

Asymmetries in Monetary Policy Response: The Role of Uncertainty in the Case of Nigeria

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Abstract : Exploring an extended SVAR model (SVAR-X), we use the case of Nigeria to hypothesize for the role of uncertainty as the underlying source of asymmetries in the response of monetary policy to output and inflation. Deciphered the empirical finding is the potential of monetary policy exhibiting greater sensitive to shocks due to output growth than they do to shocks due to inflation in recession periods, while the reverse appears to be the case for a contractionary monetary policy. We also find the asymmetric preference in the response of monetary policy to changes in output and inflation as relatively more pronounced when we control for uncertainty as the underlying source of asymmetries.

Keywords : asymmetry response, developing economies, monetary policy shocks, uncertainty

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