



Opening Remarks
For

Gov. Godwin Emefiele, CON

At the Briefing of the Senate President and the Leadership of
the Senate on the Nigerian Economy
Abuja, 8th July 2015

1. Your Excellencies, the President of the Senate, Deputy Senate President, the Leadership of the Senate, Distinguished Senators, the Senate Press Corp, Ladies and Gentleman, it is indeed my pleasure to be here today at the invitation of the Senate President, to share with you our understandings and view on recent economic developments in Nigeria. Although I will provide a much more detailed overview of these developments hereafter, permit me in these opening remarks to highlight the most critical occurrences and issues about our economy, as well as some context as to actions we have taken to strengthen the weak points of our economy. This is with a view to repositioning our

country for the next phase of growth and development for which we greatly yearn at this time.

2. Since Nigeria does not exist in isolation, let me begin by drawing your attention to the rest of the world. As you may all now be aware, the global economy has experienced three major shocks in the last one year. These developments include:

- a) The significant and seemingly permanent fall in the price of crude oil, Nigeria's main revenue earner;
- b) The end of the Quantitative Easing Programme of the Federal Reserve Bank of the United States; and
- c) The continued US-led sanctions on Russia for its alleged role in the ongoing crisis in Ukraine.

3. In view of these developments, global growth was sluggish at 3.3 percent in 2014, with only the UK and the US showing significant signs of a pick-up even in 2015. Despite these shocks, Nigeria's GDP increased by 6.2 percent in

2014. However, it slowed to 3.9 percent in the first quarter of 2015, down from 5.9 percent in the last quarter of 2014.

4. Headline inflation remained stable throughout the year, although it has crept up to the upper limit of the Bank's range of 6—9 percent. Driven largely by import prices, inflation rose gradually from 8.0 percent in December 2014 to 9.0 percent in May 2015.

5. Reflecting the sharp fall in oil prices and speculative foreign exchange activities, external reserves declined from US\$37.3 billion in June 2014 to US\$29.1 billion as at the end of June 2015. I am delighted to note that with the strong efforts of His Excellency, President Muhammadu Buhari, GCFR, to plug all leakages, as well as the vigilant demand management of the Central Bank, we have seen our foreign exchange reserves begin a gradual recovery. As of 7th July 2015, the reserves stood at US\$31.89 billion, a trend we find very gratifying.

6. Given our understanding that the fall in oil prices may not be transitory but permanent, and that some speculative

activities were going on in the FX Market, the CBN took a number of proactive countervailing actions. These include:

- Further tightening of Monetary Policy;
- Closure of the Official Foreign Exchange Window;
- Review of Operators' Net Open Position (NOP);
- Placement of 72-hour limit on FX utilization;
- Introduction of a two-way order-based quote system;
- Introduction of a band around the CBN's tentative rate;
and
- Ban on selected items from access to foreign exchange in either the interbank or BDC markets.

7. These policies have led to a significant stabilization in the exchange rate and an improvement in market sentiments. Having earlier traded at as high as N206/US\$1, the Naira-Dollar exchange rate has appreciated and remained around N197/US\$1 in the interbank market in the past 5 months.

8. Your Excellencies, at the heart of the issues that currently confront our nation is the need for us to diversify the

structure of our economy from being import dependent to being an economy that produces what she consumes. According to one of Africa's foremost industrialist, our very own Alhaji Aliko Dangote, we must stop exporting jobs to other countries and importing poverty to our land by producing and consuming locally made goods. As we of today, hundreds of thousands of metric tonnes of locally produced paddy rice litter Nigeria's rice belts unsold. Our rice farmers are today sinking deeper into poverty due to our preference for imported rice even though the local ones are now of about the same or even better quality. We therefore seize this opportunity to appeal to our rice importers to support local farmers by patronizing our homegrown rice. It is now time for us work together to resuscitate our moribund textile industries, begin to grow and consume our rice, rejuvenate our abandoned palm plantations in the mid and south eastern parts of the country and a host of other industries that once helped in creating job opportunities for our people.

9. The central bank of Nigeria has been at the forefront, acting as a catalyst to job creation and inclusive growth since

1978 through its various interventions in various/targeted sectors of the economy. We shall remain committed to this course because we believe it is the right direction that will help in conserving our reserve, achieve a stable exchange rate but most importantly create jobs for our people and ultimately engender economic growth in Nigeria.

10. Liquidity conditions in the financial markets remained relatively stable so far in 2015 as broad money supply (M2) grew as expected and capital adequacy at well above industry averages. In view of these, the strategic health of our banking system remains markedly good.

11. In closing, let me reiterate that with inflation at single digit, exchange rate relatively stable, and our reserves gradually rising from blocked leakages, our economic fundamentals remain strong. Going forward, the CBN would continue to be vigilant in the market to ensure that there is zero tolerance for speculators. Nigeria's foreign reserves remain our common wealth and we must all strive to work together to protect it and prevent speculators and rent seekers from plundering it. We would continue to find ways to

rebuild our external reserves and where possible, accelerate efforts aimed at improving aggregate supply potentials of the economy. In these efforts, I strongly crave the support of the leadership of the Senate as we march towards achieving a more prosperous and self-sufficient Nigeria. I thank you all for listening.

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Governor, Central Bank of Nigeria