UNIVERSITY OF PORT HARCOURT JOURNAL OF ACCOUNTING AND BUSINESS
DEPARTMENT OF ACCOUNTING
UNIVERSITY OF PORT HARCOURT, CHOBA
PORT HARCOURT, RIVERS STATE
NIGERIA
VOL. 7 NO. 1 DECEMBER 2020

IMPACTS OF FOREIGN TRADE INDICATORS ON MACROECONOMIC PERFORMANCE IN NIGERIA 1980 – 2017

D.I. EKINE (PhD)
Department of Economics,
Faculty of Social Sciences,
Rivers State University

And

AMAN, LAWRENCE EKPO
Department of Economics,
Faculty of Social Sciences,
Rivers State University

Abstract

This research examined the impact of foreign trade indicators on macroeconomic performance in Nigeria from 1980 to 2017. The main objective of the research was to examine the impact of inflation, exports, imports, customs duty, and exchange rate on the real gross domestic products in Nigeria. Significant relationship exists between exports, imports, inflation rate custom duty and exchange rate on macroeconomic performance in Nigeria. The study is based on game theory interactions among countries foreign trade with others, households firms and government policy makers. Quasi experimental research was used for the study. Secondary data were sourced from Central Bank of Nigeria Statistical bulletin on various issues were used. The analytical technique used was regression analysis of the ordinary least square (OLS) to analyze the data. Nested models specification was used in the study by employing universal set of multiple regression with one (1) model specification, where partial derivative method was used to indicates rates of change in individual independent variables on dependent variables, holding others variables constant. The study shows foreign trade indicators on RDGP and state of the economy. The results from the E-view 10.0 statistical software, shows the interpretation of the various coefficients. The partial slope coefficients value of the foreign trade indicators of five (5) variables, indicated in model I RGDP (CD) 0.000218 (Exp = 5.79) Exch = 36.9) (Imp = 6.56) and (Inf = 9.91). The studies indicate that 0.0002 unit increase in RGDP inferred 1 unit decrease in custom duty, 5.79 units increase in RGDP leads to 1 unit increase in exports, 36.2 units increase in RGDP inferred 1 unit increase in exchange rate, 6.5 units increase in RGDP led to a decrease in imports by 1 unit, 9.9 unit in RGDP increase inflation by 1 unit. The five selected economic indicators explains 0.75 percent of the variable in Real Gross Domestic Product (RGDP) unemployment. The result revealed that RGDP as affected by INF, EXR, IMP, EXP and CD over the period of study. Foreign trade indicators have shown between 1980 to date, high exchange rates and tariffs custom duty. Imports were high. Domestic industries are suffering from diminished sales, with unemployed youth, criminalities and hyper-inflation. The result also indicated that imports have negative impact on economic development, though, it was not significant. Therefore, the study recommends that government should encourage policies to increase local production of imported goods, reduce inflationary gap, and monitor the customs agency as they have been seen to negatively affect the economy. "The implication of the results and suggestion for further studies were made". The export promotion strategies in order to maintain a surplus balance of payment must be made a priority.

Introduction

Background to the Study

Basically, international trade is similar to trade among the various regions and trade within the country. The main difference between home trade from international trade are in geographical location, and expansion of trade across borders, sovereign nation with constituted authority, fiscal and monetary policies of the countries, factor mobility, currencies and government tariffs imposed to regulate trade by the government action, (Pugel, 2007). In economics, "policy" is referred to an action by government or reactions of the economy government implements for growth in real gross domestic product.

Government regulates industries and firms in a number of areas. These regulations are designed to strengthen, facilitate, supplement or modify economic activity. Therefore, in the presence of market failures, government regulation can improve the welfare of society. The existence of a demand for regulation means that there is a potential market for government regulation. All the countries of the world conduct what is known as industrial policy. Industrial policy is the effect of government regulations on the industrial structure of the country. In some cases this policy is very specific as the government may want to clearly favour one industry over another. All governments including Nigeria pass regulations that impact on business even if the purpose of the regulation is not specifically aimed at favouring one, industry over another.

In Nigeria according to Central Bank of Nigeria (2011), former Ministry of Commerce and Industry now Ministry of Trade and investment, the basic objective of the Ministry is to attract investment into the country, coordinate trade activities as well as foreign small, and medium enterprises, harmonization of domestic and foreign investment policy for growth and development. Specifically, one area where a market for government regulation exists is in foreign trade. While imports of goods and services have conflicting effects, consumers want the benefits. Workers in the industries that compete with imports want restriction of trade.

