



# MPC Update: March 2019

Feb '19 Annual Inflation: 11.31%  
Q4 '18 Real GDP Growth Rate: 2.38%

## Update on the Monetary Policy Committee Meeting Held on March 25 and 26, 2019

### MPC Considerations:

- Lower global growth outlook for 2019 given the International Monetary Fund's downward adjustment to its global growth forecast amid volatile global financial markets, trade war between China and U.S, monetary policy normalization especially in advanced economies, declining long term yield of long-term bonds and uncertainty around Brexit.
- Nigeria's 2018 GDP growth was majorly driven by growth in non-oil sector. More so, recent Purchasing Manager's Index (PMI), both manufacturing and non-manufacturing index, had continued to witness expansions which was driven by new orders amid foreign exchange stability and a 6% increase in credit to private sector. These were expected to continue amid positive World Bank 2019 growth forecast for Nigeria at 2.2%.
- Inflation rate was expected to moderate, implementation of Economic Recovery Growth Plan (ERGP) was expected to be sustained and boost further growth in non-oil sector amid sustained foreign exchange stability.
- However, the MPC noted economic headwinds to include, among others, increasing external debts and volatility in oil prices.

### MPC Decisions:

- Monetary Policy Rate was cut by 50bps to 13.50%
- Cash Reserve Ratio retained at 22.5%
- Liquidity Ratio retained at 30%
- Asymmetric band retained at +200 bps and – 500 bps around MPR

### Analyst's Opinion:

The MPC's decision to cut the policy rate by 0.50% was engendered by the feeling of sustainability in the level of stability of Nigeria's macroeconomic indices which were expected to drive growth going forward and the signal by U.S Fed to leave Fed rate unchanged in 2019 which was expected to redirect foreign inflows into emerging and developing economies like Nigeria. We do not expect significant growth in credit to private businesses given the inelastic nature of the relationship between credit to private sector and reduction in MPR.

IMPORTANT DISCLOSURES: This report is produced by the Research Desk, Cowry Asset Management Limited (COWRY) as a guideline for Clients that intend to invest in securities on the basis of their own investment decision without relying completely on the information contained herein. The opinion contained herein is for information purposes only and does not constitute any offer or solicitation to enter into any trading transaction. While care has been taken in preparing this document, no responsibility or liability whatsoever is accepted by any member of COWRY for errors, omission of facts, and any direct or consequential loss arising from the use of this report or its contents.