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Monetary policy management in Nigeria today: issues in stagflation and recession

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MONETARY POLICY MANAGEMENT IN NIGERIA TODAY: ISSUES IN STAGFLATION AND RECESSION

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1.0 INTRODUCTION

It is no longer news that Nigeria is facing difficult times. Going by recent statistics from the National Bureau of Statistics (NBS), Nigeria officially slipped into a recession after it recorded two successive quarters of negative GDP growth rates of 0.36 per cent and 2.06 per cent in the first and second quarters of 2016, respectively. It is alarming that a negative growth rate of 2.24 per cent was also reported for the third quarter of 2016.

The decline in GDP growth rates has been exacerbated by rising inflation and unemployment rates. From the NBS records, headline inflation rose to 18.6 per cent in December above 17.9 and 18.3 per cent in the months of October and November 2016, respectively; and the trend is projected to remain within the double-digit zone even in 2017. A similar trend was reported for unemployment, which rose from 9.9 per cent in 2015Q3 to 13.3 per cent in Q2 of 2016 and 13.9 per cent in Q3 of 2016. With these developments, Nigeria is facing a rare and challenging economic problem known as stagflation, i.e a condition characterised by the co-existence of declining growth rates along with high unemployment and inflation rates. These negative economic developments have raised major concerns for policy makers and other economic agents because of the adverse effects on investment, financial stability and livelihood.

Surprisingly, the current economic meltdown is coming after almost a decade of remarkable growth rates in Nigeria, averaging about 7.0 per cent between 2004 and 2014. The key questions in the minds of economic agents therefore, are: How did we get here? What efforts are being made to recover from the quagmire? And, what remains to be done? These questions do not have simple answers. However, there is need to critically examine the issues with a view to proffering policy options and engender economic recovery. This presentation is focused on discussing the identified issues.
In the ensuing sections, evidence of recession/stagflation in Nigeria is provided, using graphic illustrations. Next, the probable cause(s) of the stagflation is examined along domestic and external lines. The next Section focusses on the policy responses employed by the monetary and fiscal authorities so far, with a view to revamping the economy. Emphasis is placed on monetary responses. Following that, some suggested complementary actions are highlighted as way forward, alongside some concluding remarks.

2.0 EVIDENCE OF RECESSION / STAGFLATION IN NIGERIA

It is a known fact that Nigeria is in recession. It is, however, worrying that Nigeria is not only undergoing a recession, which is a period of sustained decline in economic activity, but is also experiencing a period of stagflation, which implies an environment of slow growth, high unemployment and high prices.
The key indicators of the health of an economy are GDP, unemployment, exchange and inflation rates. These indicators, in recent years, have shown rather discouraging signs, particularly in the last two to three years when Nigeria approached and eventually slipped into a recession.

From Figure 1, a steady and rapid rise in unemployment is observed from 2014 to 2016. In the first quarter of 2014, unemployment was at 7.8 per cent and rose rapidly to 13.9 per cent by the third quarter of 2016. Within the same period, GDP growth rate experienced a downturn such that by the first quarter of 2014, GDP growth rate which was 6.21 per cent in the first quarter of 2014, fell sharply to a negative growth of -2.24 percent in the third quarter of 2016. Owing to the decline in productivity, businesses were forced to lay off workers and this compounded the unemployment situation in the economy. The continuous cycle of declining productivity, low profits/losses and more labour lay off of led to a consecutive negative growth in GDP in the three quarters of 2016 and a resultant recession. This negative situation was further compounded by rising prices, which reduced the purchasing

[1] Data is obtained from the National Bureau of Statistics of Nigeria.