However, without restrictions free trade will not lead to the most efficient allocation of world resources and maximized world output. Specifically, government restricts or influences the international flow of goods and services through the use of trade barriers. The most reasonable case for a country to impose tariffs is to product the infant industry argument. In a developing country tariffs is used as a form of taxation for several reasons. Imports legally must past through customs. No goods enter the country without tariffs payments. According to Sawyer and Sprinkle (2006) the administrative costs of such a tax are small relatively compare to income tax or sales taxes.

Several arguments for the imposition of tariff include infant industry, National defense, senile industry and domestic jobs. Tariff is a serious impediment to foreign trade, and they are less of a barrier than they used to be.

Fundamentally, the reason for foreign exchange market is to facilitate payments for goods and services in international transactions which are quite different from payments in domestic trade. Usually, imports are made using specific foreign exchange instruments. Imports and exports of goods dominate the interdependence of countries in the world economy in line with Krugman, *et al.,* 2012; Gbosi, 1999 and Pugel, 2007. Exports are the part of a country's domestic production that is sold to residents of other countries. Imports are the part of a country's domestic consumption or investment that is purchased from foreign producers.

According to (CBN, 2011) in Nigeria, the total imports unadjusted for balance of payments increased by 34.4 percent, ₦10,235.2 billion (27.4 percent of GDP, Gross Domestic Product and aggregate exports grew by 23.9 percent in 2011 to N14,231.5 billion (US $ 93,3 billion).

Traditionally, a country has a trade deficit, when consuming more than it produces, Colander (2004). Definitely, deficit or surplus goods for a country depend on several factors. Which are economic indicators to show the level of economic improvement or deteriorate Hall and Taylor (1996). It is a measure in which economic activities indicate whether the economy has provided a higher standard of living for the residents. According to Gordon (1981) a higher standard of living is measured by the amount of goods and services residents consume. A country will experience trade deficit in a given year, when she consumed more than she produced during that year, Krumgman *et al.,* (2012), Pugel (2007) and Hall *et al.,* (1996).

However, economic indicators of any country is a function of government foreign trade policies on, high or low interest rate, appreciation or depreciation of local currency, high or low tariffs rate adopted within a given year. Nigeria and the rest of the world macroeconomic performance is a function of expansionary monetary and fiscal policies (CBN 2012), Sawyer *et al.,* (2006). This will increase employment and experience, direct increase in Gross Domestic Product, direct increase effect on price level, exchange rate will depreciate and improvement in current account. Sawyer *et al.,* (2006).

Nigeria and the rest of the world economy adopting contractionary monetary policy will experience direct increase in employment, decrease in Gross domestic product, direct decrease effects on price level, exchange rate appreciations and current account deteriorations, while, indirectly will indicates decrease in gross domestic product and decrease effects on price level. Government that adopted expansionary fiscal policy will experience direct increase on performance (Colander, 2004). The direct increase effect on equilibrium price level, exchange rate appreciations and current account deteriorations. While indirect has decrease effects on performance, and decrease effect on equilibrium price level, Sawyer *et al.,* (2006) and Colander (2004). The researcher dealt on impact of foreign trade indicators on macroeconomic performance in Nigeria as a game between government and the economy. In this context, the players are the policy makers and the economy, people and firms reactions whenever new foreign trade policy indicators are initiated.

Statement of the Problem

Nigerian economic performance through various economy activities, necessitate seeking answers to the following questions. How well is Nigeria economy performing? Is it performing up to expectation? Does it have capabilities for producing goods and services? How close is it to achieving full employment that most Nigerians would agree? Are there desirable and economic stability in average product prices, low inflation, low unemployment? What about the maintenance of a reasonable balance of payments with the rest of the world? Gbosi (2005), Colander (2004), Pugel (2007) and Researcher observation, (2019).

In Nigeria, according to Abdullahi (2002), economic indicators experience has shown between 1980's to date, high exchange rate and tariffs. Imports are high and domestic industries are suffering from diminished sales, Dwivedi, (2005). High unemployment, criminalities and hyperinflation, Ohale, (2018). The common word is recession or excessive

deficit. Home goods are relatively substandard, insufficient and expensive. Krugman *et al.,* (2012), when compared with imported goods. In a country where some land or labour are idle Abdullahi, (2002) and (Researcher Observation, 2019).

In Nigeria, decrease in money supply, increase in interest rates high rate of multiple tax system trade deficit and depreciations of local currency (Naira) has direct negative effects on macroeconomic performance. These are direct causes of economic recession, which is worse than inflation and this is what Nigerians are experiencing. In line with above statement, do foreign trade indicators stimulate macroeconomic performance of Nigeria Economy? Answer to this question is what the researcher is about to explore.

