CENTRAL BANK OF NIGERIA

AN ADDRESS BY

GOVERNOR GODWIN I. EMEFIELE, *CON*

AT THE 2018 ANNUAL BANKERS' DINNER
CONTINENTAL HOTEL, VICTORIA ISLAND
LAGOS

30 NOVEMBER 2018

Gov. Godwin Emefiele, *CON*
Address at the 2018 Annual Bankers' Dinner
Lagos, 30 November 2018

Opening Pleasantries— Good evening distinguished ladies and gentlemen. It is indeed a pleasure to be with you this evening, and to use this occasion to step back from the day-to-day concerns of inflation, external reserves and exchange rate, to consider a number of the deep-seated, long term factors shaping Nigeria's economy. I am also delighted at the opportunity to once again address a gathering of eminent personalities, which includes critical stakeholders in our nation's financial sector, as well as members of the Chartered Institute of Bankers of Nigeria.

2. Before I go any further with my address, please permit me, to specially thank the leadership of the

Chartered Institute of Bankers of Nigeria ; particularly Dr Uche Olowu, Mr Seye Awojobi and their team, for their relentless efforts to ensure the success of today's event. I want to also extend my profound gratitude to the Managing Directors/Chief Executive Officers of our banks and other financial institutions who have found time to be here despite their very busy schedules.

3. I must not forget to accord honour to whom it is due. Permit me, ladies and gentlemen, to congratulate Dr Uche Olowu on his well-deserved election as the President and Chairman of the Governing Council of this great institute. I also wish to thank the immediate past President, Prof. Segun Ajibola and the outgoing Council members for their outstanding performance, and total commitment to the pursuit of the vision and mission of the institute. I sincerely thank each and every one of you for your respective roles in making this institute one of the leading professional bodies in the country.

4. Likewise, I welcome my colleagues from the CBN, especially the Deputy Governors, Departmental Directors, Special Advisers, Special Assistants, and other senior management of the Bank who are here present. And to everyone here seated I say: thank you for coming.

5. When I addressed this gathering five years ago, I acknowledged that a night such as this should not be dominated by excessive speeches. It should be a time to dine, merry and unwind after a hectic year. Though I am mindful of the need to allow you relax and enjoy the conviviality, it will be a great disservice to you and to our dear nation if I failed to adequately draw your attention to key economic and financial developments, both historical and expected.

6. Distinguished ladies and gentlemen, my address this evening is focused on "**Strengthening the**

Economic Recovery Process in Nigeria". I am pleased to have this opportunity to share my perspective on some of the key issues that the Nigerian economy has faced over the past 3 years, which includes the factors that led to the economic recession in the 1st quarter of 2016, and the measures we took at the Bank along with the Fiscal authorities to support our recovery from the recession by the 2nd quarter of 2017.

7. In my inaugural address to Nigerians after assuming office as the Governor of the Central Bank of Nigeria in June 2014, I indicated that my mandate would be to ensure that the Central Bank of Nigeria is more people focused, as its policies and programs would be geared towards supporting job creation and fostering inclusive growth, in addition to key macroeconomic concerns such as inflation and exchange rate stability. This idea of a people focused central bank is more relevant today, given the global headwinds we face as a

nation and the Central Bank of Nigeria remains committed to supporting measures that would wean the nation from its dependence on imported goods; your Central Bank today is more committed to creating wealth and putting in place strong policies for creating jobs for our growing youth population; your Central Bank today is ever more committed to promoting a more stable and resilient financial system.

8. Several economic and financial experts continually attempt to analyse and pre-empt the policy actions of the CBN. To the extent that these endeavours are based on rational expectations, we wholly welcome the effort. Notably, some of their conclusions are incongruent to ours. As I have always maintained, I am not surprised at this outcome since most of those analysts, unfortunately, rely on limited or utterly incorrect information. Let me reiterate that the CBN will

always act in good faith, with the best available information and in cognizance of current economic conditions, to pursue price and financial system stability, support job creation on a massive scale and ensure a more inclusive growth in the economy. After a wave of scathing criticism that trailed some of our past policies, many of these measures are today being widely applauded as brilliant and conscientious actions. As policymakers, our perspectives are typically different from many talking heads, as our data, information sources and outlook remain superior. I therefore enjoin our critics to avoid being hasty in their condemnation of our policies. Some policies take time to bear fruit.

9. Let me at this point briefly explain the macroeconomic and geopolitical contexts in which the Central Bank and the nation have been operating.

A Quick Overview

10. On the global scene, a number of recent developments have noticeably impacted outcomes and outlooks especially in emerging market economies including Nigerian. These include:

i. Rising global interest rate due to sustained tightening stance in advanced economies which consequently and unfortunately heightened fragilities, imbalances and vulnerabilities in emerging markets. The Fed fund rate was raised steadily to 2.25 percent in September 2018 with a promise for one more hike before the end of 2018 and three more in 2019. Similarly, the Bank of England raised its policy rate in August 2018 for the first time since 2008. Some emerging markets economies, including India, Indonesia, Mexico and Turkey have also raised interest rates in response to that shock;

ii. The consequent huge capital flow reversals in emerging markets that led to immense pressures on exchange rates, FX reserves, and sharp losses in the capital markets. Argentina, Brazil, South Africa, Turkey and Russia have already depreciated their currencies significantly due to this shock;

iii. Uneven fluctuations in the international prices of commodities including crude oil, gold, cocoa, etc. After hitting $86 per barrel in October 2018, oil prices have dropped by over 30% as at November 25, 2018;

iv. Profound geopolitical and trade tensions (including between US and China, US and Iran, Russia and Western economies etc.) which are impacting the dynamics of global trade and consequently the flow of capital;

v. The rising incidence of protectionism, nationalism, and anti-globalization especially in the western hemisphere; and

vi. Uneven growth of the global economy accompanied by a tepid short-term outlook.