Figure 1: GDP Growth and Unemployment Rates in Nigeria from Q12014-Q32016

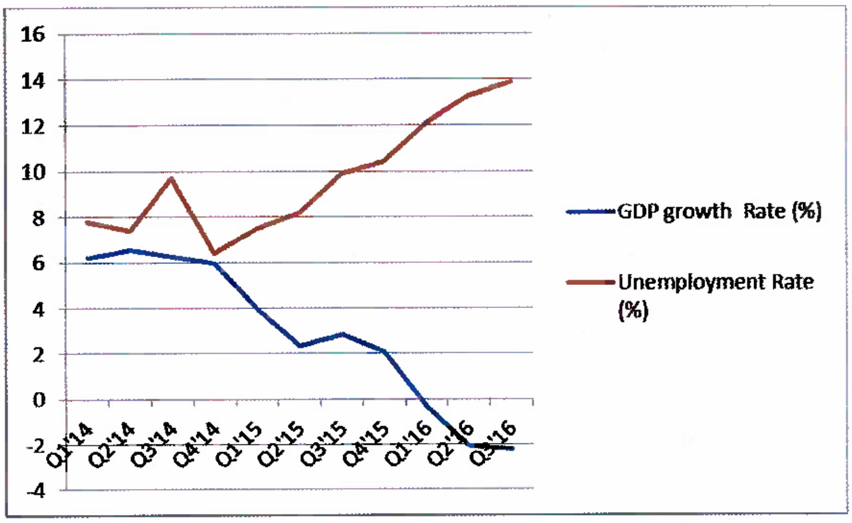


Figure 2: Inflation Rates in Nigeria 2009-2016, Selected Months

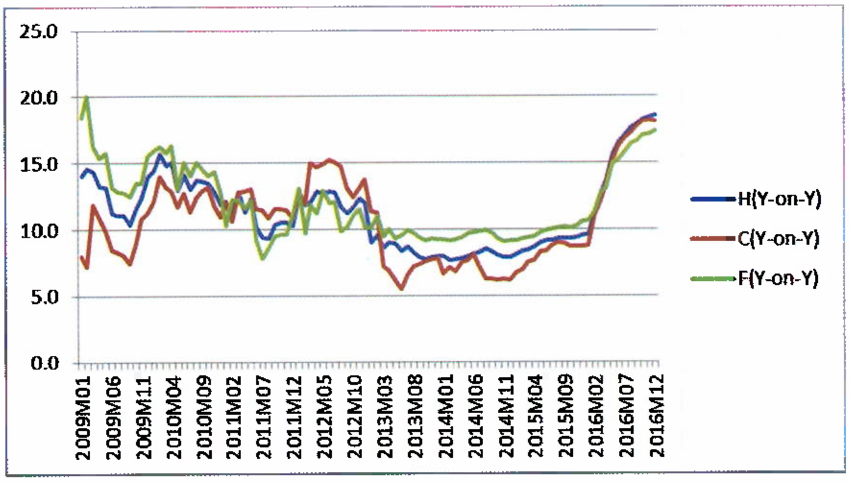
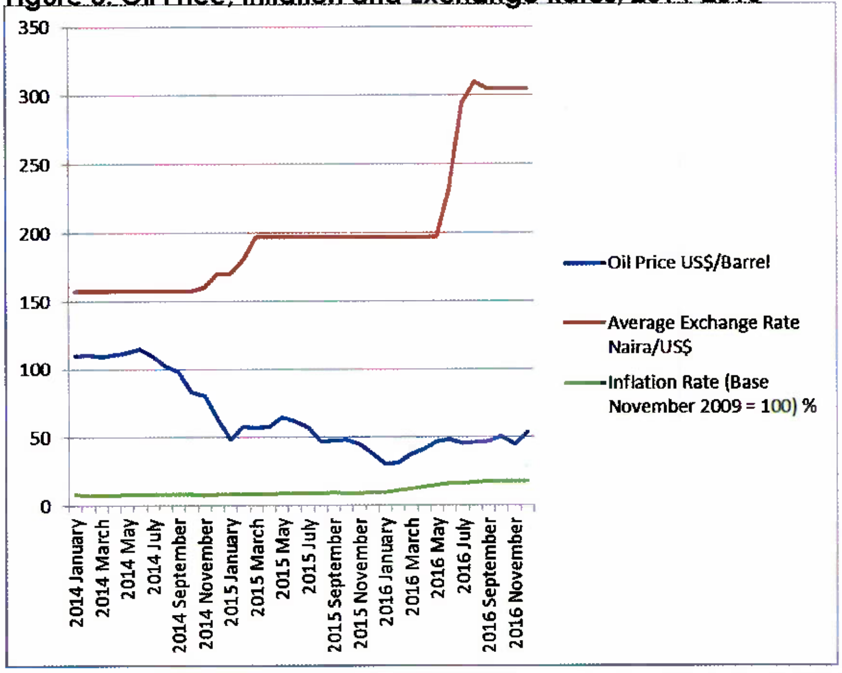


Figure 3: Oil Price, Inflation and Exchange Rates; 2014-2016



power of income thus, adversely affecting livelihood. The co-existence of declining GDP growth, high unemployment and high prices suggest the presence of a rare and challenging economic condition known as stagflation. See figures 1 and 2 for details.

