MANAGING AN ECONOMY IN THE PERIOD OF STAGFLATION: THE NIGERIAN EXPERIENCE

Olanrewaju Makinde Hassan, Kogi State University

ABSTRACT

This study is on Managing an Economy in the Period of Stagflation: The Nigerian Experience focuses on what has been the impact of both inflation and unemployment rates on the Nigerian economy. During stagflation, an economy is faced with the twin problem of inflation and unemployment rates. The concern associated with the coexistence of inflation and unemployment rates in an economy has been age long and contentious. With data sourced from the World Data bank covering the period between 1999 and 2021; and using such research technique as Ordinary Least Square (OLS) regression alongside its accompanying test like the descriptive statistics and the unit root test for stationary. The estimated results showed that inflation rate had a positive but non-statistically significant impact on GDP growth rate in Nigeria while unemployment rate on the other hand, in line with apriori expectation was negative and statistically significant. This implies that there have been significant rise in the number of the unemployed and an indication that the economy do not have absorptive capacity. The study therefore recommended that the managers and the planners of the economy should ensure that the inflation rate is kept within the threshold permitted by economic realities. And that output should be boosted to keep prices of goods and services stable in the economy and that they should intentionally grow the economy in the sector that would create jobs space for the army of the unemployed in Nigeria. That is, the growth in the economy should be accompanied with absorptive capacity for the unemployed and the underemployed in Nigeria.

Key words: Managing, Stagflation, Inflation, Unemployment.

INTRODUCTION

The concern associated with the coexistence of inflation and unemployment rates in an economy has been age long and contentious. Umoru and Anyiwe put it rightly when they said that the two major objectives of macroeconomic policies are to achieve full employment level and to stabilize prices through low inflation. These goals are pursued in order to avoid the cost of unemployment and inflation. Therefore, akin to every other economy of the world, monetary policy in Nigeria is first and foremost geared toward ensuring the stability of prices in the economy. Likewise, Odo et al., (2017) put forward that the problem of inflation is not confined to national boundaries neither is it restricted to emerging market economies of the world; it is also an over-arching challenge in the developed market economies, since it is by no means a new challenge or phenomenon, as over the years, its control has become the unquestioned mantra of economic policymakers worldwide.

At a particular period in world economic history, it was often held that unemployment and inflation problems cannot occur or coexist together in an economy. However, subsequent experience from different economies in the process of time invalidates this myth. Axel reported that the occurrence of stagflation came as a nasty shock to a great number of economists. This is because, evidently economics profession has always teach that unemployment and inflation

are alternative phenomena, hence their occurring was received as a riddle for which received economic theory do not seems to have immediate answers to. In the meantime, there is no economy across the world at present that is immune to the global inflationary trends being witnessed. The difference only lies in the way and manner it is been handled by the various countries economic managers and planners. Suffice to say then, that the global inflationary trend been witnessed by most economies is much worse for some others because they are also confronted with the problem of high unemployment rate as well. In this category, Nigeria's economy is one of the worst hit with the twin problem of high inflation and high unemployment rates, also known as stagflation.

Since macroeconomic stability is vital for growth, planning, reduction in poverty and overall development of the economy, the desirability of investigating to understand the movement of economic fundamentals such as inflation and unemployment cannot be overestimated if the goal of stability of the economy would be achieved (Odo et al., 2017). The works finds evidence of stagflation in the Nigerian economy over the period of study. In fact, the Nigerian economy is managing a shocking rate of inflation together with a severe recession as the unemployment rate has risen astronomically and concluded that the Nigerian economy is at a cross road. Now, it is about a decade ago the study was carried out; it is apt and necessary for an appraisal on how stagflation has been managed ever since. That is, the purpose of this study, aimed at examining the managers and the planners of the Nigerian economy has been able to manage the economy during the period of stagflation.

