

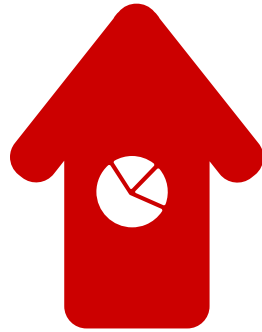
WHAT YOU DON'T SEE



IS WHAT GETS YOU!!

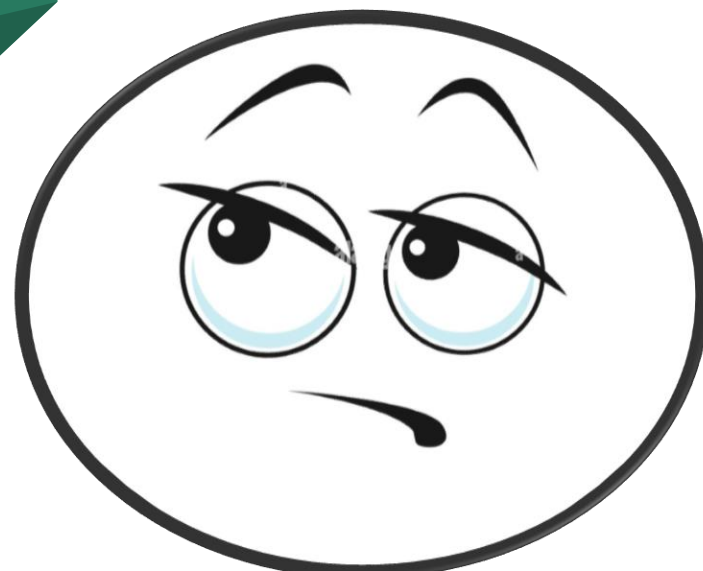
MPC DECISION

MPR =
18.00%p.a



50bps

CRR FLAT – 32.5%

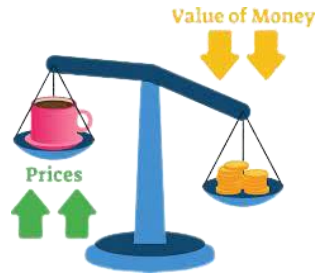


All Other
Parameters
Unchanged

CONCERNS

1

Global financial
tremor

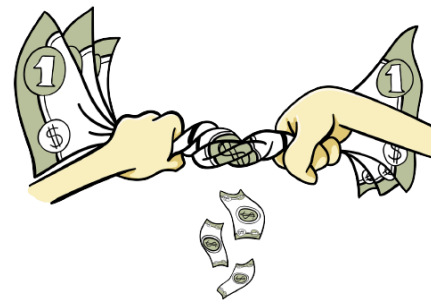


2

Uneven
inflation trend

3

Unintended
consequences
of cash crunch



4

Political
imponderables

New Wine in
Old Bottles



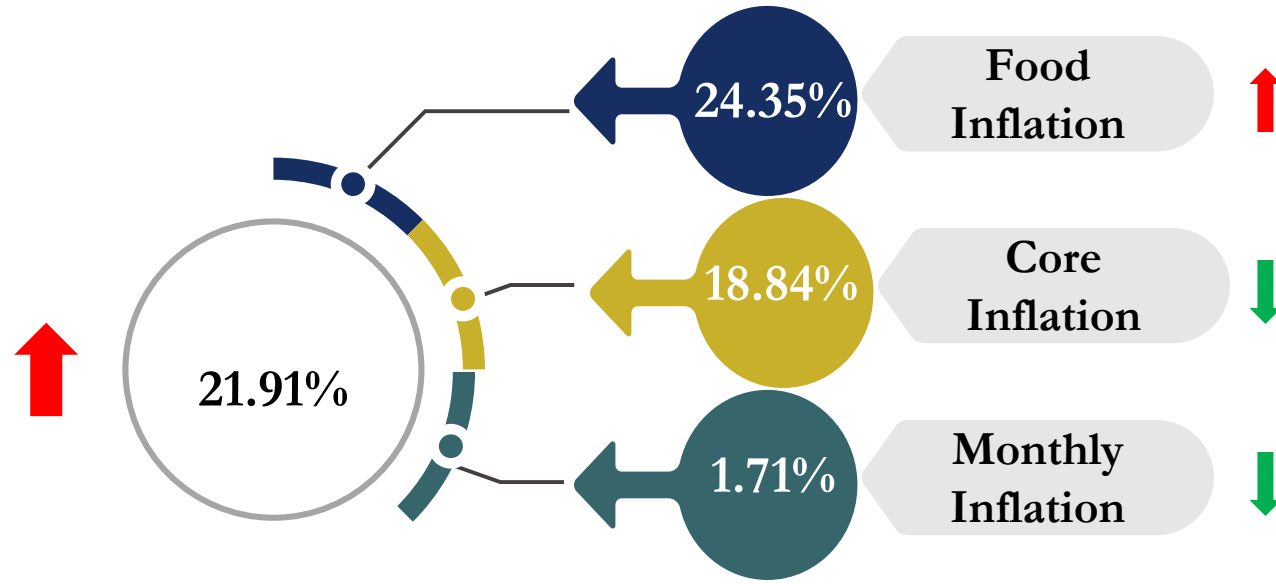
IMPACT OF AN INCREASE IN MPR

Make the naira stronger – **N745/\$**

- Increase the lending rates of banks to the economy
 - Average lending rates approx. 28-30%p.a
- Reduce stock prices – **NGX = N29.9 Trn**
- If T/bill rates & savings rate increase
 - Marginal propensity to consume will decline – **0.8**



INFLATION-WHAT WENT DOWN HAS GONE UP AGAIN



- Despite the cash crunch, headline inflation rose by 0.09%
- Monthly inflation and core inflation declined
- While food inflation increased by 0.03%

*770

Start now. Dial *770#



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FOOD PRICES – BEFORE & DURING CASH CRUNCH

Before Cash crunch	Nov 2022	Feb 2023	During Cash crunch
A Bag of Garri 	N13,000	N20,000	↑ 54%
1 basket of Tomatoes 	N22,000	N19,000	↓ 14%
