CENTRAL BANK OF NIGERIA

AN ADDRESS BY

GOVERNOR GODWIN I. EMEFIELE, *CON*

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Gov. Godwin Emefiele, *CON*
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Opening Pleasantries— Good evening distinguished ladies and gentlemen. It is indeed a great pleasure to be with you this evening , and to once again, savor the merry ambience of another convivial dinner aimed at sharing with peers , colleagues and stakeholders in the Nigerian Financial System. As I have always maintained, banquets like this are valuable occasions for us to momentarily recoil from the day-to day concerns of inflation, recession, and Foreign exchange, and to ultimately rethink the long term factors shaping the Nigerian Economy.

2. First, let me thank the leadership of the CIBN, led by Dr Ken Opara, the President of the Institute, and Dr

’Seye Awojobi, the Registrar/Chief Executive, along with their team, for their diligence at putting this event together. Also, I am immensely grateful to the Managing Directors of our banks and other financial institutions as well as my colleagues from the Central Bank of Nigeria, and these include the Deputy Governors and other senior management of the Bank who have all found time to be here today .

Preamble

Distinguished ladies and gentlemen, as we are all aware, the world is undergoing several Social and Macroeconomic challenges; as the last few years cannot, by any stretch of imagination be described as normal following the series of headwinds that has resulted in a downward revision of the global growth outlook for 2022 and 2023 by the IMF. It is in light of these disruptions, that the theme for today’s event “**Radical Responses to Abnormal Episodes: Time for Innovative Decision-making**” is appropriate and well timed.

Global Economy

During the early part of 2020, the world economy experienced the most significant downturn last witnessed since the Great Depression following the outbreak of the Covid-19 pandemic, the effect of which contracted global GDP by about 3.1 percent in 2020. Commodity prices went into a state of turmoil as the price of crude oil plunged by over 70 percent. In addition, there was a significant outflow of funds from emerging market and developing economies like Nigeria, as investors sought safe haven assets like US treasury bills. This aggravated financial conditions in developing markets, leading to the depletion of external reserves and the weakening of the currencies of a significant number of emerging market countries including Nigeria.

In a bid to contain the effects of the pandemic, unprecedented measures were taken, which involved significant amount of fiscal and monetary stimulus to contain the effects of the pandemic. These measures helped to support a swift rebound in global growth in 2021. However, the swift rebound is now being constrained by the significant supply disruptions in key producing nations like China, as factories now struggle to meet the upsurge in global demand, along with other bottlenecks such as inadequate ships and containers to convey goods. This has resulted in a hike in freight rates from key producing nations like China and ultimately an uptick in imported inflation.

3. As the world struggled to recover to pre-pandemic conditions, the global economy was yet again hit by another adverse occurrence with the eruption of the Russian-Ukraine war. The war along with the sanctions placed on Russia by the US and its allies led to a spike in crude oil prices. Given the dominant role Russia plays as a key energy producer, energy prices spiked to over $120/barrel in March 2022 from a low of $14/barrel in April 2020. In addition, Russia, and

Ukraine’s control of a significant share of wheat and fertilizer in the global market aggravated food prices.

Global Response

4. In their attempt to contain the rising inflation, Advanced markets such as the US, began to increase their policy rates, which led to a tightening of global financial Market conditions along with a significant outflow of funds from emerging markets countries. The subsequent strengthening of the US dollar further aggravated inflationary pressures, along with a weakening of currencies, and depletion of external reserves in many emerging market countries. Today close to 80 percent of countries have reported heightened inflationary pressures due to a confluence of some of the factors mentioned above.

5. Central Banks in emerging markets and developing economies in a bid to contain rising inflation were also compelled to raise rates, which is expected to lead to a

tapering of global growth over the next year. In fact, the short-term global growth projections by the IMF have been downgraded three times in 2022 and is likely to be below the 3.2 percent and 2.7 percent estimates for 2022 and 2023, respectively.

6. Average growth among advanced economies is projected to plunge from 5.2 percent in 2021 to 2.4 percent in 2022 and 1.1 percent in 2023. Estimated output growth in emerging markets, is expected to slow from 6.6 percent in 2021 to 3.7 percent apiece in 2022 and 2023.

7. Today, in view of the food, energy, and cost-of-living crises in many countries, we are witnessing growing restrictions on food exports from many countries. As at the last count, about 23 countries, mainly in advanced economies, according to the World Bank have banned the export of 33 food items. Seven other countries have additionally implemented various measures to limit food exports. To combat the debilitating energy crisis due to the war in Ukraine, the European Union has

developed plans to impose energy price caps, which has sparked Russia’s threat to cut off gas supplies. Germany is resorting to coal, in an excruciating U-turn to its planned swift transition to green energy.

8. **Situating the Dilemma : A contextual anecdote.**

Distinguished Ladies and Gentlemen, these tumultuous external conditions, reinforced by the anomalous , sometimes Chaotic responses by many countries, forebodes spill over shocks for Nigeria. Again, this underscores my chosen theme and the need to ingeniously think outside the box for solutions and countervailing measures . At this juncture, let me put the situation into perspective, as I recall the story of a young lady, her poor father and a despicable Money lender.

9. A long time ago, a poor farmer named Feng, lived in a small Chinese neighbourhood and owed money, which he could not repay to a local moneylender. Unfortunately, the loan-shark, who was old and ugly

fancied the farmers gorgeous daughter called Mei. As such, he crafted a devious scheme to bring his despicable purpose to fruition. The hideous moneylender proposed to forgo the Feng's debt in return for marrying Mei, the farmer's beautiful daughter. Neither the farmer nor his daughter could conceal their disgust at this repulsive proposition. Sensing his victims' reluctance and in his scheming cruelty, the crafty moneylender demanded that they allow fate to determine the matter. He proposed to put a black pebble and a white pebble into an empty opaque leather sack, one of which pebble , Mei must then randomly pick from the bag.

