The Dynamic Post COVID-19 World and Inflation: is Nigeria's Monetary Policy Effective?

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JEL codes: E31, E52

Abstract

Nigeria had relative success in tackling the Covid-19 and its attendant economic consequences. A complementary mix of superior monetary and fiscal policy interventions saw support for the real sector, as well as growth and strengthening for the financial sector. The monetary authorities used several mediums to inject funds into the economy, while the financial sector was the channel through which huge sums were injected into the economy. These interventions however came with their fair share of woes, as they were carried out against the backdrop of rising inflation and unemployment levels. The unique nature of the Nigerian economy saw policy interventions targeted at stabilizing the economy, yield less than satisfactory outcomes.

Currently, Nigeria faces the lagged impact of monetary and fiscal Covid-19 interventions in persistent high double digit inflation rates. The fall in global oil supply and world food prices necessitated by the Ukraine-Russian war have not helped the situation. These global events have had far reaching impacts on the Nigeria economy via the shortfall in supply of Premium Motor Spirit (PMS) products, food shortages, and resultant exchange rate pressures. The domestic economy has not been without its fair share of events that have resulted in a spike in inflation rates. The persistent security issues in the north and other parts of Nigeria, did not serve as an obstacle to people mobilization and the high spending during the 2023 elections. Declining government revenues, the rising public debt and its servicing, while inimical in their own stead, have catalyzed the pressure on the exchange rate. Against these backdrop, the monetary authority's decision to institute a currency redesign and cashless policy has left people confused as to what actually is their short- and long-term goals/objectives, the effectiveness of policy to achieve said goals, as well as their readiness to tailor policy to changing global events/trends. The study will seek to examine monetary authority responses to curb inflation and achieve economic stability.

Introduction

From 2019, especially through 2020, all economies of the world were plunged into the menace of "coronavirus disease 2019" (COVID-19). The COVID-19 pandemic caused more harm to people and the economy than the 2008 financial crisis. (Harvey, 2020). Its spread generated significant systemic risk, hence posing challenges for investors in their search for a secure refuge (Sharif, Aloui, & Yarovaya, 2020). As a reaction, some global economies have made changes to their monetary policies. These changes include decreasing monetary policy rates in countries like Argentina, Australia, Brazil, Canada, Chile, India, Mexico, United Kingdom, introducing new long-term refinancing operations with specific targets in Eurozone countries, the United States implemented unlimited and open-ended quantitative easing, while countries like Brazil and China have chosen to reduce their reserve requirement ratio. These measures aim to offer monetary stimulus to their economies, which have been adversely affected (Ozili & Arun, 2020; Wei & Han 2021)). This prolonged and devastating pandemic, along with many monetary policy modifications provide a unique opportunity to evaluate monetary policy transmission.

The Covid-19 pandemic presents both public health and economic crisis. While the public health crisis addresses disease containment measures, treatment and development of vaccines; economic crises are reflected in supply and demand shocks as well as oil price shock, consequent upon disruptions in economic activities caused by the global lockdown. The outbreak of this pandemic has thus disrupted the conduct of major macroeconomic policies across the globe with inflationary pressures hitting many countries including developing countries such as Nigeria. Like many resource-dependent developing countries, Nigeria has faced the brunt of the fluctuations in the price of crude oil -which accounts for about 70 percent of her gross domestic product (GDP) and 65 percent of total government revenue. The rise in government spending driven by the need to combat the effect of Covid-19 had increased the country's fiscal deficit and her susceptibility to high public debt vulnerabilities. In addition, the gloomy global capital flows, which have exerted significant strain on Nigeria's foreign exchange reserve and exchange rates, have also affected the implementation of various monetary policies in the country (KPMG, 2020). This situation is expected to result into macroeconomic consequences on outcomes such as inflation, economic growth, unemployment and exchange rates.

