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Global Economic Meltdown And The Nigerian Experience: An Empirical Analysis

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Abstract
The world economic meltdown is a global phenomena and topical issue that affected both developed and developing economy of the world. It has reveal various implications for both economies in terms of closures of companies, loss of jobs, crash of share prices, among others such in USA and Nigeria. The main objective is paper is to examine macroeconomics variables that are affected by global economic meltdown and its impacts on Nigerian economy. Empirical analysis reveals that there is massive loss of jobs, fall in the price of stock and shares index low foreign direct investment etc. The study used Vector Autoregression model and test the significant relationship between these variables. Empirical investigations reveals that the R^2 adjusted explain 83percent of the total variation in the model and show a significant relationship. The findings suggested the need for the government to embark on welfare economy for the benefit of both the rich and poor to cushion the effect of economic meltdown, governments at all levels must deploy the available resources appropriately to solve people's needs rather than using the resources for political settlements, Nigerian economy must be production based on productive economy directed primary at the rural areas rather than the urban areas to reduce rural urban unemployment, CBN should continuous monitor the level of liquidity in the system so as to maintain a reasonable balance of cash flow in the economic systems among other.
Keywords: Economic Meltdown, Nigeria, Macroeconomic Variables,

1.0 Introduction

The growth of the global economy which is now being bedeviled by economic crises will rebound in 2011, the International Monetary Fund (IMF) said in its latest estimates of the economic outlook for sub-Saharan Africa. Antoinette, (2009:9) and caution that global outlook and prospects for Africa remain 'highly uncertain'. The financial historian Barry, (2008:1) said 'could this be the start of another Great Depression?' The crisis of world economic meltdown can be traced to the developments in the world since Neo-Liberalism became the major guiding philosophy in pecuniary reforms. It is the existence of the ingredients of globalization, particularly globalised capitals that mastermind the financial institutions repeated borrowing, lending and collateralizing. The term "global economic meltdown" is a recognition of the globalize economy as we have today. In some fifteen to twenty years ago, it was possible to single out a country (economy) that would isolate itself from the vagaries of the world economy.

The financial distortion that started at one point (Wall Street, USA) which has gradually but steadily affected all financial institutions and economies in the world negatively. This meltdown has much to do with the crash of stock/share prices in the various stock exchange markets of countries. There is a linkage between the collapse of both the mortgage investments and auto industry in the US and the Wall Street crisis. These companies and their positive performance till the crunch came down on them was due to investor's confidence in their ability to manage their activities and return dividends to their investments. Once the companies publicly declared the state of their insolvency and the huge losses experienced by them, the investors' confidence was eroded. The result was a stampede where both small and large investors wanted to off load their shares in the market. In line with the principle of demand and supply, as more shares are off loaded into the market (many sellers than buyers), the prices dropped as far investors showed interest in investing. The economy works like a web and what affects one affects the other. Banks would have extended loans which are being serviced monthly by these companies. Their inability to pay as the loans fall due would automatically affect the banking industry's liquidity. This will result to situations where the banks can no longer honor cash or credit obligations to their customers and the cyclical effect continues to the detriment of the economy as the case of US.

It will be myopic for any person to suggest that Nigeria is shielded from this global meltdown crisis ravaging the world economy. Nigeria is a part of the world economy and what affects it must of necessity affect the country. Nigeria is a member of the international financial systems; vulnerable as any other economies system in the world that has link with the Western world and its financial system. Looking at happenings in the capital market over these periods, the Nigerian capital market has lost over N6 trillion in share value in the last six months, most of the stocks affected the banking stocks and it extended to every other equity on the exchange. The complexity of the global financial system and the increasingly linked nature of world markets mean that predicting how the credit crunch will play out is usually difficult (Nwachukwu, 2008:7). Nigerian is mainly a cash and carry economy and this has saved Nigerian consumer from the experiences of consumers in USA and other European countries. Since the emergence of this global financial crisis, most nations have continued to propose and announced financial bailouts for various companies. These emergency and financial bailouts are suggesting that governments should not leave their economies without continuous progressive regulations and capital inputs. Nigeria is not too long privatized and commercialized some previously government owned companies. Ofcourse, privatization and commercialized of government owned companies is that the polices have merits but that there is need for continuous investment by governments on sensitive industries to maintain balance in the economy. Therefore, the main objectives of this paper is access the causes of global economic meltdown, and to determine what influence does this crises have on the macroeconomic variables on Nigerian economy.

