

THE CBN STAYS HAWKISH

CBN RAISES POLICY RATE BY **200BPS TO 24.75%**

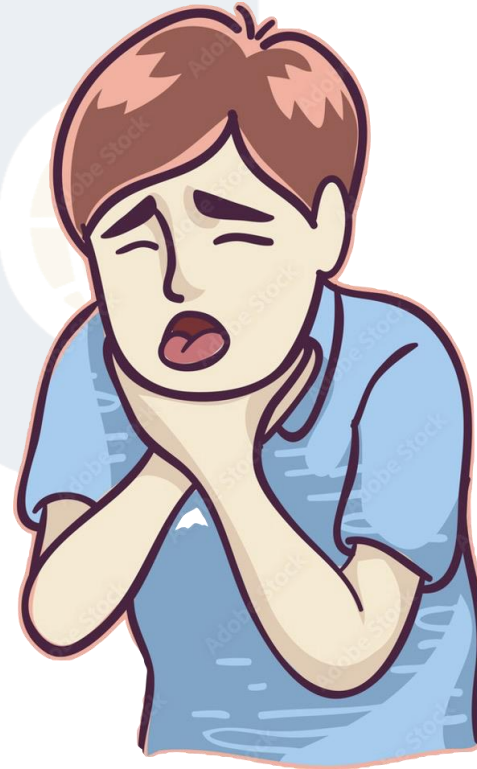
- MPR now 24.75% p.a.
- CRR remains at 45.0%
- Asymmetric corridor now +100bps/-300bps

IS IT POLICY TIGHTENING OR CHOKING ???

TIGHTENING?



CHOKING?



or

MAJOR CONSIDERATIONS

Inflation

- Headline inflation up to a 3 decade high of 31.7% in Feb '24
- Core and food inflation rising

31.7%



Exchange rate appreciating

- Gained 45.08% from the all-time low of N1,915/\$ at the parallel market
- Managed or fixed floating?

