



Proshare **Confidential**



Money Supply: Reeling from Policy Response

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Executive Summary



In recent times monetary aggregates, especially money supply dipped far below the central bank's target as at July 2017, underlining the conflict between the banks intermediate target on money supply and its mandate on price stability. The present picture ring in the old economic saying “there is no correlated target between money supply growth and inflation targeting”.

Unfortunately policy makers can only aim at only one of the two. Such happenings thus make it imperative for us to take a study on the monetary aggregates. Certainly, the rate anchors such as exchange rate and monetary policy rate has long dictated the economic discourse. Thus, a switch from the rate anchor to the quantity will provide the needed balance in the on-going monetary discourse.

Evidently many are of the opinion that there is a break down in the relationship between money supply and the overall macro picture. In addition it camouflages the structural flaws of an economy. One cannot write off such concerns in a global economy, where technology is on the rise and an unstable money supply velocity exists in an emerging economy like Nigeria.

Certainly, the quantity anchor does not provide the overall picture but is part of the overall picture. This thus gives us an understanding of the direction of money and the choices that shape such direction. Therefore understanding such choices and its impact on direction of fund flows is of greater concern.

Empirically money supply does not move in tandem with cycle all the time, but components such as net foreign assets and credit to private sector provide the needed insight on the direction of the cycle. Therefore in this particular edition of our Proshare Confidential, the study of fund flows and the choices that shape their direction is important; especially the individual fiscal and monetary responses to the cycle, thereby with their effect on quasi money, credit to government and credit to the private sector will be provided. Interestingly, it gives confidential the rare opportunity to either dispute or validate the on-going chorus of crowding out effect.

In attempt to achieve those critical feat the currency ratio, nominal velocity, credit-GDP ratio and the money multiplier will be provided in this study.

More than half way through the year, there was an effort to make comparison between the present monetary aggregate and the duo of economic recovery and growth plan.

In a follow up to our earlier write up on demonetization or monetization, we take a peep detour into India.

Introduction



In recent times the Nigerian economy emerged from its first growth break in 24 years to glean an 0.55% growth, thereby putting an end to successive quarter of negative growth. It is expected that the economy will still be in need of more time to recover from the negative impacts of rising unemployment, tepid labour productivity, growing non-performing loans and stagnated house hold income associated with trough effects.

Therefore, it has become inevitable to study the quantity base indicator as the economy shows signs of recovery. The present collusion between the intermediate target of monetary growth and stocking inflation, pin point the herculean task of making trade-offs. Moreover it provides an opportunity for us to probe into the dynamics of monetary aggregate and how much of a change it has experienced.

The fact that fiscal multipliers have been employed as a measure to provide lifting for the economy, justifies the needed diagnoses of quantity base anchors at this point in time.

It further helps to identify how stretched monetary aggregates have gone in the face of policy responses to a downturn. Expectedly, the study of income velocity of both and narrow money and broad money have become inevitable, same as the trajectory of monetary multiplier in the face of a tight cycle.

The study provides a peep into the health of net foreign asset and how the strength of the fire wall after the currency disturbance. Evidently private contribution to gross fixed capital has been lack luster over the years and pin pointing the degree of credit to GDP ratio is important.

It provides a rare opportunity to carry out a synoptic on how much of an alignment exist between the economic recovery and growth plan and monetary aggregate. At the same time comparing forecast with the International Monetary Fund (IMF).

Statement of the Problem

- Increasing premium due to tight money cycle abroad is affecting the ability of emerging economies to access capital markets. At the same time, the cost of bond keeps rising in developed economies.
- The rising wave of populism in Europe, especially in Germany and policy uncertainty still remain a headwind.

- The emergence of protectionism coupled with trade restriction has stalled global trade
- Rising inflow of refugees to Europe, remain a risk concern in the face of limited fiscal position and growing insecurity

Fig 1: Global trade



Source: World Bank, Proshare Research

- Regardless of the accommodative policy by both monetary and fiscal policy, the labour market still remains weak in Japan.
- The prevailing drought in the African sub region still remain a risk to growth

- The fragile position of net foreign asset of deposit money banks, relatively leave them with weak buffers against possible currency shocks.
- The wide difference between deposit rate and lending rate that still lingers. Underlining the reality of deposit money banks hedging against huge cost of doing business.

Fig 2: Average Deposit and Lending rate

Year	Average Deposit	Maximum Lending	Spread
2010	3.9	21.85	17.95
2011	5.7	23.2	17.5
2012	7.7	25.1	17.4
2013	6.6	24.9	18.3
2014	8.4	25.8	17.4
2015	6.1	27	20.9
2016	7.8	28.3	20.5
Mar-17	8.5	29.4	20.9
Jul-17	8.65	30.75	22.1

- The rising fiscal dominance has reduced the space for monetary maneuvering.
- If the present weakness in money supply lingers on for too long, it could trigger a collapse in monetary variables.
- The high loan to deposit ratio of banks coupled with rising non-performing loans has reduced the room for counter cyclical lending. Evidently leading to weaker growth in credit to private sector.
- The standing deposit position of commercial banks remains thin.