11. What are the likely implications of these issues on Nigeria? And what steps can we take to avoid a repeat of the economic slowdown that occurred between 2016 and 2017? Given the structure of our economy, CBN's attention is primary focused on three factors, including;

- One, rising trade tensions between the US and China could taper global growth, and by extension demand for commodities such as crude oil
- Second, how to ensure that Nigeria's economy is insulated from the adverse consequences facing emerging and frontier markets, due to rising rates in the United States.
- Third, what is the likely impact on the crude oil market from the sharp rise in US oil production, which currently stands at 11.7m barrels per day and is likely to rise to over 14m barrels in 2 years?

12. As you may recall, Nigeria’s political-economy experienced significant challenges over the last few years revealing its structural deficiencies particularly with regards to its dependence on crude oil, as a major source of its revenue and foreign exchange, as well as over dependence of our people on imported items even when these goods could be produced locally. The 60 percent decline in crude oil prices between 2015 and 2016 helped shape the trajectory of our economy, ultimately triggering the economic recession in Q1 of 2016.

Road to Recovery

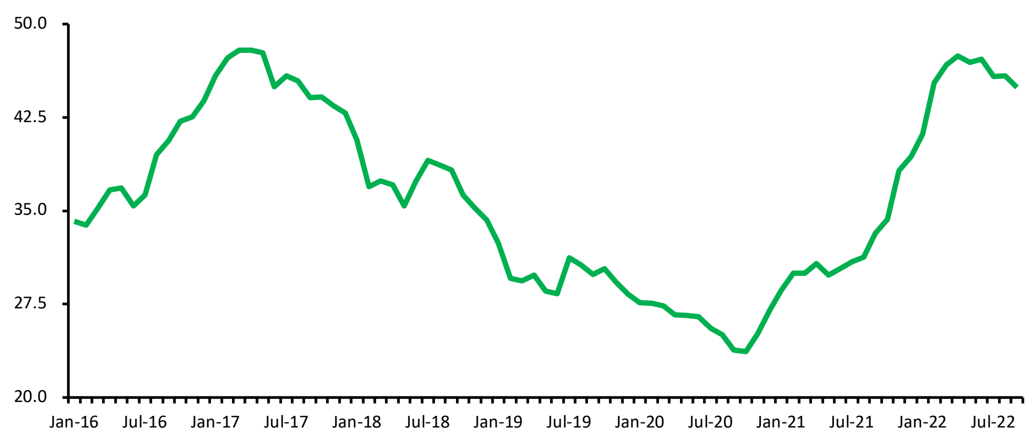
13. The country’s overdependence on crude oil for FX revenue meant that shocks in the oil market were transmitted entirely to the economy via the FX markets as manufacturers and traders who required forex to purchase their inputs as well as goods, were faced with a depleting supply of

foreign exchange in the country. The impact of this decline on our reserves was evident in the rise in the value of the US Dollar relative to the Naira; and a rise in the Consumer Price Index due to the increase in the cost of imported inputs and goods. In a bid to contain rising inflation and to cushion the impact of the drop in FX supply on the Nigerian economy, the Bank took three bold steps;

14. First, The CBN tightened money supply in order contain inflation while improving yields in local bonds, which attracted the attention of foreign investors. Second, we analyzed our import bill and encouraged manufacturers to consider local options in sourcing their raw materials, by restricting access to foreign exchange on 41 items. Third, the Investors and Exporters FX(I&E) window was introduced, which allowed investors and exporters to purchase and sell foreign exchange at the prevailing market rate.

15. The impact of these three measures led to an increase in foreign exchange inflows into the country; Transactions in the I&E FX window reached $24 billion ($6 billion net inflows) in 2017 and Nigeria's foreign exchange reserves rose to over $48billion at the end of May 2018 from $23bn in October 2016

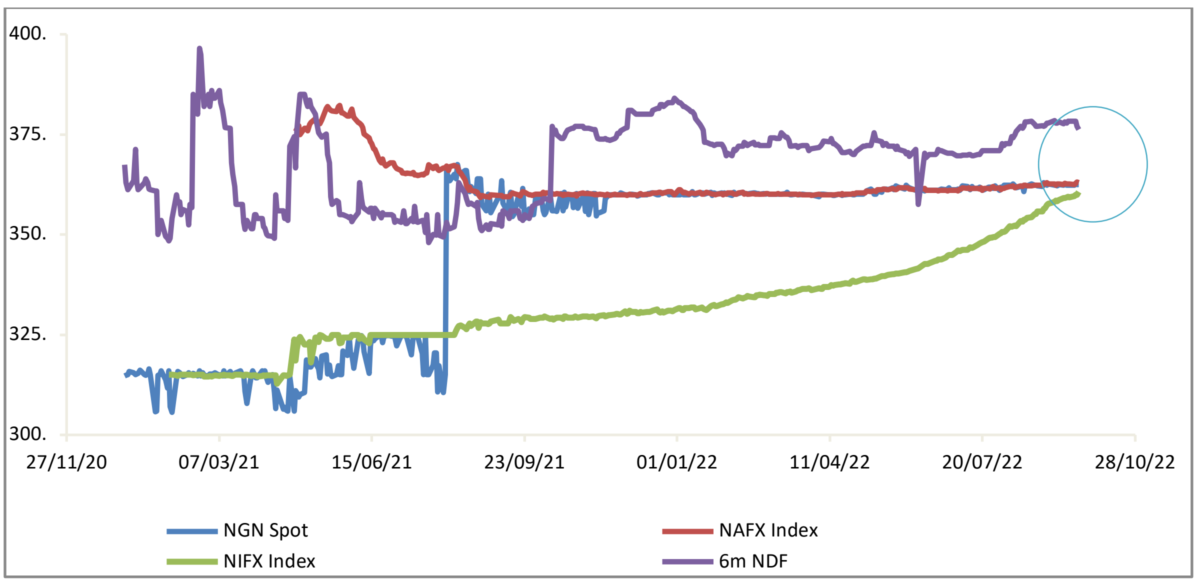
Foreign Exchange Reserves ($billion)