Monetary policy has constantly been an essential instrument to achieve price stability. Thus, in the pursuit of this objective, the managers of monetary policy have often set targets on intermediate variables which include the short-term Monetary Policy Rate (MPR), Cash Reserve Ratio (CRR) and Treasury Bill Rate. Among these variables, the MPR is contended to exert a more substantial impact on the economy by influencing capital flows, financial stability, the value of money supply, domestic inflation, and real domestic production. Changes in the MPR directly affect the growth of money supply in the economy (CBN, 2008). The central bank is the authority with the mandate of manipulating monetary policy with the objective of achieving desired macroeconomic objectives which includes; the achievement of price stability with respect to both domestic and external prices. In the same vein, it uses inflation rate to track movement in the domestic price level and cash reserve ratio is also used as a tool in stabilizing the cash flow in the economy. In ensuring price stability, the Central Bank of Nigeria (CBN) implements policies through the deposit money banks (DMBs) that guarantee the orderly development of the economy through appropriate changes in the level of money supply. The reserves of the banks are influenced by the Central Bank through its various instruments of monetary policy. These instruments include the cash reserve requirement, minimum rediscount rate (now monetary policy rate), liquidity ratio, open market operations, primary operations among others to influence the movement of reserves (Feridun, Folawewo & Osinubi 2005).

The preponderance of the vulnerabilities of macroeconomic variables particularly inflation due to the consequence of Covid-19 on the economy, necessitates a proper understanding of the monetary policy implications of Covid-19 in Nigeria. This line of research becomes essential for some reasons. First, since the outbreak of the Covid-19 pandemic, there have been a number of early reviews of its impact from both policy and empirical perspectives. However, due to the persistence of failure of many macroeconomic indices after numerous fiscal policies employed by specific countries; this study would turn to explore also the effectiveness of monetary policy in the post Covid era, specifically how it affects inflation in Nigeria.

Dynamism of a Post COVID World & the Global Inflation Phenomenon

As expected, COVID-19 pandemic inflicted an unforeseen and predominantly adverse impact on the global economy. An important aspect was the disruption in supply chains, caused by lockdowns, travel restrictions, and logistical difficulties, resulting in scarcities of different goods and services. This, along with increased manufacturing costs, resulted in rising price pressure, especially in sectors facing supply chain constraints. Authorities reacted to the economic decline by implementing significant fiscal stimulus measures, injecting money into the economy. Simultaneously, central banks pursued supportive monetary policies, such as low-interest rates and quantitative easing, with the goal of bolstering economic recovery. Nevertheless, the injection of funds into the system also had the potential to stimulate inflation. Disruptions resulted in job cuts and changes in work schedules. These have added to wage pressures and raised production costs, thereby exacerbating inflation.

Commodity price fluctuations, exchange rate swings, and adherence to pandemic-related rules contributed to the intricate interplay of variables driving inflation in the COVID-19 era. Central banks and policymakers had the essential task of maintaining a delicate equilibrium between fostering economic recovery and averting undue inflation.

The Russian invasion in Ukraine diverted the attention of the world from the economic challenges caused by the pandemic. The war caused significant impacts worldwide across various sectors, such as commodities markets, trade, financial flows, displaced populations, and market sentiment. The initial worldwide economic impact mostly manifested in commodity markets. The prices of commodities supplied by Russia and Ukraine, such as oil, wheat, fertilizers, and certain metals, faced a significant increase. In numerous emerging market and developing economies (EMDEs), the increasing costs of food and energy were worsening poverty and food insecurity, and intensifying inflation pressures that were already growing (Guenette, Kenworthy, & Wheeler, 2022). Consequently, the war in Ukraine led to a rise in global inflation of about 1.3 percentage points and a reduction in the level of global GDP by about 1.5 percent (Caldara et al., 2022).

There has been a strong monetary policy response to high inflation. A synchronized global monetary policy cycle emerged and strengthened through 2022 as inflation results surpassed projections. As a reaction to the shock, and in the face of massive fiscal stim ulus, some countries like the United States (US) lowered their federal funds rate (FFR) to its effective lower bound. Despite an increase in inflation peaking at 4% one year later in 2021, the Federal Open Market Committee (FOMC) maintained the FFR at near zero. This helped them preserve policy credibility borne out of the forward guidance provided during the heat of the pandemic. However, in the medium term, given the persistence of inflation (peaking at 8.3% in August 2022), the Feds raised the FFR at a faster rate than inflation. the intent was that over time, the modifications to the FFR would, on average, correspond to the fluctuations in inflation (Healy & Jia, 2023). Nevertheless, inflation in the post-pandemic reduced from an average of 8% in 2022, to an average of 4.1% in 2023 (Gharehgozli & Lee, 2022). It is yet to reduce to pre-pandemic rates. These have been accompanied by output and employment losses. Jarsulic (2022) showed that contractionary monetary policy is insufficient reduce inflation.