Objective of the Study

- The study highlight's the importance of monetary supply in adjusting production, ultimately affecting aggregate output in the economy.
- The study will provide a glimpse into how the domestic economy has changed so far.
- The study will provide an over view of the global economy.
- The study will take a look at India, in attempt to provide the necessary spring board.
- The study takes a cursory look at the trajectory of monetary aggregates.
- The Study will pin point the level of credit to GDP gaps ratio.
- It will show how the external end has a reverberating effect on the domestic economy.

- Evidently, the study will show how growing fiscal dominance is exacted on money aggregate and affect the trajectory of income velocity.
- Expectedly, the health status of money multipliers is a focal point of this study.

- The study will show the currency ratio of the economy.
- Conclusively, the study will provide measures on how best to address key findings.

Methodology and Data Interrogation

Certainly while carrying out this study, secondary data from reputable sources such as the Central bank, National Bureau of Statistics, World Bank and many others was used.

At the same time primary data was also made use to enrich the study. We must point out that data hybrid were employed as a method in this study.

Background to the Study

Advanced Economies

Fig 3: Macroeconomic Position of Advanced Countries

Global	Inflation Rate	Growth	Debt to GDP	Interest Rate	Unemployment
United States	1.9	2.2	106.1	1.25	4.4
Germany	1.8	2.1	68.3	0	3.7
Canada	1.4	3.7	92.3	1	6.2
Japan	0.4	1.4	250.4	-0.1	2.8
China	1.8	6.9	46.2	4.35	3.95
France	0.9	1.8	96	0	9.5
Mexico	6.66	1.8	47.9	7	3.4
Brazil	2.46	0.3	69.49	8.25	12.8
Russia	3.3	2.5	41.1	8.5	4.9
Unite kingdom	2.9	1.7	89.3	0.25	4.3

Sources: Trading Economics, Proshare Research

Advanced economies such as America and Europe are in better shape now compare to 2008. Moreover, such countries have undergone substantial deleveraging putting behind fears of a prolonged hard landing and a crash in the Euro.

Regardless there is still a need for debt reduction in most of those countries, to avoid a possible repetitive debt cycle.

Expectedly, as growth improves in the United States of America and the Euro area, inflation will pick up.

The reactive position of fiscal policy has made inflation surprise more herculean to achieve in the Euro area. Therefore, it will take more time to experience a pick-up in inflation in countries like France, Portugal, Greece and Italy.

As long as the Euro area still experiences output gaps, thereby growing vastly below its potential output, unemployment will remain a problem especially in France, Portugal and Italy. Although Japan has risen beyond deflation, growth still remains fragile.

Tension in the Korean Peninsula is an upside risk to growth, Japan needs to address both its tight labor condition and huge debt to gross domestic product.

We don't see both Japan and the Euro tilting to a tight monetary cycle soon. On the other hand it is expected that the Federal Reserve Bank raise its fund rate as it further reinvigorates its tight money cycle.

Although it is expected that emerging economies sustain the recovery from earlier cyclical headwinds experienced in 2015; such recovery is on the back of improved commodity prices, regardless such improvement still leaves them fiscally bleeding.

Therefore a hard landing in China is unlikely, while it maintain its rebalancing. It's expected Russia will technically pull out of the recession by the end of the year. At the same time, policy uncertainty and growing protectionism remain an up risk to Mexico. Evidently such structurally factors will hurt its balance of payment.

