

Impact of economic liberalization on the growth of the Nigerian economy (1986-2015)

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ABSTRACT

With the introduction of a major economic reform initiative in 1986 under the Structural Adjustment Programme (SAP), the Nigerian government sought to accelerate economic growth through elimination of price distortions, promotion of competition, and making the economy more market-oriented. To achieve these objectives, the government deregulated the mechanism for management of interest and exchange rates, liberalized the conditionalities for entry into banking business and dismantled external trade barriers. Following the sub-optimal performance of the Nigerian economy, opinions were divided on whether liberalization has aided or retarded economic growth in Nigeria. This study therefore seeks to examine the nexus between economic liberalization and economic growth in Nigeria. Specifically, the study examined the extent to which changes in major economic fundamentals like exchange rate, lending rate, inflation rate, financial deepening, trade openness and saving rate affected economic growth in Nigeria. Annual data on the variables, sourced from the publications of the Central Bank of Nigeria and National Bureau of Statistics were analyzed using the econometric technique of the ordinary least square. The study produced mixed results. For instance, there was evidence of significant positive impact of financial liberalization on the growth of the real economy. Exchange rate was however shown to have non-significant effect on economic growth. Trade liberalization had non-significant positive impact on output growth in Nigeria. Finally, the result showed significant negative effect of inflation rate on economic growth. The study concluded that economic liberalization has significant impact on the growth of the Nigerian economy. The work recommended that financial deepening programme should be strengthened through consolidation of the financial liberalization programme of the Federal Government of Nigeria; and that the government should apply substantial amount of government revenue to infrastructural development with a view of reducing the cost of productions and price levels.

KEYWORDS: Trade liberalization, Trade openness, Economic growth

INTRODUCTION

Economic growth refers to an increase in the value of goods and services produced in an economy over a period of time, usually one year. It is a measure of the performance of the real sector of the economy. The real sector is often regarded as the engine of growth and economic development

largely due to its pivotal role in broadening the productive base of the economy, enhancing its revenue earning capacity, reducing the growth of unemployment and poverty as well as checking rural-to-urban migration. Adegbite (2015) defines real growth as the growth of non-financial sectors of the economy. Components of the real sector

include agricultural, industrial, commercial and services sectors. It is in these sectors that production of goods and services take place. To fast-track the process of economic growth and development, governments have to contend with the challenge of adopting either a protectionist or a liberalized economic policy. While a protectionist policy aims at developing the economic base of the nation by shielding domestic enterprises from unregulated competition with foreign brands which are often cheaper and of superior quality, liberalization seeks to achieve the same goal through efficiency gains from resource mobilization and utilization. Though both approaches have their up and down sides, economic liberalization policy has been widely acknowledged in development finance literature as a critical factor in economic performance. Basically, liberalization policies can impact economic performance through enhanced trade and/or finance flows.

A major argument for trade liberalization is enhancement of efficiency and scale economies in the production activity. Tybout (1992) argues that entrepreneurial efforts are better rewarded through increased exposure to international competition. He posits that higher output levels associated with liberalization lower unit costs of production, an indication of efficiency in production. Liberalization removes obstacles to entry for prospective entrepreneurs thereby raising the level of competition and brings to the fore the imperative to adopt efficient methods in production. Efficiency means producing more at a

given cost. The nexus between liberalization and growth has both empirical and theoretical support in literature. For instance, Brückner and Lederman (2012) find that openness to international trade increases economic growth in sub-Saharan Africa.

Trade liberalization, for instance, opens up new markets, beyond national frontiers, thus enabling firms to produce and reap the benefits of large-scale production. Firms seek to be more efficient in their production process in order to compete favourably with their foreign counterparts. Economic liberalization promotes the establishment of export-oriented industries to enhance the foreign exchange earning capacity of the economy and the inflow of raw materials and capital goods (including technological innovations) needed in production. Hence economic openness could lead to enhancement in technology acquisition. Grossman and Helpman (1991) argued that openness to trade can influence technological change, thereby making production more efficient and in the process enhancing productivity improvements.