Inflation policy measures must be enhanced by supply-side measures. supply side conditions contribute their quota to rising inflation. The COVID-19 pandemic brought about disruptions in global markets. This has significantly impacted the manufacturing sector and led to a decrease in the availability of labour. OPEC's 2020 decision to reduce output has had a significant impact on crude oil markets. The availability of food has been negatively impacted by both Russia's military intervention in Ukraine and by severe weather conditions. Furthermore, companies with significant market influence have utilized it without restraint during the economic rebound. All these supply side issues impact the inflation rate.

Although Knicker *et.al* (2023) show that the primary reason for the effectiveness of monetary policy in reducing post-pandemic inflation is expectation anchoring, as opposed to the actual effect of interest rate hikes, Jarsulic (2022) maintains that it would be far too passive to rely solely on Fed's demand-side control. If economic policy tackles the supply difficulties that have come to light during this recovery, then things will significantly improve.

In the Euro area, inflation rates more than doubled from 2.9% in 2021 to 9.2% in 2022. The record inflation rates in the European Union can be attributed to the increase in energy costs, which is a direct result of Russia's invasion of Ukraine. Europe's reliance on gas and food imports from the region resulted in a severe energy crisis and a substantial negative shock to its terms of trade. Subsequently, Europe has successfully diminished its reliance on Russian gas, so preventing energy rationing and a significant decline in economic activity. The steady reversal of this shock is bolstering economic expansion and gradually alleviating inflationary pressures. However, while the war is ongoing, there is still a possibility of more inflationary impact on commodities prices. To address the significant increase in inflation since 2021, the ECB implemented a series of measures to tighten its monetary policy stance. The objective was to ensure that inflation would promptly revert to the medium-term target of 2%. In December 2021, they declared the normalization of monetary policy by diminishing the rate of net asset acquisitions. The European Central Bank commenced increasing its benchmark interest rates in July 2022.

The Case of Nigeria

The objectives of monetary policy may vary from country to country but there are five immediate goals. The first view calls for monetary policy to achieve economic growth through price stability, exchange rate stability, financial stability, expectation maintenance, and the supervision and control of liquidity (Terra and Arestis 2017). The Central Bank of Nigeria, like other central banks in developing countries, achieves the monetary policy goal through the control of interest rates and regulation.

In order to achieve these goals, the Central Bank of Nigeria usually use indirect means which involves choosing the tools or instruments they can directly control, use or operate. Among the instruments at the disposal of central banks are: bank rate or monetary policy rate or rediscount rate, which is the rate at which the central banks lend to DMBs and other institutions; open market operation (OMO); selective control such as credit control, which is meant to impact certain sectors rather than the whole economy in order to either satisfy social priorities, control the destabilizing nature of certain sectors or use the critical position of certain sectors for stabilization purposes; reserves that smooth the demand for reserves and reduce the fluctuations in overnight interest rates; and moral suasion, which is the use of the influence of the central bank upon DMBs to follow its suggestions and recommendations which are believed to be in the interest of the whole economy.

Inflation is a monetary phenomenon (Lavoie 1984). In developing countries like Nigeria, elements such as increased money growth and exchange rate depreciation resulting from a balance of payments crisis dominate the monetary policy process (Sergent & Wallace, 1981, Montiel, 1989). According to the National Bureau of Statistics in Nigeria, the annual inflation rate reached a nearly 30-year high rate of 28.9% in December 2023 from 11.40% in December 2019. Several global and domestic factors have contributed to this hike in inflation in Nigeria.

Globally, the Covid-19 countermeasure of a global lockdown affected the flow of the global supply food chain and led to inflationary pressures on domestic and imported food (Benigno et al 2022). Also, the oil price and production cost surge as a result of the war in Ukraine and OPEC decisions, have contributed to global inflation rates that have been felt in Nigeria. This global supply shock had spill overs in Nigeria's inflation rate due to its high dependence on on imports for manufactured and industrial intermediate goods. As a result, global inflationary pressures have had a significant impact on all productive activities (Ozili and Arun, 2020).

