

**A PAPER PRESENTED AT
THE NIGERIAN INSTITUTE OF QUANTITY SURVEYORS
9TH ANNUAL DISTINGUISHED LECTURE**

TOPIC:

**FOR THE SUCCESSFUL RESOLUTION OF OPPRESSIVE
CONTRADICTIONS IN NIGERIA'S ECONOMY**

BY

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**VENUE:
MUSON CENTRE, ONIKAN,
LAGOS.**

**DATE:
THURSDAY 20TH JULY, 2017**

**TIME:
10.00AM-1.30PM.**

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HOUSING DEFICITS IN SOME COUNTRIES

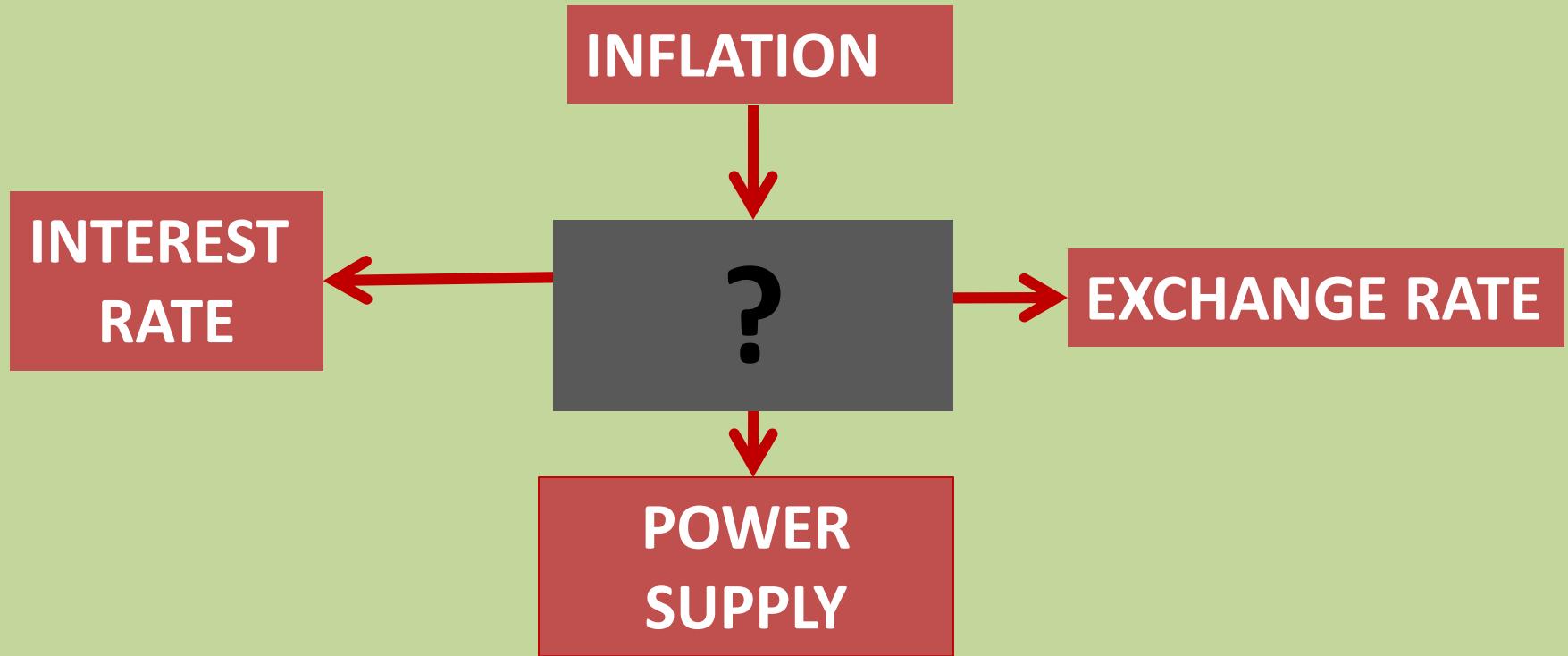
COUNTRIES	HOUSING DEFICIT	POPULATION
• JAPAN	25,000	127M AS @ 2015
• AUSTRALIA	105,000	23.78M AS @ 2015
• INDONESIA	3 MILLION	257.6M AS @ 2015
• AMERICA	4 MILLION	321.4M AS @ 2015
• NIGERIA	17 MILLION <small>(2.6 million in Lagos) – Finance Minister, Kemi Adeosun</small> 24.4 Million (Global Homeless Statistics)	182.2M AS @ 2015
• GHANA	17.5 MILLION	27.41M AS @ 2015
• PAKISTAN	20 MILLION	188.9M AS @ 2015
• INDIA	78 MILLION	1.282BN AS @ 2015
• GLOBAL DEFICITS ON HOUSING STATISTICS	1.6 BILLION	

