



Gov. Godwin Emefiele, CON
5 year Policy Thrust of
Central Bank of Nigeria.
2019 – 2024.

Good morning Ladies and Gentlemen and thank you for your presence at this Press Briefing. You would all recall that on 05 June 2014; following my assumption of office as the Governor of the Central Bank of Nigeria, I addressed a similar gathering to share with you my vision for my first term in office.

It is in the same vein that we have called you again today to briefly reflect on our journey over the past 5 years, and outline our vision and policy thrust for the next 5 years.

2. But before I begin my remarks, please permit me to thank the Almighty God for giving me the opportunity to continue to serve our country again . I would also like to thank President Muhammadu Buhari (GCFR) for not only re-appointing me,

but also for his support and confidence in the leadership of the Central Bank of Nigeria over the past 4 years. I thank the Nigerian Senate as well for confirming my nomination. Finally, I thank the management and staff of the Central Bank of Nigeria, for their hard work and dedication, particularly at moments when the Central Bank and indeed the Nigerian people faced difficult economic conditions.

Whatever achievements the CBN recorded in addressing those difficult conditions, was indeed reflective of the collective efforts of the management and staff of this great institution.

3. In my remarks today, I will be speaking on our efforts towards promoting price and monetary stability, exchange rate stability, financial system stability as well as our efforts to spur growth through our development finance interventions.

Thereafter, I will speak on my vision for the Central Bank of Nigeria over the next five years, which is primarily driven by the need to support continued growth and development of the Nigerian Economy.

4. You will recall that during my maiden address on June 5, 2014, I stated that my vision would be to ensure that the Central Bank of Nigeria is more people focused, as its policies and programs would be geared towards supporting job creation,

reducing the high level of Treasury-Bill rates, improving access to credit for MSMEs, deepening our intervention program in the Agricultural Sector, building a robust payment system infrastructure that will help drive inclusion, in addition to key macroeconomic concerns such as exchange rate stability, financial system stability and maintaining a strong external reserve.

5. As is the case with most plans, although most of the goals we set

were achieved, I would be the first to admit that everything did not happen as contemplated. The normalization of monetary policy in the United States and the over 60 percent drop in crude oil prices between 2014 and 2016, had significant adverse consequences on our economy and made us adjust our methods to ensure that we still implemented most parts of our vision. Given Nigeria's dependence on crude oil revenues for close to 86 percent of

our foreign exchange earnings and over 60 percent of government expenditure, the drop-in prices led to heightened inflationary pressures, depreciation of our exchange rate, significant drop in our external reserves, and eventually, a recession set in during the 2nd Quarter of 2016.

6. With concerted efforts by the monetary and fiscal authorities we implemented a series of measures which led to the recovery of our

economy from the recession by the 1st Quarter of 2017. Building on these efforts, I am delighted to note that our external reserves have risen from \$23bn in October 2016 to over \$45billion by June 2019. Inflation has dropped from 18.72 percent in January 2017 to 11.40 percent in May 2019. Our CBN purchasing manufacturers index has risen for 26 consecutive months since March 2017, indicating continuous growth in the manufacturing sector, as a result

of measures implemented by the CBN which has improved access to raw materials and finance for manufacturing firms. GDP growth has risen for seven consecutive quarters following the recession, and our exchange rate has appreciated from over N525/\$1 in February 2017 at the BDC window to N360/\$1. With improved inflow of foreign exchange, the exchange rate has remained stable around N360/\$1 for the past 27 months.

7. Recovery Efforts

Part of the measures we deployed to support the recovery include tightening of the monetary policy rate in order to rein in inflation; we also created an Investors and Exporters Window which allowed exporters and investors to inflow and sell their foreign exchange at the prevailing market rate. In order to reduce our reliance on the importation of items which could be produced in Nigeria,

we restricted access to foreign exchange on 43 items, while deploying our intervention funds to support growth and productivity in the agricultural and manufacturing sectors. These measures helped to support the attainment of our monetary policy objectives such as a reduction in the inflation rate, stability in our exchange rate and improved accretion to our external reserves.

8. Financial System Stability

As some of you are aware, the drop-in commodity prices affected a good number of banks given their exposure to the oil and gas sector. Unfortunately, these resulted in an increase in Non-performing loans of our banks. As a result of risk management measures embarked upon by the CBN, capital adequacy and liquidity ratios of our commercial banks are now above the prudential level.