In a period of stagflation, the economy experiences a steady rise in inflation rate coupled with a rise in unemployment. Contained in Figure 2 are inflation rates in Nigeria. As the chart shows, inflation rates rose steadily from 7.98 per cent in January of 2014 to 18.55 per cent by December 2016. Theoretically, as inflation increase, prices of domestically produced goods become more expensive and this results in an increase in the demand for foreign goods. The rising demand for foreign goods puts intense pressure on existing foreign exchange. This would likely result in a depreciation of the exchange rate. The case in Nigeria was worsened by the decline in accretion to external reserves, owing to a slump in crude oil prices. This also affected negatively on oil revenue accruing to the government. Recall that over 80 per cent of the Federal Government revenue is obtained from crude oil export proceeds. As shown in figure 3, co-movements are observed among the three indicators, suggesting that Nigeria's dependence on crude oil exports is a major determinant of movements in economic activity.

2.1 Causes of the Recession/Stagflation

The negative economic conditions have been attributed partly to continued disruption of oil production, especially in the Niger Delta region and contraction in the non-oil sector. Figure 4 shows evidence of decline in crude oil production, owing, mainly, to disruptions in the Niger Delta. It dropped to as low as an average of 1.69 barrels per day in the second quarter of 2016. Available data from the National Bureau of Statistics indicate that in the second quarter of 2016, the oil sector contracted by 19.11per cent, quarter-on-quarter to average 1.69 million barrels per day, 0.42 million barrels lower than the 2.11million bpd production recorded in the preceding quarter. Similarly, the non-oil sector also contracted by 0.38 per cent in real terms, which was lower than the negative growth of negative 0.18 per cent reported in the first quarter of the year.

The poor GDP growth recorded in Q2 of 2016 was also driven by scarcity of dollar, which weakened the domestic currency. This further pushed up the prices of imported goods, especially raw materials, plants and machineries that fed into the production process.

The growth pattern observed in the economy has also been dictated by the trend in international oil price. For instance, average crude oil price was:

- US$26.68/barrel - 1999 – 2004
- US$68.65/barrel – 2004 – 2009
- US$101.66/barrel – 2009 – 2014
- US$59.30/barrel – 2014 – Sept 15, 2016
- Below US$50/barrel for most of 2016

3.0 POLICY RESPONSES

In response to these negative conditions, monetary and fiscal authorities have implemented several policies with the intent of moderating the impact of the adverse economic conditions on Nigerians.

3.1 Monetary Policy Responses

On the monetary front, the focus has been, price stability and, increased credit to the real sector through targeted interventions and improved regulation. Specific actions included: sending out early warning signals; exchange rate reforms; and other complementary policies.

- **Early Warning Signals**

It must be mentioned that the CBN as adviser to the government, at different times, had sent warning signals of the likelihood that Nigeria may slip into a recession if necessary precaution was ignored. Table 1, contains MPC decisions, indicating statements by the Central Bank Governor of the need for proper response from the fiscal authority and other economic agents to forestall a recession. It also shows the Central Bank's warnings of an impending recession in Nigeria even before it occurred.

- **Exchange Rate Policies**

The fall in the price of crude oil in the international market, which began in the first half of 2014, generated a chain of macroeconomic reactions in most oil-exporting economies, including Nigeria. First, there was lower accretion to the external reserves and reduced foreign exchange receipts by government. In addition, reduced capital inflow and outright reversal of capital flows were recorded, resulting partly from the normalisation of US Monetary Policy and exit from quantitative easing. This led to rapid depletion of the external reserves from US$43.61 billion at end–December 2013, to US$37.48 billion and US$31.27 billion at end-June, 2014, and end-July 2015, respectively. At end-March 2016, the reserves stood at US$27.86 billion.