Sources: GLOBAL HOMELESS STATISTICS & SULAIMON OLANREWAJU-WASHINGTON DC TOP NEWS, STATISTICSTIMES.COM

POTENTIAL NIQS FEES WITH (ESTIMATED 25M UNITS HOUSING DEFICITS)

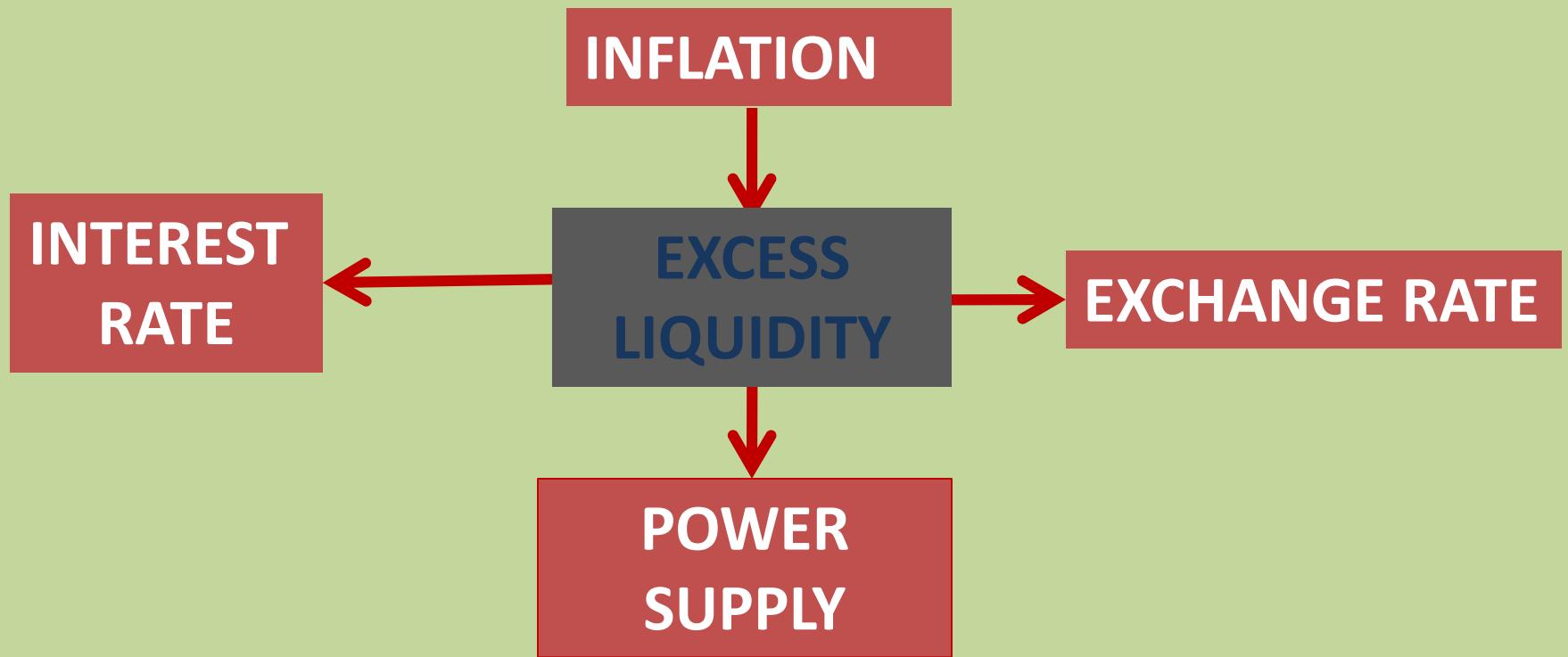
<u>FEE PER</u>	<u>UNIT</u>		
•N10	-	N250M	N250M
•N100	-	N2500M	N2.5BN
•N1000	-	N25000M	N25BN
•N10,000	-	N250000M	N250BN
•N100,000	-	N2500000M	N2.5TN
•N100,000,000	-	N2500000M	N25TN

