Macroeconomic Policy for Full and Productive Employment and Decent Work for All: The Case of Nigeria

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TO RESTORE THE DIGNITY OF MAN

OUTLINE

- **Economic Growth, Labour Market and Poverty Profile in Nigeria:**
  - Labor Market and Economic Growth in Nigeria
  - The MDGs Goals, Unemployment and Poverty Profile in Nigeria
  - Alternative Macroeconomic Policy towards Poverty Reduction

- **Macroeconomic Policy Targets in Nigeria**
  - Monetary Policy in Nigeria
  - Fiscal Policy in Nigeria
  - Exchange Rate Policy
  - Capital Account Management
  - Alternative Policy Options

OUTLINE CONT'D

- **Empirical Frameworks: SVAR Approach**
  - **Responses to Monetary Policy Shocks**
    - Credit Growth Shock
    - Monetary Policy in Nigeria
    - Credit Growth Shock
    - Monetary Supply Shock
    - Exchange Rate Policy Shock
    - Output growth shock
- **Policy Implication:**
  - **Achieving Decent Work and Sustained Poverty Reduction**
- **Summary**

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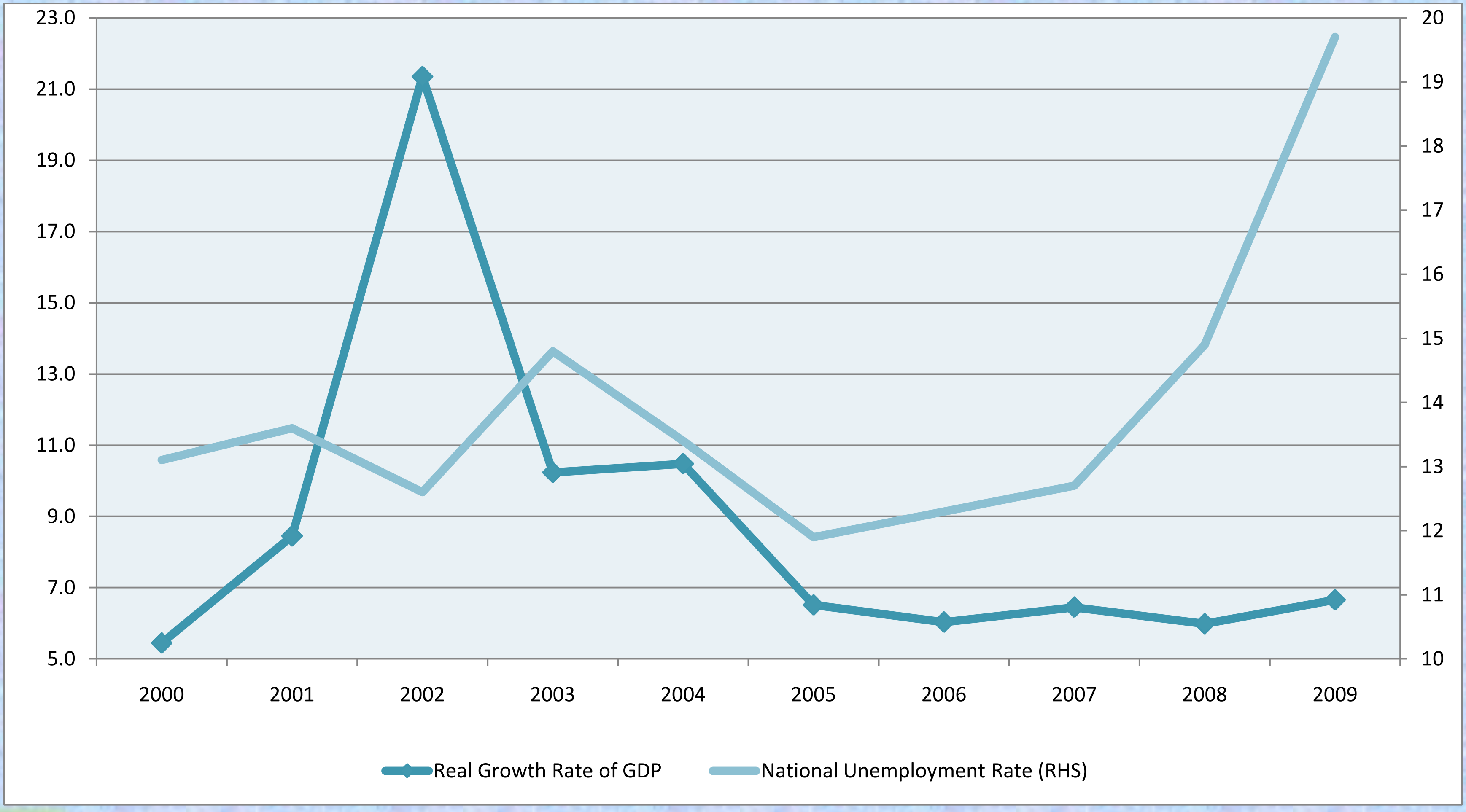
The CBN had always expressed disdain for double-digit inflation rate in the country. This has seen the apex bank's Monetary Policy Committee (MPC) adjusting various monetary policy instruments to achieve that ambition. The MPC, which has operational independence in the setting of interest rates in the country, had increased the benchmark interest rate – the Monetary Policy Rate (MPR) - four times this year

-*This Day Newspaper*

The International Monetary Fund [IMF] has said that monetary policy in Nigeria should be geared toward lowering "stubbornly high" inflation to single digits.

Real Growth Rate of GDP and National Unemployment Rate in Nigeria



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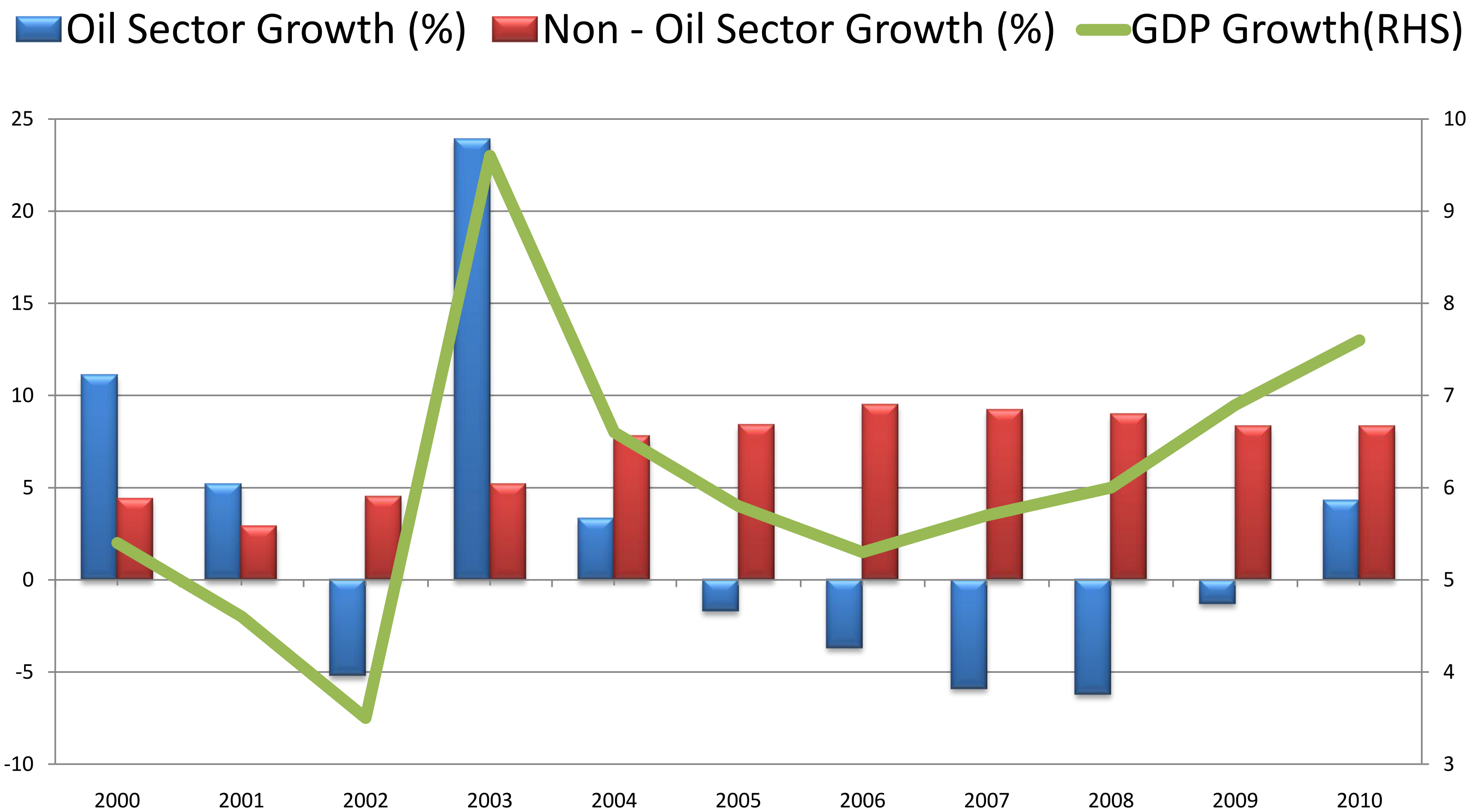
Overview of Nigerian Macroeconomic Performance