Domestically, Nigeria had undergone a period of recovery after experiencing two global crises within a decade. First the 2007-2008 global financial crisis that eventually had an impact on the Nigerian economy through the banking system and the 2016 oil crisis that led to a sharp decline in oil revenue, thus Nigeria's foreign reserve (Adeniran and Sidiq 2018). This crisis led Nigeria into its second recession as Nigeria experienced a huge balance of payments deficit, coupled with the already existing high debt burden (Ozili 2021). For a developing country struggling with the aftermath of these prior crises and with weak institutions and inadequate social welfare programs, the Covid-19 pandemic was yet another curveball in the face of economic survival. Due to global restrictions on movement placed as a countermeasure to the pandemic, people did not fly around as much during the pandemic and this led to a decrease in demand for Nigeria's aviation fuel. As a country highly dependent on oil revenue, this further affected foreign reserves of the country. The Nigerian Stock Market was not spared from the effects of Covid-19 as three weeks into the first official Covid-19 case reported in Nigeria, a lot of investors took their investments to perceived safer havens and there was a loss of about US$5.9bn and a 20.8% drop in the Nigerian Stock Market within the first 3 months of a lockdown (Ozili 2021). However, the global economy saw a strengthened recovery in the fourth quarter of 2021 due to increasing consumer demand and continued government policy assistance. Global economic growth occurred, albeit at a sluggish pace.

The growth in economic activities was bolstered by both the manufacturing and services sectors, which experienced increases in employment and new business requests. However, the economic activities remained depressed due to the supply gaps caused by the pandemic and the increasing energy and consumer prices. The worldwide inflation rate declined to 3.25 percent during the initial year of the pandemic, but then increased to 4.7 percent in 2021. The rise in consumer costs was primarily caused by supply chain delays, which were subsequently intensified by the Russia-Ukraine war (CBN, 2021). The conflict between Russia and Ukraine intensified Nigeria's financial burden and further aggravated the country's high inflation rate. After reaching a low of 15.6% in January 2022, inflation concluded its upward trend that year at 21.3%. The conflict intensified inflationary pressures on basic food commodities and worsened concerns on the diminishing availability of critical food products for people. Food inflation rose from 17% to 24% between January and December 2022. The substantial rise in the prices of wheat and other grains, which are fundamental components of Nigerian staple foods, along with the heightened expenses of fertilizer, intensified concerns regarding food security (USGOV, 2023).

Since after November 2021, when the scourge of covid-19 began to relent Nigeria's economic recovery began to recede. The headline inflation rate has risen steadily till it hit a 28.2% high in December 2023. A mix of cost-push and demand-pull factors were the main causes of the spike in the general price level. Several causes contributing to the current situation include a scarcity of industrial inputs, insecurity, decreased agricultural output, high fuel prices, logistical challenges, rising VAT, growing energy costs, high debt burden, and a scarcity of foreign exchange. The powerlessness of the Nigerian consumer came to light. The large, relatively unregulated informal economy gave strength for sellers' inflation to thrive.

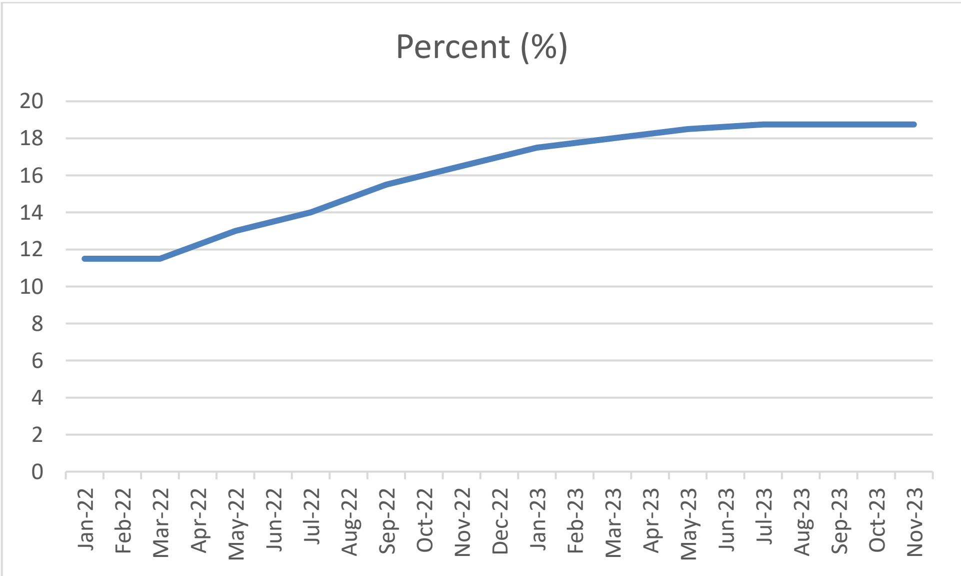
Consequently, businesses shifted greater manufacturing costs onto customers, leading to increased total pricing for goods and services, notably in the case of food (NESG, 2022).