SOLUTIONS TO INDUSTRIAL PROSPERITY



- SUPPORTIVE FISCAL POLICIES
- ENABLING ENVIRONMENT
- SECURITY
- INDUSTRIALLY FRIENDLY LEGISLATION
- INCREASING JOB OPPORTUNITIES

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CRITICAL CONTRADICTIONS IN NIGERIA'S ECONOMY

SURPLUS NAIRA
SUBSISTING SIMULTANEOUSLY
WITH



HIGH LENDING
COST

REAL SECTOR
CRYING
FOR MORE ACESSTO
CHEAP FUNDS

INCREASING
GOVERNMENT
BORROWING WITH
OPPRESSIVE INTEREST
RATES

2016 N6TN BUDGET
VS
CBN'S EXCESS NAIRA
N6TN MOP UP

HIGHER RESERVES ACCRETION
WITH EXTENDED IMPORTS COVER
SUBSISTING SIMULTANEOUSLY
WITH



MONOPOSLISTIC
MARKET MODEL
OF
DOLLAR AUCTIONS

STATIC OR
STEADILY DEPRECIATING
NAIRA

Eu500M LOAN
DESPITE
CBN'S N30BN
RESERVES

WEAKER NAIRA RATES SUBSISTING SIMULTANEOUSLY WITH INCREASING CBN RESERVES

1996-8: \$4bn-- -N80=\$1

2003: \$8bn--- N137=\$1

2007 : \$54bn-- -N125=\$1

2009 : \$63bn-- -N149=\$1

2012 : \$44bn---N166=\$1

2014 : \$35bn-- - N190=\$1

2016 : \$6.2bn--- N400=\$1

2017: \$30bn--- N380=\$1

CRITICAL ----> CAN SOMEONE PLEASE EXPLAIN WHY THE NAIRA EXCHANGE RATE DEPRECIATES WITH INCREASING RESERVES AND EQUALLY DEPRECIATES WITH DWINDLING RESERVES

PRODUCTS OF THE PERSISTENT BURDEN OF EXCESS LIQUIDITY

- * IRREPRESSIBLE INFLATION SPIRAL
- * HIGHER COST OF FUNDS
 - (TO BOTH THE PUBLIC AND PRIVATE SECTORS)*
 - (WITH HIGHER RATE OF NON PERFORMING LOANS)*
- * INCREASE IN PRODUCTION COST
 - MAKES NIGERIA'S PRODUCTS LESS COMPETITIVE
- * REDUCTION IN SAVINGS, INVESTMENT
- * PRODUCTIVITY AND EMPLOYMENT OPPORTUNITIES
- * UPTO 72% INTEREST RATES FOR
 - MICRO AND SMALL SCALE ENTERPRISES.
- * WEAKER NAIRA EXCHANGE RATES
 - (EVEN WHEN CRUDE PRICES AND FOREIGN RESERVES ARE INCREASING)*
- * INCREASING PRICE OF FUEL
 - (MAKING DOWNSTREAM DEREGULATION AN UPHILL TASK)*

ALL THE ABOVE WILL FUEL INFLATION BEYOND COMFORT

THE “CURSE” OF INFLATION

THE MOST IMPORTANT RESPONSIBILITY OF EVERY GOVERNMENT IS:

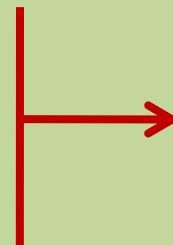
THE MANAGEMENT OF INFLATION AT RATES WHICH SUPPORT INVESTMENT AND PROMOTES INCREASING ECONOMIC AND SOCIAL WELFARE IS, IN ADDITION TO SECURITY,

DEFINITION OF INFLATION:
SURPLUS MONEY CHASING
FEWER GOODS/SERVICES

BEST PRACTICE INFLATION RATE – 0-3%.
(IN SUCCESSFUL ECONOMIES)

NIGERIA’S INFLATION RATE: 16%+

THIS WILL INSTIGATE OVER 20% COST OF FUNDS AS IT IS IMPRACTICAL FOR INFLATION TO BE HIGHER THAN COST OF FUNDS.