N1,320/\$



3.46%



GDP growth

- Grew by 3.46% in Q4'23 from 2.54% in Q3'23
- Positive but tepid

N95.56trn



Money supply growth

- Still saturated
- Grew 79% y-o-y

THE INFLATION IMPASSE

HEADLINE INFLATION

31.7%

UP 1.8% FROM JAN. 2024

CORE INFLATION

25.13%

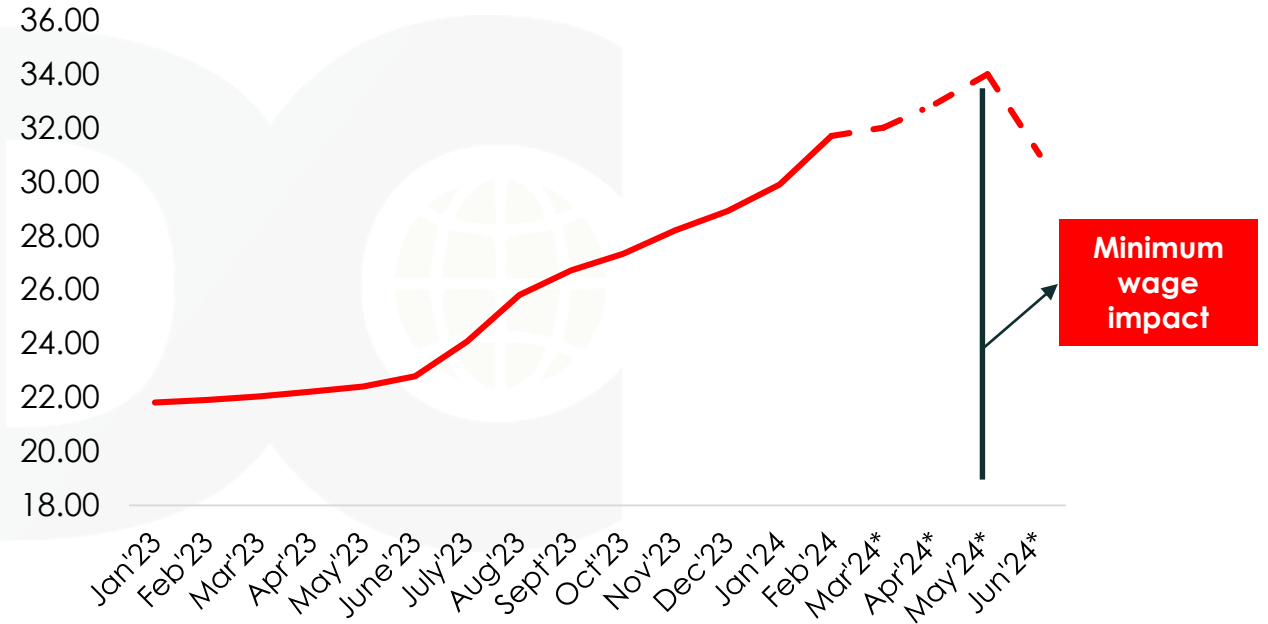
UP 1.54% FROM JAN. 2024

FOOD INFLATION

37.92%

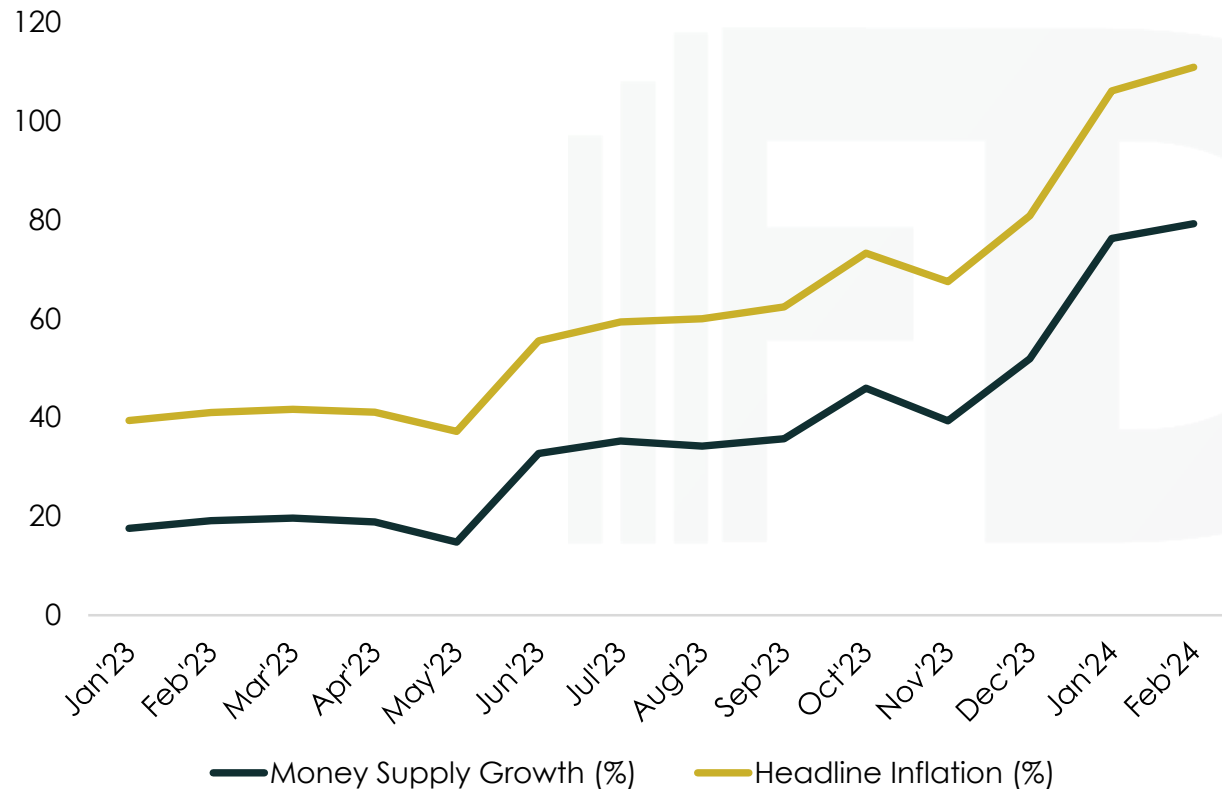
UP 2.51% FROM JAN. 2024

Inflation (%)



MONEY SUPPLY GROWTH

Money Supply & Inflation (%)



- Positive correlation between money supply and inflation
- The CBN continues to use tools for reducing money supply
 - OMO auctions
 - Interest rate hikes
 - Increasing cash reserve ratio





Leo

on WhatsApp

Chat on +234-903-000-2455

Check Account Balance?

