

Exchange Rate Fluctuations and Economic Performance of Manufacturing Sector: Evidence from Nigeria

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Abstract : Persistent fall in the value of Nigeria's currency compared to other foreign currencies, constant fluctuations in the exchange rate, and an increase in the price of goods and services necessitated the examination of the effects of exchange rate fluctuations on the economic performance of the manufacturing sector in Nigeria. An ex-post facto research design was adopted. Manufacturing gross domestic product (MGDP) was proxied for performance; Naira/Dollar exchange rate (NDE), Naira/Pounds exchange rate (NPE), Foreign exchange supply (FES) were used for exchange rate fluctuations; and inflation rate (INF) was a control variable. Data were collected from CBN Statistical Bulletin (2020) also World Development Indicators of the World Bank, while data collected were analysed using descriptive analysis, unit root, bounds cointegration test, and ARDL. Findings showed that changes in Naira/Dollar exchange rate (NDE) and Naira/Pound Sterling exchange rate negatively but significantly impact the economic performance of the manufacturing sector, while foreign exchange supply leads to an insignificant positive effect on the economic performance of the manufacturing. The study concludes that exchange rate fluctuations negatively impact the performance of the manufacturing sector in Nigeria and, therefore, recommends that government should encourage export diversification through agriculture, agro-investment, and agro-allied industries that would boost export in order to improve the value of the Naira, thereby stabilizing the exchange rate.

Keywords : exchange rate, economic performance, gross domestic product, inflation rate, foreign exchange supply

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