

CBN RAISES MPR BY 50BPS TO 18.50%P.A



NIGERIA DETERMINED TO CURB INFLATION



DECISION

MPR  **50bps**

*From 18%*p.a* to 18.50%*p.a*.*

Other Parameters
Unchanged

CRR – 32.5%

Liquidity Ratio – 30%

Assymmetric Corridor -

+100/700bps around the MPR

MAJOR CONSIDERATIONS



Inflation Rising
(Up 0.18% to 22.22%)



Naira under pressure
Lost 3.11% in 3 Weeks
From N740/\$ to N764/\$



Real GDP Growth
Slowing
(Down 1.21% to 2.31%)



Political Transitioning

CBN'S HYPOTHETICAL COUNTERFACTUAL ANALYSIS

- CBN's hypothetical counterfactual analysis on one variable is incomplete

- Inflation

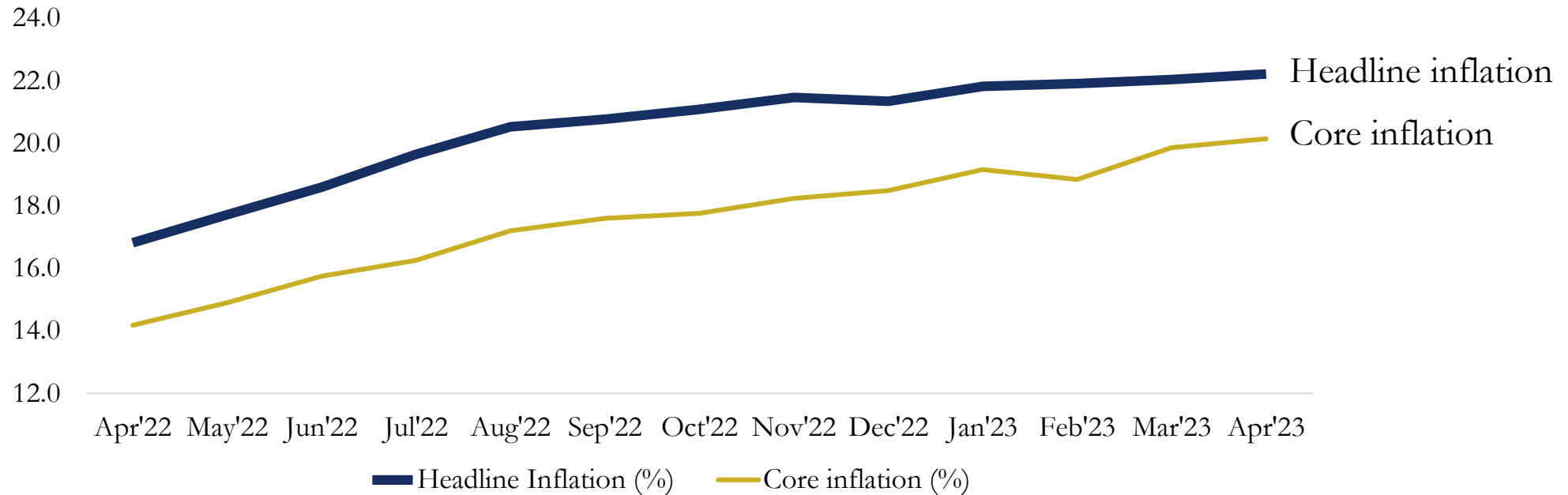
Headline inflation could have risen to 30.48% (y-o-y) in April without monetary policy rate hikes

- No hypothetical counterfactual analysis on
 - GDP Growth
 - Unemployment
 - Exchange rate

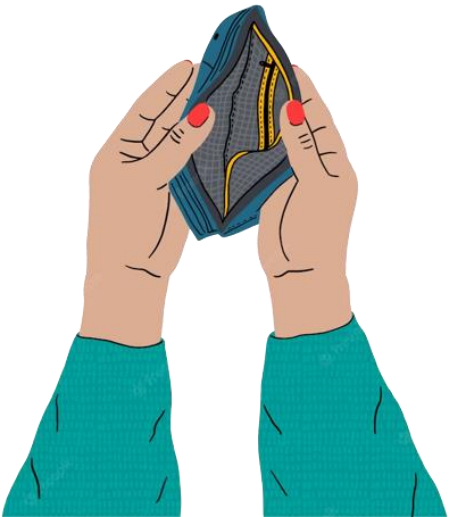


CORE INFLATION DEFIES THERAPY

Headline Vs Core Inflation (%)

