



MPC Update: May 2019

April '19 Annual Inflation: 11.37%
Q1'19 Real GDP Growth Rate: 2.01%

Update on the Monetary Policy Committee Meeting Held on May 20 and 21, 2019

MPC Considerations:

- Lower global output growth outlook for 2019 given the International Monetary Fund's downward adjustment to its global growth forecast to 3.3% amid further escalation of trade tensions between the US and China, imposition of new rounds of sanctions on Iran by U.S, breakdown of BREXIT and the new wave of tension on the Korean Peninsula. Also, MPC noted that inflation in advanced economies remained largely below 2.0%, thus, most central banks in these economies adopted dovish monetary policies.
- Nigeria's actual output remained below potential, indicating sufficient head room for non-inflationary growth and would be spurred by stability in the financial system, continued special interventions in Agricultural and Manufacturing sectors, as well as increased supply of foreign exchange to growth-stimulating sectors of the economy in the second half of 2019.
- Uptick in Inflation rate to 11.37% in April 2019 which was driven by food inflation was considered by the Committee to be seasonally driven and anticipated.
- Also, the MPC noted the stability of the Naira against the USD at most forex markets and expressed optimism in the stability of the crude oil prices due to OPEC production ceiling and geo-political issues affecting oil exports.

MPC Decisions:

- Monetary Policy Rate retained at 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 hold policy rate at 13.50% was engendered by the need to continue to boost production output as it patiently waits to see the effect of the cut in MPR in March 2019. Although the Committee noted that deposit money banks (DMBs) have refused to give credit to private businesses despite the rate cut, we feel it was a deliberate move by the DMBs to trim down their non performing loan ratios. Nevertheless, with the implementation of the new minimum wage, continued interventions by CBN and passage of the 2019 budget, we expect growth rate to improve in the second half 2019.

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