- **Risk in restrictive monetary policy**
- **The consolidation of macroeconomic stability and improvements in major economic indicator**
- **An astronomical rate of growth in the past decade**
- **Direct correlation between employment and poverty reduction** *(Heintz, 2005*)
- **Increased growth, decreased employment opportunities and increased poverty**
- **Mismatch between macroeconomic policy strategies and socio-economic development goals in Nigeria**

OBJECTIVE

Draw an empirical contrast between the macroeconomic policies in post-SAP era in Nigeria, which is narrowly focused on inflation targeting and real exchange stability, and the overall goal of generating productive employment and poverty reduction

Nigerian Economic Performance



Rate of Growth of Oil and non-Oil GDP

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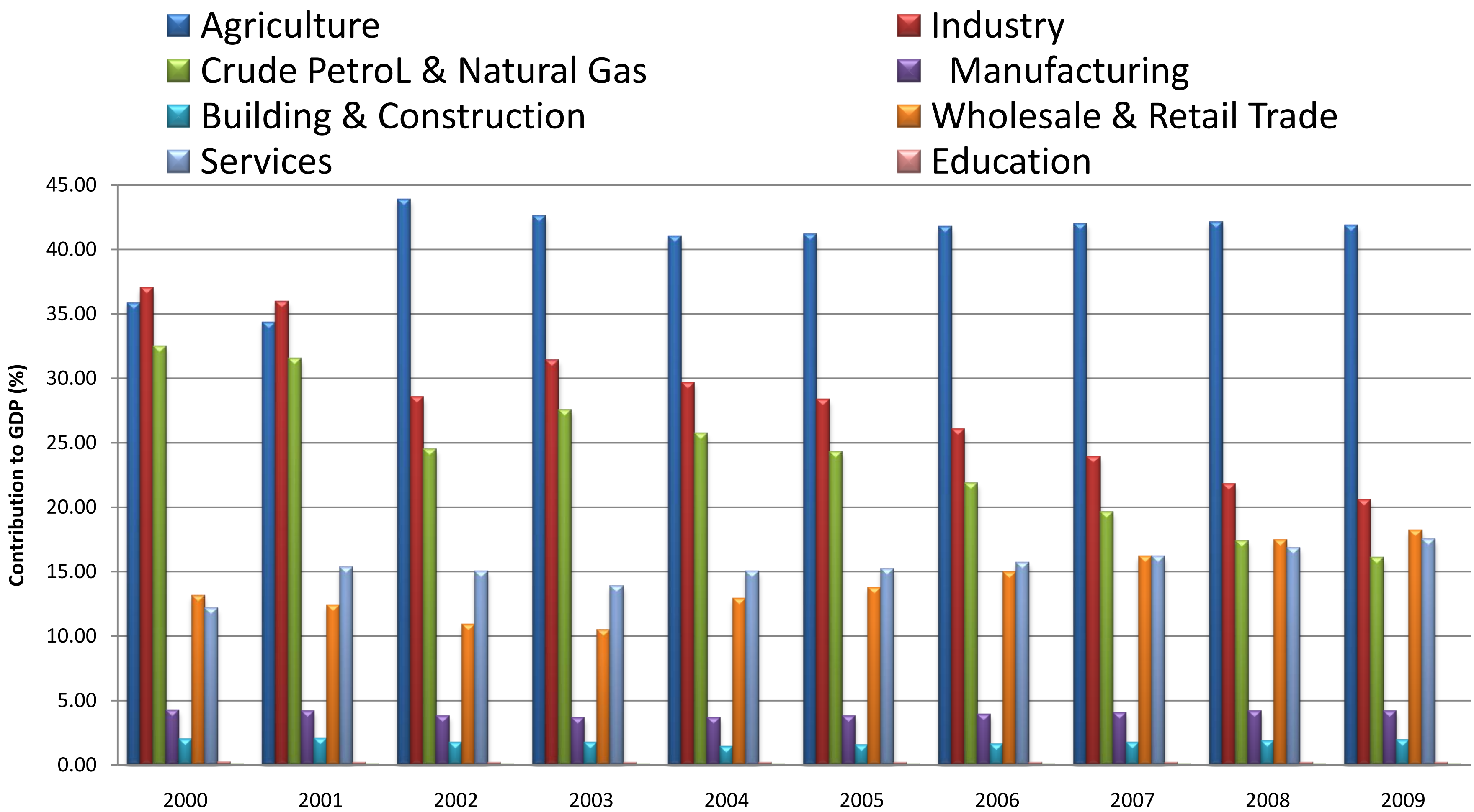
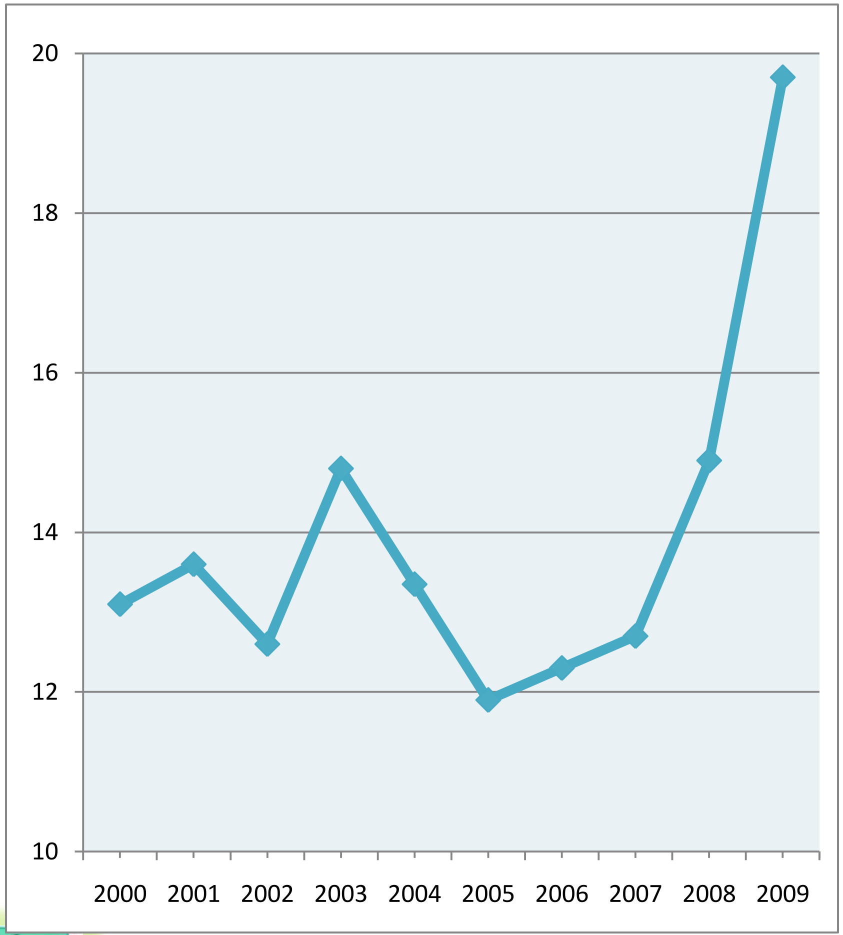
Nigerian Economic Performance



