

9-2015

## The role of the media in communicating developments in foreign exchange management in Nigeria

Stanley Egbochukwu

*CEO/Publisher, Manufacturing Today, Lagos*

Follow this and additional works at: <https://dc.cbn.gov.ng/bullion>



Part of the [Growth and Development Commons](#)

---

### Recommended Citation

Egbochukwu, S. (2015). The Role of the media in communicating developments in foreign exchange management in Nigeria. *CBN Bullion*, 39(1-3), 24-28.

This Article is brought to you for free and open access by CBN Institutional Repository. It has been accepted for inclusion in Bullion by an authorized editor of CBN Institutional Repository. For more information, please contact [dc@cbn.gov.ng](mailto:dc@cbn.gov.ng).

## THE ROLE OF THE MEDIA IN COMMUNICATING DEVELOPMENTS IN FOREIGN EXCHANGE MANAGEMENT IN NIGERIA



**STANLEY EGBOCHUKU**

CEO/Publisher, *Manufacturing Today*, Lagos

**What is financial journalism?** "It is the branch of Journalism that tracks, records, analyzes and interprets the economic changes that take place in a society. "It could include anything from personal finance, to business at the local market and shopping malls, to the performance of well-known and not-so-well-known companies. "This form of journalism covers news, features articles about people, places and issues related to the field of business and finance". A journalist who works in this branch of journalism is considered a financial/business journalist. His or her main business is gathering and analyzing information about current events in the economic life of a country or countries. These professionals may also cover processes, trends, consequences, and important people, in business and disseminate their work through all types of mass media.

The recent crisis in global banking, markets and economies and the on-going foreign exchange crisis in Nigeria, induced by the plunge in oil prices, have reinforced the importance of financial and business journalism. It has raised a set of profound questions as to the quality of that form of journalism. Why didn't these journalists know, for instance, that the crises were coming? Perhaps, if they knew

and warned of the impending danger, the crises would have been averted. How much reporting of businesses should they do to unveil the consequences of any policy change? Do they always put the financial system under proper scrutiny? Are they close enough to the apex bank in Nigeria to feel the pulse of the economy?

The main objectives of exchange rate policy in Nigeria are "to preserve the value of the domestic currency, maintain a favourable external reserves position and ensure external balance without compromising the need for internal balance and the overall goal of macroeconomic stability". Are financial journalists really properly equipped to analyze outcomes within the framework of these policy objectives? How have they tried to communicate the on-going developments in the foreign exchange market to the public?

Financial journalism is said to be subject to unprecedented circumstances. For instance, financial/business stories nowadays move at a digitally-driven speed that does not allow as much time for comprehension, let alone reflection. Much of the movement of financial data is automatic and unmediated by journalism.

Damian Tambini of the London School of Economics states that "the Big Bang of the '80s in the City (London financial district) coincided with the beginnings of cable and satellite TV and digitalized news gathering creating a 24/7 live reporting environment." He stated that financial facts and systems are themselves much more complex. "This is partly the function of new

financial structures such as Hedge Funds and Derivatives but also because of the increasing interconnected and globalised nature of markets. "Competition from new entrants, some driven by new technology and specialist subscription news and information terminals such as those provided by Bloomberg and Reuters have long ago upset the comfortable monopoly of the business press. Increasingly, states Damian, "previously bundled services providing data, information, news, analysis and comment are being unbundled. "Much of the value derived in financial and business news, particularly in the press, is now in analysis and comment rather than data, information and news, as updates are provided round the clock and as free service online".

Damian believes that there is still considerable doubt about the sustainability of new business models for financial journalism in the new competitive environment. Intensified competition leads to questions about what in fact the market will provide". Whilst demand for quality business news remains high and business news readers' demographics are valuable to advertisers, some aspect of business journalism may suffer. In particular, expensive and risky ventures such as investigations are seen as increasingly difficult to fund. Damian's observations are quite relevant to the situation in Nigeria hence the exhaustive quotes.

Nigeria's critical financial regulator, the CBN, prides itself as '...delivering price and financial system stability and promoting sustainable development'. It will be interesting to know how far the Nigerian financial journalists have

gone to assessing the quality of these services and the various functions. Their level of knowledge of these functions matters a great deal, as one cannot sell from an empty wagon. With knowledge comes the desire to explore and dig deeper because most financial stories require substantial level of research and interpretation. Moreover, those that are custodians of the facts are more likely to cooperate with the financial journalists who sufficiently demonstrate a clear understanding of the subject matter. Ideally, the financial journalist should operate on the same level with the custodians to attract their trust and confidence.

