

# CBN Maintains Key Rates in line with our prediction

In November 2019, the CBN MPC held its sixth meeting of the year 2019. Key decision of the Committee include:

- Retain the MPR at 13.5 per cent;
- Retain the asymmetric corridor of +200/-500 basis points around the MPR;
- Retain the CRR at 22.5 per cent; and
- Retain the Liquidity Ratio at 30 per cent.

This was based on the following considerations:

- Weak outlook on crude oil price
- Increased inflation rate in October – 11.6%
- Sustained economic growth in 2019Q3- 2.3%
- Expansion of the manufacturing sector in 2019Q3
- Pressure on external reserves – US\$ 39.9 billion as at Nov 25<sup>th</sup>
- Need to improve fiscal buffers and efficiency in public expenditure
- Improved growth of credit to the private sector.

## We argued for a no-change in rates in Nov 2019

In line with our prediction, the CBN maintained key policy rates in its last meeting for the year.

With higher inflation numbers in October as well as declining reserves, the likelihood of a reduction of rates in the meeting was extremely low.

In addition, while raising rates could further attract FPI into the country, it could create pressure on economic growth and government borrowing costs.

The CBN therefore opted to maintain rates and adopt a “wait-and-see” approach as the year comes to an end.