CRUDE OIL PRICE AND MACRO-ECONOMIC UNCERTAINTY IN NIGERIA

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Abstract

The recent perspective in the study of uncertainty which uses World Uncertainty Index (WUI) constructed from the frequency count of the word "uncertain" or its variants in the Economic Intelligence Unit (EIU) country reports has been extensively applied in evaluating the relationship between crude oil price and uncertainty in many developed and emerging nations of the world. It therefore became pertinent to apply this construct to Nigerian (a major oil revenue-fed economy) data to examine the relationship between crude oil price and uncertainty.Applying quarterly time series world uncertainty index and data from the Central Bank of Nigeriaspanning 2011:Q1 to 2020:Q1 in a vector autoregressive framework, the study finds a negative but insignificant relationship between uncertainty and crude oil price with no evidence of a causal relationship. However, a significant negative relationship and a uni-directional causality was found between gross domestic product and crude oil price. The study also established that crude oil price has the highest capacity to reduce spikes in uncertainty. The study therefore recommends among others a combination of policies such as diversification and development of alternative energy source aimed at reducing reliance on crude oil as the major driver of the economy which can potentially encourage stability in crude oil prices.

Keywords: *Uncertainty, Crude Oil, Vector Auto-regression, Impulse Response Function, Granger Causality*

JEL Classification: *D81, Q35, C32,*

Introduction

Unpredictability of oil price has become a common and predominant occurrence in recent times. Many reasons were attributed to this occurrence and prominent among them according to Yin (2016) is the sharp movements in oil demand and supply especially from fast growing emerging economies of the world like China (Lui et al, 2020; Killian and Vigfusson, 2011 and Hamilton, 2009), while others like Singleton (2013); Tang and Xiong (2012); Lombardi and Van Robays (2011) are of the opinion that arbitrage trading activities by index investors and extreme speculation are responsible for the movements in oil price. Hence, understanding the behavior of crude oil price and macroeconomic uncertainty has received renewed attention in the existing environment bedeviled with changes in the price of crude oil. In the views of Fattouh (2007), high crude oil price has the ability to slowdown economic growth, cause inflationary pressures, create international imbalances, increase uncertainty and discourage the much-needed investments in an economy and dis-stabilizing macroeconomic balance.

According to IMF (2019) Report, several factors were responsible for global economic downturn revision and key among these factors is rising uncertainty. Uncertainty could emanate from shocks in economic growth, weakened prospects for global demand, reduction in industrial production, political environment that could down-side risk to global investments, lack of clear-cut agenda of government and existing institutions that may arise from unprecedented occurrences like wars, natural disasters, epidemics and pandemics, etc. In the period of fluctuations in crude oil price, uncertainty is characteristically high and the pattern of movement or changes in oil price and uncertainty is indicative of a possible transmission link that has not been adequately documented particularly in Nigeria.

The causes and impact of uncertainty has attracted so much attention in economic discourse after the seminal work of Bloom (2009). Studies that has extensively dealt with this topic include Carriero et al., (2017); Baker et al., (2016); Ludvigson et al., (2016); Jurado et al., (2015); Caggiano et al., (2017,2014); Gilchristetal., (2014); Bachmann et al. (2013). Many other authors focused on the effect of uncertainty on macroeconomic performance (Fountas et al. 2006; Bhar and Hamori 2004; Grier and Perry 2000;).In the

views of Yin (2016), during the period of high oil price volatility, uncertainty is characteristically high and the pattern of movement or changes in oil price and uncertainty is indicative of a possible transmission link that has not been adequately documented particularly in Nigeria.

Recently, the relationship between crude oil price shocks and uncertainty has been vigorously debated in many developed economies like the US. {Albulescu, (2020) Rehman, (2018); Degiannakis et al.(2018), Kang et.al,(2017a, 2017b); Antonakakis et al., (2014); Kang and Ratti, (2013)}. Most of these studies focused specifically on economic policy uncertainty using the Baker, Bloom, and Davis (2016) media-based construct to establish the relationship between oil price shocks and economic policy uncertainty.