Objective of the Study

The broad objective of this study was to evaluate the impact of foreign trade indicators on the macroeconomic performance in Nigeria (1980 – 2017). The Specific objectives of the study are to:

1. Evaluate the relationship between exports of goods and services generated in the country within the study period on real gross domestic product in Nigeria.
2. Examine the relationship between inflation rates on macroeconomic performance in Nigeria.
3. Examine the relationship between exchange rate of dollar and the equivalent of local currency Naira on real gross domestic product in Nigeria.

Statement of Hypotheses

This work was guided by the following hypotheses which are stated in the null form.

Ho_1: There is no significant relationship between aggregate exports of goods and services generated in the country on the real gross domestic product in Nigeria economy.

Ho_2: There is no significant relationship between inflation rates on macroeconomic performance in Nigerian.

Ho_3: There is no significant relationship between exchange rate of dollar and the equivalent of local currency Naira on real gross domestic product in Nigeria economy.

Significance of the Study

The importance of the study is to contribute on the existing issue government foreign trade indicators and macroeconomic performance in Nigerian economy.

Scope and Limitation of the Study

The broad objective of this study was to determine the impact of foreign trade indicators on macroeconomic performance in Nigeria over the period (1980 – 2017) 38 years and is within the geographical zone of Nigeria. The choice of the period is due to data availability, and the period captures the various government foreign trade under different government in Nigeria.

Literature Review

Game Theory

This theory is based on two assumption of every action has a reaction. Predominantly, economic life is full of many situations of strategic interaction among different countries foreign trade indicators with others; households, firms and government policy makers. According to Koutsoyiannis (2003), game theory is important for government officials, consumers, firms, and investors to know how it fasts will take economic units to

react to changes of various policy variable. Empirically, the theory was based on foreign trade indicators on imports, exports, exchange rates, tariffs, interest rates and inflation phenomenon. The game theory is multi-variants regression technique with one (1) model specification to measures actions and reactions relationship between two or more selected foreign trade indicators variables that have a cause and effects relationship (Dwivedi, 2005).

The country in study "Nigeria" has an overall area of 923, 768sq, km, land area of 910,768sq, km, water 13,000sq, km and coast line 853km, Abdullahi (2002). The country is located on the west coast of the African continent and is bounded on the south, by the Gulf of Guinea, on the east by Cameroon, 1,690km, on the north by Niger 1497kkm and on the west by Benin Republic 773km. Todaro and Smith (2005). According to National Population Census (NPC, 2012), Nigeria population was over 168 million. The country is endowed with land and natural resources. Nigeria is a federation, consisting of a central (Federal) government, 36 states and 774 local government area, Federal Republic of Nigeria Constitution (1999). Traditionally, all business activities within the border are classified as domestic trade and all the business activities across the border is international trade.

Foreign Trade Indicators

Exports

Exports are deliveries of goods and services from home country to foreigner (Hall *et al* 1997). According to Samuelson *et al* 2001, Exports are goods and services produced domestically and purchased by foreigners. **Imports:** Hall *et al* (1997) defined imports as deliveries of goods and services from foreign countries to home country. **Interest** is the payment made for the use of money. It is a payment to providers of economic capital (Bryns and Stone, 1987). According to McConnell and Brue (1999), it is the price paid for the use of ₦1 for 3 years, while interest rate is the amount of interest paid per unit of time expressed as a percentage of the amount borrowed Samuelson *et al* (2001). The cost of borrowing money, measured in Naira per year per Naira borrowed is the interest rate. According to Hall *et al* (1997) definition, it is the amount charged for a loan by a bank or other lender per dollar per year which is expressed as a percent.

The concept is being defined as the terms of exchange between the deficit units and the surplus units Ezirim, (1996). Is refers to the percentage monetary premiums paid per time period for scholars opinion, is the money price paid to use $1 for one year. Interest payments measure the opportunity cost of borrowed payments measure the opportunity cost of borrowed funds. Interest rate is a price, the price that lenders receive and borrowers have to pay (Udell, Silber and Ritter 1997). According to Gbosi 2005, definition, it is the cost of borrowing money. It is the price paid for the use of a financial asset (Calander, 2004).

Tariffs – Customs Duty

It is a special tax that applies only to goods traded internationally, (Bryns *et al* 1987). Tariffs are excise taxes on imported goods in order to obtain revenue or to protect domestic firms (McConnell *et al* 1999).