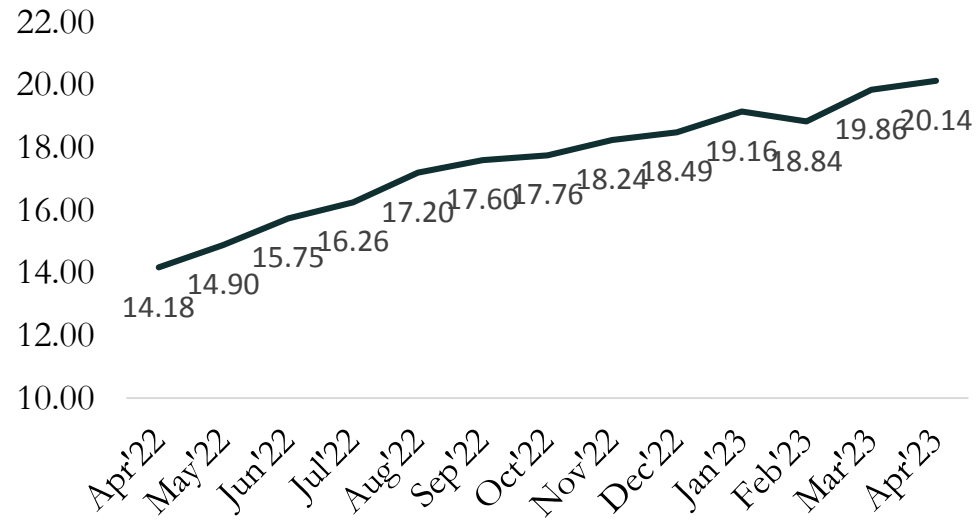


- Core inflation has defied all therapy
- Surged by 0.28% to 20.14%
- Despite the decline in diesel prices (N620/litre) and relatively stable exchange rate (N740/\$)



