

CBN HIKES AGAIN (0.5%)

UNANIMOUS
DECISION

Presented by Bismarck Rewane
September 24, 2024

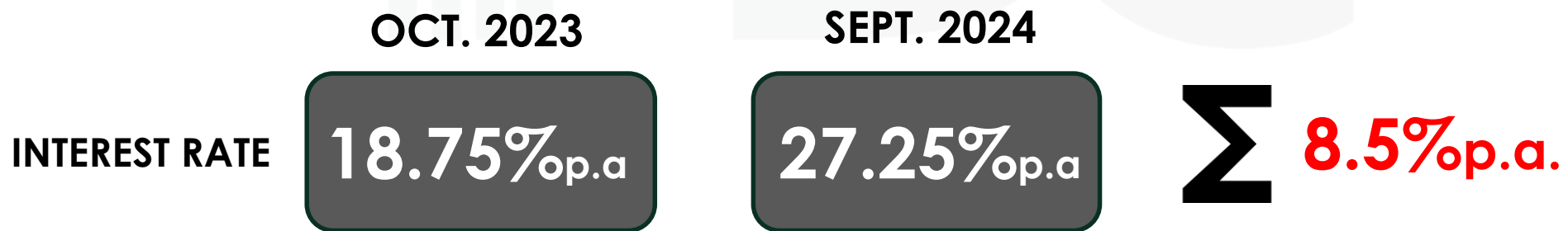




THE LAST 48 MONTHS...



UNDER CARDOSO



EFFECTIVE RATE OF BORROWING AT THE CBN WINDOW

INTEREST RATE + ASYMMETRIC CORRIDOR = EFFECTIVE BORROWING RATE

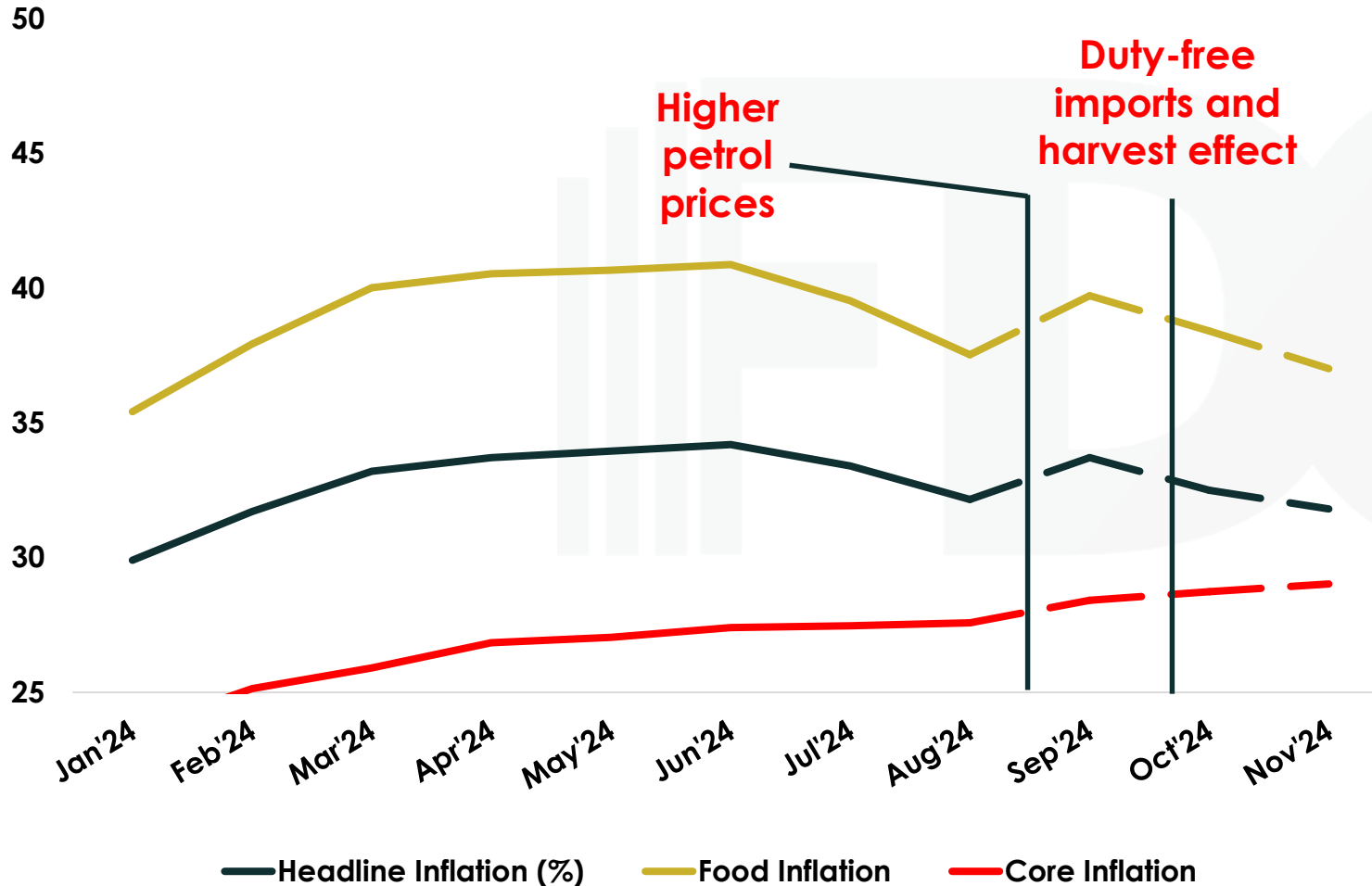
$$27.25\% \text{ p.a.} + 5\% \text{ p.a.} = 32.25\% \text{ p.a.}$$

