PDF - THE EFFECT OF EXCHANGE RATE FLUCTUATION ON THE NIGERIA MAUFACTURING SECTOR (1986-2010) - researchcub.infoABSTRACT

This paper examines the effect of exchange rate fluctuationson the Nigerian manufacturing sector during a twenty five (25) years period(1986 – 2010). The argument is that fluctuation in exchange rate adverselyaffects output of manufacturing sector. This is because Nigerian manufacturingis highly dependent on import of input and capital goods. The methodologyadopted for this study is empirical. The econometric tool of regression wasused for the analysis. The population target of this study is the total numberof 25 years from (1986 – 2010) (25) annual time series as data relating toother years after 2010 are not available. The used in this study is thesecondary source of data. The data to be utilized in this study we be sourcedthrough library research, publications of the Central Bank of Nigerian (CBN)i.e. statistic bulletin, National Bureau of Statistic(NBS), on line informationand economic journals. Based on the findings, the researcher found out thatexchange rate has no significant effect on economic growth of Nigeria also thatthere is no significant effect of fluctuation on exchange rate on themanufacturing sector. Some recommendations for policy were made based on thefindings. Amongst others is the need to strengthen the link between agricultureand manufacturings sector through local sourcing of raw materials therebyreducing reliance of the sector on import of input to a reasonable level.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OFTHE STUDY

Following the fluctuation of the naira in 1986, a policyinduced by the structural adjustment programme (SAP), the subject of exchangerate fluctuation has become a topical issue in Nigeria. This is because it isthe goal of every economy to have a stable rate of exchange with its tradingpartners. In Nigeria, this goal was not reached in spite of the fact that thecountry embarked on devaluation to promote export and stabilize the rate ofexchange. The failure to realize this goal subjected the Nigerian manufacturingsector to the challenge of a constantly fluctuating exchange rate. This was notnecessitated by the devaluation of the naira but the weak and narrow productivebase of the sector and the rising import bills also strengthening it. In orderto stem this development and ensure a stable exchange rate, the monetaryauthority put in place a number of exchange rate policies.

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