

# OVERVIEW OF RECENT ECONOMIC DEVELOPMENTS AND COUNTERVAILING MEASURES

Godwin I. Emefiele, *CON*  
**GOVERNOR**  
CENTRAL BANK OF NIGERIA

State House, Abuja  
June 2015

## PRESENTATION OUTLINE

2

Central Bank of Nigeria

### I. INTRODUCTION

Global Macroeconomic Developments

### II. SPILLOVERS TO NIGERIA

Crude Oil Prices, Exchange Rates and FX Reserves

### III. POLICY RESPONSES

Reactive and Proactive

### IV. CONCLUSION

Cooperation Needed. No need for panic



## I. INTRODUCTION

3

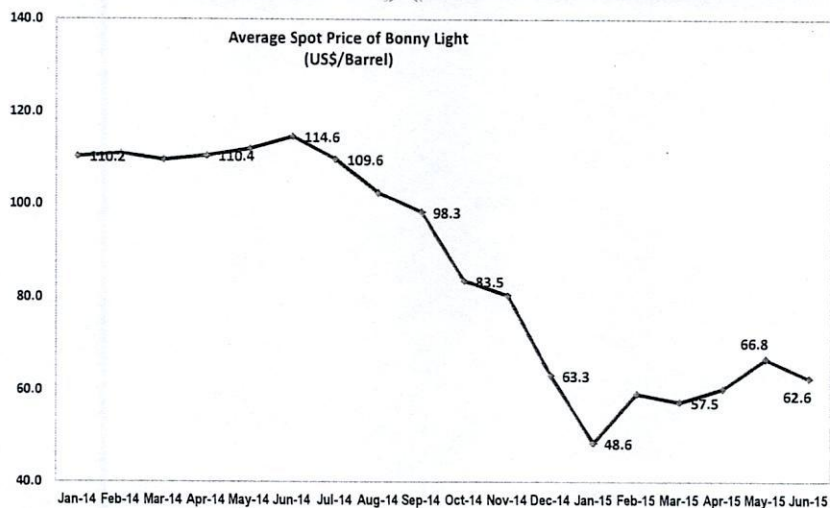
### Global Macroeconomic Developments

- Weak global economic recovery
- Significant fall in global commodity prices, including oil
- Geopolitical tensions (Russian Sanctions)
- End of US Fed's Quantitative Easing Programme

Central Bank of Nigeria



## Trend in Global Oil Prices (2014—Date)



Central Bank of Nigeria

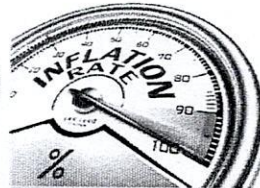
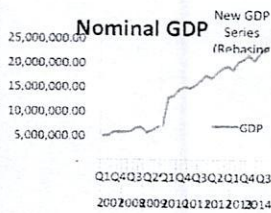


## Spillovers to Nigeria—Positive Outcomes

Central Bank of Nigeria



Robust GDP Growth at 6.2% in 2014, though slowing



Inflation stayed with the Bank's band at 9.0 as at May 2015

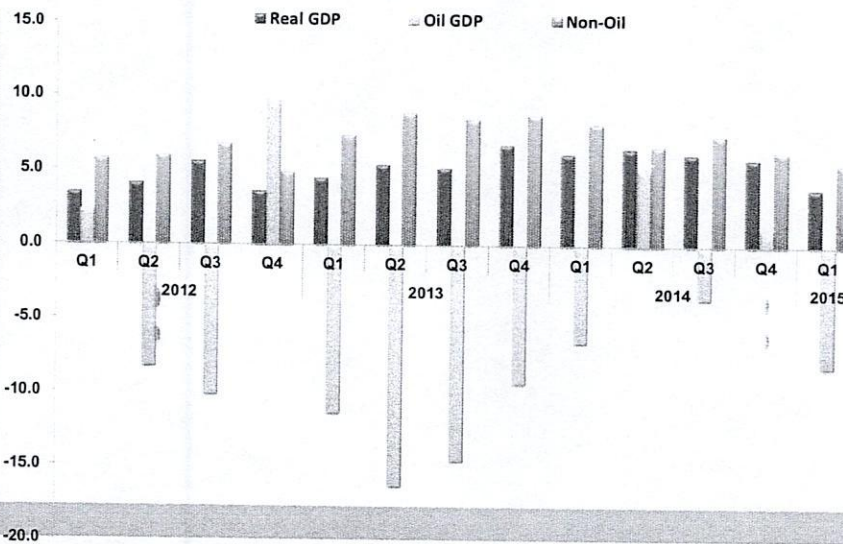


Budget Deficit decreased to N835.64 billion in 2014, from N1,153.5 billion in 2013