The rest of the paper is to structured into: section 2 as literature review and theoretical framework; section 3 is the methodology and model specification; while section 4 is the discussion and interpretation of the result. Lastly, conclusion and recommendations is in section 5.

2.1 Literature Review and Theoretical Framework

Ayankola (2008:18), lamented that the world economic crisis is showing no sign of easing off and unfortunately the United State which is the biggest economy in the world and the biggest consumer of oil, is witnessing a huge drop in demand because of the financial meltdown and president elect, Barrack Obama, is already talking about seeking for alternative energy. In Europe, the situation is also not any better. Many of the European economies are also on the brink of recession with demand for crude oil dropping sharply. China and India which are the two economic power blocks among the Asia tigers are not left out as crude oil demand had also dropped. Kuwait is a prosperous country by all standards of assessment but she is not left out of the financial crisis. Wiggles worth (2008:38), reported that despite Kuwait being one of the richest countries in the world due to its ownership of 10 percent of global oil reserves, she has been unsettled by the financial crisis. Investors and traders from the middle classes have demonstrated against the government. Kuwait is the only Gulf country to have been forced to publicly bail out a bank after Gulf Bank lost $1.4bm. Citigroup incorporated facing the threat of a breakup or sale, received $306 billion of US government guarantees for trouble mortgage and toxic assists to stabilize the bank after its tock fall 60 percent Global Busines (2008:36). Barrack Obama unveiled an economic team steeped in fighting crisis and likely to push for an unprecedented government role in reviving growth and stabilizing the financial system global business (2008:39). In the property and environment section of Daily champion (2008:32), it was noted that the financial crunch had eventually hit Dubai. Quoting the Architects Journal, the report noted that “architects and developers in Dubai are freezing recruitment and making redundancies as the emirate’s real estate market begins to crumble. According to Gordon brown warned that the world is facing “the first truly global financial crisis Gordon and Msthaba, (2008). He positioned that both the World Bank and UN were out of date and should be reformed to tackle the emerging problems. The economic problems afflicting many countries suffering recession have been blamed on the sub-prime mortgage crisis in the US that has led to plunging property prices and billions in losses by banks. The devastating financial flu that has sent the American economy reeling is contagious, making the rest of the world look sick too.

Prabir and Chiranjib (2011), investigates the impact of global crisis shocks on India’s trade and industry. They use both panel data modeling and vector autoregression techniques to understand the dynamic effects of global crisis shocks on Indian industry and trade. The estimated results of panel data models show that changes in trade composition are positively associated with changes in manufacturing composition in India, controlling for other variables.

Khan (2008:25), blamed the current global meltdown to the exuberance of the developed economies which was largely credit based without the requisite regulation to control the current spin-off. The world situation as far as this global meltdown crisis is concerned is very fluid. Changed take place at enormous speed thus making definite statements and projections very difficult. The Nigerian economy is not an isolated one and can never be free when the world economy is in distress. Charles (2008:46), as reassuring Nigerians that Nigerian bank will not be affected by the global financial meltdown. This assurance was based on the volume of Nigeria’s external reserves estimated at over $60 billion which according to him safe despite the crumbling financial institutions abroad but this is miscalculated assumption and short sighted prediction. Fiaka (2008:1) reported that operators in the nation's industrial sector are beginning to nurse the fear of possible credit squeeze as the global economic meltdown remains unabated even as they face fresh difficulties over non-oil exports to the United State of American. The fear is that a troubled USA economy will surely affected Nigerian manufacturers as they trade in dollars and export most of their goods to the country. In addition, obtaining credit facilities will become more difficult. It was further reported that the Nigerian manufacturers are in worse situation to response to the emerging financial crisis due to the following factors-multiple taxation, high interest and lending rates by banks, poor infrastructure, and high cost of energy among others. These factors will combine to further increase the cost of production and make their products less competitive in the international market.

