MPC Update: May 2022

Apr '22 Annual Inflation: 16.82%
Q1 '22 Real GDP Growth Rate: 3.11%

Update on the Monetary Policy Committee (MPC) Meeting Held on May 23 and 24, 2022

At the end of today's Monetary Policy Committee (MPC) meeting, members unanimously voted to:

Increase MPR to 13%

Retain asymmetric corridor at +100bps / -700bps

Retain CRR at 27.50%

Retain liquidity ratio at 30%

Consideration of the Monetary Policy Committee

The Monetary Policy Committee (MPC) noted that global growth slowdown in quarter 1 2022 due to the conflict between and Ukraine which led to huge constraints in the supply chain and the resumption of Covid 19 pandemic in China, giving rise to upside risks to inflation and downside risks to growth. Other major factors the Committee focused on include, supply-chain bottlenecks, inflationary pressures, and policy normalization in developed countries. They pointed out that Inflation in advanced economies was unlikely to abate in the short to medium term.

Other global considerations include China's growth which has continued to weaken due to the resumption of the pandemic. On the positive side, India's economy has commenced a sharp recovery.

They noted that Growth in emerging and developing economies is expected to continue to slow down in 2022 due to a series of restrictions imposed by NATO countries and its allies against trade with Russia.

The MPC revealed that with a rate hike, risk-averse portfolio investors would reassign their portfolios from perceived riskier emerging market securities to less risky advanced market securities amid expectations of improved yields.

On the domestic front, the Committee noted with delight the growth in GDP of 3.11% in Q1 20222022 (y-o-y), highlighting a steady recovery for the 6th consecutive quarter. The committee was, however, concerned about the aggressive rise in inflation which is currently at 16.82%. in other to dampen the inflationary pressure, the committee decided on a policy rate hike, while still adopting an accommodative approach to development finance initiatives that have supported the growth of the economy and sustained recovery.

The committee noted that money demand pressure is unlikely to abate until the 2023 general elections are concluded.