The lead-up to the 2023 General Elections introduced an escalation of political tensions. This coupled with the Government's currency redesign policy had strong implications for economic activities. The scarcity of cash had immediate impact on the availability and prices of goods and services, this was likely to contribute to an uptick in inflation despite a fall in the growth rate of currency in circulation (Oyadeyi, 2023).

The Buhari-led government which was in its penultimate year after 8 years in office undertook extensive public expenditure which severely depleted the treasury and significantly increased the national debt, surpassing the existing capacity of the domestic economy to manage it. Without a corresponding rise in domestic production, this had a negative impact on productivity. Furthermore, political instability and heightened insecurity, including incidents of kidnapping, resulted in a deceleration of economic activity, specifically impacting investment and other catalysts of growth.

With all these crises, the road to recovery becomes important and the role of monetary policy in the recovery needs to be highlighted. Due to the complex nature of the problems, it is pertinent that policy makers expand their analysis in order to implement country-tailored Economic measures to tackle rising inflation, while taking due cognizance of global economic trends.

Figure 1: Monthly Monetary Policy Rate from January 2022 to November 2023



Source: CBN data

The CBN has been on its toes trying to contain the spiking inflation rates. Monetary policies of the central bank to tackle inflation have been mainly contractionary, by way of increasing its monetary policy rate, and minimum cash reserve requirements. An increase in the MPR implies a rise in the interest rate. Needless to say, inflation rates have remained relentless.

Table 1: Monthly Inflation Rates for 2022 and 2023

2023 RATES (%)	MONTH	2022 RATES (%)
29.92	December	**21.34**
28.2	November	**21.47**
27.33	October	**21.09**
26.72	September	**20.77**
25.8	August	**2.52**
24.08	July	**19.64**
22.79	June	**18.6**
22.41	May	**17.71**
22.22	April	**16.82**
22.04	March	**15.92**
21.91	Feb	**15.7**
21.82	January	**15.6**

Source: CBN data

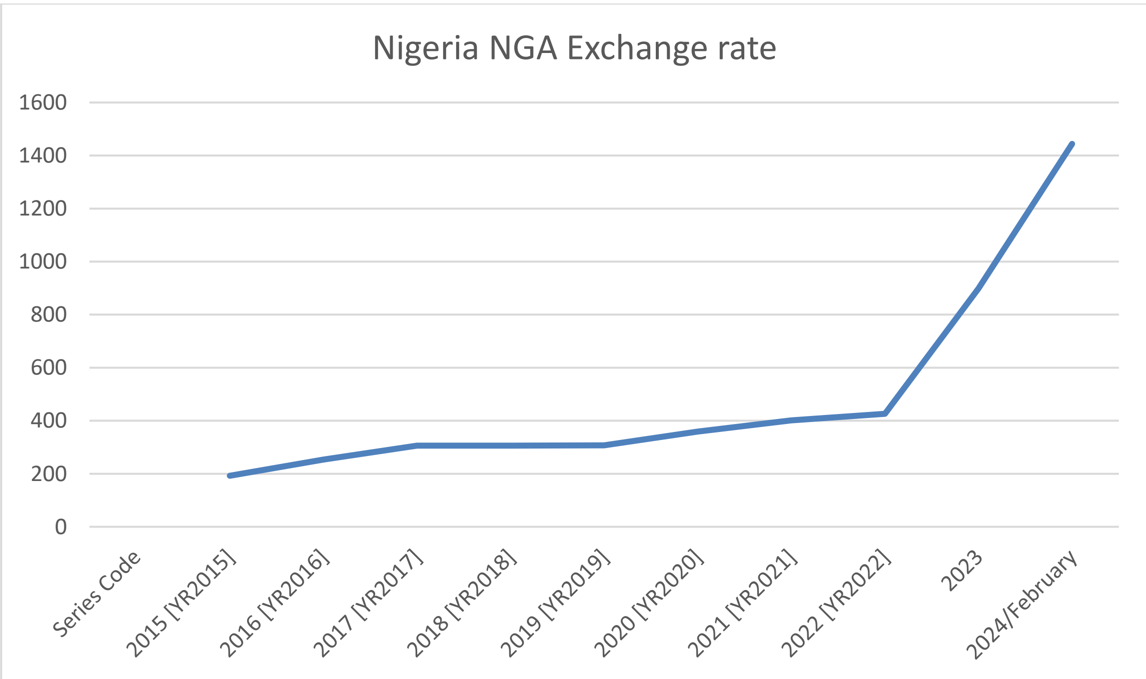
Darma and Abdusalami (2020) shows that monetary policy variables alone are not sufficient enough in maintaining price stability in Nigeria. Therefore, they recommended that the Federal government, the Central Bank of Nigeria (CBN) and policy makers should simultaneously use monetary and fiscal policy instruments to maintain price stability in Nigeria**.** However, in post-Covid Nigeria, this combination has been unsuccessful in regulating the economy by tackling inflation or other monetary issues.