16. With improved availability of foreign exchange, the exchange rate at the I&E FX window has remained stable over the past 12 months and the parallel market exchange rate premium has narrowed significantly. At the BDC segment, we saw a

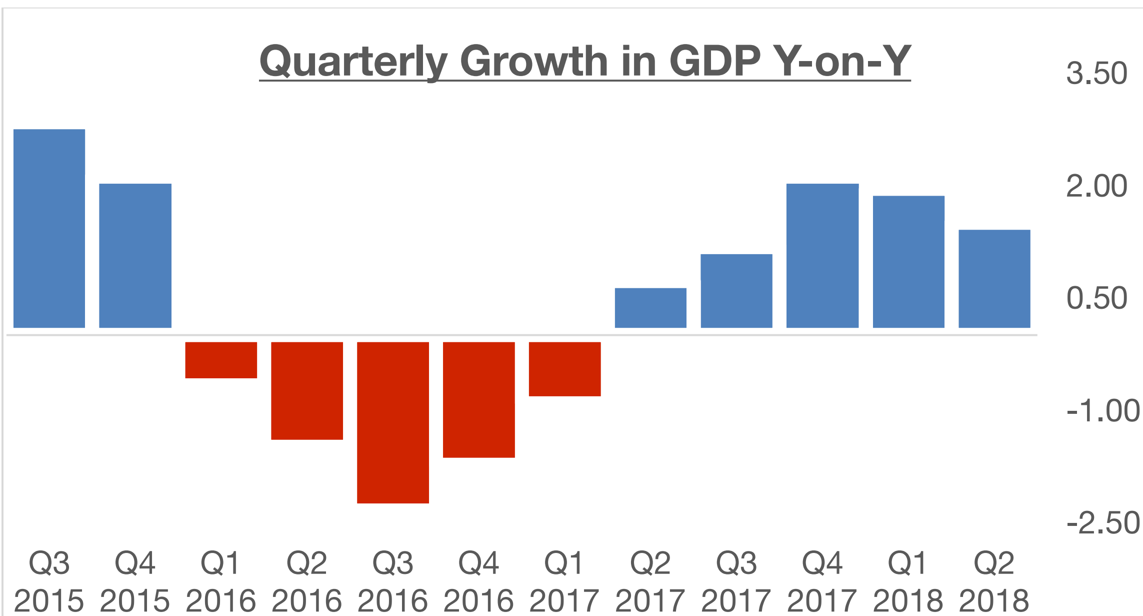
significant appreciation of the Naira from over NGN525/US$ in February 2017 to about NGN361/US$ today. Rates at the I&E window also appreciated from nearly NGN382/US$ in May 2017 to just over NGN360/US$.

NGN – USD Convergence Across the Various Markets



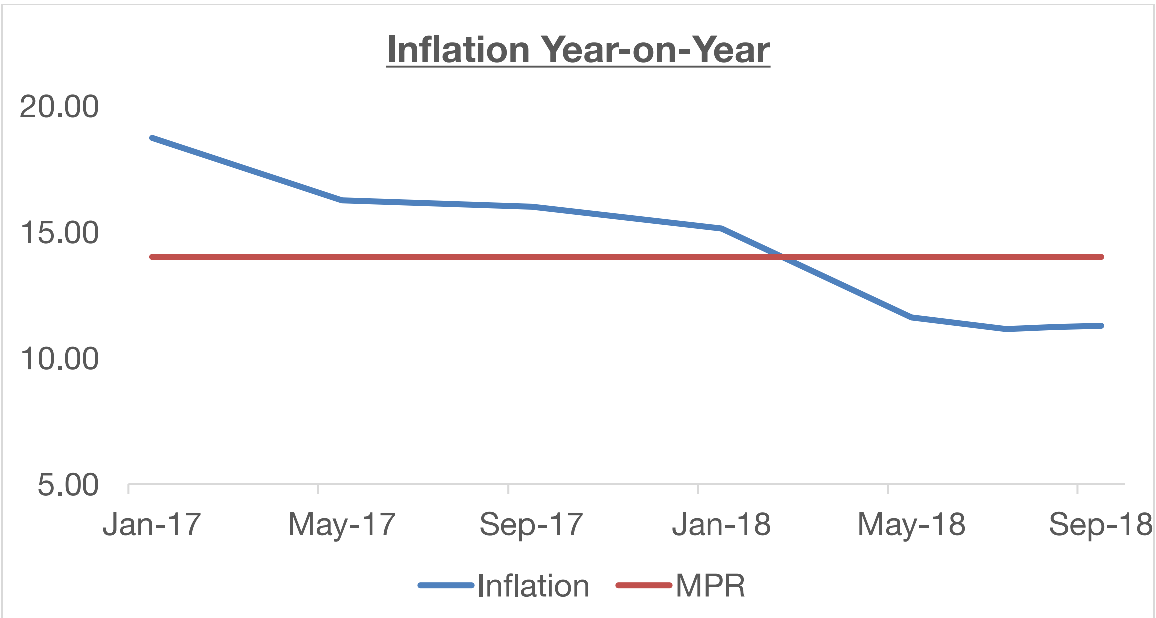
17. **GDP:** After five quarters of uninterrupted GDP contraction (beginning from 1st Quarter of 2016), the economy exited from the recession during the second quarter of 2017. The recovery has been

sustained for five consecutive quarters. Though the pace of GDP growth slowed from 1.95 percent in the first quarter of 2018 to 1.50 percent in the second quarter, short-term outlook continued to strengthen with average growth projections of about 1.9 percent for 2018



