



MPC Update: January 2022

Dec '21 Annual Inflation: 15.63%
Q3 '21 Real GDP Growth Rate: 4.03%

Update on the Monetary Policy Committee (MPC) Meeting Held on January 24 and 25, 2022

At the end of today's Monetary Policy Committee (MPC) meeting, members unanimously voted to:

Retain MPR at 11.50%

Retain asymmetric corridor at +100bps / -700bps

Retain CRR at 27.50%

Retain liquidity ratio at 30%

Consideration of the Monetary Policy Committee

The Monetary Policy Committee (MPC) noted that global recovery fell below forecast in 2021 which were largely due to Covid-19 pandemic; albeit it noted that advanced economies' GDP growth rates were gaining momentum amid strengthened consumer spending. Other major factors the Committee focused on include, supply-chain bottle necks, inflationary pressures and policy normalization in developed countries. They pointed out that Inflation in advanced economies was unlikely to abate in the short to medium term.

Other global considerations include China's growth which has continued to weaken due to power supply issues. On the positive side, India's economy has commenced sharp recovery.

They noted that Growth in emerging and developing economies is expected to slow in 2022 due to limited policy support and low level of vaccination.

The MPC revealed that with rate hike, risk adverse portfolio investors would reassign their portfolios from perceived riskier emerging market securities to less risky advanced market securities amid expectations of improved yields.

On the domestic front, the Committee considered the increase in the country's inflation rate in December 2021 as a temporary development which was driven chiefly by demand during the yuletide. The members also believe that inflation will moderate further going forward amid significant interventions in the agricultural sector.

They expect the Nigerian economy to continue with a positive growth following the impressive growth recorded in the third quarter of 2021, reflecting continuous recovery from the recession.

The Committee's decision to hold rate was in line with Cowry Research's expectation which was specifically expressed in our Outlook and Investment Strategies in 2022 report. We feel that the Committee would weigh the option of increase in rate on the country's fragile economic growth. Nevertheless, the MPC still appears to be pressured to increase policy rate amid expectation of policy normalization in advanced economies and rising inflation driven by supply chain issues and excess fund disbursed to cushion Covid-19 effect on the economy. For us, the big question is, will the MPC give up on supporting domestic economic growth?

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