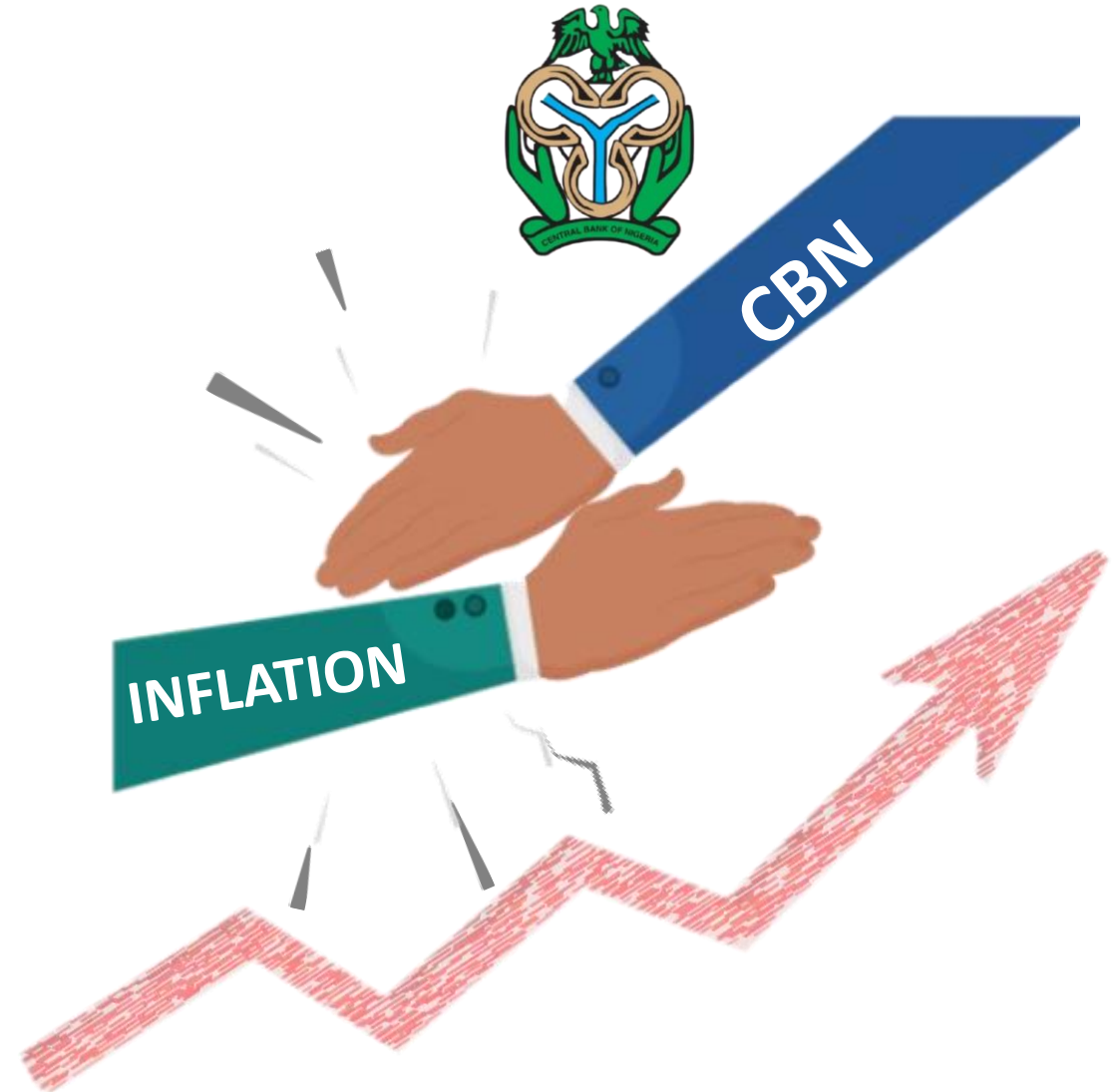


A SLAP ON THE WRIST

MPC HIKES RATE BY 25BPS

Presented by Bismarck Rewane
November 26, 2024





DECISION

MPR = **UP 25bps**  to 27.50%p.a

ALL OTHER PARAMETERS = UNCHANGED 

- Smallest rate hike in 16 months
- Monetary tightening cycle coming to an end

IN THE LAST 24 MONTHS



UNDER CARDOSO

| | OCT. 2023 | NOV. 2024 | | |
|---------------|-----------|-----------|----------|-------|
| INTEREST RATE | 18.75% | 27.50% | Σ | 8.75% |
| INFLATION | 27.33% | 33.88% | Σ | 6.55% |