In Nigeria, studies on crude oil price were mainly focused on the impact of oil price shocks on economic growth (Adeniyi at al, 2011; Alley et al., 2014; Soile and Babajide 2015; Abdulkareem and Abdulkareem, 2016) or on business cycles (Aigheyisi, 2018) or other macroeconomic variables (Olomola, 2006; Ani et al, 2012). The information available during this research didn't find evidence of any study on the Nigerian economy that is focused on the relationship between uncertainty and crude oil price. None of these analyses focused on how oil price shocks can be transmitted into the economy through uncertainty or if there exist a causal relationship between the two variables in the Nigerian economy. Again, most of the studies in the US used the Baker, Bloom, and Davis (2016)media-based construct. In this analysis, the newly developed World Uncertainty Index (WUI) by Ahir, Bloom and Furceri (2018) was employed. The WUI is a new measure of uncertainty which is available for 143 countries and it is constructed by tracking uncertainty across the globe and text mining the country reports of the Economist Intelligence Unit (EIU). Specifically, the index is computed by counting the frequency of the word "uncertain" or its variant in the EIU country reports and then normalized by the total number of words before rescaling by multiplying by 1000. The lower the computed index, the lower the uncertainty and the higher it is, the higher the uncertainty. The disaggregated and aggregated data by region and country can be accessed at: www.worlduncertaintyindex.com.

The objective of this study is specifically to examine the existence of a causal relationship between crude oil price and uncertainty in Nigeria using the world

uncertainty index. This study is sectioned into five parts. The first section focuses on introduction, followed by the second which is the review of related literature while method of study is discussed in section three. Section four presents on results and discussion of the findings and section five finally concludes and proffered recommendations based on the research outcomes.

Literature Review

Extensive literature exists on the relationship between oil price and selected macroeconomic variables in Nigeria. Omisakan (2008) in a study examined the impact of oil prices on government consumption expenditure, consumer price index and money supply in Nigeria. The result submits that oil price exerts a sustainable impact on most of the variables. In a similar research, Akpan (2009) examined oil price shocks on the Nigerian economy with focus on the asymmetric effects. Empirical findings suggest the existence of a significantly positive relationship between positive components of oil price changes and real government expenditure while oil price shocks exhibited marginal but a significant increase on real exchange rate. Aliyu (2009), in the investigation of oil price shock and macroeconomic behaviours employed a linear and non-linear oil price specification. The study reported evidence of both shocks on real Gross Domestic Product (GDP). Adeniyi, Oyinlola and Omisakin (2011) in a study, investigated the impact of oil price shocks on output growth in the Nigerian economy, incorporating threshold effects using quarterly data from 1985-2008 within a regime-dependent multivariate threshold autoregressive model, impulse response function and forecast error decomposition framework. The result indicated that oil price shocks do not explain a substantial proportion of the movements in macroeconomic aggregates in Nigeria and even so with threshold effects.Ani et al, (2012) applied the OLS and Granger Causality test to time series data spanning 1980-2010 in a multivariate framework to investigate the relationship between oil prices and selected macroeconomic variables. Findings suggest that oil price has no significant impact on economy.

Contrarily, the study of oil price shocks and volatility of selected macroeconomic indicators in Nigeria carried out by Taiwo, Abayomi and Damilare (2012) using Johansen Co-integration Test and Error Correction Model indicated that crude oil price, stock price and exchange rate have

significant influence on the growth of the Nigerian economy. Oriakhi and Osaze (2013) examined the consequences of oil price volatility on the growth of the Nigeria economy within the period 1970 to 2010. With the use of VAR model, the study revealed that oil price volatility has direct impact on government expenditure, real exchange rate, and real import while real GDP and inflation are indirectly influenced by the oil price volatility.

Abdulkareem and Abdulkareem (2016), investigated oil price volatility and macroeconomic performance in Nigeria using daily, monthly and quarterly data and employed GARCH, GARCH-M EGARCH and TGARCH models. The result from the analysis showed that the Nigerian economy is vulnerable to both internal and external shocks and oil price is a key cause of volatility in Nigeria. Soile and Babajide (2015) examined the impact of oil price shocks on economic activities in Nigeria from 1980 – 2011 using quarterly data within a vector auto-regression analytical framework. The analysis revealed that oil price fluctuation has devastating effects on economic activities in Nigeria. Alley et al (2014) using data from 1981–2012 in a general methods of moment (GMM) analytical framework, investigated the relationship between oil price shocks and economic growth in the Nigerian economy. The result showed that oil price improves economic growth while oil price shock slows down economic growth though not significantly.