Exchange rate

The naira exchange rate measure the price of Naira in terms of foreign currencies, three hundred and sixty naira Nigerian currency is equivalent to American one dollar (CBN, 2018). According to Ezirim (1996), it is the price of the domestic currency expressed in term of foreign currency. It is the number of units of foreign exchange that one unit of domestic currency will buy (Levacic and Rerbmann 1981). In McConnell *et al* (1999) opinion, an

exchange rate is the rate at which the currency of one nation is exchange for the currency of another nation. It is the amount of home currency that must be paid in order to obtain one unit of the foreign currency (Lipsey et al 1987) Udell *et al* (1997) defined the word as the price of foreign money – According to Pugel (2007) definition exchange rate as the price of one nation's money in term of another nations money.

According to Gbosi (2005), Colander, (2004), and Jhingan (2013), causes of change in the demand and supply of foreign exchange rate includes government political systems of the country, social change influence, prices, changes in exports and imports, capital movement, influence of banks, influence of speculation, and structural influence. The concept of **inflation** is a continuous, persistent increase in the prices of goods and services. Gordon, (1981). It is a continuous rise in price level of goods and service, Colander, (2004). According to Hall and Taylor (1996), whenever there are price surprises on goods and services overtime. The word inflation is a substantial rise in prices overtime, Gbosi, (2005). It is a general increase in the price of goods and services in all the areas of the economy in the country. A persistent and gradually increase of percentage point on prices of goods and services from the previous prices to current prices is a phenomenon inflation.

The concept of money in foreign trade, according to the following scholar's definition Mc Connell and Brue (1999) money is what we feel and thinks to be money. Ritter, Silber and Udell (1996) it is a means of payments for goods and services within and outside the country. Coulborn in Jhingan (2013) defined money as the means of valuation and payments. Hicks (1967) defined money by its functions. Lipsey, Steiner and Purvis (187) described money as anything that will be accepted by virtually everyone in the given society in exchange of goods and services. Sawyer and Sprinkle (2006) defined money as anything that serves as a commonly accepted medium of exchange (Samuelson and Nordhaus, 2001). The concept money makes the world economy go around (Byrns and Stone, 1987). Traditionally economists generally defined the concept as any facility which a given state declared as money is money. Money is a highly liquid financial asset that is generally accepts in exchange for other goods and services, (Colander, 2004). Generally, money is a commodity that serves as a medium of exchange, unit of account, store of valued within the home country and the foreign country.

Naira and kobo is a commodity which is generally accepted by the government and the people of the country as a means of settlements bills, payments for goods and services within the geographical area of Nigeria. Any instrument that serves as facilitator, and is generally accepted by the citizens of the country for the settlements of effective demand for and supply of goods and services such as naira currency and kobo coins in Nigeria is money.

Real Gross Domestic Product

According to concise Oxford Dictionary (1976), the word "real" is defined as "actually existing as a thing or occurring in fact". In economics theory, the word real is magnitude in which it is expressed in the price of an arbitrarily chosen "base year". Real Gross domestic product in any year is the sum of quantities produced times their price in the base year, (Gbosi, 2005) and (Okowa, 1999). According to Sawyer etal, 2006, real gross domestic product is the market value of goods and services produced in a year is adjusted to account for changing prices. Real gross domestic product serves as a monitored pulse of a nation's economy, (Samuelson *et al.,* 2001). It is the monetary value of goods and services. Real GDP is measure by multiplying the quantities of goods by an invariant or fixed set of prices.

Real gross domestic product in Nigeria is the values of all currently produced of goods and services sold in the market, and is being measure in 1980 prices. These various in real gross domestic product will leads to changes in total real output and the amount of employment and unemployment. According to Lipsey etal (1987) increase or decrease in real gross domestic product will affect living standards, because the total amount of goods and services available varies as total output varies. In their opinion (Ritter etal 1997) (Samuelson, *et al* 2001) and colander, (2004) contractionary fiscal and monetary policies reduces business opportunities cause high unemployment of labour lead to low level of consumer demand and create negative gross domestic product (GDP) of the economy.

Empirical Literature

Numerous researchers have carried out studies in respect to examine the relationship between trade and economic performance, both in advanced and underdeveloped countries. The work was reviewed according to the following scholars. Usman (2011) investigated the workings of trade on Nigeria economic growth. In this study, linear multiple regression model analysis was used in assessing various components of international trade. Ordinary least square, (OLS) techniques was used as a medium to achieve this objective of the study. Data used in this study were obtained or extracted from CBN statistical bulletin, golden jubilee edition. From the study, Researcher observed that export, import and exchanged rate are all negatively related to real output of Nigeria with 19 percent, 8.7 percent and 52 percent respectively and the adjusted R^2 is 71 percent for the period, 1970 to 2005.

