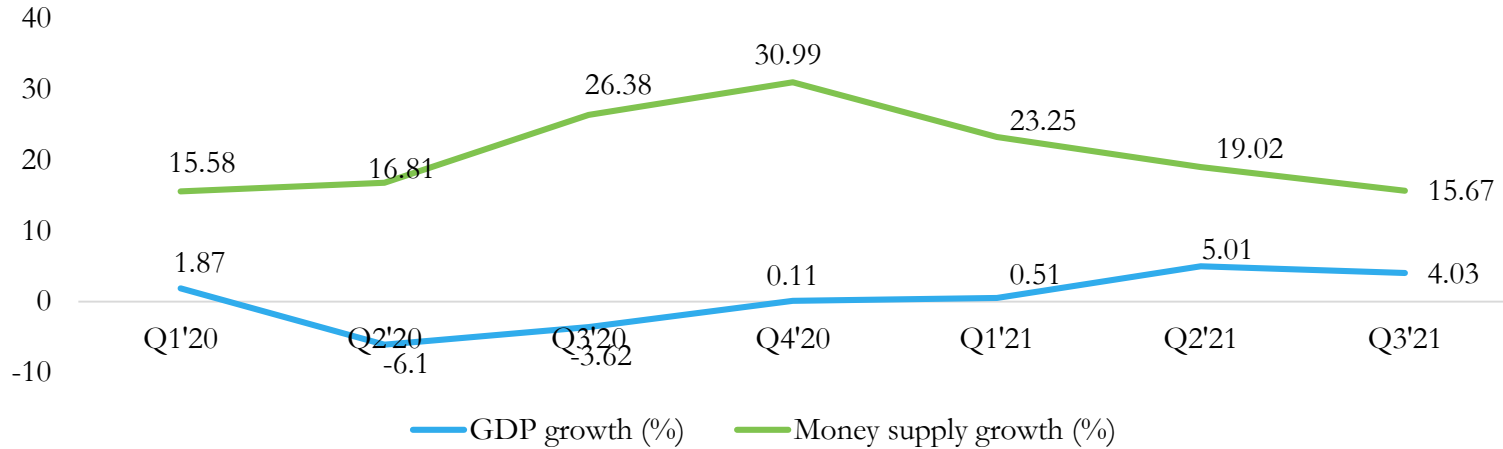
*(Diesel price up  
80% to  
N360/ltr  
YTD)*

**Seasonality**

*(Planting &  
harvest – price  
of tomatoes &  
pepper down)*

# M2 Growth Stoking Inflation??

## GDP Growth Vs Money Supply Growth (%)



- Money supply growth reducing due to effective mopping up
  - CRR debits, naira devaluation, sale of government securities
- FGN approves N18bn for each state – total of N648bn (1.57% of M2)



# In Nigeria...

What you hear (Good News)



What you feel (Nightmare)