In Salako(2008:45), an average investor in Nigeria stock market has lost 43 percent return on his investments. The key value-based overall market indicators at the Nigerian Stock Exchange (NSE) closed deeper in red with Market capitalization of quoted companies indicating that not less than N3 trillion has been lost to the sustained recession in the past months. Nigeria seems to have a robust economy Oronsaye (2008:25), does not mean that Nigeria is not at risk from the ongoing global crisis. The reason for the robustness as given by khan (2008:25) is the relative irrelevance of African financial institutions in wholesales financial interaction in the global economy which has shielded the continent from the backlash. The Nigerian capital market has experienced a downward trend in the share prices Iwuala (2008:9), the capital market shed some 33 percent of its value when it attained a peak of N12.9 trillion in market capitalization. Much of the downturn was attributed to the mass flight by international hedge funds which most of last year played a role influencing sentiments in the market. Foreign investor had fled the market over concerns of irrationality of the NSE introduction of circuit breakers, which was a deliberate policy to stop prices from sliding. Nwachukwu, (2008:6) also noted that as a result of dwindling revenue from the joint venture contracts occasioned by this drastic drop in oil production levels, actual production is down to two million barrels per day against actual projection of 3m bpd and a quota of 2.25 bpd. He further noted that there is compelling need for Nigeria to refocus on alternative revenue sources as statutory allocation alone cannot and will not fuel our economic growth but homogeneous private investment will. Hutchinson (2008: 9) said the current worldwide economic downturn is a function of banking failures, worsening economic data on output, unemployment and sales and corporate failures. (Parson, 2008:10) related global economic meltdown to changes in the principles of obtaining loans in USA economy and abuse of these principles.(Moore (2008:7) undertook a study of the origin and development of the current global economic downturn and concluded that the mass default of the sub-prime mortgage debtors became bad loans which led to the present global economic crunch. ACCA (2008:8) did a study on impact of the meltdown on Nigerian economy and attributed the crises to the margin trading facility in Nigeria. Mansur (2009:40) reveal that the global meltdown crises is as a result of several factors institutional greed, poor management, lack of or inadequate supervisory surveillance, compromise by the regulatory bodies, failure in corporate, unethical or social modern banking products as opposed to the traditional banking.

2.2 Theoretical Framework

The term **business cycle** (or **economic cycle**) refers to economy-wide fluctuations in production or economic activity over several months or years. These fluctuations occur around a long-term growth trend, and typically involve shifts over time between periods of relatively rapid economic growth (an expansion or boom), and periods of relative stagnation or decline (a contraction or recession). In recent years economic theory has moved towards the study of **economic fluctuation** rather than a 'business cycle' – though some economists use the phrase 'business cycle' as a convenient shorthand. For Milton Friedman calling the business cycle a "cycle" is a misnomer, because of its non-cyclical nature. Friedman believed that for the most part, excluding very large supply shocks, business declines are more of a monetary phenomenon. In the Keynesian view, business cycles reflect the possibility that the economy may reach short-run equilibrium at levels below or above full employment. If the economy is operating with less than full employment, i.e., with high unemployment, Keynesian theory states that monetary policy and fiscal policy can have a positive role to play in smoothing the fluctuations of the business cycle. Within mainstream economics, the debate over external (exogenous) versus internal (endogenous) being the causes of the economic cycles, with the classical school (now neo-classical) arguing for exogenous causes and the under consumptionist (now Keynesian) school arguing for endogenous causes. These may also broadly be classed as "supply-side" and "demand-side" explanations: supply-side explanations may be styled, following Say's law, as arguing that "supply creates its own demand", while demand-side explanations argue that effective demand may fall short of supply, yielding a recession or depression. This debate has important policy consequences: proponents of exogenous causes of crises such as neoclassicals largely argue for minimal government policy or regulation (laissez faire), as absent these external shocks, the market functions, while proponents of endogenous causes of crises such as Keynesians largely argue for larger government policy and regulation, as absent regulation, the market will move from crisis to crisis. The debate between Keynesians and neo-classical advocates was reawakened following the recession of 2007.

Mainstream economists working in the neoclassical tradition, as opposed to the Keynesian tradition, have usually viewed the departures of the harmonic working of the market economy as due to exogenous influences, such as the State or its regulations, labour unions, business monopolies, or shocks due to technology or natural causes. Contrarily, in the heterodox tradition of Jean Charles Léonard de Sismondi, Clement Juglar, and Marx the recurrent upturns and downturns of the market system are an endogenous characteristic of it. The 19th century school of Underconsumptionism also posited endogenous causes for the business cycle, notably the paradox of thrift, and today this previously heterodox school has entered the mainstream in the form of Keynesian economics via the Keynesian revolution.

