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THE EFFECTS OF SPILLOVERS FROM GLOBAL SHOCKS TO A DEVELOPING ECONOMY**Abstract:**

My preliminary analysis on Nigeria's economy shows that Nigeria is a principal oil exporter where the oil sector accounts for 85 percent of total revenue. As a small open economy, Nigeria's economy has also been highly affected by global developments, either directly or indirectly through the impact these developments produce in the country's main trading partners. The results of similar studies on countries where these studies have been conducted have been mixed, with economic, financial and trade linkages being significant for some but not for others. Also, Nigeria is highly exposed to spillovers from specific shocks that originate in its main trading partners. Despite its relevance, empirical work on the global and regional spillovers to the Nigerian economy is limited and mostly focused on describing stylized facts, IMF (2012).

The paper uses the structural vector auto-regression (SVAR) which helps capture interconnectedness and endogeneity. The starting point is the baseline SVAR that will allow the estimation of the impact of global shocks on Nigeria's oil sector GDP growth. Following Chowla, Quaglietti and Rachel (2014) and Ayvazyan and Daban (2015), the baseline SVAR includes three types of shocks-world demand shocks, which are represented by changes in the growth rate of an indicator of world GDP; world supply shocks, which are given by changes in an indicator of international commodity prices; and world financial shocks, which will be represented by changes in international financial conditions. The baseline SVAR imposes structure on the data which helps trace the shocks' impacts on Nigeria's GDP growth.

Keywords:

Global shocks, Spillovers, Economic Development