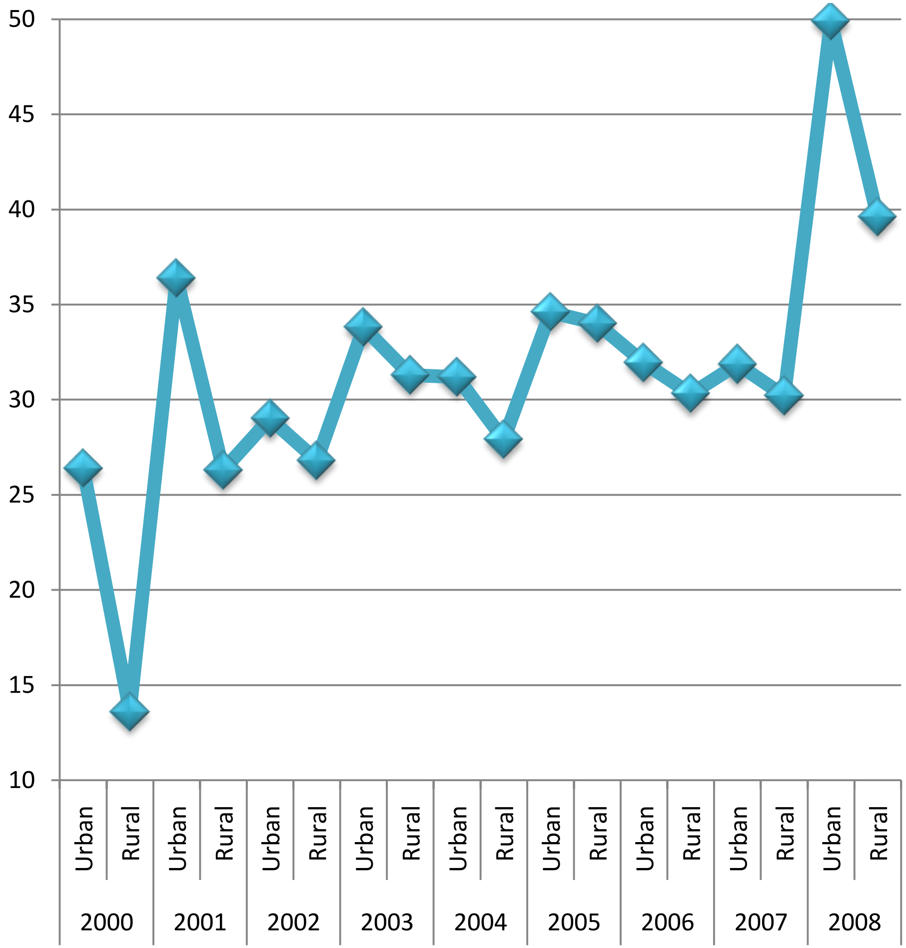
Contribution of Oil and Non-Oil Sectors of GDP

Nigeria Growing Employment Crisis

National Unemployment Rates



Youth Unemployment rate (15-24)



Youth Employment Situation

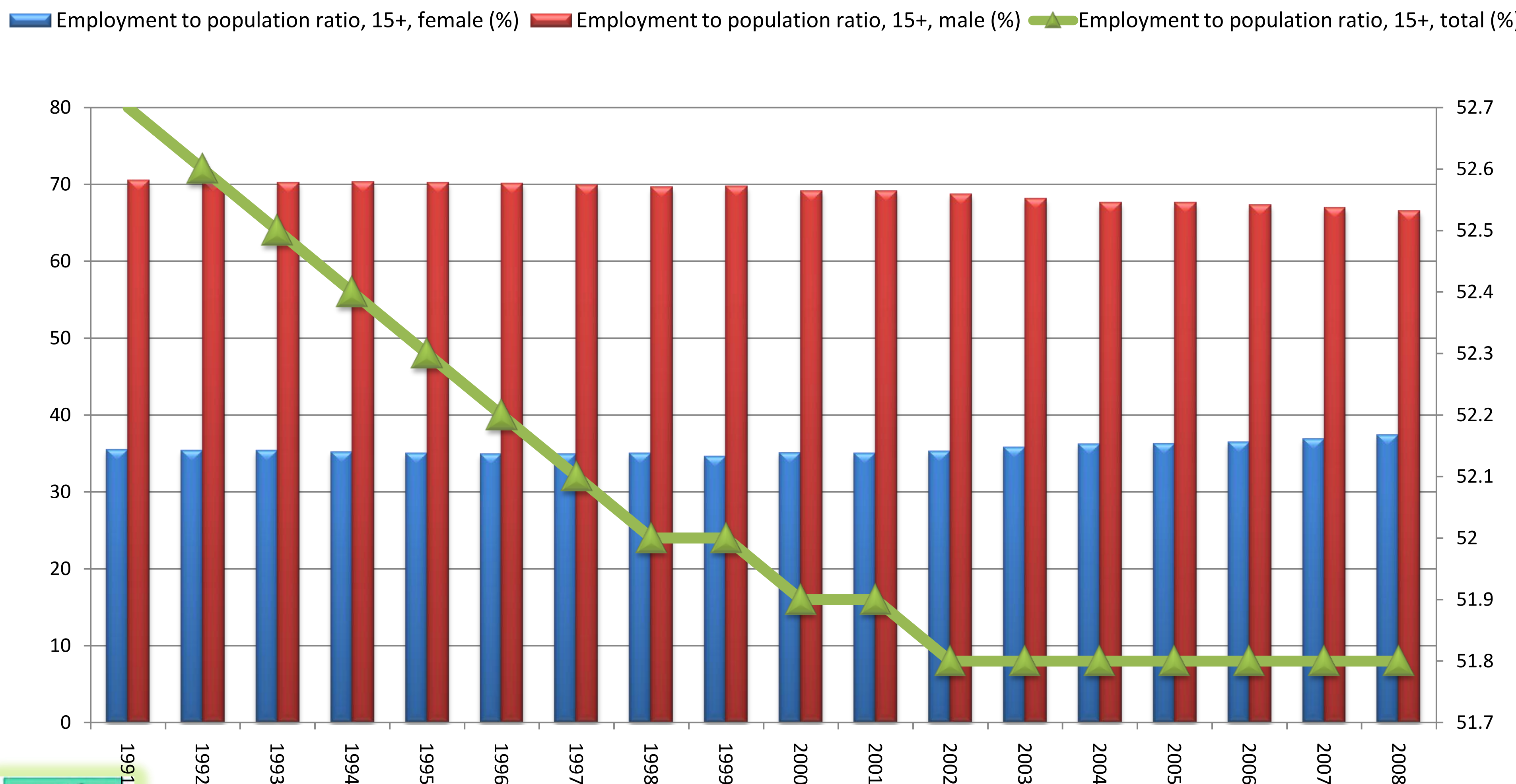
- **Nigeria is one of the most youthful countries in the world**

- **About 45 percent of the country's population is under the age of fifteen** *(ILO, 2010; British Council & Harvard University, 2010)*

- **Youth unemployment rates are twice as high as the national unemployment rate**

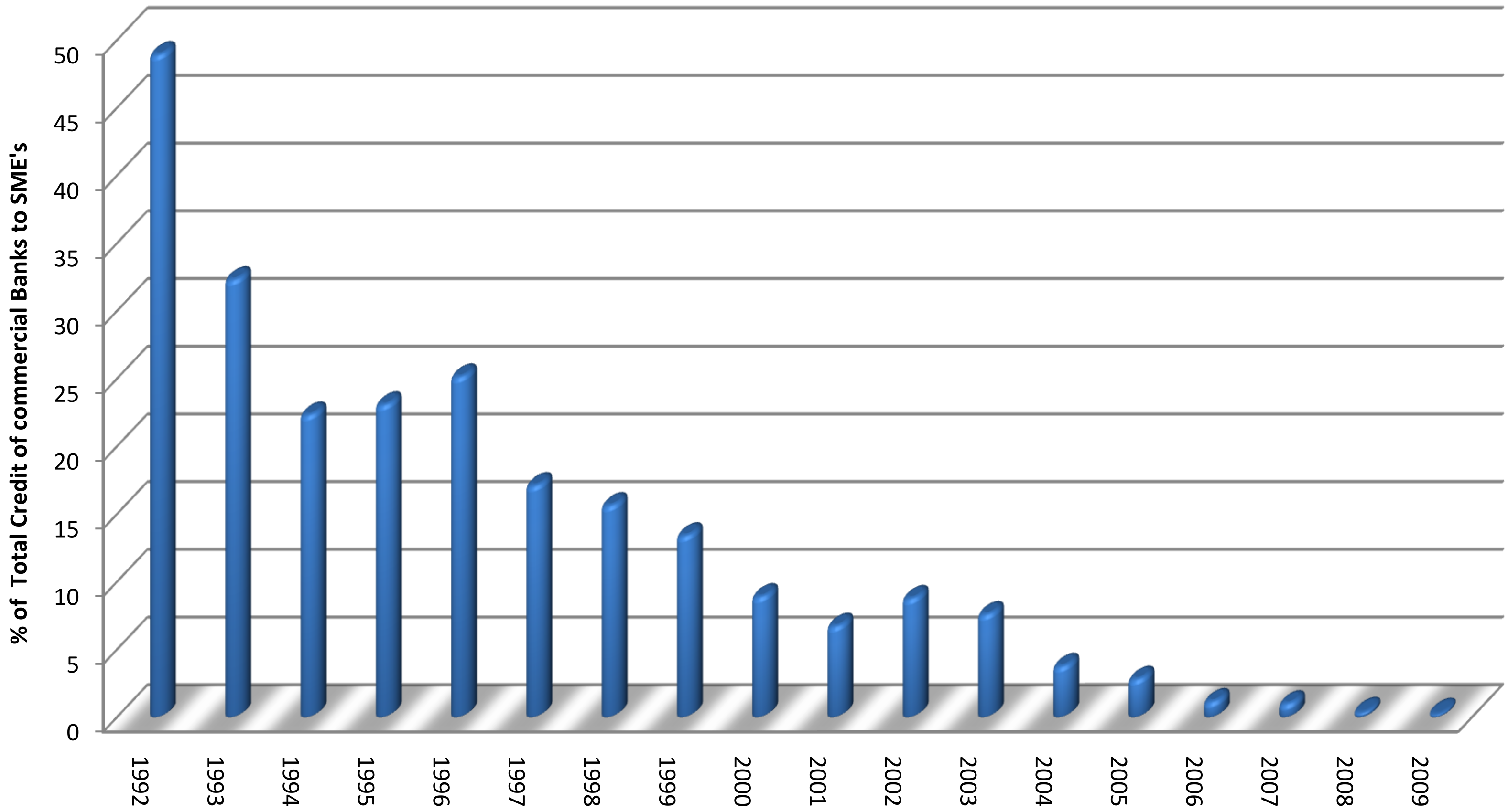
- **Nigeria faces highest rate of unemployment both in rural and urban areas and across different labor sectors**