Chima (2013) examined the impact of international trade on economic growth of Nigeria from 1980 to 2009. The variables used for this study are volume of export, volume of import, net export and trade openness. The methodology use was ordinary least squares, (OLS) and E-view software package. The regression result shows that NEXP (Net Export) and VIMP (Volume of import) has a positive relationship with GDP while trade openness and VIMP (volume of import) has a negative relationship with GDP.

Muhammed, Yakubu and Akanegbu (2015) investigated the impact of international trade on economic growth in Nigeria for the period 1981 to 2012. Dependent variable was real gross domestic product and independent variables were degree of trade openness, foreign exchange and interest rate were obtained from World Bank data outlook, Central Bank of Nigeria, Statistical Bulletin. Researchers used degree of openness to proxy international trade, the ordinary least squares technique was employed as the technique of analysis. The result of the analysis showed that all the variables except interest rate were statistically significant. Furthermore, researchers recommended that policy makers should adopt policies on trade liberalization such as reduction of non – tariff barriers reducing tariffs, reducing or eliminating quotas that will enable the economy to grow at spectacular rates.

Sitajdazic and Methic (2017) examined trade openness and economic growth, empirical evidence from transition economic 1995 to 2013. Among the relationship between changes of real gross domestic product percent, applied tariff rate in the country, domestic investment, government balance, export and import. Multiple linear regression (OLS) was used to estimates the model. Data were mainly sourced from international monetary fund (IMF). The results revealed the three different specifications models used to estimates, trade openness export, import and total trade of GDP.

The results also was in favour of the hypothesis that trade volumes are positively associated with growth performance. The results indicate with growth performance. The results indicates the elasticity on openness as measured to trade GDP (model 1) 0.079, which indicates that a 10 percent increase in contribution will increase GDP per capita growth by an average of about 8 percent. The additional effect of exports and imports contribution to GDP is also statistically significant at 0.15 and 0.14 which shows that exports and imports positively affect economic growth with a similar magnitude.

Evaluation of Literature Reviewed

Based on the studies of previous scholars and researchers works on the related topics to the present work. It was clearly indicated that, they differs in their views on empirical works and findings on the impacts of trade policy and economic growth in developing countries and Nigeria. While the present study deals on the impact of foreign trade indicators on macroeconomic performance in Nigeria 1980 – 2017. Therefore, evaluation was done based on the following researcher's work (Usman, 2011) investigated works of trade on Nigeria economic growth, 1970-2005.

The present study analyzes the same independent variables including inflation rate and tariff. Using the impact of foreign trade indicators on Macroeconomic performance in Nigeria (1980-2017) for a period of 38 year, 1 model specification with multiple least square regression was used in this study, while previous studies used single linear multiple regression model OLS techniques was used as a medium to achieve this objective of the study. The results indicated that exports, imports' and exchange rate were negative to real output of Nigerian.

Sitaydzic and Mehic (2017) examined trade openness and economic growth empirical evidence from transition economic 1995 – 2013, while the present study analyzed the same independent variables except government balance, on the impact of Foreign trade indicators on macroeconomic Performance in Nigeria (1980-2017) for a period of 38 years. One (1) model specification with multiple ordinary least square (OLS) regression and E view 10.0 was employed in the study, while Sitaydzic and Mehic (2017) used multiple linear regression (OLS) to estimates the model. The results indicated the elasticity on openness as measured to trade GDP.

Methodology

Research Design

The research design adopted for the study was based on quasi experimental research design. Nwankwo (2013) has it that the quasi experimental design allows for the evaluation of the effect of independent variable(s) on a dependent variable using time series data.

Data Collection Method and Sources

The information utilized in the conduct of the study was sourced from secondary sources. Basically, published data from the Central Bank of Nigeria (CBN) statistical Bulletin, National Bureau of Statistics, Internet, Standard text books on international economics and finance, Journals and other research works and the World Bank data base – 1980 - 2017. The researcher used time series data. On economic variables that deal on exports, imports, inflation, exchange rates and tariffs rate (Customs duty).

Techniques of Data Analysis

The researcher used Auto regressive Distributed Lag (ARDL) based on the ordinary least squares was used to analyses the data for the country – 1980 – 2017. The OLS was used due to its possession of the Blue properties. In the addition short – run analysis was conducted on:

i. **Apriori** test to check whether the signs and sizes of the variables used conforms with the apriori expectations in the economy.
ii. **Statistical** test was conducted using the t-tests and F-test. The t-tests tests the individual significance of the variables used while the F-test, the overall significance of the variables used in the model.