These developments raised concerns for policymakers, economic agents and the central bank, in particular, because of the implications of exchange rate instability for economic management. Movements in the exchange rate transmit to other sectors of the economy, which partly explains the recent high inflation and slow growth rates observed in Nigeria.

In response, and consistent with the Bank's mandate of maintaining exchange rate stability, the CBN has implemented a combination of policies. In particular, the Bank depreciated the exchange rate

Figure 4: Oil production in Nigeria

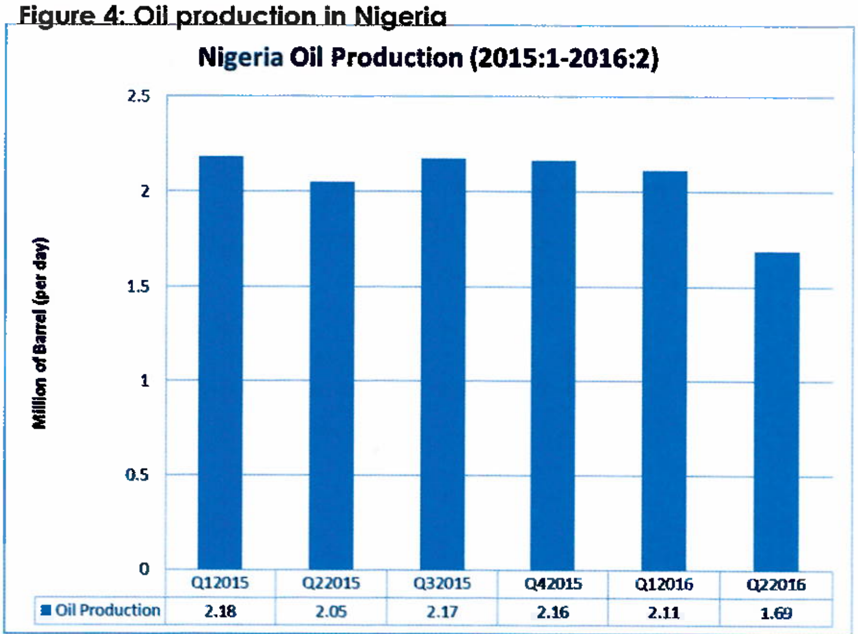


Table 1: MPC Statements with Warning Signals

S/N	MPC Meeting	Statement
1.	Communiqué No. 103 of the Monetary Policy Committee Meeting, September 21 and 22, 2015)	• "Having seen two consecutive quarters of slow growth, the Committee recognised that the economy could slip into recession in 2016 if proactive steps were not taken to revive growth in key sectors of the economy" (Central Bank of Nigeria)
2.	Communique No 105	• The MPC emphasised the necessity of coordination between monetary and fiscal policies as a prerequisite for resolving the nation's economic problems, particularly steering the economy away from oil dependency" • In particular, the Committee stressed the need for the fiscal authorities to compliment the Bank's low interest rate policy orientation by properly coordinating its borrowing activities (and rates) with the Bank in order to push the common objective of stimulating banking system credit delivery at low interest rates to the key sectors of the Nigerian economy. • "given the current economic reality of dwindling oil revenue and the rather unclear outlook for commodity prices, there would be need for a recalibration of the fiscal strategy to increasingly explore opportunities in non-oil tax revenue"
3.	Communique 106 of the Monetary Policy Committee Meeting, March 21 and 22, 2016	• "The Committee noted that the sluggish growth in output was directly attributable to certain fiscal uncertainties, which inadvertently hampered movement of labor and goods; fuel scarcity, increased energy tariffs, foreign exchange scarcity as well as slow growth in credit to private sector in preference to high credit growth to the public sector". • Many of these factors were outside the control of monetary policy and given these limitations, in the absence of complementary fiscal and structural policies, the only option was to continue with the existing measures. The MPC believes that complementary fiscal and structural policies are essential for reinvigorating growth" • The Committee hopes that fiscal and other structural policies would soon be deployed to strengthen the overall response of macroeconomic policy to the shocks. • The MPC also stressed the need to sustain, deepen and speed up reforms designed to ensure focused coordination of monetary and fiscal policies.
4.	Communiqué No. 107 of the Monetary Policy Committee Meeting, May 23 and 24, 2016	• The prolonged budget impasse denied the economy the timely intervention of complementary fiscal policy to stimulate economic activity in the face of dwindling foreign capital inflows. • The Committee recalls that in July 2015, it had hinted on the possibility of the economy falling into recession unless appropriate complementary measures were taken by the monetary and fiscal authorities. Unfortunately, the delayed passage of the 2016 budget constrained the much desired fiscal stimulus, thus edging the economy towards contractionary output. • Mindful of the limitations of monetary policy in influencing structural imbalances in the economy, the Committee stressed the need for policy coordination with the fiscal authorities in order to effectively address the identified pressure points.