Sub Saharan African

Fig 4: Macroeconomic Variables of Some Selected Countries

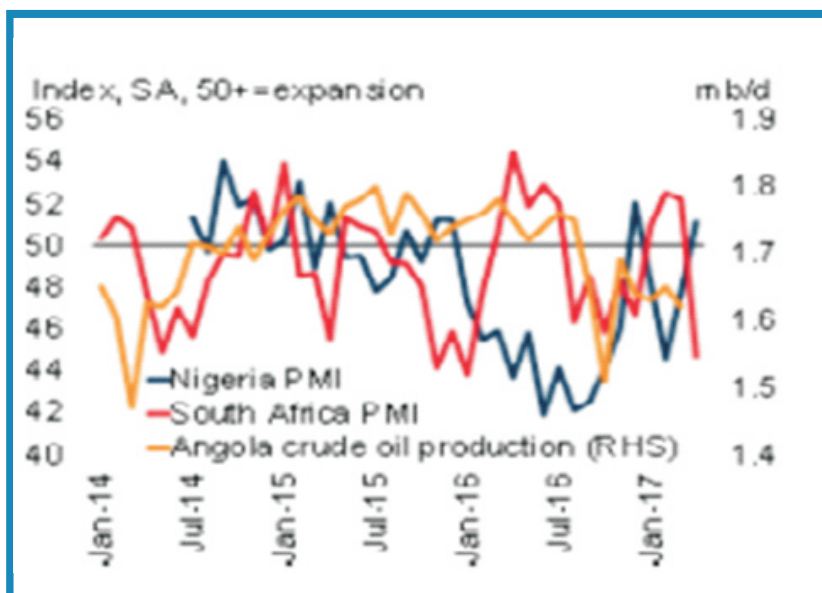
Regional	Inflation	Growth	Debt to GDP	Interest Rate	Unemployment
South Africa	4.8	1.1	51.7	6.75	27.7
Egypt	31.92	4.9	92.3	18.75	11.98
Ghana	12.3	6.6	73.9	21	5.2
Ethiopia	10.4	9.6	32.1	5	16.8
Angola	25.18	-4.3	38	16	26
Morocco	-0.1	4.8	64.7	2.25	9.3
Algeria	3.75	3.7	20.4	3.5	10.5
Ivory coast	1.3	7.9	28.2	4.5	5.3
Botswana	3.4	0.8	22.8	5.5	17.6
Kenya	8.04	4.7	55.2	10	40

Sources: Trading Economics, Proshare Research

The recent clock wise movement in the price of commodities is supporting the recovery in certain countries like Nigeria and Angola. Moreover current account deficit is being narrowed out by the rise in price of commodities. The drop in the price of certain commodities like cocoa, cotton, rubber, etc. poses a pressure to the fiscal revenue in certain countries (Ivory Coast, Ghana).

The uptick in price in commodity has also led to a gradual expansion in the purchasing manufacturing index of the region. For instance, Nigeria has experienced successive expansion in its purchasing manufacturing index.

Fig 5: PMI of Certain Selected Countries in Africa



Sources: Trading Economics, Proshare Research

Fiscal deficit have been blistered by prolonged shortfall in revenues, thereby making it harder to access capital market. For instance, Mozambique has defaulted on its debt, which could pose as a cross country risk to the region.

Even though inflation has receded in resource intensive countries stabilizing their nominal currency, regardless inflation remains high. Drought in East Africa has led to an uptick in the price of food.

Risk to the Region

- Reduction in aid assistance to the region.
- Prevailing drought in eastern Africa remain an up risk thereby causing inflation.
- Rising interest from advance economies makes it harder for individual countries to access foreign debt markets.
- Relative weak growth in Europe and rebalancing could slow down aggregate demand for commodity.
- Geopolitical tension in South Sudan, Uganda.
- Fast depleting fiscal buffers.

Case Study: India

In recent times, central banks have reverted back to adjusting monetary aggregates in order to fast track output and create inflation surprise. More importantly they also understand that both the rate channel and fiscal end experience substantial effect lag. Therefore quantity base nominal anchors are seen as ancillary tools to achieve policy goals.

Thus, in attempt to kick start the economy they have fused rate cuts with asset purchase so as to depress effect lag. The indirect injection of money through asset purchase has become a tool in beating up asset prices. Certainly it is becoming a growing popular tool in stirring up money supply.

Although India did not employ quantitative easing like Europe and Japan, rather it made use of demonetization.

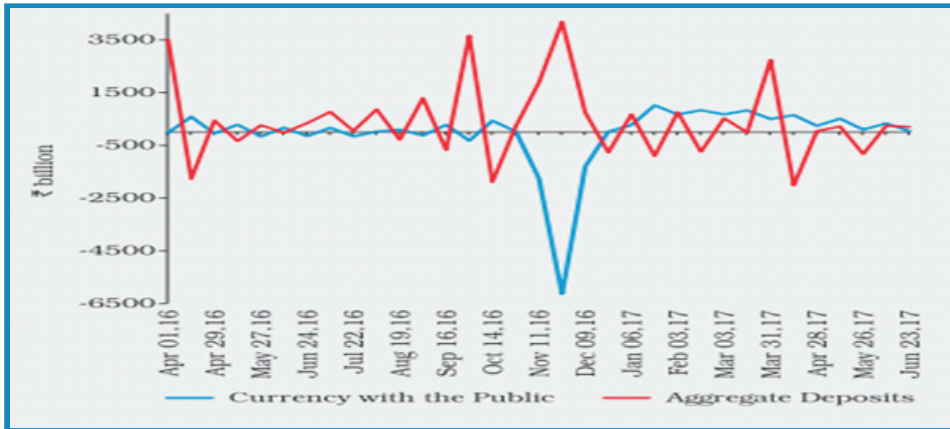
Demonetization is a reversal of monetary injection, whereby it is predominantly done through fiscal withdrawals. At the same time in follow up to our earlier report titled “A case against demonetization and redenomination at this time”. Taking a glimpse at India during such period provide the insight on how monetary aggregate affect both output and price.