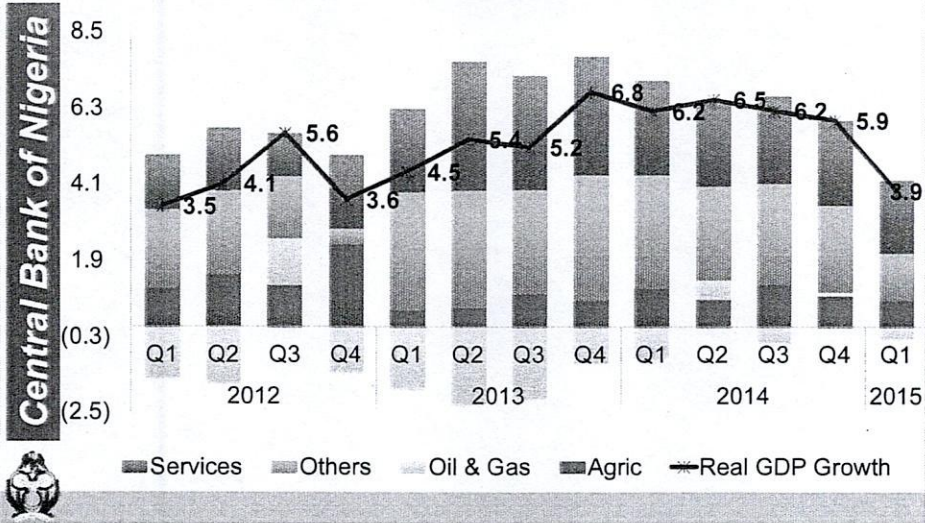
## Strong But Slowing Real GDP Growth

Central Bank of Nigeria



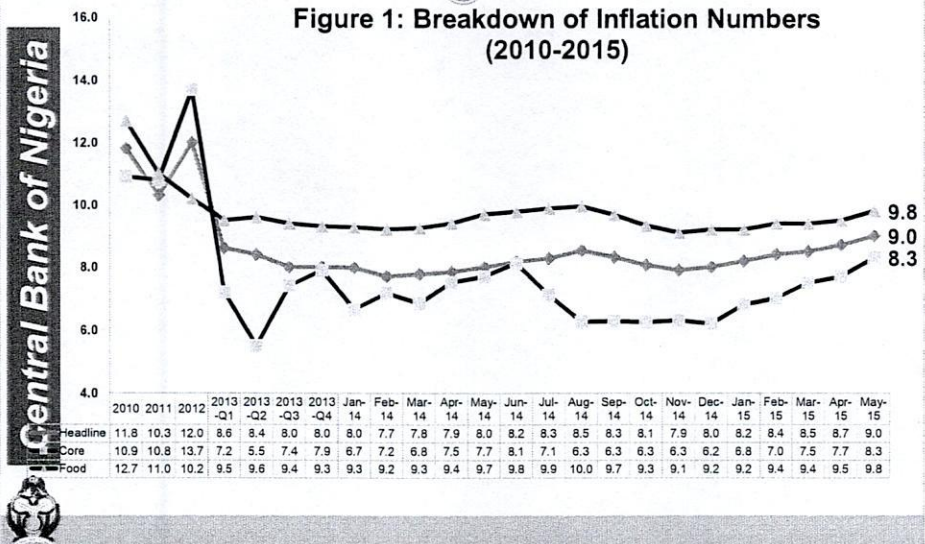
...Services accounting for a larger share of Growth

Relative Contribution to Real GDP Growth



...Inflation has risen slowly but still largely stable

Figure 1: Breakdown of Inflation Numbers (2010-2015)