Adenikinju and Chete (2002) aver that opening up an economy offers immense opportunities to overcome limitations imposed by the shallow domestic markets (particularly in developing economies) which could enhance the inflow of foreign exchange required to finance essential production imports. Economic liberalization promotes the flow of factors of production, like capital (human and physical), technology and

finance across national boundaries and thus enhances the scope of economic activity in the importing country. Some academics argue however that major benefits from liberalization may not derive from enhanced capital inflow into the domestic economy but from the attendant operational efficiency arising from reduction of domestic distortions and lock-in reforms (Gourinchas & Jeanne, 2002).

Financial sector liberalization, on the other hand, enables interest and exchange rates to reflect relative scarcities, stimulate savings and discriminate more efficiently between alternative investments (Ndebbio, 2004). Advocates of financial liberalization like Mckinnon (1973) and Shaw (1973) argue that it promotes effective deposit mobilization and allocation of credit to efficiently managed firms that offer high returns on capital. Nwankwo (1989) argues that liberalization promotes efficiency in the financial sector by offering a platform for efficient firms to borrow from the banking system.

Economic theory postulates that openness promotes competition, supports international trade and specialization, enhances market efficiency and drives the process of economic growth and development (Fratzscher & Bussiere, 2004). Studies on the liberalization-growth nexus, however, have produced mixed results. For instance, some other works showed evidence of positive relationship between trade liberalization and economic performance (Edwards, 1992;

Krueger, 1997; Rodriguez, 2000; Umoru & Eborieme, 2013). On the other hand, while Masike et al (2008) find evidence of significant negative relationship between them, Harrison (1990) and Osabuohien (2006) produce mixed results.

Similarly, the exact role of finance in real sector growth has remained a subject of considerable debate. While the Monetarist and Keynesian schools see a role for finance in real sector performance, the Classical school argues otherwise. Empirical studies in the area have further sustained the diversity of opinions in the finance-growth nexus. For instance, studies by Quinn (1997) and Edwards (2001) show evidence of significant positive relationship between financial liberalization and output growth. Studies by Edison et al (2002), Kraay (1998), and Fratzscher and Bussiere (2004), however, could not confirm evidence of a significant long-run association between financial liberalization and growth.

In view of the conflicting evidence on the capacity of economic liberalization policies to promote economic growth, particularly in developing economies, this study seeks to examine the effect of the economic liberalization policy introduced in 1986 (under the platform of the structural adjustment programme) on output performance in Nigeria. Studies in this area have largely approached this issue either from the point of view of trade or finance. This study adopts a holistic

approach. Data over the period 1986-2015 on the research variables, sourced from the publications of the Central Bank of Nigeria, were analyzed using the econometric technique of the ordinary least squares (OLS).

REVIEW OF RELATED LITERATURE

With the attainment of political independence in 1960, successive governments in Nigeria initiated various development plans (between 1962 and 1985) aimed at transforming her hitherto agrarian economy to an industrialized one. The economic vision of government in this regard received an initial boost with the discovery of oil and subsequent boom of the international oil market in the early 1970's. The oil boom provided enormous amount of foreign exchange required to fast-track the process of industrialization through the adoption of the import-substitution or large-scale industrialization policy. This policy encouraged investments in gigantic and ambitious projects, oftentimes, without regard to issues of long-term financing and efficiency, leading to low productivity and hence low value addition to the economy (Okafor, 2000). Following the sudden decline in oil revenue in 1978 due to sharp drop in oil prices, some of the industrial projects were abandoned, further promoting inefficiency and waste.

A characteristic feature of Nigeria's post-independence economic policy was the categorization of economic activities for foreign exchange allocation and credit ceiling control

purposes as well as the implementation of government policies on interest and exchange rates. The real sector was accorded priority status in the allocation of credit and foreign exchange. The sector contributed about 11.3 per cent to the nation's GDP during the period 1960-1970 and 29.1 per cent in the corresponding period of 1971-1980 (Sanusi, 2011). The rapid growth in real sector's output in the second decade of independence coincides with the era of massive inflow of foreign exchange earnings from crude oil exports.

In terms of aggregate output growth, the economy grew at an annual average of 5.9 per cent during the period 1960-1970 and 5.6 per cent in the corresponding period of 1971-1980 (Sanusi, 2011). The decline in aggregate output in an era of economic windfall raised very fundamental economic issues. However, in what could be regarded as an executive appraisal of the economic policy of the era, the then Military President, General Ibrahim B. Babangida acknowledged that pegging of interest rate, contrary to expectation, did not achieve its desired goal of stimulating new investments, nor did it result in increased capacity utilization (Federal Government Budget Speech, 1987).