IMPLICATION

- For on-lending at the CBN window, the rate is 32.25% p.a.
- Banks will give out loans at 35–36% p.a.
- The probability of loan default is now higher.

INFLATION IS THE KOKO (ROOT OF ALL PROBLEMS)

Headline, Food and Core Inflation (%)



- Inflation will rise in October after petrol price increase
- Minimum wage effect
- Core inflation needs drastic measures
- Takes longer to moderate

INFLATION – ROOT CAUSE ANALYSIS

- Exchange rate passthrough
- Price of diesel (N1,200/ltr)
- Money supply growth (61.94% in August)
- Global inflation effect



IT'S TIME TO
CARE
ABOUT
YOUR SALT



Refined
Iodized
Purified

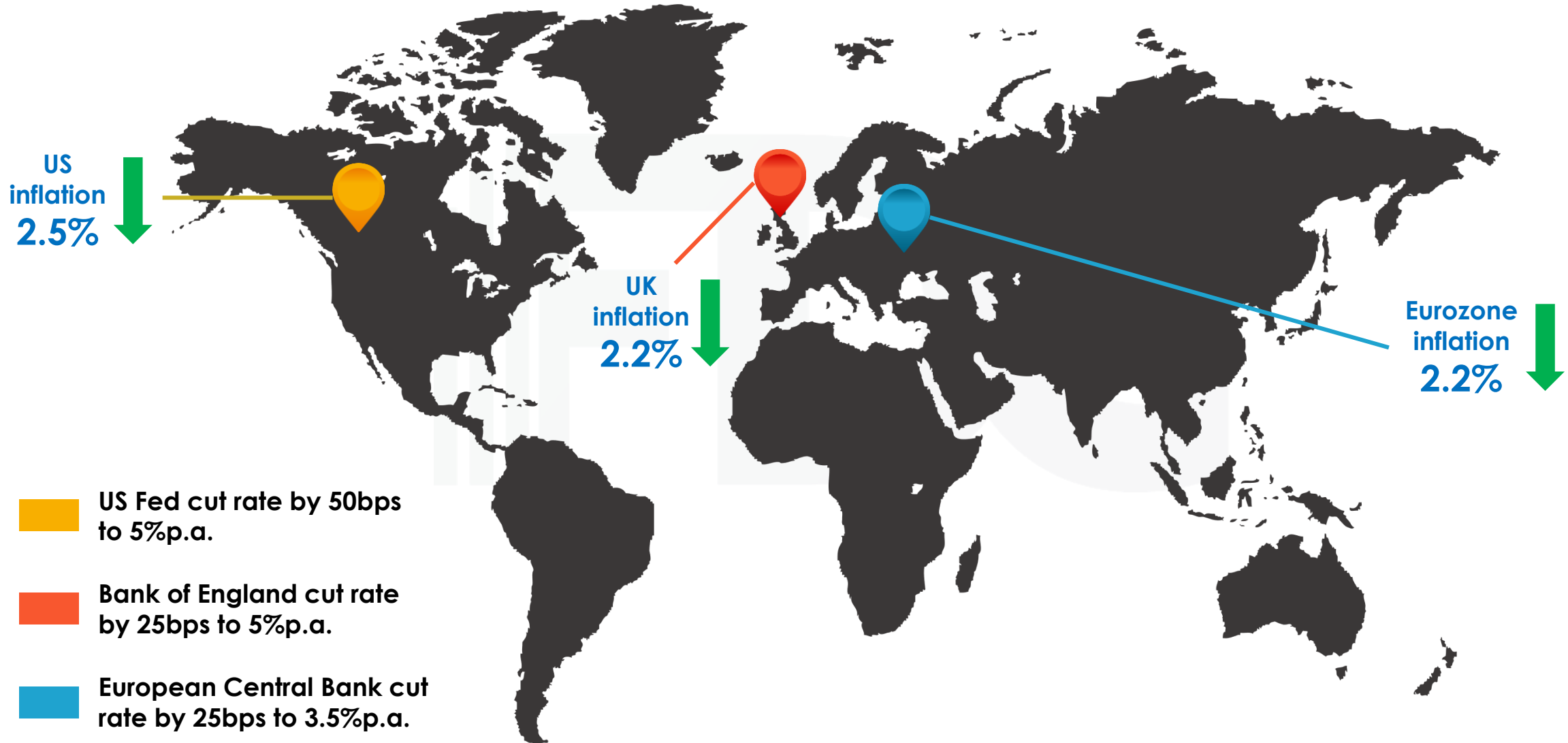


Choose Quality, Choose Dangote Salt

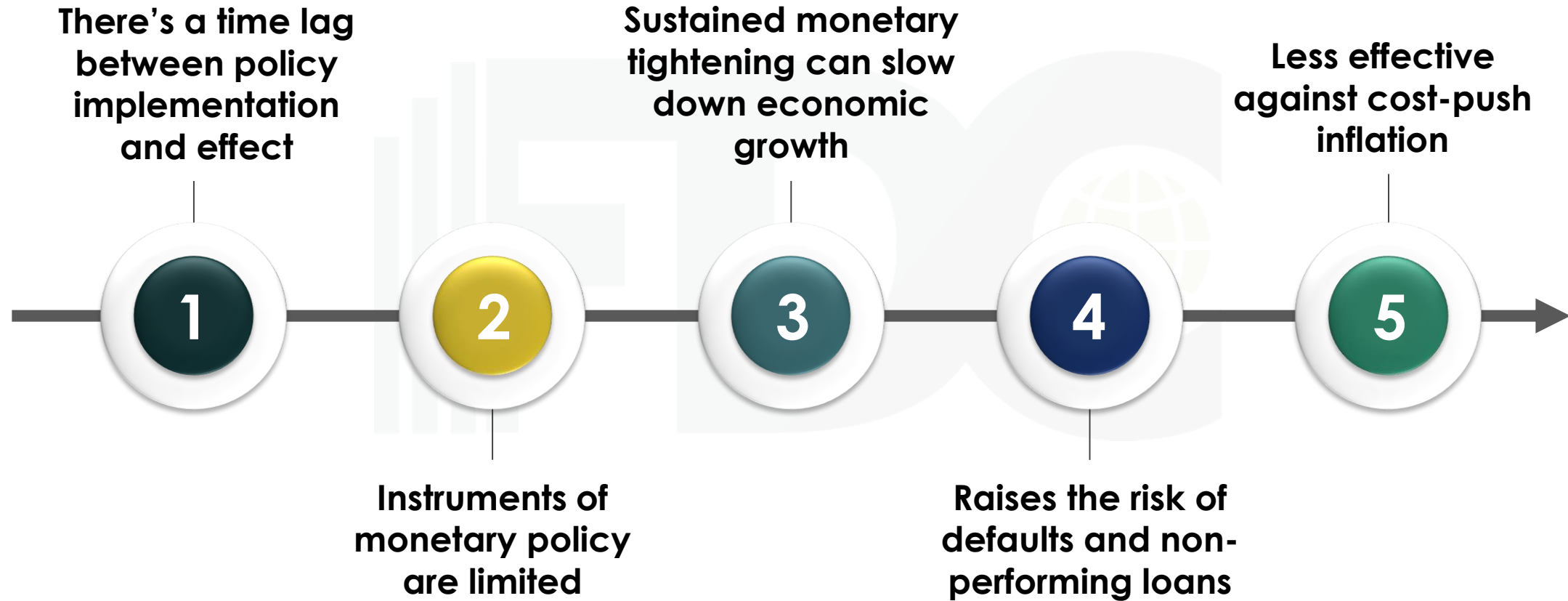


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INFLATION ANYWHERE IS INFLATION EVERYWHERE



LIMITATIONS OF MONETARY POLICY




FOOD PRICES SPIKE IN OCTOBER

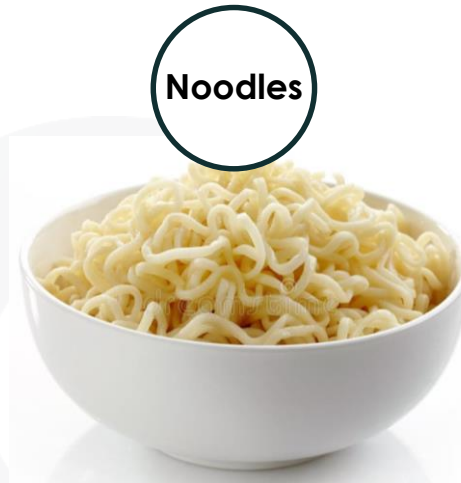
Petrol and flood effect




1 Bag 
Sept. 2024: N84,000
Oct. 2024: N100,000
UP BY 19.05%



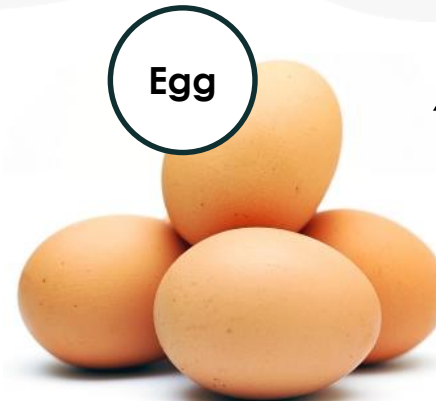
50kg 
Sept. 2024: N59,000
Oct. 2024: N70,000
UP BY 18.64%