Model Specification

Empirically, model specification is defined as step econometrician has to take in attempting the study of any relationship between variables, is to express, this relationship in mathematical form, (Koutsoyiannis, 2003), (Upender, 2005) and (Gujarati, 2013). However, this analysis is based on multiple linear regression models. In line with Hendry and Richard (1983) a model chosen for economic empirical analysis should fulfill necessary and sufficient conditions of variables, with data being admissible, consistent with economic theory, weakly exogenous regressors, parameter consistency, and data coherency and encompassing.

Therefore, the model used for the purpose of the study is stated mathematical below. The Mathematical Functional Form of the Model is in line with Gujarati (2013), therefore, nested models specification is used in the study. By employing universal set. This is useful for distinguishing nested set models where U = (AUBUC)= all the independent variables of the study, Harshbarger and Reynolds, (1996). The researcher employed multiple regression models in which the dependent variable or regress and depends on two or more explanatory variables or regressors (Gujarati, 2013).

Model I

Nigeria's growth model is stated below in its functional form:

Real gross domestic product = f (COD_t, EXR_t, $EXP_{t,}$ IMP_t, INF_t) ………………… (3.1)

This is further stated in econometric form below:

$RGDP_t = b_0 + b_1COD_t + b_2EXR_t + b_3EXP_t - b_4IMP_t - b_5INF + U_i$ ……….. (3.2)

Estimation Analysis

Where, the researcher employed partial derivative methods to indicates rate of change in individuals independent variables on dependent variable, holding others variables constant.

According to Gujarati (2013) the coefficient $\beta_1 - \beta_5$ are called the partial regression coefficients. There are independent of changes indicators on macroeconomic performance in Nigeria. 1980 – 2017.

Description

Dependent Variables

GDP_t = The Gross Domestic Product (GDP) is one of the most acceptable methods of measuring an economy over a period of time. For Nwankwo (2013), it is less complicated and easily calculated than the other methods.

Independent Variables

IMP_t = Official import figures measures, in monetary terms, the total goods and services that crossed the border into the economy of the state.

EXP_t = Just like the imports, the exports measures economic performance in terms, the total goods and services that leaves the borders of a country into another country.

EXR_t = Exchange rates measures the purchasing power between two competing currencies.

COD_t = The customs duty is also important in the study as it captures the tariff from imported goods.

INF_t = Inflation rate is also important for the sole purpose that it affects importation or exportation. Inflation is also an important factor when measuring the Real Gross Domestic Product (RGDP), and credit to private sector.

U_i = Stochastic Term (It covers all the other variables that affect GDP but were not included in the model).

Apriori expectations: $b_1 – b_3>0$; $b_4 – b_5<0$

Statistical Software used

Eview 10.0 software was used for the purpose of this research.

Results

Table 4.1: Error Correction Mechanism Test Results (ECM)

Model I

Dependent Variable: D(RGDP(-1))
Method: Least Squares
Date: 11/26/19 Time: 14:02
Sample (adjusted): 1982 – 2017
Included observations: 36 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1254.939	279.7545	4.485858	0.0001
D(CD(-1))	-0.000218	0.003997	-0.054426	0.9570
D(EXP1(-1))	5.79E-09	2.51E-08	0.230579	0.8193
D(EXR(-1))	36.19782	14.38505	2.516350	0.0176
D(IMP(-1))	6.56E-08	3.61E-08	1.817644	0.0795
D(INF(-1))	9.918826	15.70876	0.631420	0.5327
ECM1(-1)	-0.193103	0.099099	-1.948586	0.0611

R-squared	0.748149	Mean dependent var	1685.968
Adjusted R-squared	0.592594	S.D. dependent var	1518.634
S.E. of regression	1446.618	Akaike info criterion	17.56451
Sum squared resid	60688413	Schwarz criterion	17.87242
Log likelihood	-309.1612	Hannan-Quinn criterion.	17.67198
F-statistic	1.595249	Durbin-Watson stat	2.593741
Prob(F-statistic)	0.184198		

Source: Eviews 10.0

Discussion, Finding, Summary and Recommendations

Discussion

The results from table 4.1 error correction mechanism result (ECM) using the E-view 10.0 statistical software package. We obtained the following results:

Model I: Real Gross Domestic Product (RGDP)

Show the interpretation of the various coefficients. It is a straight forward result. The partial slope coefficient values of the foreign trade indicators of five (5) variables as (CD – tariffs = -0.000218) (Exp = 5.79), (EXR = 36.19), (Imp = 6.56) and (Inf = 9.91).