Following the inability of the regulated policy regime to promote rapid economic growth, Nigeria, July, 1986 adopted the IMF supported structural adjustment programme (SAP) which was targeted at restructuring and redirecting the economy, eliminating price distortions and diversifying the export base of the economy

(CBN, 1995). With respect to real sector development, SAP was designed to encourage: (a) the accelerated development and use of local raw materials and intermediate inputs in place of imported ones (backward integration policy) (b) the development and utilization of local technology (c) promotion of export-oriented industries, and (d) liberalizing controls to facilitate greater indigenous and foreign investments (Ogbonna, 1994). Similarly, with respect to the financial sector, particularly the banking sub-sector, SAP was designed to deregulate banking, liberalize banking operations, promote competition and make banking operations more market driven (Okafor, 2011). In this regard, SAP liberalized the mechanism for interest rate management and set the stage for a transition from fixed to market determined exchange rate regime. However, SAP had unintended consequences on domestic production capacity. Three years into the implementation of SAP, President Ibrahim B. Babangida explained that adjustments in the foreign exchange rates led to generalized increase in prices because of the high import content of domestic manufacturing and thereby impacted adversely on domestic manufacturing operations (Federal Government Budget Speech, 1989).

SAP created serious liquidity squeeze which led to severe shortage of vital production inputs like machinery and equipment, industrial raw materials and spare parts (Okoh, 1994). Also, the domestic currency depreciation attending the introduction of SAP led to sharp increase in the cost of imports, thereby raising the cost of domestic production.

The high cost of production imports rendered domestic production unaffordable (Ukwu, 1994). High production costs of local industries render domestic output uncompetitive relative to their imported counterparts leading to low patronage of local products, hence low levels of capacity utilization and contribution to national output (Manufacturers Association of Nigeria, 2006).

A number of factors have been identified as impediments to the growth of the real sector in Nigeria. For instance, Okafor (2000) and Sanusi (2011) argue that lack of access to credit constitutes one major constraining factor to rapid small-scale industrialization. Okafor explains that small-scale enterprises in Nigeria lack the proper level and right mix of financing. Fesse (1995) argues that many small-scale enterprises with enormous potentials for growth often wither and die for lack of access to credit. Okafor (2000) further argues that public policy environment often inhibits the growth of small-scale industries because, according to him, the sector lacks effective policy cover against smuggling and dumping, often, of substandard and lowly priced goods into the country. He argues that available incentives are not only inadequate but are poorly managed.

Soludo (2006), Uche (2000) and Sanni (2009) attribute the high cost of domestic production to poor industrial infrastructure base as many industrial establishments are compelled to provide independent sources of water, electricity and in some cases access roads.

Another source of performance inhibition for the real sector in the post-reform period is the absence of local capacity (Ude, 1996). Ude argues that developing economies can only benefit from currency depreciation (an outcome of economic liberalization) if the productive sector has sufficient inventories of goods ready for export or have the potentiality to expand production of such goods, should their demand occur abroad as a result of the devalued or cheap currency. It is indeed doubtful if Nigeria has such capacity and, worse still, Nigerians have an insatiable appetite for foreign goods even at their higher prices. The net impact therefore is ceaseless outflow of foreign exchange that should have sustained an enhanced and vibrant domestic real sector.

Appraising the performance of the real sector in the post-SAP era, Osisioma (1998) avers that after 12 years of restructuring, the fundamental defects of the Nigerian economy still persist as the economic base remains import-oriented with weak industrial and technological base.

Empirical studies on the economic liberalization-output nexus, particularly in developing economies, have produced mixed results. While some studies produce evidence of significant positive impact of liberalization policy on output growth, others show evidence that economic liberalization has either contracted output growth or has no relationship with output performance. For instance, Umoru and Eborieme (2013) examined the effect of trade liberalization on industrial growth in Nigeria using annual data on industrial output growth, capital stock, exchange

rate, trade liberalization. They adopted the co-integration and error correction analytical techniques and find a significant positive impact of trade liberalization on industrial output growth in Nigeria.