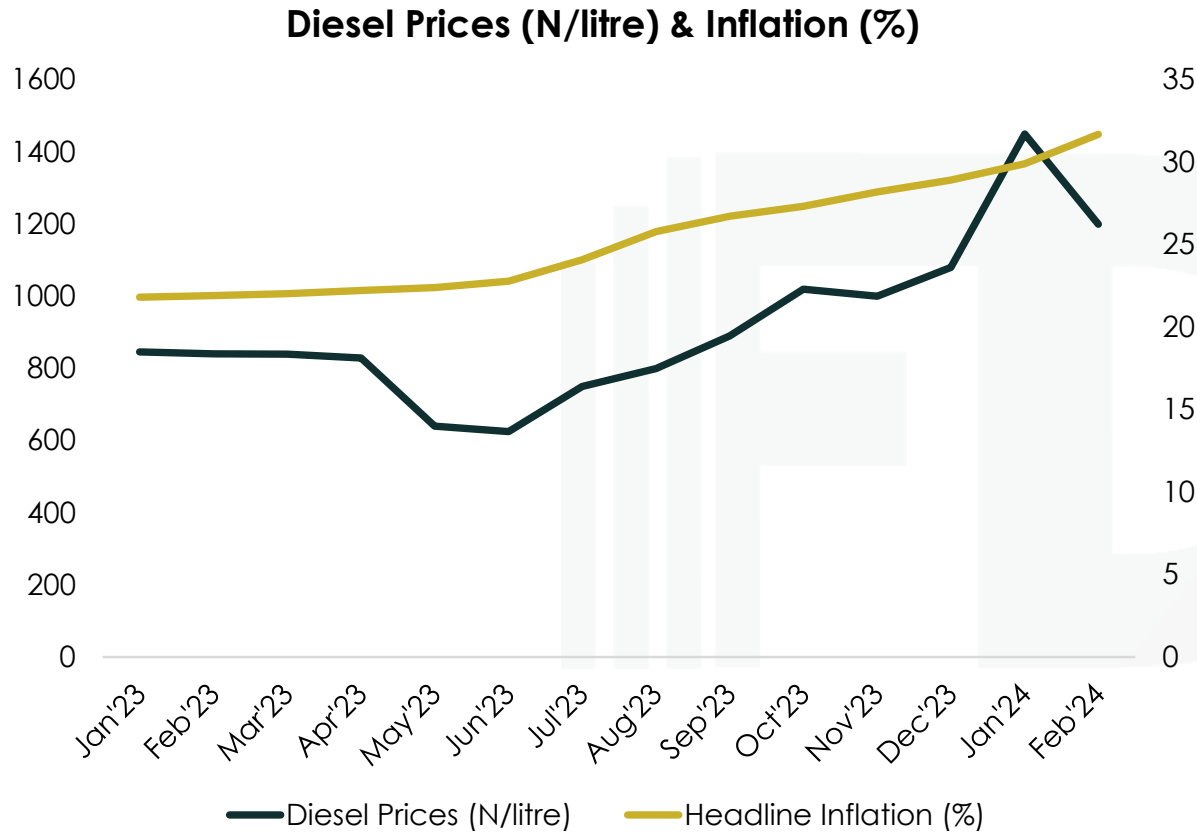
Top up your airtime?

Bank Transfers?

Bills Payment?

