



# MPC Update: March 2021

February '21 Annual Inflation: 17.33%  
Q4'20 Real GDP Growth Rate: 0.11%

Update on the Monetary Policy Committee (MPC) Meeting Held on March 22 and 23, 2021

## MPC Observations:

- That the vaccination against COVID-19 had gained ground in major advanced economies; however, the slow pace of vaccination in some emerging markets and developing economies weighed on the even recovery of global output.
- It noted that the growing concerns associated with the efficacy of the vaccines being distributed across countries, especially with the new variants of the Coronavirus, further threatens the recovery of the global economy. Despite this threat, the International Monetary Fund (IMF) projected global growth rate of 5.5% in 2021.
- Inflation remained high in emerging markets and developing economies amid weak accretion to reserves, exchange rate pressures, sustained capital outflows and worsening insecurity.
- It felt that the huge level of monetary and fiscal injections amid expansionary policy and stimulus packages, may heighten the risk of financial instability.

## MPC Considerations:

- The unabated rising trend of domestic prices and the need for monetary and fiscal policy to push down prices via financing productive ventures, which is expected to boost aggregate supply.
- Its recent innovative effort to maintain exchange rate stability, especially the incentives to attract diaspora remittances into the country.
- The twin major challenges of taming the rising inflation and sustaining growth recovery in the economy, while focusing on the downside risks associated with the injections.

## MPC Decisions:

- Monetary Policy Rate retained at 11.50%
- Asymmetric band retained at +100 bps and – 700 bps around MPR
- Cash Reserve Ratio retained at 27.50%
- Liquidity Ratio retained at 30%

## Analyst's Opinion:

*We note the sharp increase in the number of the Committee's members to three, compared to the no vote in January, to increase the MPC rate by at least 50bps. This may be a signal to the Committee eventually increasing the MPR by 50bps this year as rising inflation and exchange rate pressure become more challenging to control – a scenario we pointed out in Cowry January 2021 MPC Update report. Hence, we expect the bias of the fixed income traders and investors to be a rise in yields and stop rates in 2021.*

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.