Communique from Lagos Chamber of Commerce and Industry [LCCI] Interactive Session with Central Bank of Nigeria [CBN] Held on Thursday 9th July, 2015

Preamble

The Central Bank of Nigeria (CBN) recently introduced a list of 41 items which are now not valid for purchase of foreign exchange from the interbank foreign exchange market, from Bureaux de Change or even export proceeds, including utilization of such export proceeds earned by the firm itself. Given the dominant role of the CBN in FX supplies in Nigeria and the fact that all three "official" markets are excluded, the policy means manufacturers who require any of the 41 restricted items as input and raw materials for their production may have to simply shut their operations once existing stock is exhausted!

The restricted items include items which are critical elements of the manufacturing process of many firms across sectors in Nigeria.

As a consequence of these developments, the Lagos Chamber of Commerce and Industry (LCCI) organized an interactive dialogue between CBN officials, business leaders and members of the Chamber to discuss the policy, its rationale and consequences, and to advise on a way forward.

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1. The LCCI understands the CBN's constraints and circumstances as it drew up this policy. It however appears as if the formulation of the policy has suffered from CBN's limited understanding of the manufacturing process of many of the sectors affected by this policy. Many of the restricted items are irreplaceable raw materials in the manufacturing process of many industries and this policy will cause significant damage to the Nigerian manufacturing sector and economy. We affirm that while there are several items on the list which any patriotic Nigerian will not object to, there are many others that will harm the manufacturing sector.

2. The LCCI and its members advise CBN to urgently simulate the impact of this policy on employment, inflation and output in 2015 and thereafter and to review the policy accordingly. We have no doubt that the impact in all three highlighted areas will be significantly negative!
3. The new CBN policy is ambiguous as the restricted items are not well-defined and specific, plunging both manufacturers and banks into confusion regarding CBN intent. We urge the CBN to immediately amend the policy with full product definition and specification of all restricted items, including HS Codes and excluding any items which are non-substitutable industrial raw materials from the list. The CBN policy should also allow appropriate time frames for items which require some time interval before local substitutes can be created for imported raw materials.
4. The LCCI reminds both the CBN and the federal government that manufacturers have suffered significant consequences from the recent currency devaluation which they are yet to recover from. Compounding recent devaluation losses with higher cost of, and/or complete inability to source critical raw materials may push many firms over the precipice resulting in business closures, loss of jobs, declined manufacturing sector production and greater social tension. We invite the CBN and federal government to consider palliatives and incentives to prevent such a scenario.
5. We call CBN's attention to the fact that the fundamental forces the CBN is struggling against are economic and fiscal policy dependent while the Bank continues to exert monetary policy tools almost to a point in which economic harm may result. The fundamental factors are diversification of the Nigerian economy in terms of exports and government revenue, issues around downstream oil sector deregulation and upstream oil sector fiscal regimes, power sector efficiency and creating alternative economies in solid minerals, agriculture, manufacturing and other sectors towards building a productive, export-led local economy. These matters cannot be resolved through exclusive deployment of monetary policy tools! We call for a conversation between the CBN and federal government so that a more appropriate regime of economic and fiscal policy initiatives can be designed to address these issues.

6. We also note the critical need for CBN to harmonise its policies with other agencies of government, including Customs, FIRS, SON, Immigration etc. In this specific instance, we call attention to Customs recent introduction of the ECOWAS Common External Tarrif (CET) which appears to be at cross-purposes with CBN policy.
7. Moreover we urge CBN to be mindful of the economic role and importance of Small and Medium Enterprises (SMEs) and moderate-sized manufacturers as it develops policy. The CBN should avoid policies that may produce oligopolistic and even monopolistic outcomes at variance with its mandate of building a sound economy.
8. Finally we urge increased engagement and consultation between the CBN and manufacturers and other stakeholders so that policy will be based on a proper understanding of the real impact on all stakeholder groups and the overall economy. The LCCI offers to provide, as it has done in this case, a continuing platform for such engagement.

We appreciate the willingness of the CBN and its senior officials (Mr Moses Tule, Director Monetary Policy and Mr D Yanfa representing the Director of Financial Markets) to participate in this dialogue with LCCI members. We also thank the panelists, Mr George Onafowokan MD Coleman Wires and Cables Ltd and Mr Femi Awoyemi of Proshare Ltd. We express deep appreciation to the session moderator, Mr Opeyemi Agbaje, CEO of RTC Advisory Services Ltd for his excellent facilitation of the session and thank all members of LCCI, other participants and the media for a very successful session.

Signed

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Director General

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