## Spillovers to Nigeria—Negative Outcomes

Central Bank of Nigeria



1  
Between Jun.30, 2014 and Dec.31, 2014 price of Bonny Light by 50.7% (\$112.78/b to \$55.57/b) Recorded 15% decline between Dec.31,2014 and Jan.23,2015 (\$55.57 /b to \$42.22/b); recording a recovery of 30.1% as at Mar. 31, 2015 (\$42.22/b to \$55.09/b)



2  
Foreign Reserve dropped by 14.9% from US\$34.47 billion (Dec. 2014) to US\$29.1 billion (May. 2015)



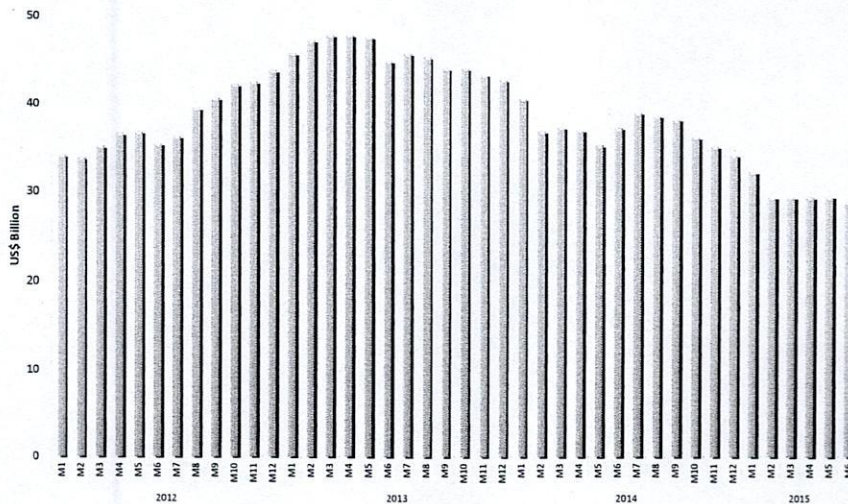
3  
Naira depreciated by 8% and 13% at the Official and Interbank Markets in 2014 and by 8.6% at the Interbank Market as at end-May 2015



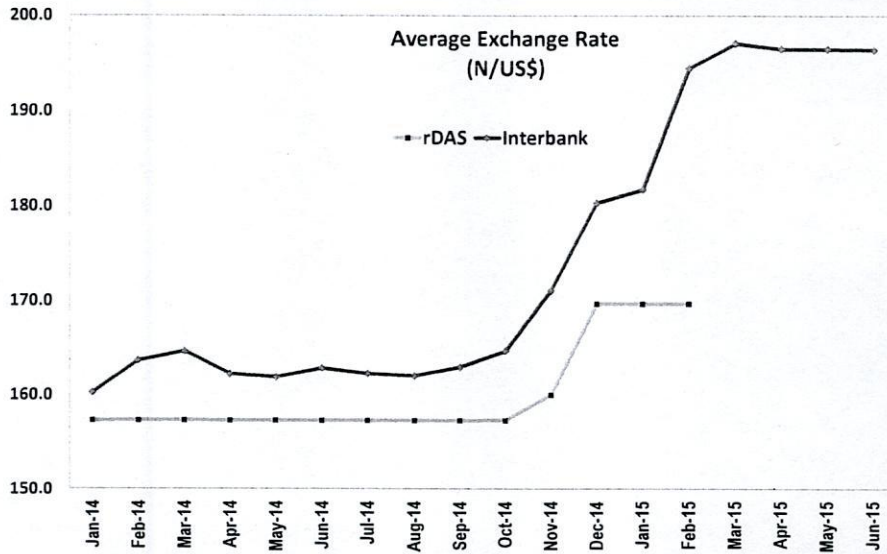
4  
NSE ASI closed at 34,657.15, a decline of 16.1% in 2014 and rose by 9.9% from 30,361.7 to close at 33,380.84 as at 23 June 2015