Statement of the Problem

Stagflation has been described as the coexistence of high inflation rate alongside high unemployment rate in an economy. It is however noteworthy in relation to economic growth, when the study of Obute et al., (2021) presents a more complex dimension in Nigeria when their study pointed out that all the three variables; economic growth, inflation rate and unemployment rate appear to be on the rise defying even the nomenclature of stagflation. They stated further that the Nigerian economy has always witnessed appreciable economic growth by even surpassing the global averages and that from 2001 to 2014, the annual growth rates in Nigeria's GDP never went below 6.3% until the economy slipped into recession in 2015 and 2016. But by 2017 and 2108 it reverted back to the path of growth to close at 2.27% just 0.63% below the global average (The World Bank, 2020).

CBN (2019) reported equally that the Nigerian real GDP per capita rose steadily especially from 1995 to 2019 and that from a real GDP per capita of N33,060 in 1995, it rose steadily to climax at N684.34 thousand in 2019. As noted, the Nigerian economy has grown steadily over the past decade thereby becoming Africa's largest economy. Whereas, the Nigerian economic growth is said to be tied or closely linked with oil revenues (The Central Intelligence Agency (CIA), 2014; Alley et al., 2014 and Igberaese, 2013). Although, Fefa (2016) submitted that oil revenues in Nigeria (unlike Norway), have negative and significant effects in the long run due to inappropriate oil revenue management channels. Paradoxically, despite her high GDP and GDP per capita, unemployment rate and poverty has remained endemic in Nigeria.

Evidence, from statistics revealed that unemployment rates in Nigeria have maintained a double digit since 2006 rising from 12.3% to 21.4% in 2010 and to a climax of 23.9% in 2011. At 9.9% in 2015 Nigeria's unemployment rate exceeded the world average unemployment rate of 4.44% (Economy Watch, 2016). According to Emefiele, Nigeria's unemployment rate was estimated at 12% in 2015 with 25% of the labour force either unemployed or under employed.

Nigeria's average unemployment rate in 2016 was found to be 32.4% with about 12 million being unemployed youths indicating that employment opportunities in the country have not expanded sufficiently. This is consistent with the report of NBS (2016) that the magnitude of employment in the country has not been sufficient or adequate to meet the ever-growing labour market; hence the continuous rise in the level of unemployment in the country. With the Nigerian labour force expanding by over 2.6 million annually, the economy needs to generate at least the same level of jobs annually just to hold the unemployment rate at the current level of 13.9%. In 2019, while the global unemployment rate stood at 5.4% that of Nigeria stood at 23.1% (International Labour Organization (ILO), 2020). This clearly shows that according to Obute et al., (2020) employment generation programmes of the government over the years have met their targets. On the other hand, while stable and low levels of inflations are necessary for planning and smooth economic growth, Nigeria's inflation rates can be adjudged to be high necessitating a monetary policy framework for inflation targeting (CBN, 2011).

According to the World Bank (2020), average global inflation rates have not reached 3% between 2013 and 2019; whereas Nigeria's inflation rates remained relatively high in double digits during the same period. Nigeria's inflation rate stood at 13.72% in 2010 and slightly declined to 10.84% in 2011. By 2017 it jumped to 18.55% and has remained in double digits till the end of the year 2019 (NBS, 2020). The persistently high inflation rates suggest that, inflation control measures such as Open Market Operations (OMO) and inflation targeting have yielded little or no desirable results. It thus appears that the Nigerian economy suffers a simultaneous rise in inflation and unemployment rates even as there is palpable evidence that the economy is growing. From theoretical and empirical studies, several factors have been adjudged to influence either rise in prices or rate in unemployment. Such factors includes, government expenditure, money supply, interest rate, etc., these factors could enhance or mar the growth of the economy. While researchers are in consensus on the effect of these factors on inflation or unemployment, the direction of the nature of this influence is yet a subject of debate. For example, in the issue of effect of public expenditure on the economy, some economists promote. The task here is if an economy grows in the face of high inflation and high unemployment rates, the concern should then be how best to manage the economy SOS as to lower the twin rates of high inflation and high unemployment. This is the aim of this study. The Nigerian stagflation trend is on a continuous rising trajectory unabated in that it appears as if it has devoid all known economic solutions and there seems to be no solution in sight to it. It must however be noted that when an economy is in crisis it is the onus or duty of the managers of economy to do critical thinking and come up with viable solutions to the ailing economy.