# Straw Poll... Nigerians are Tired !!!

*Tired of promises - 65%*

*Tired of lame excuses - 25%*

*Don't care - 10%*



# Yuletide Beckons... Cheery News



*Growth Improving (Q3'21:4.03%)*



*Official Inflation falling (Oct'21: 15.99%)*



*Oil price up (\$79-\$80pb)*



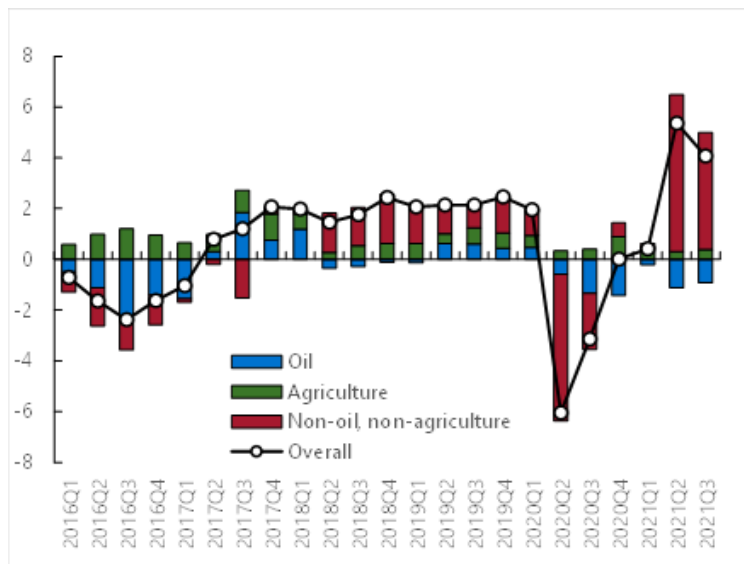
*External Reserves above \$35bn*

# The Good News Is That...

## The Economy is on the MEND - IMF

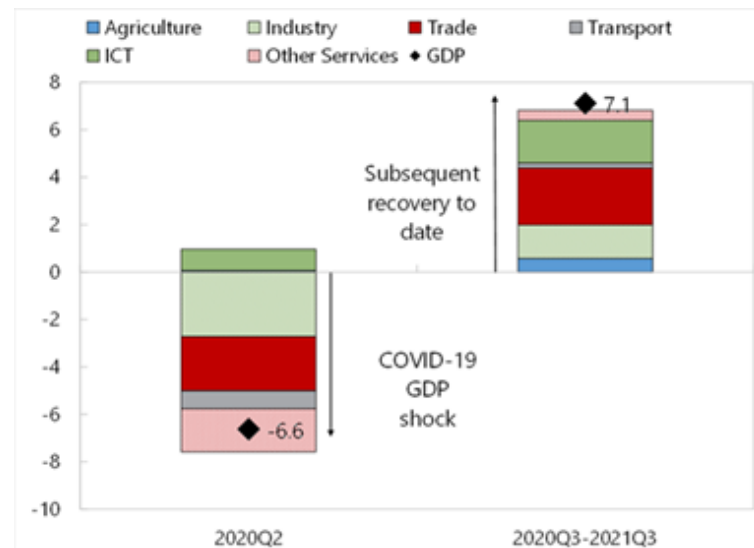


**Real GDP growth and contribution**  
(annual percentage change)



Sources: National Bureau of Statistics, Haver.

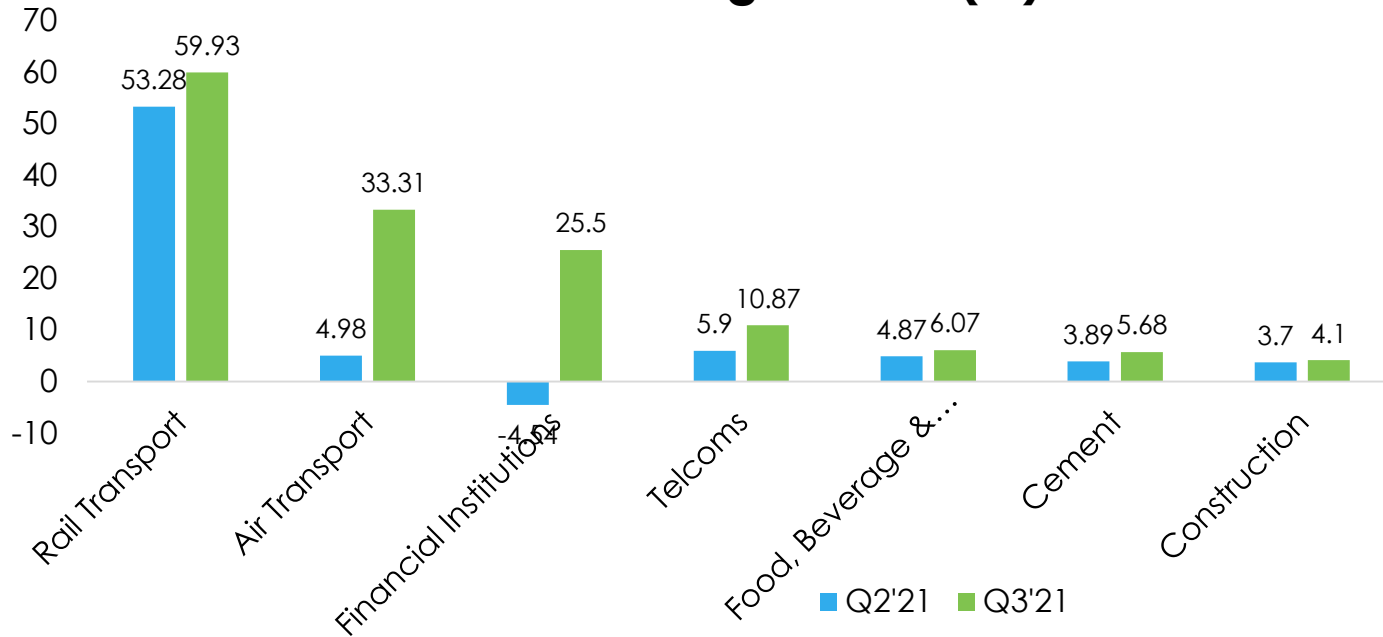
**Recovery and drivers**  
(q/q s.a. growth and contribution)



Sources: National Bureau of Statistics, Haver  
Note: 2020Q3-2021Q2 shows cumulative q/q SA growth during these four quarters..