Capital Adequacy Ratio for the banking industry improved from 11 percent in June 2017 to over 16 percent in May 2019 and liquidity levels have also increased by over 20 percent within the same period. In addition, the ratio of non-performing loans in the banking system has reduced from 15 percent in June 2017 to 9 percent in May 2019, due to concerted efforts by the CBN and the DMBs, although more work is

being done to moderate NPL levels to the maximum prescribed level of 5 percent. Our financial institutions are well positioned to perform their intermediation role, which will ultimately help in supporting the growth of our economy.

9. Access to Credit and Developmental Finance

As part of the goals set in 2014, we increased our development finance

interventions in order to catalyze growth in critical sectors of the economy. Our objectives were driven by the need to increase investments by MSMEs as well as spur consumer spending, as these factors would have a positive impact on GDP growth and employment. Furthermore, our development finance efforts were driven by the need to reduce our reliance on revenues from crude oil.

10. At a point in our nation's history, Nigeria survived on revenues from the non-oil sector, to the extent that we were a dominant exporter of agricultural produce into the global market. Some of these products include, Cocoa, Groundnuts, Cotton and Palm-Oil. Our focus in agriculture supported the raw material needs of our industrial sector and created employment opportunities for millions of Nigerians. Regrettably, the discovery of crude oil and the increasing

reliance on crude oil revenues led to a severe downturn in the agriculture and manufacturing sectors, while also exposing our economy to the vulnerabilities that normally accompany an increased dependence on a single commodity for survival. For example, if Nigeria had maintained its market dominance in the palm oil industry, which stood at 40 percent in the 70s, we would be earning above \$20 billion annually from cultivation and processing of palm oil today.

This would have provided a sufficient buffer for our nation following the drop in crude oil prices. Our situation is further worsened by the unpatriotic activities of some unscrupulous individuals and businesses who embarked on massive smuggling and dumping of goods that can be produced in the country thus leading to the demise of our agricultural and manufacturing sectors and hence the attendant high level of unemployment.

11. Fellow Nigerians, we have a responsibility to reverse the current ugly trend where any external shock affecting oil producing countries bring us to our knees.

12. To correct this trend and as part of our intervention programs, we launched the Anchor Borrowers Program, which has improved access to finance for over 1m small holder farmers, who are

leading our efforts to improve cultivation of agricultural commodities, such as rice, tomatoes, fish, cotton and palm oil. The Anchor Borrowers Program also enabled agro-processors and manufacturers to source their inputs from local sources, rather than relying on the importation of these items. We also deployed other intervention facilities such as the Commercial Agricultural Credit Scheme, and

the Real Sector Support Fund. These funds were used to channel single digit interest loans through our Deposit Money Banks and other Participating Financial Institutions to beneficiaries to support improved growth in the agriculture and manufacturing sectors. The effectiveness of these interventions in supporting the growth of our local industries, has been supported by our FOREX restrictions on the

importation of items that can be produced in Nigeria.

13. We also embarked on measures to discourage smuggling of restricted items into the country, by imposing restrictions on the use of financial institutions in Nigeria by identified smugglers, as their activities undermined the growth of our local industries. These measures are aiding our efforts to support local cultivation

of goods in areas such as cotton, rice, palm oil etc.

14. We also sought to improve access to credit for MSMEs given the critical role they play in supporting the growth of our economy. Poor access to credit has been highlighted as a significant constraint to the growth of MSMEs. Moreover, given the impact of the recession, it was more important to restart the flow of credit to MSMEs to enable them engage in productive activities that would

support growth. As part of efforts to support this objective, we created a N220bn MSME funds, which has been critical in supporting the growth of MSMEs in the agriculture and manufacturing sectors.

15. We set up the National Collateral Registry and supported the passage of legislation governing the activities of the National Collateral Registry and the Credit Bureaus. These measures have helped to encourage

the flow of credit to SMEs by allowing them to provide movable assets as collateral in order to obtain finance from banks, relative to the previous process which required that they provide fixed assets. So far over N400 billion worth of assets have been registered in the collateral registry by MSMEs. The activities of the credit bureaus are also reducing the risk encountered by banks in lending to businesses, as it has helped to identify credit worthy borrowers.

