

Olayemi Cardoso: Launch of the Nigerian Economic Summit Group 2024 Macroeconomic Outlook Report

Keynote address by Mr Olayemi Cardoso, Governor of the Central Bank of Nigeria, at the Launch of the Nigerian Economic Summit Group (NESG) 2024 Macroeconomic Outlook Report, Lagos, 24 January 2024.

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Good morning esteemed guests, it is with great pleasure that I address you today at the launch of the NESG 2024 Macroeconomic Outlook Report. I am truly honoured to have the opportunity to deliver the keynote address on this significant occasion.

The importance of this launch cannot be overstated, considering the incredible progress made by the Organization in various areas such as research outputs, program execution, seminars, conferences, and workshops, all aimed at facilitating the formulation and implementation of socio-economic reform programs to foster the growth and transformation of the Nigerian economy.

It is crucial to emphasise that the NESG has become one of the most pivotal platforms for public-private dialogue in our country. I extend my sincere appreciation to the Chairman and the leadership, the members of the Macroeconomic Outlook Report Committee, and the dedicated staff of the NESG for their relentless efforts.

I sensed the urgency in the Chairman's tone when I received the invitation letter. The acknowledgment of the challenges facing the economy and the resistance to proposed solutions by various stakeholders were evident.

However, I want to assure you that we are now at a turning point, and the bold reforms being undertaken across different segments of the economy, while initially challenging, are ultimately directed towards addressing these challenges in a sustainable manner.

I am confident that we are already witnessing positive outcomes, and these will undoubtedly become more apparent in the near future. The dedicated and relentless efforts being made are certain to bring about significant and positive changes for our economy.

Indeed, recent reports from international rating agencies such as Fitch, Moody's, and commendations from multilateral banks like the World Bank reflect this, with upgrades to Nigeria's ratings from stable to positive. These reports acknowledge the possible reversal of the deterioration in the country's fiscal and external position due to the authorities' reform efforts. While noting the painful adjustments, they all identify a direction of travel that will unlock the much-needed growth and development for our economy in the medium to long term.

Distinguished guests, Ladies, and Gentlemen, I am under no illusion that these commendations are reducing the price of rice in the market or the cost of FX that you need for your businesses or to pay your children's school fees. These concerns will be addressed shortly.

Let me first express our views at the CBN regarding the outlook for 2024.

Global Outlook

The global economy is currently grappling with persistent challenges, including inflation and subdued growth prospects. Despite GDP growth outperforming expectations in 2023, it is projected to further moderate in 2024 due to tightened financial conditions, sluggish trade expansion, and reduced business and consumer confidence. The International Monetary Fund (IMF) anticipates a mild slowdown in global economic growth to 2.9 percent in 2024, down from the 3.0 percent growth observed in 2023, with Asia driving the majority of the projected global growth in 2024, similar to the previous year.

Esteemed participants, the near-term outlook is clouded by downside risks, including heightened geopolitical tensions such as the Israel-Hamas conflict and the ongoing Russia-Ukraine war. Broader escalation of conflicts could disrupt energy markets, trade routes, and financial markets, leading to a slowdown in growth and increased inflationary pressures. Additionally, rising trade barriers, protectionist policies, and global value chain restructuring could exacerbate uncertainties in global trade.

In this challenging landscape, key policy priorities involve ensuring durable inflation reduction, addressing fiscal pressures, and fostering sustainable and inclusive growth. The global monetary policy environment is expected to remain restrictive until sustained inflation reduction becomes evident. Governments must grapple with rising fiscal pressures, necessitating credible medium-term fiscal frameworks to effectively manage debt burdens.

Domestic Outlook

The projections for the nation's economy paint an optimistic trajectory as the Federal Government of Nigeria anticipates real GDP growth of 3.76 percent in 2024, slightly surpassing the estimated 3.75 percent for 2023. This optimism is underpinned by the implementation of key government reforms set to shape the economic landscape. Foremost among the factors contributing to this positive outlook is the expectation of improved crude oil prices and production, highlighting the crucial role the oil industry is expected to play in driving economic growth.

Furthermore, the optimistic scenario receives support from businesses' perception of the overall macroeconomy for the first half of 2024, as indicated by the December 2023 Business Expectations Report. Specifically, the positive outlook for Industry, Services, Agriculture, and Mining, Electricity, Gas & Water Supply sub-sectors reflects the potential effect of market-based reforms through private investment and SMEs-led growth that would contribute to business improvement and confidence. Government reforms in the mining and energy sub-sectors are expected to serve as a catalyst for growth and development.

While the potential for growth exists in 2024, each sector may encounter unique challenges and opportunities. The Services sector is expected to maintain its dominance, driven by mobile money adoption, increased Government partnerships, and expanded digital lending offerings. Continued digitisation and Government support for

financial inclusion initiatives are poised to drive growth in the fintech sector in 2024. The agriculture sector is expected to grow at a faster pace due to improved productivity and efficiency resulting from the projected decline in inflation, access to finance, and infrastructure investments. Anticipated growth in the industry sector is tied to the expected increase in crude oil production, arising from improved surveillance and infrastructure, better maintenance of plants, and increased investments in the oil sector.

The anticipated moderation in pump prices of Premium Motor Spirit (PMS) due to the expected operational status of the country's key Government and privately-owned refineries in 2024 is a pivotal factor in the economic equation. The expected stabilisation or reduction in fuel costs is poised to have far-reaching implications across various sectors, contributing significantly to overall economic efficiency and resilience.