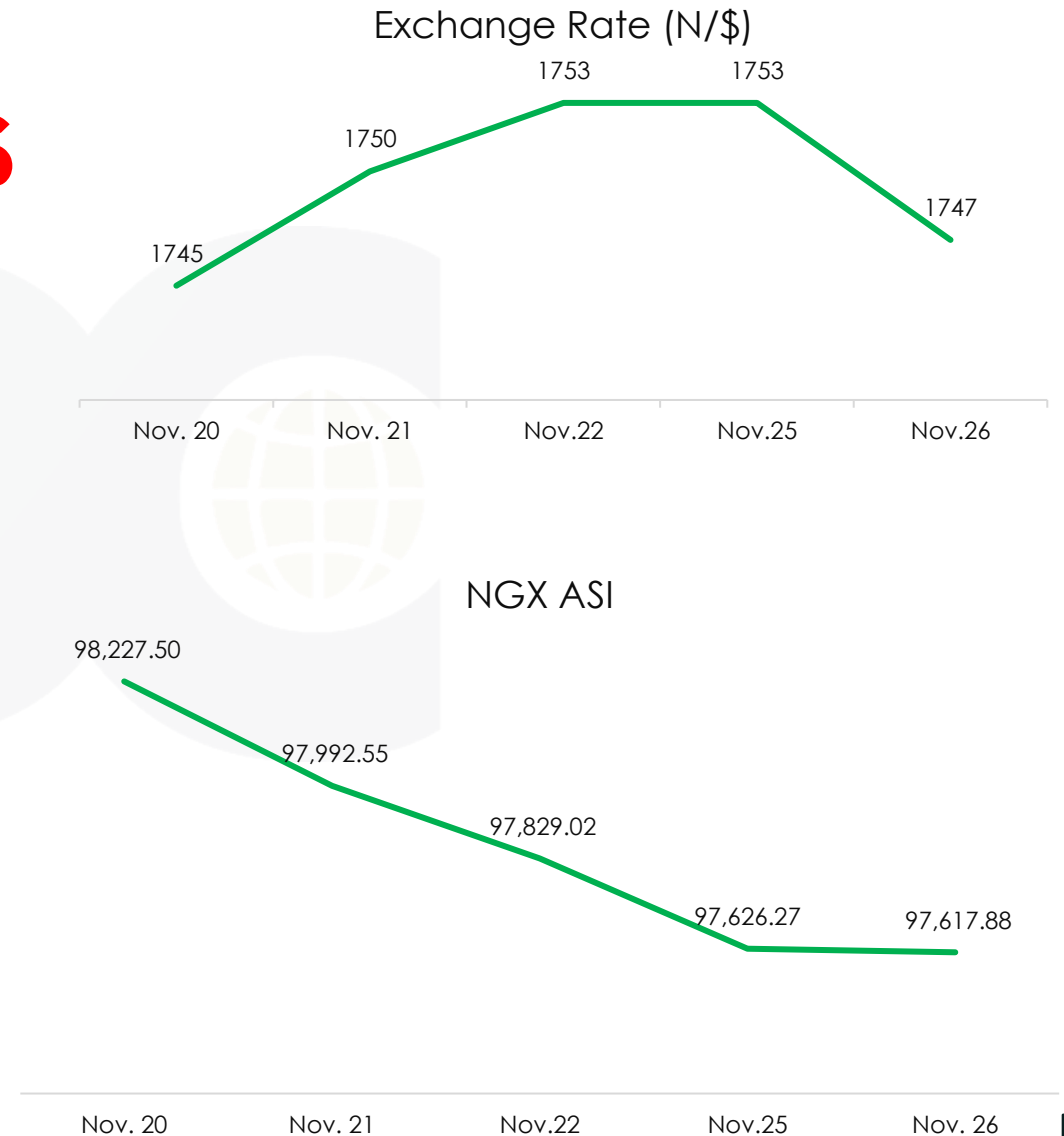
INITIAL REACTION

Naira appreciates to N1,747/\$

NGX flat

ADTV – down 25% to N8.03bn

Effective Interest rates flat



WHICH COMES FIRST

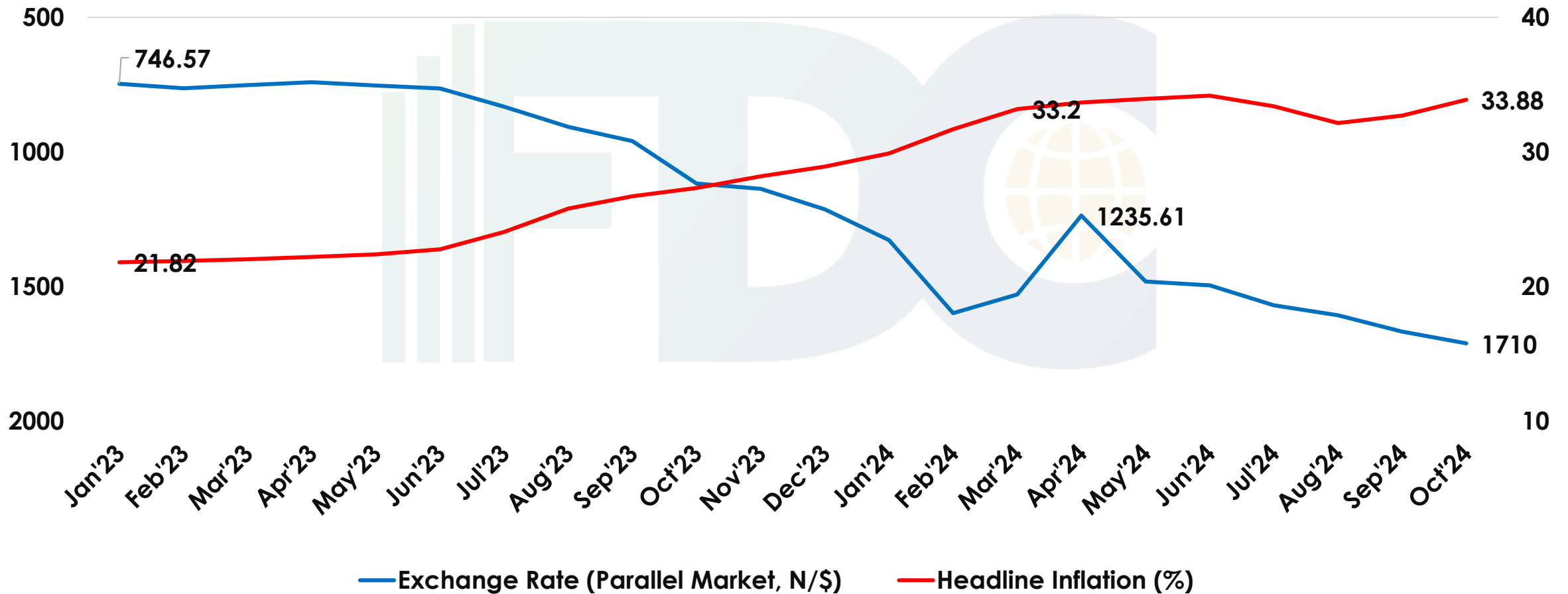


or

Exchange
Rate
Weakness

NAIRA WEAKNESS CAUSING INFLATION

✓ A misaligned exchange rate (N/\$) is taking its toll on inflation





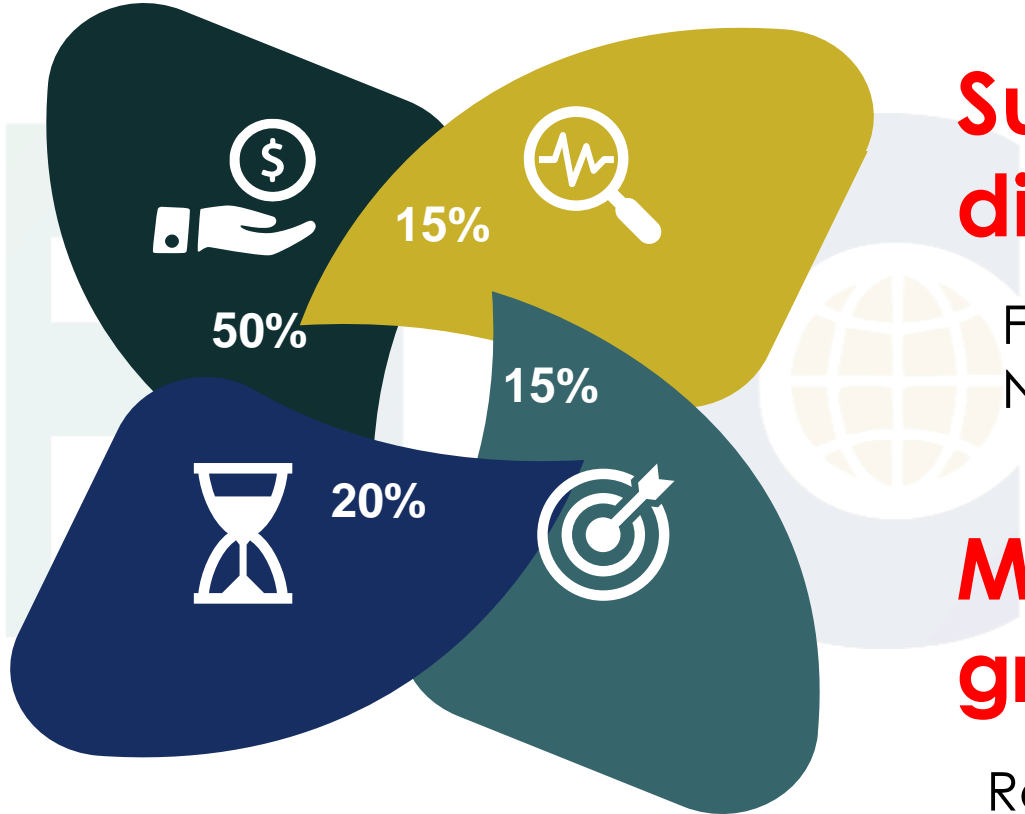
THERE ARE OTHER FACTORS

Exchange rate depreciation

Lost 31% to 8-month low of N1,753/\$

Logistics Cost

PMS price up 54% in last 2 months to N1,184.83