These two initiatives contributed to the improvement in Nigeria's Doing Business Scorecard in the World Bank's 2017 Doing Business Rankings of 180 countries, as Nigeria moved up by 24 points from 169 to 144.

16. Payment System

Conscious that over 40 percent of eligible Nigerians in 2015 lacked access to financial services, we embarked on a couple of steps to improve access to finance.

Through initiatives such as the Shared Agent Network Facility(SANEF) and the launch of our policy on Payment Service Banks, which enables non-banks to provide limited financial services, we sought to encourage the use of technological tools in improving access to finance for people who live in underserved parts of the country. We also set up a payment services management department solely dedicated to enabling the build-up of

a robust payment systems infrastructure, while seeking to contain the risk to the financial system that could emerge from the use of digital channels. As a result of our efforts, the total volume of retail electronic payments has witnessed a threefold increase over the last five years. New financial access points are being created in parts of the North East and North West as a result of measures deployed by the

Central Bank to extend financial services to the underserved in our rural communities.

17. Salary Bailout

The drop-in commodity prices and the resulting effects on government revenue, led to a severe drop in the earnings of most states in the country. Over 34 states incurred huge salary arrears and were unable to provide essential services, which led to the decision by the National

Economic Council in June 2015, that the CBN work with Deposit Money Banks to provide support to state governments. In order to avert prolonged hardship in states, we provided an assistance program to states, which helped them to settle their overdue salary and pension obligations. These measures helped to ease some of the budget difficulties faced by state governments between 2015 – 2017.

It also provided enough cushion for states to begin to develop plans to generate revenue from alternative sources in an attempt to make the states economically viable.

18. Challenges

While these results are reassuring, I think it's fair to state that our task of building a stronger economy is far from complete. The pace of GDP growth remains fragile and is below

the rate of our annual population growth at 2.7 percent. The recovery of our economy from the recession has not resulted in a significant reduction in our unemployment rate. We are yet to see a substantial increase in credit to the private sector by our financial institutions.

The unexpected drop in crude prices given its impact on our economy also derailed our attempts at achieving

some of the steps outlined in our vision such as bringing down the rate of T-Bills and in reducing the unemployment rate.

Our inability to address these challenges only served to reinforce our view that the CBN must continue to play an active role in supporting the growth of our economy, and redirect our emphasis on sectors that have the ability to support improved wealth and job creation for Nigerians

such as the agricultural and manufacturing sectors.

19. Downside Risk to Growth in the near to medium term

Beyond our domestic challenge of high unemployment and subdued growth, our economy is faced with 3 external events, which have the ability to affect our growth trajectory over the near to medium term. First, rising trade tensions between the

United States and China, United States and Mexico and subdued growth in the Eurozone as well as other emerging economies such as China, India, South Africa, Brazil, Argentina and Turkey, are affecting the outlook for global growth in 2019 and 2020. The World Bank according to its latest report, projects that global growth will decline to 2.6 percent in 2019 from 3.0 percent in 2018, as a result of the above-mentioned factors.

20. The second external challenge that may emerge from rising trade tensions and a potential slowdown in growth in advanced and emerging economies, is the impact it could have on capital flows to emerging markets. The risk of sudden stops and reversals of capital flows has increased as some investors weigh the benefits of investing in safe assets in advanced economies relative to assets in emerging markets.

Third, we are also witnessing rising volatility in the crude oil market occasioned by the rapid increase in the supply of shale oil by the United States, which has seen its production rise from 9 million barrels in 2017 to over 12 million barrels today. The rise in US production continues to put downward pressure on crude oil prices, despite restrictions on crude oil output by OPEC members and sanctions by the US on the purchase of crude oil from Iran and Venezuela.

21. Our Vision for the Next 5 years

Fellow Nigerians, few weeks ago, we held consultations with some banks and business leaders in the Private sector. We thank them immensely for their thought provoking ideas and counsel. We intend to sustain the pace of those consultations as this would act as barometer for measuring the progress being made in the implementation of our policies. Our assessment of the outcome of that deliberation shows that with concerted efforts, the challenges facing the country are easily surmountable.