by moving the midpoint of the official exchange rate from N155/ US$ 1.0 to N168/ US$1.0, and widened the band around the mid-point from +/- 3.0 per cent to +/- 5.0 per cent. The Bank also closed the official foreign exchange window (RDAS/WDAS), and intervened only in the interbank market. This was followed up, on June 23, 2015, with administrative restrictions on access to foreign exchange for the importation of a list of 41 items, which could be produced domestically, and the stoppage of foreign exchange sales by the CBN to BDCs. In addition, the CBN in on June 20, 2016 further liberalised the foreign exchange market to enhance efficiency and transparency in its operations. To improve the dynamics of the market, foreign exchange primary dealers (FXPD) have been registered by the CBN to deal directly with the Bank for large trade sizes on a two-way quotes basis.

These measures have yielded moderate results by tempering the depletion in the external reserves. However, the demand pressure in the foreign exchange market has continued to heighten, leading to widened premium between the official and BDC rates. The incentive has lured authorised dealers to engage in round-tripping of funds from the official sources to the parallel market.

- **Intervention in Critical Sectors**

As part of the efforts towards revamping the Nigerian economy, the CBN has sustained its intervention in critical sectors of the economy. Table 2 presents a catalogue of CBN interventions in critical sectors of the economy.

Table 2: Selected Interventions of the CBN

S/N	Intervention scheme	Remark
1.	The N300 billion power and aviation intervention fund	The PAIF was established in September, 2010 to motivate and stimulate private sector investments in the power and aviation sectors as well as speed up development activities in both sectors of the economy.
2.	N200 billion small and medium enterprises credit Guarantee Scheme (SMECGS)	The N200 Billion SMECGS was introduced in 2010 to re-finance and restructure banks' existing loan portfolios to manufacturers to improve access to finance as well as improve the financial position of DMBs.
3.	N220 billion MSME development fund	An initiative of the CBN designed to enhance access to credit by micro, medium, small and medium enterprises.
4.	N213 billion Nigeria Electricity Market stabilization Facility (NEMSF)	aimed at settling certain outstanding debts in the Nigerian Electricity Supply Industry (NESI) and guarantee the take-off of the Transitional Electricity Market (TEM). Specifically the facility covers legacy gas debts and the shortfall in r evenue during the Interim Rule Period (IRP).
5.	Anchor Borrower's Programme	An initiative of the CBN designed to assist local farmers towards increasing production and supply of feedstock to processors, reduce importation and conserve Nigeria's external reserves. Targeted at smallholder farmers engaged in the production of rice, oil palm, wheat, cotton and fish value chain farmers over a period of 5 years.
6.	Youth Innovative Entrepreneurship Development Programme	The programme is open to youth corps members and those with not more than five years of post-NYSC experience. Each eligible youth can access a credit line of up to N3 million

Table 3 presents a catalogue of the monetary policy committee decisions since 2014. Contained in the table also, are monetary responses to observed macroeconomic developments.