The Indian demonetization process began on November 9, 2016 and ended on Friday December 30, 2016. What were the objectives of India's demonetization drive?

- Purge out illicit money.
- Improve income tax payment.
- Support the governments online infrastructure and improve its data base.
- Reduce the cash dependent nature of the Economy.

Pre and During Demonetization

Fig 6: Variation in Aggregate Deposit and Currency in Circulation



Sources: Annual Report of RBI and Proshare Research

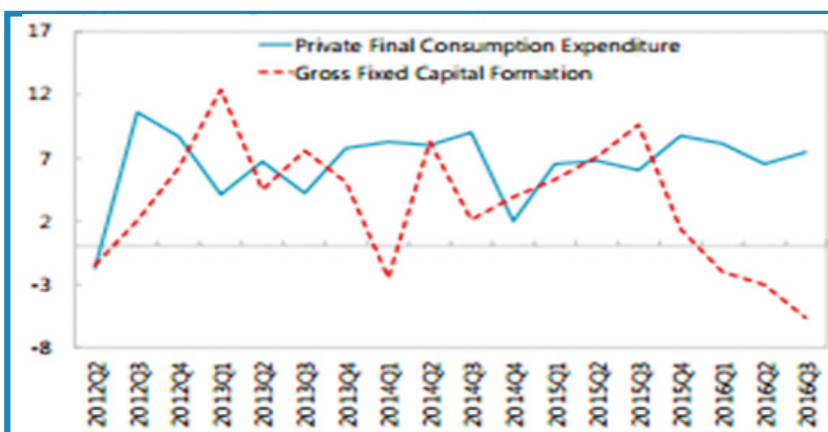
In reaction to the policy, currency with the public immediately plunged as the demonetization, kicked off. At the same time aggregate deposit began to experience uplift as the policy was in full speed. One must highlight that earlier redemption by deposit money banks tempered down the pace of aggregate deposit.

The increase in aggregate deposit led to an uptick in credit to the government. Credit to the private sector fell as demonetization was under way, underlining the divergence between credits to government and credit to the private sector.

Recent data from the International Monetary Fund precisely, showed that cash shortages during statutory household deposit led to substantial constrain in consumption and business activity.

Inevitably both private final consumption and gross fixed capital both took hits. The rub in effect was a dampening in India's purchasing manufacturing index for both November and December 2017: As contraction in both months validated the slowdown in business activity. Flaggering the red light on lean output as

Fig 7: Private Consumption and Gross Capital Formation

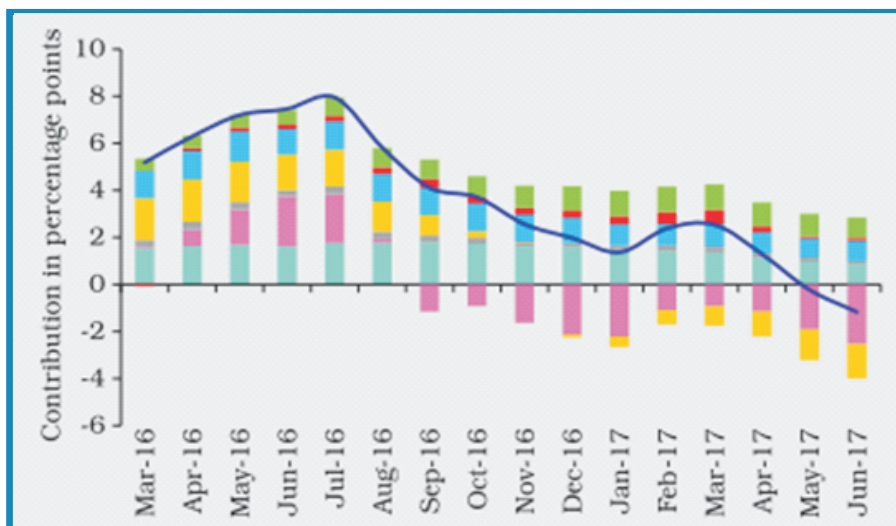


Sources: IMF Haver analytics and Proshare Research

India was already suffering from supply deficiency in grains, plummeted commodity prices and monetary policy was on a tight cycle. Thereby inflation was already on a decline prior to a demonetization;

regardless demonetization amplified the deceleration in inflation. Therefore the blunting in demand that erupted due to cash constrains also helped to soften inflation.