In other words over the period of study 1980 – 2017, when the four (4) variables remains unchanged, a 1 unit increase in custom duty leads to a decrease in real gross domestic product RGDP by 0.002 unit. Therefore the studies indicate that 0.0002 unit increase in RGDP inferred 1 unit decrease in custom duty.

The results indicates that over the period of study: 1980 – 2017, when the four (4) economic variables remains unchanged, a 1 unit in increase in exports inferred 5.79 units increase in real gross domestic product RGDP. Empirical study show that a 5.79 unit increase in RGDP leads to 1 unit increase in exports.

The results on table 4.1 show that over the period of study, when the four (4) variables remains unchanged, a 1 unit increase in exchange rate leads to 36.2 unit increase in real gross domestic product. The empirical study revealed that a 36.2 unit increase in real gross domestic product RGDP inferred 1 unit increase in exchange rate.

The results above indicated that between 1980 – 2017, when the four (4) macroeconomic indicators variables of the study remains unchanged a 1 unit increase in imports inferred 6.5 units decrease in real gross domestic product, the empirical study revealed a 6.5 units increase in real gross domestic product led to a decrease in imports by 1 unit.

The results on table 4.1 show that over the period of study, when the four economic indicators variables remains unchanged a 1 unit increase in inflation led to 9.9 unit increase in real gross domestic product RGDP. The empirical study revealed that a 9.9 unit increase in real gross domestic product increase inflation by 1 unit.

The intercept value of Real Gross Domestic Product (RGDP) is 1254.939, empirically interpreted as when the values of imports, exports, exchange rate, custom duty and inflation rate were fixed at zero, the mean of RGDP would be about 1254.939 unit per thousand.

Empirically, evidence on macroeconomic game theory implications shows that positive increase in real gross domestic product leads to an increase in employment generation, exports, savings, investments and decrease in current account deficits. The condition of the economy, recovery. Hall and Taylor (1996), Blanchard (1997), and Ajie, Akekere and Ewubare, (2014). While negative decrease in real gross domestic product, indicates increase in current account deficits, increase in unemployment and increase in imports. Condition of the economy, recession, Krugman *et al.,* (2012), Gordon (1981) and Samuelson and Norhaus (2001).

R^2 value of about 0.75 indicates that about 0.75 percent of the variations in real gross domestic product was explained by Custom Duty (CD), exports (expt), exchange rate (exch), imports (imp) and inflation (inf). The five regressors explain 0.75 or 0.75 percent of the variable in real gross domestic product (RGDP). The overall model is also slightly statistically significance at 5% level. According to Nwankwo (2010) the implications of the

results indicates that regression has a high explanatory power of 75 percent and its show good fit line between real gross domestic product and 5 selected foreign trade indicators. The remaining 25 percent of the total variation in real gross domestic product was non-included variable for by the regression line and was caused to the factors included in the shocks variable µ. Koutsoyiannis (2003) and Gujarati (2013).

Findings

View of previous scholars Usman (2011) results indicated exports, import and exchange rate were negative to real output of Nigerian economy. Chima (2013) results showed volume of Exports has a positive relationship with GDP while trade openness and volume of imports has a negative relationship with GDP. Muhammed, Yakubu and Akanbu (2015) results indicated all the variables except interest rate were statistically significant. Sitaydzic and Mehic (2017) results indicated the elasticity on openness as measured to trade GDP.

Summary

The study aimed to examine the impact of foreign trade indicators on the macroeconomic performance in Nigeria, 1980 – 2017. The underlying (independent) variables: IMP, EXP, CD, INF, EXR while the dependent variables were RGDP. These were used as a measure of foreign trade indicators and economic performances.

Recommendations

The recommendations from the study of this nature will be varied as it will have to accommodate the different aspects of the sectors used in the study. The essence of this is to guide the country's policy makers to properly make policies to lift up the RGDP. This study recommends the following:

I. Customs Duty is irrelevant. For whatever reason, the analysis has discovered that the Nigerian customs duty is virtually irrelevant. It contributes negatively to the economy. Other researchers have also delved into the corruption saga in customs and all these point to the fact that the agency must either be overhauled or totally scrapped.
II. Finally, every policy geared towards reducing inflationary gap must be pursued.

Recommendations for Policy

i) Government of Nigeria should adopt flexible exchange rate in conducting domestic monetary and fiscal policies.
ii) Fiscal policy makers should increase customs duty taxes in order to discourage importation of foreign, reduce level of unemployed youth, and high inflation rate in the country.