Table 3: Selected Monetary Policy Committee Decisions

Year	Major MPC Consideration	MPC Decision
2014	▪ Relative stability in the macro - economy ▪ Increase in reserves ▪ Unemployment ▪ Gas to-power as a binding constraint ▪ The lack of employment generation of portfolio inflows ▪ Implications of QE3 tapering for inflow ▪ Moderation in the depletion of external reserves ▪ Uptick in inflation	• In November, MPR increased by 100 basis points to 13.0 per cent; symmetric corridor of +/- 200 basis points retained; CRR on private sector deposits increased by 500 basis points from 15.00 to 20.00 per cent. Midpoint of the official window of the foreign exchange market moved from ₦155/US$ to ₦168/US$; band around the mid-point widened by 200 basis points from +/-3 per cent to +/-5 per cent; retained public sector CRR at 75.00 per cent; NOP retained at 1.00 per cent.
2015	▪ Security challenges in the economy ▪ Recurring challenge of excess liquidity in the banking system ▪ Failing oil prices ▪ Slowing global output ▪ Decline in oil GDP ▪ Decrease in reserves ▪ Divergent monetary policy posture ▪ Monetary-Fiscal coordination in the face of consecutive decline in growth ▪ Non-payment of staff salaries by state and local governments and worsening unemployment ▪ Fragile global and domestic economy ▪ Moderate inflation ▪ Pressure on exchange rate	• In May, MPR retained at 13.0 percent; Symmetric corridor retained at ±200 basis points; LR retained at 30.0 per cent; CRR harmonise for the public and private sector at a single rate of 31 percent • In September, CRR reduced from 31 to 25 per cent • In November, CRR reduced to 20.0 per cent; MPR reduced to 11.0 per cent; LR maintained at 30 per cent; the asymmetric corridor at +200 basis points and -700 basis points
2016	▪ Weakening macroeconomic environment ▪ Foreign exchange shortages ▪ Slowing GDP growth rate ▪ Rising inflation ▪ uncertainty around fiscal policy ▪ adverse external environment, ▪ Security challenges in some parts of the country affecting production ▪ Sluggish growth in credit to the private sector ▪ fuel scarcity, ▪ increased electricity tariff ▪ Excess liquidity in the banking sector ▪ Treasury Single Account (TSA) withdrawals ▪ J. P. Morgan delisting of Nigeria	• **January decision** o In January, CRR reduced from 25.0 per cent to 20.0 per cent; MPR reduced from 13.0 per cent to 11.0 per cent; change in the symmetric corridor of 200 basis points to an asymmetric corridor of +200 basis points and -700 basis points • **March Decision** o MPR increased to 12% o Raise the MPR by 100 basis points to 12%. o Asymmetric corridor to be tightened to +2/-5 o Raise CRR to 22.5% o Liquidity Ratio remains at 30%; § May Decision o Retain the MPR at 12.00 per cent; o Retain the CRR at 22.50 per cent; o Retain the Liquidity Ratio at 30.00 per cent; and o Retain the Asymmetric Window at +200 and -500 basis points around the MPR 13 o Introduce greater flexibility in the inter-bank foreign exchange market structure and to retain a small window for critical transactions. § July Decision o Increase MPR from 12.00 per cent to 14 percent; o Retain the CRR at 22.50 per cent; o Retain the Liquidity Ratio at 30.00 per cent; and o Retain the Asymmetric Window at +200 and -500 basis points around the MPR 13 Introduce greater flexibility in the inter-bank foreign exchange market structure; and to retain a small window for critical transactions.

3.2 Fiscal Policy Responses

On the fiscal front, the Federal Government has implemented a number of policies aimed at reversing the negative economic conditions and restarting the economy. Some of the key policies included: the introduction of the Treasury Single Account to consolidate government revenue; blocking of leakages from government revenue; increased capital expenditure; and efforts at diversifying the economy and infrastructure development. Key policy responses from the monetary authority are outlined below:

- Settling/Resolving the restiveness in the Niger Delta region to increase oil output/production, FX earnings and thus, stabilise exchange rate which has strangulated the economy;
- Ensuring self-sufficiency in food production; this can be achieved by encouraging and funding local production of food and other major imports clothing, manufacturing inputs and fuel. This would conserve foreign exchange resources for critical sectors.
- Review and reform agriculture schemes to for small holder farmers
- Fixing the local refineries to reduce importation & conserve foreign exchange
- Reforms to enhance the efficiency of the management of oil and gas resources, e.g end to JVC cash calls. Joint venture operations to be subjected to new funding mechanism which will allow for cost recovery and the resultant impact on government revenues
- Reform of export expansion grant (EEG) to encourage value-added exports
- Strengthening commercial contracts
- Reduce government share in some commercial ventures like the NNPC to increase efficiency and make it run like the NLNG.
- Reforms to ensure the facilitation and speeding up of government procurements and approvals
- Rapid development of infrastructure –power and transportation (Rail, Roads, Air, Port reforms)
- Critical assessment of the power sector value chain to solve funding issues – through public/private partnership
- Tax reforms to bring more people into the tax nets;
- Conditional fund transfers to the most vulnerable in the society; and
- School feeding programme to encourage local production of food as well as more enrolment.