18. The measures taken by the CBN also had an impact on inflation. Following a period of rising inflationary pressure which peaked at 18.7 percent in January 2017, the Nigerian economy witnessed

eighteen straight months of disinflation, as inflation dropped to 11.1 percent in July 2018. A slight uptick to 11.25 percent was, however, recorded in October 2018 due to rising food prices.



19. Activities in the manufacturing sector also witnessed significant improvement between August 2016 and August 2018, as the Primary Manufacturing Index rose from a low of 42% in August 2016 to 57% in August 2018. This development was attributed to sustained supply of foreign exchange and stability of the naira.

20. We were also aware that in order to ensure sustainable growth, efforts must be made to address factors that constrained the growth of businesses in Nigeria. This led to the set-up of the enabling business committee PEBEC, chaired by His Excellency the Vice President. PEBEC was mandated to unlock bureaucratic constraints to doing business in Nigeria. The CBN and PEBEC worked together to improve access to credit for underserved Nigerians, through the set-up of a National Collateral Registry and the passage of the Credit Bureau Act. As a result of these initiatives in addition to other reforms, Nigeria moved up by 24 points in the World Bank's 2017 Doing Business Rankings. (145 from 167 in 2016)

Key Takeaways

21. The ongoing global tensions as well as the economic recession in 2016 provided us with some key lessons on some of the steps we need to take if we intend to improve the wealth base of the nation. Our understanding of the nature of Nigeria's domestic imbalances indicates that two key factors accentuated our vulnerability to global shocks. The first is the diminished total factor productivity in Nigeria due to a low and inadequate infrastructural base. The second is our overdependence on imports for both capital goods and domestic consumption.

22. With regards to the inadequate infrastructural base, I am aware of ongoing efforts being made by the fiscal authorities in constructing critical roads networks such as the 2nd Niger Bridge, Lagos – Ibadan Highway, Abuja – Kano road network, and the rail lines between Port-Harcourt - Maiduguri,

Itakpe - Ajaokuta and Lagos – Kano. These measures will go a long way in reducing the logistics cost of doing business in Nigeria, while opening up new markets for farmers, traders and manufacturers.

23. With regards to our overdependence of imports, the economic recession triggered mainly by the drop in crude oil prices, only strengthened the case for the need to move from a nation wholly dependent on consumption, to a nation that produces a large proportion of what it needs, particularly in areas where the resources or inputs needed for production are widely available across the country. This thought process shaped our decision to impose the restriction on access to forex for 41 items that can be produced in Nigeria.

24. There has been considerable discourse particularly on whether the restriction on access to foreign exchange for 41 items is driving local

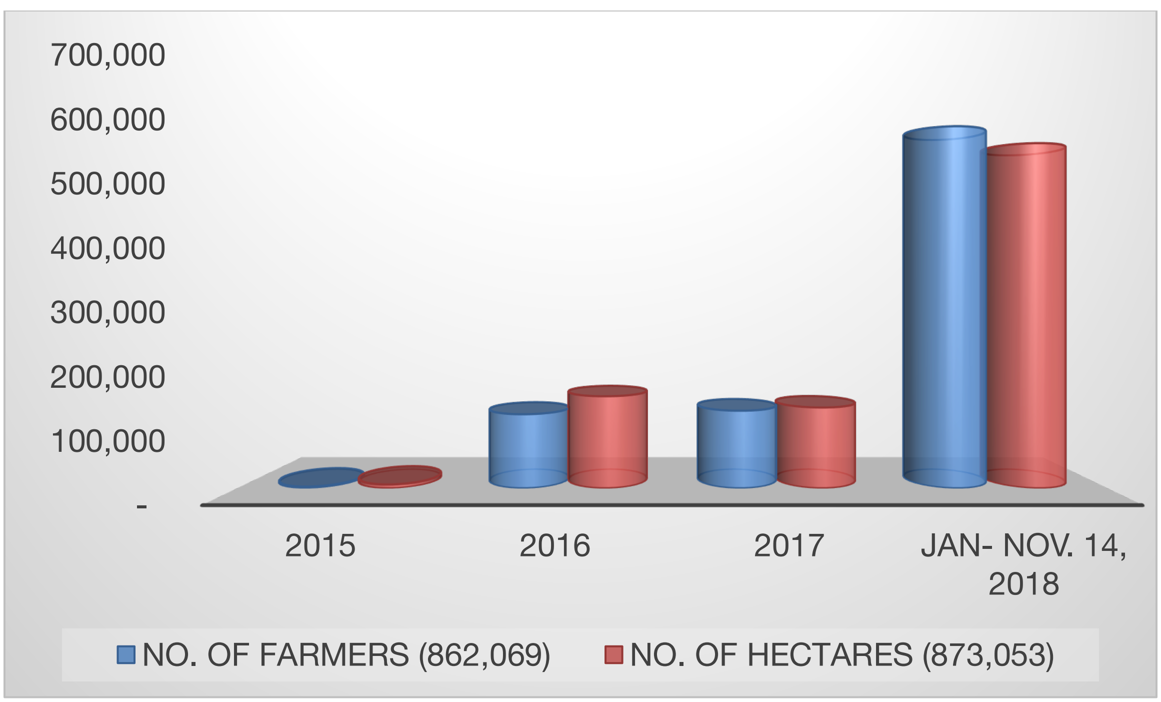
production, with some nay-sayers stating that it has constrained productivity and growth in the economy. Based on our internal research conducted at the Central Bank of Nigeria, there is strong support that the recovery of our economy from the recession may have been much weaker or even negative, without the implementation of the restriction on 41 items. Our research supports the conclusion that the combination of the restriction on 41 items along with other measures imposed by the fiscal and monetary authorities has helped to promote the recovery. Any attempt to reverse the course of this actions may have untold consequences on the growth trajectory of our economy particularly in our push to diversify and restructure our economy. In fact, recommendations are being made to the CBN that the list of 41 items be expanded to include other additional items that can be locally produced.