A Bag of Beans 	N36,000	N56,000	↑ 56%

Before Cash crunch	Nov 2022	Feb 2023	During Cash crunch
A crate of Eggs 	N2,300	N2,400	↑ 4.35%
1 Bag of Rice 	N43,000	N40,000	↓ 7%

INTEREST RATE HAS ITS LIMITATIONS

Inflation rate

Before (April 2022) Now (February 2023)







5.09%

•Stoking factors of inflation are mainly supply-side

- High energy cost
- Supply shock
- Forex scarcity

Cumulative interest rate hikes Σ 6.5%

INFLATION IS DECLINING IN SSA COUNTRIES

		Jan	Feb	
	South Africa	7.2%	6.9%	↓
	Ghana	53.6%	52.8%	↓
	Kenya	9.0%	9.2%	↑
	Uganda	10.4%	9.2%	↓

- Inflation rate now declining in most SSA countries

HINDSIGHT 20/20 - WE TOLD YOU SO!

In reference to Economic News Flash published on October 26, 2022

Aggregate demand to fall

Cash shortage led to reduction in aggregate demand

Dollarization of the Economy

Traders and consumers switched to other currencies as a medium of exchange due to the cash shortage

Total Output could decline

Supply of goods settled by cash declined significantly

Sharp increase in electronic payment and transaction settlements

Volume of online transactions increased by over 50% in February



WHAT WE DID NOT SAY



Queues at ATMs will increase drastically and will have a downtime effect on productivity