Wei and Han (2021) also suggest that the emergence of the pandemic has weakened the transmission of monetary policy to financial markets to a more significant degree. Since the outbreak of the pandemic, neither conventional nor unconventional monetary policies have significant effects on all four of the financial markets – foreign exchange markets, money markets, derivative markets, and capital markets. This study also found that the unconventional monetary policies are slightly more effective as they can affect the stock and exchange rate markets to some extent. Therefore, in the post-pandemic period, if the monetary policy is to be used to stimulate financial markets, stronger policy adjustments, or other macro policies such as fiscal policies, may be needed to achieve the desired effect. Monetary policy in developing nations like Nigeria would be effective in taming inflation if financial inclusion is strengthened and new non-bank models are sought in ensuring that the monetary authority has good control of money supply and other monetary indicators (Matthew, 2015). In the Nigerian post-Covid-19 recovery system, Akarara, & Azebi (2021) posit that Treasury Bill Rate (TBR) is an effective tool in controlling inflation both in the short and long run. Monetary Policy Rate (MPR) is effective in the long run. Therefore, it is recommended that the CBN should regulate exchange rate and money supply in controlling inflation to achieve a short-term result. Whereas, it was suggested that MPR should be used to control inflation for a long-term.

The CBN has to be strategic in its policy, while taking into account the uniqueness of the Nigerian story. An initial policy response to the pandemic was the adopted accommodative monetary policies that offered a targeted ₦3.5trillion loan support to some sectors in the economy. These efforts should have prevented the ensuing economic crisis from getting to a great level but this did not happen. This was because due to the weak institutions, economic agents could not freely engage in economic activities that would take advantage of this policy for fear of contracting the COVID-19 disease that was spreading very fast at the time.

In Nigeria, there was a sudden announcement of the fuel subsidy removal by the Tinubu led government which took effect immediately following his swearing in on May 29, 2023, expectedly has contributed to rising prices of goods and services, and increased hardships. As a country dependent on revenue from oil, import of refined crude products, and with limited productive capacity, this has been a big blow on the economy. The nation has failed to receive the benefits of the removal of the fuel subsidy which caused a huge gape on government expenditure. A foreign exchange reform closely followed the petrol subsidy reform. Plagued with a shortage of foreign exchange, multiple parallel markets sprang up selling the dollar at much higher rate than the official rate. As a redemptive measure, the CBN announced in 2023 a change to the Foreign Exchange market's operations: the consolidation of all exchange windows into the investors and exporters (I&E) window. Allowing the exchange rate to be determined by forces of demand and supply in a free float. The market has experienced persistent volatility since the implementation of the reform, exacerbating Nigeria's inflation rate. This has led to a gross depreciation in the naira even as inflation rates are still high (See Figures 2 and 3).

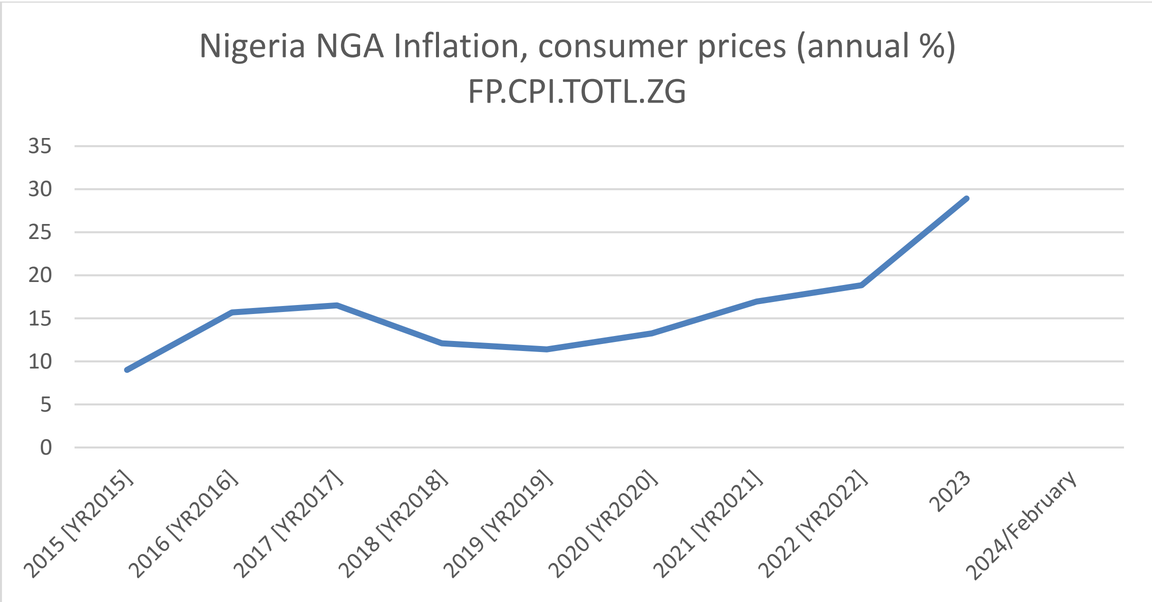
Figure 2: The Nigerian Exchange Rate 2015 to 2024