FOOD & NON-FOOD BASKETS

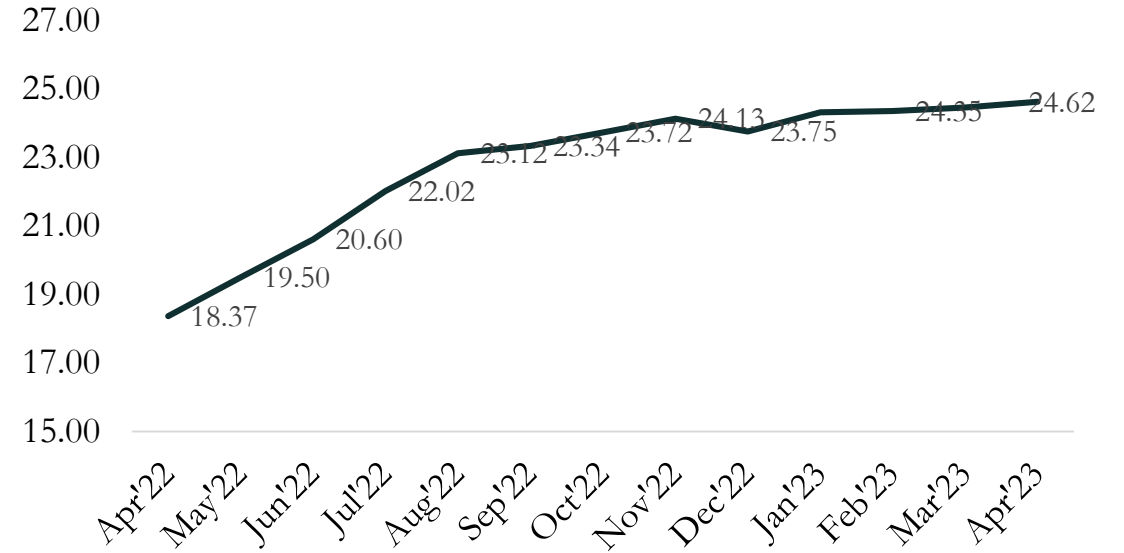
Non-food basket



Core inflation  0.28% to 20.14%



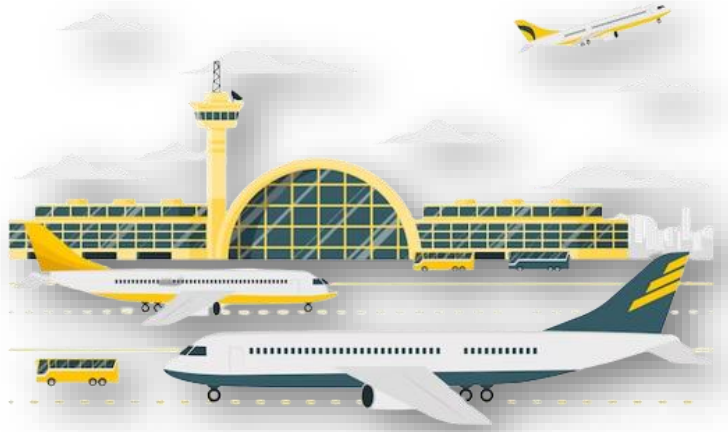
Food basket



Food inflation  0.16% to 24.61%



WHY IS CORE INFLATION INCREASING?