10. By his evil plot, if Mei picked the black pebble, she would become his wife and her father's debt would be instantly and entirely cancelled. However, if she happened to select the white pebble, she will be free not to marry him, and her father's debt will still be forgiven. But if she failed to pick any of the two pebbles, her father's debt will be upheld, and her defaulting father will be thrown into jail. Wow!!! What an

agonisingly grim moment for Mei and her poor father, who at this point, had realised how precarious their options were and how appalling the money lender is. They had no choice but to accept the devious man's plan and leave their fate to providence.

11. As they stood , discussing the pebble strewn path along the farmer's field, the money-lender bent down to pick up two pebbles. The smart and eagle eyed girl noticed that the wicked loan shack had deceitfully placed two black pebbles in the bag (rather than one white and one black as agreed). Not realising that his malicious act was spotted, the dubious old man then asked the girl to pick a pebble from the bag.

12. What a truly precarious situation the girl found herself. She was confronted with a gravely anomalous predicament, whilst her father remained innocently oblivious of the real extent of the impending malevolence. Now, imagine that you were the one standing in the field. What would you have done if you were the girl? If you were to advise her, what would you

have told her? How should she deal with this abnormal, tricky and potentially doomed option?

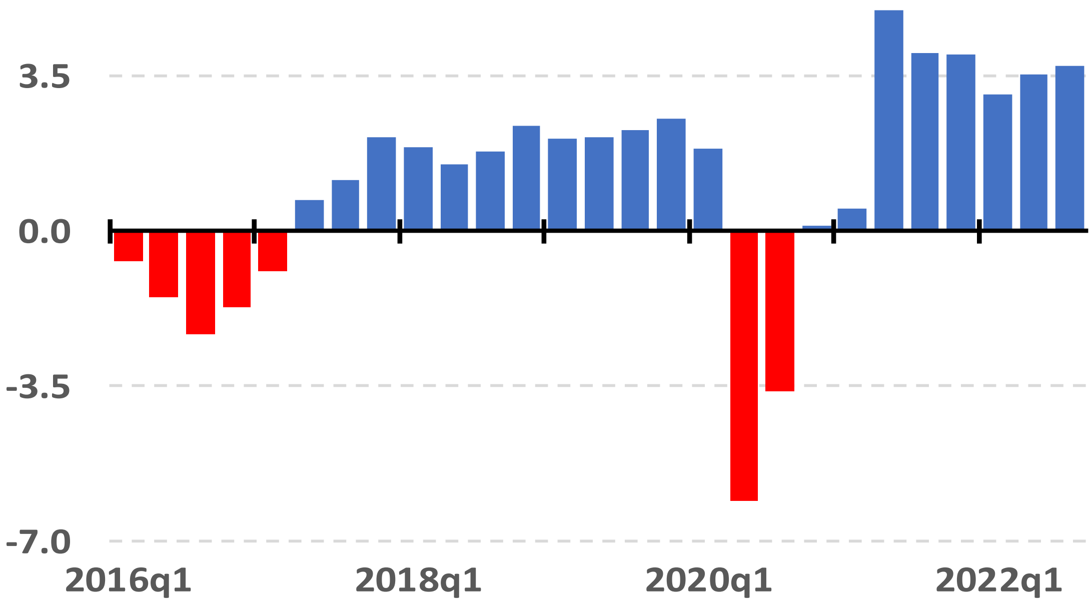
13. A quick reflection indicates three possible responses by Mei. First, in remonstration of the man’s dishonesty, she could refuse to pick a pebble. Secondly, she could show that there were two black pebbles in the bag and expose the moneylender as a cheat. Finally, she could. out of fear, naively pick the black pebble and sacrifice herself in order to save her father from imprisonment. But any of these three actions will have untold repercussions; after all, her father is a defaulting borrower. Mei needed to find a nonconfrontational, non-abrasive and smooth solution to her dilemma. I will pause the story here for us to contemplate a resolution of the puzzle . The foregoing story aims to highlight the difference between lateral thinking (that is, imaginative) and Logical (that is, common sense). The girl’s predicament cannot be solved with traditional actions, especially in view of the steep consequences of the three logical possibilities above.

Domestic Developments

14. Ladies and gentlemen, the predicaments confronting Mei in the story parallel those beleaguering our domestic economy today. Given Nigeria's fundamental vulnerabilities, it is imperative to find sustainable ways of insulating the economy from continued exogenous challenges. In addition to the relentless waves of abnormal shocks that is battering the global economy, domestic conditions are exposed to spill overs from the impulsive reactions in some key economies. It therefore behoves us to adequately identify and understand the likely implications of these undercurrents on the Nigerian economy. Unfortunately, the Nigerian economy was not insulated from the spill over effects of these shocks, even though some of the actions taken by the monetary and fiscal authorities helped to cushion its effects on our economy. Based on this, the economy has remained resilient in the face

of enormous vulnerability. Following the brief recession in Q2 of 2020, the Nigerian economy has recorded eight consecutive quarters of positive output with domestic growth rates improving from negative 1.92 percent in 2020 to 3.40 percent in 2021 and further to 3.54 percent as at 2022q2.