Fig 8: Drivers in Inflation



Source: RBI annual report, Proshare research

Inflation regained momentum as the slack season wind down with the arrival of winter crops coupled with the conclusion of the demonetization. The India scenario shows how

shortage in monetary aggregate can depress economic activity; moreover it reflects the influence of the quantity base anchor on economic output, even though it is from the fiscal ambit.

Domestic Economy

Fig 9: External variables

Variable	Present	Previous
United States Federal fund rate	1.25%	1%
Crude Oil Price	58.03 \$ per barrel	54\$ per barrel
Crude Oil production	1.8 million barrels per day at the end of Q2	1.6 million barrel at the end of Q1
Trade	Naira 5.967 trillion	Naira 5.15 trillion

Source: NBS, Trading Economics CBN

- Possible rate hike is an up risk to capital importation, as it narrow down the interest premium.
- The recent increase in the price of oil will led to improvement in oil receipts.
- At the same time, it also helped to sustain the central bank's intervention in the market.
- Improved production in oil price plays out as a tailwind both for oil receipt and growth.
- The increase in both oil price and quantity have improved the balance of trade, whereby it rose by 7.7% and 32% compare to the corresponding quarter.

Fig 10; Macroeconomic Variables

Variable	Present	Previous
Fiscal deficit or surplus	N397 billion as at May 2017	N344.6 billion as at April 2017
Total public debt	N19.39 trillion, which is Dollars 64.19 billion As at June 2017.	N19.159 trillion, which is Dollars 62.87 billion as at march 2017
(FAAC)	N467 billion for the month of August	N652 billion in the month of July
External debt	\$15.047 Dollars as at July 31 2017	\$13.87 billion as at March 2017
External debt servicing	\$54.24 million	\$ 127 million million Dollars
Capital importation	\$1.792 billion	\$0.908 billion
Foreign direct investment	\$0.211 billion in Q2, 2017	\$0.275 billion in Q1, 2017
Inflation	16.01% in August 2017	16.05% in July 2017
Food inflation	20.25 % in August in 2017	20.28% in July in 2017
Exchange rate (official)	N305.45/\$ as at June 31 (Q2)	N306.35/\$ as at March 31 (Q1)
Parallel market	N366/\$ as at June 31 (Q2)	N455/\$ As at march 31 (Q1)
External reserve	\$32.16 billion as at September 22, 2017	\$30.29 billion as at March 30, 2017
PMI	58.5 in August 2017	56.3 in July 2017
GDP growth	0.55%	-0.90%

Source: NBS, CBN

Source: NBS, Trading Economics CBN

Fig 11: Human Indicators

Variable	Present	Previous
Labour productivity	2.57\$	3.62 \$
Unemployment	14.20%	13.90%
Underemployment	21%	19.70%
Gini	42.97	
Youth unemployment	25%	

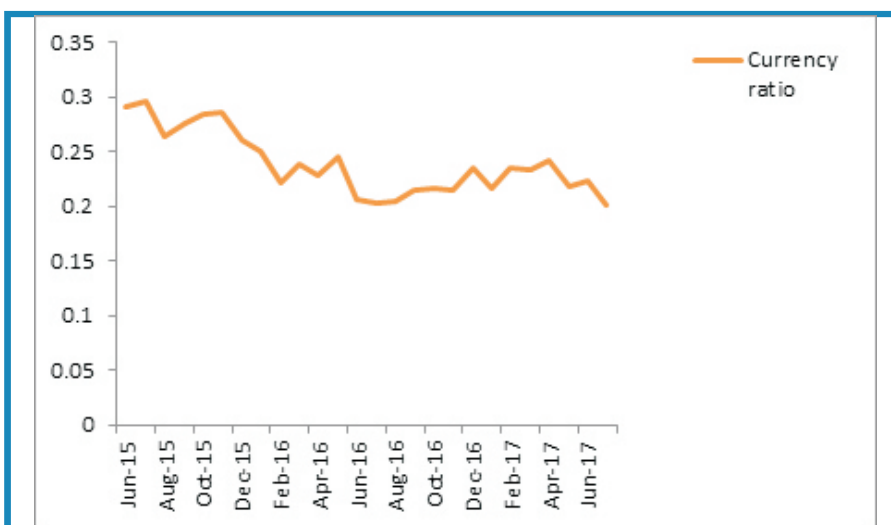
Source; Trading Economics Proshare Research

Monetary Aggregates

Demand deposit at the end of July 2017 stood at N8.71 trillion tilting upwards by 1.83% and 8.2% compare to the previous and corresponding month, respectively. Currency in Circulation under the same period stood at N1.769 trillion, currency in circulation at the end of July fell by 3.3%. Compared to the corresponding month in 2016, currency in circulation rose by 6.31%.