2.3 Stylized Facts on Impact of the Crisis on Nigeria

At the onset of the current global financial crisis, the debate in Nigeria on its impact on the economy was mixed even amongst policy makers. On the one hand, there was the widely held view that the impact on Nigeria will be minimal. Others, however, argued that the impact will be much howbeit indirectly, given the fact that Nigeria's trading partners are greatly affected by the financial crisis. The initial argument was that given the non-toxic nature of the financial products and the fact that the financial system is not as sophisticated as in the developed countries, then its integration into the global economy will be slow. This implies that the country may be insulated from the crisis. Also, banking sector consolidation of 2004 was considered by some as robust enough to protect the financial sector. But Laishley (2009) quote Nigeria's Finance Minister, Mansur Muhktar as saying "We thought we were safe from the impact of the crisis on the financial sector but, today, no country is safe". The implication here is that the global financial crisis has significantly affected (and still affecting) the Nigerian economy in so many ways including the following:

• **Fall in commodity prices**

Oil export remains Nigeria's major revenue earner. The current global economic crisis has brought about a radical decline in crude oil prices. From the peak price of $147 per barrel in 2008, oil prices dipped under $37.57 per barrel as at 20th February, 2009 (figure 7). Though the price of oil hovers around at $69 per barrel in September 2009, an improvement on the figure for the early part of the year, the implication is that government revenue will contract with the emergence of budget deficit. The 2009 budget was put at N2.87 trillion and a deficit of N1.09 trillion. Thus, alternative sources of revenue including borrowing Aderinokun (2009) will have to be exploited. The immediate action will result in cuts of government spending which in the wake of the global financial crisis are some of the risks that stare the economy in the face. It should be noted that the US economy constitutes more than 20 per cent of the global output and consumes more than 20 per cent of the global oil supply with Nigeria as the leading supplier in Sub-Saharan Africa Sasore (2005). A contracting US economy is bound to result in significant decline in demand for oil, with negative consequences on prices and Nigeria's revenues.

• **Impediment to Government Projects**

With about 90% of government's revenue coming from crude oil export, the free fall in oil prices between July 2008 and January 2009 implies that government must revise its budget to be in line with current reality. Thus, in March 2009, it finally adopted on the basis of an oil price of USD 45/barrel and supply rates of 2.29 mio/bpd Schweizerische (2008). The reality is that the current financial crisis would have a negative effect on both short-term and long-term programmes of government. Indeed, the shortfall in oil revenues might lead to abandonment, postponement or outright cancellation of large investment projects. This would have negative multiplier effects on employment, poverty reduction, achieving vision 2020, the 7 point agenda of government etc. Also, revenue contraction could lead to a decline or inability to achieve infrastructural development which would in turn worsen the infrastructure-finance gap; thereby making it difficult to actualize the Nigeria's various development goals e.g. the lingering problem of electricity Polycarp (2009).

• **Setback on economic growth and meeting MDGs**

The decline in economic growth which the current global financial crisis portends for Nigeria would likely reverse the progress that has been made in the economy the past decade.

Available statistics indicate that GDP growth rate projection for Nigeria as at March 2008 was 5.30% for the year 2008 and 3.30% for the year 2009 Accenture (2009). Of course, these are all below the required ratio. The latest estimates of economic outlook of Sub-Saharan Africa shows that a lower rate of output growth is expected in 2009. Indeed, a lower economic growth would slowdown the fight against poverty, unemployment and inequality. Thus, the prospects of meeting the MDGs target of halving the number of the poor people by 2015 would remain a mirage.

• **Waning Capital Inflows in the Economy**

Among the capital inflows which include, foreign direct investment and portfolio investments, inward remittances, bilateral and multilateral aid resources, amongst others, their reduction would result in sharp reduction in investment. It is projected that the FDI will fall and this will jeopardize the country's hope of realizing $600 billion in FDI before 2020 to further its vision of being one of the world's top 20 economies by 2020. To further endanger Nigeria's FDI prospects is the negatively volatile nature of oil prices since the last quarter of 2008. It is interesting to note that most FDI inflows to the country are directed to the oil sector Obi (2009). When developed countries are faced with a major financial crisis, aid resources to developing countries are usually the key targets. Also affected negatively are inward remittances from Nigerians in Diaspora which has implication for Banks. This is because revenues banks make by way of commission on remittances will decline. This is serious because remittances could be larger than revenues from most exports, except oil. Remittances can also serve as poverty reduction mechanism. With the current global financial crisis, remittance flow to Nigeria is expected to decline with its attendant pressure on exchange rate. When this happens, the economic outlook for the year will be further worsened.