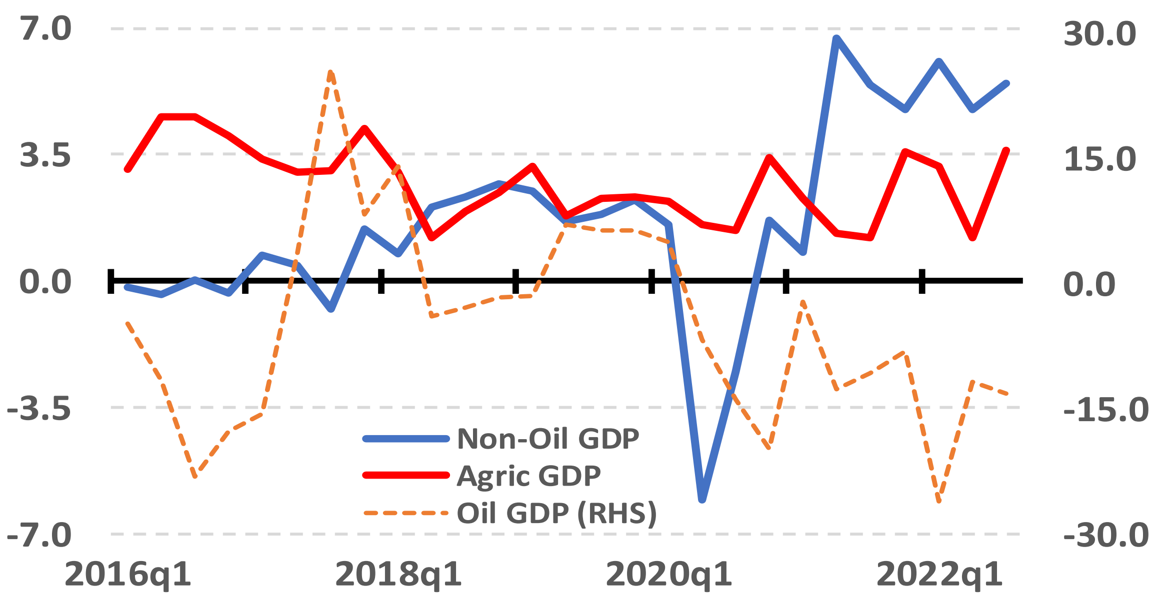
Figure 1: GDP Growth Rate (%)



15. This performance reflected the sustained buoyancy of the domestic non-oil sector, which continued to record growth since 2020q4, recovering from negative 1.25 percent in 2020 to 4.77 percent in 2022q2. Performance of the non-oil sector reflects the impact of policy supports to household, MSMEs and other high-

impact economic sectors through various CBN interventions. Specifically, we have seen a strengthening of the agriculture and services sectors which have continued to propel domestic growth rate throughout this period while the oil sector has continued to flounder with growth rate plunging to negative 11.77 percent in 2022q2.

Figure 2: Key Sectoral GDP Growth Rates (%)



16. The agriculture sector remained the critical factor behind the continuing resilience of the domestic economy. This is an affirmation of the success of the CBN's development finance initiatives in the nonoil sector, particularly in the agriculture sector, which has

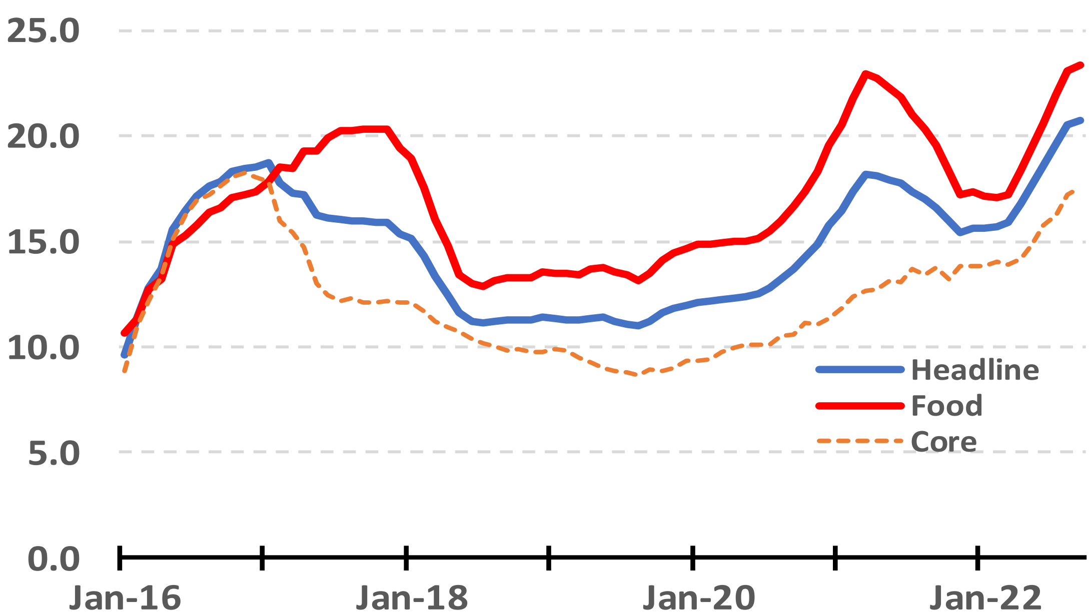
helped to boost domestic output and create jobs locally.

17. **Crude Oil Price and Production**: While global developments steadily drove crude oil prices upwards in 2022, Nigeria's oil sector performance has been abysmal. This reflected the country's inability to meet its meagre production quota as recorded domestic crude oil production plunged from over 1.9 million barrels per day as of April 2020 to 1.1 million barrels per day by September 2022. Given our dependence on crude oil for close to 80 percent of our foreign exchange earnings, the drop in production has resulted in a significant drop in our foreign exchange earnings as well as government revenue. It is imperative that we diversify away from the oil sector, to reduce our exposures to the volatilities associated with dependence on revenues from the sale of crude oil.

