Macroeconomic Policy Coordination and Economic Growth Uncertainty in Nigeria

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Abstract : Despite efforts by the Nigerian government to harmonize the macroeconomic policy implementations by establishing various committees to resolve disputes between the fiscal and monetary authorities, it is still evident that the federal government had continued its expansionary policy by increasing spending, thus creating huge budget deficit. This study evaluates the effect of macroeconomic policy coordination on economic growth uncertainty in Nigeria from 1980 to 2020. Employing the Auto regressive distributed lag (ARDL) bound testing procedures, the empirical results shows that the error correction term, ECM(-1), indicates a negative sign and is significant statistically with the t-statistic value of (-5.612882). Therefore, the gap between long run equilibrium value and the actual value of the dependent variable is corrected with speed of adjustment equal to 77% yearly. The long run coefficient results showed that the estimated coefficients of the intercept term indicates that other things remains the same (ceteris paribus), the economics growth uncertainty will continue reduce by 7.32%. The coefficient of the fiscal policy variable, PUBEXP, indicates a positive sign and significant statistically. This implies that as the government expenditure increases by 1%, economic growth uncertainty will increase by 1.67%. The coefficient of monetary policy variable MS also indicates a positive sign and insignificant statistically. The coefficients of merchandise trade variable, TRADE and exchange rate EXR show negative signs and significant statistically. This indicate that as the country's merchandise trade and the rate of exchange increases by 1%, the economic growth uncertainty reduces by 0.38% and 0.06%, respectively. This study, therefore, advocate for proper coordination of monetary, fiscal and exchange rate policies in order to actualize the goal of achieving a stable economic growth.

Keywords : macroeconomic, policy coordination, growth uncertainty, ARDL, Nigeria