In another twist, Abeng (2016) focused on the impact of oil price fluctuations on five sectors of the Nigerian stock market. The result from this analysis showed that fluctuations in oil price has no significant influence on food beverage and tobacco sector performance but does on the other four sectors. Agusman and Deriantino (2008) and McSweeney and Worthington (2007) study on the Indonesian and Australian stock markets also reported similar results.

Olomola (2006) in a vector auto-regression analysis, focused on the effects of oil price shocks on macroeconomic variables (inflation, money supply, output and real exchange rate) in Nigeria. Empirical analysis suggests a mixed relationship between oil price fluctuation and the macroeconomic variables. Apere and Eniekezimene (2016) also examined the effect of crude oil fluctuation on the Nigerian economy from 1981-2013 in a VAR framework.

The empirical result suggests that changes in oil price have a significant positive impact on economic growth.

Chiweza and Aye (2018) in a paper investigated the relationship between oil price uncertainty and the growth of key macroeconomic variables in South Africa from 1980 – 2015 using monthly data analyzed with the Structural Autoregressive (SVAR) methodology as well as Generalized Impulse Response Function (GIRF) and Generalizes Forecast Error Variance Decompositions (GFEVDs). The result from this study revealed that oil price uncertainty shock has a persistently undesirable effect over time on most of the macroeconomic variables used in the analysis. The study therefore concludes that oil prices play significant role in the economy of South Africa particularly in the presence of price uncertainty shocks.

Yang (2019) analyzed the connection and causality between economic policy uncertainty and oil price shocks across time scales in the US economy by adapting and modifying the Diebold and Yilmaz (2009, 2012, 2014) structural vector auto-regression framework to include a wavelength approach. The result showed that crude oil prices act like a conduit of information from economic policy uncertainty, time scales notwithstanding. Also, there exist an intensified causal relationship between crude oil prices and economic policy as time scale grows.

In all of the studies reviewed on the impact of oil price on macroeconomic activities in the Nigerian economy to the best of our knowledge, none was focused on examining the relationship between the crude oil price and macroeconomic uncertainty in the Nigerian economy using the World Uncertainty Index, hencethis study intends to show if crude oil prices is a source of macroeconomicuncertainty in the Nigerian economy or/and vice versa.

Method of Study

Data Sources

This study employed quarterly data obtainedfrom different sources spanning 2011Q1 -2020Q1. The data for uncertainty was obtained from the World Uncertainty Index (WUI) database developed by Ahir, Bloom and Furceri

(2018). The WUIis a new measure of uncertainty which is available for 143 countries and it is constructed by tracking uncertainty across the globe and text mining the country reports of the Economist Intelligence Unit (EIU). Specifically, the index is computed by counting the occurrence or frequency of the word "uncertain" or its variant in the EIU country reports and then normalized by the total number of words before rescaling by multiplying it by 1000. The lower the computed index, the lower the uncertainty and the higher it is, the higher the uncertainty. The disaggregated and aggregated data by region and country can be accessed at:www.worlduncertaintyindex.com. The data for Gross Domestic Product (GDP) were obtained from various issues of the Central Bank of Nigeria Statistical Bulletins and Crude OilPrice data were obtained from Organization of Petroleum Exporting Countries (OPEC) database. In all, three variables were used in this study: Uncertainty, Crude Oil Price and Gross Domestic Product (GDP). All variables are presented in log form.