18. **Inflation**: Upside pressure on consumer inflation re-emerged during the year, as global conditions complicated existing local imbalances to undermine

price stability. After a successive period of decline in 2021, due to balanced monetary policy actions, domestic inflation rate commenced an upward momentum in 2022, consistent with global trends. From 15.60 percent in January 2022, headline inflation soared to 20.77 percent in September 2022, indicating eight consecutive months of uptick.

Figure 4: Domestic Inflation Pattern (%)



19. Food remains the major component of domestic consumer price basket. The annualised uptick in headline inflation mirrors the 6.21 percentage points upsurge in food inflation to 23.34 percent in September. During this period, core inflation also

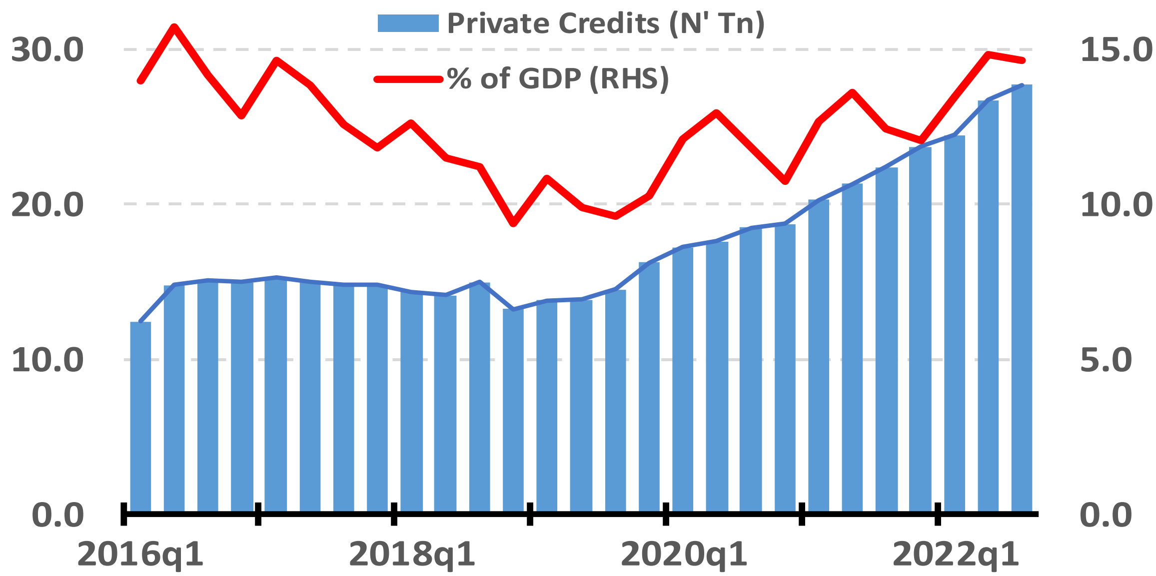
resumed an upward movement from 13.87 percent in January 2022 to 17.60 percent. In addition to harsh global spill overs, exchange rate adjustments and imported inflation; inflation was also driven by local factors such as farmer herder clashes in parts of the food belt region. Noting the adverse effect of spiralling inflation on inertia and expectations, the CBN understands the need for supply-side interventions in critical sectors to minimise excess demand gaps.

20. **Real Sector Indicators**: Key indices presented mixed outcomes in the real sector activities regarding industries, manufacturing, agriculture, mining, and electricity production. Purchasing Managers' Index (PMI) suggest fragile resilience of the domestic economy as tight global conditions and rising inflationary pressures weighed down domestic economic activities. Composite PMI contracted from 50.0 points in June 2022 to 49.5 points in September 2022 dragged by the weaknesses in both the PMIs for industry and services which declined to 46.5 and 47.7 points, respectively.

21. Our manufacturing sector, MSMEs, and the services sector need to be reinforced to, not only support domestic needs but to also become internationally competitive. This is in view of the massive supply chain disruptions that exposed the dependence and vulnerability of many EMDEs to overseas economies.

22. **Private Sector Credit**: The recent drive of the CBN to channel more cheap lending to the real sector have led to marked growth of banking system credits to the private sector. In support of domestic productivity, credit to the core private sector of the economy has more than doubled, in the last five years, expanding from N13.2 trillion at end-2018, to N16.2 trillion at end-2019, before surging to N27.7 trillion as at September 2022.

