Special Remarks

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The Governor, Central Bank of Nigeria,
Deputy Governors,
Departmental Directors,
Branch Controllers,
CBN Executives,
Distinguished Resource Persons,
Ladies and Gentlemen

It is my honour and pleasure to make these special remarks at the opening ceremony of the 2016 edition of the annual Executive Seminar for staff of the Bank.

As you may be aware, the Seminar provides a forum for brainstorming among staff in the executive cadre of the Bank and distinguished resource persons, on current policy issues confronting the Bank in particular, and the economy in general. I would like to use this opportunity to commend the Governor and Management of the Bank for making this year's event a reality, despite the current economic challenges.

The theme of this year's Seminar, **Financing Government Programmes in Economic Downturn – The Role of Central Bank of Nigeria**, is quite germane, given the continued dwindling revenue of all tiers of government following the repressed global oil market.

Ladies and gentlemen, let me briefly highlight some key macroeconomic indicators to bring to the fore, the current economic challenges of the country. In the face of the challenging global economic and financial conditions, characterised by slow growth, currency volatility, sluggish investment, prolonged weak demand and low commodity prices, domestic output contracted by 0.36 and 2.06 per cent in the first and second quarters

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of 2016, respectively, in contrast to output growth of 3.96 and 2.35 per cent in the same periods of 2015. The development was attributed to a number of factors, including: high cost of transportation due to the removal of subsidy on petroleum products; high electricity tariffs; inadequate supply of foreign exchange; weak consumer demand; shortages in energy supply due, in part, to oil infrastructure vandalism; and the slow implementation of the 2016 budget. I need to reiterate here that most of these factors that fueled contraction in output growth were, largely, outside the purview of the Monetary Authority.

On the heels of negative growth outcome in the first two quarters of 2016, inflation has remained at double-digits since February 2016. In July, 2016, headline inflation (Y-on-Y) stood at 17.1 per cent, up from 15.58 and 16.48 per cent in May and June 2016, respectively. The core and food components also rose from 16.2 and 15.3 per cent in June 2016 to 16.9 and 15.8 per cent in July 2016, respectively. The mounting inflationary pressure reflected mainly structural factors such as high cost of production, high cost of transportation, and low productivity. Similarly, government revenues have been dwindling since mid-2014, arising from declining crude oil prices and low oil production due to the destruction of pipelines by militants in the Niger Delta region.

The CBN, on its part, has made efforts to address these challenges in line with its mandate. This is reflected in the various intervention initiatives for the real sector. The main aim of the initiatives was to enhance access to finance at a cheaper rate, for growth-enhancing projects. Furthermore, in May 2016, a more flexible exchange rate regime was introduced with a Naira-settled FMDQ-OTC (a two-way quote) trading platform at the inter-bank foreign exchange market. This was aimed at: improving liquidity and ensuring stability in the foreign exchange market; preserving the external reserves; curbing excessive demand for foreign exchange; and entrenching appropriate pricing of the naira. In addition, the sustained reforms in the banking sector are meant to reposition the banks to effectively play the role of financial intermediation.

Distinguished participants, it is important to reiterate that the Federal Government has resolved to diversify the Nigerian economy away from reliance on oil as a major source of revenue. However, the realisation of this goal would be in the medium-to-long-term. In the short-term, the need to fund the 2016 budget with a deficit of N2.25 trillion and reverse the negative output growth becomes a critical challenge. In this respect, some of the relevant questions include: what are the viable options available to finance government programmes? Does the CBN have a role to play? How could the negative growth trend be reversed? And what fiscal and monetary instruments are required to address these challenges?

Let me at this juncture state that the current budgetary pressures may not be completely abated unless structural issues, which have contributed largely to the current economic downturn, are addressed.

Distinguished participants, it is against this backdrop thot I urge you all to actively participate and discuss the theme of this year's Seminar, and come up with implementable, innovative and sustainable financing options for effective delivery of government programmes. Our expectation is that this Seminar will provide clear guidance on: the role of the CBN in financing government programmes; how government programmes can be prioritised for effective financing in a period of economic slump; the options available for financing government programmes; and the lessons that could be learnt from other jurisdictions.

Furthermore, I urge you to come up with fresh and innovative ideas that would not only aid the monetary authority to fine-tune its strategy, but also articulate practicable and sustainable financing options, which would take the economy out of the current difficulties.

On this note, I welcome you all to this year's Seminar and thank you for attention.