



CENTRAL BANK OF NIGERIA PRESS STATEMENT

CBN SUPPORTS DEREGULATION

The Central Bank of Nigeria (CBN) has noted reports in some sections of the press alleging screaming headlines that the CBN is against the Federal Government's policy of deregulation of the downstream sector of the petroleum industry. These press reports arose from the Monetary Policy Committee, MPC briefing by the CBN Governor on Tuesday, 3 November 2009.

The CBN wishes to put the issues in the right context. At no time during the briefing did the Governor express the Bank's opposition to the planned deregulation of the oil industry as portrayed by a section of the media. The MPC, in reviewing the outlook for the economy in the remaining quarter of the year, only made the following observation that "while inflation had de-accelerated, it is important to recognize that seasonal factors and the planned deregulation of prices of petroleum products (through cost of transportation) pose a major risk to inflation outlook in the near to medium term."

The CBN however took cognizance of the moderating impact of the improved agricultural output as well as the slack in demand as a result of the slow growth in monetary aggregates in its decision to retain the Monetary Policy Rate, MRR at 6%. From the above, the CBN made it clear that there was no basis to be wary of the inflationary effects.

The Governor during the question and answer session also made it clear that while inflationary threat was there, the long term positive impact of deregulation

will far outweigh the initial pain as more funds will be available to the government for key infrastructure and power which directly impact on economic growth. He concluded that the investment in infrastructure and power will positively impact on output significantly and therefore dampen the inflationary threats.

The CBN therefore wishes to state categorically that it is in full support of the Federal Government's policy on deregulation, in view of the inherent benefits and advantages to the economy and that the stories in a cross section of the media were completely out of context.

In view of the fact that the CBN Governor spoke in full context regarding the issue of deregulation, we urge journalists to refrain from publishing stories out of context for the purpose of sensationalism which makes no positive contribution to the economy in particular and the society in general.

(Signed)

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