Kim (2000) investigated the impact of trade liberalization on productivity, competition and scale efficiency in Korea. He finds evidence of positive but not significant impact of liberalization on productivity. He attributes the low level of impact to shallowness of the liberalization policy in Korea.

Oyovwi and Eshenake (2013) studied the effect of financial liberalization on economic growth in Nigeria, adopting the methodology of the vector error correction technique. Annual data on GDP, financial depth (proxied by the ratio of M2 to GDP), government policy (represented as the ratio of total trade to GDP) and investment to GDP were employed for the study. They find that financial depth exerts a significant positive impact on economic growth while government policy or trade openness and investment-GDP ratio impact growth significantly but in the opposite (negative) direction.

Brueckner and Lederman (2012) examined the relationship between trade openness and economic growth in Sub-Saharan Africa. They find that openness to international trade increases economic growth in sub-Saharan Africa.

Afaha and Njogo (2012) examined the impact of trade openness on the Nigerian economy using

data over the period 1970-2010. Employing the technique of the ordinary least squares (OLS), they find a strong positive impact of trade openness on growth.

Udegbonam (2002) studied the effect of trade openness on industrial output growth in Nigeria using data for the period 1970-1997. He finds that trade openness is a major determinant of industrial output growth in Nigeria. Also, Bakare and Fawehinmi (2011) investigated the impact of trade openness on industrial output. They find that public domestic investment, savings rate, capacity utilization and infrastructure have negative impact on industrial output performance in Nigeria.

Masike, Groh, and Owie (2008) studied the effect of trade liberalization on rubber production in Nigeria using data for the period 1960-2004. They showed evidence that trade liberalization reduced the growth of rubber production during the period. Saibu (2011) employed the VAR analytical technique in estimating the effectiveness of trade policy shocks on sectoral and aggregate output growth. He finds that trade openness has negative impact on both sectoral and aggregate output. The result further shows that monetary policy shocks have significant positive effects on manufacturing, service and industrial sectors. On the other hand, fiscal policy exerts a significant positive impact on the agricultural output.

Harrison (1990) examined the effect of trade liberalization in Cote d'Ivoire using a sample of 287 firms. The study produced mixed results. It shows evidence of positive impact for some firms

and negative impact for some others. Mixed results were also documented in Osabuohien (2006) for Nigeria and Ghana. The study employed annual data for both countries covering the period 1975-2004. Data were processed using the co-integration and error correction models.

Edwards (1992) investigated the relationship between trade orientation, distortions and growth in developing economies. He finds evidence of positive relationship between trade openness and economic growth. Krueger (1997) examined the relationship between trade policy and economic development. The study documents evidence of positive relationship between economic growth and trade openness. Also, Rodriguez (2000) studied the effect of trade openness on the output performance of an open economy using 1996 data from 106 countries. Employing the methodology of the ordinary least squares estimation technique, he finds strong empirical support for a positive relation between per capita GDP and trade openness.

METHODOLOGY

Quantitative research technique based on ex-post facto research design was adopted for the study. It involves the use of available data on research variables to explain the extent to which they relate to the event. Data on exchange rate, lending rate, inflation rate, financial deepening, trade openness and saving rate (sourced from the publications of the Central Bank of Nigeria) were used to explain the growth of the Nigerian economy over the period 1986-2015.

The study utilized econometric technique of the ordinary least squares (OLS) model to determine the effect of economic liberalization on economic growth in Nigeria. The study adopted trade and finance as two major areas of economic liberalization that affect trade flow. The structural adjustment programme in 1986 led to wholesale reform of the Nigerian financial system as well as removal of several barriers to trade thereby allowing for free flow of capital, labour, and other resources required to drive economic growth.

Components of financial liberalization adopted in the study are exchange rate, interest (lending) rate, financial deepening (proxied as ratio of credit to private sector to GDP) and saving rate. Trade openness was adopted as proxy for trade liberalization while inflation was introduced as control variable. The static vector auto-regression

model (VEC) was used to determine the short-run dynamics of the model while the OLS was used for long-run estimation.