• **A Downturn in the Capital Market**

The current financial crisis has affected the capital market in Nigeria. Starting from August, 2008, share trading value of the capital market drastically reduced from about N13trillion down to about N5trillion. The worsening economic climate has made investors to be cautious, resulting in significant divestment (flight of capital) back to their home economies. This resulted in foreign investors withdrawing some $4 bn from the Nigerian capital market in 2008 Laishley (2009). With about 65% of the value of the entire Nigerian stock market being held by banks, they are the most affected by the crisis in the stock market. Having lost an estimated N1 trillion from their exposure to the stock market, banks are now frantically sourcing for money as this has affected their balance sheet with increased build-up of bad debt and decreased profitability. Indeed, as shown in the diagram below, the Nigerian capital market has been bearish since the start of the current global financial crisis. Particularly, the capital market has been consistently recording downward trend in its major indicators since April 2008. The Standardbankresearch.com has shown that market capitalization fell, from N10.18 trillion in January 2008, to N6.957 trillion January 2009 and further to N5.02 on 7th May 2009 . A huge loss of about N3 trillion was recorded by the market on August 22, 2008 and this is larger than the total budget of the government for 2008.

• **Intense Pressure on Exchange Rate**

The severe fall in crude oil price from a peak of $147 in 2008, has brought about intense pressure on the exchange rate. The foreign exchange market came under enormous pressure at the onset of the crisis in the country. The naira declined by 10 percent and increased the cost of imported intermediate inputs with great consequences for production, output and employment. With the depreciation of currency and Nigeria being a net importer of food which is a major component of consumer price index, domestic prices of consumer goods in the country will increase with a reduction in access to food by the vulnerable groups. Exchange-rate depreciation will also increase exchange-rate risks faced by domestic firms and increase the likelihood that they will default on loans owed to domestic banks, thereby increasing the vulnerability of these banks. According to the central bank of Nigeria, the official exchange rate was N150.6/$US on 28 August, 2009 against N119.30/$US in 2008.

• **Fall in Nigeria's Foreign Reserves**

The Central Bank of Nigeria (2009) has shown that Nigeria's foreign reserve has declined from $53 billion in 2008 to about $47 billion in 2009. This is not unconnected to the fall of oil price at the international oil market. Further depletion could be experienced if political pressure persists to spend the excess crude. The fall in value of the external reserves may be due to frequent and large intervention to smoothen volatility of the Naira which increases drawdown and un-curtailed withdrawal by the fiscal authorities as well as servicing of foreign commitments. The outcome of course would be reduced accumulation of external reserves due to the fall in crude oil prices. In fact, income generation and safety concerns on external reserves will set in. The likelihood of renewed external debt build-up and the resultant effect of debt servicing on the external reserves cannot be ruled out. Table 3 below indicates sustained rise in foreign reserves from 2003 to 2008.

- **Credit Management Difficulty**

In the event of foreign credit line slowing down to domestic banks due to the vagaries of the financial crisis, credit management would become difficult. The result will be higher cost to the Central Bank of Nigeria if it engages in credit guarantee and reduced savings by the public. According to Mordi (2009), fiscal deficit and crowding out of private sector credit may result with the tendency of the financial sector hoarding cash if liquidity squeeze occurs.

- **Loss of confidence by investors**

Many investors have become risk-averse following the declining fortunes of Nigeria's capital market. Even among the speculators, there is reduced desire for risk among investors.
Government bonds, the financial product associated with reduced risk, are the preferred destination for most investors now. However, there are those investors who have decided to deposit their cash with banks thereby enabling deposit money banks to perform their traditional role of intermediation more efficiently.

3.1 Methodology and Data Sources

Time series secondary data were used for the analysis for the period 1970 - 2010. The secondary data were obtained from such publications as World Bank Digest of Statistics, Central Bank of Nigeria statistical bulletin and International Financial Statistics. Since the study makes use of time series secondary data, it therefore required the use of a vector auto regression method on the basis of ordinary least square technique. This is compatible with macroeconomic time series which by their nature are mostly not stationary but are in most cases co integration when linearly combined. Vector autoregression model allows us to understand the interaction between and among macroeconomic variables by way of causality which might be a result of shock transmission. The model enables us to judge the effect of lag values in the macroeconomic relationship.

3.2 Model Specification

Stochastic model was used to investigate determinants of business circle in Nigeria. This is called the business circle Trend Model. This model combines the structuralist, monetarist and fiscalist approaches adopted from Prabir and Chiranjib (2011) and modified.