Sources: WorldBank Development Indicators Database and CBN

Post-pandemic monetary policy initiatives have been unsuccessful in bringing down inflation (see Table 1 and Figure 3) rates even as the exchange rates have been rising since the pandemic for import dependent Nigeria (see Figure 2).

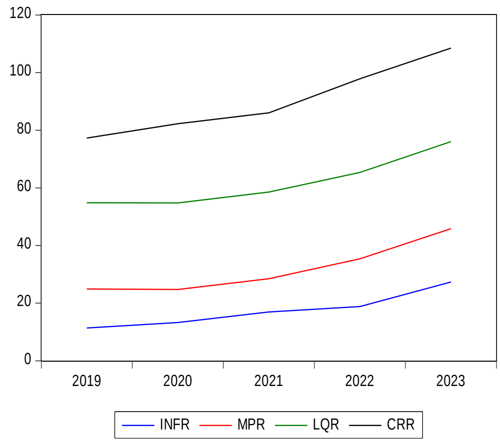
Figure 3: The Nigerian Inflation Rate 2015 to 2024



Sources: WorldBank Development Indicators Database and CBN

Diagrammatical Representation of the Estimates

The study employs the use of graphical representations to buttress the analytical study in terms of causal relationship. It uses the scattered plot, line graph, fitted line graph as well as graphical representation of percentage changes in each variable.



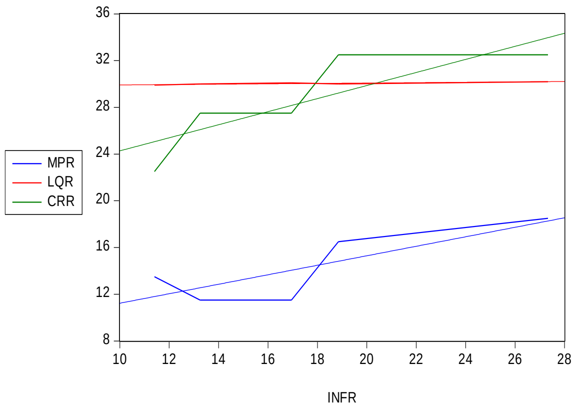


Figure 4 Line Graph

Figure 5 Fitted Line Graph

Source: CBN Database (2023)

Figure 4 shows a line graph for Inflation Rate (INFR), and monetary policy instruments; Monetary policy Rate (MPR), Cash Reserve Ratio (CRR), Liquidity Ratio (LQR). The graph shows that all the variables moved in synchronicity and in an upward trend. Particularly, INFR maintained an upward movement, as MPR and LQR also moved in the same mode. CRR likewise increased steadily till 2021 then had a slight break and an upward leap till the year 2023. The positive movement of all variables from left to right further confirms the positive relationship that exists among them.

Nigeria's debt profile has risen steadily over the last decade. The external debt burden under the Buhari-led administration grew 128% from about $18.9 billion in 2017 to $43.2 billion towards its end in May 2023 (NBS, 2023; NBS, 2018). In the midst of myriad economic issues and revenue shortfalls, the present administration has continued with its predecessors borrowing policy with its recently approved borrowing plan to the tune of over $7.8 billion. The revenue shortfalls are expected as the fiscal authorities in 2022 used an estimated 96% of government revenue on debt servicing (Ekeruche et al. 2023), leaving very little for investments in critical infrastructure.