1 Carton 
Sept. 2024: N7,600
Oct. 2024: N8,000
UP BY 5.26%



1 Bag 
Sept. 2024: N150,000
Oct. 2024: N180,000
UP BY 20%



1 Crate 
Sept. 2024: N5,200
Oct. 2024: N6,000
UP BY 15.38%

FOOD PRICES FALL IN NOVEMBER

Duty free imports arrive



Rice

1 Bag



Oct. 2024: N100,000
Nov. 2024: N89,000

DOWN BY 11%



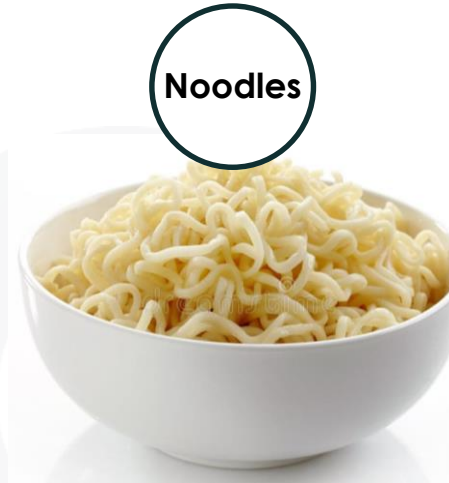
Wheat

50kg



Oct. 2024: N70,000
Nov. 2024: N65,000

DOWN BY 7.14%