4.0 THE CHALLENGE OF MONETARY POLICY

Monetary policy faces some key challenges. These are outlined in this section.

- **Conventional versus Unconventional Monetary Policy**

Firstly, There is a policy conundrum between the traditional function of monetary policy and its expected role in real sector financing. For instance, expansionary monetary policy is expected to reduce cost of borrowing and increase the demand for loanable fund for the real sector. However, this relationship appears to have been corroded by some other factors that are outside the control of monetary policy, making it difficult for interest rate (monetary policy instrument) to follow this known a *priori* relationship. In the determination of cost of funds, DMBs, rather than follow this rule of thumb, marked-up the monetary policy rate by considering weightier factors such as cost of infrastructure. Moreover, there is a conflict between contractionary policies aimed at controlling inflation and cost of lending in the economy. In such circumstances, monetary policy is either very close to being or conflicts with the objectives of increased access to credit for the real sector.

- **The Impossible Trinity**

Secondly, there is the optimisation problem facing the central banks, commonly called the "impossible trinity or monetary policy trilemma", which makes it impossible for effective utilisation of policy instruments to achieve the stated target. It has been shown that in a small open economy like ours, it is an arduous task for monetary authority to aim to achieve low inflation, low interest rate and a stable exchange rate, simultaneously. Incidentally, these three policy outcomes are important for the real sector to have easy access to credit by reducing cost of lending, attract (domestic and foreign) investment and external competitiveness through stable exchange policy. This therefore presents the CBN with tough monetary policy choices.

In addition, the rent seeking behaviour of DMBs rather than intermediation appears to be another challenge facing the CBN in channeling finance to the real sector. The Central Bank does not deal directly with the members of the public, hence, it involves the DMBs in providing finance for the real sector. However, DMBs generally perceive the real sector as being too risky to be allocated credit given the infrastructural challenges, as well as the nature of real sector that have longer gestation period. Based on the profit maximisation tendency of the DMBs, they, however, have preference for short-term gestation period and as such prefer government debt instruments such as treasury bills as a cheap source of generating profit. This has drastically affected negatively on the ability of the real sector to get finance.

- **Coordination with the Fiscal Authority**

Effective coordination between the fiscal and monetary authorities is critical for the success of economic policies. There has been weak coordination between both authorities. However, effort is being made to ensure coordination, especially at the policy formulation. Economic management is not the sole responsibility of any arm of government. Collaboration with all agencies that contribute to policy formulation and implementation is crucial for economic success.

- **Clear short-to-medium term Framework:**

The lack of a clear short-to-medium term policy framework to guide economic management and improve investor confidence has adversely affected economic management. The effort of government at developing the Medium Term Expenditure Framework and other plan documents are efforts in the right direction. To facilitate effectiveness of the framework, there is the need for contribution and consultations with relevant stakeholders.

- **Exchange Rate Dynamics**

Exchange rate management remains a key challenge for monetary policy given the growing divergence between inter-bank and BDC rates. This has also lowered investor confidence. Until we get it right, the economy may not grow in the desired direction.

- **Mono Export Economy**

The major export of the Nigerian economy is crude oil and the price is determined internationally. Fluctuations in crude oil price impact on government revenue, external reserves and this triggers other macroeconomic reactions, which make economic management challenging. In particular, a stable and strong exchange rate is better achieved when an economy has a diversified export base. As long as this is lacking in Nigeria, economic management will remain challenging.

5.0 WAY FORWARD

The following complementary actions are suggested as way forward for Nigeria in an effort to recover from the quagmire. It must be mentioned that coming out of stagflation is an expensive and tedious process. However, all economic agents must be willing to make the sacrifice.