LITERATURE REVIEW

Conceptual Framework Inflation

Inflation according to Odo et al., (2017) can be defined as increase in the general price level which continued for long time in an economy; it is also, a constant rise in the price levels of commodities and services, leading to a fall in the currency's purchasing power. Inflation is calculated by individual prices of commodity divided by the base year, multiplied by 100. It can also describe as the continues and persistent rise in the general price of goods and services in an economy over a period of time.

Unemployment

According to Odo et al., (2017) unemployment can be described as an observable fact that arises when a person who is actively searching for employment and is willing to accept the prevailing wage rate is unable to find work. With respect to unemployment rate, Odo et al., (2017) stated that it is the most repeatedly used measure of unemployment; which is calculated by taking the number of people who are unemployed and dividing them by the number of people who are working (the labor force). As reported further in their study; many economists had classified unemployment into many types. The widest two types of unemployment are voluntary and involuntary unemployment. Unemployment is said to be voluntary when the person willingly on his own left job in search of other better jobs and between the periods he/she left the job to the period he would get another job he stays without a job, while involuntary unemployment is a situation where the person had been fired or laid off and now looking for another job (Orji et al., 2015).

Stagflation

Stagflation as contained in the works of Obute et al., (2020) is a combination of the '*stag*' of stagnation and '*flation*' of inflation and as put forward by Vaish (2005), the term explains the paradoxical inflationary phenomenon in which sustained and substantial price increases have been accompanied by declining output and rising unemployment. Likewise, Baumol and Blinder point out, stagflation can be defined as a slowdown of growth combined with rising rates of inflation.

Managing

Managing implies overseeing, taking care of something and/or guiding a thing or a phenomena to ensure that no harm nor hurt is incured from that which is being overseen. It is no gain saying that both inflation and unemployment are harmful to an economy especially when they are left uncontrolled and unattended to by the managers and the planners of the economy. That is the focus and essence of this study to see to how stagflation can be effectively and efficiently managed to avoid the hurts or harms that comes with its continous rise an economy.

Theoretical Literature: The Phillips Curve

When it comes to theoretical discourse in relation to inflation and unemployment the theorem that readily comes to mind is the Phillips Curve. It was A.W. Phillips who first investigated the relationship between unemployment and the rate of money wages change in the 1861–1957 opined that there is negative relationship amid rate of unemployment and rate of inflation. His analysis was based on the data for United Kingdom; he derived an empirical correction that when unemployment is high, the rate of increase in money wage is low. He further stated that this would happen because workers are reluctant to offer their services at less than the prevailing rates when the demand for labour is low and unemployment is high so that wage rates fall slowly. Also when unemployment is low, the rate of increase in money wage rate is high. He argued that this is because when the demand for labour is high and there are few unemployed, it is expected that the employer would bid wage rates up in order to make the work attractive to the worker and in the period of falling business activities when demand for labour is decreasing and unemployment is increasing, employers would be reluctant to grant wage increase. Rather they would reduce wages, but workers and union would be reluctant to

accept wage cut consequently, employers are forced to dismiss workers therefore leading to high rate of unemployment. It is presumed that this tradeoff will continue in an economy until a control measure is put in place.

With regards to this study, stagflation has become inevitable in modern economics. Hence, it is imperative as proposed by John Meynard Keynes that the economy should not be left to itself and there is the need for an intervention by a measure of regulation and control. In this case by the managers and the planners of the economy.