Model Specification

The model adopted for this study was derived from a similar work by Oyovwi and Eshenake (2013) with slight modifications to suit our purpose. Oyovwi and Eshenake (2013) used financial depth (proxied by M_2/GDP), trade openness and investment to GDP ratio to explain growth rate of GDP in Nigeria using the methodology of the vector auto regression (VAR) technique. The modified version of the model however, expressed output growth rate as a function of exchange rate, lending rate, inflation rate, financial deepening, trade openness and saving rate. The implicit representation of the model is expressed as:

$$GDPR = f (EXR, LR, INF, FINDEP, OPNS, SAV) \dots\dots\dots (1)$$

Where;

GDPR = GDP growth rate

EXR = exchange rate changes

LR = lending rate

INFL = inflation rate

FINDEP = financial depth

OPNS = trade openness

SAV = saving rate

The explicit form of the model in equation 1 is expressed as:

$$GDPR_t = \beta_0 + \beta_1 EXR_t + \beta_2 + \beta_3 INF_t + \beta_4 FINDEP_t + \beta_5 OPNS_t + \beta_6 SAV_t + \epsilon_t \dots\dots\dots (2)$$

Where;

β_0 = constant term

$\beta_1 \dots \beta_6$ = coefficients of the exogenous variables

ϵ_t = error term

A priori Expectations

From economic theory, it is expected that positive relationship should exist between GDP growth rate, financial depth and saving rate while a negative relationship is expected between GDP growth rate, exchange rate, lending rate, inflation rate and trade openness. This can be mathematically represented as $\beta_1 < 0, \beta_2 < 0, \beta_3 < 0, \beta_4 > 0, \beta_5 < 0$ and $\beta_6 > 0$.

DATA ANALYSIS AND DISCUSSION OF RESULTS

Data on the variables were subjected to relevant statistical and econometric tests, first to determine their suitability for decision making and second for impact.

Unit root test

Table 1: A Table showing the Unit Root Test Results

Variables	Levels		Remarks	1 st Difference		
	PP-Statistic	Critical value (5%)		PP-Statistic	Critical value 5%	Remarks
GDPR	-3.199166**	-2.967767	Stationary	-11.47733	-2.971853	I(0)
EXR	-4.953750*	-2.967767	Stationary	13.26296	-2.971853	I(0)
LR	-4.229520*	-2.967767	Stationary	-7.177800	-2.971853	I(0)
INF	-2.588289	-2.967767	Non Stationary	-5.472660	-2.971853	I(1)
FINDEP	-1.443162	-2.967767	Non Stationary	-5.386889	-2.971853	I(1)
OPNS	-2.418986	-2.967767	Non Stationary	-7.113613	-2.971853	I(1)
SAV	-2.036931	-2.967767	Non Stationary	-6.402432	-2.971853	I(1)

The result of the unit root test, based on the technique of Phillip-Perron, shows evidence of stationary trend, at levels, for output growth (GDPR), exchange rate (EXR) and lending rate (LR) at 5 per cent level of significance. However, a stationary series was obtained for all the variables at first difference. Hence the unit root null hypothesis was rejected for all variables at first difference.

Co-integration test

Given that all the variables do not have the same order of integration, the Engel & Granger residual-based co-integration approach was used to test for the long-run relationship among the variables employed in the study. According to Engle & Granger (1987), when all the variables under investigation do not have the same order of integration, co-integration can only be established using the method of unit root for the residual.

Table 2: Residual based co-integration result

Variable	PP Test @Levels (5 % significance first difference)	Probability value	Remark
Residual	-4.397636(-2.967767)*	0.0017	I(0)

Source: Authors' compilation from E-views 7.0.

The unit root test for the residual ECM shows evidence of co-integration among the variables, an indication that the variables do not have a tendency to drift apart. The result shows stationary trend at about 2 per cent level of significance.

Table 3: Long-run estimation

Dependent Variable: GDP				
Method: Least Squares				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
EXR(-1)	0.004765	0.018975	0.251104	0.8044
LR(-1)	0.166707	0.090967	1.832608	0.0826
INF	-0.043183	0.021874	-1.974178	0.0631
FINDEP(-2)	0.195973	0.056289	3.481558	0.0025
OPNS	0.063475	0.037526	1.691478	0.1071
SAV(-1)	-0.039056	0.108546	-0.359811	0.7230
C	-2.883599	3.627129	-0.795009	0.4364
AR(1)	0.351208	0.230106	1.526291	0.1434
R-squared	0.663491			
Adjusted R-squared	0.539515			
F-statistic	5.351736	Durbin-Watson stat		1.871055
Prob(F-statistic)	0.001652			

Source Authors' compilations from E-views 7.0

The result presented in table 3 shows the extent to which the independent variables (exchange rate, lending rate, inflation rate, financial deepening, trade openness, saving rate) affect output behavior in Nigeria. The result shows non-significant positive impact of exchange rate on aggregate. This implies that changes in exchange rate do not significantly affect output growth.