# Sector Breakdown

## Fastest Growing Sectors (%)



- Of the 46 activities, 27 expanded, 13 slowed, 6 contracted
- Expanding sectors relatively job inelastic

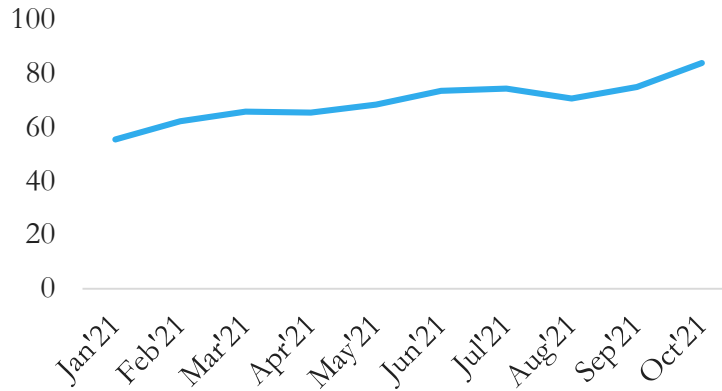
IT'S TIME TO  
**CARE**  
**ABOUT**  
**YOUR SALT**  
Refined, Iodized & Purified



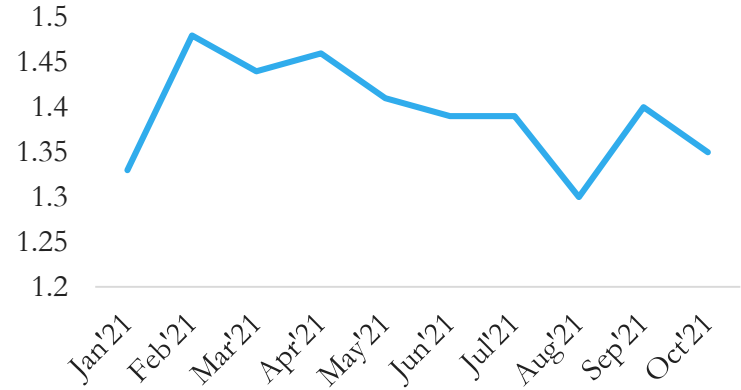


# Oil Price Up & Production Down

Avg. Brent (\$'pb)



Oil Production (mbpd)



- Brent at \$79pb, positive for government revenue
- 97.9% above 2021 budget benchmark of \$40pb
- Oil production crawling - 1.35mbpd in October 2021
- Despite rising OPEC quota: 1.65mbpd (Nov'21), 1.67mbpd (Dec'21)

# Nigeria: Risks to Outlook - IMF

## Downside:

- Covid-19 – third or fourth wave infections & **low vaccination**
- Spending pressures within **narrow fiscal space**
  - Persisting **insecurity**, particularly banditry and kidnapping
  - Elections

## Upside:

- **Faster-than-expected reaching** of the Dangote refinery's production capacity
- Effective implementation of the 2021 Petroleum Industry Act (PIA)
  - Increased manufacturing production and **investments** in the oil and gas sectors

# Santa Clause with Some Goodies...

- Exchange rate reforms - CBN likely to adopt crawling peg
- Cost reflective electricity tariffs (Dec 1) and improved supply
- Petrol subsidies: Going, going, gone... Seeing is believing!
- PMS price will remain the same (N162-N165 per litre) until Feb'22
- Biden to release 50mn barrels of strategic reserves in coordination with the UK, China, India, Japan & South Korea



# And A Happy Year Ahead

- Brent to trade between \$75pb - \$80pb but oil production will be unstable
- Q4 GDP growth to slide to 3.5%
- Inflation likely to increase again (16.5%)
- Forex demand to increase/parallel market range (N560-570/\$)
- 400 days to elections – Politics! Politics!! Politics!!!



*Thank you!*