The combination of a high debt burden, monetary policy challenges, and persistent high inflation in Nigeria poses significant economic challenges. Although debt might initially foster economic expansion, its accumulation becomes problematic when the commitments to service the debt burden puts a strain on government revenue leading to a constrain in the budgetary allocation for essential services and investments.

Further exacerbating these difficulties is the persistent issue of monetary policy efficacy. The Central Bank of Nigeria (CBN) encounters challenges in efficiently managing inflationary pressures and maintaining currency stability in the face of an unpredictable economic climate. The efficacy of monetary interventions is constrained by external factors, including volatile crude prices and global economic conditions, as well as inadequate policy instruments.

Nigeria's persistent double-digit inflation, driven by supply chain disruptions, currency depreciation, and structural inefficiencies, exacerbate the economic strain, erodes savings, undermines investor confidence, leads to uncertainty in business planning, and hampers long-term economic growth prospects. More importantly is its sustained impact on supply-side economics. Nigeria experiences supply driven inflation as distribution channels are unable to keep up with escalating demand due to infrastructure shortfalls.

The volatility of exchange rates and the devaluation of currency directly impact cost of imported goods and raw materials, resulting in an increase in production costs for businesses reliant on foreign inputs. As a result, prices within the country increase, contributing to inflationary trends.

The inadequacy of agricultural productivity amplifies supply-driven inflation. Inadequate agricultural output, caused by factors such as insecure land tenure systems, limited access to credit, and deficient infrastructure, results in food shortages and higher prices, further contributing to inflationary pressures. Furthermore, insecurity issues such as insurgency, banditry, and ethnic conflicts disrupt agricultural activities, obstruct trade routes, and deter investment, leading to supply disruptions and increased production costs. The resultant uncertainty discourages private investment and intensifies supply-driven inflationary pressures. Despite the policies put in place, they have proven ineffective due to weak institutions. Tackling post-Covid inflation in Nigeria would require efficient policy cooperation between fiscal and monetary authorities, as well as restructuring of weak institutions. This would require domestic investments in infrastructure that will encourage domestic growth that will shift the economy from an import driven economy to a production-based economy (Ujuju and Etale 2021; Olajide, 2022; Ekpeyong, 2023).

Conclusion/Recommendations

Overall, the emergence of pandemic weakened the transmission of monetary policy ability to reduce inflation to a more tolerable degree; thus, the advent of the pandemic significantly affected the effectiveness of the monetary policy transmission to inflationary trends (Olawoye & Erediauwa, 2023). As a result, during and after the COVID-19 pandemic period inflation has continued to soar.

From the foregoing; the study draws the following recommendation. First, the central banks should implement more expansionary monetary policy or resort to the other macro-policies since the transmission of monetary policy to reduction in inflation is weakened. In fact, the central bank should reduce the MPR in order to stimulate borrowing that would drive investment into key sectors. For example, interest rates were adjusted to be negative in Switzerland, Denmark and Hungary and are just returning to a single digit, while they are also close to negative in New Zealand, Norway and Australia.

Furthermore, because unconventional monetary policy is slightly more effective than conventional monetary policy, it can be utilised to stimulate financial markets and reverse economic downturns in the post-pandemic period. Moreover, unlike interest rate policy, many unconventional monetary policies are aimed at supporting specific sorts of firms, such as small and micro enterprises. Obviously, the consequences of such unconventional monetary policies on the economy and inflation in particular may be minor, but their effects might be directly communicated to the micro-economy and contribute to economic recovery. As a result, central banks will be able to execute more flexible and diverse unconventional monetary policies in the future, as well as give more focused support to the real economy. Moreover, other macro policies may be needed to be implemented. For example, a combination of unconventional monetary policy and fiscal policy can be a better choice to regulate the economy and the incidence of inflation and thus; stimulate supply in the post-pandemic period which will lead to a fall in prices.

To combat supply-driven inflation, a multifaceted strategy is required. It is essential to implement structural changes to improve the business environment, encourage investment, and improve infrastructure. In addition, measures to reduce exchange rate volatility, increase agricultural output, and tackle security issues are critical to lessening the effects of supply-driven inflation on Nigeria's economy and improving the lives of its people.

Ultimately, policymakers must take strong, decisive action in addition to ongoing initiatives to support fiscal sustainability, improve the efficacy of monetary policy, and promote inclusive economic growth in order to address Nigeria's high debt load, monetary policy shortcomings, and persistently high inflation.

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