



# **CENTRAL BANK OF NIGERIA**

**A PRESENTATION**

**BY**

**GODWIN I. EMEFIELE, *CON***

**GOVERNOR, CENTRAL BANK OF NIGERIA**

**ON THE OCCASION OF**

**2021 NATIONAL COUNCIL ON FINANCE AND ECONOMIC  
DEVELOPMENT CONFERENCE  
NOVEMBER 2021**

## Introduction

1. Good afternoon, Ladies and Gentlemen. I am here to discuss the role of the CBN in the economic stability of the sub-national governments in Nigeria. What we do as a Central Bank is not to issue policies for the sub-national governments. Our policies are national policies that affect all states of the Federation. The policies I am about to elucidate in this presentation are not particular to any State or subnational government. The policies affect all States that make up the subnational governments in Nigeria.

2. Let me provide an initial background of the Nigeria economy before COVID. In 2019, before the COVID pandemic, the macro economy recorded strong growth. GDP growth for 2019 stood at 2.29 percent, supported by strong growth of 2.55 percent in the 4th quarter of 2019, along with significant foreign capital inflows due to improved fundamentals of the economy (See Table below for reference):

| <b>Nigeria: Selected Economic Indicators<br/>(Pre, During, and After COVID-19)</b> |                |                   |                           |                                       |
|--|----------------|-------------------|---------------------------|---------------------------------------|
| <b>Year</b>  | <b>Quarter</b> | <b>GDP Growth</b> | <b>Headline Inflation</b> | <b>FX Reserves<br/>(Billions USD)</b> |
| 2018   | Q1             | 1.95              | 13.34                     | 46.20                                 |
| 2018   | Q2             | 1.50              | 11.23                     | 47.70                                 |
| 2018   | Q3             | 1.81              | 11.28                     | 44.30                                 |
| 2018   | Q4             | 2.38              | 11.44                     | 43.10                                 |
| 2019   | Q1             | 2.10              | 11.25                     | 44.40                                 |
| 2019   | Q2             | 2.12              | 11.22                     | 45.10                                 |
| 2019   | Q3             | 2.28              | 11.24                     | 41.80                                 |
| 2019   | Q4             | 2.55              | 11.98                     | 38.60                                 |
| 2020   | Q1             | 1.87              | 12.26                     | 35.10                                 |
| 2020   | Q2             | -6.10             | 12.56                     | 36.10                                 |
| 2020   | Q3             | -3.62             | 13.71                     | 35.70                                 |
| 2020   | Q4             | 0.11              | 15.75                     | 35.40                                 |
| 2021   | Q1             | 0.51              | 18.17                     | 34.80                                 |
| 2021   | Q2             | 5.01              | 17.75                     | 33.30                                 |
| 2021   | Q3             |                   | 16.63                     | 36.71                                 |
| 2021   | Q4             |                   |                           | 41.82                                 |

## COVID-19 Effects

3. Moving on to 2020, COVID led to loss of lives and loss of means of livelihood. The economy receded due to lockdown, restrictions, global supply shocks. Oil prices fell by over 50 percent between January and May 2020 which resulted in a significant contraction in oil demand, revenue shortfall and a drop in our foreign exchange earnings.

4. The COVID pandemic in 2020 affected the macro economy. Our economy experienced two consecutive quarters of contraction which meant we were in a recession, like every other country in the world.

- Inflation rate rose to 18.17 percent in March 2021 from 12.12 percent in January 2020, and external reserves declined to about US\$34.3bn in May 2021 from nearly US\$36.7bn in January 2020.
- Oil prices fell by over 50 percent between January and May 2020 which resulted in a significant contraction in oil demand, revenue shortfall and a drop in our foreign exchange earnings.
- Market Turnover in the I&E window declined significantly too:
- FX Trading turnover was an average of US\$262.3 million daily in 2019. It fell to about US\$44 million at the height of COVID in the second quarter (See Table below).

| Average FX Market Turnover I&E Window<br>(In Millions of USD) |        |       |       |
|---|--------|-------|-------|
|   | 2019Q4 | 2020  | 2021  |
| Q1  | 322.1  | 346.9 | 64.1  |
| Q2  | 222.7  | 44.1  | 114.2 |
| Q3  | 243.5  | 58.8  | 157.4 |
| Q4  | 260.7  | 123.9 | 209.3 |
|   |        |       |       |
|   | 262.3  | 143.4 |       |
|   |        |       |       |

5. The immediate effects of COVID-19 in Nigeria were felt through the loss of means of livelihood for many households during the lockdown. Food prices were increasing and there was rationing of available foodstuff in the markets which led to artificial food scarcity in some states. The CBN intervened to mitigate the negative effect of COVID on the Nigerians and the economy by issuing a number of short-term, medium-term and long-term policies.