Inflationary pressures are expected to decline in 2024 due to the CBN's inflation-targeting policy, which aims to rein in inflation to 21.4 percent. This will be aided by improved agricultural productivity and the easing of global supply chain pressures, benefiting businesses by boosting consumer confidence and purchasing power.

The CBN's adoption of the inflation-targeting framework involves clear communication, use of monetary policy instruments, and collaboration with fiscal authorities to achieve price stability, fostering market confidence and positively influencing consumer behaviour. The outlook for decreasing inflation in 2024 will have a profound impact on businesses, providing a more predictable cost environment and potentially leading to lowered policy rates, stimulating investment, fueling growth, and creating job opportunities. Additionally, the Bank has reverted to the conventional monetary policy approach with a focus on attaining price stability, which fosters sustainable economic growth for Nigeria.

Our initiatives on FX

I am pleased to note our collaboration with the Ministry of Finance and the NNPC to ensure that all FX inflows are returned to the Central Bank. This coordinated effort will greatly enhance the Bank's FX flows and contribute to the accretion of reserves.

The expected stability in the foreign exchange market for 2024 can be attributed to the reduction in petroleum product imports and the recent implementation of a market-determined exchange rate policy by the CBN. This reform is designed to streamline and unify multiple exchange rates, fostering transparency and reducing opportunities for arbitrage. The resulting consistent and stable exchange rate will not only boost investor confidence but also attract foreign investment, elevating Nigeria's appeal to global investors.

We are implementing a comprehensive strategy to improve liquidity in our FX markets in the short, medium, and long term. Our focus is on addressing fundamental issues that have hindered the effective operation of our markets over the years.

Upholding the integrity of financial markets is crucial for building confidence. With the completion of an independent forensic review, we are addressing the backlog of valid FX transactions and we remain steadfast in our commitment to decisively address any infractions and abuses.

In our efforts to stabilize the exchange rate, it is imperative that we prioritize transparency and create a market environment that enables the fair determination of exchange rates, ensuring stability for businesses and individuals alike.

We believe that the naira is currently undervalued and, coupled with coordinated measures on the fiscal side, we will expedite genuine price discovery in the near term. This coordinated approach will contribute to a more balanced and stable exchange rate.

The NESG Macroeconomic Outlook

It's important to highlight that the NESG's Macroeconomic Outlook Report for 2024 being launched today emphasises the necessity of economic transformation under the central theme, "Economic Transformation Roadmap: Medium-Term Policy Priorities." This theme underscores the requirement for a clearly outlined roadmap comprising distinct yet interconnected phases and essential policy recommendations.

This resonates with me as we have just last week, launched a new 5 year Strategy for the Central Bank of Nigeria for the period 2024-2028 that provides a clear roadmap for achieving our mandates anchored on the following themes

- Price Stability and Monetary Policy Effectiveness
- Robust and Resilient Financial System
- Governance, Compliance, and Advisory to Government

These form the pillars around which all our actions and activities will revolve, enabling us to deliver on our mission "to ensure monetary, price and financial system stability as a catalyst for inclusive growth and sustainable economic development".

The work has already started, internally within the Bank and across the banking industry, and we are committed to rebuilding an institution that is trusted and respected and promoting confidence in the economy.

Additionally, the NESG economic transformation roadmap delineates three distinct phases: Stabilisation, Consolidation, and Acceleration, with sequential steps and policy priorities aimed at fostering robust and sustainable economic transformation. The identification of potential "Inflection Points" is crucial for strategic decision-making.

This is also commendable as, I believe we are as a nation at the point of stabilisation. If the goals of the Stabilisation Phase are achieved, they will have a significant and immediate impact. This phase is focused on stabilising macroeconomic indicators such as inflation rate, GDP growth, fiscal balance, and exchange rate, which are essential for steering the country towards economic recovery and laying the groundwork for long-term economic transformation.

Before I conclude, I would like to say a few words on the catalytic and transformational role of Economic Summit Groups such as this.

I am proud to have been pioneer of economic summits for subnational governments in Nigeria through the Lagos Economic Summit - Ehingbeti in the year 2000.

20 years later, I was invited back to co-chair the 20th anniversary of Ehingbeti in Lagos, and we all, on reflection, agreed that Ehingbeti had been a positive tool for the economic transformation of the world's sixth-largest mega city. Indeed, a good number of the transformative projects that have berthed today came to life from Ehingbeti economic summit.

On reflection, we note that part of the reason for Ehingbeti's success was accountability. All communicate were agreed between the various stakeholders published in all the dailies and judiciously monitored until the next summit where those with responsibility were held to account This helped Ehingbeti in no small way from avoiding the pitfall of being viewed as a mere talk shop. So, I encourage NESG to continue with the hard work.

In conclusion, ladies and gentlemen, under my leadership, I assure you that we will be the reliable partner in fostering economic growth. We will vigorously address the various structural impediments to development, tackling institutional deficiencies, restoring corporate governance, strengthening regulations, and implementing prudent policies. Investors, both local and foreign, as well as other stakeholders, can rest assured that the economy will transition to a new state of stability in the short-to-medium term as we recalibrate our policy toolkits and implement far-reaching measures.

As we move from the stabilisation, to consolidation and acceleration phases outlined in the report, I hope to count on the NESG as partners in the journey ahead.

Once again, I would like to express my gratitude to the Nigerian Economic Summit Group for providing this very important Macroeconomic Outlook Report.

Thank you all for your attention.