

PRESS RELEASE

FEDERAL MINISTRY OF FINANCE

Thursday, April 15, 2010

Economy: How Nigeria Can Accomplish Full Recovery- Babalola ...Our Strategy For Development, Economic Recovery Acceleration – FG

The Honourable Minister of State for Finance, Mr. Remi Babalola, on Thursday identified three fundamentals necessary for the accomplishment of a full economic recovery by Nigeria.

He listed the fundamentals as increased lending by the banks, restoration of confidence in the financial system, and creation of more jobs.

Babalola made this known at the opening session of the 11th Edition of the National Council on Finance and Economic Development (NACOFED) Conference in Uyo, Akwa-Ibom State.

The NACOFED Conference was declared open by the Acting President, Dr. Goodluck Jonathan, represented by Abia State Governor, Dr. Theodore Orji, and also attended by the Deputy Governor of Akwa Ibom State, Engr. Patrick Ekpotu.

Others at the Conference were the Accountant General of the Federation, Alhaji Ibrahim Dankwambo; Director of Home Finance in the Federal Ministry of Finance, Alhaji Gidado Mohammed; the 36 states' commissioners of finance, permanent secretaries in the ministry of finance and accountants-general; and representatives of the Governors' Forum, Revenue Mobilisation, Allocation and Fiscal Commission, Federal Inland Revenue Service, Central Bank of Nigeria, Nigeria Customs Service, and Debt Management Office, among others.

Babalola disclosed that banks in the country had continued to turn down loan applications as a result of considerable bad loans.

“Our banks need to resume lending or still lend more. Though the emergency measures by the Government and the Central Bank of Nigeria has helped to stabilize the financial system, banks are yet to take the next logical step of increased lending.

“With bad loans running into several billions of Naira still in their books, many banks continue to hoard cash and turn down loan applications. This squeezes both small and large businesses, which often rely on credit to meet payroll, order supplies, invest and grow,” he said.

The minister stressed the need for confidence in the financial system to rebound.

According to him, Nigerians remain gloomy, with most consumer-confidence surveys showing only modest improvements from the low points hit during the recession.

“The most obvious reasons are the high unemployment levels and a sense that the recovery will be weak at best. Businesses are downbeat too, with chief executive officers worried that strapped consumers will put their wallets away. That makes them reluctant to hire, which perpetuates the malaise.

“We need to make more jobs available to our people. The availability or lack of jobs is the single biggest factor in the economy. Unfortunately, an improvement in the unemployment situation has been painfully slow largely due to the poor state of our infrastructure in the country,” said Babalola who is also the Chairman of the Federation Account Allocation Committee.

He renewed the commitment of the Federal Ministry of Finance in revamping the economy by collaborating with all sub-national governments in all possible ways to support growth throughout this global crisis.

“We will continue to steer the economy through the current global difficulties, while making sure that we don’t waste the opportunities for economic renewal they present. We all have a stake to build competitive and prosperous economies at all levels of Government in the country thus, ushering in a new era of enhanced economic growth base which citizens deserve for the future,” he added.

He asserted that the global economic recession impacted on the Nigerian economy through reduced demand for oil exports, leading to downward trends in commodity prices, with associated negative impact on government revenue.

He identified other impacts of the economic slowdown to include: reduced capital inflows into the economy, reduction in the availability of trade finance emanating from global credit crunch, decrease in remittances from Nigerians in the Diaspora arising from worsening employment prospects, capital market downturn, and divestment by foreign investors with attendant lightening and possible second round effects on the balance sheet of banks by increasing occurrence/possibility for bad debt and decrease in profitability.

In his address, Acting President Jonathan enunciated the key component of the Federal Government’s strategy for the development of the country as the attraction of private sector funding and expertise.

“The present administration is focused on laying the foundation for sustainable growth in the economy driven by the implementation of sectoral reforms and initiatives aimed at fostering economic stability and most importantly, increasing investment in critical infrastructure,” said Jonathan who was represented by the Abia State Governor, Dr. Theodore Orji.

He disclosed that the vision of the government on the economy for 2010 was encapsulated in the 2010 Appropriation.

This, according to him, would assist in accelerating economic recovery this year through targeted fiscal interventions intended to further stimulate the economy and support private sector growth.

Signed:

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