Empirical Literature

Obute et al. in their study Testing for Stagflation in Nigeria: A Non-Linear Autoregressive Distributed Lag (NARDL) Modeling Approach applied an asymmetric approach to test for the presence or otherwise of stagflation in Nigeria using annual data from 1981 to 2019. The series were subjected to Ng-Perron unit root test and it was found that all the variables were stationary at I (1) except inflation rate which did so at I (0). The results of the bonds test confirmed the existence of long run relationship among the variables while the error correction model indicated that the variables could revert to equilibrium in any event of a temporary shock. The results of the NARDL indicated that both positive and negative changes in inflation exert positive influence on economic growth. Also, while positive changes in unemployment exert positive and significant impact on economic growth, the negative changes in unemployment were found to have negative and significant impact on economic growth contrary to known economic laws. Finally, oil revenue and real GDP per capita exerted positive and significant impact on economic growth. Thus the study concluded that there is no stagflation but "*growflation*" in Nigeria especially that positive changes in inflation and unemployment are accompanied by higher levels of economic growth. The study recommended among other things unless Nigeria starts refining her oil for domestic consumption and exports forward and backward linkages for job creation will elude her. The monetary and fiscal authorities in Nigeria must work together to keep inflation in check since lower levels of inflation tends to boost economic growth more significantly.

Odo et al., (2017) in their study on Understanding the Relationship between Unemployment and Inflation in Nigeria investigated the relationship between unemployment and inflation in Nigeria from 1980-2015. The model specified unemployment as a function of inflation, money supply % GDP, total government expenditure % of GDP. The statistical tests used were causality test, VECM test, co integration test. Based on the above tests carried out, the study found out that:

1. Inflation significantly impacted unemployment in Nigeria both in the long run and short run within the period under review.
2. There exists a significant causal relationship among the variables in the model. Based on the results, the study recommended that government should use discretionary policy that would reduce unemployment by boosting government expenditure and maintain stability in money supply.

Orji et al., (2015) investigated inflation and unemployment nexus in Nigeria by testing if the Original Phillips curve proposition holds for Nigeria. The study adopted a distributed lag model with data covering the period 1970-2011. The consumer price index (a measure of inflation rate), was regressed on unemployment rate, growth rate of money supply, budget deficit, real gross domestic product, interest rate and the lag of current interest rate. The result reveals that unemployment is a significant determinant of inflation and that there is a positive relationship between inflation and unemployment rate in Nigeria. This finding invalidates the

original proposition on the Phillips curve hypothesis in Nigeria. The study therefore recommends that the economy should be diversified and appropriate policies should be put in place by Government and the monetary authorities in order to curb the menace of inflation and unemployment and consequently reduce the problem of stagflation in Nigeria. Again, there is a need for strong institutional collaboration in dealing with these two macroeconomic variables; unemployment and inflation as have been recommended in the paper.

Eze observed the relative impact of inflation and unemployment on the level of economic activities in Nigeria. Granger Causality test was used to determine the existence of any causal influence between inflation and unemployment. The study indicated that both inflation and unemployment significantly affect the level of Nigeria's economic performance, and that causality runs from inflation to unemployment. The results also revealed that the two variables are inversely related to economic growth both in the short-run and long-run. And the study concludes that inflation and unemployment are inversely related to each other in the short-run but positively related in the long-run. The study therefore recommends that the Central Bank of Nigeria's (CBN) should continuous pursuit, vigorously and transparently, the policy of inflation targeting, improvement of infrastructure and access to credit to make it possible for more people to do business in Nigeria. Also that a partnership between the Ministry of Trade and Investment and the World Bank in the formers drive towards increasing foreign direct Investment inflow, job creation, and generation of policies towards the growth of Small and Medium Enterprises (SMEs).

Umaru & Zubairu (2012) investigated the relationship between unemployment and inflation in the Nigerian economy from 1977– 2009. They used the following pre- test Augmented Dickey-Fuller unit root to test the stationarity of all the variables, cointegration test was conducted through the application of Johansen cointegration technique to examine the long-run relationship between the two phenomenon after which Granger causality test was conducted to determine causation between unemployment and inflation, then, lastly ARCH and GARCH technique was conducted to determine the existence of volatility in the series. The results indicated that inflation impacted negatively on unemployment. The causality test revealed that there is no causation between unemployment and inflation in Nigeria during the period of study and a long-run relationship exists between them as confirmed by the co integration test. ARCH and GARCH results showed that the time series data for the period under review exhibit a high volatility clustering. Therefore the study recommended the use of inflation/unemployment theory that is drawn from data sourced within the country and also improvement in the existing theories in order to ensure their applicability in the Nigerian context, so as to achieve a desire reduction in unemployment and inflation which in turn boost economic growth and development.