The Business Circle Trend Model

In Nigeria, business circle is majorly determined by investment, unemployment, interest rate, inflation rate, Gross Domestic Product, capital market, total trade, import and export. Thus, business circle trend model for Nigeria can be specified in a function form as:

INV. = f (X1, X2, X3, X4, X5, X6, X7) ……………………………….1

Where:
Y = Investment
X_1 = Unemployment
X_2 = Interest Rate
X_3 = Gross Domestic Product
X_4 = Capital Market Share Index
X_5 = Import
X_6 = Export
X_7 = Exchange Rate
μ = Error Term

This function could be expressed in a log linear form as:

$LnY=\beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+\beta_5X_5+\beta_6X_6+ \beta_7X_7$ …..2

Econometrically, to include the random term, the model is expressed as:

$LnYt=\beta_0+\beta_1Xt+\beta_2Xt+\beta_3Xt+\beta_4Xt+\beta_5Xt+\beta_6Xt+\beta_7Xt+Uit$ …3

Where t is the time trend and Ui is the Error term (Stochastic term) which is assumed according to Ordinary Least Square to be normally distributed in zero mean and constant variance. The parameters in the estimation are: $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7$. In consonance with economic theory, it is expected that, $\beta_1 < 0$, $\beta_2 > 0$, $\beta_3 > 0$, $\beta_4 < 0$ $\beta_5 < 0$, $\beta_6 < 0$, $\beta_7 < 0$,

4.1 EMPIRICAL ANALYSIS & INTERPRETATION OF RESULTS.

$$Y = \underset{(631176.9898)}{175790.5059} + \underset{(0.21304)}{0.724384X_1} + \underset{(0.01912)}{0.011153X_2} - \underset{(193.385)}{557.8874X_3} + \underset{(2.44498)}{3.813229X_4} + \underset{(195.291)}{434.1333X_5} + \underset{(126.309)}{132.189X_6} + \underset{(0.01467)}{0.000246X_7}$$

R Square 0.901747
Adj. R^2 0.834756
DW. 1.2

This section focused on the data analysis, interpretation of results and discussions. The results show the econometric effect of some explanatory variables such as unemployment, interest rate, gross domestic product, capital market share index, import, export, and exchange rate on the investment in Nigeria. The regression analysis is explained in this chapter with a test for ordinary least square (OLS). Furthermore, this section also examines the problem of social correlation (Auto correlation) and the first of the serial correlation. Various statistical tests such as standard error, t-test statistics, adjusted R-square, Akaike, Schwarz and F-statistics were used. To establish the stationary of the variables, Engel Granger's two-step procedure was used.

4.2 Evaluation of Results

The statistical significance of the parameter estimate can be verified by standard error test; the adjusted R square, F-statistics and T- statistics. For the model, when compared half of each coefficient with its standard error, it was found that the standard errors are less than half of the values of the coefficients of the variables. This shows that the estimated values are all statistically significant. The value of the adjusted R-squared (R^2) for the model is very high, pegged at 83 percent. It implies that the model explained about 83% systematic variations in the level of investment over the observed years in unemployment, interest rate, gross domestic product, capital market share index, import, export, and exchange rate in the Nigeria economy while the remaining 17 percent variation is explained by other determining variables outside the model. In summary, since all the econometric test applied in this study show a statistically significant relationship between the dependent and independent variables from the model in both the long and short runs. The independent variables unemployment, interest rate, gross domestic product, capital market share index, import, export, and exchange rate has significant implications on the level of investment in Nigeria. The result of the model reveals that unemployment, interest rate, capital market shares index, import, export and exchange rate are positively significant relationship with investment implies that as investment increases, unemployment, interest rate, capital market shares index, import, export and exchange rate also increases while gross domestic product has a negative relationship with investment.

5.0 Conclusion and Policy Recommendations

The study has examined the global economic meltdown which refers to the financial distortion that gradually and steadily eaten deep into financial institutions and economies of the world negatively. In this study, certain exogenous and endogenous variables were used to show their relationship and their implications. The result of the model reveals that there is significant relationship between the dependent variable (investment) and independent variables (unemployment, interest rate, gross domestic product, capital market share index, import, export, and exchange rate) in Nigeria. Various statistical were conducted and the result shows that all the variables are statistically significant. Therefore unemployment, interest rate, capital shares index, import and exchange rate are positively significant relationship while gross domestic product is negatively significant relationship.