CONSEQUENCES OF HIGH INFLATION RATES

- RATE OVER 17% WILL ALSO INSTIGATE INCREASING COST OF PRODUCTION
- CONTRACTION OF CONSUMER DEMAND
- REDUCTION IN REAL SAVINGS, PRODUCTION AND INVESTMENT
- REDUCTION IN INCOME TO GOVERNMENT
- INCREASINGLY VALUELESS CURRENCY
- ALL STATIC INCOMES WILL COMMAND NIL VALUE AFTER 6YEARS
- BUDGET IMPLEMENTATION WILL BECOME SEVERELY CHALLENGED
- DIVERSIFICATION OF ECONOMY WILL BECOME IMPOSSIBLE

• INFLATION IS A MONSTROUS DESTABILISING, ECONOMIC RAVAGER

**CBN'S PRIME ARTILLERY
AGAINST INFLATION**

OBJECT: TO ATTACK THE ROOT CAUSE OF INFLATION

i.e. THE PERSISTENCE OF PERCEIVED SURPLUS NAIRA (OTHER WISE CALLED EXCESS LIQUIDITY)

**STANDARD
WEAPONS:**

1. CBN WOULD RAISE ITS MPR TO MAKE BORROWING MORE EXPENSIVE FOR BANKS.
2. CBN PROCEEDS TO BORROW, PART OF THE EXCESS LIQUIDITY TO REDUCE THE THREAT OF INFLATION, BY SELLING T/BILLS, WITH ATTRACTIVE RATES OF INTEREST
3. IRONICALLY CBN'S HIGHER MPR WOULD ALSO COMPEL HIGHER COST OF BORROWING FOR CBN'S T/BILLS AUCTIONS AS WELL AS FOR OTHER PUBLIC AND PRIVATE DEBT.
4. CBN THEREFORE BECOMES A VICTIM OF ITS OWN POLICY
5. THE CBN ALSO DIRECTS BANKS TO MAINTAIN A HIGHER RATIO OF THEIR ASSETS AS CASH, SO AS TO REDUCE THEIR CAPACITY TO MAKE ADVANCES TO CUSTOMERS, DESPITE THE CRYING NEEDS OF THE REAL SECTOR FOR CHEAP FUNDS

ECONOMIC IMPACT OF CBN'S CORRECTIVE STRATEGY:

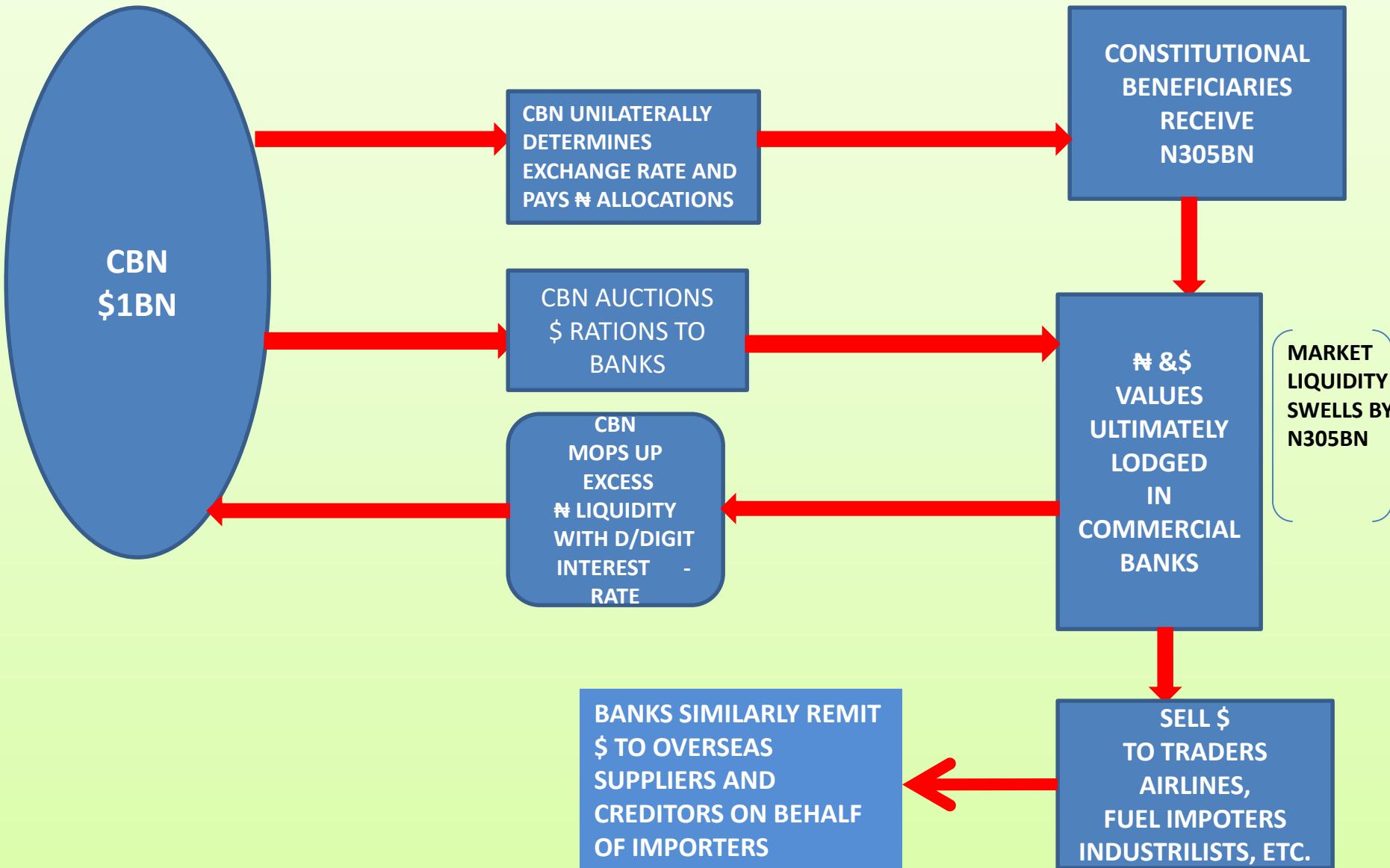
THE ABOVE STRATEGY IS RESPONSIBLE FOR THE CONTRADICTIONS EARLIER DISCUSSED

- * CELEBRATED SECTORAL INTERVENTION FUNDS, INAVERTENLY SUPPLEMENT MARKET LIQUIDITY TO SPUR INFLATION AND THE NEED FOR MORE HIGH COST LIQUIDITY MOP UPS

**PRIME BENEFICIARY OF INCREASING PUBLIC DEBT
AND EXCESS LIQUIDITY**

(BANKS EARNED OVER N600BN FROM SUCH GOVERNMENT BORROWINGS IN 2016).

WHY EXCESS Naira LIQUIDITY IS AN UNYIELDING DESTABILISING CHALLENGE



NIGERIA'S VISION 2020

MONETARY POLICY THRUST

"Dealing with the EXCESS LIQUIDITY CHALLENGE requires innovative approaches, in view of the source of the problem. One potentially ENDURING SOLUTION, which would avoid the CREATION OF NEW MONEY and boost the NAIRA VALUE in the foreign exchange market, RELATES TO THE ALLOCATION OF FOREIGN EXCHANGE EARNED FROM OIL TO THE THREE TIERS OF GOVERNMENT RATHER THAN MONETISING IT.. But this may be a recipe for capital flight. Therefore, the Central Bank would need to develop capacity for LIQUIDITY FORECASTING AND PROGRAMMING."