Method of Data Analysis

The vector auto-regression (VAR) analytical framework was employed in this study.The choice of this method was hinged on the fact that all the variables were integrated of order one, I(1); a necessary condition for employing the VAR analytical method. Usually, the use of VAR is justified after establishing the stationarity status of the variables constituting the VAR model. Chuku, Ekpeno and Ndifreke (2010) reported that if the time series have unit roots, the stability condition of VAR will be compromised, meaning that the usual statistical techniques of coefficient evaluation will be invalid. When this happens, Wooldridge (2006) recommended that the cointegration and vector error correction modelling be utilized in examining the multivariate relationship among the variables. Hence in this analysis, preliminary diagnostics were conducted on the properties of the time series variables. The analysis started with testing for the presence or otherwise of unit roots using the Dickey and Fuller (1979,1981) augmented Dickey -Fuller (ADF) test. Thereafter, the cointegration test was performed using both trace and eigen values. If there are cointegrating equations, then both short run and long run VAR models will be analysed and if there are no cointegrating equations, then only the short run analysis is done.

The VAR Model

The VAR model takes all the variables as endogenous and regresses each current variable on laggedvaluesofallthevariables inthemodellaggedacertainnumberoftimes. The model specified for this study is given as:

$$lwui_t = \boldsymbol{\beta}_o + \boldsymbol{\beta}_1 lgdp_{t-1} + \boldsymbol{\beta}_2 lcrdop_{t-1} + \boldsymbol{\beta}_3 lwui_{t-1} + U_t \quad (1)$$

$$lcrdop_t = \boldsymbol{\beta}_o + \boldsymbol{\beta}_1 lgdp_{t-1} + \boldsymbol{\beta}_2 lcrdop_{t-1} + \boldsymbol{\beta}_3 lwui_{t-1} + U_t \quad (2)$$

$$lgdp_t = \boldsymbol{\beta}_o + \boldsymbol{\beta}_1 lgdp_{t-1} + \boldsymbol{\beta}_2 lcrdop_{t-1} + \boldsymbol{\beta}_3 lwui_{t-1} + U_t \quad (3)$$

where:

lwui = log of uncertainty index
lcrdop = log crude oil price
lgdp = log of quarterly gdp

The lag length of the model was chosen using the Akaike Information Criterion (AIC) which puts it at lag one. The hypothesis is that ceteris paribus, a significant relationship exists between uncertainty, crude oil price and gross domestic product.

Stationarity Tests

One condition that must be met before adopting the VAR technique is to establish the presence or otherwise of unit roots in the variables. If the series are found to have unit roots, the stability condition of the VAR will be compromised (Chukwu, Effiong and Sam, 2010). Hence, the stationarity test propounded by Dickey and Fuller (1979,1981); the Augmented Dickey-Fuller (ADF) to evaluate the stationarity of the variables. The test estimation process is of this form:

$$\Delta y_t = a_o + a_1 t + \delta_1 y_{t-1} + aj\sum_{i=1}^{n} \Delta yt = 1 + e_t \quad (4)$$

whereyt is the lag difference of the variable under consideration and n is the number of lagswhile et is the error term. The unit root test is done using the following hypothesis:

H0: $\delta 1 = 0$

H1:$\delta 1<0$
$\delta 1 = \rho - 1 = 0$

The critical values of the ADF statistics lead to rejection or acceptance of the null hypothesis. The acceptance of the null hypothesis connotes that the series is non-stationary or has a unit root while rejection mean that the series is stationary. If the series are non-stationary, they need to be differenced to be stationary to determine the order of integration of the variables. The test was applied to each of the variables in the model.

Results and Discussion

The values of the mean, median, maximum and minimum values as well as normality indicators of the variables used in this analysis are presented in table 1. The mean, values of the variables show very marked variations in magnitude which evidently indicates that estimating any model with such variable characteristics in levels may yield inconsistent estimates hence justifying the need for an examination of the stationarity status of the model.

Table 1- Descriptive Statistics

Variables / Statistic	GDP	CRDOP	WUI
Mean	23,613,348	78.85543	0.1452
Median	23737297	68.33978	0.1349
Maximum	40,029,725	118.5416	0.2681
Minimum	8,708,429	34.3577	0.0540
Standard Deviation	9,019,625	27.4481	0.0543
Skewedness	-0.192673	0.131037	0.478836
Kurtosis	2.141818	1.395800	2.570537
J-B	1.364321 (0.05522)	4.073302 (0.130465)	1.698258 (0.437787)
Observation	37	37	37

Source: *Author'scomputation*

Pre-estimation Tests

Stationarity Test

The Augmented Dickey Fuller (ADF) test was employed in testing for the presence or otherwise of unit roots in the variables.The result of the ADF test reported in table 2 failed to reject the null hypothesis of non-stationarity in the variables at levels but didn't after first differencing, thus the variables are integrated of order one.