Supply chain disruption

Flooding in Northern Nigeria

Money supply growth

Rose to 63% in September 2024



THE GOOD NEWS IS NOT ENOUGH

- Q3 GDP growth was stronger than expected at 3.46%
- Port Harcourt Refinery commenced operations on Nov. 26,
 - To process 60,000 barrels of crude oil daily
- NBS disclosed that unemployment rate declined to 4.3% in Q2'24 from 5.3% in the previous quarter

LOOK AT OTHER AFRICAN COUNTRIES





| Country | Inflation Rate (%) | Interest Rate (%) | Exchange Rate YTD (%) | R. GDP Growth (%) |
|--------------|--------------------|-------------------|--|--|
| Kenya | 2.7 | 12 | 21.21  | 4.6 (Q2'24)  |
| South Africa | 2.8 | 8 | 1.34  | 0.3 (Q2'24)  |
| Ghana | 22.1 | 27 | -23.71  | 6.9 (Q2'24)  |
| Nigeria | 33.88 | 27.50 | -47.52  | 3.46 (Q3'24)  |


HIGH EXCHANGE RATE DEPRECIATION


HIGH INFLATION

NAIRA IS UNDERPERFORMING OTHERS

WHY THE NAIRA SHOULD BE STRONGER

- Oil price --- \$73pb, relatively flat 
- Cocoa price ---\$8,972/MT, up 250% in 2 years 
- LNG price ---- \$3.33, up 20% in 2024 
- Trade balance ---\$8.08bn in 2023, up 35% 