<https://m.me/ubachatbanking> Leo@ubagroup.com [CFC \(+234-1-2807400\)](tel:+23412807400)

DIESEL HAS DROPPED BY 24% TO N1,100/LITRE



- Diesel price has a 10% contributory factor to inflation
- Drop in diesel price to taper inflationary pressures



IMPACT

Logistics cost

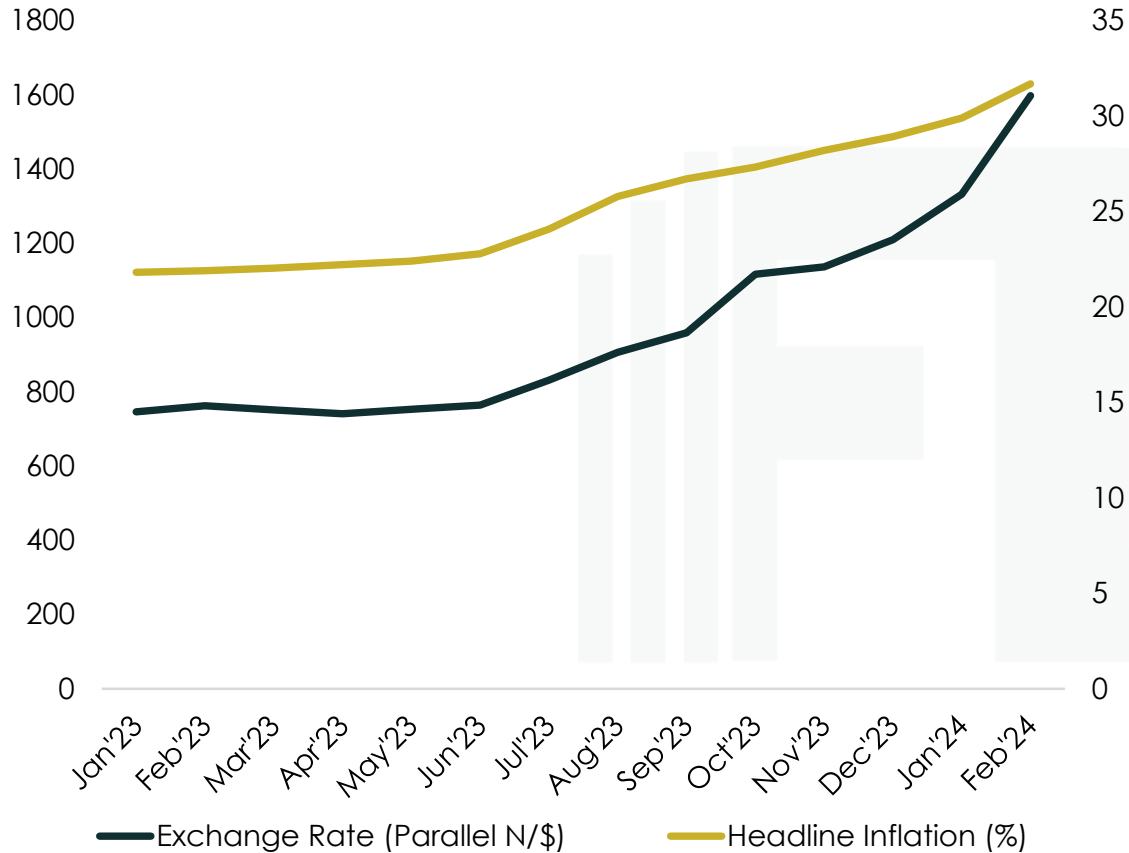


Finance cost for bakers and cement manufacturers

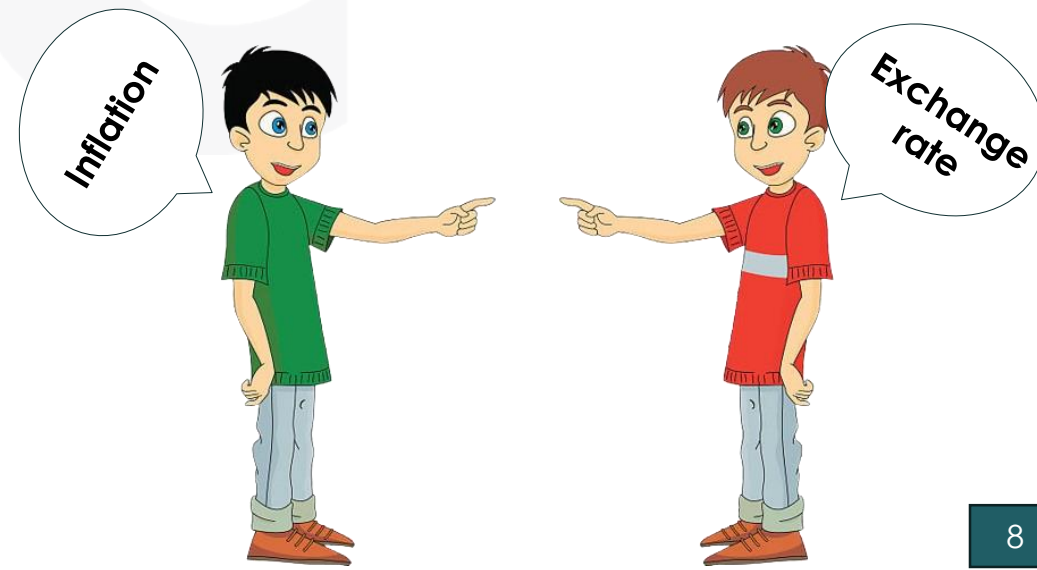
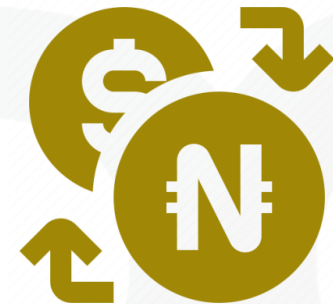


NAIRA WEAKNESS STOKING INFLATION

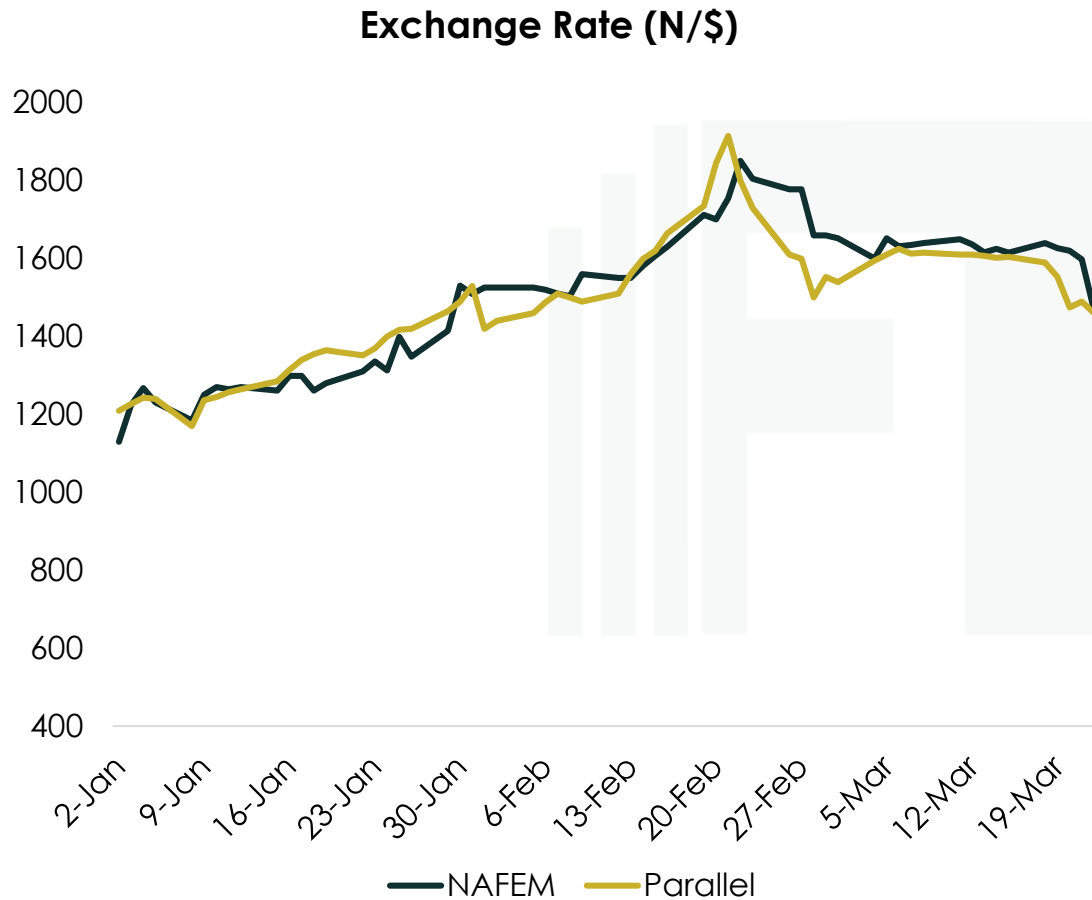
Exchange Rate (Parallel N/\$) & Inflation (%)



