Modelling the Long Rune of Aggregate Import Demand in Libya

Authors : Said Yousif Khairi

Abstract : Being a developing economy, imports of capital, raw materials and manufactories goods are vital for sustainable economic growth. In 2006, Libya imported LD 8 billion (US$ 6.25 billion) which composed of mainly machinery and transport equipment (49.3%), raw material (18%), and food products and live animals (13%). This represented about 10% of GDP. Thus, it is pertinent to investigate factors affecting the amount of Libyan imports. An econometric model representing the aggregate import demand for Libya was developed and estimated using the bounds test procedure, which based on an unrestricted error correction model (UECM). The data employed for the estimation was from 1970–2010. The results of the bounds test revealed that the volume of imports and its determinants namely real income, consumer price index and exchange rate are co-integrated. The findings indicate that the demand for imports is inelastic with respect to income, index price level and The exchange rate variable in the short run is statistically significant. In the long run, the income elasticity is elastic while the price elasticity and the exchange rate remains inelastic. This indicates that imports are important elements for Libyan economic growth in the long run.

Keywords : import demand, UECM, bounds test, Libya
Conference Title : ICEBMM 2014 : International Conference on Economics and Business Market Management
Conference Location : Istanbul, Türkiye
Conference Dates : December 05-06, 2014

Open Science Index, Economics and Management Engineering Vol:8, No:12, 2014 publications.waset.org/abstracts/1785.pdf