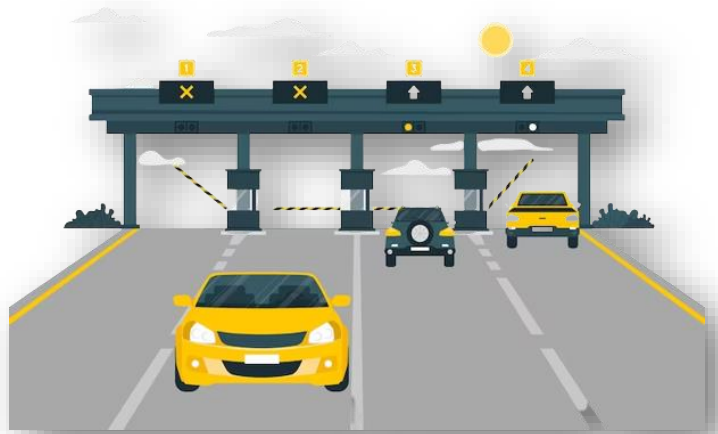


Hike in airfares

Abuja-to-Lagos flight ticket up 70% to N85,000



Higher Medical bills



Hike in Transportation Costs

*770

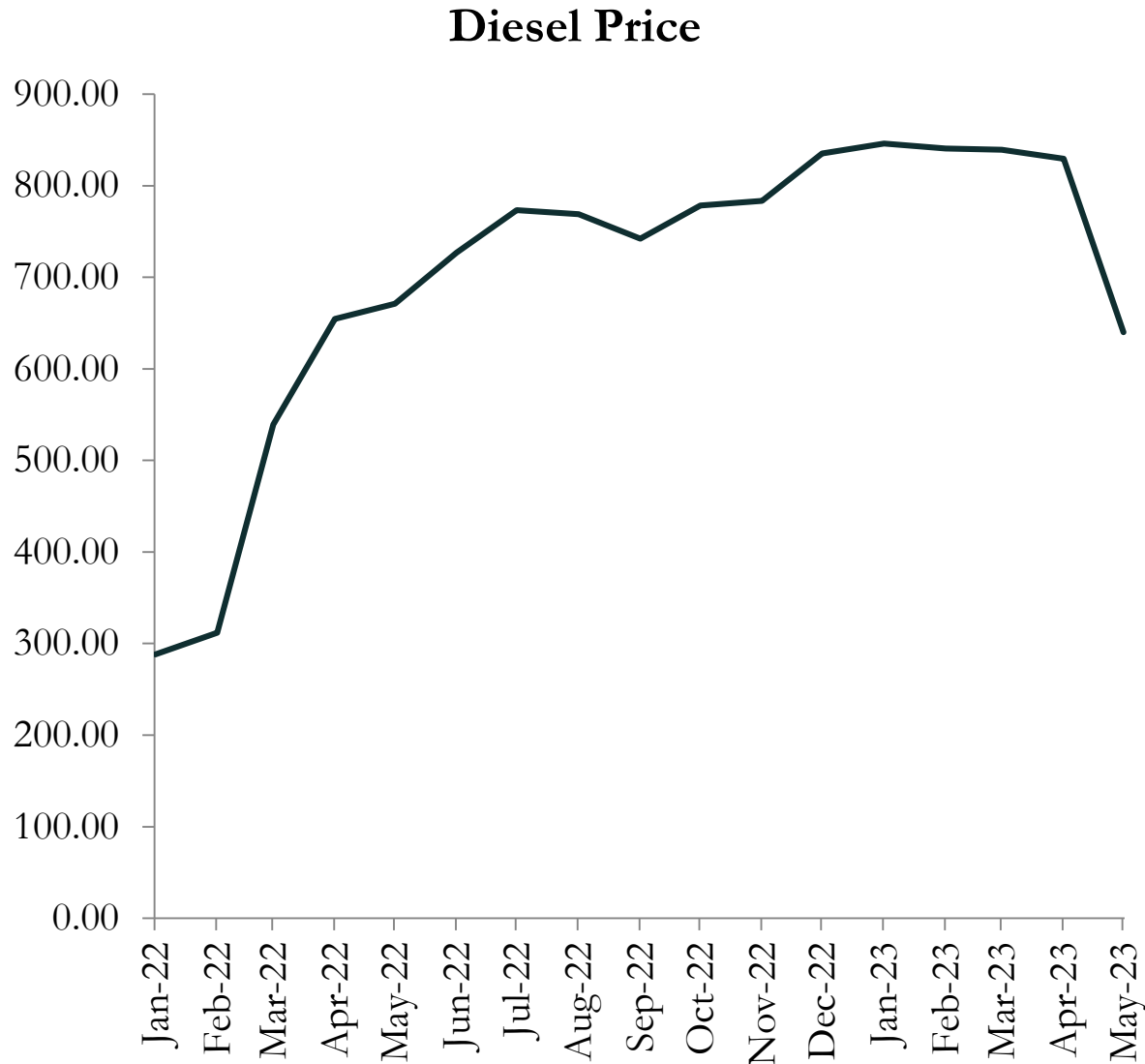
Start now. Dial *770#



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DIESEL PRICE DECLINING

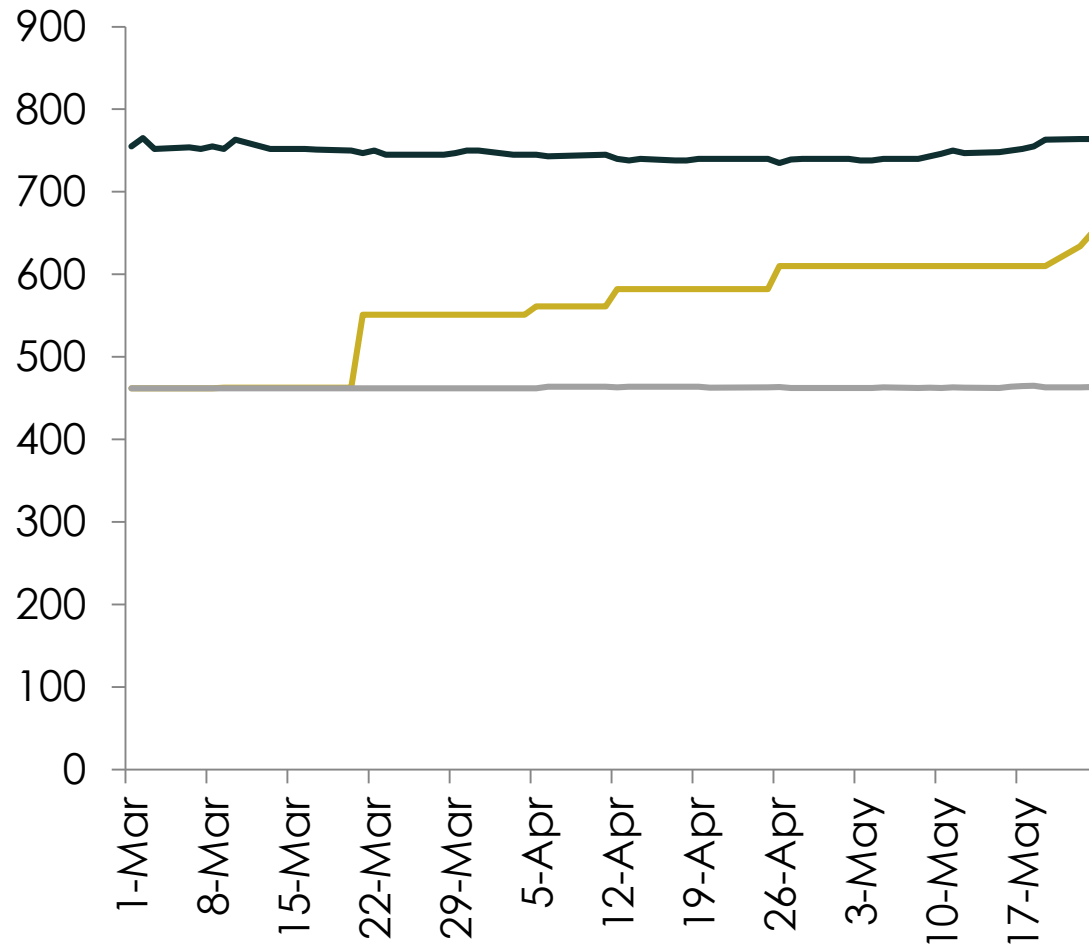


- Diesel price contributed 11% to inflation in 2022
- Now down by 25% to N630/ltr
 - From a peak of N840/ltr
- Drop in diesel price to reduce inflationary pressures

NAIRA UNDER PRESSURE

Exchange rate (N/\$)

— Parallel — IATA — IEFX



• The naira lost 3.24% in one month at the parallel market due to

- Improved liquidity
- Uncertainties

• Currently trading at N764/\$

• IATA rate now N650/\$ from \$462/\$ in March

• Gap between IATA & parallel market rate is

thinning out

GLOBAL INFLATION - IS NIGERIA AN OUTLIER?

- Inflation is slowing in the world over

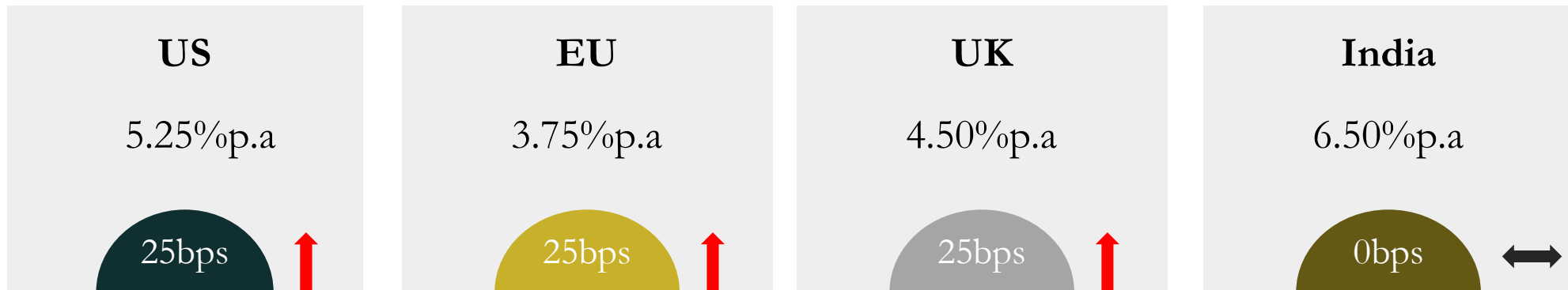
World	US	EU	UK	India	China
DEC'22	6.5%	9.2%	10.5%	5.7%	1.8%