Al-Zeaud, (2014) studied the existence of trade-off relationship between unemployment and inflation in the Jordanian economy between 1984 and 2011. Granger-causality was used to test causal relationship between variables and the direction of causation. The following techniques were also adopted unit root test, co-integration to test for Stationary and co-integration of the variables. The study indicated no causal relationship between unemployment and inflation in Jordan during the study period which means there is no trade-off relationship between the two variables. The study recommended that policy makers should pay attention to these findings when they tackle unemployment issue, and encourages them to conduct programs to reduce unemployment rate through creation of productive and labor- intensive projects, also replace foreign labor with local labor, while continuing to control inflation, to ensure that Jordan

accomplish a desired rate of unemployment and inflation, which in turn hearten economic growth.

Ademola & Badiru (2016) examined the effects of unemployment and inflation on economic performance in Nigeria. Ordinary Least Square (OLS) technique was adopted with various diagnostic tests to determine how fit are the data for the analysis. The study indicated that there exist long-run relationship between RGDP, Unemployment and inflation. The results also showed that unemployment and inflation are positively related to economic growth not response as expected to growth of output in the country.

Torruam & Abu (2014) examined the causal relationship between unemployment, inflation and crime in Nigeria for the period 1980-2011. The following tests were carried out: unit root test cointegration test which was used to test for stationarity the long-run relationship among the variables respectively. Granger-causality suggested that there is unidirectional causality running from unemployment and inflation to crime in Nigeria. The study recommended that holistic effort should be made by governments at all levels to create jobs and arrest unemployment. Nigerian government instead of employing foreigners should sponsor her citizens abroad for studies in diverse fields of study. Muhammad investigated the impact of inflation and unemployment on economic growth in Pakistan. The time series data used for the time period of 1980 to 2010 which is collected from world data bank. The unit root ADF and Philip perron showed that economic growth is stationary at level as well as 1st difference but unemployment and inflation are stationary at 1st difference. The ARDL result indicated that there is a long run relationship between the variable. Furthermore, the results of White Heteroskedasticity, Ramsey reset and Breusch-Godfrey Serial Correlation LM test showed that there is no problem of heteroskedasticity, misspecification of model and serial correlation respectively.

Mohammed analyzed the relationship between unemployment, inflation and economic growth in Nigeria from 1987-2012. The study utilizes secondary data to analyze the relationship between unemployment, inflation and economic growth. The methodology used for the study was ordinary least squares. The results confirms that in the long run, interest rate and total public expenditure have significant impact on economic growth in Nigeria, while inflation and unemployment has inverse effects on growth in Nigeria. The possible justification for the inverse effect of inflation on price level is that inflation may not be due to aggregate demand pressure but rather due to hiccups in the supply chain of goods both from the domestic and foreign supply outlets. Empirical deductions also signify the presence of significant feedback from the long run to short run disequilibrium. However, there exists a causal linkage between inflation, unemployment and economic growth in Nigeria. In conclusion, the paper recommended that the government must as a matter of necessity to improve or continue to fine- tune macroeconomic policy instruments to achieve a sustainable and enable environment that will enhance increase in domestic output.

METHODOLOGY

Model Specification

The model for the study stemmed from Keynes (1936) and Okun (1962) proposition that there is a functional relationship between economic growth and the level of unemployment. This relationship can further be represented mathematically as used by Obute, et al (2021): RGDP=f (UNER), where RGDP is a measure of economic growth (Real Gross Domestic

Product) and UNE is a measure of unemployment rate. Again, given that inflation necessitates economic growth according to "*Mundell-Tobin Effect*" the study adds inflation rate (INFR) as additional variable. Therefore, the mathematical function can be stated as thus: RGDP=f (UNER, INFR)

Where, INFR is a measure of inflation rate but for the purpose of study uniqueness and as point of divergent the real GDP is now replaced with GDP growth rate in the model for this study: GDPgr=f (UNEMR, INFLR).