Table 2- Augmented Dickey Fuller unit root test

Variables	Levels			1st Difference			Order
	ADF Test Stat	5%	Inference	ADF TS	5%	Inference	
Lwui	2.312	-3.556	NS	-4.732	-3.560	S	1(I)
Lcrdop	-1.50	-3.556	NS	-5.344	-3.560	S	1(I)
Lgdp	-2.807	3.556	NS	-6.350	-3.56	S	1(I)

Source: Author's computation

Co-integration test

The results of both the trace and eigen statistics at 5% critical level revealed that there are no cointegrating relationship among the variables. Therefore, only the short run VAR relationship was estimated.

Table 3: Co-integration test

Max Rank	Trace Statistics	5% Critical Value	Max rank	Max Eigen Statistics	5% Critical Value
0	17.87	29.68	0	12.44	20.97
1	5.43	15.41	1	2.92	14.07
2	2.51	3.76	2	3.51	3.76

Source: Author's computation

In the VAR model, each variable is taken to be endogenous and it is estimated using lagged values of the dependent and all the other variables in the model. In order to obtain the estimates of the coefficient, the number of lags to be imputed must be determined because the inclusion of too many lags could lead

to multicollinearity, serial correlation of the error term, loss of degree of freedom and useful observation. Using the Akaike Information Criteria (AIC) for lag selection, the lag was restricted to one.

Table 4: Lag selection Sample: $2011Q_1$–$2020Q_1$

Lag	AIC	HQIC	SBIC
0	-3.0443	-2.99866	-2.90838
1	-6.90412*	-6.72101*	-6.35993*
2	-6.7684	-6.44797	-5.81607
3	-6.57373	-6.11597	-5.21327
4	-6.61765	-6.02257	-4.84905

Source: Author's computation

The Estimated VAR Model

The findings from this analysis presented interestingly mixed results (Table. 5). In the uncertainty model, the variables explain 40 percent of the variation in uncertainty in Nigeria. Ceteris paribus, a rise in one period lag of GDP and crude oil prices lead to a fall in uncertainty and vice versa when the GDP and crude oil price models are considered although the relationships are not significant. Specifically, a one percent increase in one period lag of uncertainty results in a decline of 0.0402 percent in GDP and 0.039 percent in crude oil prices while a one percent rise in a one period lag of crude oil prices and GDP leads to a fall of 0.168 percent and 0.137 percent in uncertainty respectively. A look at the magnitude of the impacts of the independent variables on the dependent variables suggest that the impact of crude oil prices has the greatest magnitude on uncertainty (17 percent). However, the relationship between crude oil price and GDP were somewhat mixed as expected. While an increase in one period lag of GDP significantly lead to a decrease in crude oil price at the 10 percent significance level, an increase in crude oil price leads to an increase of 0.03 percent in GDP. The GDP and crude oil price models have very good fit, explaining 94 and 89 percent of the variation in these models. The observed relationship between uncertainty, GDP and crude oil price is consistent with the reports of Sušjan and Redek (2008), Jackson, Kliesen and Owyang (2019,) which records that uncertainty negatively impacts economic growth. This is true because during period of

rising uncertainty, consumers cut back on consumption expenditure, businesses usually reduce production and employee compensation and delay investment decisions and financial markets become more volatile with high risk premiums as a result of rising financing costs.