25. Second, many entrepreneurs are taking advantage of this policy to venture into the domestic production of the restricted items with remarkable successes and great positive impact on employment. The dramatic decline in our import bill and the increase in domestic production of these items attest to the efficacy of this policy. Noticeable declines were steadily recorded in our monthly food import bill from US$665.4 million in January 2015 to US$160.4 million as at October 2018; a cumulative fall of 75.9 percent and an implied savings of over US$21 billion on food imports alone over that period. Most evident were the 97.3 percent cumulative reduction in monthly rice import bills, 99.6 percent in fish, 81.3 percent in milk, 63.7 percent in sugar, and 60.5 percent in wheat. We are glad with the accomplishments recorded so far. Accordingly, this policy is expected to continue with vigor until the underlying imbalances within the Nigerian economy have been fully resolved;

26. **Development finance**: In continued recognition of our role as an agent of development and aimed at ensuring self-sufficiency to reduce Nigeria's excessive dependence on imports, the CBN invigorated its development finance activities. We have maintained a particular focus on supporting farmers, entrepreneurs as well as small and medium scale businesses, through our various intervention programs such as the Anchor Borrowers Program, Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL) and the National Collateral Registry. The CBN recently introduced the Real Sector Support fund; a facility meant to provide cheap funding at no more than 9 percent to new projects in the Agric and Manufacturing sectors; aimed at boosting output and creating jobs.

27. In the agriculture sector, the Anchor Borrower Programme (ABP) has ensured that Nigeria emerged from being a net importer of rice to becoming a major producer of rice, supplying key markets in neighboring countries. As at October 2018, a total number of 862,069 farmers cultivating about 835,239 hectares, across 16 different commodities, have so far benefited from the Anchor Borrowers programme, which has generated 2,502,675 jobs across the country.

<u>Anchor Borrowers Program</u>



28. It is in light of the success of the Anchor Borrowers Program with regards to cultivation of rice and maize that the Monetary Policy Committee in its last meeting on the 21st of November 2018 recommended that the Anchor Borrowers program be applied to other areas such as palm oil, tomatoes and fisheries to mention a few.

29. Our efforts at supporting small scale farmers and SMEs is based on our awareness of the critical role they can play in supporting our economic recovery and growth, as well as in creating job opportunities for millions of Nigerians. So far, the CBN has through its MSME fund disbursed over N100Billion to the MSME sector, but we still feel a lot can be done. Under the auspices of the Bankers Committee, the sum of over N60 billion has so far been set aside under the AGSMIES fund to fund Micro Small and Medium enterprise businesses in

the Agriculture and Manufacturing sectors of our economy. The CBN recognizes that the greatest challenge confronting MSME's and local farmers is access to credit, and that to unlock the growth potentials in our country; these groups must access funding seamlessly. In response to this challenge, the CBN will in due course take action that will directly bring Banking services to the rural communities through the licensing of a national Micro Finance Bank, which will have a presence in all local governments in Nigeria, thereby supporting the channeling of credit to our rural communities. We will continue to explore ways, in partnering with the fiscal authorities, on how we can best provide farmers and SMES with the support they need to expand their operations.

30. The other day when I visited an unnamed popular supermarket in Lagos, there was a big contrast between my visit to the shop 5 years ago, and my

visit in November. What was apparent was the huge increase in the number of made in Nigerian processed goods that were being sold in this store; From locally produced rice to well packaged ready to use tomato stew, dried fruits and also cassava chips. As I walked round the shop I could see the huge potential of Nigerian entrepreneurs, as they developed products which could compete with their peers in other climes. I could also imagine the number of people who are being employed by these entrepreneurs to support production of these goods. For us to grow as a nation, we must continue to encourage these businesses as they do more than just provide goods, they help to sustain the vitality of the communities in which they live and work.

31. **Financial Inclusion –** Cognizant of the fact that close to 40% of adult Nigerians do not have access to financial services, the bank implemented a series of steps that will help drive our efforts aimed

at building a more financially inclusive society. Some of these measures include the Agent Banking Guidelines and the Shared Agent Network Facility (SANEF), both of which are intended to deepen penetration of agent networks in underserved locations across the country. The recent launch of the policy on Payment Service Banks in October 2018, is an additional step aimed at leveraging on the distribution networks of non-bank entities, such as Fast-Moving Consumer Goods companies, Fintechs, and Mobile Network Operators, in providing financial services to under-served communities. With these schemes in place, we believe that over the next 2 years, over 80% of Nigerians will have access to financial services.