Figure 6: Credit to the Core Private Sector



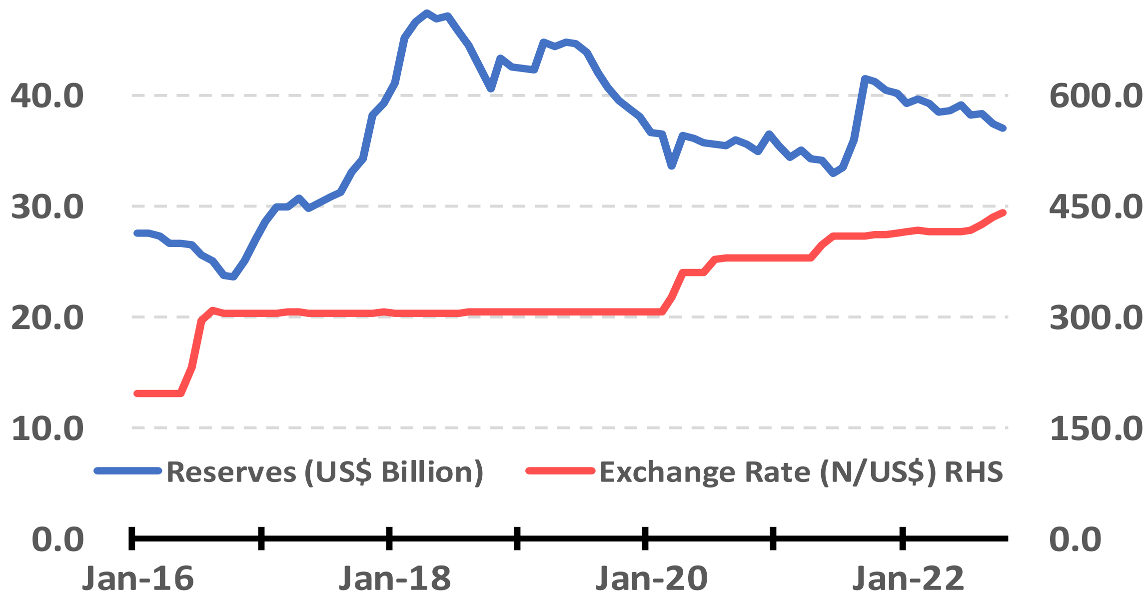
23. As illustrated by the credit-to-GDP ratio, this phenomenal growth is not nominal but rather deep-rooted support of the real economy. As a ratio of GDP, credit to core real sector grew from 9.4 percent at end-2018, to almost 15 percent as of September 2022. It is our objective to gradually drive this ratio above 50 percent to ensure adequate support of real economic activities in Nigeria and concurrently deepen the financial sector contributions to the development of our country.

24. **Banking Sector:** Notwithstanding the global headwinds, our banking sector continues to remain

sound and accommodative of growth. NPL ratios are currently under 5 percent and the Capital Adequacy and liquidity ratios are above the prudential requirements at 13 and 40 percent, respectively. We intend to continue to maintain strong oversight of our banking institutions to quickly identify any vulnerabilities and ensure that banks take suitable measures to mitigate any potential risks.

25. **Foreign Exchange**: The Drop in oil receipts along with tightening of global financial market conditions have weighed heavily on our foreign exchange market. The downward short-run trend of the external reserves reappeared at the beginning of 2022. Accordingly, after recovery from US$33.7 billion in March 2020 to US$41.6 billion in September 2021, official reserves fell to about US$37 billion as at October 2022. At approximately 6.4 months, import cover in October remained above the traditional 3-months threshold. This reflected the massive demand pressure mounted on the foreign exchange market, as import appetite remained high vis-à-vis available foreign reserves.

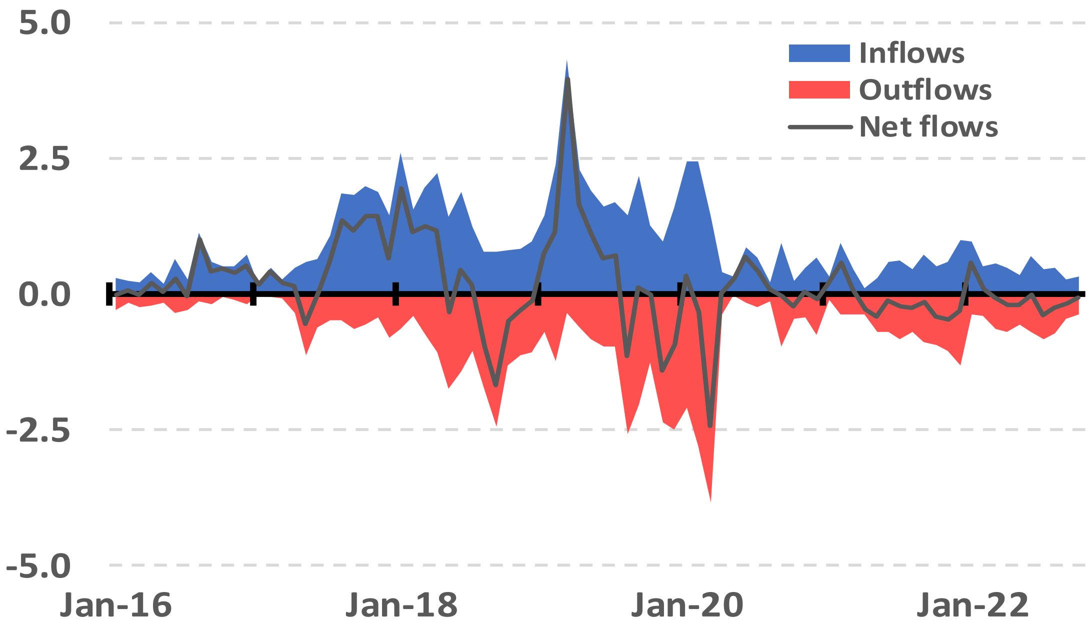
Figure 7: Exchange Market Development



26. During this period, the foreign exchange market development exerted considerable pressure on the naira-dollar exchange rate, notwithstanding the enormous effort of the CBN to stabilise the exchange rate. Over the medium-term, the incessant demand pressures at the foreign exchange market moved the exchange rate from about N381/US$ at end-2020 to N416/US$ in January 2022 and further to N440.9/US$ today, a cumulative 5.6 percent depreciation year-to-date.