- **Develop Early Warning Signals Using Key Economic Indicators**

It is important to have early warning signals that can guide policy makers in understanding the direction of the economy. The CBN is making effort in that regard to develop some signals using key economic variables as a signal to the direction the economy is moving. Key variables that measure the health of the economy such as, GDP growth, exchange rate, inflation, currency movements, banking sector indicators, among others, are important indicators of the status of an economy.

- **Clearly Outlined Economic Management Programme**

Over the years, the economic management in Nigeria has been based on some adhoc policy documents. This approach is not capable of delivering sustainable economic progress. The Medium Term Expenditure Framework (MTEF) is a move in the right direction. Policy makers must be willing to collaborate with all key stakeholders in designing a short-to-medium-term economic programme. This will guide and strengthen policy formulation and implementation.

- **Monetary or Fiscal Policy Alone Cannot Do It All.**

Proper coordination of all policies is required. While monetary policy can help, fiscal policy would be most effective in breaking some of the structural bottlenecks to production. In the exact words of Stanley Fischer, US Federal Reserve Vice-Chairman, "policies to boost productivity growth and the longer-run potential of the economy are more likely to be found in effective fiscal and regulatory measures than in central bank actions."

- **Public-Private Partnership is Essential for Economic Management.**

In the current context of oil price slump and dwindling government revenue PPP appears quite important as a strategic option for addressing the huge infrastructural deficits in economy. Relevant legislations should be enacted to encourage those who can best provide infrastructure services to do so. The institutional and judicial reforms should be urgently implemented to minimize opportunistic behavior, sharp practices and the tendency of government violation of contractual obligations in PPP arrangements.

- **Sub-National Governments Should be More Innovative in Expanding their Revenue Base:**

Many years of reliance on federally collected oil revenue has dwarfed the incentive for the sub-national governments to strengthen their revenue base. The current crisis has clearly exposed the unsustainability of continuous reliance on the oil revenue. It is also an opportunity for the subnational governments to engage in more innovative means of expanding their revenue base. The states should invest in research and development to discover and develop the abundant resources in their territories. In addition, tax administration and enforcement in most states are bedeviled with inefficiencies and preventable leakages.

- **Creating Diaspora and Green Bonds to Raise Revenue for Infrastructure Development.**

The bonds will provide opportunities for our numerous emigrants to contribute to the development of their cash-strapped homeland. The high volume of foreign remittances inflow is indicative of the probable success of this fund-raising mechanism. In 2010, Nigeria ranked high in remittances inflow of US10 billion. (Shimeles, 2010)[3].

- **Resolution of Security Challenges in the Country**

Addressing the security challenges currently confronting different zones of the country would be appropriate for future economic stability and development. There should be sustained efforts to end the Boko Haram insurgency in the North Eastern region of Nigeria. This region is popular for its contribution to food production, particularly cereals. Equally important, is the need for the government to sustain current efforts to resolve militancy in the Niger Delta and ensure a lasting peace in the region, because continued militancy in the region may truncate the flow of oil revenue from the sluggishly recuperating oil price. Lastly, the secret behind the menacing herdsmen should be uncovered and their activities stopped to enable farmers cultivate their farms. The continued security challenges in the country are gradually diminishing the private sector business confidence in the country. No genuine business can strive successfully in an atmosphere of insecurity.

6.0 CONCLUDING REMARKS

The Nigerian economy has come under intense pressure in recent times due to a combination of factors including, falling crude oil prices, heightened demand pressure in the foreign exchange market, rising price level and unemployment, weaker external environment, normalisation of the United States' monetary policy, among others. These issues have generated a chain of macroeconomic reactions, which make economic management challenging. In view of this, policy makers are working assiduously to ensure that the negative conditions are reversed.

Considerable efforts have been made at both the monetary and fiscal fronts. On the fiscal side, tax reforms, fiscal consolidation, increased transparency in capital and recurrent spending are some of the efforts outlined in the paper. The monetary authorities are focusing on complementary policies to stabilise prices and intervene in critical sectors of the economy. Although these efforts are yielding some results, there is still need for further improvements on these initiatives. It is a call to all economic agents to make necessary sacrifice and commitment towards ensuring that Nigeria overcomes her challenges.

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