



Opening Remarks
For
Gov. Godwin Emefiele
During the Chartered Institute of Bankers Fellowship Award
18th October 2014

Opening Pleasantries — Good morning ladies and gentlemen. And thank you for that wonderful introduction. First, I would like to use this opportunity to thank the Chartered Institute of Bankers of Nigeria (CIBN) for finding me worthy of being conferred this Fellowship Award. I am particularly delighted at receiving this honour in view of my life-long association with both the theory and practice of banking. As some of you may know, I have two degrees in this subject area from the University of Nigeria, Nsukka, and also spent about 26 years as a commercial banker.

Therefore, in my current position as Governor of the Central Bank of Nigeria, it is indeed an icing on my cake to become a Fellow of this institute that is highly regarded for the critical role it plays in grooming, maintaining, and supporting professional excellence in the banking industry in Nigeria. This award serves to bolster my determination at the Central Bank to ensure that the banking system

in Nigeria is not only sound, but also driven by high standards of corporate governance and professional ethics.

Main Theme — The theme of this event, which is titled “Making Nigeria a Major Destination for Foreign Direct Investment” is both timely and appropriate in today’s global economic and geopolitical environment. In view of the fact that resources are usually less than needs, domestic savings are usually never enough for the investment needed to put a country on a sustainable growth path. Given this scenario, countries around must compete, sometimes fiercely, to attract investment from abroad.

As the Ruler of Dubai remarked in his book “My Vision”, *“with each new day in Africa, a gazelle (or antelope) wakes up knowing he must outrun the fastest lion, or perish. At the same time, a lion stares and stretches, knowing he must outrun the fastest gazelle or starve. It is no different for the human race. Whether you consider yourself a gazelle or a lion, you simply have to run faster than others to survive”*.

This analogy of the lion and the gazelle fits neatly into the global competition for foreign direct investment. Countries around the world must compete for it by creating an enabling environment to attract such investments. I believe that financial system and economic stability are at the core of this enabling environment. While there is always room for improvement, I believe that Nigeria has created such an environment, and is continually striving to improve it.

Many of us here would remember recent history when Nigeria was associated with volatile exchange rates, high external debt, unsustainable budget deficits, high inflation, and economic stagnation. In the decade of the 1990s, Foreign Direct Investment into Nigeria averaged only about US\$1.5 billion per annum.

Today, I am happy to note that the situation has significantly changed due to difficult, but necessary, structural and macroeconomic reforms, which have been implemented in the country since the return to democratic governance in 1999.

At the Central Bank of Nigeria, our contribution to laying the foundation for a vibrant economy that attract significant Foreign Direct Investment has been anchored on promoting policies that sustain the country's hard-earned macroeconomic stability. We have pursued clear and consistent monetary policy that is guided by prevailing domestic monetary conditions, as well as developments in the global economy, particularly in the major advanced economies and our trading partners. Overall, price stability would remain the primary focus of monetary policy in the short to medium term.

With regard to the exchange rate, the major objective of the Bank's policy has been ensuring stability in the value of the Naira. In the last couple of years, the Bank has broadly achieved this objective,

notwithstanding the intermittent pressures that have been experienced, which have been largely induced by speculative behaviours. Under my leadership, the CBN will sustain the managed float regime in the management of the exchange rate, as this will allow the Bank to intervene when necessary to offset pressures on the exchange rate.

To support this strategy, we will continue to strive to build and maintain a healthy external reserves position. As we improve accretion to reserves and build fiscal buffers, we expect the Naira to remain strong, and give foreign investors the clarity and certainty that they need to guide future investment decisions.

In the area of financial system stability, we hope to sustain the effective management of potential threats and avoid systemic crisis. The core of the bank's vision is to effectively manage potential threats to financial stability, and create a strong governance regime that is conducive for financial intermediation, innovative finance and inclusiveness. In this regard, the CBN is anchoring its policy on two main pillars: managing factors that create liquidity shocks and zero tolerance on practices that undermine the health of financial institutions.

We are also striving to improve our payment system and strengthen risk-based supervision mechanism for Nigerian banks to ensure overall health and stability of the banking system. In order to

encourage both local and foreign investments, we are introducing a broad spectrum of financial instruments to boost sector-specific enterprise areas in agriculture, SMEs, manufacturing, and oil and gas.

On the back of these reforms, as well as reforms in other sectors of the economy, Nigeria is now the largest economy in Africa, the 26th largest in the world, and one of the fastest growing economies in the world.

Rebased real GDP growth rates were 5.3, 4.2, and 5.5 percent in 2011, 2012 and 2013, respectively. Having recorded a 6.2 percent growth in the first quarter, the economy expanded by a further 6.5 percent in the second quarter of 2014, due mainly from strong growth in the non-oil sector. For full year 2014, growth is projected at 6.5 percent. Inflation has now been in single digit for a while now and dropped to 8.3 percent in September 2014. Our reserves of nearly US\$40 billion can support about 9 months of imports, as against the 3 months that is regarded as the norm internationally. Our fiscal deficits have continued to decline, from 1.4 percent of GDP in 2013 to a projected 1.03 percent in 2014, and 0.99 percent in 2015.

It is not surprising therefore, that Nigeria has become a leading destination for Foreign Direct Investment (FDI) in Africa. In fact, the country has received direct investment of over US\$67 billion since the

return to democratic governance (2000—2013). The United Nations Conference on Trade and Development (UNCTAD) also confirmed Nigeria's position as the top destination for investments in Africa in the last two years.

Despite these impressive and consistent investment inflows, the myriads of inherent opportunities for high returns in the Nigerian economy remain largely untapped.

With a GDP of over ₦80 trillion, average growth rates of about 5 percent between 2010 and 2013, and an economic expansion that is being driven by the non-oil sector, it is obvious that the Nigerian economy is not only growing, but is diverse with opportunities across multiple sectors such as Services, e-Commerce, Arts and Craft, Manufacturing, Entertainment, and Agriculture.

The country is endowed with an abundant supply of natural resources, thus providing raw materials for a broad range of industries. It has a wide array of underexploited solid minerals including coal, bauxite, tantalite, gold, tin, iron ore, limestone, niobium, lead, and zinc and gemstones. In agriculture, for example, we have more than 80 million hectares of arable land, 267 billion cubic metres of surface water available for irrigation, and over 170 million people at its disposal. Of the total arable land available, only

40 percent is currently cultivated, indicating potential for sustained growth in crop and animal production.

Nigeria also offers a stable macroeconomic environment for investors with relatively low inflation, stable exchange rate, and low public debt. The investment climate in the country is rapidly improving while corruption and red tape are being fought one difficult step at a time. A succession of largely peaceful political transitions has also enthroned a sustained period of democratic governance in the country.

Even in the face of the security challenges we have been confronting in recent times, Nigeria has one of the highest risk-adjusted returns on investment in the world. While many sectors have enjoyed significant growth in the last couple of years, their potential for sustained growth is undeniable. In view of all these, I believe that now is the time for investors to harness these once-in-a-lifetime opportunities.

Thank you for your attention. And thank you once again for the fellowship award conferred on me today.