



## CBN sells Treasury Bills at Fixed Rate

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### **NIGERIA: -**

The Central Bank of Nigeria (CBN) sold N172.85 billion at its first Treasury bill sale of the year on Wednesday with yields unchanged from the previous auction, held on December 21, fixed income traders said on Thursday.

Reuters quoted traders to have revealed that the central bank sold N115.85 billion of one-year debt at a rate of 18.68 per cent, the same as the previous auction.

According to the traders, the CBN also sold N35 billion of 91-day paper at 14 per cent and N22 billion of six-month bills at 17.5 per cent, unchanged from the previous auction. Subscription at the auction came to N194.12 billion, well up from N42.68 billion at the previous auction.

The Central Bank issues treasury bills regularly to help lenders manage their liquidity, curb rising inflation and provide naira to help the government fund its budget.

The Monetary Policy Committee had last November left the benchmark monetary policy rate at 14 per cent. Inflation also stood at 18.48 per cent in December.

CBN Governor, Mr. Godwin Emefiele had pointed out that although interest rates are a veritable tool for curtailing inflation, with inflation at 18 per cent; “the CBN would be abjectly failing on one of its cardinal objectives if it cuts interest rates at this time.”

According to him, although he remains a strong believer in low interest rates, discussions around low interest should be based on facts, rather than politics or emotions.

“For those who say we need a rate cut to spur growth, we need to remind that high inflation is highly inimical to economic growth. Indeed, many empirical studies have estimated the threshold level at which inflation becomes significantly growth retarding to be 11 percent for developing countries.

“With ours at 18.3 per cent, one must question the judgment of cutting interest rates at this time. Finally, I think it is important to underscore that interest rates reflects not just the cost of capital but also the cost of doing business, and so we need to also look at interest rates from the perspective of the lender.

“Given that most banks have decided to individually provide security, power, and other infrastructure, it is not surprising that some of these costs are passed on to customers in the form of high interest rates. Notwithstanding these facts, we will continue to use moral suasion to encourage commercial banks to be more considerate in interest charges on customers,” the CBN governor had said.