

The Monetary Policy Committee (MPC) concluded its 2-day meeting today and raised the benchmark interest rate by 50bps to 18.50%.

Please see below, a summary of the committee's decisions:

- MPR increased to 18.50% from 18.00%
- CRR retained at 32.50%
- Liquidity ratio retained at 30.00%
- Asymmetric corridor maintained at -700/+100 basis points around the MPR

The CBN governor, Godwin Emefiele, noted that the rate hike which began last year in May 2022 has kept inflation in check, as the hawkish policy has moderated inflation considerably (c.800bps). He also mentioned that according to research conducted by the committee, it was observed that inflation would have risen to about 30.48% YoY in April 2023 if the interest rate was not raised to address the surging inflation.

Among the 11-man committee, 10 members voted for 50bps hike, and 1 member voted for a 25bps increase, while all members voted to keep all other parameters constant. In summary, the MPC concluded to further tighten interest rate, albeit less aggressively due to the adverse effect on the economy and also expect a slight increase in inflation before a slowdown, after factoring the key drivers.

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