32. **Credit Allocation**: As part of its long-term strategy for strengthening the Nigerian economy, the Bank established initiatives to resolve the underlying challenges to long-term GDP growth, economic

productivity, unemployment and poverty that had pervaded the economy over the past decades. Hence, the CBN established the Credit Bureau and the National Collateral Registry to improve access to credit in the domestic economy. We believe these measures will help to instil a stronger credit culture and unlock access to finance for deserving Nigerians, including those who may not have fixed assets to provide to banks as collateral.

33. Furthermore, to spur bank lending to high-impact sector, the Bank, at its July 2018 MPC, pledged to refund CRR to banks under certain conditions. Banks that bring proposal for funding of new projects or expansion of existing ones in agriculture and manufacturing sectors will, accordingly, qualify for CRR refund of up to 100 percent. It is our expectation that banks would use this opportunity to expand credits to the real sector.

34. **Risk Based Supervision**: The recent weakening of the Naira, following the shift to a more flexible foreign exchange mechanism, impacted somewhat on the balance sheets of domestic banks. To guarantee financial stability as Nigeria continues with flexible exchange rate system, the CBN took a number of steps, including:

- Monitoring compliance of supervised institutions with the foreign exchange management framework issued in June 2016 through our risk-based supervision methodology, which also involved reviewing international trade and foreign exchange operations of local banks;
- Monitoring the financial position and performance of supervised institutions;
- Assessment of the risk profile and governance management practices of banks
- In the event of major deteriorations on any key risk indicator, we engaged with the affected bank in

order to mitigate concerns and shore-up their capital base.

35. As I have always emphasized, it is our collective duty to ensure that the potentials and prospects of the Nigerian economy is optimally realized. The ongoing economic recovery requires the joint efforts and wise counsel of everyone seated here, if we must make giant strides forward. The CBN is more determined now than ever to remain at the forefront of the effort to ensure that the rebound is not overturned.

Peer Review of Emerging Market Economies

36. Ladies and gentlemen, in assessing Nigeria's recovery efforts and performance, it is essential to conduct a comparative assessment of our peers. Strikingly, it will be discovered that Nigeria did not fare badly vis-à-vis other emerging market

economies like Brazil, South Africa, Turkey, and Argentina, that had similar economic experiences.

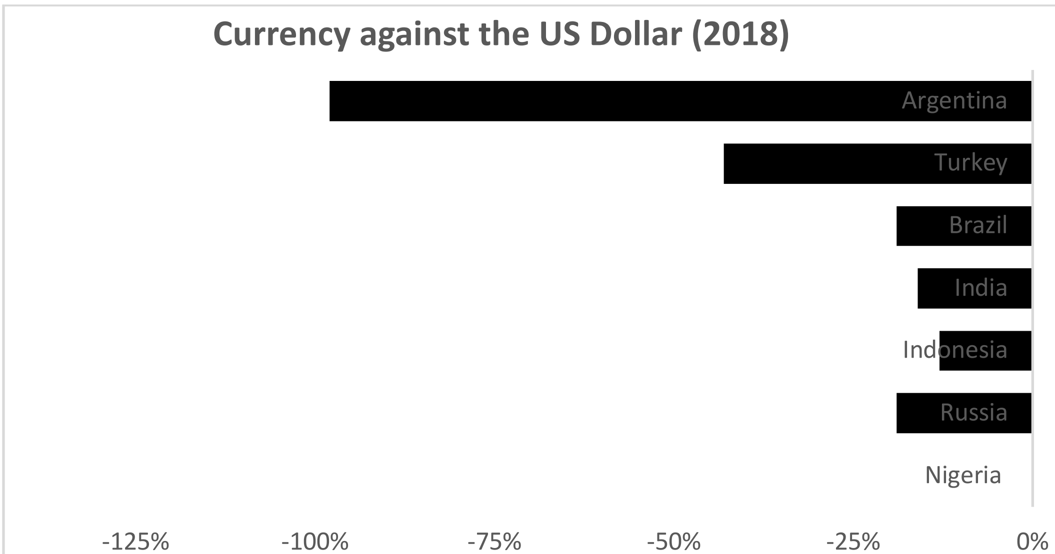
37. Amidst the growing challenges, Nigeria has managed to keep real GDP growth positive and has avoided a double-dip recession in contrast to some other emerging markets economies.

38. In comparison and following its 2016 contractions, the South African economy recorded a double-dip recession with renewed contractions of 2.6 and 0.7 percent in the first and second quarters of 2018, respectively. In Argentina, though the economy was in recession throughout 2016, moderate upticks which peaked at 1.9 percent quarter two of 2017 ended that recession. However, the Argentinian economy shrank by 4.0 per cent in quarter two of 2018, bringing the country to the brink of another recession.

39. The Brazilian economy had been in recession since 2015 and only emerged from it the first quarter of 2017 with a growth rate of 1.0 percent. Since then the growth has slowed progressively until the last quarter of 2017 when growth remained flat. However, the economy is gradually rebounding and has recorded 0.1 and 0.2 percentage growth rates in the first and second quarters of 2018.

