MPC Update: November 2021

Oct '21 Annual Inflation: 15.99%
Q3 '21 Real GDP Growth Rate: 4.03%

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

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 continued recovery of the global economy in the current year and its sustainability into the year 2022 – hence, a positive outlook for global economic growth going forward. The expected positive global economic growth was despite the downgrade of the International Monetary Fund's (IMF) global growth forecast to 5.9% from 6.0% and that of the advanced economies to 5.2% from 5.6% in 2021.

The MPC noted IMF's stance on advanced economies inflation rate which is now expected to rise further, contrary to its earlier stance of a transient inflationary pressure, as commodity prices recover, hence having an inflationary effect on energy prices.

Also, the Committee noted the proposed move by the US Federal Reserve Bank to commence tapering its monthly bond-buying programme by the end of November 2021.

On the domestic front, the Monetary Committee mentioned that the supports from the monetary and fiscal authorities had contributed significantly to the economic growth – which printed 4.03% in Q3 2021 – despite the associated challenges of insecurity and infrastructural constraints. The upward revision of the emerging markets and developing economies output to 6.4% from 6.3% by IMF further speaks to the Committee's decision to hold the policy rate.

The MPC observed the sustained moderation in inflation rate to 15.99% in October 2021 from 16.63% in September 2021, the seventh consecutive month of decline.

The Committee's decision to hold rate was in line with Cowry Research expectation given the positive local economic variables recently printed – Q3 2021 GDP grew by 4.03%, October inflation rate fell to 15.99% and the recent appreciation of the Naira against other foreign currencies. Hence, going forward we feel that the MPC would continue to support the fiscal authority in its drive to further boost production output.