Hence, in specifying the model for the study, the dependent variable is Gross Domestic Product (GDP) growth rate, while the explanatory variables are unemployment rate and inflation rate for the period between 1991 and 2020. Therefore, the multiple regressions model can be specified as thus;

$$GDPgr = B_O + B_1X_1 + B_2X_2 + U$$

GDPgr = Gross Domestic Product growth rate
X_1 = Unemployment rate
X_2 = Inflation rate
u = the Stochastic Error term
Bo = Intercept
B_1 and B_2, are parameters estimates of X_1 to X_2

Tests of Time Series Property Unit

Root Test: The unit root tests ascertain the order of integration for a given variable. The study tested for the presence of unit root using Augmented Dickey-Fuller and the Phillips Perron tests in order to overcome the problem of spurious regression often associated with non-stationary time series which are misleading and makes prediction unreliable. The starting point for stationarity test is to find the order of integration of both dependent and independent variables of the model. The order of integration which would help us ascertain the number of times a variable will be differenced to arrive at stationarity. It will also give us the standing ground to make meaningful inferences from the estimation of the variables under investigation. The Augmented Dickey Fuller (ADF) and Phillips Perron tests were used to examine the characteristics of the data samples at level. Usually, a null hypothesis (H_0) of non-stationary is rejected if the computed t-statistics is greater than the critical t-values at a chosen level of significance.

Apriori Expectations

On apriori grounds, it is expected that as the Gross Domestic Product (GDP) growth rate rises it should cause the inflation rise and then unemployment rate to fall. That suggests a positive relationship for inflation and a negative relationship for unemployment rate (Gamba, 2013; Shahid, 2014; Stephen, 2014; Yelwa et al., 2015).

Data Sources

Based on the nature of the study, data collection was based on secondary data. The study sourced data from the World Bank as published online by MacroTrends.

PRESENTATION AND INTERPRETATION OF RESULTS

Descriptive Statistics

The descriptive statistics results are presented thus Table 1:

Table 1			
THE DESCRIPTIV STATISTICS RESULTS IS PRESENTED			
	GDPGR	INFR	EMPR
Mean	5.030435	12.09435	5.153478
Median	5.92	12.22	3.9
Maximum	15.33	18.87	9.79
Minimum	-1.79	5.39	3.7
Std. Dev.	3.784385	3.753082	2.18905
Skewness	0.351669	-0.01521	1.219349
Kurtosis	3.895388	2.106212	2.712632
Jarque-Bera	1.242388	0.766458	5.778583
Probability	0.537303	0.681657	0.055616
Sum	115.7	278.17	118.53
Sum Sq. Dev.	315.0745	309.8838	105.4227
Observations	23	23	23

Author's Computation Using Eviews

Given the probability values of the variables as shown in the descriptive statistics results, all the variables are not normally distributed because all their probability values exceeded the 5% critical value. .i.e. more than 0.05 critical values. This could have resulted from the fact that such macroeconomic variables like inflation rate and unemployment are highly volatile depending on the prevailing economic condition. That is, the not normally distributed nature of the variables used could have stemmed from the unpredictable nature of the economy and the possibility of the economy rebounding several times over a long period of time within the space of the study.

Unit Root Test Results

Augumented Dickey Fuller unit root test was carried out to determine some stochastic properties of the data employed in this study. The Table 2 shows that the GDP growth rate and unemployment rate were stationary at levels except the inflation rate that was stable after first difference.