## ...FX Reserves are declining but still robust



## Spillovers to Domestic Economy: Exchange Rate Movements



## Spillovers to Rest of the World: Exchange Rate Movements

Emerging Markets Exchange Rate Movements Against the US Dollar

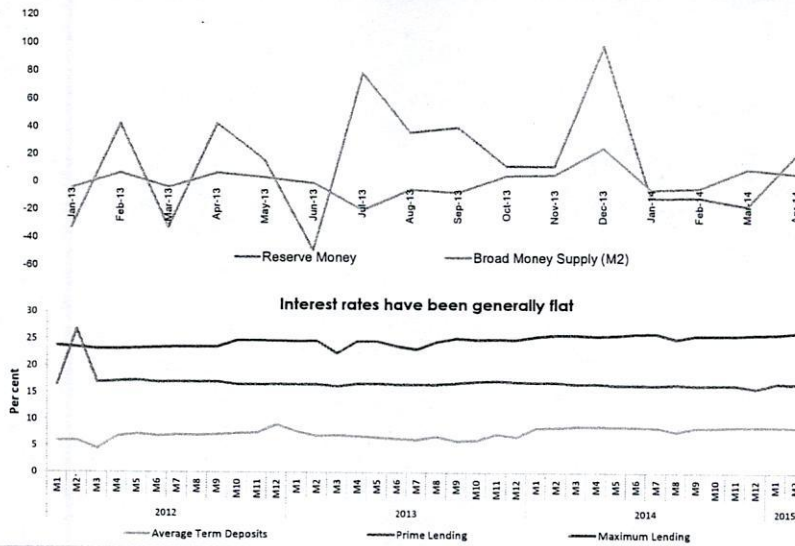
S/N (1)	Country (2)	Currency Unit (3)	Currency Unit/US Dollar				% Appreciation/(Depreciation)		
			31-Dec-14 (4)	30-Jan-15 (5)	27-Feb-15 (6)	20-Jun-15 (7)	(4)/(7) (8)	(5)/(7) (9)	(6)/(7) (10)
1	Brazil	Real	2.6580	2.6434	2.9146	3.2832	(19.04)	(19.49)	(11.23)
2	Chile	Peso	607.6600	628.9700	621.5000	637.8500	(4.73)	(1.39)	(2.56)
3	China	Yuan/Renminbi	6.2076	6.2505	6.2697	6.2067	0.01	0.71	1.02
4	Columbia	Peso	2378.0000	2412.1000	2492.9000	2632.0000	(9.65)	(8.35)	(5.28)
5	Czech Republic	Koruna	22.8200	24.5190	24.5160	25.6640	(11.08)	(4.46)	(4.47)
6	Egypt	Pound	7.1501	7.5901	7.6301	7.6301	(6.29)	(0.52)	0.00
7	Ghana	Cedi	3.2200	3.3100	3.5100	3.7200	(13.44)	(11.02)	(5.65)
8	Hungary	Forint	259.5900	275.0800	270.1500	283.3000	(8.37)	(2.90)	(4.64)
9	India	Rupee	63.0400	61.9685	61.8084	62.4250	0.99	(0.73)	(0.99)
10	Indonesia	Rupiah	12,390.00	12,670.00	12,930.00	13,120.00	(5.56)	(3.43)	(1.45)
11	Kenya	Shilling	90.8000	91.7000	91.6700	92.1500	(1.47)	(0.49)	(0.52)
12	Korea	Won	1090.8400	1098.1500	1100.4300	1125.2500	(3.06)	(2.41)	(2.21)
13	Malaysia	Ringgit	3.4980	3.6320	3.6120	3.7330	(6.30)	(2.71)	(3.24)
14	Mexico	Peso	14.7028	14.8600	15.0323	15.1630	(3.04)	(2.00)	(0.86)
15	Morocco	Dirham	9.0510	9.5450	9.6469	9.9785	(9.29)	(4.34)	(3.32)
16	Peru	Nuevo sol	2.9965	3.0450	3.0940	3.1162	(3.84)	(2.28)	(0.71)
17	Philippines	Peso	44.8650	44.1920	44.0900	44.9700	(0.23)	(1.73)	(1.96)
18	Poland	Zloty	3.5245	3.7140	3.7004	3.8508	(8.47)	(3.55)	(3.91)
19	Russia	Ruble	59.2830	70.5300	61.3700	60.4100	(1.87)	16.75	1.59
20	South Africa	Rand	11.5545	11.5920	11.6392	12.1913	(5.22)	(4.92)	(4.53)
21	Taiwan	Dollar	31.6800	31.6550	31.4790	31.5440	0.43	0.35	(0.21)
22	Tanzania	Shilling	1740.0000	1780.0000	1836.0000	1860.0000	(6.45)	(4.30)	(1.29)
23	Thailand	Baht	32.9000	32.7600	32.3400	32.7400	0.49	0.06	(1.22)
24	Tunisia	Dinar	1.8635	1.9352	1.9528	1.9616	(5.00)	(1.35)	(0.45)
25	Turkey	Lira	2.3293	2.4253	2.5235	2.5900	(10.07)	(6.36)	(2.57)
26	Nigeria <sup>1</sup>	Naira	180.0000	185.2000	198.0000	196.5000	(8.40)	(5.75)	0.76