### **Short-term Policies to tackle COVID**

6. In the short term, the CBN intervened to mitigate the immediate effects of COVID-19 in Nigeria by:

- i. Creating a NGN 100 billion target credit facility for affected households and small and medium enterprises through the Nirsal Microfinance Bank. The beneficiaries of the targeted credit facility fairly distributed across the country. Our latest data show that the North-Central region has 18% of the beneficiaries, North West region has 18% of the beneficiaries, North East region has 17% of the beneficiaries, South West region has 16% of the beneficiaries, South East region has 16% of the beneficiaries, and South South region has 16% of the beneficiaries (16%), and the percentages are changing continuously.
- ii. Creating a NGN100 billion intervention fund in loans to support pharmaceutical companies and healthcare practitioners and to expand and strengthen the capacity of our healthcare institutions;
- iii. Creating a N1 trillion facility in loans to boost local manufacturing and production across critical sectors;
- iv. Creating a research fund, which is designed to support the development of vaccines in Nigeria.

### **Medium Term Policies to tackle COVID-19**

7. In the medium term, the CBN issued policies to support recovery from COVID-induced recession by:

- Granting approval of 3 payment bank licenses which would accelerate the provision of digital financial services by bank and non-bank institutions and reduce the need for paper money.
- The implementation of the Tertiary Institutions Entrepreneurship Scheme (TIES) to promote entrepreneurial activities and foster job creation among Nigerian youths.
- Supporting the Auto-Gas Conversion Programme of the Federal Government which will improve gas-based infrastructure in line with the Auto-Gas Conversion Programme.
- The creation of the Real Sector Facility sector to engender output growth, value added productivity and job creation. The sum of N1.00 trillion has been released to 269 real sector projects.
- Creation of the Nigerian Electricity Market Stabilization Facility to provide liquidity support and stimulate critical infrastructure investment to improve service delivery and collection efficiency.

### **Long Term Policies to tackle COVID-19**

8. In the long term, the CBN issued policies to support post-COVID growth and resilience by:

- **InfraCorp:** The establishment of InfraCo PLC to address the funding challenges in financing the development of critical infrastructure. The InfraCo will act as a catalyst for growth in the medium and the long run while providing reasonable returns to investors.
- **Central Digital Currency (eNaira):** The creation of a Central Bank Digital Currency, or the eNaira, to support post-COVID economic growth. The eNaira will increase financial inclusion, improve the conduct of monetary policy, and facilitate low-cost and efficient payments,

- **Nigeria International Financial Centre (NIFC):** The CBN first expressed its strategic objective of transforming Nigeria into **an international finance center** in the FSS2020 Document. We now firmly believe that though time has passed since this declaration, we must now urgently and vigorously pursue this objective.

**Other Underlying Economic Pursuits:** In addition to these policies, we have also been pursuing other policies targeted at securing steady growth, reducing poverty and creating a better business environment for all Nigerians. These include:

- **Agricultural Interventions**

9. We have increased our intervention in food security in Nigeria through our various agricultural intervention schemes. For instance, our Anchor Borrowers' Programme (ABP) has positively affected all States in Nigeria by ensuring that all States receive adequate food supply to meet the consumption needs of citizens in each state. Under the ABP, we have disbursed N31.08bn to 105,244 farmers for 47 projects. Also, the Agric Small Medium Enterprise Scheme (AGSMEIS) has disbursed N116.2b to 31,058 beneficiaries. Our interventions in agriculture have led to a significant increase in food production and has created over 200,000 direct and indirect jobs cumulatively.

- **The Drive to Diversification**

10. The CBN has also initiated the drive to diversification in the economy by:
- Reducing import of goods that can be produced in the country in order to encourage agricultural production and the local production of goods like petroleum and petrochemical products. This will create employment opportunities for Nigerians in many States of the Federation.
  - Reawakening Nigeria's manufacturing industry and reposition them for the AFCFTA. We will do so by providing cheap loans over long terms and making available FX for imports of machinery.

**General Outcome of CBN policies:** Having done all these, we are delighted that the outcomes have been quite positive.

11. Indeed, as a result of our policies:

- Exiting the recession: Nigeria recovered quickly from the recession was due to targeted interventions in the critical sectors of the economy, monetary and exchange rate policies to stabilize exchange rate, the implementation of the Economic Sustainability Plan, and the nationwide improvement in vaccine administration and coverage.
- GDP: GDP rebounded with a strong positive growth of 5.1% percent in the 2<sup>nd</sup> quarter of 2021 from negative growth of -6.1% in the 2<sup>nd</sup> quarter of 2020. The recovery path has continued to strengthen in 2021 as a result of the stimulus support provided by our various policies and interventions.
- Inflation: Headline inflation rate decreased to 17.01 percent in August 2021 from 18.17 percent in March 2021, and we are increasing our efforts to control inflation towards the CBN's single-digit tolerance range.
- FX Reserves: Nigeria's FX reserves has increased to over US\$40bn from about US\$33.4bn in March 2020 due to inflows from the IMF, Eurobond proceeds, and complemented by CBN's astute management of the foreign exchange market.

## **Conclusion**

12. In summary, let me say that the numerous interventions of the CBN, particularly during the COVID-19 pandemic, have supported economic growth not only at the national level but also at the sub-national level. We believe that our national policies will lead to greater stability in the economy of the sub-national governments as well as for the macro economy.

Thank you for listening

**Godwin I. Emefiele (CON)**

Governor, Central Bank of Nigeria

November 2021