MARKET VALUE < FAIR VALUE

| Purchasing Power Parity | | | |
|---|------------|-------------|-----------------|
| | =N= | Nov-24 | |
| | | US \$ | PPP ('=N=/US\$) |
| Bottle of Pepsi (50cl) | 400 | 0.75 | 533.33 |
| Heinekin Beer (60cl) | 1,000 | 1.37 | 729.93 |
| Hamburger (Burger King) | 10,200 | 6.99 | 1459.23 |
| Movie tickets (blockbuster) | 8,000 | 9.99 | 800.80 |
| HP Pavilion 14 X360 (12 gen, core i13, 512gb) | 1,450,000 | 850.94 | 1704.00 |
| Diesel Price (1 litre) | 1,180 | 0.94 | 1255.32 |
| Vegetable oil (5 litres) | 15,000 | 43.00 | 348.84 |
| Indomie (1 unit) | 400 | 1.10 | 363.64 |
| Nestle Bottled Water (60cl 1 unit) | 200 | 0.28 | 714.29 |
| Big Loaf Bread | 1,600 | 3.32 | 481.93 |
| Corrola (2023 Model) | 50,000,000 | 21700.00 | 2304.15 |
| Irish Spring Soap (3 bars) | 1,990 | 2.24 | 888 |
| Chicken Breasts (1 kg) | 5,200 | 1.81 | 2872.93 |
| Trolley | 2,500 | 6.02 | 415.28 |
| Peak evaporated milk (pack of 24) | 23,000 | 91.96 | 250.11 |
| Uncle Ben's rice (5.44kg 1 pack) | 27,500 | 21.35 | 1288.06 |
| Eggs (30 large eggs) | 6,000 | 7.86 | 763.36 |
| Medicine (Panadol extra 50 caplets) | 11,700 | 12.72 | 919.81 |
| Shoes (Loafers) | 25,000 | 27.88 | 896.70 |
| Note book (hard cover) | 2,400 | 1.99 | 1206.03 |
| Average PPP | | | 1009.81 |
| Naira Price at NAFEM | | | 1676 |
| PPP (%) | | | |
| Decision: Naira is | | Undervalued | -39.75% |
| Spot Rate (Parallel) | | | 1753 |
| Outcome: Compared to NAFEM rate of N1,600/\$1, the Naira is undervalued by 36.89% | | | |

MARKET VALUE

N1,747.00/\$



OFFICIAL VALUE

N1,675.62/\$



FAIR VALUE

N1,009.81/\$

There is a 39.75% undervaluation of the naira

A TOUGH XMAS – TEARS > CHEERS

No Middle Class, only Survivors



Palm oil

5 Litres



December 2023: N6,000
Current Price: N11,000

UP BY 83.33%



Rice

1 Bag



December 2023: N60,000
Current Price: N105,000

UP BY 75%



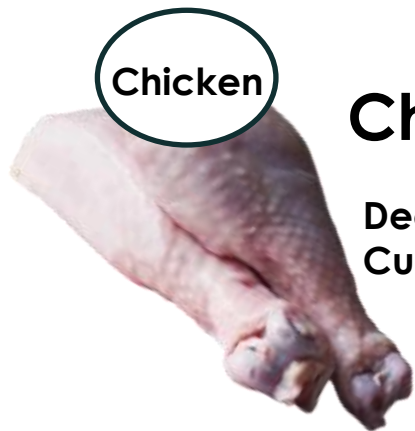
Tomatoes

1 Basket



December 2023: N25,000
Current Price: N27,000

UP BY 8%



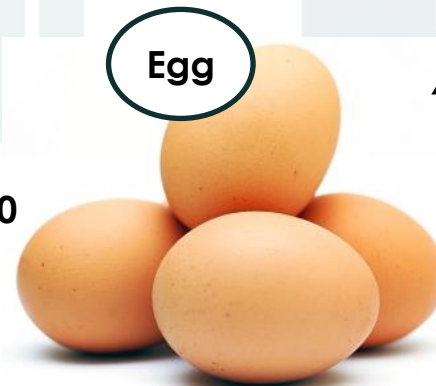
Chicken

Live
Chicken



December 2023: N15,000
Current Price: N25,000

UP BY 66.67%



Egg

1 Crate



December 2023: N2,600
Current Price: N6,000

UP BY 130.76%



Garri

50kg (bag)



December 2023: N23,000
Current Price: N37,000

UP BY 60.87%

NOTHING TO CELEBRATE – NO HAMPERS YET

Road Transport



Lagos to Benin

N25,000



BY 150%

Air Transport



Lagos to PH
(Round Trip)

N320,000



BY 60%

Turkey



1 kilo



December 2023: N5,200
Current Price: N7,000

BY 34.62%

Utilities



BY 150%

Vegetable Oil



5 Litres



December 2023: N7,000
Current Price: N23,000

UP BY 228.57%



WHERE WILL THE NAIRA BE IN 2025

*Naira will appreciate by 10% to **N1,578/\$** in Q1'25 if*

CBN keeps interest rates elevated until 2025

Capital flow surges

Regular rDAS

Oil output increases to 1.55mbpd

Budget Assumption

N1,400/\$

EIU forecast

N1,586/\$

WHAT NEXT?

- November Inflation to reach 34%
- FG to continue unconditional cash transfers
- National assembly budget approval in December
- Another bond issue under a US\$2bn programme
- Constant and periodic FX auction
- Naira to appreciate by 10% to N1,550/\$ in Q1 '25





**THANK
YOU**