CBN has been fraught with the ongoing Foreign exchange crisis but from all indication, it is as if the Bank is on top of the situation. It is like the CBN clearly understands and appreciates the need for effective communication. The Governor of the Bank has so far issued well over 65 circulars all in a bid to continue to inform and educate. Apart from having a well-organized Corporate Affairs department that effectively handles media relations, it organizes regular conferences and seminars to keep communicating and mobilizing the general public, stakeholders and the international business community.

The CBN has a strong statistics department that periodically puts out information on exchange rates, Government securities, inflation, interbank rates, crude oil prices, discount windows, Foreign exchange wDAS Spot, international payments, reserves, monthly average and so on.

The CBN also plays on the social media platforms such as Twitter, Facebook, Flickr, You-tube, Google-plus and has made it possible for people to subscribe to CBN news, circulars, publications and speeches

The CBN states as follows: "The

managed float exchange rate regime, which the bank had adopted following the liberalization of the foreign exchange market, has for the most part been successful in ensuring exchange rate stability in line with its mandate. "In recent times, however, with the sharp decline in global oil prices and the resultant fall in the country's foreign exchange earnings, the bank has observed a widening margin between the rates in the inter-bank and the rDAS window, thus engendering undesirable practices including round-tripping, speculative demand, rent-seeking, spurious demand, and inefficient use of scarce foreign exchange resources by economic agents. "This has continued to put pressure on the nation's foreign exchange reserves with no visible economic benefits to the productive sector of the economy and the general public. "In view of the foregoing, it has become imperative that appropriate actions be taken to avert the emergence of a multiple exchange rate regime and preserve the country's foreign exchange reserves."

Reacting to the developments, most market operators welcomed the CBN action. Some believe that it is long overdue. Mr. Bismarck Rewane, Managing Director/Chief Executive, Financial Derivative Company Limited said: "This means that the Naira is now priced at its fair value. It is one of the best moves the CBN has made in terms of stopping this nonsense that is going on at rDAS or no rDAS. It is now time to price the market at its fair value and take away all the middlemen and round tripping. "So this is the true value of the currency, the speculators are out of business. "Hitherto, products were not priced at rDAS window. "For example airline tickets have been priced at N202 per dollar for the past six weeks. As a matter of fact, because the price is now high the demand will reduce and the

currency will now have some respite".

An analyst and CEO, Proshare Nigeria Limited, Mr. Femi Awoyemi said that the CBN's recent decision to stop sales of forex to importers of 41 items is the most attractive among the hard core choices the bank was left with after crude oil prices fell by over 40 per cent. He said that the restriction should not be confused as import substitution, describing the forex rule as a foreign exchange management tool amid a challenging economic situation.

Following a recent subtle attack on the CBN in the print edition of The Economist dated July 4, 2015, entitled: 'Toothpick Alert', the CBN Director of Corporate Communications, Alhaji Ibrahim Mu'azu, reacted as follows: "First, the article seems to ignore the fact that the exchange rate is simply a price that is essentially determined by the forces of supply and demand.

"The CBN believes that the 48 per cent decline in oil prices may not be transitory and made bold policy changes, including closure of the subsidised Official FX Window, which resulted in a 22-per cent depreciation in the currency, the naira.

"Because the Nigerian economy is heavily dependent on imports and the exchange rate pass-through to inflation is high, we believe this adjustment is optimal at this time.

"Contrary to the article's argument, adjustments to a sharp decline in supply of US Dollars cannot all be borne by an indeterminate depreciation without considering the full impact on the Nigerian economy.

"The demand side also has to be considered, not just in response to the pressure on the naira, but as an opportunity to change the economy's structure, resuscitate



local manufacturing and expand job creation for our citizens," Mu'azu added

With these kinds of responses, what then, is the role of the Media since the CBN appears to be proactive? Is it to merely project the various actions of the CBN for public acceptance or help the CBN in different ways to solve its communication problems or play the advocacy role?

The CBN apparently has been playing its role effectively and needs the media desperately to do their own part. It is believed that without the media, messages will not go too far and the level of awareness will be too low. The CBN needs the media practitioners that can pass for high-level analysts who will regularly review trends and advise on the best line of action. They also need good reporters who will always publish well-informed articles and features. The public interest in financial journalism is growing and the number of students in higher institutions of learning who need financial journalism is equally growing, hence the need for good financial journalism. The media lend credence to actions taken and provide the much-desired feedback, which is a part of the kernel of communication.

The CBN expects Nigeria's financial journalists and economic writers to keep making important and effective contributions by drawing the attention of the regulatory body to problem areas that need to be tackled. The media should articulate informed opinions of the well-meaning, well-rated members of the public.