The currency ratio under the same period fell from 22.7% to 20.19%. Such dynamic was as a result of the erosion suffered in currency in circulation and increase penetration of electronic payment. Regardless the currency ratio remains high as it still reflects the cash dependent nature of the economy and the presence of a large informal sector.

Fig 12: Currency ratio



Source: Proshare Research

Narrow money (M1) stood at N10.32 trillion at the end July 2017. M1 rose by 1.2% and 7.69% compared to the previous and corresponding month. The uplift in M1 is driven by 1.83% growth in demand deposit. At the same time narrow money as at July was a shy away from projected N10.389 trillion by 0.06%.

Currency outside bank under the same period stood at N 1.47 trillion, thereby shrinking by 2.3% compared to the previous quarter.

As at July 31st quasi money stood at N11.87 trillion, quasi money experienced 0.6% rise after successive depletion. Compared to the corresponding month in 2016, where quasi money stood at N12.52 trillion; thus reflective of a softening of 5%.

On the other hand quasi money fell short by 38.86% compared to ERGP projection of N17.38 trillion.

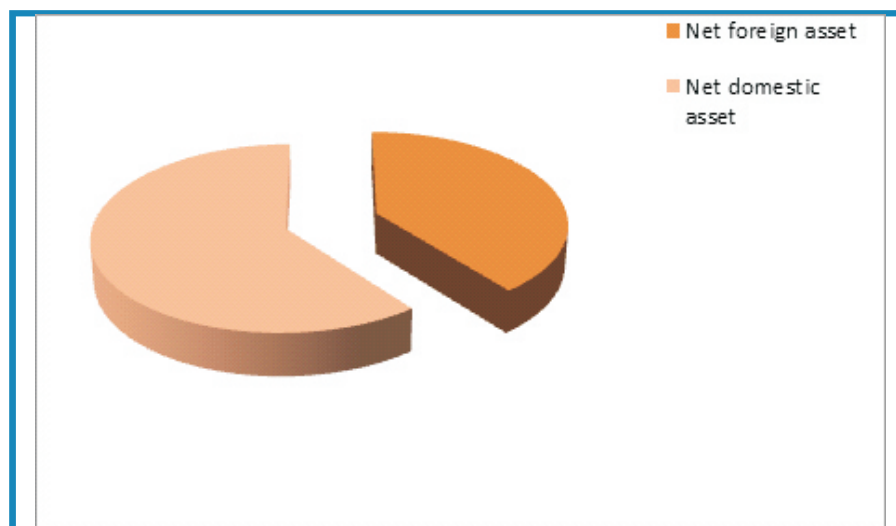
The depletion in quasi money is due to increased appetite for money market asset, reflective of how asset rotation penalizes quasi money.

Net foreign asset at the end of July stood at N8.743 trillion, thereby experiencing a 3.2% and 15.6% growth compare to the previous and corresponding month respectively. The growth experienced in Net foreign asset is largely driven by the rise in reserves.

The weakness in net foreign asset held by Deposit money bank still remains a drag on total net foreign asset. Net foreign asset still remain far less than the ERPG projection of N11.053 trillion.

Net domestic asset at the end of July stood at N13.451 trillion, therefore maintaining successive dip in net domestic asset. Net domestic asset is constrained by the buffering in other asset by 6.2%.

Fig 13: Total Net Asset



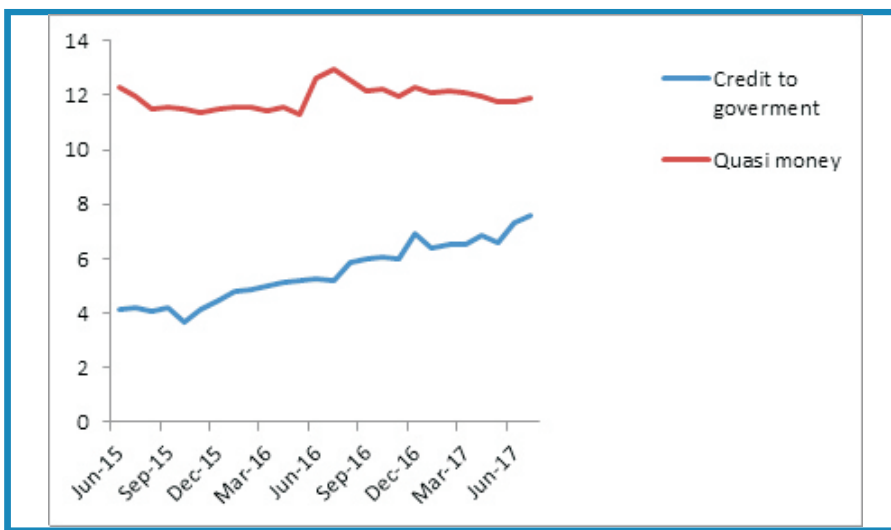
Source: CBN Proshare Research

Therefore net foreign asset and net domestic asset comprises of 40% and 60% of total asset respectively.