Capital Flows: With the upsurge in global inflation, which have reached record heights in advanced countries, the ensuing global monetary tightening is threatening global macroeconomic conditions. In Nigeria, this threat is considerably muted due to a low amplitude of capital flows since 2020. Monthly average capital outflows from Nigeria year-to-date is less than one-third of its value in 2019 having declined from US$1.37 billion monthly to US$0.58 billion monthly in 2022. It is thus imperative for us to ensure, through innovative inward-looking structural policies, that we find sustainable ways of adequately insulating the economy from the volatility associated with foreign portfolio flows.

Figure 8: Capital Flows (US$ Billion)



CBN Countervailing Policy Measures

27. Distinguished guests, the prevailing circumstances presents a dilemma for policy makers. Higher inflation needs to be tackled with tools that can potentially constrain our fragile output growth and cause stagflation. At the CBN, this pursuit of a balanced mix of established and unconventional policy measures remains the crux of our macroeconomic management strategy and to forestall any harmful future impact, the CBN took and will continue to take proactive measures for the good of the economy. Some of the countervailing measures we took over the past few months, to chart a path for sustainable advancement are listed below.

28. **Monetary Policy**: After a prolonged period of monetary accommodation, aimed at supporting the productive sector of the Nigeria economy, the Monetary Policy Committee of the CBN reconsidered it stance as inflation pressures resurfaced.

Consequently, with the resumed uptick of inflation rate in February 2022, the MPC has raised its policy rate four times from 11.5 percent to 16.5 percent in November 2022. With the cumulative hike of 500 basis points, so far in 2022, we are confident of an ensuing period of sustained disinflation. The cycle of monetary tightening could, however, impinge on growth momentum if adequate supportive and structural measures are not quickly implemented.

29. **Foreign Exchange Management - RT200**: The Nigerian foreign exchange market is in the middle of serious crunch which are straining our reserves and stifling the value of the naira. Market demand for both goods and invisible transactions has continued to increase under various uses in the face of dwindling supply of foreign exchange. As we all know, for example, the official foreign exchange receipt from crude oil sales into our official reserves has dried up steadily from above US$3.0 billion monthly in 2014 to an absolute zero dollars today.

30. To put this drawback into perspective, it is equally no news that the number of student visa issued to Nigerians by the UK alone has increased from an annual average of about 8,000 visas as of 2020 to nearly 66,000 in 2022, which implies an eight-folds surge to about US$2.5 billion annually in study-related foreign exchange outflow to the UK alone. It is against the backdrop of the worsening mismatch between foreign exchange market demand and supply, and the need to boost foreign exchange earnings that the CBN and the Bankers' Committee initiated the RT200 programme in February 2022.

31. The programme was fundamentally devised to innovatively tackle the fundamental problem associated with the repatriation of non-oil export proceed. So far, we have recorded and continue to record resounding success with the RT200 Programme. Inflows through this programme in 2022 rose to about US$1.6 billion and could surpass US$2.5 billion by year-end. Under the rebate scheme of the programme, the Bank has reimbursed a total of N78.4

billion naira, which I consider a fair price to incur to stabilise our foreign exchange market.

32. Prior to the RT200 programme, the CBN had also rolled out several initiatives to bolster the inflow of foreign exchange into Nigeria in a stable and sustainable manner. One of these, as you may recollect, is the Naira-4-Dollar scheme. This initiative reflects our efforts to boost migrant remittances into the Nigeria economy. I am happy to note that, so far, the Naira-for-Dollar scheme has been successful in increasing remittance inflows through our registered International Money Transfer Organization (IMTOs).

33. **Currency Redesign**: Based on the ever-escalating challenges that are inundating currency management in Nigeria, with grim consequences for our sovereign integrity, the CBN recently announced its policy to issue newly redesigned Nigerian banknotes. Analysis of the key challenges primarily indicated a significant hoarding of banknotes, as over 85 percent of currency in circulation were held outside banking system. This is

even as currency in circulation more than doubled from N1.46 trillion in December 2015 to N3.23 trillion in September 2022; a worrisome trend that must be curbed. Whilst the global best practice is to undertake currency redesign every 5–8 years, our existing banknotes have remained unchanged in almost two decade 20 years. It is therefore no longer tenable to continue with business as usual; especially given the continually evolving circumstances that could impinge the optimal performance of the Naira.

34. It is against this backdrop and congruent with relevant sections of the CBN Act 2007, that the CBN sought and obtained the approval of President Muhammadu Buhari to redesign the N200, N500, and N1,000 banknotes. This policy will quicken the attainment of cashless economy as it is complemented by increased minting of our eNaira. It will curtail currency outside the banking system and, as monetary policy becomes more efficacious, help to rein in inflation.

35. **Digital Money and Payments**: Given the rapid advancements in financial technology leading to rapid digitisation money and finance, the CBN will continue to seek creative ways to ensure that Nigeria takes full advantage of its opportunities and benefits, leading to the recent launch of the eNaira.

36. **The eNaira** was developed to broaden the payment possibilities of Nigerians, foster digital financial inclusion, with potential for fast-tracking intergovernmental and social transfers.

37. . Since its launch a year ago we have continually modified it features and have made it more accessible to wide range of users. Today, you do not need a smartphone to use the eNaira as it has become compatible with all generations of mobile devices (old and new). So far, a total of N8 billion, consisting over 700,000 transactions, has passed through the eNaira platform.

38. To further strengthen the payments system while conserving foreign exchange, the CBN is collaborating

with the Nigerian Inter-Bank Settlement System (NIBSS) to launch **The National Domestic Card Scheme.** This is expected to lower operating costs for banks incurring huge charges for foreign card schemes. It will also reduce the huge foreign exchange commitments associated with operating foreign card schemes. The scheme is expected to commence on 16 January 2023. With this, Nigeria will join a growing list of EMDEs (including India, Turkey, China, and Brazil) that have launched domestic card schemes. This landmark initiative shall position Nigeria as the first African country to introduce a domestic card scheme, that combines a fully domestic infrastructure with international interoperability.