The estimate for lending rate indicates a significant positive impact on GDP growth at 10

percent level of significance. The result provides evidence in support of growth-inducing Mckinnon and Shaw (1973) hypothesis that a reformed or liberalized financial system promotes output growth through efficient allocation and utilization of financial resources.

Evidence from the estimate for inflation rate shows a significant negative effect on output at 10 per cent level of significance. The result conforms to a priori expectation and supports the theoretical argument that inflation distorts production and consumption patterns and hence lowers

productivity.

The result further shows a strong positive impact of financial sector development on economic growth. This indicates evidence of enhanced capacity of the banking system to support the growth of real activities through credit delivery to the sector. There is also evidence that liberalized trade policy has not significantly supported the growth of the Nigerian economy. The result shows a non-significant positive impact of trade openness on economic growth. Also, there is non-significant negative effect of saving rate on output growth, an

indication that financial liberalization may not have led to a substantial increase in savings, leading to low level of capital accumulation.

The R-squared and Adjusted R-squared estimates (66.35 per cent and 53.95 per cent respectively) show that the included explanatory variables significantly explain variations in economic growth in Nigeria. The F-statistic (5.35) also indicates that the model significantly explains economic growth in Nigeria while the Durbin Watson statistic (1.87) indicates no presence of autocorrelation among the variables.

Table 4: Error Correction Estimate

Dependent Variable: D(GDPR)				
Method: Least Squares				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(EXR)	-0.008464	0.020838	-0.406179	0.6894
D(LR(-1))	0.158981	0.069014	2.303594	0.0334
D(INF,2)	-0.037829	0.019134	-1.977104	0.0636
D(FINDEP,4)	0.050823	0.013867	3.664939	0.0018
D(OPNS,1)	0.095279	0.032871	2.898576	0.0096
D(SAV,4)	-0.044596	0.021111	-2.112439	0.0489
ECM(-1)	-0.550559	0.151087	-3.643994	0.0019
C	0.110324	0.260890	0.422876	0.6774
R-squared	0.762756			
Adjusted R-squared	0.670495			
F-statistic	8.267333	Durbin-Watson stat	1.998750	

Source: Authors' compilation from E-views 7.0.

The error correction estimate presented in table 4 shows the short-run impact of the independent variables (exchange rate, lending rate, inflation rate, financial deepening, trade openness, and savings rate) on economic growth. The result shows significant positive impact of lending rate, financial deepening and trade openness as well as significant negative impact of inflation rate and saving rate on economic growth at 10 per cent level of significance. There is also evidence of non-significant negative impact of exchange rate on output growth. The result further indicates that the model has a speed of adjustment of approximately 55 per cent to short-run disequilibrium condition.

SUMMARY, CONCLUSION AND RECOMMENDATIONS

The study produced mixed results. For instance, there is evidence of significant positive impact of financial liberalization (as shown by lending rate and credit delivery to the private sector) on the growth of the real economy. Exchange rate was however shown to have non-significant impact on economic growth. There is also evidence of non-significant positive impact of trade liberalization

on output growth in Nigeria. Finally, the result shows significant negative effect of inflation rate on economic growth.

Based on the above findings, the study concludes that economic liberalization has significant impact on the growth of the Nigerian economy. The study therefore recommends consolidation of the financial liberalization programme to enhance the financial deepening impact of the sector on the real economy. Adequate policy measures that promote trade relations between Nigeria and other nations of the world should be implemented in order to benefit from enhanced trade flow. However, export promotion strategies should be intensified to enhance trade balance. Local content in production should also be promoted.

The study further recommends that government and the monetary authorities should harmonize fiscal and monetary policies in order to achieve inflation rates that are compatible with growth. Also, adequate attention should be given to infrastructural development as a way of lowering the cost of doing business. Low production cost supports low output cost and hence low sales price. Reduction in general price levels is a major condition for attainment of low rates of inflation.

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