Table 2					
TABLE SHOWING AUGUMENTED DICKEY FULLER AND THE PHILLIPS PERRON STATIONARITY TESTS RESULT					
Variable	ADF Test Stats	Probability	Order of Integration	At 5% level of significance critical values	Remark
GDPgr	-4.18547	0	Level	-3.01236	Significant
INFLR	-3.79422	0.0042	1st Diff.	-3.01236	Significant
UNEMR	-6.32754	0.0099	Level	-3.01236	Significant

Source: Author's computation using reviews.

This means that all the variables became stationary.at level except the inflation rate. This

might be due to swing between periods of deflation and inflation all together Table 3.

Table3 ORDINARY LEAST SQUARE (OLS) RESULTS				
Variable	Coefficient	Std. Error	t-Statistic	Rob.
C	8.707593	2.269381	3.836991	#######
INFR	0.222542	0.176368	1.261807	#######
UNEMPR	-1.2358	0.302379	-4.08692	#######
R^2 = 0.46	DW = 1.84	F-stat = 8.36 (0.00)	N = 23	

Source: Author's computation using Eviews.

GDPgr=8.707+0.22INFR-1.24UNEMPR

The result shows that inflation rate bank credit has a positive but non-significant impact on the GDP growth rate in Nigeria (Inflation rate (INFR) coefficient=0.22, p=0.22 < 0.05, t-value=1.26). The other explanatory variable, unemployment rate, has a negative but significant impact on GDP growth rate (unemployment rate (UNEMR) coefficient=-1.24, p=0.00 < 0.05, t-value=-4.09).

The results of the OLS in the overall coefficient of determination R^2 is 0.46 which means that the predictor variables explained 46% of the variations in the outcome variable. This is an indication that there is a slightly strong relationship between the outcome variable, GDP growth rate and the pedictor variables of inflation rate and unemployment rate. The results further showed that F=8.36 and P-value=0.00 which is less than 5% conventional level. This indicates that the overall model is statistically significant. It further implies that inflation rate and unemployment rate had a significant impact on gross domestic product growth rate in Nigeria.

Policy Implications of Results

The estimated results show that inflation rate had a positive but non statistically significant impact on GDP growth rate in Nigeria. From the foregoing therefore, it can be deduced that inflation in line with apriori expectation was positively related to GDP growth rate and does not impede the growth rate of the GDP. The reason it is often referred to as a necessary evil. This is because, in the face of inflation the economy can still experience growth as long as the inflation rate has not exceeded the permitted threshold and it is an indicator that the output level can yet be expanded.

With regards to unemployment rate, in line with apriori expectation it was negative and was statistically significant. This implies that there have been significant rise in the number of the unemployed and an indication that the economy do not have absorptive capacity. That is, in spite the GDP growth jobs are not been created for the army of the unemployed in Nigerian economy.

CONCLUSION

This study is on managing an economy in the period of stagflation: The Nigerian

Experience focuses on what has been the impact of both inflation and unemployment rates on the Nigerian economy between 1999 and 2021. During stagflation, an economy is faced with the twin problem of inflation and unemployment rates. And as such, the economy needs to be managed in a way that the negative impact of stagflation will be made less severe on the economy. In Nigeria, being the study focus, there exists high rate of inflation on one side and high rate of inflation on the other, hence the imperativeness of management. As revealed by the study inflation in Nigeria does have significant impact on the economy. That is, the extent it is can still be tolerable for the economy. But for unemployment, it has a negative but statistically sigficant relationship with the economy. Implying that as the economy is rising so also unemployment rate is rising as well. This is not a good development, hence the following recommendations.

RECOMMENDATIONS

Based on the findings in this study, the following recommendations were made:

1. From the findings, the managers and the planners of the economy should ensure that the inflation rate is kept within the threshold permitted by economic realities. And that output should be boosted to keep prices of goods and services stable in the Nigerian economy.
2. For unemployment rate, it is observed that inspite of high rate of unemployment, the economy is yet experiencing growth but without absorptive capacity. Hence, it is recommended that the managers and the planners of the economy should intentionally grow the economy in the scetors that would create job space for the army of the unemployed in Nigeria. That is, the growth in the economy should be accompanied with absorptive capacity for the unemployed and the underemployed in Nigeria.

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