39. **Development Finance**: To support productivity in view of the ongoing external threats and, especially, to correct some of the existing structural failures of the Nigerian economy, the CBN sustained its various interventions. Essentially, these focused on stimulating productivity in manufacturing sector, bolstering

domestic industries, revolutionising agricultural output to ensure self-sufficiency and shield the local economy from harmful external shocks.

40. A breakdown of some of the activities in the agriculture sector indicated that between July and August 2022, under the Anchor Borrowers' Programme (ABP), the Bank disbursed N54.82 billion to several agricultural projects, bringing the cumulative disbursements under the Programme to ₦1,026.27 trillion to over 4.6 million smallholder farmers cultivating 21 different commodities across the country. The Bank also released N0.70 billion to finance large-scale agricultural projects under the Commercial Agriculture Credit Scheme (CACS), bringing the total disbursements under the Scheme to ₦745.02 billion for 679 projects in agro-production and agro-processing.

41. In addition, the Bank released the sum of ₦66.99 billion under the ₦1.0 trillion Real Sector Facility to 12 additional projects in manufacturing and agriculture. Furthermore, under the 100 for 100 Policy on

Production and Productivity (PPP), the Bank has disbursed the sum of ₦20.17 billion to 14 projects in healthcare, manufacturing, and services. This brings the cumulative disbursements under the facility to ₦93.39 billion to 62 projects across manufacturing, agriculture, healthcare, and services.

42. As part of efforts to help resuscitate Nigeria's textile industry and promote economic development in the textile and garment sector, the Bank released the sum of ₦1.50 billion under the textile sector intervention facility (TSIF), bringing the total disbursements under the scheme to ₦97.80 billion.

43. In support of the resilience of the healthcare sector, the Bank also disbursed ₦4.00 billion to two (2) healthcare projects under the Healthcare Sector Intervention Facility (HSIF), bringing the cumulative disbursements to ₦130.54 billion for 131 projects, comprising 32 pharmaceuticals, 60 hospital and 39 other services.

44. Under the export development fund (EDF) and export facilitation initiative (EFI), the Bank funded several

projects for non-oil export commodity value-addition and production with the sums of N11.89 billion and N3.24 billion, respectively.

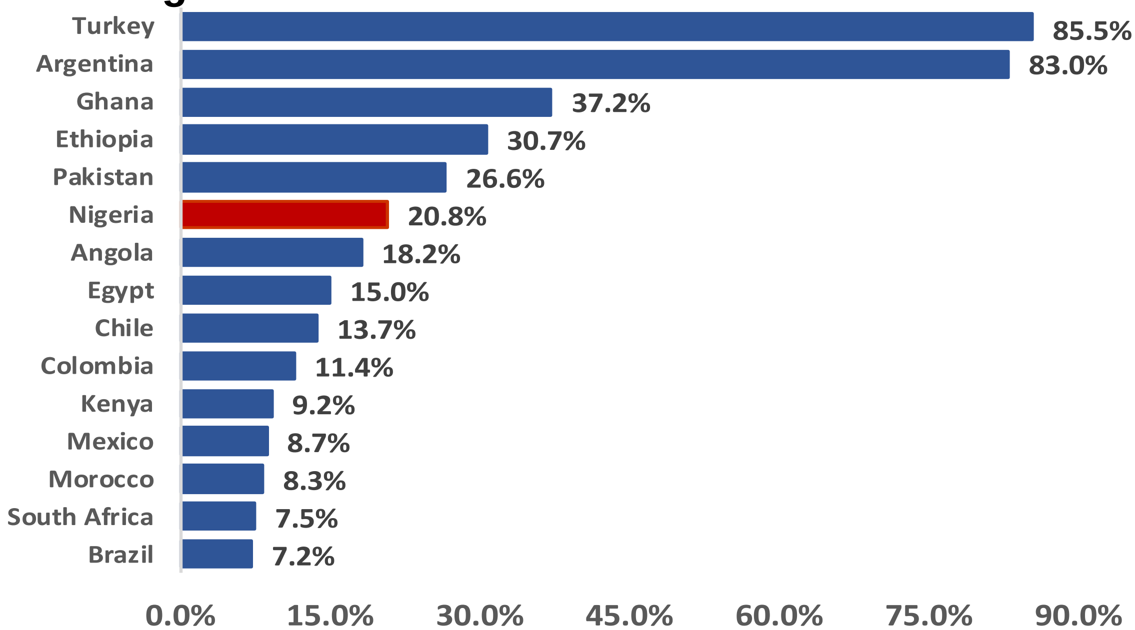
45. In the MSME sector, the bank supported entrepreneurship development with the disbursement of the sum of N39.26 million to youth under the tertiary institutions entrepreneurship scheme (TIES), bringing the total disbursement under this intervention to N332.43 million.

Comparative Emerging Markets Assessment

46. Ladies and gentlemen, an analysis of our recovery efforts and current outcomes suggest that the Nigerian economy and its banking system has faired comparably well when juxtaposed with peers. Like many EMDEs, Nigeria's GDP growth rate has so far remained positive even as global conditions plunge deeper into stormy waters. Inflation rates among comparator economies have however soared in consonance with global trends. A quick comparison of the rates for September 2022 indicates that Nigeria's

inflation, at 20.77 percent, is high but not among the worst. We have seen hyper inflations, above 80 percent, in Turkey and Argentina. Ghana and Ethiopia also had rates above 30 percent.