APR'23	4.9% ↓	7.0% ↓	8.7% ↓	4.7% ↓	0.1% ↓

SSA	South Africa	Kenya	Ghana	Uganda	Nigeria
DEC'22	7.2%	9.1%	54.1%	10.2%	20.3%
APR'23	6.8% ↓	7.9% ↓	41.2% ↓	8.0% ↓	22.2% ↑



INTEREST RATE HIKES SLOWING IN MAJOR ECONOMIES

- Central banks now slowing the pace of interest rate hikes
 - As inflationary pressures ease



- Impact of Russian Ukraine war on global commodity prices has waned
 - Global wheat price down to 2-year low - **\$613.10/bushel**
- Pressure on the Naira to reduce as the US Fed signals a possible halt on interest rate hikes

NAIRA REDESIGN TAKES ITS TOLL ON GDP GROWTH



- Real GDP grew by 2.31% in Q1'23
 - Down 1.2% from 3.54% in Q4'22
 - And 0.8% from 3.11% in Q1'22
- Primarily due to the unintended consequences of the naira redesign

	Manufacturing	Trade	Agriculture
Q1'22	5.89%	6.54%	3.16%
Q1'23	1.61% ↓	1.31% ↓	-0.90% ↓



MONETARY POLICY IN THE NEW DISPENSATION

Return to
Orthodox
Monetary Policy



- Total elimination of intervention funds
- Inflation targeting (inflation target: 6-9%)

