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**NIGERIA RESEARCH NOTE [REV]**

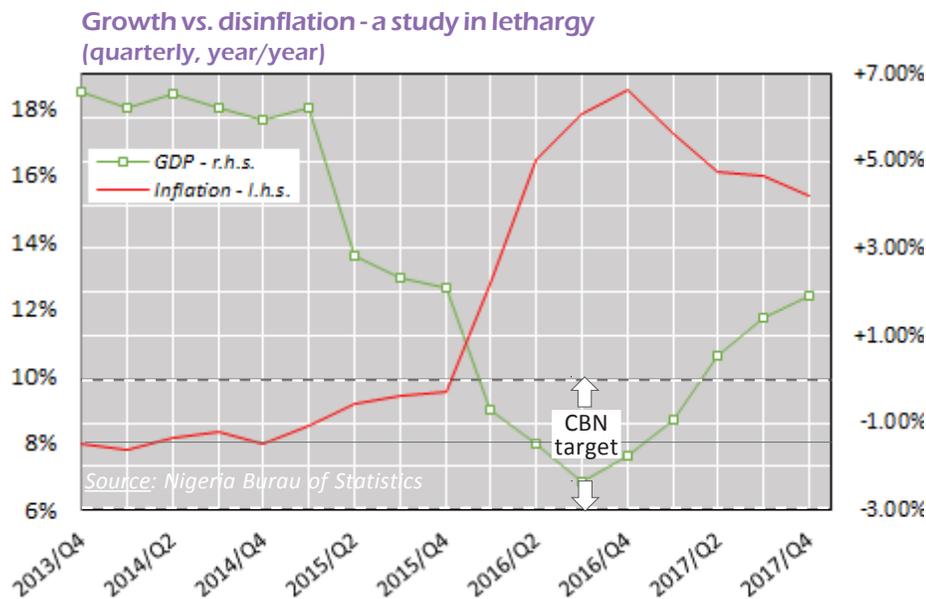
**No threat to the Naira carry trade**

1) As a rule, the Nigerian authorities are not particularly receptive to policy recommendations from the IMF or the World Bank<sup>1</sup>. Yet, barely a week after the Fund’s pointed exhortation<sup>2</sup> in the latest Article IV report, there was the Senate agreeing to schedule **confirmation hearings<sup>3</sup> for the five vacant positions** that have left the monetary policy committee inquorate since late last year<sup>4</sup>.

2) The stated reason for this sudden U-turn is *“to allow the apex bank effectively play its role in developing the National economy”*. A more plausible explanation is that, with the 2019 elections looming, the upper chamber has recognized the **risk of being scape-goated in the event that the anaemic recovery stalls out**.

While no hearings are on the calendar yet, **we can expect the vacancies on the MPC to be filled in reasonably short order**, permitting the Committee to meet for the first time since last November.

3) Although February’s 14.83% CPI print was touted as *“the 13<sup>th</sup> consecutive disinflation since January 2017”<sup>5</sup>*, **inflation remains more than 600 b.p. above the mid-point of the CBN’s target range**.



No less significantly, this rate has been **decelerating with a lethargy matched only by the pace at which the economy has been limping out of the recession** – as illustrated.

In other words, **the MPC simply has no scope to cut rates and threaten the Naira carry trade**.

<sup>1</sup> As will be recalled, President Buhari doggedly maintained the self-destructive USD peg for more than 18 months after Mme. Lagarde had travelled to Abuja to personally recommend that the exchange-rate be allowed to play its role as a shock-absorber (in the context of the oil price collapse). See our research note, *“Lagarde sounds the alarm”*, Jan. 7, 2016

<sup>2</sup> *“Directors urged confirmation of the appointments of the central bank’s board of directors and members of the monetary policy committee”* – as reported in *“IMF concludes 2018 Article IV consultation with Nigeria”*; IMF press release, Mar.7, 2018.

<sup>3</sup> As part of a stand-off with the (presidential) Villa, the Senate announced in March 2017 that it would not consider any executive branch nominees until the acting chairman of the Economic and Financial Crimes Commission (whose confirmation the body had twice was relieved of his duties).

<sup>4</sup> I.e. this was when the terms of three external members of the MPC expired, only months after two deputy governors of the CBN had retired, leaving the Committee one shy of its 8-member quorum.

<sup>5</sup> See *“CPI Report for Feb. 2018 (p. 5)”*, by National Bureau of Statistics, Mar. 14, 2018.

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