Credit to the private sector at the end of July 2017 stood at Naira 22.172 trillion, thereby

reflective of a growth of 0.8% compare to the previous month but a 1.1% dip compare to the corresponding month. Credit to the government (net fed and mirror account) rose by 4.6% and 23% compare to the previous month and corresponding month in 2016.

Fig 14: Credit to Government and Quasi Money



Source: CBN Proshare Research

Quasi money has become largely steep as asset rotation and deeper money market activity seem to have penalized time savings. On the other hand, credit to government as at the end of July stood at N7.562 trillion, thereby reflective of a 4.59% and 23% rise in credit to government. The astronomical rise in credit to government reaffirms the crowding out of the private sector.

Credit to the private at the end of the period under review stood at N22.172 trillion, Credit to the private sector rose by 0.85% after earlier slip. The rise in loan to deposit and non-performing has increase the aversion to the real sector. Thereby slowing down the credit to the private sector.

Fig 15: Credit - GDP Gap Ratio

Year	Credit to Private Sector	Non-Financial (GDP Exclusive of the Financial Sector)	Credit -GDP Gaps Ratio
2010	9,830.30	52,704	0.1865
2011	12,943.00	61,486	0.2105
2012	15,285.30	69,684	0.2194
2013	16,509.50	77,702	0.2125
2014	18,140.70	86,252	0.2103
2015	18,719	90,884	0.206
2016	22,350	97,946	0.2282
2017- July	22,172	97,460	0.2275

Source: CBN Statistical Data, Proshare Research

Moreover the lean credit to private sector has led to a shave in the credit to GDP gap ratio, from 0.228 in December 2016 to 0.227 in July 2017: thus validating the growing credit gap in the economy and thinner financial deepening. Certainly, Nigeria must reduce the credit gap in order to improve private contribution to gross fixed savings.

Net domestic credit to the economy grew from Naira 26.69 trillion in June to Naira 26.87 trillion in July, reflective of a 2.5%.

Money supply at the end of the period stood at N22.195 trillion, money supply rose by 0.97% compare to the previous month but dipped by 1.19% compare to the

corresponding month. Reserve at the end of the period stood at N3.44 trillion, whereby reflecting a 5.8% and 5.4% growth compare to the previous and corresponding month.

Income velocity of narrow money and broad money at the end of July stood 9.83 and 4.57 respectively. Average income velocity by both broad money and narrow money so far, stands at 4.599 and 9.756 respectively; thus underlining a divergence in the individual income velocity of narrow money and broad money. It also implies an unstable income velocity, which is more prevalent in narrow money.

Fig 16: Income Velocity

Month	Income velocity of money (M1)	Income velocity of money (M2)	Inflation
Jan-16	12.30169697	5.151725888	9.62
Feb-16	11.19446283	5.044184891	11.38
Mar-16	11.22665929	4.957938447	12.77
Apr-16	11.10869089	4.89646355	13.72
May-16	10.8070493	4.897881376	15.58
Jun-16	10.66284934	5.029685796	16.48
Jul-16	10.59052489	4.503616596	17.13
Aug-16	10.64383849	4.602467008	17.61
Sep-16	10.32546546	4.606645182	17.85
Oct-16	10.22250201	4.575698828	18.33
Nov-16	9.728623466	4.533592424	18.48
Dec-16	9.004436164	4.302021958	18.55
Jan-17	9.243078324	4.394224108	18.72
Feb-17	9.656422455	4.569518235	17.78
Mar-17	9.916845808	4.773706491	17.24
Apr-17	10.30240585	4.664016544	16.25
May-17	9.384096163	4.603302037	16.1
Jun-17	9.95966634	4.61733394	16.05
Jul-17	9.834205426	4.572606443	16.01

Source: Proshare Research

Given the existing dynamic money multiplier for narrow money stood at 1.58, as it has maintained successive weakness, even though demand deposit has been on the rise,

the tight monetary cycle of the Central bank is dragging down monetary multiplier for narrow money.