We recommend that government should return Nigerian to a welfare state and organize the economy for the benefit of both the rich and poor to cushion the effect of economic meltdown, governments at all levels must deploy the available resources appropriately to solve people's needs rather than using the resources for political settlements. The Nigerian economy must be production based on productive economy directed primary at the rural areas rather than the urban areas to reduce rural urban unemployment. The three tiers of government must reach an agreement on how the excess crude oil revenues should be used to avoid spending beyond what the economy can absorb thus preserving the macroeconomic stability. The CBN should continuous monitor the level of liquidity in the system so as to maintain a reasonable balance of cash flow in the economic system. There is need to educate the share holders (investors) in Nigeria to appreciate the price movements in the NSE. Despite the slide in share price in Nigeria, she is still adjudged as the investor's delight, investors should, therefore, be alert so as to take advantage of emerging business opportunities. Bans product innovations should be done with absolute caution to avoid the sub-prime experience in USA. Lending rates to investor should be reduced to encourage investments in sensitive developmental projects with credit facilities, stable exchange rate by CBN. Government should develop mechanism that will support sensitive companies that could face financial crisis as is the case with some developed countries experiences during this financial crisis. The sum of import and export is referring to total trade; Nigerian economy must be tailored toward export led economy. This sector of the economy is very vital to the growth and development of any nation. An adequate trade policy incentive is needed for this sector such as tax holiday. Government spending should accorded priority to infrastructural development, e.g road, rails, electricity, water etc. to boost industrial sector in the allocation of resources. Lastly, the first best theory and the second best theory of international trade may be adopted paripasue but more inward looking than outward looking.

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APPENDIX

Vector Autoregression Estimates
Date: 04/17/13 Time: 13:06
Sample (adjusted): 1972 2011
Included observations: 38 after adjustments
Standard errors in ( ) & t-statistics in [ ]

	X1	X2	X3	X4	X5	X6	X7
X1(-1)	0.724384	0.011153	-557.8874	3.813229	434.1333	132.1890	0.000246
	(0.21304)	(0.01912)	(193.385)	(2.44498)	(195.291)	(126.309)	(0.01467)
	[3.40023]	[0.58339]	[-2.88485]	[1.55961]	[2.22301]	[1.04656]	[0.01675]
X1(-2)	-0.208750	0.019745	217.6666	1.503188	-7.836860	-347.2079	-0.038369
	(0.20838)	(0.01870)	(189.153)	(2.39148)	(191.017)	(123.545)	(0.01435)
	[-1.00179]	[1.05590]	[1.15074]	[0.62856]	[-0.04103]	[-2.81039]	[-2.67310]
X2(-1)	4.568983	0.491225	-529.4262	37.14859	2563.319	-1894.593	-0.009126
	(2.28169)	(0.20476)	(2071.19)	(26.1862)	(2091.59)	(1352.79)	(0.15717)
	[2.00246]	[2.39907]	[-0.25561]	[1.41863]	[1.22553]	[-1.40051]	[-0.05807]
X2(-2)	3.108741	-0.401295	1507.096	7.168387	4388.297	-804.9528	-0.063033
	(2.46512)	(0.22122)	(2237.70)	(28.2914)	(2259.75)	(1461.54)	(0.16981)
	[1.26109]	[-1.81402]	[0.67350]	[0.25338]	[1.94194]	[-0.55076]	[-0.37121]
X3(-1)	0.000680	-1.29E-05	-1.439997	0.004431	-0.243911	0.052099	1.41E-05
	(0.00042)	(3.8E-05)	(0.38397)	(0.00485)	(0.38775)	(0.25079)	(2.9E-05)
	[1.60749]	[-0.34057]	[-3.75028]	[0.91269]	[-0.62904]	[0.20774]	[0.48236]
X3(-2)	-0.001745	0.000149	1.772583	0.002429	0.651359	-0.239958	-5.50E-05
	(0.00065)	(5.8E-05)	(0.59017)	(0.00746)	(0.59598)	(0.38546)	(4.5E-05)
	[-2.68443]	[2.55994]	[3.00353]	[0.32551]	[1.09292]	[-0.62252]	[-1.22816]
X4(-1)	0.052681	-0.000375	31.21779	0.047550	-13.38323	13.29779	0.000119
	(0.03513)	(0.00315)	(31.8874)	(0.40315)	(32.2015)	(20.8271)	(0.00242)