Path to Currency
convertibility



- Open market policies
- Reduced restrictions on forex market

HIGHER INTEREST RATES – IMPACT ANALYSIS



Interest rates



Value of the Naira



Average Lending Rate



Government Debt Burden



Stock Market Prices



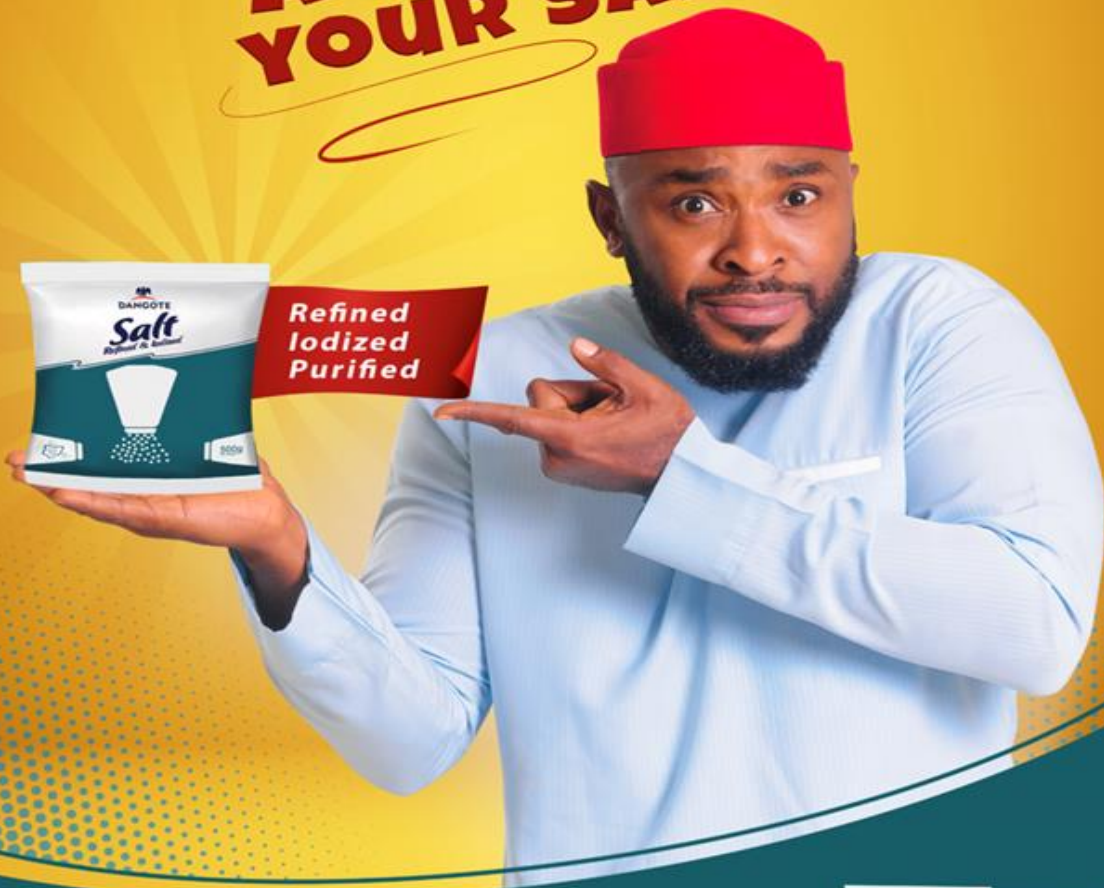
GDP Growth



IT'S TIME TO
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ABOUT
YOUR SALT



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Purified



Choose Quality, Choose Dangote Salt



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FOOD PRICES - JANUARY '23 VS NOW

Jan'23 Now



A bag of Garri



A crate of eggs



A bag of Beans



A Tuber of Yam



A basket of Tomatoes



KEY DATA RELEASE & EVENTS TO WATCH OUT FOR



- Handover/swearing-in – May 29th
- Q1'23 Capital Importation – May 31st
- Foreign Trade in Goods Statistics – June 6th
- May'23 Inflation Numbers – June 15th

BEFORE THE NEXT MPC MEETING

- There will be a
 - New administration
 - New cabinet in July
 - New fiscal policy
- Supplementary budget to be announced in August
- Q2'23 GDP growth to slow further to 2.2%
- Inflation to trend upwards to 22.5% in May'23
- Naira will trade between N760/\$ - N770/\$
- Exchange rate for tickets to move towards N700\$ from N650/\$





**THANK
YOU**