- Exchange rate pass through contributes 50% to headline inflation



THE NAIRA GAINING STRENGTH



FEBRUARY LOW
N1,915/\$

AFTER FEBRUARY MPC MEETING
N1,600/\$

CURRENT
N1,320/\$

IS THE NAIRA GOING TO TUMBLE AGAIN ? **NO**

\$7bn

Backlogs cleared

\$1.3bn ↑

Diaspora remittances

\$2.3bn ↑

Foreign portfolio
inflows

\$86pb ↑

Crude oil (Brent)
price

1.476 mb/d ↑

Oil production

\$9,150mt ↑

Cocoa price



THE FOOD BASKET

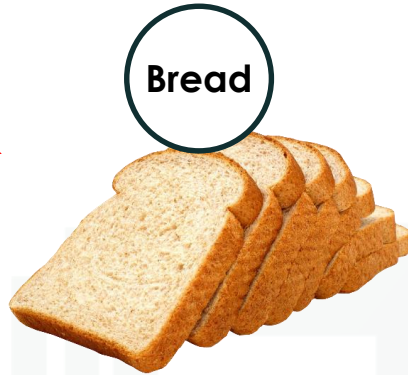


Rice

1 Bag



Feb. 2024: N80,000
Current Price: N88,000
Jun. 2024: N85,000

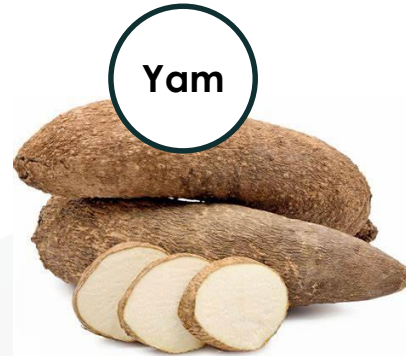


Bread

1 Loaf



Feb. 2024: N1,300
Current Price: N1,600
Jun. 2024: N1,400



Yam

1 Tuber



Feb. 2024: N3,000
Current Price: N3,000
Jun. 2024: N3,000



Beans

1 Bag



Feb. 2024: N75,000
Current Price: N80,000
Jun. 2024: N80,000

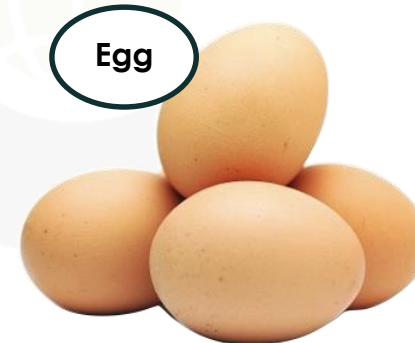


Tomato

1 Bag



Feb. 2024: N35,000
Current Price: N30,000
Jun. 2024: N25,000



Egg

1 Crate



Feb. 2024: N3,800