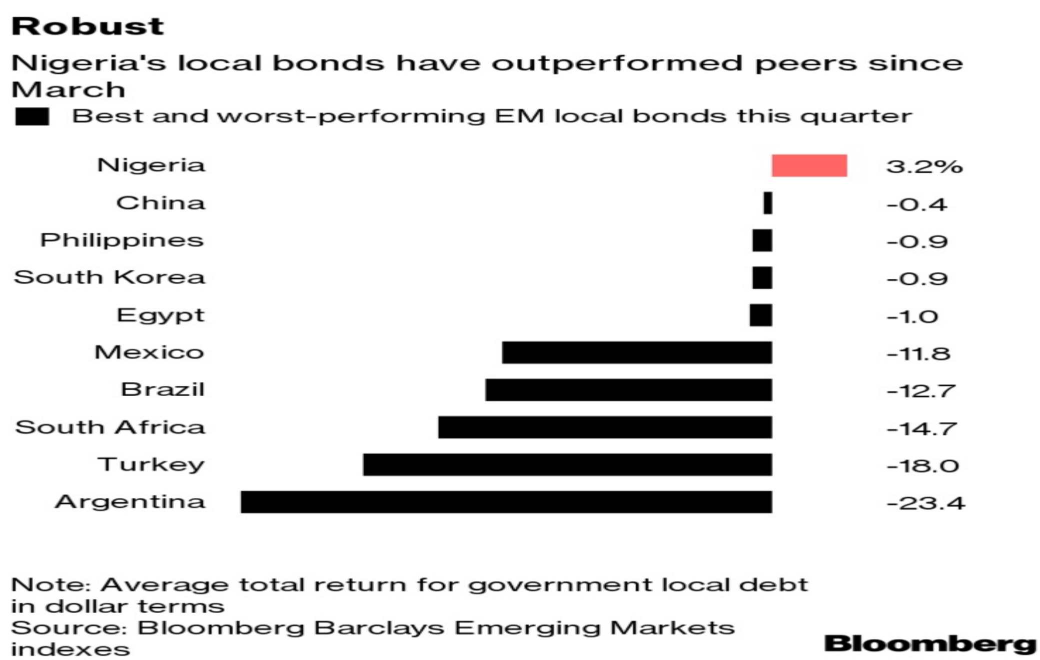
40. Given rising yields in advanced markets, capital outflows from emerging markets have increased tremendously. This has led to substantial exchange market pressures in many emerging markets with FX reserves falling about 25.2 percent in Argentina, 9.6 percent in Turkey, and 2.1 percent in South Africa since the beginning of the year. Also, significant currency depreciation was recorded in Argentina (by 101 percent), Turkey (43 percent), Brazil (19 percent), Russia (19 percent)

and India (16 percent); even as the naira remained stable.(-.006%)



41. As a matter of fact, a recent Bloomberg data on financial market performances shows that Nigeria bond market remains one of the most attractive investment destinations -In the Bloomberg's Emerging-Market Local-Currency Government Bonds index, which covers major emerging markets such as Nigeria, South Africa, Argentina**,** **China**, and Russia, in the 2nd Quarter of 2018, Nigerian local bonds topped the chart with an

average total return of 3.2% in dollar returns(The index covers Nigerian Government Bonds with maturities from 2019 to 2037) . The total return is a combination of the price changes in the bonds over the 2nd Quarter of 2018, the interest returns and the changes in the currency.



42. Nigeria's dominance over this period was due to the stability of the I&E FX rate and the yields being high by emerging-market standards. Investors are also sure that they can exit their positions if they want, which has been crucial in driving other investors into the market.

Outlook and Policy Thrust for 2019

43. Global growth projections both for 2018 and 2019 have been revised downward to 3.7 percent from the 3.9 percent earlier projected. Growth momentum in US is projected to remain strong as fiscal stimulus continues into 2019. In emerging markets, growth forecasts are revised downward for Argentina, Brazil, Iran, Turkey, and South Africa reflecting country-specific factors, uncertainties in the financial conditions, and rising geopolitical tensions as well as higher oil import bills.

44. In light of 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** stance will remain judicious, research driven, adequate and supportive of the real economy subject to underlying fundamentals. The current tight stance is expected to continue in the near-term, 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, the CBN will continue to ensure that the policy interest rate is delicately set to balance the objectives of price stability with output stabilization;

- **GDP:** With favorable oil price developments and continued efforts at driving indigenous production in high-impact real sector activities, especially agriculture and manufacturing, GDP is expected to pick-up in the remaining two quarters of 2018. This will be buoyed by the anticipated budgetary and electioneering spending in the near-term. From 1.5 percent in quarter two of 2018, growth is projected to quicken to 1.7 percent in quarter three and 1.9 by the fourth quarter;

- **Inflation:** Inflation expectations are rising on the backdrop of anticipated politically-related liquidity injections. For the rest of 2018 and towards mid-2019 Nigeria's rate of inflation is projected to rise slightly to about 11.4 percent and then moderate thereafter;

- **Exchange Rate:** Though the CBN has so far managed to maintain exchange rate stability, the current capital flow reversals from emerging markets is expected to continue to exert considerable pressure on market rates. This pressure could be amplified by the forthcoming elections, especially as the political market place heats up. Notwithstanding these pressures, the CBN is determined to maintain its stable exchange policy stance over the next few months given the relatively high level of reserves. Gross stability is projected in the FX market given increased oil related inflows and contained import bill. I will like to make it categorically clear that “***sustaining a stable exchange rate is of overriding importance to us even as we continue to put measures in place to shore up reserves***”;

- **BOP:** Overall our balance of payments is expected to remain positive in the short-term. Hoping that oil prices continued to recover, we expect the Current Account Balance to strengthen even further. This will be supported by improved non-oil performance as diversification efforts begin to yield results to reduce undue imports.