Youth Employment to Pop. Ratio by Gender



The MDGs Goals, Unemployment and Poverty Profile in Nigeria

Total Credit of Commercial Banks to SMEs



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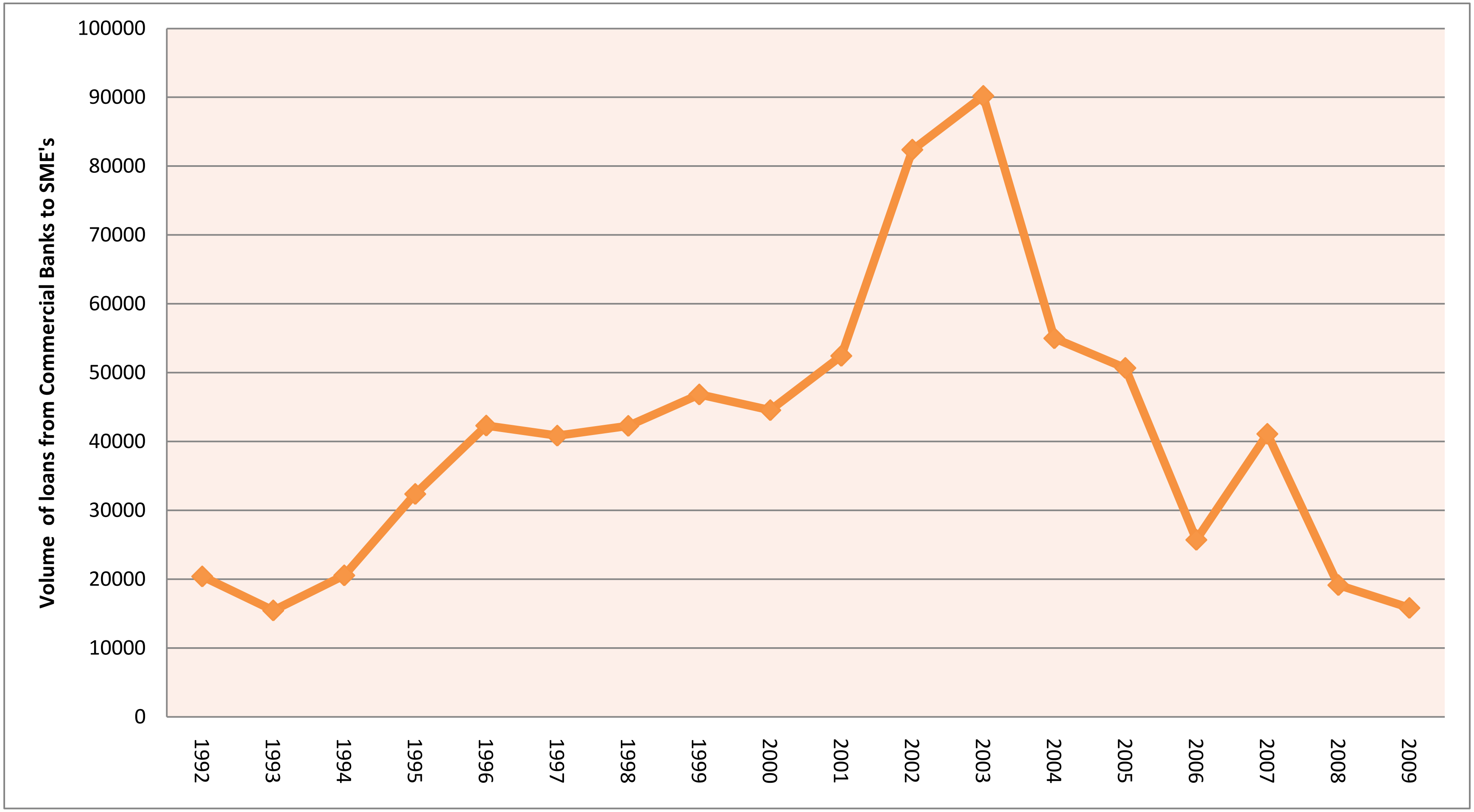
Volume of Loans from Commercial Banks to SMEs in Nigeria