Table 5 - The VAR model Estimates

	$lwui_t$	$lgdp_t$	$lcrdop_t$
$lwui_{t-1}$	0.5665(3.32)*	-0.0402(-0.64)	-0.0392(-0.57)
$lgdp_{t-1}$	-0.1374(-0.74)	0.8958(13.0987)*	-0.1492(-1.96)**
$lcrdop_{t-1}$	-0.1681(-0.79)	0.0344(0.404)	0.8112(9.41)*
C	0.9461(0.59)	0.8101(1.37)	1.4042(2.17)*
R^2	0.4026(0.0000)	0.9355(0.0000)	0.8876(0.0000)
RMSt	0.137321	0.050609	0.055553
Chi^2	24.25663 (0.0000)	521.961 (0.0000)	284.3307 (0.0000)
Loglikelihood =140.1729, AIC=-7.120704, HQIC= -6.926474, SBIC= -6.592864			

**, **, indicates 5% and 10 % significance level*
Source: Author's computation

Granger Causality

The Wald test for granger causality show that there is a uni-directional causality between crude oil price and GDP but none between crude oil price and uncertainty. This confirms what is already known of the oil-driven Nigerian economy and suggests that changes in crude oil price could have dilapidating effects on the economy and calls for intensified efforts at diversifying the economy. However, there is no evidence to suggest that there is a causality between crude oil price and uncertainty in Nigeria. This of course is contrary to expectation because for an oil dependent economy like Nigeria, it is expected that changes in the price of crude oil could cause changes in uncertainty and vice versa.

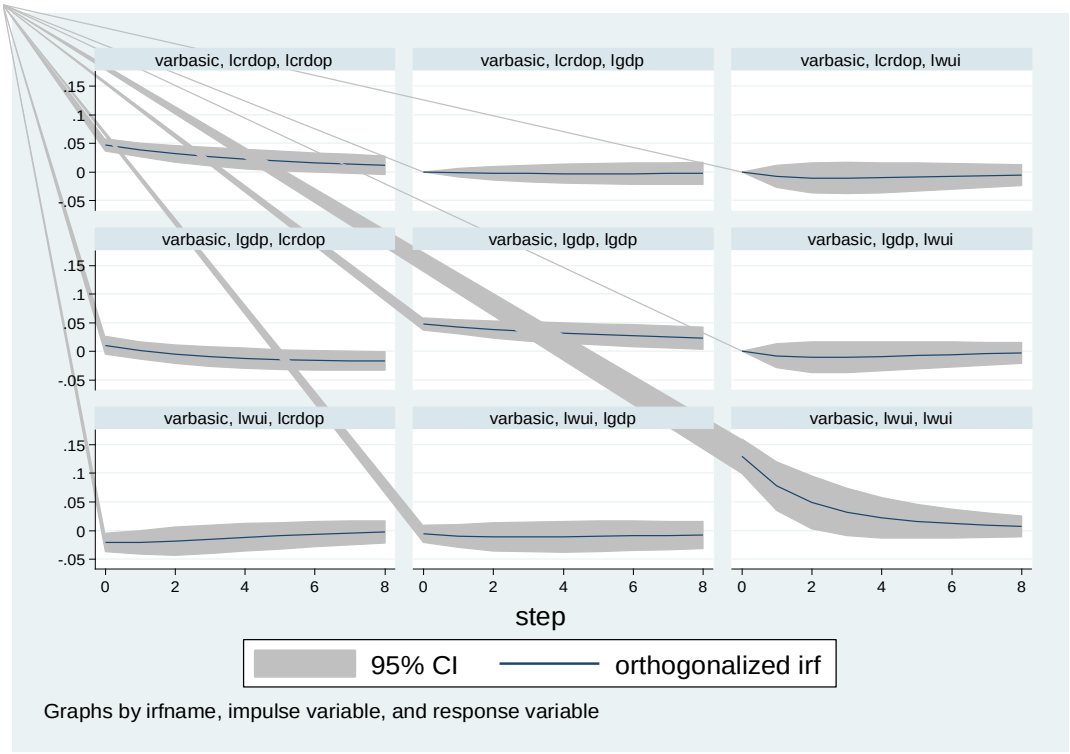
Table 6: Granger Causality Wald Test

Equation	Excluded	Chi^2	d.f.	Probability
Lwuilgdp		0.54284	1	0.461
Lwuilcrdop		0.62255	1	0.430
Lwui	ALL	0.6676	2	0.716
Lgdplwui		0.40779	1	0.523
Lgdplcrdop		0.19218	1	0.661
Lgdp	ALL	0.42528	20.808	
Lcrdoplwui		0.3213	110.571	
Lcrdoplgdp		3.9111	10.048	
Lcrdop	ALL	4.6276	10.099	