1. Inter-bank rate

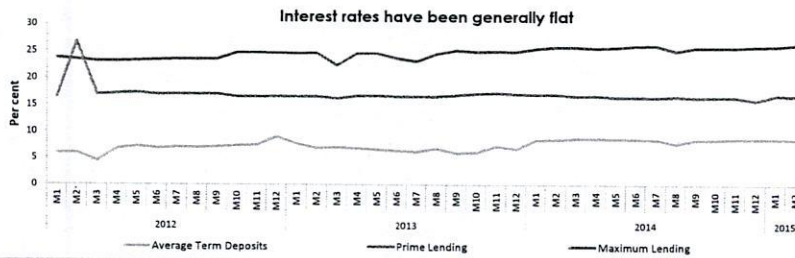




## Monetary Policy has been broadly tight



## Interest rates have been generally flat



## Exacerbating Pressures on the Exchange Rate

14



### Demand pressure on the domestic currency

- Lopsided dependence on imports
  - Toothpicks, tomatoes paste, furniture, rice, fish, sugar, etc
- Speculative and rent-seeking activities
- Increased foreign exchange outflows
  - repatriation of capital and interest on capital invested
- Excess liquidity arising from election year spending

## Exacerbating Pressures on the Exchange Rate

15

**Central Bank of Nigeria**

### RDAS DEMAND (1<sup>st</sup> JUNE 2014 – 18<sup>th</sup> FEBRUARY 2015)

MONTH	Amount Demanded (US\$)	Inflow Through the CBN (US\$)
Jun-14	3,401.41	5,716.58
Jul-14	2,784.93	5,103.81
Aug-14	3,661.36	3,760.04
Sep-14	4,132.26	4,230.38
Oct-14	4,570.64	3,254.97
Nov-14	6,148.84	4,120.82
Dec-14	3,364.94	3,266.08
Jan-15	4,874.63	2,442.00
Feb-15	3,893.38	2678.32/*
<b>GRAND TOTAL</b>	<b>36,832.40</b>	<b>31,894.68</b>

/\* Inflow is at end-February



## Policy Responses to Ongoing Economic Developments

16

**Central Bank of Nigeria**

- Reclassification of eligible goods and services at the rDAS Window.
- Conduct of special intervention in the foreign exchange market to stabilize rates.
- Pre-qualification of customer FX bid applications to forestall frivolous demand.
- Closure of the CBN Official FX Window





## Policy Responses to Ongoing Economic Developments—Continued

17

Central Bank of Nigeria



- The Net Open Position (NOP) of commercial banks and Bureau De Change (BDC) operators was reviewed in line with market conditions;
- A 72-hour limit was placed on utilization of foreign exchange purchased at the autonomous interbank market;
- Introduction of a maximum limit of N2 over the CBN's tentative rate for the day; and
- Introduction of an order-based two-way quote system in the interbank market. FX trades must be backed by orders from customers.

## Conclusion

18

Central Bank of Nigeria



- Unfolding scenario is not new to the Bank as a similar development was witnessed during the Global Financial Crisis
- The Bank will continue to monitor developments and respond appropriately as the need arises
- Successful management of the current situation requires vigilance on our path but also some level of trust from our foreign partners that we will do the right things.

**Central Bank of Nigeria**



**Thank You for Your  
Kind Attention**