Consequently, working closely with our fiscal authorities, we pledge to target a double digit growth by the next five years and at the CBN, we commit to working assiduously to bringing down inflation to single digit; while accelerating the rate of employment. Put succinctly, our priorities at the CBN over the next 5 years are the following; First, preserve domestic macroeconomic and financial stability; Second, foster the development of a robust

payments system infrastructure that will increase access to finance for all Nigerians thereby raising the financial inclusion rate in the country; Third, continue to work with the Deposit Money Banks to improve access to credit for not only small holder farmers and MSMEs but also Consumer credit and mortgage facilities for bank customers. Our intervention support shall also be extended to our youth population who possess entrepreneurship skills in the creative industry.

This group deserves our encouragement. We shall also during this intervening period encourage our Deposit Money Banks to direct more focus in supporting the Education Sector. Fourth, grow our external reserves; and fifth, support efforts at diversifying the economy through our intervention programs in the agriculture and manufacturing sectors.

We are confident that when implemented, these measures will help to insulate our economy from potential shocks in the global economy.

In my second term in office, part of my pledge, is to work to the best of my abilities in fulfilling these objectives.

22. Macroeconomic Stability

On Macro-Economic Stability, over the next 5 years, with a key emphasis on supporting improved GDP growth and greater private sector investment, we intend to leverage monetary policy tools in supporting a low inflation environment, while seeking to maintain stability in our exchange rate. As a result;

- Decisions by the Monetary policy committee on inflation and interest rates will be dependent on insights generated from data on key economic variables.
- We would also strive to continue to sustain a positive interest rate regime to the delight of our important stakeholders.
- Monetary policy measures embarked upon by the CBN will be geared towards containing inflationary pressures and supporting improved

productivity in the agricultural and manufacturing sectors.

- Working with other stakeholders, we intend to bring down the cost of food items, which have considerable weight in the Consumer Price Index basket.
- Our ultimate objective is to anchor the public's inflation expectation at single digits in the medium to long run. We believe a low and stable inflationary environment is essential

to the growth of our economy because it will help support long term planning by individuals and businesses.

- It will also help to lower interest rates charged by banks to businesses thereby facilitating improved access to credit, and a corresponding growth in output and employment.

23. Exchange Rate Stability

We will continue to operate a managed float exchange rate regime in order to reduce the impact which continuous volatility in the exchange rate could have on our economy.

- We will support measures that will increase and diversify Nigeria's exports base and ultimately help in shoring up our reserves. While the dynamics of global trade continues to evolve in advanced economies,

Nigeria remains committed to a free trade regime that is mutually beneficial; but, particularly aimed at supporting our domestic industries and creating jobs on a mass scale for Nigerians.

- We intend to aggressively implement our N500bn facility aimed at supporting the growth of our non-oil exports, which will help to improve non-oil export earnings.

- We will launch a Trade Monitoring System(TRMS) in October 2019, which is an automated system that will reduce the length of time required to process export documents from 1 week to 1 day. This measure will help support our efforts at improving our non-oil exports of goods and services
- We will also work with our counterparts in the fiscal arm in supporting improved FDI flows to

various sectors such as agriculture, manufacturing, insurance and infrastructure.

These measures while supporting improved inflows into the country, will help to stabilize our exchange rate and build our external reserves.

24. Financial System Stability

A resilient and stable financial system is imperative for continued

growth of our economy given the intermediation role that financial institutions play in supporting the needs of individuals and businesses.

As a result,

- We will continue to improve our onsite and off-site supervision of all financial institutions, while leveraging on data analytics and our in-house experts across different sectors, to improve our ability to identify potential risks to the financial system as well as risks to individual banks.

- In the next five years, we intend to pursue a program of recapitalizing the Banking Industry so as to position Nigerian banks among the top 500 in the world. Banks will therefore be required to maintain higher level of capital, as well as liquid assets in order to reduce the impact of an economic crisis on the financial system.
- With the rise in digital payments and cyber security threats, we will develop a robust mechanism that will

help ensure that the necessary safeguards are put in place by banks and financial institutions to protect against loss of data, fraud and cyber incursions in their respective systems.

25. Robust Payment System Infrastructure

An efficient payment system is vital to the effectiveness of monetary policy interventions.

It also helps in reducing the cost involved in payment for goods and services.