Figure 9: Inflation Rates in Selected EMDEs



Source: www.tradingeconomics.com as of 04 November 2022

47. Interestingly, in terms of the pace of inflation acceleration, Nigeria rate is among the slowest, as inflation grew from about 16 percent in October 2021 to 21.09 percent. Over the same interval, Morocco's inflation rate rose five folds from 1.7 percent to 8.3 percent. The rate in Ghana rose more than three folds from 11 percent to 37.2 percent.

Outlook and Policy Thrust for 2023

48. Distinguished guests, ladies, and gentlemen. The short-term outlook of the global economy is increasingly bleak as the lingering effects of the pandemic-induced supply chain disruptions and economic fragmentation is worsened by the uncertainties triggered by the eruption of the Russian-Ukraine war.

49. Accordingly, the IMF projects that more than a third of the global economies will suffer a recession within the next two years, especially as the US, EU and Chinese economies stagnate. In emerging markets, growth forecasts have been revised downward for China, India, Mexico, Turkey, and South Africa reflecting country-specific factors, uncertainties in the financial conditions, and rising spillover effects of global geopolitical tensions.

50. As external conditions flounders, inflationary pressure is expected to worsen and become more persistent in many economies. The rate in key advanced economies

is projected to remain historically elevated at double digit levels up to the 2023q3 at the earliest. As such, tight monetary conditions will remain prevalent over the short-term, straining financial markets in many EMDEs and exacerbating the underlying vulnerabilities.

51. Considering the current developments in both the global and domestic economies, and based on extensive simulations, the CBN is of the view that the short-term outlook of the Nigerian economy remains good. We expect that:

- **Monetary policy:** Over the coming years, monetary policy will remain focused on the objectives of price, monetary, and exchange rate stability. Our policy stance will, accordingly, remain tight to curtail inflation pressure, regulate capital flows, and buoy the naira-dollar exchange rate. Monetary policy decisions will remain balanced, judicious, research driven, adequate and supportive of the real economy subject to underlying fundamentals. We will maintain the current tight Monetary Policy stance in the nearterm, especially in view of rising inflation expectations and exchange market pressures. Though we will act to appropriately adjust the policy rate in line with unfolding conditions and outlooks.

- **GDP:** Based on the expectation of a robust non-oil performance, and barring any unforeseen shocks, GDP growth rate is projected to remain positive in the remaining quarter of 2022 and during 2023. The performance of the non-oil sector will be buoyed by the continued efforts at entrenching indigenous productivity in high-impact real sector activities, especially agriculture, MSMEs, and manufacturing. Domestic aggregate demand is further expected to be bolstered by the anticipated budgetary outlay and the surge of electioneering spending in the next few months. From 3.54 percent in quarter two of 2022, growth is projected to reach 3.7 percent in quarter three and 3.47 by the fourth quarter.

- **Inflation:** Inflation expectations are rising as existing structural rigidities, are compounded by global factors and anticipated elections related liquidity upsurge. For the rest of 2022 and towards mid-2023 Nigeria's rate of inflation is projected to remain elevated and above the 12.5 percent growth-aiding threshold. However, on the backdrop of our previous policy measures, and as the effect continue to permeate the system, our inhouse model-based simulations indicate that inflation rate could fall steadily to less than 15 percent by end-2023.

- **Exchange Rate:** Though the CBN has so far managed to maintain exchange rate stability, the current capital flow reversals from emerging markets are expected to continue to exert considerable pressure on market rates. This pressure could be amplified by the forthcoming elections, especially as the political marketplace heats up. Notwithstanding these pressures, the CBN is determined to maintain its stable exchange policy stance over the next few months through innovative policy measures to manage the demand and supply of foreign exchange. If the current problem of oil theft is promptly corrected, we could expect a resumed inflow of crude oil receipts into the official reserves. This could foster gross stability in the foreign exchange market and enhance exchange rate stability.

- **BOP:** Overall our balance of payments is expected to remain positive in the short-term. We have seen a recent boost in non-oil exports receipts to about US$2.5 billion. Hoping that the poor performance of the oil sector reverses, especially as high crude prices is sustained by a potential elongation of the Russian-Ukraine war, we expect the Current Account Balance to strengthen even further. This will be backed by our resolute effort to strengthen and improve real non-oil sector productivity through apt diversification to reduce undue imports.

52. Given the global and domestic headwinds we face as a nation, and the volatility in the global environment, we have no other option, as leaders interested in the

progress of our nation, but to work very hard to spur job creation by reviving agricultural and industrial activities in the country. Like I have said many times before, if we continue to support the growth of small holder farmers, you can only imagine the amount of wealth and jobs that will be created in the country. If we turn a blind eye to the opportunities provided by our enormous human and material resources, this could spell doom for our nation.

Concluding Remarks

53. Distinguished ladies and gentlemen. In concluding my remarks, please permit to say that over the last two years, the global order and macroeconomic conditions have become increasingly challenging and distressfully tumultuous. These portend a huge downside risk for the prospect of the Nigerian economy. We are thus reminded of the need to look inward in developing policies that will correct the fundamental failures that have undermined our economy. Accordingly, the CBN, guided by best judgement and data will continue to act in good faith to ensure the increased prosperity of the

Nigerian economy. As I wind down my address this evening, I call on all of us, to put on our thinking caps, and find imaginative solutions that will ensure a Nigeria of our dream, where balanced growth and shared prosperity is guaranteed for all.

54. I thank you very much for your attention. And thank you once again, for being here today.

GODWIN I. EMEFIELE, *CON*
Governor, Central Bank of Nigeria

25 November 2022