The media need to continuously provide avenues for expressions from the general public. The media also need to continuously assess the impact of actions taken. Indeed, the major role of the media is to create awareness and stimulate reactions.

The media are better known for whistle-blowing to warn on dangers inherent in sustaining particular policy options. The whistle-blowing role appears nowadays to be the exclusive preserve of the social media. The legacy media, on the other hand, ought to concentrate on the provision of solutions and the provision of informed in-depth analysis.

Our media are liberal and to a large extent self-regulated. Our role in the context of communicating the foreign exchange management is very simple, especially with the good working relationship that exists between the CBN and the media. The financial media in particular must partner with the CBN to fight the many battles to achieve the CBN's noble objectives. The media need to understand the very sensitive nature of the Central Bank of Nigeria and deliberately support the Bank's programmes and policies.

It is not apparent whether the Nigerian media support or do not quite support the idea of naira devaluation being touted by some international financial analysts. The common belief is that with prudent management of Nigeria's resources, the naira would firm up as foreign reserves grow. The problem of the naira stems from the fact that the country is largely import dependent. Moreover, the informal sector is still too big, distorting the total picture. The commercial and financial transactions conducted outside the purview of the Central Bank is still huge and no serious, concerted efforts have been made to bring the informal sector closer or have it collapsed into the formal sector.

The media must help dig out the main causes of the continued naira depreciation in the parallel market. This is in the realm of business intelligence. The

Guardian's recent investigation across the Lagos metropolis, where street trading of foreign currencies goes on, showed that naira exchanged for between N239 and N 241, while the relatively inaccessible official rate remained stable at N 196.95/\$. Does it mean that the actions taken so far by the CBN are not yielding results? Is it not possible that with or without access to foreign exchange at the official rate, large scale importation could still take place? In this context, it is important to look into the Hawala system. For those who care to know, deals of billions of dollars can take place conveniently within the Hawala system without any form of documentation or formal transfer of currency. Hawala is a highly risky and expensive operation that depends heavily on trust. It is like the best kept secret for the business community. In the most basic variant of the Hawala system, according to Wikipedia, "money is transferred via a network of hawala brokers, or hawaladars. "It is the transfer of money without actually moving it. In fact, a successful definition of the Hawala system that is used is 'money transfer without money movement'.

Secondly, smuggling thrives whenever such a situation of import restriction arises. The media can help to check the incidence and help to change the attitude and mind-set of those underground suppliers by continuously reporting the issue and the consequences of continued naira depreciation.

According to Vanguard Media, 'Bureau de Change (BDC) operators said huge demand for foreign exchange began to inundate them as well as the black market as a result of the CBN's shut off of 41 items from the official market three weeks ago'.

CBN denied this assertion, stating that its findings was that the

supply/demand gap being experienced in the parallel market was as a result of supply shortages in that segment following the plugging of loopholes from the official markets that had hitherto leaked into parallel market through round-tripping. It also said other economic crimes such as money laundering were major drivers of what is happening in the parallel market today.

The President of BDC Operators of Nigeria, Aminu Gwadabe, had given reasons for the steady decline in value of the naira in the parallel market to include: Over-regulation of the bureau de change and financial markets; increased naira liquidity chasing fewer dollars; intensified hoarding and speculative activities; inability of banks to meet legible and legitimate demands and tightening policies of CBN.

Those are some of the views of the operators, elicited by the media. However, Vanguard's recent interactions with some of the parallel market dealers, indicated 'that most of them have been driven by speculations that the country was cash strapped in foreign currency, hence they are hiking the exchange rate for fears of long term real scarcity'. On the other hand, 'some speculators are taking positions against possible devaluation in the face of continued pressure on the apex bank from both within and outside the country'.

The questions that readily come to mind are, indeed, what to believe and who to believe? The fact remains that the economy is unbalanced and import-driven. When the economy is properly diversified and the informal sector shrinks sufficiently, the management of the foreign exchange will be less cumbersome.

Journalism teaches that speculation takes upper hand in a situation of lack of information.

Some people suggest that instead of the outright shut out of 41 items, the CBN should have introduced two tiers of exchange rates, the first at the current official rate and the second at a rate higher than the official rate and lower than the current parallel market rate. In that way, the importers of those 41 items would continue to deal officially and some of them would not go underground. If they do, it would amount to total loss for the CBN and the crisis would remain unresolved. Moreover, the items will continue to find their way into the country in larger volumes.

Vanguard also reported more recently on July 15 that the parallel market segment of the foreign exchange market traded one US dollar to N 245 after it opened the day at N242/USD1.00. On July 14, the exchange rate was N240 and N238 on July 13. 'Dealers in the parallel markets expressed fears that at the on-going speed of slide the exchange rate might hit the N250/USD1.00 low by July 21'.