- **Supporting Domestic Production:** Given the remarkable success that has been achieved in stimulating domestic production of goods such as rice, cassava and maize, as a result of the restrictions placed by the CBN on access to forex for 41 items, the CBN intends to vigorously ensure that this policy remains in place, and additional efforts would be made to block any attempts by unscrupulous parties(both individuals and corporates) that intend to find other avenues of accessing forex, in order to import these items into Nigeria. The CBN's Economic intelligence and Banking Supervision Departments will work very hard with the EFCC to expose and sanction any, bank, company or Fx operator that colludes with unscrupulous individuals / companies to undermine the policy on 41 items. Such sanctions will include, but not limited to prohibiting the banks from maintaining any bank accounts for such institutions or persons in Nigeria.

Given the global and domestic headwinds we face as a nation, and the volatility that is being experienced in the crude oil market, 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. If we continue to support the growth of small holders farmers, as well as help to revive palm oil refineries, rice mills, cassava and tomato processing factories, you can only imagine the amount of wealth and jobs that will be created in the country; These could include new set of small holders farmers that will be engaged in productive activities; new logistics companies that will transport raw materials to factories, and finished goods to the market; new storage centres that will be built to store locally produced goods; additional growth for our banks and financial institutions as they will be able to provide financial services to support these new businesses; and finally, the millions of Nigerians that will be employed in factories to support processing of goods. If we turn a blind eye to the opportunities that are being created as a result of our policy on 41 items, we will be spelling doom for our nation. We can no longer afford to depend solely on imports given the size of our population, and the need to create jobs for our people. This is precisely the purpose behind our intention to restrict access to forex on 41 items, and I urge all stakeholders to come onboard, as we intend to be vigorous in our pursuit of this objective.

- **Domestic Credit:** The Bank will explore the possibility of leveraging technology to enhance credit to critical sectors of the economy, especially, agriculture and manufacturing. Our recently announced policy to refund portions of CRR to banks that are financing new projects (or expanding existing ones) in agriculture and manufacturing sectors will be intensified and enriched in the coming years. This, we believe, will bolster job creation while supporting our agenda to correct Nigeria's imbalances and vulnerabilities.

- **Open to Foreign Investors:** As the monetary and fiscal authorities continue to work tirelessly to support the recovery of our economy, it is important to acknowledge some of Nigeria's enduring strengths, which offer significant rewards for current and prospective foreign investors. Notwithstanding the impact of the recession, Nigeria's economy remains the largest in Africa by the size of its GDP, with a very well diversified mix of opportunities across different sectors, such as ICT, Manufacturing, Solid Minerals, Trade and Agriculture. The Central Bank and indeed the Federal Government is open to foreign investors who are keen to support our efforts at unlocking the immense opportunities in our economy, knowing that it offers mutual gains to both the investors and the nation. Investors can be assured that their investments in Nigeria would be duly protected by the authorities, as we are fully aware of the various advantages they can provide to our economy in terms of capital and technological know-how. We hereby reaffirm our commitment to investors that Nigeria is indeed open for business.

Conclusion

45. Distinguished ladies and Gentlemen, I would like to conclude my remarks today with the story of a

revered Mongolian warrior named Genghis Khan, who had a falcon that is exceptionally well-trained for hunting. The falcon would usually sit meekly on the warrior's arm and would do everything that the warrior commands —even when no words were spoken. Khan loved this falcon and boasted lavishly about the bird's loyalty. It could see things from the skies that humans could not.

46. On a certain day, however, the warrior and his entourage embarked on a hunt. Despite the group's best efforts, they found nothing. They had stayed in the forest longer than expected, and an irate Khan was now desperately tired and thirsty. Then, to his delight, he saw a thread of water flowing from a rock just in front of him. He took out a cup to fill and drink. Just as he was about to raise it to his lips, the falcon plucked the cup from his hands and spilled it. Once again, he filled the cup and the falcon spilled it a second time. Khan, now enraged by the intolerable disrespect, drew his

sword, and for a third time refilled his cup. As the falcon again took flight towards him, Khan, with one thrust, killed it.

47. The trickling thread of water had, however, dried up by that time. When Khan climbed the rock in search of more water he saw that one of the most poisonous snakes lay dead in the pool. If he had drunk the water, he, too, would have died. It was only then that Khan realized that the falcon’s actions had saved his life. Having impetuously and impatiently killed a genuinely loyal ally, a distraught and abjectly regretful Khan returned to camp with the dead falcon in his arms. He ordered a gold figurine of the bird to be fabricated with touching words engraved unto its wings. But, it was too late; the falcon was dead. The damage is irreversible. A loyal and genuinely caring bird has been impatiently slayed.

48. Ladies and gentlemen, this story culled from Paulo Coelho’s book titled “Like the Flowing River” underscores the folly of intolerance and impatience especially when we hastily judge certain actions or policies as unfavorable in the near-term without due consideration for their long-run merits. As I have reiterated in my earlier addresses to you, policymaking and leadership is not a popularity context. Many of us in this room understand that, as leaders, we have to take seemingly unpopular decisions every now and again for the best outcomes.

Like the falcon, you must note that policymakers usually have a panoramic view of events given the enormous array of information and data at their disposal; some of which could be considered classified. Again, like the falcon, we are dogmatically willing to stick-out our necks for what is right even if that would earn us instant and, sometimes, irreversible condemnation; or even our heads. Like the falcon, we must be bold to do what is right at all times regardless of whether we will be harshly castigated for those actions.

Once again, I call on all of us, this evening, to set aside our complaints, differences and distractions, and let us work together to create a Nigeria, where balanced growth and shared prosperity is guaranteed for all.

As I leave you to digest the moral of that story, ladies and gentlemen, let me take my seat and start digesting my meal for the evening!

49. 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

30 November 2018