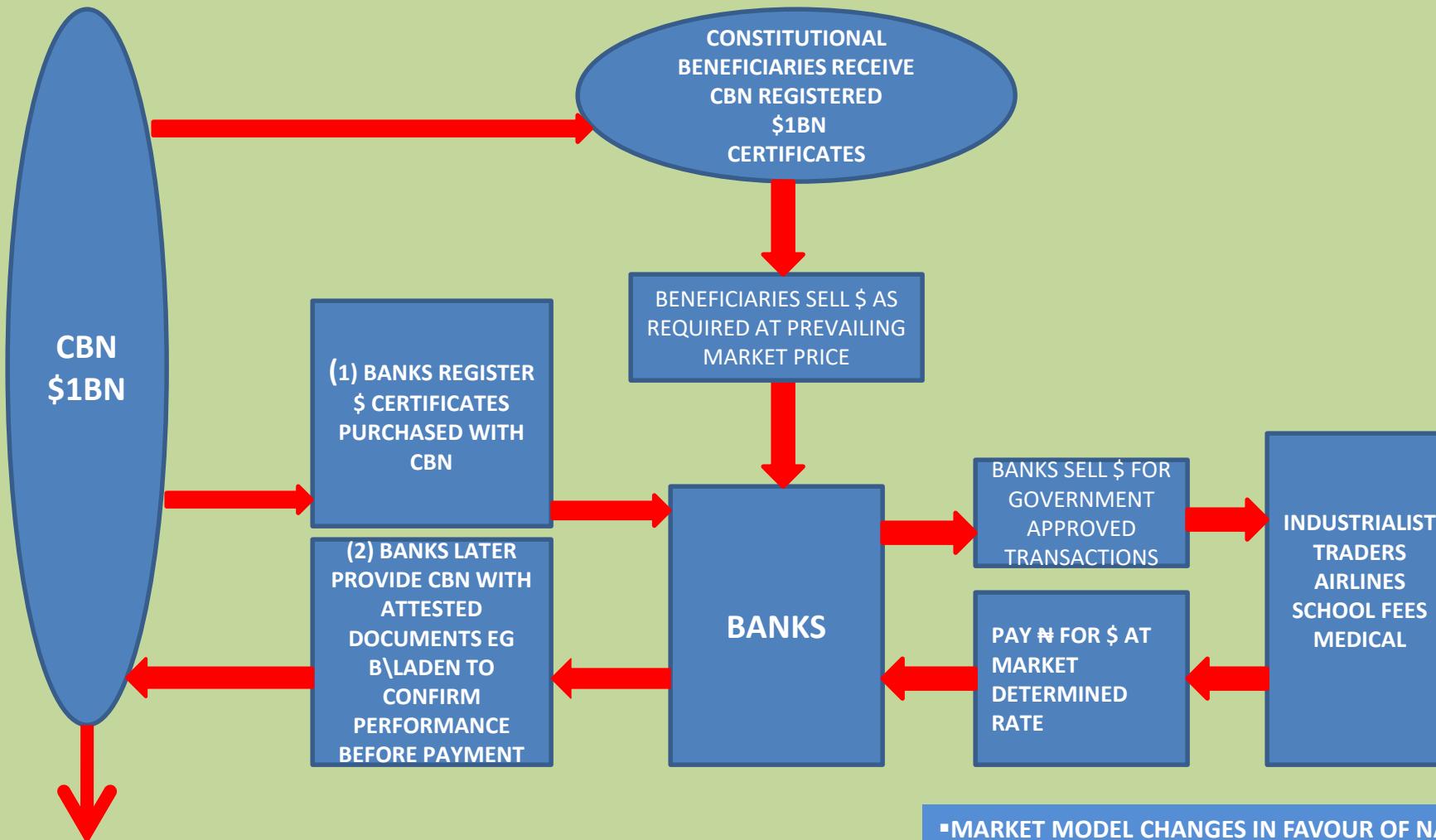
THE GOOD NEWS

**WHAT THE CONSTITUTION SAYS ABOUT
REVENUE ALLOCATIONS
(SECTION 162 – 1)**

- **"The Federation shall maintain a special account to be called "THE FEDERATION ACCOUNT" into which shall be paid ALL REVENUES COLLECTED BY THE GOVERNMENT OF THE FEDERATION, except the proceeds from the personal income tax of the personnel of the armed forces of the Federation, the Nigeria Police Force, the Ministry or department of government charged with responsibility for Foreign Affairs and the residents of the Federal Capital Territory, Abuja."**

NOTHING FROM THE ABOVE SUGGESTS THAT THE CBN IS AUTHORISED TO UNILATERALLY SUBSTITUTE NAIRA ALLOCATIONS FOR DOLLAR DERIVED REVENUE.

HOW PAYMENTS REFORM WILL SUSTAIN INCLUSIVE GROWTH



- MARKET MODEL CHANGES IN FAVOUR OF NAIRA AS CBN \$ MONOPOLY IS BROKEN
- CBN \$ AUCTIONS ABOLISHED
- MARKET DETERMINED EXCHANGE RATE
- INFLATION DEFLATED
- COST OF FUNDS WILL FALL



SAVE
THE ₦AIRA
SAVE NIGERIANS!!

THANK YOU!!