The Payment Services Management Department in the CBN will work to enable the buildup of a robust and secure payments infrastructure in Nigeria that is reliable and easy to access.

- We will reinvigorate our efforts at driving the cashless initiative across the country, due to the immense

efficiency gains that will be derived from it, and the impact it could have on our financial inclusion drive.

- Given Nigeria's large size, and the cost involved in building bank branches across the country, the payment system department would support the spread and utilization of digital modes of transactions, so that every Nigerian will have access to financial services.

- A strong emphasis will also be placed on improving speed and efficiency of payments channels, while working to ensure that digital channels are safe and secure. This will help to build confidence in our nation's payment system.
- In order to improve utilization rate, we will continue to ensure that payment channels are interoperable, which will enable individuals with digital devices to transact across different banks or payment modes.

- Through measures such as the cashless initiative, USSD, Mobile Banking, agent networks and Payments Service Banks, Nigerians can expect to see significant improvements in the payment systems infrastructure over the next 5 years.
- We will also work with NIBSS, Banks and Fintechs in developing a regulatory sandbox. This sandbox will enable us to test financial

innovations by Fintechs and Banks in a controlled environment, in order to assess its impact on the growth and safety of our financial system.

26. Targeted Development Finance

Building on the success of our Anchor Borrowers Program and other intervention programs geared towards supporting the growth of our agriculture and manufacturing sectors,

and in keeping with the recent Presidential Directives, we intend to:

- Boost productivity growth through the provision of improved seedlings, as well as access to finance for rural farmers in the agricultural sector, across 10 different commodities namely: Rice, Maize, Cassava, Cocoa, Tomato, Cotton, Oil-palm, Poultry, Fish, and Livestock/Dairy.

- Our choice of these 10 crops is driven by the amount spent on the importation of these items into the country, and the over 10 million jobs that could be created over the next 5 years if efforts are made to expand cultivation and processing of these items in Nigeria. So far, we have held series of engagements with importers and producers of these products. Most of them have committed that they would install

or expand their production capacities in Nigeria. We believe these measures will help to boost not only our domestic outputs but also improve our annual non-oil exports receipts from \$2bn in 2018 to \$12bn by 2023.

- Our intervention programs will strengthen the linkage between farmers and agro-processors/manufacturers by ensuring that the output of farmers

is purchased by agro-processors/manufacturers.

- This linkage with agro processors is necessary in order to prove that farmers are creditworthy individuals with bankable contracts. It will also help to unlock private capital flows from financial institutions to farmers, in order to enable farmers meet orders from agro processors.

- To complement the progress made so far as well as the lesson learnt from the conduct of previous programs, we intend to strengthen the capacity building arm of the Anchor Borrowers Program, which will help support better farming practices and higher outputs for farmers.
- Through the credit bureaus, we will also leverage technological tools such as analytics in

identifying and supporting farmers that have exhibited good credit behavior, in repayment of their loan obligations. This measure will improve their ability to source for financing from commercial banks.

- We will introduce a non-oil export aspect to the anchor borrowers' program, which will be focused on linking smallholder farmers to international buyers.

- To discourage the activities of smugglers, who bring in restricted goods into the country, perpetrators and their affiliated companies will be blacklisted and denied access to banking services in the entire country.
- This renewed focus of our intervention program, coupled with increased support for research and development on improved seedlings and enhanced farming practices, will help drive

exponential growth of our agricultural and manufacturing sectors.

27. Financial Inclusion

Over the next five years, through initiatives and policy measures such as the Shared Agent Network (SANEF) and the payment service banks, we intend to broaden access to financial services to individuals in underserved parts of the country.

- Our ultimate objective is to ensure that 95 percent of eligible Nigerians have access to financial services by 2024.
- We will also intensify our financial literacy and consumer protection programs such that current and eligible bank customers are fully aware of the financial services being offered to them as well as the cost of utilizing these services, which will enable them to make well informed choices.

- Besides providing valuable information to banking customers, we are committed to developing and enforcing strong rules to protect consumers.
- Our banking supervisory and consumer protection department at the CBN will ensure that dispute resolution mechanism in financial institutions are not only efficient but also timely, in order to maintain the confidence of the Nigerian populace in the utilization of banking services.