Noodles

1 Carton



Oct. 2024: N8,000
Nov. 2024: N7,500

DOWN BY 6.25%



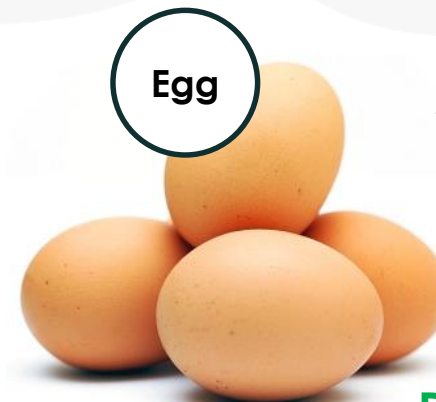
Beans

1 Bag



Oct. 2024: N180,000
Nov. 2024: N160,000

DOWN BY 11.11%



Egg

1 Crate



Oct. 2024: N6,000
Nov. 2024: N5,000

DOWN BY 16.67%

IMPACT ON EXCHANGE RATE

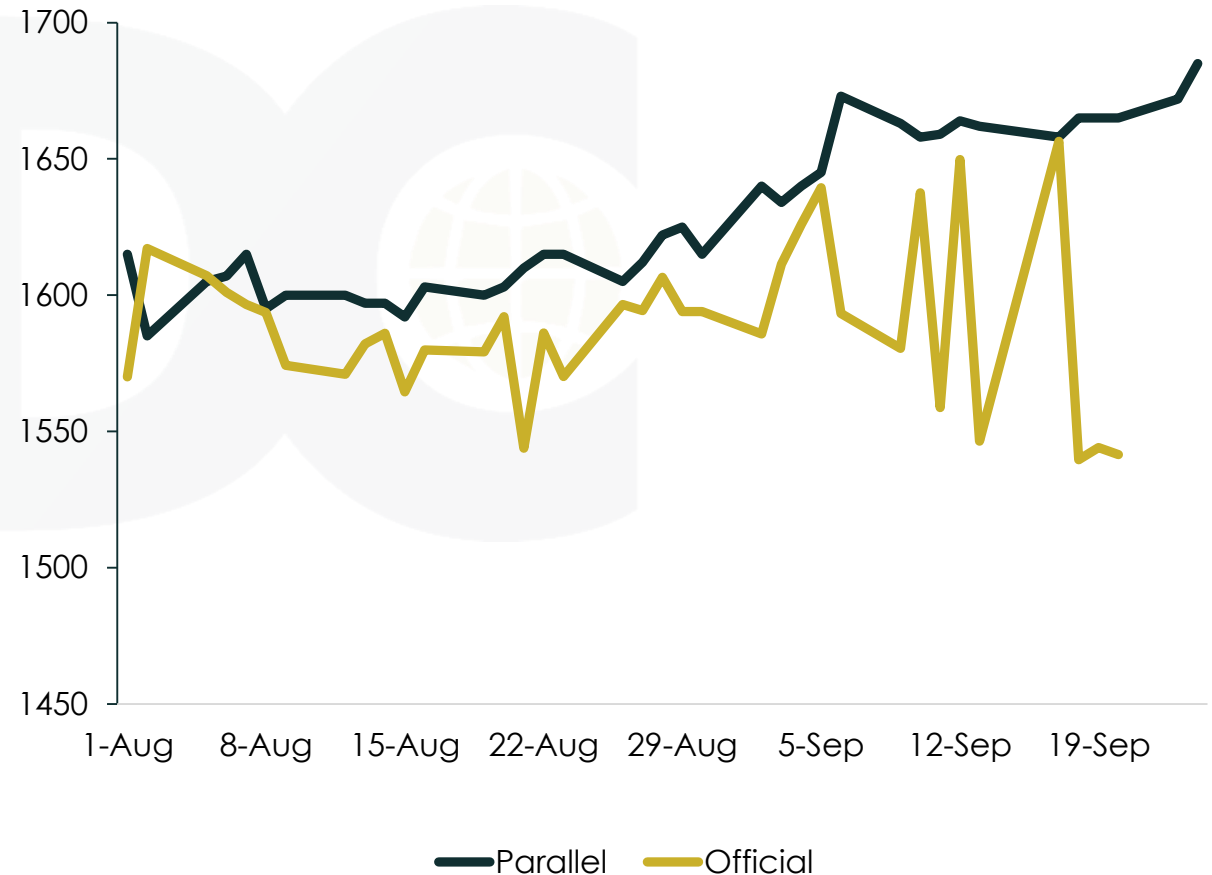
INITIAL REACTION

- Shock and speculation
- Naira falls sharply to N1,685/\$ in the parallel market.