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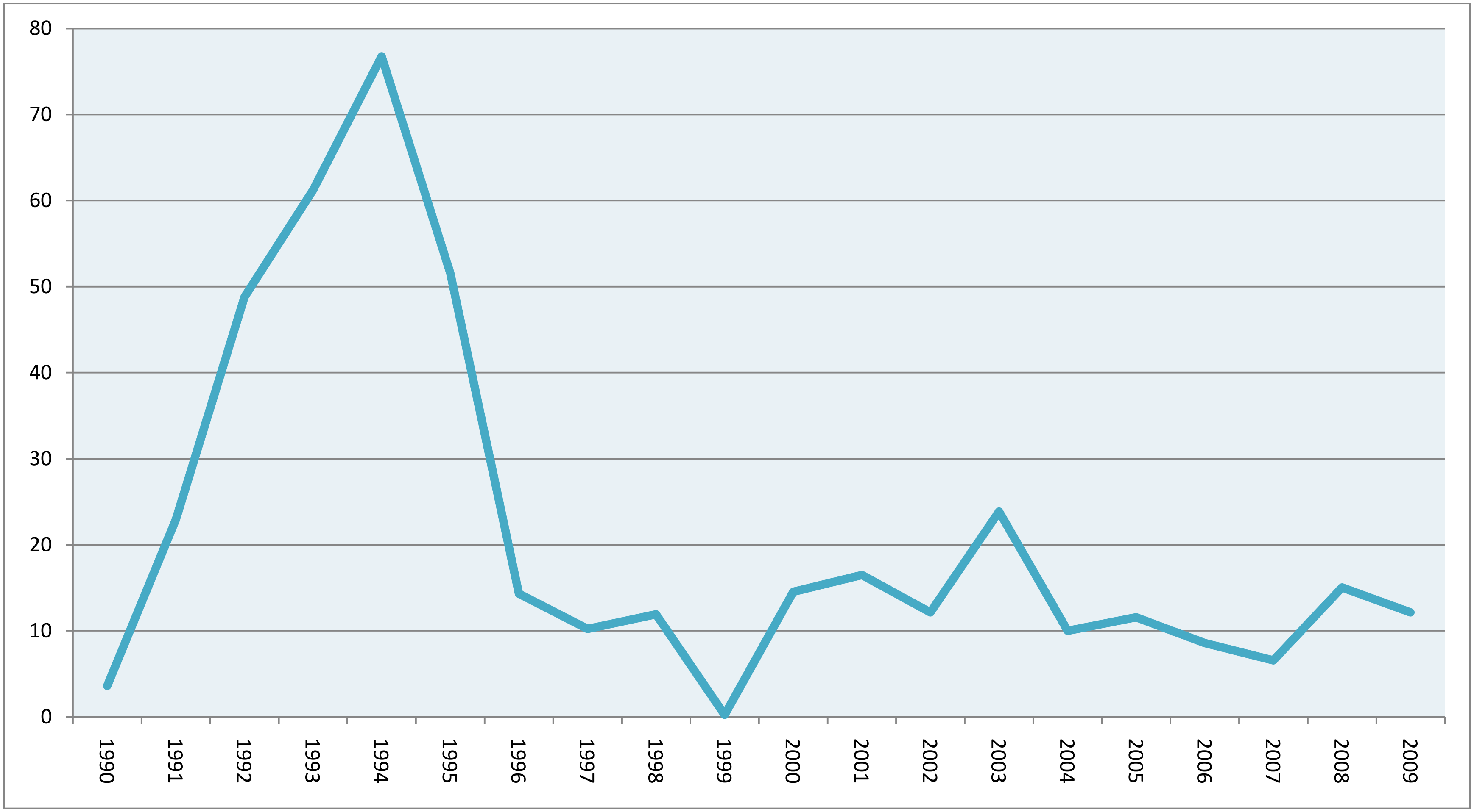
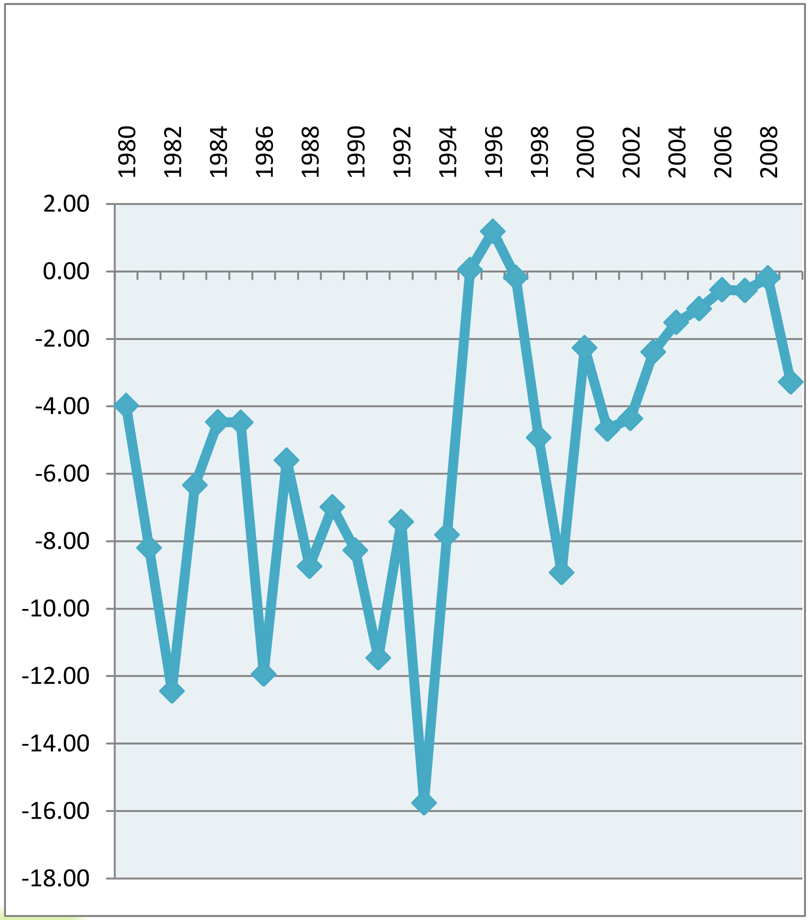
Inflation, consumer prices (annual %)