Current Price: N4,500
Jun. 2024: N4,000



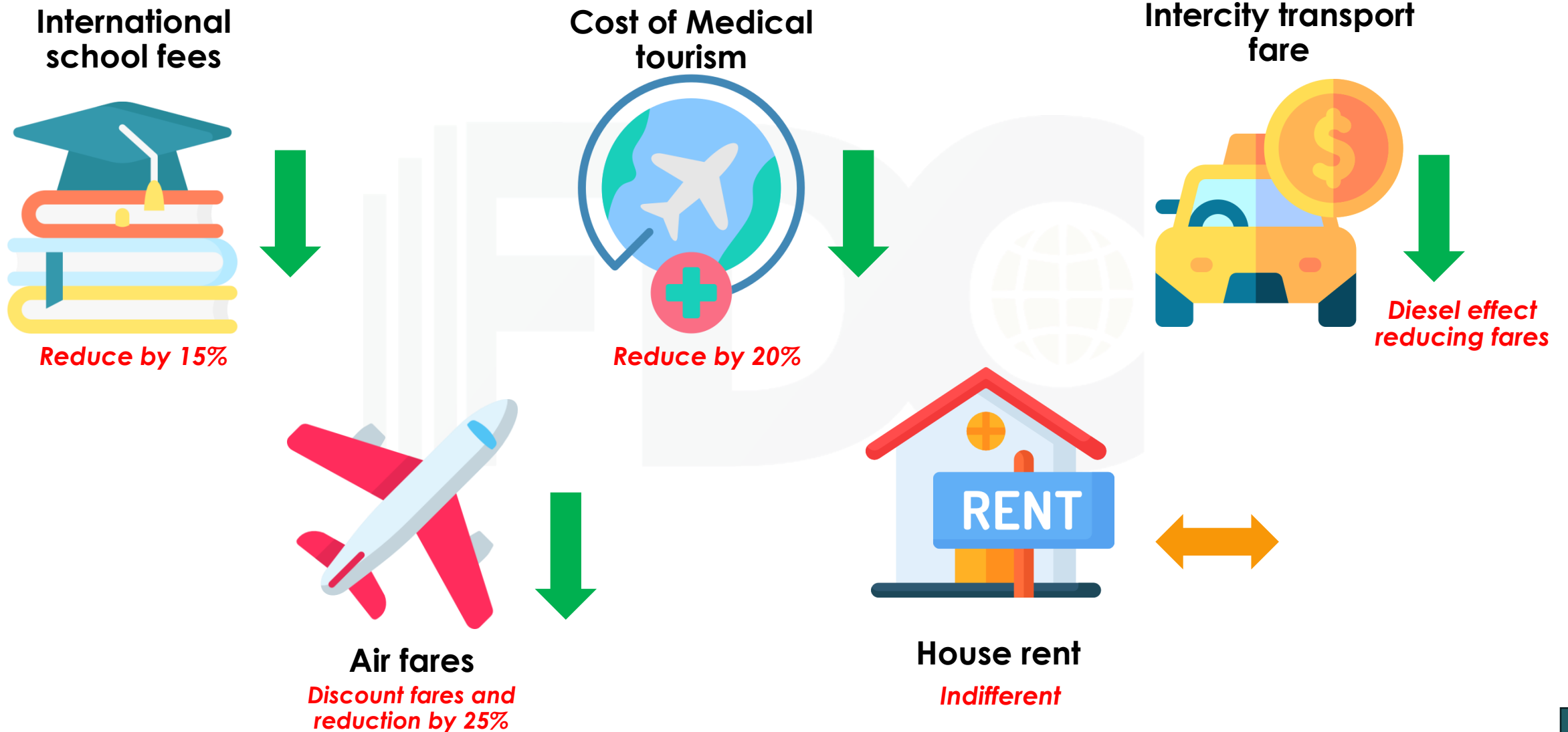
Garri

1 Bag



Feb. 2024: N30,000
Current Price: N32,000
Jun. 2024: N31,000

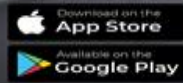
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IMPACT OF MPR AT 24.75% p.a.



Stock market correction



Higher borrowing cost



Higher loan default rate



Increased marginal propensity to save

IN 2-3 MONTHS... INTEREST RATE IMPACT

EFFECTIVE LENDING RATE

28–32% p.a.

SAVINGS AND DEPOSIT

8-11% p.a.

T/BILLS RATE

17-23% p.a.



- PFAs will benefit from this



BEFORE THE NEXT MPC MEETING MAY 20–21, 2024

- Inflation expected to remain elevated in H2'24
 - Could moderate to 23% by year end
- MPC likely to maintain status quo in May
- Month-on-month inflation will taper in March
- Stable naira will attract more foreign portfolio inflows
- Fiscal measures will complement monetary control tools
 - Easing food prices
- Diesel price to fall further below N1,000/litre





**THANK
YOU**