SECONDARY REACTION

- We expect the Central Bank to announce periodic auction in October.
- With periodic intervention, the naira will begin to appreciate towards N1,550/\$
- To N1,500/\$ by December.

Exchange Rate (N1,685/\$, Parallel)





Leo

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■ Africa

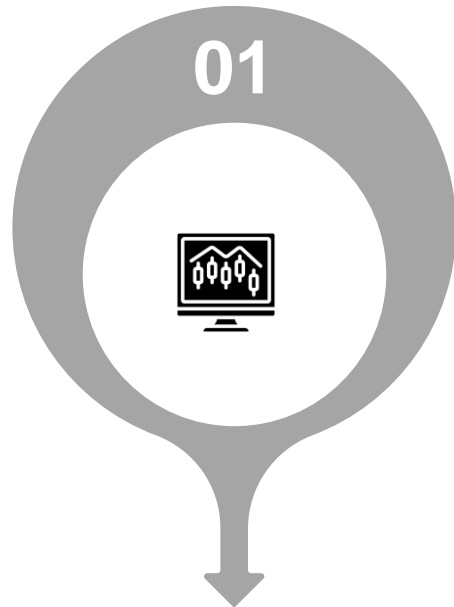
• New York

• London

• Paris



ON CORPORATES



01

Stock market correction to continue

Will lose 5-10% by December

Higher borrowing cost
Cost of borrowing up to 35%p.a.



02



03

Increase in non-performing loans
NPLs will grow by 4.53% to N3.34trn from N3.33trn.

**Rationale: 1% increase in MPR
=
0.073% increase in NPLs**

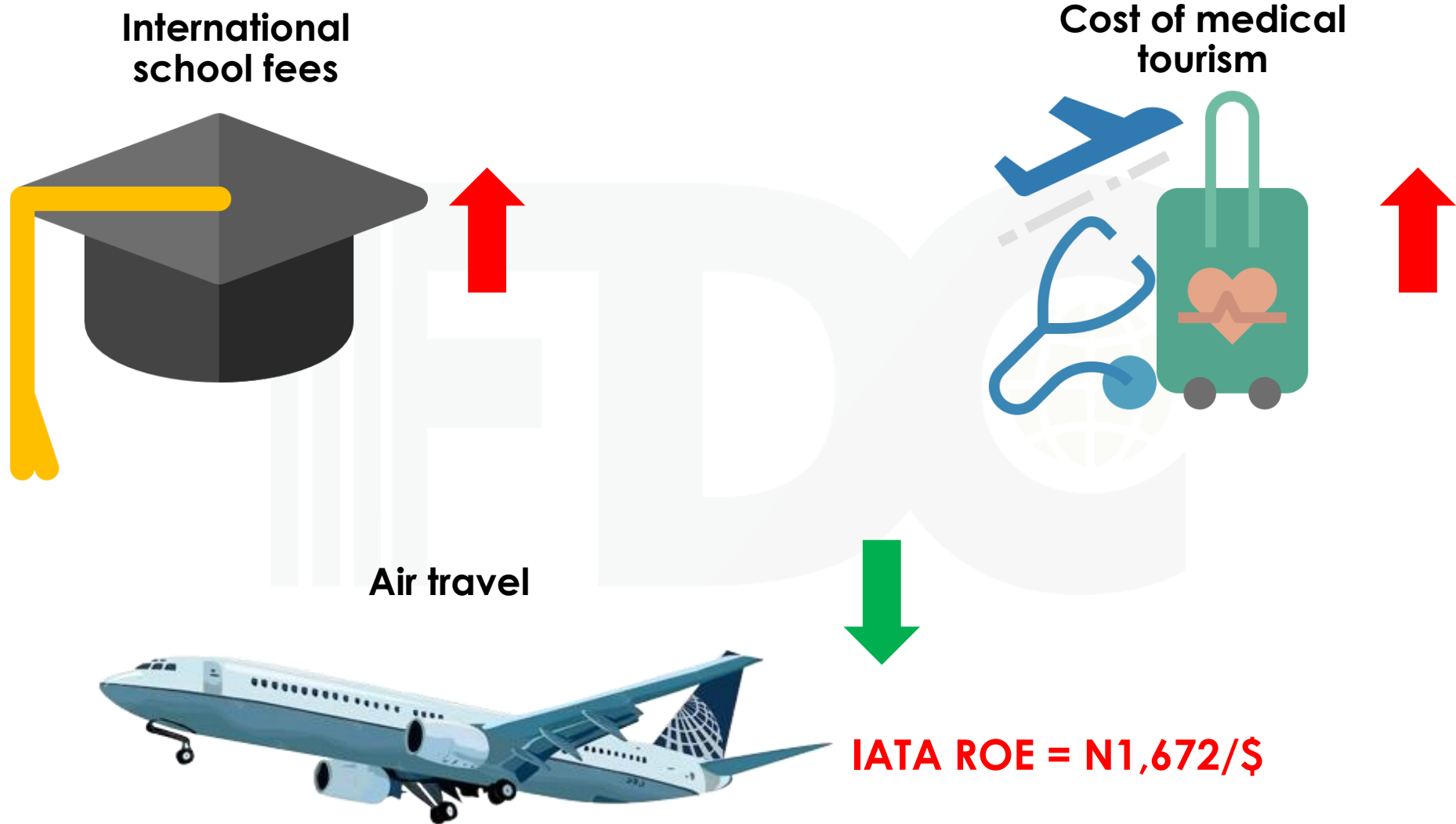
GDP growth tepid
Real GDP will grow at 2.9% in 2024