	[1.49968]	[-0.11895]	[0.97900]	[0.11794]	[-0.41561]	[0.63849]	[0.04914]
X4(-2)	-0.035651	-0.000422	56.37083	-1.232390	99.57419	62.38466	-0.000359
	(0.03121)	(0.00280)	(28.3323)	(0.35821)	(28.6114)	(18.5051)	(0.00215)
	[-1.14223]	[-0.15059]	[1.98963]	[-3.44044]	[3.48023]	[3.37122]	[-0.16676]
X5(-1)	-0.000226	2.53E-06	0.595108	0.002672	-0.323785	-0.148971	-1.37E-06
	(0.00022)	(1.9E-05)	(0.19628)	(0.00248)	(0.19821)	(0.12820)	(1.5E-05)
	[-1.04679]	[0.13022]	[3.03192]	[1.07689]	[-1.63350]	[-1.16202]	[-0.09205]
X5(-2)	-0.000675	9.48E-06	0.566411	0.005631	0.094092	-0.703046	-3.92E-07
	(0.00036)	(3.3E-05)	(0.33114)	(0.00419)	(0.33440)	(0.21628)	(2.5E-05)
	[-1.85002]	[0.28952]	[1.71049]	[1.34502]	[0.28137]	[-3.25059]	[-0.01559]
X6(-1)	0.002065	1.51E-05	-3.765241	0.029681	1.891619	-0.047478	-1.89E-05
	(0.00091)	(8.2E-05)	(0.82656)	(0.01045)	(0.83471)	(0.53987)	(6.3E-05)
	[2.26801]	[0.18434]	[-4.55530]	[2.84016]	[2.26621]	[-0.08794]	[-0.30154]
X6(-2)	0.001327	-7.12E-05	-0.886890	0.009852	1.863475	0.840110	3.43E-05
	(0.00087)	(7.8E-05)	(0.78847)	(0.00997)	(0.79624)	(0.51499)	(6.0E-05)
	[1.52755]	[-0.91352]	[-1.12482]	[0.98829]	[2.34035]	[1.63133]	[0.57362]
X7(-1)	-14.78421	0.272011	30867.53	-235.2065	-15707.49	410.7137	0.717598
	(6.87068)	(0.61657)	(6236.83)	(78.8525)	(6298.26)	(4073.55)	(0.47327)
	[-2.15178]	[0.44117]	[4.94924]	[-2.98287]	[-2.49394]	[0.10082]	[1.51624]
X7(-2)	-0.819633	0.100008	-11810.04	107.2463	3120.532	374.5183	-0.124140
	(3.70095)	(0.33212)	(3359.52)	(42.4745)	(3392.61)	(2194.25)	(0.25493)
	[-0.22147]	[0.30112]	[-3.51540]	[2.52496]	[0.91980]	[0.17068]	[-0.48695]
C	547.7423	-32.11299	529791.6	-8016.053	-664353.0	317800.8	51.52961
	(259.748)	(23.3096)	(235785.)	(2981.04)	(238108.)	(154002.)	(17.8922)
	[2.10875]	[-1.37767]	[2.24693]	[-2.68901]	[-2.79014]	[2.06362]	[2.88000]
Y	-0.003861	-8.36E-05	-1.399903	-0.015196	-2.172802	2.660597	0.000119
	(0.00162)	(0.00015)	(1.47070)	(0.01859)	(1.48518)	(0.96058)	(0.00011)
	[-2.38320]	[-0.57525]	[-0.95186]	[-0.81726]	[-1.46298]	[2.76979]	[1.06932]
R-squared	0.901747	0.608895	0.990191	0.988789	0.995328	0.983313	0.977863
Adj. R-squared	0.834756	0.342233	0.983503	0.981144	0.992143	0.971935	0.962770
Sum sq. resids	503686.8	4056.253	4.15E+11	66342635	4.23E+11	1.77E+11	2389.932
S.E. equation	151.3105	13.57848	137351.3	1736.541	138704.4	89710.27	10.42273
F-statistic	13.46078	2.283396	148.0572	129.3520	312.4791	86.42603	64.78785
Log likelihood	-234.2700	-142.6578	-493.0866	-327.0021	-493.4591	-476.9003	-132.6069
Akaike AIC	13.17211	8.350411	26.79403	18.05274	26.81364	25.94212	7.821416
Schwarz SC	13.86162	9.039921	27.48354	18.74225	27.50315	26.63163	8.510926
Mean dependent	914.7773	19.35263	409535.8	7351.953	934508.9	390619.0	40.49053
S.D. dependent	372.2258	16.74230	1069382.	12646.33	1564812.	535504.8	54.01743

Determinant resid covariance (dof adj.)	2.02E+43
Determinant resid covariance	4.41E+41
Log likelihood	-2199.345
Akaike information criterion	121.6497
Schwarz criterion	126.4763