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Special Remarks

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Deputy Governor (Economic Policy),
Departmental Directors/Their Representatives,
Branch Controllers,
CBN Executives,
Distinguished Resource Persons,
Ladies and Gentlemen,

It is my honour and privilege to present this address on the occasion of the opening ceremony of the 2007 CBN Executive Seminar. I will like to note that this is the 15th edition of the seminar series, which has provided a veritable platform for CBN executives to exchange views on topical issues and by extension, contribute to policy making. The Research & Statistics Department immensely appreciates and, hereby, acknowledges the total support it has enjoyed from the Management which has sustained the seminar series in the last one and half decades. We also acknowledge the co-operation which we have enjoyed from the Human Resources Department over these years. To our distinguished participants, we salute you for your unwavering interest. We feel very encouraged.

The theme of this year's seminar, "**Monetary Policy in a Changing Environment**" is very apt particularly in the context of the strategic re-focusing which we are currently undertaking both as an institution and as a nation. As a nation our vision, encapsulated in the FSS 2020 and the Vision 2020 seeks to position Nigeria as the financial hub of Africa and among the 20 largest economies in the world by the year 2020. To attain this herculean but achievable objective, the Central Bank, recognizing its role in the Vision as being strategic, must align its principal tool, the monetary policy, with the changing global conditions. As an institution, you would recall that the elaborate and painstaking re-engineering process which the Bank embarked upon since 1999 has redefined our vision "to become one of the best central banks in the world". A major fall-out of the restructuring exercise was to re-focus the Bank on its core mandate, the core of which is the maintenance of price stability.

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To give impetus to the above, the Bank is putting all the necessary institutional, human and material requirements in place in order to transit to Inflation Targeting (IT) as a framework of monetary management come January 1, 2009. Thus, as from that date, the CBN would discontinue the current practice of targeting monetary aggregates which relies on maintaining the growth of money supply at a level that is consistent with a projected growth in output and inflation. Key requirements for continued relevance of this framework are the stability of the money multiplier, the stability of the velocity of circulation of money and the existence of a predictable and stable relationship between the instrument/operating targets, intermediate targets, and the ultimate objectives of monetary policy. Recent empirical evidence tends to suggest some instability and a breakdown. The Bank would commence targeting the ultimate target itself through periodic adjustments of a policy rate to influence movements in the inter-bank interest rate to achieve the target level of inflation.

The implication of transiting to IT is that the Bank would now be put on the spotlight because unlike monetary aggregates which are blurred, inflation rate is very easy to relate with by the public. In other words, the outcome of our monetary policy actions would become more open to public scrutiny. Yet one cannot say with exactitude that the policy environment would have been (and may never be) rid of all the impediments to the success of IT framework. As you are already aware, some of these challenges include; fiscal dominance/liquidity surfeit, underdeveloped financial market/inefficient payments system, wide interest rate margins, inadequate coordination between monetary and fiscal policies and data issues. When the framework is finally adopted, the onus would rest squarely on us as an institution to creatively deal with these challenges as the public would be more interested in results than excuses.

There is no doubt that the task ahead of us is herculean but it is also gratifying to note that it is achievable. As we deliberate on the theme of this year's conference, let us bear in mind how our individual actions transmit through the mandate of our respective departments and ultimately to the attainment of the desired monetary policy objectives in a difficult environment. Let us take advantage of the able resource persons who would be facilitating at the conference to enhance our understanding of the totality of issues being deliberated upon. It is only by so doing that we can make meaningful contributions and justify the huge investment on the part of Management.

I wish you all very fruitful deliberations and I thank you for your kind attention.