Source: Author's computation

Impulse Response Function

Fig.1: Impulse Response Graph



Source: Author's computation from Stata 13

The orthogonalized impulse response function (OIRF) graphs are presented in Fig. 1. The OIRF is computed from the coefficient of vector regression which employs the orthogonalized set of residuals and it traces the effects of a standard deviation shock on the target variable on current and future values of the endogenous variables in the system. The impulse response functions graphs show no serious perturbations in response shocks between the variables.

In the crude oil price function, a standard deviation shock in GDP resulted in a decrease in crude oil price from the short to the long run periods and a shock in uncertainty led to observed perturbations from the short to the long run. In the GDP function, a standard deviation shock in crude oil price resulted to a gradual decrease in GDP between the 3rd and the 6th periods which however became stable in the long run while GDP recorded a slight decline from the 1st period up to the 6th period and stable in the long run with a standard deviation shock in uncertainty. The response of uncertainty to a standard deviation shock in crude oil price and GDP exhibited similar patterns; a fall in the short run period down to the long run.

The Lagragian multiplier test and VAR stability test were carried out to check for autocorrelation and the stability of the VAR model respectively. At one lag, the null hypothesis of no autocorrelation cannot be rejected while all the Eigen values for the VAR stability test satisfies the conditions for stability since all the eigenvalues lies within the unit circle.

Post-Estimation Test

Table 7: Post Estimation Tests

Lagragian Multiplier Test				VAR Stability test (Eigen value stability condition)	
Lag	Chi^2	Df	Prob	Eigen values	Modulus
1	10.6287	9	0.30202	0.9317728	0.931773
2	9.3319	9	0.40722	0.8250771	0.825077
				0.5166046	0.516605

Conclusion and Recommendations

Economic theory suggests that uncertainty is negatively correlated with business cycles and exacerbates the effects of recessions through delay in firms' investment and hiring decisions and can bring about undermining the effectiveness of economic policies i. In recent times, the plummeting and rising of crude oil prices brought about by the corona virus pandemic, has monopolized global public agenda, bringing about changes in the direction of economic policies of nations and bringing to bear the importance of uncertainty and how it can serve as a channel of transmission of oil price shock to the macro-economy or if crude oil price is the conduit of transmission of uncertainty to the economy; establishing a uni- or bi-directional causality. The findings from this study could not provide any evidence to the existence of any form of causal relationship between crude oil price and uncertainty but provided a uni-directional causal relationship between crude oil price and GDP. Also, the result showed that a negative but insignificant relationship exist between crude oil price and uncertainty. This suggests that in an oil dependent economy, rising crude oil prices is synonymous with increased confidence in the strength of the economy hence the fall in uncertainty which crowds in investment and other growth enhancing initiatives.

It is pertinent however to state here that global crude oil prices are usually not within a singular economy's control and so the fluctuations in it are sometimes unavoidable and unpredictable such that controlling for it becomes almost impossible as in the case of the global corona virus pandemic. However, domestic factors that can cause spikes in uncertainty are to be avoided because failure to do so could have overwhelming consequences. This therefore mean that sole dependence on one source of revenue could have devastating consequences as shown by the negative nonetheless insignificant relationship between uncertainty and GDP.

Finally, this study finds a negative and significant relationship between crude oil price and GDP. In other words, rising GDP brings about significant decline in crude oil prices. This could mean that improvements in the contribution of other sectors of the economy to GDP could undermine the development of the crude oil sector particularly given the performances of sector like services and agriculture in recent times. If this happens, it may not augur well for the

economy as the current advocacy is in favour of divesting into newer growth enhancing projects while improving on existing ones.

In view of these, the study therefore recommends a combination of policies that encourages stability in crude oil prices since crude oil prices has the greatest capacity to cause spikes in uncertainty. Also, creating an enabling environment for divestment into newer growth project while improving on current ones should be rigorously pursued.

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