04



ON THE ELITES



ON THE COMMON MAN



Obalende to Victoria Island
→ N500
↑ BY 67%



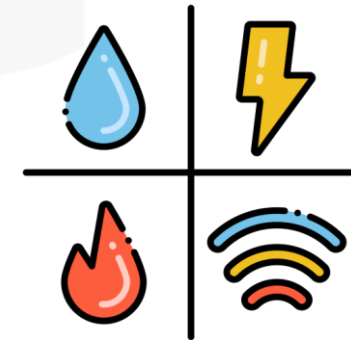
School Fees
↑ BY 40%
Drop out rate to increase



House Rent
↑ BY 20%
Default rate to increase



Drugs
↑ BY 100%
Use of traditional alternatives will rise



Utilities
↑ BY 150%

WHAT NEXT ? **DECEMBER 2024**

- Petrol prices N900/ltr now, N1,200/ltr later
- Imported goods expected to come in
- Minimum wage arrears to be paid
- Naira to appreciate by 12% to N1,500/\$ by December

- Higher inflation in October, fall in January
- Cocoa revenue up, oil revenue up
- Diaspora bond flows in



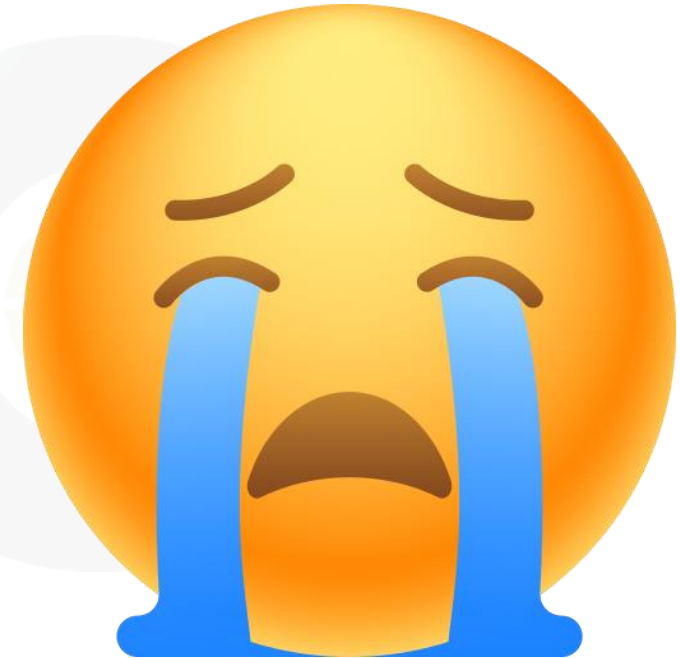
CHRISTMAS 2024 – CASH IS KING

Those with cash



CHEERS?

For those without cash



TEARS?

OR



**THANK
YOU**