REFERENCES

Abdullahi, A. (2002). Realizing the Potentials of Agriculture in Nigeria. Bullion Publication of the Central Bank of Nigeria. 26(1), 67 – 70.

Ajie, H.A., Akekere, J., & Ewubare, D.B (2014). Praxis of Public Sector Economics and Finance, 3rd ed: Port Harcourt, Pearl Publishers.

Blanchard, O. (1997). Macroeconomics. New Jersey: Prentice Hall International Ltd.

Byrns, R.T. & Stone, G.W. (1987). Economics 3rd ed: London, Scoh Foresman and Company.

Central Bank of Nigeria (2000). Annual Reports and Statement of Accounts Abuja Central Bank of Nigeria (2011) Annual Report and Statement of Accounts, website www. Cbn.gov.ng.

Colander, D. C (2004). Economics, 5th ed. New York: McGraw Hill Irwin.

Dwivedi, D. N. (2005). Managerial Economics, 6th ed. New Delhi: Vikas Publishing House Pvt Ltd.E.

Ezirim, C.B. (1996). Finance Dynamics, Principles, Techniques and Applications. 2nd ed, Port Harcourt: Markowotz Centre for Research & Development.

Gbosi; A. N. (1999). Principles of International Trade, Theory and Policy. Aba: /socha Press.

Gbosi; A. N. (2005). Modern Macroeconomics and Public Policy. Port Harcourt: Sherbrooke Associations.

Gills, M., Perkins, D. H., Roemer, M. & Snodgrass, D. R. (1996). Economics of Development 4th ed. New York: WW. Company Inc.

Gordon, R. J. (1981). Macroeconomics, 2nd ed. Canada: Little Brown and Company (Inc).

Hall, R. E. & Taylor, J. B. (1996) Macroeconomics 5th ed. New York: WWW. Norton & Company Inc.

Jhingan, M. L (2013), Macroeconomic Theory 12th ed. Delhi: Virinda Publications (p) Ltd.

Jhingan, M. L. (2007). Advanced Economic Theory, 12th ed. Delhi: Virinda Publications (p) Ltd.

Koutsoyianis, A. (2003). Theory of Econometrics 2nd ed. New York: PAL GRAVE.

Krugman, P. R., Obstfeld, M. & Melitz, M. J. (2012), International Economics, Theory & Policy, 9th ed. New York: Addison-Wesley.

Lipsey, R.G, Steiner, P. O. & Purvis, D. D (1987). Economics, 8th ed. New York: Harper & Row, Publishers.

Mc Connell, C.R. & Brue, S.L. (1999). Economics Principles, Problems and Policies 14th ed: New York, Irwin McGraw-Hill.

Nwankwo, O. C. (2010). Practical Guide to Research Writing, 3rd ed. Port Harcourt: Golden Publishers Ltd.

Ohale, L. (2018). Poverty in the Mist of Plenty: The Paradox of Nigeria's Development, Inaugural Lecture Series No. 145, University of Port Harcourt, Port – Harcourt.

Okowa, W.J. (1999). Macroeconomics for Universities: Port Harcourt Pam Unique Publishing Co. Ltd.

Pugel, T. A (2007). International Economic, 13th ed. New York: McGraw-Hill Irwin.

Ritter, L. S., Silber, W. L, & Udell, G. F. (1996). Principles of Money, Banking and Financial Markets, 9th ed. New York: Addison-Wesley.

Samuelson, P. A. & Nordhaus, W. D. (2001). Economics 17th ed. New York: McGraw-Hill Irwin.

Sawyer, W. C. & Sprinkle, R. L. (2006). International Economics 2nd edu; Canada: Pearson Prentice Italy.

Siladzie, S. & Mehic E. (2017). "Trade Openness and Economic Growth: Empirical Evidence from Transition Economies" Management International Conference, Monaster Treviso (Venice) Italy. 24 – 27 May.

Todaro, M. P. & Smith, S. C (2010). Economic Development. Singapore; Published by Pearson Education Pte Ltd.

Upender, M. (2004). Applied Econometrics, 2nd ed. Delhi: VRINDA PUBLICATIONS (P) Ltd.

Usman, O. A. (2011). Performance Evaluation of Foreign Trade and Economic Growth in Nigeria. *Research Journal of Finance and Accounting* ISSN 222 – 1697 (Paper) ISSN 2222 – 2847 (online) 7(2).

Yakutu, M. M. & Akaregbu, B. N. (2015). "The Impact of International Trade on Economic Growth in Nigeria: 1981 – 2012, *European Journal of Business, Economics and Accounting.* 3(6), ISSN 2056 – 6018.