

MPC

HIGHLIGHT

MAY
2022

The Monetary Policy Committee (MPC) concluded its 2-day meeting today, and unexpectedly hiked the benchmark interest rate by 150bps to 13.00% (the first time since July 2016, from 12% to 14%), while leaving other key parameters constant. Please see below, a summary of the committee's decisions:

- MPR increased to 13.00% from 11.50% (Bloomberg Est – 11.50%)
- Retain CRR at 27.50%
- Retain Liquidity ratio at 30%
- Maintain an asymmetric corridor at +100/-700 basis points around the MPR.

At the MPC press briefing today, CBN Governor, Godwin Emefiele emphasized the fact that attacking the spiraling inflation (currently at 15.92% Y-o-Y as at March 2022) is more urgent in the sequence of policy objectives (CBN's inflation target range is 6% – 9%), while also acknowledging the reality that it may seem contradictory to raise rates in the face of fragile growth, but it is a dilemma that most central banks around the world today are grappling with at this time.

We expect the monetary policy authorities to remain steadfast in controlling inflationary pressures as well as exchange rate volatility spurred by increased demand during the election cycle, while also keeping a close eye on economic growth.