A counter-effect on general level of prices and could increase inflation

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ATM DOWNTIME HAS REDUCED

Before Elections

Downtime - 5 hours



After Elections

Downtime - 2 hours



EXCHANGE RATE CONVERGENCE

Before – November 2022

Now – February 2023

Official Exchange Rate

N462/\$

N551/\$



+16.3%

Parallel Market Rate

N765/\$

N745/\$



-2.68%

- Convergence between official & parallel market rate

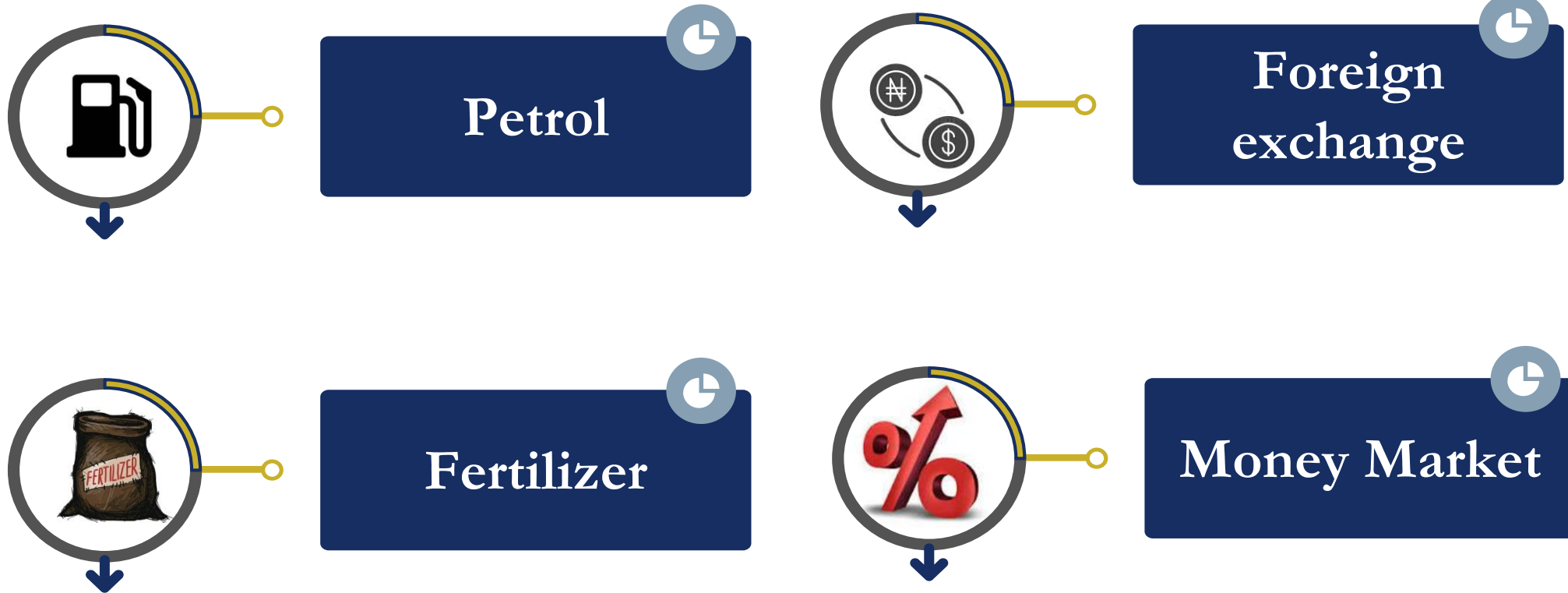
OLD NOTES & NEW NOTES

- Deadline of old naira notes now extended till December 31st 2023
- Total cash in circulation could increase by 20% if all old notes are returned back to the economy
- **N3.2 trillion of old naira notes + N600 billion of new naira notes = N3.8 trillion**
- Leading to an increase in inflationary pressure
- Confidence in the banking system will remain weak
- Velocity of circulation will stay low



WHAT NEXT – TAKING A HARD LOOK AT SUBSIDIES

Subsidies everywhere!



- Subsidies distort the allocation of resources

OUTLOOK BEFORE HANDOVER DATE – MAY 29

- The MPC will meet again in May 22 & 23 before handover
- The CBN will adopt a house cleaning mode
- Inflation will begin to moderate in coming months due to base effects
- GDP growth will come in at 1.25% in Q1'23 as cash crunch takes its effect on the economy
- Interest rates will climb as the federal government regularises its position
- Investors will rebalance portfolios with high fixed income yields





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OUTLOOK- POST INAUGURATION

Supplementary
Budget

Total Debt Stock
N44.06trn

Debt
Restructuring

Visit to the
IMF & Paris
club



**THANK
YOU**