Fig 17: Money Multiplier for Narrow Money

Month	Money Multiplier	Inflation
Aug-16	1.574	17.61
Sep-16	1.6166	17.85
Oct-16	1.6274	18.33
Nov-16	1.6463	18.48
Dec-16	1.6365	18.55
Jan-17	1.6378	18.72
Feb-17	1.608	17.78
Mar-17	1.5782	17.24
Apr-17	1.5035	16.25
May-17	1.6365	16.1
Jun-17	1.5936	16.05
Jul-17	1.581	16.01

Source: Proshare Research

Fig 18: Comparative Analysis (in trillion)

Monetary aggregate	Present as at July	ERGP Projection (2017)	IMF (2017)
Broad money	22.195	22.603	28.182
Narrow money	10.32	10.389	11.406
Quasi	11.87	17.387	14.606
Net foreign asset	8.743	8.107	11.053
other asset	14.58	10.23	12.393
Net domestic credit	28.03	24.176	32.467
redit to private sect	22.172	27.123	16.32

Source: IMF CBN, Proshare Research

Key Findings



- The economy remains largely cash dependent with a big informal sector.
- The rise in both narrow money is driven by an uplift in demand deposit.
- The dip in currency in circulation is stem from the central banks sterilization.
- Quasi money is penalized by a high interest coupled with growing government participation in the money market.
- Credit to the private sector has been steep largely due to government crowding and high loan to deposit ratio of banks.
- Banks are increasing hedging against the cost of doing business, thereby widening the gulf between maximum lending rate and deposit rate.
- There is an astronomical increase in other instrument, which is affecting net domestic asset negatively
- Lean financial deepening .
- The tepid growth in net foreign asset is slowing down the pace of total asset.
- The feeble credit to private sector has widened credit gaps to the economy.
- Credit to government stands at 7.45%, reaffirming fiscal dominance.
- Even after the second quarter major quantity base indicators such as total asset and money supply are largely lagging behind the ERPG forecast.
- Money multiplier of Narrow money remain sideways due to the tight monetary cycle.
- The high cash reserve ratio is weighing down money multiplier
There is a divergence between the individual trajectory of income velocity of M1 and M2, underlining the weakness in M2.

Measures Needed

- There is a need to consistently integrate the informal sector.

- The need to widen electronic banking, so as to ensure better cash management. Moreover it helps to reduce room for liquidity hang.

- Monetary policy should be clear on its explicit monetary rules, as the lack of clarity on its monetary aggregates eventually makes its policy largely disjointed.

- It is important that the federal government claw back on its absorption in credit absorption, so as to put an end to the crowding out effect experienced by the private sector.

There is need to depress the federal government mirror account under, so as to reduce the central bank balance sheet.

- Reducing credit gaps has become inevitable to avoid been stuck in a stagnated cycle

- There is need to have a middle to long term approach on monetary aggregate. The firefighting approach by the Central bank leaves interbank rates unpredictable

- There is need for deposit money banks to buffer their net foreign asset, in order to strengthen their net foreign asset.

- Fiscal authorities need to adjust the expenditure, in reality we cannot sustain priming the pump with oil below \$60 per barrel.

Conclusion



Monetary aggregates have been faced with rising government credit coupled with a tightening from the monetary end. This is creating collusion between the initial targets for monetary aggregates and stoking inflation. More importantly it reflects the exogenous effects on exchange rate and rising federal government dominance on the quantity indicator.

The present scenario reflects constrain on monetary aggregates as a multiplier due to

endogenous factors such as high required reserve ratio. More importantly, there is a need to readjust the quantity base projections in the Economic recovery.

Evidently, government policy of bolstering tax's revenue to adjust the revenue is welcomed. At the same time needed adjustment to the expenditure is inevitable.

Related News / Further Reading



1. Growth in Money Supply Falls below Targets
2. NSR H2 2017 (11) - Monetary Indicators Swamped By Hawkish Dogma
3. Broad Money (M2) - A Leading or An Impaired Indicator?
4. Movement in Broad Money Supply - Increases by 8% between March and July 2016
5. Growth in Money Supply Falls below Targets
6. September 2017 Headline Inflation Projected at 16.3% YoY
7. Monetary Aggregates on the Rise - Money Market rates range bound/volatile
8. Weak money supply performance tempered by late surge
9. [De]Globalisation and Inflation – Mark Carney - Governor, Bank of England
10. Global Credit Growth to Stabilise in 2017; Low Macro-Prudential Risk in Most Markets
11. Global Sovereign Rating Outlook Improves, but High Debt Lingers
12. Minimal Growth in Private Sector Lending
13. Q2'17 GDP: Nigeria Creeps out of Recession
14. GDP Growth Up to 0.55% - Too Soon to Cheer
15. Inflation declines slightly in August 2017 to 16.01%

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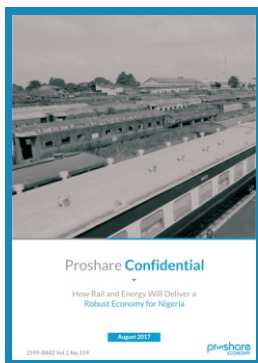
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