



MPC Update: May 2020

April '20 Annual Inflation: 12.34%
Q4'19 Real GDP Growth Rate: 2.55%

The Monetary Policy Committee (MPC) at the end of its meeting on Thursday, May 28, 2020 voted to reduce the Monetary Policy Rate (MPR) by 100bps to 12.50%. This was in an attempt to send a positive signal that the government was working to reduce/slowdown the impact of the anticipated economic recession in Q2 2020 and Q3 2020 and to hasten economic recovery in Q4 of 2020.

Hence, the move, in addition to other concurrent accommodative measures, is expected to stimulate demand, enhance supply chain, and increase economic output.

The MPC however advised the fiscal authorities to maintain its core spending plan, improve on tax generation and work towards gradual reopening of the economy.

The MPC also highlighted the need for public-private partnership to fund infrastructural development in the country.

The Monetary authority also noted the need to provide cheaper credit to the real sector amid relative stability in the banking sector where Non-Performing Loans have fallen to 6.58% as at April 2020 from 10.95% as at April 2019.

Finally, the MPC stressed on the need for continued interventions in the Manufacturing, Agricultural and Health Sectors.

MPC Decisions:

- Reduced Monetary Policy Rate to 12.50% from 13.50%
- Cash Reserve Ratio retained at 27.50%
- Liquidity Ratio retained at 30%
- Asymmetric band retained at +200 bps and – 500 bps around 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.