28. Access to Credit

Beyond our intervention programs, we are also working to encourage banks and financial institutions to lend from their balance sheet in order to support the growth of critical sectors of the economy, such as Agriculture, MSMEs and the Real Estate Sector. Greater emphasis on improving consumer spending and business investment by MSMEs is critical to sustainable double digit growth of the Nigerian economy.

- MSMEs today constitute over 90 percent of businesses in the country. Through the national collateral registry, over N400 billion worth of movable assets have been registered by MSMEs in the registry. We intend to triple this number over the next 3 years.
- Our ultimate objective is to broaden the range of collaterals that MSMEs can provide to banks in order to obtain credit.

This will help improve access to credit for farmers and MSMEs, and it will also support the growth of their respective businesses.

29. **Unique Identification**

- In order to ease the constraint poor identification has on availability of credit to prospective banking customers, the CBN will support an aggressive enrollment of prospective banking customers in the informal sector onto the BVN system.

- The current enrollment of 38 million unique banking customers will be expanded to 100 million over the next 5 years. Ongoing partnership with NIMC will also enable integration between the two databases.
- This effort will improve the comfort level on banks in providing services to an expanded customer base. It will also aid in the development of a credit profile for banking customers,

- which will assist in improving access to credit for credit worthy borrowers by banks.

30. Lending to MSMEs

- The recently established NIRSAL microfinance bank will also work to improve access to credit for MSMEs in rural communities, which will help stimulate improved economic activities.

- In order to reduce the constraints which high account receivables, have on the growth and operations of MSMEs, we will support the development of a Trade Receivables Portal, which will enable MSMEs trade their invoices with financial institutions in order to improve their cash flow and support ongoing operations of their respective businesses.

31. Consumer Credit

- Today, less than 10 percent of adult Nigerians who have a bank account, utilize financial products offered by banks, such as credit cards, personal loans, mortgage loans, auto loans and consumer durable loans.
- Consumer credit is critical to the growth of our economy as it will help boost consumer spending,

accelerate improved investments by businesses, who seek to meet the demand of consumers. Improved consumer spending and investments by businesses will ultimately help to spur the growth of our economy and support our job creation efforts.

- In order to spur lending to consumers, a lending framework will be announced by the CBN, under which large departmental stores, automobile companies,

equipment leasing companies, in partnership with financial institutions, and the credit bureaus, will be able to provide credit facilities at reasonable interest rates to consumers. This will help to spur consumer spending and aid our efforts at driving the growth of our economy.

- The framework being developed will support the emergence of a digital, less burdensome process for consumers who seek to access such facilities.

- Credit patterns of consumers will be shared with credit bureaus to assess repayment patterns and credit histories of customers. This will also enable financial institutions to provide additional credit to creditworthy borrowers.
- Financial institutions will also be mandated to disclose to consumers the upfront charges involved in accessing such credit facilities, in order to prevent consumers from being abused by money lenders.

32. Mortgage Lending

- Fellow Nigerians, you will agree with me that a lot of equity is currently tied down in mortgage assets which are today entirely cash backed. In our effort to support the growth of Nigeria's real estate industry , the CBN will work in developing a framework that will enable banks to securitize mortgage loans, which can then be sold in the capital markets.

- Adequate safeguards will be put in place to reduce the risk of delinquency in the mortgage backed assets that will be sold in the capital markets.
- These measures will reduce the credit and liquidity risk to banks of holding these assets on their balance sheets and improve the amount of funds available to support mortgage loans. It will also reduce the high cost of obtaining mortgages for banking customers.

33. Conclusion

I will like to conclude my remarks by stating that although these goals are onerous and tasking, the CBN will remain committed to fulfilling its mandated objectives of price and exchange rate stability. We will continue to work to safeguard the stability of our financial system, while supporting the development of a payment system infrastructure that

will improve access to credit for all eligible Nigerians. Nevertheless, additional emphasis will be placed on supporting greater growth of our economy and in reducing unemployment, through targeted interventions in the agricultural and manufacturing sectors.

Over the next five years, this will be the task for the Central Bank of Nigeria under my leadership, and we intend to do our very best to achieve these objectives.

I thank you for your attention.

Godwin I. Emefiele

Governor

Central Bank of Nigeria