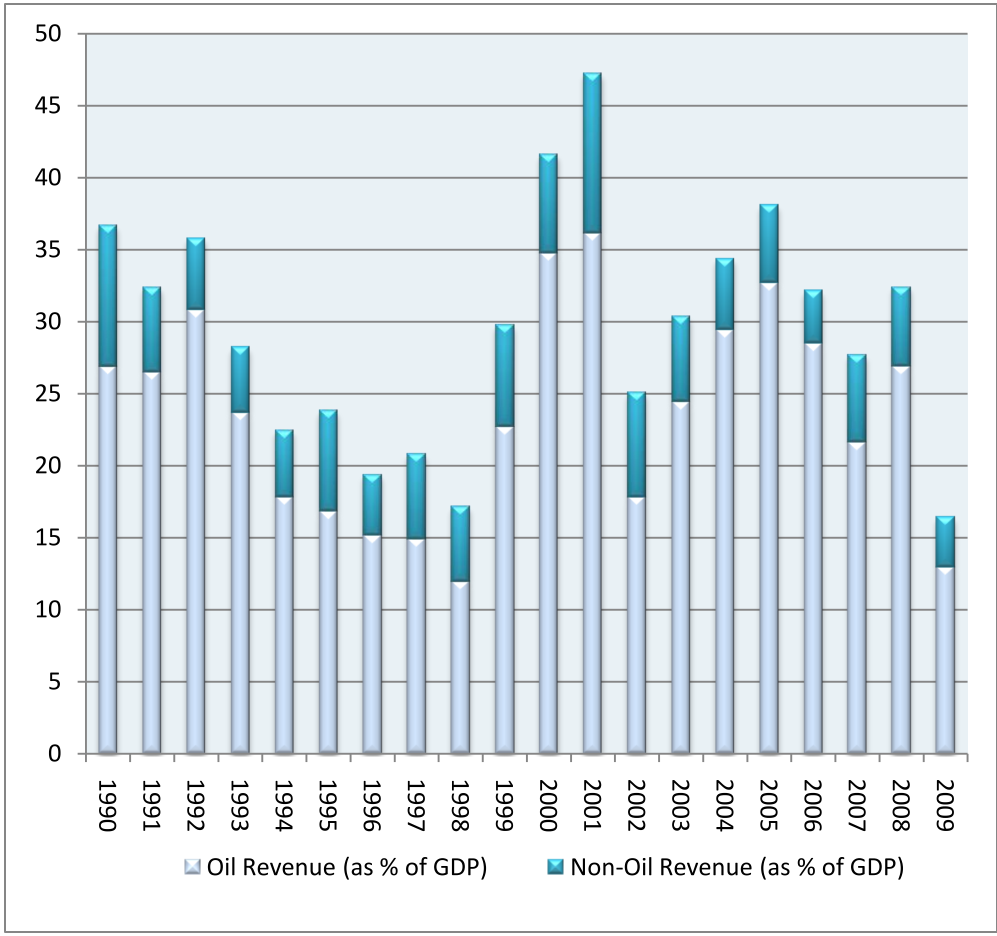


Fiscal Policy Targets

Overall Fiscal Balance

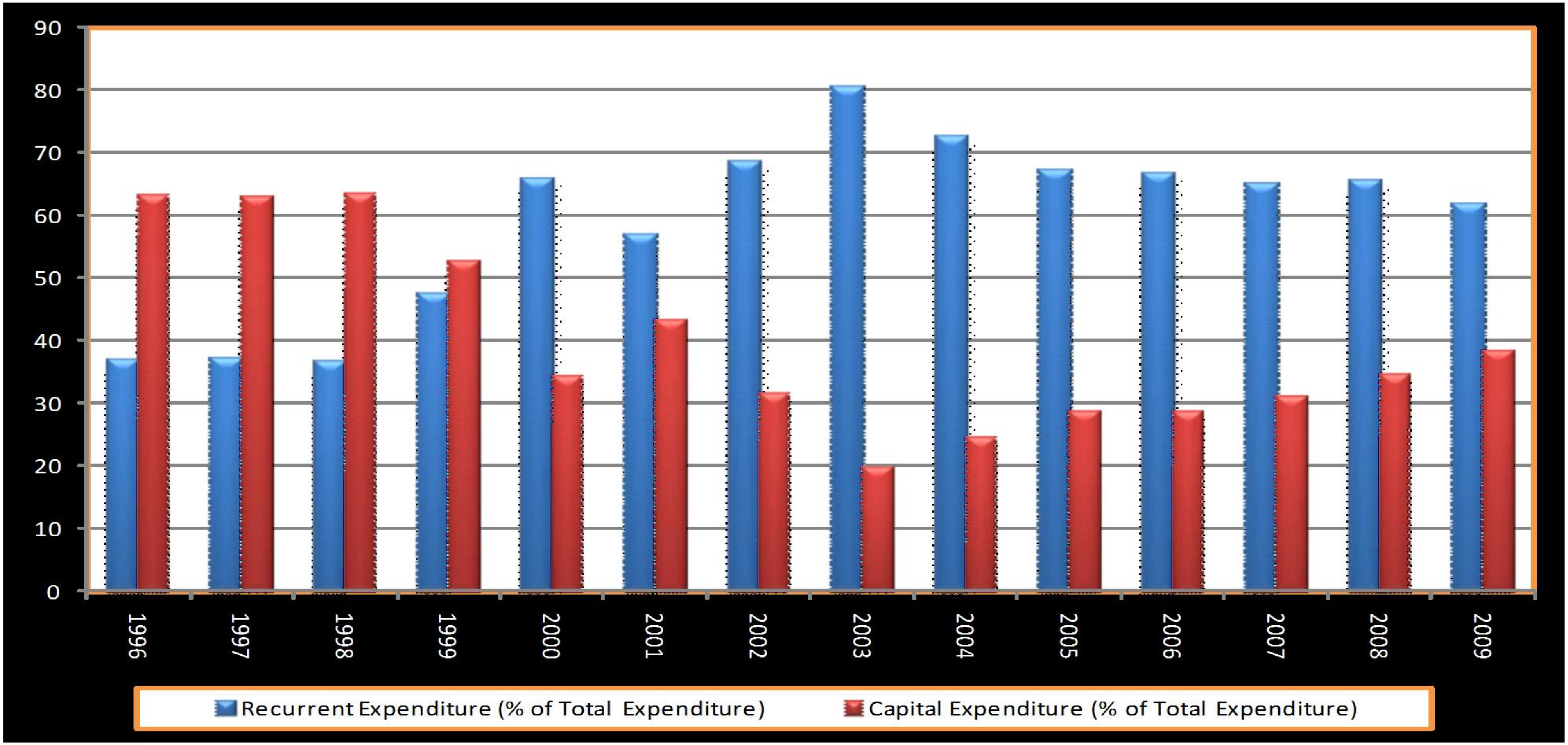


Revenue performance (as % of GDP)



Government spending

(as share of total expenditure)



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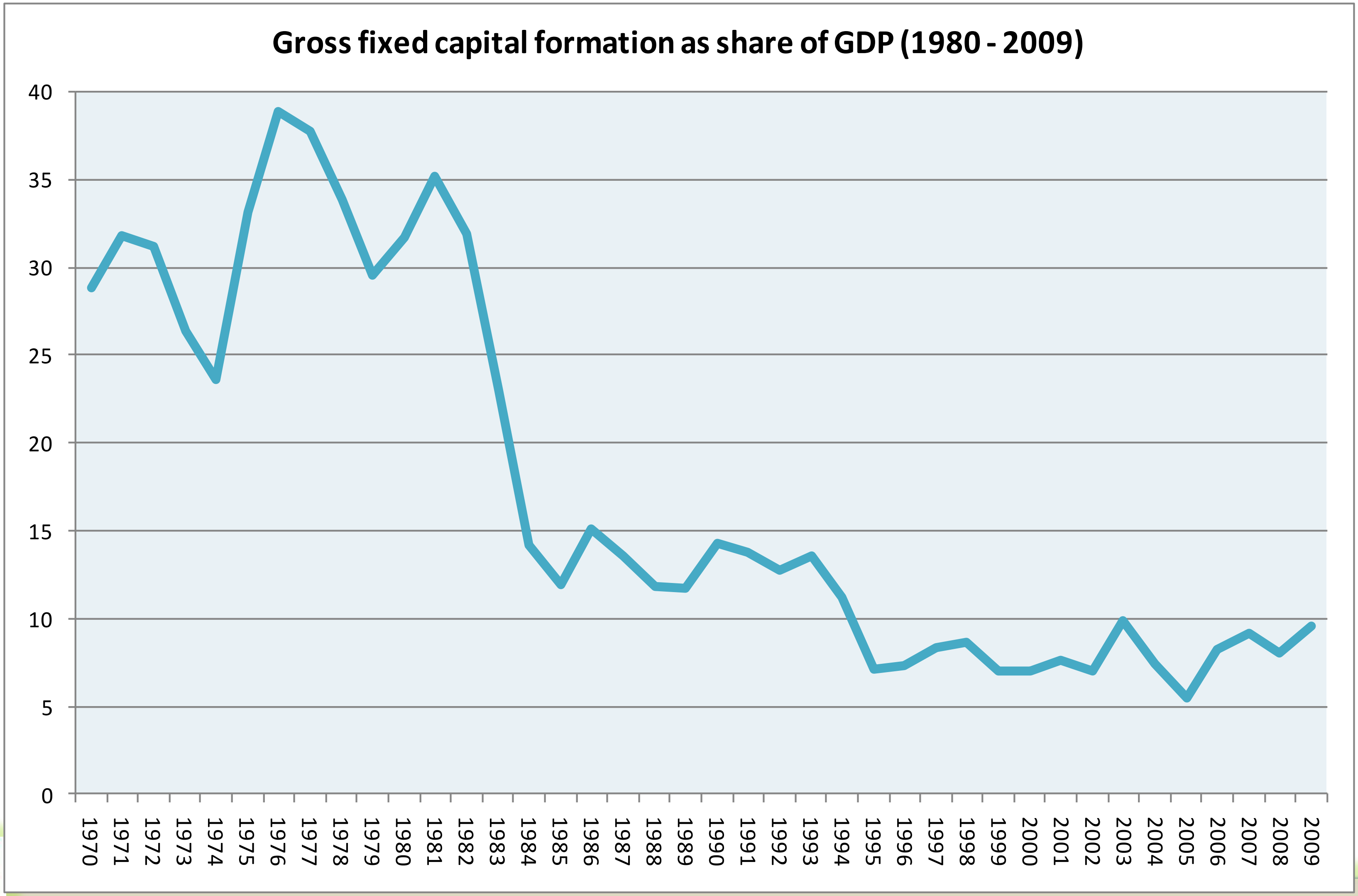
Gross Fixed Capital



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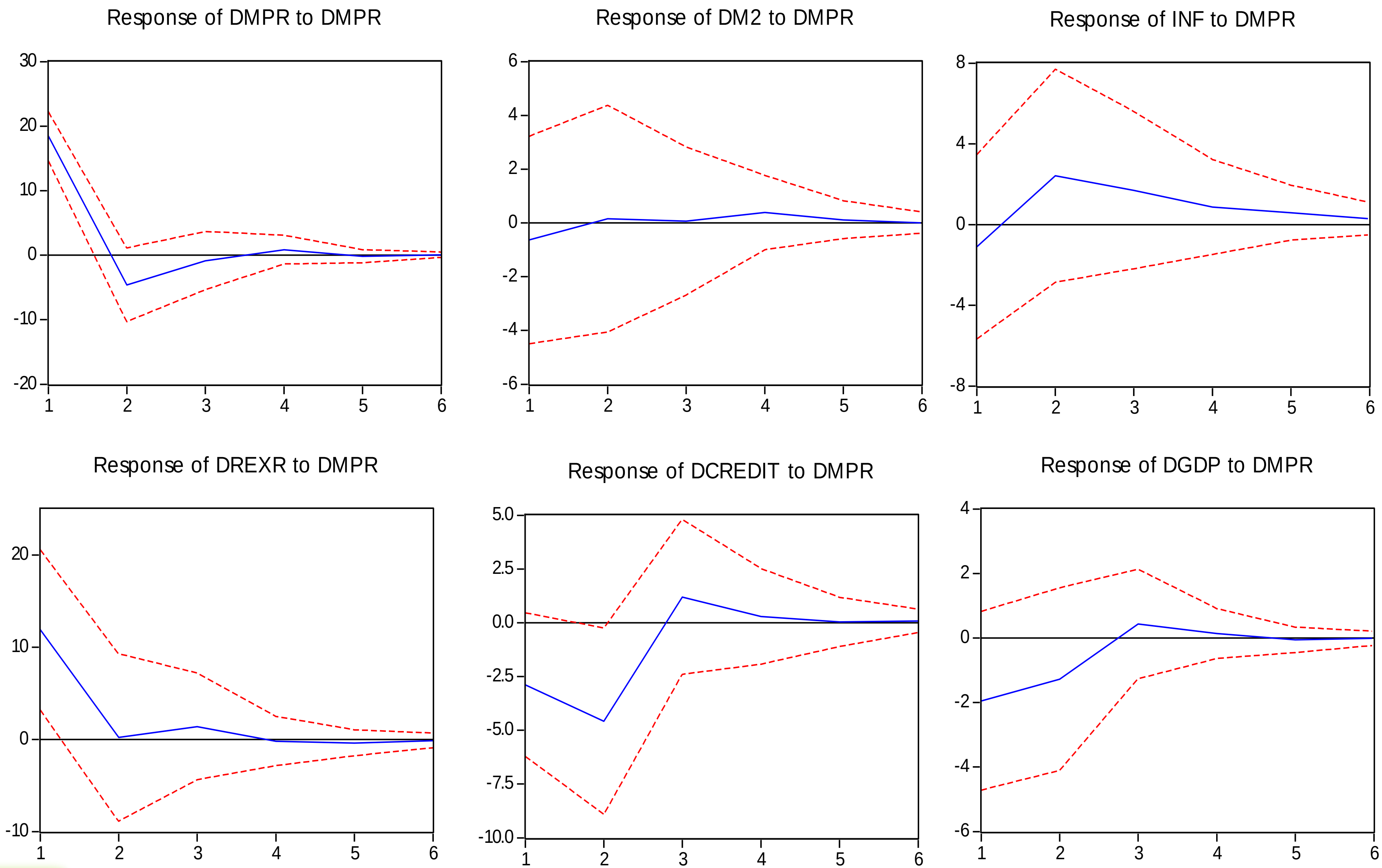
Empirical Frameworks:

SVAR Approach

$$Y_t = \sum_{i=0}^{k} A_i Y_{t-i} + v_t$$

$$Y = [\text{Dmpr, Dm2, inf, Drexr, Dcredit, Dgdp}]$$

Figure 1: Monetary Policy Rate Shock



This conforms to results of other researchers in developing African countries (Chukwu 2009, Abradu-Otoo et al (2003), Epstain and Heintz (2006) that monetary policy contraction chokes the developing countries economy with a long lasting effect

Figure 2: Credit Growth Shock

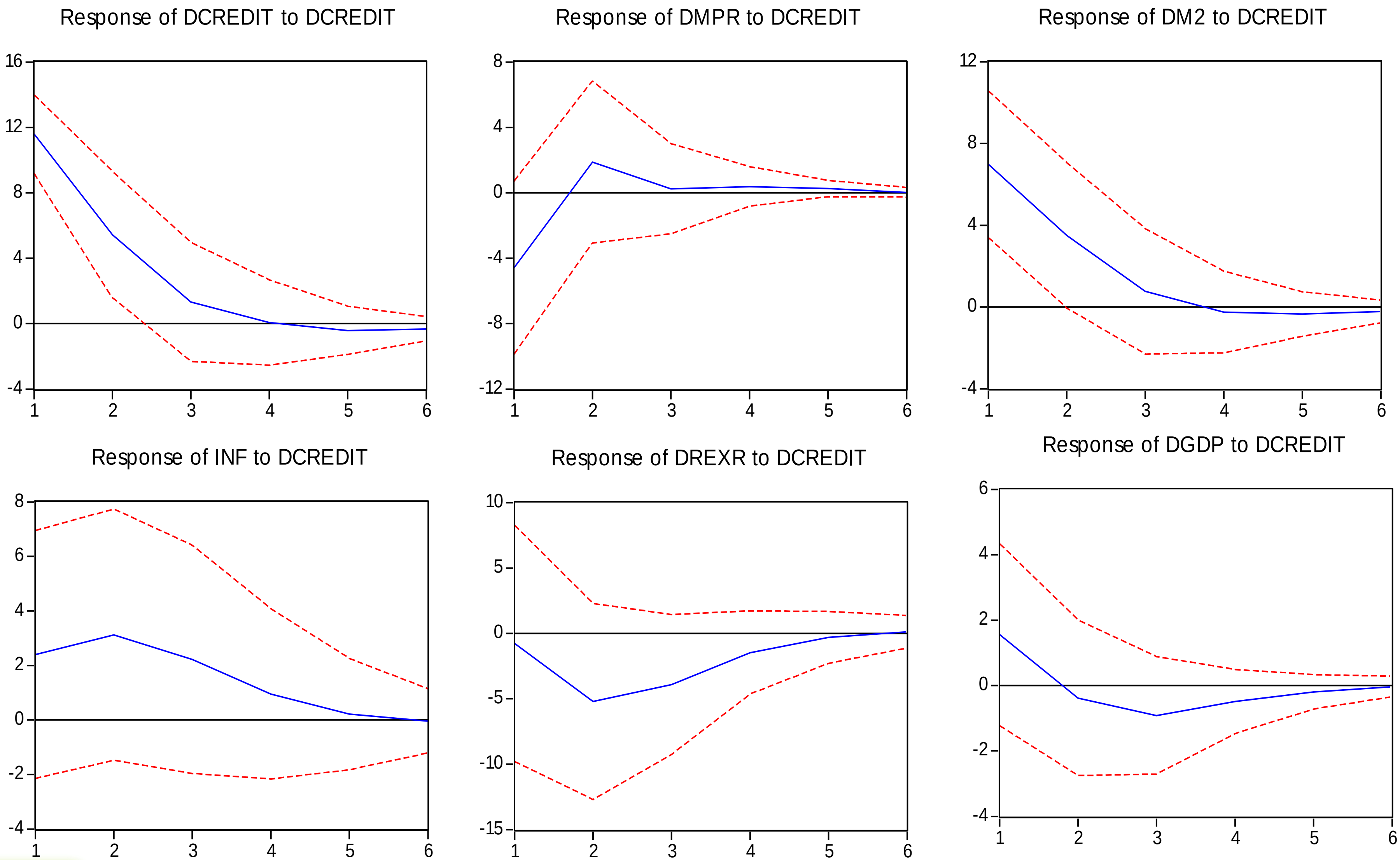


Figure 3: Money Supply Shock

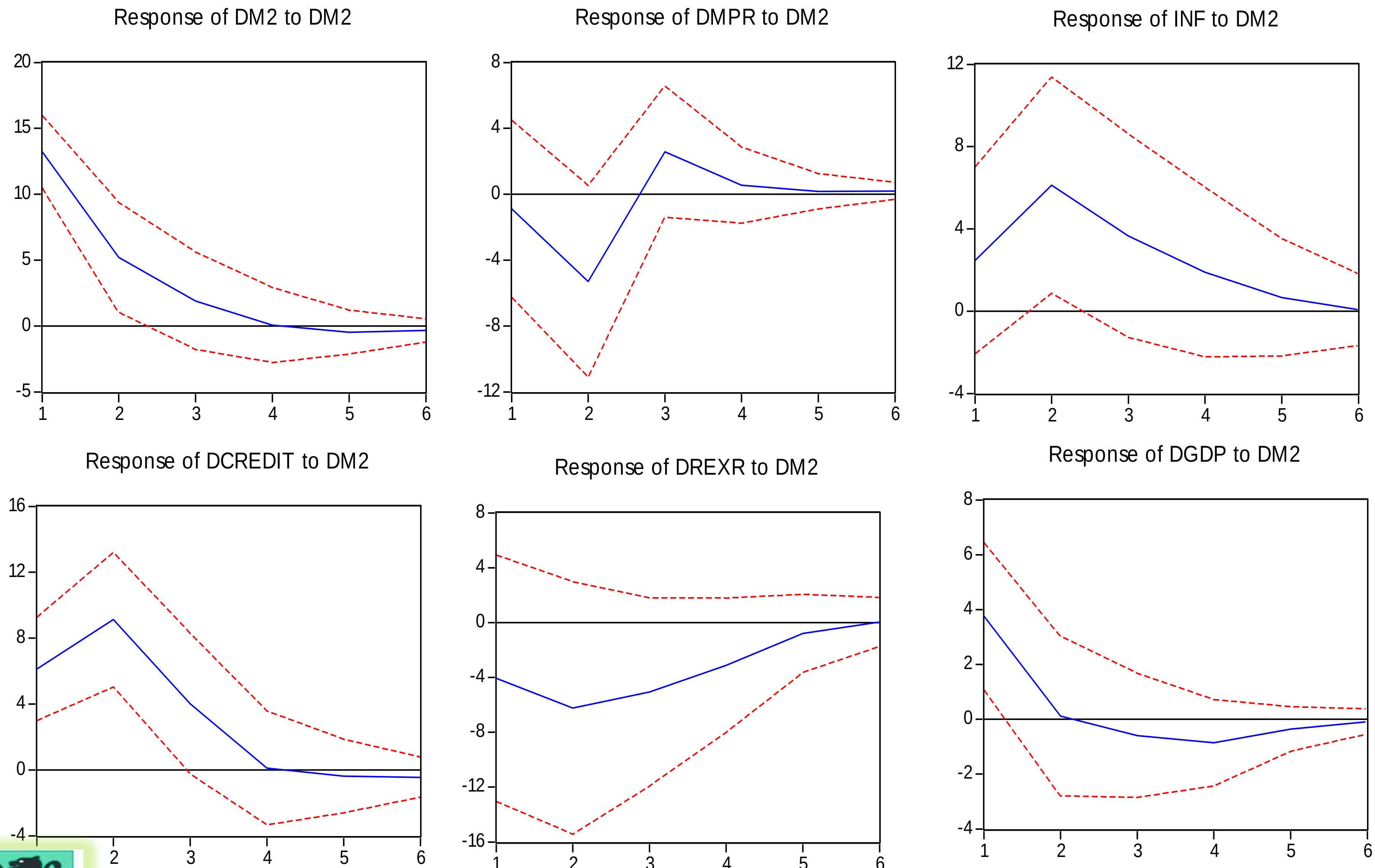


Figure4: Real Exchange Rate Growth Shock

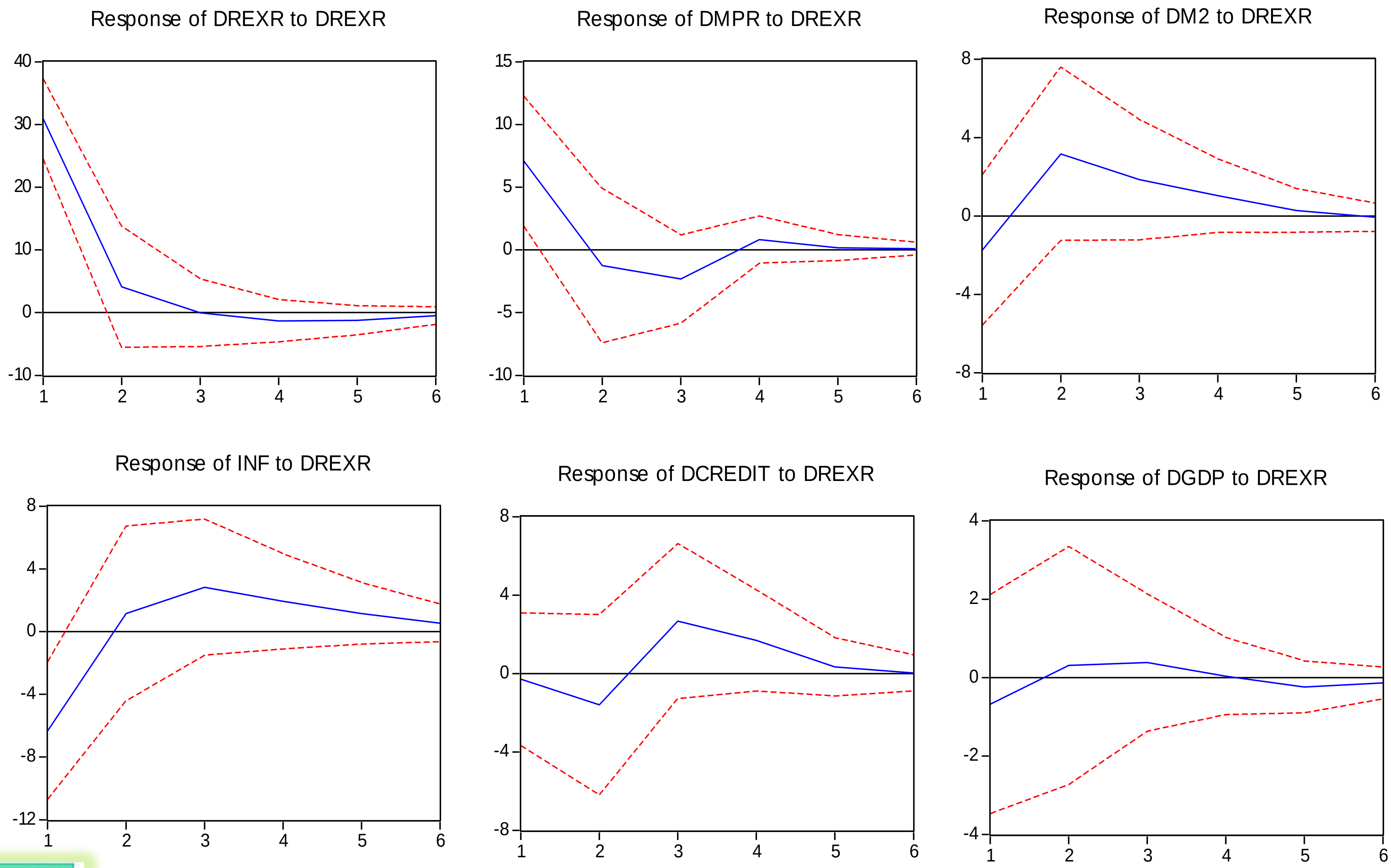
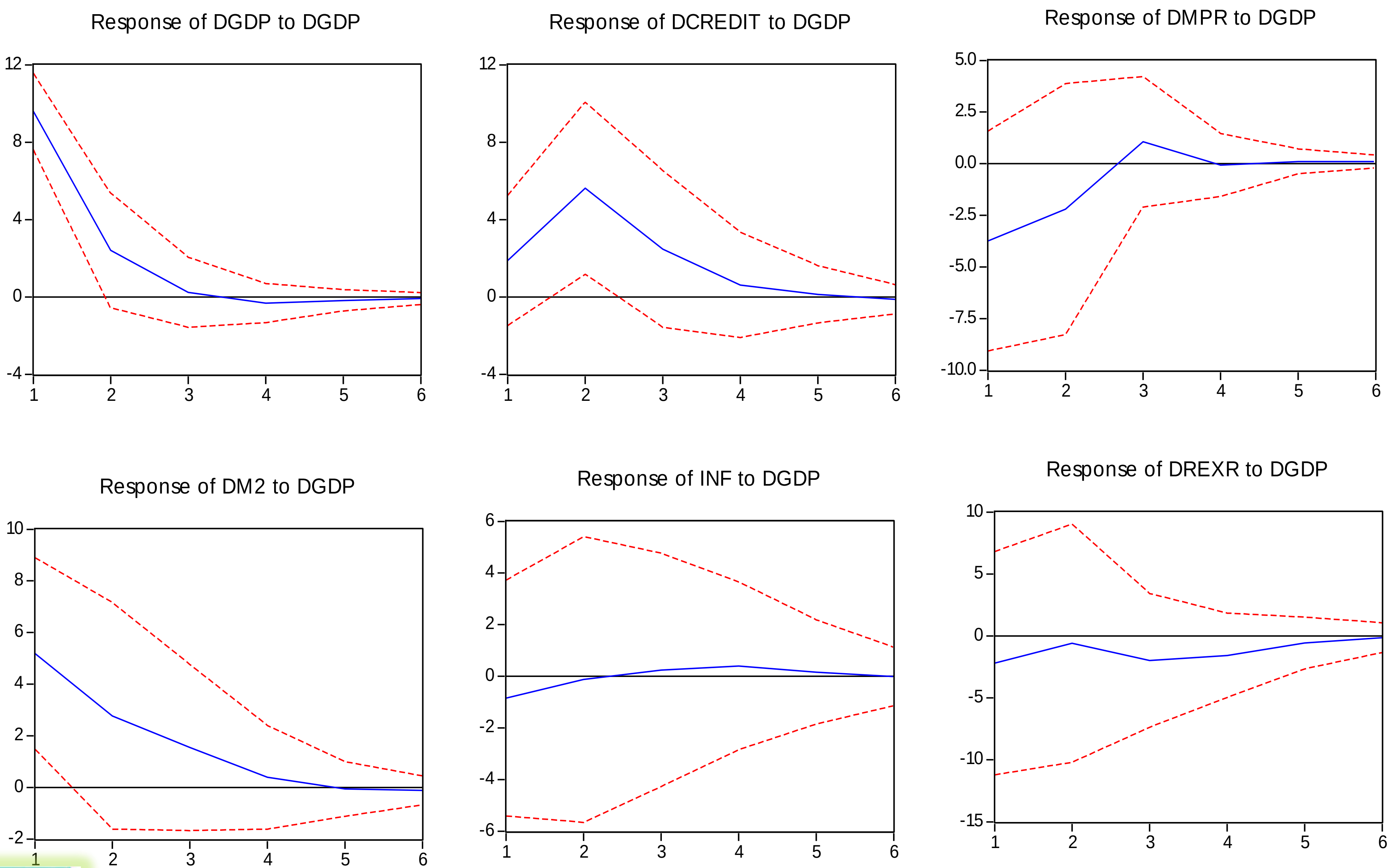


Figure 5: Output Growth Shock



CONCLUSION

- Constraints to growth
- Nigeria’s pattern of jobless growth
- The upsurge in population of young people
- Credit crunch and expansionary monetary policy impediments
- Revisiting consensus on macroeconomic policies in Nigeria

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Policy Recommendations

- **Wisdom of Single Digit Inflation target in Nigeria?**
- **IT is counterproductive to the goal of employment generation.**
- **In the short term, we advocate for accommodative monetary policy stances**
- **The big Question is- Employment Generation in Nigeria or CBN Credibility?**

THANK YOU

FOR

YOUR AUDIENCE!