Again, reacting to the development, CBN's Director of Corporate Communications, Ibrahim Mu'azu, told Vanguard that there was no need to panic at the development, adding that it could be just a temporal reaction to the policy change.

This stout defense is naturally expected; but what can the media do given the circumstance? They will keep reporting and informing, as if they are tracking the developments. If the naira eventually firms up in the parallel market, they will go into analytics and analysis to continue to educate and activate. They must tell which of the actions worked.

What the media gets from the CBN is essentially good Financial PR, which can as well be described as an apparent pressure (positive) on financial/business journalism. The corporate communications division has a great team close to

the media. In fact, Public Relations practice is influencing and spreading throughout all news but it is particularly powerful and prevalent in financial news business. Financial journalists who have access to information and ability to either influence markets or gain personally, also face ethical challenges. They face pressure on resources especially time to get content, diverse views and background facts.

'Financial journalism faces a number of challenges currently; including pressure of speed due to 24-hour news cycle; increasing complexity; PR strategies; sustainability; and the challenges of globalisation. Journalists have begun to respond, but it would seem that the profession lacks a clear sense of purpose,' states Damian Tambini in his paper entitled: Ethics and responsibility in a time of crisis and change.

Undoubtedly, new technologies have made journalism more efficient but the business model of mainstream media is under strain. Damian believes that the temptation for hard-pressed editorial management had been to spread those resources more thinly and prioritize productivity over quality.

The new media financial journalism is another big pressure on the business. This might also be described as positive. They provide information sources that simply did not exist before. Invariably, they are changing the terms of the business of journalism. A more networked journalism, which opens up mainstream news to greater public participation, is fundamentally inevitable and a desirable trend? Does this raise particular problems of trust, influence and accountability, in the context of financial journalism? Some of the questions that are being raised nowadays include: Are financial journalists sufficiently capable of independent thought and critical judgment? Is

Journalism really subject to groupthink and herd mentality? If yes, could that mean that financial markets are prey to this? It points to the fact that this is the right time for a new compact between financial journalism and society. It is time for a much more serious analysis of the effects of new market systems, of new media and the state of financial journalism.

### Recommendation

Nigeria's business/financial journalists should become more research-oriented, dogged, knowledgeable, digging deeper into the issues related to CBN's Foreign Exchange Management. There are more lessons to be learnt.

They should be on a steep learning curve; they should also focus on national interest; seek special skills to facilitate interpretations and disciplined analyses; they should imbibe the values inherent in integrity, sobriety, moderation,

credibility, professionalism, objectivity, commitment to quality and excellence.

There should be a positive attitude towards the CBN and a commitment towards accurate reporting to be able to generate enough information for public good. The financial journalists across the media platforms need to expose themselves to the following core competences: Good understanding of the subject areas and the target market; strong research capabilities; strong culture of ethical journalism; bias for details and analyses. These competences are the fundamentals in our business, which make us different from the general-interest journalists. They make us function effectively and efficiently in covering such a sensitive and complicated institution like the CBN. I also recommend that the financial journalists come up with implementable solutions to the

foreign exchange crisis to make this seminar more meaningful and worthwhile.

### Conclusion

All told, Nigeria, in particular and the world at large, needs good financial journalism. There is need to understand the practical, ethical and editorial problems that confront the profession.

What indeed, are the basic responsibilities of financial journalists? What sort of skills should they seek to acquire? Should they be responsible to their employers, ensuring profitability for the business or should they be more concerned about the social functions of financial journalism and the associated ethical responsibilities? The financial journalist must be very passionate about his country, using the knowledge at his disposal to help deal with the numerous economic challenges confronting the nation.

### References

- "Ethics and responsibility in a time of crisis and change" by Dr Damian Tambini, Snr Lecturer at the London School of Economics and an Associate Fellow at the Institute for Policy Research.
- "Parallel market upstages official exchange rate" by Chijioke Nelson published in The Guardian April 8, 2015
- "CBN tackles The Economist Magazine over comment on Forex Management" by Mathias Okwe (Abuja) published in The Guardian July 4, 2015
- "Official Parallel markets' forex rates widen by Collins Olayinka (Abuja) and Chijioke Nelson (Lagos)" published in The Guardian July 13, 2015
- "Analyst defends CBN forex policy" by Anna Okon, published in The Punch July 9, 2015
- "Naira to Exchange at N197/\$" by Omoh Gabriel, Babajide Komolafe, Peter Egwuatu, published in Vanguard February 19, 2015
- CBN website ([www.cbn.gov.ng](http://www.cbn.gov.ng))